

UNIVERSITI TEKNOLOGI MARA

**MANAGEMENT ACCOUNTING PRACTICES
(MAPs) AND PERFORMANCE OF SARAWAK'S
SMALL AND MEDIUM ENTERPRISES (SMEs)**

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AUTHOR'S DECLARATION

I declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This dissertation has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

There have been the recent calls for additional research in order to enhance the understanding of the adoption of management accounting practices (MAPs) in small and medium sized enterprises (SMEs). This, allied to an increasing importance of SMEs around the world especially in developing countries, is the motivation for this research. This research explores the uptake of a broad range of MAPs in Sarawak's SMEs; determines factors that affect the frequency use of MAPs in SMEs and lastly examines the relationship between the use of MAPs and organizational performance of SMEs. A postal questionnaire was conducted to 200 Sarawak's SMEs in manufacturing sector which elicited 200 useable responses.

The results show that the majority of respondents have used the three management accounting areas identified. The use of costing system, budgeting system and performance evaluation system indicates that the uptake of traditional MAPs is widely being used by Sarawak's SMEs. The results indicate that medium sized firms make greater use of all MAPs as opposed to small sized enterprises.

This study enriches the existing body of knowledge of management accounting by providing information as to the use of MAPs in SMEs in Sarawak. The findings can be specifically informative for policy makers' intent on developing management accounting skills among Sarawak's SMEs.

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

This chapter is organized into six sections. The first section describes briefly the background of Small and Medium-sized Enterprises (SMEs) and the role of Management Accounting Practices (MAPs) in the management of all SMEs. Section two discusses the problem statement followed by the objectives of the study and research questions. Next the scope and significance of this study is explained. This chapter ends with the specification of the organization of the dissertation.

1.2 BACKGROUND OF THE STUDY

In Malaysia, National SME Development Council (NSDC) (2005) defines small and medium enterprise as a small and medium enterprise in manufacturing that includes agro-based and manufacturing-related services, and is an enterprise with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million. However, due to several developments in the Malaysian economy such as the price inflation and also changes in business trends, a new definition of SMEs was endorsed at the 14th NSDC Meeting in July 2012 (NSDC, 2013). An enterprise is deemed as a SME if it meets either one of the two specified criteria, known as the sales turnover and full-time employees, in whichever is lower.

Small and medium enterprises (SMEs) make up the vast majority of the business population in most countries in the world, thus constituting a vital force in modern information-based economies (Mitchell and Reid, 2000). In Malaysia, the population of SMEs is approximately 99 per cent of Malaysian businesses (SME Corporation, 2011).