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Management Accounting Practices in Nepalese Manufacturing Companies

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Abstract

The general objective of this study was to explore the uses of management accounting practices in Nepalese manufacturing companies. This study adopted a descriptive survey design. The population of the study consists of all listed manufacturing companies under Nepal stock exchange. The study used simple random sampling. Four manufacturing firms were randomly selected for the study. The study therefore involved 5 manufacturing companies located in Kathmandu. The study collected primary data from the respondents. The data collected was both quantitative and qualitative. Analysis was done using Statistical Package for Social Sciences (SPSS), allowing the researcher to present the information in form of tables and figures. This study found that 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 Nepalese manufacturing companies. This study concludes that information for decision making practices is the most highly used management accounting practice amongst the manufacturing companies in Nepal, followed by strategic analysis, budgeting, performance evaluation, costing, size and leverage respectively.

Key Words: *Management accounting, financial performance, manufacturing companies*

Introduction

Companies use management accounting techniques to assess their operations. These include budgeting, variance analysis and breakeven analysis. These methods help organizations to plan, direct and control operating costs and to achieve profitability. It is recognized that management accounting practices are important to the success of the organization (Horngren, et al., 2009). Management accounting is the application of appropriate techniques and concepts in processing the historical and projected economic data of an entity to assist management in establishing a plan for reasonable economic objectives and in the making of rational decisions with a view towards achieving these

objectives. Managerial accounting, or management accounting, is a set of techniques aimed at providing managers with financial information to help them make decisions and maintain effective control over corporate resources. These include the methods and concepts necessary for effective planning, decision making (choosing among alternative business actions and controlling through the evaluation and interpretation of performance.

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. Management accounting is concerned primarily with the internal needs of management. It is oriented toward evaluation of performance and development of estimates of the future as opposed to traditional financial accounting which emphasizes historical data related to such legal financial matters as ownership, investment, credit granting, taxation, regulation, and the building of foundations for consistent and conservative external reporting, "in accordance with generally accepted accounting principles." Flexibility is an essential characteristic of management accounting since it presupposes that careful attention has been given to determine the important needs of management, many of which cannot be precisely identified in advance (Parker, 2012). The Institute of Management Accountants (IMA), the professional association of practicing and academic management accountants, defines management accounting as "The process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control within an organization and to assure appropriate use of accountability for its resources.

This research-based study seeks to fill this gap and will answer following are some research questions by examining the uses of management accounting practices in manufacturing companies with emphasis on companies listed in Nepal stock exchange. The search for management accounting tools, especially in the manufacturing sector, should therefore be at the forefront for development of innovative competitive strategies that may enable modern organization to remain profitable and competitive. How much awareness do the Nepalese accountants and managers have about management accounting? To what extent are management accounting tools adopted by Nepalese manufacturing firms?

The general objective of this study was to identify the use of management accounting techniques in Nepalese manufacturing companies. Specific objectives are: To explore the management accounting practices undertaken by the Nepalese manufacturing companies. To show the effects of management accounting practices on financial performance.

Literature Review

This section presents two theories. The first theory is contingency theory of management accounting while the second is the new institutional sociology theory of management accounting as discussed by Ribeiro and Scapens (2016). Burns & Stalker (1961) discussed why management accounting practices may be unalike when comparing one organization to the other. This can be related to organizations operating in different industries or sectors. Otley (1980) applied contingency theory to management accounting practices and explained that there is no single general standard accounting practice that can be applied to all organizations. In essence, each organization will have its own management accounting practices. The theory looks at certain influential factors that will assist management to decide on an appropriate management accounting practice. These factors can either be technological changes and the infrastructure of an organization. For example, a manufacturing food company may want to change the technology used to a more modern hygienic and efficient way of handling, processing and packaging its food. It may then consider installing a computer-based system that mass produces its products. However, the type of qualified personnel that is required to operate such highly complex equipment will influence the type of management accounting practices selected and production costs.

Dugdale (1994) highlighted which management accounting practices are widely used in manufacturing organizations. Those that were highly favored were budgeting for controlling costs and performance evaluation. His findings revealed that budgeting plays an important role in the managing and directing process of the organization. Specifically, the observation that institutionalized structures are decoupled from actual practices conflicts with Berger and Luckman's (2016) definition of institution: a reciprocal typification of habitualized action by types of actors. As Meyer and Rowan draw on this principle early in their 1977 paper, Tolbert and Zucker (1996) claim there is: an inherent ambiguity in their underlying phenomenological argument, because the definition of "institutionalized" itself contradicts the claim that institutional structures are apt to be decoupled from behavior. To be institutional, structure must generate action. As Giddens (1979) argues, structure that is not translated into action is in some fundamental sense not social structure.

Determinants of financial performance in manufacturing firms

Analysis of the determinants of corporate financial performance is essential for all the stakeholders, but especially for investors. The value of shareholders, defined as market value of a company is dependent on several factors: the current profitability of the company, its risks, and its economic growth essential for future company earnings. All of these are major factors influencing the market value of manufacturing firms. Branch **(**2020**)** argue the opposite, that financial indicators based on accounting information are sufficient

in order to determine the value for shareholders. A manufacturing firm financial performance is directly influenced by its market position. Profitability can be decomposed into its main components: net turnover and net profit margin. Ross et al. (1996) argues that both can influence the profitability of a company one time. If a high turnover means better use of assets owned by the company and therefore better efficiency, a higher profit margin means that the entity has substantial market power. Risk and growth are two other important factors influencing manufacturing firms' financial performance.

Recent studies contradict this theory, arguing that capital structure play an important role in determining corporate performance. Barton & Gordon (2018) suggest that entities with higher profit rates will remain low leveraged because of their ability to finance their own sources. On the other hand, a high degree of leverage increases the risk of bankruptcy of companies. Total assets are considered to positively influence the company's financial performance, assets greater meaning less risk. A large volume of sales (turnover) is not necessarily correlated with improved performance. Studies that have examined the relationship between turnover and corporate performance were inconclusive. The main objective of the company has evolved over time; the need for short term profit is replaced by the need for long-term growth of the company (sustainable growth). Therefore, sustainable growth rate higher than 1 would have a positive impact on performance. For the companies listed at the stock exchange, its ability to distribute dividends is a proof of stability.

Management accounting information an analysis is vital in the management of manufacturing companies in Nepal, thus as a discipline moving from a passive role as information providers for decision-makers (Gyawali, 2017). The trend of this shift has resulted to a range of remarkable innovators in management accounting. This is evident through the adoption of innovative modern management accounting techniques like activity-based costing, strategic management accounting, just in time, lifecycle costing and contemporary performance measurement systems such as balance score card. As a result of this new developments some researchers argue that relevant lost may be regained in the near future. This resulting gain seems to be gradually adopted by Nepalese manufacturing companies.

Method

The study adopted a descriptive survey design. According to Churchill (2011) it is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions. The study sought to collect data from the manufacturing companies at one point in time and determine the effects of management accounting practices on financial performance of manufacturing companies in Nepal. The target population for this study was the listed Nepalese manufacturing firms listed under NEPSE. Simple 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 according to Cooper and Schindler (2006) ensure that each manufacturing subsector is represented. According to Mugenda and Mugenda (2003) at least 10% of the target population is important for the study. The study therefore involved 5 listed and tradable manufacturing firms under NEPSE.

The study collected primary data from the respondents. The data collected was both quantitative and qualitative. Qualitative data is a categorical measurement expressed not in terms of numbers, but rather by means of a natural language description. Quantitative data is a numerical measurement expressed in terms of numbers. The study utilized a questionnaire to collect data. The questionnaire designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent. The second part was devoted to the questions on the effects of management accounting practices on financial performance of Nepalese manufacturing firms. The secondary data was obtained from the published annual reports spanning five years (2017-2021) published by the Nepalese manufacturing firms. Data analysis is the process of bringing order, structure and meaning to the mass of information collected (Mugenda & Mugenda, 2003). Given that the study was conducted using a mixed method approach (defined under "research design"), analysis was done using Statistical Package for Social Sciences (SPSS) and coding/theming. SPSS was used, allowing the researcher to present the information in form of tables and figures. The conceptual model in this study is specified as follows:

$Y=f$ (MAP)

Where, Y is the financial performance; MAP is the Management Accounting Practices which include Costing, Budgeting Performance Evaluation, Information for Decision Making, and Strategic Analysis.

The regression line is represented by the following model:

$$Fpt = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e_t \quad (2)$$

Where; FP = financial performance, ROA=Net Income

Total assets X_1 = Costing, X_2= Budgeting, X_3 = Performance Evaluation, X_4 = Information for Decision Making, X_5 = Strategic Analysis , X_6 and X_7 = other determinants of financial performance (Leverage) and Size , X_5= Ratio of total debt to total assets X_6 = Size =natural log (Ln) of Total assets β_0 = constant or intercept; β_1 to…β_7 are regression coefficients $\mathbf{e_t}$ = Error term

Results and Discussion

This chapter presents the results of data analysis. Responses from 5 firms (representing 50.4% response rate) were used in the data analysis. The chapter presents results on the effects of management accounting techniques on financial performance of manufacturing companies in Nepal. The information was gathered from the staff in the finance department including Chief financial officers, accountants and Credits officers as they handle management accountancy issues. The objectives of the study were; to establish the management accounting practices undertaken by the manufacturing companies in Nepal and to establish the effects of management accounting practices on financial performance. The respondents were asked a series of questions in relation to their demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent. The findings are discussed below.

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).

Table 1: Usage of Costing Management Accounting Practices in Respondents Company

	1	2	3	4	5	Mean	SD
The cost of quality	0.0	3.8	10.0	46.2	40.0	4.31	0.78
Department or multiple plant-wide overhead rates	0.0	6.0	8.8	47.1	38.1	4.26	0.88
Separation of variable cost, incremental costs & fixed costs	2.0	6.4	9.6	49.0	35.0	4.20	0.64
Use of plant- wide overhead rate	7.5	2.5	15.0	51.0	31.0	4.10	0.49
Activity- based costing (ABC)	0.0	4.6	15.0	37.5	42.9	4.02	0.45
Target costs	4.2	16.0	25.3	36.5	18.0	3.99	0.60
Regression and/or learning curve techniques	4.5	20.0	42.0	18.0	15.5	3.55	0.82
				Overall mean		4.06	0.67

The study found that 86.2% of the Companies often use the cost of quality, 85.2% of the Companies often use departmental overhead rates, 84% of the Companies often use separation of costs, 82% of the Companies often use of plant-wide overhead rates, 80.4% of the Companies often use Activity- based costing (ABC), 79.8% of the Companies often use target costs while 71% of the Companies often use regression techniques and/or learning curve techniques. From the overall mean of 4.06, costing systems were rated as highly used.

Table 2: Usage of Budgeting Management Accounting Practices in Respondents Company

	1	2	3	4	5	Mean	SD
Budgeting for long-term (strategic) plans	0.0	0.0	10.0	39.2	50.8	4.54	0.59
Zero-based budgeting	0.0	2.5	2.5	35.0	47.4	4.37	0.23
Budgeting for controlling costs	0.0	5.0	5.0	30.7	44.5	4.26	0.09
Flexible budgeting	0.0	0.0	6.5	35.0	42.5	4.20	0.15
Budgeting with "what if analysis"	0.0	6.8	6.0	50.0	20.0	4.14	0.17
Budgeting for planning	1.2	1.5	7.5	39.5	32.5	4.11	0.88
Activity- based budgeting	5.0	4.0	5.0	42.5	25.0	4.08	0.61
					Overall mean	4.24	0.39

The results show that all the budgeting practices were used in the respondents' companies. According to the findings in Table 2, 90.8% of the Companies often use Budgeting for long-term (strategic) plans, 87.4% of the Companies often use Zero-based budgeting, 85.2% of the Companies often use Budgeting for controlling costs, 84.0% of the Companies often use Flexible budgeting, 82.8% of the Companies often use Budgeting with "what if analysis", 82.2% of the Companies often use Budgeting for planning while 81.6% of the Companies often use Activity- based budgeting. From the overall mean of 4.27, Budgeting was rated as highly used.

Table 3: Usage of Performance Evaluation Management Accounting Practices in Respondents Company

	1	2	3	4	5	Mean	SD
Non-financial measure(s) related to customers	0.0	0.0	12.0	42.0	46.0	4.38	0.54
Non-financial measures(s) related to operation and innovation	0.0	2.5	2.5	43.5	38.5	4.33	0.61
Non- financial measure(s) related to employees	0.0	0.0	10.5	38.5	40.0	4.29	0.41
Financial measures	0.0	0.0	7.5	67.5	25.0	4.24	0.76
Economic value added or residual income	2.5	7.5	10.0	37.5	42.5	4.09	0.89
Benchmarks	0.0	2.5	22.5	42.5	32.5	4.00	0.66
					Overall mean	4.22	0.65

The results show that all the performance evaluation measures were used in the respondents' companies. According to the findings in Table 3, 88.0% of the Companies often use nonfinancial measure(s) related to customers, 87.0% of the Companies often use non-financial measures(s) related to operation and innovation, 86.0% of the Companies often use non- financial measure(s) related to employees, 85.0% of the Companies often use financial measures, 82.0% of the Companies often use economic value added or residual income while 80.0% of the Companies often use benchmarks. From the overall mean of 4.22, performance evaluation measures were rated as highly used.

Table 4: Usage of Information for Decision Making Management Accounting Practices in Respondents Company

	1	2	3	4	5	Mean	SD
Evaluation of major capital investment based on discounted cash flow method(s)	0.0	0.0	2.5	27.5	59.5	4.47	0.44
For the evaluation of major capital investments, non-financial aspects are documented and reported	0.0	0.0	2.5	30.0	56.5	4.45	0.41
Calculation and use of cost of capital in discounting cash flow for major capital investment evaluation	0.0	7.2	5.0	34.0	54.0	4.41	0.51
Customer profitability analysis	0.0	4.0	8.0	33.5	54.5	4.40	0.49
Product profitability analysis	0.0	12.8	0.0	37.2	50.0	4.36	0.62
Evaluation of major capital investments based on payback period and/ or accounting rate of return	0.0	13.2	0.0	46.8	40.0	4.34	0.42
Evaluating the risk of major capital investment projects by using profitability analysis or computer simulation	0.0	2.5	7.5	47.2	39.0	4.31	0.43
Stock control models	0.0	0.0	14.0	42.5	42.5	4.28	0.33
Performing sensitivity "what if" analysis when evaluating major capital investments projects	2.5	0.0	12.0	62.5	22.0	4.24	0.67
Cost-volume-profit analysis (break-even analysis) for major products	5.0	7.0	5.0	52.5	30.5	4.16	0.56
					Overall mean	4.34	0.49

The table 4 show that all the information for decision making were used in the respondents companies; 89.4% of the Companies often use Evaluation of major capital investment based on discounted cash flow method(s), 89.0% of the Companies often use For the evaluation of major capital investments, non-financial aspects are documented and reported, 88.2% of the Companies often use Calculation and use of cost of capital in discounting cash flow for major capital investment evaluation, 88.0% of the Companies often use Customer profitability analysis, 87.2% of the Companies often use Product profitability analysis, 86.8% of the Companies often use Evaluation of major capital investments based on payback period and/ or accounting rate of return, 86.2% of the Companies often use Evaluating the risk of major capital investment projects by using profitability analysis or computer simulation, 85.6% of the Companies often use Stock control models, 84.8% of the Companies often use Performing sensitivity "what if" analysis when evaluating major capital investments projects while 83.2% of the Companies often use Cost-volume-profit analysis (break-even analysis) for major products. From the overall mean of 4.34, Information for Decision Making was rated as highly used.

Table 5: Usage of Strategic Analysis Management Accounting Practices in Respondents Company

	1	2	3	4	5	Mean	SD
Analysis of competitors‟ strength and weaknesses	0.0	0.0	0.0	37.5	62.5	4.58	0.55
Value chain analysis	0.0	0.0	2.5	45.0	52.5	4.52	0.27
Shareholder value	0.0	0.0	7.5	37.5	55.0	4.47	0.49
Industry analysis	0.0	0.0	0.0	57.5	42.5	4.38	0.33
Analysis of competitive position	0.0	0.0	0.0	70.0	30.0	4.27	0.41
Long-range forecasting	0.0	0.0	25.0	30.0	45.0	4.19	0.74
Product life cycle analysis	2.5	7.5	10.0	37.5	42.5	4.09	0.73
The possibilities of integration with suppliers "and/or customers" value chains	5.0	7.5	37.5	30.0	20.0	3.81	0.65
					Overall mean	4.29	0.52

From the results in table 5, Strategic Analysis is used in the respondents companies; 91.6% of the Companies often use Analysis of competitors' strengths and weaknesses, 90.4% of the Companies often use Value chain analysis, 89.4% of the Companies often use Shareholder value, 87.6% of the Companies often use Industry analysis, 85.4% of the Companies often use Analysis of competitive position, 83.8% of the Companies often use Long-range forecasting, 81.8% of the Companies often use Product life cycle analysis while 76.2% of the Companies often use The possibilities of integration with suppliers "and/or customers" value chains. From the overall mean of 4.29, Strategic Analysis was rated as highly used.

Table 6: Importance of management accounting practices

	Mean	std
The management accounting function identifies key factors that influence performance and risky areas that require improvements	4.69	0.21
Return on equity, ROE (Net income / Average Equity) has increased as a result of application of management accounting practices.	4.69	0.27
The management accounting function develops strategies that enable the manufacturing companies to exploit financial innovations in creating a sustainable competitive advantage	4.68	0.25
Management accounting provides information from its environment to management to facilitate decision-making	4.68	0.15
Return on Asset, ROA (Net income /Total assets) as a result of application of management accounting practices	4.67	0.48
financial leverage or (Equity / Total Assets) as a result of application of management accounting practices	4.61	0.34

Management accountants apply their skills to assist financial managers in evaluating profitability prospects and anticipated risks thereby creating a competitive advantage.	4.55	0.17
Management accounting function creates the cultural values necessary to achieve the organization strategic objectives	4.55	0.13
The manufacturing companies manages interest rates in such a way that it reduces risks and creates a competitive advantage with the help of the management accounting function	4.49	0.14
Accurate measures of the cost of financing organization operations allow a manufacturing company to compare prices between alternative funding sources and to ensure that assets are priced high enough to cover and pay shareholders the required return	4.47	0.16
Management accounting practices enable firms from all sectors to raise money in larger amounts and at a cheaper cost than they could elsewhere	4.41	0.41
Innovative management accounting practices are important in providing techniques that are used to manage the above-risk exposures	4.39	0.14
The management accounting function provides important techniques that may enhance credit risk management and a competitive advantage in the manufacturing sector	4.35	0.28

The results in table 6 shows that the most important element of management accounting practices was; The management accounting function identifies key factors that influence performance and risky areas that require improvements and Return on equity, ROE (Net income / Average Equity) has increased as a result of application of management accounting techniques, (Mean = 4.69 each), this was followed by The management accounting function develops strategies that enable the manufacturing companies to exploit financial innovations in creating a sustainable competitive advantage and management accounting provides information from its environment to management in order to facilitate decision-making (Mean = 4.68 each), Return on Asset, ROA (Net income/Total assets) as a result of application of management accounting techniques (Mean = 4.67), Financial leverage or (Equity/Total Assets) as a result of application of management accounting practices (Mean = 4.61), Management accountants apply their skills to assist financial managers in evaluating profitability prospects and anticipated risks thereby creating a competitive advantage and Management accounting function creates the cultural values necessary to achieve the organization strategic objectives (Mean = 4.55 each), innovative management accounting practices are important in providing techniques that are used to manage the above-risk exposures (Mean = 4.41), Innovative management accounting practices are important in providing techniques that are used to manage the above-risk exposures (Mean = 4.39) and The management accounting function provides

important techniques that may enhance credit risk management and a competitive advantage in the manufacturing sector (Mean = 4.35).

Inferential Statistics

The study further applied multiple regressions to determine the predictive power of the management accounting practices on financial performance of manufacturing companies in Nepal.

Regression Analysis

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

The study adopted multiple regression guided by the following model:

$Fpt = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_t$

Table 7 shows the regression model summary results where R square, adjusted R square and standard error of estimate are presented.

Table 7: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.891[a]	.794	.642	3.31805

The results in Table 7 indicate that the management accounting practices had a joint significant effect on financial performance of manufacturing companies in Nepal as shown by r value of 0.891. The R squared of 0.794 shows that the independent variables accounted for 79.4% of the variance on financial performance of manufacturing companies in Nepal. Table 8 shows the ANOVA results which explain the model fit through the F statistic and the probability of F-statistic.

Table 8: ANOVA

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

The results in Table 8 show that the F statistic was 2.001. At 5% level of confidence, the F statistic was significant. In this case, all the predictor variables (costing, budgeting, and performance evaluation information for decision making, strategic analysis, size,

leverage) explain a variation in financial performance and that the overall model is significant. Table 4.9 shows the coefficient results for the model variables, the t-values of each of the independent variables as well as the significance (p-value).

Table 9: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.706	.229		.670	.018
	Costing	.556	.018	.441	.787	.007
	Budgeting	.601	.025	.321	.801	.016
	Performance Evaluation	.599	.044	.245	.591	.015
	Information for Decision Making	.679	.089	.361	.491	.000
	Strategic Analysis	.654	.079	.355	.671	.004
	Size	.434	.054	.371	.348	.020
	Leverage	.409	.066	.381	.421	.034
a. Dependent Variable: financial performance						

From the fin dings in the above table the study found that holding costing, budgeting performance evaluation, information for decision making, and strategic analysis, size and leverage constant financial performance will be 0.706, the study also found that a unit increase in Costing practices will cause a 0.556 increase in financial performance, further it was established by the study that a unit increase in Budgeting practices will lead to an increase in financial performance by 0.601, it was also found that a unit increase in Performance Evaluation practices will lead to an increase in financial performance by a factor of 0.599, it was further found by the study that a unit increase in Information for Decision Making practices will lead to an increase in financial performance by a factor of 0.679, a unit increase in Strategic Analysis will further lead to an increase in financial performance by a factor of 0.654, a unit increase in Size will further lead to an increase in financial performance by a factor of 0.434 and a unit increase in Leverage will further lead to a increase in financial performance by a factor of 0.409.

Conclusion and Implication

The study concludes that Information for Decision Making practices is the most highly used management accounting practice amongst the manufacturing companies in Nepal followed by Strategic Analysis, Budgeting, Performance Evaluation, Costing, Size and Leverage respectively. The study further concludes that the most important elements

of management accounting practices amongst the manufacturing companies in Nepal are; The management accounting function identifies key factors that influence performance and risky areas that require improvements and 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 and Management accounting provides information from its environment to management to facilitate decision-making and Return on Asset, ROA (Net income/Total assets) as a result of application of management accounting practices.

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 Nepal, The findings conclude that to achieve a proper measure of financial performance, firms need not only to integrate Return on Equity, Return on Asset and Earnings per share as the measures for accounting but also other value-based measures which have gained popularity in academic literature in last two decades. 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 abreast of research findings in their area of responsibility. In relation to policies, 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 changing 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.

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