

## IPO Failure from the Perspective of Internal Control -- Take Guangdong Marumi as an Example

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**Abstract:** With the acceleration of economic globalization in recent years, china has assessed the situation and joined the pace of integration into the world financial system. With the continuous progress of global economy and the continuous improvement of corporate business needs, internal control plays an increasingly important role in the survival and development of enterprises. Successful internal control is conducive to the company's expansion of production scale, improvement of the core competitiveness of the industry, more effective operation of the company, and even a successful listing of the company. Therefore, the study of internal control is very necessary. This paper first describes the background of internal control in china, and then summarizes the contents of the five elements of internal control. Through the contents of the five elements, it analyzes the hardships of the listing of guangdong marus biotechnology co., ltd. (hereinafter referred to as marus), the protagonist of this paper, and the major reasons for the failure of listing. In addition, it is necessary to find relevant remedial measures to help marumi get out of the predicament of ipo failure, and what kind of preventive measures to prevent ipo failure for enterprises that want to go public based on the five elements of internal control. Finally, the conclusion of the study gives us some enlightenment. The purpose of this paper is to make an in-depth analysis of various problems arising from the failure of marumi stock listing from the perspective of internal control and give constructive suggestions, so as to inspire various unlisted enterprises on how to improve their internal control and prevent ipo failure from the perspective of internal control.

**Keywords:** Internal control, internal control, five elements, internal control defects.

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### INTRODUCTION

In recent years, numerous well-known enterprises have experienced many difficulties in their way of going public. Listed companies are like skyscrapers in our eyes, but we only see their bright appearance, but do not see their efforts for the company to go public. In fact, the road to listing has not been as easy as expected.

As one of the means for enterprises to strengthen economic management, internal control becomes more perfect with the economic development, and plays a pivotal role in the survival and development of enterprises. Sound and effective internal control has become one of the indispensable conditions for the success of enterprises' IPO. Therefore, the study of enterprise internal control is particularly important and necessary.

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Analysis in recent years many enterprises IPO failure caused by internal control problems, choose the typical representative of guangdong pill beauty biotechnology co., LTD., pill beauty is significant share in the domestic cosmetics industry status, its development also is a microcosm of the domestic cosmetics industry development, and therefore this as an example to analyze its IPO due to internal control failure of the problem, The problems found are analyzed in detail and some suggestions are put forward. Since June 2014, Marumi has updated its prospectus four times and entered IPO twice, which was rejected by CSRC. The road of marumi's listing is fraught with difficulties. Because of its distribution model has been criticized, people have to study its internal control problems.

In this paper, the typical enterprise failing ipos in recent years - for American shares of enterprise management system and explore the internal control system, discusses the management mode of enterprise internal control such as enterprise product quality closes nevertheless, related to the distribution pattern of information disclosure and internal environment problems such as insufficient cultural infiltration, seriously affect the likelihood of IPO and the company's steady development, And produced a certain risk hidden trouble. Through such analysis, we hope to warn and improve the companies about to be listed, and draw lessons from the failure of Marumi IPO, take positive measures, planning in advance, and improve the success rate of listed companies in the future. Effectively improve the enterprise internal control management to promote enterprise in developing continuously and summarizes the problems of its own, in order to improve the internal control level, avoid the internal control cause of the failure of the IPO has occurred on its own, make accurate the existing internal control system of the listed companies trying to keep up with the pace of enterprise development, fully adapt to the high-speed development of the enterprise, encourage enterprises have long-term continuous healthy development, At the same time, it plays a positive and far-reaching role in improving the internal control management mechanism of enterprises.

## **1. OVERVIEW OF RELEVANT THEORIES**

### **1.1 The Development Process of Internal Control**

After the implementation of the "accounting Law", China's internal control system has been established. The "accounting Law" revised in 1999 for the first time put forward the principle requirements of establishing and perfecting internal control in legal form. The Ministry of Finance immediately issued seven internal accounting control standards, such as "internal accounting control standards - basic standards" and so on. Shortly after the promulgation of the revised

"Accounting Law" in 1999, the Ministry of Finance established the internal accounting Control Research Group in early 2000 in accordance with the relevant spirit of the "accounting law", to study the overall idea of internal accounting control. In June 2001, the Ministry of Finance issued the "basic standards" and "Internal Accounting Control standards -- Monetary Fund (Trial)", which clarified the basic framework and requirements of establishing and improving the internal accounting control system, as well as the requirements of the internal control of monetary funds.

The release of the above two "internal accounting control standards", to strengthen China's internal accounting supervision and management theory and system construction laid a milestone of the era. At the same time, it also marks that China's accounting laws and regulations have entered a new and higher realm.

### **1.2 Development of Internal Control in Foreign Countries**

Internal control originated from the need of internal management of the organization. With the establishment of modern enterprise system, especially after the separation of ownership and management, internal control develops rapidly and gradually forms a series of methods for organizing, regulating, restricting and supervising enterprise business management activities. This is also the prototype of internal control. Before the 1940s, it was the nascent period of internal control, that is, the stage of internal containment. The period from the 1950s to the early 1980s was the formative period of internal control, and the internal control system began to appear. Since the 1990s, internal control research has entered a mature period, that is, the overall structure of internal control has emerged. In the early 21st century, it began to enter a period of expansion of internal controls and the emergence of an integrated framework for risk management.

In 1949, the American Accounting Association issued "Internal Control -- The Importance of adjusting organizational elements and team management and independent professional accountants." The definition of internal control was first presented in this special report. In 1992, the COSO committee issued a guiding project "internal control - the overall framework", the report shows that internal control is by the board of directors, management and other employees, in order to improve the operation efficiency and to realize the goal of the reliability of financial reporting and compliance of relevant laws to provide reasonable assurance process. Its components should come from the way management manages the enterprise

and be closely integrated with the management process. It considers that the internal control framework mainly consists of five elements: control environment, risk assessment, control activities, information and communication, and supervision. At the beginning of the 21st century, the overall framework of internal control has been greatly expanded compared to the framework proposed in 1992.

### **1.3 Internal Control Related Theory Overview**

The internal environment provides the discipline and structure of the company, shapes the corporate culture, and influences the sense of belonging of employees, which is the foundation of all other elements of internal control. The factors that control the environment include: principles of integrity and ethical values, evaluation of employee competence, board of directors and audit committee, management philosophy and operating style, organizational structure, assignment of tasks and responsibilities, and human resource policies and practices.

#### **1.3.1 Information and Communication**

In their business processes, organizations need to identify and access accurate information in some form and communicate it so that employees can perform their duties. Information systems not only process information generated within the enterprise, but also information related to external transactions, activities, and the environment. All employees in the company must have clear information about control responsibilities from top management and must have a way to communicate important information to their superiors. Communicate effectively with external customers, suppliers, government agencies and shareholders. Mainly include: information system, communication.

#### **1.3.2 Risk Assessment**

Every enterprise faces different risks from internal and external sources and must assess these risks. Setting goals is a prerequisite for assessing risk. Risk assessment is the analysis and identification of risks that are likely to occur in achieving a specific goal. Specific include: target, risk, management after environmental change and so on.

#### **1.3.3 Control Activities**

Management identifies risks and then issues the necessary instructions for such risks. Control activities are policies and procedures to ensure implementation of management directives, such as approval, authorization, validation, adjustment, business performance review, asset safety and division of responsibilities. Control activities occur at all levels and functions within the enterprise,

including senior management analysis of enterprise performance, direct department management, information processing control, entity control, performance indicator comparison and division of labor.

#### **1.3.4 Internal Supervision**

Internal control systems need to be monitored. Monitoring is the process of evaluating the design and operation of controls by appropriate personnel on an appropriate and timely basis. Monitoring activities include ongoing supervision and individual evaluations to ensure that the company's internal controls continue to operate effectively. This includes continuous monitoring activities, individual evaluation, and defect reporting.

### **1.4 Definition of IPO and Factors Affecting IPO by Internal Control**

An IPO is an acronym for Initial Public Offerings. An IPO is when a company sells its shares to the public at a time. Usually the shares of listed companies are issued according to the corresponding securities. Normally, once the IPO is completed, the company can apply to be listed on the stock exchange or quotation system.

Internal environment: corporate culture, organizational structure, business model, etc., risk assessment: product quality, operational risk, financial risk, etc, information and communication: information disclosure, financial information, anti-fraud mechanism, etc, control activities: budget control, operation control, performance evaluation, etc, internal supervision: daily supervision, special supervision, financial supervision, etc.

### **2. Ipo Failure Case Analysis from the Perspective of Internal Control -- Take Marumi as an Example**

#### **2.1 IPO Failure Case of Guangdong Wan Mei Biotechnology Co, LTD**

As the representative of the local beauty makeup industry, Maru beauty is well known to consumers because of this slogan and the endorsement and vigorous promotion of popular stars. In recent years, due to the continuous improvement of national consumption level, people's demand for beauty is also increasing, and the consumption of beauty makeup and skin care is also on the rise. This phenomenon will stimulate the growth and development of the beauty industry, the company is the representative of a member, in order to seek greater development, pill beauty took to the public, the IPO of the company's growth and development has its significance, it can through a lot to absorb social funds to help enterprises to expand, improve management, also can promote the

transformation and innovation of the enterprise, Under the current economic environment, many beauty cosmetics companies have embarked on the road of listing, while The road of Maru Beauty company in the army of listing is rather bumpy, and the "bullet bullet" has always failed to go through the fate of IPO rejection.

In 2014, Marumi submitted its IPO application materials to CSRC for the first time. In 2016, after two years of waiting in line, Marumi submitted its prospectus to CSRC, but it was rejected by the issuance committee of CSRC's main board due to its existing sales model and production and operation problems. In the same year, faced with problems, Marumi began to make appropriate changes to the distribution model and introduced commission sales channels, selling through Watsons and other cosmetics sales channels. In November, Marumi appeared on the audit list again. In the financial statement of the same year, it can be seen that the total operating revenue increased, but the net profit declined. The rising performance also failed to help it smooth through the denied reason as before, that is, the SECURITIES Regulatory Commission convened the motherboard examination committee 161st examination committee meeting, questioned Maru Mei shares dealer model and the company did not disclose the product quality has been notified and other situations. In July 2017, Marumi submitted its IPO prospectus to the CSRC again, but it was rejected again because the prospectus concealed the product quality problems reported by the Food and Drug Administration. Due to the signing of a betting agreement with its investment company L Capital, Marumi shares were reduced before being listed in 60 months and required to exit the rate of return. Faced with pressure, Marumi shares again hit the Capital market in 2018. On July 30, the Regulatory Commission of China Securities Regulatory Commission issued a meeting announcement canceling the review of Marumi's filing documents in 2018. This also means that Maru Mei's road to listing failed again.

A pill beauty repeated failure we can find that the problems appeared in the IPO, which is the company's internal control problems, internal control problems in recent years has become numerous stand in the way of listed companies, internal control is about the development of the company and fate, so we do case analysis of the company, under the circumstances of IPO based on the perspective of internal control, This paper studies the internal relationship between Marumi company's internal control and IPO, tries to find out its problems and solutions, and tries to find out a suitable way for the company to go public.

## **2.2 Analysis of Five Elements of Guangdong Marus Biotechnology Co., LTD from the Perspective of Internal Control**

### **2.2.1 Internal Environment**

The internal control environment is the foundation of the internal control system and the guarantee of the effective implementation of internal control, which directly affects the implementation of the company's internal control, the company's business objectives and overall strategic objectives. A good internal environment is one of the important prerequisites for establishing effective internal control and risk management.

In terms of organizational structure, Marumi has gradually established a sound and effective corporate governance structure suitable for its own development needs since its establishment. Sun Huaiqing, chairman, owns 81 per cent, his wife Wang Xiaopu 9 per cent and L Capital 10 per cent. Sun Huaiqing and his wife signed a betting agreement with INVESTMENT fund L Capital as early as 2013. "If the issuer fails to complete the qualified listing within 60 months after L Capital becomes the registered shareholder of the issuer, L Capital has the right to require Sun Huaiqing and Wang Xiaopu to repurchase all the shares of the issuer held by them. The agreement urged Sun Huaiqing couple must accelerate the pace of the listing, or will withdraw funds. The two biggest shareholders with the highest number of shares in an enterprise are prone to credit crisis, thus affecting the normal continuous operation of the enterprise.

From the perspective of business model, the business model mainly relying on the dealer model for years is one of the important reasons for the rejection of The Company's repeated listing, which can be described as the biggest "obstacle" in the listing. The scattered distribution model of The Company has not changed in the development process of recent years, which has great hidden danger of impacting the A-share market. Pill beauty shares registered so far has more than 14000 the number of terminal nodes, formed a large scale quantity and sales distributors as well as the widespread distribution network, but the dealer scattered management is easy to appear the phenomenon of inflated the high income, sales, financial fraud could occur, to be fastidious, authenticity in violation of the IPO. Moreover, there is a lack of unified image management in dealers' terminal stores. For example, the appearance of some terminal outlets is not standardized, which is easy to reduce the brand image and thus affect the brand trust and long-term good reputation.

Through the analysis of the above internal environment, the following problems are found:

First of all, the employees' education level is low, and the construction of corporate culture is weak. Second, there are internal contradictions in the management. Under the threat of "betting" agreement, the company is in a hurry to go public, but in essence, the company is not fully prepared.

### 2.2.2. Risk Assessment

Risk assessment is the process of identifying and analyzing risks that affect corporate objectives and is the basis of risk management. In risk assessment, risks that hinder the achievement of objectives should be identified and analyzed.

In recent years, with the progress of the society and improve the level of consumption, China's consumer market with each passing day, also in a rapidly changing consumer preference of cosmetics, cosmetics consumption concept to strengthen, is undergoing new changes, and market competition intensifying, if you take the pill beauty shares control product quality, to adapt to the diversification of consumers personalized requirements, Maintain and improve their competitive advantages, will continue to weaken the market share, there are market risks, affect the IPO road.

Marumi shares also has operational risks, especially in the control of dealers and their own management, as well as the risk of litigation and brand damage caused by product quality problems. As the above said, at present the company with dealers all over the flattening of the collaboration management mode directly, because the dealer model is too large, the head office can't completely control the quality of the dealer, as the company rapidly expanding scale, to the flat management mode has brought some challenges, prone to headquarters management and service ability relatively weakened and difficult to control risk. According to "issued by the food drug safety administration of about 84 batches is prevented bask in class cosmetics detected sunscreen ingredients do not tally with the composition of product certificate and mark" announcement, pill beauty co sunscreen repeatedly because of product composition is not compliance by state food and drug supervision and administration bureau report for the unqualified products and shall be ordered to correct and pill beauty shares is not disclosed in the prospectus, In the production process, Marumi should strictly check the quality issues and strictly follow the standards and requirements for production, otherwise there will be the risk of being punished by the regulatory authorities, which will affect the operating income, and then affect the sustainable profitability, and violate the IPO requirements. Due to the particularity of the

industry, the product directly acts on the skin of consumers, and the commission has strict screening standards for the quality requirements such as product safety and effectiveness. Up to now, no company in the medical beauty industry has successfully listed on the A-share market through IPO. Marumi has A long way to go. The examination and Approval Committee has questioned the dealer model and product quality of Marumi, which leads to the slow and difficult listing of Marumi.

Pill beauty co is advertising effect is the risk of uncertainty, pill beauty, the main products include "pill beauty" "spring ji" love "fire" brands such as cosmetics, although was a "play to play, play go crow's feet" trend sweeping the country, open many Chinese women "eye care" the age of enlightenment, also makes the female consumers remember the beauty of this brand. However, not all advertisements can produce the same effect. The effect of advertising publicity is influenced by various factors such as advertising media, advertising creativity and audience perception, which is highly subjective and makes the effect of advertising publicity more uncertain. According to the income statement, the amount of advertising costs for Marus shares is relatively high, which is significantly higher than the company's net profit in the same period, and can be called sky-high advertising costs. If the expected marketing effect cannot be achieved, it cannot drive the growth of operating income, but will increase advertising spending, affect profitability, it is difficult to reach the IPO standard. Moreover, there are certain differences in the grasp of relevant standards of advertising by local regulatory authorities. Some advertisements of Marus still have the risk of being punished, and Marus has been ordered to correct its slogans.

Through the above risk assessment and analysis, the following problems were found:

First of all, the proportion of advertising costs in the total cost is too large, become the potential danger of the company; Secondly, the income of single distributor is excessively high, which poses a certain threat to the development and operation of the company. Thirdly, the "Chunji" whitening sunscreen produced by Maru Beauty shares is suspected of being a fake product, which shows that the company's products are counterfeit, damaging the company's image; Finally, the sales model is too single, dominated by distribution, accounting for more than 90% of the scale, becoming a potential risk of the company.

### **2.2.3 Control Activities**

#### **Incompatible Job Separation Control**

The separation of positions within the company ensures the division of money, accounts and goods, forming mutual constraints. The separation of the executive department and the supervision department ensures the high efficiency of project implementation.

#### **Authorization and Approval Control**

The Company has formulated a clear and smooth set of relevant regulations on the scope of economic business approval and approval process.

#### **Accounting System Control**

Lack of supervision of accounting system leads to distortion of financial information disclosure to the society and violation of accounting standards and relevant laws.

#### **Property Protection and Control**

The company attaches great importance to protecting its own property rights and safeguarding its own rights by legal means. Up to now, the company has 79 valid domestic patents, 2 valid overseas patents, 253 registered domestic trademarks, 20 registered overseas trademarks, as well as various Copyrights and land use rights.

#### **Budget Control**

The company has not established a comprehensive budget system, resulting in high advertising budget. As mentioned above, the advertising cost of Marumi Shares accounts for about 50% of the company's total cost. This is too high a proportion of advertising costs for a company. The company must establish a comprehensive budget system. It must also reduce control costs.

### **2.2.4 Operational Analysis and Control**

The company has a single financing channel, mostly from investors, and lacks the participation of social capital, such as bonds and stocks. Through comparative analysis, it can be concluded that In the past three years, Minemeya has become the largest distributor of Marumi and the main source of operating income of Marumi Shares. The growth rate of sales revenue is much higher than that of other distributors. In 2017, the sales revenue was 219 million yuan, accounting for 16.24%. And the pill of the United States, the second largest distributor Zhengzhou Hongzhida Cosmetics Co., Ltd. sales share of only 4.48%, beauty beauty of the abnormal growth rate is abnormal, and although beauty beauty sales volume surge, but sales and book data is very different.

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### **3. Suggestions for the Improvement of Internal Control of Guangdong Wan Mei Biotechnology Co. LTD**

#### **3.1 Improve the Internal Control Environment of the Company**

To implement effective internal control, a good internal environment is needed first. The company's internal control environment can be improved through the following three aspects:

Improve the staff audit standards, formulate the staff audit standards suitable for the development of the enterprise, establish and improve the training mechanism, specialized targeted training staff to improve the comprehensive quality of staff. For example, first, raise the educational qualification threshold for some positions; Second, allocate tasks reasonably according to employees' abilities and preferences.

Carry out corporate culture construction activities, improve the working environment, actively guide employees to establish correct collective values, enhance the cohesion of the enterprise, improve the soft power of the enterprise culture, and make the enterprise culture better serve the enterprise operation. For example, some employee welfare projects (fitness and leisure facilities, purchase of beneficial books, etc.) will be built to enable employees to realize all-round development of morality, intelligence, body and beauty in such an environment.

Establish dealer management regulations, support and encourage dealers that meet the regulations and develop healthily, and ban dealers that do not meet the regulations and violate the regulations, so as to avoid low operation efficiency caused by too many outlets in the same region. For example, eliminate inefficient dealers whose operating income is not up to the standard, and give more preferential benefits (sales discount, sales discount, etc.) to dealers whose performance is up to the standard and whose development is reasonable.

#### **3.2 Strengthen the Company's Information System and Communication Ability**

Establish a vertical and efficient communication mechanism, so that the problems of dealers and subsidiaries can be timely reported to the head office's senior management, and timely take measures. For example, first, set up a special high-level management department in contact with grassroots departments, and often patrol the dealer network. Secondly, an Internet information system should be established to facilitate feedback from customers to dealers and from dealers to management, so as to make information flow

efficient and convenient, so as to promote scientific decision-making.

Strictly control the financial information disclosure of subsidiaries, strengthen the internal contact between subsidiaries and the head office, and strictly screen and control product specifications, product quality and other information in the production process. For example, the establishment of information processing departments on financial and product production information integration and control, the establishment of comprehensive budget management information system, timely analysis of enterprise financial budget implementation, improve the quality of information disclosure.

The company may establish a reporting and complaint system, and at the same time must ensure that the legitimate rights and interests of the informant and privacy are not infringed upon. Set up to have a way to report column web, or to report the mailbox, it's important to have a complaint to report the relevant processing rules and regulations, this will be able to guarantee the validity of the complaint reporting system, effectively strengthen anti-fraud mechanism, timely solve the problem of anti-fraud mechanism, make it become an important way to the company for information gathering. In terms of external information communication, we constantly learn and learn from competitors in the same industry, enhance the communication between the company and external companies, and actively strive to optimize the external information communication mechanism, so as to promote the healthy growth of the company.

#### **3.3 Improve the Risk Assessment Mechanism**

The beauty cosmetics industry, like most fashion industries, faces many visible and potential risks, which sometimes turn into crises if not controlled under certain conditions and bring huge losses and impacts to the enterprise. Therefore, the management of Marumi Stock should determine the scope of risk tolerance, identify risks and take corresponding measures:

Change the original layout, reduce excessive advertising costs, increase investment in product research and development, and control the cost budget. From 2015 to 2017, Marumi reported operating revenue of 1.191 billion yuan, 1.208 billion yuan and 1.357 billion yuan, and net profit of 281 million yuan, 232 million yuan and 306 million yuan, respectively, according to the prospectus. But Marumi spent 212 million yuan, 338 million yuan and 290 million yuan on advertising campaigns. Marumi shares in the past three years advertising expenses have reached 70% of sales expenses.

Marumi Stock should increase investment in product research and development, avoid the evil trend of first-class advertising but third-rate products, reduce advertising costs, and allocate funds to production research and development, improve management and other main economic activities of the company.

Balance the income ratio between distributors, improve product quality, actively cooperate with the supervision of the society and relevant departments, improve public relations awareness and establish such risk prediction and control mechanism, which can not only prevent the occurrence of risks, but also reduce corporate losses as much as possible after the occurrence of risks. For example, the company's popular products are offered at lower prices to dealers with lower incomes to increase their revenues. Risk prediction and control departments can also be established to achieve the purpose of risk avoidance, risk reduction, risk sharing and risk bearing.

Improve the existing sales system. According to the IPO failure experience, a large part of the reason is the failure of the distribution model, in the dealer model, with the help of the dealer network resources, the company can quickly establish a huge sales network to improve the penetration rate. However, enterprises based on the dealer model are suspected of window-dressing profits, and the management of small-scale dealers is not standardized. Standardized distribution system can be established and new sales system such as agency sales can be tried, such as cooperation with Watsons.

### **3.4 Optimize Internal Control Activities**

Optimize the management's future decisions for the enterprise and formulate policies in line with the future operation of the enterprise. For example: appropriate change enterprise development strategy, focus on products, supplemented by advertising. The management should set a certain limit on the advertising expenses for the business, expand the expenditure on product production, and truly control the operation and development of the enterprise.

To control unreasonable sales methods of dealers with too high revenue ratio, the management should develop diversified sales models to solve this problem, support dealers with too low revenue ratio, avoid serious polarization, and control the sales balance of dealers in the hands of enterprises, so as to achieve stable and efficient development of the company. For example, a special team was set up to conduct internal investigation and analysis on the excessively high proportion of

minemeiya's operating income and guide its reasonable development. In addition, support is second only to the following several distributors, so that their operating income ratio has been increased. The management will control and balance the sales ratio of dealers, which will help enterprises to avoid risks and achieve stable development.

Establish a sound performance mechanism, introduce a reasonable and standard performance appraisal system in the same industry, establish special performance appraisal criteria according to the development of enterprises, and set up special performance appraisal departments to ensure the effective implementation of performance appraisal. For example, first of all, material rewards (cash, gas card) will be given to those whose performance reaches or exceeds the standard; Secondly, appropriate punishment will be given to employees whose performance is not up to the standard according to their monthly performance level (verbal criticism and encouragement; those who fail to reach the standard in three months will be disqualified for year-end bonus evaluation).

### **3.5 Strengthening Control and Supervision**

As can be seen from the reasons for the failure of Marumi's IPO, product fraud is actually one of the manifestations of inadequate supervision. However, there are still many phenomena of inadequate supervision in Marumi, so it is necessary to strengthen internal control and supervision and actively cooperate with external supervision.

Strengthening internal supervision mechanism, subsidiary company and the dealer and the setting up of a special supervise department, production department to establish specific supervision rules, establish supervision, rewards and punishment mechanism, in order to achieve the reasonable distribution of scale, product quality standards, subsidiary of financial information and real purpose, actively accept the social public and external supervision of national regulators. For example, in the production process should conform to the national health standard conditions, the use of real materials, to avoid the cost savings and the occurrence of fraud. Of course, internal supervisors should also be independent, not for private concealment, enhance legal awareness, so that people do their duty, for reporting violations of the cash reward, concealment behavior to be severely punished, reward and punishment clearly. At the same time for external supervision to provide real and effective information, so as to achieve internal and external integration.

Improve internal supervision channels, diversify supervision channels, timely and effective



supervision of information transmission, and realize mutual supervision between superiors and subordinates. The management should listen to the opinions of the supervision widely, encourage the operation of the supervision mechanism and pay attention to and solve the problems arising from the internal supervision. For example, the establishment of an Internet supervision platform to protect the reasonable rights and interests of supervisors from infringement; Management regularly carry out supervision and discussion activities to solve the problems in internal supervision, so as to make decision-making efficient and smooth operation.

Set up daily financial supervision and special supervision departments independent of audit to ensure the authenticity and effectiveness of financial information. The existence of fraud, distortion, fraud and other information supervision to correct. For example, respond to and correct information doubts about the prospectus in a timely manner. At the same time, in order to eliminate such incidents, the daily supervision department and the special department should audit the financial documents for many times, to reach 100 percent in line with the internal situation of the enterprise.

## CONCLUSION

Since the 19th CPC National Congress, China's socialist market economy is facing a new stage of reform, which is also a crucial period of reform. It is required that economic development no longer pursues a single increase in quantity, but pays more attention to both quality and quantity, and the steady development strategy of economic development and environmental protection. The current environment of rapid economic development, China's cosmetics business also entering a new phase of development, for colour makeup also, both development and challenges, from the data on national cosmetics consumption sharply rising year by year, in the current context, many enterprises still adopt the development strategy of the past, has not been able to quickly adapt to the current development environment, However, the development of enterprises lags behind the development of events that do not meet the requirements of the state, and the process of marumi Company incident reflects the phenomenon of unreasonable development. In this paper, case analysis and literature review method are used to study and analyze the internal control and IPO related theories of enterprises, and the relationship between the success or failure of IPO and internal control is deeply discussed. Taking Guangdong Marumi Co., LTD as an example, the internal control status quo of the company and the problems existing in the IPO process and the reasons are effectively analyzed. Based on this, targeted improvement

suggestions and universal preventive measures are put forward, and the following conclusions are drawn through research and analysis:

At present, the competition in the beauty industry is fierce. Marumi excessively pursues the increase of turnover and expands its network, but it does not form effective and standardized supervision and control over dealers, which leads to an endless series of dealers' problems, among which the abnormal growth of business income of individual dealers and tax problems of subordinate dealers are the most prominent. This phenomenon is also inconsistent with the requirements of the management measures for the initial public offering and listing of shares on the business structure of enterprises. Because the company's sales model is too single, and this kind of model is full of problems, but also improve the management risk of Marumi Company. Management failed to real understanding of the problems in the subordinate dealers and subsidiary, show that the efficiency of the company's information communication is also a problem to be solved, because there are such problems in pill beauty failed to achieve the quality of the information requirements of IPO, from the point of product quality problems, the imperfection of the company's internal supervision, The imperfect mechanism is also one of the fundamental reasons why Maru's IPO was rejected due to the quality problems found out by the Health Bureau of the Food and Drug Administration. Based on the company's internal status analysis. The internal control problems of the company are found as follows: inefficient information communication, single business model, imperfect supervision mechanism, inadequate risk control ability and lack of internal control.

According to the problems found in this paper, relevant suggestions for improvement are put forward as follows: To establish the internal culture of the enterprise and improve the employee standards and performance evaluation. Establish and perfect information communication mechanism, is the efficient and timely transmission of information to information users. Develop diversified business model to reduce business risks. Establish company risk early warning mechanism, reduce risk. Establish and improve the supervision mechanism, ensure the efficiency of supervision, set up independent supervision institutions for the financial, reduce the occurrence of financial information fraud.

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