

**THE USE OF MANAGEMENT ACCOUNTING PRACTICES IN
MALAYSIAN SMES**

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Declaration

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ABSTRACT

There have been the recent calls for additional research in order to enhance the understanding of the adoption of management accounting practices (MAPs) in small and medium sized enterprises (SMEs). This, allied to an increasing importance of SMEs around the world especially in developing countries, is the motivation for this research. This research explores the uptake of a broad range of MAPs in Malaysian SMEs; identifies the roles of MAPs in the management of SMEs; determines factors that affect the extent of use of MAPs in SMEs and lastly examines the relationship between the use of MAPs and organizational performance of SMEs. A postal questionnaire was conducted to 1,000 Malaysian SMEs in manufacturing sector which elicited 160 useable responses.

The results show that the majority of respondents have used the five management accounting areas identified. Use of the costing system, budgeting system and performance evaluation system are significantly higher than for the decision support system and strategic management accounting, which indicates that the uptake of traditional MAPs is greater than for sophisticated MAPs. The results indicate that medium sized firms make greater use of all MAPs as opposed to small sized enterprises. The most significant differences relate to the use of decision support system and strategic management accounting. The increased uptake of sophisticated MAPs by larger firms is in line with size being a contingent variable explaining the use of such practices.

The results also suggest that MAPs were perceived as playing very important roles in the management of Malaysian SMEs. Performance evaluation and controlling activities were the major roles of MAPs in the management of SMEs. Overall the study suggests that MAPs are perceived by SMEs as relevant and useful in their management processes.

Further, the study found that four out of five contingent factors; size of the firm, intensity of market competition; participation of the owner/manager in the development of MAPs in firm and advanced manufacturing technology have a positive and statistically significant relationship with the use of certain MAPs. The research however found weak support for the positive relationship between the use of MAPs and organizational performance of SMEs.

This study enriches the existing body of knowledge of management accounting by providing information as to the use of MAPs in SMEs in Malaysia. The findings can be specifically informative for policy makers intent on developing management accounting skills among Malaysian SMEs. This research will provide valuable insights into the nature of MAPs in SMEs in a developing country and will promote interest among Malaysian researchers as well as researchers of other countries to make the SME sector a focus of interest in management accounting research.

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ABBREVIATIONS

ABC	Activity-based Costing
ABCMA	Activity-based Costing and Management
ABMA	Activity-based Management Accounting
AIS	Accounting Information System
AMT	Advanced Manufacturing Technology
ARR	Accounting Rate of Return
BBRT	Beyond Budgeting Round Table
BSC	Balanced Scorecard
CAM-I	Consortium for Advanced Manufacturing International
CBM	Central Bank of Malaysia

CIMA	The Chartered Institute of Management Accountants
CSFs	Critical Success Factors
CVP	Cost-Volume-Profit
DOS	The Department of Statistics
DSS	Decision Support System
FDI	Foreign Direct Investment
FMAC	Financial Management and Management Accounting Committee
GDP	Gross Domestic Product
IRR	Internal Rate of Return
IFAC	International Federation of Accountants
IMA	Institute of Management Accountants
IMP	Industrial Master Plan
IT	Information Technology
JIT	Just-In-Time
KM	Knowledge Management
KPIs	Key Performance Indicators
MA	Management Accounting
MAP	Management Accounting Practice
MAS	Management Accounting Systems
MAT	Management Accounting Technique
MCS	Management Control System
MOA	Ministry of Agriculture and Agro-based Industries
MP	Malaysia Plan
NPC	National Productivity Corporation (Malaysia)
NPV	Net Present Value
NSDC	Malaysian National SMEs Development Council
NZ	New Zealand
OC	Organizational Controls
PMS	Performance Measurement System
ROI	Return on Investment
ROE	Return on Equity
ROA	Return on Asset
ROS	Return on Sales
SMEs	Small and Medium sized Enterprises
SMIDEC	Small and Medium Industries Development Corporation
SMA	Strategic Management Accounting
TQC	Total Quality Control
TPM	Total Productive Maintenance
TQM	Total Quality Management
UNDP	The United Nations Development Program
UK	United Kingdom
US	United States
VBM	Value-based Management
VE	Value Engineering
ZBB	Zero-Based Budgeting