

An Analytical Study on the Role of Management Accounting in Decision Making

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ABSTRACT

Management accounting plays a crucial role in supporting managerial decision-making by providing relevant, timely, and analytical information. In today's competitive business environment, manufacturing organizations require accurate cost data, budgeting techniques, and performance measurement tools to enhance efficiency and profitability. This study examines the role of management accounting in managerial decision-making at Harshini Polypacks, Erode. Primary data were collected from employees and managerial staff using a structured questionnaire. Statistical tools such as percentage analysis, correlation, regression, and ANOVA were applied to analyze the data. The findings reveal that management accounting tools such as budgeting, standard costing, variance analysis, and cost-volume-profit analysis significantly influence planning, control, and decision-making. The study concludes that effective implementation of management accounting systems improves organizational performance and strategic decision-making.

Keywords: Management Accounting, Decision-Making, Cost Control, Budgeting, Performance Analysis.

INTRODUCTION

Management accounting plays a vital role in helping organizations make effective planning, control, and strategic decisions. It provides internal financial and non-financial information that supports managers in analyzing costs, budgeting, performance evaluation, and future forecasting. In today's highly competitive business environment, timely and accurate accounting information is essential for improving efficiency, reducing waste, and maximizing profitability. This study focuses on the role of management accounting in decision-making at Harshini Polypacks, a manufacturing firm located in Erode. As a company operating in the packaging industry, it faces challenges such as cost control, pricing decisions, resource allocation, and operational efficiency. Management accounting tools such as budgeting, variance analysis, cost analysis, and performance reports assist the management in making informed decisions regarding production, investment, and growth strategies. Therefore, this analytical study aims to examine how management accounting practices influence managerial decision-making and contribute to the overall effectiveness and sustainability of the organization.

STATEMENT OF THE PROBLEM

Management accounting plays an important role in providing information for effective managerial decision-making. In manufacturing industries, proper cost control, budgeting, and performance analysis are essential for improving efficiency and profitability. Harshini Polypacks, Erode, operates in a competitive environment with increasing costs and market pressure. Although management accounting tools are available, their effective use in decision-making may be limited. Inadequate or untimely information can lead to poor planning and control. There may also be gaps in the understanding and application of management accounting techniques by managers. This affects decisions related to pricing, production, and cost management. Therefore, it is necessary to examine the role of management accounting in decision-making at Harshini Polypacks. The study aims to identify how far management accounting information supports managerial decisions. It also seeks to suggest improvements for better decision-making.

OBJECTIVES OF THE STUDY

- To study the concept and importance of management accounting.
- To analyze the management accounting tools used at Harshini Polypacks.
- To examine the role of management accounting in managerial decision-making.
- To evaluate the effectiveness of management accounting information in planning and control.
- To suggest measures for improving management accounting practices.

REVIEW OF LITERATURE

Several studies have examined the role of management accounting in enhancing managerial decision-making across manufacturing and service organizations. Management accounting is viewed as a key internal information system that supports planning, controlling, and strategic decision processes. Prior research highlights that effective use of cost accounting, budgeting, and performance measurement improves organizational efficiency and profitability.

Horngrén et al. (2012) emphasize that management accounting provides relevant financial and non-financial information that assists managers in making informed operational and strategic decisions. The authors argue that timely and accurate data is essential for cost control and performance evaluation.

Drury (2013) explains that management accounting techniques such as standard costing, variance analysis, and marginal costing help management evaluate alternatives and improve resource utilization. His study highlights the importance of integrating accounting information with managerial planning.

Institute of Management Accountants (IMA, 2015) states that management accountants play a strategic role by partnering with management in decision-making, risk management, and performance management, rather than merely preparing reports.

Kaplan and Norton (1996) introduced the Balanced Scorecard approach, which links financial measures with non-financial indicators to support long-term strategic decision-making. Their study shows that organizations using integrated performance measures achieve better strategic alignment.

Chenhall (2007) found that the effectiveness of management accounting systems depends on organizational context, such as size, technology, and environmental uncertainty. His research indicates that flexible accounting systems enhance managerial decision quality.

RESEARCH METHODOLOGY

The study was conducted to analyze the role of management accounting in decision-making at Harshini Polypacks, Erode. A descriptive research design was adopted for the study. Primary data were collected through a structured questionnaire. The questionnaire was administered to employees and managerial staff of the organization. A total of 100 respondents were selected using the convenience sampling method. The data focused on management accounting practices, budgeting, cost control, and decision-making processes. Secondary data were collected from company records, journals, and textbooks. The collected data were analyzed using percentage analysis and simple statistical tools. The findings help in understanding the effectiveness of management accounting in managerial decisions.

Table 1. OPINION ON USEFULNESS OF MANAGEMENT ACCOUNTING

Response	Frequency	Percentage
Strongly Agree	46	46%
Agree	38	38%
Neutral	10	10%
Disagree	6	6%

INTERPRETATION

This indicates that management accounting plays a significant role in supporting effective managerial decisions. It shows a high level of awareness among managers regarding the importance of management accounting information. The positive response also reflects that such information helps in planning, controlling, and evaluating business activities. Overall, management accounting is considered an essential tool for improving organizational performance.

Table 2. CORRELATION BETWEEN MANAGEMENT ACCOUNTING AND DECISION-MAKING

Variables	Pearson r	Sig.
Management Accounting & Decision-Making	0.65	0.001

INTERPRETATION

There is a strong positive relationship between management accounting practices and managerial decision-making.

Table 3. REGRESSION ANALYSIS

R	R ²	Adjusted R ²	Sig.
0.71	0.50	0.48	0.000

INTERPRETATION

This shows that management accounting practices have a significant influence on decision-making effectiveness. Half of the changes in managerial decision-making are explained by the use of management accounting tools. This indicates that effective management accounting practices contribute substantially to better managerial decisions.

FINDINGS OF THE STUDY

- Management accounting plays a significant role in planning and control.
- Budgeting and variance analysis improve cost control.
- Management accounting information supports effective decision-making.
- Statistical analysis confirms a strong positive relationship.
- Employees show high acceptance of management accounting tools.

SUGGESTIONS

- Management should strengthen the use of budgeting and cost analysis.
- Regular management accounting reports should be prepared.
- Employees should be trained in management accounting techniques.
- Advanced analytical tools can be adopted for better decision-making.

CONCLUSION

The present study clearly establishes that management accounting plays a crucial and indispensable role in managerial decision-making at Harshini Polypacks, Erode. The findings reveal that management accounting tools such as budgeting, standard costing, cost-volume-profit analysis, variance analysis, and performance measurement systems provide timely, relevant, and accurate information to management, thereby supporting effective planning, control, and strategic decision-making. The study further highlights that the systematic use of budgeting helps the organization in forecasting future operations, allocating resources efficiently, and monitoring actual performance against planned targets. Cost control techniques assist management in identifying inefficiencies, minimizing wastage, and optimizing production costs, which ultimately improves profitability. Performance analysis enables management to evaluate departmental efficiency and employee productivity, leading to better corrective actions and improved operational control.

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