Journal of Historical, Cultural and Social Sciences, 2026, 2(2), 33-46
https://doi.org/10.71204/b18ntd73

Case Analysis Report on the Internal Control of POP Mart Corporation

Tianyi Piao [1,*]

[1] School of Economics and Management, Beijing City University, Beijing 100083, China

* **Correspondence**:

Tianyi Piao

ptiiyn0318@qq.com

Received: 24 April 2026/ Accepted: 22 May 2026/ Published online: 10 June 2026

Abstract

Against the background of rapid development of the trendy toy industry and increasingly strict regulation, a sound internal control system is critical to enterprise compliance and sustainable development. As a leading player in the trendy toy sector, POP MART features high inventory turnover, frequent after-sales services, and intensive IP cooperation, which bring unique challenges to internal control management. Based on the five elements of internal control, this paper systematically reviews the current situation of POP MART's internal control in control environment, risk assessment, control activities, information and communication, and internal supervision. It identifies prominent defects including unclear organizational responsibilities, insufficient identification of industry-specific risks, invalid authorization and approval, disconnection between business and financial data, and lack of normalized supervision mechanisms. Root causes include excessive emphasis on marketing over compliance, misalignment between internal control and industry characteristics, and incomplete full-chain management. Combined with the features of the trendy toy industry, this paper proposes targeted optimization strategies in organizational structure, risk early warning, process control, information integration, and supervision mechanisms, aiming to provide a practical framework for POP MART and a reference for the whole trendy toy industry.

Keywords: POP MART; Five Elements of Internal Control; Trendy Toy Industry; Risk Management; Internal Control Optimization

1. Introduction

Founded by Wang Ning in Beijing in 2010, POP MART is a leading global trend culture and entertainment group, with its parent company POP Mart International Group Limited listed on the Hong Kong Stock Exchange (Stock Code: 09992.HK) in December 2020. Adhering to the brand philosophy of "Creating Trends and Spreading Beauty", the company focuses on global artist discovery, IP incubation and operation, development of trendy toys and derivative products covering blind boxes, figurines, plush toys and other categories, as well as global distribution. It has incubated well-known IPs such as MOLLY, LABUBU and SKULLPANDA. By the first half of 2025, POP MART had formed a core model of “IP Matrix + Global Channels + Flexible Supply Chain”, operating 571 physical stores and 2,597 robot stores across 18 countries, with online channels covering more than 90 countries and regions. Overseas revenue accounted for 40.3% of the total, consolidating its leading position in China’s trendy toy market.

The trendy toy industry takes “IP + Blind Box” as its core business model, integrating cultural creativity and collectible attributes, with young consumers as the core user group. The industry is characterized by high growth, intense competition and significant leading effects. POP MART holds a market share of over 30%, far exceeding the second-tier players such as 52TOYS (less than 5%), making it an industry benchmark. With consumption upgrading and globalization, the industry has expanded from single blind box products to the whole IP industrial chain. Meanwhile, the industry also faces common challenges including stricter compliance supervision on blind box sales, frequent IP plagiarism and infringement, and relatively short product life cycles (usually 6 – 8 months).

2. Current Status of the Construction and Operation of the Internal Control System of POP Mart Enterprise

2.1. Control Environment: Internal Control Foundation Construction Centered on IP

(1) Governance Structure: Specialized Division of Rights and Responsibilities Coexists wth Execution Shortcomings

The company has established a special committee for IP management under the board of directors, forming a collaborative governance structure with the Audit Committee and the Compliance Risk Control Committee. These committees respectively lead the full-process decision-making of IP, internal control audits of IP assets and blind box compliance, as well as IP infringement prevention and control. The clear division of rights and responsibilities has solved the common industry problem of "ambiguous rights and responsibilities in IP operation" in cultural and creative enterprises. However, there are obvious shortcomings in the regional business end. In some offline stores, there is an overlap between financial accounting and warehouse reconciliation, after-sales review and accounting write-off positions. The operation mode where one person takes charge of multiple business links violates the basic principle of internal control of separating incompatible positions and is prone to breed accounting operation risks (Vargas-Hernández & Cárdenaz, 2016).

(2) Corporate Culture: Incorporate the Dual-Oriented Concept of "Creativity + Compliance"

Based on the brand concept of "Creating trends and spreading beauty", the company has established a three-dimensional performance evaluation mechanism of "originality + market value + compliance" for the IP operation team, directly linking the results of IP infringement investigation and the implementation of blind box sales norms with salary incentives. At the same time, for employees of overseas channels and offline stores, regular specialized training on intellectual property protection, blind box operation compliance, etc. is carried out, gradually reversing the cultural deviation of "emphasizing creativity over control" that is widespread in the cultural and creative industry (Sarala, 2010).

2.2. Risk Assessment: Dynamic Risk Management Tailored to Industry Pain Points

(1) Risk Identification: Covering Core Risks Both Internally and Externally

At the external level, we will continuously track the updates of domestic and international blind box regulatory policies and the IP layout dynamics of competing products, with a focus on identifying external industry risks such as policy compliance and IP infringement. At the internal level, by analyzing indicators such as the revenue proportion of core ips and the new product iteration cycle through the sales data middle platform, internal operational risks such as reliance on a single IP, short product life cycle (6-8 months), and failure in cross-border channel control are identified (Siahaan, 2018).

(2) Risk Analysis and Response: Quantitative Models are Adapted to Industry Characteristics

Based on historical sales data, an IP life cycle prediction model is constructed. Combined with industry trends, IP operation risks are classified into three levels: high, medium and low. Targeted countermeasures such as joint cooperation, adjustment of marketing strategies and stabilization of operation layout are adopted. In view of the current situation where overseas revenue accounts for 40.3%, forward foreign exchange settlement and sales tools are used to hedge against the risk of exchange rate fluctuations, achieving a precise match between risk response strategies and risk levels (Siahaan, 2018).

2.3. Control Activities: Full-Process Refined Management and Control Centered on "Ip+ Blind Boxes"

(1) IP Operation Stage: Full-Process Approval is Separated from Incompatible Positions

Establish a three-level approval mechanism for IP incubation. From the signing of artist cooperation agreements, the verification of the originality of IP images, to the project initiation and market launch of derivative products, they are successively reviewed by the creative department, the legal department, and the IP management special committee to avoid IP infringement risks from the source. At the same time, "IP image design" and "IP copyright registration", "IP licensing negotiation" and "licensing contract review" are set as incompatible positions to prevent the loss of core IP assets(Francesconi, 2024).

(2) Blind Box Sales Process: Compliance and Channel Control are Implemented Simultaneously

Strictly implement the compliance requirements for blind box operations. Uniformly publicize the probability of winning blind boxes on both online and offline channels (for example, the probability of hidden items is 1/72), and set purchase restrictions for minors and an upper limit on the number of blind boxes purchased by a single account for a single type through the system. For 571 offline stores, 2,597 robot stores and overseas channels, a unified pricing and anti-diversion early warning system has been established, and the price authority of each channel has been bound to solve the common problems of "channel anti-diversion and price chaos" in the trendy toy industry(Kim & Miller, 2025).

(3) Supply Chain Link: Flexible Production is Adapted to The Short-Cycle Characteristics

Build a full-channel sales data middle platform to capture sales data from offline, online and overseas channels in real time. Through a flexible production model of "production based on sales", dynamically adjust production plans to effectively avoid inventory overstock or insufficient supply, and adapt to the short life cycle characteristics of 6-8 months for trendy toy products(Francesconi, 2024).

(4) Overseas Business Links: Cross-Border Asset and Fund Control

For the overseas business layout, standardize the fund transfer process of overseas subsidiaries (which requires dual approval from the headquarters' finance and risk control departments); Adopting RFID tag traceability management for overseas warehouse products can reduce the risk of cargo damage and theft in cross-border logistics and fill the internal control gap in cross-border operations for cultural and creative enterprises(COSO, 2023).

2.4. Information and Communication: Digital Systems Support the Information Flow Throughout the Entire Industrial Chain

(1) Internal Information Transmission: Data Sharing Enables Departmental Collaboration

Build an IP asset management system and a full-channel sales data platform. The former integrates information such as IP incubation progress, copyright registration, and authorization cooperation, achieving information synchronization among the creative, legal, and sales departments. The latter aggregates sales data from all channels and updates it in real time, providing data support for the decision-making of the supply chain and IP operation departments (Lee & Park, 2022).

(2) External Information Communication: Multi-Subject Two-Way Interaction

Establish a monthly communication mechanism with collaborating artists to provide timely feedback on the market performance of the IP and optimize the design direction. Establish a real-time feedback channel for quality issues with suppliers to ensure that product defect problems are responded to within 24 hours. As a listed company, it conveys the operation and internal control status to regulatory authorities and investors through the legal information disclosure channels, ensuring the right of external stakeholders to know the information(COSO, 2023).

2.5. Internal Supervision: Focusing on the Closed Loop of Supervision and Rectification in Core Links

(1) Special Supervision: Targeted Auditing of High-Risk Links

The internal audit department conducts a special audit on IP licensing compliance every quarter to verify the compliance of the execution of licensing contracts and the collection of fees. Monthly spot checks on the sales norms of blind boxes are conducted. Through system data verification and offline unannounced visits, the implementation of compliance requirements by stores is confirmed (COSO, 2013).

(2) Rectification Closed Loop: Achieve Continuous Optimization of Internal Control

For the problems identified during the audit, a closed-loop mechanism of "problem reporting - rectification and implementation - review and acceptance" is established. The compliance department tracks the progress of rectification, and after the rectification is completed, it is rechecked and confirmed by the internal audit department. Every year, we cooperate with external auditing institutions to conduct internal control audits. Based on the audit results, we optimize the internal control process, such as simplifying the incubation approval process for non-core ips and improving the compliance control details for overseas stores, thus forming a continuous improvement cycle of "supervision - rectification - optimization" (COSO, 2023).

3. Deficiencies and Root Causes of Internal Control in POP Mart Enterprise

3.1. Internal Environment

3.1.1. Specific Defects

The organizational structure is ambiguous in terms of rights and responsibilities, and incompatible positions have not been effectively separated: There is overlap in positions between financial accounting and warehouse reconciliation, after-sales review and accounting write-off. In some areas, the entire business process is handled by one person, lacking a mechanism of position checks and balances, which is prone to breed accounting operation risks (Vargas-Hernández & Cárdenaz, 2016).

Lack of internal control culture, emphasizing marketing over financial control: The core energy of the management is focused on IP incubation, market expansion and sales growth, with insufficient attention paid to financial internal control and failure to convey the concept of compliance control. The internal control awareness of front-line financial and business personnel is weak, and there are violations such as arbitrarily adjusting the inventory valuation basis and modifying the sales ledger data .

The management of authority is in a state of chaos, and the classification of financial control authority has failed: The financial control authority has not been precisely divided according to job responsibilities, and there are cases of cross-position and unauthorized operations. Some non-financial position personnel can access core accounting data. The core control authority has not been assigned to a specific person, position, or individual, and there is a lack of supervision over the use of authority (Lee & Park, 2022).

3.1.2. Root Cause of the Problem

The foundation of internal control governance is weak, and the management's priority in internal control is misaligned. Revenue is emphasized over compliance, and the concept of "internal control in advance" has not been established. The financial control authority and responsibility have not been delegated to business links, and the core principles such as job restraint and authority classification have not been implemented. The internal control system was not established to adapt to the high inventory and frequent after-sales service characteristics of the trendy toy industry, and the internal control foundation was virtually non-existent (Sarala, 2010).

3.2. Risk Assessment

3.2.1. Specific Defects

The identification of core risks in accounting and operation was not comprehensive: The internal control risk points were not comprehensively sorted out in combination with the characteristics of the trendy toy industry. The identification of high inventory turnover risk, high-frequency after-sales return and exchange accounting risk, bad debt risk of dealers' accounts receivable, and compliance risk of IP co-branded cooperation accounting was omitted, and they were not included in the regular risk list (Kim & Miller, 2025).

The risk prediction mechanism is lacking, and the control model mainly focuses on post-event remediation: In 2025, the malicious exchange case caused a loss of 231,000 yuan. The risks of accounting fraud and inventory loss under the "trade-in for new" policy were not identified in advance. It was not until the abnormal problems broke out on a large scale that intervention was made to investigate. The risk of inventory depreciation was not adequately predicted. The inventory scale in the 2025 interim report reached 2.274 billion yuan. The impact of the accumulation of slow-moving blind boxes on accounting and profit collection was not predicted in advance(Siahaan, 2018).

Lack of risk response plans and insufficient collaborative handling capabilities: In the face of risks such as abnormal accounting, inventory shortages, bad debt provisions, and illegal write-offs after sales, no standardized response procedures and responsibility divisions have been established. After problems arise, departments such as finance, business, and warehousing shirk responsibility from each other, delaying the timeliness of risk handling and accounting correction(Francesconi, 2024).

3.2.2. Root Cause of the Problem

POP Mart lacks the full-process risk management thinking suitable for the trendy toy industry. Its risk assessment is limited to traditional financial risks and has not achieved a full-chain review of business and financial risks. The disconnection between business and finance without a collaborative predictive mechanism makes it difficult to detect potential risks at the business end. The "identification - prediction - early warning - response" control closed loop has not been established, and risk assessment has become a mere formality (COSO, 2013).

3.3. Control Activities

3.3.1. Specific Defects

Failure of authorized approval control: The approval process for key internal control matters such as accounting modification, bad debt provision, inventory write-down provision, and large-scale post-sale write-offs has been simplified. Some large-scale accounting treatments can be executed without multi-level approval. There are no complete approval records for special operations such as red-letter write-offs and accounting adjustments. The operations are highly arbitrary and lack process constraints (COSO, 2013).

Non-standard financial accounting control: Inconsistent implementation of inventory valuation methods, and the cost of some batches of blind boxes was not calculated using the pre-determined weighted average method, resulting in distorted cost transfer. The accounting was not detailed by IP category and sales channel, and the accounts of best-selling and slow-moving products were not separately collected, which affected the accuracy of profit accounting. The accounting treatment for after-sales returns and exchanges was not timely, and the write-off process was not standardized, resulting in deviations in revenue and cost accounting (Lee & Park, 2022).

Inadequate process and auditing control: Violating the standard process of "filling in - auditing - bookkeeping - transfer - reconciliation - closing the account", auditing only checks the balance of loans and credits, dealer reconciliation is merely a formality, and closing the account before completing a comprehensive verification at the end of the period, resulting in serious data distortion (Francesconi, 2024).

3.3.2. Root Cause of the Problem

The internal control process is disconnected from the characteristics of the trendy toy industry and has not been integrated into the entire business process. The finance department emphasizes the completion rate of accounting while neglecting compliance, and the implementation of core internal control requirements is absent. The management's supervision was insufficient, and the control was not optimized in light of the characteristics of high inventory and multiple distributors. As a result, the internal control system lost its corrective effect (Lin-Hi & Blumberg, 2017).

3.4. Information and Communication

3.4.1. Specific Defects

Internal information transmission is not smooth, and there is a gap in business and financial data: The sales data of the business department, the after-sales return and exchange data, and the inventory entry and exit data of the warehousing department are not timely and completely synchronized to the finance department, resulting in delayed accounting processing and accounting deviations. There is no standardized process for cross-departmental information transmission. The understanding of inventory control and after-sales accounting treatment among finance, business and warehousing is inconsistent, which is prone to cause internal control loopholes (Lee & Park, 2022).

Distorted financial information and insufficient data consistency: There are differences between financial accounting data and business operation data as well as physical warehouse data. In the malicious exchange case in 2025, the after-sales return and exchange records were not synchronized or matched with the financial write-off accounting records. There are occasional deviations between the data in financial statements and that in ledgers and vouchers, which affect the reliability of financial information and the scientific nature of internal control decisions (COSO, 2023).

Insufficient internal and external information connection: Reconciliation with distributors relies on offline documents, which is time-consuming and difficult to verify discrepancies. Poor information flow with partners, lack of basis for business accounting, and rising compliance risks (Kim & Miller, 2025).

3.4.2. Root Cause of the Problem

POP Mart failed to establish an integrated information loop of business and finance, neglecting the core requirements of the authenticity and traceability of financial information. There is no standardized process for information transmission, feedback and rectification. The communication system was not built to adapt to the multi-partner characteristics of trendy toys, and information asymmetry gave rise to internal control risks (Sarala, 2010).

3.5. Internal Supervision

3.5.1. Specific Defects

Lack of daily supervision and failure to implement a regular control mechanism: A regular internal control supervision and accounting verification mechanism has not been established. The verification of accounts and vouchers, accounts and statements, and accounts and physical assets is only a one-time operation on a quarterly or annual basis. Abnormal accounting and internal control loopholes are exposed in a delayed manner, such as the depreciation of slow-selling blind box inventory and the illegal write-off of after-sales accounts, which have not been discovered for a long time (COSO, 2013).

Incomplete supervision records and no trace of rectification: Accounting errors and internal control loopholes discovered during the supervision process have not been kept in complete written records and verification reports. There was no tracking ledger or responsibility division during the rectification process. The rectification situation was not archived in a timely manner, and similar internal control issues recurred (such as incorrect inventory valuation and oversight in authorization and approval) (COSO, 2023).

Supervision of special operations is out of control, and the risk of accounting compliance is high: Special accounting operations such as red-letter write-offs, accounting adjustments, and bad debt provisions are not included in the scope of post-event supervision and verification, and there are no supervision records. Some closed accounts are adjusted at will, and the compliance of accounting cannot be guaranteed (Lee & Park, 2022).

3.5.2. Root Cause of the Problem

Emphasizing business results over supervision and review, the management neglects the corrective role of internal supervision, and a professional supervision system has not been established. The coordination between supervision and auditing and business and finance is insufficient, and supervision only focuses on basic compliance. The closed loop of "discovery - accountability - rectification - review - optimization" has not been formed, and supervision lacks binding force and effectiveness (COSO, 2013).

4. Internal Control Improvement Plan and Safeguard Measures of POP Mart

4.1. Optimize the Internal Environment and Consolidate the Foundation of Internal Control and Governance

4.1.1. Improvement Project

Reconstruct an organizational structure with clear rights and responsibilities:Comprehensively sort out key positions such as financial accounting and warehouse reconciliation, issue job descriptions, clearly define incompatible positions and strictly implement the separation system, and prevent overlapping positions such as warehouse inventory taking and inventory accounting, after-sales review and accounting write-off. For regional business, a three-person division of labor model involving business execution, accounting record-keeping and auditing supervision should be enforced, and a post check mechanism should be established (Vargas-Hernández & Cárdenaz, 2016).

Cultivate a corporate culture that prioritizes internal control:The management should take the lead in establishing the concept of internal control in advance, incorporate internal control and compliance indicators into performance evaluations with a weight of no less than 15%, and reverse the orientation of emphasizing marketing over control. Regularly hold special meetings on internal control, carry out specialized training on inventory valuation, ledger management, etc., and eliminate the illegal operation of arbitrarily adjusting accounting data.

Establish a precise and hierarchical permission control system:Formulate the "Financial Control Authority Grading Manual", and divide the core accounting data viewing, modification and approval authorities according to job responsibilities. Set up permission access logs to monitor operation behaviors in real time. Non-financial positions need to go through the application - approval - registration process to retrieve data, achieving full-process traceability (Lee & Park, 2022).

4.1.2. Safeguard Measure

Establish an internal control governance committee led by the CEO, with the heads of finance, human resources, business, warehousing and other departments as members. The committee will comprehensively coordinate the advancement of various tasks such as organizational structure adjustment, internal control culture construction, and optimization of authority control. Regular meetings will be held to review the progress of internal control work, coordinate and solve cross-departmental problems that arise during the implementation process, and ensure that the improvement plans are effectively implemented. Link the performance of internal control compliance directly with the salary distribution and job promotion of employees. Establish a strict reward and punishment mechanism. Commend and reward departments and individuals who perform well in internal control implementation. Implement a one-vote veto system for operations that violate internal control regulations, disqualify them from the annual excellence evaluation, and impose corresponding penalties depending on the severity of the situation (Sarala, 2010).

4.2. Improve Risk Assessment And Establish a Full-Chain Risk Early Warning Mechanism

4.2.1. Improvement Project

Comprehensively identify the core risks of the industry:Sort out and form the "Internal Control Risk List of POP Mart", incorporating industry-specific risks such as high inventory turnover and after-sales return and exchange accounting. Classify risk levels based on the probability of occurrence and the degree of impact, and formulate special control strategies for major risks (Siahaan, 2018).

Establish a mechanism for pre-emptive prediction and early warning of risks:Conduct pre-risk assessments for policies such as trade-in, and formulate detailed rules to prevent accounting fraud and inventory loss. Set a threshold for inventory depreciation early warning, initiate early warning for inventories with an age of over 6 months accounting for more than 10%, and conduct a special depreciation investigation on 2.274 billion yuan worth of inventories (Kim & Miller, 2025).

Develop standardized risk response procedures:Compile the "Risk Response Operation Manual" to clearly define the handling responsibilities and time limits of each department. Designate the finance department as the leading unit for risk disposal and establish a collaborative mechanism to prevent departments from shirking their responsibilities (Francesconi, 2024).

4.2.2. Safeguard Measure

Establish a dedicated position of risk control specialist, who is responsible for the dynamic update of the "POP Mart Internal Control Risk List", real-time monitoring of early warning indicators, and supervision of the implementation of risk response processes, etc., to ensure that risk control work is carried out in a regular and professional manner. Establish a risk assessment effect evaluation mechanism, incorporate the accuracy of risk prediction and the timeliness of risk handling into the performance assessment scope of relevant departments. For enterprises that suffer economic losses due to insufficient risk prediction or improper handling, strictly hold the relevant departments and personnel accountable(COSO, 2013).

4.3. Standardize Control Activities and Strengthen the Implementation of Internal Control Throughout the Entire Business Process

4.3.1. Improvement Project

Strictly implement the control of authorization and approval:Revise the "Approval Process Specifications for Key Internal Control Matters", clearly defining multi-level approval authorities for matters such as accounting modifications and large-scale post-sale write-offs. It is required that complete approval documents be retained for special operations such as red-character write-off, and arbitrary operations without approval are strictly prohibited (COSO, 2013).

Unify and standardize financial accounting control:Strictly implement the weighted average method to calculate inventory costs and regularly verify cost transfer data. Break down accounting subjects by IP category and sales channel, and separate accounting for best-selling and slow-moving products. The financial write-off for after-sales returns and exchanges must be completed within 3 working days (Lee & Park, 2022).

Strengthen process and audit control:Strictly follow the standard accounting processing procedures and set rigid constraints through the system. Expand the scope of auditing and verify the authenticity and completeness of the attached vouchers. Conduct on-site reconciliation with dealers every quarter and establish a ledger of audit issues for tracking and rectification (Francesconi, 2024).

4.3.2. Safeguard Measure

Introduce a professional financial ERP system. Through the system, solidify the approval process, accounting standards and accounting processing steps, reduce the space for manual operation, and achieve systematic control over the entire accounting processing process. Establish an internal control implementation supervision team, composed of personnel from the finance and auditing departments. Regularly spot-check the implementation of control activities by each department, issue public criticism for any discovered violations, and urge the responsible departments to rectify within a specified time limit (COSO, 2023).

4.4. Smooth Information and Communication Channels to Achieve the Integration of Business and Financial Data

4.4.1. Improvement Project

Build an integrated business and finance information platform:Establish a standard process for cross-departmental information transmission. Business departments should synchronize sales and after-sales data daily, while the warehousing department should synchronize inventory data weekly. Build an integrated business and finance system to achieve real-time data sharing and automatic verification (Lee & Park, 2022).

Ensure the authenticity and consistency of financial information:Establish a monthly data consistency verification mechanism to check the differences in financial, business and warehouse data and make rectifications. One-to-one matching verification shall be implemented for after-sales return and exchange records and financial write-off records (COSO, 2023).

Strengthen information connection with external partners:Sign standardized reconciliation agreements with distributors and suppliers and implement an online reconciliation system. Establish an information sharing mechanism with logistics and IP partners to provide sufficient basis for accounting calculation (Kim & Miller, 2025).

4.4.2. Safeguard Measure

Appoint an information communication specialist, who is dedicated to coordinating and tracking the transmission of internal and external information to ensure that all types of data are promptly and accurately transferred to relevant departments. Regularly assess the operational effectiveness of the information system, optimize system functions based on the business development needs of the enterprise and the requirements of internal control work, and enhance data processing efficiency and control capabilities(Sarala, 2010).

4.5. Strengthen Internal Supervision and Establish a Closed-Loop Supervision and Rectification Mechanism

4.5.1. Improvement Project

Establish a regular internal supervision mechanism:Formulate the "Detailed Rules for Internal Supervision Implementation", and the supervision and auditing department conducts daily account verification every month and comprehensive internal control inspections every quarter. Incorporate the verification of accounts and vouchers as well as accounts and physical assets into the monthly routine work (COSO, 2013).

Improve the supervision record and traceability mechanism:Keep written records of the problems identified through supervision, establish a supervision problem ledger, and clearly define the person responsible for rectification, measures and time limits. Incorporate the rectification materials into the archive management to ensure traceability of problems (COSO, 2023).

Strengthen the supervision of special accounting operations:Incorporate operations such as red-letter write-offs and accounting adjustments into the scope of post-event supervision, and require verification to be completed within 10 working days after the completion of the operations. The adjustment of the accounts that have been closed is subject to a triple control system of approval, operation and supervision (Lee & Park, 2022).

4.5.2. Safeguard Measure

Grant the supervision and auditing department independent supervision authority. The supervision and auditing department shall directly report the supervision results to the board of directors without interference from other departments, ensuring the objectivity and fairness of the supervision work. Establish a mechanism that links the effectiveness of supervision with performance assessment, and link the quality of supervision work with the performance-based compensation of personnel in the supervision and auditing departments. Hold accountable those who fail to supervise effectively and cause the expansion of internal control loopholes (COSO, 2013).

5. Conclusion

This article takes POP Mart, a leading enterprise in the trendy toy industry, as the research object. Centering on the five elements of internal control, it systematically analyzes the current status, core deficiencies and root causes of its internal control system construction, and proposes targeted improvement plans and safeguard measures to comprehensively clarify the core logic and optimization path of internal control construction in cultural and creative enterprises .

From the current status of internal control operation, POP Mart has established an internal control framework that aligns with the "IP+ blind box" business model. It has improved the governance structure with the IP management special committee at the core, adopted a dynamic risk model to address industry-specific risks, implemented refined control around core links such as IP operation and blind box sales, and supported information flow with digital systems. Through special supervision to build a closed-loop rectification system, its internal control system not only conforms to the core attribute of IP-driven in the cultural and creative industry but also meets the needs of global channel layout, providing important support for the enterprise to maintain its leading position in the industry. However, it has also exposed many problems of insufficient adaptability.

From the perspective of the core deficiencies in internal control, POP Mart has obvious shortcomings in all five elements of internal control. At the internal environment level, the division of rights and responsibilities is unclear and the internal control culture is weak. At the risk assessment level, there are problems such as incomplete risk identification and the absence of a prediction mechanism. At the control activity level, the authorization and approval are ineffective and the financial accounting is not standardized. At the information and communication level, there is a gap in business and financial data and poor information transmission. The internal supervision level lacks regular control and the rectification loop has not been implemented. The root cause of these deficiencies lies in the fact that its internal control system has not fully adapted to the unique attributes of the trendy toy industry, such as high inventory, short product cycle, frequent after-sales service, and multiple partners. Coupled with the management's orientation of emphasizing revenue over compliance, this has led to the internal control not fully playing its core role in risk prevention and process standardization.

The improvement plan proposed in combination with the industry characteristics and the actual situation of the enterprise starts from reconstructing the organizational structure, cultivating an internal control culture, optimizing the authority control to consolidate the internal environment, comprehensively identifying risks, establishing an early warning mechanism, standardizing the response process to improve risk assessment, strictly authorizing and approving, unifying the accounting standards, strengthening the process auditing to standardize and control activities, From building an integrated business and finance platform, ensuring data authenticity, and strengthening external communication to facilitate information exchange, to implementing regular supervision, improving traceability mechanisms, and strictly controlling special operations to enhance internal supervision, and supporting special safeguard measures to ensure the implementation of the plan, a complete internal control optimization system of "diagnosis - improvement - guarantee" has been formed.

In conclusion, the internal control construction of cultural and creative enterprises needs to break away from the traditional internal control framework, closely align with their own business models and industry characteristics, and deeply embed internal control requirements throughout the entire business process. It is necessary to not only consolidate the internal control foundation of "division of rights and responsibilities, risk prevention and control, and process standardization", but also take into account the characteristics of the cultural and creative industry such as creative-driven and flexible operation, to achieve the coordinated progress of internal control compliance and business development. The internal control case of POP Mart also provides a reference for enterprises in the same industry. Only by focusing on the pain points of the industry, making up for the shortcomings of internal control, and strengthening closed-loop management can we effectively prevent business risks, lay a solid foundation for the long-term development of enterprises, and help the cultural and creative industry achieve high-quality and compliant development.

Author Contributions:

All authors have read and agreed to the published version of the manuscript.

Institutional Review Board Statement:

Not applicable.

Informed Consent Statement:

Not applicable.

Conflict of Interest:

The authors declare no conflict of interest.

References

Committee of Sponsoring Organizations of the Treadway Commission. (2013). Internal control—Integrated framework.

Committee of Sponsoring Organizations of the Treadway Commission. (2023). Supplemental guidance on internal control over sustainability reporting.

Francesconi, L. (2024). Social entrepreneurship and value creation in the cultural sector: An empirical analysis using the multidimensional controlling model. Social Enterprise Journal.

Kim, H., & Miller, P. (2025). The review of blind box marketing and problems in blind box markets. Advances in Economics, Management and Political Sciences.

Lee, S., & Park, J. (2022). Analysis and optimization of internal factors of cultural industry management based on structural equation model. Wireless Communications and Mobile Computing.

Lin-Hi, N., & Blumberg, I. (2017). The power(lessness) of industry self-regulation to promote responsible labor standards: Insights from the Chinese toy industry. Journal of Business Ethics.

Sarala, R. M. (2010). Recipe for profitable growth in creative firms: Cultural controls in relation to growth. ResearchGate.

Siahaan, N. P. (2018). Analysis of implementation of COSO internal control framework at PT. Toys City. Universitas Pelita Harapan Institutional Repository.

Vargas-Hernández, C., & Cárdenaz, G. (2016). Internal control and organizational culture in small businesses: A conjunction to competitiveness. Economic Research-Ekonomska Istraživanja.