

A Study on the Cost Accounting Process of M&G Stationery

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Abstract: M&G Stationery is a leading company in China's stationery industry. The company has established a business layout characterized by a "one body, two wings" strategy, with traditional stationery products as the core, and direct office sales and large retail stores as the wings. To study the cost accounting process of M&G Stationery, this paper introduces the production characteristics of M&G's products as well as the procedures and methods of cost accounting, and offers several suggestions for improvement.

Keywords: M&G Stationery, Cost Accounting, Parallel Step Transfer Method

1. Introduction

In the context of global market economic integration, various enterprises in China must strengthen cost control and management in their production and operations. On one hand, they need to keep product costs from being excessively high; on the other hand, they must strictly manage the cost accounting process. The cost accounting practices of M&G Stationery can assist the company in financial management and efficiently reduce operational costs, while also effectively integrating other resources. This ensures the enterprise's costs and revenues are well-balanced. Furthermore, the mode of cost accounting management needs continuous technological innovation to adapt to the current variable cost consumption, thereby enabling sustainable and continuous development for Chinese enterprises.

2. Company Overview

Shanghai M&G Stationery Inc. is located in Qingcun Town, Guangming Economic Park, Fengxian District, Shanghai, covering an area of 260 acres. M&G Stationery is an integrated stationery group that combines creative value with manufacturing advantages, focusing on the stationery business.

2.1 Manufacturing Process

It may seem to some people that producing a small pen should be quite easy, but in fact, it is far more complex than we imagine, with very strict requirements on many details. Take the production of a gel pen as an example. A gel pen consists of two parts: the pen shell and the refill. The refill is composed of the pen tip, ink, tail oil, and the ink tube. The pen tip is the most important and also the most complex part of the entire pen. "A pen may look simple, but a pen tip requires more than 20 steps. Do not underestimate this small pen tip; we have an entire research team studying it. The precision and difficulty of processing it are no less than those of watch components," said Chen Huxiong, President of M&G Stationery. The components of a watch are solid, while the pen tip is hollow, so the processing and testing difficulty of the pen tip is much greater than that of watch components.

The pen tip is composed of a ball, ball seat, and spring. Considering that the pen tip itself is already very small, subdividing it further highlights the meticulous requirements for its manufacturing process. The production of the pen tip demands extremely high standards in terms of manufacturing techniques, the technical service level of the operators, detection and information technology, and the management capabilities of the manufacturing company. First, a solid cylindrical rod must be fed into the pen tip machine, then the center groove is hollowed out, and a ball smaller than a millimeter is installed. In just a few seconds, more than a dozen precise machining steps are completed, and the manufacturing error must be within micrometer units to produce a qualified pen tip; otherwise, it will be discarded. Furthermore, the friction between the pen tip and the ball seat can reach hundreds of thousands of times. Ensuring their perfect fit requires extremely high precision—refinement, refinement, and more refinement.

2.2 Production Organization

M&G Stationery employs a grouped production method, scientifically organizing various distinct, yet similarly important, tasks for centralized management and unified analysis and processing. This approach aims to reduce repetitive

labor, save costs, conserve manpower and time, expedite work processes, and improve efficiency. For instance, different types of writing instruments are produced in a centralized manner, and correction tools are also produced collectively. This method utilizes large-scale production techniques and specialized approaches for large-scale, multi-variety, and small-batch manufacturing[1].

2.3 Management Requirements

M&G Stationery is dedicated to quality and meticulously crafts each pen. Every pen tip from M&G undergoes rigorous testing by a fully automated video inspection system before it is used to produce pen refills. Each refill must pass a thorough inspection by a line-testing instrument before it can be released for market sale. If even a single line has issues such as pitting or breaks, the entire batch of pen tips must be retested, and potentially all could be discarded. In essence, every pen must pass a 100% quality test before leaving the factory and being sealed for delivery to consumers. Such stringent requirements ensure that only products meeting quality standards reach the market.

When producing products, M&G Stationery first diligently conducts corporate cost budgeting to plan the cost levels and control targets for a specific development period. They then compare and analyze various plans to achieve the planned economic cost goals, selecting the most efficient cost decision scheme. Additionally, they strengthen routine cost review and supervisory management to promptly identify and minimize losses and waste during production, thus saving costs. The company adopts cost accounting methods that suit its operations to accurately calculate product costs.

3. Product Cost Calculation Procedures and Methods

3.1 Determination of Cost Calculation Objects

The object of product cost calculation is the specific entity to which production expenses are allocated. For example, in the category of writing tools, this includes ballpoint pens and highlighters, while in correction tools, it includes correction fluid and correction tape. Identifying the cost calculation object is a prerequisite for calculating product costs[2]. This step is essential to ensure accurate allocation of production expenses and to determine the cost associated with each specific product type.

3.2 The Procedure for Accumulating Production Expenses and Including Them in Product Costs

3.2.1 Accumulation and Allocation of Material Costs

For M&G Stationery, the accumulation and allocation of material costs first require determining the cost of materials received into inventory. Based on the specific circumstances of M&G Stationery, material costs are valued according to the planned cost. Additionally, a series of procedures must be followed to obtain materials when they are issued.

3.2.2 Accumulation and Allocation of Labor Costs

For M&G Stationery, the collection and allocation of labor costs primarily involve piece-rate wages. For example, if a worker produces 300 units in a day but 10 units are defective, the worker's wage is calculated based on the 290 qualified units produced, multiplied by the company's set piece-rate. Finally, the wage costs are allocated into the basic production costs of various products.

3.2.3 Accumulation and Allocation of Other Costs

Fuel costs, depreciation costs, external power costs, and other factor costs are primarily allocated into the basic production costs of various products based on different allocation rates.

3.2.4 Accumulation and Allocation of Auxiliary Production Costs

Common methods for allocating auxiliary production costs include the Direct Allocation Method, Algebraic Allocation Method, and Planned Cost Allocation Method. For M&G Stationery, the most commonly used method is the Planned Cost Allocation Method to distribute other expenses.

3.2.5 Accumulation and Allocation of Production Losses

Repairable defective product losses and normal downtime losses should be included in the product's cost, while non-repairable defective product losses should offset the product cost, and abnormal downtime losses should be recorded as non-operating expenses. The key point here is to differentiate between normal and abnormal downtime.

3.2.6 Allocation of Production Costs Between Finished Goods and Work-in-Progress

There are many methods for allocating production costs between finished goods and work-in-progress (WIP), such as the method of ignoring WIP production costs, the method of calculating WIP and finished goods based on quality costs, the equivalent unit method, and the predetermined proportion method. The most important aspect is determining the quantities of finished goods and WIP, as well as the equivalent units for WIP. When using the equivalent unit method, it is particularly

important to be precise in calculating the equivalent units for direct materials, direct labor, and manufacturing overhead[3]. The calculation standards differ: For direct materials, the equivalent units for WIP should be calculated based on the degree of material input. For direct labor and manufacturing overhead, the equivalent units for WIP should be calculated based on the degree of completion.

3.3 Methods of Product Cost Calculation

The method used by M&G Stationery for product cost calculation primarily employs the parallel step-transfer method. This method involves computing the various management costs incurred at each step of the production process. One of the most crucial steps is to distinguish between the final finished goods and the broadly defined work-in-progress (WIP). Once this distinction is made, the next step is to calculate the share of these costs that should be allocated to the finished products. Finally, all these allocated costs are aggregated to determine the total cost of the finished products.

4. Recommendations for Cost Accounting at M&G Stationery

4.1 Enhance the Quality of Cost Accounting Personnel

Enterprises should pay attention to the cultivation of the ideological qualities of cost accounting personnel. Accounting personnel need to correctly understand and recognize the market economy in the primary stage of socialism in China, adhere to the principle of prioritizing economic development, and wholeheartedly serve the people's livelihood. Cost accounting personnel should not only possess the necessary professional ethics but also understand the importance of enhancing their knowledge in accounting, financial management, and business management.

4.2 Accelerate the reform of the internal manufacturing environment within enterprises

Strengthen the supervision of the cost accounting process, standardize employee behavior, and cultivate generations of outstanding accounting professionals. Create a positive working atmosphere and provide a harmonious and warm working environment for employees. This can help bridge the gap between employees, fostering unity and encouraging collective efforts and determination within the company.

5. Conclusions

The study of M&G Stationery products and their cost accounting processes provides several insights and suggestions. Cost accounting is a challenge every business must face, and it is crucial for enterprises to learn how to find the most suitable cost accounting method based on their specific circumstances. If the chosen method is not appropriate, it may not only fail to help the business but also cause losses. Additionally, businesses should learn to predict product costs and analyze the root causes when actual costs significantly exceed predicted costs.

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