

CHAPTER I

INTRODUCTION

1.1 Background of the study

The present globalized world, organizations need to use management control systems that go beyond the strategies that focus on acquisition of technology and logistics which are not sufficient to give the organization sustained long term competitive edge over its competitors. Management control systems as defined by Anthony (Cited by Langfield Smith, 1997) is the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives. Management control system is a system used in an organization which collects and uses information to evaluate the performance of the behavior of the organization to implement organizational strategies.

Management control system is a system that provides useful information for managers to do their duties. This information helps organization in performance (Otley, 1999). MCS first described by Anthony (1965), in his study he distinguished the management control system from strategic planning and operational control. Management control itself is defined in many ways such as: a combination of tools and process that influence on actors behaviors within an organization to achieve organizational objectives (Spekle, 2000). (Malmi & Brown 2005) Management control system consists of devices and systems that managers use to ensure that their employee's decisions and behaviors are consistent with organization strategies and objectives with excluding decision support system.

(Lorino, 2001) described organizational control as the set of mechanisms on which managers rely to control the process of decision action results. In this context to better define and understand the general objectives in the sense, management control is an organizational control whose whole tasks is to ensure that the construction of action plans, consolidate plans to prepare budget negotiations and establish budgets on the basis of selected plans. The complexity and dynamism of the today's business environment requires a thorough knowledge of organizations and the variables or factors that may be considered key to competitive success. MCS become essential for

decision making of the company and can be considered a sustainable competitive advantage, if they are correctly developed and structured (Barney, 1991).

MCS as management tools that allows planning, budgeting, analyzing, measuring and evaluating the accounting information and financial information useful information for proper decision making (Davila & Foster, 2005). MCS is the system consisting of both formal and informal control (Chenhall, 2003; 2007). The formal MCS includes explicit rules, procedures, performance measures, and incentive plans that guide the behavior of its managers and other employees. The formal control system comprises several systems, such as the management accounting system, which provides information regarding costs, revenue, and income; the human resources system, which provides information on recruiting, training, absenteeism, and accidents; and the quality system which provides information concerning yield, defective products, and late deliveries to customers.

Anthony and Govindarajan (2007) MCS, which is more involved with more involved with the informal interactions between one manager and another, or between a manager and their subordinates. The informal interactions normally occur through informal communications by means of memoranda, meetings, conversations, or even by facial expressions. The purpose of MCS is to provide information that is useful for managerial decision making, planning, monitoring and evaluation of organizational activities to alter employee behavior (Merchant & Otley, 2007).

MCS also provides strategic direction to the innovative efforts of firms, and the efficiencies they produce can free up resources for innovative activities (Marginson, 2002).MCS is critical in helping top managers formulate strategies, specify the operational actions required to implement these MCS strategies, specify the operational actions required to implement these MCS strategies, clarify mutual expectations, identify priorities for operational improvements, and set targets that may influence current and subsequent performance (Simons, 2000).

Macintosh and Daft (1987) classified MCS as a formal control and defined them as a package of control that includes accounting reports, budgeting, formal hierarchy and supervision, job descriptions, rules and standard operating procedures, statistics for measuring performance, organizational structure, and employees and performance

appraisal systems. The formal MCS involves the formal procedures and systems to maintain or alter patterns in organizational activities.

Rosanas and Veilla (2005) highlighted MCS as formal system that consists of goal setting, performance measurement and evaluation, and incentives, formal control could be divided into two financial and non-financial information. Financial information, such as budget, is basically provided for internal users for interactive controls, while other financial information is provided to the external users, such as markets, customers as well as competitors, and non-financial information is used for decision support mechanisms (Chenhall, 2003).

1.1.1 Service organizations in Nepal

Service organization in Nepal are those organizations that market and produce intangible services which includes Hotels, Restaurants, Television and other amusement and recreation services, Legal services and accounting, Professional service organization, Banking and financial institutions.

1.1.2 Manufacturing organizations in Nepal

Manufacturing companies in Nepal are those companies listed in Nepal association of manufacture's listings. They are Paper and Paper Board, Wood Products, Pharmaceutical and Medical Equipment, Leather Products, Food and Beverages Processing, Chemical and Allied, Textiles, Tobacco, Plastics and Rubber. Nepal manufacturing sector has high potential for large scale projects and innovative small scale projects. Government is committed to supporting industrialization by promoting investment in manufacturing sector. Some main areas of investment are fast moving consumer goods, garments, cement, pharmaceuticals and metal and metal products. Garment industry in Nepal has grown significantly in the last decade, with relatively inexpensive labour, governments favourable policies the existence of a domestic market as well as export potential and incentives for the export of garments attracting investors. Manufacturing companies are in the pursuit improved performance manufacturing firms are towards management control system practices. These manufacturing firms employ management control system to plan, direct and control operational costs in order to grow profit. This study seeks to investigate the effects of management control system on organizational performance of manufacturing and service organization in Nepal.

1.2 Statement of problem and research questions

Management control system aids the organization for the achievement of goals. Effective MCS leads to higher level of efficiency. MCS helps in monitoring, supervision, controlling, and decision making for achieving competitive advantage to organization for sustaining in long run.

In Nepal, the practice of management control system is poor which result lengthy decision making process. Due to lengthy decision making process the big budget projects take time to implement and are not completed years after its completion period. So it results the higher cost of production, reduction in goodwill and market share, not motivated employee because of less incentives.

During the course of study the related research question are as follows:

- i. What is the practice of management control system in Nepalese organizations?
- ii. What is the impact of management control system on performance of Nepalese organization?

1.3 Purpose of the study

The general purpose of the study is to explore the management control system and examine the extent to which the level of adoption affects the performance of organization in Nepal. The purpose of the study are as under:

- i. To examine the present practices of management control system in Nepalese service and manufacturing organization.
- ii. To analyze the impact of management control system on performance of Nepalese service and manufacturing organization.

1.4 Significance of the study

Management control system provides information which is useful for managerial decision making, planning, monitoring, and evaluation of organizational activities. Each and every person needs control system for the betterment and smooth completion of the work.

This study is design to describe management control system of Nepalese organization. Besides this study add on to the theory of management control system in developing countries by focusing on the Nepalese organization. The study will show whether Nepalese organization still prefer the traditional practices of management control

system and describe different methods and types of management control system tools used by Nepalese organization available for controlling the management. The study is significant in following ways:

- i. It examines the application of management control system in Nepalese organization.
- ii. It provides literature to the researcher for further research in this field.
- iii. It is helpful to businessman, scholars, civil society in the field of management control system.
- iv. It provides knowledge of management control in planning, monitoring evaluation and decision making.

1.5 Limitation of study

The following are some of the limitations the research holds:

- i. The study only focuses on four organization of Kathmandu they are Nepal Bank ltd., Nabil Bank ltd., Dabar Nepal ltd. and Herb production and processing company ltd.
- ii. The selected sample of four organizations may not represent the sample.
- iii. The study will only be concerned with management control system in organization.
- iv. Data and information collected from the respondents are based on their knowledge and opinion which may be subject to bias.
- v. There is no earlier study about the related topic in Nepal.

1.6 Chapter plan

This study is organized in five chapters, they are as follows:

Chapter I: Introduction

It starts with the first chapter introduction that consists of background followed by statement of the problem and research questions, purpose of the study, significance of the study, limitation of the study and organization of the study.

Chapter II: Literature review

The second chapter focused on review of literature. It consists of theoretical framework, brief review of management control system and review of related studies.

Chapter III: Research methodology

This chapter deals on the methodology used in the study. It consists of research design, sources of data, data collection procedure, research variables and data processing procedure.

Chapter IV: Results

The fourth chapter deals with presentation, analysis and presentation of data. It consists of analysis of questionnaire, analysis with open- end options and major findings of the study.

Chapter V: Conclusion

It consists the summary, conclusion and recommendation. Finally it makes some recommendations to improve management control system in Nepalese service and manufacturing organizations and gives suggestion for future.

Chapter II

Literature Review

2.1 Meaning and definition of management control system

The term “Management Control System” refers to the deployment of various techniques in hierarchical organizations in order to monitor and measure employee performance against certain management targets. It is a process of making decisions and motivating individuals throughout the organization to act, and also facilitates forecasting revenue and cost driver levels, budgeting, measuring and evaluating performance (Kalpan & Atkinson, 2005). Anthony and Young (1999) shows management control system as a black box. The term black box is used to describe an operation whose exact nature cannot be observed.

MCS consists of organizational policies and procedures to provide reasonable assurance that programs function properly to achieve their intended results, resources are used constantly with the agency mission, functional resources are protected from wasteful use, fraud and mismanagement, rules and regulations are followed, reliable and timely information is obtained (Jawahar, 2003).

(Moore & Yuen) The emergence of MCS was important for organization moving through their growth stage when coordination and control problems could not be saved through informal interaction. MCS then emerged to formalize this learning by codifying routines and liberating management attention from repetitive tasks. (Danneels, 2000) MCS has become an important aspect of management due to the drastic change in the contextual business environment firm operate in thus, firms have to continuously renew their MCS to suit the changing situation.

Techniques of control in management

<http://www.economicdiscussion.net/management/tools-and-techniques-of-control-in-management/31537>

I. Accounting

1. Break even analysis

(Bajracharya, et al. (2018) Break even analysis or break-even point, shows that what quantity of output sold at which total sale revenues equal total costs. Breakeven point

is that quantity of output sold at which the operating income is zero. Every business firm has the goal of maximizing profit and ultimately maximizing the value of firm. It is the bridge between the loss area and the profit area. It is the survival point where all firms must at least remain to sustain the business. Break-even point is found out by the formula given below:

$$\text{BEP} = \frac{\text{Fixed cost}}{\text{Contribution margin}}$$

Where, Contribution margin = sales revenue – variable cost

2. Standard costing

Standard cost is a predetermined cost based on a technical estimate for material, labour and overheads for a selected period of time and for a prescribed set of working conditions. What the cost is determined in advance of production, and when standard costs are used for the purposes of cost control, the technique is known as “Standard Costing”. Standard costing is a technique of determining standard costs and applying them to measure the variations from standard costs and analyzing them to measure the variations from standard costs and analyzing the causes of variations with a view to maintaining a maximum efficiency in production.

Standard cost is a predetermined cost, which is calculated from management’s standards of efficient operation and the relevant necessary expenditure. It may be used as a basis for price fixing and for cost control through variance analysis (Bajracharya, et al., 2018).

3. ABC costing

Activity based costing is not an alternative costing system to unit costing or job costing or process costing but it is an approach to developing the cost numbers used in those costing systems. Activity based costing assumes that product demands activities and the cost requires activities. The cost should be assign to products based on individual products consumption or demand for each activity and is a system that focuses on activities as the fundamental cost objects (Dangol, Gurung & Dangol, 2009).

Activity based costing can be thought of as a method of charging overheads to cost units on the basis of benefits received from the particular indirect activity for e.g. ordering, planning, setting and so on. Activity based costing seeks not only to allocate overhead to product cost on a more realistic basis than simply production volume, but also attempts to show the relationship between overhead costs and the activities that cause them (Lucy, third edition).

4. Budgetary control

The management of every business will prepare a budget relating to different resources e.g. material, labor, production and various expenditure. By preparing these different budgets, the management of a business will be able to co-ordinate and control every of a business. Budget is quantitative and financial interpretation of the future plan of operation and as the overall financial plan for future activities. It is a plan for the utilization and co- ordination of various resources available in an organization (Dangol, Gurung & Dangol, 2009).

(i) Functional budget

There are various functional budgets prepared for different purposes. They have been listed below:

- a. Sales budget:** Estimate of expected sales in the budget period.
- b. Production budget:** Estimate of production for the year.
- c. Material budget:** Estimate of raw materials required for product wise production.
- d. Labour budget:** Forecast of labour required for manufacturing a product.
- e. Manufacturing overheads:** Forecast of manufacturing overhead needed for products.
- f. Administrative overheads:** Estimate of administrative overhead required in the budget period.
- g. Distribution overheads:** Indicates selling & distribution overhead to be incurred for the budget period.
- h. Cash budget:** Estimate of cash receipts and cash payments for future period of time.
- i. Capital expenditure budget:** Estimate of capital expenditure required to be made in fixed assets in the budget period.

(ii) Master budget

This is the summary of all functional budgets.

(iii) Fixed budget

It is a budget prepared for a given level of activity.

(iv) Flexible budget

This budget represents budget prepared for various levels of activity.

(v) Zero-based budgeting

Zero-based budgeting through is not really new concept, it is the review of the departmental costs. Managers are advocating, for long, an in-depth review of departmental costs. This review should be done annually, zero based budgeting lays down whereas critics of zero based budgeting say it should done every five years or so on. The only difference is the frequency of the review of departmental cost (Garrison, 2000).

Zero based budgeting (also known as priority-based budgeting) emerged in the late 1960s as an attempt to overcome the limitations of incremental budgets. This approach requires that all activities are justified and prioritized before decisions are taken relating to the amount of resources, allocated to each activity. Besides adopting a 'zero based' approach zero base budgeting also focuses on program or activities instead of functional departments based on line items, which is a feature of traditional budgeting (Drury, 2000).

5. Inventory control

(Dangol, Gurung &Dangol, 2009) Any stock that a firm keeps to meet its future requirement of production and sales is called inventory, they are raw material and supplies, goods in process and finished goods. Raw material represents goods kept by a manufacturing firm prior to their being utilized in the production process. Supplies generally include tools, stores and spares which are consumed in the production of good and services. Semi-finished goods are those goods that have been committed to production process but not completed goods awaiting for sale. Inventory control techniques are as follows:

(i) ABC analysis

In ABC analysis, materials are divided into three categories for exercising selective control on materials. An analysis of material costs will show that a smaller percentage of item of materials in the stores may contribute to a large percentage of the value of consumption, on the other hand, a large percentage of items may represent, or smaller percentage of the value of items be consumed. Between these two extremes will fall those items the percentage number of which is more or less equal to their value of consumption. Items falling in first, second and third categories are taken as A, B, & C respectively. Such analysis of material is known as ABC analysis.

(ii) Economic order quantity

While placing an order for items the purchasing officer frequently faces a problem to determine appropriate quantity to be ordered as both excess or inadequate purchases are costly to the firm. It is because if less quantity is ordered number of order and ordering cost increases, if more quantity is ordered the carrying cost increases. So for this economic order quantity is appropriate quantity, where total cost of an inventory is minimum. Economic order quantity is total ordering cost plus total carrying cost plus total acquisition cost.

(iii) Just in time

It is a new concept for purchase inventory. The objective is to keep all inventories as low as possible and sometimes it may also be zero level. It is possible and sometimes it may also be zero level. It is Japanese philosophy. The implication of this philosophy is that inventory should be minimized by more frequently deliveries in small quantity. JIT means that purchase of inventory arrives just in time for use in manufacturing process often within few hours of time they scheduled.

(iv) Average stock level

Stocking of materials on an average consumption basis is called average stock level. The must available of optimum level of stock.

6. Responsibility accounting

Responsibility accounting is a system of accounting that recognizes various responsibility centers throughout the organization and that reflects the plan of action of each of these centers by allocating particular revenue and costs to the one having the pertinent responsibility (Horngreen, Foster and Dater, 1996).

(Dangol, Gurung & Dangol, 2009) Responsibility accounting is based on the recognition of individual areas of responsibility as specified in the organization structure of the firm. It is method of accumulating and reporting both budgeted and actual costs and revenues by individual managers responsible for them. Thus, it is accounting designed around the organizational structure or authority- responsibility relationship. There four types of responsibility centers are:

(i) Cost center

A segment whose financial performance is measured in terms of cost is known as cost center. Responsibility in a cost center is restricted to cost center only. The performance of center is evaluated by comparing the actual cost incurred and estimated cost.

(ii) Revenue center

The subunit of organization whose manager has the primary responsibility of generating sales revenue. Responsibility in a revenue center is restricted to revenue only. Its manager may have control over some of the expenses of marketing. The marketing manager or an individual sales representatives are examples of revenue centres.

(iii) Profit center

The segment of an organization whose manager is accountable for profit is known as profit center. Profit is difference between revenue and cost. The manager is responsible for both costs and revenue. The performance of the profit center is evaluated in terms of whether the center has achieved is budget profit.

(iv) Investment center

The center in which manager is responsible for revenue costs and investment is known as investment center. The manager of investment center is also responsible for the use of assets and return on the resources invested in the segment. The return on investment is taken as the main basis for evaluating the performance of a manager.

II. Control through audit**1. Management audit**

The success or failure of an organization depends on the quality of management in general. It is an independent and critical examination of the entire management process as it examines the total managerial function as well as policies procedures, control, etc. to advice the top management for necessary adjustment. Thus, management audit is evaluation of management as a whole.

2. External audit

It is an examination and evaluation of the organizations financial accounts and transactions by an independent professional auditor who is not at mercy of management. They examine whether accounts have been prepared as per accepted accounting principles, accepted standards and as per the provisions of the act. They certify that accounts reveal the true profit or loss and exhibit fair view of assets and liabilities on a particular data, which is conducted once a year. The report given by auditor reliable among the stakeholder of an organization.

3. Internal audit

Audit which is conducted by the staff on the behalf top management, top management to ensure that existing controls are effective and adequate, policies and procedures prescribed for various aspects are followed, optimum utilization of resources, whether wastage are within permitted limit, adequate safe guard to protect asset and so on. The findings are presented to the organization control mechanism.

III. Quality control

Quality control is a process by which entities review the quality of all factors involved in production. A part of quality management focused on fulfilling quality requirements (ISO 9000:2005, Clause 3.2.10).

The different techniques of quality control are:

1. Inspection

Inspection is that component of quality control program that is concerned with checking the conformance of units produced to prescribed standards. Inspection may be centralized or decentralized. In centralized inspection, the entire work is directed to centralized location for checking the quality, where decentralized inspection for checking the quality inspector is sent to the shop. Inspection is done mainly through sampling, sample size is determined scientifically.

2. Statistical quality control

This is a statistical process control for maintenance of quality standards. It uses periodic random sampling drawn during the actual production to determine whether acceptance quality standard is maintained. This method informs the management whether things are going the way they should and make use of control chart and acceptance sampling to ensure quality.

(i) Control chart

This is a graphic device showing the deviation from the prescribed quality standard by establishing upper and lower control limits. If the sample fall within the upper and lower limits, the process is said to be in control, if they fall outside the limits, it indicates malfunction in the system.

(ii) Acceptance sampling

Statistical quality control procedures which check the products already completed are known as acceptance sampling in which a limit for the number of defectives is set down. Sample is taken on a random basis. Where the sample is within the limit, the lot is accepted. Thus its acceptance or rejection depends on the predetermined level.

3. Total quality management

Total quality management was developed by Dr. Edward Deming. It is the total system approach aimed at creating an organization committed to continuous quality improvement in all spheres of its functioning. This approach envisages involving all those across the departments in improving the quality of various aspects of organizational functioning continuous improvement is core to it. Which requires integrative mechanisms that helps group problem solving, information sharing and

cooperation across all organizational units. Thus, the entire organization has to operate like a closely unite team.

4. Six sigma

Six sigma is of recent origin. It is a unit of statistical measurement and prescribes standard deviation from a given norm of defects. The higher the number of sigma's the fewer the deviations from the norm. According to this concept the production process should be 99.99966 percent accurate, creating just 3.4 defects per million units. This approach was used by Motorola and General Electric during 1980s.

5. Quality circle

Quality circle is group of 6 to 12 employees who works as a part of the organization and meets at a set time during work week for identifying problem and seek solution. The circle members are empowered to collect data to solve any problem as they receive training in problem solving, team building statistical quality control and group process. Quality circle generally recommends solution for quality and productivity problems which may or may not be implemented by management. The reason for using it is to push the decision making to an organization level at which recommendations can be made by people who do the job and know it better than anyone else.

6. Benchmarking

Bajracharya, et al. (2018) Benchmark is standard of excellence and achievement against which similar things must be measured to determine the variance. It is any standard or reference by which others can be measured. Benchmarking is an ongoing process of improving performance by identifying, understanding, and adopting outstanding practices and processes found inside and outside an organization. It is a process of comparing its products and methods with those of the most successful companies in its field in order to improve its own performance. It was pioneered by Xerox Corporation in the 1979s, as part of their response to international competition in the photocopier market. Its scope was then enlarged to include business services and processes. Benchmarking is used mostly to measure the performance of one using a specific indicator (cost per unit of measure, productivity per unit of measure, cycle time per unit of measure or defects per unit of measure etc.) resulting in a metric of performance that is than compared to others.

7. Economic value addition

Measuring performance in terms of EVA is to capture all the things a company can do to add value from its activities such as running business efficiency, satisfying customers, rewarding shareholders and the like. Each department or process in the organization is measured by EVA. Stern Stewart architected the EVA concept in 1990s. The use of EVA is a complex one. Enterprises must select from more than 150 possible accounting adjustments to bring about EVA measure.

8. International quality standards

A set of international standards for quality management was adopted in the late 1980s by more than 50 nations including the USA. These standards set uniform guidelines as to what manufacturing organizations should do to ensure that their products conform to high quality requirements. These standards do not specify the input and output but prescribes some process specifications like training, design, marketing, testing, packaging, record keeping, refining waste disposal, etc. Companies which have put in place a quality management system can successfully negotiate and meet the desired specification.

IV. Control through network

Network analysis is being widely as a tool of management planning and control. Under this, a project is split into small activities or operations to be arranged in a logical sequence in which various activities or operations involved in a project are executed and the time limit within which they are to be executed is predetermined. A network diagram is drawn to highlight the inter-dependence and inter-relationship among the various operations involved in the project. The construction of network diagram requires in-depth knowledge about each and every component of a project. Every project is time bound and therefore each activity is to be optimally timed. Sthapit, et al. (2017) Techniques of control through network as follows:

1. Project evaluation and review technique

PERT was developed by Booz, Allen and Hamilton in 1958 for U.S. Navy. It is a management technique for the planning, scheduling and controlling a project, project is combined of many diversified activities which contribute to its completion according to predetermined schedule. There may be many uncertainties associated with these activities. PERT statistically presents knowledge about activities and the

activity uncertainties. It is a managers tool for defining a project and coordinating various operation involved in it, which supports the manager to take decision. It is direction for successful accomplishment of the projects objective and technique that presents statistical information regarding the uncertainties about the estimation of time for various activities associated with project. A method for focusing managerial attention in latent problems that require quick decisions, methods of scheduling and budgeting resources as to accomplish a predetermined job on schedule, and minimizing the production delays interruptions and conflicts. A road map to shape the progress of project. It makes basis for comparison to actual work with standard work and to find deviation and help to take timely correction.

2. Critical path method

Critical Path Method is developed by Dupont and Spary Rand Corporation in 1957 for applications in construction, manufacturing and maintenance industries etc. and then it is widely used in construction industry and other business project. It is robust technique, which is effectively used for planning scheduling and controlling of commercial project and development, it is used for repetitive type of project such as building, road, bridge etc. for which accurate estimate of time for completion of each activity can be made and cost estimations can be made fairly. This is concerned with obtaining the cost and completion data of a project.

V. Management information system

MIS is a network which provide timely accurate information for effectively carrying out planning, controlling, decision making, and other functions of the organizations. It provides information in fixing standards, measuring actual performance, identifying performance gap, analyzing deviations and take corrective action. MIS helps in operation control, which is exercised at two levels: post action control and steering control. Post action control makes corrective actions after the work is done but steering control is making correction during the process of completing action itself.

VI. Over all control system

1. Control through financial statement

Paudel, et al. (2018) financial statements are summary of financial data of a corporation, which contain information useful for analyzing and understanding the financial performance of a firm. The objective of financial statements is to provide information.

2. Return on investment

Paudel, et al. (2018) Return on investment is also known as return on capital employed. It shows the relationship between net profit after interest and tax and the proprietor's funds.

3. Profit and loss statement

The statement which includes revenues, incomes, gains, and expenses incurred during the accounting period is profit and loss account. The difference between the total revenues plus gains and total expenses plus losses is either net profit or net loss. Comparison of profit and loss of the organization with other players in the related industry which provides vital information about the areas of strength and weakness and takes appropriate measures to address weakness and strengthen the strong areas.

4. Balance sheet

It is the statement which contains information of current assets, fixed assets, current liability and long term liability. The comparison of balance sheet over the years helps to know the company to track the trend of growth of assets and liabilities, which helps the analyst get insight into overall performance and areas of weakness. The comparison of balance sheet of the industry would know strength and weakness on financial dimension.

5. Ratio analysis

Paudel et al. (2018) Ratio analysis is relationship between two or more sets of financial data taken either from income statement or from balance sheet or both. They provide information relating to strengths and weakness on various aspects of a firm's performance. The four ratio to analyze financial statements are as follows:

(i) Liquidity ratio

Liquidity ratios measure a firm's ability to pay its short term obligations. It focuses on current assets and current liabilities. The following are the ratios used to test the liquidity of a firm:

a. Current ratio

A current ratio is the quantitative relationship between current assets and current liabilities. The current ratio measures the ability of the firm to meet obligations due within one year. The ratio of 2:1 is employed as a standard of comparison.

b. Quick ratio

Quick ratio is defined as the quantitative relationship between quick assets and current liabilities. It is the measure of firm's ability to pay off short term obligations. Quick ratio of 1:1 is considered as a standard of comparison.

(ii) Leverage ratios

It indicate the extent to which debt financing is being used by a firm. It is used to analyze how firm is using the borrowed funds to finance its assets and how for the firm is able to serve its debts in terms of satisfying fixed interest charges. Following leverage ratios are used for this purpose:

a. Leverage ratio

The percentage of total assets, which is financed with debt capital.

b. Debt equity ratio

It is most widely used leverage ratio to evaluate the long term solvency of the firm. The relationship between debt capital and equity capital and reflects the relative claim of them on the assets of the firm.

c. Interest coverage ratio

The ratio that indicates the extent to which the firm is able to satisfy interest payments out of earning.

(iii) Profitability ratio

Profitability is the end result of a number of corporate policies and decisions. It measures how effectively the firm is being operated and managed. Expectation of both owners and managers are evaluated in terms of profit earned by the firm. The following are the ratio to measure the profitability of the firm:

a. Net profit margin

Net profit margin is a ratio between net income and sales of a firm. It shows the firm's ability to generate net income per rupee of sales.

b. Return on investment

This ratio measures the overall performance of organization, which helps owners and management to know how business doing in comparison to the investment.

6. Personal observation

Personal observation helps supervisor to gain first-hand information about the flow of work at various work point. Video cameras installed in workplace helps to monitor the activities of the human resources through internal close circuit television. Mechanizations of observation saves the managers time and energy.

2.2 Review of related studies

Alkhafaji et al. (2018) conducted a research work on the impact of MCS on organizational performance a literature review with the purpose to review and critique empirical research that examines the relationship between MCS, and organizations performance to consider the state of knowledge in the area. The study adopted descriptive research design. Study conclude that the role of MCS is to support the function, implementation of competitive strategies and that it is crucial for managers to match appropriate control system to the right strategy, and implementation of an efficiency leads to experience higher performance.

Ahamad and Mohamed (2018) conducted study on MCS and firm performance resource based view perspective. The objective of the study is to know how MCS could be used by firms among developing countries to achieve better performance. For the completion of the study descriptive research design has been used. The finding revels that a firm with effective MCS in developing countries with abandon resources both tangible and intangible could have a sustained competitive advantage.

This is because the good MCS in collaboration with resources could give firm an edge by boosting its capability that would over time become imitable as such result in better performance. MCS perspective planning control can help in preserving resource through effective utilization and would as well lead to the achievement of firm short term and strategic initiative. Administrative control which lay down the foundation for proper strategy implementation via governance, structure and policy and procedures would boost firm's capability.

Traut (2017) conducted a study on MCS organizations and impact on performances: evidences from Italy. The aim of the study is to analyze if a sample of Italian firms operating in different industries has recognized the strength of intellectual capital elements in implementing the strategy and uses organizational and managerial tools to support managers in describing the intangible and tangible elements of the strategy. The results reveals that companies able to manage and monitor intellectual capital within advanced management tools as well as implement evaluation and incentive systems achieved higher and more stable performances.

Habib (2017) conducted the study on contribution of MCS in strengthening the internal and external function a case of Tunisian small and medium enterprises. The purpose of the paper is to study the evolution of management control practices in response to the new needs of companies that are confronted with turbulence in their environment. In order to achieve objective of the study questionnaire survey is used. From the study it is obtained that a change in management control in Tunisian companies. Analysis of the evolution of the design, objectives, tools and information system shows that the management control system tends to evolve towards a modern management control system that is much more oriented towards the animation of the economic intelligence of the company, towards the creation of a spirit of cooperation and innovation. The management control in the Tunisian companies began to have a Psych sociological and even political dimension, giving more importance to the motivation of the actors.

Upadhyay (2017) conducted study on the topic "MCS in Insurance companies of Nepal." The main objective of the study are to analyze whether the mechanisms of MCS have been adequately developed and applied in the insurance companies of Nepal or not and whether all the elements of MCS mechanisms have been considered

to be equally important by all the selected insurance companies or not. For the fulfillment of the objective descriptive and analytical research design have been. This study shows that all the insurance companies have adequately developed and applied the mechanisms of MCS. In terms of total quality management, time based management, activity based costing, balance scorecard, re-engineering, benchmarking, shareholder value analysis and continuous improvement process all the insurance companies have performed satisfactorily. The outcome of private and joint venture insurance companies have been better than government insurance company.

Binnashwan, Abdullah and Obaid (2017) conducted a research work on a review of literature in MCS, business strategy and firm performance. The purpose of the study is to investigate MCS and its role in firm's strategy and performance. For the fulfillment of the study descriptive research design has been used. It was found that there is strong linkage between MCS, strategy and firms performance. MCS plays important role in formulating and implementing the competitive strategies.

Theriou, Maditinos and Theriou (2017) conducted a research work on Management Control Systems and Strategy: A Resource based Perspective. Evidence from Greece. The purpose of study is to empirically examine from the resource-based perspective, the relationship between the use of management control systems (MCS) and organizational capabilities in the Greek context. For the completion of the study data collected from the survey. Finding revealed that diagnostic use of PMS negatively influence only the organizational learning, while the interactive use positively interacts with most of the capabilities.

Ilias et al. (2016) researched on the topic effects of MCSs on service quality performance in Malaysian local authorities: management perspective. The aim of the study is to provide the existence of MCSs practices in Malaysian local authorities and to examine the effects of the MCSs on service quality performance. The method used for the study was the preliminary information gathering through the semi- structured interviews. They interviewed with four persons, two directors who are from Department of Treasury and Valuation and Management Assets, and other two are Head of Quality Department and Head of Section of Strategic Planning Unit. The age ranged from 30 to 53 years and working experience ranged 3 to 30 years. Among

them one has a master degree and professional qualification from Malaysian Institute of Accountants, three have bachelor degree. From the observation it was found that were to components of internal control systems in Malaysian local authorities they are internal formal control and internal informal control. The implementation of MCS in Malaysian local authorities affects the role of management accountant within the organizations, their role is changing from accumulation, analysis and preparation, interpretation, evaluation, control and decision making.

Durendez, Ruiz-Palomo, Garcia-Perez-Lema and Dieguez-Soto (2016) conducted a study on MCS with 900 business managers in Murcia (Spain). The aim of the study to provide empirical evidence to research literature whether the family and non-family businesses use equally the MCS, as well as to assess the influence of MCS on performance. Data was collected through personal interviews with 900 managers in Murcia (Spain). The study shows that non-family business use MCS more than family business. Organizational objectives in family firms differ from those in non-family firms, as non-economic goals related to the family itself may be even more essential than the economic goals of the firm. Altruism, trust, loyalty are factors common in family firms, that might determine the choice of MCS. The use of the MCS has a positive impact on business performance. High level of use of MCS positively influence company's level of performance.

Orozco (2016) conducted doctoral thesis on understanding the impact on management control systems over capabilities and organizational performance, under the influence of perceived environmental uncertainty. The purpose of this thesis is to examine how MCS uses can act as an antecedent to organizational capabilities and lead to superior performance while recognizing that the context of every control takes place under conditions of uncertainty and different perceptions of this can have different effects. Data were collected from primary sources in the form of structured surveys. The finding shows that the four MCS uses monitoring, legitimizing, attention focusing and strategic decision making have a positive impact on both capabilities learning orientation and entrepreneurial orientation. The role played by the firm characteristics in the MCS capabilities relationship results highlight that except for the monitoring use of MCS more widely used by large than by small firms in general the other use of MCS are not different in companies of various sizes and capabilities, performance and

specifically of the role played by capabilities as a deterrent of performance while providing empirical evidence of the direct relationship between MCS and performance.

Siska (2015) researched on the concept of MCS and its relation to performance management. The purpose of the study is to know MCS and there is any difference between MCS and performance management. The research design adopted on this study is descriptive type. The finding was that MCS is perceived as a set of controls which managers have at their disposal to steer the organization towards the predetermined goals, more contemporary frameworks emphasize the role of cultural and social controls as well as the intentions of managers and actual perception of employees regarding the introduced MCS. Performance is usually perceived as achieving organizational goals there has to be significant overlap between performance measurement and MCS. Both systems have the same ultimate objective in supporting achievement of the company's goals and are regarded as synonyms. Performance measurement preferred to MCS when primarily the behavior of the system is concerned.

Beuren and Telxeira (2014) conducted a study on evaluation of MCS in a higher education institution with the performance management and control. The aim of the study is to investigate the structure and operation of MCS for performance evaluation in a private higher education institution. The study adopts structured questionnaire which was sent to 55 managers responsible for strategic actions and plans established in the business of higher education institutions. The study found that with the application of the structure adopted from the performance management and control, it was possible to identify in the case study prepared how the management control system is being used in the higher education institution surveyed to measure, control and manage the performance.

Jamil and Mohammed (2013) in their study *The Effects of Management Control System on Performance Measurement System at Small Medium Hotel in Malaysia* investigated the role played by the MCS in the PMS design in the context of the Malaysian SMEs hotels. This study employs contingency theory and using four Simons' levers of control as intervening variable to explain the relationship. Data is collected by survey at small medium hotel sector in the Northern Part of Peninsular

Malaysia. The study found that PMS is correlated to an each of the four selected individual management control system and also suggest that the development of PMS will influence the overall performance in small medium hotel sector through the acting of MCS.

Hanzlick and Bruhl (2013) researched on MCS as a package. The objective of research is to shed light on how organization in Germany configure their MCS and show the interrelationship of MCS elements. The research design adopted by study is questionnaire survey, to gain more understanding of the research matter, 87 respondents who were CEOs or managing directors of randomly selected German companies have been interviewed with a standardized questionnaire covering a broad set of MCS elements. Initial analysis sheds light on the question how organizations in Germany configure their MCS and guide and direct their subordinates. Thus the report contains first descriptive results related to themes as strategic and short-term planning, budgeting, performance measurement and evaluation as well as organizational and cultural controls. It was found that companies devote most effort into short-term planning as well as performance measurement and evaluation. Thus, further insights in companies' use and design of MCS are of high relevance for top managers in guiding and directing the behavior of their subordinates. There is a body of evidence that could enable practitioners to see how their organization compares to a robustly researched broad sample of companies.

Henri and Journeault (2010) have examined the influence of the integration of environmental matters within management control systems on environmental and economic performance. More specifically, they used a mediation model to investigate the direct effect of eco-control on economic performance, as well as the indirect effect through environmental performance. Overall, eco-control has no direct effect on economic performance. A mediating effect of environmental performance on the link between eco-control and economic performance is observed in different contexts. More specifically, eco-control has an indirect influence on economic performance in the context of higher environmental exposure, higher public visibility, higher environmental concern, and larger size.

Rijal (2006) conducted a study on application of MCS in Nepalese commercial banks. The paper attempts to examine the application of MCS in Nepalese commercial banks. Data are collected through primary and secondary sources. Primary data have been collected through structured questionnaire from branch manager and employees of commercial banks and different branches. The responses were from the 26 managers and 76 supporting employees of 13 commercial banks. Secondary data are collected from website of Nepal Stock Exchange limited, Nepal Rastra Bank and commercial banks. From the study found that commercial banks are applying the concept of MCS by setting target for their branch and at individual comparing it with actual performance. The target for a branch is fixed in terms of number of clients, amount of deposit and lending.

Table2.2 Review of related studies

| S.N | Author | Titles/objectives | Methodology | Findings |
|------------|---------------------------|---|--------------------|--|
| 1. | Alkhafaji et al. (2018) | To examine the relationship between MCS and organizational performance. | Descriptive | The role of MCS is to support manager to achieve higher performance. |
| 2 | Ahamad and Mahamed (2018) | To know how MCS could be used by firms among developing countries to achieve better performance. | Descriptive | A firm with effective MCS in developing countries have sustained competitive advantages. |
| 3 | Truant (2017) | To know if managers identified measured and monitored intellectual capital variables within advanced management accounting systems. | Explorative | It reveals that companies able to manage and monitor intellectual capital within advanced management tools as well as implement evaluation and incentive systems achieved higher and more stable performances. |

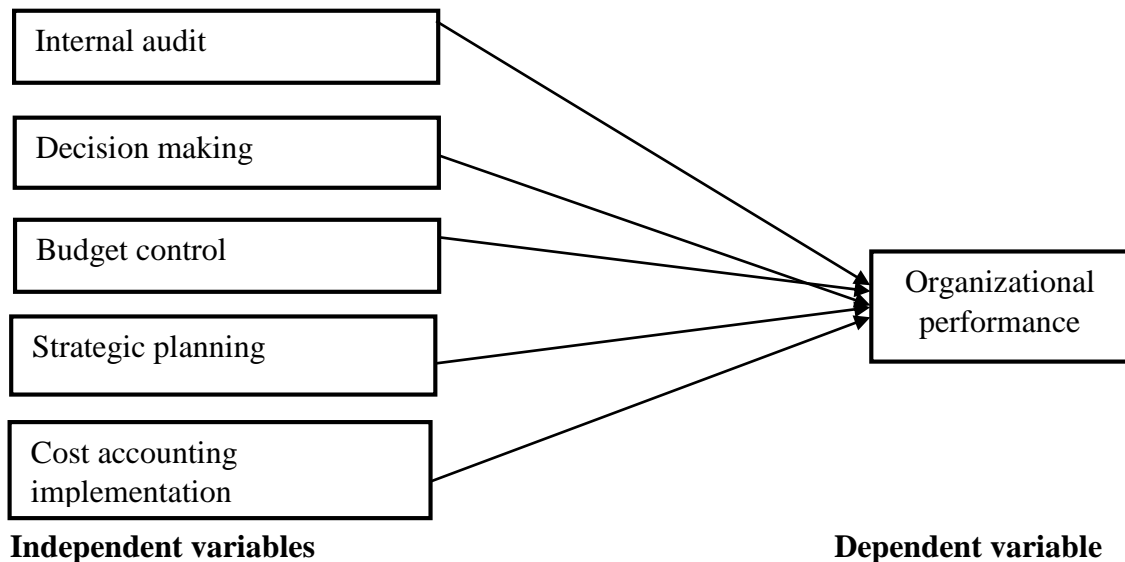
| | | | | |
|---|---------------------------------------|--|---------------------------|--|
| 4 | Habib (2017) | To study the evolution of MCS practices in response to new needs of companies that are confronted with turbulence in their environment. | Questionnaire | Finding shows that the management control system tends to evolve towards a modern management control system towards the creation of a spirit of cooperation and innovation. |
| 5 | Upadhyay (2017) | To analyze the mechanisms of MCS in insurance companies in Nepal. | Analytical | All the insurance company have adequately developed and applied the mechanisms of MCS. |
| 6 | Binnashwan, Abdullah and Obid (2017) | To investigate MCS and its role in firm's strategy and performance. | Descriptive | There is strong linkage between MCS, strategy and firm's performance . |
| 7 | Theriou, Maditinos and Theriou (2017) | To empirically examine from the resource-based perspective, the relationship between the use of management control systems and organizational capabilities in the Greek context. | Survey | Finding revealed that diagnostic use of PMS negatively influence only the organizational learning, while the interactive use positively interacts with most of the capabilities. |
| 8 | Ilias et al. (2016) | To provide the existence of MCS practices in Malaysian local authorities and examine the effects of the MCS on service quality performance. | Semi-structured interview | The implementation of MCS in Malaysian local authorities affects the role of management accountant within the organizations. |

| | | | | |
|-----------|--|---|--------------------------|---|
| 9 | Durendez, Ruiz-Palomo, Garcia-Perez-Lema and Dieguez-Soto (2016) | To examine the use MCS of Spanish SMEs family and non-family businesses and its influence on performance. | Personal interview | Mostly non-family business uses MCS than of family business. |
| 10 | Orozco (2016) | To identify and analytically describe the role played by MCS in the development of strategic capabilities impacting on performance. | Structured survey | There is positive and significant impact on both capabilities and role played by the firm characteristics in the MCS capabilities relationship. |
| 11 | Siska (2015) | To know MCS and there is any difference between MCS and performance management. | Descriptive type | Both systems have the same ultimate objective in supporting achievement of the company's goals and are regarded as synonyms. Performance measurement preferred to MCS when primarily the behavior of the system is concerned. |
| 12 | Beuren and Telxeria (2014) | To investigate the structure and operation of MCS for performance evaluation in a private higher education institution. | Structured questionnaire | The study found that it was possible to identify in the case study prepared how the management control system is being used in the higher education institution surveyed to measure, control and manage the performance. |

| | | | | |
|-----------|-----------------------------|---|--------------------------|---|
| 13 | Jamil and Mohamed (2013) | To know the role of MCS in performance system of Malaysian SMEs hotels. | Survey method | MCS is found to be positively correlated to performance measurement system design and overall hotel performance. |
| 14 | Hanzlick and Bruhl (2013) | To shed light on how organizations in Germany configure their MCS and show the interrelationship of MCS elements. | Questionnaire survey | It was found that companies devote most effort into short-term planning as well as performance measurement and evaluation. Thus, further insights in companies' use and design of MCS are of high relevance for top managers in guiding and directing the behavior of their subordinates. |
| 15 | Henri and Journeault (2010) | To examine the influence of the integration of environmental matters within management control systems on environmental and economic performance. | survey-data | It was found that eco-control has an indirect influence on economic performance in the context of higher environmental exposure, higher public visibility, higher environmental concern, and larger size. |
| 16 | Rijal (2006) | To examine the application of MCS in Nepalese commercial banks. | Structured questionnaire | There is application of MCS in commercial banks. |

2.3. Conceptual framework

Theoretical framework clearly shows the cause and effect of independent variables on dependent variables. It helps to increase management control system and improve performance of organization. To find the impact of independent variable (management control system) on dependent variable (organization's performance), a theoretical framework developed. This is shown below:



From the above theoretical framework it has been conceptualized that internal audit, decision making, budget control, strategic planning and cost accounting implementation have positive correlation.

2.3.1 Internal audit

Internal Audit is a department or an organization of people within a company that is tasked with providing unbiased, independent reviews of systems, business organizations, and processes. The role of Internal Audit is to provide senior leaders and governing bodies of an organization an objective source of information regarding the organization's risks, control environment, operational effectiveness, and compliance with applicable laws and regulations. As Internal Audit reports to senior leadership, it is only appropriate that its activities are directed by CEO or Board of Directors through its Audit Committee. Members of Internal Audit must be independent of internal politics and unbiased to provide leadership with objective source of information. Under the direction of Audit Committee, Internal Audit works

with management to systematically review control activities over critical systems and processes.

An internal audit may be used to assess an organization's performance or the execution of a process against a number of standards, policies, metrics, or regulations. These audits may include examining a business's internal controls around corporate governance, accounting, financial reporting, and IT general controls. Internal audits may also entail evaluating the effectiveness/efficiency of critical business operations such as supply chain management. Those individuals working in Internal Audit are called internal auditors. Internal auditors may cover all areas of an organization or specialize based on their skill-sets. The aim of internal audits is to identify weaknesses within the organization's processes and control environment internally so that they can be fixed as quickly as possible to prevent harm to the organization or its stakeholders. Accordingly, the internal audit plan for an organization should be driven by risk basis or, in other words, be designed to examine those areas that present the greatest risk to the company. The internal audit plan should also include a component of the strategic needs of an organization. (<https://linfordco.com/blog/what-is-internal-audit>)

2.3.2 Decision making

Decision making is a future oriented activity. It involves forecasting and planning. It is the process of evaluating two or more alternatives leading to a final choice. Decision making is closely involved with the planning for the future and is directed towards a specific objective. The act of selecting one course of action among various feasible available alternatives is decision making. It is a fundamental part of management. The management has to make the different decisions regarding the various activities of an organization. It has to make decision about the mix of products, method of production, acquisition of equipment, dropping a product line, pricing decision and so on. These decisions are short run decision, which can be termed as tactical decision making. Tactical decision making consists of choosing among alternatives with an intermediate or limited end in view (Dangol and Dangol, 2010).

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities. A decision can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning. Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

Decisions are taken to support organizational growth. Its day to day operation is rightly built on managerial decisions. Top companies, as evidenced by their functions, effective communication tools are utilized in addition to normal consultation process to make decisions that would have large scale implications on the company's prospects. Discussions and consultations are two main tools that support and eventually bring out decisions. For instance to take a decision on how to embark on new business activity suggested by strategic management team must have developed through series of consultative process, which is now available with implementation team. Here we see the cumulative effect of decision taken at one point by a different body of affairs. Decision taken by strategic managers is to push new and innovative business line or initiative. At this point the decision taken by such team becomes consultative point for discussion for implementation professionals. There is lot to debate, research and finalize. Is the new proposal viable? Is it innovative enough? Can there be growth stimulant in the strategies proposed? Handle-full of such questions evolved from the decision taken by strategic group has reflective influence on the next level of managerial consultations and meetings.

(<https://www.managementstudyguide.com/decision-making.htm>)

2.3.3. Budget control

Budget control is key to good management. The process of developing financial plans for a company's expected operations and controlling operations which help to carry out those plans is known as budgetary control. Objectives of budgetary control are: To aid in establishing procedures for preparing a company's planned revenues and costs. Budgets also aid in coordinating and communicating these plans to various levels of management (Kariuki, 2010). Budgets formulate a basis for effective revenue and cost control. For companies to benefit from budgetary control, they first set quantitative goals, define the roles of individuals, and establish operating targets.

Budgetary control is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances, if any. First of all, budgets are prepared and then actual results are recorded. The comparison of budgeted and actual figures will enable the management to find out discrepancies and take remedial measures at a proper time. The budgetary control is a continuous process which helps in planning and co-ordination. It provides a method of control too. A budget is a means and budgetary control is the end-result. Budgetary control is a system of controlling costs which includes the preparation of budgets, coordinating the departments and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability. Budgetary control as planning in advance of the various functions of a business so that the business as a whole is controlled. A system which uses budgets as a means of planning and controlling all aspects of producing and/or selling commodities and services. Budgetary control involves the use of budget and budgetary reports, throughout the period to co-ordinate, evaluate and control day-to-day operations in accordance with the goals specified by the budget.

(<https://www.yourarticlelibrary.com/organization/budgetary-control/budgetary-control-meaning-objectives-and-essentials/53355>)

2.3.4. Strategic planning

Strategic planning is a process used by organizations to identify their goals, the strategies necessary to accomplish those goals and the internal performance management system that will be used to monitor and evaluate progress. Most organizations use a SWOT or gap analysis to identify the underlying factors driving their current performance. This, in turn, informs the selection of the most high-leverage strategies to create change. The strategic planning process culminates in the development of a strategic plan document that serves as the organization's collective roadmap. While each organization is unique, the essential elements of any strategic plan include clear mission and vision statements to frame the context of the document, clear timelines for strategy implementation and progress monitoring, quarterly benchmarks or objectives that will inform progress towards annual goals, identification of the data sources used to track progress, indication of the individuals and/or offices responsible for each strategy.

Creating a strategic plan when you first start a business is a helpful strategy to set your business up for success. Doing so can create a structure to guide the initial brainstorming that businesses are already engaged in when first starting up. In this case, the strategic plan would be one component of the larger business plan that also includes a financial plan, marketing plan and operational or management plan. Strategic planning is especially helpful for new businesses to stay focused on a few key priorities. (<https://www.indeed.com/hire/c/info/what-is-strategic-planning-a-definition>)

2.3.5. Cost accounting implementation

Cost accounting is accounting for cost. It is a practice and process of cost which determines the profitability of a business concern by controlling the cost with the application of accounting principle process and rules. Cost accounting includes the presentation of information derived there from purpose of managerial decision making. It is considered an art as well as science, is also a prime part of accounting system which records systematically the cost involved in raw materials and labour used in the process of production and at the same time determines the total cost and unit cost of product. The process of recording classifying and analyzing of cost is the

cost accounting. Cost can be controlled by comparing the actual cost with the predetermined cost (Dangol, Gurung and Dangol, 2009).

Cost accounting is the classifying, recording and appropriate allocation of expenditure for the determination of the costs of products or services, and for the presentation of suitably arranged data for purposes of control and guidance of management. It includes the ascertainment of the cost of every order, job, contract, process, service or unit as may be appropriate. It deals with the cost of production, selling and distribution. It is thus the provision of such analysis and classification of expenditure as will enable the total cost of any particular unit of production or service to be ascertained with reasonable degree of accuracy and at the same time to disclose exactly how such total cost is constituted (i.e. the value of material used, the amount of labour and other expenses incurred) so as to control and reduce its cost. Cost accounting is the application of accounting and costing principles, methods and techniques in the ascertainment of costs and the analysis of saving/or excess cost incurred as compared with previous experience or with standards. Thus, cost accounting relates to the collection, classification, ascertainment of cost and its accounting and control relating to the various elements of cost. It establishes budgets and standard costs and actual cost of operations, processes, departments or products and the analysis of variances, profitability and social use of funds. (<https://www.yourarticlelibrary.com/cost-accounting/cost-accounting-meaning-objectives-principles-and-objections/55218>)

2.3.6 Organizational performance

Organizational performance is measured using indicators built from the perception of managers regarding the competitive position of their own companies. Faced with the alternative of using indicators from accounting information, this decision is justified for different reasons: if we use accounting information, a number of intangibles, valuable and vital to the competitive success of companies assets are omitted and a time lag occurs between the date of the survey and obtaining accounting information, not officially available until the company publishes its annual accounts. Finally, competitive success is a relative term so the position of the company against the competition is established as one of the key indicators of success or failure (Durendez, Ruiz-Palomo, Garcia-Perez-Lema and Dieguez-Soto, 2016).

Performance can be defined as the results of the activities of an organization or investment over a given period of time. Based on literature review, the results of MCS on organization performance are hard to predict. A positive relationship between performance and the implementation of MCS will be expected if MCS provide significant information for coordination and learning, and there is some indication about this matter in the performance field (Binnashwan, Abdullah and Obaid, 2017).

CHAPTER- III

RESEARCH METHODOLOGY

Research methodology is overall plan associated with a study. It provides a basic framework on which the study is based. Before presenting the analysis and interpretation of data, it is necessary that study methodology be described first. In the absence of methodology, it is likely that the conclusions drawn may be misunderstood. This chapter therefore explains the methodology employed in this study. This chapter deals with sampling techniques, data collection methods, data analysis tools, research instruments etc. to achieve the stated objectives the following methodology has been used.

3.1 Research design

Research Design is a blueprint specifying the method to be adopted for gathering and analyzing data. The research design serves as a framework for the study, guiding the collection and analysis of the data, the research instruments to be utilized, and sampling plan to be followed (Pant, 2016).

The main objective of this research study is to examine the present practices of management control system and show relationship between management control systems practices its impact on organizational performance. To achieve the objective descriptive and explanatory research design has used. The design enables the researcher describes the characteristics of the population being studied as they exist at present hence minimizing biases and maximizing the reliability of the evidence collected. This design is selected because it also provides a relatively complete picture of what is occurring at a given time and allows the development of questions for further study. The research was relied on data obtained from respondents on decision making, budget control, internal audit, cost accounting implementation on the organization performance of service and manufacturing organization in Nepal.

3.2 Population and sample

The study is designed to accomplish the research work of management control system of Nepalese service and manufacturing organization. The total 220 numbers of manufacturing companies as population for the study [Industrial statistic FY 2074/75] and 27 commercial banks as population. Out of them 2 manufacturing and 2 service organizations of Kathmandu valley were selected for the study as sample. The sample is selected with the help of convenience sampling.

3.3 Nature and sources of data

There are two main sources of data which can be used in a research. They are primary and secondary data. For the accomplishment of the objective of this study primary data has been used and collected through questionnaire from 122 respondents. They are classified and tabulated in required form.

3.4 Data collection procedures

The study collected primary data from the respondents. The study utilized a questionnaire to collect data. The questionnaire designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent. The second part is on the effects of MCS and organizational performance of service and manufacturing companies in Nepal.

3.5 Data processing procedures

The data collected was coded using numerical numbers and then entered in the SPSS software after which analysis was done. The quantitative information gathered was investigated by the utilization of spellbinding measurements utilizing SPSS and introduced through means and standard deviations. Statistical Package for Social Sciences (SPSS) adaptation 25.0 was utilized as an instrument to investigate the information. The data were shown through tables and figures. This was finished by counting up reactions, registering rates of varieties accordingly and also depicting and translating the information in accordance with the examination targets and suppositions through utilization of SPSS.

3.6 Reliability test:

To check internal reliability, this study has performed Cronbach's Alpha Test of Reliability for the purpose of specifying whether the items of each dimension are internally consistent and whether they can be used to measure the same construct and perceived organizational performances. According to Nunnally (1978), the value of Cronbach's alpha should be 0.7 or above.

Table 3.1: Cronbach's alpha coefficients

| Variables | No of items | Cronbach's Alpha |
|--------------------------------|-------------|------------------|
| Internal audit | 5 | .793 |
| Decision making | 5 | .755 |
| Budget control | 5 | .836 |
| Strategic planning | 5 | .769 |
| Cost accounting implementation | 5 | .725 |
| Organizational performance | 5 | .631 |
| Overall | 6 | .887 |

The reliability analysis was done for the present management control system tools questionnaire construction consistency of responses to items. The Cronbach's alpha coefficient α of internal audit, decision making, budget control, strategic planning, cost accounting implementation and organizational performance are 0.793, 0.755, 0.836, 0.769, 0.725 and 0.631 respectively, which is higher than 0.5. The results reveals that the importance of management control system tools are significant.

CHAPTER IV

RESULTS

Presentation and analysis of data is an important stage of the research study. The main purpose of analyzing the data is to change it from an unprocessed form to an understandable presentation. The analysis of data consists of organizing data into a presentable form by using figures and tables. This chapter mainly incorporates data presentation, analysis and interpretation. Presented data are analyzed and interpreted by using statistical tools like mean, standard deviation and regression analysis of variance test, so as to achieve the results.

4.1 Analysis of primary data

The main objective of the study is to examine the practice of management control system tools and its impact on organizational performance in Nepalese service and manufacturing organizations. This chapter presents the analysis and interpretation of data. To meet the objectives service and manufacturing companies having in Kathmandu valley which are in operation, are taken as population. Among them questions were distributed to four organizations. Besides questionnaire, discussions were also made with general manager, finance in chief and account in-chief of the organization. To get more information about the present MCS practices in views of managers, accountants and finance in-chief are also included in this chapter. Raw data were properly processed, tabulated and analyzed. They were presented in tables. Tables were developed on the basis of question asked.

4.2 Descriptive analysis

The respondents company were asked to rate the usage of costing, budgeting, controlling, performance evaluation and decision making management accounting practices in their company. The ranking ranged from 1 to 5. Questions are used in five point likert scale questionnaire and each question ranging from "strongly disagree" to "strongly agree", coded by 1 is "strongly disagree", 2 representing "disagree", 3 representing "neutral", 4 representing "agree" and 5 representing strongly "agree".

Table 4.1 Descriptive statistics of decision making

| Code | Statement | Test value = 3 | | |
|-----------------|---|----------------|------|----------------|
| | | N | Mean | Std. Deviation |
| DM1 | Customer profitability analysis to make customer related decision. | 122 | 3.34 | 1.017 |
| DM2 | Increase market share, productivity and profit. | 122 | 2.34 | 1.133 |
| DM3 | Launching a new product. | 122 | 2.48 | 1.006 |
| DM4 | Management functions are determined by the good decision made by the BOD. | 122 | 2.88 | 1.095 |
| DM5 | Decision making provide accurate cost information to Management accountant. | 122 | 2.98 | 1.024 |
| Overall Mean SD | | | 2.80 | 1.055 |

Source: Primary data, SPSS

Table 4.1 shows descriptive statistics of individual items and as a whole of decision-making sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point Likert scale. The overall mean of decision making practices is 2.8, with standard deviation 1.055. This shows that organizational performance could be achieve through effective decision making.

Table 4.2 Descriptive statistics of budget control

| Code | Statement | Test value=3 | | |
|---------------------|--|--------------|------|----------------|
| | | N | Mean | Std. Deviation |
| BP1 | Budgeting develops a sense of responsibility | 122 | 1.80 | 1.096 |
| BP2 | Budgeting increase operational efficiency | 122 | 1.63 | .855 |
| BP3 | Maximization of profit | 122 | 2.60 | .985 |
| BP4 | Budgeting help to make plan. | 122 | 2.02 | 1.216 |
| BP5 | Budget ensure better understanding | 122 | 1.71 | 1.008 |
| Overall Mean and SD | | | 1.95 | 1.032 |

Source: Primary data, SPSS output

Table 4.2 shows descriptive statistics of an individual item and as a whole of budget control. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point Likert scale. The overall mean of budgeting and planning practices is 1.95, with standard deviation of 1.032. This shows that organizational performance could be achieve through effective budget control.

Table 4.3 Descriptive statistics of organizational performance

| Code | Statement | Test value=3 | | |
|------|---|--------------|-------|----------------|
| | | N | Mean | Std. Deviation |
| OP1 | MCS help to increase product service quality. | 122 | 2.53 | .920 |
| OP2 | MCS help to development of new product. | 122 | 3.04 | .857 |
| OP3 | MCS help to increase Return on investment. | 122 | 2.74 | 1.112 |
| OP4 | Organizational performance is based on customer satisfaction level. | 122 | 1.92 | 1.095 |
| OP5 | MCS help to increase market share. | 122 | 3.65 | .935 |
| | Overall mean and SD | | 2.776 | 0.983 |

Source: Primary data, SPSS

Table 4.6 shows descriptive statistics of individual items and as a whole of organizational performance sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point Likert scale. The overall mean of organizational performance is 2.776, with standard deviation .983. This shows good organizational performance.

Table 4.4 Descriptive statistics of internal audit

| Code | Statement | Test value=3 | | |
|------|---|--------------|-------|----------------|
| | | N | Mean | Std. Deviation |
| IA1 | Internal audit helps to improve organizational performance by detecting inefficiencies. | 122 | 2.04 | 1.086 |
| IA2 | Internal audit helps to detect probable errors and frauds. | 122 | 2.56 | 1.121 |
| IA3 | Internal audit helps to evaluate effectiveness of business processes. | 122 | 3.30 | .810 |
| IA4 | Internal auditing contributes to evaluate the soundness of financial system. | 122 | 2.92 | 1.154 |
| IA5 | Internal audit helps to evaluate the effectiveness of internal control. | 122 | 2.95 | 1.184 |
| | Overall mean and SD | | 2.754 | 1.071 |

Source: Primary data, SPSS

Table 4.4 shows descriptive statistics of individual items and as a whole of internal audit sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point Likert scale. The overall mean of organizational performance is 2.754, with standard deviation 1.071. This shows that organizational performance could be achieve through effective internal audit.

Table 4.5 Descriptive statistics of strategic planning

| Code | Statement | Test value=3 | | |
|------|--|--------------|-------|----------------|
| | | N | Mean | Std. Deviation |
| SP1 | Strategic planning facilitates the formulation of an effective operating budget. | 122 | 2.23 | .994 |
| SP2 | Strategic planning facilitates optimal resources allocation decisions in support of key strategic option. | 122 | 1.59 | .916 |
| SP3 | Strategic planning helps the organization understand the implication of strategic decisions for action plan in short term. | 122 | 1.57 | .953 |
| SP4 | Strategic planning forces managers to make time for thinking through important long term issues. | 122 | 1.48 | .893 |
| SP5 | Strategic planning acts as a means to align managers with corporate strategies. | 122 | 1.85 | 1.065 |
| | Overall mean and SD | | 1.744 | 0.9642 |

Source: Primary data, SPSS

Table 4.6 shows descriptive statistics of individual items and as a whole of strategic planning sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point Likert scale. The overall mean of strategic planning is 1.744, with standard deviation .9642. This shows that organizational performance could be achieve through effective strategic planning.

Table 4.6 Descriptive statistics of cost accounting implementation

| Code | Statement | Test value=3 | | |
|------|---|--------------|-------|----------------|
| | | N | Mean | Std. Deviation |
| CAI1 | Cost accounting provides important costing information to the management to facilitate planning, policy making and decision making. | 122 | 2.37 | 1.062 |
| CAI2 | Cost accounting helps to reduce unnecessary and irrelevant cost. | 122 | 3.5 | 1.130 |
| CAI3 | Cost accounting provides important information for the comparison of cost. | 122 | 2.68 | 1.152 |
| CAI4 | Cost accounting introduces various cost reduction programs and strategies. | 122 | 2.26 | .994 |
| CAI5 | Cost accounting helps to reveals idle capacity of the organization. | 122 | 2.93 | .883 |
| | Overall mean and SD | | 2.748 | 1.0442 |

Source: Primary data, SPSS

Table 4.6 shows descriptive statistics of individual items and as a whole of cost accounting implementation sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point Likert scale. The overall mean of cost accounting implementation is 2.748, with standard deviation 1.0442. This shows that organizational performance could be achieve through effective cost accounting implementation.

4.3 Correlation analysis

Correlation is statistical tool which helps to study the degree of relationship between two or more variables. In the study two variables are said simple correlation and more than two variables are multiple correlation. It deals with what extent variables under study are correlated to each other. A positive correlation reveals that the direction of relationship is positive with one increasing in action to other increase a negative correlation reveals an inverse; an increase in one when the other decreases.

Table 4.7 Correlation between dependent variable and independent variables

| | | Organizational performance |
|--------------------------------|---------------------|----------------------------|
| Organizational performance | Pearson Correlation | 1 |
| Decision making | Pearson Correlation | .498 |
| Budget control | Pearson Correlation | .520 |
| Internal audit | Pearson Correlation | .590 |
| Strategic planning | Pearson Correlation | .414 |
| Cost accounting implementation | Pearson Correlation | .522 |

Source: SPSS output

Table 4.6 shows that the multiple correlation between management control systems Practices and organizational performance. There are five variables are used to measure the correlation. Find out the correlation five point Likert scale has been used. From the table it is found that there is positive relationship between management accounting practices and performance of service and manufacturing organizations.

4.4 Regression analysis

Regression analysis is the statistical measure which study the relationship between dependent variable whose value is to be predicted and an independent or explanatory variable, about which knowledge is available. The technique is used to find the equation that represents the relationship between the variables. Multiple regressions provide an equation that predicts one variable from two or more independent variables.

In order to test relationship among independent variables on organizational performance of service and manufacturing organization of Nepal. The researcher applied the statistical package for social science to code, enter and compute the measurements of the multiple regressions for the study. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (organizational performance of service and manufacturing organization in Nepal) that is explained by all the five independent variables (decision making, budget control, internal audit, strategic planning, cost accounting implementation).

The study adopted multiple regression guided by the following model:

Multiple regression model B5x5

$$Y = a + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + e_i$$

Where,

Y= organizational performance

X1= decision making, X2=budget control, X3=internal audit, X4= strategic planning,

X5= cost accounting implementation

a= constant

B_i= coefficient of slope of regression model

e_i= error term

Where, A is constant, B is regression coefficient. A measure of change Y per unit change in X.

Table 4.8: Model summary

| Model | R | R square | Adjusted R square | Std. error of the estimated |
|-------|-------------------|----------|-------------------|-----------------------------|
| 1 | .631 ^a | .398 | .372 | .49798 |

Source: Primary data, SPSS

- a. Predictors: (Constant), Decision making, Budget control, Internal audit, Strategic planning, Cost accounting implementation

The practices of management control system on organizational performance indicated by table 4.8 provides the value of R and R². The R value represents the simple correlation and is 0.631, which indicates a high degree of correlation among the variables. The R squared of 0.398 shows that the independent variables explained by 39.8% of variance on organizational performance of service and manufacturing organization in Nepal. Adjusted R square indicates 37.2% of variation in the dependent variable is explained by the independent variables.

Table 4.9 ANOVA^a

| Model | Sum of squares | Df | Mean Square | F | Sig |
|------------|----------------|-----|-------------|--------|-------------------|
| Regression | 19.040 | 5 | 3.808 | 15.356 | .000 ^b |
| Residual | 28.766 | 116 | .248 | | |
| Total | 47.806 | 121 | | | |

Source: SPSS output

- a. Dependent Variable: OP
 b. Predictors: (Constant), DM, BC, IA, SP, CAI

The results in table 4.9 show that the f static was 15.356. At 5% level of confidence, the F-static was significant. In this case, all the predictor variables (decision making, budget control, internal audit, strategic planning, and cost accounting implementation) explain a variation in organizational performance and that the overall model is significant.

Table 4.10 Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig |
|--------------------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. error | Beta | | |
| Constant | 1.219 | .213 | | 5.733 | .000 |
| Decision making | .041 | .107 | .049 | .382 | .703 |
| Budget control | .061 | .100 | .078 | .612 | .542 |
| Internal audit | .251 | .106 | .319 | 2.363 | .020 |
| Strategic planning | .088 | .090 | .097 | .976 | .331 |
| Cost accounting implementation | .174 | .085 | .200 | 2.055 | .042 |

a. Dependent Variable: Organizational Performance

The result of table 4.10 conclude that there is positive relationship decision making, budget control, internal audit, strategic planning and cost accounting implementation with organizational performance. The negative sign in front of the beta of these variables signify an indirect relationship between the explained variables whereas positive sign signifies a proportional relationship between the explained variables.

4.5 Major findings:

Based on the above analysis, the major findings are as follows:

- i. The study was found that decision making, budget control, internal audit, strategic planning and cost accounting implementation constant organizational performance to it is also found that decision making practices has the greatest impact on organizational performance of service and manufacturing organization in Nepal followed by internal audit, cost accounting implementation, budget control and strategic planning.
- ii. The organizational performance of service and manufacturing organization's decision making tools shows the highest mean value 2.80 with standard deviation 1.055. It shows that there is a positive impact of decision making on organizational performance of Nepalese manufacturing companies. The constant (decision making) is significantly different from 0 at the 0.05 alpha level. So it is found that there is a positive impact of management control system tools and technique on performance of service and manufacturing organization in Nepal.
- iii. The coefficient for internal audit (.599) is statistically significantly different from 0 using alpha of 0.05 because its p-value is 0.000, which is smaller than 0.05.
- iv. The study shows that the one percent changes in management control system tools the effects 63.1% percent on organizational performance of service and manufacturing organization in Nepal.
- v. The study shows that the management control system practices have a joint significant (39.8%) effect on the organizational performance of service and manufacturing organization in Nepal. At 5% level of confidence, the F-static was significant. The sum of squares also confirms that the regression model explained less than the residual.
- vi. Results indicates that Nepalese service and manufacturing organizations adopts management control systems techniques which helps to achieve organizational performance.
- vii. Alkhafaji et al. (2018) they concluded that the role of MCS is to support the function, implementation of competitive strategies and that it is crucial for managers to match appropriate control system to the right strategy, and implementation of an efficiency leads to experience higher performance.

- viii. Ahamad and Mohamed (2018) in which they concluded that a firm with effective MCS in developing countries with abandon resources both tangible and intangible could have a sustained competitive advantage. This is because the good MCS in collaboration with resources could give firm an edge by boosting it capability that would over time become imitable as such result in better performance.
- ix. Ilias et al. (2016) they found that were to components of internal control systems in Malaysian local authorities they are internal formal control and internal informal control. The implementation of MCS in Malaysian local authorities affects the role of management accountant within the organizations, their role is changing from accumulation, analysis and preparation, interpretation, evaluation, control and decision making.

CHAPTER V

CONCLUSION

The analysis and interpretation of collected data as per the design of study, this is the concluding chapter an attempt has been made for conclusion. This chapter deals with the discussions, conclusions and implications obtained from the study, relationship between management control system and organizational performance. It consists of three sections. First section provided discussions of the study, second section provided conclusions of the study and final section consists of the implications to solve the problem observed during the study.

5.1 Discussion

The research contributed in management control system in service and manufacturing organization in Nepal. The main purpose of the study was to examine the present practice of management control system in Nepalese service and manufacturing organization. This study analyzed the different factors that can influence the sustainability of service and manufacturing organizations.

The research used the data collected from the descriptive survey design conducted within Kathmandu valley are used to examine the data covering 122 samples across service and manufacturing organizations employee in Nepal. The target population for this study was 27 commercial bank and 220 manufacturing companies in Nepal. This study adopted a descriptive and causal research design. The present scenario of management control system practice in service and manufacturing organization has a moderate environment for MCS practices in Nepal. Within the individual dimensions of decision making, budget control, organizational performance, internal audit, strategic planning and cost accounting implementation are highest concern, with the mean value of 2.80, 1.95, 2.77, 2.75, 1.74 and 2.74 respectively.

This study focuses on the relationship between management control system and organizational performance. Rijal (2006) the study found that commercial banks are applying the concept of MCS by setting target for their branch and at individual comparing it with actual performance the target for a branch is fixed in terms of number of clients, amount of deposit and lending.

MCS is found positively correlated to performance measurement system design and overall hotel performance in the context of the Malaysian small and medium enterprises hotels (Jamil and Mohamed, 2013). The companies able to manage and monitor intellectual capital within advanced management tools as well as implement evaluation and incentive systems achieved higher and more stable performances (Traunt, 2017). MCS is perceived as a set of controls which managers have at their disposal to steer the organization towards the predetermined goals, more contemporary frame works emphasize the role of cultural and social controls as well as the intentions of managers and actual perception of employees regarding the introduced MCS (Siska, 2015).

5.2 Conclusion

Based on the findings of this study, recommendations have been given on management control system in service and manufacturing organizations. The limitations of the study as well as suggestions for further research have also been discussed. The following part gives the conclusions for the study by presenting the main points to answer the research questions:

The first objective of the research was to examine management control system practices on organizational performance of service and manufacturing organization in Nepal. The findings of the research states that the decision making practices were highly used in the respondents companies. They included budget control, product profitability analysis, and customer's profitability. Management control system which gather and use information which helps in planning, controlling decision making to evaluate the performance of organization. Organization obtain its goal through effective utilization of available resources. Environment changes and future is also uncertain. To mitigate the future risk organization should have efficient management team. For better organizational performance different management control system tools and technique have been propounded, which proved beneficial in various management activities. The main objectives are the management control system is to assist managers in overall management activities by providing information and helping in planning, controlling and decision making. This acts as a strategic business paper in support of management role in decision making.

The second objective was to examine the impacts of management control system practice on organizational performance of service and manufacturing organization in Nepal. The findings of research state that Nepalese service and manufacturing organization are practicing the management control tools.

Finally, it can be conclude that the service and manufacturing organization in Nepal are in early stage with respect to the application of modern management control system tools. So, it is concluded that to improve overall performance, Nepalese service and manufacturing companies should focus new management control system practices.

5.3 Implications

All the service and manufacturing organization should carry out management control system for the betterment of overall organizational performance. The green banking policies and organizational philosophy should reflect the factors that contribute towards to green banking practices.

5.3.1 Managerial implication

The management control system tools and techniques in every type of organization are not the optional but also the compulsion in the better organizational performance. It provides the key ideas, guidelines and strategies to the management for better organizational performance of management functions. To strengthen the competitiveness of service and manufacturing organization and carryout management activities effectively and efficiently the use of management control system tools and techniques are recommended to practice. Economic liberalization, globalization, changing nature of human behavior and technological advancements are making complexity to every organization. To meet the expected challenges to grab the opportunities, the organization must practice the management control system tools and techniques. Service and Manufacturing organization of Nepal should use different, MCS tools and apply it in different areas according to the nature of tools. For example budgeting, decision making, cost estimation, cost classification and allocation can apply for planning. If management use appropriate tools it results better performance of organization in future.

While service and manufacturing organizations acknowledging the importance of management control system globally. The Nepalese service and manufacturing organization there remains a challenge to management control system. These organizations should emphasize towards the implementation of an effective strategy to achieve a perceived performance through management control system. The implementation of management control system practices should be embedded deeply to foster a culture of perceived organizational performance. The management control system practice should be initiated with social, ecological and economic visions and goals. Research has shown that an organization's culture operates at multiple levels, and developing and maintaining a culture of perceived performance, requires leaders to address each of these levels.

5.3.2 Research implication

The further research would be focused on the more sample and they will do their research activities by putting more variables than this research variable. This study has covered two commercial banks and two manufacturing organization of Nepal. It does not cover other banks, manufacturing organization, financial institutions and other sectors of the economy. In the same way, further study may be only on manufacturing organization or in commercial banks, comparative one such as Development banks with financial institutions, or banking industry with trading industry. The further study can be conducted in the same topic and same areas after the certain time duration to measure the management control system on the basis of government policies. So that researchers can conduct whether there is any change in demographical characteristics, response on management control system and organizational performance, relationships between management control system and demographic characteristics, impact of management control system on Nepalese investor and predictability of the corporate social responsibility (CSR) or not. That can be new topic for the further researcher.

5.3.3 Recommendation for future researchers

This study was conducted in Nepal and selected two manufacturing organizations and two commercial banks. Future studies incorporating respondents from other countries can be done to give a wider and more global perspective on the issue. This study only depends upon questionnaires which were not free from biasness, so future study may be included questionnaires as well as interview and use more statistical techniques. In this study commercial bank and manufacturing organizations were taken as sample respondents where for further studies other financial institution like development banks, finance company, trading companies and cooperative can be included further studies can be conducted in other dimension of the businesses.

This study has established relationship between dependent variable organizational performance and dependent variables comprises of internal audit, decision making, budget control, strategic planning and cost accounting implementation. Further studies can be done by incorporating various other important variables and establishing relationship among those variables. And the Nepalese service and manufacturing organizations would be benefited from the use of management control system.

In addition, future studies should examine specific factors as to why service and manufacturing are not adopting newly developed management control system tools. The increment in respondent size can make the result more reliable and fruitful to the shareholders. The findings based on descriptive study which highlights the current status of management control system, so longitudinal research can be required in future with more power full statistical techniques. Finally, the difference between traditional and new management control system techniques needs further investigation.

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APPENDIX

QUESTIONNAIRES

Dear Respected Participants

This is questionnaire designed to assist a research study on **Management Control System in Nepalese Service and Manufacturing Organizations**, which is partial fulfillment of the requirements for the award of a Master of Business Studies. It is request you for spending few minutes of your time to complete this questionnaire. Your answer will be kept strictly confidential but your views, in combination with those of others are extremely important in building knowledge on **Present Practices of Management Control System** in service and manufacturing organization in Nepal. The information collected is intended to be used to pursue academic purposes. I appreciate the time and valued inputs and active co-operation.

Use of scale 1 to 5 are available that shows your perceptions about the organizational performance. **Where, 1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly agree** Tick (√) at the appropriate alternative number that comes closest to your opinion. You should rank each statement as follows.

1. **Name (optional)**.....
2. **Gender:** Male [] Female []
3. **Age:** 18 to 30 [], 31 – 50 [] 51 and above []
4. **Educational level:** SLC or below []
+2 or Bachelor level []
Postgraduate []

| S.N. | Decision Making | Score | | | | |
|------|--|-------|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | The organization has made customer profitability analysis to make customer related decision. | 1 | 2 | 3 | 4 | 5 |
| 2 | Good decision has helped to increase market share, productivity and profit. | 1 | 2 | 3 | 4 | 5 |
| 3 | The organization has applied break even analysis for launching a new product. | 1 | 2 | 3 | 4 | 5 |
| 4 | Management functions such as planning, organizing, leading, directing and controlling are determined by the good decision made by the BOD. | 1 | 2 | 3 | 4 | 5 |
| 5 | MCS provides accurate cost information to management accountant with respect to product pricing and while pricing decision of the product / service, price of competitors has been considered. | 1 | 2 | 3 | 4 | 5 |
| | Budget control | | | | | |
| 1 | Budgeting develops a sense of responsibility, policy among the employees and assist in assignment of responsibility. | 1 | 2 | 3 | 4 | 5 |
| 2 | Budgeting increases operational efficiency, reduce wastage and uncertainty of future. | 1 | 2 | 3 | 4 | 5 |
| 3 | Maximum of profit through careful planning and control is possible with the help of budgeting. | 1 | 2 | 3 | 4 | 5 |
| 4 | Budgeting help to make plan about the sources and uses of money and when and where additional cash borrowing necessary. | 1 | 2 | 3 | 4 | 5 |
| 5 | Budget ensures better understanding and harmonious relation between top management managers and workers. | 1 | 2 | 3 | 4 | 5 |
| | Organizational Performance | | | | | |
| 1 | MCS helps to increases products or service quality | 1 | 2 | 3 | 4 | 5 |
| 2 | MCS helps in development of a new product. | 1 | 2 | 3 | 4 | 5 |
| 3 | MCS helps to increase return on investment. | 1 | 2 | 3 | 4 | 5 |
| 4 | Organizational performance is based on customer satisfaction level. | 1 | 2 | 3 | 4 | 5 |
| 5 | MCS helps to increase market share. | 1 | 2 | 3 | 4 | 5 |
| | Internal audit | | | | | |
| 1 | Internal audit helps to improve organizational performance by detecting inefficiencies. | 1 | 2 | 3 | 4 | 5 |
| 2 | Internal audit helps to detect probable errors and frauds. | 1 | 2 | 3 | 4 | 5 |
| 3 | Internal audit helps to evaluate effectiveness of business processes. | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|---------------------------------------|---|---|---|---|---|---|
| 4 | Internal auditing contributes to evaluate the soundness of financial system. | 1 | 2 | 3 | 4 | 5 |
| 5 | Internal audit helps to evaluate the effectiveness of internal control. | 1 | 2 | 3 | 4 | 5 |
| Strategic Planning | | | | | | |
| 1 | Strategic planning facilitates the formulation of an effective operating budget. | 1 | 2 | 3 | 4 | 5 |
| 2 | Strategic planning facilitates optimal resources allocation decisions in support of key strategic option. | 1 | 2 | 3 | 4 | 5 |
| 3 | Strategic planning helps the organization understand the implication of strategic decisions for action plan in short term. | 1 | 2 | 3 | 4 | 5 |
| 4 | Strategic planning forces managers to make time for thinking through important long term issues. | 1 | 2 | 3 | 4 | 5 |
| 5 | Strategic planning acts as a means to align managers with corporate strategies. | 1 | 2 | 3 | 4 | 5 |
| Cost accounting Implementation | | | | | | |
| 1 | Cost accounting provides important costing information to the management to facilitate planning, policy making and decision making. | 1 | 2 | 3 | 4 | 5 |
| 2 | Cost accounting helps to reduce unnecessary and irrelevant cost. | 1 | 2 | 3 | 4 | 5 |
| 3 | Cost accounting provides important information for the comparison of cost. | 1 | 2 | 3 | 4 | 5 |
| 4 | Cost accounting introduces various cost reduction programs and strategies. | 1 | 2 | 3 | 4 | 5 |
| 5 | Cost accounting helps to reveals idle capacity of the organization. | 1 | 2 | 3 | 4 | 5 |

Thank you for your participation.