Effects of Management Accounting Practices on Financial Performance of Manufacturing Companies in Kenya

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EFFECTS OF MANAGEMENT ACCOUNTING PRACTICES ON FINANCIAL PERFORMANCE OF MANUFACTURING COMPANIES IN KENYA

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ABSTRACT

Management accounting offers a good best opportunity for firms to compete in the market in order to offer best quality products and services at affordable prices to consumers. The general objective of this study was to investigate the effects of management accounting practices on financial performance of manufacturing companies in Kenya. This study adopted a descriptive survey design. The target population for this study was the 455 manufacturing companies in Kenya. Stratified random sampling method was applied to come up with the sample size, since the population in different manufacturing firms was considered heterogeneous, implying that a simple random sample is unrepresentative. The study therefore involved 46 manufacturing companies Nairobi. The study collected primary data from the respondents. The data collected was both quantitative and qualitative. Qualitative data is a categorical measurement expressed not in terms of numbers, but rather by means of a natural language description. Quantitative data is a numerical measurement expressed in terms of numbers. Analysis was done using Statistical Package for Social Sciences (SPSS), allowing the researcher to present the information in form of tables and figures. The study concludes that information for decision making practices is the most highly used management accounting practice amongst the manufacturing companies in Kenya followed by strategic analysis, budgeting, performance evaluation, costing, size and leverage respectively. The study further concludes that the most important elements of management accounting practices amongst the manufacturing companies in Kenya are; the management accounting function identifies key factors that influence performance and risky areas that require improvements and return on equity, ROE (Net income / Average Equity) has increased as a result of application of management accounting practices. This study recommends the creation and enhancement of awareness among firms of the importance of Information for decision making practices as this is the most highly used management accounting practice amongst the manufacturing companies in Kenya.