

# An Application Research on a New Accounting Method in Accounting of Large-Scale Enterprise Groups with Multi-Divisional Structure

Yang Gao

Hubei Buwei Accounting and Tax Management Consulting Company, 37 Zhuhai Avenue, Xiangyang City, Hubei Province, China  
1597007480[at]qq.com

**Abstract:** *This paper mainly expounds the application of a new accounting method which takes special object as the accounting subject to satisfy the user-oriented demand of accounting information users in accounting of large-scale enterprise groups with multi-divisional structure. On the one hand, this paper theoretically demonstrates the reason why the enterprise group adopts the multi-divisional structure for independent accounting and the rationality and advancement of the enterprise group with multi-divisional structure applying this new accounting method to carry out accounting. On the other hand, this paper demonstrates the feasibility of applying this new accounting method to the accounting of the enterprise group with multi-divisional structure from the angle of accounting practice, compares it with that of taking the company as the accounting subject, and analyzes its advantages and disadvantages. This new accounting method can make accounting more clear, convenient and accurate and can meet the needs of the enterprise group to use the multi-divisional structure for independent accounting, and what is more advanced is that it can meet the data demand of multi-level dimension at the same time by changing the demand dimension of data in the basic database of accounting information system in real time, thus promoting the deep integration of business and finance, greatly facilitating its management.*

**Keywords:** new accounting method, enterprise group, multi-divisional structure

## 1. The reason why the enterprise group uses the multi-divisional structure to carry on the independent accounting

The multi-divisional structure is a form of decentralized management organizational structure, which is produced to meet the requirements of the scale expansion and diversified operation. The multi-divisional structure must have three basic elements: firstly, a relatively independent market: there are independent products and markets, and it is a product responsibility or market responsibility unit; secondly, relatively independent interests: the implementation of independent accounting, and it is a profit center, which is not only controlled by the headquarters but also has the functions of profit production and operation management; thirdly, relatively independent autonomy: the implementation of independent management, and it is a decentralized unit, which has sufficient rights in operation and management, and can have the function of unified leadership over product design, manufacturing and sales activities.

There are many advantages of the multi-divisional structure: firstly, it has a high degree of stability and good adaptability. Each business division has its own products and markets, can plan its future development, and can flexibly and independently adapt to the market. The second is the decentralization mode, which deals with the relationship between the top leaders of the enterprise and the business division according to the principle of "centralized decision-making and decentralized operation", which is conducive to the top leadership of the enterprise to get rid of the daily administrative affairs and the complicated affairs of directly managing the specific business work, to concentrate on the overall issues and to study and formulate various business strategies and guidelines for the

development of the enterprise, thus forming a strong decision-making body, while at the same time maximizing the delegation of management authority to the various business divisions, so that they can operate with full autonomy in accordance with the business objectives, policies and systems of the enterprise, so that all business divisions can give full play to their own business management enthusiasm and creativity, thus improving the overall efficiency of the enterprise. Thirdly, each business division has its own system, which is equivalent to a complete enterprise. It operates independently and has clear responsibilities, so that its target management and self-control can be carried out effectively. The manager of the business division should consider the problem from the whole and be able to withstand various tests faced by the top managers of the enterprise, which is beneficial to cultivating and training comprehensive management talents and reserving cadres for the future development of the enterprise. Fourthly, as a profit center, the division implements independent accounting, which can bring into play the enthusiasm of operation and management and is conducive to the realization of the internal cooperation of the enterprise. It is not only convenient to establish standards to measure the work efficiency of the division and its managers and to conduct strict assessment but also easy to evaluate the contribution of each product to the total profit of the enterprise so as to guide the strategic decision-making of the development of the enterprise. Fifthly, the division of business units according to products is convenient for organizing specialized production, forming economic scale, and using special equipment to give full play to personal technology and professional knowledge in the field of production and sales, which is conducive to improving the labor productivity and economic benefits of the enterprise. Sixthly, there is comparison and competition among various

Volume 11 Issue 7, July 2022

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business divisions, which is conducive to enhancing the vitality of enterprises and promoting the all-round development of the enterprise.

The enterprise group is a group of enterprises with certain economic connections, whose whole rights and interests are mainly maintained by clear property rights and contractual relationships within the group. It is the advanced organizational form of modern enterprises. The enterprise group adopts the multi-divisional structure to meet the actual needs of its management, which can enhance the comprehensive management and control ability of the enterprise group, and can stimulate the work enthusiasm of each division while implementing centralized management in the headquarters of the enterprise group.

The foundation of enterprise management is an appropriate organizational structure. The organizational structure of small and medium-sized enterprises is relatively simple, fixed and convergent, most of them are linear or functional. With the expansion of scale and the improvement of industries, some enterprises have grown into conglomerates with businesses spanning multiple industries, including real estate, finance, public utilities, tourism and so on, the original organizational structure can no longer meet the actual management demand of enterprise groups, and the multi-divisional structure, as a high-level organizational structure, it is mainly applicable to large-scale enterprises with diversified industries, diversified varieties, large scale, complex technology, independent markets and rapid changes in market environment, and it has many advantages, to a certain extent, it fits the group management of large-scale enterprises, which is of great practical significance to the development of large-scale enterprises across regions and industries, this kind of organizational structure has also been widely adopted by the large foreign associated companies and some large enterprise groups or companies in China.

In order to meet the needs of the operation and management of the business division, it is necessary to conduct independent accounting for the business division. Implementing the multi-divisional system means introducing the market mechanism into the enterprise, and the economic exchanges between the divisions will follow the principle of equal exchange to form a commodity currency relationship. Each business division has its own production and operation process of products or services, which can contribute a share of profits to the enterprise. Each business division with profitability is a profit center, which implements independent accounting and presents the business results with data. It is easy to evaluate the contribution of each business division to the total profits of the enterprise, to assess the work performance of each business division and its managers, and to promote the lean management and deep integration of business and finance of the enterprise, so as to achieve the strategic objectives of the enterprise.

## **2. The rationality and advancement of the enterprise group with multi-divisional structure applying this new accounting method to carry out accounting**

The multi-divisional structure of the enterprise group is that the enterprise group is divided into different business divisions according to products, regions or markets (customers) and every business division is combined with the decentralization management and independent accounting under the leadership of the group headquarters. Each business division has its own products and specific markets, and can complete all functions of a product from production to sales. The business division which implements independent accounting and is responsible for its own profits and losses is not an independent legal person enterprise, but it has greater operating authority and it is a profit center, which is not much different from ordinary companies from the perspective of operation. Under the company system, the accounting personnel always take the tax payer-the company as the accounting entity in their practical work, which may also be due to the need of tax declaration, but this does not always meet the needs of the management of the enterprise, the assumption of taking the company as the accounting entity has certain limitations. The basic assumption of accounting is a reasonable assumption based on accounting business, whose theoretical attribute determines the incomplete unity when it is combined with practice. Although taking a specific object as the accounting subject has a certain degree of subversion in the application of accounting assumptions, it can meet the requirements of accounting assumptions if we make appropriate changes when viewing a specific object as the accounting subject. As for the accounting subject, taking a specific object as the accounting subject is based on the entity enterprise, the materialization under the whole invisible makes it have all the conditions of the assumption of the accounting subject, so the specific object can be regarded as a relative accounting subject.

Taking a specific object as the accounting subject is the expansion and extension of the spatial scope of taking the company as the accounting subject, and it is the inheritance, enrichment, development and improvement of the hypothesis theory of the accounting subject. Taking a specific object as the accounting subject meets the needs of multi-level accounting information users, the treatment of the accounting is more realistic and reasonable, the result of the accounting is more accurate, the information of the accounting is reflected more comprehensively and completely, and it makes up for the defects of the assumption that the company is the accounting subject. The enterprise group adopts the multi-divisional structure for independent accounting, which is an application of the new accounting method in accounting of large-scale enterprise groups with multi-divisional structure, and this new accounting method can carry out accounting more clearly, conveniently and accurately, and meet the needs of the enterprise group to adopt the multi-divisional structure for independent accounting, what is more advanced is that it can satisfy the data demand of multi-level dimension such as tax declaration at the same time by converting the demand

dimension of data in the basic database of accounting information system in real time, thus realizing the "integrated" accounting mode across legal entities.

### 3. Practical Research

#### 3.1 The feasibility of applying this new accounting method to the accounting of enterprise groups with multi-divisional structure

The enterprise group with the multi-divisional structure should conduct independent accounting for each division. It is feasible for enterprise groups to use the specific object as the accounting subject for accounting from the perspective of accounting procedures. The first step is to establish a set of accounts with a specific object as the accounting subject and perform system initialization settings; the second step is to set up accounting subjects and auxiliary accounting; the third step is to input initial data and carry out trial balance; the fourth step is to fill in and audit vouchers, posting, carry over profit and loss, closing accounts at the end of the period; the fifth step is to generate financial statements; the sixth step is to consolidate the financial statements. It is worth explaining that: with the specific object as the accounting subject, we can set up multiple sets of accounts with the business unit of each company as the accounting subject to obtain financial statements, and then consolidate the financial statements of the business units of the same business division, we can also regard the business unit as a

department through auxiliary accounting, so that multiple business units are included in the same set of accounts and the accounting treatment of the operations of multiple business units is realized in the same set of accounts, which also includes setting up sets of accounts with each business division as the accounting subject, and what is more advanced is that the data demand dimension can be converted in real time to meet the multi-level data needs at the same time by setting up an accounting information platform and inputting multi-dimension data in the basic database of accounting information system and setting the formula of taking number in report form.

#### 3.2 Case study

Zhao Qian set up M company in X city and N company in Y City. M company engaged in business A and business B, set up A unit and B unit respectively, and opened A1 basic account and B1 general account respectively. N company copied the model of M company, and opened A2 basic account and B2 general account respectively, the enterprise group adopts the multi-divisional structure, which is divided into business division A and business division B (for simplicity, only two companies and two business divisions are listed); according to the following conditions, now we need to know the business conditions of business division A and business division B (for simplicity, it is only necessary to prepare the corresponding balance sheet and income statement, unit: 10,000 yuan).

Balance sheet	Unit A of company M	Unit B of company M	Company M	Unit A of company N	Unit B of company N	Company N
Assets	6000.00	8000.00	14000.00	6000.00	6000.00	12000.00
Currency	2000.00	3000.00	5000.00	2000.00	3000.00	5000.00
Accounts receivable	1000.00	2000.00	3000.00	2000.00	2000.00	4000.00
Other receivables	3000.00	3000.00	6000.00	2000.00	1000.00	3000.00
Liabilities	4000.00	4000.00	8000.00	3000.00	3000.00	6000.00
Accounts Payable	2000.00	3000.00	5000.00	1000.00	2000.00	3000.00
Other payables	2000.00	1000.00	3000.00	2000.00	1000.00	3000.00
Owner's Equity	2000.00	4000.00	6000.00	3000.00	3000.00	6000.00
Paid-in Capital	1000.00	2000.00	3000.00	2000.00	1000.00	3000.00
Undistributed Profit	1000.00	2000.00	3000.00	1000.00	2000.00	3000.00

The balance sheet and consolidated balance sheet at the beginning of 2020 are as shown in the above table (the current accounts between companies M and N have been cleared). The businesses in January 2020 are as follows:

- 1) The income excluding tax of unit A of company M is 30 million yuan, the cost excluding tax is 28 million yuan, and the management fee is 6 million yuan (excluding input tax of 200000 yuan);
- 2) Unit B of company M has an income excluding tax of 40 million yuan, a cost excluding tax of 32 million yuan, and an administrative expense of 3 million yuan (excluding input tax of 100000 yuan);
- 3) Unit A of company N has an income excluding tax of 20 million yuan, a cost excluding tax of 16 million yuan, and an administrative expense of 8 million yuan (excluding input tax of 250000 yuan);
- 4) Unit B of company N has an income excluding tax of 50 million yuan, a cost excluding tax of 38 million yuan, and a management fee of 6 million yuan (excluding input tax of 200000 yuan).

Except that the administrative expenses and the input tax are paid with monetary funds, other payments have not been received or paid. Assuming that the small tax is 10% of the value-added tax, the value-added tax rate of the unit of business division A is 6%, the value-added tax rate of the unit of business division B is 13%, the enterprise income tax is 5% for less than 1 million yuan, and 10% for 1-3 million yuan; 25% for more than 3million; it is rounded to 2 decimal places.

A brief process of accounting with the company as the accounting entity to prepare financial statements that meet the needs of accounting information users: take each company as the accounting entity to establish sets of accounts for accounting to obtain the financial statements of each company separately, distinguish between unit A and unit B in each set of accounts, and then consolidate all units of business division A and all units of business division B of each company. While the brief process of that with taking the specific object as the accounting subject: take each unit as a specific object, set up sets of accounts with each unit as

the accounting subject, and then merge all units of business division A and all units of business division B of each

company. The results obtained by these two methods are the same, as shown in the following two tables:

Balance sheet	Company M	Unit A of company M	Unit B of company M	Company N	Unit A of company N	Unit B of company N	A consolidation	B consolidation
Assets	20770.00	8560.00	12210.00	18325.00	7295.00	11030.00	15855.00	23240.00
Currency	4070.00	1380.00	2690.00	3555.00	1175.00	2380.00	2555.00	5070.00
Accounts receivable	10700.00	4180.00	6520.00	11770.00	4120.00	7650.00	8300.00	14170.00
Other receivables	6000.00	3000.00	3000.00	3000.00	2000.00	1000.00	5000.00	4000.00
Liabilities	14683.17	6960.00	7723.17	12152.24	4695.00	7457.24	11655.00	15180.41
Accounts Payable	11584.00	4968.00	6616.00	8990.00	2696.00	6294.00	7664.00	12910.00
Other payables	3000.00	2000.00	1000.00	3000.00	2000.00	1000.00	4000.00	2000.00
Owner's Equity	99.17	-8.00	107.17	162.24	-1.00	163.24	-9.00	270.41
Paid-in Capital	6086.83	1600.00	4486.83	6172.76	2600.00	3572.76	4200.00	8059.59
Undistributed Profit	3000.00	1000.00	2000.00	3000.00	2000.00	1000.00	3000.00	3000.00
Balance sheet	3086.83	600.00	2486.83	3172.76	600.00	2572.76	1200.00	5059.59

Income Statement	Company M	Unit A of company M	Unit B of company M	Company N	Unit A of company N	Unit B of company N	A consolidation	B consolidation
Main business income	7000.00	3000.00	4000.00	7000.00	2000.00	5000.00	5000.00	9000.00
Main business cost	6000.00	2800.00	3200.00	5400.00	1600.00	3800.00	4400.00	7000.00
Gross profit	1000.00	200.00	800.00	1600.00	400.00	1200.00	600.00	2000.00
Taxes and surcharges	8.60	0.00	8.60	13.60	0.00	13.60	0.00	22.20
Management expenses	900.00	600.00	300.00	1400.00	800.00	600.00	1400.00	900.00
Operating profit	91.40	-400.00	491.40	86.40	-400.00	586.40	-800.00	1077.80
Total profit	91.40	-400.00	491.40	86.40	-400.00	586.40	-800.00	1077.80
Income tax	4.57	0.00	4.57	13.64	0.00	13.64	0.00	18.21
Net profit	86.83	-400.00	486.83	72.76	-400.00	572.76	-800.00	1059.59

### 3.3 Pros and cons analysis

There are many advantages of this new accounting method, which is introduced as follows:

Firstly, from the perspective of accounting method, taking the company as the accounting entity to establish sets of accounts for accounting to obtain the financial statements of each company, which meets the needs of tax declaration, but it is necessary to distinguish unit A and unit B in each set of accounts, and then merge all units of business division A and all units of business division B of each company. This process is not as good as taking each unit as a specific object, which is simple and clear to establish sets of accounts with each unit as the accounting entity, and then consolidate all units of business division A and all units of business division B of each company. However, in order to meet the needs of tax declaration, it is also necessary to consolidate unit A and unit B of each company respectively, the latter has one more merge step but one less differentiation step of the former, with higher accuracy, simplicity and flexibility.

Secondly, from the perspective of accounting treatment procedures, the preparation of financial statements that meet the needs of accounting information users requires the same six steps with the company as the accounting entity and the specific object as the accounting entity. However, taking the company as the accounting entity adopts the "sum-divide-sum" method, while taking the specific object as the accounting entity adopts the "divide-sum" method, which formally establishes more sets of accounts, but in essence, it is relatively simple.

Thirdly, from the accounting results, the enterprise group with multi-divisional structure needs to conduct independent accounting for each division and prepare the financial statements of each division due to the internal management needs of each division, and also needs to conduct independent accounting for each company and prepare the financial statements of each company due to the tax filing needs of each company, taking the company as the accounting entity and the specific object as the accounting entity to prepare the financial statements that meet the needs of accounting information users, the final results are the same, but the latter accounting has a high degree of refinement.

Fourthly, from the perspective of the needs of users of accounting information, taking a specific object as the accounting subject has a higher degree of refinement, a more direct and in-depth understanding of business, a higher degree of integration of business and finance, which is more conducive to tax planning and can meet the multi-level needs.

However, it also has a disadvantage that it does not take the tax payer-the company as the accounting entity, which can not directly meet the needs of tax declaration.

### 4. Conclusion

The enterprise group is the advanced organizational form of modern enterprises, and the basis of enterprise management is the appropriate organizational structure. As an advanced organizational structure, the multi-divisional structure has many advantages, which conforms to the collectivization



management of large-scale enterprises to a certain extent. The multi-divisional structure is adopted to meet the practical needs of the development and management of the enterprise group, and it is necessary to implement independent accounting in order to realize the operation and management of business division, it is a reasonable and feasible for the enterprise group to adopt the multi-divisional structure for independent accounting, which is exactly an application of this new accounting method that takes a specific object as the accounting subject to meet the user-oriented needs of accounting information users, and this new accounting method can make accounting more clear, convenient and accurate and can meet the needs of the enterprise group to use the multi-divisional structure for independent accounting, what is more advanced is that it can meet the data demand of multi-level dimension at the same time by changing the demand dimension of data in the basic database of accounting information system in real time, thus promoting the deep integration of business and finance, greatly facilitating its management.

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## Author Profile

**Yang Gao**, an accountant in China, America's Certified Management Accountant, an international associate member of the Hong Kong Certified Public Accountant Association, a full member of the Association of International Accountants in Britain, a public accountant (MIPA) of the Institute of Public Accountants in Australia, is the chairman and CFO of Hubei Buwei Accounting and Tax Management Consulting Company. He has been assiduously self-taught in accounting for about eleven years with eight years of working experience in the field of financial management, with deep expertise in taxation and accounting. He is pursuing his master's degree in Yanka Kupala State University of Grodno.