CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Companies use management accounting techniques to assess their operations. These include budgeting, variance analysis and breakeven analysis. These methods help organizations to plan, direct and control operating costs and to achieve profitability. It is recognized that management accounting practices are important to the success of the organization (Horngren, et al., 2009). Management accounting is the application of appropriate techniques and concepts in processing the historical and projected economic data of an entity to assist management in establishing a plan for reasonable economic objectives and in the making of rational decisions with a view towards achieving these objectives.

Managerial accounting, or management accounting, is a set of practices and techniques aimed at providing managers with financial information to help them make decisions and maintain effective control over corporate resources. These include the methods and concepts necessary for effective planning, decision making (choosing among alternative business actions and controlling through the evaluation and interpretation of performance.

1.1.1 Management Accounting Practices

Management accounting practice helps an organization to survive in the competitive, ever-changing world, because it provides an important competitive advantage for an organization that guides managerial action, motivates behaviors, supports and creates the cultural values necessary to achieve an organization's strategic objectives. Management accounting is concerned primarily with the internal needs of management. It is oriented toward evaluation of performance and development of estimates of the future as opposed to traditional financial accounting which emphasizes historical data related to such legal financial matters as ownership, investment, credit granting, taxation, regulation, and the building of foundations for consistent and conservative external reporting, "in accordance with generally accepted accounting principles." Flexibility is an essential characteristic of management accounting since it presupposes that careful attention has been given to determine the important needs of management, many of which cannot be precisely identified in advance (Parker, 2002). The Institute of Management Accountants (IMA), the professional association of practicing and academic management accountants, defines management accounting as “The process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control within an organization and to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities” (Smith, 2009).

Management accounting provides information from its environment to management to facilitate decision-making. Good management accounting information has three attributes: Technical-it enhances the understanding of the phenomena measured and provides relevant information for strategic decisions, Behavioral-it encourages actions that are consistent with an organization’s strategic objectives, and Cultural-it supports and/or creates a set of shared cultural values, beliefs, and mindsets in an organization and society (Ashton et al., 1991). The development of management accounting is responsive to the demands of management and the environment. Management accounting adapts to organizational change and three major forces cause organizations to evolve: technological change, globalization, and customer needs (McWatters, 2001). In order to remain competitive in today’s global market, business must continually improve. Good management accounting practices help the organization to improve continually. Due to these all over the world there are so many management accounting tools & techniques developed and practiced.

Management accounting may be defined as the application of appropriate techniques in processing the historical and projected financial and economic data of an organization with a view to formulate a plan of action and rational business decision. It makes use to such techniques as budgetary control and standard costing, marginal costing, cash flow and funds-flow statement, ratio analysis, projected balance sheet and profit and loss account (Xiaosong, 2012:13).

In comparison, before the industrial revolution, accounting was mainly used as a record of the external relations between business units. Information for decision-making and control was usually acquired from market prices (Graner,2012). During the nineteenth century cost accounting became more than just a tool for valuating internal conversion processes. It was also used as a means to assess the performance of subordinate managers. Moreover, internal accounting systems for evaluating costs, throughput, and working capital were developed during the nineteenth century. New cost measurement techniques for analyzing productivity and linking profits for products were developed during the late nineteenth and early twentieth century.

These techniques had a substantial impact on twentieth century accounting practices. Some of these techniques provide the basis for the development of standards to monitor labor and material efficiencies and costs. This was the time of the development of scientific management that concentrated on gathering accurate information regarding the efficiency of workers engaged in specified tasks. Furthermore, the use of variance analysis of actual costs and standard costs for the propose to controlling operations was also developed.

During the nineteenth century scientific management experts also developed new cost accounting procedures to evaluate and control physical and financial efficiency of tasks and processes in complex machine making firms and to assess the overall profitability of the enterprise. Around the 1900s managers started paying attention to the productivity and performance of capital. The design of Du Pont management accounting procedures during that period facilitated the evaluation of return on investment. Such information helped managers in the allocation of new investments among competing economic activities and the financing of new capital requirements (Chandler &Salsbuey,2013:25).

1.1.2Introduction of Life Insurance Company

Life insurance companies focused on the life of individual. It is related to the health of individual or policy covering the unnatural death of an individual. There are 10 life insurance companies are presented and working in the present (BeemaSamiti 2075:21).

The concept of insurance is developed to reduce those risks. Insurance has provided itself as device that could be a safeguard against such uncertain things and unfortunate happenings. Insurance may be viewed as a cooperative device to spread the loss caused by particular risk over a number of persons who are exposed to it and who agree to insure themselves against the risk. Every risk involves the loss of one or other kind. Insurance provide certain protection and share risk. The need and importance of unit rest upon the ability of insurance company to compensate risk and development of insurance company depend upon level of business activities.

The insurance has provided as a doubled weapon for socio-economic development of the nation. In one way it provides financial security against the uncertainties to the person.

Industry commerce and other assets and in other way insurance business collects the scattered finance resource and invests the bulk amount of money in the productive sector, which helps for the growth of industrialization and commercialization.

As there are several insurance companies in Nepal, competition is also severe. As a result, this industry is going through innovation in its services offerings, for example services are ranged from theft insurance to mobile insurance. The market for all types of insurance services is tremendous. Similarly there is very good potential market of life insurance service whereas very few number of player are in this segment. There are hardly five major players in this segment. Concept of life insurance is still unknown to majority of Nepalese. Many people are on the lack of awareness and the benefits of having the insurance services and still many people think that insurance is established for the rich people since they can afford to pay the premium, but it is more essential for those who are not financially secure.

Insurance is the precautionary measure that has been taken by any parties to compensate for the loss incurred due to undesirable events. It is an intangible service which helps to get rid from the painful sufferings caused by the uncertainties. Thus, the insurance provides a relief in the form of compensation packages in a period of desperate need.

Insurance businesses are broadly classified into three groups:

1. General/Non- Life Insurance (16)

2. Life Insurance (10)

3.Re-Life Insurance (1)

1.2 Statement of the Problem and Research Questions

Nepal is a developing country in South Asia. It is landlocked bordering between the two most populate countries in the world; India in the East, South, and West, and China in the North. The development in industry and trade sector is quite slow and economy is still based on agriculture. Nepal is still backward in comparison to its neighboring countries due to several factors such as political instability, lack of financial resources, lack of required infrastructure, higher rate of illiterate etc.

Nepalese Life insurance companies are still in an early stage of development although its role is significant in the national economic sector. Therefore, in this study, life insurance companies are chosen in order to know the use of management accounting practices tohelp management in its function, planning controlling, directing and other sector of companies.

The Life insurance companies have been operating well from their very beginning of the establishment. The expansion of life insurance business is increasing which indicates the increasing number of life insurance companies in Nepal. As a result Nepalese life insurance companies are competing to transact life insurance business with international insurance companies as well. This development has created major challenges for Nepalese life insurance companies in terms of providing services to their clients and maximizing value of the individual.

There have been few studies about management accounting practice different sectors (see Gyawali, 2012; Duwadi, 2014; and Shresth, 2015) in Nepal. But they did not focused about the Neplese Life Insurance Companies. While reading to them that urge to do study on the Life Insurance in Nepal. Management accounting use to be taken as an integral part of the system of management control in the any companies or entrepreneurships. Richard (2000) stated that there are many reasons for the failure rate of start-up businesses, including lack of adequate working capital, poor market selection, and rapidly changing external market conditions. Based on these arguments it can be suggested that MAPs are important for insurance companies in general, and in particular in Nepal, if they are to avoid failing.

Being based on this circumstance this study reveals the following questions:

1. What are the present practices and roles played by MAPs in Nepalese Life Insurance Companies?
2. What factors affect the extent use of management accounting practices by Nepalese Life Insurance Companies?
3. What is the relationship between the use of MAPs and the performance of Nepalese Life Insurance Companies?

1.3 Purpose of the Study

The general objective of this study is to examine the use of management accounting practices in the Nepalese insurance companies. The specific objectives are:

1. To examine practices and roles played by MAPs in Nepalese Life Insurance companies

2. To assess the factors that affects the extent use of MAPs among Nepalese insurance companies
3. To examine the relationship between MAP use and the performance of Nepalese Life Insurance companies

1.4 Significance of the Study

This study will have useful implications for theory and practice. Regarding the potential implications for theory, the study will expand the existing management accounting literature in two main ways. First the study will provide new empirical evidence on the use of MAPs. Second, the study will contribute an additional study in the new context of Nepalese insurance companies regarding what contingent factors affect the extent of MAP use. Finally, the research will test for a relationship between the use of MAPs and the performance in the context of Nepalese insurance companies. The focus on Nepal is especially important because research on MAPs and Nepalese insurance companies is very limited in this country and developing countries more generally.

The creation of awareness among Nepalese life insurance companies managers of the importance of management accounting as a means of improving performance and maintaining competitiveness in the marketplace. The provision of results that may assist policymakers, such as the level of use of MAPs among Nepalese insurance companies and factors that affect the use of MAPs, that may ensure that future policy decisions made by the Nepalese government, financial institutions, and other groups with an interest in Nepalese insurance companies are evidence based.

1.5Limitations of the study

Due to time and budget constraints, this study has carried only in few management accounting practitioner of Nepalese Insurance Companies. The present study has the following limitations.

1. This study has focused only in Nepalese Life Insurance Companies so the findings may not be applicable for all life insurance (non-Insurance) and other types of business concern.
2. This study only has concerned with management accounting. It does not concern other aspect of the companies.

3. It only consider in practice of management accounting tools not implementation of those tools
4. The findings of this study may not represent to other settings.

1.6 Outline of the study

The entire study bas been organized into five main chapters which are as follows:

Chapter-I: Introduction

First chapter deals the background of the study, statement of problem, objective of the study, significance of the study and limitations of the study, objective of the study.

Chapter-II: Literature Review

The second chapter deals with conceptual framework including the fundamental concept of Management Accounting Practices. It also includes the brief review of previous research work.

Chapter-III: Research Methodology

The third chapter deals with the research methodology which has been followed to achieve the purposes of the study. It consists of research design, the period covered, nature and sources of data, tools to be used, research variable etc.

Chapter-IV: Results/Discussion

The fourth chapter deals with presentation and analysis of data. It gives a clear picture of how the collected data has been presented on the study and how it has been analyzed.

Chapter-V: Conclusion

And at last, the fifth chapter shows the summary of whole study, conclusion drawn and recommendations given. This ends the study paper.

Besides these chapters, References and and Appendix are included in this research paper.

CHAPTER-II

LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 A Brief Review of Management Accounting Tools

Management accounting is concerned with the provision and interpretation of information which assists management in planning, controlling, decision making and appraising performance (Lucey, 2013, p.19).

Tools and techniques provided by management accounting to discharge functions like planning, controlling and organizing can be identified as such.

A. Cost concept

Cost is a foregoing or sacrifice measured in monetary terms, incurred or potentially to be incurred to achieve a specific purpose (wood, 2012, p.196)

B. Cost Classification in a Manufacturing Firm

It is the process of grouping costs according to their common characteristics. The same cost figures sometimes can be classified according to direct ways of costing depending up on the purpose to be achieved and requirements of particular concern. The important ways of classification are: by nature or element, by function, by direct or indirect, by variability, by controllability, by normality, capital or revenue, by time, according to planning and control, for Managerial Decision (Sullivan & Steven, 2014, pp.197-198).

In management accounting with the purpose of managers in managerial task, costs are classified on the following ground: (Sunarni, 2014, p.27)

(I) cost relating to Income Measurement

a) Product Cost

Those cost which attach or cling to units of finished goods are caused product cost. Traditionally, in cost accounting product cost will consist of: direct materials, direct labour and a reasonable share of factory overhead (Lucey, 2013, p.198).

b) Period Cost

Period cost do not attach to products. They are incurred for a time period and are charged to profit and loss on that period. Non-manufacturing cost, selling, general and administrative costs are generally treated as period cost (Lucey,2013,p.20).

C) Absorbed cost and Unabsorbed Cost

Fixed cost helps to create value in the product. The benefit of fixed cost will lapse with the passes of time and must be absorbed by the revenue of that period. The part of fixed cost that is absorbed during the revenue of the particular period is known as absorbed cost. Absorbed cost is those cost, which have been charged to production. Cost that remains unchanged is known as unabsorbed cost (Sullivan & Steven, 2014, p.63).

d) Expired Cost & Unexpired Cost

Expired cost is the monetary value of the resources that have already been used in producing revenue. It does not have a future revenue producing potential. Unexpired cost that still has a potential of generating revenue in future: an unexpired cost represent the monetary value of an unused resource (Wood, 2012, p.200).

e) Joint Product Cost and Separate Cost

Joint product costs are the costs of a single process or a series of processes that simultaneously produce two or more products of significant sales values. Such costs are attributable to different individual products until after a certain stage of production knoen as the split off point. Separable cost, in contrast, refers to any cost that can be attributed exclusively and wholly to a particular product, process, division or department (Sunarni, 2013, p.11)

(II) Cost Relating to Profit Planning

Profit planning is concerned with decision -making. Cost volume profit relationship is an integral part of profit planning, that is how the cost and profits vary with sales volume. Planning deals with future. The future costs are relevant costs. The relevant cost concepts are:

a) Fixed Variable and Semi Variable Cost

Fixed costs remain constant over wide ranges of activity for a specified time period. Fixed cost thus remains constant whether activity increases or decreases with in a relevant range. Variable cost varies in direct proportion to the volume of activity. Double the level of activity double will be the total variable cost (Lucey, 2013, p.12)

Cost including both fixed and variable component is semi variable cost. Semi variable costs are also known as mixed cost as they consist both of fixed costs and variable cost. The fixed component of mixed cost represents the cost of providing capacity, whereas the variable component is caused by using the capacity. The first part is not affected by the changes in activity, while the later part is influenced by the changes in activity (Sunarni, 2013, p.15).

b) Methods of Mixed Cost Segregation

Two Point Method (High-Low Method)

As the name suggest, this method makes use of two observations rather than all the observations for drawing the cost line. The two points chosen are high cost point and low cost point corresponding to some specific volume (Khan, 1994, p.154)

Least Square Method

It is located by means of solving the two linear equations based on the formula for drawing a straight-line regression equation. Is used to segregate mixed cost into fixed and variable (Plat and Hilton, 2010, p.157).

C) Analytical Method

This method is also known as degree of variability technique because the genesis of the method lies in measuring the extent of variability of cost with volume. In other words, the technique is based on a careful analysis of each item to determine how far the cost varies with volume (Plat and Hilton, 2010, p.158).

D) Future Cost

Future costs are relevant costs in the profit planning function of management. Those costs which are reasonably expected to be incurred at some future data as a result of a current decision are called future costs. Since they deal with a future period, they are estimated costs based on expectations(Plat and Hilton, 2010.p.159).

E) Budgeted Cost

when operating plan involving future cost is accepted, and incorporated formally in the budget for a specific period, such costs get converted to what may be reoffered to as budgeted costs. Budgeted costs are important element in that they provide the basis for measuring the important input of responsibility according to(Plat and Hilton, 2010.p.160)

(III) Cost for Control

a) Responsibility Cost

cost which is incurred due to the responsible person of the responsibility center is responsibility cost. This helps to localize the responsible person for the cause of cost when actual cost equal to budgeted cost. For e.g. purchase manager will be responsible for the purchase cost will be accountable in case actual cost equal budgeted cost. The budgeted cost is prepared by the head of management known as manager, and over which he has control or incur (Plat and Hilton,2010.p.161)

(IV) Cost of Decision-Making

a) Relevant/Irrelevant Cost

Any costs that are affected by the decision are relevant cost. Irrelevant costs are those costs that are not affected by decision costs that remain unchanged for all the alternative courses of action are irrelevant cost. Such cost might be ignored while taking decision (Lucey,2013,p.185).

b) Differential Cost

Any cost that is present under one alternative but is absent in whole or in part under another alternative is known as differential cost. Differential cost is also known as incremental cost. Any cost which increases between the alternatives are incremental cost which decreases is decremented cost. Both incremental and decremented costs are relevant in decision-making purpose (Lucey, 2013, p.186).

C. Cost Allocation and Apportionment Methods

There are two popular methods of allocating the cost of service department.

It provides for allocation of a departments cost to other service departments as well as to production departments in a sequential manner. The sequence begins with the department that provides that greatest amount of service to other department .after its' costs have been allocated, the process continues step by ending with the department providing the least amount of services other service department (Khan and Jain, 1996, p.288).

a) Step Method

It provides for allocation of a departments cost to other service departments as well as to producing departments in a sequential manner. The sequence begins with the department that provides that greatest amount of service to other department. After its costs have been allocated, the process continues step by ending with the department providing the least amount of services other service departments(Khan and Jain, 1996, p.289).

.**b) Direct Method**

Direct method of cost allocation ignores the cost of services between departments and allocates all service department costs directly to production department (Khan and Jain, 1996, p.290).

D. Product Costing Method

There are two popular methods for product costing. They are variable costing and absorption costing.

a) Variable(Direct/Marginal) Costing

Variable costing is a method of recording and reporting cost which regards as product costs only those manufacturing costs which tend to vary directly with volume of activity. Conventional costing, it will be recalled, considered all manufacturing costs fixed as well as variable as product costs(Khan and Jain, 1996, p.292).

b)Absorption Costing

Under absorption fixed manufacturing cost is also included in the cost of product. It absorbs all cost necessary to production. Absorption costing signifies that fixed factory overhead is inventoried(Khan and Jain, 1996, p.294).

E. Cost-Volume-Profit Analysis (CVP Analysis)

CVP analysis is a management accounting tool to show relationship between the ingredients of profit planning. Profit planning is the functions of the selling price of unit sold. The entire gamut of profit planning is associated with CVP interrelationship. A widely used technique to study CVP relationship is breakeven analysis. Break even analysis is concerned with the study of revenues and cost in relation to sales at which the firms revenues and total costs will be exactly equal (or net income is zero). Thus, breakeven point may be defined as a point at which the firm's total revenues are exactly equal to total costs yielding zero incomes. The (No profit no loss" point is a breakeven point or point at which losses cease and profit margin begin. (Khan and Jain, 1996, p.294)

F. Budgeting

Budgeting is a comprehensive plan of action prepared for achieving objectives. A budget is the detail plan outlining the acquisition and use of financial and other resources over some given time period. It represents the plan for the future expressed in formal quantitative terms. The act of preparing a budget is called budgeting. The use of budget to control is called budgeting. The use of budget to control firms activities are known as budgetary control (Plat and Hilton, 2010, p.62).

A budget is a detailed plan expressed in quantitative terms that specifies how resources will be acquired and used during a specific period. The producers used to develop budget constitute a budgeting system (Hilton, 2003, p.404).

G. Planning Process

Business condition does not remain static, they change rapidly and therefore plans should be revised and reformulated to adapt to the change conditions. Planning process involves the following fundamental steps:

a) Objectives

Objectives are statements of broad and long-range desired state of the enterprises in the future. They represent purposes to which efforts of the enterprises should be focused. They direct to motivate individual for attaining the organizational goals. Long-range objectives are generally the qualitative expressions of the future intentions (Plat and Hilton, 2010, p.39).

b) Goals

Goals represent the operational specifications of the broad objectives with time and quantity dimension. Goals are the quantified target to be attained within a specified period(Plat and Hilton, 2010, p.40).

c) Strategies

Strategies lay down the foundation for attaining the objectives and goals of the enterprise. Strategies specify the ways to achieve the goals operationally(Plat and Hilton, 2010, p.40).

d) Budget

A budget or a profit plan is the formal expression of the firms targets stated in financial terms generally for one year. It is called the budget or the profit plan because it explicitly state the goals in terms of time expectation and expected financial results for each major segment of the entity (Plat and Hilton, 2010, p.41).

H. Elements of Budget

Budget is a comprehensive and coordinated plan, expressed in financial terms, for the operations and resources of an enterprise for some specific period in the future. The basic elements of a budget are:

a) Integrated Plan

A budget is the plan of the firms' expectations in the future. Planning involves the control and manipulation of relevant variables. Controllable and non-controllable and reduces the impact of uncertainty. It makes active to influence the environment in the interest of the enterprise (Plat and Hilton, 2010, p.245).

b) Operation and resources

A budget is a mechanism to plan for the firms' all operations or activities. The two aspects of every operation are revenue and expenses. The budget must plan for the quantify revenues and expenses related to a specific operation. Planning should not only be done for revenue and expenses, but the resources necessary to carry out operations should also be planned (Plat and Hilton, 2010, p.246).

c) Time element

Time dimension should be added to a budget. A budget is meaningful only when it is related to a specified period. The budget estimates will be relevant only for some specific period (Plat and Hilton, 2010, p.248).

d) Comprehensiveness

Budget must be in comprehensive terms i.e. all the activities and operations of an organization are included in it. Budgets are prepared for each segment of and organization. Those are integrated into an overall budget for the entire organization (Plat and Hilton, 2010, p.247).

e) Co-ordination

Budgets are prepared for the different components of an organization so as to take care of the situations and problems of each component. The budgets for each of the components are prepared in harmony with each another. This is called coordination (Plat and Hilton, 2010, p.247).

I. Master Budget

Master budget is a comprehensive plan, a coordination set of detailed financial statement of the operating plans and scheduled for a short period, usually for a year. In master budget, normally consists of three types of budget (Plat and Hilton, 2010, p.249).

:**i) Operating Budget**

It relates to physical activities or operations of a firm such as sales, production, purchase, debtors collection and creditors payment schedule(Plat and Hilton, 2010, p.251).

: **a) Sales budget**

The sales budget is concerned with probable sales physical quantities and values for a future budget period. The choice of method to employ for forecasting sales is influenced by a number of factors. The nature of the product, the method of distribution, the size of the business and the degree of competition exist some of the considerations (Wood, 2012, p.374).

b) Production budget

The production or output is concerned with estimating the probable output of each product in the forth-coming budget period. Where standard products are made the problem is one of deciding how many unit of each product () the machines, equipment and their production facilities (Wood, 2012, p.375) can make.

c) Purchase Budget

In the case of merchandising firm, instead of preparing production budget it would prepare a merchandise purchase budget showing the amount of goods to be purchased from it suppliers during the period. The merchandise purchase budget is in the same basic formal as the production budget, except that it shows goods to be purchased rather than goods to be purchased (Wood, 2012, p.377).

ii) Financial Budget

Financial budgets are concerned with expected cash receipts/disbursement, financial position and results of operations. The components of financial budgets are mentioned below:

a) Budgeted Income Statement

Budgeted income statement is one of the key schedules in the budget process. It is the document that tells that profitable operations are anticipated to be in the forth coming period. After it has been prepared, it stands as a benchmark against which subsequent company performance can be measured (Wood, 2012, p.380).

b) Cash Budget

Cash budget is a summary of the firms expected cash inflows and outflows over a projected period. In other words, cash budget involves a projection of future cash receipts and cash disbursements over various times intervals so it is also owed as cash receipts and cash disbursements budget (Wood, 2012, p.383).

c) Budgeted balance Sheet

Budgeted balance is a statement of assets and liabilities prepared after the preparation of functional and financial budgets. It is based on functional budgets, cash budget, protected income statement and the previous year's assets and liabilities (Plat and Hilton, 2010, p.326).

J) Zero Budgeting

Zero-based budgeting differs from traditional budgeting, in which budgets are generally initiated on an incremental basis; the managers stay with last year's budget and simply adds to its according to anticipated needs. The manager does not have to start at the ground each year and justify ongoing costs for existing programs. It is useful in many companies for improving management development, fostering innovations for better results and resolving problem in decision-making (Srinivasan, 1992, p.325).

K. Activity Based Budgeting

To apply activity based costing an organization must first engage in activity analysis; managers identify the major activities undertaken by each department and select a cost driver for each activity (Plat and Hilton, 2010, p.458).

L. Standard Costing

The word ‘standard’ means bench mark or yard stick. The standard cost is predetermined or expected cost which determines what each product or service should cost under given conditions. It is the expected cost of producing one unit. The institute of costs and management accounts, England defines standard costing as “the preparation and use of standard costs their comparison with the actual costs, and the analysis of variances to their causes and the points of incidence” (Srinivasan, 1992, p.522). Variance is the different between standard and actual amount during a given period.

M. Control through Standard Cost

In attempting to control costs, managers have two types of decisions to make decisions relating to prices paid and decision relating to quantities used. Managers are expected to pay the lowest possible prices, consistent with the quality of output desired, in attaining the objectives of their firms. In attaining, these objectives, managers are expected to consume the minimum quantity of output desired. Breakdowns in control over either price or quantity will lead to excessive cost and to deteriorating profit margins. Managers could personally examine every transaction that takes place to control price paid and quantity used, but this would be an inefficient use of management time. Thus, the answer to the control problem use in standard cost (Plat and Hilton, 2010, p.355).

N) Decision Making

Decision-making involves choosing between different courses of action. The tailoring of the data in line with the decision situations requires the application of different concepts that are not in consonance with the generally accepted accounting principles for external reporting purpose. All costs, must, of course be covered in the long-run, otherwise, a firm will not survive. Nevertheless, in the short-run, some costs can be ignored. The cost concepts which are relevant to short term decision-making are opportunity cost, sunk cost, avoidable cost and incremental cost. Only cost that have bearing on the decision are applicable to the choice between alternatives. Decision-making costs are the relevant costs, defined as the future costs that will change with the decision (Plat and Hilton,2010,p.360).

a) Decision Situation

I) Sales Volume Related Decision

i) Special Order

Frequently, the opportunity arise for management to consider an order for a quantity of its regular product at a special price, when there is idle capacity, such as offer may be attractive. If there is idle capacity, the special order is advantageous if the price amounts to more than out of pocket costs (Plat and Hilton, 2010, p.363).

ii) Disposing of Inventories

Pricing decision must consider the relative marketability of inventories. Due to damage or lack of demand, inventory may not be saleable through normal marketing channels or under normal operating conditions. In such cases, incremental analysis is appropriate for decision-making as all prior costs of producing inventory are sunk costs and therefore, irrelevant to the decision (Plat and Hilton, 2010, p.366).

iii) Loss leaders

Sometimes an item may be deliberately priced so low that the firm has to suffer loss in the expectation that additional sales will be generated which will offset the loss such sales are referred to as loss leaders (Plat and Hilton, 2010, p.184).

II) Sell or Further Process the Product

Short-term incremental analysis also applies to sell or process further decision situations when an item of production process through various processes. It is saleable at different stages, i.e., at various physical stages of production, in deciding at what stage to sell the product the two critical variables are: (i) Identification of sunk costs and (ii) calculation of incremental returns at various sales alternatives. All costs, whether fixed or variable, incurred before the sell or process further point should be treated as sunk and therefore, irrelevant costs. The incremental return relevant to the decision is the difference between the costs that are incurred beyond the division point and the revenues if, however, the fixed resources would remain idle as a result of not processing the product further and if they could be diverted to some other use opportunity cost would also became relevant to the division analysis (Plat and Hilton, 2010, p.185).

III) Make or Buy Decision

Many firms have to choose between manufacturing certain components themselves or acquiring them from outside suppliers. Incremental analysis provides solutions to this kind of decision problems. The relevant input information is the committed costs if the firm has adequate idle capacity to make the components. This is so because the firm would not be required to incur fixed costs or producing the components. If, however, there id need to enlarge the capacity of existing plant or the existing capacity of the plant is diverted for the production of the components, opportunity cost, I terms of lost contribution will be relevant to the decision analysis (Plat and Hilton, 2010, p.188).

2.1.2 Pricing of the Product and Services

Pricing decisions are decision that managers make about what to charge for the products and services they deliver. The pricing of the product is not just marketing decision or a financial decision; rather it a decision touching on all aspects of firms' activities and as such of affects the entire of firm's activities and as such of affects the entire enterprise. As the prices charged on products largely determine the quantities consistently fail to cover all the costs of the firm and then in the long run, the firm cannot survive (Sunarni, 2013, p.199)

For pricing decision, economists have their own view while accountant has their own perspective. Economic theories indicate that companies acting optimally should produce and sales units until the marginal revenue equal marginal cost the market price id the price that creates a demand for these optimal numbers of units. However, economic theory of pricing based on marginal cost and revenue approach is subject to criticism. On the ground, that this models of pricing is applicable only in monopoly. Moreover, monopolistic competition market. This model of pricing on marginal revenue and cost is not applicable to oligopolistic situation. Thus, management account has different perspective regarding pricing decision. They consider cost as the key factor to pricing decision of the standard product (Sunarni, 2013, pp.143-145).

Not all pricing decisions can be approached in the way as economics theory describes. Some pricing of standard products that are sold to customers in the routine day to day conduct of business activities other pricing decision related a special order of standard or near standard products and still others related the pricing of the special products that have been taken on in an effort to fill out unused productive capacity. The ways of pricing special products are (Sunarni, 2013, pp.150-157):

A) Cost Plus Pricing

Companies use various strategies to set price for their products. Demand is one side of the equation of pricing and supply is the other side. Since, revenue must cover the cost for the firm to make a profit, many companies start with cost to determine the price of the product since cost is an important determinants of supply, it is known to the producer. Many companies base price on cost. Under cost base pricing method, a percentage mark-up is added to the estimated cost of product to provide a reasonable level of profit.

There are two approach of computing cost in cost plus pricing:

- Absorption approach
- Contribution approach

Under absorption approach in cost plus pricing while computing the cost both variable and fixed manufacturing overhead are taken in to consideration then add some mark up to the cost and thus arrive at target selling price (Sunarni, 2013, pp.143-146).

B) Target Cost Pricing

A target pricing is the estimated price for a product or service that potential customer will be willing to pay. This estimate is based on an underwriting of customers perceived value for a product and competitors'' responses. A target operation income per unit is the operating income that company wants to earn on each unit of a product sold. This target price leads to target cost. A target cost per unit is the estimated long urn cost per unit of a product that when sold at the target price enables the company to achieve the target operation income per unit. Subtracting the target operating income per unit from the target price desire target cost per unit. Developing target prices and target price desires target cost per unit (Sunarni, 2013, p.149).

C) Variable Cost Pricing

Under variable cost pricing method, pricing of the product is determined by adding markup to the variables expenses, the conditions under which a price based on variable cost is appropriate are as follows:

- When idles capacity exists

- When operating under distress conditions
- When faced with sharp competition on particular orders under a competitive bidding system (Yeshmin and Fowzia, 2010, p.45).

2.1.3Perceived Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It is the objective of any organization because only through performance, are organizations able to grow and progress. According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes:

(a) financial performance(profits, return on assets, return on investment, etc.);

(b) product market performance (sales, market share, etc.); and

(c) shareholder return (total shareholder return, economic value added, etc.

Organizational performance refers to how well an organization is doing to reach its vision, mission, and goals. Assessing organizational performance is a vital aspect of strategic management. Executives must know how well their organizations are performing to figure out what strategic changes, if any, to make. Performance is a very complex concept, however, and a lot of attention needs to be paid to how it is assessed (Upadhaya, Munir, & Blount, 2014).

2.1.4 Role of Management Accounting (MA)

Management Accounting is the process of identifying, measuring, analyzing, interpreting and communicating information for searching the goals of the company. Managerial accounting is an integral part of the management process and managerial accountants are important strategic partners in the company’s management team. (Hilton, 2002:5-6)

Management accounting is concerned with providing both financial and non-financial information that will help decision-makers to make good decisions. An understanding of accounting therefore requires an understanding of the decision-making process and an awareness of the users of accounting. (Drury,2001)

The whole idea of managerial accounting is to assist strategic managers to perform management functions more effectively by providing relevant economic information.

Management is the process of planning, decision making and controlling. An organization is the common place, where different physical resources people and activities get managed by the system force. It is an integrative function directed towards achieving organizational goals it is the management, which plans, decides, implements, and has a control over different activities of the organization. (Bajracharya,Ojha,Goit and Sharma, 2004:4).

2.1.5 Studies on Life insurance

BeemaSamiti (2075) presents the general back ground of Nepalese insurance companies. Although, BeemaSamiti is only one organized institution that organizes all insurance companies in a form and directs them. Insurance in Nepal is still in the growth stage despite being 65 years old from when the first insurance company, Nepal Insurance and Transport Company, was established in Nepal in 1947. Before that some insurance companies from India were collecting a large amount of premium in Nepal. The development of insurance business is closely related to the beginning of industrialization in Nepal around 1940. Now 65 years after the first Nepali insurance company set up, there are 16 life insurance and 18 non-life insurance companies with more than 450 branches throughout the country (BeemaSamiti, 2075).

Murphy (2010) in her book '*Investing in Life: Insurance in Antebellum America'* explores the early development of life insurance in the United States. She argues that despite its significance in the financial sector and its role facilitating and shaping the development of the middle class, life insurance has received comparatively little scholarly attention over the last 30 years. Murphy draws on extensive work in the archives of several leading antebellum insurance companies, as well as on substantial collections of corporate publications and a wide range of antebellum news sources, as she presents a young and vibrant industry seeking to build a basis for long-term success. She states that insurance companies arose as a solution to a series of problems faced by those whose lives were being made uncertain by city growth and by industrialization, especially American middle class people. In mutual insurers' hands, she argues that insurance became an investment, not simply a tool for protection. Therefore, life insurance is one of the sectors that provide insurance activities regarding life.

Pons and Gonzalez (2016) discussed about the use of actuarial tools to maintain a lucrative business in backward markets at the expense of high premiums that, knowingly, were not based on actual mortality in life insurance companies. Moreover, they investigate one more way of maximizing the return on investments in markets with a limited demand. “Despite the fact that the British life insurance companies concentrated their activity in the domestic market, some of them achieved a significant presence abroad during the first era of globalization in the late nineteenth century” (p.260). They argue that the noteworthy among the factors, sustained profitability of their operations, which enabled this strategy of continuity, was the use of actuarial tools, over and above strictly technical criteria.

2.2 Review of Related Studies

Sunarni (2013) had conducted a research on the topic *“Management Accounting Practice and Role of Management Accountant: Evidence from Banking Companies through Yogyakartha, Indonesia”*. She stated that management accounting practices in banking companies were dominated by traditional management accounting practices. She also stated that, the most important management accounting practices was profit improvement for medium and budgeting for big scale companies but budgeting was most important management accounting tools for both two types of companies.

Ahmad and Leftsi (2014) conducted an exploratory study on *“The Level of Sophistication of Management Accounting Practice in Lybyan Banking Companies”.*According to their study , most of Lybyan banking were rely heavily on traditional management accounting techniques, the adaption rate of recently developed or advance tools were rather low, slow and similar to other developing countries. It also shows that sophistication level of management accounting were in first and second state.

Management accounting is the presentation of accounting information to formulate the policies to be adopted by the management and assist its day- day activities. It helps the management to perform all its functions including planning, organizing, staffing directing and control. It presents to management the accounting information in the form of processed data, which it collects, forms financial accounting. The process of identifying, measuring and communicating economic information to permit informed judgment and decisions by users of the information.

Duwadi (2014) had submitted a thesis on the topic *“A study on Managements Accounting Practices in Joint Venture Banks”*. For this study, Duwadi collected the data from six joint venture banks with the head office located in Kathmandu valley. Data required for the study was based on primary data. Information was collected through schedule questionnaire and discussion. The main objective of the study was

-To study and analysis the practices of managements accounting tools used in joint venture banks:

The major finding of the research work was:

Break even analysis and responsibility accounting were practiced about 83% and 33% dexterously whereas the tools like activity base costing , standard costing long term and zero based budgeting were unusual in joint venture banks. While preparing the budget there was no practice of taking consultancy service the committee and the chief of finance division prepared the budget, while evaluating loan proposal all the JVB focused of valuation of assets, purpose of loan, analysis of customer back ground with customer social status and the chances of loan recovery . JVBs mostly accepted the securities like land and building. Government bound, treasury bills, shares and debentures, gold and other valuable assets. Some remarkable recommendations of the research work were" techniques like high low point method average, method and analysis method should be used to segregate costs. Joint venture needs to use responsibility accounting for the cost control and performances Evaluation. Use of outside expert should be used by JVBs for the budget preparation, JVBs were not found practicing cash budget. Therefore, they should practice cash budget which gives all details about sources and uses of cash.

Baral (2014) conducted a research entitled "*Management Accounting Practice in Nepalese Insurance Companies"*. He also has focused to study and examine the contemporary practice of management accounting in Nepalese Insurance Companies. Baral's research is base on primary data in his study, 17 Nepalese Insurance companies are included. He has pointed out various findings and recommendation in his study. Of them, some remarkable findings are : New management accounting techniques like Zero based budgeting and Activity Based Costing are recommended to use instead of traditional techniques it is recommended that banks should create an atmosphere of interaction between the academician and the banks. The banks can be benefited from academicians knowledge about new tools and techniques of management accounting. Management Accounting Information System (MIAS) should be maintained properly for the better application of management accounting tools.

Shrestha (2015) had conducted a research on the topic *"Management Accounting Practices in the Public Financial Sector in Nepal".* The main objective of this study was the practice of management accounting tools in financial sectors in Nepal. His finding from the study was that almost all the Nepalese public financial sectors practices operational budget where as some prepared master budget and most of the practice cash and program budget.

Bhatta (2010) has submitted the thesis on the topic of *"Management Accounting Practices in Nepalese Manufacturing Companies"*. The necessary data and information has been collected through primary as well as secondary sources of data. Mr. Bhatta has Pointed out the following findings in his research work.

- While examine the tools practiced by Nepalese manufacturing companies it was found that capital budgeting, cash flow, ratio analysis and annual budgeting were mostly practiced as management accounting tools.
- Nepalese manufacturing sector is infant stage in practicing management accounting tools. No one company has separate management accounting department and nowhere in the companies can find management accounting expert.
- Some manufacturing companies still practiced traditional methods because of lack of knowledge, lack skilled labor, lack of infrastructure development and extra cost burden are the main reasons behind not practicing new management accounting tools.

Ghimire (2010) has submitted the thesis on the topic of *"Management Accounting Practices in Nepalese Listed Manufacturing Companies"*. The necessary data and information has been collected through primary resources of data collection. Mr. Ghimire has found the major findings in his research work.

- Regarding the practice of transfer price in the Nepalese Manufacturing Companies, it was found the 58% of manufacturing companies practice market based transfer pricing, 23% of the manufacturing companies practiced market based transfer pricing where as 5 % of the manufacturing companies practiced negotiated transfer price for their product.
- Regarding the decision-making and control process followed by Nepalese manufacturing firm, it was found that 69% of the Nepalese manufacturing

companies practiced control during the work period. 18% practiced control before work has to be started, where as 5% practiced controls after finishing the work.

- Regarding the cost and revenue estimation practice of Nepalese manufacturing firm, it was found that 78% of the manufacturing companies practice historical trend for cost and revenue estimation while 18% manufacturing firm practiced market survey. Whereas, no one companies practiced zero based budgeting and judgment analysis for their cost and revenue estimation purpose.
- Regarding the practice for the issue of inventors in Nepalese manufacturing companies, it was found that 68% manufacturing companies practiced FIFO method while, 18% practiced weighted average and only 5% practiced specified items by law for the issue of inventory.

Pandey (2011) has submitted the thesis on the topic of *"A Survey of Management Accounting Practices in the Nepalese Banking and Financial Companies".* The necessary data and information has been collected through primary sources of data collection. Mr. Pandey has pointed the following findings in his research work.

- Regarding the tools practiced in the Nepalese banking and financial companies for decision making, Planning and controlling it was found that annual budgeting, capital budgeting, cash flow, ratio analysis were the major management accounting tools practiced in those companies widely. Almost companies practiced these tools in carrying out operational activities, similarly, zero based budgeting, standard costing, activity based budgeting, responsibility accounting were almost unused tools in Nepalese banking and financial companies
- In case of long term investment decision making, Nepalese banking and financial companies mostly practiced payback period and net present value technique. Almost 84% of those companies practiced these tools while making capital budgeting decision.
- While examining the budget preparation system, almost 60% of the companies prepared the budget. In 32% of those companies, chief of finance division prepared the budget. Similarly, in 24% of the companies, separate planning department prepared the budget, whereas in 12% of those companies outside experts prepared the budget.

Regarding the role of management accounting tools, out of total Nepalese banking and financial companies, 64% of those companies accepted management accounting tools as a voluntary role and 36% among them were expressed their view as not applicable for their companies. None of the companies expressed their opinion for record keeping role of management.

Hilton & Plat (2011) stated that management accounting is the process of identifying, measuring, analyzing, interpreting and communicating information in pursuit of organization's goal. Management accounting is integral part of management process. The study also stated that management accountants are important strategies partners in an organization's domestic and international management teams. Usually, the larger the organization is, the greater is management's need for information. The term larger the organization is the greater in management's need for information. The term management accounting is consisting of two wards 'management' and 'accounting'

Gyawali (2012) was conducted research on *"Management Accounting Practices in Private Hospital in Nepal*". According to his research, there was still gap between the theory and practical accounting tools in the private hospitals. Moreover, he stated that the main problem of not applying management accounting tools was cost burden.

XiaosongZheng (2012) had conducted a research on the topic *"Management accounting Practices in China: Current Key Problems and Solutions".* He stated that a management accounting system has been developing in china in the last three decades. In recent years china is quickly stepping into a market oriented economy which requires many facts of its economy and society to be changed. Management accounting is one of the fields currently undergoing a rapid change. This paper introduces current management accounting practice in china. The focus is laid on management accounting practices in small and medium size enterprises. If further discusses a few key factors and problem affecting the adoption and application of a management accounting system in china. For each of key problem suggested solutions are presented and discussed. It is foreseen that the quality of management accounting practices will be significantly improved in the near future in line with china's privatization and the open market process.

Emiaso*etal.* (2018) carried out a study to examine the relationship between organizational performance of the Nigerian's manufacturing companies and the application of strategic management accounting techniques. The study adopted the survey research design. The population of thestudy consists of all manufacturing companies in Delta State, Nigeria. The study used simplerandom sampling. 15 manufacturing companies were randomly selected for the study. Data for the study were obtained through the administration of a self-designed questionnaire tomanagers or accountants of the sampled firms. Regression and t-test were used to test thehypotheses postulated for the study. The study showed that application of strategicmanagement accounting tools have a positive relationship with organizational performanceof companies survey. The study also found a significant difference in effectiveness of decisionmaking between application of strategic management accounting tools and traditionalmanagement accounting techniques and concludes that implementation of strategicmanagement accounting practice is necessary to enhance organizational performance of thefirm.

Naco*et.al* (2010) published a paper. The main aim of the paper is to provide relevant findings on the status of management accounting in Albanian Accounting Practices, based on the direct survey with selected companies and individuals (experts on the field). In our analysis we have used as a benchmark the IFAC statement on Management Accounting Concepts and its description of the evolution of management accounting. To achieve our objectives we prepared and provided to a large group of professional accountants (that mainly are dealing with bookkeeping and financial statement preparations) a structured questionnaire, containing several questions on the status of the practices applied in Albania on management accounting. This survey was carried out during the first half of 2009. Findings of this paper are based on the answers given by 300 respondents. These answers point out that management accounting practices in Albania tend not to be complex and sophisticated. Budgeting, product profitability and financial performance measurement remain the central pillars, while other, most contemporary management accounting techniques are sporadically used. There is also little evidence of management accounting concerned directly with value creation.

Intakhan (2018) conducted a research. The objectives of this research were to study managerial accounting practices of SMEs ceramics, to examine the influence of top management support and accountant competency on successful managerial accounting practices, and to tested the influence of successful managerial accounting practices on decision making effectiveness. The data were collected from 107 accounting managers of SMEs ceramics. The data analysis is conducted with descriptive statistics to find percentage, mean, standard deviation, and inferential statistics analysis with structural equation model. The results showed that SMEs ceramics adaptation 3 highest managerial accounting practices for instance; cost volume profit analysis, cost behavior analysis, cash budget, budget for planning and operation control. The outcome of casual relationship analysis revealed that successful managerial accounting practices had the most direct effect toward decision making effectiveness and followed by top management support had direct effect toward accounting competency.

Ahmad and Mohamed (2015) published a paper. The purpose of this paper is to investigate factors that affect the use of management accounting practices (MAPs) in Malaysian medium-sized firms in manufacturing sector. A quantitative research design involving the use of postal questionnaire was carried out to investigate the influences of key contingent factors on MAPs. The survey was conducted to 500 Malaysian medium-sized firms in manufacturing sector which elicited 110 useable responses. The results indicates that size of the firm, intensity of market competition, commitment of owner/manager of firm and advanced manufacturing technology have significant influences on the use of certain MAPs. Thus the research provides support for a contingency-based explanation for the use of MAPs and identifies new variable such as commitment of owner/manager as one of a key factor that affect the extent of use of MAPs in smaller firms.

Ahmad (2017) conducted a study. This study aims to explore the implementation of MAPs in SMEs and the relationship between MAPs and performance. A questionnaire survey was conducted among Malaysian SMEs in the manufacturing sector. The study demonstrates that the level of uptake of MAPs differs from traditional to more sophisticated approach. Costing system and performance measurement system (PMS) appear to be the common MAPs employed by the responding enterprises. Meanwhile, the sophisticated MAPs are frequently utilized by larger enterprises which is in line with the theoretical arguments of the effect of size in the adoption of MAPs. The findings also reveal that certain MAPs are found to have significant relationships with performance and these findings have reinforced the importance of MAPs in today’s organization.

2.3 Conceptual Framework of the Study

Being based on above literature reviews, the researcher has made an operational framework for this study, as below:

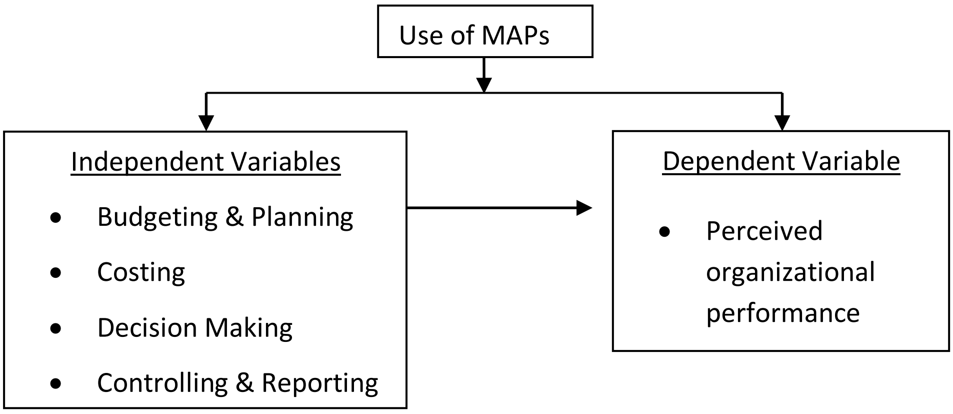

Fig. 2.1 Operational Framework for the Study

2.4Research Gap

There is a gap between the present research and previous researches. Previous researches conducted on profit planning and control and cost volume analysis covered only the budgeting practices and measuring managerial efficiency. Thus to ill of those gaps the current research has been conducted on Life Insurance Companies of Nepal.

There is a gap between the present research and previous researches conducted on use of management accounting practices in Nepalese Life Insurance Companies. They were either a case study of a particular company or a comparative study of two different companies. The findings of the previous researches were mostly based on the secondary data. The previous researches did not disclose which of the accounting tools are mostly practiced, which are not and why? The previous researcher had not made the theoretical framework of management accounting system with organizational performance. They also did not show the relationship between management accounting systems with organizational performance. Thus, to fill up these gaps the current research is conducted. This research is a survey type of research. It is completely based on the primary sources of data and secondary data too. It examines the current practice of management accounting tools. In the listed companies of Nepal, it has suggested applying new tools. Market survey in managerial activities of planning, controlling and decision making probably the new research study made in present study. Thus, present study will fruitful to those interested person, parties, scholars, professor, students, businessmen and government for academically as well as policy perspective.

CHAPTER-III

METHODOLOGY

This portion consists of overall procedure of the study carried out for achieving the objectives. This is based on the research design which has mainly categorized as plan, structure and strategy. This title articulate about the population, sample, data, data source, statistical methods and model used in data analysis procedure.

3.1 Research Design

This study adopted a descriptive study design. This study sought to collect data from the Life Insurance Companies of Nepal at one point in time and determine the impacts of management accounting practices on organizational performance.

3.2 Population

Target population is the specific population about which information is desired. Till now there are 16 Life insurance companies in Nepal. These are the population of this study(BeemaSamiti, 2075).

3.3 Sample size

Five Life insurance companieswere selected as a sample.

3.4 Sampling method

Convenience sampling method was adopted to select the five Life insurance Companies.

Rationalities of selection of sample:

Selected companies are in existence and head office located in Kathmandu so it made our study feasible.

- Six branches of SLIC, Five branches of LIC, Seven branches of ALIC, Three branches of ASLIC and Six branches of PLIC are located in Kathmandu Valley.
- ALIC and LIC are established in 2002 AD and SLIC, PLIC and ASLIC are established in 2007 AD.
- Total Capital of SLIC is Rs.3,465,223,807, PLIC is Rs.6,307,511,681, ASLIC is Rs.11,032,704,476.76, ALIC is Rs.14,256,402,655 and LIC is

Rs.35,577,831,197in Fiscal year 2017/18. Similarly net profits of these companies are Rs.136,252,540, Rs.235,389,813 ,Rs.50,644,397.94 , Rs.460,410,265 , Rs.116,747,927respectively.

3.5 Nature and Sources of Data

To fulfill the objective of this studyprimary data has been used. The study is mainly based on primary sources of data information has collected through questionnaire and data also hastaken from published documents from the BeemaSamiti office and offices of the related Insurance Companies. They have classified and tabulated in the required form.

3.6 Data Collection Procedure

Data collected information from questionnaireswas in raw form.15 questions were asked to every five selected life insurance companies to collect the data information. The data are tabulated into various tables according to the subject's requirement. 5-Likert scale was used for questions related to organizational performance ranging from Disagree to Strongly Agree coded by following ways (All questions were in Positive form.)

1- Strongly Disagree 2- Disagree 3- Neutral 4- Agree 5- Strongly Agree

3.7 Research Variables

Management accounting tools such as cost volume profit analysis, budgeting standard costing, ratio analysis, capital budgeting, activity based budgeting, zero based budgeting and pricing techniques were the major research variable.

3.8 Data Analysis Procedure

After collecting data, it is necessary to analysis the collected data by using appropriate statistical tools. There are two methods of data analysis in this study are both descriptive and inferential statistics. Data were analyzed using the MS-Excel and Statistical Package of Social Sciences (SPSS) version 20.

3.8.1 Descriptive Analysis

In this study, the usual statistical tools like mean, standard deviation, frequency, percentage etc. are used.

3.8.2 Inferential Statistics

Correlation

Correlation is the relationship between two or more than two variables. It is measured by the help of correlation coefficient. The value of correlation coefficient lies in the ranges between -1 to +1. Karl Pearson correlation coefficient (r) specially used when data are quantitatively measured.

A positive correlation reveals that the direction of the relationship is positive with one increase in reaction to the other's increase. Meanwhile, a negative correlation reveals an inverse of the above an increase in one when the other decreases.

Multiple Linear Regression

A multiple linear regression model is characterized by a single dependent variable and two or more independent variable. It can be linear or non linear. The model for multiple linear regression is

$Y=\beta_0+\beta_1X_1+\beta_2X_2+\ldots\ldots\ldots\ldots\ldots\ldots+\beta_kX_k+\epsilon$

Where,

Y dependent variable

βi"s unknown parameters

Xi"s independent variable

ϵerror term

Assumptions

The Multiple Linear Regression model is based on the following assumptions:

- The Regression Model is linear in parameters.
- Errors are independently distributed with zero mean and constant variance.
- Absence of multicollinearity between independent variables.
- Zero covariance between independent variables and errors.
- The model is correctly specified.

The significant variables from individual testing were selected for multiple linear regression. The presence of multicollinearity among the independent variables was checked by using variance inflation factors (VIF's).

How well a model fits was checked using coefficient of determination and F-test through ANOVA. The test of normality of the residuals was made with the help of plot for normality.

Reliability of Questionnaires

The above table shows that the reliability coefficient cronbach's alpha for representative questionnaire on use of Management Accounting Practices was 0.839(highly reliable). This can be shown by the following table.

Table 2.1 Reliability Statistics for representative questionnaires

S.N.	**Variables**	**Cronbach's alpha**	**N of Items**
1	Use of MAP's	0.839	25

CHAPTER-IV

DISCUSSION

This chapter describes the analysis results generated from the process of data collection. It deals with the analysis and interpretation of the primary data collected through questionnaire from 60respondents of 5 life insurance companies. Data were analyzed with reference to the objectives of this research as mentioned in the earlier chapter. The primary purpose of this chapter is to analyze and interpret the collected data and present the results of the questionnaire survey. The main objective of this research study will be fulfilled with the outcomes derived from the analysis of the data.

4.1 Descriptive Analysis

4.1.1 Practice of Management Accounting Tools in Selected Nepalese Life Insurance Companies

Table 4.1 Practitioner of Management Accounting Tools in Nepalese Life Insurance Companies

S.N.	Tools	Number of respondents	Number of Practitioner	Percentage
1	Cost segregation into fixed and variable	60	36	60
2	Break Even Analysis	60	36	60
3	Standard Costing	60	24	40
4	Long term budgeting	60	36	60
5	Short term budgeting	60	60	100
6	Responsibility accounting	60	48	80
7	Capital budgeting	60	48	80
8	Ratio analysis	60	60	100
9	Cash flow	60	60	100
10	Activity based costing	60	36	60

Sources: Field Survey, 2018

Table 4.1 shows that sent percent (100%) of the selected Nepalese Life Insurance Companies are practicing short term budgeting, cash flow statement and ratio analysis. Cost segregation in fixed and variable, break even analysis and long term budgeting and activity based costing accounting tools are practiced equally i.e. (60%). Responsibility accounting and capital budgeting are also equally practiced i.e. (80%). Standard costing is practiced by only (40%) of the selected Nepalese Life Insurance Companies. Standard costing is least practiced in selected Nepalese Life Insurance Companies in compare to others management accounting tools. Whereas short term budgeting, cash flow and ratio analysis accounting tools are sent percent (100%) of the selected Nepalese Life Insurance Companies are practiced.

4.1.2 Practice of Capital Budgeting

Table 4.2 Practice of Capital Budgeting for Making Long Term Investment Decision

S.N.	Tools	Number of respondent	Number of practitioner	Percentage
1	Payback Period(PBP)	60	6	10
2	Average Rate Of Return(ARR)	60	42	70
3	Net Present Value(NPV)	60	12	20
4	Internal Rate Of Return(IRR)	60	12	20

Sources: Field Survey, 2018

Table 4.2 shows that (70%) of the selected Nepalese Life Insurance Companies are practicing (ARR) tools of capital budgeting for long term investment decisions. Whereas Net Present Value (NPV) and Internal Rate of Return(IRR) are equally practiced by 20% in selected companies. Only 10% of the selected Nepalese Life Insurance Companies use Payback period (PBP) accounting tool to take the long term decision. From the above table it is cleared that (ARR) is the most practiced tools by the selected Nepalese Life Insurance Companies in comparison to (NPV),(IRR) and (PBP) for long term capital budgeting or investment decisions.

Table 4.3 Budget Practiced by Nepalese Life Insurance Companies

S.N.	Tools	Number of respondent	Number of practitioner	Percentage
1	Cash budget	60	6	10
2	Operational budget	60	24	40
3	Overall master budget	60	48	80
4	Other's	60	-	-

Sources: Field Survey, 2018

From Table 4.3 it is found that (80%) of the selected Nepalese Life Insurance Companies are practicing overall master budget. (40%) are practicing operational budget. 10% of the selected Nepalese Life Insurance Companies are practiced cash budget for overall future planning revenue planning, cost planning, and profit planning. So it can be said that overall master budget is mostly practicing tools by the selected Nepalese Life Insurance companies for overall future planning revenue planning, cost planning, and profit planning.

4.1.3 Tools practiced by Nepalese Life Insurance Companies

Table 4.4 Tools Practiced by Nepalese Life Insurance Companies for Measuring and Controlling the Overall Performance

S.N.	Tools	Number of respondent	Number of Practitioner	Percentage
1	Profit/loss made by the company	60	48	80
2	Budgetary control	60	12	20
3	Standard Costing	60	-	-
4	Break point	60	-	-

Sources: Field Survey, 2018

Table 4.4 shows that the tools practiced by the selected Nepalese Life Insurance Companies for measuring and controlling overall performance profit and loss made by the companies (80%), budgetary control (20%). It is conclude that the selected Nepalese Life Insurance Companies have taken their decisions and evaluate their organizational performance based on profit and loss account.

Table 4.5 Practice of pricing decision in Nepalese Life Insurance Companies

S.N.	Tools/techniques	Number of respondent	Number of Practitioner	Percentage
1	Cost plus pricing	60	48	80
2	Target return pricing	60	12	20
3	Going rate pricing	60	48	80
4	Break even pricing	60	-	-

Sources: Field Survey, 2018

Table 4.5 shows that the technique practiced by the selected Nepalese Insurance Companies for pricing of the product and services. From the above table it is cleared that cost plus pricing and going rate pricing are equally practicing by selected companies i.e. (80%). Only 20% of the selected companies are practiced target return pricing technique for pricing decisions. So that from the above table it is concluded that cost plus pricing and going rate pricing are widely used by Nepalese Life Insurance Companies.

4.1.4Practice of Joint Cost Allocation

Table 4.6 Practice of Joint CostAllocation in Nepalese Life Insurance Companies

S.N.	Tools	Number of respondent	Number of Practitioner	Percentage
1	Unit or product methods	60	-	-
2	Sales value method(monetary value)	60	12	20
3	Other’s	60	36	60

Sources: Field Survey, 2018

Table 4.6 shows that (60%) of the selected Nepalese Life Insurance Companies have their own methods for allocation of joint cost, such as ratio method department wise method etc. only (20%) are practicing sales volume methods for allocation of joint cost. No one is practicing unit or production method. It is conclude that the selected Nepalese Life Insurance Companies are mostly using their own methods rather than management accounting tools of joint cost allocation.

Table 4.7 Transfer pricing practiced by Nepalese Life Insurance Companies

S.N.	Techniques	Number of respondent	Number of Practitioner	Percentage
1	Market based price	60	12	20
2	Cost based price	60	12	20
3	Negotiated	60	-	-
4	Other's	60	24	40

Sources: Field Survey, 2018

Table 4.7 shows that (20%) of the selected Nepalese Life Insurance Companies are equally practiced market-price based and cost based and (40%) are practicing their own methods of pricing as far management accounting pricing techniques. 10% are not practicing the above Negotiated pricing technique. The study concluded that own methods of pricing is mostly practiced by selected Nepalese Life Insurance Companies

4.1.5Practice of Decision-Making and Control Process

Table 4.8 Practice of Decision-Making & Control Process in Nepalese Life Insurance Companies

S.N.	Methods	Number of respondent	Number of Practitioner	Percentage
1	Control before work has to be started	60	48	80
2	Control during the work period	60	-	-
3	Control after finished the work	60	12	20

Sources: Field Survey, 2018

From the table 4.8 the selected Nepalese Life Insurance Companies are mostly practicing control before work has to be started technique for decision-making. (20%) of the selected companies are practiced control after finished the work. The study is concluded that control before work has to be stared is mostly practiced techniques for decision-making and control process such as cost, quality risk and uncertainty tec. In selected Nepalese Life Insurance Companies.

Table 4.9 Cost & Revenue Estimation Practiced by Nepalese Life Insurance Companies

S.N.	Methods	Number of respondent	Number of Practitioner	Percentage
1	Historical base	60	24	40
2	Zero base budgeting	60	-	-
3	Market Survey	60	12	40
4	Judgmental analysis	60	-	-

Sources: Field Survey, 2018

Table 4.9 shows that cost and revenue estimation practiced by the selected Nepalese Life Insurance Companies. (40%) of the selected Nepalese Life Insurance Companies are practicing historical base and market survey equally. No companies are practiced zero based budgeting and judgmental analysis for their cost and revenue estimation purpose. Moreover, (20%) are not using above-mentioned method for their cost and revenue estimation purpose. It is concluded that the selected Nepalese Life Insurance Companies are mostly practicing traditional methods of management accounting as far as new approaches of management accounting tools or techniques.

4.1.6Problem faced by the Nepalese Life Insurance Companies in Implementation of Management Accounting Tools

Table 4.10 Problems in Implementation of Management Accounting Tools

S.N.	Problems	Number of respondent	Number of Practitioner	Percentage
1	Manpower problem	60	24	40
2	Financial problem	60	24	40
3	Technical problem	60	-	-
4	Lack of proper policy	60	12	20

Sources: Field Survey, 2018

From the table 4.10, the present problems faced in implementation of management accounting system in selected Nepalese Insurance Companies are man power problem (40%), financial problem(40%), lack of proper policy(20%) . according to this survey report no technical problems are faced by any company. It is concluded that lack man power problem and financial problem is the major problems in selected Nepalese Life Insurance Companies for implementing of management accounting systems.

4.1.7 Problems Faced By Nepalese Life Insurance Companies in Decision-Making

Table 4.11 Problems faced by Nepalese Life Insurance Companies in Decision Making

S.N.	Problems	Number of respondent	Number of Practitioner	Percentage
1	Lack of Knowledge	60	24	40
2	Undefined Objectives	60	12	20
3	Infrastructure	60	-	-
4	Skilled Manpower	60	12	20

Sources: Field Survey, 2018

Table 4.11 shows that regarding the present problems faced by selected Nepalese Life Insurance Companies in decision-making process majority of them (40%) are facing the problem of lack of knowledge and (20%) are equally facing the problem of undefined objective and skilled manpower. There is no problem of infrastructure to any selected companies. The study concluded that lack of knowledge is the major problem faced by selected Nepalese Life Insurance Companies in decision-making process.

Table 4.12 Area where Management Accounting Tools is Effective in Practice to Make Strength of the Companies

S.N.	Areas	Number of respondent	Number of Practitioner	Percentage
1	Production area	60	12	20
2	Financial area	60	12	20
3	Marketing area	60	36	60

Sources: Field Survey, 2018

Table 4.12 shoes the area where management accounting tools is effective in practice to make strength of the companies. The response in marketing area (60%), production are and financial area (20%) equally respectively. The study concluded that marketing area is the major area where management accounting tools is effective in selected Nepalese Life Insurance Companies.

Table 4.13 Practicing for issuing of Inventory by Nepalese Life Insurance Companies

S.N.	Methods	Number of respondent	Number of Practitioner	Percentage
1	Last in first out(LIFO)	60	12	20
2	First in first out(FIFO)	60	12	20
3	Weighted average	60	-	-
4	Specific field	60	-	-

Sources: Field Survey, 2018

From the table 4.13 it is cleared that majority of selected Nepalese Life Insurance Companies (80%) are not practicing any of above methods for issuing of inventory. Only (20%) of companies are Practicing LIFO and FIFO methods equally. It is concluded that there are not issuing and purchasing of inventory in Life Insurance Companies.

4.1.8Difficulties for Applying of Management Accounting Tools in Nepalese Life Insurance Companies

Table 4.14 Difficulties for Applying Management Accounting Tools in Nepalese Life Insurance Companies

S.N.	Difficulties	Number of Respondent	Number of Practitioner	Percentage
1	Manpower Problem	60	54	90
2	Financial Problem	-	-	-
3	Infrastructure	-	-	-
4	Undefined objective	60	6	10

Sources: Field Survey, 2018

As regarded to difficulties for applying of management accounting system in selected Nepalese Life Insurance Companies (100%) of the companies are facing manpower problem & (10%) are facing undefined objectives. So manpower problem is the great issues for management accounting system in selected Nepalese Life Insurance Companies.

4.1.9 Statement and Response of the Respondents towards Management Accounting Practices on Organizational Performance

The level of organizational performance caused by budgeting and planning has been analyzed based on five questionnaires which are as follows:

(A) Budgeting and Planning

Table 4.15 Budgeting and Planning

Q.N.	Queries	Mean	S.D.
1	Proper budgeting and planning helps to maximize the profit and minimize the risk and uncertainty	3.53	1.167
2	Efficiency in workplace can be made by proper budgeting and planning	3.33	1.061
3	Proper budgeting and planning helps to maintain corporate governance	3.47	0.860
4	Budgeting and planning helps to maintain corporate governance	3.60	1.248
5	Budgeting and planning helps to use optimal resources and control the economic activities	3.43	1.194
	Average	**3.47**	**0.557**

Sources:Field Survey, 2018

The above table shows that mean value of budgeting and planning ranges from 3.33 to 3.60. Average mean for budgeting and planning is 3.47 with standard deviation 0.557.

(B) Costing

Table 4.16 Costing

Q.N.	Queries	Mean	S.D.
1	Classification of cost helps to identify fixed cost, variable cost and semi-variable cost	3.40	1.133
2	Effective costing control over wastage and loss of material during	3.30	0.952
3	Costing helps to ascertain the profitability of different product, jobs or work orders	3.30	1.236
4	Costing helps to predict total cost and sales revenue at any activity	3.53	0.776
5	Costing provide reliable information and statistical data for framing the future plan and policies.	3.80	0.997
	Overall	**3.46**	**0.485**

Source: Field Survey, 2018

The above table shows that the mean value of costing ranges from 3.30 to 3.80. Average mean for costing is 3.46 with standard deviation 0.485.

(C) Controlling and Reporting

Table 4.17 Controlling and Reporting

Q.N.	Queries	Mean	S.D.
1	Controlling and reporting helps to maximize the profit and minimized the extra burden cost.	3.73	1.081
2	Controlling and reporting system adjusts to changes in the environment.	3.43	1.135
3	Controlling ensure that proper utilization of budget and planning.	3.50	0.861
4	Controlling of cost helps to grow business activities.	2.97	1.402
5	Monitoring of activities and feedback are provided by controlling and reporting.	3.53	1.332
	Overall	**3.43**	**0.674**

Sources: Field Survey, 2018

The above table shows that the mean value for controlling and reporting ranges from 2.97 to 3.73. Average mean for controlling and reporting is 3.43 with standard deviation 0.674.

(D) Decision making

Table 4.18 Decision-Making

Q.N.	Queries	Mean	S.D.
1	Cost can be minimized and profit can be maximized through effective decision making	3.73	0.944
2	Decision making helps to optimal use of available resources and enhance future activities resources and enhances future activities	3.70	1.022
3	Effectiveness and efficiency of the organization depends upon good decision making	3.37	1.098
4	Decision making helps to develop of optimal products mix.	2.93	1.202
5	Decision making helps to motivate the different stakeholders.	3.13	1.306
	Overall	**3.37**	**0.618**

Sources: Field Survey, 2018

The above table shows that the mean value for decision making ranges from 2.93 to 3.73. Average mean for decision making is 3.38 with standard deviation 0.618.

(E) Organizational Performance

Table 4.19 Organizational Performance

Q.N.	Queries	Mean	S.D.
1	Management accounting system has helped to increase the productivity	3.00	1.114
2	Management accounting system has helped to increase profitability	3.20	0.761
3	Management accounting system helped increase ROA/ROE and EPS	3.00	1.287
4	Management accounting system helps to motivate and monitor people in organization.	3.00	0.910
5	Management accounting system helps to take competitive advantage over competitor	3.80	0.407
	Overall	**3.20**	**0.716**

Sources: Field Survey, 2018

The above table shows that the mean value for organizational performance ranges from 3.00 to 3.80. Average mean for organizational performance is 3.20 with standard deviation 0.716.

4.2 Inferential Analysis

4.2.1 Correlation

Table 4.20 Correlations

		Organizational Performance
Budgeting and Planning	Pearson Correlation	0.260*
	Sig. (2-tailed)	0.045
	N	30
Costing	Pearson Correlation	-0.389*
	Sig. (2-tailed)	0.034
	N	30
Controlling and Reporting	Pearson Correlation	0.483**
	Sig. (2-tailed)	0.007
	N	30
Decision Making	Pearson Correlation	0.891**
	Sig. (2-tailed)	0.000
	N	30

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The above table shows that there is positive correlation between budgeting & planning and organizational performance at 5% level of significance($r=0.260$, $p<0.05$).

The correlation coefficient between costing and organizational performance is found to be -0.389 that means costing and organizational performance are negatively correlated at 5% level of significance ($p<0.05$).

Controlling and reporting and organizational performance are positively correlated at 1% level of significance because correlation coefficient between them is 0.483 ($p<0.01$).

The correlation coefficient between decision making and organizational performance is 0.891 which implies there is positive correlation between decision making and organizational performance at 1% level of significance($p<0.01$).

4.2.2 Regression Analysis

Here multiple regression analysis was employed as a means of testing if uses of management accounting practices have an impact on organizational performance. Using the enter method of regression budgeting & planning, costing, controlling reporting and decision making were entered into the regression model as the independent variables and regressed against the dependent variable (Organizational performance).

Test of presence of Multicollinearity

The presence of collinearity among the independent variables has been checked using variance inflation factors (VIF's) which is shown below.

Table 4.21 Test of presence of Multicollinearity

	Collinearity Statistics	
	Tolerance	VIF
Budgeting and Planning	0.843	1.186
Costing	0.819	1.221
Controlling and Reporting	0.971	1.030
Decision making	0.949	1.054

From above table it can be seen that all the VIF's values are less than 10 which indicates that there is no any sign of multicollinearity.

Coefficient of Determination

Table 4.22 Coefficient of determination(R Square)

R	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
0.687	0.672	0.587	0.5607

Predictors: (Constant), Budgeting and Planning, Costing, Controlling and Reporting, Decision Making

The value of the adjusted R square is seen to be 0.587 which means that about 59% of variation in organizational performance can be explained by the explanatory variables used in the model.

Overall Test of Significance

Table 4.23 Overall test of significance

	Sum of Squares	d.f.	Mean Square	F	p-value
Regression	7.018	4	1.754	5.579	0.002
Residual	7.862	25	0.314		
Total	14.880	29			

The above table shows that the p-value is 0.002 which is less than 0.05 level of significance. Thus there is a significant relationship between the explanatory variables in the fitted regression model. It means that the fitted model is good.

Fitted model for organizational Performance

The following table contains the result of fitted model for organizational performance taking independent variables.

Table 4.24 Fitted Model for organizational performance

	Unstandardized Coefficients		**t**	**p-value**	**95.0% Confidence Interval for B**	
	B	**Std. Error**			**Lower Bound**	**Upper Bound**
(Constant)	0.271	1.027	0.264	0.794	-2.387	1.845
Budgeting & Planning	0.280	0.204	1.378	0.018*	-0.139	0.700
Costing	-0.093	0.237	-0.392	0.698	-0.581	0.395
Controlling & Reporting	0.115	0.157	0.731	0.471	-0.208	0.437
Decision Making	0.719	0.173	4.162	0.000*	0.363	1.075

Based on the coefficients, the regression equation for the organizational performance can be written as

$\hat{Y} = 0.271+0.280X_1-0.093X_2+ 0.115X_3+0.719X_4$

Regression coefficients of budgeting& planning, costing, controlling& reporting and decision making are 0.280, -0.093, 0.115 and 0.719 respectively in organizational performance.

It indicates that if 1 unit increase in budgeting and planning the organizational performance is increased by 28 units keeping other variable constant. The association between budgeting and planning and organizational performance is also statistically significant at 5% level of significance ($p<0.05$).

If 1 unit increase in costing the organizational performance decreased by 9.3 units keeping other variable constant. Also organizational performance is increased by 11.5 units if 1 unit increased in controlling and reporting.

Similarly if 1 unit increase in decision making the organizational performance is increased by 71.9 units keeping other variable constant. The association between decision making and organizational performance is also statistically significant at 5% level of significance ($p<0.05$).

Test of Normality of Residuals

The following figures show how the residuals have deviated from the normal line.

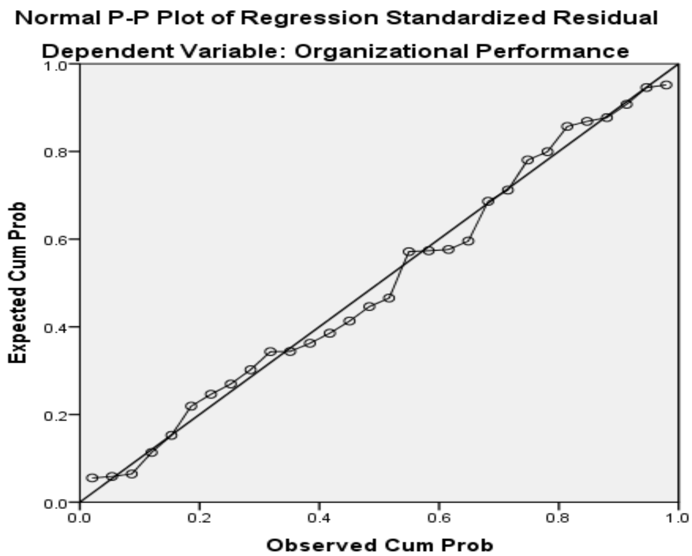

Figure 4.1: Test of Normality of Residuals

The above figure shows that there is no huge deviation of residuals from the normal line. It indicates that the residuals are approximately normally distributed.

4.3 Major Findings of the Study

The major findings of the study are as follows:

1. Regarding the practice of management accounting tools Cash Flow & short term budgeting are mostly practiced tools in selected Nepalese Life Insurance Companies. Whereas break-even analysis, standard costing & Activity Based Costing are less practiced tools.
2. Regarding the practice of capital budgeting tools in the selected Nepalese Life Insurance Companies, from the study it was found that ARR is the mostly practice tools i.e. (70%). While PBP, NPV and IRR are the less practiced tools for long term investment decision.
3. As regard to the type of budget they use (80%) of the selected Nepalese Life Insurance Companies are practicing Overall master budget, (40%) are practicing operational budget for operating activities, and only (10%) are practicing cash budget.
4. Regarding the tools practiced by the selected Nepalese Life Insurance Companies for measuring and controlling overall performance profit and loss made by the companies (80%), budgetary control (20%).
5. Regarding the techniques practiced by the selected Nepalese Insurance Companies for pricing of the product and services. cost plus pricing and going rate pricing are equally practicing by selected companies i.e. (80%). Only 20% of the selected companies are practiced target return pricing technique for pricing decisions.
6. Regarding the joint cost allocation tools the selected Nepalese Life Insurance Companies are practicing other's methods it means their own methods for allocation of joint cost. Other's methods like ratio method and department wise method. Selected Nepalese Life Insurance Companies are practicing (40%) other methods, (30%) sales value method and no one is practicing unit or production

method. While (30%) of total selected Nepalese Life Insurance Companies not allocation their joint cost.

7. As regarded to the practicing of transfer price the selected Life Insurance Companies are practicing only (20%) cost based price, another (40%) their own practice. Market based price and Negotiable price are less practiced price by the selected Nepalese Life Insurance Companies i.e. (10%) whereas (20%) are not practicing any kinds of pricing techniques.
8. Relating to the decision making and control process followed by selected Nepalese Life Insurance Companies (40%) of selected Nepalese Life Insurance Companies practicing control before work has to be started, (20%) are practicing control during the work period and (10%) are practicing control after finished the work.
9. Regarding the cost & revenue estimation practice (50%) of the selected Nepalese Life Insurance Companies are practicing historical base and (40%) are practicing maker survey. No one companies have practiced zero budgeting and judgmental analysis for their cost and revenue estimation. (20%) are not practicing any methods for cost and revenue estimation purpose.
10. Regarding the present problems faced in implementation accounting system in selected Nepalese Life Insurance Companies are manpower problem and lack of proper policy are the major problems. Whereas technically and financially they are good in implementation of management accounting systems.
11. Regarding the present problem faced by the selected Nepalese Life Insurance Companies in decision making process, (90%) of the total are facing skilled workers, lack of knowledge and undefined objectives. Whereas only (10%) are not facing the above problems including infrastructure problem.
12. Regarding the area where management accounting tools is effective in practice to make strength of the companies, (50%) of the selected Nepalese Insurance Companies chooses marketing area where as (40%) chooses financial area but only (10%) chooses production area.
13. Regarding the practice of issuing the inventory in selected Nepalese Life Insurance Companies majority i.e. (60%) of the total selected Nepalese Life Insurance Companies are not practicing any kinds of inventory issuing methods. Whereas only (40%) are practicing LIFO and FIFO methods rather than weighted average and specific items methods.

14. As regarded to difficulties for applying of management accounting systems in selected Nepalese Life Insurance Companies majority (90%) are facing manpower problem and (10%) are facing undefined objectives. Hence manpower problem is the great issues for applying of management accounting systems in selected Nepalese Life Insurance Companies.
15. Out of four variables all variables are significantly correlated to organizational performance. Three variables are positively correlated and one decision making is negatively correlated with the dependent variable organizational performance.It shows that most variable collectively impact on organizational performance.
16. Multiple regression analysis is conducted to find out relationship between dependent and independent variables. Regression analysis shows that multicollinearity does not exist. Fitted model is significant at 5% level of significance and it explains 58.7% variation in organizational performance by explanatory variables. Variable Budgeting and planning and costing are found to be significant. Also it is found that residuals are normally distributed.
17. This research study is consistent with the previous researchers study.

CHAPTER- V

CONCLUSIONS

5.1 Summary

Management accounting is concerned with the provision and interpretation of information which an assists management in planning, controlling, decision-making and appraising performance. Management effectively achieves organizational objectives through the efficient use of scarce resources. Environment is changing and future is uncertain. Uncertainly exists in all business situation and the information supplied by the management accountant must reflect the uncertainties and variability of the situation. Good management is effective weapon to reduce risk.

Corporate firm that carryout the economic activities. Economic activities are the backbone of the economy. They impact the whole economy. Every organization has limited resources. To utilize the limited resources in a better way, different tools and techniques have been developed. Among the various tools and techniques management accounting tools have proved beneficial in different aspects of managerial activities. The main objectives of management accounting are to help planning, controlling and decision-making. This acts as a strategic business partner in support of management role in decision-making.

Management accounting primarily concerned with data gathering (from internal and external sources) analyzing, processing , interpreting and communicating the resulting information for use within the organization so that management can plan more effectively make quick decisions and control the operations efficiently. Accounting data and information are used to represent the underlying economic activities of the organization, which include buying to represent the underlying economic activities of the organization, which include buying materials, selling products, insurance and financing the organization. Accordingly, it is essential that the record of past performance and the information derive from the record which is used to guide future planning and decision-making represent the underlying economic realities in a clear and unambiguous manner, unfettered by accounting conventions.

The main objectives of the present study are to examine the present practice of management accounting tools in the Nepalese life Insurance Companies. As per the nature of the study, survey type of research design is followed which is descriptive and analytical in nature. Surveys of different companies are made. Questionnaires were distributed and tables were made to gather information. Information is tabulated as per the requirement of the study.

Budgeting and planning, costing, controlling and reporting and decision-making are the integral parts of the management accounting systems. The selected Nepalese Life Insurance Companies have too much practicing budgeting and planning, controlling & reporting, and decision-making rather than costing. Costing is very less in practice. Thus, contribution of costing is negative on perceived organizational performance. Whereas the contribution of budgeting and planning, controlling & reporting and decision-making is positive. It means budgeting and planning, controlling and reporting and decision-making helps to increase the performance of the selected Nepalese Life Insurance Companies.

The detail data presentation, analysis and interpretation are present in the chapter data presentation and analysis. Here all the data are documented properly and descriptive statistics tools are used in order to draw major conclusion. Appendix is also given after fifth chapter to support detailed calculation.

5.2 Conclusions

Management accounting has shift its emphasis from mere recording of transaction to their analytical and interpretative aspects as well as a change of perspective with rigorous to the objective of accounting, which now helps the management secure better results.

Nepalese Life Insurance Companies are in infant stage in practicing the management accounting tools. No one of the companies has a management accounting expert. They think management account is similar to financial accounting. The different types of management accounting tools, which we have learnt, are not being practiced by the selected Nepalese Life Insurance Companies. It shows the gap between theory and practice. Tools like capital budgeting, cash budget, ratio analysis, and cash flow are in practice but application of new tools of management accounting is not in practice. New tools and techniques such as zero based budgeting, break-even analysis, standard costing, activity based costing, target costing, and value engineering have been developed around the global but less in practice. In, selected Nepalese Life Insurance Companies lack of information, extra cost burden, and ignorance about management accounting tools are the main factors causing problem in the application of such tools. Beside these limited, market, nature of the business, size of the business and extra cost burden were also the factors causing difficulties in the implementation of the tools.

Budgeting and Planning, costing, controlling and reporting and decision-making are the core things of the management accounting systems. Budgeting and planning, controlling and reporting and decision making are very important factors of the management accounting systems to increase the overall performance of the selected Nepalese Life Insurance Companies rather than costing.

From the analysis it is found that management accounting tools such as cash flow analysis and short term budgeting are mostly practiced tools by the selected Nepalese Life Insurance Companies. But large numbers of selected Life Insurance Companies are practicing cost segregation, long term budgeting, responsibility accounting, capital budgeting and ration analysis. Whereas the tools like break-even analysis, standard costing and activity based costing are less practiced or unused tools. The main reason behind not practicing too much these new management accounting tools are lack of knowledge lack of skilled workers, lack of resources and lack of separate management accounting depart.

Out of four related variables of organizational performance all variables are correlated to the organizational performance among them costing is negatively correlated and other budgeting and planning, controlling and reporting, decision making are positively correlated with the organizational performance. From multiple regression it is found that budgeting and planning, decision making are significantly associated with the organizational performance.

Thus, it can be concluded that management accounting is a new thing and it is still in a developing stage. In the context of Nepal, the decisions that take place usually based on intuition for behavior of the strategic manager. It can be said that the role of management accounting is yet to be recognized by Nepalese Life Insurance Companies.

5.3 Implications

Management accounting concept emerged to resolve the complexity that has appeared today's business decision-making process. Its aim is to simplify the planning the decision-making process and to provide support to achieve better organization outcomes. It is for every level of management because every manager has to be involved in some sort of business decision-making process.

Nepalese Life Insurance Companies should fit with the global environment. Best-fit managerial strategies should be developed. The managers should think in a global prospective. Information should be update for utilization of limited resources and achieving goal through cut throat competition. Application of advance management accounting tools can be a great helpful for this.

The following are the recommendations based on the findings of the present research study to improve the application of management accounting tools.

1. While examine the tools practiced by selected Nepalese Life Insurance Companies, it was found that capital budgeting, cash flow, ration analysis, short term and long term budgeting and responsibility accounting were most practiced tools. The zero based costing, break-even analysis, standard costing and cost segregation were less used or unused tolls in selected Nepalese Life Insurance Companies. So, academicians should put effort to bring the new techniques and tools in this light.
2. No one company has separate management accounting department and nowhere in the companies can find management accounting expert until now. So, training institute should be developed to produce such worker. The information about the new and advance techniques should be conveyed through different media. Similarly, campaign should be carried out to increase awareness about use of such tools and techniques.
3. Different type of seminars, workshop should be conducted for companies' manager in order to acquainted them with new tools & its' uses and benefits.
4. In the selected Nepalese Life Insurance companies it was found that costing is very less in practice rather than budgeting and planning, controlling and reporting and decision-making. So it requested that those Nepalese Life Insurance Companies which are not practicing costing methods of management accounting system. They should try to focus on practice of costing methods of management accounting systems.

Recommendations for future Researchers:

1. This study has been only focused on the Life Insurance Companies of Nepal. But this topic is appropriate for all kinds of organization like manufacturing, service, financial institutions, NGOs, and INGOs etc. Thus it is requested that those future

researchers who will interested to do their research work on this topic this study will be appropriate for them to take as a reference.

2. In this study only five Nepalese Life Insurance Companies have been taken as sample from entire population. Therefore, it is requested that those future students or researcher who will be conducted their study on this topic more than five Nepalese Life Insurance Companies are appropriate to take as sample if time and cost is possible.
3. It can be conducted the research by increasing sample size.
4. It may be explored the research study by using structural equation method.

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Appendix

QUESTIONNAIRE

Dear sir/Madam,

I would like to introduce myself as the student of TribhuvanUniversity,M.B.S.(final semester). In order to fulfill the partial requirement of Master's Degree in Management, I am conducting a research work entitled " Use of Management Accounting Practices in Nepalese Life Insurance Companies". I would very much appreciable if you kindly spare few of your busy and valuable time for completing my research work. Your view is purely used for my academic purpose only. I anticipate your suggestion as soon as possible

Min BahadurSunari

MBS fourth semester

Kirtipur, Kathmandu

Tick (-) in the box/ alternative as response to the following questions.

1. which of the following mentioned management accounting tools are practiced by your company for planning, controlling and decision making purpose ?

Managementaccounting tools
Practices

Management accounting tools	Yes	No
a. Cost segregation in fixed and variable……………………………………	☐	☐
b. Break even analysis…………………………………………………….	☐	☐
c. Standard costing (cost estimation)……………………………………	☐	☐
d. Long term budgeting…………………………………………………..	☐	☐
e. Short term budgeting………………………………………………….	☐	☐
f. Responsibility accounting…………………………………………….	☐	☐
g. Capital budgeting……………………………………………………..	☐	☐
h. Ratio analysis…………………………………………………………	☐	☐
i. Cash flow statement……………………………………………………	☐	☐
j. Activity based costing…………………………………………………	☐	☐

2. While making investment decision which of the following basis does your enterprises usually consider?

a. The length of period with in which the investment is recovered.

b. The average returns that the investment is expected to earn.

c. The discounted value of cash flows which the investment is expected to generate.

d. The rate of return which is generated by discounted cash flows.

3. Which of the following budget and your company practice?

a. Cash budget b. Operating budget

c. Overall master budget d. Others'

4. How does the company measure and control the overall performance at the end of the accounting years?

a. Profit/Loss made by the company b. Budgetary Control

c. Standard Costing d. Break even point

5. Which technique does the company practice in pricing decision?

a. Cost plus pricing b. Target return pricing

c. Going plus pricing d. Break even pricing

6.Which techniques does the company follow to allocate joint cost?

a.Unit or Production methods b. Sales value methods

c. Others'

7. What transfer pricing technique is practiced in your company?

a. Market Price based b. Cost based

c. Negotiated d. Others'

8. For decision making and control process, which of the following method is usually followed by your company?

a. Control before work has to be started

b. Control during the work period

c. Control after finished the work.

9. On what basis does your company estimate cost and revenue?

a. Historical base b. Zero based budgeting

c. Market survey d. judgment analysis

10. What type of problem does the company usually face in implementing management accounting tools?

a. Manpower problem b. Financial problem

c. Technical problem d. Lack of proper policy

11. In decision making process what types of problems frequently faced by your company?

a. Lack of knowledge b. undefined objectives

c. Infrastructure d. Skills of manpower

12. In which area management accounting tool is effective in practice to make strength of the company?

a. Production area b. Marketing area

c. Financial area d. Others'

13. What methods followed by the company for issuing

I. Raw Material Inventory

a. Last In First Out (LIFO) b. First In First Out(FIFO)

c. Weighted Average d. Specific Items

II. Finished Goods Inventory

a. Last In First Out (LIFO) b. First In First Out(FIFO)

c. Weighted Average d. Specific Items

14. What are the major difficulties in applying management accounting tools in Nepalese Life Insurance Companies?

a. Manpower problem b. Financial problem

c. Infrastructure d. Undefined objectives

15. Following are the statements related with (a) Budgeting and planning (b) Costing (c) Controlling and reporting (d) Decision making and (e) Perceived Organizational Performance. **Please read each of the following statements and put a tick ( ) marks that comes close to your option.**	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
a) Budgeting and Planning					
i. Proper budgeting and planning helps to maximize the profit and minimize the risk and uncertainty.					
ii. Efficiency in workplace can be made by proper budgeting and planning.					

iii. Proper budgeting and planning helps to maintain corporate governance.					
iv. Budgeting and planning helps to take long term and short term investment decision.					
v. Budgeting and planning helps to use optima resources and control the economic activities.					
b) Costing					
i. Classification of cost helps to identify fixed cost, variable cost and semi variable cost.					
ii. Effective costing control over wastage and loss of material during production.					
iii. Costing helps to ascertain the profitability of different projects, jobs or work orders.					
iv. Costing helps to predict total cost and sales revenue at any activity.					
v. Costing provide reliable information and statistical data for framing the future plan and policies.					
c) Controlling and reporting.					
i. Controlling and reporting helps to maximize the profit and minimize the extra burden cost.					
ii. Controlling and reporting system adjusts to changes in the environment.					
iii. Controlling ensure that proper utilization of budget and planning.					
iv. Controlling of cost helps to grow business activities					
v. Monitoring of activities and feedback are provided by controlling and reporting.					
d) Decision-making					
i. Cost can be minimized and profit can be maximized through effective decision making.					
ii. Decision making helps to optimal use of available resources and enhance future activities resources and enhance future activites.					
iii. Effectiveness and efficiency of the organization depends upon good decision making.					

iv. Decision making helps to develop of optimal products mix.					
v. Decision making helps to motivate the different stakeholders.					
e) Perceived Organizational Performance					
i. Management accounting system has helped to increase the productivity.					
ii. Management accounting system has helped to increase profitability					
iii. Management accounting system helps to increase ROA/ROE and EPS					
iv. Management accounting system helps to motivate and monitor people in organization					
iv. Management accounting system helps to motivate and monitor people in organization					
v. Management accounting system helps to take competitive advantage over competitor.					