ISSN 1817-5090

The Cost and Management
Vol. 35 No. 1
January-February, 2007 pp. 5-18

Application of Management Accounting Techniques in Decision Making in the Manufacturing Business Firms in Bangladesh

Bidhan Chandra Mazumder

Abstract: *This paper attempts to examine the status of use of management accounting techniques in the manufacturing enterprises of Bangladesh. A list of traditional and modern management accounting tools were identified and the extent of their use was evaluated. It is discovered that modern techniques like Activity-Based Costing, Target Costing, Just-in-Time (JIT), Total Quality Management (TQM), Process Reengineering and The Theory of Constraints (TOC) are not used in public and private sector manufacturing enterprises but a few Multinational Corporations (MNC) are using some of techniques like JIT and TQM. However, traditional techniques like Financial Statement Analysis, Standard Costing, Cash Flow Analysis are found widely used followed by CVP Analysis, Marginal Costing, Fund Flow Analysis etc. Respondents of 35 enterprises totaling 105 opined that the use of management accounting techniques in Bangladesh is either moderate (30%) or unsatisfactory (45%). 15% of the respondents consider it satisfactory and another 15% consider it not at all satisfactory. All respondents consider the use of management accounting techniques is necessary but pointed out a number of reasons of its limited use such as lack of awareness by top management, more emphasis on financial information, involvement of extra cost etc. However, they suggested some measures to improve the situation like taking measures to create awareness among top management, organizing seminar, symposium, ensuring trained personnel etc. In the current global competitive market enterprises must be cost and quality conscious where the role of management accounting cannot be over emphasized. Thus the extent of use of management accounting techniques specially the new ones be emphasized and all concerned authorities need to give attention to this matter.*

Keywords: *Management Accounting Techniques, Manufacturing Business Firm, Decision Making.*

Introduction

Prelude

Decision making – the purposeful choice from among a set of alternative courses of action designed to achieve some objective – is the core of the management process (Horngren, Sundem and Stratton, 2002:9). Top-level managers make decisions about their organization's goals, where to locate manufacturing facilities, what new markets to move into, and what product or services to offer. Middle and lower-level managers make decisions about setting weekly or

Mr. Bidhan Chandra Mazumder is an Assistant Professor, Department of Accounting & Information Systems, University of Chittagong, Chittagong

monthly production schedules, handling problems that arise, allocating pay raises, and selecting or disciplining employees. But making decisio ns is not something that managers do, because it is a comprehensive process that comprises with some steps that starts with identifying with a problem and decision criteria and allocating weights to those criteria; moves to developing, analyzing, and selecting an alternative that can resolve the problem; implements the alternative; and ends with evaluating the decision's effectiveness.

What information is relevant depends on the particular matter where decision is to be made. Personnel of different divisions and levels have different role in decision making – direct or indirect. In case of accountants of this division the role is to some extent indirect, advisory in nature but very important and relevant. Since accountants have an important role in the decision making process, not as decision makers but as collectors and reporters of relevant information, accounting should be concerned primarily with the provision of valuable information, otherwise it will be a rather sterile area for study and research.

The basic purpose of accounting information is helping someone make decisions. Regardless of who is making the decision, the understanding of accounting information allows for a more informed, and better, decision (Horngren, Sundem and Stratton, 2002:4). Though all accounting is financial in the common sense, the term management accounting is emerged to rearrange to a large extent the data provided by financial accounting. But it does not supplant financial accounting rather it supplements the financial accounting by serving necessary accounting information to the management. Management Accounting can thus be defined as the process of identifying, measuring, accumulating, analyzing, preparing, interpreting, and communicating information that helps managers fulfill organizational objectives (Horngren, Sundem and Stratton, 2002:5). Clear understanding of management accounting has been given by the Management Accounting Team of the Anglo-American Council of Productivity (Maheshwari, 2002:A.8) as "Management Accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and in the day-to-day operations of an undertaking." So it can be said that the most concerning factors of management accounting are the provision and use of accounting information by managers within organization; and facilitating the managers in their decision making and management control functions, planning economic performance and improving profitability.

During the past decade or so, a group of accounting academics and researchers in the UK and in the USA has become interested in the nature of management accounting practice. This interest was initially prompted by a perceived gap between the theory and practice of management accounting, and specially the generally held belief that the traditional wisdom of management accounting textbooks is not widely used in practice. This belief was based on a few published studies (such as Cooper and Scapens, 1983, Berry, 1984:61-81, Wilkinson, 1986, Ouibrahim and Scapens, 1988 etc.) of the use of particular management accounting techniques (Hoque, 1991:19). It is believed that situation in Bangladesh in this regard need to be studied to focus on the status of management accounting practice so that actual position may be known to the academicians, researchers and concerned management people.

Statement of the Problem

Information needed by managers vary with the type of business and their role within the organization. A lot of management accounting information is based on quantitative and financial measures but some of it is non-financial and some of it is qualitative. A quantitative approach emphasis the subjective nature of the social world and attempts to understand it primarily from the actor's perspective that is from the frame of reference of those being studied (Hoque, 1991:25). Given the current state of understanding of how management accounting control systems operate in the rich variety of organizational context, the qualitative or grounded approach appears to have much to recommend it as a means of making progress (Hoque, 1991:30). Some quantitative traditional measures namely cost-volume-profit analysis, cash flow analysis, marginal costing, variance analysis, ratio analysis etc. have been commonly used by the managers managerial decision making, but in order to support rapidly changing technologies as well as to meet the challenges of vigorous global competition they need to use some developed new management accounting techniques such as activity-based costing; target costing; total quality management; just-in-time, process reengineering etc. which seems to be less used in Bangladesh. Time and again researchers and academicians are trying to pay attention on the manufacturing business firm's concerned personnel attitude towards the use of management accounting techniques in decision making as they play the critical role in creating a competitive advantage for the organizations.

In fact, historically it is observed that Management Accounting was developed with support of Anglo American Productivity Council of Britain to provide more information required by management for proper decision-making when they toured U.S.A. Then some traditional tools like CVP, standard costing etc. were emphasized. Its new challenges were emerged for management accounting during 1980s. Examples of the new emphasis on manufacturing operations could be found in the commitment to quality in manufacturing and in product design, in the reduction of inventory levels and manufacturing lead times (as presented by just-in-time production and distribution systems), and by the introduction of computer-controlled manufacturing operations (the CIM, or computer-integrated-manufacturing environment). All of the manufacturing innovations stressed continuous improvement activities: the need to constantly improve operating processes from the levels achieved in prior years (Kaplan and Atkinson, 2001:8). In the context of Bangladesh, it seems that not to speak of the modern techniques, the traditional techniques are also not adequately used in the manufacturing firms of Bangladesh. In this regard, it is necessary to know that to what extent Bangladeshi manufacturing enterprises are practicing management accounting techniques in producing the relevant information to the management. Thus the author attempted to undertake a study on the topic titled "Application of Management Accounting Techniques in Decision Making in the Manufacturing Business Firms in Bangladesh".

Objective of the Study

The main objectives of the study are to see whether the manufacturing business enterprises in Bangladesh are using management accounting technique in order to assist the managers with information relevant to decision making and day-to-day operational activities and the extent or degree of such use. In broader sense the objectives to be covered under the study are:

i) To find out the using status of Management Accounting Techniques;

ii) To evaluate the conception of managers as to importance of use and problems, if any, they face in using the techniques;

iii) To identify the Management Accounting information structure; and

iv) To highlight suggestive measures to the users of management accounting information for its extensive use.

Methodology of the Study

Data used in the study were basically the primary data, which have been collected based on a structured questionnaire through direct interview method. In some cases free discussion were made with the concerned officials of sample firms to have a clear idea about their accounting practice. Some textbooks, journals, newspapers etc. have bee consulted in order to build up the framework of the study.

Scope of the Study

The study was self-financed. As the author is a teacher, he had time constraint too. In such a case the study was kept limited to Chittagong city. A total of 35 manufacturing concerns belong to 15 Public sector, 15 Private sector and 5 Multinational corporations were selected randomly for the purpose of the study.

Limitations of the Study

To be fully representative, such type of study needs to cover wider areas and large number of enterprises covering whole Bangladesh. But due to financial and time constraint the study was limited to Chittagong city and its suburb areas. This limited scope has affected the findings to some extent. But to have a general idea about use of management accounting techniques, such limited scope has not very much adversely affected the findings. Service sector has also not been covered, so information in this regard is lacking in this study. The impact of personality trait or the use of management accounting techniques have also not been examined, which may be an important factor leading to the use and extent of such use, that can be a separate area for study.

Findings of the Study

Management Accounting Techniques and Use of the Techniques in the Manufacturing Business Firms in Bangladesh

Management decisions are basically based on some measures/techniques traditionally designed based on quantitative data. However, in recent past to cope with global business environment, change in business, increase in competition and complexity of decision making some advanced quantitative techniques like Activity – based Costing and Target Costing and some improved programs like Just-in-Time (JIT), Total Quality Management (TQM), Process Reengineering and Theory of Constraints (TOC) have been introduced for application. Now both traditional and advanced management accounting techniques are shown in the following chart.

Chart 1: Chart Showing the Management Accounting Techniques

Traditional Techniques	Advanced Techniques
i) Financial Statement Analysis	xiii) Activity-Based Costing
ii) Fund Flow Analysis	xiv) Target Costing
iii) Cash Flow Analysis	xv) Just-in-Time (JIT)
iv) Marginal Costing	xvi) Total Quality Management (TQM)
v) Absorption Costing	xvii) Process Reengineering
vi) Differential Costing	xviii) The Theory of Constraints(TOC)
vii) Standard Costing\	
viii) Opportunity Costing	
ix) Budgetary Control	
x) Inter-firm Comparison	
xi) Cost-Volume-Profit Analysis	
xii) Management Reporting	

Source: This chart has been developed by the author after consulting different text books on Management Accounting.

The above chart identifies the generally used management accounting techniques by classifying them as to traditional and modern techniques.

Extent of Use of Management Accounting Techniques

Against the background of identification of generally used management accounting techniques the following table shows the use of management accounting techniques in the sample manufacturing business firms in Bangladesh. A list of techniques was provided to the respondents and they were asked to point the techniques they use and which they do not use. The responses have been tabulated and the summarized picture is shown in the table 1 below:

Table-1: Table Showing the Summarized Picture of Management Accounting Techniques Used by the Sample Enterprises

Techniques	Public sector enterprises (N = 15)	Private sector enterprises (N = 15)	Multinational Corporations (N = 5)
i) Financial Statement Analysis	100%	100%	100%
ii) Cash Flow Analysis	100%	100%	100%
iii) Budgetary Control	100%	100%	100%
iv) Management Reporting	100%	100%	100%
v) Standard Costing	80%	80%	80%
vi) Absorption Costing	80%	80%	80%
vii) Marginal Costing	50%	50%	50%
viii) Cost- Volume-Profit Analysis	50%	50%	50%
ix) Fund Flow Analysis	30%	30%	30%
x) Just-in-Time (JIT)	---	---	---
xi) Total Quality Management (TQM)	---	---	---
xii) Differential Costing	---	---	---
xiii) Opportunity Costing	---	---	---
xiv) Inter-firm Comparison	---	---	---
xv) Activity-Based Costing	---	---	---
xvi) Target Costing	---	---	---
xvii) Process Reengineering	---	---	---
xviii) The Theory of Constraints (TOC)	---	---	---

Source: Field study
N.B. : N indicates the sample number.

The table shows the extent of use of different management accounting techniques in sample firms. It is seen that the traditional techniques like financial statement analysis, cash flow analysis, budgetary control and management reporting are being widely used (100%) by all types of firms followed by standard costing and absorption costing (80% in public, 90% in private and 100% in MNC). Marginal costing and cost-volume-profit analysis are used to some extent by the 50% in public sector enterprises, 60% by private sector and 70% by multinational corporations (MNC). Some enterprises of public (30%) and private (20%) sectors use fund flow statement analysis though it has now been almost replaced by cash flow statement analysis. Modern techniques yet to be introduced by Bangladeshi firm – both in public and private sector. Few MNC uses JIT (40%) and TQM (20%). None of public or private Bangladeshi enterprises or MNC found to use some traditional technique like differential costing, opportunity costing and inter-firm comparison as well as the modern techniques like activity-based costing, target costing, process reengineering and the TOC. Thus it is seen that management accounting techniques yet to get a firm footing in Bangladeshi firms and thus depriving these firms in better decision making.

Now a discussion about the techniques in brief and extent of the use of the same is being examined below:

i) ***Financial Statement Analysis***

Financial statement is essentially historical document which provides organized data according to logical and consistent accounting procedure and conveys an understanding of some financial aspects of a business firm. Careful analysis of financial statements can help decision makers to evaluate an organization's past performance and predict its future financial health. Financial statement therefore, refers to such a treatment of the information contained in the Income Statement and the Balance Sheet so as to afford full diagnosis of the profitability and financial soundness of the business (Maheshwari, 1989:B.9). This analysis is accomplished by examining trends in key financial data, comparing financial data across companies, and analyzing key financial ratios (Garrison and Noreen, 2004-2005:828). All the sample firms use it.

ii) ***Fund Flow Analysis***

Fund flow analysis does not carry any extra meaning basically after the implementation of International Accounting Standards (IAS)–7 in revised form. Nevertheless, some business organizations are still considering this as an important tool for managerial and financial decision making. Working capital being life-blood of the business, analysis of fund flow is thus extremely useful. Financial analysts also have an understanding of changes in the distribution of resources between two balance sheet dates by analyzing the fund flow statements. Few sample firms (30% in public and 20% in private sector) still use this statement.

iii) ***Cash Flow Analysis***

Until recently, many decision makers focused primarily on the income statement and the balance sheet. But in the IAS-7 (revised), FASB has prescribed for compulsory reporting of another important statement, the statement of cash flows. A statement of cash flows reports the cash receipts and cash payments of an organization during a particular period (Horngren, Sundem and Stratton, 2002:692). It is widely used as a tool for assessing the financial health of an organization. Other important purposes of maintaining this statement are to predict future cash flows, to evaluate management's generation and use of cash and to determine a company's ability to pay interest, dividends, and to pay debts when they are due. All the sample enterprises found to use it.

iv) *Marginal Costing*

Marginal costing is a technique where only the variable costs are considered while computing a cost of a product. The fixed costs are met against the total fund arising out of excess of selling price over total variable cost. This fund is known as 'contribution' in marginal costing (Maheshwari, 1989:C.197). Marginal costing system is however not a system of cost finding such as job, process or operating costing, but it is a special technique concerned particularly with the effect of fixed overheads on running the business (Maheshwari, 1989:C.198). It is an important decision making tool. However, it is found not being widely used in sample enterprises. Over 50% of public and 60% of private sector enterprises and 70% of MNC found to use it.

v) *Absorption Costing*

Though absorption costing is a traditional approach for costing products for the purposes of valuing inventories and cost of goods sold, the vast majority of companies throughout the world use this technique for managerial accounting purposes. Absorption costing, which is also known as Total, or Full costing, treats all costs of production as product costs, regardless of whether they are variable or fixed. It allocates a portion of fixed manufacturing overhead cost to each unit of product, alongwith the variable manufacturing costs. The principal aim of absorption costing is to ensure that all costs are covered – hence the term overhead recovery, which means exactly the same as overhead absorption (Chadwick, 1993:34). This method frequently results in an under- or over- absorption of overheads and involves a great deal of subjective judgment. Author Lelie Chadwick mentioned in his book "Management Accounting" about the negative consequence of using absorption costing for decision-making, because of the imprecise nature of the costs which it generates. Nevertheless, most countries including the USA use absorption costing for both external financing reporting and for tax reporting. It is found widely used in sample firms (80% in public, 90% in private and all MNC) followed by some traditional techniques like financial statement analysis, cash flow analysis etc.

vi) *Differential Costing*

In decision-making, the management always compares two or more alternative courses of action. Making or buying decision, accepting or rejecting certain orders, deciding whether to discontinue an existing product or launce new one, expanding the existing business etc. are the decisions required to be taken by the management. In such a case the best alternative that will maximize profit or minimize loss can be obtained by determining the differential costs and revenues. Differential cost (revenue) is the difference in total cost (revenue) between two alternatives (Horngren, Sundem and Stratton, 2002:228). The use of this technique found absent in sample enterprises.

vii) *Standard Costing*

A standard is a benchmark or "norm" for measuring performance. Standards are found everywhere and are also widely used in managerial accounting where they relate to the quantity and cost of inputs used in manufacturing goods or providing services (Garrison and Noreen, 2004-2005 :441). Standard costing is a budgetary control technique with three components: a standard, or predetermined, performance level; a measure of actual performance; and a measure of the difference, or variance, between the standard and the actual. All sample MNCs, 90% of private sector enterprises and 80% of public sector enterprises reported to use it.

viii) *Opportunity Costing*

Sometimes a proposed investment project may use the existing resources of the firm for which explicit, or adequate, cash outlays may not exist. The opportunity costs of such projects should be considered. Opportunity costs are the expected benefits which the company would have derived from those resources if they were not committed to the proposed project (Pandey, 2002-2003:465). In addition to the accounting costs that are explicit as labor, raw materials, supplies, rent, interest and utilities, some implicit costs are also required for managerial decision making purpose. The objective in such case is to determine the present and future costs of resources associated with various alternative courses of action. Such an objective requires that one considers the opportunities foregone/ sacrificed whenever a resource is used in a given course of action. The implicit costs, however, consist of the opportunity costs of time and capital that the owner-manager has invested in producing the given quantity of output. But none of sample enterprises use it.

ix) *Budgetary Control*

Budgetary control is the system of management control in which all the operations, as sales, purchase, production etc. are forecasted in advance and the results, when known, are compared with the planned targets. The difference between the planned targets and actual results are analyzed and corrective steps are taken according to the original causes (Chakraborty, 1977:481). By budgetary control attempts are made to make the best uses of resources under the circumstances and all efforts are coordinated by pin-pointing responsibility. The Budget Performance and Variation Reports act as communication in between top management and financial management as also in between functional management and sub-ordinate management. The system makes everyone conscious and responsible, and thus it is also termed as Responsibility Accounting (Chakraborty, 1977:481). All the sample enterprises reported to use it. But some research report indicated that this technique is not rigorously followed and thereby the enterprises are deprived of its benefit.

x) *Inter-firm Comparison (IFC)*

IFC is another technique of Management Accounting which is made by some inter-firm comparison ratios based on the financial and other records of the business. Top management can make decision by applying this technique and comparing the performance of two or more similar types of industry. The idea of inter-firm comparison was felt in the year 1889 when the National Association of stove manufacturer in U.S.A introduced first the scheme of Uniform Costing (Basu, 1979:663). In order to know whether one business/firm is making sufficient profit or not; whether it is efficient in purchase, sales and production, it is required to compare its own performance with the performances of other similar concerns and it is easily possible by applying the technique IFC. But this technique is found not in use by the sample enterprises.

xi) *Cost-Volume-Profit Analysis*

The relationship between cost-volume-profit is ascertained by the technique "Cost-Volume-Profit Analysis". This technique attempts to find out the impact of change in price, cost, and volume on the profitability of the business. It aids management to take its decision on planning and control. The CVP analysis is also termed as Break-even Analysis which determines the equilibrium point of cost and revenue. The equilibrium point indicates "no profit no loss" stage. 50% of sample public sector enterprises, 60% of private sector enterprises and 70% of MNC reportedly use the technique.

xii) *Management Reporting*

Management reporting acts as a 'media' which helps the management to take its decision accordingly. It is an organized method of providing each manager with all the data which he needs for his decisions. A good management reporting will include six factors: (a) evaluation of each manager's area of responsibility, (b) proper flow of information, (c) proper form, (d) proper time, (e) cost benefit analysis, and (f) flexibility. Large concerns found to have a separate Management Information Division. This division may be headed by the Accountant himself or the Management / Cost Accountant or Information Manager, depending on the size of the business (Maheshwari, 1990:393-394). All the samples reported to use it in the form of performance report. But the contents found to vary and in many cases one report includes a variety of information like production, procurement, sales, financial aspects i.e. these are not segregated and thus pin point reporting for specific responsible persons is being hampered. This adversely affects intent of the reporting.

Xiii) *Activity – Based Costing*

Activity-based costing (ABC) developed to provide more accurate ways of assigning the costs of indirect and support resources to activities, business processes, products, services, and customers (Kaplan and Atkinson, 2001:97). Activity-based costing is a method of assigning costs that calculates a more accurate product cost by identifying all of an organization's major operating activities. The goal of ABC is not to allocate common costs to products but to measure and then price out all the resources used for activities that support the production and delivery of products and services to customers. For this why, ABC is important to activity-based management. Since its introduction as a viable cost allocation technique, organizations in the United States and throughout the world have adopted ABC (Needles, Power and Crosson, 2002:843). This modern technique is found not in use by sample enterprises.

xiv) *Target Costing*

Target costing is a costing tool for decision making. Charles T. Horngren, Gary L. Sundem and William O. Stratton defined target costing as a cost management tool for making reduction a key focus throughout the life of a product (Horngren, Sundem and Stratton, 2003:203-204). They added that the target cost is based on the product's predicted price and the company's desired profit. Managers must then try to reduce and control costs so that the product's cost does not exceed its target cost. Target costing is most effective at reducing costs during the product design phase when the vast majority of costs are committed. None of the sample firms use this modern technique.

xv) *Just-in-Time (JIT)*

One of the management-forged operating philosophies for the new manufacturing environment is JIT. The JIT approach can also be used in merchandising companies. The JIT operating philosophy requires that all resources, including materials, personnel, and facilities, be acquired and used only as needed. It has most profound effects on the operations of manufacturing companies, which maintain three classes of inventories – raw materials, work-in-process, and finished goods. That means according to JIT concept raw materials are received just in time to go into production, manufactured parts are completed just in time to be assembled into products, and products are completed just in time to be shipped to customers (Garrison and Noreen, 2004-2005:11). Only 40% of sample MNCs use it and none of Bangladeshi sample firms found to use it.

xvi) *Total Quality Management (TQM)*

The most popular approach to continuous improvement is known as total quality management. There are two major characteristics of total quality management (TQM): (i) a focus on serving customers and (ii) systematic problem solving using teams made up of front-line workers (Garrison and Noreen, 2004-2005:17). TQM is an approach to improving the competitiveness, effectiveness and flexibility of a whole organization. It is essentially a way of planning, organizing and understanding each activity, and depends on each individual at each level. TQM is also a way of ridding people's lives of wasted effort by bringing everyone into the process of improvement, so that results are achieved in less time. The methods and techniques used in TQM can be applied throughout any organization. They are equally useful in the manufacturing, public service, health care, education and hospitality industries (Oakland, 1993:23). Only 20% of sample MNCs reported to use it but none of Bangladeshi sample firms use it.

xvii)*Process Reengineering*

Process reengineering focuses on simplification and elimination of wasted effort. A central idea of process reengineering is that all activities that do not add value to a product or service should be eliminated. Basically, in process reengineering a business process is diagrammed in detail, questioned, and then completely redesigned in order to eliminate unnecessary steps, to reduce opportunities for errors, and to reduce costs (Garrison and Noreen, 2004-2005:20). None of sample enterprises use it.

xviii) *The Theory of Constraints (TOC)*

A constraint is anything that prevents one from getting more of what he/she wants. Every individual and every organization faces at least one constraint. The Theory of Constraint (TOC) maintains that effectively managing the constraint is a key to success (Garrison and Noreen, 2004-2005:22). In TOC, an analogy is often drawn between a business process – the weakest option is always identified first and then improvement efforts are shifted over to that option in order to bring the biggest benefit. This simple sequential process provides a powerful strategy for continuous improvement. None of sample enterprises reported to use it.

The above findings reveal that some traditional techniques are being used by sample enterprises. Modern techniques are yet to be introduced. In the use of management techniques MNCs rank high followed by private sector and public sector enterprises. Due to utmost importance of use of modern techniques, concerned authorities need to pay attention to this.

Against the backdrop of the extent of use of management accounting techniques i.e., status of management accounting practice in Bangladesh, now an attempt is made below to show the attitude of concerned management personnel, the reasons for low use and prospect of improving the situation in the following paras.

Attitudes of Managers Towards Use of Management Accounting Techniques

The author was interested to know the attitude of top management and concerned personnel as to the use of management accounting techniques in their firm. A five-point scale was used to measure attitude.

Table-2: Table Showing the Score Meaning the Opinion of Respondents as to the Attitude of Top Management towards Management Accounting Techniques

Usefulness in decision making			Support of top management			Skill of subordinate		
Pub.	**Pvt.**	**MNC**	**Pub.**	**Pvt.**	**MNC**	**Pub.**	**Pvt.**	**MNC**
5	5	5	2	4	5	2	2	4

Source: Field study

N.B. : Pub. = Public enterprises, Pvt. = Private enterprises and MNC = Multinational Corporation. Score 5 would indicate best position, 4 moderate, 3 no opinion, 2 less satisfactory and 1 quite unsatisfactory.

The above table indicates that all the respondents consider the use of management accounting techniques as utmost important. But public sector enterprises in this case get almost no support from top management; private sector enterprises receive moderate support and MNCs receive all the required support. The introduction of techniques and getting full benefit depends on the skill of subordinates who remain incharge of implementation of the scheme. In this case skill of subordinates found not up to the mark. Worst position is found in public sector, somewhat better position is found in private sector and MNCs found to be in better position.

Extent of Use of Management Accounting Techniques vis-a-vis Other Information in Decision Making

An attempt was made to find out the position of the use of management accounting information vis-à-vis financial accounting and non-accounting information. It is observed that the use of management accounting information for various type of decision is less compared to others. In fact the use of management accounting technique being poor, such information is found to have comparatively less in the sample enterprises. Table below shows this picture.

Table-3: Table Showing the Extent of Use of Management Accounting Information by the Sample Enterprises for Various Decision Making

Decision areas	Management Accounting Information as % to Total Information	Financial Accounting Information as % to Total Information	Other Information as % to Total Information
i) Production	10	30	60
ii) Purchase	5	30	65
iii) Sales	10	25	65
iv) Control	30	20	50
v) Direction	20	10	70
vi) Motivation	10	15	75

Source: Field study

Opinion of the Respondents as to Use Status of Management Accounting Information Techniques in Sample Firms

It was desired to know from the respondents as to whether management accounting information systems are satisfactorily used in Bangladesh, what are the problem of optimum use and suggestions they can offer for adequate use of the techniques. The summarized version of their opinion is tabulated below.

Table 4: Table Showing the Status of Use of Management Accounting Techniques.

Quite Satisfactory	Satisfactory	Moderate	Unsatisfactory	Not at all satisfactory
—	15(14.28%)	30(28.57%)	45(42.85%)	15(14.28%)

Source: Field study

N.B. : 3 ´ 35 = 105 respondents

The table above clearly depicts that the respondents consider the use of management accounting techniques in our manufacturing business firms as very much unsatisfactory. Only 14.28% of them considers it satisfactory and 28.57% considers it moderately satisfactory and seemingly most of them belong to MNC group. The majority (42.85%) considers it unsatisfactory and 14.28% considers the position as precarious/worse. They put forwarded some reasons for low use of management accounting techniques.

Reasons for Low Use of Management Accounting Techniques

Respondents recognize the importance of the use of management accounting techniques in the factories. But they pointed out some reasons that act as barriers to this. The reasons pointed out by them are shown in the following table.

Table-5: Table Showing the Reasons of Low Use of Management Accounting Techniques.

Reasons	N (Frequency of the respondents)	% to total respondents
1. Historical Information is given more importance	20	26.67
2. Lack of awareness, understanding the benefit of its use	25	33.33
3. Consider involvement of extra cost	20	26.66
4. Lack of trained and experienced personnel	15	20
5. Reluctant to use it and base decision on personal experience	35	46.67
6. Lack of skilled personnel	22	29.33

Source: Field study

N.B. : Some respondents opined more than one reasons.

The above table indicates that reluctance of use is the main cause. This contradicts the opinion as to considering the importance of management accounting as an important tool of decision-making. This indicates that actually our business firms do really not feel the importance of management accounting information for decision-making. Only lip service is given to it.

Suggestions to Overcome the Problem of Low Use

The respondents also offered some suggestions in the way to overcome the flaws and improvement of the positions. These are now shown in the following table.

Table 6: Table Showing the Suggestions of Respondents to Improve Use Status of Management Accounting Information System

Suggestions	N (Frequency)	% to total respondents
1. Organizing seminar, symposium of professional bodies	70	93.33
2. Creating awareness by respective Manufacturing Association	40	53.33
3. Ensuring training and skill development	40	53.33
4. Introducing management audit more extensively	30	40
5. Creating awareness among top management	*30*	*40*

Source: Field study

N.B. : Some respondents gave more than one suggestions.

The suggestions seem to concentrate on creating awareness among owners, executives and concerned people. To this end seminar, symposium, direction and advice from professional bodies were given importance. In fact the real problem is the awareness as to the benefit of such information is yet to be recognized in real term and attempt should be made to make the concerned people understand it.

Conclusion

The world has become a global village. Competition has become serious. To survive and grow, every enterprise need to be cost conscious, and management must ensure better decision for all aspects of management. For better decision making adequate and timely information is sine qua non. Management Accounting techniques have been designed since long to provide relevant information. More modern techniques are being used to face complex situation. What is needed is to understand the techniques, adopt it and use the product at right time. Bangladeshi manufacturing business firms remain far behind the expected situation due to lack of awareness as to benefit of using the management accounting techniques for better decision making. All concerned people need to realize the situation and take appropriate action from every corner to overcome this unwarranted situation. The soon it is done, the better it will be, otherwise we shall perish in this competitive world. ❐

References

Berry, A. J. (1984), "The Control of Capital Investment," *Journal of Management Studies,* 21: 61-81.

Basu, B. K. (1979), *Lectures on Management Accountancy Principles, System and Practice* (Calcutta: Chatterjee Publishing Concern).

Cooper. D., R. W. Scapens and J. Arnold (1983), *Management Accounting: Research and Practice* (London: CIMA).

Chadwick, L. (1993), *Management Accounting* (London: International Thomson Business Press).

Chakraborty. H. (1977), *Management Accountancy, Vol. 1* (Calcutta: Nabavarat Publishers).

Garrison, H. Ray and Eric W. Noreen (2004-2005), *Managerial Accounting* (New Delhi: Irwin McGraw – Hill).

Horngren, C. T., G. L. Sundem and W. O. Stratton (2002), *Introduction to Management Accounting* [New Delhi: Pearson Education (Singapore) Pte. Ltd.].

Hoque, Zahirul A. K. M. (1991), "Researching Management Accounting Practice: The Debate about Quantitative and Qualitative Research," *Dhaka University Journal of Business Studies,* 12(2): 19-32.

Kaplan, S. Robert and Anthony A. Atkinson (2001), *Advanced Management Accounting* [New Delhi: Addison Wesley & Longman (Singapore) Pte. Ltd.].

Maheshwari, S. N. (1989), *Management Accounting for Bankers* (New Delhi: Sultan Chand & Sons Publishers).

Needles, E. Belverd Jr., Marian Powers and Susan Crosson (2002), *Financial and Managerial Accounting* (USA: Houghton Mifflin Company).

Ouibrahim, N. and R. W. Scapens (1988), "Accounting for Control of a Socialist Enterprise: A Case Study of Algeria," Paper presented in Second Interdisciplinary Perspectives on Accounting Conference (U.K.: University of Manchester).

Oakland, John S. (1993), *Total Quality Managemen* (London: Butterworth-Heinemann Ltd.).

Pandey, I. M. (2002-2003), *Financial management* (New Delhi: Vikas Publishing House Pvt. Ltd.).

Wilkinson, Charles (1986), "Towards a Theory of Management Control System: A Case Study Approach," Unpublished Ph.D. Thesis (U.K.: University of Lancaster).