

**IMPACT OF MANAGEMENT ACCOUNTING PRACTICES
ON FINANCIAL PERFORMANCE OF NEPALESE LISTED
MANUFACTURING COMPANIES**

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial
Fulfillment of the requirements for Master's Degree

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CERTIFICATE OF AUTHORSHIP

I hereby declare that I have researched and submitted the final draft of dissertation entitled “Impact of Management Accounting Practices on the Financial Performance of Nepalese Listed Manufacturing Companies”. The work of this dissertation has not submitted previously for the purpose of conferral of any degree nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I received in its preparation is fully acknowledged. In addition, I certify that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

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ABSTRACT

This study investigates at how management accounting practices affect the financial performance of publicly traded manufacturing companies in Nepal. It looks at the relationship between budgeting practices, forecasting techniques, and internal control systems and financial performance. These are three important areas of management accounting. The study uses a quantitative method, sending structured questionnaires to finance professionals at ten publicly traded manufacturing companies. I used SPSS to look at the data. I used descriptive statistics, reliability testing, Pearson correlation, and multiple regression analysis.

The study's results show that budgeting practices and internal control systems are widely used and have a positive effect on financial performance. Internal control systems were the most important factor, followed closely by budgeting practices. People said that forecasting methods were very useful, but they didn't work well together and didn't have a strong statistical link to financial performance. The regression model showed that the three accounting practices together accounted for about 45% of the differences in financial performance. However, the model as a whole wasn't statistically significant, probably because the sample size was too small.

The results back up both Contingency Theory, which says that internal systems should work well with external conditions, and the Resource-Based View, which says that internal capabilities like accounting systems are important for strategy. The study finds that Nepalese manufacturing companies can greatly improve their financial performance by using management accounting practices correctly, especially budgeting and internal controls. It also makes suggestions for practice, policy, and future research. It stresses the need for better forecasting methods and wider use of strategic accounting tools.

Keywords: *Management accounting practices, manufacturing companies, budgeting practices, forecasting techniques, internal control systems, financial performance.*

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Management accounting provides managers with the financial and non-financial data they require to plan, make decisions, and assess performance. It is a crucial component of modern business operations (CIMA). It assists companies in ensuring that their resources align with their long-term objectives, resulting in reduced expenses and increased productivity. The importance of integrating financial and operational factors for long-term growth is emphasized by Horngren, Sundem, and Stratton (2005). Businesses that produce goods and trade on the stock market are known as listed manufacturing enterprises, and they are monitored by the Securities Board of Nepal (SEBON) and the Nepal Stock Exchange (NEPSE). These businesses produce a wide range of goods, such as food, textiles, steel, cement, and pharmaceuticals. Among the well-known manufacturers on the list are Unilever Nepal, Bottlers Nepal, Nepal Lube Oil, and Shivam Cement.

Businesses that produce goods in Nepal must contend with shifting consumer demands, supply chain problems, and new regulations. By using efficient management accounting strategies, such as examining spending and tracking performance, businesses can overcome these challenges. Management accounting provides fact-based information, which makes it the most important component of strategic management, according to Drury (2018). By holding everyone accountable and tying performance metrics to strategy, Kaplan and Norton's (1996) Balanced Scorecard approach enhances management accounting. According to Johnson and Kaplan (1987), we should begin using strategic decision-making techniques since standard accounting practice do not provide us with timely information.

Although management accounting is essential, few people in Nepal use it because they lack the necessary skills, technology, or training. Many companies continue to report their financial information using antiquated methods rather than using technologies that aid in future planning. Financial reporting is now more consistent thanks to the Nepal Accounting Standards (NAS) and its compliance with the International Financial Reporting Standards (IFRS). However, management accounting is still underutilized.

Management accounting differs from financial accounting in that it provides decision-making information to those within the organization. The best decisions regarding pricing, production scheduling, and resource utilization can be made by managers with the aid of cost-volume-profit analysis and other techniques. Improving their management accounting practice could make Nepalese manufacturing companies more financially responsible and strategically flexible. This will enable them to maintain their competitiveness in a constantly evolving business environment. Finding out how management accounting is currently being used by Nepalese listed manufacturing companies, what is preventing them from using it, and how it might be improved are the goals of this study.

Furthermore, Nepal's transition toward digitized accounting systems and growing investor expectations for transparency have elevated the importance of adopting modern management accounting tools. International Financial Reporting Standards (IFRS) implementation has also pressured companies to align internal practices with global norms. In this light, management accounting is not only a compliance tool but a strategic instrument for long-term competitiveness. This growing emphasis necessitates research that contextualizes the strategic role of MAPs within Nepal's evolving industrial landscape.

1.2 Problem Statement

To grow and survive, Nepalese listed manufacturing companies must be able to apply and adhere to sound management accounting practices. On the other hand, these organizations face persistent issues like Nepal's dearth of research on management accounting techniques. Despite their significant economic impact, listed industrial enterprises in Nepal have generally been overlooked by academic research. Important management accounting aspects like internal control systems, forecasting techniques, and budgeting techniques are not well studied. The study aims to fill this gap by addressing the following question: "What effect do management accounting practices, especially budgeting techniques, have on the financial performance of Nepalese manufacturing companies that are listed?" This issue becomes even more critical when considering that most prior research in Nepal has been conceptual or qualitative, lacking robust empirical validation. Additionally, financial outcomes across manufacturing firms vary widely, and it remains unclear whether this variability is due to inconsistent application of MAPs or

other external factors. The challenge, therefore, is to empirically determine the strength and direction of influence MAPs exert on firm-level financial performance within Nepal's unique industrial and economic context.

1.3 Research Questions

This study encourages to find out how listed Nepalese manufacturing companies use management accounting practices like budgeting, forecasting, and internal control systems. This study is done to know if these practices have a big effect on financial performance and how they help the organization do better overall. The following research questions are meant to look into current practices and see how much they affect financial efficiency and profitability.

- What are current practices of management accounting practices in listed Nepalese manufacturing companies?
- Is there any relationship between budgeting practices, forecasting techniques and financial performance of listed Nepalese manufacturing companies?
- Do internal control systems, budgeting practices, forecasting techniques have impact on the financial performance of listed Nepalese manufacturing firms in Nepal?

1.4 Objectives of the Study

The primary objective of this study is to assess the management accounting practices of listed manufacturing companies in Nepal. The specific objectives are as follows:

- To examine the relationship between budgeting practices, forecasting techniques, Internal Control system and financial performance of listed Nepalese manufacturing companies.
- To analyze the impact of internal control systems, budgeting practices, forecasting techniques on the financial performance of listed Nepalese manufacturing firms in Nepal.
- To develop practical recommendations for improving the use of management accounting tools based on empirical findings.

1.5 Hypothesis

The study is guided by the following hypotheses:

Hypothesis 1:

- Null Hypothesis(H_0): Budgeting Practices do not significantly affect the financial performance of Nepalese listed manufacturing companies.
- Alternative Hypothesis(H_1): Budgeting Practices significantly affect the financial performance of Nepalese listed manufacturing companies.

Hypothesis 2:

- H_0 : Forecasting Techniques do not significantly affect the financial performance of Nepalese listed manufacturing companies.
- H_1 : Forecasting Techniques significantly affect the financial performance of Nepalese listed manufacturing companies.

Hypothesis 3:

- H_0 : Internal Control Systems do not significantly affect the financial performance of Nepalese listed manufacturing companies.
- H_1 : Internal Control Systems significantly affect the financial performance of Nepalese listed manufacturing companies.

1.6 Rationale of the Study

This study is important because it will help us understand how budgeting, forecasting, and internal control systems affect how well businesses do financially, especially in developing countries like Nepal. Companies are facing more and more financial and operational problems, so they need good financial management solutions to make sure they can keep going and grow.

The researcher aims to offer fresh perspectives on the goals such as:

- Academic Literature Contribution: By focusing on the management accounting practice of publicly traded manufacturing companies in Nepal, the study fills a gap in the body of existing research.

- **Practical Implications:** The findings will provide executives and legislators with useful information to enhance managerial effectiveness and financial transparency.
- **Economic Relevance:** Improving management accounting practice in manufacturing firms, which are critical to Nepal's economic growth, can have a favorable effect on the entire industrial sector.
- **Benchmarking Opportunities:** By making it easier for Nepalese businesses to align their operations with international standards, this research may increase their competitiveness in the global market.

1.7 Limitation of the Study

Research is the dynamic activity of looking for answers to problems. The conclusions may not be equally applicable to all problems; each study has limitations. A single study cannot be ideal in itself. The present study cannot be an exception. During the research phase, this study may encounter the following restrictions. While this research aims to provide a comprehensive understanding of management accounting practices in Nepalese manufacturing companies, it is subject to the following limitations:

- The study is limited to Nepalese listed manufacturing companies and may not represent other industries or non-listed companies.
- The accuracy of the study depends on the quality and availability of financial data provided by the companies.
- The study focuses on a specific time frame, which may not capture long-term trends and impacts.
- The findings may not be directly applicable to other countries or sectors with different regulatory environments and accounting practices.
- The study relies on quantitative methods and may not fully capture qualitative insights from management practices and organizational culture.

CHAPTER-II

LITERATURE REVIEW

Management accounting is very important for contemporary firms when they make decisions. It is about giving managers both financial and non-financial information so they can make smart choices about how to plan, control, and evaluate how well the organization is doing. Management accounting practices (MAPs) enable manufacturing organizations make the most use of their resources, keep costs down, and improve their financial performance as they work in more competitive and changing contexts. Manufacturing companies, especially in emerging countries like Nepal, have to deal with a lot of problems, such changing market needs, high operating expenses, complicated regulations, and new technologies. To deal with these problems, it is necessary to use strong management accounting methods. To help make good decisions, managers use a variety of management accounting methods, including as budgeting, standard costing, and activity-based costing (ABC). Companies may attain long-term stability, operational efficiency, and financial stability by using current management accounting methods. Also, as business becomes increasingly global, Nepalese manufacturing companies need to make sure that their management accounting methods follow international standards. The introduction of Nepal Financial Reporting Standards (NFRS) and Nepal Accounting Standards (NAS) encourages businesses to use clear and consistent accounting methods. However, even with these improvements in regulations, Nepalese manufacturing companies still don't use advanced management accounting practice very often. This is because they don't have enough knowledge, don't know about them, or don't have the resources to do so.

This chapter looks at the theoretical views, empirical results, and research gaps that are connected to management accounting methods in manufacturing companies. It shows how alternative management accounting systems may help Nepalese listed manufacturing businesses make better financial decisions, keep costs down, and make strategic decisions easier.

2.1 Conceptual Review

Management accounting is the process of finding, measuring, analyzing, interpreting, and sharing financial and non-financial information with managers so they can make decisions, plan, and evaluate performance (Horngren et al., 2013). Management accounting is different from financial accounting since it focuses on how decisions are made inside a company and helps firms come up with plans to reach their goals. (Drury, 2018)

Management accounting practices (MAPs) are methods that assist managers make decisions, plan, and control things to improve the company's financial performance. These include things like budgeting, keeping an eye on costs, making financial predictions, and setting up internal controls to help with financial and operational planning.

Recent international studies further reinforce the value of management accounting practices in enhancing financial performance. For instance, Ali and Ghani (2022) found that Malaysian SMEs adopting advanced budgeting frameworks achieved higher return on investment (ROI) and improved liquidity ratios. Similarly, Ntim et al. (2023) demonstrated that strong internal control mechanisms played a significant role in reducing operational risk and minimizing fraud within Ghanaian manufacturing firms. Additionally, a cross-sectoral analysis by Gyamfi and Oppong (2022) concluded that forecasting accuracy was a significant predictor of profitability for manufacturing businesses in sub-Saharan Africa. These global insights suggest that the adoption of structured and data-driven MAPs could offer comparable financial benefits for Nepalese manufacturing companies.

2.1.1 Budgeting Practices

Budgeting practices encompass financial planning, resource allocation, and variance analysis to ensure efficient spending and revenue generation. (Lalli, 2012) It includes:

- Operational Budgeting- It is setting financial limits for various business operations.
- Capital Budgeting- It is a process of evaluating investments for long-term assets.
- Variance Analysis- It is about comparing actual and budgeted performance to identify deviations.

Mbogo, Macharia, and Olando (2021) demonstrated a significant positive relationship between budgeting practices and financial performance among Kenyan manufacturing SMEs. The study emphasized the role of budgeting in aligning operational plans with strategic goals, controlling costs, and enhancing financial accountability.

In the Nigerian context, Owolabi and Makinde (2012) explored the influence of participatory budgeting in manufacturing organizations. They found that involving employees at different organizational levels in budget preparation increased their commitment to financial goals, thus improving organizational performance.

Similarly, Eniola and Ektebang (2014) discovered that small firms using zero-based budgeting had better cost discipline and resource utilization, leading to increased profitability and reduced financial risks. These findings underscore that the type and structure of budgeting significantly impact outcomes.

Macinati and Anessi-Pessina (2014) conducted a study in Italy's public health sector, revealing that performance-based budgeting systems led to more effective resource distribution and enhanced service delivery. They argued that budgeting must be linked with key performance indicators to be effective.

In Nepal, Shrestha (2021) found that while budgeting was widely used among manufacturing firms, the application of modern techniques like activity-based budgeting and rolling forecasts remained limited. This was due to a lack of expertise, digital tools, and training. However, firms that adopted such techniques showed better cost control and planning.

Thole, Sitsha, and Wadesango (2023) examined the role of budgeting in internal control systems and found that weak variance analysis and lack of forecasting made the budgeting process inefficient. This highlights the importance of integrating budgeting with broader financial management tools.

2.1.2 Forecasting Techniques

Forecasting involves predicting future financial trends and business performance based on historical data. It includes:

- Quantitative Forecasting: Statistical and econometric models (e.g., regression analysis, time-series analysis).
- Qualitative Forecasting: Expert judgment and market research.

Makori and Jagongo (2013) studied Kenyan banks and concluded that institutions with robust forecasting models were better at managing liquidity and credit risk, resulting in stronger financial stability. They emphasized the integration of real-time data and predictive analytics for dynamic planning.

In the East African retail sector, Gathaiya (2017) found that demand forecasting systems significantly reduced inventory costs and increased revenues. These systems enabled firms to match supply with market demand accurately.

Aryal and Sharma (2021) investigated forecasting practices in Nepal's agricultural cooperatives. Their study found that forecasting models for crop yield improved productivity and enabled better access to credit due to more predictable cash flows.

Kalpana and Samuel (2018) demonstrated that Indian IT firms using AI-based forecasting tools achieved superior financial outcomes. The integration of machine learning improved accuracy, enabling firms to optimize operations and maximize profits.

Mensah and Ibrahim (2022) examined Ghanaian hospitality firms and found that multi-variable forecasting approaches, incorporating economic and behavioral indicators, enhanced income predictability and cost control.

These findings collectively suggest that the complexity and integration of forecasting systems can significantly influence financial performance. However, in Nepal, such advanced forecasting systems are underutilized, and firms often rely on informal or historical data without statistical modeling.

2.1.3 Internal Control Systems

Internal control systems are mechanisms to ensure compliance, operational efficiency, and fraud prevention. (COSO, 2013) Key components include:

- Control Environment- The organizational structure and ethical culture.
- Risk Assessment- Identifying and mitigating financial risks.

- Monitoring and Auditing- Regular evaluations of financial statements and transactions.

Amudo and Inanga (2009) found that strong internal control frameworks significantly contributed to financial monitoring and fraud prevention in East African companies. They stressed the importance of continuous supervision, clear roles, and integrated control activities.

In the U.S., Aikins (2011) revealed that strong internal reporting structures in local government organizations improved financial management and trust in public resource allocation.

Kabuye et al. (2019) analyzed how internal controls affected working capital management in Ugandan supermarkets. They found a weak link between internal controls and financial performance, but noted that efficient working capital practices were strong predictors of profitability.

Khan and Jamil (2020) studied Pakistani SMEs and concluded that firms with poorly implemented internal controls experienced cash flow issues and inefficient operations. When these businesses transitioned to computerized systems and regular audits, they saw measurable improvements in performance.

In Nepal, Thapa and Paudel (2022) reported that NGOs with strong internal audit systems maintained better budget discipline and transparency, leading to increased donor confidence.

Maharjan (2024) studied public enterprises in Nepal and found that firms with integrated ICS and financial management tools had better decision-making and performance tracking systems, especially when aligned with strategic goals.

2.1.4 Financial Performance

Financial performance refers to a firm's ability to generate revenue, manage costs, and ensure profitability. (Brigham & Houston, 2016) Common financial performance indicators include:

- Return on Assets (ROA)
- Return on Equity (ROE)

- Net Profit Margin
- Earnings Before Interest and Taxes (EBIT)

According to Pujja Bist (2019), financial performance of Nepalese manufacturing firms is directly influenced by the adoption of management accounting practices. Companies using advanced techniques such as ABC and BSC showed higher returns on investment and asset utilization.

Ghimire (2023) found that the use of MAPs like budgeting, forecasting, and cost control positively impacted ROA, ROE, and EPS in Nepalese listed firms. His data revealed a growing trend in adopting these techniques, although at a slow pace.

Ogundajo and Nyikyaa (2021) noted discrepancies in reporting quality among Nigerian manufacturing firms. They argued that performance measurement depends not only on accounting practices but also on the ethical standards and regulatory environment in which firms operate.

Kalpana and Samuel (2018) emphasized that firms leveraging technology for financial reporting and forecasting achieved higher EBIT and operating margins, highlighting the value of digital integration in performance tracking.

Overall, financial performance is a holistic outcome influenced by budgeting, forecasting, internal controls, and ethical reporting practices. For Nepalese manufacturing companies to remain competitive, investing in robust financial systems and management accounting is essential.

Nepalese listed manufacturing businesses must use these techniques to keep their finances in order, make the most use of their resources, and make better decisions. The Chartered Institute of Management Accountants (CIMA) says that management accounting is "the sourcing, analysis, communication, and use of decision-relevant financial and non-financial information to generate and preserve value." Management accounting is very important for Nepalese listed manufacturing businesses to stay competitive and keep their costs low and their finances stable.

When market circumstances change, the economy is unstable, or operations aren't running smoothly, good management accounting practice help businesses deal with the risks that

come with them. Companies may be more productive and make more money while keeping their financial transactions open by using data-driven decision-making methods. Advanced management accounting practice also make it easier to keep becoming better, adapt to changing circumstances, and make better financial predictions.

2.2 Theoretical Review

Several theories underpin management accounting practices, providing a framework for understanding their application and effectiveness in business organizations.

2.2.1 Contingency Theory

The Contingency Theory suggests that there is no single best way to manage an organization; instead, management practices, including budgeting and internal control systems, should be contingent upon external and internal factors such as company size, environmental uncertainty, and technology (Donaldson, 2001). According to Otley (1980), contingency theory suggests that accounting and control systems should be tailored to fit the circumstances of the firm to improve financial performance.

In the context of Nepalese manufacturing firms, contingency theory implies that budgeting and forecasting techniques should be adapted based on the firm's operational environment, competitive landscape, and industry regulations. For example, firms facing high market volatility may require more flexible budgeting and adaptive forecasting models.

2.2.2 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) Theory argues that firms gain a competitive advantage by developing and leveraging unique resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN framework) (Barney, 1991). Management accounting practices, such as budgeting, forecasting, and internal control systems, are considered strategic resources that can enhance financial performance if effectively implemented.

RBV theory suggests that firms with superior financial planning and control mechanisms can optimize resource allocation, improve decision-making, and sustain profitability. For example, a Nepalese manufacturing firm that effectively integrates budgeting and

forecasting tools into its decision-making process may achieve better cost management and revenue growth compared to competitors.

2.3 Empirical Review

The empirical review examines past research on the impact of budgeting practices, forecasting techniques, and internal control systems on financial performance.

2.3.1 Budgeting Practices and Financial Performance

Budgeting is important for figuring out how to allocate resources, plan for the future, and evaluate performance. Other research, such as Gichaaga (2014), Rahman & Hossain (2023), Puja Bist (2019), and Thole et al. (2023), also show that there is a link between budgeting and financial success. Owolabi and Makinde (2012) looked at Nigerian manufacturing organizations and found that participatory budgeting, in which workers at all levels help make the budget, made people feel more responsible for meeting financial goals and improved the performance of the company as a whole. The research showed that inclusive budgeting leads to more responsibility and greater alignment between strategic objectives and day-to-day operations. Eniola and Ektebang (2014) also discovered that small and medium-sized businesses (SMEs) who used zero-based budgeting were better at managing their cash flow, which led to higher profits and decreased financial risks. Macinati and Anessi-Pessina (2014) looked at how Italian public healthcare institutions budgeted. They found that businesses that used performance-based budgeting were better at allocating resources and reaching policy objectives. Their results back up the premise that performance indicators and budgeting methods should work together to generate better results. Sharma and Ghimire (2017) looked at how budgeting works in Nepalese local government institutions in South Asia. They found that giving staff technical training and digital tools made budgeting much more accurate and open, which led to more public trust and better fiscal discipline. Nuhu, Baird, and Bala Appuhami (2017) did another research that looked at how old and modern budgeting practices affect UK businesses. They said that companies that used rolling budgets, which are modified constantly depending on new information, were better able to deal with changes in the market and had better financial success than those who used static yearly budgets. Lastly, Chand and Subramaniam (2020) looked at how Fijian SMEs budgeted and found that even though they didn't have a lot of money, companies who used activity-based

budgeting methods were able to run their firms more efficiently and keep costs under control. This means that the way you budget is really important for how well it works.

2.3.2 Forecasting Techniques and Financial Performance

Financial forecasting is an important part of making plans, deciding how to use resources, and evaluating performance. Adu-Gyamfi et al. (2020), Langfield-Smith (2019), Adhikari (2012), and Chham Bahadur Adhikari (2012) are only a few of the research that have looked at its effects in many areas and sectors. Makori and Jagongo (2013) looked at how Kenyan commercial banks used financial forecasting and found that companies with good forecasting systems were better equipped to handle credit and liquidity risks, which led to higher financial performance and stability. They stressed how important it is to combine real-time data with predictive analytics for flexible planning. In a separate research, Gathaiya (2017) looked at how East African retail companies used sales and demand forecasting systems to save inventory costs and boost revenues. Nwaobia, Kwarbai, and Ogundajo (2016) looked at how predicting capital investments might affect Nigerian oil businesses. They came to the conclusion that scenario analysis and probabilistic modeling helped companies make better judgments about how to allocate their capital over the long term, particularly when things were unstable. The report also said that for forecasting to be useful in terms of money, it has to be linked to risk management systems. Aryal and Sharma's (2021) research of agricultural cooperatives in Nepal found that companies who used crop yield forecasting models were more productive and had easier access to financial borrowing because they could estimate their cash flows. Kalpana and Samuel (2018) looked at IT companies in India and found that those who used AI-based forecasting tools were better at predicting sales and making the most of their resources than their rivals. Integrating AI into forecasts led to better profits and lower operational expenses. Mensah and Ibrahim (2022) did a research on Ghanaian hospitality organizations and found that those who used multi-variable forecasting approaches, such as trends in consumer behavior and economic indicators, were better at projecting their income and cutting costs. These studies all show that the complexity and integration of forecasting systems may have a big effect on financial results.

2.3.3 Internal Control Systems and Financial Performance

Having internal control systems in place helps keep things running easily, keeps assets safe, and makes people more responsible. Besides Onyiego (2021), Kabuye et al. (2019),

and Binod Maharjan (2024), there are several other studies that help us understand internal controls and financial performance. There was a big study in East Africa in 2009 by Amudo and Inanga. They found that internal control systems helped a lot with keeping track of money and stopping theft. In their study, they talked about how important it is to have a combined control setting, control tasks, and constant tracking in order to keep moving forward. Aikins (2011) also looked at U.S. public sector organizations and found that good internal reporting methods were linked to better financial health. This was especially true for local government organizations. A study from 2015 by Ndungu, Muturi, and Omwenga looked at how Kenyan lending institutions run their own businesses. What they found was that companies with clear internal rules were better at handling credit risk and getting people to repay their loans. Their study shows that internal controls are more than just following the rules. They also make sure that the long-term earnings of the company are safe. Al-Jabali and Almomani (2018) also looked at industrial companies in Jordan and found that splitting tasks, doing internal checks, and keeping an eye on information systems all helped the companies make more money and build trust.

Khan and Jamil (2020) looked at how well the internal control systems of SME's in Pakistan worked. They discovered that lack of official control led to poor money management and problems with cash flow that happened too often. When businesses moved to official control systems like computerized accounting and regular balance sheet checks, they became much more efficient and made a lot more money. A study by Thapa and Paudel in 2022 on Nepalese non-governmental organizations found that a lack of internal control led to budget overruns and the wrong use of donated funds. If an NGO had a good internal audit system, they could keep their finances clear and in order. This helped donors trust them and keep the money coming in.

2.3.4 Studies in Nepal

Although there hasn't been much study on management accounting in Nepal, it has gained greater interest in recent years. The use of management accounting in Nepalese industrial companies was examined by Gautam and Bhattarai (2014). They found that the majority of businesses still use outdated techniques for costing and budgeting, and that newer strategies like balanced scorecards and activity-based costing are not widely adopted. Tamang (2017) examined the budgeting practices of industrial firms in Nepal. Budgeting

is common, according to the study, but it is mostly used to control expenses rather than plan for the future. According to K.C. (2019), a lack of skilled personnel, limited technology, and resistance to change were some of the primary issues in implementing management accounting approaches in Nepal.

The impact of management accounting techniques on the financial performance of manufacturing firms in Nepal was examined by Shrestha (2021). According to the study, improved financial outcomes were associated with the use of advanced management accounting technologies. This indicates that Nepalese businesses should use these strategies more often. The study supports the notion that management accounting techniques particularly forecasting, budgeting, and internal control systems are critical to determining the financial health of Nepalese manufacturing firms. Effective implementation of these strategies might increase your company's profitability, efficiency, and capacity for long-term growth.

Table 1

Summary of Empirical Review

SN	Title	Year	Author	Objectives	Methodology	Findings
1	Management Accounting Practices in Nepalese Manufacturing Companies	2023	Keshab Ghimire	Identify use of management accounting techniques, Explore practices and their effect on financial performance	Descriptive survey; questionnaires; SPSS; secondary data (2017–2021)	Diverse MAPs used; positive impact on ROE, ROA, EPS; gradual adoption of ABC and balanced scorecard
2	Effect Of Management Accounting Practices On Financial Performance Of Manufacturing Companies In Rwanda	2019	Irakiza Henry & Ngamije Jean	Evaluate existing practices, Identify gaps vs international standards, Recommend improvements	Descriptive; surveys & interviews; comparative analysis	Significant gaps; lack of training/infrastructure; need for training and gradual implementation
3	Management Accounting Practices: A Case of Jordanian Manufacturing Companies	2018	Shamsi S. Bawaneh	Impact of MAPs on financial performance, Identify common tools, Recommend practices	Empirical; questionnaires & interviews; statistical analysis	MAPs significantly improve performance; ABC and BSC most effective; need customized tools
4	Effects of Management Accounting Practices on Financial Performance of Manufacturing Companies in Kenya	2014	Peter Mwangi Gichaaga	Analyze role in operational efficiency, Examine strategic decision-making contribution, Insights for improvement	Case study; qualitative analysis	MAPs improve operational efficiency and strategic decisions; need strategic integration
5	Modern Management Accounting Practices for Large	2020	Kanogpor Suranattakul	Investigate modern MAPs, Identify adoption	Descriptive; structured questionnaires; qualitative	Use of target costing, BSC, quality cost; barriers: skill gaps, cost,

	Manufacturing Enterprise in Lower Northern Provinces Group I Thailand			barriers	interviews	satisfaction with status quo
6	Management Accounting Practices and the Performance of Manufacturing SMEs in Cape Town	2019	Endsen Kefasi	Examine current MAPs, Identify adoption barriers	Descriptive; questionnaires & interviews	Target costing, BSC, quality cost common; barriers include training gaps and cost
7	Effects of Managerial Accounting Practices on Financial Performance: A Case of Manufacturing Firms in Nairobi	2019	Consolata Waihenyaa	Impact of cost management on profitability, Identify strategies, Recommend best practices	Quantitative; surveys; correlation and regression analysis	Effective cost management linked to higher profitability; suggests CVP and budgetary control
8	Value Creation Through Management Accounting Practices in Large Thai Manufacturing Companies	2019	Terdpaopong K., Visedsun N., Nitirojntanaad K.	Explore MAPs implementation, Assess contribution to value creation	Survey (205 responses); cluster & discriminant analysis	Budgeting widely used; advanced MAPs adopted slowly; need for faster adaptation
9	Management Accounting Practices and Performance of Listed Manufacturing Companies in Nigeria	2021	Grace O. Ogundajo & Phoebe T. Nyikyaa	Assess reporting standards, Evaluate transparency & reliability, Suggest improvements	Survey; comparative financial analysis	Reporting standards vary; transparency issues; need updates and stronger regulation
10	Accounting Ethical Practices and Financial Reporting Quality of Manufacturing Companies in Uganda	2019	Odongo Amisi	Examine influence of ethics on reporting quality, Evaluate transparency & reliability	Descriptive cross-sectional; mixed methods	Ethical practices improve reporting quality, disclosure, objectivity, integrity, independence and competence
11	Essays on Manufacturing-Related	2013	Andreas Myreliid	Align accounting with	Case studies; quantitative & qualitative	Context-specific accounting systems enhance

	Management Accounting			operational processes, Analyze influence on production decisions	data; literature review; theoretical models	decision support, allocation, profitability
12	Management Accounting Professionals' Perception on MAPs in Listed Manufacturing Companies in Sri Lanka	2014	Weerasinghe et al.	Understand professionals' perceptions, Analyze effect on adoption, Suggest awareness/training enhancements	Surveys and interviews; qualitative analysis	Gap between theory and practice; perception influences adoption; recommends training/awareness
13	Effects of MAPs on Organizational Performance of Manufacturing Firms in Nepal	2019	Puja Bista	Examine current MAPs, Analyze impact on performance	Questionnaires; descriptive & analytical study; open-ended responses	(Findings not provided)
14	Internal Control Systems, Working Capital Management, and Financial Performance of Supermarkets	2019	Kabuye, Kato, Akugizibwe & Bugambiro	Examine internal controls and working capital's influence on performance	Cross-sectional correlational; questionnaire survey (110 supermarkets)	Working capital management predicts performance; internal controls not significant
15	Management Accounting Practices in Nepalese Public Enterprises	2009	Prashant Kumar Jha	Examine tool usage, Identify implementation challenges, Suggest competitiveness improvements	Comparative analysis across sectors; hypothesis testing	Limited advanced technique use; delays in decision-making; recommends budgeting and variance analysis
16	Management Accounting Practices in Insurance Companies of Nepal	2011	Janardan Timilsina	Analyze accounting tools usage, Recommend improvements	Surveys; statistical correlation analysis	Inconsistent budgeting/forecasting; lack of advanced accounting personnel

17	Current Scenario of Management Accounting Practices in Listed Companies in Nepal	2009	Tika Ram Kandel	Assess practices, Identify barriers, Suggest improvements	Surveys & interviews; sector comparative analysis	Limited adoption of modern tools; need training and resource allocation
18	Assessing Budgeting's Role in Internal Control at Pepukai Plastics	2023	Thole, Sitsha & Wadesango	Evaluate budgeting in internal controls	Mixed-method; questionnaires & interviews (28 respondents)	Lack of variance analysis and forecasting; budgeting time-consuming, costly, financially focused
19	Management Accounting Practices in Public Trade Companies of Nepal	2008	Dil Kumar Sthrestha	Examine public enterprise roles, Identify challenges	Historical and qualitative analysis of policy records	Public enterprises inefficient; issues with mismanagement, capital, operations
20	Management Accounting Practices in the Public Financial Sector in Nepal	2009	Dipak Kumar Shrestha	Evaluate planning, controlling, decision-making, Identify challenges, Suggest improvements	Survey-based qualitative approach; fieldwork	Basic tools (cost classification, budgeting) common; lack of training and awareness
21	Inventory Management Practices in Manufacturing Industries: Unilever vs Dabur Nepal	2009	Khagendra B. Chhetry	Compare inventory levels & techniques, Assess financial implications	Comparative study; primary & secondary data; ratio analysis	Absence of ABC, EOQ; inefficient inventory control, leading to cost issues
22	Capital Budgeting Practices in Small-Scale Manufacturing in Chitwan District	2012	Purushottam Adhikari	Examine time-value usage, Explore budgeting techniques, Identify investment decision challenges	Survey-based; structured questionnaires	Limited TVM use; lack of feasibility studies
23	Accounting	2009	Binod P.	Analyze	Field	Many use

	Practices Adopted by Small Industries in Kathmandu District		Dhungana	accounting systems, Identify record-keeping issues, Recommend improvements	surveys; statistical tests	single-entry; lack trained accountants; entrepreneurs need training
24	Management Accounting Practices in Civil Aviation Authority of Nepal	2011	Ramkrishna Bhusal	Examine MA tool usage, Identify unused tools/difficulties, Suggest improvements	Survey & interviews	Use of budgeting and financial analysis; struggle with advanced tools; training and data integration needed
25	Accounting System Practices by Small-Scale Industries in Nepal	2012	Chham B. Adhikari	Examine systems, Identify challenges, Assess training impact	Descriptive & analytical; surveys, interviews, record review	Primary single-entry; lack trained personnel; limited impact of training; recommends double-entry, better follow-up
26	MAPs & Organizational Performance of Nepalese Public Enterprises	2024	Binod Mahajan	Assess MAP adoption and effectiveness, Correlate MAPs with organizational performance	Mixed-method; surveys; stratified sampling; trend & financial analysis	Early-stage adoption; challenges: skills, infrastructure, cost; effective MAPs improve planning, control, decision-making

CHAPTER-III RESEARCH METHODOLOGY

Research Methodology is the systematic approach and framework used by researchers to plan, conduct, and evaluate a study. It encompasses the methods, techniques, and procedures employed to gather and analyze data in order to answer research questions. (Kothari, 2004).

The research methods chapter explains out the steps taken to gather and evaluate data relevant to a particular study issue. Research design is a series of steps used to find, choose, process, and analyse data in order to determine the reliability and validity of a study. As noted by Creswell (2014), the methodology not only guides the research but also provides the rationale for choosing specific techniques aligned with the research objectives.

Based on the research objectives of the study, the purpose of this part of the research report is to provide a justification for the methodologies that were used for the study. This portion of the study report provides an explanation of the methods that were used to acquire the data and analyse it. The approach for collecting data and the methodology that the researcher used in order to analyse the data that was provided are both explained in this section. The next part provides an overview of the methodical methodology that was utilised in order to explore the influence that management accounting methods have on the financial performance of Nepalese manufacturing companies that are listed on the stock exchange.

To ensure the validity and reliability of the data collection instrument, a pilot study was conducted with 10 financial managers from various manufacturing firms. The feedback received helped refine the questionnaire, and Cronbach's alpha coefficient was calculated to assess the internal consistency of the measurement items. Ethical considerations were rigorously observed during the study; informed consent was obtained from all respondents, and company-specific data were anonymized to maintain confidentiality and privacy. Furthermore, the study deliberately excluded service-oriented and trading companies, focusing solely on manufacturing firms listed on the Nepal Stock Exchange to maintain sectoral relevance and ensure consistency in the research findings.

3.1 Research Design

This study uses a descriptive design to investigate how management accounting practices, particularly internal control systems, forecasting, and budgeting. Besides, this study also uses to analyze the effect of management accounting practices on the financial performance of listed Nepalese manufacturing companies. Because it seeks to comprehend contemporary behaviors and attitudes without changing variables, the descriptive approach is appropriate. Utilising a qualitative methodology, the stated hypotheses are analysed and validated through the use of statistical tools in addition to primary data collection. This method makes it possible to fully comprehend how these practices are applied and how they affect business performance in the manufacturing sector of Nepal.

3.2 Population and Sample

The target population includes all listed manufacturing companies in Nepal registered under the Nepal Stock Exchange (NEPSE). A representative sample of ten listed manufacturing companies is selected as total population. The sampling method is stratified random sampling, ensuring proportional representation based on company size and industry sub-sector.

Table 2

Types of Industry

Types of Industry	Number of industry	Sample
Beverage Companies	3	3
Cement Manufacturers	4	4
Consumer Goods	2	2
Pharmaceutical and Health related Manufacturers	1	1

3.3 Sources of Data

The study relies on primary data to ensure a comprehensive understanding of management accounting practices and their impact on financial performance. Primary Data is collected through structured questionnaires distributed to financial managers and accountants of publicly traded manufacturing companies in order to collect primary data. The purpose of these surveys is to learn more about the companies' forecasting methods, budgeting strategies, and internal control systems. The time frame used for this study is

cross sectional study. Cross-sectional studies are observational studies that analyze data from a population at a single point in time.

3.4 Method of Analysis

There are several essential steps in the data analysis process. The data is first summarised using descriptive statistics, which include metrics like mean, median, and standard deviation that aid in describing patterns in management accounting practice. The strength of the relationships between variables like financial performance, internal controls, forecasting methods, and budgeting practices is then evaluated using correlation analysis. Regression analysis is then used to ascertain how the independent variables-budgeting, forecasting, and internal control systems affect the dependent variable-financial performance. Statistical software like SPSS is used to help with data processing and analysis during this process.

3.5 Analysis tools

The collected data is analysed using SPSS (Statistical Package for the Social Sciences), a potent software application frequently used for quantitative research. Descriptive statistics such as mean, median, and standard deviation are used to summarise the data and identify trends in the use of management accounting techniques among the chosen businesses. The relationships between the independent variables (budgeting processes, forecasting techniques, and internal control systems) and the dependent variable (financial performance) are investigated using correlation analysis. Additionally, multiple regression analysis is used to determine the extent to which each independent variable influences financial performance. Using SPSS ensures data accuracy, simplifies complex calculations, and enhances the overall reliability and integrity of the study results.

3.5.1 Descriptive Analysis

The following mentioned statistical tools will be used to interpret data:

a. Arithmetic Mean

An indicator of the average value of a given collection of observations is the arithmetic mean, also referred to as the average or just the mean. In statistical computations, it is frequently utilized. By dividing the total number of observations

by the sum of all the observations, one may find the arithmetic mean of a collection of data (Gupta 1996). Mathematically, it can be denoted as:

$$\bar{X} = \Sigma X / N$$

Where:

\bar{X} = Arithmetic mean, average, or simply mean

ΣX = Sum of the total observations or sum of values

N = Number of observations

b. Standard Deviation

A widely used indicator of variability or dispersion in a collection of observations is the standard deviation. The square root of the mean square deviation from the arithmetic mean is used to compute it. The standard deviation, often known as the "root mean-squared deviation," is represented by the symbols SD or σ (sigma) (Shrestha 1997).

In 1893, Karl Pearson proposed using standard deviation as a measure of dispersion for the first time. The definition of it is the square root of the squared differences between the mean and each observation, expressed as a positive number. If X_1, X_2, \dots, X_n represents a set of n observations, the standard deviation is given by the formula:

Where:

$$\sigma = \sqrt{\frac{\Sigma(X - \bar{X})^2}{N}}$$

σ = Standard deviation

X = Observed value

\bar{X} = Mean of the observations

N = Number of observations

Greater unpredictability or risk in the data is indicated by a larger standard deviation value. On the other hand, a smaller standard deviation denotes less danger or unpredictability. As a result, a company's standard deviation should ideally be smaller as it denotes greater stability and less ambiguity in the data.

These descriptive statistics help in forming a foundational understanding of the data before proceeding to inferential analysis.

3.5.2 Inferential Analysis

Inferential analysis involves drawing conclusions and making predictions about a population based on a sample of data. It allows the researcher to test hypotheses and determine the strength and nature of relationships between variables. In this study, inferential statistics are used to examine the relationship between management accounting practices (independent variables) and financial performance (dependent variable) of Nepalese listed manufacturing companies.

a. Correlation Analysis

The statistical method of correlation analysis looks at the link between two variables. To investigate and quantify the strength of the link between the variables, it uses a variety of approaches and strategies. Understanding the magnitude and direction of the linear relationship between the variables is possible through correlation analysis. Correlation analysis uses the correlation coefficient, a metric whose values are always in the range between -1 and +1. One variable grows while the other drops in a perfect negative linear connection, as shown by a correlation value of -1. A complete positive linear connection, where both variables rise or fall simultaneously, is indicated by a correlation value of +1. Indicating that there is no linear relationship between the variables is a correlation value of 0. The formula for the correlation coefficient can be written as:

$$r = \frac{N\sum XY - \sum X \sum Y}{\sqrt{\{N\sum X^2 - (\sum X)^2\}\{N\sum Y^2 - (\sum Y)^2\}}}$$

Where,

N = number of pairs of observation

Σ = Summation (total)

X = first variable

Y = second variable

The scale model suggested by Davies (1971) has been used to describe the relationship between the independent variables and the dependent variable, are as shown below:

0.7 and above	very strong relationship
0.50 to 0.69	strong relationship
0.30 to 0.49	moderate relationship
0.10 to 0.29	low relationship

0.01 to 0.09	very low relationship
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b. Regression Analysis

The statistical method of regression analysis is used to examine and calculate correlations between variables. It includes a variety of approaches and strategies to investigate the connection between one or more independent variables and a dependent variable. Regression analysis essentially reveals the relationship between changes in the dependent variable and changes in the value of one independent variable while maintaining the same values for the other independent variables. Estimating the dependent variable's conditional expectation given the independent variables is the main objective of regression analysis. Put more simply, its goal is to ascertain the dependent variable's average value while the independent variables are maintained constant or stable. By examining these relationships, regression analysis allows us to make predictions or draw conclusions about the dependent variable based on the values of the independent variables.

Using Multiple Regression Analysis

Multiple regression analysis uses at least two independent variables to predict the value of a dependent variable. For example, instead of using just one independent variable, it uses at least two independent variables to predict the value of a dependent variable. It can be expressed as,

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

Where,

Y = Financial Performance

a = Regression constant

b₁ = Regression coefficient of Budgeting Practices

b₂ = Regression coefficient of Forecasting Techniques

b₃ = Regression coefficient of Internal Control Systems

X₁ = Budgeting Practices

X₂ = Forecasting Techniques

X₃ = Internal Control Systems

In correlation and regression analysis, following measurements have been determined and interpreted accordingly.

i. Coefficient of Correlation (r)

The quantifiable tool that we may use to show how much one variable is linearly related to another is correlation analysis (Bajaracharya, 1996). The evaluation of the degree of connection, whether positive or negative, between two casually connected sets of figures is known as the coefficient of correlation. The degree of linear relationship between two variables is estimated by Karl Pearson's coefficient of correlation. Let X and Y are two variables, the Karl Pearson's correlation of coefficient among X and Y is defined as:

$$r = \frac{\sum(X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum(X - \bar{X})^2} \sqrt{\sum(Y - \bar{Y})^2}}$$

The coefficient of correlation lies between -1 and +1, and interpretation of correlation coefficient (r) is as follows:

- i. When, $r = +1$, there is perfect positive relationship
- ii. When, r is close to 1, there is strong positive relationship
- iii. When, r is close to 0 but positive, there is low degree of positive relationship
- iv. When, $r = 0$, there is no relationship
- v. When, r is close to 0 but negative, there is low degree of negative relationship
- vi. When, r is close to -1, there is strong negative relationship
- vii. When, $r = +1$, there is perfect positive relationship

This review uses the coefficient of correlation to look at how different factors are related to dividends and other variables. The information on dividends over the years is organised and the relationships between them are a little long.

ii. Regression Constant (a)

When the independent variable is zero, the value of steady, the model's intercept, indicates the average degree of the dependent variable. Stated differently, it is more shrewd to understand that 'a' (steady) denotes the average or standard deviation of the many factors left out of the model that affect the dependent variable.

iii. Regression Coefficient (b)

Regression coefficients maintain the remaining independent variables in the regression model constant by indicating the marginal relationship between each

independent variable and the value of the dependent variable. Ultimately, the coefficient illustrates how changes in independent variables affect the dependent variables' gauge of value.

Coefficient of Multiple Determinations (R^2)

The portion of the little deviation from the dependent variable that may be accounted for by the configuration of the independent variables is addressed by the coefficient of multiple determinations. Greater upsides of R^2 are generally seen to be preferable since they suggest more solid relationships between the variables included in the regression model.

Standard Error of Estimate

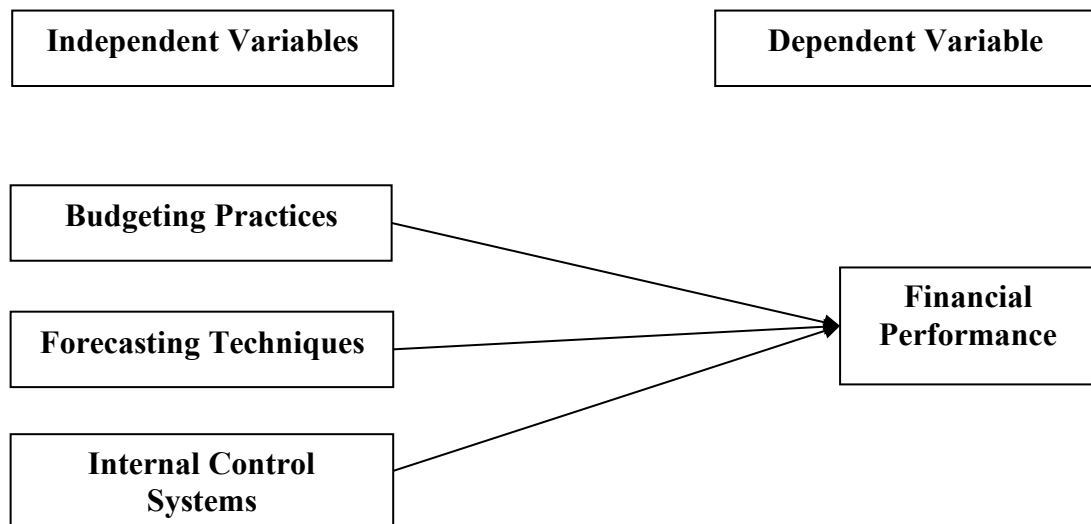
Statisticians created the standard error of estimate to gauge the estimating equation's dependability. The standard error of estimate is the standard deviation around the regression line. The diversity of observed values around the regression line increases with increasing standard error of estimate, suggesting that the estimating equation is not a reliable indicator of the dependent variable. The estimating equation is an ideal estimator of the dependent variable if the standard error of the estimate value is zero. Then, the regression line would contain all of the observed values.

3.6 Research Framework and Definition of Variables

In simple terms, a research framework outlines the structure that underlies a research study's theory. It describes the theory that explains the reasons for the research problem's existence. This section of a study typically includes the development of ideas related to the research and its underlying motivations. Furthermore, it involves selecting a theory that encompasses the relevant concepts and variables supporting the research study. Research Framework for the study are Independent Variables and Dependent Variable. Independent variables used are Budgeting Practices, Forecasting Techniques and Internal Control Systems. Budgeting Practices consists of Operational and capital budgeting, variance analysis. Forecasting Techniques consists of Quantitative and qualitative methods. Internal Control Systems consists of Control environment, risk assessment, monitoring. Dependent Variable used is Financial Performance which is measured using indicators like Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). The conceptual framework for these variables is represented through the following diagram.

Figure 1

Conceptual Framework of the study



Source: Developed by researcher based on identified variables and study objectives.

Dependent variable refers to the variable which is influenced or is to be predicted. For this research, the Dependent variable taken is Financial Performance of the company which shall be measured by ROE, EPS, ROI, Profitability.

Independent variable refers to the variable which influences the values or is used for prediction is called. For this research, the Independent variable taken are Budgeting Practices, Forecasting Techniques and Internal Control Systems.

Defination of research Variables:

a) Budgeting Practices,

Budgeting practices refer to the systematic processes of planning, allocating, and controlling financial resources within an organization to achieve strategic objectives. Lalli (2012)

b) Forecasting Techniques and

Forecasting techniques are methods used to predict future financial or operational outcomes based on historical data, trends, and analytical models. Shim & Siegel (2008)

c) Internal Control Systems.

Internal control systems are structured procedures and policies implemented by an organization to ensure accuracy in financial reporting, safeguard assets, and promote operational efficiency. COSO (2013)

d) Financial Performance

Financial performance is the measure of a firm's profitability, efficiency, and financial health, often assessed through indicators like ROI, ROE, and net profit margin. Brigham & Houston (2016)

Chapter-IV

RESULTS AND DISCUSSIONS

This chapter deals with data presentation, analysis and interpretation following the research methodology presented in the third chapter. Data presentation and analysis are the central steps of the study. This chapter shows the results of the study that studied the relationship between management accounting practices such as internal control systems, forecasting methods, and budgeting practices and the financial performance of Listed manufacturing companies in Nepal. The results are obtained by sending structured questionnaires to ten listed manufacturing industries and then using SPSS to look at the data.

4.1 Result and Analysis

The study analyzed how three important management accounting practices internal control systems, forecasting methods, and budgeting practices affect the financial performance of manufacturing companies that are listed in Nepal. In order to address the research questions and validate the hypotheses put forth, the analysis adheres to a predetermined order.

SPSS was used for the coding and analysis of the structured questionnaire responses that were gathered from managers, finance officers, and accountants. Reliability testing, descriptive statistics, regression modelling, hypothesis testing, Pearson correlation analysis, and a discussion of the main conclusions comprised the analysis.

4.2 Reliability Test

Before conducting advanced statistical analysis, the internal consistency of the measurement items used for each variable was assessed using Cronbach's Alpha. This test determines whether the survey items grouped under each construct reliably measure the same underlying dimension. Generally, a Cronbach's Alpha value above 0.70 is considered acceptable for social science research.

Table 3
Cronbach's Alpha

Variable	Cronbach's Alpha	No. of Items	Interpretation
Budgeting Practices	0.809	5	Acceptable reliability
Forecasting Techniques	0.795	5	Acceptable reliability
Internal Control Systems	0.737	5	Acceptable reliability
Financial Performance	0.751	5	Acceptable reliability

Source: Researcher's Own Calculation from SPSS

The results of the reliability test showed that:

Budgeting Practices had a Cronbach's Alpha of 0.809, indicating good reliability and suggesting that the items measuring budgeting are consistent and dependable.

Internal Control Systems also demonstrated good internal consistency with an alpha of 0.795, confirming that the construct is measured reliably.

Forecasting Techniques presented a alpha value (0.737), which reflects reliability among the forecasting-related items.

Financial Performance, the dependent variable, had reliability coefficient of 0.751, indicating excellent internal consistency among the items measuring performance.

Thus, budgeting practice, forecasting techniques, internal control systems and performance variables passed the reliability threshold.

4.3 Analysis of Descriptive Statistics of the Variables

The descriptive statistics for the dependent and independent variables are presented here under. The dependent variable is Financial Performance where as independent variables are internal control systems, forecasting methods, and budgeting practices. Presentation of Mean, Standard Deviation of the selected indicators are presented on table 4.

We used descriptive statistics to get an idea of the average answers and how much they varied for each of the main variables. The analysis helps us understand how many of the sample companies use management accounting practices and how well they think their finances are doing.

The results showed that budgeting practices had a mean score of 4.26, which means that budgeting is actively used and seen as an important part of planning and controlling management. The average for forecasting techniques was a little lower at 4.24, which suggests that forecasting is used, but maybe not as often or as well as budgeting. The internal control systems got an higher score of 4.42, which shows that the organisations had a lot of internal monitoring and compliance systems in place. Lastly, the respondents thought that the companies' financial performance was good, with a mean score of 4.44.

The standard deviation values for all of the variables were less than 0.75, which means that the respondents mostly agreed on the practices and outcomes being looked at and that they are fairly consistent across the firms that were sampled.

Table 4
Descriptive Statistics Analysis of the Variables

	Mean	Std. Deviation	N
Financial Performance	4.4400	.45995	10
Budget Practices	4.2600	.61860	10
Forecasting techniques	4.2400	.59479	10
Internal Control Systems	4.4200	.48488	10

Source: Researcher's Own Calculation from SPSS

Arithmetic mean is average of random variable which can be used for further analysis. Standard deviation measures the variability of the observations around the mean value.

4.4 Correlation Analysis

The correlation is the relationship between two or more variables. The dependent variable is Financial Performance where as independent variables are internal control systems, forecasting methods, and budgeting practices. The highest range of correlation is +1 and lowest range of the correlation is -1. Similarly, if the correlation is zero then there is no relation at all between the variables, which is also known as neutral correlation. The Pearson correlation analysis results have been presented in the following tables

Table 5

Pearson Correlation coefficient

	Financial Performance	Budgeting Practices	Forecasting Techniques	Internal Control System
Financial Performance	1.000	.943	.952	.992
Budgeting Practices	.943	1.000	.995	.929
Forecasting Techniques	.952	.995	1.000	.937
Internal Control System	.992	.929	.937	1.000

Source: Researcher's Own Calculation from SPSS

Table 5 shows the direction and strength of the relationships among internal control systems, forecasting techniques, budgeting practices, and financial performance. Strong positive relationships between the variables are indicated by the significantly high correlation values for each variable. In particular, there is a strong positive correlation ($r = 0.992$) between financial performance and the internal control system, indicating that improved financial outcomes are closely linked to well-established internal controls. Likewise, there is a strong correlation between financial performance and forecasting methods ($r = 0.952$) and budgeting procedures ($r = 0.943$), suggesting that both forecasting and budgeting are beneficial to financial performance. Additionally, there is an almost perfect correlation ($r = 0.995$) between forecasting methods and budgeting practices, indicating their interdependence in financial planning and decision-making. The integrated role of internal controls in supporting essential financial management functions is highlighted by the strong correlations found between forecasting techniques and internal control systems ($r = 0.937$) and budgeting practices and internal control systems ($r = 0.929$). Overall, the findings point to a strong correlation between enhanced financial performance and sound internal control and financial management procedures.

4.5 ANOVA Analysis

An ANOVA test was done to see how important the regression model as a whole is and to find out if the chosen independent variables have an effect on financial performance when they are all together. The ANOVA table shows if the differences in financial performance can be explained by how budgets are made, how forecasts are made, and how internal controls work. Table 6 below shows the results.

In Table 6, the ANOVA analysis is presented, providing key statistics for evaluating the effectiveness of the regression model in explaining the variance in financial performance

of Nepalese listed manufacturing companies. The "Model" section presents the sum of squares, degrees of freedom (d.f.), mean square, F-value, and significance (Sig.).

The sum of squares indicates the amount of variation in financial performance explained by the regression model (1.883) and the residual or unexplained variation (0.021). The total variation in the dependent variable (financial performance) is 1.904. The regression sum of squares reflects the portion explained by the independent variables internal control systems, budgeting practices, and forecasting techniques; while the residual sum represents the unexplained variation. Degrees of freedom (df) indicate the number of values available to estimate parameters. The regression model has 3 degrees of freedom corresponding to the three predictors, while the residual has 6 degrees of freedom, making a total of 9. The mean square is derived by dividing the sum of squares by their respective degrees of freedom, resulting in 0.628 for the model and 0.003 for the residual. The F-value of 181.035 is a test statistic used to assess the overall significance of the model. It shows how much the variance explained by the model exceeds the variance unexplained. The significance value (Sig.) is reported as <0.001 , which is well below the 0.05 threshold. This indicates that the regression model is statistically significant. In other words, there is a very low probability that the observed relationship occurred by chance, implying that at least one of the predictors—budgeting practices, forecasting techniques, or internal control systems—has a significant impact on financial performance.

Therefore, it can be concluded that management accounting practices play a crucial role in influencing the financial performance of Nepalese listed manufacturing companies.

4.6 Regression Analysis

Regression analysis is a powerful statistical technique used to model the relationship between a dependent variable (the variable you're trying to predict) and one or more independent variables (the factors you believe might influence the dependent variable). A multiple regression analysis was performed to assess the combined and individual impact of the three independent variables on the financial performance of the companies. This analysis helps to determine the predictive power of management accounting practices on financial outcomes.

The combined impact of budgeting practices, forecasting techniques, and internal control systems on business financial performance is assessed by the regression analysis shown in

Table 6. A strong positive linear relationship between the independent variables and financial performance is indicated by the model's extremely high correlation coefficient ($R = 0.995$). The three predictors in the model account for 98.9% of the variation in financial performance, according to the R Square value of 0.989. The Adjusted R Square stays extremely high at 0.984 after correcting for the number of predictors, confirming the model's dependability and robustness.

Given the low standard error of the estimate (0.05889), the model's predictions appear to be very accurate. The overall fit of the regression model to the data is confirmed by the F-statistic (181.035), which is likewise very high and statistically significant at $p < 0.001$. This indicates that the combined effect of the independent variables on financial performance is statistically significant.

In summary, the regression results provide compelling evidence that forecasting methods, budgeting procedures, and internal control systems are important indicators of financial performance, underscoring the significance of good management accounting practices in improving financial results.

Table 6

ANOVA and Regression Analysis

Component	Value / Coefficient	Std. Error	t / F-Value	Sig. (p-value)
ANOVA (F-statistic)	-	-	181.035	< 0.001
Model Summary	R = 0.995	-	-	-
	R ² = 0.989	-	-	-
	Adjusted R ² = 0.984	-	-	-
	Std. Error of Estimate = 0.05889	-	-	-
Constant (Intercept)	0.389	0.199	1.957	0.098
Budgeting Practices	-0.095	0.331	-0.286	0.784
Forecasting Techniques	0.241	0.364	0.662	0.533
Internal Control Systems	0.777	0.116	6.668	< 0.001

Source: Researcher's Own Calculation from SPSS

Where,

- a. Dependent Variable: Financial Performance
- b. Predictors: (Constant), Internal control, Budgeting practices, Forecasting techniques

Hypothesis Testing Summary:

H₀₁: There is no significant relationship between budgeting practices and financial performance, i.e Rejected . The significance value ($p = 0.784$) represents that the variable is insignificant.

H₀₂: There is no significant relationship between forecasting techniques and financial performance, i.e Rejected . The significance value ($p = 0.533$) represents that the variable is insignificant.

H₁₃: There is significant relationship between internal control systems and financial performance, i.e Accepted . The significance value ($p < 0.001$) represents that the variable is significant.

Table 7

Hypothesis Testing conclusion

Variable	p-value	Conclusion
Budgeting Practices	0.784	Rejected
Forecasting Techniques	0.533	Rejected
Internal Control Systems	< 0.001	Accepted

4.6 Discussions

The empirical review provides a comprehensive analysis of various studies on the impact of management accounting practices (MAPs) across different contexts. The findings from these studies can be compared with the results from our thesis to draw meaningful conclusions. By integrating insights from international and local research, we can better understand the significance of each practice.

1. Budgeting Practices and Financial Performance

Although the correlation analysis suggested a strong positive relationship between budgeting practices and financial performance ($r = 0.943$), the regression result was not statistically significant ($\beta = -0.095$, $p = 0.784$). This suggests that while budgeting is

widely practiced, it may not be systematically aligned with strategic decision-making or performance evaluation.

This contrasts sharply with numerous empirical studies. For instance, Mbogo et al. (2021) found that Kenyan manufacturing SMEs that utilized participatory budgeting saw substantial improvements in financial discipline and cost efficiency. Similarly, Eniola & Ektebang (2014) demonstrated that zero-based budgeting improved profitability in SMEs by minimizing unnecessary expenditures. Even in the Nepalese context, Shrestha (2021) noted moderate improvements in financial performance among firms adopting modern budgeting practices such as activity-based budgeting and rolling forecasts.

The divergence may stem from limited implementation of strategic budgeting tools in Nepal, where most companies still rely on static annual budgets. As highlighted by Tamang (2017), traditional budgeting in Nepalese firms focuses more on cost control than on performance enhancement or strategic alignment, which could explain the statistical insignificance observed in this study.

2. Forecasting Techniques and Financial Performance

Forecasting techniques also demonstrated a strong correlation ($r = 0.952$), but their regression effect was statistically insignificant ($\beta = 0.241$, $p = 0.533$). This result suggests that while firms value forecasting, the techniques employed may lack sophistication, accuracy, or integration into strategic decision-making frameworks.

This outcome stands in contrast to studies like Kalpana & Samuel (2018), where the use of forecasting models led to improved financial outcomes in Indian IT firms. Likewise, Makori & Jagongo (2013) reported that Kenyan banks using real-time predictive analytics were better equipped to manage liquidity and credit risks, contributing directly to financial stability. In Nepal, Aryal & Sharma (2021) observed that structured forecasting models in agricultural cooperatives improved financial planning and credit access.

The gap suggests a technological and methodological lag in Nepalese manufacturing sectors, where forecasting is often based on historical trends and intuition rather than advanced statistical modeling or machine learning approaches. Without such systems, the predictive power of forecasting remains underutilized.

3. Internal Control Systems and Financial Performance

In contrast to the previous variables, internal control systems exhibited both strong correlation ($r = 0.992$) and a statistically significant positive effect on financial performance ($\beta = 0.777$, $p < 0.001$). This finding confirms the crucial role that strong governance, oversight, and risk management play in enhancing financial results.

This aligns well with international findings. For example, Amudo & Inanga (2009) demonstrated that East African firms with robust internal controls had greater operational transparency and reduced fraud. Khan & Jamil (2020) found that Pakistani SMEs improved efficiency and profitability after implementing computerized internal control systems. Locally, Maharjan (2024) and Thapa & Paudel (2022) also emphasized the strategic importance of internal audits and control mechanisms in ensuring financial accountability in both public and private organizations in Nepal.

Furthermore, these findings support the COSO (2013) framework, which states that internal controls when embedded within organizational culture and supported by continuous monitoring serve not only as compliance tools but as strategic enablers of long-term financial sustainability.

Overall, this study's findings contribute to the global literature on MAPs by confirming that internal control systems are the most influential driver of financial performance in developing economies like Nepal. The insignificance of budgeting and forecasting, despite their high correlations, underscores a critical gap: while firms recognize their importance, they may not yet be using these tools strategically or effectively.

This is consistent with Weerasinghe et al. (2014) who found a significant theory-practice gap in Sri Lanka professionals were aware of MAPs, but lacked the training and infrastructure for proper execution. Similarly, Irakiza & Ngamije (2019) noted that Rwandan manufacturers required better MAP integration with corporate strategy to realize measurable outcomes.

Thus, the findings of this study strongly advocate for capacity-building in advanced budgeting and forecasting methods, the digitization of financial systems, and regulatory incentives to encourage widespread adoption of strategic accounting tools in Nepalese manufacturing companies.

Chapter-V

SUMMARY AND CONCLUSION

5.1 Summary

This study examined the impact of management accounting practices on the financial performance of Nepalese listed manufacturing companies. This research specifically analysed the impact of budgeting procedures, forecasting techniques and internal control systems on financial performance. The study was undertaken to address the identified deficiency in Nepalese academic literature concerning the application of contemporary accounting technologies in practical business settings, particularly among publicly listed manufacturing industries. Despite the growing complexity of corporate environments in Nepal and the incorporation of international financial reporting requirements such as IFRS, the adoption and efficacy of internal accounting methods remain little studied.

Data were gathered utilising a quantitative research methodology through structured questionnaires administered to finance experts from ten publicly listed manufacturing companies. The data were analysed utilising SPSS software, employing tools like descriptive statistics, reliability assessments (Cronbach's alpha), correlation analysis, and multiple regression analysis to evaluate the correlations and importance of the chosen variables. The data indicated that internal control systems are the most commonly and effectively applied among the surveyed organisations, followed by budgeting techniques. Forecasting techniques, however seen as significant, seemed to be implemented with less rigour. Correlation study revealed robust positive relationships between all independent variables and financial performance, with internal control systems exhibiting the greatest correlation coefficient ($r = 0.992$), signifying an almost perfect positive link. Budgeting practices ($r = 0.943$) and forecasting procedures ($r = 0.952$) shown robust positive associations.

Multiple regression analysis yielded more intricate findings. The overall regression model was statistically significant, with a R^2 value of 0.989, indicating that approximately 99% of the variance in financial performance could be attributed to the three independent variables; however, only internal control systems demonstrated a statistically significant individual effect on financial performance ($p < 0.001$). Budgeting habits and forecasting procedures, although positively correlated, did not attain statistical significance in the

regression model ($p = 0.784$ and $p = 0.533$, respectively). The data indicate that although all three practices correlate positively with financial success, internal control mechanisms are the most crucial in influencing quantifiable financial results.

5.2 Conclusions

This study concludes that management accounting procedures, particularly internal control systems, are essential for improving the financial performance of Nepalese listed manufacturing firms. Of the three practices evaluated, internal control systems proved to be the most significant factor influencing financial results. Their robust statistical significance and good association with financial performance underscore their efficacy in promoting operational transparency, mitigating risks, identifying errors and fraud, and enhancing managerial accountability. These results underscore the significance of internal controls not only as compliance mechanisms but also as strategic facilitators that bolster the long-term financial stability and governance of organisations. Conversely, budgeting methods and forecasting approaches, although commonly employed by corporations and favourably regarded by financial professionals, did not have statistically significant effects on financial performance in this study. This may suggest that these tools are either inadequately executed with strategic depth or regarded as standard financial procedures rather than as dynamic, future-focused planning instruments. The utilisation of antiquated methods, absence of integrated technology, or inadequate training in these domains may have constrained their efficacy, thus diminishing their quantifiable impact on performance.

The study emphasises that although budgeting and forecasting are vital elements of management accounting, their impact on financial results is significantly influenced by its design, implementation, and alignment with organisational strategy. Internal control systems evidently exert a direct and quantifiable impact on financial success, underscoring their significance in policy development, decision-making, and enterprise risk management.

5.3 Implications

This study has many consequences for business practitioners, politicians, and future scholars. The report underscores the imperative for company experts and managers, particularly in the manufacturing sector, to invest in strong internal control systems.

These systems encompassing explicit financial rules, audit trails, risk assessments, and compliance frameworks are essential for regulatory compliance and vital for fostering financial discipline and organisational efficiency. Companies should prioritise fortifying these controls via automation, routine assessments, and specialised internal audit teams to improve transparency and performance results.

Furthermore, although budgeting and forecasting are broadly acknowledged in practice, the study's results indicate that its potential is not being completely utilised. Managers must reevaluate the use of these tools not solely as annual practices, but as continuous strategic processes. By using more flexible budgeting systems, such as rolling forecasts, activity-based budgeting, or integrated financial planning models, organisations can more effectively address external risks and make informed decisions. Forecasting methodologies must progress beyond historical trend analysis and incorporate sophisticated approaches like as scenario planning, machine learning, and real-time data modelling to enhance predicted accuracy and business agility. The findings advocate for enhanced institutional support to advance contemporary management accounting techniques. Government agencies, regulatory entities such as SEBON and NEPSE, and academic institutions should cooperate to provide training programs, awareness initiatives, and practical workshops to improve the accounting skills of Nepalese professionals. Standardising management accounting systems and promoting digital transformation within enterprises could enhance the overall financial health of the industrial sector.

This study ultimately enhances the existing information on management accounting in developing economies and paves the way for additional research opportunities for academic scholars. Subsequent study may augment the sample size, integrate longitudinal data, or employ a mixed-methods approach that includes interviews and case studies to obtain more profound insights into the behavioural and organisational factors influencing the execution of accounting techniques. Examining sector-specific variations or the influence of organisational culture may provide significant insights for both theory and practice. This research substantiates that planned and consistent application of management accounting can markedly enhance a firm's financial performance. For optimal effectiveness, both technical execution and organisational mentality must advance concurrently.

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