

Management and Control of Implicit Cost in Enterprise

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Abstract

Massive implicit cost exists in enterprise businesses, which is often ignored by managers. In order to improve the cost situation fundamentally, we must pay attention to the composition, hazards of this cost, and take various measures to control. Only then the ability of enterprise of creating value could be understood, and the ability of the enterprise to deal with the economic crisis would be enhanced.

Keywords

Implicit cost; Future cost; Opportunity cost.

1. Introduction

Cost control is the focus of every enterprise. Many companies have taken a variety of measures, sales have been greatly improved, but profits have not changed before.

What is the cause of this phenomenon? One of the important reasons is that there are a lot of invisible costs implicit in enterprises.

The cost of an enterprise can be divided into two categories: explicit cost and implicit cost. Explicit cost refers to visible and actual expenditure in account. When calculating accounting profits, enterprises do not deduct the implicit cost from total revenue, but the difference between total and explicit costs.

A large number of implicit costs are often ignored by managers, or have long been noticed but lack effective control methods and means.

2. The Composition and Characteristics of the Implicit Cost

2.1 The Composition of the Implicit Cost

Implicit costs mainly consist of mechanism cost, system cost, opportunity cost and friction cost. The mechanism cost mainly refers to the unsound and imperfect implementation of the rules and regulations and supporting measures in the aspects of personnel, distribution, incentive, supervision and restraint, resulting from the backward management system and the imperfect and imperfect implementation of the regulations and supporting measures. The increase in cost of major economic losses.

The cost of system refers to the cost paid by enterprises in the process of institutional change. Institutional economics holds that institutional change is actually the process of the abolition of the old contract and the formation of new contracts, and the redesign, innovation and implementation of the contract need to pay a certain cost. According to the cost and expenditure situation of the system construction process and system implementation, the system cost can be divided into process cost and execution cost.

Process cost is to pay certain manpower, material resources, intelligence and financial resources in the construction of enterprise system. Executive cost refers to the time, manpower and financial resources that need to be consumed in system promotion, department coordination, supervision and inspection and continuous improvement.

Friction cost is in the process of enterprise internal operation, because of the human, material, time, energy and other cost levels, such as human, material, time and energy, which are consumed by the

contradictions, conflicts, non cooperation and incoordination in the interpersonal relationship or the departmental relationship, which are directly proportional to the degree of friction. This kind of friction is the negative productivity and the cost of extra payment.

If an enterprise, between the staff and workers, between leadership and leadership, The difference between superiors and subordinates is due to their different personalities, opinions or opinions.

The differences on each other, and mutual distrust, non support, non coordination, and even dismantling each other, will inevitably result in the complexity of interpersonal relationships within the enterprise, resulting in greater friction. This friction is an invisible cost that enterprises can not underestimate.

Because of the lack of balance, fairness, integrity and harmonious atmosphere in the enterprise, it is easy to generate friction. This kind of cost is not valued by people and is hard to calculate.

2.2 The Characteristics of the Implicit Cost

The dominant cost of accounting content is historical cost. Part of the implicit cost is the potential cost and the future cost. Because future events can happen and how they happen, they are uncertain and therefore difficult to understand. The circulating cooling water of the central air conditioning should be high purity water with high impurity content. If it is to reduce the cost, the well water is used for circulating cooling. Because the well water contains silt, the filter net at all levels of the central air conditioner will always be blocked by these silt for one day, but we can't predict the sediment or what it is. It is time to affect the normal operation of the air conditioning system. When the air conditioning is blocked and can not work properly, the cost of air-conditioning repair is implicit cost. In this way, the occurrence and assessment period of implicit costs are uncertain.

The greater the accumulation of implicit costs is, the stronger the outbreak and the greater the risk. For example, the outbreak of trust crisis, resulting in collective turnover of executives, will inevitably lead to an increase in human costs, profits and even affect the pace of development of enterprises. The trust crisis of collective job hopping has become the most fatal harm to the enterprise in marketing and management. It not only severely combows the normal sales of the company's products, destroys the channel system, reduces the cohesion of the marketing and management team, and seriously destroys the shape and goodwill of the enterprises and brands, and makes it difficult to make up for a short time. Damage. And the occurrence of financial crisis is often synchronized with the occurrence of trust crisis.

3. Control and Management of Recessive Cost

The proportion of implicit cost in total cost of enterprises is increasing. It is more important for enterprises to acquire cost advantages and control and manage implicit costs.

3.1 Set up a New Concept of Cost

The concept of effective cost and ineffective cost is the so-called ineffective cost, which refers to the cost input which is not helpful to the increment of business value and the acquisition of profits. Effective cost refers to the value-added of enterprise value and the acquisition of profits with positive efficiency cost. Only effective cost is meaningful to the enterprise. The ineffective cost will usually exist in the way of recessive cost. This requires that the enterprise should avoid the invalid expenditure in the cost management, that is, all departments should cooperate fully and use the business demand as the guidance to make the effective use of the cost. All the departments and all members of the control concept are cost control, and all are the benefits creators, combining the professional control and the mass control, the cost education to all related personnel, the cost awareness, and the staff to master more skills and skills to control the recessive.

To firmly establish the concept of sustainable development, enterprises should not only pursue the maximum income of the current period, but also pursue the maximization of long-term income; not only save the current cost, but also pay more attention to the impact of current behavior on the future cost. In the content of cost management, the dominant cost and the recessive cost are equal in order to

prevent and reduce the recessive cost, and the past and future costs are equal in order to control and reduce the future cost. We should not only pay attention to and control the dominant costs of production costs, sales costs and capital costs, but also pay attention to and control the implicit costs of human capital, the cost of intangible assets, and the cost of organization and operation.

In the management of enterprises, we must take cost control as an important part of strategic management of enterprises, especially implicit costs. Nowadays, enterprises generally have a waste of time and cost, low utilization of raw materials, and easy to cover up the problems of management. The loss caused by the recessive cost is very terrible.

Although the enterprises are constantly changing and developing, the biggest implicit danger of the enterprise is that the process is not standard, imperfect and unstandard. The enterprise must rammer the duties of various executive departments, avoid duplication and invalid operations within the enterprise, cancel the unrelated processes and corresponding institutions, and find that the process reengineering should be organized in time when the process is inefficient. At the same time, in order to effectively control the implicit cost, management should be institutionalized, systematized, standardized and professionalized, and all links of the business process should be well connected. All of them will greatly compress the cost of the enterprise and improve the income. At present, more and more enterprises also pay attention to the optimization of the production process, which can save a lot of production costs, improve work efficiency and optimize the production process.

3.2 Dynamic Control of Cost Management

In the traditional cost accounting model of cost management, although a simple cost budget target is set up at the beginning, more project cost accounting will only audit and calculate the actual dominant cost only after the end of the project. In fact, this kind of ex post accounting method does not reflect the existence of the implicit cost. Of course, it can not analyze the profit and loss of the project because the dominant cost control is not strict or the implicit cost is not controlled.

Therefore, the traditional mode of cost accounting can not truly reflect the actual cost of the project, it is only after the end of the project to review the project profit and loss status. Therefore, in order to avoid the overrun of the implicit cost, the cost accounting of the project should be changed to the cost index according to the actual progress, and the classification of the obvious cost and the recessive cost. In this way, the real, dynamic control and management cost can be achieved.

3.3 Strengthening the Management of Human Resources

(1) to reduce the cost of education caused by non learning and learning, the loss of efficiency caused by irrational collocation of professional structure, and the loss of high talent caused by irrational collocation of talents, and the recessive unemployment caused by the establishment of a job due to people. (2) avoid employees' improper motivation and cause the frustration of employees' enthusiasm. (3) attach importance to the "knowledge flow" management of enterprises, realize the sharing of knowledge resources within enterprises, ensure the continuous increase of knowledge capital and maximize efficiency. (4) establish a mechanism for the joint development of talents and enterprises, accelerate the upgrading of the capabilities of enterprises, and cultivate more high-quality talents with knowledge competition in the future. (5) attach importance to the construction of enterprise culture and improve employee relationship.

4. Conclusion

Implicit cost is a kind of cost implicit in the total cost of the enterprise and free from the supervision of financial audit. It is a implicit future cost and transfer cost caused by the behavior of the enterprise or employee intentionally or unintentionally. It is the sum of the future tense and the cost form of the transfer of the cost, such as the huge cost increase brought by the management decision error, the inconsistency of the leadership failure, the information and the loss of instructions.

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