

APPROVAL

I hereby confirm that I have examined this project paper entitled:
The Effect of Management Accounting Practices In Malaysia Small-Medium Enterprises
(SMEs)

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THE EFFECT OF MANAGEMENT ACCOUNTING PRACTICES IN MALAYSIA SMALL-
MEDIUM ENTERPRISES (SMES)

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Report submitted in fulfillment of the requirement for the degree of
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DECLARATION OF ORIGINAL WORK

I, MUHAMMAD FAIZ BIN MOHD ALI

“I hereby declare that the work of this exercise is mine except for the quotations and summaries that have been duly acknowledged.”

Signature:

Name: MUHAMMAD FAIZ BIN MOHD ALI

Date:

DEDICATION

This work is special for my family members, my beloved father and mother, Mohd Ali bin Mat and Maznah binti Nasir, who knows and understanding about me and always give a support to me to complete this research in any condition I had to faced and also to my dearest siblings Farah Liyana and Lina Aryani. All of them are my strength to go through this way until fourth year in UTeM.

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ABSTRACT

Management accounting practice (MAP) to help users make decision, planning and controlling the financial performance. This study to investigate the effect MAP between expertise, size of firm and advanced production technology in Malaysia Small-Medium Enterprise (SMEs). This, allied to an increasing importance of SMEs around the world especially in developing countries, is the motivation for this research. A postal questionnaire was conducted to Malaysian SMEs in many sector such as services, manufacturing, construction, which involve 50 useable responses. The study collected primary data from the respondents. The data collected are quantitative. Quantitative data is a numerical measurement expressed in terms of numbers. Analysis was done using Statistical Package for Social Sciences (SPSS) 23, allowing the researcher to present the information in form of tables and figures. The result show that the majority of respondent agree that expertise plays an important roles in organization to support the decision making and strategic management accounting. The research however, found weak support for the positive relationship between the use of MAPs and size of firm in Malaysia SMEs. This study recommends the creation and enhancement of awareness among in Malaysia SMEs of the importance of using MAP for decision making practices to achieve a long-term goal.

Keywords : Management Accouting Practice, Expertise, Size of Firms,
Advanced Production Technology

ABSTRAK

Amalan perakaunan pengurusan (APP) untuk membantu pengguna membuat keputusan, merancang dan mengawal prestasi kewangan. Kajian ini untuk mengkaji kesan diantara APP dengan kepakaran, saiz firma dan pengeluaran teknologi maju di Perbadanan Perusahaan Kecil dan Sederhana Malaysia (SMEs). Hal ini, selari dengan peningkatan kepada kepentingan SMEs di seluruh dunia terutamanya di negara-negara membangun, adalah motivasi untuk penyelidikan ini. Soal selidik dilakukan kepada SMEs Malaysia seperti sektor perkhidmatan, pembuatan dan pembinaan yang melibatkan 50 orang responden yang boleh digunakan. Kajian ini mengumpulkan data primer daripada responden. Data yang dikumpul adalah kuantitatif. Data kuantitatif adalah pengukuran berangka yang dinyatakan dari segi nombor. Analisis dilakukan menggunakan Statistical Package for Social Sciences (SPSS) 23, yang membolehkan penyelidik mengemukakan maklumat dalam bentuk jadual dan angka. Keputusan, menunjukkan bahawa majoriti responden bersetuju bahawa kepakaran dan pengeluaran teknologi maju memainkan peranan penting dalam organisasi untuk menyokong membuat keputusan dan pengurusan perakaunan strategik. Walau bagaimanapun, penyelidikan ini mendapati sokongan yang lemah untuk hubungan positif di antara penggunaan APP dengan saiz firma SMEs. Kajian ini mencadangkan, penciptaan dan peningkatan kesedaran di kalangan SMEs di Malaysia tentang kepentingan penggunaan APP untuk membuat keputusan bagi mencapai matlamat jangka panjang.

Kata Kunci: Amalan Perakaunan Pengurusan, Kepakaran, Saiz Firma,
Pengeluaran Teknologi Maju

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter had been discussed towards the overview of the research. It will consists of introduction, background of study, problem statement, research questions, research objectives and scope and limitation study.

1.1 Background of Study

Small-Medium Enterprises (SMEs) invigorate private proprietorship and entrepreneurial skill, are convertible and might rapidly to ever changed sector request and provide knowledge, produce work, facilitate differentiate monetary movement, and influenced a noteworthy to fares to and exchange (Md. Aminul Islam, 2011). SMEs also easy to setup a new business in market. According to J. Batty, 2015 Management accounting definition to portray the bookkeeping strategies, frameworks and systems which combined then exceptional learning and capacity, helps administration in its errand of augmenting or limiting

misfortunes. Management accounting also help in planning and controlling budget, forecasting, costing and decision making in business operation. According to Anderson, E.W., Fornell, C. and Lehmann, D.R, 1994 Anderson, E.W., Fornell, C. and Rust, R.T, 1997, estimated the budgetary execution as far as degree of profitability. In inquire about completed by Chi and Gursoy, 2009 in the friendliness business, monetary execution was estimated by soliciting the administrators from each inn to rate their inn's money related execution in contrast with their three noteworthy rivals as far as productivity, rate of return and net benefit. According to Hallowell, 1996, then again chose two pointers to gauge monetary execution return on resources and non-intrigue cost as a level of aggregate income.

Based on the previous research, MAP earlier only focus theory such as management planning and control, but now MAP can practice to create, protect and increase a business value in Malaysia SMEs. The scope of MAP is very easy and covers multiple sector in MAP has to perform (Lion Dr. Nishikant Jha, 2015). By using management accounting practices in business, the top management can do decision making more effective and efficient, thus can get the objectives organizations. There are integrated analysis comes regarding, some repudiating one another, on whether or not MAP hones are changed in accordance with the changed needs of associations operating in an undeniably advanced condition (Scapens, R., Ezzamel, M., Consumes, J. what's more, Baldvinsdottir, G, 2003). Today MAP, data with investigation is significant in overseeing extensive ventures and additionally SMEs, moving from a detached part as data suppliers for basic leadership, to playing a more proactive part in vital and everyday asset administration choices (Scapens, 2006).

1.2 Problem Statement

As indicated by the Kenya National Department of Measurements (GOK, 2007), three from five organizations bomb inside their initial 36 months of activity. A standout amongst the most critical reasons for disappointment is the negative discernment towards SMEs (Amyx, 2005). Numerous business have an issue to do basic leadership with proprietor and staff. There are 2 key influenced that effect in transit the vast majority of these SMEs are overseen (Greenbank, 2000; Keasey and Watson, 1993). Initially, basic leadership is focused on maybe a couple proprietor directors (Greenbank, 2000; Keasey and Watson, 1993). Second, proprietor/directors frequently work together the administration with operational department and along these lines secure data about the global and the execution of their organizations by individual expertise as opposed to depending on criticism systems from different sources (Marion Mbogo, 2011). Absence of management accounting aptitudes for basic leadership and absence of specialized abilities are as much snags to building up a private venture similar to the failure to get to credit (Marion Mbogo, 2011).

As indicated by Daniela Wiedemann, 2014 another issue is that management accounting of SMEs frequently endure an internal clash with regards to association and separation keeping in the meantime, they need to know everything about the SMEs, and comprehend the administration, for extensive medium-sized organizations there is regularly a convergence of energy being watched, the basic leadership specialist of management accounting increments considerably, the contention amongst contribution and autonomy of SMEs management accounting can't be understood. Thus, this study thus sought to establish the effects of MAP in Malaysia SMEs.

1.3 Research Questions

1. What is the effect of MAP in Malaysia SMEs?
2. What is the most significant variables of effecting MAP in Malaysia SMEs?
3. It there a positive relationship between size of firm, advanced production technology, and expertise use of MAP in Malaysia SMEs?

1.4 Research Objectives

1. To identify the effect of MAP in Malaysia SMEs.
2. To determine the most significant variables of effecting MAP in Malaysia SMEs.
3. To investigate the relationship between size of firm, advanced production technology and expertise of effect MAP in Malaysia SMEs.

1.5 Scope and Limitation of Study

This examination inquiries in this investigation concern the utilization of MAP in Malaysia SMEs. The extent of concentrate to recognized for social event data/information this worry is Malaysia SMEs various part. By utilizing of MAP, this paper centering in Malaysia SMEs, this Malaysia SMEs distinctive sizes of endeavors (micro, small and medium). *Being of* MAP, this examination know how the Malaysia SMEs applying the MAP in their business. The data assembling additionally related the learning management accounting and offices, for example, SME Corporation Malaysia.

In this research have some limitation that cannot be exceed such as time. To find the more information and to gathering it takes a lot time to complete this research because cannot do a plagiarism others work. As a requirement from faculty, there just have one year from planning of this research until the analyzing of collective data and summarize that. Secondly, the limitation is the information gathering data from the SMEs sector. For example, cannot simply to go their company, and then just browse using their official web to collect the data.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

In this chapter, the information has been collected from reading some journals by previous research from a researcher are related to recent research. A previous research journal is needed as a reference for current study and to avoid from plagiarism of idea or making mistakes. This part have the 12 section. Such as, theories management accounting, determinants on financial performance in Malaysia SMEs, definition SMEs and also theoretical framework.

2.1 Theories Management Accounting

The theory motivation behind bookkeeping data defined enable manager to choice, arranging and controlling. Management accounting is a platform of bookkeeping that data analysis for administrators with structured a critical indispensable each of the theory procedure inside an association. In addition, the way such as implementing, estimating, collecting, getting ready, translating, with imparting information that enables chiefs to satisfy hierarchical placed (Horngren, C., Sundem, G., Stratton, W., Burgstahler, D. Schatzberg, J, 2007).

Management accounting is generally regarded as a framework that works with chronicled and evaluated information in leading day by day activities, arranging short or long haul business systems and offering business arrangements and administration bookkeeping assumes a significant part in organizations in view of its extraordinary capacities (Yingyu Wang, 2013)

According to The Chartered Institute of Management Accountants (CIMA) (BPP, 2005) say about management accounting is a vital piece that center administration included the recognizable proof, estimation, aggregation, investigation, readiness, understanding and correspondence of information used by administration for design, assess and control management an association and to enusre fitting utilization of and responsibility for its financial assets.

2.2 Key concept of management accounting

Management accounting (MA) is by and large comprehended as a procedure that arrangements principally with arranging, helping in basic leadership, controlling and giving criticism to the arranging unit (Arora 2009, Agrawal 2010). Arranging depends on solid business goals and is done to appreciate business exchanges and financial occasions, which may influence the organization in the fast or slowly haul (Riahi-Belkaoui, 2002). MA gets ready with send important information to administration for influenced them during the time spent arranging with estimating in this manner, MA utilizes strategies like planning, likelihood, standard costing, and so on. (Arora 2009).

Revise basic leadership the following stage is basic for an organization's business achievement. MA gives data to supervisors to settle on the most ideal choices (Leitner, 2012). Basic leadership will understand the arranging stage and

together with specific systems, for example, differential costing, minimal costing or reduced income and MA can bolster basic leadership of the administration for issues, for example, evaluating of items, settle on or-purchase choices, or discontinuance of particular items (Arora, 2009).

What's more, MA does impart data to supervisors as well as controls the execution met with this gave data (Leitner, 2012). Thus, MA controls the execution coming about because of basic leadership of the administration with procedures like budgetary control, inward review or control proportions (Arora, 2009). It is led by contrasting genuine and focused on figures, controlling likewise recognizes the reason in charge of an awful execution along these lines, the administration can take restorative measures (Madegowda, 2007).

2.3 Important of expertise in MAP to SMEs performance

In associations, for example, SMEs, for essential included may restrain the appropriation of MAPs is the capacities and capabilities of the accessible HR and investigations of SMEs have featured the significance of qualify bookkeeping employee and proprietor/director state of mind as variables that might be related with the reception and advancement of MAPs (Kamilah Ahmad, 2015). As per Collis and Jarvis, 2002 inferred that qualify bookkeepers, together with the for the most part abnormal state of instruction and preparing of the bookkeeper, may help the age and examination of money related data. As indicated by Sousa, S.D., Aspinwall, E.M. also, Rodrigues, A.G, 2006 found that bad preparing of representatives was the significant impediment to the reception of new execution measures. In the interim, as per Ismail and Ruler, 2007 who directed an examination among SMEs Malaysian assembling company propose

that the nearness of capable bookkeeping employee is related and arrangement of bookkeeping data frameworks.

An investigation by Dark colored, A., Corner, P. what's more, Giacobbe, F, 2004 found that best administration bolster impacted the change from not having considered movement based costing (ABC) to starting enthusiasm for ABC, they contended that authoritative variables might be more essential in clarifying the selection of creative MAPs than different components. As per Tung, A., Baird, K. also, Schoch, H.P, 2011 in their examination among Australian assembling firms showed that best administration bolster was observed to be related with the adequacy of execution estimation framework. For instance as per Haldma and Laats, 2002; Al-Omiri, 2003 and Ismail and Lord, 2007 propose that the nearness of skilled bookkeeping employee is related and an abnormal state of take-up of MAPs and in a SME setting, both Collis and Jarvis (2002) prescribed that qualify clerks work the change of MAPs in SMEs. Next, the level of capacity of accounting employee it can consolidated as one of the potential factor that may impact the take-up of MAPs in Malaysian SMEs and ability relationship of the affiliation's clerk is assessed basically by referenced the kind of abilities that the manager accountant (Kamilah Ahmad, 2015).

2.4 Size of firm effect to MAP in Malaysia SMEs

As indicated by past examinations Shipper, 1984; Haldma and Laats, 2002; Al-Omiri and Drury, 2007 and Kader and Luther, 2008 say exhibited dependably an organization's size has influenced the usage of MAPs in organization associations. The bigger company have more noteworthy aggregate assets, and better inner correspondence frameworks that encourage the

dispersion of administration bookkeeping hones also, bigger firms are more mind boggling and confront more troublesome issues and in ensuing they included to control of, and data on, their organization exercises with, in this manner, require more extensive and modern MAPs (Kamilah Ahmad, 2015).

Along these lines it's basic to check whether or not the extent of the SMEs are going to be connected with a a lot of outstanding utilization of MAPs and size of the organizations is calculable in sight of yearly deals turnover, for this situation 1= under RM250,000, 2 = RM250,000 to RM1.0 million, 3 = RM1.0 to RM5.0 million, 4 = RM5.0 to RM10.0 million, 5 = RM10.0 million to RM25.0 million (Kamilah Ahmad, 2015). A couple of concentrates that exist have distinguished a few effect will be influenced the advancement of MAPs in these organizations (Amat, J., Carmona, S. also, Roberts, H, 1994; Lofsten and Lindelof, 2005; Garengo and Bititci, 2007; O'Regan, N., Sims, M.A. what's more, Gallear, D, 2008; Albu and Albu, 2012). As indicated by Lofsten and Lindelof, 2005 who directed an examination very little innovative companies in Sverige found the innovation factors don't appear to affect the significance of MAPs. Next, the likelihood of a connection between the outside condition and an arranging was speculated and the outcomes found a good status between the degree of attention to the outer condition with the take-up of vital arranging forms in littler firms (O'Regan et al, 2008).

2.5 Advanced production technology effect to MAP in Malaysia SMEs

Advanced production technology is characterized inventive innovation through to enhance the execution of an assembling organization (Kamilah Ahmad, 2015). As indicated by Leite, A. A, Fernandes, P. O., and Leite, J. M, 2015 investigation on the connection between advanced production technology

of the generation and MAPs, it was discovered that innovation in material market advance quickly by late decades. The innovation was impacted in the phase of assembling process which is gadgets and computerization with the outcomes demonstrated that there is a critical effect between cutting edge creation innovation and MAPs likewise advanced production technology help associations to stay in the upper hand in the global (Sudhashini Nair, 2017).

As per Abdel-Kader and Luther, 2008 researched the status of advanced production technology and MAPs in view of level of modernity and the aftereffect of the examination demonstrated that the distinction in the management accounting advancement are essentially clarified by creation innovation. As indicated by Ahmad, 2015 investigated propelled creation innovation and MAPs in SMEs and the outcome demonstrated that there is huge impact between advanced production technology and MAPs, for example, expenses and execution assessment. Moreover as indicated by Sudhashini Nair, 2017 found that cutting edge innovation affects MAPs in bigger organization yet not for SMEs and this is on account of propel creation innovation bolstered firms in their generation procedure exercises.

As per Tuan Tangle, T.Z., Smith, M. also, Djajadikerta, H, 2010 have recognized rivalry and propelled producing innovation as essential indicators of management accounting change in Malaysia. As innovation turns out to be further developed, existing Guide should be supplanted with new systems that can adapt to the adjustment underway procedures and cost structure (Tuan Zainun Tuanmat, Malcolm Smith, 2011). Globalization has gotten new innovation and made a creating nation open to more prominent rivalry (Kassim, M.Y., Md-Mansur, K. what's more, Idris, S, 2003). What's more, the progress of innovation through ICT and computerization has additionally will be management accounting data streams inside associations in this nation more valuable, convenient, precise, and pertinent (Omar, N., Abd-Rahman, I.K. what's more, Sulaiman, S, 2004). Changes in Guide are critical to better line up with