

The Solutions to Enhance the Use of Management Accounting in Small and Medium Enterprises in Thai Nguyen Province

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Abstract

Accounting is an important component of the management tools system of finance in the economy. Therefore, each enterprise must build its own complete accounting system, including financial accounting and management accounting for accounting to provide full information for the inspection of the manager.

In fact, the Ministry of Finance of Vietnam issued Circular No. 53/2006/TT-BTC dated June 12, 2006, guiding the application of management accounting in enterprises, but the application of management accounting in general and cost management accounting in particular in each business has its own different characteristics to suit the production process and management of the enterprise.

This study explores and assesses the actual use of management accounting of the small and medium enterprises (SMEs) in Thai Nguyen Province, identifying and analyzing the factors affecting the tendency to use management accounting in the SMEs in Thai Nguyen Province to propose the solutions to improve the management accounting role in the SMEs in Thai Nguyen Province.

Keywords: Management accounting; Small and medium enterprises; Thai Nguyen

Introduction

In Vietnam, over the years, SMEs have developed throughout the country and they are considered the 'backbone' of the economy. Currently, along with the process of economic reform, Vietnam has been actively promoting international economic integration. Especially, Vietnam has joined the World Trade Organization (WTO), a global trade organization. The process of integration has a strong impact on the economy in general and businesses as well as SMEs in particular, which has set up a more favorable business environment [1], helping SMEs take more opportunities to develop.

Currently, Thai Nguyen Province has about 5,000 active businesses, including 4,914 domestic enterprises, of which the small and medium-sized enterprises account for over 97% with a total registered capital of about 34,669 billion Vietnam Dong (VND) and 86 enterprises from foreign direct investment (FDI) with a total registered capital of over 7.1 billion USD, equivalent to 155,000 billion VND [2]. The structure, size and business activity area of the enterprises have changed along with the economic restructuring toward increasing industry and service sectors; the operational efficiency and competitiveness of the enterprises are raised, thereby contributing significantly to the development of the province. By the end of 2015, the provincial economic growth reached 25.2%; the provincial GRDP per capita reached 46.4 million VND; the provincial budget revenue reached 7,285 billion VND; The provincial economic structure has shifted considerably; industry and construction accounted for 49.4%; agriculture, forestry and fisheries for 16.6%; services for 34%; the industrial production value reached 365,203,000 billion VND; the household poverty rate was reduced by 2% compared to 2014 [3].

To achieve these important results, Thai Nguyen has always recognized the efforts of the enterprises in production and business activities and their efforts to overcome difficulties and preserve their sustainable value in settling life and stable jobs for their employees and making effective contributions to the local budget. However, in the situation of international economic integration and multilateral

cooperation at present, the SMEs in Vietnam in general and those in the Province of Thai Nguyen in particular are not only under the pressure of competing severely with domestic companies but also with more powerful multinational corporations as to capital [4], trademark and management skills. Thus, to be competitive, Vietnamese SMEs have to find themselves a reasonable path to survival and development. One of the solutions needed to do so is saving production costs and improving the efficiency of information management in which accounting information plays an important role. Therefore, if SMEs want to have sustainable development, they must have good efficient accounting system. Thus, it is urgent to raise the awareness of the role of accounting in general and management accounting in particular for SMEs to overcome difficulties, enhancing management decision efficiency for the sustainable development of enterprises [5].

Methodology

Methods of collecting information and data

Secondary data sources: The secondary data were collected from:

- The annual reports and management reports of the enterprises in the Province of Thai Nguyen during the period 2014-2015.
- The materials on corporate governance, business accounting, financial accounting, management accounting, accounting policies and the accounting standards of Vietnam and other countries and international organizations.

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- The scientific research projects on the issues of corporate accounting and management accounting through books, scientific journals and the Internet, etc.

- Some doctoral dissertations and research projects on the issues and trends in using management accounting among businesses in general and SMEs in particular to complement the theoretical basis.

Primary data sources: Asking experts for advice: Interviewing experts, such as the accounting and finance officials, business owners, business managers, veteran professionals as well as instructors and lecturers at universities having thorough understanding of the research issues [6].

Quantitative research methods: Surveying the respondents directly or through quantitative questionnaires. The respondents are business owners, managers, and accountants or chief accountants in the SMEs in the Province of Thai Nguyen [7].

Research sample size: The sampling of this study was based on the rules by Comrey and Lee with 28 observed variables ($n=m*5$, in which m is the number of observed variables). The author collected the survey data conducted in the SMEs in the Province of Thai Nguyen with the sample number of 200. The questionnaires are expected to follow the structure defined as follows: Limited liability companies account for about 40%; joint-stock companies for 30%; the others for the rest (Figure 1) [8].

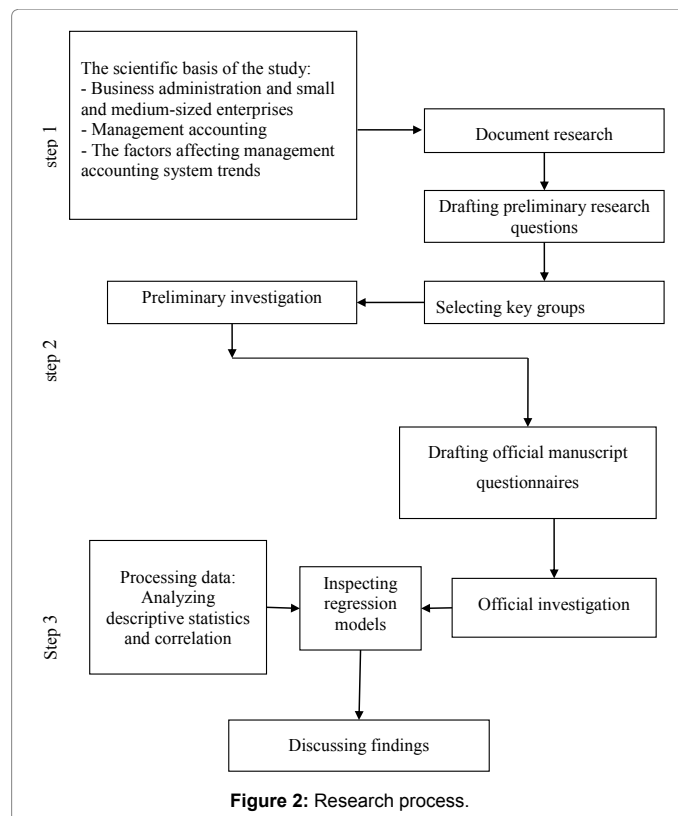
Methods of analyzing and processing data

After being collected, encrypted and stored in Excel, the data were put into SPSS 22 for engineering calculation.

The research process is indicated as follows (Figure 2):

Research model and hypotheses

The selected factors to predict the independent variables are: Management Support (QL), Labor Inventory (LT), Quality Standards Application (CL), Strategic Vision (TC) and Strategic Link Simplification (LK). The dependent variables are the Tendency to Use Management Accounting of the SMEs in Thai Nguyen Province (SD). Both primary data and secondary data were used. The questions and scales were based on the study by Fullerton et al. [1]. The 5-Point Likert Scale was used. The organizations as well as vendor names and the elements of the results of the study subject evaluation are presented in the Appendix. The secondary data were collected from the annual reports of the companies. The methods of ‘Descriptive Statistics’ and



‘Correlation Analysis’ as well as ‘Linear OLS Regression’ were used to analyze the data. The studied models along with the hypotheses are shown below (Figure 3) [9].

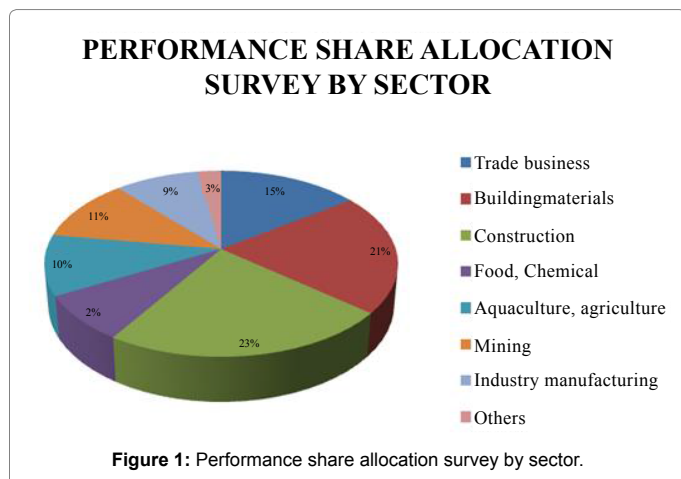
Findings and Discussion

The findings help the author answer the two issues in the research objectives:

1. The factors that affect the use of management accounting in the SMEs in Thai Nguyen Province.
2. The impact of each factor on the use of management accounting in the SMEs in Thai Nguyen Province.
3. The solutions to improve management accounting role in the SMEs in Thai Nguyen Province.

For the first issue, the findings indicate that in terms of a research in a business, the factors in the origin model of Fullerton, et al. [1] did not form the other concepts. Specifically, in the research the use of management accounting was directly influenced by the five factors in the proposed model. In turn, these affecting factors are: Support Management (TN), Strategic Vision (TC) [10], Strategic Link Simplification (LK), Labor Inventory (LT), Quality Standards Application (CL) and the Tendency to Use Management Accounting of the SMEs in Thai Nguyen Province (SD).

For the second issue, the results of the study indicate that these factors positively affect the use of management accounting of the SMEs in Thai Nguyen Province, but their degree of influence is different. Out of these, the most influential factor is Support Management (QL) with $\beta_1=0.410$, which means that this factor shows 40.9% of significant impact on the use of management accounting of the SMEs in Thai Nguyen Province. Strategic Link Simplification (LK) is the second-



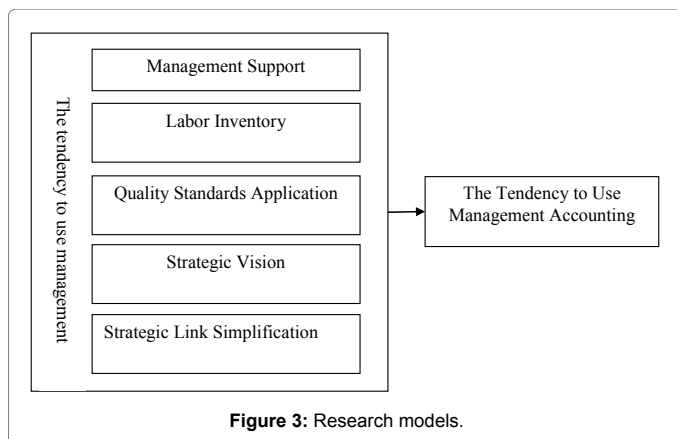


Figure 3: Research models.

highest influential factor in the model with $\beta_4=0.217$. Quality Standards Application (CL) positively affects the use of management accounting of the SMEs in Thai Nguyen Province with $\beta_5=0.148$. Labor Inventory (LT) also positively affects the use of management accounting with $\beta_3=0.146$. Meanwhile, Strategic Vision (TC) is the least positive impact on the model with $\beta_2=0.137$ [11]. At the same time, the analysis indicates that the sig of the five factors is less than 0.05, which means that the five components are statistically significant. The model does not have multicollinearity; the variance change, linear relationship and equal variance of the first regression are not violated; the distribution of the residuals is approximately normal. The above-mentioned factors show the significance of 52.595% of the regression model of the factors affecting the use of management accounting of the SMEs in Thai Nguyen Province [12].

It can be said that most Vietnamese enterprises now mainly focus on financial accounting because of the requirements to provide information to serve corporate governance. On June 12, 2006, the Ministry of Finance of Vietnam officially issued Circular No. 53/2006/TT-BTC on 'Guiding the Application of Management Accounting in Enterprises' to assist enterprises in management accounting. Most businesses in Thai Nguyen Province, especially the small and medium-sized enterprises surveyed were aware of this circular, which proves that they were learning about it to some extent. However, in fact, a few businesses were unaware of this circular. Obviously, a number of the SMEs in the province still do not pay sufficient attention to this first document which instructs them to apply management accounting since the formation and development of management accounting in Vietnam. Overall, since its inception, management accounting in businesses has still been developing without a sufficient system. No organization has sufficient expertise and experience in building a management accounting system [13,14].

Management accounting system does not have common legal report standards in form and content. Currently, only large enterprises can use unified management accounting software while a majority of small and medium-sized enterprises can only use accounting software, so collecting accounting figures is only based on the data from financial accounting. This is the reason for getting flawed and outdated data [15]. In fact, the use of accounting information for administrative purposes among Vietnamese businesses is still very limited.

Recommendation

The research suggests some solutions to enhance the role of management accounting in small and medium-sized enterprises in Thai Nguyen Province.

To the Government and its relevant departments

The Government and the Ministry of Finance should promptly issue common rules and more specific guidance on the organization of management accounting for businesses, especially that for SMEs. After that, they should support enterprises in training and retraining human resources who are capable of researching, implementing and applying management accounting to businesses [16].

To SMEs

They must innovate, improve and solve the following problems to survive and thrive in the market economy:

They must improve the awareness of the role of management accounting. In fact, managers still operate their businesses through their subjective judgment and experience rather than understanding and proper awareness of the importance of management accounting in business management. Therefore, they do not pro-actively build a suitable management accounting model for their businesses. The first thing the administrator should do is improving the awareness of management accounting.

They must improve management organization and technology in production and business, building and perfecting management mechanism, internal control, organization and management structure to ensure the best connection among the parts of the enterprise, providing adequate and timely information for the collection and processing of information for management accounting.

They must organize their accounting system and divide the work of financial accounting and management accounting reasonably, assigning suitable tasks basing on qualifications and professional competence, retraining accounting personnel to serve management accounting, rapidly developing and improving automatic information processing to meet the requirements of providing timely information for management accounting.

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