

# Research on Application of Target Cost Management in Enterprise Economic Management

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**Abstract:** Under the condition of market economy, in the information age of open and global economic integration, the increasingly fierce market competition is unavoidable. Target cost management, as one of the modern cost management methods, has been widely used in many industries in the world. In the process of enterprise economic management, cost management has become the most basic content. Generally speaking, it is necessary to use target cost management to complete economic management. In order to reduce costs and improve the budget implementation of investment in project management, it is necessary to do a good job of target cost management. This paper first analyzes the role of target cost management in enterprise economic management. Secondly, it is necessary to update our concepts, refine our management, and strengthen our awareness of cost management.

## 1. Introduction

Target cost management is not a simple cost estimation and cost control system, but a comprehensive strategic planning process of enterprise cost and profit [1]. In carrying out management work, we should also formulate reasonable management objectives according to the work content of the department, ensure that the goal setting has certain feasibility, and implement the responsibility to specific departments and individuals [2]. Throughout the process, all departments of the enterprise participated, and the traditional cost management model was changed into accounting management [3]. Through the control of the cost, effective overall control of the project can be achieved. The traditional strategy of improving product quality and output with technological innovation can no longer bring long-term competitive advantages to enterprises. In-depth research on target cost management is needed to make it a more targeted cost management model.

Target cost management begins with the planning of costs early in the product development cycle. When setting management objectives, specific management responsibilities should be clarified, including cost responsibility and work responsibilities [4]. In order to obtain a higher competitive advantage in the development process, enterprises need to make constant adjustments in their competitive strategies. Product quality should be guaranteed, and product costs should be reduced, which brings a problem to the enterprise [5]. Now the competition between enterprises is not only product quality, but also product cost. The main purpose of target cost management is to obtain economic benefits. The core of target cost management is management. Only by better controlling the manufacturing cost through enterprise management can enterprises win in the cruel market competition.

## 2. Basic Model of Target Cost Management

The target cost belongs to the profit target of the enterprise. It is the goal that the enterprise should strive to achieve in terms of cost in a certain stage on the basis of the investigation and analysis of the external business environment and internal operating conditions. At this stage, the enterprise control system is lacking. The degree of implementation of cost management cannot be accurately grasped, and there is a lack of results inspection and evaluation system [6]. Ensure that the quality of products between enterprises is reduced as much as possible, and at the same time,

they want to obtain higher economic benefits. With the development of economy and science and technology, people's living standard has been improved rapidly, and the price of products in manufacturing industry has been decreasing. In order to realize the target profit of the enterprise, the management object of the standard cost management should not be limited to the production cost. And with the decline of technical barriers, more powerful new enterprises continue to join the existing industry.

In the fierce market competition, cost is related to the survival, development and efficiency of enterprises. In the current situation of target cost management, most of the management methods are single, and lack of cost budgeting. When carrying out cost management, enterprises need to take comprehensive consideration of various factors, and constantly improve the management mode. The traditional concept of responsibility for financial and related management personnel to reduce costs is backward. In order to better control costs, refinement management should also implement multi-level cost target management. Target cost management requires companies to mobilize and organize all employees to achieve their goals. In the target cost management, it is necessary to combine the competition path of the enterprise, and the enterprise can fully utilize the two markets of domestic and foreign resources to obtain a competitive advantage.

### **3. Research on Innovation of Target Cost Management Model**

The cost management of enterprises requires high cost awareness of the staff of the whole enterprise, which enables the target cost management to be actively implemented and implemented in all links. Target cost management can effectively integrate the management of these departments, so as to carry out the cost management in advance in time and improve the effectiveness of its management. Reducing costs requires companies to establish new concepts of financial management and cost control, and enhance the cost control awareness and benefit concept of all employees. Only by implementing effective cost management means can the company's target cost be realized smoothly. The lack of control and management of the target cost will make the company's goals unrealistic and difficult to implement. If the company's target cost management ignores the company's competitive strategy, then effective goal management is also bound to be narrow and ineffective.

Since the target cost is sometimes the standard cost, the work should be standardized and the work standards and management standards should be formulated. The target cost management work can not only rely on the rules and regulations and the financial department to complete, but to refine the management plan to different positions in various departments [7]. Under the current market economic system, target cost management has become the main mode of cost management in modern enterprises. Target cost management plays a vital role in the ultimate realization of target cost for enterprises, and the two constitute an inseparable organic whole. In the cost leadership strategy, to ensure cost leadership, target cost management can consider reducing unnecessary functions and dispensable functions.

In order to carry out the target cost management, we must formulate the basic system, that is, we should pay attention to the basic work in the process of carrying out the target cost management. The cost consciousness of enterprise staff is not high, so it is difficult to achieve mutual coordination. Compared with the traditional management mode, target cost management achieves the implementation of every link in the management work. And to achieve an effective combination of the work of various departments [8]. In order to better carry out the target cost management of the enterprise, we must actively establish and improve the management system. As far as possible, ensure that management work runs through the production process of the company. Managers are also paying more and more attention to the role of the target cost management system in cost control, as a tool to control the cost of the enterprise. In the target accumulation strategy, target cost management should find ways to reduce costs according to the characteristics of specific consumption areas.

#### **4. Conclusions**

In the process of economic management, the target cost management work has always played an important role. Since the implementation of the market economy in China, many companies have used or attempted to use the target cost management model for cost management. In the economic management of enterprises, the target cost management is the basic work, and the systemic requirements are relatively high in the process of development. To develop an appropriate internal price. Internal bank settlements must use a uniform internal price. The internal price of an enterprise must be reasonably determined according to the market price and referring to the actual average price of the previous year. Target cost management is not rigid and unchangeable for enterprises. Enterprises must constantly adjust them according to their characteristics, market competition and changes in national policies. Through the analysis of enterprise economic management, we hope to make full use of target cost management to achieve management objectives.

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