CENTRAL ASIAN JOURNAL OF INNOVATIONS ON TOURISM MANAGEMENT AND FINANCE

Volume: 04 Issue: 02 | 2023 ISSN: 2660-454X

https://cajitmf.centralasianstudies.org

The Evolution and Development of Management Accounting Theories and Practices: A Review of Theoretical Frameworks

[1] **Dr. Confidence Iyenhen**

[2] **Miekpo Stanley Sabit**

Received 16th Dec 2022,
Accepted 19th Jan 2023,
Online 9th Feb 2023

[1,2] Department of Accountancy, Faculty of Management Sciences, Niger Delta University, Wilberforce Island, Bayelsa State

Abstract: This study tries to illustrate how management accounting concepts and practices have developed. Towards this end, we choose to read scholarly works. As part of our research, we looked into the background of management accounting and zeroed in on the development of the management control structure. To further understand the background and practical utility of management accounting, we also examined pre-existing ideas in the field. The ultimate purpose of this study is to serve as a guide for academics and students by detailing the development of management accounting theory and the practices that have led to its current status. The study does more than just describe the many management accounting theories already out there; it also analyses the major criticisms levelled against each, providing a foundation for additional study.

Key words: Evolution of management accounting, management accounting theories, strategic financial management, agency theory, contingency theory, strategic management accounting.

Introduction

Although management accounting has come a long way in its evolution, development, and knowledge, several lingering paradoxes exist despite the field's significant progress. There is a discrepancy between the two, with the former being that theoretical advancement in academia does not keep pace with the latter's need for the application. However, the changes in management accounting are not accidental but rather the result of need and external factors. It is a consistent observation that, in both established and emerging economies, the most significant advances in the area have resulted from two distinct sources: corporate practice and the inclusion of concepts, models, and theories from other disciplines. Management accounting has progressed due to increased information, competition, and the necessity for management to make daily, weekly, monthly, annual, and prospective choices.

Management accounting history often begins with looking back at the field's foundational works. New and aspiring academics in many poor countries may not be aware with the historical context in which

these works were originally published. because they are based on the work of Anglo-Saxon authors, most of whom are from the United States and the United Kingdom. This literature review does not gloss over that background information but presents an outline of the key concepts and methods highlighted in the seminal publication. This paper will contribute to the body of knowledge by calling attention to the need for further research by outlining the basic flaws with the theoretical framework that explains the growth of management accounting and the gaps between theory and practice. What follows is a two-part analysis of the same topic. The first part provides an overview of the two primary schools of thought on management accounting's beginnings, while the second part analyzes the essential underlying theories and seeks to determine whether or not they are genuine of management accounting's origin.

Workers were hired on a short-term basis and given a wage before the emergence of the industrial system. In the past, accountants' primary function was to keep records. The fast expansion of railroads in the middle of the nineteenth century was a crucial factor in the evolution of management accounting. One example of a new measure that was established and offered on a regional and segmented basis is the cost per ton per mile, which includes both freight and passenger charges. After their initial success in one industry, these ideas quickly spread to others.

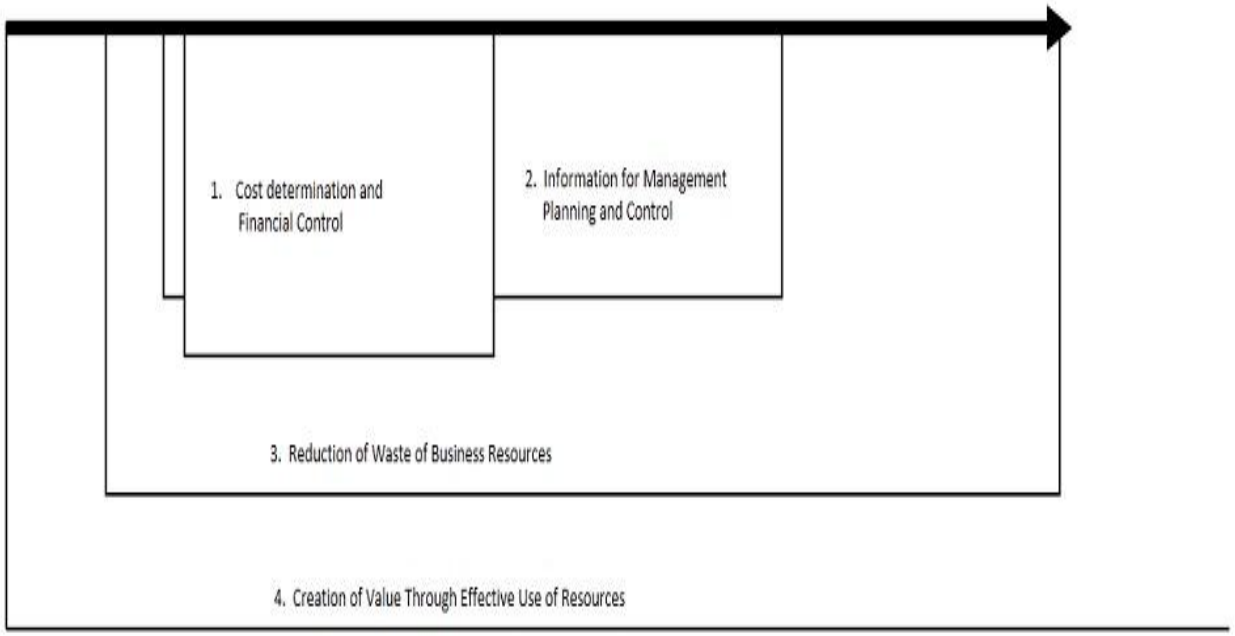
According to Johnson and Kaplan (1987), management accounting systems are developed to encourage and assess the efficacy of internal processes rather than quantify the firm's total profit. Since the firm's owners and creditors want yearly financial statements, it must maintain a separate financial system to keep track of business activities and process data for these reports. It means that financial accounting and management accounting should be kept entirely separate.

According to Drury (1996), the scientific management movement was responsible for even more progress in management accounting. The movement's leaders, like Fredrick Tailor, emphasized streamlining and standardizing manufacturing processes to boost productivity and, by extension, profits.

Businesses that served several markets and industries did well around the turn of the century, which may have prompted the evolution of contemporary management accounting practices. Each branch of the company has its own set of management. Top executives were tasked with ensuring that all of the moving parts worked together smoothly. It prompted the development of cutting-edge management accounting strategies to back the initiatives. A financial planning and management system was established to ensure that each department's efforts contributed to the larger whole.

A return on investment metric was also developed to gauge the success of each division and the overall business. A management accounting system tracking department heads' efficiency was later developed to supply a consistent foundation for accounting profit across departments.

IFAC has suggested a progression of steps in the evolution of management accounting, which are described here. In the initial phase, management is viewed as a functional skill that must be developed if the organization is to achieve its goals. During the second phase, management accountants are seen as staff members who aid operational managers in their duties by providing them with data used in planning and controlling. As the process progresses into stages three and four, management accounting becomes increasingly valued. Management has evolved through four phases, as shown in Figure 1. Each successive stage summarizes the preceding ones.



Source: IFAC 1998.6

Fig 1. The Evolution of Management Accounting

1. Perspectives on the Evolution of Management Accounting.

1.1 Economic Perspective: According to their advocates, management accounting was developed in the private sector for such a purpose. For instance, Johnson and Kaplan (1987) claim that establishing controlled hierarchical organizations in the early 20th century might be the impetus for developing contemporary management accounting. Increased manufacturing efficiency was a pressing concern at this time. Owners of factories began to hire employees permanently in one location, leading to the rise of a strict chain of command. Many factories were situated far from their corporate headquarters, making it necessary to implement an information system that would allow them to monitor and improve industrial productivity.

1.2 Non-Economic Approach: Those in favour of this theory say that control was exercised in the 19th and 20th centuries by comparing the performance of individuals to the standards established by government agencies and the military (Hoskin and Macve 1998). Management accounting procedures, according to some who argue against the economic approach, were developed more with the intention of facilitating disciplinary and academic assessment than of helping enterprises. Hoskin and Macve suggested the West Point Military Academy and the Springfield Amory as two of the earliest American institutions to use management accounting in the early 19th century.

Students at the academy were given numerical grades (examinations), and many went on to hold prominent positions in the Springfield government. They took the scientific approach to management that they had learnt in school and applied it in Springfield. In the business sector, some even reached the highest levels of management.

Therefore, management accounting procedures have spread from the government to the commercial sector, as Macve (1998) argues. According to Hoskin and Macve, Roswell established a production accountability and control system at the Springfield Armory between 1815 and 1833. (1998). Accountability was more of a disciplinary device than a means of reducing manufacturing costs.

Miller and O'Leary (1987) argue that the development of new performance measures in business and government was intrinsically tied to the emergence of the social sciences in the 19th century.

The proponents of the non-economic approach said that management accounting methods and processes were not designed to aid in production or company operations but rather to aid in the discipline.

2. Management Accounting Theories

The economic approach had a major impact on the development of management accounting, whenever and whenever that may have occurred. Economics, notably the margin concepts of neoclassical economics, had the most substantial effect in the previous century. However, other fields, including management sciences, behavioural sciences, and organizational theories, also had important roles. Some background on management accounting's development over the past century is also included.

See Figure 2 for a visual representation of the four primary theoretical frameworks that may be used to explain management accounting's evolution; they will be discussed in further detail below.

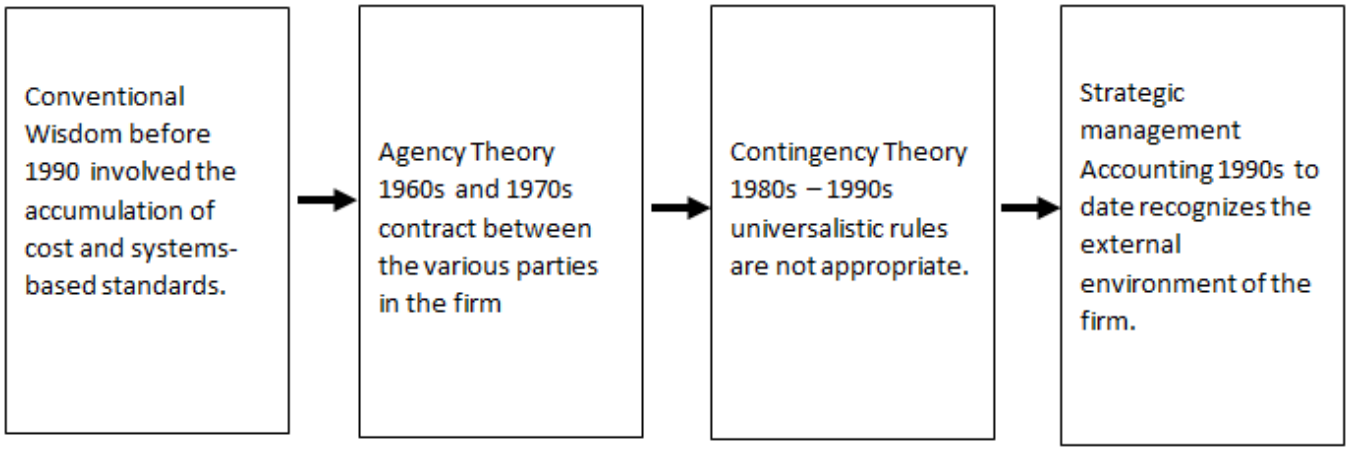


Fig 2. Evolution of Management Accounting Theoretical Framework

2.1. Old Conventional Wisdom: Management accounting as we know it reached its pinnacle in the early 20th century. Many authors in the 20th century, including Kaplan (1982, 1984), Boritz (1988), Atkinson (1989), and Puxty (1993), pushed for the rise of firms with many lines of business. The absolute truth method and management principles, with their origins in an engineering worldview, form the basis of the traditional approach. The first major contribution to the development of management control principles in the twentieth century is typically credited to Emerson (1912). He highlighted the significance of command in his Twelve Principles of Efficiency. Early management control theories also benefited from the work of the Church (1914). He believed that control was one of the five organic duties of administration. He determined that the mechanism he called "control" supervised and coordinated the activities of all the other parts. One of management's five roles outlined by Fayol (1949) is control. The purpose of control is to ensure that everything is carried out following the decided-upon strategy, the given directives, and the outlined guidelines. Responsibility, proof, consistency, comparatist, and utility are the five tenets of control initially identified by Urwick (1928).

Many of the most recent achievements in the field of management accounting may be traced back to lessons learned from the past. Academic discussion and business practice were profoundly influenced by Kaplan (1984) and Johnson and Kaplan (1987) who argued for more precise product pricing. Chandler (1962, 1977) provides a case study to demonstrate the value of cost and management control data in fostering the growth of major transportation, manufacturing, and distribution businesses between 1850 and 1925. By the mid-1990s, management accounting systems had expanded from their original purpose

of providing information about internal transactions to include such tasks as planning, regulating, motivating, analyzing, and assessing (Boritz, 1998). Lee (1989), Johnson (1981, 1983), and Johnson and Kaplan (1987) are only a few of the American proponents of management accounting (1987). However, we maintain that certain basics are still the same, notwithstanding the massive expansion of enterprises in the late 19th and early 20th centuries. Differences between management accounting's function in the 1880s and its function in the 1990s are rather intriguing.

2.2. Agency Theory: Due to the economics' infiltration, academics are encouraged to develop sophisticated mathematical models. The foundation of agency theory is that business partners are legally bound to one another. Two economic principles that have inspired refined mathematical modelling are the theory of agents and the concept of transaction costs. The idea acknowledges two classes of individuals: principals, or higher-ups, and agents, or lower-ups. In exchange for compensation, principals will provide agents with decision-making responsibilities. Principals and agents are considered self-interested, economically rational humans, although they may have different tastes, perspectives, and knowledge (Jensen and Mecklin, 1976). In a company with a structure marked by uncertainty and asymmetry of knowledge, the agent's actions might not always be in the best interests of the principle. The agency dilemma arises when a representative acts in his or her best interest rather than the principal's (Jensen and Meckling, 1976). As a countermeasure, the principal may monitor the agent's efficiency with the use of an accounting information system. In addition to instituting auditing accounting and cost monitoring systems, the owner can also discourage such conduct by setting up a proper incentive scheme or reward system (Jenson and Mecklin, 1976).

Management accounting common knowledge was revised in the 1970s as scholars updated the economic models upon which it was based. Management accounting models were altered as they incorporated uncertainty and information costs. Financial models have evolved further thanks to the work of agency theory scholars, who have included specific behavioural features. Management accounting systems are designed to influence or govern the behaviour of a specific agent, and the agency model builds on marginal economics analysis to do so (Scapens, 1985). The fundamental concepts of agency theory include contract, information asymmetry, information signalling, incentives, adverse selection, and moral hazard (Macintosh, 1994).

Principal-agent theory, transaction cost theory, and the Rochester model are the three subfields of agency theory acknowledged by Baiman (1990). The principal-agent model presupposes that the organization of the business is predetermined and, as a result, focuses on settling on a set of policies and procedures regarding employment and data storage in advance. The Rochester model was created to investigate the root causes of agency problems and to provide strategies for addressing these challenges via improved contractual and, more generally, organizational frameworks (Baiman, 1990). All three areas of study provide a comparative framework for examining the actions and reactions of individuals motivated by their own self-interest in an economic context, pinpointing the root causes of the inefficiency that results from the gulf between cooperative and self-interested behaviour, and weighing the pros and cons of various control strategies for limiting the damage that agency problems produce. The efficiency loss agency theory, as argued by Baiman (1990), necessitates the existence of management accounting systems and procedures. Including a wide variety of methods and techniques, this is a broad classification.

Many theories may be found within agency theory. However, the classics can be easily distinguished. Ross's (1973) agency model does not account for circumstances in which the agent might have more information than the principal; Holmstrom's (1979) extension of the basic model does. The famous work by Holstrom (1979) establishes a principal-agent model in which effort is not observable, and a moral hazard or incentive issue arises due to an asymmetry of knowledge between persons since their behaviours cannot be observed and, therefore, contracted.

Christensen (1981) wrote a study connecting agency models with budgeting and other management accounting communication tools. Agency theory's contributions have dramatically enhanced management accounting's capacity for modelling. It is demonstrated that providing the agent with more information does not always benefit the agency because the agent may utilize the additional knowledge to evade some of his responsibilities. To theoretically model pay packages, Antle and Demski (1988) employ agency theory. The model proposed by Banker, Datar, and Kerke (1988) shows that capacity above predicted demand is necessary to absorb overload resulting from uncertainty in the timing of orders and variability in set-up and processing. A further intriguing article by Foster and Gupta experimentally examines overhead manufacturing costs from three different angles, discovering that the explanatory factors are more closely connected to volume than efficiency and complexity. Nandakumar and Datar conceptualized total quality management (TQM), and Akella (1993) created a model for TQM that considers all quality expenses, demonstrates the joint impacts and optimizes for the best possible outcomes.

Although agency theory has made significant strides in management accounting, it has several apparent drawbacks. For example, the principal-agent model often disregards the impact of the capital market by assuming a single owner rather than a collection of owners and debt holders (Baiman, 1990:345). Trust and fairness, which are also said to affect behaviour, are ignored by the idea. The primary subject of agency theory is the issues that arise for the business's owner when a manager utilizes deception and wastes the company's resources by relying on incomplete or inaccurate information (Mackintosh, 1994). However, suppose we see the principal-agent model as a framework for examining difficulties and identifying problems that emerge and must be considered when applying management accounting methods to real-world circumstances. In that case, Baiman (1990) argues that the arguments mentioned earlier become less persuasive.

2.3. Contingency Theory: According to the contingency theory, an outcome is predicted to occur if the firm's control package is well-matched to the relevant contingent elements. It describes how the firm's structure, technology, strategy, and environment may all be considered while designing an accounting information system. It also argues that blanket generalizations are not always the best approach and offers a framework for analysis that might help businesses find better ways to evaluate employee performance (Otley, 1980; Emmanuel, Otley, and Merchant, 1990; Drury, 2000).

As an alternative to the universalist management standards advocated by scientific management and human relations approaches, the contingency theory was established as an organizational approach theory (Puxty, 1993). Studies by academics such as Bruns and Stalker (1961), who distinguished between mechanical and organic forms of organization, Woodward (1965), who showed that structure corresponds to effectiveness only when production is regulated, Lawrence and Lorsh (1967), who developed the essential ideas and methods of differentiation and integration, are described by Galbraith (1973). Management accountants Bimberg et al. (1983) attempt a unified contingency framework by merging the ideas of Thompson (1976), Perrow (1970), and Ouchi (1978), which is necessary for reconciling the conflicting findings of Hopwood (1972) and Otley (1978). (1979 and 1980). An open systems notion in contingency theory, including the environment as a contingent variable, may be traced back to the 1970s in the management control literature. Management accounting and organizational structure may have a functional relationship to the environment, as proposed by Gordon and Narayanan (1984). Simons' (1987) argument that strategy itself is a variable is a recent development. Among the many variables that affect management accounting, according to Innes and Mitchel (1990) and Fisher (1995), are the following: the external environment; technology; organizational structure, size, and age; and technical breakthroughs. These factors are considered crucial in determining the optimal structure for management accounting. Innes and Mitchell (1990) emphasize the need for more research and state that it is uncertain

whether contingency variables affect management accounting directly or indirectly through their impact on organizational structure.

A different perspective may be gained by using Fisher's (1995) literature review as a lens through which to examine the research on contingency theory and managerial control in complex organizations. His system examines contingent controls that yield four distinct degrees of association. This classification considers the following factors: whether or not there is only one contingent factor and one control system variable; whether or not there is a contingency/control interaction on an outcome variable; and whether or not a system approach is taken to the design of the contingent controls.

Our research shows that contributions to contingency theory began to be made in the 1970s. In a seminal article on contingency theory, Hayes (1977) found that three elements—subunit independence, environmental connection, and factors inherent to the individual subunit's interest—systematically vary across different activities, including R&D, marketing, and manufacturing. The organization's control mechanism is built into the structure, much like the empirical research by Ouchi (1977) that I just stated. The control system seems to consist of two parts: the conditions, which dictate the sort of control to be executed, and the control system itself, which may be based on output controls or behaviour controls. Therefore, he concludes that output control should be prioritized above behaviour control when the work is novel and challenging to analyze. A practical illustration of this strategy is Hofstede. Six distinct forms of managerial control are derived from his application of the four criteria mentioned above. He enumerated several different types of management, including routine, expert, trial-and-error, intuitive, judicial, and political management. By fusing organizational theory with agency theory, Eisenhardt (1985) develops a control design model in which the features of a given job are used to find the most suitable control method. While an intricate information system or outcome-based control is required for a less planned activity, behaviour-based control is sufficient for more routine ones. Merchant and Van Der Stede (2006) have recently added their concepts of action, outcomes, and people controls.

Many writers have criticized this approach. Otley (1980) details contingency theory's history and deliberate development, ultimately concluding that the theory's assertions are too broad, nebulous, and unconvincing to stand up to empirical scrutiny. Strong objections are made, as well as a proposal for an integrated approach, by Tieson and Waterhouse (1983), who view the world through the lenses of contingency theory, agency theory, market theory, and hierarchy theory. Even more so, Seal (2001) and Halma (2002) believe that it is impossible to identify and incorporate all the causes and effects in a theoretical framework. Therefore the list of contingencies and interactions cannot be regarded as complete.

In short, the attractiveness of the contingency approach lies in its ability to account for virtually all phenomena that are difficult to accommodate within other theoretical frameworks. However, most contingency theory critiques focus on the theory's absence of a comprehensive framework for investigating how chance affects businesses' bottom lines (Chapman).

2.4. Strategic Accounting: When discussing the historical development of management accounting, this school of thought is the most up-to-date and consequential. There are two schools of thought. The Simmonds and Chandlers school of thinking is concerned with tracing the problem's origins and exploring its consequences. The Kaplan, Johnson, and Cooper school is dedicated to developing novel approaches to saving money and making better decisions (Puxty, 1993). In modern management accounting, the second group is the most common. Companies seeking complete quality management and just-in-time operations may benefit significantly from the activity management method, which Tom Johnson pioneered. Strategic maps, balanced scorecards, and activity-based cost management systems all originate from the original transaction cost model pioneered by Robert Kaplan and Robin Cooper (Johnson and Kaplan, 1987). (Kaplan and Norton, 2000; Armitage and Scholey, 2006).

The widespread use of contemporary management accounting challenges the long-held view of accounting for business operations as providing unchanging, passive representations of corporate strategy. In addition, senior management may utilize interactive management accounting to alert employees to emerging risks and new possibilities in an increasingly volatile and complex business environment (Emmanuel Otley and Merchant, 1990). Such dedication to the present strategy is anticipated to be fostered by the strategy-control fit. However, if the management's controls are too rigidly bound to the status quo, the manager may be unable to shift tactics when necessary (Anthony and Govindarajan, 2007).

A large body of academic literature suggests that successful strategy formulation begins with examining an organization's cost structure. It is commonly accepted that cost analysis is the method through which the economic effects of potential managerial decision alternatives are evaluated. Cost analysis is still necessary, but strategic cost analysis takes a larger view and makes strategic considerations more transparent, clear, and formal (Shank and Govindarajan, 1989). The following are the primary phases of the strategic cost analysis defined by Porter (1985):

a. Identify the various sources of value creation inside the company and allocate resources accordingly.

b. Learn about the cost factors that govern each value activity

c. Investigate options for creating a durable competitive advantage, such as modifying the value chain or regulating the primary cost drivers.

Kaplan and Cooper (1997) suggest an alternate approach; they identify strategic activities-based management's focus areas as product mix and price decisions, relationships with customers and suppliers, and new product creation.

The management accounting department was bolstered to oversee the creation and execution of strategic initiatives (Schreyogg and Steinman, 1987; Govindarajan, 1998; and Simons, 1990).

The final substantial and widely-read contributions were from the same U.S. School. While Kaplan and Norton (1992, 1993, 1996) developed the balanced scorecard, Simons (1994, 2000) provided his idea of levers of control. The performance of an organization may be measured in more than just monetary terms, and the balanced scorecard takes this into account. It is there to back up and facilitate things like new product development, operations, and after-sales care. It conveys the interconnectedness of the many goals businesses need to reach to compete based on their intangible skills and creativity. The success of a scorecard relies on the right balance between results (lagging indicators) and the factors that affect performance (leading indicators). Since financial indicators are so important for quantifying the monetary implications of a strategy's implementation, they continue to make up a significant portion of balanced scorecards (Kaplan and Norton, 1992, 1993, and 1996; Epstein and Manzoni,1997). The levers of control model propose that a company's strategy may be managed via the coordinated efforts of four distinct but interrelated systems: beliefs; boundaries; diagnostics; and interactive control (Simons,2000). While diagnostic controls systems pay attention to business and individual goal achievement (strategy as plan), Managers are able to shape the exploration and pursuit of new opportunities that emerge from the belief systems that inform both planned and impromptu plans (strategy as viewpoint) thanks to the availability of interactive controls (strategy as patterns of action). Simons' central thesis from 2000 is that organizations may increase buy-in to their mission by using control levers to coordinate the implementation of current strategies better, keep tabs on how those plans are faring, and inspire the development of new ones. Although these two resources constitute a significant advance in the academic community, they are not often recognized as such (Lipe and Salterio, 2000).

3. Evaluation of Influential Figures in the Growth of Management Accounting

Research in management accounting conducted and published in more renowned U.S. academic publications during the decades of the 1960s and the mid-1980s and those which focused on the actual practice of management are two very different things. According to Argenti (1976), the 1970s were a time when simple methods were preferred over more complex options. According to Coates et al. (1983) findings, a large chasm separates theory from practice. A lack of sophisticated techniques for inventory control was also discovered in comparative research by Gregory and Piper (1983).

An incorrect and skewed individual product cost results from a control system intended to meet external reporting requirements but hinders process management inside cost centres. For a deeper understanding of management accounting's function inside organizations, some academics have begun to analyze real-world cases (Scapens, 1985). According to Johnson and Kaplan (1987), reassessing what the company values most is needed to get back on track.

Throughout its history, management accounting has been criticized for its foundation in an external reporting system and for failing to bridge the gap between theory and practice adequately. Five main criticisms can be found in the academic literature, and they all have to do with goal incongruence, human connections, managerialism, relevance loss, or radical theory (Macintosh, 1994). This section will provide a quick response to each of these criticisms.

The critics of goal congruence are among the adherents of management accounting schools like Dean, Anthony, and Dearden. In order to make themselves seem reasonable under the current scorekeeping technique, managers of responsibility centres will often make decisions that are counter to the organization's best interests (Macintosh, 1994).

Human connection criticism examines how something works in the workplace from the perspective of the individuals who work there. The social dynamics of budgeting and the effects of diverse approaches to utilizing accounting data by superiors provided some of the most fruitful new understandings (Macintosh, 1994). In response to the criticism, academics and practitioners in the field of accounting began exploring behavioural methods of management accounting in the 1960s.

The term "management criticism" refers to a body of thought that assumes that managers and managerial tasks are necessary components of every modern organization. Following the logic of Bernard (1986), Simon (1995) argued that management decision-making is crucial to the success of organizations and administrations but that managers must be viewed as decision-makers in their own right. In response to this criticism, in the late 1960s, the HIP method emerged, which places a premium on the judgment of individual managers.

According to a report given by Robert Kaplan, outdated management accounting methods are to blame for the sluggish performance of American factories in recent years. The lost movement it inspired began in 1982, thanks to that publication. Advocates of the pertinent loss propose using strategic cost management to address the issue (Macintosh, 1994).

Over the last decade, consultants and practitioners have developed a variety of management accounting approaches to help bridge the gap between theory and practice in the field of management accounting. As an illustration, Time-Driven Activity-Based Costing was created when the authors Cooper and Kaplan (1998) saw that ABC was losing favour (Kaplan and Anderson, 2004). The balanced scorecard concept has been broadened by Kaplan and Norton to include strategy maps (Kaplan and Norton, 2000; Armitage and Scholey, 2006). However, this breakthrough invention paves the way for more study.

4. The Evolution and Development of Management Accounting Theories and Practices

According to Ezzamel et al. (1990), the decade between 1832 and 1842 witnessed the creation of successful disciplinary procedures (disciplinary in that they were both practices of power and based on expert knowledge), laying the way for the first time for managing by the numbers in American industry. In their view, this was the first instance of management accounting. They also claimed that the theories' origins in academia were disciplinary rather than productive (i.e., they were not created to boost output by cutting costs, enhancing performance, monitoring performance, or inspiring employees). Thus, this could never have been practical in the ever-changing business world.

The years between 1832 and 1842 are significant because they were spent creating the essential disciplinary procedures for managing numbers, eventually leading to their adoption in business. U.S. and U.K. companies benefited from better management after adopting these methods. Management accounting evolved over the nineteenth and early twentieth century, and this disciplined practice can be considered the non-economic approach to this growth. As a result of the government's involvement in this activity, Macve (1998) found it simple to trace the transfer of management accounting practices from the public to the private sphere.

Mathematical modelling based on economic principles and theory is refined by agency theory. Instead of achieving goal congruence, agency difficulties emerged when agents prioritized their interests over those of their principals. Researchers have included behavioural aspects in the economic model as a solution to agency issues as part of a revised agency theory. The school of thinking known as the contingency theory emerged in response to the shortcomings of the agency theory. According to this theory, elements such as the firm's organizational structure, technology, strategy, and external environment are all subject to change.

Although widely employed in industrialized economies, management accounting systems and techniques are still vastly underutilized in developing nations, especially amongst homegrown SMEs.

The Chartered Institute of Management Accountants wanted to look at the current state of management accounting because of the numerous attacks on the theories used in the field. According to Bromwich and Bhimani's (1989) research, the arguments put out by those in favour of sweeping changes in management accounting have not been backed up by sufficient data to warrant either immediate action or a more gradual pace of change. Regrettably, not much has progressed since then.

Overall Synopsis and Future Directions for Management Accounting

In this article, we have tried to provide a brief overview of the background, history, and current state of management accounting. Some scholarly books and papers on the topic are examined. It examined how management accounting came to be and how it has progressed through time, focusing on how its several branches have helped structure the field's vast body of literature. Using a historical lens, we can examine the several schools of thought that have shaped the discipline of management accounting from its infancy in the late 19th and early 20th centuries to the present day. In addition to tracing the evolution of management accounting, this report also examined the influential theories and criticisms that have shaped the field. We focused on the most significant arguments against this theory and offered avenues for further study. Following is a sampling of advice on where management accounting may go.

It is no secret that management accounting has undergone a sea change over the past few decades. Because of the increased competitiveness brought about by globalization and the liberalization of markets, businesses now need access to reliable and fast data. There has been an increase in the variety of organizational structures and management styles in use (Hope and Frazer, 1998). Managers are becoming increasingly creative in using accounting information and standard financial reports, including various financial and non-financial metrics, to evaluate performance (Miller and O'Leary, 1993; Davila and

Foster, 2005). Management accountants are tasked with reporting on whether or not the firm is meeting its goals, and this data needs to be precise, up-to-date, and dependable. According to Pearson (1996), management accountants help companies succeed in a fast-paced, competitive market by providing crucial data for developing and executing business strategies. Pearson (1996) argued further that management accountants should actively participate in the transformations inside their organizations. The abovementioned concerns are vital if management accounting maintains its significance in modern organizations.

Management accounting continues to rely on financial accounting, behavioural sciences, and other fields of study, projecting itself like an amateur and as if others are more mature fields, despite the impressive imputes towards the evolution, understanding, practice, and theory of management accounting. Further, academics do not appear to accurately identify the genuine demands of businesses, dismissing as "not scientific" the efforts of researchers and consultants who instead focus on creating implementable, ready-to-use technologies. This pattern of academic behaviour acts as a reinforcing loop that is difficult to break, even for academics who are working on non-traditional projects and who are consistently devoted to doing studies that are more directly applicable to the needs of their immediate communities. In conclusion, management accounting has developed significantly over the past two centuries, but there is still much work to be done before it can stand on its own as a distinct field of study and focus more squarely on meeting the needs of organizations within the context of solid and extended theories.

References

1. Armitage, H. M. and Scholey, C. (2006). Management Accounting Guideline. *Using Strategy Maps to Drive Performance, The Society of Management Accountants of Canada, The American Institute of Certified Public Accountants and The Chartered Institute of Management Accountants.*
2. Anita, A. (2000). Management Accounting Change. *Management Accounting, pp 54-56.*
3. Anthony, R. & Govindarajan, V. (2007). *Management controlled System.*
4. Antle, R. & Demski, J. (1988). The Controllability Principle in Responsibility Accounting, The accounting review, 63(4) pp 700-718.
5. Antle, R. and M. Eppen (1985) Capital Rationing and Organisational Slack in Capital Budgeting.
6. Artkinson, A. (1989*). Financial and Management Accounting; the Odd Couple. CMA Magazine, Dec/Jan, pp. 42-46.*
7. Banker, R., Datar and Kekre (1988*). Relevant Costs, Congestion and Stochasticity in Production Environments*. Journal of Accounting and Economics, 10, pp. 171-197.
8. Boer, G. (2000). Management Accounting Education; Yesterday, today and tomorrow. *Issues in Accounting Education, Pp. 313-334.*
9. Bromwich, M. and A. Bhimani, (1989*). Management Accounting; Evolution not revolution, London CIMA*
10. Bromwich, M. and A. Bhimani, (1994*). Management Accounting; Pathways to Progress, London CIMA.*
11. Chandler, A. (1977). The Visible Hand; The Managerial Revolution and American Businesses. *Harvard University Press, Cambridge.*
12. Chenhall and Morris (1986). The Impact of Structure, Environment, and Interdependence on the Perceived Usefulness of Management Accounting systems. *The Accounting Review, 61 (1), pp. 17-33.*
13. Christensen, J. (1981). Communication in Agencies. *The Bell Journal of Economics, pp. 660-673.*

14. Church, A. (1914). The Science and Practice of Management. *New York Engineering Magazine, Vol. 44-45.*
15. Coates, J.J. Smith and R. Stacey (1983). *Results of a Preliminary Survey into the Structure of Divisionalised Companies, Divisionalised Performance Appraisal and the Associated Role of Management Accounting*.
16. Cooper, G. and B. Spicer (1995). A Multi-case investigation of a Theory of the Transfer Pricing Process. *Accounting Organisation and Society, 20(6), pp. 424-458.*
17. Demski, J. and Dye (1999). Risk, Return and Moral Hazard. *Journal of Accounting Research, 37 (1), pp. 26-56.*
18. Dent (1990). Strategy, Organisation and Control; Some Possibilities for Accounting Research. *Accounting Organisation and Society, pp. 3-24.*
19. Drury, C, S. Bound, P. Osbourne, and M. Tayles (1993). A Survey of Management Accounting Practices in the U.K. Manufacturing Companies. *The Chartered Association of Certified Accountants, London.*
20. Drury, C. (2000). Management and Cost Accounting. *International Thomson Business Press, London*.
21. Emerson, H. (1912). The Twelve Principles of Efficiency. *New York Engineering Magazine company*.
22. Emmanuel C. D. Otley and K. Merchant (1990*). Accounting for Management Control, Second Edition. Chapman and Hall*.
23. Epstein and Manzoni (1997). The Balanced Scorecard and Tableau du Bord; *Translating Strategy into Action. Management Accounting, 79 (2), pp.28-40.*
24. Ezzamel, M. (1987). Decision Theory and Information Economics, In Ezzamel and Hart (eds*). Advanced Management Accounting, An Organizational Emphasis, Cassell Education Limited, London. PP138-158.*
25. Ezzamel, M. and Hart (1987). *Advanced Management Accounting, An Organizational Emphasis, Cassell Education Limited, London.*
26. Fayol, H. (1949). General and Industrial Management, London, Pitman (Translated by Constant Storrs, Originally Published in French in 1916).
27. Ferrara, Hayya and Nachman (1972). The normalcy of profit in the Jaedicke–Robichek Model. *The Accounting Review, April, pp. 299-306.*
28. Ferrara, W. (1995). The 21st Century Parad*igm. Management Accounting, December, pp. 30-36.*
29. Fisher, J. (1995). Contingency-based Research on Management Control System; Categorization by Level of Complexity. *Journal of Accounting Literature, 14, pp. 24-52.*
30. Flamholtz, E. (1983). Accounting, Budgeting and control systems. *Accounting Organisation and Society, 8, pp. 147-151*
31. Flamholtz, E. Das and Tsui (1985). Toward an Integrated Framework of Organisational Control. Accounting Organisation and Society, 10 (1). pp.35-50.
32. Foster D. and A. Gupta (1990). Manufacturing Overhead Cost Driver Analysis. *Journal of Accounting and Economics, 12, pp. 309-336*
33. Galbraith, J. (1973). Designing complex Organizations. *Organisation Development Series, Addison-Wesley, Reading, Mass.*

34. Gerlof, E. (1985*). Organizational Theory and Design – A Strategic Approach for Management. New York – McGraw-Hill.*
35. Gittell, J. (2000*). Paradox of Coordination and Control. California Management Review, 42 (3), pp. 141-143.*
36. Goold and Quinn (1990). The Paradox of Strategic Controls. *Strategic Management Journal, 11, pp42-56.*
37. Govindarajan, V. (1984). Appropriateness of Accounting Data in Performance Evaluation; an Empirical Examination of Environment Uncertainty as an Intervening Variable. *Accounting Organisations and Society, pp. 125-135.*
38. Govindarajan V. & Fisher, J. (1990). Strategy, Control System and Resource Sharing: Effects on Business Units Performance. *Academy of Management Journal, 33 (2), pp. 259-285.*
39. Hagerty & Siegel (1988). On The Observational Equivalence of Managerial Contracts Under Conditions of Moral Hazard and Self-Selection. *Quarterly Journal of Economics, pp.425-428.*
40. Hayes, D. (1977). The Contingency Theory of Managerial Accounting. *The Accounting Review. 52 (1), pp. 22-39.*
41. Hooper, T. & Macintosh (1993). Management Accounting as a Disciplinary Practice. *Management Accounting Research, pp. 180-215.*
42. Innes, J. & Mitchell, F. (1995). *A Survey of Activity Based Costing in U.K.'s Large Companies, Management Accounting Research, 6, pp. 137-153.*
43. International Federation of Accountants Committee (IFAC). (1998), *Managerial Accounting Concepts, March.*
44. Jenson, M. (1998). Foundations of Organisational Strategy. *Harvard University Press, Cambridge London.*
45. Johnson, H. (1981). Toward a New Understanding of Nineteenth Century Cost Accounting. *The Accounting Review, July, pp. 510-551.*
46. Johnson, H. and R. Kaplan (1987*). Relevance Lost- The Rise and Fall of Management Accounting, Harvard Business School Press,* Boston, Ma.
47. Kaplan, R. (1982). *Advanced Management Accounting. Prentice Hall, Inc., Englewood Cliffs, N.J.*
48. Kaplan, R. (1984). The Evolution of Management Accounting. *The Accounting Review, 59 (3), pp. 390-418.*
49. Kaplan, R. & Anderson, R. S. (2004). Time-Driven Activity-Based Costing, *Harvard Business Review, November, pp. 131-138.*
50. Kaplan, R. & Norton, N.P. (2000*). Having Trouble With Your Strategy?*
51. Langfield-Smith (1997). Management Control System and Strategy*; A Critical Review. Accounting, Organization and Society, 22 (2), pp. 207-232.*
52. Lee, J. (1987). *Managerial Accounting Changes for the 1990s. Addison-Wesley Publishing Co.*
53. Luft, J. (1997). Long-term Change in Management Accounting; Perspectives from Historical Research. *Journal of Management Accounting Research, 9, pp. 161-195.*
54. Macintosh, N. (1994). Management Accounting and Control Systems- *An Organisational and Behavioural Approach, Wiley.*

55. Macintosh, N. and Daft (1987). Management Control System and Departmental Interdependencies*: An Empirical Study. Accounting, Organization and Society, pp. 40-61.*

56. Merchant, K. (1998*). Modern Management Control System- Text and Cases, Prentice Hall.*

57. Miller, P. and O'Leary, T. (1993). Accounting Expertise and the Politics of the Product; Economic Citizenship and Modes of Corporate Governance. *Accounting, Organization and Society. 19, pp. 187-206.*

58. Nandakumar, Datar and Akella (1993). *Models for Measuring and Accounting for Cost of Conformance Quality. Management Science, 39 (1), pp. 1-16.*

59. Otley, D. (1978). Budget Use and Managerial Performance. *Journal of Accounting Research, pp. 122-149.*

60. Otley, D. (1980). The Contingency Theory of Management Accounting; Achievements and Prognosis. *Accounting, Organisations and Society, pp. 413-428.*

61. Ouchi W. (1980). Markets, Bureaucracies and Clans. Administrative Science Quarterly, 25 (1), pp.129.

62. Porter, M. (1985*). Competitive Advantage. New York, Free Press.*

63. Puxty, A. (1993). The Social and Organisational Context of Management Accounting. Academic Press, Edited *The Advanced Management Accounting and Finance Series, The Chartered Institute of Management Accountants,* by David Otley.

64. Ronen and Livingstone (1975). Expectancy Theory Approach to the Motivational Impacts of Budget. *The Accounting Review, October, pp. 671-685.*

65. Ross. S. (1973). The Economic Theory of Agency; The Principal's Problem. *American Economic Review, 63, pp. 134-139.*

66. Roznowski, M. and C. Hulin (1985). Influences of Functional Speciality and Job Technology on Employees' Perceptual and Effective Responses to their Jobs. *Organizational Behaviour and Human Decision Processes, 36 (2), pp. 186-208.*

67. Scapens, R. (1999). Broadening the Scope of Management Accounting, From a Micro- Economics to a Broader Business Perspective, *Working Paper, University of Manchester, sept.*

68. Shank, J. and V. Govindarajan (1989). Strategic Cost Analysis – *The Evolution from Managerial to Strategic Accounting*. Irwin.

69. Shields, M. and Shields, J. (1998). Antecedents of Participatory Budgeting. *Accounting, Organization and Society, 23 (1), pp. 49-76.*

70. Shields, M., Deng and Kato (2000). The Design and Effect of Control Systems; Test of Direct and Indirect Effects Models. *Accounting, Organization and Society, 25, pp. 185-202.*

71. Spicer, B. (1998). Towards an Organizational Theory of the Transfer Pricing Process. *Accounting, Organizations and Society, pp. 302-322.*

72. Tang, R. (1992*). Transfer Pricing the 1990s, Management Accounting, February, pp 22-26.*

73. Thompson, J. (1967*). Organizations in Action. MacGraw Hill Books,* New York.

74. Tinker, Merino and Neimark (1982), The Normative Origins of Positive Theories, Ideologies and Accounting Thought. *Accounting, Organizations and Society, 7 (2), pp. 167-200.*

75. Urwick, L. (1928). Principles of Direction and Control. *In Dictionary of Industrial Administration, Vol 1. John Lee (ed.),* Pitman, London.

76. Vaysman (1996). A Model of Cost-based Transfer Pricing. *Review of Accounting Studies. 1 (March), pp. 73-108.*

77. Walker, G. (1988). *Strategic Sourcing, Vertical Integration and Transaction Costs. Interfaces, May/June, pp. 62-73.*

78. Walker, M (1998). Management Accounting and the Economics of Internal Organization*: A Review Essay. Management Accounting Research, 9(1), pp. 21-30.*

79. Waterhouse and Tiessen (1978). A Contingency Framework for Management Accounting Systems Research. *Accounting, Organizations and Society, August, pp. 65-76.*

80. Zimmerman J. (1979). The Cost and Benefits of Cost Allocations. *The Accounting Review, July, pp. 504-521.*

81. Zimmerman J. (1997*). Accounting for Decision Management and Control, Second Edition.* Irwin, Chicago.