

Management Accounting Practices in Many Countries around the World a review of the Literature

*Abdelghani Ahmed,**Dr. Syamsul Azri Abdulrahman,

***Dr.Mazuri Binti Abd Ghani

*Ph.D. student in Accounting ,Faculty of Economics and Management Sciences, Universiti Sultan Zainal Abidin, Gong Badak Campus, Kuala Terengganu, Terengganu, Malaysia., **Syamsul Azri Abdulrahman,Faculty of Economics and Management Sciences, Universiti Sultan Zainal Abidin, Gong Badak Campus, Kuala Terengganu, Terengganu, Malaysia,

***MAZURI BINTI ABD GHANI,Faculty of Economics and Management Sciences, Universiti Sultan Zainal Abidin, Gong Badak Campus, Kuala Terengganu, Terengganu, Malaysia,

Corresponding Author: Abdelghani Ahmed

Abstract:

Preface: Throughout the last decade and a half, management accounting practices (MAPs) studies have garnered increasing attention from researchers and professionals in accounting across several countries, particularly those that are in the process of transitioning. This may be attributed to many reasons, among the top of which is the increase in the domestic and foreign markets competitiveness, globalization effects, declines in profit margins and increase in the inputs owing to the energy and economic crisis.

Purpose: This paper attempts to review studies dedicated to management accounting practices (MAPs) in several countries.

Design/Methodology/Approach: Data was gathered from prior literature and tabulated, based on title, year and country context of the study and the sample size as well as the publication journal.

Findings: The findings showed that researchers have been extensively dedicating their efforts to examining accounting management practices in various sectors, particularly in manufacturing. In the Malaysian context, five relevant studies were conducted, one in 2011, and two each in 2015 and 2017.

Value: This study is expected to contribute to the gap in MAPs studies in several countries and provide an invaluable framework for future studies to adopt.

Keywords: Management Accounting Practices (MAPs), Advanced and developing countries.

Date of Submission: 13-02-2019

Date of acceptance:28-02-2019

I. Background and Introduction

Every organization appear to be concerned of adopting management accounting information in order to assist managers in reaching informed decisions when it comes to achieving organizational objectives. In fact, management accounting has become a crucial business support system in organizations as it assists managers in dealing with operations that are complex, planning and controlling throughout the hierarchy in the hopes of achieving objectives (Kaplan & Atkinson, 1989).

Majority of countries, especially developing ones have adopted economic reforms (e.g., privatization) as a strategic approach because the government growth mitigates market competitiveness and thus, some fields needed to be privatized in order to boost competition. In the globalization period, the heightened levels of competition has led to the intensification of the challenges and as such, a company can be effectively managed to remain competitive in the market by obtaining objective information concerning the performance of the company. In this regard, experts have cautioned against management accounting losing its relevance and the management's need to adapt to the changing needs. As consequence of these concerns, new management accounting practices have been proposed in the past twenty years ranging from the traditional emphasis on financially-centered decision analysis and budgetary control to a more strategic approach that stresses on identifying, measuring and managing major financial and operational drivers of shareholder value. Stated clearly, current management accounting methods are a combined version of financial and non-financial information, with explicit focus on strategies (Chenhall & Langfield-Smith, 1998a). However despite the changes that took place in the business environment, management accounting techniques remained the same since their inception in the 1920s (Chenhall & Langfield-Smith, 1998).

In relation to the above, Hopwood (1983; 1987) described accounting as a dynamic and heterogeneous phenomenon and thus it should increasingly experience changes throughout time. It was contended that new techniques affect the whole management accounting process that covers planning, controlling, decision-making and communication, with a shift in focus from simple role of cost determination and financial control, towards a more sophisticated creation of value via enhanced resources deployment. According to Ittner and Larcker (2001, p.350), companies are increasingly integrating innovative practices with the help of an extensive value-based management framework. In this background, management accounting practices (MAPs) assists in the organization's survival and competitiveness in the dynamic market by providing it with competitive advantage that directs it towards effective management, behavioral motivation, supporting and creating cultural values that are required in the achievement of the strategic objectives of the organization.

Throughout the countries in the world, MAPs are increasing in importance among management and policy maker circles for enhancing performance of organizations. It seems that MPAs have also been adopted owing to the influence of the factors in various stages based on the definition of MA by IFAC. In the Western context, such as UK, MAPs have disseminated from private to public sector firms owing to the urging of the government (Lapsley & Wright, 2004).

II. Management Accounting Practices (MAPs)

Literature has been inundated with MAPs studies concerning organizational activities to minimize costs, enhance efficiency, provide accurate information and mitigate the use of business resources (IFAC, 1998). According to Bhimani (1996), there are seven factors that drive management accounting practices (MAPs) in European countries, with 11 countries in Europe using such practices for the provision of a historical perspective on management accounting research and practice as supported by a discussion of the reasons behind the current practice and theory in the field (cited by Shileds, 1998, p.503). Shields (1998) summarized the factors as follows; First, academic writings are the drivers of discussions and practice on whether full or variable costing is feasible, decisions relevant costs and champion of specific practices and second, the students and employees' education of specific management accounting views include the effects of textbooks and teaching cases on developing and diffusing management accounting practices. Third, the intervention and regulation of government of cost-based pricing and profits make sure that a certain type and level of competition exists, especially in a supply-demand imbalance in the national economic situation, during the first and the second world wars for the purpose of rationing resources and mitigating profiting from the wars. Fourth, professional associations advocate specific MAPs and fifth, there are consultants that promote certain MAPs and assist in designing and implementing them in firms. Sixth, technology in the form of computerized accounting systems enables the collection, processing and communication of information in a cost-effective and timely manner and lastly, management accounting transfer of ideas and practices throughout national boundaries are carried out via academics, education, consultants and multi-national corporations (Shields, 1998, p.504).

III. MAPs studies in Various Countries

In majority of countries (developed and developing), MAPs have been extensively examined in both industrial and service countries. More specifically, this work examines MAPs studies in the context of Poland, South Africa, Pakistan, Vietnam, Romania, India, Tunisia, Malaysia, Turkey, Czech, Indonesia, Ethiopia, Bangladesh, Greece, and Finland, UK and lastly, Estonia.

IV. Research Methodology

This study reviews twenty-two (22) studies dedicated to MAPs in the above mentioned countries for the years from 2017 to 2018. There has been an increasing trend in the study of MAPs and the evaluation of companies systems as well as the corresponding technological development.

Table 1 Summary Studies of Management Accounting Practicein many countries around the world:

Title	Year/Country	Type of product/ Sample Size	Name of Journal
1-Management accounting practices in developing countries since the 1990s: the case of Poland	2018- Poland	(MA) practices used in business entities surveyed in Poland. about 150 of companies	Stowarzyszenie Księgowych w Polsce Management
2-Management Accounting Practices (MAPs) Impact on Small and Medium Enterprise Business Performance within the Gauteng Province of South Africa	2018- South Africa	SMEs in South Africa. Only 280 questionnaires were in a condition to be used.	journal of Accounting and Auditing: Research & Practice
3-Impact of external and internalfactors on management	2018 - Pakistan	A sample of Pakistani companies from various sectors.	Asian Journal of Accounting Research

Management Accounting Practices in Many Countries Around the World

accounting practices: a study of Pakistan		183 copies were completed	
4-Management Accounting Practices in Vietnam: An Empirical Study	2018- Vietnam	161 manufacturing companies, the collected number is 101 at the rate of 62.7%.	Account and Financial Management Journal
5-EFFECT OF MANAGEMENT ACCOUNTING TECHNIQUES ON SUPPLY CHAIN AND FIRM PERFORMANCE – AN EMPIRICAL STUDY	2018- India	In Indian industrial sectors. 113 respondents participated in the survey and the data was collected from these respondents.	International Journal of Mechanical Engineering and Technology (IJMET)
6-The Use of Management Accounting Practices by Romanian Small and Medium-Sized Enterprises: A Field Study	2017-Romania	The methodology comprises an analysis of 37 responses to a questionnaire survey carried out among SMEs from one of the most developed regions of Romania.	Accounting and Management Information Systems
7-The Impact of External and Internal Factors on the Management Accounting Practices	2017- TUNISIA	a sample of Tunisian companies belonging to the different of activity sectors.only 72 copies completed	International Journal of Finance and Accounting
8-Management accounting practices of SMEs: The impact of organizational DNA,business potential and operational technology.	2017-Malaysia	questionnaires were sent to SMEs in the east coast of Malaysia. only 102 sets of the surveyed data were used in the final analyses.	Asia Pacific Management Review
Title	Year/Country	Type of product/ Sample Size	Name of Journal
9-Factors Affecting Management Accounting Practices in Malaysia	2017- Malaysia	A total of 200 respondents from Klang Valley-Malaysia.	International Journal of Business and Management
10-THE CONTINGENCY FACTORSAFFECTING MANAGEMENTACCOUNTING IN CZECH COMPANIES	2016-CZECH	MAP used in Czech companies. Large &Medium and Small Total 160 companies.	ACTA UNIVERSITATIS AGRICULTURAE ET SILVICULTURAE MENDELIANAE BRUNENSIS
11-Effects Of Interaction Between Erp And Advanced Managerial Accounting Techniques On Firm Performance: Evidence From Turkey	2016-Turkey	The data used in this study were collected from 445 manufacturing in Turkey.	Journal of Accounting & Finance
12-The impact of advance management accounting techniques on performance: The case of Malaysia	2015- Malaysia	selected companies regardless of industry or sector. sample of 234 companies.	MIDDLE EAST JOURNAL OF BUSINESS
13-Management accounting practices before and during economic crisis: Evidence from Greece	2015- Greece	Empirical data were collected from 301 firms belonging to various Greek industries, which fully completed.	Advances in Accounting
14-Factors explaining the use of management accounting practices in Malaysian medium-sized firms	2015-Malasiya	The survey was conducted to 500 Malaysian medium-sized firms in manufacturing sector which elicited 110 useable responses.	Journal of Small Business and Enterprise Development
15-Management Accounting Practices at Hospitality Business in Yogyakarta, Indonesia	2014-Indonesia	The Population of this research was all 2, 3, 4 and 5stars-hotels in Yogyakarta . The total sample were 61 hotels	Society of Interdisciplinary Business Research
Title	Year/Country	Type of product/ Sample Size	Name of Journal
16-Advanced Management Accounting Techniques in ManufacturingFirms in Ethiopia	2013- Ethiopia	Questionnaires were filled out by 71 manufacturing firms from this 43 usable responses were received.	Research Journal of Finance and Accounting
17-Changes in management accounting practices in Malaysia	2011-Malaysia	manufacturing firms. only 171copies completed .	Asian Review of Accounting
18-Significance of Management Accounting Techniques in Decision-making: An Empirical Study on Manufacturing Organization in Bangladesh	2011-Bangladesh	Manufacturing organizations. A total of 74 manufacturing organizations have been surveyed with a structured questionnaire.	World Journal of Social Sciences
19-Adoption and benefits of management accounting practices: Evidence from Greece and	2011-Greece and Finland	157 large-size Greek manufacturing companies, 83 questionnaires retained for analysis.	Advances in Accounting, incorporating Advances in International

Finland			Accounting
20-Cost and Management Accounting Practices:	2010-Turkey	Manufacturing companies operating in Istanbul, Turkey. Although there are some published The sample of the study consists of 61 companies.	Eurasian Journal of Business and Economics
21-Management accounting practices in the British food and drinks industry	2006-UK	The UK food and drinks sector provides the context for this research. 122 usable completed questionnaires were received.	British Food Journal
22-Contingencies influencing the management accounting practices of Estonian manufacturing companies	2002-Estonian	management accounting practices of Estonian manufacturing companies. 62 responses to a postal questionnaire survey.	Management Accounting Research

V. Conclusion

The findings of this study on MAPs adoption in several countries indicated an enlightening picture. To begin with, in the Czech Republic, Ladislav (2016) conducted a detailed analysis of individual MA practices and found relatively low adoption level of modern MA practices (e.g., activity-based approach or BSC). Meanwhile, in Romania, Dacian (2017) found that majority of respondents utilized a few traditional MAPs in comparison to modern MAPs as documented in literature and accounting textbooks. However, the top used modern MAPs included benchmarking and performance reporting-based on financial and non-financial indicators.

In the context of the UK, Magdy and Luther (2008) revealed that calculation and reporting of cost of quality and analysis of competitor strengths and weaknesses had a higher likelihood of becoming extensively used. Such practices represent the increasing competitiveness and regulatory pressures placed on organizations. In particular, BSC and other non-financial performance measures were viewed to be of more relevance but were rarely utilized (40% of firms). In Greece, Nikolaos and Theriou (2010) conducted a survey on the importance and use of ABC systems, planning and strategy and SMA methods in the crisis period. They found that the rate of implementation of developed practices were high in manufacturing firms, not unlike other countries. But traditional MAPs were found to be implemented at a higher rate marginally compared to the current ones.

Meanwhile, in Tunisia, Amara and Benelifa (2017) found that 50% of companies made use of MAPs with 1% of sophistication but for the second level, 30.26% were revealed. In the Indian context, Pradhan et al. (2018) revealed the limitations of the adoption of MAPs in manufacturing and supply chain sectors.

In the Malaysian context, Afirah and Noorhayati (2017) reached to the conclusion that majority of Malaysian SMEs are still using traditional MAPs, while Sudhashini and Yee (2017) found that organization size and advanced production technology are significantly related with MAPs. Meanwhile, Abdullah and Chaabane (2018) indicated that AMA methods that have been extensively adopted in Malaysian listed firms include benchmarking, balanced score card (BSC) and total quality management. They also found that AMA techniques adoption significantly affected the overall performance of the firms. Also, in Kamilah and Shafie's (2015) study, firm size, intensity of market competition, owner/manager's commitment and advanced manufacturing technology all influenced the use of MAPs in a significant manner. In addition, the level of changes in MAPs have increased over the period from 2003 to 2007 in Tuan and Malcolm's (2010) study, supporting prior studies in literature that indicated a positive relationship between changes in MAPs.

A study by Melek and Aytac (2010) in Turkey revealed that high-level of ERP-AMAT relationship exists with high financial and non-financial performance, and Uyar (2016) found that Turkish companies view traditional management accounting tools as still invaluable. In comparison, firms in Bangladesh, particularly in the manufacturing sector make use of quantitative management accounting techniques, with only a few of them using qualitative management accounting techniques and from the 23 examined techniques, the top ones include Budget Control and BSC.

In the context of South Africa, Mahdi and Azam (2018) confirmed the impact of MAPs on organizational performance and that the increase in the use of such practices lead to increased productivity. MAPs were noted to be in the transition phase towards applying current management accounting practices that are integrated with strategic management in Vietnam, albeit the levels remain low (Dung,2018). Christina (2014) showed that MAPs in Indonesian hospitality businesses are still characterized as traditional practices and that no difference existed among different hotel levels in terms of costing, planning and control, performance evaluation, decision making and strategic analysis. Meanwhile, in Estonia, Toomas and Kertu (2002) revealed that changes in cost and management accounting practices are related with business shifts and accounting environment as external contingencies, with technology and organizational aspects as internal contingencies.

Furthermore, in Poland, Szychta (2018) highlighted the slow evolution of MA practices in the country and the shift towards current MA methods, along with the innovative solutions implementation. Businesses in Poland are still dominated with traditional cost accounting systems and methods. In the context of Pakistan,

Shahzadi et al. (2018) found that management accounting differences were significantly affected by environmental uncertainty – it affected the direction of significant relationships that were confirmed in prior studies. Lastly, in Ethiopia, Bogale (2013) examined the rates of use of AMATs among manufacturing firms and found them to increase throughout the past five years.

References:

- [1]. Abdel-Kader, M. & Luther, R. (2006), Management accounting practices in the British food and drinks industry. *British Food Journal*, Vol. 108, No.5, pp. 336-357.
- [2]. Ahmad, K. & Zabri, S.M. (2015), "Factors explaining the use of management accounting practices in Malaysian medium-sized firms", *Journal of Small Business and Enterprise Development*, Vol. 22 Issue: 4, pp.762-781.
- [3]. AlKhajeh, M.H.A., & Khalid, A. A. (2018), Management Accounting Practices (MAPs) Impact on Small and Medium Enterprise Business Performance within the Gauteng Province of South Africa, *Journal of Accounting and Auditing: Research & Practice*.
- [4]. Amara, T. & Benelifa, S.(2017) ,The Impact of External and Internal Factors on the Management Accounting Practices, *International Journal of Finance and Accounting* , 6(2): 46-58.
- [5]. Angelakis, G. & Theriou, N. & Floropoulos, I.(2010), Advances in Accounting, incorporating Advances in International Accounting 26 (2010) 87–96.
- [6]. Azudin, A., & Mansor, N. (2017), Management accounting practices of SMEs: The impact of organizational DNA, business potential and operational technology, *Asia Pacific Management Review*.
- [7]. Bhimani, A. (1996), *Management Accounting: European Perspectives*. Oxford: Oxford University Press.
- [8]. Bogale, E.(2013), Advanced Management Accounting Techniques in Manufacturing Firms in Ethiopia, *Research Journal of Finance and Accounting* Vol.4, No.16.
- [9]. Chenhall, R. H., & Langfield-Smith, K. (1998a) "The relationship between strategic priorities, management techniques and management accounting: an empirical investigation using a systems approach", *Accounting, Organizations and Society*, Vol. 23(3): 243-264.
- [10]. Cuzdriorean, D.D.(2017) , The Use of Management Accounting Practices by Romanian Small and Medium-Sized Enterprises: A Field Study, *Accounting and Management Information Systems* Vol. 16, No. 2, pp. 291-312.
- [11]. EKER, M & AYTAC, A . (2016), Effects Of Interaction Between Erp And Advanced Managerial Accounting Techniques On Firm Performance: Evidence From Turkey, *Journal of Accounting & Finance*, PP 187-209.
- [12]. Haldma, T. & Lääts, K. (2002), Influencing contingencies on management accounting practices in Estonian manufacturing companies, "Management Accounting Research", 13 (4), pp. 379–400.
- [13]. Hieu, P .& Dung, B. (2018), Management Accounting Practices in Vietnam: An Empirical Study, *Account and Financial Management Journal*, Vol 3 , P No.1616-1620.
- [14]. Hopwood, A. (1983), "On Trying to Study Accounting in the Context in Which It Operates." *Accounting, Organizations and Society*. 8(2/3): 287-305.
- [15]. Hopwood, A. G. (1987), "The Archeology of Accounting Systems" , *Accounting Organizations and Society*. 12(3): 207-234.
- [16]. IFAC, 1998, *Competency Profiles for Management Accounting Practice and Practitioners*: New York, Financial and Management Accounting Committee, International Federation of Accountants.
- [17]. Ittner, C. & Larcker, D. (2001), Assessing empirical research in managerial accounting: a value-based management perspective, *Journal of Accounting and Economics*, Vol. 32, pp. 349-410.
- [18]. Kaplan, R.S. & Atkinson, A.A. (1989), *Advanced Management Accounting*.
- [19]. Prentice Hall International Inc., Englewood Cliffs.
- [20]. Ladislav, Š . (2016), The Contingency Factors Affecting Management Accounting in Czech Companies. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 64(4): 1383–1392.
- [21]. Lapsley, I. & Wright, E. (2004), 'The diffusion of management accounting innovations in the public sector: a research agenda', *Management Accounting Research*, 15(3), pp. 355- 374.
- [22]. Mohamed, A., & Ayedh, A.(2015),The impact of advance management accounting techniques on performance: The case of Malaysia, *MIDDLE EAST JOURNAL OF BUSINESS - VOL 10*.
- [23]. Nair, S., & Y. Nian. (2017), Factors Affecting Management Accounting Practices in Malaysia, *International Journal of Business and Management*; Vol. 12, No.10.
- [24]. Shahzadi, R. Khan, M. Toor et al . (2018) "Impact of external and internal factors on management accounting practices: a study of Pakistan", *Asian Journal of Accounting Research*, 10.1108.
- [25]. Shields, M. D. (1998), Management accounting practices in Europe: a perspective from the States, *Management Accounting Research*, 9, 501– 513.
- [26]. Sunarni, C. (2014), Management Accounting Practices at Hospitality Business in Yogyakarta, Indonesia, *Rev. Integr. Bus. Econ. Res.* Vol 4(1).
- [27]. Szychta, A.(2018), Management accounting practices in developing countries since the 1990s: the case of Poland. *Zeszyty Teoretyczne Rachunkowości*” tom 99 (155). 119–148.
- [28]. Mat, T .Z. T., & Smith, M., & Djajadikerta , H.(2011), Determinants of Management Accounting Control System in Malaysian Manufacturing Companies, *Asian Journal of Accounting and Governance* Vol1:pp 79-104 .
- [29]. Pavlatos, O., & Kostakis, H.(2015), Management accounting practices before and during economic crisis: Evidence from Greece, *Advances in Accounting* Vol.31, pp.,150-164.
- [30]. Pradhan, D. & Swain, P.K. & Dash, M.(2018), Effect of Management accounting techniques on supply chain and firm performance - An Empirical study, *International Journal of Mechanical Engineering and Technology (IJMET)* Vol 9, pp. 1049–1057.
- [31]. Uyar, A.(2017), Cost and Management Accounting Practices: A Survey of Manufacturing Companies, *Eurasian Journal of Business and Economics* , 3 (6), 113-125.
- [32]. Yeshmin, F., & Hossan, A.(2011) Significance of Management Accounting Techniques in Decision-making: An Empirical Study on Manufacturing Organizations in Bangladesh, *World Journal of Social Sciences* Vol. 1. No. 1. Pp. 148 – 164.

Abdelghani Ahmed " Management Accounting Practices in Many Countries Around the World A review of the Literature ". *IOSR Journal of Business and Management (IOSR-JBM)*, Vol. 21, No. 2, 2019, pp. - .05-09