

CHAPTER I

INTRODUCTION

1.1 Background

Management accounting is distinguished to be a very valuable accounting resource that extensively helps organizations incorporate cost accounting data, financial and nonfinancial information. According to Ballada (2012) management accounting deals with provision of information to managers, those who are inside the organization and mostly direct and control the operations of the organization. Hilton and Platt (2011) stated that management accounting is the process of identifying, measuring, analyzing, interpreting and communicating information in pursuit of organization's goals. Management accounting is integral part of management process. 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 (MA) 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). MA also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies and tax authorities (Smith, 2014).

MA measures analyzes, and reports financial and non financial information that helps managers make decisions to fulfill the goals of an organization. Managers use MA information to develop, communicate implement strategy. They also use

MA information to coordinate product design, production and marketing decisions to evaluate performance (Horngren and Datar, 2013). 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 MA (Gautam and Bhattarai, 2014).

Hilton and Platt (2011) also stated that management accountants are important strategic partners in an organization's domestic and international management teams. Horngren et al. (2013) explained that management accounting helps managers to measure, analyze and report financial and nonfinancial information in making decisions to fulfill the goals of an organization. Garrison, Noreen and Brewer (2011) placed an emphasis as to what extent management accounting information can help managers to perform their functions. This include assisting firms in decision making, planning for the future, controlling and problem-solving. Nandan (2010) argued that both large and small firms require adequate and sophisticated management accounting techniques and systems to better manage scarce resources and enhance the firm's values. This led to an increasing shift in focus from traditional to modern management accounting techniques in order to fulfill this emerging need for management accounting as an aid to strategic decisions-making.

MA 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. Conventional MAPs were geared towards providing information to aid managers in internal decision making in a firm and as such the focus of the MA systems has also tended to be internally orientated. In the late 1980s, scholars and academics particularly (Johnson and Kaplan,) noticed that the traditional MA was not adjusting to changes in the modern business environment hence was fall short of its basic function as an aid to managers in formulating policies and decision making. It is to fulfill the need to enhance the quality of MA information for managers it was necessary to focus more widely on the external environment of the firm and thus the concept of strategic MA developed.

1.1.1 Management Accounting Practices

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

MA provides information from its environment to management to facilitate decision-making. Good MA information has three attributes: Technical-it enhances the understanding of the phenomena measured and provides relevant information for strategic decisions, Behavioral-it encourages actions that are consistent with an organization's strategic objectives, and Cultural-it supports and/or creates a set of shared cultural values, beliefs, and mindsets in an organization and society (McWatters, 2001). In order to remain competitive in today's global market, business must continually improve. Good MAPs help the organization to improve continually. Due to these all over the world there are so many MA tools & techniques developed and practiced.

1.1.2 Manufacturing Companies in Nepal

The manufacturing companies in Nepal players fall in the following categories as represented in the Nepal association of manufacture's listings; food and beverages processing, Paper and paper board, Wood products Pharmaceutical and medical equipment, Leather products, Chemical and allied, Textiles, Tobacco, Plastics and rubber. Nepal is a favorite destination for investors willing to put their money in manufacturing sector, productive agricultural sector and hence a dependable source of raw materials for agro-based manufacturing, a fairly versatile financial services sector, bankable telecommunications and proximity to port facilities. A wide range of opportunities for direct and joint venture investments exist in the manufacturing sector including processing, manufacture of garments, assembly of automotive components, electronics, plastics, chemicals, pharmaceuticals, metal engineering products for both domestic and export markets.

Manufacturing firms' range of products cut across the socio-economic range. In the pursuit of improved performance manufacturing firms are turning towards management accounting practices. These manufacturing firms employ management accounting practices to plan, direct and control operational costs in order to enhance profitability. It is for this reason that the current study seeks to investigate the effects of managerial accounting practices on the organizational performance of manufacturing firms in industrial Area Nepal. This study sought to investigate the effects of management accounting practices on organizational performance of manufacturing firms with a focus on manufacturing firms in Nepal.

1.2 Statement of the Problems

Nepal's manufacturing sector 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 MA tools to help management in its functions, planning, directing, controlling and area of specialization included with the bounds of MA.

Profit is major factor for every manufacturing company. Manufacturing company try to maximize profit. To maximize the profit MA tools helps to every companies. Lack of information, extra cost burden, and cognizance about MA tools are the main factors causing problem in the application MA 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 MA tools. Nepalese manufacturing sector is infant stage in practicing MA tools, which are indispensable for the success of business, so there is lack of separate MA 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. Hence the business complexity can be changed into opportunity by using various tools and techniques of MA (Tamang, 2014). This study seeks to answer the following research questions:

1. What are the MA practices in Nepalese manufacturing companies?
2. Is there any effects between MAPs and organizational performance in Nepalese manufacturing firms?

1.3 Purpose of the study

The general purpose of this study is to explore the MAPs and examine the extent to which the level of adoption affects the performance of manufacturing firm in the Nepal. More specifically this study proposes following objectives:

1. To examine the present practice of MA in Nepalese manufacturing firms.
2. To examine the impact of MAPs on performance of manufacturing firms in Nepal.

1.4 Significance of the study:

MA 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 MAPs use by Nepalese manufacturing companies. Besides this study adds onto the theory of MA in developing countries by focusing on the practices of manufacturing companies in Nepal. The study show whether the manufacturing companies still prefer the traditional practices and the describe different methods and types of MAPs used by Nepalese manufacturing companies available for them as far as controlling cost are concerned.

Importance to Manufacturing Firms:

The study would show the MAPs that play a part in the financial health of a firm through improving organizational performance. It would also help organizations and competitors become aware of the tools, methods and techniques available to them in a bid to control costs and maximizing profits. The findings of this study would also be invaluable to manufacturing firms in Nepal as they would be able to understand vividly the role that of MAPs play on financial performance. The recommendations given in the study would help the manufacturing firms as well as other sectors in Nepal by equipping them with adequate tools to get the solutions to the problems and challenges posed by the identified aspects. This study also benefit various other companies in Nepal as they understand the methods and tools available for them as far as controlling cost are concerned.

Importance to Academicians and Researchers:

The study would form basis or foundation for further studies and critique to be done by academic scholars interested in pursuing Accounting profession. The documented report of this study would be easily acquired in the library and it would equip the learners with more knowledge and skills on factors that influence the adoption of MAPs. The study would further make a myriad contribution to the literature on adoption of management accounting practices among manufacturing firms in Nepal which would be part of articles that would be useful to researchers who want to further in this study and to other wider stakeholders in academic circles.

Importance to Investors:

The study would enable the investor to consider and analyze whether a company pursue tight cost control policies, perform project appraisal before engaging in a project, have a future plan for the business in terms of market expansions, revenue growth and profitability improvement before making a decision on whether to invest in an organization. By using the study results, the investors in the sector would be in a better position to understand influence of MAPs on organizational performance and be conversant with best solutions in regards to business performance and sustainable profitability.

The Government:

The government would be able to understand the factors that influence the adoption of MAPs among manufacturing firms in Nepal and the extent to which the policies drafted affect manufacturing firms. Additionally, since the study would draw attention to the factors that influence the adoption of MAPs among manufacturing firms, the study would provide useful insights to the government and the policy makers for adaptive and creative strategies which would be consistent with current economic and competitive environmental realities. The government through various stakeholders would facilitate development of operational policies that would ensure rapid growth of the sectors hence immense contribution to the economy as well as job creation opportunity.

1.5 Scope of the study

The focus of this study lay on investigating the effects of management accounting practices on organizational performance of manufacturing firms with a special focus on manufacturing firms in Nepal. The study focused on identifying the MAPs adopted by manufacturing firms in Nepal with a special focus on manufacturing firms in Kathmandu and went deeper to establish how these practices have influenced the organizational performance of the firms.

Conceptually, the study concentrated on the effects of Costing system, budgeting practices, performance evaluation, Controlling and reporting and decision making on the organizational performance of manufacturing firms in Nepal. The

target respondents of the study were the employees and owners of the manufacturing companies.

1.6 Limitations of the Study

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

1. Out of total manufacturing companies in Kathmandu only 4 companies (Herb production and processing co. ltd, Surya Nepal pvt. ltd, Dabur Nepal pvt. ltd, Bottlers Nepal. ltd)out of 220 as convenience sampling.
2. This study only concerned with MA. It doesn't concern other aspect of the company.
3. Lack of Literature Review perspective of Nepalese manufacturing companies in Nepal.
4. 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.
5. This study is focused only in manufacturing companies. So the findings may not applicable for non-manufacturing.

1.7 Organization of the Study

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

Chapter I: Introduction

The introduction chapter deals with the main topic of the study like general background, statement of the problem, objectives of the study, significant of the study,scope of the 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 MA, brief review of MA 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 makes some recommendations to improve performance of manufacturing firms in Nepal and gives suggestions for future study.

Reference and appendix have also been incorporate at the end of this 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 MAPs of manufacturing firms. The following review is the impact of MA practices on organizational performance of manufacturing companies.

This chapter presents a review of literature on MA concepts. The research has drawn materials from several sources which are closely related to the theme and the objectives of the study. The chapter focuses on aspects of MA including costing system, budget practices, controlling and reporting system, performance evaluation and decision making. This is followed by a summary of the literature review.

2.1 Meaning and Definition of Management Accounting

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

The term MAPs has been defined by Ittner and Larcker (2002) as the various methods especially considered for manufacturing firms in order to support the infrastructure and MA processes of the organization. Gichaaga (2014) asserts that MAPs 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 MA techniques to assess their operations. This 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 MAPs 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 management accounting information systems and cost accounting. MAPs provide information to managers and help them to find solution of problems and assess performance. MA as a system of measuring and providing operational and financial information that gives management action, motivates behaviors and supports and creates the cultural values necessary to achieve organizations strategic objectives (Johnson and Kaplan, 2007). MA that is an indispensable part of management function, which is defined as planning, organization, implementation and control of business activities, is 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, MA 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).

2.1.1 A Brief Review of Management Accounting Tools

MA 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 MA to discharge functions like, planning, controlling and organizing can be defined as such:

A. Cost Concept:

According to Harris and Durden, (2012) there are main two types of costing. One is activity base costing (ABC) and the second is inter organizational cost management. Due to the rapid change in the business environments the use of activity based costing, just in time, total quality management tools have been emerged in the organizations. In 1980, ABC concepts emerged in the businesses and in 1990 this concept was used as to control costs in an efficient way. But still ABC is not in rapid used by the organizations of the world (Abdel-Kader & Luther 2008). According to Abdel-Kader and Luther, (2008) the following are the main tools for costing system:

1. Fixed and variable costs
2. Overhead rates on the basis of plant and department
3. Learning curve
4. Cost of quality
5. Target costing
6. Activity based costing

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, Time
- By capital or revenue
- According to planning and control
- For management decision

"In MA with the purpose of manager's in management 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 to production 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"

(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 cost 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) 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)

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 means 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 to identify 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).

b) 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. Budgeting

Budgeting is the very important tool for controlling and forecasting all the activities of the organization. Budgeting includes the rational allocations of organizational resources for achieving the organizational goals and overall objectives. There are a lot of budgeting techniques such as activity based budgeting and activity based costing. The primary objective of budget is to collect all the costs for example material, labor etc within the organization. Activity based budgeting gives us a true and precise picture of the costs allocations in the organization. Budgeting process contains the different sort of budgets like master budget, cash budget etc. Cash budget includes the receipts and payments of cash and opening and ending cash position of the organization, whereas the master budget includes the entire summary of firm's activities.

Budgeting is perceived as an important control system in almost all organizations. The main focus on budgeting has been on uptake rates and the purposes underlying its use. Previous research indicates that the main purposes of budgeting are planning future performance; planning the future financial position; planning future cash flows; planning future day to day operations; and controlling costs; (Abdel-Kader and Luther, 2006)

i. 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).

Budgeting process pushes managers to take time to create strategies, targets and goals before activity begins. Budget preparation helps management focus on the next month or the entire coming year. The budgeting process forces managers to assess current operating conditions and aids in forecasting and implementing needed changes. As Kariuki (2010) argues, budget preparation is also an excellent vehicle

with which to work with all supervised personnel by requesting their managers and their staffs to participate. At the end of a period the budget helps managers evaluate performance, locate problematic areas, bottlenecks and provide solutions to these problems. Conventional budgeting concentrates on expenditures by budget centers under conventional cost headings for example salaries, telephone and travelling expenses. These are sometimes known as line items budgets as there is a line for each expenditure item (Kariuki, 2010).

ii. Budgetary control

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

Short term or one year plans are generally formulated in a set of period budgets. A period budget is a forecast of operating results for a segment or function of a company for specific period of time. In practice, most of the manufacturing companies use period budgets as their budgetary control (Amalokwu & Obiajulum, 2008). They follow several MA tools such as knowledge of responsibility accounting reporting systems, cost behavior patterns, and the use of cost, volume-profit analyses help management project revenues and costs for departments or products. A profit planning in itself is possible only after all cost behavior patterns have been identified.

iii. Budgeting and organizational Performance

Budgeting can support organizational performance management by integrating known organizational outcomes with frequent re-forecasting of the budget and linked to analysis of performance trends. The emergence of scientific management philosophy laid emphasis on detailed information as a basis for taking decisions thus leading to tremendous development of MA and budgeting techniques (Bartle, 2008).

At early stage of development, budgeting was concerned with preparing and presenting credible information to legitimize accountability and to permit correct performance evaluation and consequently, rewards (Hindereth, 2002), However, over the years, the function and focus of budgeting has shifted considerably as business organization became more complex and their environment become dynamic.

F. Control and Reporting

Anthony (1965) defined control is the process of assuring that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives. It is a function that compares achieved results with planned goals. The control function is the process of ordering, evaluating, and providing feedback to the management system of an organization. The environment in which modern organizations operate are becoming more and more complex – more products, more players, and rapidly changing technology and markets. As a result of this complexity, no single individual or group can evolve a solution, which is considered effective. Hence, the need for an integrated system of management control arises (Gyawali, 2005). Control refers to monitoring and evaluation of performance to determine the degree of conformance of actions to plans. Ideally, planning precedes control, which is followed by a feedback corrective action or a feed forward preventive action.

“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)

G. Decision Making

Generally, there is a perception about MA that its information provides the managers for effective decision making. There are a lot of different tools for decision making in which product profitability analysis, cost volume profit etc. Cost volume profit includes the potential change in the revenues, costs and prices of the company (Horngren, et al. 2009). Decision making practices are as follows.

1. Profitability analysis about the product;
2. Break even analysis or cost volume profit analysis;
3. Cash flows;
4. Time value of money and payback period
5. Profitability analysis about the customer;
6. Probability analysis;
7. Some non-financial decision making

There is a general perception that MA provides relevant information for making decisions, both internally or externally and on a long term or short term basis. There are many different tools for making short term decisions such as cost volume profit (CVP) analysis, and customer profitability analysis. Horngren et al. (2009, p.87) defined cost volume profit analysis as a method or tool for measuring potential changes in the company's revenues, costs and prices. CVP analysis is used in manufacturing companies to determine how many units of a particular product must be sold in order to break even. The application of this principle is relatively straight forward with the unit selling price being subtracted from the variable cost per unit to arrive at the contribution margin. The total fixed cost is then divided by the contribution margin in order to arrive at the number of break even units required.

Therefore, this allows managers to see the behavior of the cost prior to making a solid commitment or final decision on a specific order. CVP analysis may also be used by managers when considering if a product should be bought or made. Cost volume profit analysis appears to be a practice that is strongly used by manufacturing companies in the food business. MA can also produce useful

information to make financial management decisions such as payback periods, accounting rate of return and discounted cash flow methods. Most companies used the popular way of measuring return on investment by using the accounting rate of return to calculate the cash flows on major capital projects. However, the use of discounted cash flows and internal rate of return techniques to calculate the cost of capital seems not to be a regular MA practice used by businesses.

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

D) Sales Volume Related Decision

- a) Decision to a Special Order
 - b) Decision to Drop a Product Line
 - c) Decision to Make or Buy
 - d) Decision to Further Process Joint Products

H. Performance Evaluation

Many of the studied have been shown about the adoption of performance evaluation measures by the companies in the world. It includes financial as well as non financial measures but mostly financial measures have been used in the companies.

The following are the major practices of performance evaluation adopted by the companies in the world.

- 1. Financial measures
- 2. Non financial measures that are related to the operation and innovation
- 3. Non financial measures that are related to customers

4. Benchmark of performance evaluation

5. Non financial measures about employee

Emmanuel et al. (1990) noted that performance evaluation was an important function of MA. Performance evaluation provides information for managers to support the achievement of their organization's strategic objectives.(Jusoh and Parnell,2008).

Hall (2008) argued that in recent years organizations have sought to develop more comprehensive performance measurement systems (PMS) to provide managers and employees with information to assist in managing their operations. Hall(2008) also stated popular techniques for delivering a wider set of performance measures are the balanced scorecard and performance hierarchies (Lynch and Cross, 1992). highlighted the frameworks for performance measurement and management which are the value-based management (VBM); ABC and activity-based management; balanced scorecard; European Foundation for Quality Management (EFQM) excellence model; benchmarking; strategic enterprise management (SEM); and six sigma. However the literature indicates that in general both financial and non-financial measures are used to measure performance.

I. Organizational Performance

Performance refers to outcomes, end results and achievements arising out of organizational activities. Organizational performance encompasses three specific areas of firm outcomes which include financial performance (profits, return on assets and return on investments), product-market performance (sales and market share) and shareholder returns (total shareholder return and economic value added). Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It is the objective of any organization because only through performance, are organizations able to grow and progress.

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

(b) Product market performance (sales, market share, etc.);

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

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

Hove, Sibanda and Pooe (2014) explains that organizational performance refers to how the aggregate technology enabled performance impacts across all firm activities, such as cost reduction, revenue enhancement and competitiveness. Organizational performance involves the effectiveness and efficiency of a business in attaining the set goals and the extent to which the organization is able to excel in meeting the needs of all its stakeholders states that business performance might be defined in terms of doing the work, as well as in terms of the results achieved.

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 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

2.2 Review of Related Studies

Ahamad (2014) an exploratory study of the level of sophistication of MAPs in Libyan manufacturing companies. The major purpose of this study is to examine the MAPs 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 MAPs which provided information for cost determination financial control and information for management planning control. The Libyan manufacturing companies rely heavily on traditional MA 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 MA is also found very low between Libyan manufacturing companies under this study.

Duwadi (2014) has submitted a thesis on the topic "A study on MAPs in joint venture banks". The major objectives of this study are to analyze the practices of MA 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 MAPs in Srilanka’s manufacturing industry”. The main objective of this study is to analyze the use of cost accounting and MAPs 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. MAPs in public quoted manufacturing companies give high importance of traditional MAPs such as planning and controlling, budgeting, target costing, and cost volume profit analysis. It implies that modern MAPs is dominated by traditional MAPs in manufacturing companies of Sri Lanka.

Ghimire (2010) submitted the thesis on the topic of “MA 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 MA 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 MA 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 “MAPs 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.

Sharma (2015) has conducted research on topic “practices of financial and MA: evidence from small and medium sized enterprises of Nepal”. This study has stand on exploratory research methodology. Under this study, financial and MAPs in the small and medium size enterprise are relatively contemporary. They still used to prepare financial and MA 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 MA tools and techniques. In terms of usefulness of accounting reports, MA reports are considered to be more useful than financial accounting reports.

Gyawali (2017) has conducted the research on the topic “MA systems practice in Nepalese commercial banks”. The major objective of this study is to analyze the MA systems practices and its roles in Nepalese commercial banks. This research work finds that budgetary control is the foremost used MA system tool in Nepalese commercial banks. Thereafter, they use other MA 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.

Liqat (2006) conducted study to determine the application of contemporary MA 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 MAPs were employed by Indian companies. It was

discovered that improvement of general cost reduction and profitability were the motive behind the utilization of MA 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 “MA practice in public enterprises”. Mr. karki has mainly focused to study and examine the extent of practice of “MA 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 MA tools and techniques, which are taught in colleges and universities, are not used in real practice in Nepalese public enterprises. Some MA 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.

Eugine and Miston ,(2017) ,have conducted a study on the Impact of (MAPs) on the Business Performance of Small and Medium Enterprises within the Gauteng Province of South Africa: This study contributes to the body of knowledge in the area of MA by providing current insights on both literature and research methodologies. In this manner, the paper may be used as a reference source by future researchers on similar matters. Furthermore, the study validates that MAPs such as costing system, budgeting, performance evaluation, information for decision-making and strategic analysis are instrumental in stimulating the SMEs business performance within the Gauteng Province of South Africa. The study further validates that those small and medium enterprises that are engaged in MAPs enhance business performance. The study has both theoretical and management implications. Theoretically, this study makes a noteworthy progression in MA concept by methodically examining the interplay between management account practices and business performance. In this manner, the study is an important contributor to the existing literature on this subject. The study also underwrites a new direction in the research on MAPs by opening up a

discussion on the importance of MAPs in the development of SMEs in developing countries such as South Africa.

Ahmed, Abdurrahman & Ghani, (2019) have conducted a study MAPs in many countries around the world a review of the literature. This study contributes to the GAP in MAPs studies in several countries and provide an invaluable framework for future studies to adopt. MAPs (MAPs) studies have garnered increasing attention from researches and professional in accounting across several countries particularly those that are in the process of transitionary. This study data was gathered from prior literature and tabulated based on title year and country of the study and the sample size as well as the publication journal. The finding showed that researchers have been extensively dedicating their efforts to examining accounting management practices in various sectors particularly in manufacturing firms.

Emiaso, Egbunike, Patrik, (2018) has conducted research on topic Strategic MAPs and organizational performance of manufacturing firms in Nigeria. This study was carried out to examine the relationship between organizational performance of the Nigerian's manufacturing companies and the application of strategic MA techniques. The study adopted the survey research design. The population of the study consists of all manufacturing companies in Delta State, Nigeria. The study used simple random sampling. 15 manufacturing companies were randomly selected for the study. Data for the study were obtained through the administration of a self-designed questionnaire to managers or accountants of the sampled firms. Regression and t-test were used to test the hypotheses postulated for the study. The study showed that application of strategic MA 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 MA tools and traditional MA techniques and concludes that implementation of strategic MA practice is necessary to enhance organizational performance of the firm. The study therefore recommends that manufacturing companies, especially the ones operating in Delta State, put in place appropriate measures to apply Strategic MA tools to ensure efficient and realistic decision making process that will enhance organizational performance.

Oyerogba, et al. (2014) have conducted research on topic MAPs in the developing economies of Nigeria listed companies. This study investigated the MAPs in developing economy with a particular reference to the Nigeria listed manufacturing organizations. The three objectives for this study were the investigation of the adoption level of the new MA techniques, identification of factors influencing the choice of MAPs in manufacturing organizations and the extent to which MAPs were influenced by those factors. Descriptive and inferential statistics were carried out on the opinion of 148 randomly selected staff of listed manufacturing companies in Nigeria. The findings revealed that cost volume profit analysis, marginal costing, accounting rate of return, discounted net present value, and internal rate of return were very prominent in manufacturing companies in Nigeria. Since the activity based management and balanced score card has not been fully embraced, it is therefore recommended that adequate awareness should be created for the said techniques.

Abdel-Kader and Luther (2006) studied MAPs (MAPs) in the food and drinks industry in the U.K. in order to understand the level of MAP's sophistication and the factors that affect implementation of MAPs in this industry. The research methodology used in this study was a survey questionnaire sent to 650 executives of the industry. In total, 245 usable completed questionnaires were received and analyzed. Respondents were asked to indicate the frequency of use of 38 MAPs (MAPs) using a Likert scale (1 indicating never and 5 indicating very often). They were also asked to assess the importance of each technique/practice by rating these as 'not important, moderately important or important. The study found that as companies moved into a more uncertain environment, the sophistication level of MAPs increased. Likewise, as their power relative to customers' diminished, companies moved up the stages of evolution. Analysis of the MAPs used suggested that the MA systems employed in many food and drinks companies were not particularly sophisticated. Taking the industry as a whole, there was little evidence of MA directly connected with 'value creation'.

Abdel-maksoud (2011) conducted a research entitled: MAPs and management techniques and practices in manufacturing firms: Egyptian evidence. The implementation of innovative management practices and manufacturing techniques is viewed as having considerable implications for MAPs. This study aims at exploring

the relationships among levels of implementation of various innovative management practices, computerized manufacturing techniques and automated stock-handling systems on one hand, and levels of deployment of advanced MAPs in Egyptian manufacturing firms on the other. The paper presents findings from interviewing managers of 240 Egyptian manufacturing firms operating in the biggest three industrial areas in Egypt in mid-2005. The findings provide unequivocal evidence supporting the hypothesized significant positive correlations between levels of implementation of innovative management practices and levels of deployment of advanced MAPs. In contrast, the hypothesized significant positive correlation between levels of implementation of automated stock handling systems and levels of deployment of advanced MAPs is found to be influenced by firms' size, industry area and type firms belong to. The study findings contribute to advance MAPs literature in Egypt.

Table: Review of related studies

| S.N | Author | Titles/objectives | Methodology | Findings |
|------------|---------------------|--|----------------------------|--|
| 1. | Ahamad (2014) | To examine the MAPs in Libyan manufacturing companies. | Exploratory | All most all of Libyan manufacturing companies are implementing MAPs. |
| 2 | Duwadi (2014) | To analyze the practices of MA tools beings used in joint venture bank. | Exploratory | All Banks were practiced Break Even Analysis and responsibility accounting. |
| 3 | Kariyaw asam (2018) | To analyze the use of cost accounting and MAPs in srilanka manufacturing firms. | Survey research | MA practice support the organizational structure and MA process. |
| 4 | Ghimire (2010) | MAPs in Nepalese listed manufacturing companies. | Descriptive | Mostly [Cost based] transfer pricing in the Nepalese manufacturing companies. |
| 5 | Kushwah a (2015) | To examine the MAPs in Nepalese Insurance companies. | Descriptive and Analytical | Cash flow & short-term mostly practiced tools in insurance companies. |
| 6 | Emiaso (2018) | To examine the relationship between organizational performance and strategic MA. | Survey research | Concluded that strategic MAPs is to necessary to Enhance organizational performance. |
| 7 | Liqat (2006) | Application of contemporary MA techniques in Indian companies. | Survey research | It was discovered that improvement of general cost reduction and profitability were motive behind the utilization of MA in Indian companies. |
| 8 | Gyawali (2017) | To analyze the MA systems practices and its role in Nepalese commercial bank. | Descriptive and casual | MA systems have affected the performance of sample organization. |

| | | | | |
|-----------|--------------------------------------|---|------------------------|--|
| 9 | Karki (2009) | To study & examine the extent of practices of MA tools and techniques made in Nepalese public enterprise. | Descriptive | MA tools and techniques taught in colleges and university but not used in real practices in Nepalese public enterprise. |
| 10 | Eugine & mistonss (2017) | Impact of MAPs on the business performance of SMEs of Gauteng province of south Africa. | Simple random sampling | SMEs are engaged in MAPs enhance business performance. |
| 11 | Ahmed, Abdurrahman & Ghani (2019) | To review studies dedicated to MAPs in several country. | Descriptive and casual | Researchers have been extensively dedicating to management practices in manufacturing firms. |
| 12 | Abdel-Maksoud (2011) | To exploring the relationship among levels of implementation of various innovative management practices. | Survey method | Finding shows that significant positive correlation between levels of implementation of innovative management practices. |
| 13 | Abdel-Kader, M., & Luther, R. (2006) | MAPs in the food and drinks industry in the U.K survey. | Survey research Design | Manufacturing companies moved into amore uncertain environment the sophistication level of MAPs increased. |
| 14 | Oyerogbeat al. (2014) | To investigate in the MAPs in developing economy with the Nigeria listed manufacturing organizations | Descriptive & casual | The finding revealed the CVP analysis, Marginal costing ARR, Discounted NPV & IRR were very prominent in manufacturing companies in Nigeria. |

2.4 Research Gap

There is a gap between the present research and previous researches conducted on MAPs 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 MAP practices on manufacturing companies. MAP helps to increase the organizational performance of manufacturing company. The variables of the previous study are almost same. The previous research are conducted only MAPs but not show its relation with organizational performance. They also did not show the cause and effects of MAPs on firm performance. Previous research is mostly focus on traditional MAPs. They were focus only MAPs 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. Market survey in management 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

Research methodology is a way to systematically solve the problems. In other words Research methodology refers to the various sequential steps (along with rationale of each such steps) to be adopted by researcher in studying a problem with research projects are not meaningful, unless they are in sequential order, which determined by the particular problem at hand. Descriptive research design was used in this study. This research strategy was considered necessary because of its ability to view comprehensively and in details the major question raised in the study. This chapter deals with sampling techniques, data collection methods, data analysis tools, research instruments etc. To achieve the stated objectives the following methodology has been used.

3.1 Research Design

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

In addition, this design enables the researcher describe the characteristics of the population being studied as they exist at present hence minimizing biases and maximizing the reliability of the evidence collected. Finally, this design is chosen because it also provides a relatively complete picture of what is occurring at a given time and allows the development of questions for further study. The research was relied on data obtained from respondents on effects of costing, budgeting, decision making, controlling and performance evaluation on the organization performance of manufacturing firms in Nepal.

3.2 Population and sample

This study is designed to complete the research work on the present practice of MAPs by Nepalese manufacturing companies. The total 220 numbers of manufacturing companies as population for the study [Industrial Statistic FY 2074/75]. Out of them 4 companies were selected for the study that is called sample. The sample

manufacturing companies have been selected with the help of convenience sampling method. This study focused on 4 manufacturing companies in Kathmandu area because their highest contribution on GDP (highest tax payer & highest goods exporter) of Nepal.

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 primary data has been used and collected through questionnaire from 100 respondents. They are classified and tabulated in required form.

3.4 Data collection procedures

Kothari (2004) defined data collection as a means by which information is obtained from the selected subjects of an investigation. Data collection instruments refer to the tools used in obtaining information from respondents. The researcher collected data using a questionnaire. A questionnaire is a systematically prepared form or document with a set of questions deliberately designed to elicit responses from respondents or research informants for the purpose of collecting data or information (Kumar, 2011). The questionnaire method was considered appropriate for this study since it is an inexpensive method of data collection as it is administered collectively to a study population.

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

3.5 Data Processing Procedures

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

3.6 Reliability Test:

Table 3.1: Cronbach's alpha coefficients

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | No. of Items |
|------------------|--|--------------|
| .729 | .785 | 6 |

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 $\alpha = (0.729)$ on item 6, which is higher than 0.5. The results indicated the importance of management accounting tools are significant

It was generally used as a measure of internal consistency or reliability. Nunnally (1978) suggested that alpha coefficients of 0.50 to 0.60 will be deemed acceptable for exploratory research.

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

MA 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 practice of MA tools and its effects on organizational performance in Nepalese manufacturing companies and to identify the area where MAPs 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 MA practices 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.

4.2 Descriptive Analysis

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

Table 4.1
Descriptive Statistics of Budgeting and Planning

| Code | Statement | Test value=3 | | |
|---------------------|--|--------------|------|----------------|
| | | N | Mean | Std. Deviation |
| BP1 | Budgeting develops a sense of responsibility | 100 | 3.97 | .795 |
| BP2 | Budgeting increase operational efficiency | 100 | 3.78 | .782 |
| BP3 | Maximization of profit | 100 | 3.99 | .685 |
| BP4 | Budgeting help to make plan. | 100 | 3.96 | .774 |
| BP5 | Budget ensure better understanding | 100 | 3.9 | .700 |
| Overall Mean and SD | | | 3.92 | .747 |

Source: Primary data, SPSS output

Table 4.1 shows descriptive statistics of an individual item and as a whole of budgeting and planning sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point liker scale. The overall mean of budgeting and planning practices is 3.92, which is greater than 3, with standard deviation of 0.747. This shows that organizational performance could be achieve through effective budgeting and planning.

Table 4.2
Descriptive Statistics of costing System

| Code | Statement | Test value=3 | | |
|---------------------|---|--------------|------|----------------|
| | | N | Mean | Std. Deviation |
| CS1 | Costing system help segregate total cost in fixed, variable and semi-variable | 100 | 3.83 | 1.753 |
| CS2 | Costing system identify opportunities for product improvement | 100 | 3.76 | 1.176 |
| CS3 | Applied standard costing technique | 100 | 3.83 | .726 |
| CS4 | Reduce cost in areas of product improvement | 100 | 3.76 | .698 |
| CS5 | Organization has used cost information | 100 | 3.92 | 1.734 |
| Overall Mean and SD | | | 3.82 | 1.364 |

Source: primary data, SPSS output

Table 4.2 shows descriptive statistics of an individual items and as a whole of costing systems sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point liker scale. The overall mean of costing practices is 3.82, which is greater than 3, with standard deviation .736. This shows that organizational performance could be achieve through effective costing systems.

Table 4.3**Descriptive Statistics of controlling and reporting**

| Code | Statement | Test value=3 | | |
|---------------------|---|--------------|------|----------------|
| | | N | Mean | Std. Deviation |
| CR1 | To monitor and measures employees performance | 100 | 3.81 | .761 |
| CR2 | Responsibility centre helps to control cost | 100 | 3.9 | .704 |
| CR3 | Proper and timely feedback, monitoring, supervision systems adopted | 100 | 3.8 | .682 |
| CR4 | Detects & corrects unintentional error. | 100 | 3.83 | .739 |
| CR5 | Progress in achieving corrective actions. | 100 | 3.97 | .745 |
| Overall Mean and SD | | | 3.86 | .726 |

Source: Primary data, SPSS output

Table 4.3 shows descriptive statistics of individual items and as a whole of controlling and reporting sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point likert scale. The overall mean of controlling and reporting practices is 3.86, which is greater than 3, with standard deviation .726. This shows that organizational performance could be achieve through controlling and reporting technique.

Table 4.4**Descriptive Statistics of Performance Evaluation**

| Code | Statement | Test value=3 | | |
|---------------------|--|--------------|------|----------------|
| | | N | Mean | Std. Deviation |
| PE1 | Customer satisfaction surveys frequently. | 100 | 3.92 | .734 |
| PE2 | Bench marking system has been adopted for the quality delivery of services | 100 | 3.02 | 1.251 |
| PE3 | Performance evaluation is made based on RI, ROI, ROA, ROE . | 100 | 3.87 | 1.816 |
| PE4 | Performance evaluation is made based an employee's attitude/behavior. | 100 | 4.06 | .763 |
| PE5 | An effective measurement and reporting process can improve efficiency in productivity. | 100 | 3.06 | .722 |
| Overall Mean and SD | | | 3.57 | 1.06 |

Source: Primary data, SPSS output

Table 4.4 shows descriptive statistics of individual items and as a whole of performance evaluation sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point likert scale. The overall mean of controlling and reporting practices is 3.57, which is greater than 3, with standard deviation 1.06. This shows that organizational performance could be achieve through controlling and reporting technique.

Table 4.5

Descriptive Statistics of decision making

| Code | Statement | Test value=3 | | |
|-----------------|---|--------------|------|----------------|
| | | N | Mean | Std. Deviation |
| DM1 | Customer profitability analysis to make customer related decision. | 100 | 4.27 | .706 |
| DM2 | Increase market share, productivity and profit. | 100 | 4.70 | .765 |
| DM3 | Launching a new product. | 100 | 4.51 | .759 |
| DM4 | Management functions are determined by the good decision made by the BOD. | 100 | 4.00 | .804 |
| DM5 | Decision making provide accurate cost information to Management accountant. | 100 | 4.50 | .804 |
| Overall Mean SD | | | 4.39 | .760 |

Source: primary data, SPSS

Table 4.5 shows descriptive statistics of individual items and as a whole of decision-making sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point likert scale. The overall mean of decision making practices is 4.39, which is greater than 3, with standard deviation .76. This shows that organizational performance could be achieve through effective decision making.

Table 4.6
Descriptive Statistics organizational performance

| Code | Statement | Test value=3 | | |
|------|---|--------------|-------|---------------|
| | | N | Mean | Std.Deviation |
| OP1 | MAPs help to increase product service quality. | 100 | 4.11 | .764 |
| OP2 | MAPs help to development of new product. | 100 | 4.04 | .777 |
| OP3 | MAPs help to increase Return on investment. | 100 | 4.26 | .719 |
| OP4 | Organizational performance is based on customer satisfaction level. | 100 | 4.27 | .633 |
| OP5 | MAPs help to increase market share /sales margin. | 100 | 4.34 | .742 |
| | Overall mean and SD | | 4.204 | .727 |

Source: primary data, SPSS

Table 4.6 shows descriptive statistics of individual items and as a whole of organizational performance sub-factor. There are five statements are used to measure the variables. Each of respondents submitted their responses in the five point likert scale. The overall mean of organizational performance is 4.204, which is greater than 3, with standard deviation .727. This shows good organizational performance.

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 correlatio

Table 4.7 Correlations

| | | Organizational performance |
|----------------------------|---------------------|----------------------------|
| Organizational performance | Pearson Correlation | 1 |
| | Sig. (2-tailed) | |
| Budgeting and Planning | Pearson Correlation | .135 |
| | Sig.(2-tailed) | .868 |
| Costing system | Pearson Correlation | 0.87 |
| | Sig.(2-tailed) | .689 |
| Controlling and reporting | Pearson Correlation | .098 |
| | Sig.(2-tailed) | .905 |
| Decision making | Pearson Correlation | .385 |
| | Sig.(2-tailed) | .556 |
| Performance evaluation | Pearson Correlation | .146 |
| | Sig.(2-tailed) | .620 |

Source: SPSS output

Table 4.6 shows that the multiple correlation between management accounting Practices and organizational performance. There are five variables are used to measure the correlation. Find out the correlation five point likert scale has been used. From the table it is found that there is positive relationship between management accounting practices and performance of 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 all the five independent variables (budgeting and planning, costing, controlling, performance evaluation and decision making).

The study adopted multiple regression guided by the following model:

Multiple regression model B5x5

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

Where,

Y= organizational performance

X1= budgeting and planning, X2= costing systems, X3= controlling and reporting, X4= decision making, X5= performance evaluation

a= constant

B_i= coefficient of slope of regression model

e_i= error term

Where, A is constant, B is regression coefficient. A measure of change Y per unit change in X. if 1 unit increases in economic aspect, the competitiveness will also increase. This is presented the table, 4.7

Table 4.8: Model Summary

| Model | R | R square | Adjusted R square | Std. error of the estimated |
|-------|------|----------|-------------------|-----------------------------|
| 1 | .896 | .798 | .657 | .33804 |

- a. Predictors: (Constant), Controlling and reporting, Costing system, Budgeting and planning, Performance evaluation, Decision making

Source: primary data, SPSS

The results in Table 4.7 indicate that the management accounting practices had a joint significant effect on Organizational performance of manufacturing companies in Nepal. The finding of multiple regression analysis between MAPs and organizational performance indicates that MAPs is significant predictors of organizational performance. The R value of 0.896 indicates the moderate to strong positive relationship between MAPs and organizational performance. The R squared of 0.798 shows that the independent variables explained by 79.8% of the variance on organizational performance of manufacturing companies in Nepal. Adj. R square indicates 65.7% of variation in the dependent variable is explained by the independent variables.

Table 4.9 ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|--------|------|
| 1 | Regression | 124.469 | 21 | 5.927 | 2.0995 | .000 |
| | Residual | 220.1889 | 78 | 2.823 | | |
| | Total | 344.657 | 99 | | | |

a. Dependent Variable: OP

Predictors: (Constant), CR, CS, BP, PE, DM

Source: SPSS output

The results in table 4.9 show that the f static was 2.0995. At 5% level of confidence, the F-static was significant. In this case, all the predictor variables (budgeting and planning, costing, performance evaluation, controlling and reporting, decision making) explain a variation in organizational performance and that the overall model is significant.

Table 4.10 Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig |
|---------------------------|-----------------------------|-----------|---------------------------|------|------|
| | B | Std.error | Beta | | |
| Constant | .804 | .229 | | .765 | .000 |
| Decision making | .599 | .086 | .327 | .582 | .000 |
| Costing system | .558 | .028 | .317 | .745 | .008 |
| Controlling and reporting | .705 | .024 | .367 | .801 | .416 |
| Budgeting and planning | .657 | .029 | .422 | .220 | .001 |
| Performance evaluation | .620 | .058 | .248 | .561 | .002 |

a. Dependent Variable: OP

From the above results, the estimated equation can be written by taking the values from the model-1 $Y = a + B_1X_1 + B_2x_2 + B_3X_3 + B_4X_4 + B_5X_5$

Therefore, $Y = .804 + .599 * X_1 + .558 * x_2 + .705 * X_3 + .657 * X_4 + .620 * X_5$

It is observed that the t-values of four variables are statistically significant at 1% level namely Budgeting and Planning, Decision Making and Costing System, Performance Evaluation. This suggests that these variables have a bearing on explaining the variability of organization performance. However; the variable Controlling and Reporting is not statistically significant. Hence, there is sufficient evidence that Management Accounting practices has a positive impact on organizational performance (Scherrer1996). Hence, there is enough evidence that change in Management Accounting practices improve the sorganizational Performance.

4.5 Summary of findings:

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

- a) The study also revealed that costing, budgeting and planning, performance evaluation, controlling, and decision making constant organizational performance to be 0.804. 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.
- b) Regarding the organizational performance of manufacturing firm decision making tools shows the highest mean value than neutral value i.e. 4.39 with standard deviation 0.760. it shows that there is a positive impact of decision making on organizational performance of Nepalese manufacturing companies. The constant (decision making) is significantly different from 0 at the 0.05 alpha level. So it is found that there is a positive impact of management accounting tools and technique on performance of manufacturing companies in Nepal.
- c) The coefficient for decision making (.599) is statistically significantly different from 0 using alpha of 0.05 because its p-value is 0.000, which is smaller than 0.05.
- d) The study also shows that the one percent changes in management accounting tools they effects 89.6 percent on organizational performance of manufacturing companies in Nepal.
- e) The study shows that the management accounting practices have a joint significant (79.8%) 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 organizational performance of manufacturing companies in Kenya.
- f) 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 Adebil, Al. (2011) found that Egyptian manufacturing companies are rely heavily on traditional management accounting techniques.

- g) Gul (1991), Chenhall and Morris (1995), in which they concluded that AIS (MAS) contribute to performance in high perceived environmental uncertainty situation, which involves highly competitive actions and market demand. Likewise, Chenhall and Morris (1995) concluded with empirical findings that there is an impact of management accounting system on the organizational performance.
- h) 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.
- i) 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.
- j) 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

The general objective of this study was to examine the effects of management accounting practices on organizational performance of manufacturing companies in Nepal. This study adopted a descriptive survey design. The target population for this study was the 220 manufacturing companies in Nepal.

Management accounting is concerned with the provision and interpretation of information which assists management in planning, controlling, decision making and appraising performance. Management effectively achieves organizational objectives through the efficient use of scarce resources. Environment is changing and future is uncertain. Uncertainty 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 an effective weapon to reduce risk. Corporate firms that carry out 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 management activities. The main objectives of management accounting are to help managers in overall management activities by providing information and helping in planning, controlling and decision making. This acts as a strategic business paper in support of management role in decision making.

The study found out that the decision making practices were highly used in the respondents' companies. They included; CVP analysis for major product, product profitability analysis, customer profitability analysis, evaluation of major capital investment.

5.2 Conclusion

The general objective of this study is to examine 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 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.

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

5.3 Implications and recommendation for future research

The management accounting tools and techniques in every type of organization are not the optional but also the compulsion in the better organizational performance of the entity. It provides the key ideas, guidelines and strategies to the management for better organizational performance of management functions. Economic liberalization, globalization, changing nature of human behavior and technological advancements are making complexity to every organization. To meet the expected challenges to grab the opportunities, the organization must practice the management accounting tools and techniques. The analysis and interpretation of

application of management accounting tools helped to draw some findings. Concerning these findings, it may be appropriate to make some suggestions and recommendations. It will be helpful to the concerned stakeholders of an organization to bring some improvements in Nepalese manufacturing companies through application of management accounting tools. Thus, the following recommendations were made on the basis of findings.

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 and performance evaluation tools has positive relationship to organizational performance. So the firm can do management accounting practices to gain the competitive advantage.
3. The study can be useful for company to know the management accounting tools and their behavior in performance of the firms.
4. The study found that the new management accounting tools is helpful to improve the firm's performance.
5. Research should be carried out that also includes those companies in other sectors to establish if they also consider the management accounting practices as important and to establish the frequency of usage of the practices.
6. 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.
7. To strengthen the competitiveness of manufacturing companies and carryout management activities effectively and efficiently the use of management accounting tools and techniques are recommended to practice. For planning activities; tools like

cost estimation, classification and allocation, profit measurement and recognition, cost volume-profit analysis, can be applied.

8. Academics who have better knowledge about the management accounting tools and techniques, should put an effort to develop environment friendly, tools and techniques into practice, so that the existing gap between theory and practice can be somehow shortened. And the Nepalese manufacturing companies would be benefited from the use of management accounting.

9. Internal and external information are needed for proper application of management accounting tools and techniques. Therefore, it is recommended to setup management accounting information system. It helps to get feedback information regularly

10 Interaction between academicians and business organization is a must. Therefore it is recommended that manufacturing companies should create an atmosphere of interaction between the academicians and the manufacturing Companies.

Further research is important in other countries with similar or almost same micro and macroeconomic environments for manufacturing companies. The findings would be enhance a cross-country comparison of the management accounting practices and their impact on organizational performance. In addition, future studies should examine specific factors as to why manufacturing companies are not adopting newly developed management accounting tools. The increment in respondent size can make the result more reliable and fruitful to the shareholders. There were time limitations in study because of completion of thesis requirement, so in future time limitations can be minimized. Our study depends on questionnaires which were not free from biasness, so future study may be included questionnaires as well as interviewed.

The findings based on descriptive study which highlights the current status of management accounting practices, not before or after, so longitudinal research can be required in future with more power full statistical techniques. Finally, the difference between traditional and new management accounting techniques needs further investigation.

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APPENDIX I

QUESTIONNAIRES

Dear Respected Participants

I am planning to conduct a research study on **Management Accounting Practices and organizational performance of Nepalese manufacturing company**. The objective of this questionnaire is to collect information about the **Present practices of Management Accounting and Employee satisfaction** offered by manufacturing company in Nepal. Each of your opinion will be very important to managers, researchers and academicians for strategy development and policy perspectives. Your answers will be kept strictly confidential and please be assured that you will not be victimized for anything written here. The information collected is intended to be used to pursue academic purposes. I shall be grateful for your valuable inputs and active co-operation.

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

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

| s.n | Budgeting and Planning | Score | | | | |
|------------|--|--------------|---|---|---|---|
| 1 | Budgeting develops a sense of responsibility, policy among the employees and assist in assignment of responsibility. | 1 | 2 | 3 | 4 | 5 |
| 2 | Budgeting increases operational efficiency; reduce waste and uncertainty of future. | 1 | 2 | 3 | 4 | 5 |
| 3 | Maximization of profit through careful planning and control is possible with the help of budgeting. | 1 | 2 | 3 | 4 | 5 |
| 4 | Budgeting helps to make plan about the sources and uses of money and when and where additional cash borrowing necessary. | 1 | 2 | 3 | 4 | 5 |
| 5 | Budget ensures better understanding and harmonious relation between top management managers and workers. | 1 | 2 | 3 | 4 | 5 |
| | Controlling and reporting | | | | | |
| 1 | Control system is used to monitor and measure employees' performance against targets (output quality). | 1 | 2 | 3 | 4 | 5 |
| 2 | You have managed the responsibility centers like investment, profits, revenue and cost that helps to control its activities that leads to better performance | 1 | 2 | 3 | 4 | 5 |
| 3 | There are proper and timely feedback, monitoring, supervision systems adopted in your organization. | 1 | 2 | 3 | 4 | 5 |
| 4 | It detects and corrects unintentional performance error and intentional irregularities such as theft or misuse of resources, waste, fraud and mismanagement. | 1 | 2 | 3 | 4 | 5 |
| 5 | There is a mechanism of reviewing periodic status reports on department wise progress in achieving corrective actions. | 1 | 2 | 3 | 4 | 5 |
| | Decision Making | | | | | |
| 1 | The organization has made customer profitability analysis to make customer related decision. | 1 | 2 | 3 | 4 | 5 |
| 2 | Good decision has helped to increase market share, productivity and profit. | 1 | 2 | 3 | 4 | 5 |
| 3 | The organization has applied break-even analysis for launching a new product. | 1 | 2 | 3 | 4 | 5 |
| 4 | Management functions such as planning, organizing, leading, directing | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | and controlling are determined by the good decision made by the BOD. | | | | | |
| 5 | MAPs provides accurate cost information to Management accountant with respect to product pricing and While pricing decision of the product/service, price of competitors has been considered. | 1 | 2 | 3 | 4 | 5 |
| | Costing System | | | | | |
| 1 | MAPs has helped to segregate the total cost in fixed, variable and semi-variable component that leads to reduce the cost and to increase revenue and profit. | 1 | 2 | 3 | 4 | 5 |
| 2 | Target costing helps to examining a competitors' product in order to identify opportunities for product improvement and cost reduction. | 1 | 2 | 3 | 4 | 5 |
| 3 | The organization has adopted and applied standard costing technique in controlling cost i.e. salary, operational, cost and R & D cost. | 1 | 2 | 3 | 4 | 5 |
| 4 | MAPs help to reduce cost in areas of product improvement, operation methods, marketing areas, administrative and financial areas. | 1 | 2 | 3 | 4 | 5 |
| 5 | MAPs help to reduce cost in areas of product improvement, operation methods, marketing areas, administrative and financial areas. | 1 | 2 | 3 | 4 | 5 |
| | Performance Evaluation | | | | | |
| 1 | The organization makes customer satisfaction surveys frequently. | 1 | 2 | 3 | 4 | 5 |
| 2 | Bench marking system has been adopted for the quality delivery of services | 1 | 2 | 3 | 4 | 5 |
| 3 | Performance evaluation is made based on Residual income, ROI, Divisional profit, Return on asset, Return on Equity that assess profitability, and overall organizational performance. | 1 | 2 | 3 | 4 | 5 |
| 4 | Performance evaluation is made based an employee's attitude/behavior. | 1 | 2 | 3 | 4 | 5 |
| 5 | An effective measurement and reporting process can improve performance and efficiency in productivity. | 1 | 2 | 3 | 4 | 5 |
| | Organizational Performance | | | | | |
| 1 | MAPs help to increase product service quality. | 1 | 2 | 3 | 4 | 5 |
| 2 | MAPs help to development of new product. | 1 | 2 | 3 | 4 | 5 |
| 3 | MAPs help to increase Return on investment. | 1 | 2 | 3 | 4 | 5 |
| 4 | Organizational performance is based on customer satisfaction level. | 1 | 2 | 3 | 4 | 5 |
| 5 | MAPs help to increase market share /sales margin. | 1 | 2 | 3 | 4 | 5 |

Thank you for your participation

