MANAGEMENT ACCOUNTING PRACTICESAND PERFORMANCE OF MANUFACTURING FIRMS IN NEPAL
(UNILEVER PVT. LTD., BOTTLERS Nepal PVT LTD. DABUR Nepal PVT. LTD. AND SURYA NEPAL PVT.LTD)

A Thesis

By

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CENTRAL DEPARTMENT OF MANAGEMENT

Thesis

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Kirtipur, Kathmandu, Nepal

RECOMMENDATION LETTER

It is certified that thesis entitled **Management Accounting Practices and Performance of Manufacturing Firms in Nepal (Unilever Pvt. Ltd., Bottlers Nepal Pvt. Ltd. Dabur Nepal Pvt. Ltd and Surya Nepal Pvt. Ltd)** submitted by **Sabin Tamang** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evidences the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Management Accounting Practices and Performance of Manufacturing Firms in Nepal (Unilever Pvt. Ltd., Bottlers Nepal Pvt. Ltd. Dabur Nepal Pvt. Ltd and Surya Nepal Pvt. Ltd)**" presented by Sabin Tamang, a candidate for the degree of **Master of Business Studies** (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirement for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

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Date: March 2019

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Sabin Tamang

Researcher

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ABSTRACT

Management accounting offers a good best opportunity for firms to compete in the market in order to offer best quality products and services at affordable prices to consumers. The general objective of this study was to investigate the effects of management accounting practices on performance of manufacturing companies in Nepal. This study adopted a descriptive survey design. The target population for this study was the 107 manufacturing companies in Nepal. Stratified random sampling method was applied to come up with the sample size, since the population in different manufacturing firms was considered heterogeneous, implying that a simple random sample is unrepresentative. The study therefore involved 4 manufacturing companies. The study collected primary data from the respondents. The data collected was both quantitative and qualitative. Qualitative data is a categorical measurement expressed not in terms of numbers, but rather by means of a natural language description. Quantitative data is a numerical measurement expressed in terms of numbers. Analysis was done using IBM Statistical Package for Social Sciences (SPSS 2.0), allowing the researcher to present the information in form of tables and figures. The study concludes that information for decision making practices is the most highly used management accounting practice amongst the manufacturing companies in Nepal followed by budgeting, costing, controlling and decision making respectively. The study further concludes that the most important elements of management accounting practices amongst the manufacturing companies in Nepal are; the management accounting function identifies key factors that influence performance and risky areas. This study recommends the creation and enhancement of awareness among firms of the importance of Information for decision making practices as this is the most highly used management accounting practice amongst the manufacturing companies in Nepal.

ABBREVIATIONS

ABC	:	Activity based costing
AC	:	Actual cost
ANOVA	:	Analysis of variance
BNPL	:	Bottlers Nepal private limited
CPP	:	Cost plus pricing
DNPL	:	Dabur Nepal private limited
FC	:	Fixed cost
FCP	:	Full cost pricing
FIFO	:	First in first out
IRR	:	Internal rate of return
LIFO	:	Last in first out
MA	:	Management accounting
NPV	:	Net present value
SC	:	Standard cost
SNPL	:	Surya Nepal private limited
SPSS	:	Statistical package for social science
TCP	:	Target cost pricing
TP	:	Transfer pricing
UPL	:	Unilever private limited
VC	:	Variable cost
VCP	:	Variable cost pricing
WACC	:	weighted average cost of capital
ZBB	:	Zero based budgeting

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In every business enterprise, various transactions and events take place every day; sales are affected, purchases are made, expenses are met or incurred, payments are received and made, assets are sold and acquired. Those events, arising out of the decision and actions of management, exercise their effects and impact on the operational efficiency and position of the enterprise. Most of those transactions and events have money values or can be measured and expressed in money values. Since they effect the operation and position of the enterprise, they need to be measured, recorded and analyzed and reported to the management so that the management can evaluate their effect upon the enterprise.

Management accounting concern with providing information to managers and users within the organization directly and provides the organization the necessary basic information through the preparation of various types of reports, some of them related to performance and comparison with that is planned and other frequently and periodically, analytical reports to investigate specific problems facing the organization (Garrison, et al, 2012). Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies and tax authorities (Smith, 2014).

Management accounting is concerned with providing both financial and non-financial information that will help decision makers to make good decisions. It is relates to the provision of appropriate information for people within the organization for helping them to make better decision. Management accounting is an emerging discipline. With the changing environmental factors and cutthroat competition in the international market, the demand for the thoughtful decision making is highly appreciable. The main theme of management accounting is to simplify the planning and decision .making process and to provide support to achieve better organizational outcomes. It is important for every level of management because every manager has to be involved in some sort of decision making, planning and controlling process (Shah and Ojha, 2016).

Management accounting measures, analyzes, and reports financial and non financial information that helps managers make decisions to fulfill the goals of an organization. Managers use management accounting information to develop, communicate implement strategy. They also use management accounting information to coordinate product design, production and marketing decisions to evaluate performance (Horngren and Datar, 2013).

Management accounting is the process of measuring and reporting information about economic activity within organization, for use by managers in planning, performance evaluation and operational control (kalpan, 2012).

The main aim of management accounting is to help management in its functions- planning, directing, controlling and areas of specialization included with the bounds of management accounting. It supplies accounting information to the management for planning, formulating policies, controlling business operation and making decisions. Management accounting helps in operational accounting system by providing necessary knowledge to management of planning and decision making and it also helps to motivate and monitor people in organization. During the 1950's the emphasis shifted from external users to the internal users of cost accounting data. As a result, the cost data used by management was accumulated in different manner from different sources of financial accounting. This shift in emphasis led to the emergence of management accounting (Gautam and Bhattarai, 2014).

1.2 Statement of the Problems

Nepal's manufacturing is still in an early stage of development although its role is important in the industrial sector both in terms of its share and growth. The manufacturing sector contributes to national economy by providing employment opportunities, and by providing revenue to the government through regular payments of tax. Therefore, manufacturing companies are chosen in order to know situation of practice of management accounting tools to help management in its functions, planning, directing, controlling and area of specialization included with the bounds of management accounting.

Profit is major factor for every manufacturing companies. Manufacturing company try to maximize profit. To maximize the profit management accounting tools helps to every companies. Lack of information, extra cost burden, and cognizance about management accounting tools are the main factors causing problem in the application management accounting tools. Lack of knowledge, intensive decision, lack of skilled manpower, lack of infrastructure development and extra cost burden are the main reasons behind not practicing new management accounting tools. Nepalese manufacturing sector is infant stage in practicing management accounting tools, which are indispensable for the success of business, so there is lack of separate management accounting department and accounting expert. Some manufacturing companies are still practice traditional method for evaluating investment proposals. Budget and plan is formulated by all according to their past events. In estimating cost and revenue for future period, companies take historical data for the base.

This study seeks to answer the following research questions:

1. Are the Nepalese manufacturing companies practicing management accounting tools?
2. What are the major difficulties in the application of management accounting tools?
3. What is the impact of management accounting tools to improve performance of Nepalese manufacturing firms?

1.3 Purpose of the Study

The main purpose of this study is to examine the practice of management accounting tools in the Nepalese manufacturing enterprises. The specific objectives are:

1. To examine the present practices of management accounting tools in Nepalese manufacturing firms.
2. To assess the problems faced by Nepalese manufacturing firms in applying management accounting tools.

3. To examine the impact management accounting tools on performance of manufacturing firms in Nepal.

1.4 Significance of the Study

Management accounting is the integral part of the management process such as planning, coordinating, controlling and decision making. This study is design to describe the different types of management accounting tools used by Nepalese manufacturing companies. Besides that, this study is significant in the following ways.

1. It examines the application of management accounting tools in Nepal.
2. It explores the prospects and challenges of manufacturing firms. It can be useful to the potential investors, lenders, policy makers and decision makers in Nepalese context.
3. It provides information on the application of the management accounting tools which can encourage using those tools in properly in decision making of those growth companies who have used previously and who have not yet used any tools for their better performance.
4. It provides the knowledge of management, which is necessary for planning and decision making.

1.5 Limitations of the Study

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

1. Out of total manufacturing companies in Nepal only four companies (Unilever Pvt. Ltd., Surya Nepal PVT. Ltd., BotlersNepalPvt.Ltd. andDabur Nepal Pvt. Ltd) have been considered.
2. This study only concerned with management accounting. It doesn’t concern other aspect of the companies.
3. This is simply a partial requirement of MBS program. There are some limitations, which weaken generalization e.g. inadequate coverage of

industries, period taken, reliability of statistical tools used and their variations.

4. This study is focused only in manufacturing companies. So the findings may not applicable for non-manufacturing and other types of enterprise.

1.6 Organization of the Study

This study divided into five chapters, they are given below.

Chapter I: Introduction

The introduction chapter deals with management accounting statement of the problem, objectives of the study, significant of the study, limitations of the study.

Chapter II: Review of Literature

The second chapters focused on review of literature. It contains the review of theoretical framework which include meaning and definition of management accounting, brief review of management accounting tools and review of related studies.

Chapter III: Research Methodology

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

Chapter IV: Results

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

Chapter V: Conclusion

The last chapter covers summary, conclusions and recommendations. Finally.it makes some recommendations to improve performance of manufacturing firms in Nepal and gives suggestions for future study.

Reference and appendix have also been incorporated at the end of the study.

CHAPTER-II

LITERATURE REVIEW

The previous study cannot be ignored in any study. We can find many past articles, journals, study reports, public books, manuals, thesis in this topic. In order to find out what other scholars have already done and what remains to be done and assess similarities and dissimilarities with the study review is necessary. We can found many articles, reviews, thesis on the topic about management accounting practices of manufacturing firms. The following review is the impact of management accounting practices on organizational performance of manufacturing companies.

2.1 Meaning and Definition of Management Accounting

The term management accounting consists of two words ‘management’ and ‘accounting’. ‘Management’ refers to all level managers in the organization. The word ‘accounting’ not only refers to mere record of business transaction but also covers other fields of study. Management accounting is a branch of accounting that produces information for managers and forms an important integral part of the strategic process within an organization. It involves the process of identifying, measuring, accumulating, analyzing, preparing, interpreting and communication information that helps managers fulfill organizational objectives (Hilton, 2014).

The charted institute of management accountants (UK) views management accounting as an integral part of management process which requires the identification, generation, presentation, interpretation and use of information. Smith (2014) also asserts management accounting involves the preparation of financial reports for non-management groups such as tax authorities, shareholders, creditors and regulatory agencies.

The term management accounting practices has been defined by Ittner and Larcker (2002) as the various methods especially considered for manufacturing firms in order to support the infrastructure and management accounting processes of the organization. Gichaaga (2014) asserts that management accounting practices can consist of performance evaluation, budgeting, strategic analyses and information for decision making, among others. They help management acquire relevant information needed to make meaningful decisions (Alleyne and weeks-Marshall, 2011). Usually, the larger the organization is, the greater is management's need for information.

Manufacturing companies use management accounting techniques to assess their operations. These includes budgeting, variance analysis and breakeven analysis. These helps organizations to plan, direct and control operating costs and to achieve profitability. It is recognized that management accounting practices are important to success of organization.

Significant change in the business environment and emergence of modern manufacturing environment have reflected the effectiveness of modern accounting information systems and the effectiveness of managerial accounting information systems and cost accounting. Management accounting practices provide information to managers and help them to find solution of problems and assess performance (Weston and Thomas, 2008).

Management accounting as a system of measuring and providing operational and financial information that gives managerial action, motivates behaviors and supports and creates the cultural values necessary to achieve an organizations strategic objectives (Johnson and Kaplan, 2007).

Management accounting that is an indispensible part of management function, which is defined as planning, organization, implementation and control of business activities, id one of the greatest helpers of business management in decision making. Due to the fact that decision-making might be defined as making a choice between options to achieve a result, management accounting has an important role in putting out the situation that occurred in the past through numerical data, making plans for the future, and performing the control function through comparing the planned and actual results (Mott, 2015, p.39).

Management accounting is the production of very long experiences and techniques of the businesses and managers of the organization that are used information especially financial information about their firms for decision making that provided them a competitive edge to the firms (Lawrence and Ruswinckel, 2014).

Management accounting is a vital tool for effective business management as it provides appropriate information to managers for decision making regarding thesuccess of the organization. (Jiambalvo, 2012).

2.1.1 A Brief Review of Management Accounting Tools

Management accounting is an integral part of the management process i.e. planning, coordinating, controlling and decision making. It measures and reports financial information as well as other types of information that assists managers to fulfilling the goals of the organization (Shah and Ojha, 2016).

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

A. Cost Concept

Cost is a foregoing, measured in monetary terms, incurred or potentially to be achieve a specific objective (American Accounting Association).

B. Cost Classification in a Manufacturing Firm

Classification means to put an item or thing under a certain category. Cost classification is the process of grouping costs according to their common characteristics. The same cost figures sometimes can be classified according to different ways of costing depending upon the purpose to be achieved and requirements of a particular concern. The important ways of cost classification are: (Ergin and Elmaci, 2015)

- By nature or element
- By function
- By direct or indirect
- By variability
- By Controllability
- By normality
- By capital or revenue
- By time
- According to planning and control
- For management decision

"In management accounting with the purpose of manager's in managerial task, costs are classified on the following ground" (Garrison,at.el. 2012).

(I) Cost Relating to Income Measurement

a) Product Costs

"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 labor and a reasonable share of factory overhead" (Ergin and Elmaci, 2015).

b) Period Costs

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 cost and administrative costs are generally treated as period cost (Ergin and Elmaci, 2015).

c) Absorbed Cost and Unabsorbed Cost

The part of fixed costs which is absorbed during the revenue of the particular period is known as absorption cost. Absorbed cost which have been charged toproduction cost which remains unchanged is known as unabsorbed cost (Ergin and Elmaci, 2015).

d) Joint Product Cost and Separable 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 known 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" (Horngren and Datar,2013).

e) Expired Costs and Unexpired Costs

Expired cost is the monetary value of the resources th3at have already been used in producing revenue. It does not have a future revenue producing potential.

"Unexpired cost which still has a potential of generating revenue in future an unexpired cost represent the monetary value of an unused resources"(Pandey, 2009).

(II) Cost Relating to Profit Planning

Profit planning is concern 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) Variable Cost, Fixed Cost and Semi Variable Cost

Variable costs are the costs that tend to vary in direct proportion and same direction to changes in production activity, sales activity or some other measures of volume or cost driver. Variable costs change in direct proportion to and in the same direction as the changes in activity levels or outputs.Fixed costs are costs associated with those inputs, which do not vary with changes in the volume of output or activity within a specified range of activity or output. If any cost remains constant in total at any level of activity within the relevant range, it is called fixed costs (Drury, 2017).

Semi variable cost also known as mixed cost as they consist both of fixed costs and variable costs. All costs, other than fully variable and fixed, which are neither perfectly variable nor absolutely fixed in relation to volume changes, are semi-variable costs.

b) Methods of Semi Variable Cost Segregation

There are mainly two popular methods of semi-variable cst segregation, which are as follows:

i) High Low Point Method

In the high low point method, the semi-variable cost is segregated into the fixed and the variable components using exactly two data points. The points consist of selecting the periods of the highest and lowest activity levels comprising the changes in costs that result from the two levels (Hilton, 2014).

ii) 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. It is used to segregate mixed cost in to fixed and variable (Hilton, 2014). `

Y=a + bx

Where, y= total cost

a= fixed elements of mixed cost

b= variable cost to volume ratio

x= any measure of volume

(III) Cost for control

a) Controllable Cost and Non-Controllable Cost

A cost is considered to be controllable if that can be managed or charged within the related responsibility and within the given period of time.

A cost that is not subject to change within the related responsibility center and within the short time span is called a non-controllable cost (Shah and Ojha, 2016).

b) Direct and Indirect cost

Direct cost is a cost that can be easily and conveniently traced to the particular cost object under consideration. Indirect cost is a cost that cannot be easily and conveniently traced to the particular cost object under consideration. It is also known as common cost.

(IV) Cost of Decision Making

a) Relevant and Irrelevant Cost

A cost, which is influenced by a decision, is a relevant cost and hence is important for decision makers. Relevant cost in true sense is an incremental cost. Relevant cost are those costs, which differ from one alternative to the next.

A cost, which is not affected by a decision, is irrelevant cost. Such a cost is of no relevance to decision makers. These costs should be ignored while making decisions. (Khan and Jain, 2013).

b) Out of Pocket Costs, Marginal or Difference Costs, Opportunity Costs, and Sunk Costs

Out of pocket costs

Out of pocket cost mean the cash incurred in an activity. Since, out of pocket costs involve a cash outlay it is very important for external reporting and internal planning and decision making both. Like raw material, labor, salary, rent, etc. out of pocket costs (Shah and Ojha, 2016).

Marginal or differential costs

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 costs which increases between the alternatives is incremental cost while the one that decreases is decremental cost. Both incremental and decremental cost are relevant in decision-making purpose (Garrison, et. Al. 2012).

Marginal cost is the change in total cost owing to the change in output. More precisely marginal cost is the increase in the cost due to one more unit of output produced.

Opportunity cost

Opportunity cost is the profit foregone by selecting one alternative over other. Opportunity cost is relevant for many decisions, but are sometimes difficult toidentify and quantify, and are seldom recorded in an organization's accounting system (kalpan, 2012).

Sunk cost

These are costs that were incurred in the past. Sunk cost are irrelevant for decisions, because they cannot be changed (kalpan, 2012).

c) Avoidable and Unavoidable Costs

Sometimes the term ‘avoidable’ and ‘unavoidable costs’ are used instead of relevant and irrelevant costs. Dropping a department or product or an alternative can save avoidable costs. Unavoidable costs remain unaltered with or without a product or department or an alternative. Therefore only the avoidable costs are relevant for the drop or continue decision (Khan and Jain, 2013).

d) Explicit and Implicit Costs

Explicit costs are those accounting expenses, which can be proved for external reporting purpose such as for tax purpose. Most of the explicit costs are out of pocket costs, which need to be paid in cash to suppliers, employees, etc. But some of the explicit costs are non-cash in nature like depreciation expenses.

Implicit costs are those expenses, which cannot be proved for external reporting. These are not allowable for tax purpose. Implicit costs are in implied in nature, which can just be understood, but may not need to be paid in cash at present or in future; for example, interest on owner’s capital (Drury, 2017).

C. Cost Allocation and Apportion Methods

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

a) Direct Method

"Direct method of cost allocation ignores the cost of services between departments and allocates all service department costs directly to producing department" (Horngren and Datar, 2013).

b) Step-Down Allocation Method

Under the step-down method, once a support department’s costs have been allocated, no subsequent support department costs are allocated back to it.

D. Product Costing Methods

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

a) Absorption Costing

Absorption costing method is also known as conventional costing, traditional costing or full costing method. A costing method that includes all manufacturing cost in the cost of a unit of product is known as absorption costing system. Under absorption costing fixed manufacturing cost is also included in the cost of product. It absorbs all cost necessary to production (Horngren and Datar, 2013).

a) Variable Costing

Variable costing method is also known as modern costing or marginal costing method. Variable costing is a method of recording and reporting costs, which regards as product costs only those manufacturing costs, which tend to vary directly with volume of activity (Koirala and Acharya, 2013).

E. Use of Variable Costing and AbsorptionCosting

Variable costing is used for internal management purposes are undoubtedly recognized by all. Like many other costing techniques, it suited to the decision making needs of management. The decision making potentialities of variable costing have been appreciated by top management and executives in the area of production, marketing and finance.

Absorption costing is much more widely used than variable costing. All firms used absorption costing for external reporting purpose or tax purpose (Gautam and Bhattarai, 2014).

F. Budgeting and Planning

“Budgeting is a comprehensive of 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 terns. The act of preparing a budget is called budgeting. The use of budget to control is called budgeting. The use of budget to control firm activities are known as budgetary control" (Garrison, et.al. 2012).

G. Budgeting Process

The main objectives of a business firm is to make an excess of revenue over expenses so as to maximize profits. But it is not a matter of dream or chance. There are no magic formulas of boosting the figure of profit overnight. Budgeting, if followed properly, can increase the chances of making profits within the given environment. A systematic budgeting should encompass the procedures such as evaluating the business environment, setting objectives, setting specific goal, identify potential strategies, communicating the planned guidelines, developing the long-term plan and implementation of budgets (Shah and Ojha, 2016).

H. Elements of Budget

A budget is defined as a “comprehensive and coordinated plan, expressed in financial terms, for the operations and resources, of an enterprise for some specified period in the future”- (Fregmen, 2006).

According to the above definition, the essential elements of a budget are plan, operation and resources, financial terms, time elements, comprehensiveness and coordination."

I. Master Budget

Master budget is a comprehensive plan, a coordinated set of detailed financial statement of the operating plans and schedule for short period, usually for a year. The master budgets are a networking consisting of many separate budgets that are independent. A master budget normally covers three areas; operational sectors budget, cash budget and budgeted financial statements (Batty, 2009).

1. Operating Budgets

It relates to physical activities or operations of a firm such as sales, production, purchase, debtors collection and creditors payment schedule.

a) Sales Budget

A sales budget is a detailed schedule of expected sales for the coming period. It usually expressed in both amounts and units. The sales budget is the starting point in the preparation of comprehensive master budget. All the other plans and budgets are dependent upon the sales budget. The budget is usually presented both in units and dollars of the sales revenue or sales volume. The preparation of sales budget is based upon the sales forecast (Batty, 2009).

b) Production Budget

After sales budget has been prepared, the production requirements for the forth-coming budget period can be determined and organized in the form of production budget. Sufficient goods will have to be available to meet sales needs and for the desired ending inventory. A portion of these goods will have already existed in the firm of beginning inventory. The remainder will have to be produced. Thus production needs can be determined by adding the budgeted sales units to the desired ending inventory and deducing the beginning inventory from the total (Horngren, and Datar, 2013).

c) Direct Material Budget

After production needs have been computed, direct material budget should be prepared to show the materials that required in the production process. Sufficient raw materials will have to be available to meet production needs and to provide for the desired ending raw materials inventory for budgeted period. However, some quantity of material requirement will already exist in the form of beginning raw materials inventory. The remainder will have to be purchased from a supplier (Shah and Ojha, 2016).

d) Purchase Budget

A purchase budget contains the amount of inventory that a company must purchase during each budget period. The amount stated in the budget is the amount needed to ensure that there is sufficient inventory on hand to meet customer orders for products. At the simplest level, the purchase budget can simply match the exact number of units expected to be sold in the budget period (Shah and Ojha, 2016).

e) Direct Labor Budget

The direct labor budget is also developed from the production budget. Direct labor budget is used to calculate the number of labor hours that will be needed to produce the units itemized in the production budget. A more complex direct labor budget will calculate not only the total number of hours needed, but will also break down this information by labor category. The direct labor budget is useful for anticipating the number of employees who will be needed to staff the manufacturing area throughout the budgeted period (Shah and Ojha, 2016).

f) Manufacturing Overhead Budget

After the production plan has been completed, manufacturing expenses budgets should be developed for each responsibility center in the organization. These expense budgets should be detailed by interim time periods for the three categories, direct material, direct labor, and manufacturing overheads. After the production plan is completed, these cost budgets normally are developed simultaneously and are then consolidated into a budget appropriately labeled the "planned cost of goods manufactured" (Koirala and Acharya, 2013).

g) Selling and Distribution Expenses Budget

The selling and distribution expenses budgets contains a listing of anticipated expenses for the budget period that will be incurred in areas other than manufacturing. Selling and distribution expenses include all costs related to selling, distribution and delivery of products to customers. The budget will be made up of many smaller, individual budgets submitted by various persons having responsibility for cost control in selling and administrative matters. If the numbers of expense items is very large, separate budgets may be needed for the selling and administrative functions (Batty, 2009).

2. Financial Budgets

A financial budget in budgeting is predicting the incomes and expenses of the business on long-term and short-term basis. Right projection of the cash flow helps the business to achieve its targets in the right way. A financial budget is very powerful tool to achieve the long-term goals of the business. The organization prepared the financial budget to manage the cash flows in a better way (Batty, 2009). The component of financial budget is mentioned below:

a) Cash Budget

The cash budget tells about the inflows and outflows of the business. On the other hand, the cash flow of the business keeps on changing and with that, the cash budget should also change. Making cash budget is a dynamic process and not a static process. Any change in the cash flow should be immediately reflected in the cash budget of the business (Munankarmi, 2002).

b) Budgeted Balance Sheet

The budgeted balance sheet comprises of many other budgets. The major component of this budget includes production budget and its associated budgets (Munankarmi, 2002).

c) Budgeted Income Statement

The budgeted income statement is one of the key schedules in the master budget. It is the document that tells how 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 (Garrison, at.el. 2012).

J. Budget Committee

A budget committee is a group of people that creates and maintains fiscal responsibility for an entity or organization. In a company, this committee usually consists of the top management and the CFO. Budget committees typically review and approve departmental budgets that are submitted by the various department heads. The budget committee may also create and edit the budget manual, which is a complex set of instructions used by large organizations to prepare budgets (Brown and Haward, 2002).

K. Zero-Base Budgeting

Under zero-base budgeting, every budget is constructed on the premise that every activity in the budget must be justified. It starts with the basic premise that the budget for the next year is zero and that every expenditure, old and new, must be justified on the basis of its costs and benefits (Ergin and Elmaci, 2015).

L. Activity-Based Budgeting

Activity based budgeting focus on the lots of activities to produce and sell products and services. It separates indirect costs into separate homogeneous activity cots pools. To manage costs more effectively organizations that have implemented activity costing have also adopted activity based budgeting (Horngren and Datar, 2013).

M. 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 institutes of cost 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". Variance is the difference between standard and actual amount during a given period. Following steps are involved in standard costing.

- Preparation and use of standard
- Comparison of actual costs with standard to determine the variances, and
- Investigating the variance and taking appropriates actions where necessary" (Srinivasan, 2017).

N. 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 attempting the objectives of their firms. In attaining, these objectives, managers are expected to continue the minimum quantity of whatever resources they have at their command, again consistent with the quality of output desired. Break even downs in control over either price or quality 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"(Garrison,at.el. 2012).

O. Setting Standard Cost

"It requires the combined thinking and expertise of all persons who have responsibilities over prices and quantities of inputs". The beginning point in setting standard cost is a rigorous look at past experience. The managerial accountant can be great help in this task by preparing data on the cost features prior year's activities at various levels of operations' (Garrison, at. el.2012). A standard for the future must be more than simply a projection of the past, however data must be adjusted and modified in terms of changing economics patterns, changing demand and supply characteristics and changing technology.

P. Decision Making

Decision making is the art of selecting the best alternatives among the various alternatives available to solve a given problem. In case of business, the best alternative is one, which is likely to provide maximum profits and involve a minimum cost without violating the social responsibilities (Gautam and Bhattarai, 2014).

1. Decision Situations

I) Sales Volume Related Decision

a) Decision to a Special Order

A special order is one that has been offered a bulk volume at a reduced price. Opportunity to consider an order of its regular product at a special price, usually less than that charged to regular customers, frequently arises for a management. When there is a idle capacity, such an offer may be attractive. The basis of decision making should be the difference that it will make in overall profit of the company. Essentially, if there is a idle capacity, the special order is advantageous if the price amounts exceed out of pocket costs and the opportunity costs (Gautam and Bhattarai, 2014).

a) Decision to Drop a Product Line

When a firm is divided into multiple sales outlet, products lines, divisions, departments, it may have to evaluate their individual performance to decide whether or not continue operations of each of these segments or whether to add a new segment. The decision criterion would be the segment margin. The segment margin equals the segments contribution margin less fixed costs that are directly traceable to that segment (Garrison, at. el., 2012).

b) Decision to Make or Buy

Buying or outsourcing is the process of obtaining goods or service from outside suppliers instead of producing the same goods or providing the same services within the organization. Decision on whether to produce components or provide services within the organization or to acquire them from outside suppliers are called make or buy decisions.

Many firms have to choose between manufacturing certain components themselves and acquiring them from outside suppliers. Incremental analysis provides a solution to this kind of decision problem (Koirala and Acharya, 2013).

c) Decision to Further Process Joint Products

A decision to be made by the management is whether to sell joint outputs at the split off point or to process them further. The decision criterion should be to choose the alternatives, which will maximize the total contribution of the various joint products to the common processing costs. As the common processing costs before the split off point are sunk costs that have already been incurred to create the joint products, they are irrelevant and will not be considered in the decision making process. The only relevant cost will be the additional common processing costs. a related short-term decision involves selecting an alternative processing plan for joint products when the proportion of the output from the common processing cost can be varied (Gautam and Bhattarai, 2014).

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 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 customers are will to purchase the setting of prices dictates inflows of revenues consistently fail to cover all the costs of the firm and then in the long run, the firm cannot survive" (Garrison, at. el., 2012).

For pricing decision economists have their own view while accountant has their own perspectives. Economic theories indicate that companies acting optimally should produce and sales units until the marginal revenue equal marginal cost the market price is the price that creates a demand for these optimal numbers of units. But 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 and 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" (Horngren and Datar, 2013).

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:

- Cost plus pricing
- Target cost pricing
- Variable cost pricing
- Full (absorption) cost pricing

A) Cost Plus Pricing

Company uses various strategies to set price for their products. Demand in 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, may companies start with cost to determine the price of the product. Since cost is an important determinant 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
- Variable approach

Under absorption approach in cost plus pricing while computing the cost both variable and fixed manufacturing overhead are taken in to coordination then add some mark up to the cost and thus arrive at target selling price.

"Under contribution approach in cost plus pricing to compute the cost, only the variable manufacturing overhead are taken into consideration and then to add some mark up percentage enough to cover fixed manufacturing overhead, selling and administration overhead target selling price"(Horngren, and Datar, 2013).

B) Target Cost Pricing

A target cost 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 competitor's 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 lends to target cost. a target cost per unit is the estimated long-run 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 desires target cost per unit. Developing the target prices and target cost requires the following: (Horngren and Datar, 2013).

- Developing a product that satisfied the needs of potential customer.
- Choose a “target price” based on customers perceived value for the product and prices completions charge and a target operating.
- Income per unit
- Desire a target cost per unit by subtracting the operating
- Income per unit from the target price
- Perform value engineering to achieve target cost.

C) Variable Cost Pricing

Under variable cost pricing method, pricing of the product is determined by adding mark up to the variable expenses, the conditions under which a price base done variable cost is appropriate are as follows:

- When idles capacity exists
- When operating under distress conditions and
- When faced with sharp competition on particular order a competitive bidding system.

D) Full Cost Pricing

Contrast to variable cost pricing, full cost pricing takes into account both product and period cost, reaching to the selling price. Under this approach total cost including fixed manufacturing cost is taken into account and then add markup and thus arrive at selling price (Garrison, at. el., 2012).

E) Transfer Pricing

Transfer prices are the amount charged by one segment of an organization for a product or service that it supplies to another segment of the same organization. Transfer prices represents the value of goods are services finished by a profit center to other responsibility centers within an organization (Shah and Ojha, 2016).

Methods of transfer pricing

a) Market Based Transfer Pricing

Transfer price based on the market price/value of the product or service is known as market based transfer pricing. Under this method, the prevalent market price is adopted for the transfer of product (Shah and Ojha, 2016).

b) Cost-Based Transfer Pricing

Sub unit may choose a transfer price based on the costs of producing the product in question. Examples include variable manufacturing costs, manufacturing (absorption) cost and full product costs. full product costs include all production costs, as well as costs from other business functions such as research and development design, marketing, distribution and customer service. The cost is used in cost-based transfer price can be actual costs or budgeted costs (Shah and ojha, 2016).

c) Negotiated Transfer Pricing

Under this method, the transfer price is negotiated between the transferor and transferee units after considering all factors of supply and demand, quality and time of delivery and the price. That is, as an alternative to setting prices based on rules or formulates transfer prices could be set by negotiation between the buying and selling divisions (Shah and Ojha, 2016).

d) General Transfer Pricing

General transfer prices represent the value of goods or services furnished by a profit center to other responsibility centers within an organization. Transfer prices are the amount charged by one segment/division of an organization for a product or service that it supplies to another segment of the same organization.

2.2 Review of Related Studies

Ahamad (2014) an exploratory study of the level of sophistication of management accounting practices in Libyan manufacturing companies. The major purpose of this study is to examine the management accounting practices in Libyan manufacturing companies. For this purpose exploratory research design has been used. His study shows that almost all of Libyan manufacturing companies are implementing management accounting practices which provided information for cost determination financial control and information for management planning control. The Libyan manufacturing companies rely heavily on traditional management accounting techniques, while the adoption rates of recently developed or advanced tools were rather low, slow and similar than those presented in other developing countries. Sophistication level of management accounting is also found very low between Libyan manufacturing companies under this study.

Dangol (2011) has conducted the research work on the topic “capital budgeting practices in Nepali manufacturing companies”. The study is based on descriptive and exploratory techniques of research methodology. According to this study, large majority of companies, the top level managers, including chairman and chief executive officer or managing director reportedly generated the capital budgeting ideas and evaluated capital expenditure plans. This implies that the practice of decentralization and delegation of authority in making capital budgeting decisions is rare in Nepali manufacturing companies. Most of the companies are used the sophisticated capital budgeting techniques like internal rate of return (IRR) and net present value (NPV). Most of the Nepalese manufacturing companies have undertaken the decisions of capital budgeting plans for the expansion of existing operations not only for the past five years but also for the next five years.

A majority of Nepalese manufacturing companies have the average size of capital budgeting projects between RS 50 to 100 million for past five years. Weighted average cost of capital (WACC) is only the second preference of the Nepali manufacturing companies. There first preference went to the management determined target rate of return. Similarly Nepali manager estimated cost of equity by using the cost of debt plus risk premium method whereas they least used CAPM. In the practice of forecasting cash flow in capital budgeting, majority of Nepali manufacturing companies used management subjective estimated method of the quantitative methods of cash flow forecasting, the sensitivity analysis is the most preferred one. The practice of post evaluation of capital budgeting decisions is common among the Nepali manufacturing companies so as to conform whether capital budgeting targets were met. Only few (50%) of the manager did without post-evaluation.

Duwadi (2014) has submitted a thesis on the topic "A study on management accounting practices in joint venture banks". The major objectives of this study is to analyze the practices of management accounting tools being used in joint venture banks. The necessary data is collected based on primary data.

The major findings of this research work were:

Almost 100% of banks breakeven analysis and responsibility accounting were practiced about 83% and 33% respectively 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 chief of finance division prepared the budget. While evaluating loan proposal all the joint venture bank focused on valuation of assets, purpose of loan, analysis of customer back ground with customer social status and the chances of loan recovery. Joint venture banks mostly accepted the securities like land and building, government bonds, treasury bills, share 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 performance evaluation. Use of outside expert should be used by JVBs for the budget preparation. JVBs were not found practicing cash budget. So, they should practice cash budget which gives all details about sources and use of cash.

Kariyawasam (2018) conducted study on the topic "cost and management accounting practices in Srilanlka's manufacturing industry". The main objective of this study is to analyze the use of cost accounting and management accounting practices in public quoted manufacturing companies in Sri Lanka. To meet this objective applied and survey research method has been used. According to the study the main costing method used by public quoted manufacturing companies in Sri Lanka is activity based costing, followed by process and job costing. Management accounting practices in public quoted manufacturing companies give high importance of traditional management accounting practices such as planning and controlling, budgeting, target costing, and cost volume profit analysis. It implies that modern management accounting practices is dominated by traditional management accounting practices in manufacturing companies of Sri Lanka.

Ghimire (2010) submitted the thesis on the topic of "management accounting practice in Nepalese listed manufacturing companies". The necessary data and information has been collected through primary sources of data collection. Mr. Ghimire found under the study, regarding the practice of transfer price in the Nepalese manufacturing companies, 58% of the manufacturing companies practiced cost base transfer pricing, 23% of manufacturing companies practiced market based transfer pricing where as 5% of manufacturing companies practiced negotiated transfer price for their product.

The study shows that decision making and control process followed by Nepalese manufacturing firm, it was found that 69% of Nepalese manufacturing companies practiced control during the work period. 18% practiced control before work has to be stated, where as 5% practiced controls after finishing the work. The cost and revenue estimation practice of Nepalese manufacturing firm, it was found that 78% of the manufacturing companies practiced 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. The area where management accounting tools is effective in practice to make strength of the companies, it was found that 49% in Nepalese manufacturing companies said production area is effective for practicing management accounting tools; 29% said marketing area is effective and 11% said financial area is effective. 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.

Kushwaha (2015) has submitted the thesis on the topic "management accounting practices in Nepalese insurance companies". The necessary information and data are collected through primary as well as secondary sources of data collection. The major findings of this research work, cash flow and short term budgeting are mostly practiced tools in selected Nepalese insurance companies. Whereas regarding the practice of capital budgeting tools in the selected Nepalese insurance companies, from the study it was found that ARR is the mostly practiced tools i.e. (70%). While PBP, NPV and IRR are the less practiced tools for long term investment decision. This study also shows that the tools practiced by the selected Nepalese insurance companies for measuring and controlling their overall performance, (90%) of the selected insurance companies measure their performance on the basis of profit and loss made by then during the year. While (30%) of the companies are using budgetary control but standard costing and breakeven point methods are not in practice. As regarded to the practicing of transfer price the selected Nepalese insurance companies are practicing only (30%) cost based price and another (30%) their own price. Market based price and negotiation price are less practiced price by the selected Nepalese insurance companies i.e. (10%). Whereas (20%) are not practicing any kinds of pricing techniques because of lack of knowledge, skills, resources and manpower etc. As regarded to the variance inflation factor of independent variables budgeting and planning is (1.82), costing is (2.227), controlling and reporting is (5.340). The value of each variables is less than (10) thus, it indicates that there is significant positive contribution in overall organizational performance of the selected Nepalese insurance companies.

Emiaso (2018) carried out research to examine "strategic management accounting practices and organizational performance of manufacturing firms in Nigeria". The major objective of this research is to examine the relationship between organizational performance and strategic management accounting. Under this purpose survey research design has been used. According to his study shows that implementation of strategic management accounting techniques still very low in Nigeria's manufacturing firms. Findings of the study also reveal a significant statistical difference between effectiveness of strategic management accounting and conventional management accounting tools in decision making. The implication is that manufacturing companies that adopt and implement strategic management accounting make better informed economic and business decision due to the superiority of strategic management accounting techniques.

This study also showed that application of strategic management accounting tools have a positive relationship with organizational performance of companies survey. The study also found a significant difference in effectiveness of decision making between application of strategic management accounting tools and traditional management accounting techniques and concludes that implementation of strategic management accounting practice is necessary to enhance organizational performance of the firm.

In India, Joshi (2001) explored management accounting practices in the Indian manufacturing and service sectors. The study indicated that the uptake of traditional manufacturing accounting practices, such as budgeting and performance evaluation, was higher than for contemporary techniques.

Hilton, (2014) stated that management accounting is the process of identifying, 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 is, management's needs for information. The term management accounting is consisting of two wards 'management' and 'accounting'.

Sharma (2015) has conducted research on topic "practices of financial and management accounting: evidence from small and medium sized enterprises of Nepal". This study has stand on exploratory research methodology. Under this study, financial and management accounting practices in the small and medium size enterprise are relatively contemporary. They still used to prepare financial and management accounting reports such as profit and loss, balance sheet, cash flow statement, CVP analysis, variance analysis and budget on regular basis. They are not followed advanced management accounting tools and techniques. In terms of usefulness of accounting reports, management accounting reports are considered to be more useful than financial accounting reports.

Yeshmin and Fowzia (2010) had emphasized on the topic of label of usage of fourteen management accounting techniques in managerial performance by banking and service industries of Bangladesh.

Gnawali (2017) has conducted the research on the topic "management accounting systems practice in Nepalese commercial banks". The major objective of this study is to analyze the management accounting systems practices and its roles in Nepalese commercial banks. This research work finds that budgetary control is the foremost used management accounting system tool in Nepalese commercial banks. Thereafter, they use other management accounting systems tools also such rankings; cash flow statement analysis, ratio analysis, variance analysis and CVP analysis. According to his research work there is still gap between the theory and practical accounting tools in Nepalese commercial banks.

Adbel Al, F. and McLellan, J. (2011) examine the study on "management accounting practices in Egypt- a transactional economy country". This study indicates that Egyptian manufacturing organizational rely heavily on traditional management accounting practices, while the adaptation rates of developed or advanced practices are rather low and slow. Traditional planning techniques such as budgeting for controlling costs, budgeting for cash flows and budgeting for coordinating activities across units are identified as relatively highly adopted. The adaptation of advance management accounting practices as relatively low compared with other techniques.

Liqat (2006) conducted study to determine the application of contemporary management accounting techniques in Indian companies. A survey research design was employed. The study targeted 530 members companies of India's national association of financial directors and cost controllers. The study focused on findings on how widely contemporary and traditional management accounting practices were employed by Indian companies. It was discovered that improvement of general cost reduction and profitability were the motive behind the utilization of management accounting in Indian firms. The study also discovered a positive relationship between the adaptation of ABC and firm characters and such as pressure of competition, degree of customization, proportion of overhead to total costs, business size. None of the variations, however, was found to be at 10% of significant level.

Karki (2009) conducted a research work entitled “management accounting practice in public enterprises”. Mr. karki has mainly focused to study and examine the extent of practice of “management accounting tools and techniques made in Nepalese public enterprises”. The data and necessary information have been collected from the primary as well as secondary sources. In this study, it was found that various management accounting tools and techniques, which are taught in colleges and universities, are not used in real practice in Nepalese public enterprises. Some management accounting tools like capital budgeting, cash flow, ratio analysis and annual budgeting are widely practiced in joint ventures banks of Nepal but some tools like standard costing, activity based budgeting, zero base budgeting, long term budget are not practiced.

2.3 Theoretical Framework

Theoretical framework clearly shows the cause and effect of independent variables on dependent variables. It helps to increase management accounting practices and improve organizational performance of manufacturing firms. To find the impact of independent variables (management accounting practices) on dependent variables (organizational performance), a theoretical framework has been developed. This is shown below:

- Costing systems
- Budgeting systems
- Controlling and reporting
- Decision making

Effects on →

Perceived organizational performance

Independent variables

Dependent variables

2.4 Research Gap

There is a gap between the present research and previous researches conducted on management accounting practices in Nepalese manufacturing 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 research did not disclose which of the accounting tools are mostly practiced and which are not and why?The literature review on different articles, journals, and thesis shows that there is positive impact of management accounting tools on manufacturing companies. Management accounting practices helps to increase the organizational performance of manufacturing company. The variables of the previous study are almost same. The previous research are conducted onlymanagement accounting practices but not show its relation with organizational performance. They also did not show the cause and effects of management accounting practices on firm performance. Previous research is mostly focus on traditional management accounting practices. They were focus only management accounting practices but not its implementation.Thus,to fulfill those gaps current research is conducted.

This research is survey type of research. It is completely based on primary sources of data and even secondary data too. Market survey in managerial activities of planning, controlling and decision making probably the new research study made in present study. Thus, present study will be fruitful to those interested person, parties, scholars, professors, students, businessmen and government for academically as well as policy perspective.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter describes the research design and methodology used to collect and analyze the data for the study.

3.1 Research Design

The main objectives of this research study is to examine the present practices of management accounting systems and slows the relationship between management accounting practices and its effects on organizational performance. To fulfill this research objectivesdescriptive and causal research design has been used.

3.2 Population and Sample

The research work is designed to study the present practice of management accounting tools used by Nepalese manufacturing companies. The total 107 manufacturing companies head office located in Kathmandu valley are taken as population for the study (Industrial statistics, 2068). Among them 4 companies are taken as sample for this study by using convenience sampling. The reasons behind that taking sample of 4 companies which have head office in Kathmandu valley is for the rationality of results.

3.3 Nature and Sources of Data

In general, there are two main sources of data that can be used in a research. These are primary and secondary data. To fulfill the objective of this study primarydatahas been used and collected through questionnaire (43). They are classified and tabulated in required form.

3.4 Data Collection Procedures

There are different types of data collection methods. For this study, data has been collected through questionnaire administration method.

3.5 Data Processing Procedures

Data collected from questionnaire was in raw form. Collected data are tabulated into various tables according to subject requirements. The data has been processed using the sophisticated IBM SPSS 2.0 program.

3.6 Data Analysis Procedures

The collection data have been analyzed by using the statistical tools with the help of statistical package for social science (SPSS). Collected data has been managed, analyzed and presented in proper tables and formats. Such tables and formants has been interpreted and explained as necessary. 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 are also used as research variables.

3.7 Reliability Test

Table 3.1: Cronbach's alpha coefficients

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.723	.752	25

The reliability analysis was done for the present management accounting tools questionnaire construction consistency of responses to items. The Cronbach"s alpha coefficient comes to α = (0.723) on item 25 and N=43, which is higher than 0.5. The results indicated the importance of management accounting tools are significant.

CHAPTER-IV

RESULTS

This chapter mainly incorporates data presentation, analysis and interpretation. Presented data are analyzed and interpreted by using statistical tools like mean, standard deviation and regression analysis of variance test, so as to achieve the results.

4.1 Analysis of Primary Data

Management accounting is an integral part of management concerned with identifying, presenting and interpreting information used for formulating strategy, planning and control activities. It is primarily concerned with data gathering, analyzing, processing, interpreting and communicating the resulting information for use within the organization. So that management can more effectively plan, make decisions and control operations (Shah and Ojha, 2016).

The basic objective of the study is to examine the present practice of management accounting tools and its effects on organizational performance in Nepalese manufacturing companies and to identify the area where management tools could be applied to strengthen the company. This chapter presents the analysis and interpretation of data.

To meet the objectives, all manufacturing companies having head office in Kathmandu valley which are in operation, are taken as population. Among them questions were distributed to four companies. Besides questionnaire, discussions were also made with general manager, finance in chief and account in-chief of the companies. To get more information about the present practice of management accounting tools, views of managers, accountants and finance in-chief are also included in this chapter.

Raw data were properly processed, tabulated and analyzed. They were presented in to tables. Tables were developed on the basis of question asked.

Table 4.1

Practitioner of Management Accounting Tools and Technique in the Nepalese Manufacturing Companies

S.N	Tools	Number of respondents	No of practitioner	Percentage
1.	Cost segregation into fixed and variable	4	3	75
2.	Break even analysis	4	3	75
3.	Standard costing	4	4	100
4.	Long term budgeting	4	-	-
5.	Short term budgeting	4	2	50
6.	Responsibility accounting	4	-	-
7.	Capital budgeting	4	2	50
8.	Ratio analysis	4	3	75
9.	Cash flow statement	4	4	100
10.	Activity based budgeting	4	1	25

Source: Field survey, 2018

Table 4.1 shows the practice of management accounting tools in manufacturing companies in Nepal. According to the above table, 75% of manufacturing companies are practicing cost segregation into fixed and variable, break even analysis and ratio analysis technique. 100% manufacturing companies were practicing standard costing and cash flow technique. None of the companies are practicing long term budgeting and responsibility accounting and only 25% manufacturing companies were practicing new management accounting tools i.e. activity based budgeting. The main reason behind not practicing these new management accounting tools arelack of skilled manpower and lack of resources. Different management accountings are needed to carry out for planning, controlling and decision making process. Almost more than 50% of manufacturing companies are practicing cost segregation into fixed and variable, breakeven analysis, short-term budgeting, capital budgeting, standard costing, cash flow and ratio analysis. It was found that standard costing and cash flow were mostly practiced than others. It was found that annual budget was practiced by all company.

Table 4.2

Budget Practiced by Nepalese Manufacturing Companies

S.N	Tools	No of practitioner	Percentage
1.	Cash budget only	1	25
2.	Operation budget	1	25
3.	Overall master budget	2	50
	Total	4	100

Source: Field survey, 2018

From the table 4.2, it was found that 50% of the manufacturing companies practiced overall master budget and 25% manufacturing companies are practiced cash budget and operation budget for operating activities. So it can be said that overall master budget was mostly practice tools in Nepalese manufacturing companies.

Table4.3

Practicing for Issuing the Inventory by Nepalese Manufacturing Companies

S.N	Methods	No of practitioner	Percentage
1.	Last in first out (LIFO)	-	-
2.	First in first out (FIFO)	3	75
3.	Weighted average	1	25
4.	Specific items	-	-
	Total	4	100

Source: Field survey, 2018

From the table 4.3 it is clear that majority of manufacturing companies (75%) practiced FIFO method for the issue of inventory while, 25% used weighted average for the issue of inventory. Hence, FIFO method was widely practiced method for issuing inventory.

Table 4.4

Practice of Pricing Decision by Nepalese Manufacturing companies

S.N.	Tools	No of practitioners	Percentage
1.	Cost plus pricing	2	50
2.	Target return pricing	1	25
3.	Going rate pricing	1	25
4.	Break even pricing	-	-
	Total	4	100

Source: Field survey, 2018

Table 4.4 shows the techniques practiced by Nepalese manufacturing companies for pricing the product. From table it is clear that 50% of the companies practicing cost plus pricing. There after they follow going rate pricing and target return pricing for the product. Therefore, from the table it is claimed that cost plus pricing technique is widely used by Nepalese manufacturing companies. The reason behind that most of the manufacturing companies is established for profit maximize and cost plus pricing give profit.

Table 4.5

Tools Practiced by Nepalese Manufacturing Companies for Measuring and Controlling the Overall Performance

S.N.	Tools	No of practitioners	Percentage
1.	Profit or loss made by the company	3	75
2.	Budgetary costing	1	25
3.	Standard costing	-	-
4.	Break-even point	-	-
	Total	4	100

Source: Field survey, 2018

Table 4.5 shows the tools practiced by Nepalese manufacturing companies for measuring and controlling the overall performance. 75% of the manufacturing companies used profit or loss made as a basis while, 25% of the companies practiced budgetary costing.

Table 4.6

Practice of Joint Cost Allocation in the Nepalese Manufacturing Companies

S.N.	Tools	No of practitioner	Percentage
1.	Unit or production method	1	25
2.	Sales value method	2	50
3.	Negotiated basis	1	25
	Total	4	100

Source: Field survey, 2018

Table 4.6 shows 25% of manufacturing companies are practiced joint cost allocation a unit or production method and negotiated basis respectively. 50% of the companies practiced sales value method for allocating joint cost.

Table 4.7

Transfer Price Practiced by Nepalese Manufacturing Companies

S.N.	Technique	No of practitioner	Percentage
1.	Market price based	1	25
2.	Cost based	3	75
3.	Negotiated	-	-
	Total	4	100

Source: Field survey, 2018

From the table 4.7 it is clear that 75 % of manufacturing companies practiced cost base transfer pricing, 25% practiced market base transfer pricing. None of the companies practiced negotiated base transfer pricing. From the table it is found that cost based transfer pricing technique is widely used by Nepalese manufacturing companies. The reason behind that practice of cost based transfer pricing is that it is based on real cost rather than market price based and negotiated technique.

Table 4.8

Practice of Decision Making and Control Process in Nepalese Manufacturing

S.N	Techniques	No of practitioner	Percentage
1.	Control before work has to be start	1	25
2.	Control during the work period	2	75
3.	Control after finish the work	1	25
		4	100

Source: Field survey, 2018

From the table 4.8, control during the work period (75%) is most practiced techniques for decision-making and control process in manufacturing in Nepalese manufacturing firm. There after they followed control before work and control after finished the work (25%) respectively.The reason behind practice of decision-making and control process during the work period is that it help to correct wrong decision, help to follow right way while making decision.

Table 4.9

Cost and Revenue Estimation Practiced by Nepalese Manufacturing Companies

S.N.	Techniques	No of practitioner	Percentage
1.	Past trend analysis	3	75
2.	Engineering analysis	-	-
3.	Market survey	-	-
4.	Judgmental analysis	1	25
	Total	4	100

Source: Field survey, 2018

As regard to cost and revenue estimation practice of Nepalese manufacturing firm 75% of the manufacturing companies practiced trend analysis and 25 % practiced market survey. No one company has practiced engineering analysis and internal of management for their cost and revenue estimation purpose. Because engineering analysis and judgmental analysis techniques are difficult to adopt and not suitable for manufacturing companies rather these are suitable and relevant for public enterprises.

Table 4.10

Problem Faced by Manufacturing Companies in Decision Making

S.N.	Problem	Companies view	Percentage
1.	Lack of knowledge	-	-
2.	Undefined objectives	-	-
3.	Infrastructure facilities	1	25
4.	lack of skilled manpower	3	75
	Total	4	100

Source: Field survey, 2018

Regarding the present problem faced by Nepalese manufacturing companies in decision making process majority of them (75%) face the problem of skilled manpower followed by undefined objectives (25%). They denied lack of knowledge and infrastructure facilities in decision making process. It was found that majority of Nepalese manufacturing companies faced the problems of skilled manpower in decision making process because there is lack of qualified and technical expert in Nepalese manufacturing companies.

Table 4.11

Area Where Management Accounting Tools is Effective in Practice to Make Strength of the Companies

S.N.	Area	Companies view	Percentage
1.	Production area	2	50
2.	Marketing area	1	25
3.	Financial area	1	25
	Total	4	100

Source: Field survey, 2018

Table 4.11 shows the area where management accounting tools is effective in practice to make strength of the companies. The response in production area (50%) followed by marketing area (25%) and financial area (25%) respectively. It was found that majority of the company practice accounting tools in production area to make strength of the company.

Table 4.12

Difficulties for Implementing Management Accounting Tools in Nepalese Manufacturing Companies

S.N.	Problem	Companies view	Percentage
1.	Manpower problem	1	25
2.	Financial problem	-	-
3.	Technical problem	2	50
4.	Lack of proper policy	1	25
	Total	4	100

Source: Field survey, 2018

As regard to difficulties for implementing management accounting tools in Nepalese manufacturing companies majority of companies (50%) faced technical problem, 25% faced manpower problem and 25% faced lack of proper policy. Hence technical problem is the great issues for not implementing management accounting tools in Nepalese manufacturing companies.

4.2 Descriptive Analysis

The respondents company were asked to rate the usage of costing, budgeting, controlling and decision making management accounting practices in their company. The ranking ranged from 1 to 5. 25 questions are used in five point likert scale questionnaire and each question ranging from "strongly disagree" to "strongly agree", coded by one is "strongly disagree", 2 representing "disagree", 3 representing "neutral", 4 representing "agree" and 5 representing strongly "disagree".

Table 4.13

Descriptive Statistics of Budgeting and Planning

Code		N	Mean	Std. Deviation
BP 1	Maximize profit	4	4.25	.500
BP 2	Efficiency in work place	4	4.75	.500
BP 3	Maintain corporate governance	4	4.00	1.155
BP4	Investment decision	4	4.50	.577
BP 5	Control economic activities	4	3.75	1.258
	Overall mean and SD		4.25	0.798

Source: Primary data, SPSS output

Table 4.13 shows descriptive statistics of an individual itemsand as a whole of budgeting and planning sub-factor. There are five statements are used to measure the variables. Each of 4 respondents submitted their responses in the five point likert scale. Where, 1 for strongly disagree, 2 for disagree, 3for neutral, 4 for agree and 5 for strongly agree. The table shows that item have been mean value of BP1 has 4.25, BP2 has 4.75, BP3 has 4, BP4 has 4.5 and BP 5 has 3.75. The responses are positive due to higher mean value than 3 or neutral.

The overall mean of budgeting and planning practices is 4.25, which is greater than 3, with standard deviation of 0.798. This shows that organizational performance could be achieve through effective budgeting and planning.

Table 4.14

Descriptive Statistics of costing

Code		N	Mean	Std. Deviation
C1	Identify cost	4	3.25	1.708
C2	Control wastage loss of material	4	3.00	1.155
C3	Ascertain the profitability	4	4.50	.577
C4	Predict cost and revenue	4	3.25	.957
C5	Provide reliable information data	4	3.00	1.826
	Overall mean and SD	4	3.4	1.24

Source: primary data, SPSS output

Table 4.14 shows descriptive statistics of anindividual items and as a whole of costing systems sub-factor. There are five statements are used to measure the variables. Each of 4 respondents submitted their responses in the five point likert scale. Where, 1 for strongly disagree, 2 for disagree, 3for neutral, 4 for agree and 5 for strongly agree. The table shows that item have been mean value of C1 has 3.25, C 2 has 3, C3 has 4.5, C4 has 3.25 and C 5 has 3. The responses are positive due to higher mean value than 3 or neutral.

The overall mean of costing practices is 3.4, which is greater than 3, with standard deviation 1.24. This shows that organizational performance could be achieve through effective costing systems.

Table 4.15

Descriptive Statistics of controlling and reporting

Code		N	Mean	Std. Deviation
CR1	Maximize profit to Control cost	4	4.75	.500
CR2	Adjust changes In environment	4	2.50	1.291
CR3	Utilization of budget	4	4.25	.500
CR4	To grow business activities	4	2.50	1.732
CR5	Monitoring activities feedback	4	4.00	1.155
	Overall mean and SD	4	3.6	1.04

Source: Primary data, SPSS output

Table 4.15 shows descriptive statistics of an individual items and as a whole of controlling and repotting sub-factor. There are five statements are used to measure the variables. Each of 4 respondents submitted their responses in the five point likert scale. Where, 1 for strongly disagree, 2 for disagree, 3for neutral, 4 for agree and 5 for strongly agree. The table shows that item have been mean value of CR1 has 4.75, CR 2 has 2.5, C3 has 4.25, C4 has 2.5 and C 5 has 4. The responses are positive due to higher mean value than 3 or neutral.

The overall mean of controlling and reporting practices is 3.6, which is greater than 3, with standard deviation 1.04. This shows that organizational performance could be achieve through controlling and reporting technique.

Table 4.16

Descriptive Statistics of decision making

Code		N	Mean	Std. Deviation
DM1	Minimize cost maximize profit	4	3.25	2.062
DM2	Optimal use of resources	4	4.50	.577
DM3	Effectiveness and efficiency	4	3.50	1.732
DM4	Develop optimal product mix	4	2.75	.467
DM5	Motivates stakeholders	4	3.00	.589
	Overall mean and SD	4	3.4	1.09

Source: primary data, SPSS

Table 4.16 shows descriptive statistics of an individual items and as a whole of decision-making sub-factor. There are five statements are used to measure the variables. Each of 4 respondents submitted their responses in the five point likert scale. Where, 1 for strongly disagree, 2 for disagree, 3for neutral, 4 for agree and 5 for strongly agree. The table shows that item have been mean value of DM1 has 3.25, DM 2 has 4.5, DM3 has 3.5, DM4 has 2.75 and DM5 has 3. The responses are positive due to higher mean value than 3 or neutral.

The overall mean of decision making practices is 3.4, which is greater than 3, with standard deviation 1.09. This shows that organizational performance could be achieve through effective decision making.

4.3 Correlations Analysis

Correlation is defined as a statistical measure which is used to study the degree of relationship between two or more variables (Yadav and Acharya, 2013). If the variables under study are only two, then the correlation is said to be simple correlation. If the variables under the study are two or more, then the correlation is said to be multiple correlation.

Table 4.17

Correlations

		Organizational performance
Organizational performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	4
Budgeting and Planning	Pearson Correlation	.136
	Sig. (2-tailed)	.864
	N	4
Costing	Pearson Correlation	.277
	Sig. (2-tailed)	.723
	N	4
Controlling and reporting	Pearson Correlation	.091
	Sig. (2-tailed)	.909
	N	4
Decision making	Pearson Correlation	.472
	Sig. (2-tailed)	.528
	N	4

Source: SPSS output

Table 4.17 shows that the multiple correlation between management accounting tools and organizational performance. There are four variables are used to measure the correlation. To find out the correlation five point likert scale has been used. From the table it is found that there is positive relationship between management accounting tools and performance of manufacturing companies.

4.4 Regression Analysis

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

The researcher conducted a multiple regression analysis so as to test relationship among variables (independent) on the organizational performance of manufacturing companies in Nepal.The researcher applied the statistical package for social science to code, enter and compute the measurements of the multiple regressions for the study. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (organizational performance of manufacturing companies in Nepal) that is explained by al the five independent variables (budgeting and planning, costing, controlling and decision making).

The study adopted multiple regression guided by the following model:

Multiple regression model B4x4

$Y= a+B1X1+B2x2+B3X3+B4X4+ei$

Where,

Y= organizational performance

X1= budgeting and planning, X2= costing systems, X3= controlling and reporting,
X4= decision making

a= constant

Bi= coefficient of slope of regression model

ei= error term

where, A is constant, B is regression coefficient. A measure of change Y per unit change in X. if 1 unit increases in economic aspect, the competitiveness will also increase. This is presented the table 4.17.

Table 4.17 shows the regression model summary results where R square, adjusted R square and standard error of estimate are presented.

Table 4.18

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891	.794	.642	3.31805

a. Predictors: (Constant), Decision making, Controlling and reporting, Costing

Source: primary data, SPSS

The results in table 4.18 indicate that the management accounting practices had a joint significant effects on organizational performance of manufacturing companies in Nepal as shown by r value of 0.891. The R squared of .794 shows that the independent variables accounted for 79.4 % of the variance on organizational performance of manufacturing companies in Nepal.

Table 4.18 shows the ANOVA results which explain the model fit through the F statistic and the probability of F-static.

Table 4.19

ANOVA[a]

Model		Sum of Squares	DF	Mean Square	F	Sig.
	Regression	124.469	12	24.894	2.001.	.018[b]
1	Residual	220.189	15	11.009		
	Total	344.657	37			

a. Dependent Variable: Organizational performance
b. Predictors: (Constant), Decision making, Controlling and reporting, Costing and budgeting and planning

Source: SPSS output

The results in table 4.19 show that the f static was 2.001. At 5% level of confidence, the F-static was significant. In this case, all the predictor variables (budgeting and planning, costing, controlling and reporting, decision making) explain a variation in organizational performance and that the overall model is significant.

Table 4.19 shows the coefficient results for the model variables, the t-values of each of the independent variables as well as the significance.

Table 4.20

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.706	.229		.670	.018
	Costing	.556	.018	.441	.787	.007
	Controlling and reporting	.601	.025	.321	.801	.016
	Decision making	.599	.044	.245	.591	.015
	budgeting and planning	.679	.089	.361	.4914	.000

a. Dependent Variable: Organizational performance

Source: SPSS output

From the findings in the above table the study found that holding costing, budgeting and planning, controlling and reporting, and decision making constant organizational performance will be 0.706, the study also found that a unit increase in costing practices will cause a .556 increase in organizational performance, further it was established by the study that a unit in controlling and reporting practices will lead to an increase in organizational performance by 0.601, it was also found that a unit increase in decision making practices will lead to an increase in organizational performance by a factor of 0.599, it was further found by the study that a unit increase in budgeting and planning practices will lead to an increase organizational performance by a factor of 0.679.

4.5 Major Findings of the Study

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

a) Regarding thepractices of management accounting tools in Nepalese manufacturing companies, all of the manufacturing companies made study were practicing standard costing and cash flow. Large number of manufacturing company practice cost segregation into fixed and variable, break even analysis, short term budgeting, ratio analysis, capital budgeting. None of them practicing responsibility accounting and long-term budgeting techniques. Only 25 % of the manufacturing companies were practicing activity based budgeting. The reason behind not practicing these new management accounting tools are lack of manpower, knowledge and resources. Previous research also conducted in the same topic of Libyan manufacturing companies which was done by Nassr Saleh Mohamad Ahmad (2014). This research shows that Libyan manufacturing companies are also rely heavily on traditional management accounting techniques, while the adoption rates of new development practices are rather low and slow.
b) As regards to the type of budget they use, 50% of the manufacturing companies practiced the overall master budget, 25% practice cash budget only and also 25% practiced operation budget for operating activities. This research is contradictory with Egyptian research work that was conducted by Adbel Al (2011). His research shows most of manufacturing companies are practiced cash budget and followed by master budget and operation budget respectively.
c) Regarding the tools practiced by the Nepalese manufacturing companies for measuring and controlling their overall performance. 75% of the manufacturing companies measure their performance on the basis of profit or loss made by the company during the year while 25% of companies use budgetary costing for measuring the overall performance. The previousresearch shows the 60% of manufacturing firm measure and control their performance on the basis of profit or loss and 26% use standard costing and 7% use budgetary costing this also shows the consistency between previous research and current research.
d) Regarding the joint cost allocation tools practiced by Nepalese manufacturing companies, 25 % of companies practiced joint cost allocation a unit or production

basis and 50% of companies follows sales value methods and 25% of companies have their own methods for joint cost allocation such as negotiation basis.

e) Regarding the decision making and control process followed by Nepalese manufacturing companies, 75% of the companies practiced control during the work period and 25% practiced cost before work has to be started and control after the finish work respectively.

f) Regarding the present problem faced by Nepalese manufacturing companies in decision making process, it is clear that 25% companies face the problem of infrastructure facilities and 75% of the companies the lack of skilled manpower in decision making process.

g) The study shows that the management accounting practices have a joint significant (79.4%) effect on the organizational performance of manufacturing companies in Nepal. At 5% level of confidence, the F-static was significant. The sum of squares also confirms that the regression model explained less than the residual. This research is also consistency with Kenya research work was done by Peter Mwangi Gichaaga (2013). His research work reveals that same there is joint significant effects of management accounting techniques on financial performance of manufacturing companies in Kenya.

h) The study also revealed that holding costing, budgeting and planning, controlling, and decision making constant organizational performance will be 0.706. it is also found that decision making practices has the greatest impact on organizational performance of manufacturing companies in Nepal followed by costing, budgeting and controlling and reporting respectively.

i) Regarding the organizational performance of manufacturing firm budgeting and planning tools shows the highest mean value than neutral value i.e. 4.25 with standard deviation 0.798. it shows that there is a positive impact of budgeting and planning on organizational performance of Nepalese manufacturing companies. Other technique has also shows the greatest mean with low standard deviation. So it is found that there is a positive impact of management accounting tools and technique on performance of manufacturing companies in Nepal.

j) The study also shows that the one percent changes in management accounting tools theyeffects 89.1 percent on organizational performance of manufacturing companies in Nepal.

k) Results indicates that Nepalese manufacturing companies rely heavily on traditional management accounting practices, while adoption rates of recently developed or advance practices are rather low and slow. The findings are consistent with other similar studies in transitional countries like, Libya, Kenya and Egyptian manufacturing companies. The research work of Egyptian manufacturing companies which was conducted by Adebel, Al. (2011) found that Egyptian manufacturing companies are rely heavily on traditional management accounting techniques. Another research of manufacturing companies of Libya was conducted by Nassr Saleh Mohamad Ahamad (2014) also found that Libyan manufacturing companies are also rely heavily on traditional management accounting practices. The research conducted by Peter Mwangi Gichaaga (2013) on the topic of management accounting practices on financial performance of manufacturing firms in Kenya found that manufacturing companies of Kenya is also rely heavily on traditional management accounting practices. All these research work shows that there is joint effects of management accountings tools and techniques on organizational performance of manufacturing firms. So this research is consistent with other transitional countries.

CHAPTER V
CONCLUSION

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 achieve organizational objectives through the efficient use of scare resources. Environment is changing and future is uncertain. Uncertain exists in all business situations 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 carry out 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 management accounting 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 are the management accounting is to help managers in overall managerial activities by providing information and helping in planning, controlling and decision making. This acts as a strategic business paper in support of management role in decision making.

Management accounting primarily concern with data gathering, 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.

Most of cost and management accounting procedures were developed during the nineteenth and first quarter of the twentieth century. They further stated that before world war1 some organizations were trying to develop and use accurate cost accounting systems to trace costs accurately to diverse lines of products. This evidence confirms that even the idea and logic behind activity based costing for designing an accurate costing method is not now.

From the analysis it is found that management accounting tools such as capital budgeting, cash flow and ratio analysis are widely used tools. Whereas the tools like zero based budgeting, activity based costing, target costing are almost nil in the Nepalese manufacturing companies. The reason behind not practicing new management accounting tools are lack of knowledge,lack of proper policy, lack of infrastructure and extra cost burden.

5.2 Conclusion

The general objective of this study is to investigate the impacts of management accounting practice on organizational performance of manufacturing companies in Nepal. This study adopted a descriptive and causal research design.

Nepalese manufacturing 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 practiced by Nepalese manufacturing companies. It shows that gap between theory and practice. Tools like cash budget, ratio analysis, break even analysis, standard costing are practice but application of new tools of management accounting is not practice. New tools and techniques such as activity costing, target costing and engineering have been developed around the global but practice is almost nil. In, Nepalese manufacturing company lack of information, extra cost burden and ignorance about management accounting tools are the main factors causing problem in the application of such tools. Besides this 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.

There is strong relationship between organizational performance and management accounting tools. From the study shows that there is positive impact of management accounting tools on performance of Nepalese manufacturing companies. This study also revealed that Nepalese manufacturing companies does not practice new management accounting tools due to lack of skilled manpower and high cost burden. So, it is concluded that to improve overall performance, Nepalese manufacturing companies should focus new management accounting practices.

5.3 Implications

In an attempt to analyze the different management accounting tools and its impact on organizational performance of the manufacturing firms, thus based on the results and findings obtained from this study, following sets of implications are offered for management of manufacturing firms.

1. This study can be a good implication for manufacturing firm (enterprises) more reliable information of management accounting tools.
2. From the study, it was found that costing, budgeting and planning, controlling and decision making tools has positive relationship to organizational performance. So the firm can do management accounting practices to gain the competitive advantage.
3. Company should pay a special attention to use their management accounting tools, where there is needed to make improvement of the performance.
4. Companyshould use management accounting tools as essential to achieve the success of the company and their goal.
5. The study can be useful for company to know the management accounting tools and their behavior in performance of the firms.
6. The study found that the new management accounting tools is helpful to improve the firm's performance.
7. While examine the tools practiced by Nepalese manufacturing companies it was found that capital budgeting, cash flow, ratio analysis, standard costing and break even analysis were most practiced the activity Based Budgeting, responsibility accounting were less used or unused tools in Nepalese manufacturing companies . So, academicians should put effort to bring the new techniques and tools in this light.
8. No one company has separate management accounting department and nowhere in the companies can find management accounting expert till now so training institute should be developed to produce such manpower. The information about the new and advance techniques should be conveyed.
9. For the expansion of manufacturing business towards country, management should apply management accounting tools and techniques effectively and efficiently within the companies.

10. Manufacturing companies of Nepal should use different MA tools and apply it in different areas according to the nature of tools. For example budgeting, decision making, capital budgeting, cost estimation, cost classification and allocation can apply for planning. Similarly standard costing, budgetary control, cash flow statement, flexing budgeting and responsibility accounting can be used for controlling. If management apply right tools in right place, then the company can achieve more benefit in near future.
11. To measure and control the overall performance, the company should also practice the standard costing and activity base costing. They should not avoid the application of the MA tools also.
12. While preparing budget, there should be coordination between finance department, planning department and budget committee. If necessary, the outside expert should be hired by the company.

5.4 Recommendations for Future Researchers

On the basis of this research, it may be appropriate to give the recommendations which are important to future researcher. This research may also useful to the manufacturing companies to improve their future performance. The major recommendations are as follows:

1. For other companies like non manufacturing companies, banks and other financial institutions this research might be guideline to do research about the current practices of management accounting tools and that effect on performance of the companies.
2. The findings of this research may be useful to other researcher to complete his research work about management accounting practices.
3. This research work has only considered four independent variables. Further researcher can be conducted considering more factors.
4. Through this research work further researcher can be done his research about why manufacturing companies not adopting newly developed management accounting tools.
5. Large scale, valid sample can be used for more reliable and valid research for further research.

6. While the present study focuses on simple issues of management accounting practices, it would be more beneficial to apply other more issues of management accounting in different area.
7. Nepalese manufacturing companies should prepare not only short-term budget but also long-term budget. So that the company easily do the future work withoutany financialcrisis.Besides past budget estimates, the company should follow zero based budget and activity based budget because past budget estimation may not be effective for the future work.
8. Finally, the dependence between traditional and new management accounting techniques needs further investigation.

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APPENDIXES I

QUESTIONAIRES

Dear respondent,

This questionnaire is intended to provide information for a study that leads to thesis of the master degree of business studies of Tribhuvan University. It is meant to assess the "management accounting practices and performance of manufacturing firm in Nepal.

You have been selected to participate in this research study by providing information and are kindly requested to complete the questionnaire, as honestly as possible.

NOTE: the information that you will provide is only for the purpose of this study and will be treated as confidential.

Sabin Tamang

M.B.S. fourth semester

Kirtipur, Kathmandu

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

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

Management accounting tools	practices Yes	No
a. Cost segregation in fixed and variable	☐	☐
b. Break even analysis	☐	☐
c. Standard costing	☐	☐
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. If your company has not practiced any of the above mentioned tools, what might be the reason?

   a) High cost/quite expensive
   b) Lack of experience
   c) Not necessary
   d) If other, please specify……………………………………….

3. What technique do the company practice to segregate the mixed cost into variable and fixed?

   a) High-low point method
   b) Regression method
   c) Average method
   d) Analysis method
   e) If other, please specify…………………………………………………………………….

4. While making investment decision which of the following basis does your company 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.

5. What type of budget does your company practice?

   a. Cash budget
   b. Operational budget
   c. Overall master budget
   d. If other, please specify……………………………………………………………………

6. How does the company measure and controls the overall performance at the end of the accounting period?

   a. Profit or loss made by the company
   b. Budgetary measure and control
   c. Standard costing techniques
   d. Break even analysis

7. 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

8. Which technique does the company follow to allocate joint cost?

   a. Sales value method
   b. Negotiation basis
   c. If other, please specify…………………………………………………………

9. Which transfer pricing technique is practiced in your company?

   a. Market-price based
   b. Cost based
   c. Negotiated
   d. Other’s

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

    a. Control before work has to be start.
    b. Control during the work period.
    c. Control after finished the work.

11. Which method does the company is following for pricing the issue of inventory in your company?

    a) LIFO
    b) FIFO
    c) Weighted average
    d) Specific items
    e) If other, please specify……………………………………..

12. Which of the following managerial accounting decision techniques are practicing in your company for such type of decision making process?

    a) Make or buy component
    b) Lease or purchase the fixed assets
    c) Sell now or further process
    d) Special offer decision
    e) If other, please specify……………………………………………

13. Which technique does the company is practicing to forecast/estimate the costs and revenues of the company for the future period?

a) Past trend analysis
b) Engineering analysis
c) Market survey
d) Internal of management
e) If other, please specify……………..

14. 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

15. In decision making process what types of problem frequently faced by your company?

a. Lack of knowledge
b. Undefined objectives
c. Infrastructure
d. Skills of manpower

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

a. Production area
b. Marketing area
c. Financial area
d. If other, please specify……………………………………………..

17. What are the major difficulties in applying management accounting tools in Nepalese manufacturing companies?

a. Manpower problem
b. Financial problem
c. Infrastructure
d. Unified objectives

18. What benefit can be achieved after applying management accounting tools and techniques in your company?

   a) ………………………………………………………………………………………… ………………….

   b) ………………………………………………………………………………………… ….................

   c) ………………………………………………………………………………………… ………………….

Date ………………………….

Signature …………………..

Designation of respondent ………………………………..

19. Following are the statements related with (a) Budgeting & Planning (b) Costing (c) Controlling & reporting (d) Decision making and (e) Organizational performance. Please read each of the following statements and put a tick [√] mark that comes close to your opinion.		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
(a) Budgeting and Planning						
i.	Proper budgeting and planning helps to maximize the profit and minimize the risk and uncertainly.					
ii.	Efficiency in workplace can be made by proper budgeting & 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 optimal 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 product, 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					

	minimized 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 activating 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.					
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) Organizational performance						
i.	Management accounting system has help to increase the productivity.					
ii.	Management accounting system has helped to increase quality and profitability					
iii.	Management accounting system has helped to increase efficiency.					
iv.	Management accounting system has helped to motivate and monitor people in organization.					
v.	Management accounting system has helped to take competitive advantage over competitors.					

APPENDIXES II

Table 4.1

Descriptive Statistics of Budgeting and Planning

Code		N	Mean	Std. Deviation
BP 1	Maximize profit	4	4.25	.500
BP 2	Efficiency in work place	4	4.75	.500
BP 3	Maintain corporate governance	4	4.00	1.155
BP4	Investment decision	4	4.50	.577
BP 5	Control economic activities	4	3.75	1.258
	Overall mean and SD		4.25	0.798

Source: Primary data, SPSS output

Table 4.2

Descriptive Statistics of costing

Code		N	Mean	Std. Deviation
C1	Identify cost	4	3.25	1.708
C2	Control wastage loss of material	4	3.00	1.155
C3	Ascertain the profitability	4	4.50	.577
C4	Predict cost and revenue	4	3.25	.957
C5	Provide reliable information data	4	3.00	1.826
	Overall mean and SD	4	3.4	1.24

Source: primary data, SPSS output

Table 4.3

Descriptive Statistics of controlling and reporting

Code		N	Mean	Std. Deviation
CR1	Maximize profit to Control cost	4	4.75	.500
CR2	Adjust changes In environment	4	2.50	1.291
CR3	Utilization of budget	4	4.25	.500
CR4	To grow business activities	4	2.50	1.732
CR5	Monitoring activities feedback	4	4.00	1.155
	Overall mean and SD	4	3.6	1.04

Source: Primary data, SPSS output

Table 4.4

Descriptive Statistics of decision making

Code		N	Mean	Std. Deviation
DM1	Minimize cost maximize profit	4	3.25	2.062
DM2	Optimal use of resources	4	4.50	.577
DM3	Effectiveness and efficiency	4	3.50	1.732
DM4	Develop optimal product mix	4	2.75	.467
DM5	Motivates stakeholders	4	3.00	.589
	Overall mean and SD	4	3.4	1.09

Source: primary data, SPSS

Table 4.5

Correlations

		Organizational performance	Budgeting and Planning	Costing	Controlling and reporting	Decision making
Organizational performance	Pearson Correlation	1	.136	.277	-.091	.472
	Sig. (2-tailed)		.864	.723	.909	.528
	N	4	4	4	4	4
Budgeting and Planning	Pearson Correlation	.136	1	.911	.701	.202
	Sig. (2-tailed)	.864		.089	.299	.798
	N	4	4	4	4	4
Costing	Pearson Correlation	.277	.911	1	.345	.587
	Sig. (2-tailed)	.723	.089		.655	.413
	N	4	4	4	4	4
Controlling and reporting	Pearson Correlation	-.091	.701	.345	1	-.542
	Sig. (2-tailed)	.909	.299	.655		.458
	N	4	4	4	4	4
Decision making	Pearson Correlation	.472	.202	.587	-.542	1
	Sig. (2-tailed)	.528	.798	.413	.458	
	N	4	4	4	4	4

Source: SPSS output

Table 4.6

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891	.794	.642	3.31805

a. Predictors: (Constant), Decision making, Controlling and reporting, Costing

Table 4.7

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	124.469	12	24.894	2.001.	.018[b]
	Residual	220.189	15	11.009		
	Total	344.657	37			

a. Dependent Variable: Organizational performance

b. Predictors: (Constant), Decision making, Controlling and reporting, Costing and budgeting and planning

Source: SPSS output\

Table 4.8

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.706	.229		.670	.018
	Costing	.556	.018	.441	.787	.007
	Controlling and reporting	.601	.025	.321	.801	.016
	Decision making	.599	.044	.245	.591	.015
	budgeting and planning	.679	.089	.361	.4914	.000

a. Dependent Variable: Organizational performance

Source: SPSS output

Table 4.9

Correlations

		Organizational performance	Budgeting and Planning	Costing	Controlling and reporting	Decision
Organizational performance	Pearson Correlation	1	.136	.277	-.091	.472
	Sig. (2-tailed)		.864	.723	.909	.528
	N	4	4	4	4	4
Budgeting and Planning	Pearson Correlation	.136	1	.911	.701	.202
	Sig. (2-tailed)	.864		.089	.299	.798
	N	4	4	4	4	4
Costing	Pearson Correlation	.277	.911	1	.345	.587
	Sig. (2-tailed)	.723	.089		.655	.413
	N	4	4	4	4	4
Controlling and reporting	Pearson Correlation	-.091	.701	.345	1	-.542
	Sig. (2-tailed)	.909	.299	.655		.458
	N	4	4	4	4	4
Decision making	Pearson Correlation	.472	.202	.587	-.542	1
	Sig. (2-tailed)	.528	.798	.413	.458	
	N	4	4	4	4	4