



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

***ASSESSMENT OF THE USAGE MANAGEMENT ACCOUNTING PRACTICES IN  
MANAGERIAL DECISION MAKING ON MANUFACTURING COMPANIES  
IN ADDIS ABABA AKAKI KALITY SUB-CITY***

***BY***

***HAILEAB ESHETU***

***JUNE 2020***

***ADDIS ABABA, ETHIOPIA***

***ASSESSMENT OF THE USAGE MANAGEMENT ACCOUNTING PRACTICES IN  
MANAGERIAL DECISION MAKING ON MANUFACTURING COMPANIES***

***IN ADDIS ABABA AKAKI KALITY SUB-CITY***

***BY***

***HAILEAB ESHETU***

***ADVISOR***

***ASSISTANT PROFESSOR SIMON TAREKE***

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL  
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION IN ACCOUNTING AND FINANCE**

***JUNE 2020***

***ADDIS ABABA, ETHIOPIA***

## DECLARATION

I, Haileab Eshetu, have carried out independently a research work on “**Assessment of the usage management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Akaki Kality sub-city**” in partial fulfillment of the requirements for the degree of Master of Business Administration in Accounting And Finance with the guidance and support of the research advisor.

This study is my own work that has not been submitted for any degree program in any other university and that all sources of materials used for the thesis have been duly acknowledged.

---

*Name*

---

Signature & Date

This master thesis has been submitted for examination with my approval as a university advisor.

Asst. Professor Simon Tareke

Advisor



---

Signature & Date

*Place and date of submission: St. Mary's University, June, 2020*

**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**STATEMENT OF CERTIFICATION**

This is to certify that the thesis entitles “**Assessment of the usage management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Akaki Kaliti sub-city**” was carried out by Haileab Eshetu under the supervision of Simon Tareke(Assistant Professor), submitted in partial fulfillment of the requirements for the degree of Master of Business Administration in Accounting And Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

**Approved by:**

Internal Examiner: Asst. Professor Mohammed Seid Signature  Date: 11-Aug-2020

External Examiner: Dr. Misrak Molla Signature  Date: 11-Aug-2020

Advisor: Asst. Professor Simon Tareke Signature  Date Aug- 20, 2020

## ACKNOWLEDGEMENT

I am most grateful to Almighty GOD who through His infinite mercy, his blessing and unconditional love, guided me in every step I made.

First and foremost, I would like to express my gratitude to my Advisor Assistant Professor Simon Tareke for giving me valuable and fruitful chances throughout this research proposal.

I would like to extend my gratitude for those participants involved in the study that devoted their invaluable time to complete their honest response; their involvement was regarded as a great input to the quality of the research results and all of my friends who contributed for this research to be fruitful & who was there beside me, you devoted same effort as me.

Finally, yet importantly, without the unconditional love and support of my family, I could have never accomplished this. In this respect, I am deeply grateful to my parents who have been motivating and praying for my success. I also extend my eternal gratitude to all of my friends who contributed their prayer and advice, every time I lose my patience who gave me the courage and unreserved support.

# TABLE OF CONTENTS

	Page
<b>DECLARATION.....</b>	<b>iii</b>
<b>STATEMENT OF CERTIFICATION .....</b>	<b>iv</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>ix</b>
<b>LIST OF FIGURES .....</b>	<b>x</b>
<b>ACRONYMS AND ABBREVIATION .....</b>	<b>xi</b>
<b>ABSTRACT .....</b>	<b>xii</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.1. Background of the study .....	1
1.2. Statement of the Problem.....	2
1.3. Research Questions .....	4
1.4. Objectives of the Study .....	4
1.4.1. General Objective .....	4
1.4.2. Specific Objectives .....	4
1.5. Significance of the Study .....	5
1.6. Scope and limitation of the Study .....	5
1.7. Organization of the Study .....	6
<b>CHAPTER TWO .....</b>	<b>7</b>
<b>LITERATURE REVIEW.....</b>	<b>7</b>
2.1. Meaning of Management Accounting.....	7

2.2. History and Development of Management Accounting .....	7
2.3. Management Accounting Practices in Developing Countries .....	9
2.4. Management Accounting In Ethiopia Manufacturing Companies .....	10
2.5. Importance of Management accounting.....	10
2.6. Management Accounting Practice .....	11
2.7. Types of Management Accounting Practice .....	11
2.7.1 Cost management Practice .....	12
2.7.2 Budgeting Practice .....	12
2.7.3. Performance evaluation.....	13
2.7.4. Information for Decision Making .....	14
2.7.5. Strategic Analysis .....	15
2.8. Empirical Studies .....	15
2.9. Literature Summary and Gap .....	18
2.10. Conceptual framework.....	19
<b>CHAPTER THREE .....</b>	<b>20</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>20</b>
3.1. Research Design and Methodology .....	20
3.2. Target population and sample design.....	20
3.3. Questionnaire Design.....	22
3.4. Data Collection Methods and procedures .....	23
3.5. Data analysis and presentation .....	23
3.6. Ethical considerations .....	24
<b>CHAPTER FOUR.....</b>	<b>25</b>
<b>DATA ANALYSIS, RESULTS AND INTERPRETATION.....</b>	<b>25</b>

4.1. General Information .....	25
4.1.1. Respondents' Company Specialization.....	25
4.1.2. Education .....	27
<i>Source: Own survey data</i> .....	28
4.1.3. Field of Specialization .....	28
<i>Source: Own survey data</i> .....	29
4.1.4. Work Experience.....	29
4.2. Management Accounting Practices.....	30
4.2.1. Respondents Opinion on the Usage of Management Accounting Practices .....	30
4.2.2. Respondents Opinion on the Importance of Management Accounting Practices....	39
<b>CHAPTER FIVE.....</b>	<b>41</b>
<b>SUMMARY, CONCLUSION, AND RECOMMENDATIONS.....</b>	<b>41</b>
5.1. Summary .....	41
5.2. Conclusions.....	43
5.3. Recommendations.....	43
5.4. Suggestions for Further Research .....	45
<b>Bibliography .....</b>	<b>46</b>
<b>Appendix: Research Questionnaires .....</b>	<b>51</b>



## LIST OF TABLES

Table 3.1. <b>Manufacturing Sectors</b> .....	22
Table 4.2. <b>Educational Status of Respondents</b> .....	28
Table 4.3. <b>Field of Study of Respondents</b> .....	29
Table 4.4. <b>Work Experience of Respondents</b> .....	30
Table 4.5. <b>Usage of Costing Management Accounting Practices in Respondents Company</b> .....	31
Table4.6. <b>Usage of Budgeting Management Accounting Practices in Respondents Company</b> .....	33
Table 4.7. <b>Usage of Performance Evaluation Management Accounting Practices in Respondents Company</b> .....	34
Table4.8. <b>Usage of Information for Decision Making Management Accounting Practices in Respondents Company</b> .....	36
Table 4.9. <b>Usage of Strategic Analysis Management Accounting Practices in Respondents Company</b> ..	38
Table 4.10. <b>Importance of management accounting practices</b> .....	39

## LIST OF FIGURES

Figure 2.1. Conceptual framework.....	19
Figure 4.2. Respondents Company Specialty.....	26

## ACRONYMS AND ABBREVIATION

MAP = Management Accounting Practice

BSC= Balanced Score Card

ABC = Activity Based Costing

ABB = Activity Based Budgeting

CAM-I= Consortium for Advanced Management-International

ABM=Activity-Based Management

LIS= Local Information System

LCC =Life Cycle Costing

TC= Target Costing

SMA=strategic management accounting

CIMA= Chartered Institute of Management Accountants

DSS= Decision Support System

## ABSTRACT

*Management accounting offers a good best opportunity for firms to compete in the market in order to offer the best quality products and services at affordable prices to consumers. The general objective of this study was to assess the usage of management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Akaki Kaliti sub-city. The target population for this study was the 229 manufacturing companies in Addis Ababa Akaki Kaliti sub-city. A stratified random sampling method was applied to come up with the sample size. The study, therefore, involved 29 manufacturing companies Akaki Kaliti sub-city. The study collected primary data from the respondents. The analysis was done using Excel, allowing the researcher to present the information in the form of tables and figures. The study concludes that budgeting practices are the most highly used management accounting practice amongst the manufacturing companies in Addis Ababa Akaki Kaliti sub-city followed by Costing practice but for the rest management accounting practices strategic analysis, information for decision making, and performance evaluation have been given less attention by respondent companies. The study suggests that respondent companies should evaluate performance using non-financial measures of performance evaluation such as Non-financial measure(s) related to customers, Non-financial measure(s) related to operation and innovation and Non- financial measure(s) related to employees in addition to their financial measure of performance, the researcher also recommends that various information for decision-making practice should be implemented and get serious attention. Strategic analysis management practice of respondent companies mainly focused on maximizing shareholder value & long-range forecasting, however other strategic analysis tools should get a room by respondent companies to better understand the dynamics of the market, maintain competitive advantage, and increase performance also recommends the finance department should exert much effort to provide managers with the information they need in time. Besides, accountants should also consider the accounting background of users because report complexity is one of the major bottlenecks for managers for not using management accounting information. After all, managers (other than the finance department) limited knowledge of accounting is one of the barriers to not using management accounting information. So that firms should design pieces of training on accounting to enlarge the manager's knowledge of accounting. This training could be in house training.*

**Keywords:** *Management accounting practices, Decision Making*

## CHAPTER ONE

### INTRODUCTION

#### 1.1. Background of the study

Management accounting is consisting of two words 'management' and 'accounting'. The word 'management' refers to all levels of managers in the organization. The primary purpose of management accounting in the organization is to help management doing their function by collecting, processing, and communicating information. The word 'accounting' not only refer to a mere record of business transaction but also cover other fields of studies (Sunarni, 2013).

Based on the study of Muhannad & Ashraf, (2015), Management Accounting produces information primarily for internal use by the company's management. The information produced is generally more detailed than that produced for external use to enable effective organization control and the fulfillment of the strategic aims and objectives of the entity. Information may be in the form of budgets and forecasts, enabling an enterprise to plan effectively for its future or may include an assessment based on its past performance and results. The form and content of any report produced in the process are purely upon management's discretion. And management accounting practice/tools help an organization to survive in the competitive, ever-changing world, because it provides an important competitive advantage for an organization that guides managerial action, motivates behaviors, supports and creates the cultural values necessary to achieve an organization's strategic objectives (Zakir et al., 2006).

Alleyne & Weekes-marshall,(2014), stated that there are many different tools for making decisions. Short term decisions are one of the tools to decide, such as cost volume profit (CVP) analysis, and customer profitability analysis. CVP analysis is used in manufacturing companies to determine how many units of a particular product must be sold 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 to arrive at the number of break-even units required. Therefore, this

allows managers to see the behavior of the cost before making a solid commitment or final decision on a specific order.

According to (Alleyne & Weekes-marshall, 2014), Manufacturing companies use management accounting techniques to assess their operations. These methods help organizations to plan, direct, and control operating costs and to achieve profitability. There is a general perception that management accounting provides relevant information for making decisions, both internally and externally on a long term or short term basis.

As today's business environment becomes increasingly competitive, business organizations are becoming more aggressive and dynamic in identifying strategies that will ensure a profitable existence. However, according to Tesfaye, (2009), most manufacturing firms in Ethiopia don't have management accounting department and they are not enjoying the benefit from the information generated by the system and hence they are slugging behind while other who have it and use the accounting information generated thereof for their decision and control are out biting them. Thus, there is a need to attempt for profitability in the manufacturing industry in Addis Ababa through the use of sound management accounting practices. The primary objective of this study is to assess the usage management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Kality sub-city.

The study aims to assess the "best practice "suitable for companies within this region. Therefore this study examines which management accounting practices in Akaki Kality sub-city are more widely used and which ones are preferred and why are they preferred over other practices. It also focuses on several factors that influence decisions made by senior management and accountants to adopt appropriate techniques that provide the best results for external and internal reporting within these companies.

## **1.2. Statement of the Problem**

Manufacturing companies use management accounting techniques to assess their operations. These include budgeting, variance analysis, and breakeven analysis, and others. These methods

help organizations to plan, direct, and control operating costs and to achieve profitability (Alleyne & Weekes-marshall, 2014).

Management accounting practice helps an organization to survive in the competitive, ever-changing world because it provides an important competitive advantage for an organization that guides managerial action, motivates behaviors, supports and creates the cultural values necessary to achieve an organization's strategic objectives. Competition may be attributed to business innovations, advancement in technology, and the changing demand of customers. Competition amongst business organizations may compel the management to develop business techniques and strategies that would guide an organization towards the maximization of profits (Mwangi, 2014).

Most of the existing research study focuses on a single company and using the result to generalize is problematic in participant observation (Baltes, 2001). Also, there is one study which was studied on the use of management accounting information (one of the management accounting practices) for decision making by Tesfaye (2009), focused on the Selected Manufacturing Companies based on his convenience (random sample) in the City of Addis Ababa and taking the result and generalized for management accounting practices on manufacturing firms in Addis Ababa. This may raise the question of the representativeness of the data because the selected manufacturing companies maybe (because not clearly stated the sector's) selected from the same manufacturing sector and thus creating bias. In addition to that, the selected companies based on the researcher convenience and taking conclusions on the result not represent the fact.

But this study took different manufacturing sectors from Akaki Kality sub-city and this enables to fill the gap which was mentioned above in the others study by giving the true representation and unbiased result on the area of Akaki Kality sub-city manufacturing sector only.

There are pieces of evidence ( for example (Majzoub & Aga, 2015) and (Quagli et al., 2016)) that accounting study and practice have a real gap between them. It is also considered that this gap is not because of the development of accounting as academic but due to the deficiency of research in accounting and particularly in management accounting (Inanga & Bruce, 2005). In another study, (Hyvönen, 2008), observed on management accounting practices in Finnish manufacturing

companies. The study recorded the level of implementation of the management accounting practices, and he perceived benefits from their use. This indicated that financial measures like product profitability analysis and budgeting for controlling costs will continue to be important in the future.

Therefore, to address the current in the literature gap and to fill the time gap (after 2009 which was studied by Tesfaye), this study was designed to assess the usage of management accounting practiced on managerial decision making of manufacturing companies in Addis Ababa Akaki Kality sub-city and the findings and conclusions, therefore, would not be taken as generalizations for manufacturing firms as a whole in Ethiopia, instead took the stated area only.

### **1.3. Research Questions**

This study, therefore, attempts to address by posing the following research questions:

- a) Do managers use management accounting practices/information in decision making?
- b) How often companies use management accounting practices in their decision-making process?
- c) How management accounting information help managers to be effective in their decision?

### **1.4. Objectives of the Study**

#### **1.4.1. General Objective**

The primary objective of this study is to assess the usage management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Kality sub-city.

#### **1.4.2. Specific Objectives**

- To assess the use of management accounting information in decision making.
- To assess the decisions that managers often make by using management accounting techniques.



- To assess how important management accounting practices in their decision-making process?

### **1.5. Significance of the Study**

The purpose of this study was to assess the usage management accounting practices in managerial decision making on manufacturing companies. Specifically, this study is significant in the sense that

- ✓ The study will help with the use of management accounting information for decision making and management control in manufacturing companies in Addis Ababa Kality Sub City and it will enrich the knowledge of readers on the role of management accounting in decision making and management control.
- ✓ The study's findings and recommendations will become highly important to management because it will draw their attention to some of the points where corrective actions were necessary and enable them to make such corrections.
- ✓ The research could stimulate further research in the area of management accounting and their use in decision making and management control.

### **1.6. Scope and limitation of the Study**

The study only concentrated on the management accounting practices of manufacturing companies in Addis Ababa Kality sub-city from 10 sub-cities and not all the companies in the economy. These results are therefore only limited to the manufacturing companies and may be of little or no use to the companies in other sectors in the country.

Due to the self-report nature of data that entailed the use of questionnaires, responses on the assessment may not accurately convey their real involvement in the management accounting practices. In addition, because of COVID-19, parts of the questioners are done through telephone and some of the respondents also are not willing to engage in the questionnaires. Getting the right respondent for the questionnaires' from the target group also challenged the issue. Because of these reasons and the current country's situations influencing the nature of statistical reporting.

As a result, the findings and/or outcomes reported in this research might not fully represent or reflect the situation in the manufacturing sector in Ethiopia as a whole, and conclusions, therefore, would not be taken as generalizations for manufacturing firms as a whole in all sub-cities or country. Finally, due to the limited time available to carry out the research; the above areas were not comprehensively studied to provide a wide picture.

### **1.7. Organization of the Study**

Having the above all the rest of the contents are organized as follows: Chapter two presents the empirical and theoretical review of related literatures to the issue of Management Accounting Practice on Managerial Decision Making. Chapter three provides research design and methodology followed by chapter four contains finding or results and interpretation; and Chapter five gives summary, conclusion, and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

This chapter reviews the related literatures on the concepts under the study, providing a brief description of the key concepts and definitions and provides theoretical and practical approaches. Accordingly, the previous related studies have been critically analyzed in this chapter of the research paper.

#### **2.1. Meaning of Management Accounting**

Accounting as a scientific discipline, identifies, records, and communicates information that is relevant, reliable, and comparable to decisions by the user. Management accounting differs from financial accounting mainly regarding users. Managerial accounting information needed for internal users, while financial accounting information users external addresses (Shpetim, Artan, 2014).

The objectives of management accounting related to meeting the objectives of the Organization. And it helps an organization to make decisions, control, planning, and reporting of more qualitative information. Competition, increased services, and information technology advances are key factors that have contributed to the greater practice of management accounting in the enterprise. This means active participation of management accountants in key processes of the enterprise. Today, its role is very large and the application of ethical standards is mandatory (Shpetim, Artan, 2014).

#### **2.2. History and Development of Management Accounting**

The Industrial Revolution in the early nineteenth century resulted in the emergence of a factory system that dramatically changed the production process. This has created a new demand for accounting information. Market information, which had automatically provided details of materials and piecework labor costs incurred in meeting each customer's order, was no longer available. In particular, information was required to determine the cost of the internal operations and also to measure the efficiency of converting materials leading to the finished.

Notwithstanding the impact of the Industrial Revolution, the emergence and rapid growth of railways in the mid-nineteenth century was the major driving force in the development of management accounting systems. New measures such as cost per ton-mile, cost per passenger mile, and the ratio of operating expenses to revenues was created and reported on a segmental and regional basis. Many of the innovative management accounting measures developed by railway companies were subsequently absorbed and developed by the other business sectors (Zakir et al., 2006).

According to Tabitha & Ogungbade (2016), traditionally, cost accountants had arbitrarily added a broad percentage of analysis into the indirect cost. In addition, activities include actions that are performed both by people and machines. However, as the percentages of indirect or overhead costs rose, this technique became increasingly inaccurate, because indirect costs were not caused equally by all products. Since the amount of direct labor and materials might be the same, additional cost for use of the machine is not being recognized when the same broad 'on-cost' percentage is added to all products. Consequently, when multiple products share common costs, there is a danger of one product subsidizing another. ABC is Activity Costing and Input-Output Accounting. The concepts of ABC were developed in the manufacturing sector of the United States during the 1970s and 1980s. During this time, the Consortium for Advanced Management-International, now known simply as CAM-I, provided a formative role for studying and formalizing the principles that have become more formally known as Activity-Based Costing. ABC as an approach to solving the problems of traditional cost management systems. These traditional costing systems are often unable to determine accurately the actual costs of production and of the costs of related services. Consequently, managers were making decisions based on inaccurate data, especially where there are multiple products. Instead of using broad arbitrary percentages to allocate costs, ABC seeks to identify cause and effect relationships to objectively assign costs. Once the costs of the activities have been identified, the cost of each activity is attributed to each product to the extent that the product uses the activity. In this way, ABC often identifies areas of high overhead costs per unit and so directs attention to finding ways to reduce the costs or to charge more for costly products.

Budgetary planning and control systems were developed to ensure that the diverse activities of different divisions were in harmony with overall corporate goals. Also, a measure of return on investment (ROI) was devised to measure the success of each division and the entire organization. The diversity of product markets and the scale and complexity of the production processes within these new multi-activity firms created enormous information processing problems. It made it extremely difficult for corporate top management to function efficiently and effectively in all the markets served by their organizations. The solution to this problem was further decentralization and the creation of investment centers. Systems of transfer prices were subsequently devised that sought to provide a fair basis for allocating profits between divisions (Zakir et al., 2006).

Reviewing cost and management accounting innovations of the last two decades, according to (Oyerogba, 2015) identifies the major recently developed cost and management accounting techniques in the literature as follows: activity-based costing (ABC); activity management (AM); and activity-based management (ABM); local information system (LS); balanced scorecard (BS); life cycle costing (LCC) and target costing (TC); strategic management accounting (SMA).

Prakash, (1959) Management accounting change is not a uniform phenomenon. Consequently one might expect the causal factors of change to be varied and this has indeed been confirmed by management accounting researchers. Both the external factors (environmental) and internal factors (relating to the organization concerned) have influenced the recent development of new management accounting systems and techniques. The researcher refers (Shields, 1997) and (Vaivio, 1999) and highlighted this change by taking the potential change driver's competition, technologies, organizational design, and strategies. These drivers of change also indicate the different roles which causal factors can have in the process of change. Change in the environment also implies uncertainty and risk which creates a demand for a further management accounting change in the form of non-financial measures.

### **2.3. Management Accounting Practices in Developing Countries**

Mohammad El-Ebaishi Yusuf Karbhari Kamal Naser, (2003) highlighting the importance of management accounting. Hence, management accounting is more important than financial accounting in developing countries. After all, in developing economies, significant attempts are

generally made to diversify and industrialize to achieve a higher standard of living. Developing countries have in general recognized the need of importing capital and technology transfer, but with little or no attempt to learn requisite management skills. Indeed, poor management has contributed to poor economies in many developing countries.

Maina Waweru et al.,( 2004) also analyzed management accounting change over time within four African retail companies and found considerable changes in management accounting systems within the four cases. Such changes include increased use of contemporary management accounting practices especially activity-based cost allocation systems and the balanced scorecard for performance measurement.

#### **2.4. Management Accounting In Ethiopia Manufacturing Companies**

The management accounting system should be strong in the number of workers and educational background but efficient management accounting policies are required. In addition, there is a limitation of accountants in Ethiopian manufacturing companies to produce the management accounting reports required by managers (Hailu, 2013).

According to the study of (Tesfaye, 2009), most manufacturing firms of Ethiopia don't have management accounting department and they are not enjoying the benefit from the information generated by the system and hence they are slugging behind while other who have it and use the accounting information generated thereof for their decision and control are out biting them.

#### **2.5. Importance of Management accounting**

According to (Zakir et al., 2006), management accounting provides information from its environment to management to facilitate decision-making. He enumerated that, good management accounting information has three attributes, and these are:-

1-**Technical**-it enhances the understanding of the phenomena measured and provides relevant information for strategic decisions,

2-**Behavioral**-it encourages actions that are consistent with an organization's strategic objectives,

**3-Cultural**-it supports and/or creates a set of shared cultural values, beliefs, and mindsets in an organization and society.

By using the above management accounting attributes, decision-makers may decide meaningful and effective decisions.

Management accounting adapts to organizational change and major forces cause organizations to evolve, for example, technological change, globalization, and customer needs. To remain competitive in today's global market, the business must continually improve. Good management accounting practices help the organization to improve constantly and due to these all over the world, there are so many management accounting tools & techniques developed and practiced.

## **2.6. Management Accounting Practice**

In a study by (Oyerogba, 2015), applied contingency theory to management accounting practices and explained the observation that there is no universally accepted standard accounting practice that can effectively be applied to all organizations. Each organization has its management accounting practices that best suit its conditions, this theory goes further to look at certain influential factors that will assist management to decide on an appropriate management accounting practice, these factors can either be the organization structure, technological changes, and the infrastructure of an organization. And the accounting practices differ in the organizations as a result of the uniqueness in their operations and environment. Technology has a very significant influence on the choice of a management accounting practice in a firm.

## **2.7. Types of Management Accounting Practice**

Based on the study of (Mwangi, 2014), Management accounting practices can include budgeting, performance evaluation, information for decision-making; and strategic analysis are some of the methods used among many others.

### 2.7.1 Cost management Practice

Abdel-Kader & Luther, (2006) indicate that traditional absorption costing systems have long been subject to criticism. Two longstanding issues have been the choice of appropriate overhead recovery rates i.e. plant-wide or more specific, and secondly, the controversy about the need to recover/allocate (absorb) overheads at all. The marginal costing versus absorption costing debate 'ran out of steam' in the UK when SSAP 9 ( Statement of Standard Accounting practice No. 9) was adopted, but we explore our expectation that the separation between fixed and variable costs is 'very much alive' in practice.

During the last two decades, the problems of traditional absorption costing were again brought under the spotlight. This time the focus of criticism was that these systems do not accurately measure costs for decision- making purposes and activity-based costing (ABC) has been developed and promoted. Also, target costing and the 'costing of quality' was introduced as tools for confronting increased competition.

Tabitha & Ogunbade(2016) referred to CIMA and defined ABC (Activity Based Costing) is an approach to the costing of final output by monitoring the activities and tracing consumption of resources to the activities. Resources are assigned to activities, and activities to cost objects based on consumption estimates. The latter utilizes cost drivers to attach activity costs to outputs. And Companies also began to recognize that most of the cost of products was committed at the design stage. Target costing developed as a multidisciplinary approach to managing costs from the earliest stages and was complemented by techniques such as process re-engineering and total quality management. It involves setting a target cost by subtracting the desired profit margin from a competitive market price. It primarily aims at assisting management to run a business profitably in a very competitive market

### 2.7.2 Budgeting Practice

As (Alleyne & Weekes-marshall, 2014), referred to as Drury et al. (1993) work, budgeting defined as an important tool for forecasting and controlling the activities within an organization and for allocating the entity's resources to achieve its objectives and goals.



The researchers indicated in his study that comparative advantage of Activity-based budgeting over activity-based costing is that Activity-based budgeting is perceived to be more comprehensive and precise, as it gives a full breakdown of the costs to be expected. The budgeting process is further made up of several different budgets such as the master budget and cash budget. The cash budget consists of cash receipts and payments and shows the beginning and ending cash position at the end of the budgeted period. The master budget is a summarized budget that sets specific goals to be achieved and includes the activities of the sales or distribution departments and other divisions in the organization.

Apart from operating and financial budgets manufacturing companies also prepared other forms of budgets like long-range budgets, Budgeting with “what if analysis” and, flexible budgets. The use of budgets to control an organization’s activity is known as budgetary control. It is a control technique that compares actual results with budgets to identify deviations and take corrective action. Accordingly, there cannot be budgetary control without budgets. Budgetary Control is a system that uses budgets as a means of planning and controlling.

### 2.7.3. Performance evaluation

Abdel-Kader & Luther, (2006) survey study by referring different research shows the choice of measures to guide and evaluate the performance of business units is one of the most critical challenges facing organizations. Management accounting should report all relevant information related to the evaluation of business units’ performance. Systems that focus solely on financial measures such as profits, return on investment, standard costs and variance analysis have been widely criticized. The criticisms arise because these measures are distorted by external reporting conventions; they promote short-termism and accounting manipulation and do not take into consideration the cost of capital or non-financial ‘leading’ measures such as customer satisfaction, labour efficiency, or innovation.

To incorporate the cost of capital into financial measures a variety of “economic value” measures have been introduced. Residual income was developed in the 1950s but more recently “Economic Value Added” (EVA) was promoted as a proprietary adaptation of residual income. EVA can be

defined as adjusted operating income minus a capital charge and implies that a manager's action only adds economic value when the resulting profits exceed the incremental cost of capital. The researchers also saw the Balanced Scorecard (BSC) as a way of integrating financial and non-financial performance measures and performance is evaluated from four perspectives: financial, customer-related, internal business processes, and learning and growth.

Financial measures are conventionally compared with previous periods' performance to identify whether there is an improvement or deterioration. The underlying assumption that the previous period is an appropriate comparator can lead to the entrenchment of problems and inefficiencies. To overcome this, benchmarking was introduced. Benchmarking is based on identifying a 'best practice' either internally or externally and then studying how this can be used to improve current and future performance.

#### 2.7.4. Information for Decision Making

There is a general perception that management accounting provides relevant information for making decisions, both internally and externally as well as 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. CVP analysis is used in manufacturing companies to determine how many units of a particular product must be sold 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 to arrive at the number of break-even units required (Alleyne & Weekes-marshall, 2014).

Therefore, this allows managers to see the behavior of the cost before making a solid commitment or final decision on a specific order. Management accounting 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 the internal rate of return techniques to

calculate the cost of capital seems not to be a regular management accounting practice used by businesses.

### 2.7.5. Strategic Analysis

Changes in the business environment demand change within the system of management accounting as well. These days, the business environment has demanded innovations and relevant management accounting practices, since management accounting plays an important role in every decision making, challenges faced are how management accounting can provide relevant data to make strategic decisions. This is what is called strategic management accounting. The development and the use of strategic management accounting and the techniques related to external information especially in facing the uncertainty of the environment and supporting strategic decisions (Novianty, 2015).

And Long-range forecasting, Shareholder value, Analysis of competitors' strengths and weaknesses are some of the tools used in strategic analysis.

## 2.8. Empirical Studies

Alleyne & Weekes-marshall, (2014) studied Management Accounting Practices in Manufacturing Companies in Barbados to understand the level of management accounting practices in the industry. The primary focus of this research paper was to examine the management accounting practices in three manufacturing companies within a public limited group company in Barbados. Semi-structured interviews were done with financial controllers/accountants, production managers, and production supervisors in each of the three companies. Respondents perceived that management accounting practices enable management to obtain relevant information for meaningful decision making. This study concluded that budgeting was used as a control tool with the planning process and for monitoring the cash flow. This study also found that the majority of the management accounting practices were widely used by the sample and several factors such as timeliness, technology, effectiveness, information needs and adoption of best practice were important factors influencing the choice of management accounting practices used by the sample. The study showed that respondents perceived that the management accounting practices

employed within the three entities were very effective and contributed to the success of the entities. It was also found that the management accounting practices were consistent and standardized across the group.

(Oyerogba, 2015) the study sought to investigate the management accounting practices in developing economies with a particular reference to the Nigerian listed manufacturing organizations. The three objectives for this study were the investigation of the adoption level of the new management accounting techniques, identification of factors influencing the choice of management accounting practices in manufacturing organizations, and the extent to which management accounting practices 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 was very prominent in manufacturing companies in Nigeria. Since the activity-based management and balanced scorecard has not been fully embraced, it is therefore recommended that adequate awareness should be created for the said techniques.

(Dlamini, 2020) explore the use of MAPs among large companies in Zimbabwe. The findings revealed that the application of costing, budgeting, strategic management accounting, and performance evaluation system is higher than DSS. With regard to the performance evaluation system, most participants revealed that much importance is placed on monetary performance measures as compared to nonmonetary performance measures. There was no sophisticated management accounting software in place for the generation of information other than basic accounting software. The study showed that large entities use both traditional and modern management accounting practices as these have an influence on their performance. It is highly advisable for entities to adopt modern MAPs in their operations and also to scan their environment so that they chose the best MAPs for their operations. The study also recommends that entities should consider using management accounting software in an attempt to fully exploit the efficacy of using management accounting in their operations, and this will assist them to withstand global competition. Furthermore, the study recommends the use of kaizen costing as it assists an organization in cost reduction, provision of quality products, and continuous

improvement, hence, improve the competitive edge of the organization. The study suggests that upcoming researches ought to consider the effect of management accounting on firm performance.

Tesfaye, (2009) conducted a study to examine the use of management accounting information in decision making and management control in the case of some selected manufacturing companies in the city of Addis Ababa. The objective is to identify the types of decisions that managers often make and areas that need management control and assess whether managers use management accounting information in decision making and control. It also assesses whether management accounting information helps managers to be effective in their decisions and control. The data used in this study was obtained through questionnaires and interviews. The questionnaire was prepared and distributed to finance managers, marketing managers, production managers, and accountants.

An unstructured interview is also made to collect data. The study finding shows that there is modest use of management accounting information in manufacturing companies in the city of Addis Ababa and it also shows managers that use management accounting information are effective in their decision and control.

Hailu, (2013) studied the role of management accounting in enhancing decision making at Metals and Engineering Corporation. The purpose of the thesis was to understand how information derived from management accounting had an impact on decision making and therefore to a better understanding of the relationship between management accounting information and decision making. This research explored the role of management accounting information in METEC. It also determined the extent of the use of management accounting information in metals and engineering corporations. Although the results indicated the use of management accounting information for decision making is very low and the management's focus towards management accounting is below the required level. Further, the research result shows that the accounting policy is financial accounting oriented and not helpful in making management accounting reports.

## **2.9. Literature Summary and Gap**

As shown in the above literature the researcher review and enumerated management accounting to provide information to enhance the understanding of the phenomena, to encourage actions that are consistent with the organization's objectives, and to create a set of shared cultural values and beliefs.

Among many others, management accounting practices Cost Management, Budgeting, Performance Evaluation, Information for Decision Making and Strategic Analysis are mostly adapting and uses by management for decision- making purposes.

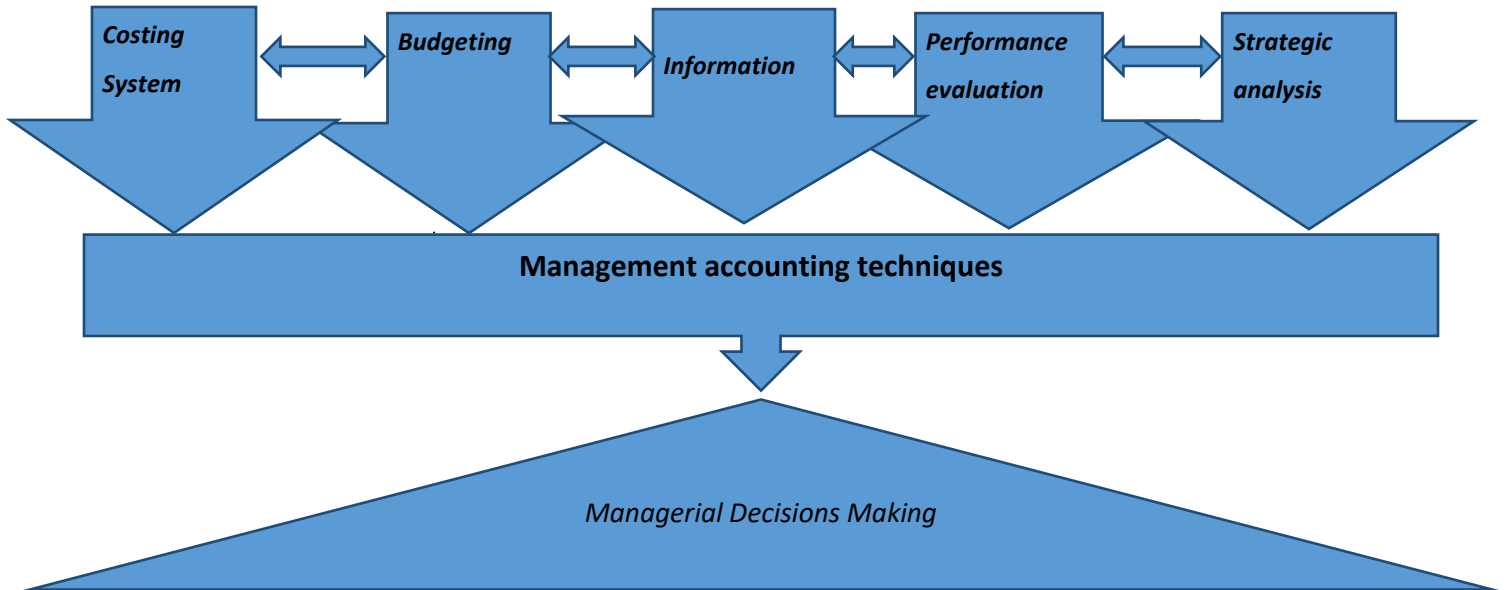
Despite the adaptation and importance of management accounting practices, the understanding and uses of management accounting practices for decision making are very important to attain and achieve the objectives of the practices.

As shown in the above empirical literature review researches was conducted by many researchers on the impact of management accounting practice on decision making. Fewer studies have been conducted in the area of management accounting practice in developing countries, especially in Ethiopia.

As far as the knowledge of the researcher is concerned, there are very few researches made in Ethiopia on management accounting practice, focused mainly on its effect on decision making and from which some of them are focused on a single firm and one research which has done before ten years ago by Tesfaye, (2009) were focused on 21 some selected companies and takes the result and generalized its effect on companies in Addis Ababa

## 2.10. Conceptual framework

Figure 2.1. Conceptual framework



Source: Own survey data

## CHAPTER THREE

### RESEARCH METHODOLOGY

The purpose of this chapter is to outline the research methodology. The procedures outlined here are data collection, population & sampling, and data analysis techniques.

#### **3.1. Research Design and Methodology**

Research design is the blueprint for fulfilling research objectives and answering research questions. In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the required information. Besides, it must ensure that the information collected is appropriate for solving a problem (John et al., 2007). A choice of research design is based on the objective of the research; the objectives of this research were to assess the usage of management accounting practice on managerial decision making of manufacturing companies in Addis Ababa Akaki Kality sub-city. So, this study adopted a qualitative and quantitative research approach by using a primary and secondary data source. To answer the statement of the problem and meet the research objectives, the design of this study was the descriptive type. Descriptive research studies are those studies that are concerned with describing the characteristics of a particular individual, or a group. The main characteristic of this method is that the researcher has no control over the variables; he/she can only report what has happened or what is happening (Kothari, 2004). Descriptive research ‘paint a picture’ using words or numbers and present a profile, a classification of types, or an outline of steps to answer questions such as who, when, where, and how (Lawrence, 2014). Therefore, this study used descriptive research design to assess the use of management accounting practice on managerial decision making of manufacturing companies

#### **3.2. Target population and sample design**

This section describes the population & sampling determination of the research selected relevant for the study to get a meaningful outcome and to ensure its representativeness & reliability of information obtained throughout the research. In Addis Ababa there are ten sub-cities. Studying the entire manufacturing companies is difficult. For this reason, the researcher took a



representative sample of the whole population. To achieve a representative sample for a research study, the researcher picked one sub-city that is called Akaki Kality sub-city.

(Mwangi, 2014), referring to Mugenda and Mugenda (2003), who took and suggest 10% of the target population when he taking Effect of Management Accounting Practices on Financial Performance of Manufacturing Companies study. The study therefore involved 29 manufacturing sector and from which selected 29 manufacturing companies as it has mention in table 3.1 below. The researcher believes that the selected manufacturing companies represent the total population. Therefore, it is reasonable to make a generalization from sample to population and meet the study objective. Due to this fact, the researcher was selected various staff members like General Manager, Finance Manager, Accountants, and some employees that are involved in the preparation of management accounting information and that require management accounting information for decision making.

The respondents were carefully selected and Stratified random sampling method was applied to come up with the sample size, since the population in different manufacturing firms was considered heterogeneous, implying that a simple random sample is unrepresentative. This ensures that each manufacturing subsector is represented (Bransah et al., 2019). Then, having census data of the selected clusters, the population is selected from medium and large industries based on the data which was got from Akaki Kality sub-city to relate with management accounting practice.

From 29 manufacturing sectors, the researcher took 130 staff who are involved in the preparation management accounting information and who are using this information for the decision-making process and from which 97 respondents have replied to the questionnaires.

*Table 3.1. Manufacturing Sectors*

Manufacturing Sectors	No. Of Com.	Sample size 10%
Materials for transportation	2	1
Other Chemicals	4	1
E-Metallic Substances Results	6	1
Crude oil and coal products	11	1
Clay and Pottery Products	23	2
Leather products	5	1
Dresses	3	1
Factory-manufactured metal detectors	20	2
Wood Furniture Outside of Steel	3	1
Plastic work that is made of plastic and produced outside of shoes	6	1
paper and paper production work	6	1
Drinking	4	1
Food	19	2
Bash making from wood and wood products, excluding furniture	11	1
Iron and Steel Basic Industry	30	3
Industrial chemicals	22	2
Plastic Products	25	3
Wheel Manufacturing / Hard Plastic	2	1
Textile	27	3
<b>Total</b>	<b>229</b>	<b>29</b>

Source: Akaki Kaliti Sub-City

### **3.3. Questionnaire Design**

The primary source of data collection method was used in the study necessary to achieve the objective of the study, the Questionnaire adopted from (Tesfaye, 2009), and modified by the researcher. Questioners were used as a major data collection instrument which was collected using purposive sampling. To make the study fruitful various books, government-issued documents, reports & websites were reviewed. To encourage effective & meaningful participation of respondents, the questioner designed very easy to understand so as to achieve the intended purpose of the study.

Respondents were asked to agree or disagree with each statement. Used Likert scales to help the researcher to compare a respondent's mark with a distribution of scores from the sample group.

### **3.4. Data Collection Methods and procedures**

Based on the primary and secondary data used to gather for sufficient information and the data was collected by the principal researcher. After the participants' consent is obtained, questionnaires were administered. The data entry, transcription, and the following data analysis were done by the principal researcher.

Both primary and secondary data were used in the study. Primary sources of data include interviews and questionnaires, whereas secondary sources of data were generated through a review of relevant documents.

The questionnaire is used to collect primary data and the data were developed to collect the required data from selected respondents stated above. Besides, it is easy to trap additional information by creating direct observation and also additional discussions. The questionnaires were self-administered because of the technicality much of the research deals with. Questionnaires were filled by General Managers, Finance Managers, and Accountants and concerned staff. The review of documents helps the researcher to understand the key facts of the subject matter and organization.

This study also depends on secondary data and additionally Specific websites were visited to gather information.

### **3.5. Data analysis and presentation**

The quantitative data were collected through the questionnaires and enter & analyze using the Excel concerning quantitative data. Descriptive data analyses were chosen for its simplicity and clarity of presentation in drawing inferences. An average and percentage computation was employed for analysis purposes.

### **3.6. Ethical considerations**

An official letter on ethical clearance for the proposal of the research was obtained from St. Mary's University. Similarly, the respondents were informed about the purpose of the study that it contributes necessary information for policymakers and other concerned bodies to look after the practice of accounting management practices.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND INTERPRETATION

This chapter presents the results of the data analysis. Responses from 29 firms were used in the data analysis. The chapter presents results on the assessment of management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Kaliti sub-city. The information was gathered from the staff in the finance department including Finance Manager and Cost Accountant as they handle management accountancy issues and has gathered from General, Marketing, and Production Manager since they are part of the decision made by using management accounting information. The general objectives of the study were to assess the management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Kaliti sub-city and used to put into pieces of specific objectives were;

- To assess the use of management accounting information in decision making.
- To assess the decisions that managers often make by using management accounting techniques.
- To assess how often uses management accounting practices in their decision-making process?

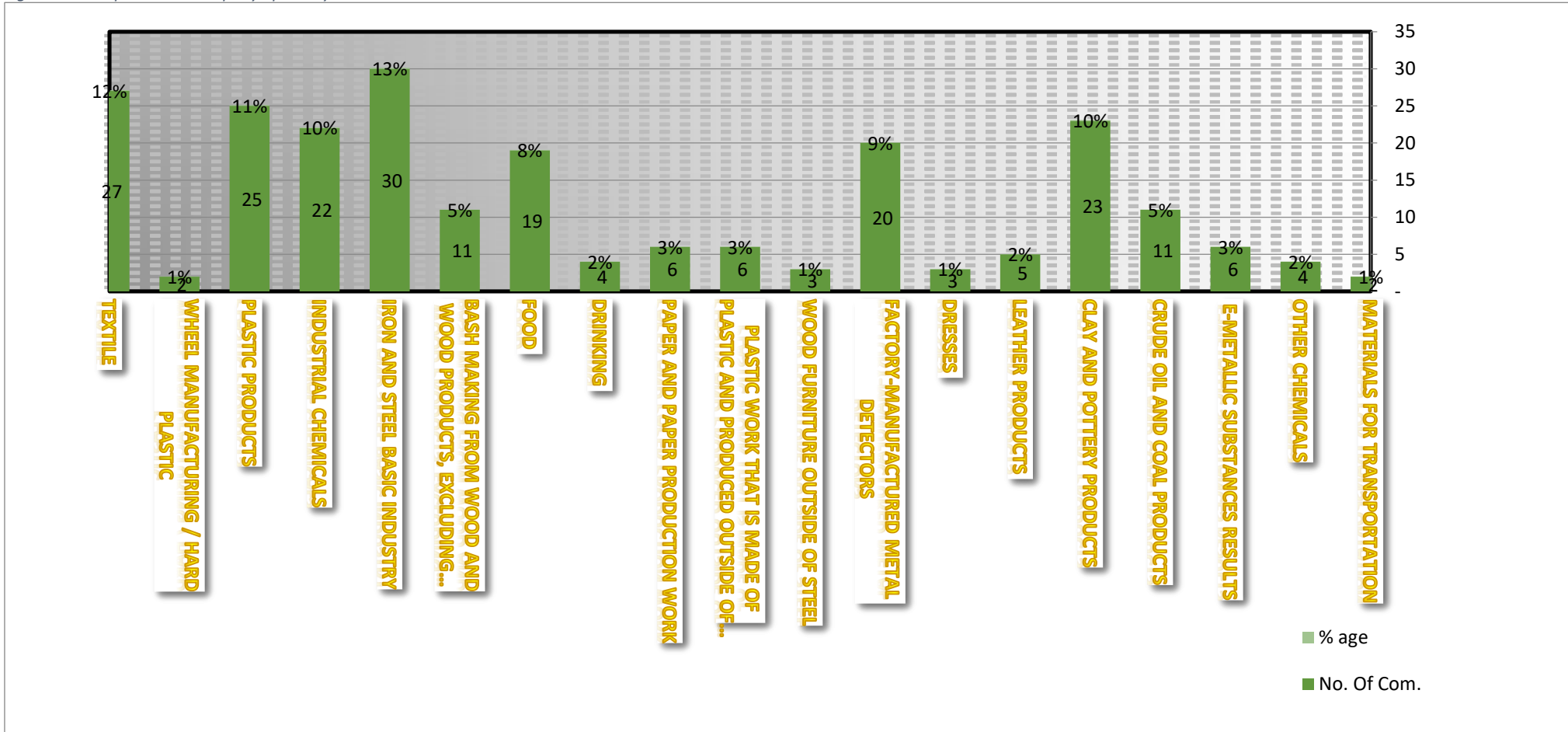
#### **4.1. General Information**

The respondents were asked a series concerning their demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent. The findings are discussed below.

##### **4.1.1. Respondents' Company Specialization**

The study requested the respondents to state what their company deals with. Accordingly, the findings are presented in the figure below.

Figure 4.2. Respondents Company Specialty



Source: Akaki Kality Sub-City

From the findings in figure 4.1 above, most (13%) of the respondents revealed that their company deals in Iron and Steel Basic Industry, this was followed by 12% who said that their company deals in textile, 11% said that their company deals in plastic products, 10% said that their company deals in Clay and Pottery Products, as well as Industrial chemicals and 9% and 8% said that their company deals in Factory-manufactured metal detectors and food respectively and the other 5% and less than 5% said that their company deals in other sectors as we can see from the figure 4.1. This implies that most of the targeted manufacturing companies were involved in the study with most responses emanating from companies falling 8% to 13% manufacturing sector.

#### 4.1.2. Education

Table 4.2 below summarizes the respondent's educational status. From the total number of 23 Finance managers 74% are degree holders and 17% and 9% are Masters and Above Masters level holders respectively. Most of the General Managers i.e. 65% are at 1<sup>st</sup>-degree holder's level. About 35% of them are Masters Holders. Concerning the educational status of Cost Accountant, about 68% of them are 1<sup>st</sup>-degree holders and 26% of them are Masters Holders. Only 5% have a Diploma. When looking at the marketing managers' educational level, 75% of them are 1<sup>st</sup>-degree holders and 5% & 20% have a diploma and master's degree respectively. Similarly, production Managers' educational status is 72% are 1<sup>st</sup>-degree holders' and 28% are at Diploma level. In general most of the respondent educational backgrounds are above 65% (who has 1<sup>st</sup> degree) and this enhanced the study more reliable.

More description of the educational status of respondents is presented in table 4.2 below.

Table 4.2. *Educational Status of Respondents*

Job Position	Certificate	%age	Diploma	%age	1st Degree	%age	Masters	%age	Above	%age	Total %age	Total No.
General Manager		-		-	11	65%	6	35%		-	100%	17
Cost accountant		-	1	5%	13	68%	5	26%		-	100%	19
Finance manager		-		-	17	74%	4	17%	2	9%	100%	23
MKT Manager		-	1	5%	15	75%	4	20%		-	100%	20
Production Manager		-	5	28%	13	72%		0%		-	100%	18

Source: Own survey data

#### 4.1.3. Field of Specialization

Regarding Cost accountants field of study with no exception all studied in the accounting and finance stream. As similar to that of cost accountants, all finance managers have got their degrees and masters in accounting and finance. About 80% of marketing managers study in marketing management and the rest (20%) in business administration. And 100% of the production manager's study in other filed (like Chemistry, food and processing engineering, and other). 41% and 59% of General Manager were studied Business Administration and Management field of study respectively. Except for the production manager, the entire respondent's field of study was business-related and this enables the study to reach effective results

Detail information is presented in table 4.3 below.



Table 4.3. *Field of Study of Respondents*

Job Position	Field OF Study										Total No.	Total % age
	Accounting & Finance	% age	Other Filed	% age	Business Administration	% age	Management	% age	Marketing	% age		
General Manager					7	41%	10	59%			17	100%
Cost accountant	19	100%									19	100%
Finance manager	23	100%									23	100%
MKT Manager					4	20%			16	80%	20	100%
Production Manager			18	100%							18	100%
<b>Total Number</b>	<b>42</b>		<b>18</b>		<b>11</b>		<b>10</b>		<b>16</b>		<b>97</b>	
<b>Total %age</b>	<b>43%</b>		<b>19%</b>		<b>11%</b>		<b>10%</b>		<b>16%</b>		<b>100%</b>	

Source: Own survey data

#### 4.1.4. Work Experience

Table 4.4 below gives a summary of the work experience of respondents. Most Cost accountants (68%) have 6 to 10 years of work experience in the area and both 16% each has work experience below 5 years and between 10 to 15 years. About 61% of finance managers have work experience between 11 to 15 years and 17% each have work experience 6 to 10 years and 22% have work experience above 15 years. No finance managers have work experience below 5 years. When we look at the marketing manager's work experience, 25% of them have below 5 years of work experience, 55% have 6 to 10 years' work experience and the remaining 20% have 11 to 15 work experience. But none of them have above 15 years of work experience. Likewise, 41% of the

general manager has work experiences 6 to 10 years and the remaining 24% and 35% of them are having 11 to 15 years and above 15 years of work experience respectively.

Most of the production managers (56%) have work experience of above 15 years and 28% of them have work experience of 11 to 15 years. About 17% of production managers have 6 to 10 years' work experience. In general most of the managers have more than six years of work experience and this enables the respondents well aware of the use of management accounting practices.

Table 4.4. *Work Experience of Respondents*

Job Position	Below 5 years	%age	6 to 10 years	%age	11 to 15 years	%age	Above 15 years	%age	Total %age	Total No.
General Manager		0%	7	41%	4	24%	6	35%	100%	17
Cost accountant	3	16%	13	68%	3	16%		0%	100%	19
Finance manager		0%	4	17%	14	61%	5	22%	100%	23
MKT Manager	5	25%	11	55%	4	20%		0%	100%	20
Production Manager		0%	3	17%	5	28%	10	56%	100%	18

Source: Own survey data

## 4.2. Management Accounting Practices

### 4.2.1. Respondents Opinion on the Usage of Management Accounting Practices

The respondents were asked to rate the usage of Costing, Budgeting, Performance Evaluation, Information for Decision Making, and Strategic Analysis management accounting practices in their Company. The ranking ranged from 1 (never) to 5 (very often).

#### 4.2.1.1. Usage of Costing Management Accounting Practices in Respondents Company

The respondents were asked to indicate the extent to which they agreed with statements concerning the Usage of Costing Management Accounting Practices in their Company. The responses were

placed on a five Likert scale ranging from 1 (never) to 5 (very often). A mean of above 3 is regarded to measure satisfaction on the test variables. The results are as in Table 4.5 below.

*Table 4.5. Usage of Costing Management Accounting Practices in Respondents Company*

Usage of Costing	N	1	2	3	4	5	Mean	%age	SD
The cost of quality considered when making decisions between differing quality-related alternatives	97	0.11	0.34	0.22	0.13	0.20	2.96	59.2	0.09
Departmental or multiple plant –wide overhead allocation rates used (Departmental overhead rates are used by many manufacturers instead of using a single, plant-wide overhead rate)	97	0.05	0.07	0.13	0.31	0.43	4.00	80.0	0.17
Separation made between variable and fixed costs while preparing internal reports	97	0.07	0.11	0.09	0.18	0.55	4.22	84.3	0.21
Using plant –wide overhead allocation rate (a single rate used to assign or allocate all of a company's manufacturing overhead costs to its production output)	97	0.22	0.28	0.11	0.22	0.18	2.86	57.1	0.06
Activity- based costing (ABC)	97	0.46	0.21	0.11	0.12	0.09	2.18	43.5	0.15
Use of target costs to reach at desired market share and design alternative product	97	0.11	0.19	0.23	0.32	0.15	3.22	64.3	0.08
Advanced modeling of cost relationships (regression or learning curve techniques) is used.	97	0.56	0.19	0.18	0.06	0.02	1.80	36.1	0.21

Source: Own survey data

The study found that 59.2% of the Companies often use the cost of quality, 80% of the Companies often use departmental overhead rates, 84.3% of the Companies often use separation of costs, 57.1% of the Companies often use of plant-wide overhead rates, 43.5% of the Companies often use Activity-based costing (ABC), 64.3% of the Companies often use target costs while 36.1% of the Companies often use regression techniques and/or learning curve techniques. From the overall mean of 3.03, costing systems were rated as 61 % were used.

Traditional Cost accounting techniques include Standard Costing, Absorption Costing, use of separation of variable cost & fixed costs, use of multiple plant-wide overhead rates and marginal Costing among other. However, traditional techniques have been severely criticized for not being

relevant in today's business environment. The newer techniques suggested by various advocates of the modern techniques include; Activity Based Costing (ABC), Target Costing, Life Cycle Costing, Just in Time System, Throughput Accounting/costing, Back Flush Costing and Kaizen costing among others (Abdel-Kader & Luther, 2006).

In the traditional costing system, the production process was divided into several stages and in each stage production and non- production costs were recognized, and then production costs were divided between manufactured products. In this method, the relevant and irrelevant costs to the manufactured products, based on the overhead amounts, were prorated between the manufactured products. Alternatively, activities with and without value-added were not accurately identified. While in costing modern techniques, the pre-production costs are effectively examined by management before production phase and since acquiring to the certain final cost is the basis of work, so by adaption of modern methods, the cost-creating activities of production and the stimulant factors for their creation are identified and whereas the objective is to achieve customer's satisfaction and acquisition of market and having high and appropriate quality in production, thus for determining the final cost, all production tools which may be relevant and appropriate are used, but it differs for which the items without value-added and irrelevant are omitted and what involved in the process of producing the product is taken into consideration (Faraji & Reiszadeh, 2013).

#### *4.2.1.2. Usage of Budgeting Management Accounting Practices in Respondents Company*

The respondents were asked to indicate the extent to which they agreed with statements concerning the Usage of Budgeting Management Accounting Practices in their Company. The responses were placed on a five Likert scale ranging from 1 (never) to 5 (very often). A mean of above 3 is regarded to measure satisfaction on the test variables. The results are as in Table 4.6 below.

Table 4.6. Usage of Budgeting Management Accounting Practices in Respondents Company

Usage of Budgeting	N	1	2	3	4	5	Mean	%age	SD
Budgeting for long-term (strategic) plans	97	0.13	0.24	0.22	0.18	0.24	3.14	62.9	0.04
Zero-based budgeting is implemented	97	0.16	0.28	0.19	0.18	0.20	2.96	59.2	0.05
Budgeting is used for controlling costs	97	0.05	0.07	0.14	0.29	0.44	4.00	80.0	0.16
Flexible budgeting is used	97	0.11	0.34	0.22	0.22	0.11	2.88	57.5	0.09
Budgeting is done with what if analysis	97	0.14	0.20	0.32	0.22	0.12	2.98	59.6	0.08
Budgeting is used for planning	97	0.05	0.07	0.13	0.30	0.44	4.01	80.2	0.17
Activity based budgeting is implemented	97	0.25	0.18	0.29	0.20	0.09	2.71	54.2	0.07

Source: Own survey data

According to the findings in Table 4.2, 62.9% of the Companies often use Budgeting for long-term (strategic) plans, 59.2% of the Companies often use Zero-based budgeting, 80% of the Companies often use Budgeting for controlling costs, 57.5% of the Companies often use Flexible budgeting, 59.6% of the Companies often use Budgeting with “what if analysis”, 80.2% of the Companies often use Budgeting for planning while 54.2% of the Companies often use Activity-based budgeting. From the overall mean of 3.24, Budgeting was rated as 65% were used.

Activity-based budgeting (ABB) has been defined by Alleyne & Weekes-marshall (2014) as “the budgeting of sources according to target activities.” The application of this type of budgeting system is easy to use, as it focuses on the activities within the process rather than cost objects. Its primary purpose is to collect all costs within the process which includes materials, setup time, the number of hours worked and manufacturing overhead that is to be included in the budget. In addition to ABB, ‘what if’ analysis is also the most popular technique in evaluating the risk of projects considering different assumptions. Using this advanced management accounting practice enables companies to solve problems associated with traditional budgeting(budgets impede the allocation of organizational resources to their best uses and encourage myopic decision making and other dysfunctional budget games.).

With a successfully implemented Activity-Based Budgeting system, the management accountants can use the obtained information and data for analyzing the trends, for estimating and modeling according to scenarios “What if...?”. By estimating the quantities and volumes on a defined management period, information regarding all cost objects, cost inductors, necessary amounts and the level of resources costs can be obtained. Practically, the Activity-Based Budgeting is flexible budgeting, using more factors than the estimated production units or work volume, offering a clearer forecast regarding the current costs and the resources necessary for the entity (Capusneanu et al., 2013).

#### *4.2.1.3. Usage of Performance Evaluation Management Accounting Practices in Respondents Company*

The respondents were asked to indicate the extent to which they agreed with statements concerning the Usage of Performance Evaluation Management Accounting Practices in their Company. The responses were placed on a five Likert scale ranging from 1 (never) to 5 (very often). A mean of above 3 is regarded to measure satisfaction on the test variables. The results are as in Table 4.7 below.

*Table 4.7. Usage of Performance Evaluation Management Accounting Practices in Respondents Company*

<b>Usage of Performance Evaluation</b>	<b>N</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>	<b>%age</b>	<b>SD</b>
<b>Non-financial measures related to customers are implemented</b>	97	0.45	0.34	0.05	0.06	0.09	<b>2.00</b>	<b>40.0</b>	<b>0.18</b>
<b>Non-financial measures related to operations and innovation are employed</b>	97	0.46	0.32	0.07	0.09	0.05	<b>1.95</b>	<b>39.0</b>	<b>0.18</b>
<b>Non-financial measures related to employees are exercised</b>	97	0.39	0.34	0.07	0.11	0.08	<b>2.15</b>	<b>43.1</b>	<b>0.15</b>
<b>Financial measure are implemented to measure performance</b>	97	0.46	0.28	0.09	0.09	0.07	<b>4.03</b>	<b>80.6</b>	<b>0.16</b>
<b>Economic value added or residual income is the means of evaluating performance</b>	97	0.41	0.31	0.09	0.11	0.07	<b>2.12</b>	<b>42.5</b>	<b>0.15</b>
<b>Benchmarks are used to compare performance</b>	97	0.39	0.28	0.12	0.13	0.07	<b>2.22</b>	<b>44.3</b>	<b>0.13</b>

Source: Own survey data

According to the findings in Table 4.7, 40 % of the Companies often use non- financial measure(s) related to customers, 39% of the Companies often use non-financial measures(s) related to operation and innovation, 43.1% of the Companies often use non- financial measure(s) related to employees, 80.6% of the Companies often use financial measures, 42.5% of the Companies often use economic value added or residual income while 44.3% of the Companies often use benchmarks. From the overall mean of 2.41, performance evaluation measures were rated as 48% were used.

Abdel-Kader & Luther, (2006) survey study by referring different research shows , Systems that focus solely on financial measures such as profits return on investment, standard costs and variance analysis have been widely criticized. The criticisms arise because these measures are distorted by external reporting conventions; they promote short-termism and accounting manipulation and do not take into consideration non-financial ‘leading’ measures such as customer satisfaction, labour efficiency, Benchmark, or innovation.

#### *4.2.1.4. Usage of Information for Decision Making Management Accounting Practices in Respondents Company*

The respondents were asked to indicate the extent to which they agreed with statements concerning the Usage of Information for Decision Making Management Accounting Practices in their Company. The responses were placed on a five Likert scale ranging from 1 (never) to 5 (very often). A mean of above 3 is regarded to measure satisfaction on the test variables. The results are as in Table 4.8 below.

Table 4.8. Usage of Information for Decision Making Management Accounting Practices in Respondents Company

Usage of Information for Decision Making	N	1	2	3	4	5	Mean	%age	SD
Evaluation of major capital investments based on discounted cash flow method	97	0.58	0.28	0.02	0.06	0.06	1.75	35.1	0.23
For the evaluation of major capital investments ,non-financial aspects are documented and reported	97	0.30	0.30	0.20	0.11	0.09	2.40	48.0	0.10
Calculation and use of cost of capital in discounting cash flow for major capital investment evaluation	97	0.59	0.30	0.02	0.04	0.05	1.67	33.4	0.24
Customer profitability analysis is done regularly	97	0.44	0.32	0.07	0.07	0.09	2.05	41.0	0.17
Product profitability analysis is done regularly	97	0.12	0.24	0.27	0.22	0.15	3.04	60.8	0.06
Evaluation of major capital investments based on payback period and accounting rate of return	97	0.32	0.30	0.14	0.12	0.11	2.41	48.2	0.10
Evaluating the risk of major capital investments projects by using probability analysis or computer simulation	97	0.11	0.33	0.13	0.25	0.18	3.04	60.8	0.09
Inventory control models are implemented	97	0.09	0.24	0.22	0.25	0.21	3.24	64.7	0.06
Performing sensitivity “what-if analysis” when evaluating major capital investment projects.	97	0.33	0.29	0.22	0.09	0.07	2.29	45.87	0.11
Cost –volume analysis (break even analysis) for major products	97	0.16	0.18	0.22	0.23	0.22	3.15	63.1	0.03

Source: Own survey data

The results in table 4.8 show that 35.1% of the Companies often use Evaluation of major capital investment based on discounted cash flow method(s), 48% of the Companies often use For the evaluation of major capital investments, non-financial aspects are documented and reported, 33.4% of the Companies often use Calculation and use of cost of capital in discounting cash flow for major capital investment evaluation,41% of the Companies often use Customer profitability analysis, and 60.8% use Product profitability analysis, 48.2% of the Companies often use Evaluation of major capital investments based on payback period and/ or accounting rate of return,60.8% of the Companies often use Evaluating the risk of major capital investment projects by using profitability analysis or computer simulation,64.7% of the Companies often use inventory control models, 45.87% of the Companies often use Performing sensitivity “what if” analysis when



evaluating major capital investments projects while 63.1% of the Companies often use Cost-volume-profit analysis (break-even analysis) for major products. From the overall mean of 2.51, Information for Decision Making was rated as 50% were used.

There is a general perception that management accounting provides relevant information for making decisions, both internally and externally as well as 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. Management accounting 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 the internal rate of return techniques to calculate the cost of capital seems not to be a regular management accounting practice used by businesses (Alleyne & Weekes-Marshall, 2014).

#### *4.2.1.5. Usage of Strategic Analysis Management Accounting Practices in Respondents Company*

The respondents were asked to indicate the extent to which they agreed with statements concerning the Usage of Strategic Analysis Management Accounting Practices in their Company. The responses were placed on a five Likert scale ranging from 1 (never) to 5 (very often). A mean of above 3 is regarded to measure satisfaction on the test variables. The results are as in Table 4.8 below.

Table 4.9. Usage of Strategic Analysis Management Accounting Practices in Respondents Company

Usage of Strategic Analysis	N	1	2	3	4	5	Mean	%age	SD
<b>Analysis of competitors' strengths and weaknesses</b>	97	0.22	0.32	0.19	0.12	0.15	<b>2.68</b>	<b>53.6</b>	<b>0.08</b>
<b>Value chain analysis</b>	97	0.25	0.40	0.09	0.13	0.12	<b>2.48</b>	<b>49.7</b>	<b>0.13</b>
<b>Shareholder value</b>	97	0.13	0.11	0.18	0.25	0.33	<b>3.53</b>	<b>70.5</b>	<b>0.09</b>
<b>Industry analysis</b>	97	0.30	0.35	0.12	0.11	0.11	<b>2.39</b>	<b>47.8</b>	<b>0.12</b>
<b>Analysis of competitive position</b>	97	0.13	0.18	0.30	0.16	0.23	<b>3.18</b>	<b>63.5</b>	<b>0.06</b>
<b>Long-range forecasting</b>	97	0.13	0.24	0.22	0.18	0.24	<b>3.14</b>	<b>62.9</b>	<b>0.04</b>
<b>Product life cycle analysis</b>	97	0.21	0.27	0.28	0.15	0.09	<b>2.66</b>	<b>53.2</b>	<b>0.08</b>
<b>The possibilities of integration with suppliers "and/or customers" value chains</b>	97	0.24	0.19	0.33	0.11	0.13	<b>2.72</b>	<b>54.4</b>	<b>0.09</b>

Source: Own survey data

From the results in table 4.9, Strategic Analysis is used in the respondent's companies; 53.6% of the Companies often use Analysis of competitors' strengths and weaknesses, 49.7% of the Companies often use Value chain analysis, 70.5% of the Companies often use Shareholder value, 47.8% of the Companies often use Industry analysis, 63.5% and 53.2% of the Companies often use Analysis of competitive position and use Product life cycle analysis respectively, 62.9% of the Companies often use Long-range forecasting, while 54.4% of the Companies often use The possibilities of integration with suppliers "and/or customers" value chains. From the overall mean of 2.85, Strategic Analysis was rated as 57% were used.

Strategic management accounting is used to identify various approaches that give potential values to management accounting. It focuses on the competitors, such as assessing the budget of the competitors, monitoring the position of the competitions, and determining strategic prices. This is strategic management accounting opens knowledge of how a company has to be the best between its competitors through cost leadership, product differentiation, or focus.

#### 4.2.2. Respondents Opinion on the Importance of Management Accounting Practices

The respondents were asked to state to what extent they agreed with the following statements on the importance of management accounting practices. The Scoring ranged from 1 (Strongly Disagree) to 5 (Strongly Agree). The results are as in Table 4.10 below.

Table 4.10. Importance of management accounting practices

	N	1	2	3	4	5	Mean	%age	SD
The management accounting function provides important techniques that may enhance credit risk management and a competitive advantage in the manufacturing sector	97	-	0.01	0.04	0.40	0.55	4.48	89.7	0.24
The management accounting function identifies key factors that influence performance and risky areas that require improvements	97	-	-	0.12	0.32	0.56	4.43	88.7	0.22
Management accounting practices enable firms from all sectors to raise money in larger amounts and at a cheaper cost than they could elsewhere	97	-	-	0.20	0.32	0.48	4.29	85.8	0.16
Management accountants apply their skills to assist financial managers in evaluating profitability prospects and anticipated risks thereby creating a competitive advantage.	97	-	-	0.20	0.36	0.44	4.25	84.9	0.19
Return on Asset, ROA (Net income /Total assets) has increased as a result of application of management accounting practices	97	-	0.03	0.24	0.25	0.48	4.19	83.7	0.20
Management accounting provides information from its environment to management to facilitate decision-making	97	-	0.07	0.13	0.40	0.39	4.11	82.3	0.16
Return on equity, ROE (Net income / Average Equity) has increased as a result of application of management accounting practices	97	-	-	0.20	0.53	0.28	4.08	81.6	0.20
The management accounting function develops strategies that enable the manufacturing companies to exploit financial innovations in creating a sustainable competitive advantage	97	-	0.07	0.32	0.37	0.24	3.77	75.5	0.13
Financial leverage or (Equity / Total Assets) has increased as a result of application of management accounting practices	97	-	0.13	0.26	0.44	0.16	3.64	72.8	0.21
Management accounting function creates the cultural values necessary to achieve the organization strategic objectives	97	-	0.18	0.36	0.19	0.28	3.57	71.3	0.26

Source: Own survey data

The results in table 4.10 depict that the most important element of management accounting practices was; The management accounting function provides important techniques that may enhance credit risk management and a competitive advantage in the manufacturing sector (Mean=4.48), this was followed by The management accounting function identifies key factors that influence performance and risky areas that require improvements (Mean=4.43), Management accounting practices enable firms from all sectors to raise money in larger amounts and at a cheaper cost than they could elsewhere (Mean=4.29), Management accountants apply their skills to assist financial managers in evaluating profitability prospects and anticipated risks thereby creating a competitive advantage (Mean=4.25), Return on Asset, ROA (Net income /Total assets) has increased as a result of application of management accounting practices (Mean=4.19), Management accounting provides information from its environment to management to facilitate decision-making (Mean=4.11), Return on equity, ROE (Net income / Average Equity) has increased as a result of application of management accounting practices (Mean=4.08), The management accounting function develops strategies that enable the manufacturing companies to exploit financial innovations in creating a sustainable competitive advantage (Mean=3.77), financial leverage or (Equity / Total Assets) has increased as a result of the application of management accounting practices(Mean=3.64), and Management accounting function creates the cultural values necessary to achieve the organization strategic objectives (Mean=3.57)

## CHAPTER FIVE

### SUMMARY, CONCLUSION, AND RECOMMENDATIONS

The preceding chapter presented the results while this chapter presents the conclusions and recommendations. The purpose of the chapter is to review the whole thesis and highlight future research directions. Accordingly, section 5.1 presents a summary of findings while section 5.2 presents the conclusion of finding. 5.3 present recommendations of the researcher and the last section 5.4 cover the Limitations and 5.5 present tips for Future Study.

#### **5.1. Summary**

This study aimed to assess & highlight the usage of management accounting practices and to assess the management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Kality sub-city. Based on the research findings outlined in the previous sections, the researcher summarizes and concludes with some recommendations to provide insight into the usage of management accounting practices in managerial decision making into manufacturing companies.

The researcher collected 97 usable responses from the general population of manufacturing companies in Addis Ababa Kality sub-city. The descriptive statistics result in the usage of management accounting practice & the overall results obtained from the study presented below.

#### ***Usage of Management Accounting Practices in Respondents Company for Decision Making***

From table 4.5 up to 4.9 shows the frequency of usage of specific management accounting practices for decision-making process. In terms of a costing system, traditional management accounting practice (use of separation of variable cost & fixed costs & use multiple plant-wide overhead rates) has a higher usage rate followed by advanced management accounting practice (Target Costing) has also a higher usage rate. Interestingly, popular techniques such as activity-based costing and regression and learning curve techniques were not widely used. Concerning budgeting, it was seen that traditional management accounting practice has higher usage rate while advanced management accounting practice such as Activity Based Budgeting and Budgeting with

what-if analysis is off the table (with a mean value of below 3) for usage by respondent companies within this sub-group of practices.

In terms of performance evaluation, traditional management accounting practice that focuses only on the financial measure of performance has higher usage rate while advanced management accounting practice such as the non-financial measure of performances are off the table (with a mean value of below 3) for usage by respondent companies. With respect to information for decision making, traditional management accounting practice has a higher usage rate as compared to advanced management accounting practice with a mean value of below 3. almost all of the practices were generally used. Importantly, cost volume profit analysis was widely used. This finding is consistent with (Alleyne & Weekes-marshall, 2014) argument that cost volume profit analysis is a strongly used practice by manufacturing companies. In terms of strategic analysis, traditional management accounting practice has a higher usage rate as compared to advanced management accounting practice with a mean value of below 3.

### ***Importance of management accounting practices***

The study further indicated that the most important elements of management accounting practices amongst the manufacturing companies in Addis Ababa Kality sub-city are; The management accounting function provides important techniques that may enhance credit risk management and a competitive advantage in the manufacturing sector and The management accounting function identifies key factors that influence performance and risky areas that require improvements, Management accounting practices enable firms from all sectors to raise money in larger amounts and at a cheaper cost than they could elsewhere and Management accountants apply their skills to assist financial managers in evaluating profitability prospects and anticipated risks thereby creating a competitive advantage , and Return on Asset, ROA ( $\text{Net income} / \text{Total assets}$ ) has increased as a result of application of management accounting practices and Management accounting provides information from its environment to management to facilitate decision-making and in addition Return on equity, ROE ( $\text{Net income} / \text{Average Equity}$ ) has increased as a result of application of management accounting practices has mean value greater than 4 i.e. more than 81.6% respondent are agreed that the above mentioned management accounting practices are important.

## **5.2. Conclusions**

The study specifically assesses the management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Kality sub-city based on the following conclusions.

The study concludes that Budgeting practice is the most highly used management accounting practice followed by costing practice by manufacturing companies in Addis Ababa Kality sub-city. While strategic analysis, information for the decision, and performance evaluation management accounting practices have given less attention by respondent companies.

Respondents believe that the importance of management accounting practices and it enables management to obtain relevant information for meaningful decision making & management accounting practices employed within the companies were very effective and contributed to help their company succeed.

In general, globalization and the increasing complexity of the business, together with high-powered computing technology, have contributed to the development of new management accounting techniques all over the world (Zakir et al., 2006). This study shows that though newly developed management accounting tools has contributed a lot in the development of management accounting, the research result of the present practices of management accounting in listed manufacturing sector reveals that state of use of sophisticated techniques (like target costing, ABC, ABB, life cycle costing and probabilistic CVP and others) is not satisfactory.

## **5.3. Recommendations**

This study assesses the management accounting practices in managerial decision-making on manufacturing companies in Addis Ababa Kality sub-city. From the practice perspective, this study recommends the creation and enhancement of awareness among firms of the importance of information for decision-making practices as this is the most highly used management accounting practice amongst the manufacturing companies in Addis Ababa Kality sub-city.

The findings identify that strategic analysis, information for decision and performance evaluation management accounting practices have given less attention by respondent companies even if they believe the importance of it and this shows that there is a gap of knowledge of how to implement the practices and use the benefits and make a proper decision from it.

As an efficient accounting ethical practice, it is the responsibility of the management accounting professionals to remain relevant in adding value to the companies for which they work and to their profession by keeping well-informed of research findings in their area of responsibility.

The finance department should exert much effort to provide managers with the information they need in time. Besides, accountants should also consider the accounting background of users because report complexity is one of the major bottlenecks for managers for not using management accounting information. After all, managers (other than the finance department) limited knowledge of accounting is one of the barriers to not using management accounting information. So that firms should design pieces of training on accounting to enlarge the manager's knowledge of accounting. This training could be in house training.

Also to improve and enhance the management accounting application in addition to traditional management accounting practices in manufacturing companies in Addis Ababa Kality sub-city creating and give more exposure to the top management of the organization on the benefits of applying advanced management accounting techniques is useful.

Concerning policies, the accounting curriculum should be developed consistently to the changing role of accountants. Accounting Education must equip their student with capabilities in coping with the rapid change of the business environment so that they can always provide relevant management accounting information to managers.

Academics and practitioners can use the findings of this study to fully understand how management accounting practices can help to improve business performance in companies.



#### **5.4. Suggestions for Further Research**

Further research is important in other Sub-City with similar manufacturing companies. The findings would enhance a cross-Sub-City comparison of the management accounting practices and their usage for decision making.

Also, future studies should assess specific factors as to why manufacturing companies are not adopting newly developed management accounting tools. The relatively limited benefits associated with new management accounting techniques raises the question of the conditions necessary to effectively implement these tools.

Finally, the dependence between traditional and new management accounting techniques needs further investigation.

## Bibliography

- Abdel-Kader, M., & Luther, R. (2006). Management accounting practices in the British food and drinks industry. *British Food Journal*, 108(5), 336–357.  
<https://doi.org/10.1108/00070700610661321>
- Akram, M., & Mohammad, A. (2015). An Exploratory Study of Management Accounting Practices in Industrial Companies in Jordan (Case Study- Industrial Companies- ASE). *International Journal of Business and Social Science*, 15(2).  
<http://ijbssnet.com/journal/index/361>
- Alleyne, P., & Weekes-marshall, D. (2014). *An Exploratory Study of Management Accounting Practices in Manufacturing Companies in Barbados*. 2(2), 01–10.
- Alleyne, P., & Weekes-Marshall, D. (2011). An exploratory study of management accounting practices in manufacturing companies in Barbados. *International Journal of Business and Social Science*, 2(9), 49–58. <http://ijbssnet.com/journal/index/361>
- Baltes, N. J. S. P. B. (Ed.). (2001). *international Encyclopedia of the Social & Behavioral Sciences* (Vol. 1, Issue d).
- Bransah, W., Bransah, W., & Bransah, W. (2019). *Analyzing the Effects of Management Accounting Practices on Financial Performance of Manufacturing Companies in Ghana , Using Management Accounting Practices*. 1(7), 70–96. <https://doi.org/10.15373/22501991>
- Capusneanu, S., Boca, I. S. (Rakos), Barbu, C.-M., Rof, L.-M., & Topor, D. (2013). *Implementation of Activity-Based Budgeting Method in the Economic Entities from Mining Industry of Romania*. 3(1), 26–34. <http://www.hrmars.com/admin/pics/1409.pdf>
- Dlamini, B. (2020). *Insight On The Use Of Management Accounting Practices Among Large Manufacturing Entities In Zimbabwe : A Case Study Of Bulawayo Metropolitan Province* . 4(2).

- Faraji, F., & Reiszadeh, A. (2013). “ *The Activity based costing and target costing as modern techniques in determination of product cost .*” 6(3), 368–372.  
[http://www.irjabs.com/files\\_site/paperlist/r\\_1696\\_131014112142.pdf](http://www.irjabs.com/files_site/paperlist/r_1696_131014112142.pdf)
- Hailu, M. (2013). *SCHOOL OF GRADUATE STUDIES THE ROLE OF MANAGEMENT ACCOUNTING IN ENHANCING SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF*. May.
- Hyvönen, J. (2008). *Linking management accounting and control systems, strategy, information technology, manufacturing technology and organizational performance of the firm in contingency framework*.
- Inanga, E. L., & Bruce, W. (2005). *The failure of accounting research to improve accounting practice : a problem of theory and lack of communication*. 16, 227–248.  
[https://doi.org/10.1016/S1045-2354\(03\)00073-X](https://doi.org/10.1016/S1045-2354(03)00073-X)
- John, A., Khan, H. T. A., Raeside, R., & White, D. (2007). *Research Methods for Graduate Business and Social Science Students*.
- Kothari. (2004). *Reserach Methodology Methods and Techiniques*.
- Lawrence, N. (2014). Social Research Methods: Qualitative and Quantitative Approaches. In *Teaching Sociology* (Vol. 30, Issue 3). <https://doi.org/10.2307/3211488>
- Maina Waweru, N., Hoque, Z., & Uliana, E. (2004). Management accounting change in South Africa: Case studies from retail services. In *Accounting, Auditing & Accountability Journal* (Vol. 17, Issue 5). <https://doi.org/10.1108/09513570410567773>
- Majzoub, S., & Aga, M. (2015). Characterizing the Gap between Accounting Education and Practice: Evidence from Lebanon. *International Journal of Business and Management*, 10(12), 127. <https://doi.org/10.5539/ijbm.v10n12p127>
- Mohammad El-Ebaishi Yusuf Karbhari Kamal Naser. (2003). *EMPIRICAL EVIDENCE ON THE*

*USE OF MANAGEMENT ACCOUNTING TECHNIQUES IN A SAMPLE OF SAUDI MANUFACTURING COMPANIES.*

Mwangi, G. (2014). *EFFECTS OF MANAGEMENT ACCOUNTING PRACTICES ON FINANCIAL PERFORMANCE OF MANUFACTURING COMPANIES IN KENYA BY A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN FINANCE DEGREE , SCHOOL . October.*

Novianty, I. (2015). Strategic Management Accounting: Challenges in Accounting Practices. *Research Journal of Finance and AccountingOnline*), 6(9), 7–13.  
<http://www.iiste.org/Journals/index.php/RJFA/article/viewFile/22150/23349>

Oyerogba, E. O. (2015). *Management Accounting Practices in the Developing Economies : The Case of Nigeria Listed Companies.* 5(2), 76–85.

Prakash, M. (1959). Evolution and changes in management accounting practices. *International Research Journal of Management Science & Technology*, 4(2), 1009–1017.

Quagli, A., Avallone, F., & Ramassa, P. (2016). The Real Impact Factor and the Gap between Accounting Research and Practice. *Financial Reporting*, 1, 29–57.  
<https://doi.org/10.3280/fr2016-001003>

Shpetim , Artan, V. & N. (2014). *Management accounting and its impact.* 2(3), 1–4.

Sunarni, W. (2013). Management Accounting Practices and the Role of Management Accountant : Evidence from. *Integrative Business & Economics*, 2(2), 616–626.

Tabitha, N., & Ogungbade, O. I. (2016). *Cost Accounting Techniques Adopted by Manufacturing and Service Industry within the Last Decade.* 5(1), 48–61.

Tesfaye, T. (2009). *Assessment on the use of Management Accounting Information for Decision Making and Management Control: A Case Study of Some Selected Manufacturing Companies*

*in City of Addis Ababa. June.*

Zakir, M., Sharkar, H., & Sultana, S. (2006). *MANAGEMENT ACCOUNTING DEVELOPMENT AND PRACTICES IN BANGLADESH. III(2)*, 113–124.

## **Questionnaire for General Managers, Finance Managers, Accountants and other staffs**

This questionnaire is designed to request information for academic Purposes. This is to enable the researcher, Hialeab Eshetu, graduates year student of St. Mary University to complete his thesis on the topic; Assessment of usage of management accounting practices in managerial decision making on manufacturing companies in Addis Ababa Kality sub-city In fulfillment of Masters of Accounting and Finance. I would like to thank you in advance for your co-operation and for scarifying your respected time.

N.B: 1. writing your name is not necessary.

2. All information given would be treated with at most confidentiality.

Hailea Eshetu-, Tele. +251-911-895632

Email :- haileab790@gmail.com

## Appendix: Research Questionnaires

### SECTION- 1

**1-What does your company deals in?**

---

**2-What is your position in the company?**

---

**3- What is your level of education?**

Certificate  Diploma  1st Degree  Masters  Above

**4. Field of Specialization**

---

**5. Your work Experience in this organization**

Below 5 years  5 to 10 years  11 to 15 years  above 15 years

---

## SECTION-2

### Part A: Management accounting practices

**Instruction:** Below are lists of Management Accounting Practice. Please indicate how often does your company use the following management accounting practices? By ticking (√) on the spaces that specify your choice from the options that range from "Never" to "Very often" .Each choices were identified by numbers ranged from 1 to 5.

#### 1- How often does your company use the following costing system management accounting practices?

(Please Mark "√" in the appropriate box)

Costing System	Never	Rarely	Sometimes	Often	Very Often
The cost of quality considered when making decisions between differing quality-related alternatives					
Departmental or multiple plant –wide overhead allocation rates used (Departmental overhead rates are used by many manufacturers instead of using a single, plant-wide overhead rate)					
Separation made between variable and fixed costs while preparing internal reports					
Using plant –wide overhead allocation rate (a single rate used to assign or allocate all of a company's manufacturing overhead costs to its production output)					
Activity- based costing (ABC)					
Use of target costs to reach at desired market share and design alternative product					
Advanced modeling of cost relationships (regression or learning curve techniques) is used.					



**2- How often does your company use the following budgeting system management accounting practices?**

(Please Mark “√” in the appropriate box)

<i>Budgeting</i>	Never	Rarely	Sometimes	Often	Very Often
Budgeting for long-term (strategic) plans					
Zero-based budgeting is implemented					
Budgeting is used for controlling costs					
Flexible budgeting is used					
Budgeting is done with what if analysis					
Budgeting is used for planning					
Activity based budgeting is implemented					

**3- How often does your company use the following Performance evaluation management accounting practices?**

(Please Mark “√” in the appropriate box)

<i>Performance evaluation</i>	Never	Rarely	Sometimes	Often	Very often
Non-financial measures related to customers are implemented					
Non-financial measures related to operations and innovation are employed					
Non-financial measures related to employees are exercised					
Financial measure are implemented to measure performance					
Economic value added or residual income is the means of evaluating performance					
Benchmarks are used to compare performance					

**4- How often does your company use the following decision making system management accounting practices?**

(Please Mark “√” in the appropriate box)

<i>Information for decision making</i>	Never	Rarely	Sometimes	Often	Very Often
Evaluation of major capital investments based on discounted cash flow method					
For the evaluation of major capital investments ,non-financial aspects are documented and reported					
Calculation and use of cost of capital in discounting cash flow for major capital investment evaluation					
Customer profitability analysis is done regularly					
Product profitability analysis is done regularly					
Evaluation of major capital investments based on payback period and accounting rate of return					
Evaluating the risk of major capital investments projects by using probability analysis or computer simulation					
Inventory control models are implemented					
Performing sensitivity “what if analysis” when evaluating major capital investment projects.					
Cost –volume analysis (break even analysis) for major products					

**5- How often does your company use the following Strategic analysis system management accounting practices?**

(Please Mark “√” in the appropriate box)

<i>Strategic analysis</i>	Never	Rarely	Sometimes	Often	Very Often
Analysis of competitors' strengths and weaknesses					
Value chain analysis					
Shareholder value					
Industry analysis					
Analysis of competitive position					
Long-range forecasting					
Product life cycle analysis					
The possibilities of integration with suppliers "and/or customers" value chains					

## Part B: Importance of management accounting practices

11-To what extent do you agree with the following statements on importance of management accounting practices?

	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
The management accounting function provides important techniques that may enhance credit risk management and a competitive advantage in the manufacturing sector					
The management accounting function identifies key factors that influence performance and risky areas that require improvements					
Management accounting practices enable firms from all sectors to raise money in larger amounts and at a cheaper cost than they could elsewhere					
Management accountants apply their skills to assist financial managers in evaluating profitability prospects and anticipated risks thereby creating a competitive advantage.					
Return on Asset, ROA (Net income /Total assets) has increased as a result of application of management accounting practices					
Management accounting provides information from its environment to management to facilitate decision-making					
Return on equity, ROE (Net income / Average Equity) has increased as a result of application of management accounting practices					
The management accounting function develops strategies that enable the manufacturing companies to exploit financial innovations in creating a sustainable competitive advantage					
financial leverage or (Equity / Total Assets) has increased as a result of application of management accounting practices					
Management accounting function creates the cultural values necessary to achieve the organization strategic objectives					

**THE END**