

Addis Ababa
University
(Since 1950)



The use of Management Accounting Practice in Managerial Decision Making, a case Study of Selected Real Estate Companies in Addis Ababa

A Thesis Submitted to the Department of Accounting and Finance to Undertake a
Research in Partial Fulfillment of the Requirements for the Master of Science
(MSc) Degree in Accounting and Finance

By:
YOHANNES MULUYE

Advisor:
HABTAMU BERHANU (PhD)

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

June, 2018
Addis Ababa

**THE USE OF MANAGEMENT ACCOUNTING
PRACTICE IN MANAGERIAL DECISION MAKING,
A CASE STUDY OF SELECTED REAL ESTATE
COMPANIES IN ADDIS ABABA**

By: YOHANNES MULUYE

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE OF
BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND
FINANCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND FINANCE**

ADVISOR: HABTAMU BERHANU (PhD)

JUNE, 2018

ADDIS ABABA

ETHIOPIA

ADDIS ABABA UNIVERSITY
DEPARTMENT OF ACCOUNTING AND FINANCE
COLLEGE OF BUSINESS AND ECONOMICS

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Habtamu Berhanu (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name: Yohannes Muluye Gelaw Signature_____

Place: Addis Ababa University

Date of Submission: June, 2018

This master thesis, has been submitted for examination with my approval as thesis

Advisor Name: Habtanu Berhanu (PhD)

Signature_____ Date_____

ADDIS ABABA UNIVERSITY
DEPARTMENT OF ACCOUNTING AND FINANCE
COLLEGE OF BUSINESS AND ECONOMICS

STATEMENT OF CERTIFICATION

This is to certify that the thesis entitles: **The use of Management Accounting Practice in Managerial Decision Making, a case Study of Selected Real Estate Companies in Addis Ababa** was carried out by Yohannes Muluye under the supervision of Habtamu Berhanu (PhD), submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Approved by:

Internal Examiner ALEM HAGOS (PhD) Signature _____ Date _____

External Examiner DERESE MERSHA (PhD) Signature _____ Date _____

Advisor HABTAMU BERHANU (PhD) Signature _____ Date _____

Chair of Department or Graduate Program Coordinator

ACKNOWLEDGEMENTS

First and foremost, I would like to thank my *Heavenly Father* for the wisdom, time and knowledge that he gave me in order to complete this challenging and time consuming research. To whom I would like to return all the glory and thanks to be upon his name forever lasting and to whom I would have never completed this thesis without his guidance and tolerance.

I would also like to express my deep and sincere gratitude to my research project advisor, Habtamu Berhanu (PhD) for his immense role in providing me with constructive comments, and relentless support and understanding for the effective realization of the study.

I would like to warmly thank all the participants in the research project who allocated their valuable time and effort in providing me with relevant information. Their kind support has been of great value in this study, indeed.

I am extremely indebted to my beloved wife, W/ro Tsedale Birhanu, for her encouragement, patience and understanding since the beginning of the program and without her it would have been difficult for me to complete the program and also my friends who shared my ups and downs of this demanding academic journey at AAU, and supported me throughout.

TABEL OF CONTENTS

	Page
DECLARATION	i
STATEMENT OF CERTIFICATION	ii
ACKNOWLEDGEMENTS	iii
LIST OF TABLES	vii
LIST OF FIGURES	viii
ACRONYMS	ix
ABSTRACT	x
CHAPTER ONE	1
1. INTRODUCTION	1
1.1. Background	1
1.2. Industry background	3
1.3. Problem Statement	4
1.4. Research questions	6
1.5. Objectives of the Study	6
1.5.1. General	6
1.5.2. Specific	6
1.6. Significance of the study	6
1.7. Scope and Limitation of the study	7
1.8. Organization of the Paper	7
CHAPTR TWO	8
2. LITARATURE REVIEW	8
2.1. Meaning of Management Accounting	8
2.1.1. Institute of Management Accountants (IMA)	8
2.1.2. Chartered Institute of Management Accounting (CIMA)	8
2.1.3. International Federation of Accountants (IFACs)	9

2.2.	Management Accounting – Role & Development.....	9
2.3.	Management Accounting & the Management Process.....	12
2.4.	Management Accounting Practice in Developing Counties.....	13
2.5.	Management Decision Making Process.....	14
2.6.	Management Accounting Practice.....	17
2.7.	Decision Making & Management Accounting.....	17
2.8.	Empirical Studies.....	18
2.9.	Conceptual Framework.....	24
2.10.	Summary.....	25
CHAPTER THREE.....		27
3.	RESEARCH METHODOLOGY.....	27
3.1.	Research Design and Methodology.....	27
3.2.	Population & Sample Size.....	28
3.3.	Questionnaire Design.....	28
3.4.	Data Collection.....	29
3.5.	Data Analysis and Evaluation of Data.....	30
CHAPTER FOUR.....		31
4.	DISCUSSION AND DATA ANALYSIS.....	31
4.1.	Respondent’s Profile.....	31
4.1.1.	Education.....	31
4.1.2.	Field of Specialization.....	32
4.1.3.	Work Experience.....	33
4.2.	Results and Discussions under the Topic.....	34
4.2.1.	Rank & Evolution stage of selected management accounting techniques.....	34
4.2.2.	Types of decisions often made by Managers and whether they are provided with management accounting information.....	36

4.2.2.1. Types of decisions often made by Construction Managers and whether they are provided with the information they required	37
4.2.2.2. Types of decisions often made by Marketing Managers and whether they are provided with the information they required	38
4.2.2.3. Types of decisions often made by Finance Managers and whether they are provided with the information they required	40
4.2.3. Management Accounting Information on Decision Making Process .	41
4.2.3.1. Do managers use management accounting information in decision making: result drawn from accountants and finance managers	42
4.2.3.2. Do managers use management accounting information in decision making: result drawn from finance manager, construction manager and marketing managers	43
4.2.4. Whether Management Accounting Information Help Managers to be Effective in their Decisions	45
CHAPTER FIVE	48
5. CONCLUSION AND RECOMMENDATION	48
5.1. Conclusion.....	48
5.2. Recommendation	49
5.3. Limitations and Directions for Future Study	50
References.....	52
Appendix.....	58

LIST OF TABLES

		Page
Table 1 :	Educational Status of Respondents -----	32
Table 2 :	Field of Study of Respondents -----	33
Table 3 :	Work Experience of Respondents -----	34
Table 4 :	Evolutional Stage of Selected Management Accounting Techniques -----	35
Table 5 :	Types of Decision often made by Construction Manager -----	37
Table 6 :	Decision items for which Managers are provided with MAI --	38
Table 7 :	Types of Decision often made by Marketing Manager -----	39
Table 8 :	Decision items for which Managers are provided with MAI --	39
Table 9 :	Types of Decision often made by Finance Manager -----	40
Table 10:	Decision items for which Managers are provided with MAI -	41
Table 11:	Do managers use MAI in decision making process -----	42
Table 12:	Reasons for not using MAI in decision making- accountant and finance manager -----	42
Table 13:	Do managers use MAI in decision making process- finance manager, construction manager and marketing manager -----	44
Table 14:	Reasons for not using MAI in decision making- finance manager, construction manager and marketing managers -----	45
Table 15:	Whether MAI help Managers to be Effective in their Decisions -----	46
Table 16:	Reason for why MAI doesn't help managers to be effective in their decision -----	46

LIST OF FIGURES

	Page
Figure 1 : The four phases of evolution of Management Accounting-----	10
Figure 2 : Drury's model -----	15
Figure 3 : The conceptual framework or model of the study -----	25

ACRONYMS

ABC	Activity Based Costing
ABCM	Activities Based Cost Management
ACCT	Accountant
AMAT	Advanced Management Accounting Techniques
BSC	Balanced Score Card
CIMA	Chartered Institute of Management Accountants
CM	Construction Manager
CVP	Cost-Volume-Profit
EOQ	Economic Order Quantity
FIFO	First in First Out
FM	Finance Manager
IFAC	International Federation of Accountants
IMA	Institute of Management Accountants
JIT	Just-in-Time
LIFO	Last in First Out
MAI	Management Accounting Information
MAP	Management Accounting Practice
MM	Marketing Manager
MRP	Material Requirement Plan
NPV	Net Present Value
SWOT	Strength, Weakness, Opportunity & Treats
TMAT	Traditional Management Accounting Techniques
TQM	Total Quality Management

ABSTRACT

In every organization decisions are regularly made as part of smoothing activities of the organization and to achieve their objectives. Decision makers use different types of information to make these valuable decisions. Accounting information is one of the information that managers and other concerned bodies use when they make decisions. International Federation of Accountants (IFAC) 1998 had identified the field of organizational activity encompassed by management accounting has developed through four evolutionary stages, that are the cost determination and financial control, information for management planning and control, reduction of waste of resources in business processes and creation of value through effective resource use. In view of this, the current study undertaken with the aim of investigating the management accounting practices & evolutionary stages in selected real estate companies in Addis Ababa city and to identify the types of decisions that managers often make and assess whether managers use management accounting information in decision making and help them to be effective in their decisions. The data used in this study was obtained through questionnaire. Questionnaire was prepared and distributed to finance managers, marketing managers, construction managers, office engineers and accountants. The current study provides empirical evidence to infer that the utilization of Stage 1 is dominantly applied and most of Stage 2 of management accounting techniques is still applied in practice. The results show that the use of management accounting information for decision making is very low and the management's focus towards management accounting is below the required level. The findings of the research can be specifically informative for policy makers' intent on developing management accounting skills among firms in Ethiopia. This study recommends the creation and enhancement of awareness among firms on the importance of Information for decision making practices as this is the most highly used management accounting practice amongst the real estate companies in Ethiopia.

Key Words: Management Accounting, Accounting Information, Decision Making

CHAPTER ONE

1. INTRODUCTION

1.1. Background

Decision-making can be regarded as an outcome of mental processes leading to the selection of a course of action among several alternatives. Every decision making process produce a final choice. The output can be an action or an opinion of choice (James 1990).

Decision making is the process of choosing alternative courses of action using cognitive processes. Making decision is necessary when there is no one clear course of action to follow. Accounting systems can aid our decision making by providing information relevant to the decision and to the decision makers. Accounting systems also provide check for the validity through the process of auditing and accountability. Effective and efficient accounting information plays a central role in management decision making (Gray et. al 1996).

Management is the art of working particularly through people, for the achievement of the broad goals of an organization Ejiofor (1987) (cited in Tewodros, 2009); in trying to achieve these goals the manager has to map out strategies to find out the accounting information suitable for the company.

Accounting is the language of business as it is the basic tool for recording, reporting and evaluating economic events and transactions that affect business enterprises. It processes all documents of a business financial performance from payroll, cost, capital expenditure and other obligations to sale revenue and owners' equity. It provides financial information about one's business to the internal and external users, such as managers, investors and others. It is sometimes referred to as a means to an end, with the ending being the decision that is helped by the availability of accounting information (Arneld and Hope 1990).

Management accounting uses both financial and non-financial information and is generally intended for the use of internal users who use the information to make decisions that help achieve the goals and objectives of the organization. Financial information used by management include sale growth, profits, return on capital employed and market shares, non-financial information's include customer satisfaction level, production quality, performance of competing

products and customer loyalty. Management accountants use both financial and non-financial information to aid business decision-making (Melissa Bushman 2007).

Management accounting can be defined as “the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of information that assists executives in fulfilling organizational objectives a formal mechanism for gathering and communicating data for the purpose of aiding and coordinating collective decisions in light of the overall goals or objectives of an organization” (Macintosh, N. 1995).

As can be derived from this definition, accountants play a crucial role in providing information for making economic and financial decisions. The outcome of a decision cannot always be predicted with certainty; management often faces the risk of choosing the wrong ones. Hence, management always needs to have some courage as well when facing decisions. All organizations need to pass the right decision to ensure the well-being and also the survival of an organization.

Current management accounting practices (MAPs) have incorporated financial and non-financial techniques that aim to provide crucial information at both operational and organizational level. The emergence of sophisticated MAPs such as balanced score card (BSC), activity based costing (ABC), target costing and strategic MAPs is the results of growing adaptation on modern management practices by today’s organizations such as total quality management, supply chain management, Lean manufacturing and Just In Time (JIT) (Ittner and Larcker, 1998) (Abdel-Maksoud et al., 2005) (Pavlatos and Kostakis 2015) argued that the new economic environment mainly triggered by the global economic crisis imposes the need for adaptation of MAPs to encounter the dynamics of the market.

In current era of business environment there is a lot of competition in business and corporate world in developed as well as developing countries. The owners of corporations want to go not only up to the mark but also to achieve higher position in the market of their corporations in every aspect of the business (Sleihatet al., 2012). In today’s competitive business environment organizations seek to have an upper hand over their competitors since foreign investments are becoming welcomed specially in African market and are growing drastically over time and organizations need to compete with the wide open market that avail for foreign investors. This

type of competition is an opportunity for organizations that foresee what global market to become in near future and become ready to compete, while it is a threat to those organizations that circled their environment only for the domestic competitors and couldn't image the bigger picture of their future competition environment look like. One way of competing with such type of competitive environment is by making informed business decisions timely, effectively and also efficiently. In light of this the following statement of the problem is proposed.

1.2. Industry background

A contemporary definition of real estate is provided by investors: Real estate is a term that encompasses land along with anything permanently affixed to the land, such as buildings, specifically property that is stationary or fixed in location. Thomsett (1994) (cited in Kiros, 2009) defined real estate as land and all permanent improvements on it including building. According to Geissler (2008) (cited in Kiros, 2009) the term is artificially delineated space referenced to a fixed point on the surface of the earth with a fourth dimension of time. It is built to house an economic activity that is subject to cultural preferences and restricted by the public infrastructure.

Abraham (2007) (cited in Kiros, 2009) states that 'Real estate generally contributes to a country's economic development as a result of a corresponding growth in the demand for materials, labor inputs and backward and forward linkage effects in the economy'. Despite the fact that in Ethiopia urban land and housing was largely the property of the federal elite under the imperial era and the coming into effect of a proclamation on urban land and extra houses during the Derge regime; the current government has introduced a market-oriented approach to housing development since the transition in 1991.

As the official annual report on Macroeconomic Developments by the Ministry of Finance & Economic Development states that Investment in all economic sectors increased dramatically. The percentage contribution to growth from construction in general to GDP rose from 5.3% in 2004/05 to 7.2% in 2014/15 and from 6.8% to 10.1% in 2014/15 for real estate in particular in 2004/05. According to the Ethiopian investment Agency, The number of licensed companies in A.A is really big number (that would constitute a registered capital in the market in to Br 9.5 billion), when actually operating numbers are less than 3% of this total. In light of this the following problem statement is proposed.

1.3. Problem Statement

Management accounting is one of the primary information sources used for decision making in organizations. Management accounting information system is also useful to make both short term and long – term business decisions. Management accounting system produce information that help workers, managers and executives make better decisions and improve their organization's process and performance (Hilton, 2011).

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).

For an organization to survive in the competitive, ever-changing world, it must put in place sound management accounting practice. Managers need information for decision making. An understanding of cost behavior is fundamental to managerial and cost accounting, and management accounting information and the way it is used can support or hinder action and change of action in organizations (Bescos and Mendoza, 2000, Anderson et al, 2000, Abrahamson and Helin, 2000).

Traditionally, management accounting information has been financial, that is, it has been denominated in a currency. Recently however, management accounting information has expanded to encompass operational or physical (non-financial) information, such as quality and process times, as well as more subjective information such as measurements of customer satisfaction, employee capabilities and new product performance (Anthony A. Atkinson, et.al, 1997).

The success of business depends primarily upon the skills and abilities of management – which skills can vary widely among different managers. The business is not completely at the mercy of market forces. Management can through its actions (decisions) influence and control events within limits. A critical managerial function is decision – making.

Decisions which management must make may be classified as marketing, production, and financial. A primary objective of decision – making is to achieve optimum utilization of the business’s capital or resources.

Adelegan (2001) carried out a study management accounting practice on companies in developing country of Nigeria. The study found that management accounting in the country was still concerned with the process of cost determination and financial control using budgets and cost accounting technologies, and provision of information for the management planning and control through the use of decision analysis and responsibility accounting. The results indicated that management accounting practices in Nigeria has fully passed the second stage, and is just evolving into the third stage of evolution for most companies. This study was used as a driver for the thesis as igniting factor.

Another driver of this thesis is the scarcity of research into the use of management accounting information among firms in developing countries. Despite the increasing amount of research in management accounting in the past decade, little is known of its form and effectiveness within firms in developing countries (McChlery et al., 2004). This lack of research based knowledge may have been based on a belief that the discipline in management accounting is best served by studying the most innovative and successful examples of practice that can be found in the leading western and Japanese firms (Mitchell et al., 1998).

There is evidence that accounting study and practice have reasonable gap between them. It is also considerable that this gap is not on the basis of development of accounting as academic but due to the lack of research in accounting and specially management accounting (Inanga E. Schneider, 2005).

As per the knowledge of the researcher & reviewed literature most of the existing research literature (e.g. Tewodros, 2009 and Mintesinot, 2013 have done similar research in different sector) on accounting in Ethiopia manufacturing companies mainly focused on financial accounting, financial management, information technology adoption and credit accessibility for manufacturing companies in contrary limited emphasis given to management accounting and its practice especially when it comes to relating management accounting practice in managerial decision making on real estate companies.

1.4. Research questions

This paper seek to inform practitioners and academics about the use of management accounting practices in real estate companies and be able to determine the appropriate practice for companies within the country. This study therefore, attempts to investigate the situation by posing the following research questions:

- a) What is the current management accounting practice adopted by real estate companies?
- b) What type of decisions managers often make?
- c) Do managers use management accounting information in decision making?
- d) How management accounting information help managers to be effective in their decision?

1.5. Objectives of the Study

1.5.1. General

The general objective of this research paper is to assess the use of management accounting practice in managerial decision making on real estate companies in Addis Ababa city.

1.5.2. Specific

The study will carry out with the assumption of the following objectives to meet.

- To identify which management accounting practices in real estate companies are more widely used.
- To identify the types of decisions managers often made.
- To what extent do managers use management accounting information for decision-making?
- To assess whether management accounting information help managers to be effective in their decisions.
- To identify an association between management accounting information and decision making.

1.6. Significance of the study

The purpose of this study is to assess the current management accounting practice in real estate companies' and their reporting practice. Specifically, this study is significant in the sense that:

The study finding helps scholars to seek more knowledge about the Management Accounting Practice in many other industries, the findings are also helpful in building on the already existing literature, policy makers and the government can use the study findings in building and widening the awareness of management accounting practices, the study helps the managers in making decision by using management accounting information and the study also helps management accountants produce useful information for decision makers.

1.7. Scope and Limitation of the study

The scope of this thesis is restricted to the use of management accounting practice in selected real estate companies in Addis Ababa only and may be limited or may not be applicable for other sectors at all.

But it is beyond doubt that any research paper undertaken has no resource constraints. This study cannot be an exception to this fact. This study only concentrated on Management Accounting Practice of the real estate industry in Addis Ababa and not all companies in the economy. The location is chosen because there are a lot of real estate companies found in the city than the other part of the country. Hence, the findings of this study may be of little or were not applicable for other companies in other industries. Finally, study is undertaken by individual researcher therefore all the limitation of the individual researcher exists here also.

1.8. Organization of the Paper

The research paper is organized in to five chapters. Chapter one is an introduction part where back ground of the study, statement of the problem, objectives of the study, research question, scope and limitation, significance of the study are presented. Chapter two is review of literature in which theories, empirical evidence and conceptual frame work are identified. Chapter three contained research methodology where research design, sampling frame, sample technique, sources of data and instruments and data analysis technique were covered. Chapter four focused on the results and discussion in which the findings results that are interpreted. Finally, Chapter five brought to an end the research with summary, conclusion and possible recommendation.

CHAPTR TWO

2. LITARATURE REVIEW

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

2.1. Meaning of Management Accounting

Scapens (1991) stated that, various definition are available; but some are too general to provide a suitable structure, while others simply emphasis a particular research approach. The evolution of management accounting will now be explored in terms of the changing definitions from three major accounting bodies: The Institute of Management Accountants (IMA); the Chartered Institute of Management Accounting (CIMA); and the International Federation of Accountants (IFAC).

2.1.1. Institute of Management Accountants (IMA)

The Institute of Management Accountants (IMA) has provided the initial definition of management accounting by IMA (IMA, 1981, p. 1), defined 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 an organization and to assure appropriate use of and accountability for its resources*”. The definition (IMA, 2008, p. 1) was “*a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization’s strategy*”.

2.1.2. Chartered Institute of Management Accounting (CIMA)

The Chartered Institute of Management Accounting (CIMA) (2005) defines management accounting is an integral part of management, which requires the identification, generation, presentation, interpretation and use of relevant information to:

1. Inform strategic decisions and formulate business strategy.
2. Plan long, medium and short term operations.
3. Determine capital structure and fund that structure.
4. Design reward strategies for executives and shareholders.
5. Inform operational decisions.
6. Control operations and ensure the efficient use of resources.
7. Measure and report financial and non-financial performance to management and other stakeholders.
8. Safeguard tangible and intangible assets.
9. Implement corporate governance procedures, risk management and internal controls.

CIMA's definitions show that management accounting has moved closer to senior management concerns with a focus on efficiency, strategic planning and value creation.

2.1.3. International Federation of Accountants (IFACs)

International Federation of Accountants (IFAC) (IFAC, 1998, p. 86) viewed management accounting as “an activity that is interwoven in the management processes of all organizations”. Management accounting refers to that part of the management process which is focused on adding value to organizations by attaining the effective use of resources by people, in dynamic and competitive contexts.

2.2. Management Accounting – Role & Development

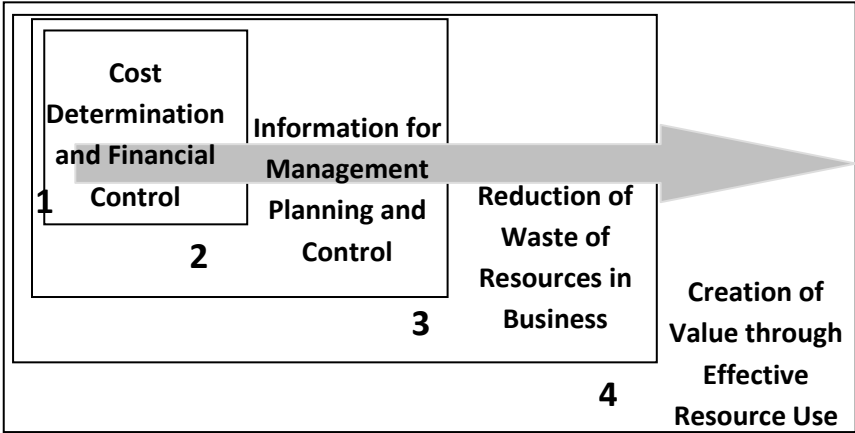
Management accounting was first known as cost accounting. This origin was reflected in the earlier title for practitioners of cost or works accountants (Wilson and Chua, 1988). Accounting historians have long endorsed the view that cost accounting is a product of the industrial revolution (Johnson, 1981).

Management accounting evolved during the industrial revolution as a tool for measuring and managing resource consumption, output, and productivity at the operational level of a company (Williams, 2004). The primary focus was on providing information for planning and controlling

the productivity and efficiency of internal processes. As a whole, the information provided was directly relevant to the task of optimizing cost, time, and asset utilization.

Management accounting textbooks state that it is a body of knowledge whose understanding is necessary for the success of managers. For example (Horngren et al., 2006; Drury, 1992; Kaplan et al., 2004), the focus on the managers’ standpoint is defined as follows: management accounting measures, analyses, and reports financial and non-financial information that helps managers to make decisions to fulfill the goals of an organization. Managers use management information to choose, communicate, and implement strategy. They also use management accounting information to coordinate product design, production, and marketing decisions. Management accounting information enhances decision making, guides strategy development and evaluates existing strategies, and focuses efforts related to improving organizational performance and to evaluating the contribution and performance of organizational units and members (Kaplan, 1998).

INTERNAL VIEW



CUSTOMER BASED VIEW

Figure 1: The four phases of evolution of Management Accounting (Source: IFAC, 1998)

The field of organizational activity encompassed by management accounting has developed through four evolutionary yet recognizable stages. Under the Western or Anglo-American approach, the four evolutionary stages of management accounting are the cost determination and financial control, information for management planning and control, reduction of waste of resources in business processes and creation of value through effective resource use, on the other hand, there is Eastern or Sino-Japanese approach of a four-stage management accounting

evolution, namely the drafting, the traditional, the quantitative and the integrative management accounting. Under the Western or Anglo-American approach, Evolution on Management Accounting (IFAC, 1998) states that, it has four stages these are: -

Stage 1 is the stage prior to 1950. The main focus was on cost determination and financial control and the main source of data was from financial statements, where the use of ratio analysis, financial statement analysis and other cost accounting technologies were very popular.

Stage 2 is the stage by the year of 1965, where the focus shifted to the provision of information for management decision-making, planning and control through the use of such technologies as decision analysis and responsibility accounting. During this stage, the use of traditional management accounting techniques that support decision analysis and responsibility accounting was introduced such as standard costing, Cost-Volume-Profit (CVP) and Break-Even Analysis.

Stage 3 is the stage by the year 1985, where the attention was focused on the reduction of waste in resources used in business process. This was made possible through the elimination of “non-value-added activities” and the use of mathematical formulas such as the Economic Order Quantity (EOQ) model, Inventory evaluation models such as FIFO, LIFO and multiple regressions.

Finally Stage 4 is the stage by the years of 1995, where the attention shifted to the generation or creation of value through the effective use of resources and technologies that examine the drivers of customer value, shareholder value, and organizational innovation. The introduction of advanced management accounting method such as Just-in-Time (JIT), Balanced Score Card (BSC), and Strategic Management Accounting were very dominant in this stage. IFAC (1998) had identified that between the years of 1985 to 1995, attention of the world especially the developed countries had shifted to the stage 4 of management accounting.

International Federation of Accountants (IFAC) revised its 1998 International Management Accounting Practice Statement, which now states: “management accounting refers to that part of the management process which is focused on organization resource use. Thus, it refers to managerial processes and technologies that are focused on adding value to organizations by attaining the effective use of resources in dynamic and competitive contexts”.

Shields (1997) predicted that environmental and organizational changes imply that management accounting will become what it is not and cease to be what it is. The definition, nature and boundaries of management accounting will change. The term of management accounting will increasingly become too limited a concept and will be replaced by organizational accounting. This broader concept will enable to incorporate more types of accounting and accountabilities in organizations, organizational subunits, and inter organizational arrangements (Bourguignon, 2005) (cited in Tewodros, 2009).

2.3. Management Accounting & the Management Process

Management is the art of working particularly through people, for the achievement of the broad goals of an organization (Ejiofor 1987) (cited in Tewodros, 2009); in trying to achieve these goals the manager has to map out strategies to find out the accounting information suitable for the company. The purpose of management has been described as making people capable of joint performance through common goals, common values, the right structure, and providing the training and development they need to perform and to respond to change. IFAC (1998) Thus, the management process includes: -

- establishing organizational directions in terms of objectives and strategies;
- aligning organizational structures, processes and systems to support established directions;
- securing the commitment at a requisite level of those contributing essential skills and effort; and
- Instituting controls that will guide an organization's progress towards the realization of its strategies and objectives.

Management accounting refers to that part of the management process focused on the effective use of resources in: -

- establishing strategy mixes that support organizational objectives;
- developing and maintaining the organizational capabilities necessary for strategy realization; and
- Negotiating the strategy and capability change necessary to secure ongoing organizational success and survival.

The management of the management accounting function will likely involve establishing objectives and strategies for the function, structuring the work of the function, building the capability of the function, resourcing the function appropriately, responding creatively to, or proactively addressing new challenges bearing on the work of the function and assessing the ongoing efficiency and effectiveness of the function (IFAC,1998).

2.4. Management Accounting Practice in Developing Counties

Ghosh (1982) examined management accounting practices in Singaporean large companies operating in the manufacturing and services sectors. The results revealed a high level of adoption of budgeting and capital budgeting (more than 80 percent), moderate use, ranging from 56 percent to 80 percent of long-range planning, breakeven point analysis, return on investment and standard costing; and a very low uptake (11 percent) of Activity Based Costing.

Then Ghosh and Chan (1997) have indicated that a general improvement was made in the management accounting practice in Singapore, where more companies were employing various accounting techniques in managing the business affairs. However, the new techniques such as Total Quality Management (TQM) and Activity-Based Costing (ABC) were slowly being accepted and used by the Singapore local companies, and these local companies continue to lag behind the multinational companies.

Next is the study done by Chan (2002) also in Singapore, where the aim was to investigate the management accounting practices of companies in that country? The results showed that there was a little improvement in the practices of management accounting since 1997. In addition, it was found that Singapore companies were ineffective in the use of costing tools and that the local Singapore companies were avoiding the use of advanced management accounting techniques. This is because the advanced techniques would involve with high levels of complexity and a high amount of resources were needed for its implementation.

Phadoongsitthi (2003) found similar results in Thailand to those established in Singapore and India. The study reported that for Thai companies in the manufacturing and services sectors the adoption of budgeting, planning and performance evaluation practices was high but the adoption of contemporary approaches such as target costing, product life cycle analysis and zero-based budgeting was low.

Waweru et al. (2004) analyzed management accounting change over time within four African retail companies and found considerable changes in management accounting systems within the four cases. Such changes include increased use of contemporary management accounting practices notably activity-based cost allocation systems and the balanced scorecard for performance measurement. Frezatti (2007) surveyed management accounting practices in Brazilian medium and large companies operating in manufacturing and non-manufacturing sectors. The results showed that adoption was lower for recent management-accounting practices than for more traditional practices such as budgeting.

2.5. Management Decision Making Process

Decision makers' needs useful information's, the Characteristics of Useful Information's are reliability, completeness, timely, understandable and verifiable. Marshall B. Romney and Paul John Steinbart (2003) (cited in Tewodros, 2009) stated the characteristics of useful information on the book Accounting Information System that: -

- **Reliable:** Information is reliable if it is free from error or bias and accurately represents the events or activities of the organization.
- **Complete:** Information is complete if it doesn't omit important aspects of the underlying events or activities that it measures.
- **Timely:** Information is timely if it is provided in time to enable decision makers to use it to make decisions.
- **Understandable:** Information is understandable if it is presented in a useful and intelligible format.
- **Verifiable:** If two knowledgeable people acting independently would each produce the same information.

Decision-making can be regarded as an outcome of mental processes leading to the selection of a course of action among several alternatives. Every decision making process produce a final choice. The output can be an action or an opinion of choice. James reason (1990) (cited in Tewodros, 2009).

Decision-making may be simply defined as choosing a course of action from among alternatives. A basis assumption is that the best decision is the one that involves the most revenue or the least amount of cost. The task of management with the help of the management accountant is to find

the best alternative. Decision-making involves the selection of the best course of action. Emmanuel, C. et al. (1990). Making decision is necessary when there is no one clear course of action to follow.

Drury's model includes seven stages that follow each other. Five stages of this model belong to the decision-making process, also called planning process that is described as "making choices between alternatives". At the end of the decision making process he adds other two stages called the control process that should measure and correct the concrete performance of the alternatives chosen.

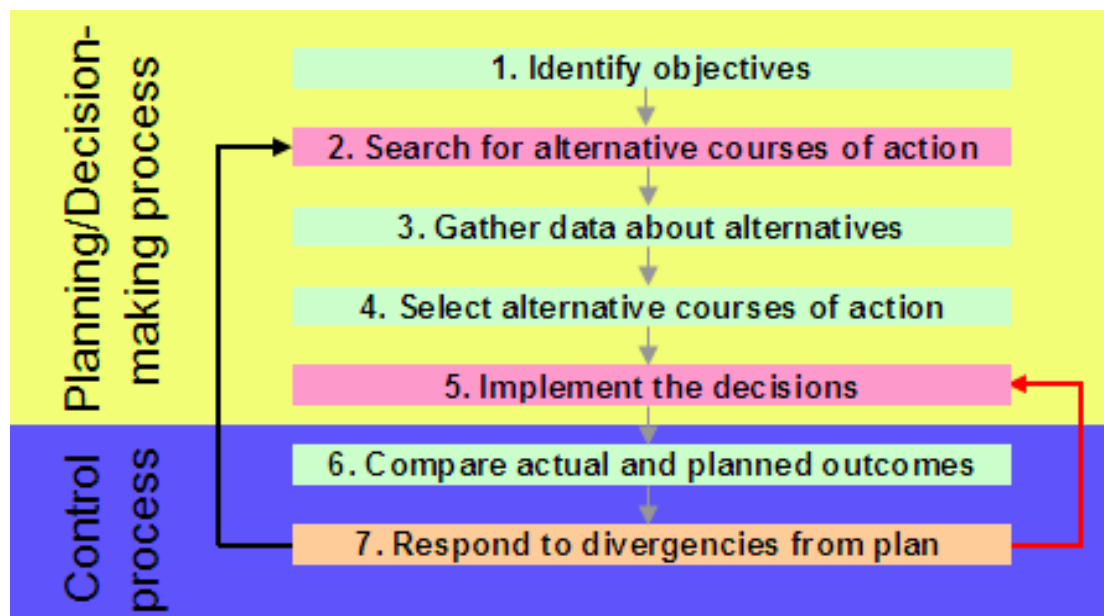


Figure 2: Drury's model Adapted from Drury C. (2000)

Planning Process

1. Identify objectives: As a first step in the planning process management needs to identify goals and objectives. They serve later as a guiding direction that enables the decision-makers to evaluate the desirability of a certain way of action compared to another. From an economic point of view profit maximization for the firm's owners or shareholder wealth should be the main objective.
2. Search for alternative courses of action: Afterwards management has to search for alternative courses of actions which make it possible to achieve the goals set. Therefore the organization has to scan its environment for potential threats and opportunities. This

is the most important but also difficult step in the whole decision-making process. In most cases it is not possible for a company to consider the complete pool of possible alternatives.

3. Gather data about alternatives: Potential growth rates, areas of activities, gain in market share, cash flows and much more information is collected for every option. The decision makers further have to distinguish between certain, uncertain and factors that do not lie in their control such as inflation, competitions strength etc. Data is gathered for both, for long-term or strategic decisions and for short-term or operating decisions.
4. Select appropriate alternative courses of action: The alternative that “best satisfies the objectives of an organization” will be chosen. If our main goal is profit maximization, all alternatives should be listed in terms on differences in profit. The alternative that seems to achieve the goal best should then be selected by the decision makers.
5. Implementation of the decision: Finally the decision will be implemented through the budgeting process. A budget is a financial plan and statement of the organizational expectations that tries helping to realize the management’s decisions. It also communicates to everybody in the organization which role they play to achieve the aims of the company.

Control process

6. Compare actual and planned outcomes: An accountant has to establish performance reports which provide feedback by comparing results with plans. Deviations from plans should be taken into closer consideration by managers. Both, budget and performance report are considered by managers.
7. Responding to divergences from plan: the alternatives chosen should be frequently reviewed and if the outcome of the decisions made differs from the planned one, corrective actions should be taken.

Limitations of Drury’s model

Drury’s model can be criticized for various reasons. First of all, it does not include factors, like emotions, imagination, memories, culture and mindset of the decision-makers. Secondly it assumes that the right decisions are easily and unambiguously identifiable. Last but not least, it is

built upon the idea that each step can be clearly separated from the other which does not always correspond to the reality of decision-making.

2.6. Management Accounting Practice

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.

2.7. Decision Making & Management Accounting

The major role of management accounting in the decision-making process is to provide relevant information to the managers who make the decisions. Construction manager typically make the decisions about alternative construction processes and schedules, marketing managers make pricing decisions and specialists in finance usually are involved in decisions about major acquisitions of equipment. All of these managers require information pertinent to their decisions. The management accountant plays a huge role by providing information relevant to the decisions faced by managers throughout the organization.

Management accounting is concerned with gathering and reporting internal financial information to facilitate decision-making process. As management accounting is not required to conform to national accounting standards, it allows business to customize the management accounting techniques as per demand of company. As a process of this customization, some advanced quantitative as well as number of qualitative techniques accompany with the traditional techniques, have been emerged to cater the information need in decision making (Yeshmin and Hossan, 2011).

The nature of management accounting is to provide information that links the daily actions of managers to the strategic objectives of an organization. Management needs to possess knowledge about the costs that arise in an organization. For this reason, the cost accounting system determines the costs of the goods produced in a company. Hence, it is considered as the most fundamental tool in guiding decisions, and it will be explained first. Horngren, C. et al. (2002). Without this information about costs, management would not be able to set prices or do

investment decisions. Consequently, further management accounting concepts used for decision-making are built upon this cost foundation.

Decision makers sometimes rely on the less rational but often equally valid bases for making decisions: experience, intuition, moral conviction and the more trivial reasons in business politics – turf wars, power struggles, personal self-aggrandizement and the like. So, it shall be emphasized that it is not always possible to base decisions only on quantitative factors. There remain almost in every case some aspects that cannot be translated into numbers and hence, management needs to consider these qualitative elements as well in their decision-processes. Drury, C. (2000)

Decisions making can be grouped into two based on their time frame they are short-term and long-term decisions. It is necessary to consider decisions from both perspectives (Ibid). The short-term is usually defined as being one year or even less. In short-term decisions the importance of the time value of money is low. These decisions are mainly based on today's data. Short-term decisions can usually be changed easily as opposed to long term ones. Long-term decisions have effects on longer periods of time. Consequently, such decisions demand a firm's resources for a longer episode of time. Such decisions can influence future decisions and can have an impact on long-term potentials. (Ibid)

2.8. Empirical Studies

Ghose and Chan (1997) have indicated that a general improvement was made in the management accounting practice in Singapore, where more companies were employing various accounting techniques in managing the business affairs. However, the new techniques such as Total Quality Management (TQM) and Activity-Based Costing (ABC) were slowly being accepted and used by the Singapore local companies, and these local companies continue to lag behind the multinational companies.

Chan (2002) in Singapore, where the aim was to investigate the management accounting practices of companies in that country. The results showed that there was a little improvement in the practice of management accounting since 1997. In addition, it was found that Singapore companies were ineffective in the use of costing tools and that the local Singapore companies would involve with high levels of complexity and a high amount of resources were needed for its implementation.

Wijewardena and Zoysa (1999) in a comparative analysis of management accounting practices in Australia and Japan investigated the differences in the adoption of management accounting techniques through a survey questionnaire which was mailed to 1000 largest manufacturing companies in each country. The size of the company was based on total assets. A total of 217 Japanese companies and 231 Australian companies responded to the 31 questions asked covering various aspects of managerial accounting techniques. This analysis involved comparisons of techniques in different cultural contexts. Major cultural differences identified in the study were collective decision making, unique company philosophy, usage of small firms as sub-contractors, company specific cost accounting training for each employee, and the difference in educational background of management accountants as seen in Japan compared to Australia. Based on responses, the profile (e.g. type, asset size, export ratio, annual sales, and number of employees and nature of market competition) of the sample firms was tabulated in percentage terms. Other variables explored were; importance of management accounting tools, uses of cost accounting data, purposes of standard costing, investment appraisal methods, components of budgets, timings of budget, main overhead allocation bases, manufacturing cost structure, inventories as a percentage of total assets, quantitative techniques, performance evaluation measures, product costing methods, major participants in new product cost estimation, costing systems and significant changes to costing systems. Findings of the comparative survey revealed that management accounting practices of Australian companies placed emphasis on cost control tools (e.g. budgeting, standard costing and variance analysis) at the manufacturing stage while Japanese companies focused attention on cost planning and cost reduction tools such as target costing at the product planning and design stage. This finding is in agreement with another study of Howell and Sukarai (1992) that “Japanese companies seem to understand better than their western counterparts that cost should be managed and avoided during the product planning and product cycle stages rather than when products have entered full scale production”.

Adler, Everett, and Waldron (2000) conducted a survey that asked management accountants, in New Zealand manufacturing businesses, to indicate the techniques adopted in their business. While many studies have focused on particular techniques such as ABC or target costing, Adler et al. provided a questionnaire that included a vast array of management accounting techniques to provide a fuller set of response options. Respondents were asked to rank management techniques on a five point scale “from most used to least used”. A judgment sampling method

was chosen to achieve a response rate of 19% that provided 165 completed questionnaires. Traditional management accounting techniques, such as full costing, direct costing and standard costing were found to be used more often than advanced management accounting techniques, such as strategic management accounting. The study by Adler et al. (2000) is generally consistent with the lack of adoption of advanced management accounting techniques as stated by the Ainikkal (1993) and Hawkes et al. (2003) studies, but inconsistent with respect to individual techniques. It was found that firms in Australia adopted ABC, and cost of quality techniques and also that big firm were more likely to use modern accounting techniques.

Anand et al. (2004) in their study of cost management practices in India studied the responses furnished by 53 CFOs in Indian corporations. The objective of their study was to capture the development in cost management practices such as accounting for overheads, applications of budgetary control and standard costing in corporate India. The survey questionnaire also aimed to verify any significant difference in management motivation for the implementation and use of standard costing as a control tool between activities based cost management (ABCM) user firms and firms using traditional costing systems. The study established that the firms are successful in capturing accurate cost and profit information from their ABC cost systems for value chain and supply chain analysis. The results suggest that the firms have better insight for benchmarking and budgeting with ABC cost system yet the consistency in their priority of budget goals is lacking unlike the firms who are using traditional costing systems.

Abdel-Kader and Luther (2006) studied management accounting practices (MAPs) in the food and drinks industry in the U.K. in order to understand the level of MAP's sophistication and the factors that affect implementation of MAPs in this industry. The research methodology used in this study was a survey questionnaire sent to 650 executives of the industry. In total, 245 usable completed questionnaires were received and analyzed. Respondents were asked to indicate the frequency of use of 38 management accounting practices (MAPs) using a Likert scale (1 indicating never and 5 indicating very often). They were also asked to assess the importance of each technique/practice by rating these as 'not important, moderately important or important. The study found that as companies moved into a more uncertain environment, the sophistication level of management accounting practices increased. Likewise, as their power relative to customers' diminished, companies moved up the stages of evolution. Analysis of the

management accounting practices used suggested that the management accounting systems employed in many food and drinks companies were not particularly sophisticated. Taking the industry as a whole, there was little evidence of management accounting directly connected with 'value creation'.

Liaqat (2006) carried out an empirical study to find out the application of contemporary management accounting techniques in Indian industry through a survey of 530 member companies of the National Association of Financial Directors and Cost Controllers. Sixty three companies responded which constituted the sample; a response rate of about 12%. The sample was stratified in two segments; ABCM user firms and Non ABCM user firms. A five point Likert scale was used. The focus of the study was to find evidence on how widely traditional and contemporary management accounting practices were adopted by Indian industry. The investigations revealed that improvement of overall profitability and cost reduction were the motivating factors for using management accounting in Indian companies. The researcher found a positive association between the adoption of ABC and company characteristics (e.g. degree of customization, pressure of competition, business size, and proportion of overhead to total cost). However, none of the differences was found to be significant at 10% level.

Isa & Thye (2006) examined the usage of management accounting practices in manufacturing firms in Malaysia. They also studied the relationship between product variety, complexity of production process, level of competition, company size, overhead expenses and usage of advanced management accounting practices. Management accountants in 500 manufacturing firms were randomly selected from the 2004/2005 Federation of Malaysian Manufacturers Directory. A total of 75 usable responses were received, that represented a response rate of 15%. Respondents comprised of senior level managers, including Chief Executive Officers, General Managers and Management Accountants. In this study, the measures for traditional management accounting techniques (TMAT) and advanced management accounting techniques (AMAT) were adopted from Waldron and Everett (2004). The TMAT were represented by four techniques: full costing, standard costing, job order costing and process costing. The AMAT comprised thirteen techniques: Activity-Based Costing, Activity-Based Management, Target Costing, Kaizen Costing, Value Added Accounting, Cost of Quality, Economic Value Added, Life Cycle Costing,

Target Cost Planning, Cost Modeling, Strategic Management Accounting, Throughput Accounting and Back Flush Costing.

Salawu et al., (2012) did a survey of Activity Based Costing Adoption Among Manufacturing Companies in Nigeria. The study reveals that inability of the traditional cost systems to provide relevant cost was the most highly ranked reason in their decision to adopt ABC. Traditional methods of allocating overhead were therefore believed to be deficient in terms of improving global competitiveness. Also, 60% of the respondents have adopted ABC due to increased ranges of products, competition and increased overhead. Familiarity with and adoption of ABC was found to be across the manufacturing, more than half of the sample are familiar with it. The 40% of respondents who have not adopted ABC cited the cost and complexity involved with implementation as the main reason in non-adoption. However, cost of implementing ABC was enormous which hinder the small scale manufacturing from adopting it. This result may reflect the fact that larger firms are more likely to have the diverse mix of products or services that makes the use of ABC advantages. Consequently, the study recommends that the companies who have not adopted ABC because of its high cost of implementation should endeavor to consider its adoption because in the long run the benefits derive from it will outweigh its cost. It helps to identify inefficient products, departments and activities and helps to allocate more resources on profitable products. In conclusion, the senior management should also give their utmost support to the implementation and success of ABC.

Thanju (2009) conducted a study on determinants of management accounting changes in three private Hospitals in Nairobi during the study period. Management accounting changes have been documented in developed countries and have been related to changes in business environment. However, no such study had been document in private Hospitals in Kenya. This was the gap that this research intended to fill. The objective of the study was to evaluate the management accounting changes and determinants of these changes that occurred in these three hospitals in Nairobi between the period of 2006 to 2011. To achieve the objectives, the researcher used descriptive cross sectional survey design where primary data was collected through structured questionnaires and personal interviews with financial managers/ management accountants of the respective Private hospitals. The data was analyzed using descriptive statistics, presented in narrations, graphical and pictorial designs for interpretation and summarization.

The findings indicated considerable management accounting changes in these hospitals in all the areas. The firms also had adopted many modern management accounting techniques. The findings suggest the determinants of management accounting change included high competition, advancement in technology, need for financial and non-financial measures, financial performance, board members expectation, statutory and regulatory bodies requirements as well as availability of resources. The study revealed that high accounting staff turnover, inadequate staffs, poor communication with line managers, strict government and regulatory bodies' requirements and difficulties in accessing strategic information about competitors as the main factors that hinder management accounting change.

Tewodros (2009) conduct a study to examine the use of management accounting information in decision making and management control in the case of some selected manufacturing companies in the city of Addis Ababa. The objective is to identify the types of decisions that managers often make and areas which need management control and assess whether managers use management accounting information in decision making and control. It also assess whether management accounting information help managers to be effective in their decisions and control. The data used in this study was obtained through questionnaire and interview. Questionnaire was prepared and distributed to finance managers, marketing managers, production managers and accountants. Unstructured Interview is also made to collect data. The study finding shows that there is modest use of management accounting information in manufacturing companies in city of Addis Ababa and it also shows managers that use management accounting information are effective in their decision and control.

Mintesnot (2013) study on the role of management accounting in enhancing decision making at Metals and Engineering Corporation (METEC). The purpose of this thesis is to understand how information derived from management accounting has an impact on decision making and therefore to better understands the relationship between management accounting information and decision making. This research explores the role of management accounting information in METEC. It also determines the extent of use of management accounting information in metals and engineering corporation (METEC) identifies the current strengths and weaknesses of management accounting system and lastly examines what measures needed to take to improve management accounting information system. The survey was conducted with individuals

working in metals and engineering corporation (METEC) in industries under the supervision of Metals and Engineering Corporation (METEC) using self-administered questionnaire and structured interviews with selected individuals. The results show that the prevailing management accounting system has many draw backs. Although the results indicate the use of management accounting information for decision making is very low and the management's focus towards management accounting is below the required level. Further, the research result shows that the accounting policy is financial accounting oriented and not helpful in making management accounting reports. The findings of the research can be specifically informative for policy makers' intent on developing management accounting skills among Ethiopian manufacturing firms. It will also promote interest among Ethiopian researchers as well as researchers to make the manufacturing sector a focus of interest in management accounting research.

2.9. Conceptual Framework

Wu et al. (2007), hold that effective decision making is the most important key factor in rapid and changing competitive environment. The decision support analysis can be divided into short term and long term analysis. Abdel-Kader and Luther (2006) argued that for regular or short-term decisions management accountants can use management accounting techniques. For longer-term capital investment decisions management accountants can also use management accounting techniques. Such techniques are developed in an evolutionary of MAP as stage I up to stage IV.

From the theoretical and empirical literature reviews, the following conceptual framework of the study is developed by the researcher. A conceptual framework for the present study shows the relationship between Uses of Management accounting practice and Managerial Decision Making. The figure below conceptualizes that Management accounting practice implementation (Costing system, Budgeting System, Performance Evaluation, Information for decision making & Strategic analysis) and using management accounting technique that provide information to influence on decision making of Real estate companies in Addis Ababa.

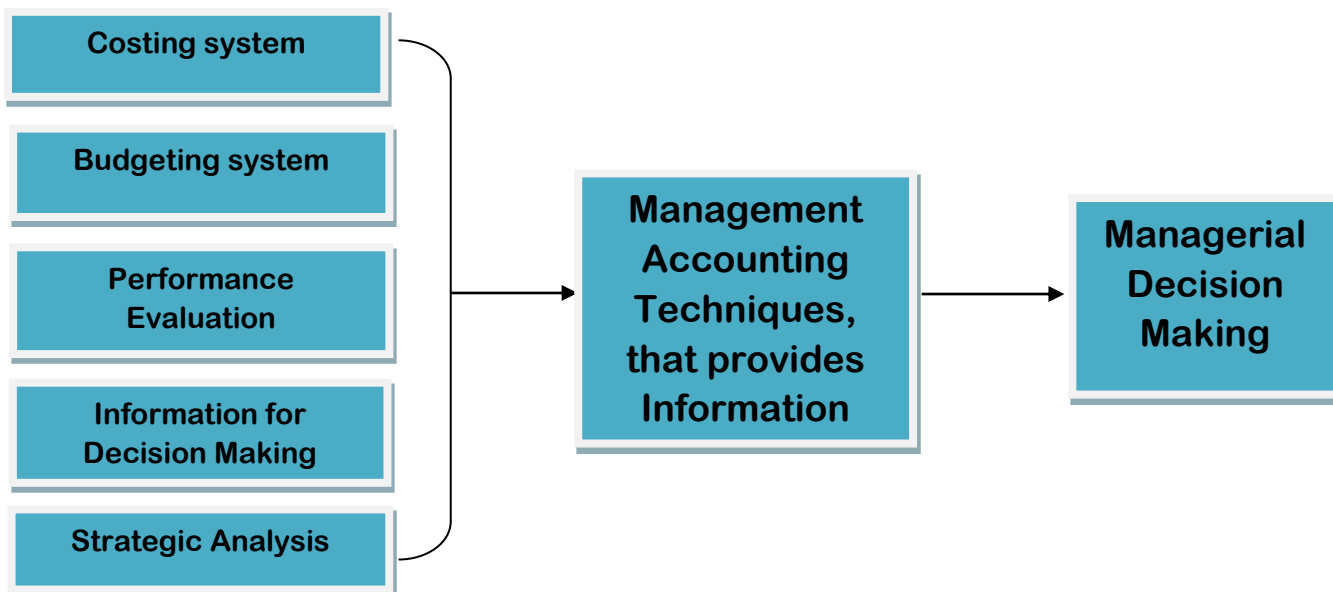


Figure 3: The conceptual framework or model of the study (Source: - Compiled by researcher)

2.10. Summary

This chapter reviewed literatures relevant to the use of management accounting in managerial decision making. A good number of studies shown that management accounting practices initially commenced in developed countries in the 1990s. In developing countries, the majority of extant empirical evidence on this subject has been obtained in the twenty first century. Studies also revealed that there is a substantially body of research that focuses on specific management accounting practices and techniques: costing systems; budgeting and performance evaluation systems have been the most popular areas for study.

Most of these factors cut across the industries but a number of them are unique to the specific industries. For instance, Waweru et al., (2004) suggested research on contribution of these management accounting changes to overall success of the firm. DiMaggio and Powell (1991) suggested that some organization copy and imitate others to conform to institutionalized practices. There is also concern of utilization of management accounting information by management to make decision. From the review, it is clear that the debate on the practice of management accounting is still ongoing and there is therefore need to study the effects of management accounting practices on managerial decision making of real estate companies in Ethiopia.

The review has therefore identified a significant gap in research about management accounting practices among real estate firms as there are very few studies related to manufacturing

companies in developing countries. Addressing the stated research questions of the thesis is try to close this gap and add to existing knowledge about the use of management accounting practices by real estate firms in a developing country like Ethiopia.

CHAPTER THREE

3. RESEARCH METHODOLOGY

In the previous chapter, the literature review, which shows the theoretical part of Management Accounting Practice and review various literature relevant for the study. The purpose of this chapter is to discuss the methods adopted throughout the study to accomplish the research objectives. In order to assess the use of Management Accounting Practice in managerial decision making, this study uses a specific research methodology. This chapter presents research design; describe the research methods, sampling techniques and the instrument employed in data gathering.

3.1. Research Design and Methodology

Many researchers have written extensively on research methodology. The underlying factor in most studies on research methodology is that the selection of methodology is based on the research problem and stated research questions. Methodologies cannot be true or false, only more or less useful (Silverman, 2001). (Nachamias et al. 1996) for instance stated that methodologies are considered to be systems of explicit rules and produced, upon which research is based, and against which claims for knowledge are evaluated. Conducting any type of research should be governed by a well-defined research methodology based on scientific principles. (Eldabi, 2002) suggested that a series of steps as a research paradigm to be followed in a methodology part of a research. Based on this suggestion researcher follows the basic framework of research paradigm developed by Foster.

There are three types of academic researches depending on the problem area and the nature of the phenomenon that it studies. The purpose of the research can be Exploratory which deals with unknown problem, Descriptive in which there is an awareness of the problem and Explanatory, where the problem is clearly defined (Ahmed 2011).

The type of research employed under this study is descriptive research. The purpose of descriptive research is description of the state of affairs as it exists at present. The objective of descriptive is to “portray an accurate profile of a person event or situation” (Robson, 1993), Thus this study will describe and critically assess the Use of Management Accounting Practice in

Managerial Decision Making. In order to achieve the desired objective, the researcher analyzes the data collected from sample of targeted respondents and generalizes the data to population.

3.2. Population & Sample Size

This section describes the population & sampling determination of the research selected relevant for the study to get meaningful outcome and to insure its representativeness & reliability of information obtained throughout the research.

According to Central statistical Agency (CSA) the total target population of real estate companies in Addis Ababa is ninety-one (91). For the research purpose out of ninety-one real estate companies operating in Addis Ababa, the researcher exclude Ayat Real Estate Share Company due to its structure, size & date of establishment. A stratified sampling technique having a stratum of structure, date of establishment and size of operators may be used; but the required specific data was difficult to find. Thus, the purposive sampling method was chosen to include the sample units of real estate companies are much easier, quicker and cheaper to apply. According to Kothari, (2004) who suggested that 10 to 30 percent sample size (participants) of the population were sufficient to represent the population for a research. Thus, the study considers a sample size of ten (10) selected companies and that is above 11% of the population. The researcher believes that the selected real estate companies represent the total population. Therefore, it is reasonable to make generalization from sample to population and meet the study objective. Due to this fact, the researcher selected various staff members Construction Manager (General Manager), Finance Manager, Marketing Manager, Accountants, and Office Engineers that are involved in preparation of management accounting information and that require Management Accounting information for decision making.

3.3. Questionnaire Design

Primary source of data collection method were used in the study necessary to attain target of the study, it was adopted from different studies conducted on the same area (Rosmawati 2004) (Abdel-Kader, 2008) (Khurram Ashfaq, 2014) (Tewodros 2009). Questioners were used as a major data collection instrument which was collected using purposive sampling from selected respondent that are employees of real estate companies in Addis Ababa. In order to make the study fruitful various books, government issued documents, reports & websites were reviewed.

For this study the most appropriate type of sampling design was a non-probability purposive sampling method. Purposive sampling where the researcher selects the sample on his particular purpose for instance the researcher may choose people who represent diverse perspective and knowledge on the issue (Leedy and Ormrod, 2005).

In order to encourage effective & meaningful participation of respondents the questioner is designed very simple & easy to understand so as to achieve the intended purpose of the study, the questionnaire has two sections. The first part includes the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent. The second part is devoted to the questions on the use of management accounting practice in managerial decision making. A five pre-defined Likert scale is used for statement of the second section ranging from 1 to 5 as it's appropriate. Respondents were asked to agree or disagree with each statement. Each response was given a numerical score to reflect its degree of favorableness Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), Strongly Agree (SA). Likert scales helped the researcher to compare a respondent's score with a distribution of scores from the sample group. And also on the third part there are close ended questions that can help the respondents to easily understand the question and respond.

3.4. Data Collection

Both primary and secondary data is used in the study. Primary sources of data include interview and questionnaire, whereas secondary sources data was generated through a review of relevant documents. Questionnaire is used to collect primary data and being the dominant tool of collecting first hand data is developed to collect required data from selected respondents stated above. Assistant is made in filling the questions whenever it is necessary; to avoid the gap of understanding or lack of care in filling the questionnaire by respondents as desired. In addition, it is easy to trap additional information by creating direct supervision and also additional discussions. The questionnaire is self-administered because of the technicality much of the research deals with. Questionnaire is prepared and filled by Accountants, Finance Managers, Marketing Managers, Office Engineers and Construction Managers (General Manager).

The sample is from 10 companies at least 6 respondents from each company. The positions of respondents within the companies were Accountants, Finance Managers, Marketing Managers, Office Engineers and Construction Managers (General Manager).

The review of documents helps the researcher to understand the key facts of the subject matter and organization. This research is also relied on secondary or existing data. Specific websites were visited to gather information and searches were also conducted using the “Google” search engine as well as the Library’s online database. This approach facilitated a comprehensive review of the current literature on the research topic. Secondary data necessary for the study are collected from literatures in the area, articles and previous studies conducted by different authors, statistics and other related official data from Central statistical Agency (CSA) and also from real estate companies’ document.

3.5. Data Analysis and Evaluation of Data

The relevant data after collection are processed and analyzed through the use of a statistical software package called 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 data from questionnaire will be sorted out and at the same time information checked for completeness. Then, responses on the questionnaires are examined to derive relationship among variables of financial information on management decision making.

A descriptive data analysis is chosen for its simplicity and clarity of presentation in drawing inferences. Average and percentage computations employed for analysis purpose when it is necessary.

CHAPTER FOUR

4. DISCUSSION AND DATA ANALYSIS

The chapter is all about data presentation and data analysis. Responses from 10 firms were used in the data analysis. The chapter presents results on the use of management accounting practices in managerial decision making a case study of selected real estate companies in Addis Ababa. 60 questionnaires were distributed to collect data from Accountants, Finance Managers, Marketing Managers, Office Engineers and Construction Managers (General Manager). Out of 60 questionnaires distributed the researcher received 51 questionnaires giving a response rate of 85%. Even though, from the response 5 questionnaires (8%) were unusable due to uncompleted questionnaires. Hence, it can be concluded that the usable response rate 77% gained in this study is acceptable and sufficiently large for analysis.

4.1. Respondent's Profile

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.

4.1.1. Education

Table 1 below summarizes respondent's educational status. All of the accountants are degree holders; none are at master's level. Most of the finance managers i.e. 80% are at masters' level. About 20% of them are 1st degree holders. Concerning educational status of marketing managers, about 89% of them are 1st degree holders. Only 11% have masters. When looking at construction managers' educational level, 29% of them are 1st degree holders and 71% have master degree. Similarly Office Engineers' educational status is 86% are 1st degree holders and 14% are at masters' level. A more description of the educational status of respondents is presented in table 1 below.

Table 1: Educational Status of Respondents

Job Position		Educational Status		TOTAL
		1 st Degree	Masters	
Finance Manager	Number	2	8	10
	Percent	20%	80%	100%
Construction Manager	Number	2	5	7
	Percent	29%	71%	100%
Marketing Manager	Number	8	1	9
	Percent	89%	11%	100%
Office Engineer	Number	6	1	7
	Percent	86%	14%	100%
Accountants	Number	13	0	13
	Percent	100%	0%	100%
TOTAL	Number	31	15	46
	Percent	67%	33%	100%

4.1.2. Field of Specialization

Regarding accountants' field of study with no exception all studied in the accounting and finance stream. As similar to that of accountants, all of finance managers have got their degrees and masters in accounting and finance. About 89% of marketing managers study in marketing management and the rest (11%) in business administration. About 71% of construction managers study in civil engineering while the remaining (29%) got their degrees in Business Administration. Unlike to that of construction managers, all of office engineers study in civil engineering. Detail information is presented in table 2 below.

Table 2: Field of Study of Respondents

Job Position		Field of Study				Total
		Accounting & Finance	Business Administration	Civil Engineering	Marketing	
Finance Manager	Number	10	0	0	0	10
	Percent	100%	0%	0%	0%	100%
Construction Manager	Number	0	2	5	0	7
	Percent	0%	29%	71%	0%	100%
Marketing Manager	Number	0	1	0	8	9
	Percent	0%	11%	0%	89%	100%
Office Engineer	Number	0	0	7	0	7
	Percent	0%	0%	100%	0%	100%
Accountants	Number	13	0	0	0	13
	Percent	100%	0%	0%	0%	100%
TOTAL	Number	23	3	12	8	46
	Percent	50%	7%	26%	17%	100%

4.1.3. Work Experience

Table 3 below gives summary of work experience of respondents. Most accountants (54%) have below 5 years of progressive work experience in the area and about 46% of them have work experience between 5 to 10 years.

About 60% of finance managers have work experience between 10 to 15 years and both 20% each have work experience above 15 years and between 5 to 10 years. No finance managers have work experience below 5 years.

When we look at marketing managers work experience, all of them have 5 to 10 years work experience but none of them have below 5 years, 10 to 15 years and above 15 years work experience.

Most of the construction managers (57%) have work experience of above 15 years and 29% of them have work experience of 5 to 10 years. About 14% of construction managers have 10 to 15 years work experience. Likewise most of the office engineers (57%) have work experience in between 5 to 10 years and 43% of them have work experience below 5 years.

Table 3: Work Experience of Respondents

Job Position		Work Experience				Total
		Above 15 Years	10-15 Years	5-10 Years	Below 5 Years	
Finance Manager	Number	2	6	2	0	10
	Percent	20%	60%	20%	0%	100%
Construction Manager	Number	4	1	2	0	7
	Percent	57%	14%	29%	0%	100%
Marketing Manager	Number	0	0	9	0	9
	Percent	0%	0%	100%	0%	100%
Office Engineer	Number	0	0	4	3	7
	Percent	0%	0%	57%	43%	100%
Accountants	Number	0	0	6	7	13
	Percent	0%	0%	46%	54%	100%
TOTAL	Number	6	7	23	10	46
	Percent	13%	15%	50%	22%	100%

4.2. Results and Discussions under the Topic

4.2.1. Rank & Evolution stage of selected management accounting techniques

Table 4 below illustrates 26 management accounting techniques listed in the questionnaire. The top 11 of management accounting techniques (ranking from Budgeting up to Product costing) shown in table 4 are the techniques that had mean scores above 2.00. Thus, these are the 11 management accounting techniques being adopted and practiced by selected real estate companies in Addis Ababa. On the other hand, the rest of 15 techniques (rank from 12 up to 26) had mean scores of less than 2.00; implicate minimal or non-utilization of the techniques in the selected real estate companies in this study.

The most frequently used technique of management accounting is Budgeting with the highest mean score of 4.57. Income Statement Analysis is the second best with the mean score of 4.41 and the third is Balance Sheet Analysis. Following this very closely is the Cash Flow Analysis and Financial Ratio Analysis, their mean score is more than 3.50 Next on the lists of the top five management accounting techniques mostly used by the selected real estate companies in Addis

Ababa are Cost & Benefit Analysis and Standard Costing, where both had mean which was more than 3.00.

Table 4: Evolutional Stage of Selected Management Accounting Techniques

Descriptive Statistics			
Management Accounting Techniques	Mean	Rank	Stage
Budgeting	4.57	1	2
Income Statement Analysis	4.41	2	1
Balance Sheet Analysis	4.28	3	1
Cash Flow Analysis	3.98	4	1
Financial Ratio Analysis	3.54	5	1
Cost & Benefit Analysis	3.39	6	2
Standard Costing	3.28	7	2
Statement of Equity	2.74	8	1
SWOT Analysis	2.30	9	1
CVP Analysis	2.26	10	2
Product Costing	2.22	11	2
Absorption Costing	1.74	12	2
Process Costing	1.67	13	2
EOQ for Inventory	1.65	14	3
Total Quality Management	1.61	15	4
Benchmarking	1.57	16	4
Enterprise Resource Planning (ERP)	1.52	17	3
Batch Costing	1.50	18	2
Just In Time	1.48	19	4
Material Requirement Plan	1.46	20	3
Statistical Analysis	1.43	21	3
Activity Based Costing	1.43	22	4
Balanced Score Card	1.35	23	4
Target Costing	1.33	24	4
NPV Analysis	1.30	25	3
Kaizen Costing	1.15	26	4

For Stage 2 (focused on information for management planning and control), only Absorption costing, Process costing and Batch costing were excluded from the list of top 11 techniques. EOQ for inventory, Total quality management and Benchmarking had mean scores less than 2.00

above 1.50. Finally, Kaizen Costing is found to be the least frequent techniques applied by selected real estate companies in Addis Ababa.

The result of the findings provide evidence that the application of Stage 1 (financial accounting data) & most of Stage 2 (traditional management accounting) management accounting are dominantly applied in practice by selected real estate companies in Addis Ababa. But from stage 3 & 4 management accounting techniques were not applied. Alternatively, the practice of Stage 3 (reduction of wastes in resource) and Stage 4 (advanced management accounting) management accounting techniques are very important for real estate companies to gain benefits in performance and the use of resources effectively & efficiently.

Three out of the top seven rank of management accounting techniques listed in Table 1 (i.e. the Budgeting, Cost & Benefit Analysis and Standard Costing) are the techniques belong to Stage 2 of management accounting. This finding provides evidence that Stage 2 management accounting is applied in practice by the selected real estate companies in Addis Ababa. Besides, all the seven techniques of Stage 2 management accounting were included in the list of the top 18 techniques in Table 1. Thus, the utilization of all the seven techniques of Stage 2 management accounting helps to generate specific conclusion that selected real estate companies in Addis Ababa have reached the second stage of management accounting evolution.

4.2.2. Types of decisions often made by Managers and whether they are provided with management accounting information

One of the critical managerial functions is decision making. Decisions which management must make may be classified as marketing, construction, and financial. A primary objective of decision making is to achieve optimum utilization of the business's capital or resources. Effective decision making requires relevant information and special analysis of data. The accounting department is a primary source of information necessary in making decisions. Therefore, the accounting department is expected to provide information to all levels of management and managers also consider the accounting department capable of providing data useful in making marketing, production, and financial decisions. This part helps to identify the types of decision managers often made.

4.2.2.1. Types of decisions often made by Construction Managers and whether they are provided with the information they required

Table 5 below shows the type of decision usually made by Construction Managers. Data in this respect show that 100% pointed out they spend substantial time in issues related with raw material selection, selection of suppliers, rent or buy and determine the inventory level and about 71% of the respondents' state they usually encounter decisions concerning to determine daily workers wage. Still 57% of the respondents have said they usually face decision involving overtime and second shift.

Table 5: Types of Decision often made by Construction Manager

Types of Decision	Frequency	
	No.	% age
Determine Daily Workers Wage	5	71%
Working Hours (Overtime or Second Shift)	4	57%
Determine the Inventory Level	7	100%
Rent or Buy	7	100%
Selection of Suppliers	7	100%
Selection of Raw Materials	7	100%

The table 6 below shows decisions which construction manager often made, and the number of times Management Accounting Information (MAI) have been provided.

Supplier selection is one of the decision items which Construction managers usually encounter. While selecting the supplier to whom order is to be given for the purchase of materials, usually information is needed on financial condition of the supplier, price quoted, manufacturing capacity, reliability of the supplier, terms of payment, etc. As a result 71% (5 out of 7 who made this decision) of the respondents got management accounting information for making such decision.

About 57% of Construction managers (4 out of 7 respondents) require management accounting information for making decision concerning determination of inventory level and the accounting department provides the information required.

Table 6: Decision items for which Managers are provided with MAI

Types of Decision	Frequency	
	No.	% age
Determine Daily Workers Wage	2	40%
Working Hours (Overtime or Second Shift)	3	75%
Determine the Inventory Level	4	57%
Rent or Buy	5	71%
Selection of Suppliers	5	71%
Selection of Raw Materials	6	86%

A decision often confronting Construction managers is whether to rent or buy a particular product need management accounting information to make the decision. As easily seen in table 6, about 71% of respondents (5 out of 7 who made this decision) receive management accounting information to make “rent or buy” decision.

About 86%, 40% & 75% of Construction managers require management accounting information for selection of raw materials, determine daily workers wage and working hours (overtime or second shift) respectively and respondents obtain the required information.

4.2.2.2. Types of decisions often made by Marketing Managers and whether they are provided with the information they required

Table 7 depicts the group items comprising the type of decision usually made by marketing managers. Data in this respect show that 100% of the respondents engaged in credit sales decision and 89% pointed out they spend considerable time in issues related with determination of sales price and advertising.

Other decision items which marketing manager’s face includes respond to competitor’s action (about 78% of respondents) and anticipation of market opportunity (about 67% of respondents).

Table 7: Types of Decision often made by Marketing Manager

Types of Decision	Frequency	
	No.	% age
Determine Selling Price	8	89%
Anticipate Market Opportunities	6	67%
Advertising	8	89%
Credit Sales	9	100%
Respond to Competitors Action	7	78%

Marketing Managers engage in different types of decisions ranging from determining sales price to anticipating market opportunity. In order to be effective in their decisions managers usually need different information.

Table 8: Decision items for which Managers are provided with MAI

Types of Decision	Frequency	
	No.	% age
Determine Selling Price	7	88%
Anticipate Market Opportunities	5	83%
Advertising	5	63%
Credit Sales	8	89%
Respond to Competitors Action	6	86%

Marketers usually spent considerable time in anticipating opportunities that exist in the market. Taking opportunities that are in the market can help companies in many ways. Among those, it may help them to attract new customers. Nonetheless, it is only 83% of respondents (5 respondents out of 6 who made such decisions) obtain management accounting information for making such decisions.

Marketing managers also often make decision involving advertising. The sub decision under advertising includes determining media type, frequency of advertising, selection of advertising

company, which product to advertise, etc. However, it is only 5 respondents out of 8 respondents or 63% who receive management accounting information for making such decisions.

Another decision item which marketing manager's encounter includes determination of selling price. Here, 88% of the respondents (7 out of 8 who made such decisions) obtain management accounting information for making such decisions. Credit sales and respond to competitor's actions are another decision items which marketing managers typically encounter. 89% of the respondents (8 out of 9 who made such decisions) and 86% of the respondents (6 out of 7 who made such decisions) respectively receive management accounting information for making these decisions.

4.2.2.3. Types of decisions often made by Finance Managers and whether they are provided with the information they required

Table 9: Types of Decision often made by Finance Manager

Types of Decision	Frequency	
	No.	% age
Bank Loan	6	60%
Account Payable Payments	9	90%
Desired Cash Balance	8	80%
Determining the Financial need for Projects	10	100%
Investment	5	50%

Table 9 depicts the group items comprising the type of decision usually made by the finance managers. Data in this respect show that with no exception all the respondents engaged in issues concerning in determining the financing need of different projects and 90% pointed out they spend considerable time in issues related to accounts payable payment. About 80% of the time finance managers involve with determining desired ending cash balance. About 60% and 50% of finance managers engage in bank loan and investment decisions respectively.

Finance managers usually engaged in various decisions comprising investment, bank loan, accounts payable payments, desired ending cash balance and determining the financial need for projects.

Table 10: Decision items for which Managers are provided with MAI

Types of Decision	Frequency	
	No.	% age
Bank Loan	6	100%
Account Payable Payments	7	78%
Desired Cash Balance	8	100%
Determining the Financial need for Projects	9	90%
Investment	4	80%

Desired ending cash balance and bank loan are decision items which finance manager's encounter. Here, all of the respondents (6 out of 6 and 8 out of 8 who made such decisions respectively) obtain management accounting information for making such decisions.

Determining the financial need for projects is another decision items which finance managers typically encounter. 90% of the respondents (9 out of 10 who made such decisions) receive management accounting information for making these decisions.

In order for managers to make investment decisions they usually need information from the accounts department. However, 80% of the respondents have responded as they get the information needed from the accounting department.

As can be seen in table 10 above, about 78% of finance managers engaged in accounts payable settlement decision. Managers usually receive management accounting information in order to make such decisions from accountants.

4.2.3. Management Accounting Information on Decision Making Process

In accomplishing organization goal and objective, managers engaged in different activities including making decision and accounting is one of the informational sources for managers that could help them to make the best decision.

4.2.3.1. Do managers use management accounting information in decision making: result drawn from accountants and finance managers

Table 11: Do managers use MAI in decision making process

Job Position		Use of Management Accounting Information by Managers		TOTAL
		Yes	No	
Finance Manager	Number	4	6	10
	Percent	40%	60%	100%
Accountants	Number	7	6	13
	Percent	54%	46%	100%
TOTAL	Number	11	12	23
	Percent	48%	52%	100%

Table 11 above summarizes information on managers' use of management accounting information on decision making. About 54% of the accountants (7 out of 13 respondents) said there is practice in the use of management accounting information managers for making decisions. Even 40% (4 out of 10 respondents) of finance managers share the accountant's idea. On the other hand 46% of the accountants (6 out of 13 respondents) state there are no any trend in the use of management accounting information by managers. 60% of finance managers (6 out of 10 respondents) also stated managers don't show any interest to use management accounting information for reasons described below.

Reasons for not using management accounting information by managers – responses from accountants and finance managers on decision making.

Table 12: Reasons for not using MAI in decision making- accountant and finance manager

Description	Finance Manager		Accountants	
	No.	% age	No.	% age
Complexity of the report	0	0%	3	50%
Delay of the report	2	33%	3	50%
Managers limited Knowledge in accounting information	3	50%	4	67%
Managers do not have sufficient time to read accounting information	2	33%	4	67%

In summarizing accountants and finance managers opinion on “why managers don’t want to use Management Accounting Information”, 67% of the accountants (4 out of 6 respondents) and 50% of finance managers’ (3 out of 6 respondents) state managers have limited knowledge in accounting as the primary reason.

Managers do not have sufficient time to read accounting information is the other reason presented for not using MAI, 67% of the accountants (4 out of 6 respondents) and 33% of finance managers’ (2 out of 6).

Just 50% of the accountants (4 out of 6 respondents) and 33% of finance managers (2 out of 6) states report delay as one of the major bottleneck for managers to use MAI on decision making. Complexity of the report is the other reason forwarded only by accountants to describe why managers don’t show interest to use management accounting information.

4.2.3.2. Do managers use management accounting information in decision making: result drawn from finance manager, construction manager and marketing managers

Summarizing manager’s view on their use of management accounting information, about 71% of construction managers, 67% of marketing managers and 60% of finance managers don’t use management accounting information for one or other reason which is briefly described in table 13.

About 33% marketing managers followed by construction managers which account 29 % of the respondents use management accounting information. As anyone expects, about 40% of finance managers uses management accounting information.

Table 13: Do managers use MAI in decision making process- finance manager, construction manager and marketing manager.

Job Position		Use of Management Accounting Information by Managers		TOTAL
		Yes	No	
Finance Manager	Number	4	6	10
	Percent	40%	60%	100%
Construction Manager	Number	2	5	7
	Percent	29%	71%	100%
Marketing Manager	Number	3	6	9
	Percent	33%	67%	100%
TOTAL	Number	12	14	26
	Percent	46%	54%	100%

Reasons for not using management accounting information by managers – responses from finance managers, construction manager and marketing manager on decision making.

Information is useful only when it is provided at the time needed by users. It would be a waste of organizational resources if it is not provided on time. Likewise, 10% (6 out of 6) of construction managers followed by marketing managers (100 %) and finance managers (33%) claim report delay as a bottleneck for them to use the report provided.

Notably, 100% of construction managers (5 out of 5 who said they don't use MAI) and 67% of marketing managers (4 out of 6) raises complexity of reports as major problem for them. None of the finance managers have cited report complexity as a reason for them for not using management accounting information. This of course may be due to their strong accounting background.

Apart from managers limited knowledge in accounting information, 100 % (6 out of 6) of marketing managers, 50 % (3 out of 6) of finance managers and 40 % of marketing managers set as limitation for them to use the information. Table 14 can further elaborate the reason for not using MAI.

Table 14: Reasons for not using MAI in decision making- finance manager, construction manager and marketing managers

Description	Finance Manager		Construction Manager		Marketing Manager	
	No.	% age	No.	% age	No.	% age
Complexity of the report	0	0%	5	100%	4	67%
Delay of the report	2	33%	5	100%	6	100%
Managers limited Knowledge in accounting information	3	50%	2	40%	6	100%
Managers do not have sufficient time to read accounting information	2	33%	2	40%	2	33%

4.2.4. Whether Management Accounting Information Help Managers to be Effective in their Decisions

Summarizing respondents view on “whether management accounting information have helped managers to be effective in their decisions”, about 80% of the finance managers said it help them to make better and informed decisions and ultimately they become effective in their decisions. Notably 20% of the respondents from finance managers said the report doesn’t help them at all for reasons described in table 15.

However, there are also marketing managers who said the information doesn’t help them at all. This accounts 89% of the total respondents. About 11% of marketing managers have responded the information they obtain helped them to be successful in their decisions. On the other hand, 14% of construction managers believe the information they obtain from the accounting department help them to make valuable decision. The number of construction managers who said the information doesn’t help them accounts 86% of the total respondents.

Table 15: Whether MAI help Managers to be Effective in their Decisions

Job Position		Do Management Accounting Information help Managers to be effective in their decision		TOTAL
		Yes	No	
Finance Manager	Number	8	2	10
	Percent	80%	20%	100%
Construction Manager	Number	1	6	7
	Percent	14%	86%	100%
Marketing Manager	Number	1	8	9
	Percent	11%	89%	100%
TOTAL	Number	10	16	26
	Percent	38%	62%	100%

Reasons for why management accounting information does not help managers to be effective in their decision.

Even though accounting is one of the information sources for managers to assist them in decision making, there are also instances where it may not serve the target. This could arise from different reasons. The detailed results are seen below in table 16.

Table 16: Reason for why MAI doesn't help managers to be effective in their decision

Description	Why MAI does not help managers to be effective in their decision					
	Finance Manager		Construction Manager		Marketing Manager	
	No.	% age	No.	% age	No.	% age
The reports are not comprehensive	0	0%	5	83%	8	100%
The reports are not provided at the time it is needed	2	100%	6	100%	8	100%
The reports are complex	1	50%	5	83%	8	100%
The reports are not prepared in a way managers need	0	0%	6	100%	6	75%

Information is valuable only when it is provided at the time it is needed. Accordingly, 100% of the finance managers insist the information doesn't help them to be effective in their decisions

because they are not provided at the time needed by them. Likewise 100 % of marketing managers and construction manager's share finance manager's idea.

Another important quality of information is understandability. If the reports provided are not easily understandable by managers, it may not serve the intended purpose. All of marketing managers' state "complexity of report" as a major problem for them to use the information provided. Similarly 83 % of construction managers shares the same idea to that of marketing managers. Unsurprisingly, none of the respondents from finance managers says complexity of report as a primary reason for them while explaining why management accounting information doesn't help them to be effective in their decisions. This may be due to their strong accounting background.

Still another important quality of information is completeness. If reports are not full or complete, again they may not be used to serve for the intended purpose. Similarly, about 100% of marketing managers (from those who said the report doesn't help them to be effective) mentioned incomplete information as a reason for them while explaining why management accounting information doesn't help them to be effective in their decision. About 83% of construction managers and 50% of finance managers said reports are not comprehensive and at last doesn't help them.

Preparing and providing information based on user's requirement is another factor for information to be useful. All construction managers and 75% of marketing managers have said reports are not prepared and provided in the way they need to be.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

The preceding chapter presented the results and discussion, while this chapter presents the conclusions and recommendations. The purpose of the chapter is to review the whole thesis and highlight future research directions. Accordingly, section 5.1 presents the Conclusion of the research finding. 5.2 presents Recommendation of the researcher and the last section 5.3 covers the Limitations and Directions for Future Study.

5.1. Conclusion

The general objective of this study was to investigate the use of management accounting practices on real estate companies in Addis Ababa. This study adopted a descriptive survey design. The target population for this study was the 91 real estate companies in Addis Ababa.

The current study found that the top ten techniques of management accounting are the Budgeting, Income Statement Analysis, Balance Sheet Analysis, Cash Flow Analysis, Financial Ratio Analysis, Cost & Benefit Analysis, Standard Costing, Statement of Equity, SWOT Analysis and Break even (CVP) Analysis. Thus, the utilization of these ten techniques helps to generate specific conclusion that Stage 1 are dominantly applied and most of Stage 2 of management accounting techniques are still applied in practice. On the other hand, the use of Stage 3 and Stage 4 management accounting techniques such as Kaizen Costing, Net Present Value (NPV) and Balanced Score Card are extremely low in selected real estate companies. The findings is consistent with the management accounting practice in other developing countries such as in Nigeria (Adelegan, 2001), Singapore and Thailand (Nishmura, 2002).

One of the critical managerial functions which managers usually engaged in pursuing an organization's goal is decision making. Decisions which management must make may be classified as marketing, construction, and financial. Finance managers usually made decisions involving investment, financing, determining financial need for projects, etc. Types of decisions often made by Construction managers include selection of raw material, rent or buy, selection of suppliers, determination of inventory level, determination of daily workers wage, and decision on working hours (over time or second shift). Determine the selling price, anticipating market

opportunity, credit sales, advertising, and respond to competitors action are among the types of decision often made by the marketing managers.

Effective decision making requires relevant information and special analysis of data. The accounting department is a primary source of information necessary in making decisions. The accounting department is expected to provide information to all levels of management. The reports are valuable only when they are provided at the time needed by managers, understandable by users, prepared in the way users needed to be and complete. However, the result of the research work shows reports are not always provided in the way it is easily understandable by managers especially for marketing and construction managers. It also shows the reports produced are complex especially for those whose accounting knowledge is limited and are not prepared and provided in the way needed by managers. Furthermore, the reports lack completeness.

The findings of the research work suggest finance managers extensively use management accounting information. On top of that, there is a discouraging practice in the use of management accounting information by marketing and construction managers in decision making. The research work also shows managers that use management accounting information become ineffective in their decisions. The findings are consistent with the management accounting practice in other study in Ethiopia like (Tewodros, 2009).

As a conclusion, management accountants should play a new and more prospective role by increasingly becoming part of the management team within a business process. This is to ensure that management accounting remains relevant in the new challenging business world. The best practice of management accounting is an integrated approach, where the management accountants work very closely with other parties like engineers, construction managers and marketing managers. With regard to this, management accountants should double their efforts of promoting and practicing the advanced management accounting techniques in real estate companies in Addis Ababa.

5.2. Recommendation

This study recommends the creation and enhancement of awareness among firms on the importance of Information for decision making practices as this is the most highly used

management accounting practice amongst the real estate companies in Ethiopia. Based on the results of the study, the following points are forward as important recommendation looking towards the future:

- To improve and enhance the management accounting application in selected real estate companies in Addis Ababa is to give more exposure to top management of the organization on the benefits of applying advanced management accounting techniques (stage 3 and stage 4) in their business.
- Management accounting subjects taught in higher learning institutions should incorporate and give in depth learning about the latest management accounting techniques.
- Information is valuable only when it is provided at the time needed by managers and easily understandable by them. Therefore the accounting department should exert much effort to provide managers with the information they need in time. In addition, accountants should also consider the accounting background of users because report complexity is one of the major bottlenecks for managers for not using management accounting information.
- Manager's (other than Finance managers) limited knowledge of accounting is one of the barriers for not using management accounting information. So that firms should design trainings on accounting so as to enlarge manager's knowledge of accounting. This training could be in house training.

5.3. Limitations and Directions for Future Study

One of the limitations on this study is the study only concentrated on the management accounting practices of real estate companies in Addis Ababa and not all the companies in the economy. These results are therefore only limited to the real estate companies and may be of little or no use to the companies in other sectors in the country.

Due to the self-report nature of data which entailed the use of questionnaires, responses on the survey may not accurately convey their real involvement in the management accounting practices. Some of the respondent did not return the questionnaires therefore, resulting to lesser the targeted sample thus, influencing the nature of statistical reporting.

And finally the major constraint identified in this study is actually due to time and money factors, where it was not possible for the researcher to conduct a longitudinal research and were

not comprehensively studied to provide a national wide picture on the application of management accounting practice in Ethiopian rather confined in selected real estate companies in Addis Ababa.

There is a need for further research to be done in investigating the practice and evolution of management accounting in Ethiopia. In order to improve the further study, the sample size could be collected randomly from organization across the country. The researcher believes that extensive study with larger and more representative sample is important to give a more generalized picture of the work activities performed by the accountants and the management accounting practice and evolution under Ethiopian context. Therefore, the new findings could provide some insight in establishing the direction and stage of the management accounting practice in this country.

References

- Abdel-Kader, M and Luther, R. (2004). *An Empirical Investigation of the Evolution of Management Accounting Practices*. Working paper No.04/06. pp. 1-25.
- Abdel-Kader, M., & Luther, R. (2006). *Management accounting practices in the British food and drinks industry*. *British Food Journal*, 108(5): 336-357.
- Abdel-Maksoud, A., Dugdale, D. and Luther, R. (2005). Non-financial performance measurement in manufacturing companies. *The British Accounting Review*, vol. 37, pp. 261-297.
- Abdel-Kader, M., Luther, R. (2008). The impact of firm characteristics on management accounting practices: A UK-based empirical analysis. *The British Accounting Review*, 40, 2-27.
- Abrahamson, G and Helin, S (2000): "Continuous Improvement-Work Under Ambiguity- the Role of Management Accounting Control", a paper presented at the 23rd Annual Conference of The European Accounting Association, in Munich, Germany, March 29-31, 2000.
- Adelegan, J. O. (2001), "*Management Accounting Practices in Nigerian Companies*", IFAC: New York, pp. 11-14, pp. 18-19, <http://www.ifac.org/Library/>
- Adler, R., Everett, A.M. and Waldron, M. (2000). Advanced management accounting techniques in manufacturing: utilization, benefits, and barriers to implementation. *Accounting Forum*, vol. 24, no. 2, pp. 131-150.
- Ahmed, A. and Ahsan, H. (2011), Contribution of Services Sector in the Economy of Pakistan. Working paper, Pakistan Institute of Development Economics 2011: 79.
- Anand A, Sahay B & Subhashish S (2004). Cost Management Practices in India: An Empirical Study. *ASCI Journal of Management*, 33 1-2.
- Anthony, Robert N., & Young, David W., (1998) *Management Control in nonprofit Organizations*, 4th Edition, IRWIN Inc.
- Ainikkal, J. (1993). Exploring the New Zealand manufacturing environment. *The Accountants' Journal*, 72 (6).
- Arnel and Hope (1990), "*Accounting for Environmental Decision making*", www.imanet.org

- Chan, Y.K. (2002), “Management Accounting Practices in Singapore”, a paper presented at the Asian Management Accounting Forum, in Fukuoka, Japan, November 1-4, 2002
- CIMA (2005). Management Accounting Official Terminology. The Chartered Institute of Management Accountant.
- DiMaggio, P.J. & Powell, W.W. (1991), “The New institutionalism in Organizational Analysis”, The University of Chicago Press, Chicago
- Drury, C., Braund, S., Osbourne, P., & Tayles, M. (1993). *A Survey of Management Accounting Practices in the UK Manufacturing Companies*, The Chartered Association of Certified Accountants, London, Chapter 6, pp. 41-48.
- Drury, C. (2000), *Management & Cost Accounting*, 5th edition, London: Thompson Business Press
- Eisenhardt, M. K. (1989). Building theories from case study research. *Academy of Management Review*, 14(4), 532-550
- Emmanuel, C., Otley, D. and Merchant, K. (1990), *Accounting for Management Control*, 2nd edition, London: Chapman & Hall publishing
- Eugene F. Brigham Michael C. Ehrhardt (2002). *Financial Management*. Tenth Edition, Publisher Mike Roche, United State of America.
- Frezatti, F. (2007). The —economic paradigm in management accounting return on equity and the use of various management accounting artifacts in a Brazilian context. *Managerial Auditing Journal*, vol. 22, no. 5, pp. 514-532.
- Ghosh, B.N., (1982). *Scientific Methods & Social Research*, New Delhi: Sterling Publishers Pvt. Ltd.
- Ghosh, B.C., & Chan, Y. (1997). Management accounting in Singapore-well in place?. *Managerial Auditing Journal*, 12(1), 16-18.
- Gray (1996), “*Accounting will only be relevant in 356868*”, <http://www.oppapers.com/essays/accounting>.
- Hilton, Ronald, W. And Platt E. David (2011). *Managerial Accounting: creating value in Global business Environment*. 9th edition. Global Edition. McGraw Hill International Edition.
- Horngren, C., Datar, S., Foster, G., Rajan, M., & Ittner, C. (2009). *Cost Accounting: A Managerial Emphasis*. New Jersey: Upper Saddle River: Prentice Hall.

- Horngren, C. T. Sundem, G. L. Stratton, W. O. (2002), Introduction to Management Accounting, 12th edition, Englewood Cliffs, NJ: Prentice-Hall International
- IFAC. (1998). International Management Accounting Practice Statement: Management Accounting Concepts. New York.
- IMA. (2008). Definition of Management Accounting. Institute of Management Accountant.
- IMA, (1983) Standards of Ethical Conduct for Management Accountants,; Institute of Management Accountants, Montvale, NJ
- Inanga, E. Schneider, B. (2005). Accounting research and accounting practice: An uneasy relationship. *Journal of management and social sciences*, vol. 1 No 2, pp 127-148.
- Isa CR & Thye N K (2006) Advanced Management Accounting Techniques: An Exploratory Study On Malaysian Manufacturing Firms. Proceeding of the International Business and Information 2006, Singapore 13-14 July
- Ittner, C., & Larcker, D. (2002). Empirical managerial accounting research: Are we just describing management accounting practice? *European Accounting Review*, 11(4): 787-794.
- Ittner, C., Larcker, D., & Rajan, M. (1997). The choice of performance measures in annual bonus contracts. *The Accounting Review*, 72(2): 231-255.
- Ittner, C., & Larcker, D. (1998). Innovations in performance measurement: Trends and research implications. *Journal of Management Accounting Research*, 10: 205-238.
- Ittner, C., & Larcker, D. (2001). Assessing empirical search in managerial accounting: a value-based management perspective. *Journal of Accounting and Economics*, 32: 349-410.
- Ittner, C., & Larcker, D. (2002). Empirical managerial accounting research: Are we just describing management accounting practice? *European Accounting Review*, 11(4): 787-794.
- Johnson, H.T. (1981). Toward a New Understanding of Nineteenth-Century Cost Accounting. *The Accounting Review*, vol. 56, no. 3, pp. 510-518.
- Kaplan, R.S. and Atkinson, A.A. (1998) Advanced Management Accounting, Prentice-Hall.

- Kothari I, (2004) Research Method Technique, New Age International (P) Ltd Publisher New Delhi. Miles, MB, Nhuber man.
- Leedy, P.D. and Ormrod, J.E (2005). Practical research: planning and Design. 8th Ed. New Jersey: Pearson Education, inc.
- Liaqat A. (2006). Applications of contemporary management accounting techniques in Indian industry, Chartered Management Accountant, 64 (8), pp.8-13.
- Mercy A.A. (2014). Role of financial statement in investment decision making: A case study of first bank of Nigerian plc), International Journal of Accounting Information Systems 1(2), 91-105.
- Melissa, B. (2007), “*Overview of Management Accounting*”.
- Macintosh, N.B., (1994). Management Accounting and Control Systems: An organizational approach. Chichastor: John Wiley & Sons.
- Macintosh N.B. (1995), Management Accounting and Control Systems: An Organizational and Behavioral Approach, 1st edition, Chichester: Wiley publications
- McChlery, S., Meechan, L. and Godfrey, A.D. (2004). Barriers and catalysts to sound financial management systems in enterprises. Research Executive Summaries Series. CIMA, vol. 1, no. 3.
- Mintesinot Hailu (2013), the role of management accounting in enhancing decision making at metals and engineering corporation (METEC).
- Mitchell, F., Gavin, R. and Julia, S. (1998). A case for researching management accounting in SMEs. Management Accounting: Magazine for Chartered Management Accountants, vol. 76, no. 9, pp. 30.
- Naichiamas, D & Frankfort, C 1996, Research Methods in the Social Sciences, 5th edition. CA Arnold, Santa Crux.
- Onyekwelu .U (2010). Fundamentals of Financial Accounting I, A Simplified Approach, Enugu. Providence press Nig ltd.
- Pavlatos, O., & Paggios, I. (2008). Management accounting practices in the Greek hospitality. Managerial Auditing Journal, 81-98.
- Phadoongsitthi, M. (2003). The role of management accounting in emerging economies: An empirical study of Thailand. Ph.D Thesis, University of Maryland, College Park.

- Rosmawati Mahfar & Professor Dr. Normah Hj. Omar (2004). The current state of management accounting practice in selected Malaysian companies. University Tenaga Nasional, International Business Management Conference.
- Salawu, R., Oyesola; A., & Tajudeen J. (2012). Activity Based Costing Adoption Among Manufacturing Companies in Nigeria. *Journal of Modern Accounting & Auditing*.8 (1).39-40.
- Scapens, R.W. (1991). *Management Accounting: A Review of Recent Developments*. The Macmillan Press Ltd.
- Shields, M.D., Chow, C.W. and Kao, Y. (1991). Management accounting practices in the U.S. and Japan: Comparative survey findings and research implications. *Journal of International Financial Management and Accounting*, vol. 3, no. 1.
- Silverman, D 2001, *Interpreting qualitative Data*, 2nd Ed. Sage Publication Ltd. London.
- Sleihat, N. (2012). An Exploratory Study of the Level of Sophistication of Management. *International Business Research*. Vol. 5, No. 9; 2012.
- Tewodros T. (2009), *Assessment on the use of Management Accounting Information for Decision Making and Management Control: A Case Study of Some Selected Manufacturing Companies in City of Addis Ababa*.
- Waweru, N. M., Kamasara, V.O and Anyagu, M. (2003). Management accounting practices in Kenya: A survey. *University of Nairobi Journal of Management*, 6 May/September, 67-90.
- Waweru, N.M., Hoque, Z. and Uliana, E. (2004). Management accounting change in South Africa Case studies from retail services. *Accounting, Auditing & Accountability Journal*, vol. 17, no. 5, pp. 675-704.
- Wilson, R.M.S. and Chua, W.F (1988). *Managerial Accounting: Method and Meaning*. Van Nostrand: Reinhold (International) Co.Ltd.
- Williams, J., Haka, S., Bettner, M., & Carcello, J. (2010). *Financial & managerial accounting: The basis for business decisions (15th ed)*. Boston: McGraw-Hill.
- Wijewardena, H. and De Zoysa, A. (1999). A comparative analysis of management accounting practices in Australia and Japan: an empirical investigation. *The International Journal of Accounting*, vol. 34, no. 1, pp. 49-70.

- Yeshmin, F., & Hossan,A. (2011). Significance of Management Accounting Techniques in Decision-making, World Journal of Social Sciences, 1, Pp. 148 – 164

Appendix

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING & FINANCE (MSc. in Accounting and Finance)

The purpose of this study is to assess The Use of Management Accounting Practice in Managerial Decision Making, a Case Study of Selected Real Estate Companies in Ethiopia. Your company is one of the selected Real estate companies for this study. The success of the study is highly dependent on your valuable response for the question raised.

Therefore, you are kindly requested to give your response for each question raised related to the use of management accounting practice for decision making in your company. The participation is fully voluntary and responses will be treated confidentially.

The results will be used for academic purposes and identity of the respondents will not be disclosed in any manner. I would appreciate your positive consideration in completing the enclosed questionnaire and assisting me in my research efforts. If you have any questions please call 0911194382 or email yohannesmuluye@yahoo.com.

Thank you!

Personal information

1. Name of the organization

2. What are the products your organization provides? You can chose two or more.

Small Houses Middle Houses Big Houses Apartments

Any other _____

3. Your current position in the organization

4. Your educational level

Certificate Diploma 1st Degree Masters Above

5. Field of Specialization

6. Your work Experience in this organization

Below 5 years 5 to 10 10-15 above 15

Question under research topic

The following are scales you attach to each question posed. Indicate how strongly you agree to each by making/putting a tick symbol (√) in each column. When you Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4) and Strongly Agree (5).

7. How often did your company use the selected management accounting techniques?

	1	2	3	4	5
<i>Stage I</i>					
Balance Sheet Analysis					
Income Statement Analysis					
Cash Flow Analysis					
Statement of Equity					
Financial Ratio Analysis					
SWOT Analysis					
<i>Stage II</i>					
Budgeting					
Cost & Benefit Analysis					
Break-even (CVP) analysis					
Product Costing					
Standard Costing					
Process Costing					
Batch Costing					
Absorption Costing					
<i>Stage III</i>					
NPV Analysis					
Statistical Analysis					
Enterprise Resource Planning (ERP)					
Material Requirement Plan					
EOQ for Inventory					
<i>Stage IV</i>					
Benchmarking					
Total Quality Management					
Balance-Score Card					
Target Costing					
Activity Based Costing (ABC)					
Just in Time (JIT)					
Kaizen Costing					

Indicate your answer by making/putting a tick symbol (√) in each column. What type of decision you make and if you are provided Management Accounting Information (MAI) in order to make the decision. Please be specific to your department.

8.	Types of decision often made and whether they are provided with the information they require.	Types of decision	Did you get (obtain) MAI in order to make the decision	
			Yes	No
	Determine daily workers wage			
	Working Hours (Overtime or Second Shift)			
	Determine the inventory level			
	Rent or Buy			
	Selection of Suppliers			
	Selection of Raw Materials			
	Bank Loan			
	Account Payable Payments			
	Desired Cash Balance			
	Determining the financing need for projects			
	Investment			
	Determine the selling price			
	Anticipate Market Opportunities			
	Advertising			
	Credit Sales			
	Respond to Competitors Action			

9. Do managers use management accounting information in decision making process?

Yes

No

10. If your answer for Q. number 17 is No. Why? You can chose two or more.

- a) Complexity of the report.
- b) Delay of the report.
- c) Managers Limited knowledge in accounting information.
- d) Managers don't have sufficient time to read accounting information.
- e) Any other _____

The following questions should be answered by managers only.

11. Do management accounting information helps manager to be effective in their decision making?

Yes No

12. If your answer for Q. number 21 is No. Why? You can choose two or more.

- a) The reports are not comprehensive
- b) The reports are not provided at the time it is needed.
- c) The reports are complex
- d) The reports are not prepared in a way managers need
- e) Any other _____

Thank you for taking the time to complete this questioner. Your assistant in providing this information is very much appreciated.