THE IMPACT OF MANAGERIAL ACCOUNTING PRACTICES ON FINANCIAL PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES IN UGANDA: A case of Mbale Town

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Declaration

I, **Chebet Sarah Edith,** hereby declare that this work is my original work and has never been submitted before any School, or institution of learning for any academic award of any qualification. Theories, ideas and materials obtained from existing literature and other sources have been dully acknowledged and referenced.

Signature .... Date 16|09|2023

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Approval

This research dissertation by Chebet Sarah Edith has been done under my supervision and is now ready for submission with my approval.

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Dedication

I dedicate this research to my dear parents who advised, supported and mentored me throughout my education up to university level. Above all, I thank the Almighty God for guidance and provision towards completion of this research.

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I could not have completed this report without the help, love and support from a plethora of people. I would like to thank the school and staff of the School of Business for all of their help and support. I especially would like to thank my research supervisor Mr. Ahabwe Alex for the guidance in the process of making this report.

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MAY GOD BLESS YOU ALL

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Definition of terms

Management accounting practices (MAP) are those internal accounting activities by organizations aimed at optimizing resources, improving efficiency and overall performance.

Abbreviations

AIS	**:**	Accounting Information System
CIMA	**:**	Chattered Institute of Management Accountants
CMP	**:**	Cash Management Practices
GDP	**:**	Gross Domestic Product
IFC	**:**	International Finance Corporation
IMP	**:**	Inventory Management Practices
MAP	**:**	Management Accounting Practices
OCMP	**:**	Overhead Cost Management Practices
RBV	**:**	Resource Based View
ROI	**:**	Return on Investment
SMEs	**:**	Small and Medium-scale Enterprises
UCU	**:**	Uganda Christian University

Abstract

A study was carried out to determine the impact of managerial accounting practices on financial performance in small and medium enterprises in Uganda, taking a case of Mbale Town. An explanatory study design was used and 52 respondents were selected to participate in the study using convenience sampling procedure. Data was collected using questionnaires.

The study found that managerial accounting practices were not well or fully adopted by SMEs. For instance, although 18 (34.6%) agreed that they planned for overhead expenditure to cover a specific period of time, 40 (76.9%) strongly agreed that they controlled the custody and usage of expendable and consumable overhead materials, 30 (57.6%) agreed that wage deduction against defaulting employees for misuse and wastage of overhead materials and labour hours, most 34 (65.4%) did not have insurance cover on valuable overhead materials.

The study further found that the financial performance of SMEs remained negative as most 25 (48.1%) of the respondents disagreed that they had not gained more customers/territory ever since the SME was launched, 32 (61.5%) had not managed to report a profit for 2 or 3 consecutive quarters of the financial year while 28 (53.8%) had not been able to realize a Return on Investment (ROI) which could be partly attributed to poor adoption of management accounting practices as recommended.

The study found that there was a positive relationship between managerial accounting practices and financial performance of SMEs. Although 40 (76.9%) of the respondents disagreed that MAPs lead to better employee performance, 30 (57.7%) disagreed that MAPs lead to better employee commitment, most 30 (57.7%) agreed that MAPs lead to better financial management, 25 (48.1%) agreed that MAPs lead to better cost management, 40 (76.9%) strongly agreed that MAPs lead to better prevention of fraud and financial loss and 20 (38.5%) agreed that MAPs lead to achievement of organizational objectives which should act as an incentive for SMEs to fully adopt management accounting practices for day to day running of their enterprises.

In conclusion, the study found that management accounting practices were not fully adopted and used by most SMEs which greatly affected their performance and survival. The key recommendations included full adoption of all management accounting practices as well as SME owners receiving some training in these aspects for better SME management and performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, the problem statement, general objective of the study, specific objectives, research questions, justification of the study, scope and limitations of the study.

1.1 Background of the study

Management accounting practices (MAP) are those internal accounting activities by organizations aimed at optimizing resources, improving efficiency and overall performance. Kamilah (2021) defined the concept as financial and non-financial techniques that provide important information at operational level for improving strategic performance. Inferring from this definition, MAP are a precondition for the growth of all business and non-business entities irrespective of their sizes, especially in times of limited resources or intense market competition. In fact, most individuals, families, governments, non-governmental organizations, and businesses subconsciously or strategically engage in MAP, but sometimes as a rule of the thumb and unskillfully.

Nowadays, MAP also served as an intervention to emerging market demands such as logistics and supply chain management, total quality management, lean manufacturing, activity-based costing, target costing among others (Abdel-Maksoud, Asada, and Nakagawa, 2020). In addition to its traditional strategy of resources optimization. This simply implied a flexible but sophisticated inventory, cash, and overhead cost management practices.

Whereas management accounting practices may be capable of enhancing market performance in a less competitive environment, intense competition also motivated business to appreciate and leverage on the benefits of such practices. For instance, MAP enhanced market performance by providing relevant assessment information to other business facilitators such as banks, prospective investors, creditors, government, and so on. This popular opinion assumes an apriority expectation of a positive relationship between MAP and performance of small and medium enterprises, though subject to further empirical investigation in the current study.

The definition of Small and medium-scale enterprises (SMEs) has been variously approached to reflect different economic and territorial circumstances and criteria. However, the predominant factors for distinguishing SMEs from other forms of businesses popularly adopted across the world include: volume of invested capital, size of workforce, turnover or volume of sales and size of assets base Reid and Smith (2020). Kongolo (2021) reported that SMEs remained the fundamental entry pointed into business for most countries globally and in Africa. For instance, SMEs comprise about 91% of the formal business entities in South Africa, contributed the range of 51% to 57% to GDP, in addition to providing approximately 60% of the workforce. SMEs were estimated at 97% of total businesses operating in Nigeria, which also made for over 50% each in both workforce and industrial production (Mwanza and Benedict, 2022). A study by Kwor-Azariah and Nkwor (2020) cited a report by the International Finance Corporation (IFC) claiming that approximately 96% of Nigeria's businesses are SMEs. Despite the acclaimed positive contribution by SMEs to different economies, there is almost a consensus among researchers about high rate of failure within their subsector. Some evidence of such failure were observed by Iwok (2020) in the U.S.A., Boachie-Mensah and Marfo-Yiadom (2021) in Ghana, and Maduekwe and Kamala (2020) in Cape Metropolis, South Africa who asserted that most SMEs did not survive beyond their third anniversary and also attributed the cause of the high failure rate to poor business records keeping as well as overall poor use of MAPs. In a related dimension, the success of SMEs has been contentiously attributed to various organizational constituencies, such as manufacturing, administration, marketing, and so on by other researchers (Fatoki, 2020; Neneh and Van Zyl, 2021; Dzisi and Ofosu, 2022). In fairness to the possible interactive effects of other professions to the survival and performance of businesses, most SME-operators and owners seemed not to believe the claim in accounting literature about the importance of management accounting practices (MAP) as the bedrock for cost reduction and resources optimization strategies. A preliminary pilot survey to this study revealed that many SMEs apply the rule of the thumb in their MAP through personal instinct instead of accessing the professional services of accountants. As such, resulting to rapid increase in their rate of failure.

Emphasizing on developing countries, Yeboah-Mantey (2021) specifically associated SMEs' failure to poor or lack of financial and non-financial business record keeping which consequently result to mismanagement of resources and inefficiency among SMEs. As such, weakening the competitive, profitability, and growth capacity of most SMEs in those jurisdictions and resulting to their sudden failure. Thus, according to Turyahebwa et al (2020), adopting appropriate and adequate management accounting practices among Uganda's SMEs could be a panacea for reversing the trend of high failure rate within the subsector. Unfortunately, studies were focused more on the financing need of SMEs but still limited in relation to the contribution of management accounting practices towards mitigating business challenges and enhancing performance. More so, in relation to rapidly changing technology and increasing market competition. Hence, the researchers' objective to determine the influence of management accounting practices on performance of SMEs in Uganda. Whereas the determinants for management accounting practices in this context are Overhead Cost Management Practices (OCMP), Inventory Management Practices (IMP), and Cash Management Practices (CMP), the performance measure is Return On Investment (ROI).

Managerial accounting practices were a critical component of organizational management and a foundation for the safe and sound operation of the organization. A system of strong internal controls can help to ensure that the goals and objectives of an organization were met, that the organization could achieve long-term profitability targets, and maintain reliable financial and managerial reporting Rathnasiri U.A.H.A (2021), Such a system also helped to ensure that the organization will comply with laws and regulations as well as policies, plans, internal rules and procedures, and decrease the risk of unexpected losses or damage to the organization's finances.

According to a report by consultant firm, Deloitte and Touche, most Kenyan SMEs often failed by their 3rd year of existence and this could be attributed to failure by SME owners and staff to effectively implement and ensure the use of managerial accounting practices Reid and Smith (2020).This means that all SMEs, no matter the type, industry and size should be on an alert and should also revise their means of doing business to ensure effective use of managerial accounting practices to ensure their business survival while Turyahebwa et al (2020) reported that Uganda had one of the highest percentages of SME failures and that more than 90% of all SMEs did not live to one year of existence and this was partly attributed to various factors but majorly poor use of managerial accounting practices.

Hence, having the proper managerial accounting practices in place can ensure the profitability and perseverance of an SME as well as prevent losses and fraudulent activities from occurring or cut losses if a fraud already occurred. Hence it was according to this background that the researcher picked interest to carry out this study about the determine the impact of managerial accounting practices on financial performance in small and medium enterprises in Uganda taking a case of Mbale Town.

1.2 Problem Statement

The performance of Small and Medium enterprises (SMEs) are said to be faced with myriad of constraints in developing countries as observed by Uddin R et al., (2022) SMEs in Africa have been considered to be a very important engine for obtaining national development goals, such as poverty alleviation and economic growth Rathnasiri U.A.H.A (2021). Uganda as a developing country is not exempted from these constrains. Turyahebwa et al (2020) pointed that poor business performance has for long remained unexplained most especially in the third-world countries perspective where the Small and Medium Enterprises occupy the large part of the economy.

However, some studies from developed nations such as Uddin R et al., (2022) cite inefficient managerial accounting practices to contribute immensely to SMEs poor business performance while data from Uganda shows that almost 75% of SMEs in the country collapse in their first year of establishment, while 25% remain dormant making little profits. The trend might be caused by different constrains such as, lack of capital, lack of business skills, lack of innovation, un- favorable government policies, and underutilization of accounting practices to guide the enterprises on financial matters (Turyahebwa et al, 2013).

It was believed that the growth of SMEs would offer employment opportunities to people and spur economic development in Uganda and the government of Uganda had put in efforts to create a suitable environment for growth of SMEs. Some of this effort included enactment of laws for the creation of microfinance institutions and the introduction of entrepreneurship course to curriculums of schools and colleges. Despite the government putting a lot of efforts the problem of SMEs of either making little profit or collapsing still persist. This raised the question "Could SMEs closure or making little profit is caused by underutilization of accounting practices?” This prompted the researcher to carry out this study to determine the impact of managerial accounting practices on financial performance in small and medium enterprises in Uganda, taking a case of Mbale Town.

1.3 General Objective

The general objective of the study was to determine the impact of managerial accounting practices on financial performance in small and medium enterprises in Uganda, taking a case of Mbale Town in order to make recommendations to improve the use of managerial accounting practices on financial performance.

1.4 Specific Objectives

1) To establish the managerial accounting practices adopted by SMEs in Mbale Town.
2) To establish financial performance of SMEs in Mbale Town.
3) To determine the relationship between managerial accounting practices and financial performance of SMEs in Mbale Town.

1.5 Research Questions

1) What are the managerial accounting practices adopted by SMEs in Mbale Town?
2) How is the financial performance of SMEs in Mbale Town?
3) What is the relationship between managerial accounting practices and financial performance of SMEs in Mbale Town?

1.6 Justification of the study

The study findings could go a long way in helping the management of SMEs in Mbale town to familiarize themselves on managerial accounting practices as well as the angers of failure to utilize these practices.

Similarly, the study findings could aid SMEs by highlighting the relationship between managerial accounting practices and improved financial performance which would hopefully lead to increased adoption of these managerial accounting practices.

The results from this study provided a valuable reference point for future studies and it could further stimulate more interest for other researchers to carry out studies on the impact of managerial accounting practices on financial performance in small and medium enterprises.

The study benefitted the researcher as it was a partial fulfillment of the requirements for the award of Bachelor of Science in Accounting and Finance of Uganda Christian University.

1.7 Scope of the Study

The study was conducted among SMEs in Mbale town. The study setting was selected because it is well known to the researcher and the respondents are readily available. The study population comprised of staff members of various owners and staff of SMEs in Mbale town. The study focused on the impact of managerial accounting practices on financial performance in small and medium enterprises in Mbale town. The study was based on statistical data of four years.

1.8 limitations of the study

In this study however, the researcher faced some limitations including:

Financial Support: The research study was expensive as it involved a lot of expenditure such as transport costs, internet, and secretarial services. Despite the financial hardships, the researcher used her personal resources, made a budget and strictly followed it to overcome the challenges.

Time Limitations: The researcher was limited by the time in which to carry out the research due to the availability of respondents willing to participate in the study is sensitive. However, the researcher was promised them and ensured maximum confidentiality of all information given as well as maximum privacy.

1.9 Conceptual framework

Dependent variable

Independent Variable

Performance of SMEs

- Profit margins
- Development/growth
- Return on investment

Managerial accounting practices

- Use a system of checks and balances
- Reconcile organization bank accounts every month
- Prepare all fiscal policies and procedures in writing
- Applying internal policies on issues such as cash disbursements, attendance and leave, expense and travel reimbursements, use of company assets, inventory
- Ensure that agency assets such as vehicles, cell phones, equipment, headed paper, and other agency resources are used only for official business

Relationship between MAPs and financial performance of SMEs

- Better financial management
- Better cost management
- Better prevention of fraud and financial loss
- Better employee performance
- Better employee commitment
- Achievement of organizational objectives
- Better overall financial performance

(Source) Adapted and modified by the researcher.

From the conceptual framework above, it could be witnessed that effective application of managerial accounting practices such as Use a system of checks and balances, Reconcile organization bank accounts every month, Prepare all fiscal policies and procedures in writing, applying internal policies on issues such as cash disbursements, attendance and leave, expense and travel reimbursements, use of company assets, inventory and ensuring that agency assets such as vehicles, cell phones, equipment, headed paper, and other agency resources are used only for official business among others directly leads to achievement of improved profit margins, development/growth, return on investment due to better financial management, cost management, prevention of fraud and financial loss, employee performance, employee commitment, achievement of organizational objectives as well better overall financial performance.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This study was set out to assess the impact of managerial accounting practices on financial performance in small and medium enterprises in Mbale town. This chapter covers the related literature to the topic of the study. The literature is also in line with the study objectives.

2.1 Theoretical Background

The explanatory power of Resource Based View (RBV) and Contingency theories are here in adapted for linking the nexus between management accounting practices and performance of SMEs in Uganda.

2.1.1 Resource Based View Theory

Resource Based View (RBV) theory hold reasonable explanation on the relationship that might exist between management accounting practices and performance of small and medium-scale enterprises. Developed by Wernerfelt (2020), it emphasized the importance and influence of an organization's resources on their short-term performance and long-term survival. To such extent, corporate profitability is also dependent on the resources at the disposal of firms. Moreover, resources in this context could either be human or material. Therefore, resources as used in this study include all assets especially inventory, cash, administrative assets, and human assets (the accountants and their accounting skills). Management accounting practices as practiced by trained and skillful accountants (part of organizational resources) is capable of harnessing other resources (including cash, inventory, and overhead)at the possession of business entities for efficiency, effectiveness, competitiveness, and overall profitability. Hence, the nexus and relevance of RBV theory to this study.

2.1.2 Contingency Theory

Traceable to the publication of Joan Woodward in 1958, the theory posit that various factors influence the activities and well-being of different business entities (Harash, 2021). Management style, management accounting information system, financial reporting system, organizational structure, market performance among others were contingent on several external and internal factors. These factors included but not limited to macro-economic, micro-economic, industry specific concerns, firm and leadership specific concerns, nature of business activities, operational territory and regulations. So, whereas there was not one best way for approaching organizational challenges and remedies, there was always one best fit for approaching both within the specific circumstance of every organization.

Thus, this theory suggests designing and adapting management accounting practices in a flexible manner to achieve the predetermined goal, with consideration to the peculiarity and prevailing circumstances surrounding a business entity. However, the accountant through accounting skills and knowledge is most qualify for managing such adaptation and flexibility. Moreover, most researches around contingency framework aim to establish the association between different organizational variables, especially in their early phases of development (Harash, 2021), suggesting that no two organizations were identical in challenges and possible remedies. Hence, the researcher asserted that the majority of such contingency Theorists assumed linear relationships between organizational variables, if adapted to their specific circumstances. Since a straight line (linear trace) is the shortest distance between two points, it is the best fit for two organizational variables (business challenges or problems and their solutions). Perhaps, contingency theory is the source framework of the concept of learning curve in management accounting. Therefore, contingency theory also held reasonable explanation about the relationship between management accounting practices and performance among SMEs.

To improve performance, this theory therefore proposes SME operators to devote special attention to management accounting practices (financial and non-financial) best tailored to suit their specific needs. Harash (2021) Described research-based contingency as “a hypothesis of conditional association of two or more independent variables with a dependent outcome”. Considering the complexity of organization’s operating circumstances, the researcher further Claimed that the primary role of contingency in any business firm is to test a comprehensive model of multiple variables surrounding it (including MAP in this case) In line with its specific circumstances and expectations. This implied that SMEs should consider and adapt MAP to their specific circumstances, as a major variable that could improve performance.

2.2 Managerial accounting practices adopted by SMEs

The scarcity of research literature on management accounting practices among SMEs is a major observation in this review. Reinforcing the relevance of MAP in a research report sponsored by Chattered Institute of Management Accountants (CIMA) on the practice of management accounting by SMEs in the United Kingdom (UK), Lucas, Prowle, and Lowth (2022) however suggested that failure and poor performance among SMEs is always caused by lack or poor utilization of management accounting techniques. Adopting exploratory research design, their results revealed a significant scope for improvement by SMEs through better collaboration with accountants in a “business partner concept” for enhancing the understanding of management accounting decision techniques. The researchers also noted the need for an increased awareness and education among small enterprises on the management accounting tools to be used and how to use them at different sizes of business entities.

Yousef (2020) adopted survey research design in a study about the use of accounting information among SMEs in Jordan. Questionnaire was utilized for collecting data from a sample of 136 SMEs. In a descriptive analysis, the researcher observed a low level of awareness about the relevance of financial management and accounting information among SMEs in southern Jordan.

The findings in Lucas, Prowle, and Lowth (2022) lends credibility to an earlier study by D'Ambrose and Gasse (2021) in another developed country of Canada as cited in Ohachosim, Onwuchekwa and Ifeanyi (2021). The researchers surveyed the application of management accounting practices in 25 shoe manufacturing and 26 plastics manufacturing SMEs in Canada. Adopting descriptive statistical analysis, their result indicated that cost accounting system was applicable in about 88 percent of surveyed entities as well as significantly account for their success.

Most researchers in Asia and Middle East obtained results similar to those in developed countries of UK and Canada. For instance, Kamilah (2021) explored the link between the implementation of MAP and performance by SMEs within manufacturing sector of Malaysia. Adopting survey research design through questionnaire and descriptive statistical analysis, costing system and performance measurement system were found to be the common MAP employed by SME-respondents. The findings further revealed that MAP had significant relationship with performance. Thus, emphasizing the relevance of MAP in today's organization.

Investigating the adoption of a broad range application of management accounting practices by Malaysian manufacturing SMEs, Kamilah and Shafie (2021) adopted survey research design. Structured questionnaire was utilized for data collection, while percentage analyses was used for estimating the results. Their result showed that Malaysian small and medium firms extensively used traditional MAP, but occasionally apply modern MAP such as non- financial measure of performance in relation to firm specific processes and for customers. The results also indicated a greater usage of management accounting practices by medium firms than small firms. In most cases, medium firms applied MAP as twice as many small firms did. The most significant disparity in the use of MAP between small and medium firms was high in the aspect of decision support system and strategic management accounting.

Like their counterparts in other regions of the world, researchers that focuses on African countries appeared not to be different in their findings about poor use of MAP by SMEs. Acknowledging that SMEs were part of the major contributors to economic growth and development, Mohamad and Kalsom (2020) studied the nexus between their performance and management accounting practices in Libya. Adopting exploratory research design for theoretical review of prior literature, the researcher suggested conceptual and hypothetical framework for empirical investigation of the determinants of management accounting practices and their business implication on the performance of SMEs in Libya. Although the review revealed poor management accounting practices by SMEs, it however found evidence to support that financial and non-financial information of MAP constitute important management techniques to be adopted by SMEs. Therefore, the researchers emphasize that MAP are critical to the survival of SMEs.

Alhassan, Erasmus, and Portia (2022) examined four components of financial management practices including capital structure, capital budgeting techniques, working capital, accounting information, and financial reporting, and fixed assets. Performance was measured through profitability in terms of Return on Assets and growth. The researchers surveyed 100 SMEs in Accra in Ghana by administering questionnaire. Descriptive statistics and Pearson correlation were used for data analyses. Descriptive statistics however showed that working capital management practices had the highest mean score, followed by accounting information and financial reporting practices, capital structure management and lastly the adoption of capital budgeting techniques and fixed assets management respectively. However, the profitability and growth of SMEs were positively associated with the four components of financial management practices in the Pearson correlation analysis. Thus, suggesting improvement in the financial management by SMEs as a strategy for expanding profitability and growth. Although capital budgeting techniques positively impacted on SMEs' performance, the researchers recommended improvement in its use, since it revealed the least score. The use of discounted cash flow techniques for evaluating investment and projects was also recommended for improved decision making and access to capital.

Related to the study by Mpili (2021) about an investigation of availability and uses of financial statements in SMEs in Tanzania, the case of Dar es salaam Region adopting questionnaire for obtaining data, ordinary least square (OLS) was utilized for Analysis. Their results revealed that poor accounting system is the major source of financial challenges among SMEs in Tanzania. They however inferred that greater access to finance may improve SMEs' performance in Tanzania. Thus, the researchers recommended SMEs in Tanzania to widely consult accountants for the maintenance of generally accepted accounting practices.

2.3 Financial performance of SMEs

Evaluating factors influencing the use of formal accounting system by SMEs, Padachi (2021) observed that accounting technique is one of the most neglected functions by SMEs. Some SME-operators who understand the importance of record keeping blamed their poor approach on lack of required skills and the high cost of consulting accountants (Everaert, Sarens, and Rommel, 2022). However, Mpoma. G.E. (2021) reported regulatory requirement in some territories as the only reason for minimum level of adherence to accounting practices by SMEs. Drawing inference from the above findings, inadequate management accounting practices are traceable to ignorance, lack of accounting skills, and high cost of engaging external accountants.

Unfortunately, most SME-operators did not understand the importance of accounts payable and receivable as integral parts of cash management. Grablowsky and Rowell (2021) observed that many SMEs in Virginia had poor credit management and did not understand purchases and services on credit basis as means of financing businesses.

In an evaluation of the gap in working capital management in terms of MAP adopted by manufacturers of consumer goods in Isiolo County of Kenya with the aim of recommending better practices capable of increasing profitability, Murega, Shano, and Ngera (2020) aimed to determine the impact of inventory management practices on profitability. Utilizing questionnaire survey for data collection, Statistical package for Social Sciences was adopted for estimating the test results through multiple regression analysis. The researchers moreover relied on Analysis of Variance for the adequacy of the model. Their result indicated that inventor y management significantly influenced profitability of consumer goods manufacturers. Hence, the researchers recommended review and adjustment in the inventory management practices by the concerned firms in Isiolo County of Kenya. Their position is moreover in tandem with an earlier similar survey of 300 SMEs located in the Northern Region of Ghana by Hamza, Mutala and Stephen (2022) who adopted descriptive and inferential statistics as well as multivariate analysis. The researchers found a positive association between financial performance and inventory management practices. They, however noted the need for SME-operators to enhance their financial performance and survival by embracing efficient stock management practices as key improvement strategy.

Assessing inventory management strategies adopted by SMEs in the manufacturing industry of Harare in Zimbabwe, Muchaendepi, Mbohwa, Hamandishe, and Kanyepe (2020) utilized a descriptive transformation of qualitative research design. Data were obtained through purposively prepared questionnaire. Their findings showed that Just-In-Time method of inventory management was widely in use by most SMEs in Harare, who unfortunately did not have much knowledge about other methods and computerized system of inventory management. To that extent, SMEs in that region encountered the difficulty of sustaining almost real-time communication in their inventory supply chain. However, their inability to keep pace with volatile demand on a real-time resulted to delays in filling customers' orders. Inferring from this report, manufacturing SMEs surveyed in Harare were not adequately efficient and effective in satisfying the market demand and perhaps, that affected profitability.

2.4 Relationship between managerial accounting practices and financial performance of SMEs

Moreover, studies were very scarce on overhead cost management practices and performance of SMEs in Uganda. However, Matovu (2020) research about the perceived quality of accounting information and performance of small and medium enterprises, the result showed strong positive association between cost management practices (including overhead cost management practices) and performance. A cost management strategy focused on production and administrative overhead cost was recommended for profit maximization.

The observations of poor accounting practices among SMEs in Nigeria by Ebere, Egbuhuzor, and Odoyi (2021) and Ohachosim, Onwuchekwa and Ifeanyi (2021) were not isolated cases but iceberg phenomenon; Thus, many other studies also observed that most SMEs in Nigeria did not pay much attention to book-keeping as it concern their businesses (Ezejiofor, Ezenyirimba and Olise, 2020), (Okoli, 2021). In Anambra State, Ezejiofor, Ezenyirimba and Olise (2021) surveyed 48 SMEs. Using t-test, the researchers found that accounting record keeping is positively significant to the performance of small and medium size enterprises. They further noted that adequate records by SMEs is capable of facilitating efficiency and timeliness in decision making; thereby enhancing their profitability.

Similarly, Okoli (2021) related record keeping and profitability in 148 SMEs in Enugu. Using survey research design and percentage analysis, the researcher found that most of the sampled SME operators could not evaluate their performance effectively due to inadequate record keeping. Nonetheless, another related research by Okafor and Daferighe (2022) demonstrated a positive association between accounting practices and performance of SMEs in Akwa Ibom State, Nigeria.

Chartered Institute of Management Accountant (CIMA), 2022) pointed that cash management is crucial and life-wire of all successful businesses. This stance was empirically demonstrated in a study by Maseko and Manyani (2020) about accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura) and to ascertain the association between cash management, liquidity, and performance, two sets of hypotheses were formulated, analyzed with the use of descriptive statistics, and tested through correlation coefficient technique. The results indicated a strong nexus between cash management and performance of manufacturing companies. However, it was observed that only high liquidity position with poor management did not reflect positively on performance among manufacturing companies in Zimbabwe. Hence, the importance of effective cash management for improving performance (Belal, 2021).

In a conceptual review of accounting performance of SMEs and effect of accounting information system (AIS) with emphasis on MAP in Iraq, (Harash, 2021) adopted an exploratory approach. Though, the researcher observed a large number of studies in this subject area, but noted a dearth of empirical investigation on the relationship between AIS and accounting performance of SMEs. However, the results of prior researches revealed positive relationships between the variables among SMEs in Iraq. Thus, suggesting further improvement of SMEs' performance, if management accounting practices in consonance with specific contingencies are adopted. Drawing from the findings nonetheless, the researcher formulated hypothesis for further studies of the variables within the SME subsector.

Verifying this acclaimed importance of management accounting practices to the survival of SMEs, Maziriri and Mapuranga (2022) examined the impact of management accounting practices on SMEs' performance in South Africa. Asserting paucity of studies which established link between these variables in South Africa, the researchers adopted survey research approach. Descriptive statistics was used for data analyses, whereas the Statistical Package for Social Sciences was used for estimating the test results through multiple Regression analysis. However, the results indicated that MAP positively influence the performance of SMEs. Hence, MAP is potentially capable of reducing the rate of failure among SMEs in South Africa, thereby boosting their economic benefits.

Using descriptive research design and cross-sectional survey, Yeboah-Mantey (2021) assessed the effect of management accounting practices on the financial performance among small and medium enterprises in the Cape Coast Metropolis of Ghana. Adopting content review and administration of questionnaire as research instruments, data were analyzed through multivariate regression. The researcher found that management accounting practices was positively related to producing high quality goods and services; thus, boosting the performance of SMEs through profitability and growth. The researcher asserted that innovative and skillful use of MAP can strengthen the relationship between SMEs and its essential constituencies, such as banks, creditors, customers, and so on. Therefore, the findings further revealed that access to credit and bulk purchases through cheapest possible sources enhanced business prospects in profit maximization and overall improvement of financial performance.

Investigating accounting practices and performance of Small and Medium Scale enterprises in Kenya with particular reference to Chuka Town, Mutua (2020) study about the effect of Bookkeeping on The Growth of Small and Medium Enterprises, the findings indicated a weak positive influence by payroll accounting practices, record keeping practices, and budgeting practices by SMEs on their efficiency and effectiveness. The researchers therefore concluded poor accounting practices among SMEs in Rivers state as one of the causes of their in effective performances".

2.5 Gap in the Literature

Inferring from the review, researchers across different territories of the world were significantly convergent about positive association between management accounting practices and performance of SMEs. For instance, Reid and Smith (2020) asserted that MAP provides financial and non-financial information that are capable of improving the operations and performance of businesses in Scotland.

Similarly, Harash (2021) cited in Afirah and Noor hayati (2021) further reported the potential of MAP to improve the profitability of businesses in Japan through waste reduction and optimal resources utilization. Amat, Carmona, and Roberts (2022) found a positive correlation between MAP and competitive advantage of SMEs in Spain. Moreover, extant literature in accounting discipline conventionally theorizes that management accounting practices are value relevant to all business organizations. The foregoing positions about MAP further suggested a symbiotic relationship between the concept and competitiveness of a firm. While MAP was arguably capable of enhancing SMEs' performance in a competitive business environment, intense market competition can motivate the adoption of MAP to avoid business failure.

However, poor management accounting practices was also observed in most reviewed studies that focused on African countries. Besides, there was a general dearth of researches on MAP among SMEs in Uganda, especially in the aspect of overhead cost management practices. Hence, the rationale for this study. Moreover, lack of specific scope in most reviewed researches may be attributable to difficulties often associated with obtaining primary data from SMEs in developing countries. As such, the researchers could not be certain about the specific time-frame of the study, in addition to cross-sectional focus in most of such studies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter describes the practical procedures and methods for carrying out the study. It gives details of the research methods to be adopted, including the research design, study population, sampling procedure, sample size, data sources, data collection methods, data processing, data analysis and presentation of findings as well as dissemination of findings.

3.1 Research Design

Research design referred to how data collection and analysis are structured in order to meet the research objectives through empirical evidence economically. The research design employed was explanatory study design. Explanatory study designs were important in answering the "how" questions. Such designs sought to explain how one variable affected another. The use of the explanatory research was considered appropriate to use any time there was need to clarify a perceived problem. Whenever there was a problem, it was important to completely understand it before solving it and the use explanatory research to address such a problem is recommended. Explanatory study design was preferred because the study needed to determine the impact of managerial accounting practices on financial performance in small and medium enterprises in Uganda, taking a case of Mbale Town.

3.2 Study Setting

The study was conducted among SMEs in Mbale Town. The study setting was selected because it was well known to the researcher and the respondents were readily available.

3.3 Study Population

The study population comprised of staff members of various owners and staff of SMEs in Mbale Town.

3.4 Sampling Design

The researcher used both purposive and simple random sampling techniques to select the respondents for the study. In these sampling techniques, the researcher conveniently selected all the available respondents who met study criteria and accepted to participate in the study. Additionally, the researcher used purposive sampling technique because it allowed the researcher to select professionals who are stake holders of the SMEs in Mbale town for example the managers. Simple random sampling technique was also used which was quite easy for the researcher to identify the required respondents with the required information such as the employees in the SMEs in Mbale town.

3.5 Sample size

The study included a total of 52 respondents, all owners or staff of SMEs in Mbale Town. This sample size was presumed representative enough of the entire study population. The sample size was determined by the use of Morgan and Krejcie (1970) table for Sample size determination. According to the table, with a study population of 60 respondents, the sample size was 52 respondents. **See appendix.**

Figure 1: Showing the sample selection

Sampling technique	Population	Sample size	Sampling technique
Top management	20	20	Purposive sampling method
Employees	40	32	Simple random sampling method
Total	60	52	

3.6 Data sources

Data was collected from both primary and secondary sources. Primary data was collected from the respondents using questionnaires. This enabled them to reveal their awareness and knowledge about the impact of managerial accounting practices on financial performance in small and medium enterprises.

3.6.1 Data collection methods

The researcher used documentary review and survey methods to get empirical data for processing and presentation. This involved checking of various journals and text books by different authors on the impact of managerial accounting practices on financial performance in small and medium enterprises.

3.6.2 Data collection Instrument

Data was collected by the use of semi-structured questionnaires. Questionnaires were used because the study population included only literate respondents and this tool was designed for the respondents and compiled by the researcher with the assistance of the supervisor. The researcher used both open and close ended questions. The questionnaire was based on a likert scale while others were factual questions aimed at avoiding perceptions and bias. The questionnaire presented statements about reconciliation controls which the respondents were supposed to rate on a scale of 1 to 5 rated from 1=strongly disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=strongly agree.

3.7 Data processing and quality control

The questionnaire responses were edited for accuracy without changing the meaning given in the response. Responses were manually coded and arranged properly for presentation analysis.

3.8 Data Analysis and presentation

Data was analyzed by the use of SPSS version 22 which assisted in coming up with frequencies and percentages as units of measurements. Findings were presented in form of tables, pie charts and graphs as well as plain text models.

3.9 Ethical considerations

The researcher got permission from the management of the SMEs to enable data collection from the various SMEs in Mbale town. This was preceded by a letter of introduction from the Dean's office as pre-requisite for carrying out the study. After permission was granted, the management formally introduced the researcher to the respondents. The researcher introduced herself to the respondents and the consent of the respondents was obtained after the purpose and objectives of the study had been identified and well explained to the respondents. The study was purely for academic purposes and all the information given were treated with maximum confidentiality and numbers instead of names were used to identify the respondents.

3.10 Dissemination of Results

The results were forwarded to the School of Business Administration, Uganda Christian University, a copy was given to the research supervisor and the researcher also retained a copy for future reference and ownership.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

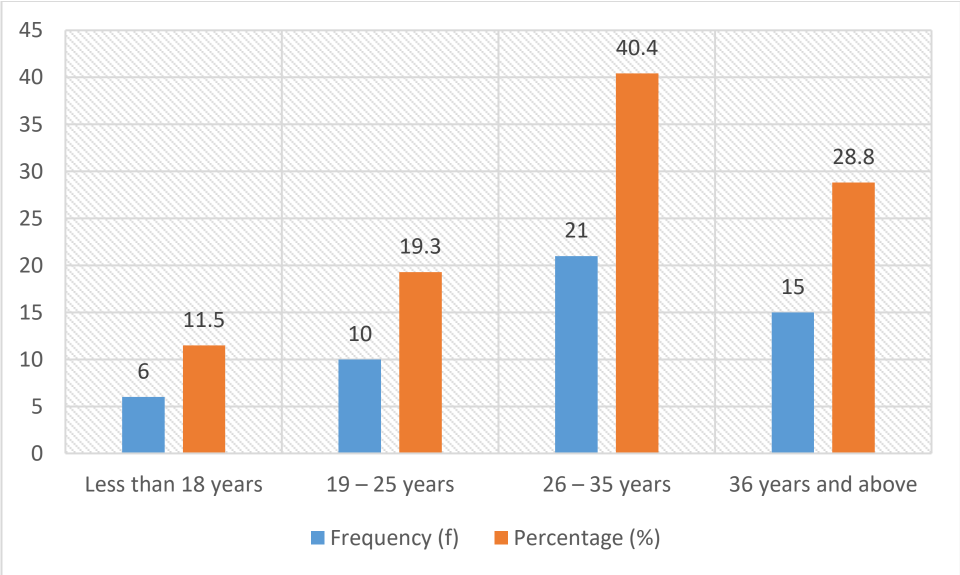
4.0 Introduction

This chapter presented results from 52 respondents. The researcher gathered data from questionnaires. The findings were analyzed and presented in tables, figures and graphs where frequency and percentages were used.

4.1 Social Demographic Characteristics

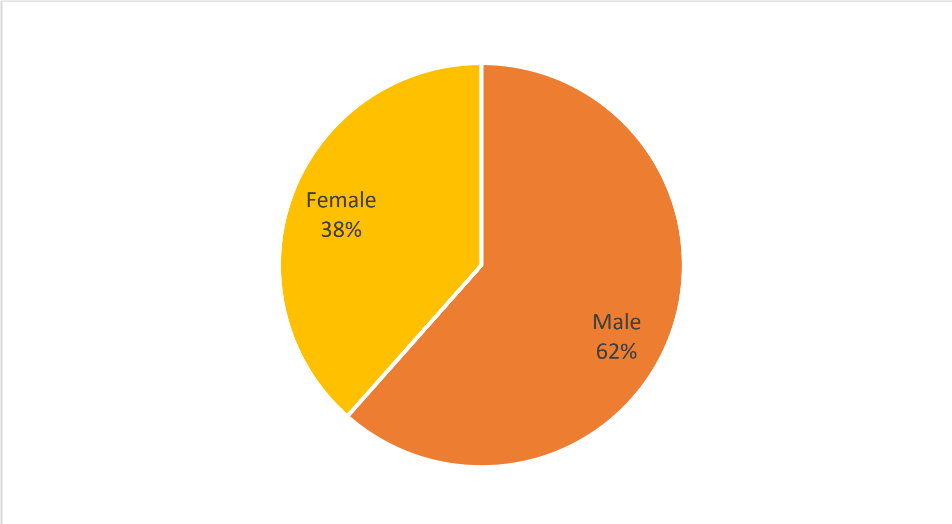
The questionnaire included questions on demographic and social characteristics including age, gender, cadre and years of experience. This information was assessed to determine its relationship with the impact of managerial accounting practices on financial performance in small and medium enterprises in Uganda, taking a case of Mbale town. The results are presented as follows: -

Figure 2: Distribution of respondents by age **n=52**



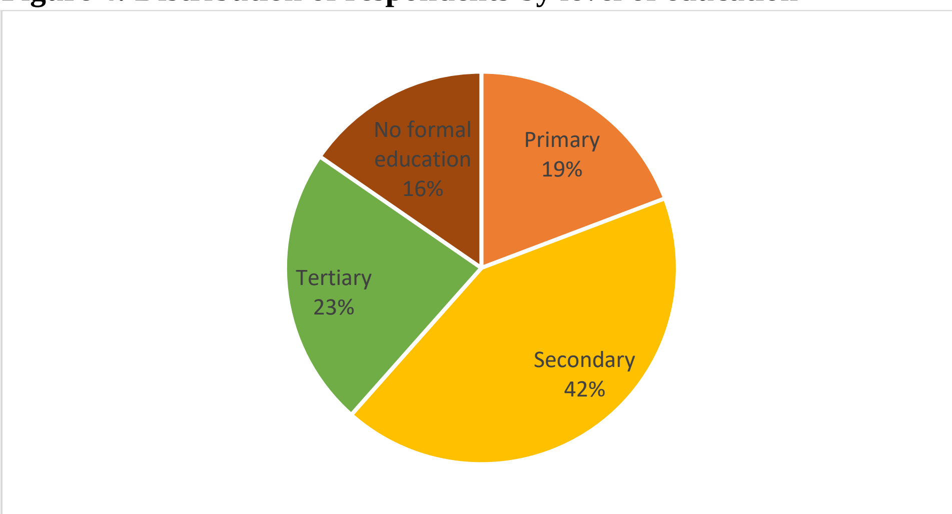
Most 21 (40.4%) of the respondents were 26 – 35 years while the least 6 (11.5%) were less than 18 years.

Figure 3: Distribution of respondents by gender **n=52**



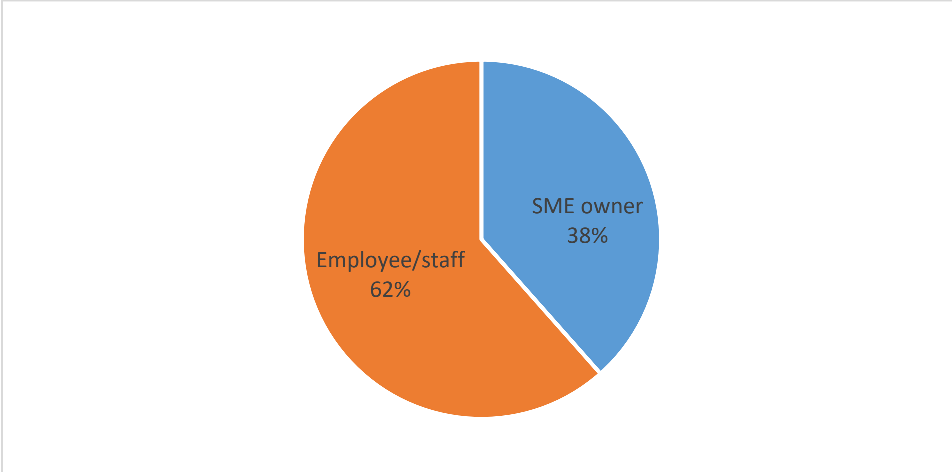
Majority 32 (62%) of the respondents were male while the least 20 (38%) were female.

Figure 4: Distribution of respondents by level of education **n=52**



Most 22 (42.3%) of the respondents attained secondary level education while the least 8 (15.4%) did not attain any formal education.

Figure 5: Distribution of respondents by designation **n=52**



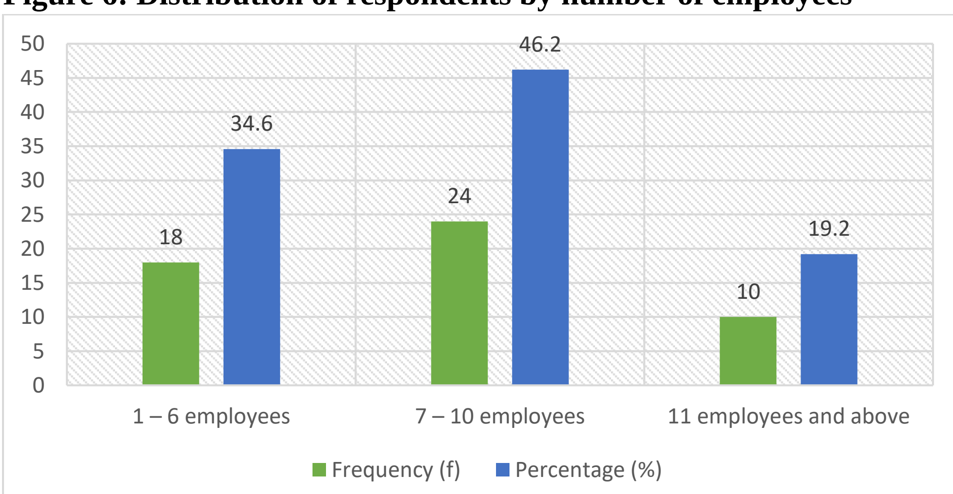
Majority 32 (62%) of the respondents were employee/staff while the least 20 (38%) were SME owners.

Table 1: Distribution of respondents by years of experience **n=52**

Years of experience	Frequency (f)	Percentage (%)
Less than 5 years	7	13.5
More than 5 years	45	86.5
Total	**52**	**100**

Majority 45 (86.5%) of the respondents had more than 5 years of experience while the least 7 (13.5%) had less than 5 years of experience.

Figure 6: Distribution of respondents by number of employees **n=52**



Most 24 (46.2%) of the respondents had 7 – 10 employees while the least 10 (19.2%) had 11 employees and above.

4.2 Managerial accounting practices adopted by SMEs

Table 2: Managerial accounting practices employed by respondents

S/N	Managerial accounting practices	Scores				
		strongly agree	***agree***	***Neutral***	***disagree***	***strongly disagree***
1)	**What are the overhead costs Management practice(s) applicable to the organization?**					
	Planning for overhead expenditure to cover a specific period of time	12 (23.1%)	18 (34.6%)	3 (5.7%)	10 (19.3%)	9 (17.3%)
	Control in the custody and usage of expendable and consumable overhead materials	40 (76.9%)	12 (23.1%)	-	-	-
	Insurance cover on valuable overhead materials	-	8 (15.4%)	-	34 (65.4%)	10 (19.2%)
	Internal control in the procurement process and management of overhead materials and labour	8 (15.4%)	26 (50%)	6 (11.5%)	12 (23.1%)	-
	Control of overhead costs associated with the maintenance of tangible non-current assets	7 (13.5%)	10 (19.3%)	-	30 (57.6%)	5 (9.6%)
	Prorated and equitable method of allocating overhead costs to products/services for fair determination of their selling prices	-	-	-	22 (42.3%)	30 (57.7%)
	Wage deduction against defaulting employees for misuse and wastage of overhead materials and labour hours	15 (28.8%)	30 (57.6%)	7 (13.6%)	-	-
	Internal control approach towards managing payroll	-	-	-	32 (61.5%)	20 (38.5%)
	Tracking and allocating overhead expenses with an overhead cost analysis sheet	5 (9.6%)	8 (15.4%)	3 (5.7%)	24 (46.2%)	12 (23.1%)
	Adopting overhead cost management technique as cost minimization, quality control, and price competitive strategies	-	9 (17.3%)	5 (9.6%)	28 (53.8%)	10 (19.3%)
	Reconciling actual and planned overhead costs for variance analysis to cover specific period of time	-	-	-	-	52 (100%)
2)	**What are the Inventory Management Practices applicable to your organization?**					
	Preparation of inventory plan to cover a specified period of time	5 (9.6%)	9 (17.3%)	6 (11.5%)	22 (42.3%)	10 (19.3%)

	Periodic or continuous inventory physical count	25 (48%)	17 (32.7%)	10 (19.3%)	-	-
	Reconciliation of inventory's physical count figure with inventory records	30 (57.7%)	22 (42.3%)	-	-	-
	Techniques for the determination of the level of inventory in the store to avoid stock -out (method for material costing)	-	-	-	42 (80.7%)	10 (19.3%)
	Periodic summary of inventory usage to determine the difference between planned and actual usage (inventory variance analysis)	-	-	-	38 (73.1%)	14 (26.9%)
	Physical safeguards of inventory against theft	40 (76.9%)	12 (23.1%)	-	-	-
	Physical safeguards of inventory against risk of fire	-	-	-	12 (23.1%)	40 (76.9%)
	Authorization due process for inventory requisitions and issues	6 (11.5%)	9 (17.3%)	-	27 (51.9%)	10 (19.3%)
	Determination of minimum and maximum inventory levels to avoid stocking too much or too little	-	7 (13.6%)	-	31 (59.6%)	14 (26.9%)
	Undertaking insurance policy against damages/losses of inventory	5 (9.6%)	7 (13.6%)	-	28 (53.8%)	12 (23%)
3)	**What are the cash management practice(s) applicable to your organization?**					
	Preparation of cash plan for a specific period of time	-	-	-	40 (76.9%)	12 (23.1%)
	Internal control on cash handling and authorization for banking transactions	5 (9.6%)	7 (13.6%)	4 (7.7%)	26 (50%)	10 (19.3%)
	Establishing minimum and maximum cash holding	-	-	-	52 (100%)	-
	Proper arrangement for investing surplus cash holding	3 (5.7%)	7 (13.6%)	-	30 (57.7%)	12 (23%)
	Maintenance of separate registers (records) for tracking cash receipts in the form of notes/coins, cheques, and instant money transfers	-	-	-	-	52 (100%)
	Reconciling receipts and payment registers with bank statements	30 (57.7%)	12 (23%)	-	10 (19.3%)	-
	Back-up plan for cash supply in the event of unexpected cash shortage	-	-	-	-	52 (100%)
	Proper authorization process for cash payment	32 (61.5%)	20 (38.5%)	-	-	-
	Engaging different persons for separate responsibilities related to cash management	-	-	-	40 (76.9%)	12 (23.1%)

Most 18 (34.6%) of the respondents agreed that they planned for overhead expenditure to cover a specific period of time while the least 3 (5.7%) were neutral. Majority 40 (76.9%) of the respondents strongly agreed that they controlled the custody and usage of expendable and consumable overhead materials while the least 12 (23.1%) agreed.

Majority 34 (65.4%) of the respondents disagreed that they had insurance cover on valuable overhead materials while the least 8 (15.4%) agreed. Most 26 (50%) of the respondents disagreed that internal control in the procurement process and management of overhead materials and labour while the least 6 (11.5%) were neutral.

Most 30 (57.6%) of the respondents disagreed that they had control of overhead costs associated with the maintenance of tangible non-current assets while the least 7 (13.5%) strongly agreed. Most 30 (57.7%) respondents strongly disagreed that prorated and equitable method of allocating overhead costs to products/services for fair determination of their selling prices while the least 22 (42.3%) disagreed.

A total of 30 (57.6%) respondents agreed that wage deduction against defaulting employees for misuse and wastage of overhead materials and labour hours while the least 7 (13.6%) were neutral. Most 32 (61.5%) of the respondents disagreed using internal control approach towards managing payroll while the least 20 (38.5%) strongly disagreed.

Most 24 (46.2%) of the respondents disagreed that they tracked and allocated overhead expenses with an overhead cost analysis sheet while the least 3 (5.7%) were neutral. More than half 28 (53.8%) of the respondents disagreed that they adopted overhead cost management technique as cost minimization, quality control, and price competitive strategies while the least 5 (9.6%) were neutral. All 52 (100%) of the respondents disagreed that they reconciled actual and planned overhead costs for variance analysis to cover specific period of time.

Most 22 (42.3%) of the respondents disagreed that they prepared an inventory plan to cover a specified period of time while the least 5 (9.6%) strongly agreed. A total of 25 (48%) respondents strongly agreed that they prepared a periodic or continuous inventory physical count while the least 10 (19.3%) were neutral.

Majority 30 (57.7%) of the respondents strongly agreed that they reconciled inventory's physical count figure with inventory records while the least 22 (42.3%) agreed. Majority 42 (80.7%) of the respondents disagreed that techniques for the determination of the level of inventory in the store to avoid stock -out (method for material costing) while the least 10 (19.3%) strongly disagreed.

Majority 38 (73.1%) of the respondents disagreed that they used periodic summary of inventory usage to determine the difference between planned and actual usage (inventory variance analysis) while the least 14 (26.9%) strongly disagreed.

Majority 40 (76.9%) of the respondents strongly agreed that they used physical safeguards of inventory against theft while the least 12 (23.1%) agreed. Most 40 (76.9%) strongly disagreed that they used physical safeguards of inventory against risk of fire while the least 12 (23.1%) disagreed.

More than half 27 (51.9%) of the respondents disagreed that they used authorization due process for inventory requisitions and issues while the least 6 (11.5%) strongly agreed. Majority 31 (59.6%) of the respondents disagreed that they determined minimum and maximum inventory levels to avoid stocking too much or too little while the least 7 (13.6%) agreed.

Most 28 (53.8%) of the respondents disagreed that they had undertaken an insurance policy against damages/losses of inventory while the least 5 (9.6%) strongly agreed.

Majority 40 (76.9%) of the respondents disagreed that they had prepared a cash plan for a specific period of time while the least 12 (23.1%) strongly disagreed. Half 26 (50%) of the respondents disagreed that they had internal control on cash handling and authorization for banking transactions while the least 4 (7.7%) were neutral.

All 52 (100%) of the respondents disagreed that they had established minimum and maximum cash holding. Majority 30 (57.7%) of the respondents disagreed that they had a proper arrangement for investing surplus cash holding while the least 3 (5.7%) strongly agreed.

All 52 (100%) of the respondents strongly disagreed that they maintained separate registers (records) for tracking cash receipts in the form of notes/coins, cheques, and instant money transfers. Majority 30 (57.7%) of the respondents strongly agreed that they reconciled receipts and payment registers with bank statements while the least 10 (19.3%) disagreed.

All 52 (100%) of the respondents strongly disagreed that they had a back-up plan for cash supply in the event of unexpected cash shortage. Majority 32 (61.5%) of the respondents strongly agreed that they had proper authorization process for cash payment while the least 20 (38.5%) agreed.

Majority 40 (76.9%) of the respondents disagreed that they engaged different persons for separate responsibilities related to cash management while the least 12 (23.1%) strongly disagreed.

4.3 Financial performance of SMEs

Table 3: Financial performance of SMEs according to respondents

S/N	Performance of SMEs	Scores				
		strongly agree	***agree***	***neutral***	***disagree***	***strongly disagree***
	Ever since SME was launched, have you gained more customers/territory?	4 (7.7%)	8 (15.4%)	-	25 (48.1%)	15 (28.8%)
	Have you managed to report a profit for 2 or 3 consecutive quarters of the financial year?	3 (5.7%)	10 (19.3%)	-	32 (61.5%)	7 (13.5%)
	Have you been able to realize a Return on Investment (ROI)?	8 (15.4%)	6 (11.5%)	-	28 (53.8%)	10 (19.3%)

Most 25 (48.1%) of the respondents disagreed that ever since the SME was launched, they had gained more customers/territory while the least 4 (7.7%) strongly agreed. Majority 32 (61.5%) of the respondents disagreed that they had managed to report a profit for 2 or 3 consecutive quarters of the financial year while the least 3 (5.7%) strongly agreed. Most 28 (53.8%) of the respondents disagreed that they had been able to realize a Return on Investment (ROI) while the least 6 (11.5%) agreed.

4.4 Relationship between managerial accounting practices and financial performance of SMEs

Table 4: Relationship between managerial accounting practices and financial performance of SMEs according to respondents

S/N	Relationship between MAP and financial performance of SMEs	Scores				
		strongly agree	***agree***	***Neutral***	***disagree***	***strongly disagree***
	MAPs lead to better financial management	12 (23.1%)	30 (57.7%)	-	10 (19.3%)	-
	MAPs lead to better cost management	5 (9.6%)	25 (48.1%)	3 (5.7%)	12 (23.1%)	7 (13.5%)
	MAPs lead to better prevention of fraud and financial loss	40 (76.9%)	12 (23.1%)	-	-	-
	MAPs lead to better employee	-	-	-	40	12

	performance				(76.9%)	(23.1%)
	MAPs lead to better employee commitment	-	10 (19.3%)	-	30 (57.7%)	12 (23%)
	MAPs lead to achievement of organizational objectives	5 (9.6%)	20 (38.5%)	6 (11.5%)	15 (28.8%)	6 (11.5%)
	MAPs lead to better overall financial performance	8 (15.4%)	28 (53.8%)	3 (5.7%)	7 (13.5%)	6 (11.5%)

Majority 30 (57.7%) of respondents agreed that MAPs lead to better financial management while the least 10 (19.3%) disagree. A total of 25 (48.1%) respondents agreed that MAPs lead to better cost management while the least 3 (5.7%) were neutral.

Most 40 (76.9%) of the respondents strongly agreed that MAPs lead to better prevention of fraud and financial loss while the least 12 (23.1%) agreed. Majority 40 (76.9%) of the respondents disagreed that MAPs lead to better employee performance while the least 12 (23.1%) strongly disagree.

Majority 30 (57.7%) of respondents disagree that MAPs lead to better employee commitment while the least 10 (19.3%) agree. Most 20 (38.5%) of the respondents agree that MAPs lead to achievement of organizational objectives while the least 5 (9.6%) strongly agree. Most 28 (53.8%) of the respondents agreed that MAPs lead to better overall financial performance while the least 3 (5.7%) were neutral.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of results, conclusion and recommendations of the study which were obtained after data analysis and discussion of the results which were obtained after data analysis.

5.1.1 Demographic and Social Characteristics

Most 21 (40.4%) of the respondents were 26 – 35 years while the least 6 (11.5%) were less than 18 years.

Majority 32 (62%) of the respondents were male while the least 20 (38%) were female.

Most 22 (42.3%) of the respondents attained secondary level education while the least 8 (15.4%) did not attain any formal education. This implied that respondents may lack adequate knowledge and skills on the use of management accounting practices in their SMEs which may affect their survival and profitability. This study finding was in agreement with Padachi (2021) whose study evaluating factors influencing the use of formal accounting system by SMEs, observed that accounting technique is one of the most neglected functions by SMEs. Some SME-operators who understand the importance of record keeping blamed their poor approach on lack of required skills and the high cost of consulting accountants (Everaert, Sarens, and Rommel, 2022).

Majority 32 (62%) of the respondents were employee/staff while the least 20 (38%) were SME owners. This helped to provide a unique insight into the SMEs and their operations as information was provided from both SME owners and employees.

Majority 45 (86.5%) of the respondents had more than 5 years of experience which implied that respondents were relatively well experienced to provide good quality responses to the questions asked.

Most 24 (46.2%) of the respondents had 7 – 10 employees while the least 10 (19.2%) had 11 employees and above. This demonstrated that most respondents and participating SMEs were sizeable in nature and hence had to endeavor to ensure good use and implementation of management accounting practices to ensure growth of the SME.

5.1.2 Managerial accounting practices adopted by SMEs

Most 18 (34.6%) of the respondents agreed that they planned for overhead expenditure to cover a specific period of time, 40 (76.9%) strongly agreed that they controlled the custody and usage of expendable and consumable overhead materials, 30 (57.6%) agreed that wage deduction against defaulting employees for misuse and wastage of overhead materials and labour hours. This study finding was in agreement with Matovu (2020) research about the perceived quality of accounting information and performance of small and medium enterprises, the result showed strong positive association between cost management practices (including overhead cost management practices) and performance. A cost management strategy focused on production and administrative overhead cost was recommended for profit maximization.

Majority 34 (65.4%) of the respondents disagreed that they had insurance cover on valuable overhead materials, 26 (50%) disagreed that internal control in the procurement process and management of overhead materials and labour, 30 (57.6%) disagreed that they had control of overhead costs associated with the maintenance of tangible non-current assets, 30 (57.7%) strongly disagreed that prorated and equitable method of allocating overhead costs to products/services for fair determination of their selling prices. This study finding was in agreement with Mohamad and Kalsom (2020) who studied the nexus between their performance and management accounting practices in Libya. Adopting exploratory research design for theoretical review of prior literature, the researcher suggested conceptual and hypothetical framework for empirical investigation of the determinants of management accounting practices and their business implication on the performance of SMEs in Libya. Although the review revealed poor management accounting practices by SMEs, it however found evidence to support that financial and non-financial information of MAP constitute important management techniques to be adopted by SMEs. Therefore, the researchers emphasize that MAP are critical to the survival of SMEs.

Most 32 (61.5%) of the respondents disagreed using internal control approach towards managing payroll, 24 (46.2%) of the respondents disagreed that they tracked and allocated overhead expenses with an overhead cost analysis sheet, 28 (53.8%) disagreed that they adopted overhead cost management technique as cost minimization, quality control, and price competitive strategies, 52 (100%) disagreed that they reconciled actual and planned overhead costs for variance analysis to cover specific period of time. This study finding was in agreement with a study about the observations of poor accounting practices among SMEs in Nigeria by Ebere, Egbuhuzor, and Odoyi (2021) and Ohachosim, Onwuchekwa and Ifeanyi (2021) were not isolated cases but iceberg phenomenon; Thus, many other studies also observed that most SMEs in Nigeria did not pay much attention to book-keeping as it concern their businesses (Ezejiofor, Ezenyirimba and Olise, 2014), (Okoli, 2011). In Anambra State, Ezejiofor, Ezenyirimba and Olise (2020) surveyed 48 SMEs. Using t-test, the researchers found that accounting record keeping is positively significant to the performance of small and medium size enterprises. They further noted that adequate records by SMEs is capable of facilitating efficiency and timeliness in decision making; thereby enhancing their profitability.

Most 22 (42.3%) of the respondents disagreed that they prepared an inventory plan to cover a specified period of time, 38 (73.1%) disagreed that they used periodic summary of inventory usage to determine the difference between planned and actual usage (inventory variance analysis), 27 (51.9%) disagreed that they used authorization due process for inventory requisitions and issues, 31 (59.6%) disagreed that they determined minimum and maximum inventory levels to avoid stocking too much or too little. These study findings were supported by a study which evaluated the gap in working capital management in terms of MAP adopted by manufacturers of consumer goods in Isiolo County of Kenya with the aim of recommending better practices capable of increasing profitability, Murega, Shano, and Ngera (2020) aimed to determine the impact of inventory management practices on profitability. Utilizing questionnaire survey for data collection, Statistical package for Social Sciences was adopted for estimating the test results through multiple regression analysis. The researchers moreover relied on Analysis of Variance for the adequacy of the model. Their result indicated that inventor y management significantly influenced profitability of consumer goods manufacturers. Hence, the researchers recommended review and adjustment in the inventory management practices by the concerned firms in Isiolo County of Kenya. Their position is moreover in tandem with an earlier similar survey of 300 SMEs located in the Northern Region of Ghana by Hamza, Mutala and Stephen (2022) who adopted descriptive and inferential statistics as well as multivariate analysis. The researchers found a positive association between financial performance and inventory management practices. They, however noted the need for SME-operators to enhance their financial performance and survival by embracing efficient stock management practices as key improvement strategy.

A total of 25 (48%) respondents strongly agreed that they prepared a periodic or continuous inventory physical count, 40 (76.9%) strongly agreed that they used physical safeguards of inventory against theft 30 (57.7%) strongly agreed that they reconciled inventory's physical count figure with inventory records which was opposed by a study assessing inventory management strategies adopted by SMEs in the manufacturing industry of Harare in Zimbabwe, Muchaendepi, Mbohwa, Hamandishe, and Kanyepe (2020) which utilized a descriptive transformation of qualitative research design. Data were obtained through purposively prepared questionnaire. Their findings showed that Just-In-Time method of inventory management was widely in use by most SMEs in Harare, who unfortunately did not have much knowledge about other methods and computerized system of inventory management. To that extent, SMEs in that region encountered the difficulty of sustaining almost real-time communication in their inventory supply chain. However, their inability to keep pace with volatile demand on a real-time resulted to delays in filling customers' orders. Inferring from this report, manufacturing SMEs surveyed in Harare were not adequately efficient and effective in satisfying the market demand and perhaps, that affected profitability.

Majority 42 (80.7%) of the respondents disagreed that techniques for the determination of the level of inventory in the store to avoid stock -out (method for material costing) which was contrary to Muchaendepi et al, (2020) study which utilized a descriptive transformation of qualitative research design. Data were obtained through purposively prepared questionnaire. Their findings showed that Just-In-Time method of inventory management was widely in use by most SMEs in Harare, who unfortunately did not have much knowledge about other methods and computerized system of inventory management. To that extent, SMEs in that region encountered the difficulty of sustaining almost real-time communication in their inventory supply chain. However, their inability to keep pace with volatile demand on a real-time resulted to delays in filling customers' orders.

Most 40 (76.9%) strongly disagreed that they used physical safeguards of inventory against risk of fire, 28 (53.8%) disagreed that they had undertaken an insurance policy against damages/losses of inventory, 40 (76.9%) disagreed that they engaged different persons for separate responsibilities related to cash management which was in agreement with a study by Mpili (2021) about an investigation of availability and uses of financial statements in SMEs in Tanzania, the case of Dar es salaam Region adopting questionnaire for obtaining data, ordinary least square (OLS) was utilized for Analysis. Their results revealed that poor accounting system is the major source of financial challenges among SMEs in Tanzania. They however inferred that greater access to finance may improve SMEs' performance in Tanzania. Thus, the researchers recommended SMEs in Tanzania to widely consult accountants for the maintenance of generally accepted accounting practices.

Majority 40 (76.9%) of the respondents disagreed that they had prepared a cash plan for a specific period of time, 26 (50%) disagreed that they had internal control on cash handling and authorization for banking transactions, 52 (100%) disagreed that they had established minimum and maximum cash holding, 30 (57.7%) disagreed that they had a proper arrangement for investing surplus cash holding. This study finding was supported by Chartered Institute of Management Accountant (CIMA), 2022) which pointed that cash management is crucial and life-wire of all successful businesses. This stance was empirically demonstrated in a study by Maseko and Manyani (2011) about accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura) and to ascertain the association between cash management, liquidity, and performance, two sets of hypotheses were formulated, analyzed with the use of descriptive statistics, and tested through correlation coefficient technique. The results indicated a strong nexus between cash management and performance of manufacturing companies.

All 52 (100%) of the respondents strongly disagreed that they maintained separate registers (records) for tracking cash receipts in the form of notes/coins, cheques, and instant money transfers, 52 (100%) strongly disagreed that they had a back-up plan for cash supply in the event of unexpected cash shortage. This study finding was supported by Chartered Institute of Management Accountant (CIMA), 2022) which pointed that cash management is crucial and life-wire of all successful businesses. This stance was empirically demonstrated in a study by Maseko and Manyani (2020) about accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura) and to ascertain the association between cash management, liquidity, and performance, two sets of hypotheses were formulated, analyzed with the use of descriptive statistics, and tested through correlation coefficient technique. The results indicated a strong nexus between cash management and performance of manufacturing companies.

Majority 30 (57.7%) of the respondents strongly agreed that they reconciled receipts and payment registers with bank statements, 32 (61.5%) strongly agreed that they had proper authorization process for cash payment. This study finding was contrary to a study by Mpili (2021) about an investigation of availability and uses of financial statements in SMEs in Tanzania, the case of Dar es salaam Region adopting questionnaire for obtaining data, ordinary least square (OLS) was utilized for Analysis. Their results revealed that poor accounting system is the major source of financial challenges among SMEs in Tanzania. They however inferred that greater access to finance may improve SMEs' performance in Tanzania. Thus, the researchers recommended SMEs in Tanzania to widely consult accountants for the maintenance of generally accepted accounting practices.

5.1.3 Financial performance of SMEs

Most 25 (48.1%) of the respondents disagreed that ever since the SME was launched, they had gained more customers/territory, 32 (61.5%) disagreed that they had managed to report a profit for 2 or 3 consecutive quarters of the financial year which was contrary to a survey of 300 SMEs located in the Northern Region of Ghana by Hamza, Mutala and Stephen (2022) who adopted descriptive and inferential statistics as well as multivariate analysis. The researchers found a positive association between financial performance and inventory management practices. They, however noted the need for SME-operators to enhance their financial performance and survival by embracing efficient stock management practices as key improvement strategy.

Most 28 (53.8%) of the respondents disagreed that they had been able to realize a Return on Investment (ROI) which was in contrast with Alhassan et al, (2022) who examined four components of financial management practices including capital structure, capital budgeting techniques, working capital, accounting information, and financial reporting, and fixed assets. Performance was measured through profitability in terms of Return on Assets and growth. The researchers surveyed 100 SMEs in Accra in Ghana by administering questionnaire. Descriptive statistics and Pearson correlation were used for data analyses. Descriptive statistics however showed that working capital management practices had the highest mean score, followed by accounting information and financial reporting practices, capital structure management and lastly the adoption of capital budgeting techniques and fixed assets management respectively.

5.1.4 Relationship between managerial accounting practices and financial performance of SMEs

Majority 30 (57.7%) of respondents agreed that MAPs lead to better financial management, 25 (48.1%) agreed that MAPs lead to better cost management, 40 (76.9%) strongly agreed that MAPs lead to better prevention of fraud and financial loss. This study finding was supported by

Maseko and Manyani (2020) study about accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura) and to ascertain the association between cash management, liquidity, and performance, two sets of hypotheses were formulated, analyzed with the use of descriptive statistics, and tested through correlation coefficient technique. The results indicated a strong nexus between cash management and performance of manufacturing companies. However, it was observed that only high liquidity position with poor management did not reflect positively on performance among manufacturing companies in Zimbabwe. Hence, the importance of effective cash management for improving performance (Belal, 2021).

Majority 40 (76.9%) of the respondents disagreed that MAPs lead to better employee performance, 30 (57.7%) disagreed that MAPs lead to better employee commitment. This study finding was contrary to Okoli (2021) who reported that record keeping and profitability in 148 SMEs in Enugu. Using survey research design and percentage analysis, the researcher found that most of the sampled SME operators could not evaluate their performance effectively due to inadequate record keeping. Nonetheless, another related research by Okafor and Daferighe (2022) demonstrated a positive association between accounting practices and performance of SMEs in Akwa Ibom State, Nigeria.

Most 20 (38.5%) of the respondents agree that MAPs lead to achievement of organizational objectives, 28 (53.8%) agreed that MAPs lead to better overall financial performance which was in agreement with a study in Nigeria by Ebere, Egbuhuzor, and Odoyi (2021) and Ohachosim, Onwuchekwa and Ifeanyi (2021) were not isolated cases but iceberg phenomenon; Thus, many other studies also observed that most SMEs in Nigeria did not pay much attention to book-keeping as it concern their businesses (Ezejiofor, Ezenyirimba and Olise, 2020), (Okoli, 2021). In Anambra State, Ezejiofor, Ezenyirimba and Olise (2020) surveyed 48 SMEs. Using t-test, the researchers found that accounting record keeping is positively significant to the performance of small and medium size enterprises. They further noted that adequate records by SMEs is capable of facilitating efficiency and timeliness in decision making; thereby enhancing their profitability.

5.2 Conclusion

The study found that managerial accounting practices were not well or fully adopted by SMEs. For instance, although 18 (34.6%) agreed that they planned for overhead expenditure to cover a specific period of time, 40 (76.9%) strongly agreed that they controlled the custody and usage of expendable and consumable overhead materials, 30 (57.6%) agreed that wage deduction against defaulting employees for misuse and wastage of overhead materials and labour hours, most 34 (65.4%) did not have insurance cover on valuable overhead materials, 26 (50%) disagreed that internal control in the procurement process and management of overhead materials and labour, 30 (57.6%) did not have control of overhead costs associated with the maintenance of tangible non-current assets, 30 (57.7%) strongly disagreed that prorated and equitable method of allocating overhead costs to products/services for fair determination of their selling prices.

The study further found that the financial performance of SMEs remained negative as most 25 (48.1%) of the respondents disagreed that they had not gained more customers/territory ever since the SME was launched, 32 (61.5%) had not managed to report a profit for 2 or 3 consecutive quarters of the financial year while 28 (53.8%) had not been able to realize a Return on Investment (ROI) which could be partly attributed to poor adoption of management accounting practices as recommended.

The study found that there was a positive relationship between managerial accounting practices and financial performance of SMEs. Although 40 (76.9%) of the respondents disagreed that MAPs lead to better employee performance, 30 (57.7%) disagreed that MAPs lead to better employee commitment, most 30 (57.7%) agreed that MAPs lead to better financial management, 25 (48.1%) agreed that MAPs lead to better cost management, 40 (76.9%) strongly agreed that MAPs lead to better prevention of fraud and financial loss and 20 (38.5%) agreed that MAPs lead to achievement of organizational objectives while 28 (53.8%) agreed that MAPs lead to better overall financial performance which should act as an incentive for SMEs to fully adopt management accounting practices for day to day running of their enterprises.

5.3 Recommendations

5.3.1 Recommendations to the Ministry of Trade and Industry

The Ministry of Trade and Industry should endeavor to support all SMEs in Uganda by providing regular and free training to all SME owners and employees on management accounting practices as well as other key principals to ensure and safeguard SME growth and survival rates.

There is need for the ministry to design and disseminate literature on key aspects of business management to all interested business people in Uganda and in various languages to improve overall management of SMEs nationwide.

5.3.2 Recommendations to the owners of SMEs

Owners of SMEs should endevour to receive some training and sensitization on management accounting practices to enable them to successfully manage and grow their enterprises.

Furthermore, owners of SMEs should always strive to engage professionals such as management accountants or employ professionals to handle some key and sensitive aspects of their business to ensure survival, profitability as well as prevent fraud and loss to the SMEs.

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Appendices

Appendix I: Consent Form

My name is **Chebet Sarah Edith**, a student at Uganda Christian University. I am carrying out a study to determine the impact of managerial accounting practices on financial performance in small and medium enterprises in Uganda, A case of Mbale town. You have voluntarily consented to participate in the study and all the information you give will be kept confidential. You are under no obligation to participate in the study, and refusal to participate will not affect you in any way. The information collected from you will be coded so that it is not linked to your name and your identity will not be revealed at any time during the study. All data will be kept in a safe place and will not be shared with anybody and will not be used for any other purposes apart from the study.

You are free to ask any question about the study at any time if you need more clarification.

The topic and its objectives have been fully explained to me, and I have understood and voluntarily agreed and consented to participate in the study.

Researcher's Signature………………………………… **Date**………………………………….

(RESEARCHER)

Respondents Signature…………………………………Date……………………………………..

(RESPONDENT)

Appendix II: Questionnaire

Dear respondent,

This questionnaire is intended to facilitate the study on "**The impact of managerial accounting practices on financial performance in small and medium enterprises in Uganda. A case of Mbale town".** The study is for academic purposes and is carried out as partial fulfillment for the award of **Bachelor of Science in Accounting and Finance of Uganda Christian University.** The researcher urges you to be very objective and genuine in your opinions and also promises that your responses will be treated with utmost confidentiality. I thank you in advance for your valuable time and active participation.

Instructions

Please answer all questions asked

Please answer as accurately as possible to enhance data quality

Section A: Social demographic characteristics

1. Age
   a) Less than 18 years
   b) 19 – 25 years
   c) 26 – 35 years
   d) 36 years and above
2. Gender
   a) Male
   b) Female
3. Level of education
   a) Primary

b) Secondary

c) Tertiary

d) No formal education

4. Designation

a) SME owner

b) Employee/staff

5. Years of experience

a) Less than 5 years

b) More than 5 years

6. Number of employees in business...

Section B: Managerial accounting practices adopted by SMEs (For the next questions, choose from (*strongly agree=1, agree = 2, neutral = 3, disagree = 4 and strongly disagree = 5*).

S/N	**Managerial accounting practices**	**Scores**				
		1	**2**	**3**	**4**	**5**
1.	**What are the overhead costs Management practice(s) applicable to your organization?**					
a.	Planning for overhead expenditure to cover a specific period of time					
b.	Control in the custody and usage of expendable and consumable overhead materials					
	Insurance cover on valuable overhead materials					
	Internal control in the procurement process and management of overhead materials and labour					
	Control of overhead costs associated with the maintenance of tangible non-current assets					
	Prorated and equitable method of allocating overhead costs to products/services for fair determination of their selling prices					
	Wage deduction against defaulting employees for misuse and wastage of overhead materials and labour hours					
	Internal control approach towards managing payroll					
	Tracking and allocating overhead expenses with an					

	overhead cost analysis sheet	
	Adopting overhead cost management technique as cost minimization, quality control, and price competitive strategies	
	Reconciling actual and planned overhead costs for variance analysis to cover specific period of time	
2.	**What are the Inventory Management Practices applicable to your organization?**	
	Preparation of inventory plan to cover a specified period of time	
	Periodic or continuous inventory physical count	
	Reconciliation of inventory's physical count figure with inventory records	
	Techniques for the determination of the level of inventory in the store to avoid stock -out (method for material costing)	
	Periodic summary of inventory usage to determine the difference between planned and actual usage (inventory variance analysis)	
	Physical safeguards of inventory against theft	
	Physical safeguards of inventory against risk of fire	
	Authorization due process for inventory requisitions and issues	
	Determination of minimum and maximum inventory levels to avoid stocking too much or too little	
	Undertaking insurance policy against damages/losses of inventory	
3.	**What are the cash management practice(s) applicable to your organization?**	
	Preparation of cash plan for a specific period of time	
	Internal control on cash handling and authorization for banking transactions	
	Establishing minimum and maximum cash holding	
	Proper arrangement for investing surplus cash holding	
	Maintenance of separate registers (records) for tracking cash receipts in the form of notes/coins, cheques, and instant money transfers	
	Reconciling receipts and payment registers with bank statements	
	Back-up plan for cash supply in the event of unexpected cash shortage	
	Proper authorization process for cash payment	
	Engaging different persons for separate responsibilities related to cash management	

Section C: Financial performance of SMEs (For the next questions, choose from (*strongly agree=1, agree = 2, neutral = 3, disagree = 4 and strongly disagree = 5*).

S/N	Performance of SMEs	Scores				
		1	**2**	**3**	**4**	**5**
a	Ever since SME was launched, have you gained more customers/territory?					
b	Have you managed to report a profit for 2 or 3 consecutive quarters of the financial year?					
c	Have you been able to realize a Return on Investment (ROI)?					

Section D: Relationship between managerial accounting practices and financial performance of SMEs (For the next questions, choose from (*strongly agree=1, agree = 2, neutral = 3, disagree = 4 and strongly disagree = 5*).

S/N	Relationship between managerial accounting practices and financial performance of SMEs	Scores				
		1	**2**	**3**	**4**	**5**
	MAPs lead to better financial management					
	MAPs lead to better cost management					
	MAPs lead to better prevention of fraud and financial loss					
	MAPs lead to better employee performance					
	MAPs lead to better employee commitment					
	MAPs lead to achievement of organizational objectives					
	MAPs lead to better overall financial performance					

Thanks for your active participation

Appendix III: Introductory Letter

UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

Name: CHEBET SARAH EDITH Reg. No: S20B33/243

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

"THE IMPACT OF MANAGERIAL ACCOUNTING PRACTICES ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN UGANDA, A CASE STUDY OF MBALE TOWN"

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

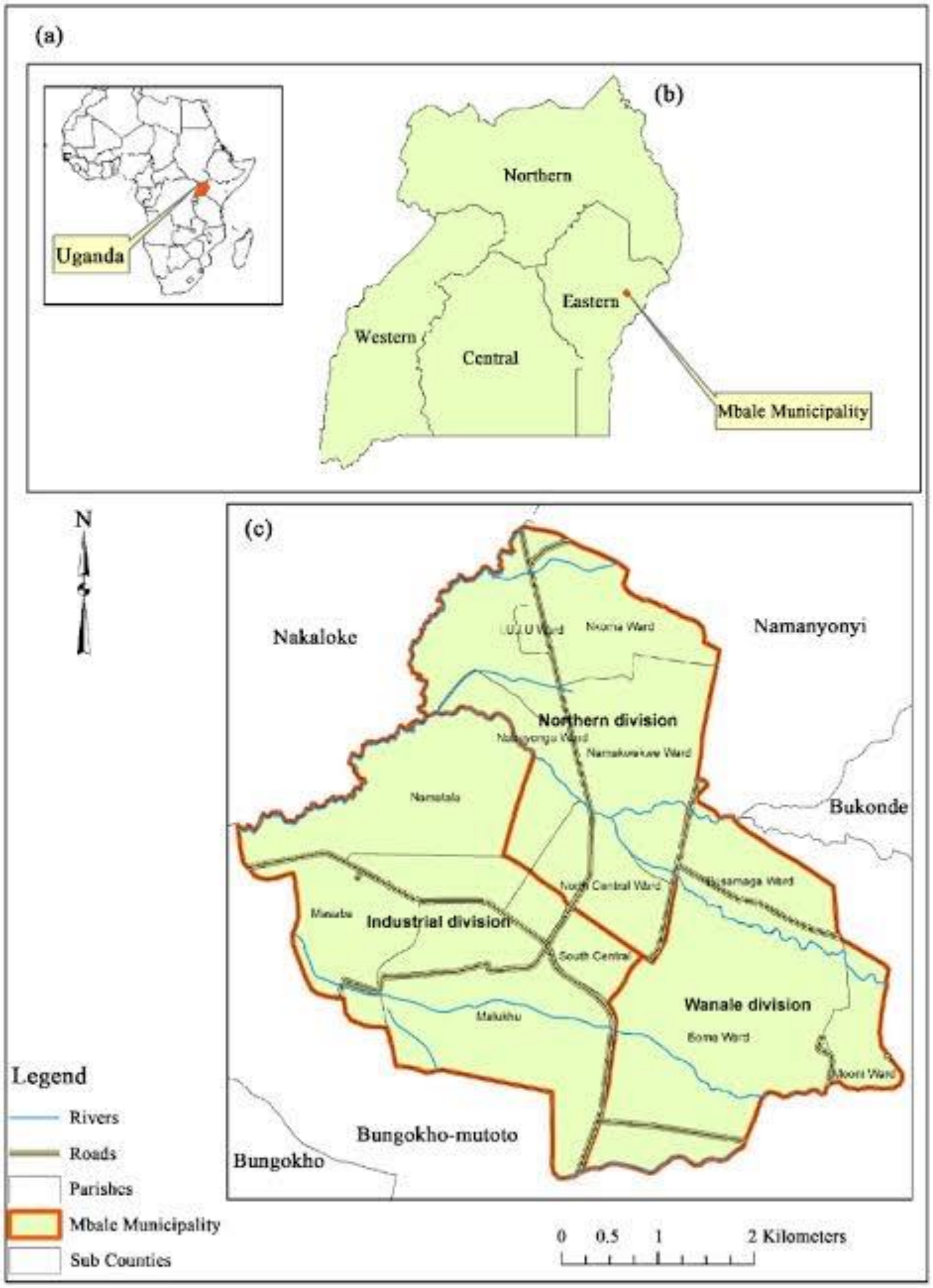
The Uganda Christian University School of Business thanks you in advance

....

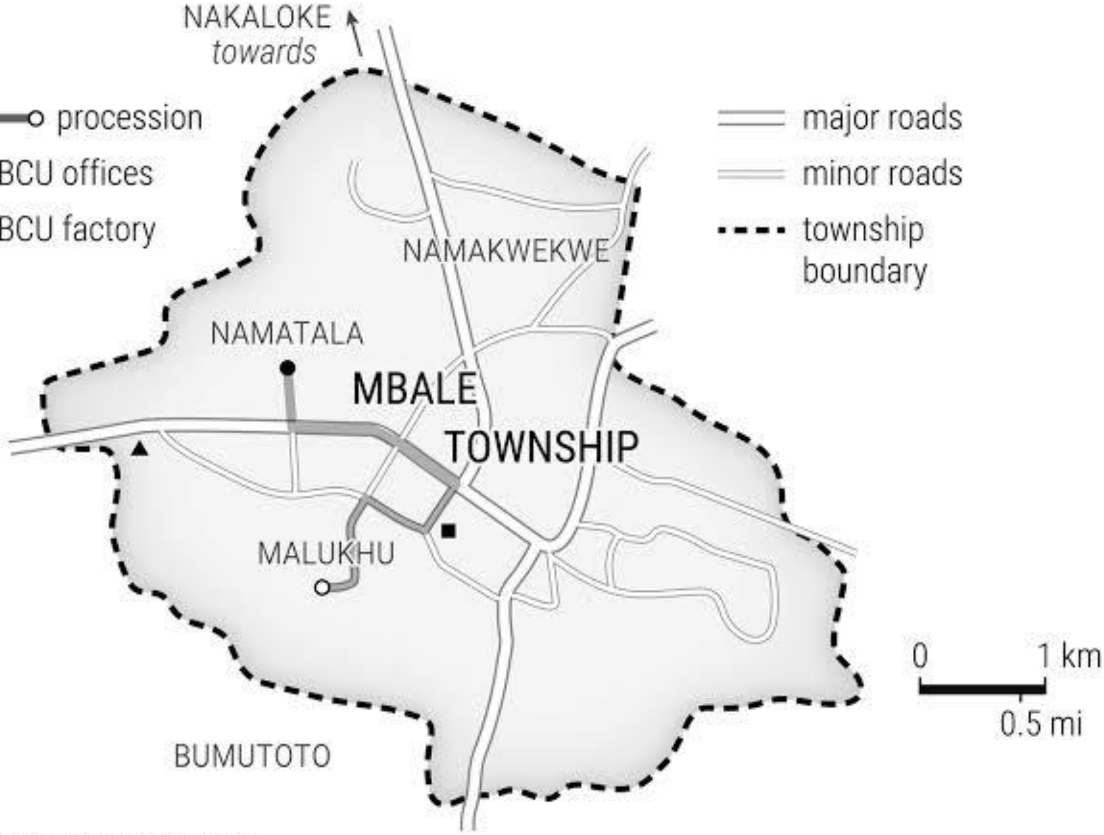
Mukisa Simon Peter

Research coordinator

Appendix IV: Map of Uganda showing Mbale District



Appendix V: Map of Mbale District showing Mbale Town



Source: Lands and Survey Department, Uganda

Cartography: Jacques Enaudeau, 2018

Appendix VI: Morgan and Krejcie Table for Sample Size Determination

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	**200**	**127**	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384