



Literature review on the evolution of management Accounting practices

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ABSTRACT

The purpose of this study is to review the evolution of management accounting practices, where MAP is a reference for managers to obtain the right information in terms of decision-making in order to compete with other market organizations. Contingency theory states that there is no ideal approach to organizational leadership that is universally consistent across all organizations and applicable in all circumstances. This theory also examines several factors that help management decide on appropriate management accounting practices, called contingency factors, consisting of external and internal factors. This study uses a narrative technique to review the literature, which consists of a collection and synthesis of previously released studies on the evolution of management accounting practices. Information was acquired from publications by Emerald, Elsevier, Fundacao Escola de Comercio Alvares Penteado, MDPI AG, Routledge, Springer, Taylor and Francis Ltd. that were printed in foreign journals that were listed in the Scopus index. The sample from 2018 to 2023 includes up to 19 articles on the evolution of management accounting practices. Many empirical studies use a quantitative approach where based on factors and considerations it can be concluded that traditional management accounting practices are more widely used than contemporary management accounting practices.

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INTRODUCTION

Accounting is an information system for recording economic events (Shahzadi et al., 2018). Management accounting practices are related to how the information provided by accounting is used in decision-making (Shahzadi et al., 2018). In other words, one of the main functions of management accounting is support, which involves executives in the decision-making process and provides them with the information they need (Saukkonen et.al., 2018; Adeniran & Obembe, 2020; Visedsun & Terdpaopong, 2021; Abu Afifa & Saleh, 2021; B. Oyewo, 2021 Pires & Alves, 2022). This information is critical not only for facilitating decision-making (i.e., guiding information into management

decisions and actions) but also for influencing decisions (i.e., information is used to motivate and control managers and employees) (Pires et al., 2023). In order for management accounting information to be used effectively to facilitate and influence decision-making, the information must be appropriate to the organizational context and also reflect the roles, responsibilities, and values of all actors involved in the decision-making process (Saukkonen et al., 2018).

Using Management Accounting Practices (MAP), businesses can access financial and non-financial data to enhance their present operations (Azudin & Mansor, 2018). Current Management Accounting Practice (PAM) encompasses financial and other techniques for knowledge production at functional and organizational levels, including factors such as competition, environmental uncertainty, technological production environments, and entrepreneurial societies (Kalifa et al., 2020). Management Accounting Practices in Contingency Theory Explained: There is no one standard accounting practice that can be applied to all organizations (Shahzadi et al., 2018). This theory examines a number of factors that support management when deciding on appropriate accounting practices.

Previous research discussing the factors that influence the implementation of contingency-based management accounting practices focused on internal factors (competitive strategy, organizational structure, manufacturing technology advances, total quality management, timeliness) and external factors (competition) (Shahzadi et al., 2018). , organizational DNA business (Size, competitive strategy and decentralization), potential business (customer strength, technological advances and market competition), and operational technology (processing system complexity, advanced manufacturing technology and total quality management) (Azudin & Mansor, 2018), Prospector strategy orientation, innovative culture, experimentation, mimetic and normative institutional factors and types of universities (Hutaibat & Alhatabat, 2020), Stakeholders (B. Oyewo et al., 2019), (Ogungbade & Oyerogba, 2020) stated Examining the reasons for the slow implementation of the new MAP revealed this culture was the main obstacle as far as the cultural dimensions of the culture of innovation and risk orientation, people-oriented culture, results-oriented culture, aggressive culture, stability culture, team-based culture, and caring culture., organizational characteristics (size, organizational life cycle, presence of specialist expertise, affiliation with foreign entities and ownership structure)(B. M. Oyewo, 2021), technological production environment (Kalifa et al., 2020), the role of various values in the development of management accounting practices (Campanale et al., 2021; Mongelli et al., 2019; Aschhoff & Vogel, 2018), textual measures of management accounting practices (Qiu et al., 2023), as well as broad coverage accounting information and timely accounting information (Pires et al., 2023), culture, leadership and decentralization (Alsharari & Daniels, 2023), (Giannetti et al., 2021)uses the theory of experiential learning, which according to Gianneti, management accounting is the result of a human construction that is always changing and can only be determined by many factors, both human and non-human, meaning that changes in management accounting occur because of routines that are an experiential learning process for those involved, and the routine here is considered the management accounting practice used.

Research conducted by (Shahzadi et al., 2018) reveals that management accounting practices affect all processes and change all systems from simple systems to complex systems. However, the complexity of the business environment and technological developments increase the need to obtain management accounting information that responds to global competition (Kalifa et al., 2020). The enormous challenges and pressures facing leaders demand changes in management accounting practices. Changes in the production systems of organizations and the introduction of new technologies increase competition in the market between organizations. This causes stress, risk, and uncertainty for the organization. Managers use management accounting practices to obtain the right information to compete with organizations in the market (Shahzadi et al., 2018). Contemporary management accounting practices offer potential benefits to companies such as increased efficiency, competitiveness, quality, and customer focus (Joshi, 2011). However, research conducted by

(Hussein, 2018) shows that traditional management accounting practices are higher than contemporary management accounting practices in Egyptian companies, although PAMK has made significant progress and Egyptian companies have understood the importance of PAMK. Moreover, he found that the biggest barriers to implementing PAMK were the time it takes to change people's values and practices, the high degree of uncertainty avoidance, and the high cost of implementation.

This study provides an understanding of the literature based on contingency theory, which states that there is no universal organizational model that describes different organizational designs; therefore, organizational design is based on certain situational contingency factors that may explain the application of MAPs and why certain MAPs are chosen over others (TMAPs or CMAPs).

RESEARCH METHOD

As part of the approach for this investigation, the literature was reviewed. A systematic, scientifically supported method of conducting a literature review is the literature review. The following criteria were used to choose the literature (Reisman, 2021): 1. Searching for relevant articles there, 2. Limiting searches to materials found in peer-reviewed scientific journals, as these are the most trustworthy sources currently available, 3. Searches are done using the terms "management accounting practices," "contingency factors," "TMAP," and "CMAP" with publication years between 2018 and 2023 because the evolution of management accounting practices is the main focus of this paper.

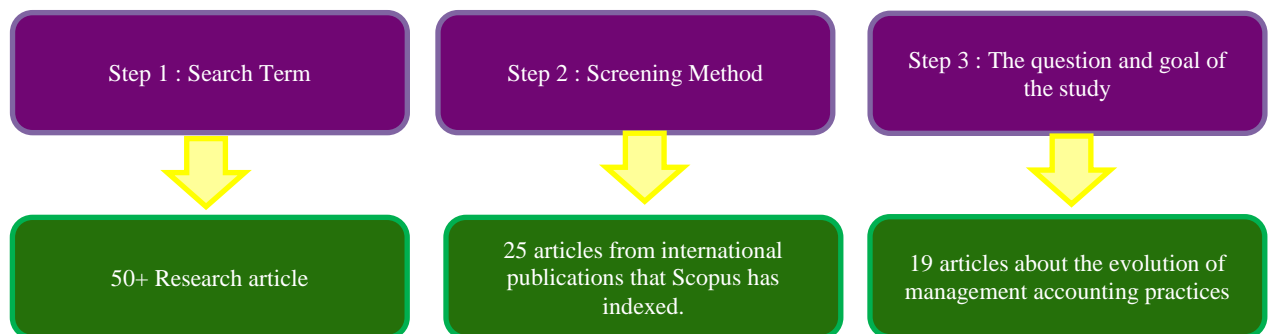


Figure 1. Shows how to choose a piece of literature.

Nineteen articles in all have been chosen for this study's analysis and detailed review. The articles came from two journals—one from the Q2 journal and four from the Q1 journal. The papers will be discussed in the Results and Discussion section and were published between 2018 and 2023.

RESULTS AND DISCUSSIONS

Results

Articles are categorized in part by the study design, the year of publication, and the name of the journal that published them. In each article, quantitative research methods are more prevalent than qualitative and SLR methods. Therefore, more study on the evolution of management accounting procedures may be conducted utilizing experimental, qualitative, or SLR approaches. The research methodology utilized in each of the papers under consideration is examined in Figure 2 below.

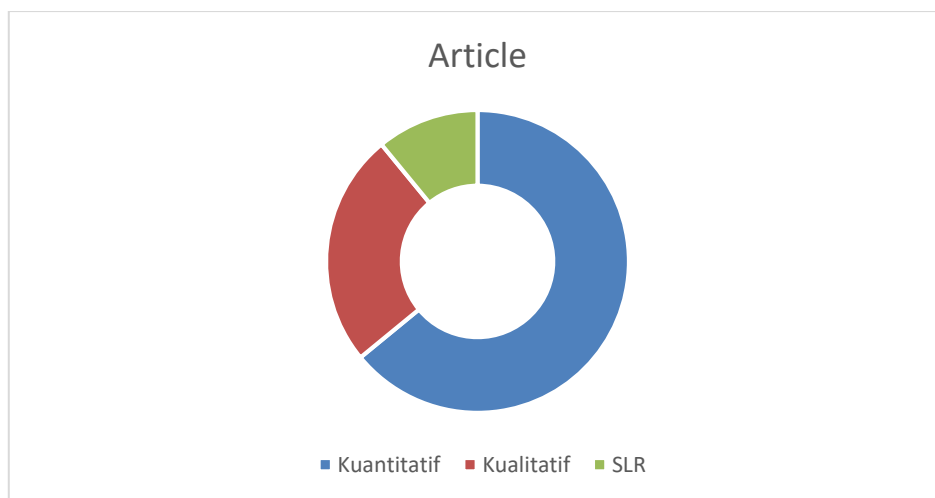


Figure 2. Results of article research

Figure 2 demonstrates that there are 3 papers that employ a qualitative methodology, 15 articles that employ a quantitative strategy, and one article that employs an SLR. The trends in article publishing alter with time. The most articles were published in the years 2018 and 2021, with 5 each. Researchers could not locate any articles in 2022 that discussed how management accounting practice had changed, and there were the fewest publications that year. There were four articles published in 2020. Three articles were published in 2023, and two were published in 2019.

The focus has shifted to concerns relating to changes in the corporate environment as a result of the oversaturation of research on the development of management accounting practices, which has led to a decrease in publications. Figure 3 displays the results of study trends in the evolution of management accounting techniques.

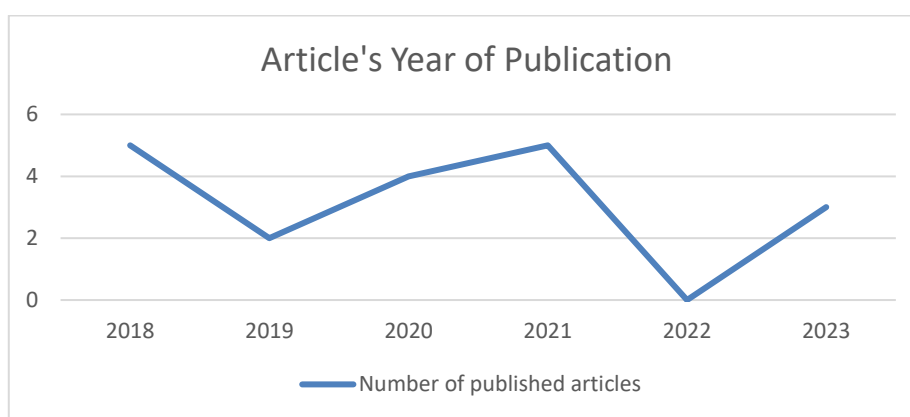


Figure 3. Article's year of publication

Elisevier contributed 26.32%, Emerald Group Publishing Ltd. donated 31.58%, Springer, Fundacao Escola de Comercio Alvares Penteadado, MDPI, and Horizon Research Publishing contributed 5.26%. Taylor and Francis Ltd. and Routledge contributed 10.53%. publication of empirical analysis based on 19 sample articles on the development of management accounting techniques. The results of empirical investigations on the development of management accounting methods are frequently found to be secondary data and generally recognized theories, such as contingency theory, agency theory, and institutional theory.

Discussion

The Evolution of Management Accounting Practices

According to (Kalifa et al., 2020), (Costa & Lucena, 2021) in a 1989 statement, IFAC reported the scope and objectives of management accounting and the concepts that underlie them. This opinion was later changed to an Opinion on International Management Accounting Practices, noting the development of the MAP. The history of management accounting actually started at the beginning of this century in the 20th century, and at the beginning of its development, the focus was still on the subject matter of cost accounting and was referred to as traditional management accounting. According to the IFAC concept At this point, there are two stages of development, namely:

Tier 1: Cost Determination and Financial Control (CDFC)

In 1950, IFAC considered management accounting "a technical function necessary to achieve organizational goals". In this phase, the focus is on cost accounting and financial management.

Table 1. Management accounting practices at levels
Cost Determination and Financial Control (CDFC)

Management Accounting Techniques	Variables/Indicators
Costing system	1. A plan-wide overhead rate
Budgeting	2. Budget for cost control 3. Flexible budget
Performance evaluation	4. Based on financial size
Information for decision making	5. Valuation of capital investment on the basis of payback period and/or accounting rate of return

Tier 2: Information for Management Planning and Control (IMPC)

IFAC defined MA in 1965 as "a managerial function but a staff role". In this phase, the focus is on generating information for management planning and control.

Table 2. Management accounting practices at the Information for Management Planning and Control (IMPC) level

Management Accounting Techniques	Variables/Indicators
Costing system	1. Separation is made between variable or incremental costs and fixed or non-incremental costs. 2. Using departmental overhead rates 3. Using the regression curve or learning curve technique
Budgeting	4. Budget for planning 5. Budget with "what if analysis" 6. Budget for long-term strategic plans
Performance evaluation	7. On the basis of non-financial measures related to operations and innovation
Information for decision making	8. Cost-volume-profit analysis for the main product 9. Product profitability analysis 10. Model stock control 11. Evaluation of major capital investments based on the discounted cash flow method
Strategic Analysis	12. Long-range forecasting

Tier 3: Reduction of Resource Waste in Business Processes (RWR)

IFAC defined MA in 1985 as a management, production, and cost control technique, often achieved through the reduction of waste resources and their use in business processes. Mathematical formulas such as TQM, EOQ, LIFO, FIFO, MRP, and multiple regression are used in this step.

Table 3. Management accounting practices at the Reduction of Resource Waste in Business Processes level (RWR)

Management Accounting Techniques	Variables/Indicators
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Costing system	1. Activity-based costing
Budgeting	2. Cost of quality
Performance evaluation	3. Activity-based budgeting
Information for decision making	4. Zero-based budgeting
Strategic Analysis	5. On the basis of non-financial measures related to employees
	6. Risk evaluation of major capital investment projects based on probability analysis or computer simulation
	7. Conduct a "what if" sensitivity analysis when evaluating major capital investment projects.
	8. Long-range forecasting

Tier 4: Creation of Value Through Effective Resource Use

IFAC recognized in 1995 that management accounting focuses on the efficient use of resources through technical practices that examine customer benefits, shareholder value, and organizational innovation to create value. ABC, JIT, target costing, balanced scorecard, value chain analysis, and strategic management accounting are used.

Table 4. Management accounting practices at the Creation of Value Through Effective Resources Use level

Management Accounting Techniques	Variables/Indicators
Costing system	1. Target costing
Budgeting	2. Activity-based budgeting
Performance evaluation	3. Zero-based budgeting
Information for decision making	4. Non-financial measures related to consumers
Strategic Analysis	5. Evaluation based on residual income or economic value added
	6. Benchmarking
	7. Analysis of customer profitability
	8. For the evaluation of major capital investments, non-financial aspects are documented and reported.
	9. Calculation and use of the cost of capital in discounting cash flow for major capital investment evaluation
	10. Shareholder value analysis
	11. Industry analysis
	12. Analysis of competitive position
	13. Value chain analysis
	14. Product life cycle analysis
	15. Integration with customer and/or supplier value chains
	16. Analysis of competitor strengths and weaknesses

Management Accounting Practice (Traditional vs. Contemporary)

According to (Shahzadi et al., 2018) contingency theory states that there is no universal organizational model that describes different organizational designs; therefore, organizational design is based on situational contingency factors. Contingent factors may also explain the application of MAPs and why certain MAPs were chosen over others (Hutaibat & Alhatabat, 2020). (Kalifa et al., 2020) states that MAP is defined as various methods, procedures, processes, or rules used in certain industries or professions, especially manufacturing, to support organizational infrastructure and management accounting processes. Budgeting, performance evaluation, information needed for decision-making, and strategic analysis are some of the methods used in MAP. Management Accounting Practice (MAP) is divided into Traditional Management Accounting Practice (TMAP) and Contemporary Management Accounting Practice (CMAP). TMAP includes budgeting, standard costing and variance analysis, cost volume profit analysis, and performance measurement, while PAMK includes Total Quality Management (TQM), value-based management

(VBM), activity-based costing (ABC), nonfinancial performance measurement systems, activity-based management (ABM), balanced scorecard (BSC), and strategic management accounting (SMA) (Kalifa et al., 2020).

To see which MAP is more frequently used, we look at the empirical studies that have been conducted regarding this MAP as follows: The complexity of the business environment and technological developments increase the need to obtain management accounting information that responds to global competition. Therefore, CMAP has evolved to keep up with modern business developments. Previous studies have shown that this diversity makes it difficult to draw conclusions about the use of MAP in different countries. The main finding is that organizations continue to rely more on TMAP than CMAP (Shahzadi et al., 2018; Hutaibat & Alhatabat, 2020). (Hussein, 2018) found that TMAP was higher than CMAP in Egyptian firms, despite CMAP's significant progress, because implementing CMAP means taking time to change people's values and practices, high uncertainty avoidance, and high costs. (Kalifa et al., 2020) found that Libyan oil companies used more TMAP than CMAP because respondents did not have sufficient knowledge about CMAP. (Azudin & Mansor, 2018) stated that the majority of SMEs in Malaysia still use the traditional MAP system. This study finds that the continued use of MAP programs in developing countries is still very low, possibly due to a lack of knowledge about the usefulness of MAP programs in the economy. (B. Oyewo et al., 2019) states The overall impact of stakeholders on management accounting is rated moderate, and it appears that stakeholders have the greatest influence on the MAP program, which is in their interest. (Dasanayaka et al., 2021) Family businesses are more likely to use traditional and informal MAPs because they are primarily run by families, who are involved in business management and resource allocation.

(Hutaibat & Alhatabat, 2020) found the Higher Education (HE) sector in the UK found that the UK higher education sector (HE) is rolling out higher MAPs as universities try to make money So your information technology needs new MAPs all the time. New developments and implementation need senior management support, supporting MAPs new. (Ogungbade & Oyerogba, 2020) Manufacturing companies in Nigeria use Contemporary Management Accounting practices, emphasizing companies that use modern MAP. (B. M. Oyewo, 2021) in the global management accounting principle approach using modern Management Accounting because, in this way, increased corporate sustainability is directly related to the soundness of management accounting operations, and, on the other hand, companies with separate management accounting units can benefit from added value. In addition, according to management accounting practice, it is suggested that the management accounting function not be included in general or financial accounting functions.

CONCLUSION

Management accounting practice is concerned with how the information provided by accounting is used in decision-making. To meet the needs of decision-makers, organizations adapt and develop their management accounting systems, which are concerned with the use of systematic and interdependent practices to support decision-making. This study provides an understanding of the literature based on contingency theory which states that there is no universal organizational model that describes different organizational designs; therefore organizational design is based on certain situational contingency factors that may explain the application of MAPs and why certain MAPs are chosen over others (TMAPs or CMAPs). Management Accounting Practice (MAP) is divided into Traditional Management Accounting Practice (TMAP) and Contemporary Management Accounting Practice (CMAP). From the empirical studies described above, it can be concluded that TMAP is more widely used than CMAP, with various considerations. The sample in this study was 19 articles, and this is a limitation in the study, so for further research, it is suggested to add samples or articles as a literature review.

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