

Traditional Vs. Contemporary Management Accounting Practices and its Role and Usage across Business Life Cycle Stages: Evidence from Pakistani Financial Sector

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Abstract *The research examines the management accounting practices and its level of usage in services sector of Pakistan. For this purpose, banking companies, Insurance companies, Telecommunication companies and Computer Service companies were selected. The data was collected through adapted questionnaire regarding management accounting practices and its level of usage. There were 90 target listed services companies from service industry where data has been collected. The unit of analysis was company and the responses were analyzed through descriptive statistics. Findings with regard life cycle stages, there are 69% respondents companies belong from growth stage and 24.4% are located in maturity stage. The results indicate that management accounting practices for instance costing practices; budgeting practices & decision making practices are widely used especially traditional management accounting practices in service sector of Pakistan. While in terms of performance evaluation practices, all the non financial measures related to employees, customers and operation or innovation have lower level of usage in service sector of Pakistan irrespective of the business life cycle stage. Moreover, the results reveal that financial companies which are sub sector of service sector are more sophisticated by utilizing management accounting practices but other services companies do not much utilize management accounting practices from financial sector of Pakistan. These results imply that management accounting practices are more complicated as the companies move from growth to maturity stage. In addition, traditional management accounting practices still have the highest level in financial sector of Pakistan based on its importance & usage.*

Key words Management accounting practices role & usage, life cycle stages, services sector, Pakistan

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1. Introduction

In current era of business environment there is a lot of competition in business and corporate world in developed as well as developing countries. The owners of corporations want to go not only up to the mark but also to achieve higher position in the market of their corporations in every aspect of the business (Sleihat *et al.*, 2012). So the responsibilities of the directors going to increase in organizations, especially Management accounting tasks are very important to control cost, productivity and pricing decisions in an organization (Jhonsan and Kaplan, 1987). Management accounting practices (MAP) are very essential to success for the organization and these practices have been used in traditional way in

organization (Horngren *et al.*, 2009). Management Accounting Practices (MAP) includes cost practices, budgeting, and information for decision making, strategic analysis and performance analysis. These practices are using by manufacturing companies and make plans to control cost in different way by utilizing these accounting techniques. There is the need for organizations to get success in the dynamic market (Horngren *et al.*, 2009).

Management accounting is the production of very long experiences and techniques of the businesses and managers of the organization that are used information especially financial information about their firms for decision making that provided them a competitive edge to the firms. About 190 years ago when the industrial revolution took place, the management accounting develop and had the importance in USA and other countries of the world. In the result of industrial revolution the production of the products for instance, textile products had been increased, so the need of some costing, controlling and planning related information were also increased. A railway company made the geographically track of railway and determine the costs and did the planning and the birth of management accounting occur at those time. Andrew Carnegie used the costs sheet at the end of nineteenth century when he determines the costs of steel products. In this way management accounting was taken into account by the different organizations. At the starting of the twentieth century remarkable advancement in management accounting was taken when Du Pont return on investment management accounting model introduced. In this way management accounting became itself a well established and mature business discipline (Chandler, 1977; Johnson and Kaplan, 1987).

In different years management accounting evaluation took place as follows:

During the year of 1950:

Focus on the valuation of cost and its determinants along with some budgeting techniques and technology.

During the year of 1965:

The concept of responsibility accounting and information for management and control by using different sort of technologies were considered.

During the year of 1985:

Focus on the reduction of the wastage of the resources by using different cost and management accounting techniques.

During the year of 1995:

A big change had been occurred during this period in which the following concepts were in practice: value creation, effective use of resources, determined the drivers of value, shareholders value and information technology.

During the year of 2000:

The concept of supply chain management with reduction of distribution cost and controlling inventories were famous (Mohammad Talha, 2010).

According to the Ferreira, (2002) management accounting tools and techniques previously and currently used are as follows:

Table 1. management accounting tools and techniques

Previous Management accounting techniques	Contemporary Management accounting techniques
Break even sales	Balanced scorecard
Strategic planning	Activity based budgeting
Budgeting	Activity based costing
Deviation analysis of budget	Target costing
Product costing	Profitability analysis about customer
Product profitability	Economic value addition
Tableau de bord	Life cycle of product and its costing
Return on Investment (ROI)	Benchmarking
	Back flush costing
	Constrains theory
	Kaizen approach costing

In an organization, effective decision making required accurate information which includes accounting information. Due to the inadequacy of such information the decision making in the organization is not up to the mark (Pollard, 1965; Solomons, 1952; Yamey, 1962). Management accounting has some techniques and tools that are used in the world in different way. These techniques are costing, budgeting, decision making, performance analysis and relevant costing etc.

There is evidence that accounting study and practice have reasonable gap between them. It is also considerable that this gap is not on the basis of development of accounting as academic but due to the lack of research in accounting and specially management accounting (Inanga & Schneider, 2005). In current era of business environment there is a lot of competition in business and corporate world in developed as well as developing countries. The owners of corporations want to go not only up to the mark but also to achieve higher position in the market of their corporations in every aspect of the business (Sleihat *et al.*, 2012). So the responsibilities of the directors going to increase in organizations, especially Management accounting tasks are very important to control cost, productivity and pricing decisions in an organization (Jhonsan & Kaplan 1987). Management accounting practices (MAP) are very essential to success for the organization and these practices have been used in traditional way in organization (Horngren *et al.*, 2009). Recently in developing countries there is wide use of Management accounting practices in manufacturing and industrial sectors as compared to financial sector (Philmore and Diana, 2011). Management accounting practices are varied and rapidly used in different organizations. But the most usable MAP is budgeting, reporting, costing and variance analysis (France, 2010).

1.2. Problem statement

Management accounting practices MAP are studied with current status of them and life cycle of the organizations from the selected sample of research. The broad problem statement is:

Management accounting practices, its role, extent of usage and the level of these practices in services sector of Pakistan.

1.3 Research Questions

From the research studies the following are the research questions of this study.

1. Presently, what is the role of management accounting practices in services sector of Pakistan?
2. How much the level of usage of management accounting practices in services sector of Pakistan?
3. What are the levels of management accounting practices in services sector of Pakistan?

1.4 Objectives of the study

1. To evaluate the management accounting practices (MAP) that has been used in service sector of Pakistan.
2. To evaluate how much the levels of these management accounting practices (MAP).
3. To evaluate life cycle of the organizations and management accounting practices (MAP).

1.5 Significance of the study

There is lack of research in services sector of management accounting practices in developing countries of the world. It may be due to the shortage of knowledge of management accounting practices in this sector. Therefore, there is a need of research on management accounting practices in developing countries (Sleihat, 2012). The usage of IFAC model (IFAC, 1998) to identifying the level of sophistication of management accounting practices in services sector has not been conducted frequently, so there is a gap in this sector (Sleihat, 2012). This model has already been used by the two researchers (Kader and Luther, 2006; Adelegan, 2000) in their studies in manufacturing firms. IFAC model will be used in this research for understanding the sophistication level of MAP (Abdel-Kader, 2006; Adelegan, 2000).

Services sector is the growing sector of the world's economy. In Pakistan this sector is also growing day by day. The management accounting practices which are used in services sector make the part of its

constant and rapid growth of this industry. According to economic survey (2013) of Pakistan, services sector of Pakistan growing rapidly with enhancement in shares and dominating position in the economy of Pakistan and has the part of the share in GDP in Pakistan of 57.7% in total GDP. Services sector of Pakistan is the main driver of economy of Pakistan (Pakistan economic survey, 2013). So the study in this sector about management accounting practices is very important and will contribute of techniques which were used by these firms to enhance its growth as well.

2. Literature Review

Triest and Elshahat, (2007) said that there is gap in the research of management accounting practices in eastern countries of the world. And that's why there is the limited used of management accounting in these countries. The example coded by the same researchers of Egypt in which management accounting were used only for introductory level and not in advanced level (Triest, 2007). The major management accounting practices are Costing, Budgeting, and Decision making and performance evaluation (Abdel- Kader & Luther, 2008).

2.1. Costing Practices

According to Harris and Durden, (2012) there are main two types of costing. One is activity base costing (ABC) and the second is inter organizational cost management. Due to the rapid change in the business environments the use of activity based costing, just in time, total quality management tools have been emerged in the organizations. In 1980, ABC concepts emerged in the businesses and in 1990 this concept was used as to control costs in an efficient way. But still ABC is not in rapid used by the organizations of the world (Abdel-Kader & Luther 2008). Another concept of costing is the target costing and kaizen approaches which are the renowned nowadays. These techniques are used to reduce the costs of the product during processes and product design and their results are the continuous improvements in the firms. Due to this production costs, budgeting planning etc are more effective for the organization (Monden, 1993). According to Abdel-Kader and Luther, (2008) the following are the main tools for costing system:

1. Fixed and variable costs;
2. Overhead rates on the basis of plant and department;
3. Learning curve;
4. Cost of quality;
5. Target costing;
6. Activity based costing.

Several studies have been supported that target costing and activity base costing are the two main techniques for organizations to create benefits for the firms as a whole. Through these practices decision making for management becomes easy and more accurate in an organization (Islam and Kantor, 2005). Sleihat, *et al.* (2012) summarized costing practices in their sample of study. Their results indicate that the separation of fixed cost and variable costs are the mostly used. In the study the average score of this costing practice was 2.92 and 39.1% were often used and 21.9% of respondent companies were moderate in usage of this costing practice. The study also revealed that Activity base costing was the lowest in usage in sample companies of their study. This evidence shows that mostly there are traditional management accountings practices have been used in their sample companies.

Another view of importance of these practices the study gave the results that the target costing practice is the highly important which score was 2.23 on average and 68.8% of the respondent companies were gave the importance. The utilization of overhead rate in terms of plant was the second important variable and mean score 1.91 (Sleihat, *et al.* 2012). According to Abdel-Kader and Luther, (2006) the costing practices especially separation of fixed and variable cost were used in large instead of activity based costing, marginal costing or absorption costs in British food and drinks industries. However the emerging costing techniques are target costing and cost of quality etc. their result showed that 48% of the respondent companies used fixed and variable costs separate for decision making. 83% from sample gave the importance or moderate importance to separation of this cost. Activity based costing were not

used by the firms frequently. About 76% firms rarely or very rarely used ABC. Cost of quality is important but this practice was not calculated in the firms frequently (Abdel-Kader & Luther, 2006).

2.2. Budgeting Practices

Budgeting is the very important tool for controlling and forecasting all the activities of the organization. Budgeting includes the rational allocations of organizational resources for achieving the organizational goals and overall objectives. There are a lot of budgeting techniques such as activity based budgeting and activity based costing (Drury, *et al.* 1993). The primary objective of budget is to collect all the costs for example material, labor etc within the organization. Activity based budgeting gives us a true and precise picture of the costs allocations in the organization. Budgeting process contains the different sort of budgets like master budget, cash budget etc. Cash budget includes the receipts and payments of cash and opening and ending cash position of the organization, whereas the master budget includes the entire summary of firm’s activities. In the wide range of budgeting, the following practices are belonging from budgeting:

1. Planning purposes budgeting;
2. for controlling cost budgeting;
3. for strategic planning;
4. Flexible budgeting;
5. Activity based budgeting (ABB);
6. Zero based budgeting. (Abdel-Kader and Luther, 2008)

Budgeting information has not for everyone because it is an internal document for the company. It may be utilized by the managers of the firms as well as the subordinates of the managers within the organization. The users of the budget are as follows:

Table 2. The users of the budget

Primary uses	Quantifying about: Resource usage Generation of the incomes Resource procurement
Secondary uses	Quantifying about: Payment to the resources Cash collections
Tertiary uses	Communicate to the people about firm’s goals Negotiation to the people Base of communication Reward and pay systems

Source: Huge, *et al.* 2005: 104

A study conducted by Angelakis *et al.* (2010) with the title of adoption and benefits of management accounting practices: Evidence from Greece and Finland that budgeting practices in Greece are widely used in which budgeting for financial position’s planning, budgeting for coordination of activities in business, cash flow budgeting and for performance evaluation budgeting are very important. There were 98% of respondent companies using these practices in Greece. In Finland these budgeting practices are also used by the respondent companies (George, *et al.* 2010). Budgeting practices such as budgeting for planning, budgeting for controllable cost, activity based budgeting and zero based budgeting are used in Jordan financial sector. According to the Sleihat, *et al.* (2012) there is 78.1% of respondents from financial sector of Jordan used budgeting for planning technique which was the highest budgeting practice used in this country by the financial sector. 76.5% of the respondents companies are using budgeting for controllable cost which is the second highest budgeting practice used by the financial companies of Jordan. Activity based budgeting are 40.7% companies from the sample using this budgeting practice and finally 1.6% respondent companies are using zero based budgeting technique in financial sector of Jordan. The study also showed that traditional budgeting practices are still widely used instead of modern budgeting practices such as Activity based budgeting etc.

With the context of importance of budgeting practices the study revealed that budgeting for planning was the great importance in the sample companies and regarding importance, 70.3% from the respondent companies gave the importance. Budgeting for controlling cost was the second in rank regarding importance which contained 62.5% from sample companies gave the importance to this technique of budgeting. Strategic budgeting or for long term planning the study shows that 59.4% of companies gave the importance to this technique of budgeting from given sample of study. Zero based budgeting tools had not the importance in this regard and sample companies gave the lowest importance to this budgeting technique (Nimer, *et al.* 2012).

2.3. Decision making Practices

Generally, there is a perception about management accounting that its information provides the managers for effective decision making. There are a lot of different tools for decision making in which product profitability analysis, cost volume profit etc. Cost volume profit includes the potential change in the revenues, costs and prices of the company (Horngren, *et al.* 2009). Decision making practices are as follows:

1. Profitability analysis about the product;
2. Break even analysis or cost volume profit analysis;
3. Cash flows;
4. Time value of money and payback period;
5. Profitability analysis about the customer;
6. Probability analysis;
7. Some non-financial decision making (Abdel-Kader and Luther, 2008).

The use of cost volume profit analysis is wide in range by the manufacturing companies. Management accounting provides useful information for the firms to make decisions in which cost volume profit, payback period and accounting rate of return are mostly used. But the cost of capital normally is not widely used (LeBurto, *et al.* 1997). One of the key objectives of management accounting is to provide information for decision making within the organization. The firms may take regular decisions or short term decision making according to the relevant information of management accounting tools such as break even analysis, profitability analysis of product, profitability analysis about customers and control over stock etc. The companies take strategic decision or long term decision making by the following the tools of management accounting which are return on payback period, discounting of cash flows and probability analysis can be used by the companies (Abdel-Kader and Luther, 2006).

The study conducted by Abdel Kader and Luther (2006) in which management accounting practices in British food and drinks industries have been analyzed. Their results of decision making technique that profitability analysis of product mostly used these industries and about 69% of respondents calculate profits of a product when taking decision about it. Customer profitability analysis was the second highest decision making technique that have been used by British food and drink industries and 51% of these firms frequently use it. The respondents gave the importance to product profitability as 72% and customer profitability analysis as 59% respectively. 44% respondents used break even analysis as often but not as very often. In the context of strategic decision making accounting payback technique used by these firms as 41%. Risk taking techniques such as probability analysis and what if analysis were not mostly used. Only 22% used these two techniques in the sample companies (Abdel-Kader and Luther, 2006).

2.4. Performance evaluation Practices

Many of the studied have been shown about the adoption of performance evaluation measures by the companies in the world. It includes financial as well as non financial measures but mostly financial measures have been used in the companies. The following are the major practices of performance evaluation adopted by the companies in the world.

1. Financial measures;
2. Non financial measures that are related to the operation and innovation;
3. Non financial measures that are related to customers;

4. Benchmark of performance evaluation;
5. Non financial measures about employees (Wijewardena, *et al.* 1998).

Different surveys have been conducted by the researchers in the world that shows the different types of performance evaluation measures taken by the companies of the world. A study conducted by the Forde, Burnett, *et al.* (2005) in which the respondent were adopted performance evaluation in their companies. 25% of the companies adopted economic value added practices and 37% of respondent companies adopted benchmark that includes both internal and external benchmark (Ref 34). Haldma and Laats, (2002) examined in their study about performance evaluation that there are many companies in their sample which were used different sort of performance evaluation practices in their firms.

According to them, there are 68% of manufacturing companies which have been used different operating segments and operations for performance evaluation. But many of the companies used profitability as measure of performance evaluation in their companies. Profitability measure is very important measure of performance evaluation which contains 74% of the companies in their sample of study (Haldma and Laats, 2002). Benchmark and balance scorecard are two important performance evaluation measures adopted by the various companies. The study held by the Hyvonen (2005) in which he found that about 80% of the respondent companies were using benchmark of products features as performance evaluation measure. And 13% of the sample companies adopted balance scorecard approach for performance evaluation measure (Hyvonen, 2005). Moving towards the developing countries the evidence shows that profit margin is the key performance evaluation measure. In Egypt the study conducted by the Ismail (2007) which shows the profit margin (3.49 mean score of his sample) is the main variable for measurement of performance evaluation. Meanwhile customer satisfaction is another important non financial measure were using by the firms in his sample and the mean value of customer satisfaction was 3.58 that shows its level of usage widely. Moreover, it was shown that about 60.5% of the respondents companies are using balance scorecard as performance evaluation measure in his sample of study (Ismail, 2007).

Abdel-Kader and Luther (2006) revealed in their study that the financial measures are very often used by the firms. About 76% of their sample companies used financial measures as performance evaluation. Benchmark practice was rarely used in their study which was 11% of the respondent companies. Similarly, economic value added practice was 7% used by the companies in their sample. According to non financial measures the study shows that 38% used non financial measurement related to the customers, 11% respondent companies used non financial measures related to the employee and finally 26% of the respondent companies used non financial measures related to the operations and innovations (Abdel-Kader and Luther, 2006).

2.5. Life cycle of the organization

According to Miller and Friesen (1984) life cycle of the organization has important in management accounting practices utilized by the firm. According to this model the following elements are included in it:

- Birth:** Small firms, Dominated by owner manager, Informal structure;
- Growth:** Medium firms, multiple shareholders, some formalization of structure;
- Maturity:** Large firms, Formal, bureaucratic structure, Functional basis of organization;
- Revival:** Very large firms, Divisional basis of organization, High differentiation;
- Decline:** Market size firms, Formal, bureaucratic structure and slower growth.

Source: Miller and Friesen (1984)

Life cycle of the organization is the very important element for narrate the development of the organization in all aspects. But life cycle of the organization is seldom used in management accounting research (Moore & Yuen, 2001).

3. Methodology of research

The population of this study is the services sector of Pakistan and the sample of the service industries that were chosen from the total services sector. Classification of service sector of Pakistan is

also available with various industries regarding service sector and their part in GDP. We further try to explain about questionnaire and scale which have been adopted from various previous studies about management accounting. The questionnaire was also pretested from 10 service industries for pilot study. After that the validity and reliability of the questionnaire (Cronbach's Alpha) were checked. This sample was selected on randomly and sampled companies have similarities in operations, size and structure etc. Sample companies are as follows:

Banks include all Commercial banks, nationalized banks, specialized banks, Islamic banks, foreign banks operating in Pakistan and Micro finance banks. Insurance companies include both Non life and Life insurance companies listed in Karachi Stock Exchange (KSE). Telecommunication includes all telecommunication companies listed in KSE as well as foreign companies operating in Pakistan while there is only one company under computer service sector. There were 90 companies in total in which banking companies were 44 in total. In insurance companies there were 31 non life insurance companies and 4 life insurance companies. In telecommunication companies there were 5 listed companies and 5 foreign companies operating in Pakistan. Finally one computer Service Company which is listed in KSE.

3.1. Instruments and measures with reliability and validity

The main part of this study is adopted questionnaire of different studies (Abdel-Kader and Luther, 2008; Sliehat, *et al.* 2012). All the primary data collection through questionnaires was collected through personal contacts to the head of the accounting persons, accounts managers and senior personal of accounts department of respondents. Questionnaire was composed of two sections in which first section includes 6 questions which were name of the company, age of the company, products or services of the company, number of employees of the company, type of organization and finally life cycle stage of the company. Second section includes the management accounting practices in two ways. First the role of management accounting practices through 3 point Likert scale which was as follows: (1= Not Important, 2= Moderate Important, 3= Important) And second level of usage of management accounting practices through 5 point Likert scale which was as follows: (1= Never, 2= Rarely, 3= Sometimes, 4= Often, 5= Very Often). There were total 27 management accounting practices which were used in questionnaire. These 27 practices dealt under the 4 main practices which were as follows:

1. Costing practices included 7 practices;
2. Budgeting practices included 8 practices;
3. Decision making practices included 7 practices;
4. Performance evaluation practices included 5 practices.

Table 3. Summary of reliability statistics

MAP	N of Items	Cronbach's Alpha values
Costing practices	7	0.948
Budgeting practices	8	0.914
Decision making practices	7	0.898
Performance evaluation practices	5	0.805
Overall Instrument	27	0.954

All the dimensions of management accounting practices have sufficient or strong reliability element.

4. Data Analysis & interpretation

4.1. Demographic characteristics of Service Sector Companies

4.1.1 Classification on the basis of sector

We received valid data of 90 questionnaires that contains 90 companies of service sector for analysis of management accounting practices. Out of those 90 companies, 44 companies related with banking services, 35 companies related with Insurance services, 10 companies related with

telecommunication services and 1 listed company related with computer services. In total sample companies there were 48.90% belong from banks, 38.90% belong from Insurance, 11.11% belong from telecommunication and 1.11% belongs from computer services. The following table shows the demographic characteristics of respondent companies.

Table 4. Demographic characteristics of respondent companies

Respondents	N	Percentage
Banks	44	48.90%
Insurance	35	38.90%
Telecommunication	10	11.11%
Computer	01	1.11%
Total	90	100%

4.1.2. Age of the companies since its establishment

According to the demographic of age of companies since its establishment that it was found that 39 companies or 43.3% of companies that have the age of more than 15 years since its formation and working. 30 companies belong the age of 11 to 15 years which have 33.30% of the total sample companies. 20 companies belong from the age of 6 to 10 years and have 22.20% of the total service companies. Only one company that has the age in between 0 to 5 years and 1.10% in total companies. It shows that majority of the companies are old in nature. The following table is the summary of age of the companies since its establishments.

Table 5. Age of companies since its establishment

	Frequency	Percent	Valid Percent	Cumulative Percent
0-5	1	1.1	1.1	1.1
6-10	20	22.0	22.2	23.3
Valid 11-15	30	33.0	33.3	56.7
More than 15	39	42.9	43.3	100.0
Total	90	98.9	100.0	
Total	90	100.0		

4.1.3. Products or Services of the Companies

The analysis shows that 60 companies that have 66.70% part of total sample deal with more than 15 products or services in their businesses. This shows that the enrichments of the service companies in products or services and also penetration into the service market. 27 companies dealing with the products or services between 11 to 15 which have the 30% part in total companies. These service firms are going to achieve growth in offering more products or services in to the market. 3 companies that have 3.30% deals with the range of the products or service of 6 to 10 in numbers. These companies are minute in numbers and not have the part of influential contribution in total sample. Competition in service sector has been increased gradually due to the increase in number of products or services offering by the service companies. Following table shows the products or services of the companies' detail.

Table 6. Products or Services of the companies

	Frequency	Percent	Valid Percent	Cumulative Percent
6-10	3	3.3	3.3	3.3
Valid 11-15	27	29.7	30.0	33.3
More than 15	60	65.9	66.7	100.0
Total	90	98.9	100.0	

	Frequency	Percent	Valid Percent	Cumulative Percent
6-10	3	3.3	3.3	3.3
11-15	27	29.7	30.0	33.3
Valid More than 15	60	65.9	66.7	100.0
Total	90	98.9	100.0	
Total	90	100.0		

4.1.4. Employees in the companies

In the given sample all the companies have the employees more than 300. Human resource is the key source of the company especially human capital in the organization. Others scale regarding employees were 1-100, 101-200 and 201-300.

Table 7. Employees in the company

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid More than 300	90	98.9	100.0	100.0
Total	90	100.0		

4.1.5. Type of the organization

According to the sample selection they were 4 service sectors naming banking, insurance, telecommunication and computer service sectors that are involved in the sample. Here are the results of the each part of sector. Banking sector includes 44 banks or the 48.90% of the part of total sample, insurance sector includes 35 insurance companies which have the 38.90% part of sample, remaining part includes telecommunication and computer sectors which have 10 and 1 companies respectively and the part of total sample was 11.10% and 1.10% respectively.

Table 8. Type of organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Banking	44	48.4	48.9	48.9
Insurance	35	38.5	38.9	87.8
Valid Telecommunication	10	11.0	11.1	98.9
Computer	1	1.1	1.1	100.0
Total	90	98.9	100.0	
Total	90	100.0		

4.2. Measurement of the Role of Management Accounting Practices (MAP)

In this part of the chapter role of management accounting practices in the form of importance have been described by three point Likert scale.

Table 9. Costing practices

Sr. No	Costing Practices	Mean	S.D	1	2	3
1	Is the company deals fixed cost and variable cost separately?	2.30	.589	6.7	56.7	36.7
2	Is the company using plant wide as the basis of overhead rate?	2.30	.608	7.8	54.4	37.8
3	Is the company using department as the basis of overhead rate?	2.28	.640	10	51.1	38.9
4	Company uses learning curve technique for reduce the cost.	2.21	.695	15.6	47.8	36.7
5	Is the Company using cost of quality?	2.13	.673	16.7	53.3	30
6	The company adopts Target costing practices.	2.05	.708	22.2	50	27.8
7	The company uses Activity Base Costing (ABC).	2.03	.710	23	50	26.7

(1= Not Important 2= Moderate Important 3= Important)

According to the given table in above 36.7% respondents rated as important to deal with separation of fixed and variable in their companies. A little bit high important of plant wide overhead rate for the companies in which 37.8% companies gave important to it. Another high importance for the companies as department as the basis of overhead rate which was 38.9% which is the highly important practice for companies. Other costing practices such as learning curve technique cost of quality, target cost practices and activity base costing were 36.7%, 30%, 27.8% and 26.7% importance respectively.

Learning curve technique which is the recent costing practice has satisfactory important. Cost of quality which is another important costing practice has 30% importance by the companies. This shows that costing practices are tending to be important for services sectors nowadays and in upcoming future.

Table 10. Budgeting Practices

Sr. No	Budgeting Practices	Mean	S.D	1	2	3
1	Does your company use Budgeting technique for planning?	2.38	.612	6.7	47.8	45.6
2	Does your company use Budgeting technique for controlling cost?	2.43	.581	4.4	47.8	47.8
3	Does your company use Budgeting technique for long term planning?	2.44	.601	5.6	44.4	50
4	Does your company use Budgeting technique for performance evaluation?	2.38	.593	5.6	50	44.4
5	The company uses Flexible Budgeting technique.	2.27	.687	13.3	45.6	41.1
6	The company uses Activity Base Budgeting technique.	2.20	.722	17.8	44.4	37.8
7	The company uses Zero Base Budgeting technique.	2.17	.727	18.9	44.4	36.7
8	The company uses incremental budgeting technique.	2.12	.684	17.8	52.2	30

(1= Not Important 2= Moderate Important 3= Important)

Budgeting practices have overall important for all service companies. The above mentioned budgeting techniques had important in various level of the organization. 45.6% companies rated budgeting for planning was important in their organization with mean value of 2.38. The next practice is budgeting for controlling cost which was important for 47.8% companies that is the high important from budgeting from planning. Budgeting for long term planning was 50% important for companies which were highest rated instead of all other budgeting practices. 44.4% respondents gave the importance to budgeting for performance evaluation practice in their companies. Remaining budgeting practices which were flexible budgeting, activity base budgeting, zero base budgeting and incremental budgeting got 41.1%, 37.8%, 36.7% and 30 importances' respectively. The mean value as a whole tend to important for all these practices above and shows that all the budgeting practices specially budgeting for planning, budgeting for controlling cost, budgeting for long term planning and budgeting for performance evaluation have the important for services sector.

Table 11. Decision making Practices

Sr. No	Decision making Practices	Mean	S.D	1	2	3
1	Is the company doing product profitability analysis for decision making?	2.50	.565	3.3	43.3	53.3
2	Is the company using Break even analysis for decision making?	2.64	.504	1.1	33.3	65.6
3	Does the company use cash flow method for decision making?	2.67	.493	1.1	30	68.9
4	Does the company use payback period technique for decision making?	2.74	.438	0	25.6	74.4
5	Is the company using cost of capital in discounting cash flows for decision making?	2.58	.597	5.6	30	64.4
6	Does the company doing customer profitability analysis for decision making?	2.66	.540	3.3	26.7	70
7	Is the company using probability analysis practice for decision making?	2.53	.603	5.6	35.6	58.9

(1= Not Important 2= Moderate Important 3= Important)

In service industry decision making practices have much important for companies as shown in table above. Product profitability analysis practice was 53.3% important for these firms. Break even analysis has 65.6% important for companies which shows that tendency of use of this practice. Cash flow practice was

more important instead of these two in above practices which got 68.9% important for service companies in Pakistan. The highest important practice in decision making was payback period which has 74.4% important that shows the consciousness of service companies for their return. Cost of capital for discounting cash flows and customer profitability analysis have also great important for companies which have 64.4% and 70% importance rate. Probability analysis got 58.9% importance for companies. All the average values were more than 2.50 which shows the importance of all these decision making practices in service companies of Pakistan. Probability analysis and payback period were mostly important for insurance companies in which they need to adopt these practices widely whereas in banking sector these two practices have less usage from insurance companies.

Table 12. Performance evaluation Practices

Sr. No	Performance evaluation Practices	Mean	S.D	1	2	3
1	Does the company use financial measure to analyze performance evaluation?	2.31	.647	10	48.9	41.1
2	Does the company use non financial measure about operation and innovation for performance evaluation?	2.56	.663	12.2	50	37.8
3	Does the company use non financial measure about customers for performance evaluation?	2.31	.681	12.2	44.4	43.3
4	Does the company use Benchmark for performance evaluation?	2.82	.384	0	17.8	82.2
5	Does the company use non financial measure about employees for performance evaluation?	2.24	.623	10	55.6	34.4

(1= Not Important 2= Moderate Important 3= Important)

Performance evaluation practices were also important for service sector of Pakistan as shown in above table. Financial measure has 41.1% importance for companies with mean value 2.31. Non financial measure about operation and innovation was 37.8% important for companies and non financial measure about customers has 43.3% importance. Its quiet interestingly that 82.2% important of benchmark practice for performance evaluation in service industry which is highest practice used by these firms. It shows the trend of service industry during performance evaluation that standards or targets or benchmark were settled in advance and evaluate and measures these standards for performance evaluation. More than 80% of service companies in sample gave importance to this practice as performance evaluation. Last practice was non financial measure about employees for performance evaluation which has 34.4% importance for companies. All these practices were important by companies at different level in the organizations. Respondents companies gave important that shows the tendency to utilizing them with sophistication in the organization in future.

4.3. Measurement of the Extent of Usage of Management Accounting Practices (MAP)

In this part of the chapter extent of usage of management accounting practices have been described by five point Likert scale.

Table 13. Costing practices

Sr. No	Costing Practices	Mean	S.D	1	2	3	4	5
1	Is the company deals fixed cost and variable cost separately?	2.94	.769	1.1	26.7	51.1	18.9	2.2
2	Is the company using plant wide as the basis of overhead rate?	2.76	.793	1.1	40	42.2	14.4	2.2
3	Is the company using department as the basis of overhead rate?	2.56	.751	0	50	35.6	13.3	1.1
4	Company uses learning curve technique for reduce the cost.	2.42	.834	10	50	27.8	12.2	0
5	Is the Company using cost of quality?	2.35	.838	11.1	53.3	25.6	8.9	1.1
6	The company adopts Target costing practices.	2.18	.872	22.2	44.4	25.6	7.8	0
7	The company uses Activity Base Costing (ABC).	2.06	.776	22.2	53.3	20	4.4	0

(1= Never 2= Rarely 3= Sometimes 4= Often 5= Very Often)

The results describe that the most widespread use of costing practice is the separation of fixed and variable cost. The mean value is 2.94 which show the tendency of its usage in services sector of Pakistan. 21.1% respondents used this practice often whereas 51.1% respondents were used in moderate followed by overhead rate both plant wide and department wide used the companies with the means values of 2.76 and 2.56 respectively which were the second and third widely used costing practices in service companies. About 17% and 14.4% respondents companies used plant wide overhead base and department wide overhead base respectively in its routine or often used along with 42.2% and 35.6% respondents companies used plant wide and department wide as overhead base respectively in its moderate levels. Learning curve technique and cost of quality quite less used in service companies. These costing practices were used with the means values of 2.42 and 2.35 respectively followed by 12.2% and 10% respectively often used and 28% and 25.6% respondents (respectively) were used these practices moderate. Finally target costing practice and activity base costing were rarely used in service sector. The mean value of target costing is 2.18 with 7.8% often used, 25.6% moderate used and 44.4% rare used whereas the mean value of activity base costing is 2.06 with 4.4% often used, 20% moderate used and 53.3% rarely used in service sector.

Traditional costing practices such as separation of fixed and variable cost, plant and department as overhead base were used frequently whereas the contemporary costing practices such as target costing and activity base costing etc were not used in companies. But these results show that in future contemporary costing practices would be used in service sector. The research is consistent with the previous research in which there is a lack of usage of current costing practices in developing countries as compared to developed countries of the world likes (Abdel-Kader and Luther, 2006; Lamminmaki and Drury, 2001; Cinquini and Tenucci, 2006; Al-Omiri and Drury, 2007).

Table 14. Budgeting Practices

(1= Never 2= Rarely 3= Sometimes 4= Often 5= Very Often)

Sr. No	Budgeting Practices	Mean	S.D	1	2	3	4	5
1	Does your company use Budgeting technique for planning?	3.26	.715	0	11.1	55.6	28.9	4.4
2	Does your company use Budgeting technique for controlling cost?	3.16	.768	1.1	14.4	55.6	24.4	4.4
3	Does your company use Budgeting technique for long term planning?	3.02	.834	3.3	20	51.1	22.2	3.3
4	Does your company use Budgeting technique for performance evaluation?	2.61	.843	6.7	40	41.1	10	2.2
5	The company uses Flexible Budgeting technique.	2.32	.832	14.4	46.7	32.2	5.6	1.1
6	The company uses Activity Base Budgeting technique.	2.17	.855	22.2	43.3	30	3.3	1.1
7	The company uses Zero Base Budgeting technique.	2.05	.798	24.4	50	21.1	4.4	0
8	The company uses incremental budgeting technique.	1.98	.814	28.9	47.8	18.9	4.4	0

The results reveal that budgeting practice for planning is used in wide range of service sector. The mean value is 3.26 which is one of the highest average values in budgeting practices techniques showing that the highest use from all other budgeting techniques. 33.3% respondents companies used it often and 55.6% respondents companies sometimes used this practice and overall trend showing the high level of its usage. Budgeting for controlling cost also used on routine bases with a little bit low from budgeting for planning. Budgeting for controlling cost used by companies 29% often whereas 55.6% companies used this practice on moderately. Third budgeting practice is budgeting for long term planning which is often used by respondents companies. The mean value of budgeting for long term planning is 3.02 which have

the tendency of its utilization. 25.5% respondents companies used this practice often and 51.1% respondents companies used budgeting for controlling cost on moderate level.

These above three budgeting practices were highly utilized by the respondents companies as compared to other budgeting practices. Budgeting for performance evaluation also used in companies with the mean value of 2.61 whereas it is utilized in 12.2% on routine bases and 41.1% on moderate level. Majority of the respondents rarely used flexible budgeting and activity base budgeting techniques. The means values of both techniques were 2.32 and 2.17 respectively with often used of 6.7% and 4.4% respectively. The moderate levels of its utilization were 32.2% and 30% respectively. Zero base budgeting and incremental budgeting techniques were rarely or never used in respondents companies. The mean values of zero base budgeting was 2.05 with 4.4% often used and 21.1% used sometimes in the companies whereas the mean value of incremental budgeting technique was 1.98 with 4.4% often used and 19% used moderately.

By using table the research concludes that there was highest level of usage of budgeting practices in service sector of Pakistan including financial sector. Therefore, the research is consistent with previous researches of budgeting practices such as Ghosh and Chan, (1997), Joshi, (2001), Burnett, *et al.* (2005).

Table 15. Decision making Practices

(1= Never 2= Rarely 3= Sometimes 4= Often 5= Very Often)

Sr. No	Decision making Practices	Mean	S.D	1	2	3	4	5
1	Is the company doing product profitability analysis for decision making?	3.20	.837	0	21.1	43.3	30	5.6
2	Is the company using Break even analysis for decision making?	3.25	.828	1.1	14.4	48.9	28.9	6.7
3	Does the company use cash flow method for decision making?	3.16	.768	1.1	15.6	52.2	27.8	3.3
4	Does the company use payback period technique for decision making?	3.32	.871	1.1	15.6	41.1	34.4	7.8
5	Is the company using cost of capital in discounting cash flows for decision making?	2.76	.874	4.4	37.8	35.6	21.1	1.1
6	Does the company doing customer profitability analysis for decision making?	3.07	.926	1.1	28.9	37.8	25.6	6.7
7	Is the company using probability analysis practice for decision making?	2.85	.855	3.3	33.3	38.9	23.3	1.1

In term of usage of decision making practices in services sector of Pakistan, the research found that all the practices used by the services sector. Product profitability analysis has the mean value 3.20 which shows the tendency of often used. About 36% respondents companies were using this practice as often and very often whereas 43.3% respondents revealed this practice used in moderate level. Breakeven analysis in companies used more as compared to product profitability which has the mean value 3.25. About 36% respondents used it often and 49% respondents used it with moderate. Cash flow method for decision making is an important decision making practice which has the mean value of 3.16 and moving on its usage at often level. The respondents were used this practice as often and very often in 31.1% and 52.2% used sometimes to this decision making practice. Payback period decision making technique was the most utilized technique by the respondent companies. It has the mean value 3.32 which is the highest mean value from all other decision making practices. About 42.2% respondent used it time to time whereas 41.1% companies used it sometimes.

Cost of capital for discounting cash flows used at minimum level from all other decision making practices. The mean value of cost of capital for discounting cash flows were 2.76 and its level of often and very often used in 22.2% and about 36% respondents companies used at moderate level. The next practice is the customer profitability analysis which has the mean value 3.07 that showing the trend of usage in respondent companies. It has been used by respondents 32.3% at often and very often level whereas 38% respondents used it sometimes and finally probability analysis has the mean value of 2.85

and 24.4% respondents used it at often and very often level whereas 39% companies used it at moderate level. Product profitability analysis, breakeven analysis, cash flow, payback period and customer profitability analysis have mostly utilized by the financial sector which has the part of sample. The results of this section matched with the earlier studies of examined the usage of ten decision making practices in term of broadly usage of decision making practices in developing countries like, Forde, Burnett, et al. (2005), France, (2005), and Forsaith, Tilt et al. (2001).

Table 16. Performance evaluation Practices

(1= Never 2= Rarely 3= Sometimes 4= Often 5= Very Often)

Sr. No	Performance evaluation Practices	Mean	S.D	1	2	3	4	5
1	Does the company use financial measure to analyze performance evaluation?	2.21	.726	14.4	53.3	28.9	3.3	0
2	Does the company use non financial measure about operation and innovation for performance evaluation?	2.08	.697	16.7	61.1	18.9	3.3	0
3	Does the company use non financial measure about customers for performance evaluation?	2.13	.722	15.6	60	20	4.4	0
4	Does the company use Benchmark for performance evaluation?	3.65	.823	0	5.6	40	37.8	16.7
5	Does the company use non financial measure about employees for performance evaluation?	2.28	.753	13.3	48.9	33.3	4.4	0

Performance evaluation practices have been utilized by the respondent companies at mixture of often, moderate and rarely in service sector instead of benchmark practice. Accordingly, financial measures have the mean value of 2.21 with moving on to usage level. But it has 3.3% respondents often used it and about 29% used it at sometimes. 53.3% respondents were used it rarely in their companies. Non financial measures about operation and innovation as performance evaluation have the low mean value from financial measures. It has 2.08 averages, and again only 3.3% respondents companies used it often and about 19% respondents used it at moderate level. About 61% respondents used it off and on basis followed by non financial measures about customers for performance evaluation which was slightly high usage rate as compared to non financial measures about operation and innovation. The mean value of this practice was 2.13 showing the level of usage in service sector. 4.4% respondents used it often, 20% used it sometimes and 60% used on rarely. It was interesting average figure of benchmark practice in service sector. The mean value was 3.65 and it was the highest mean value from all performance evaluation practices. With regard its utilization, about 55% respondents used it on often and very often in their companies whereas 40% respondent companies used it moderately. It was showing that majority of the service sector companies used benchmark for performance evaluation measure. Finally, non financial measures about employees used at low level to some extent. The mean value of this practice was 2.28 with often usage at 4.4% respondents, moderate usage at 33.3% and rare usage at almost 49% in respondents companies.

Majority of the studies have showed the adoption and usage level of performance evaluation practices in developing countries such as; Wijewardena and De Zoysa, (1998), Haldma and Laats (2002), Hyvonen, (2005), and Cinquini and Tenucci (2006). Non financial practices considered as the contemporary management accounting practices so that's why their level of usage are not high in developing countries (Sliehat, *et al.* 2012).

4.4. Classification of companies cross life cycle stages

Life cycle stages explain the significant elements about the development of companies according to the life cycle. But corporate life cycle stages theory has been used rarely in management accounting research (Moore and Yuen, 2011). According to Miller and Friesen (1984) corporate life cycle based on five stages regarding their characteristics and growth at different level. These stages are as follows:

Birth: Small firms, Dominated by owner manager, Informal structure;

- Growth:** Medium firms, multiple shareholders, some formalization of structure;
- Maturity:** Large firms, Formal, bureaucratic structure, Functional basis of organization;
- Revival:** Very large firms, Divisional basis of organization, High differentiation;
- Decline:** Market size firms, Formal, bureaucratic structure and slower growth.

Source: Miller and Friesen (1984)

In this research by using self categorization in order to identify at which stage the respondent companies belong. Respondents asked to identify that which stage the company belongs according to these five life cycle stages. This self categorization measures have been used by previous studies like (Silvola, 2005). The results of the life cycle stages are shown below:

Table 17. In which stage the company belongs

	Frequency	Percent	Valid Percent	Cumulative Percent
Birth	1	1.1	1.1	1.1
Growth	62	68.1	68.9	70.0
Valid Maturity	22	24.2	24.4	94.4
Revival	5	5.5	5.6	100.0
Total	90	100.0	100.0	
Total	90	100.0		

In which stage the company belongs

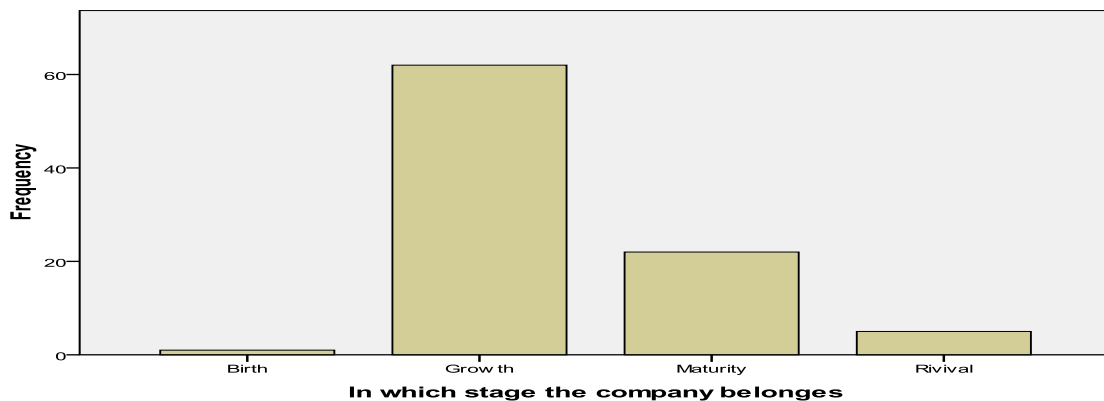


Figure 1.

In terms of life cycle stages, it is stated that 1.1% respondents belong from birth stage and 69% of the respondents located in second stage of life cycle. It is showed that 70% of the respondents companies were belong from first two stages. These results support to the previous studies that in developing countries life cycle of organizations based on youth sector. The results indicate that 24.4% respondents located in third stage which is maturity stage of life cycle and 5.6% existed in revival stage. There is no single company from sample which belongs from fifth stage which is decline in life cycle stages.

In addition the research also concluded life cycle stage of individual sector. There are four sector in the sample in which banking sector is the most growing sector which have 63.6% growth and remaining 36.4% located in maturity stage. According to the results no one bank exists in birth, revival and decline stages. This shows that the banking sector of Pakistan is the growing sector with strong wide spread network and products. The following table and diagram show the results of banking sector according to the life cycle stages.

Table 18. belongs the results of banking sector according to the life cycle stages

	Frequency	Percent	Valid Percent	Cumulative Percent
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Growth	28	30.8	63.6	63.6
Valid Maturity	16	17.6	36.4	100.0
Total	44	48.4	100.0	
Total	90	100.0		

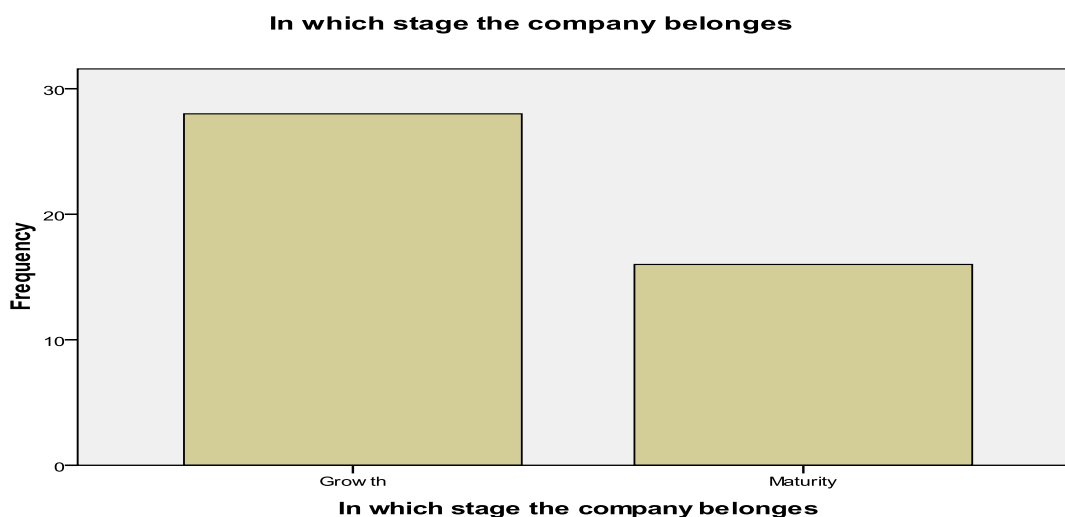


Figure 2.

In insurance sector the results found that 2.9% insurance companies come under the birth stage and 85.7% insurance companies come under the growth stage. It shows very high frequency of insurance companies in growing stage. The results also reveal that 11.4% insurance companies located in maturity level. There is no insurance company which is located in revival and decline stage according to the life cycle stages. Insurance sector has reached in growth during previous decade and its growth is going now. According to above these results it can be said that all the insurance companies belong to the growth stage of its business and in future they would gain its maturity level. Here are the results of insurance sector life cycle stages with the diagram.

Table 19. The results of insurance sector life cycle stages

	Frequency	Percent	Valid Percent	Cumulative Percent
Birth	1	1.1	2.9	2.9
Growth	30	33.0	85.7	88.6
Maturity	4	4.4	11.4	100.0
Total	35	38.5	100.0	
Total	91	100.0		

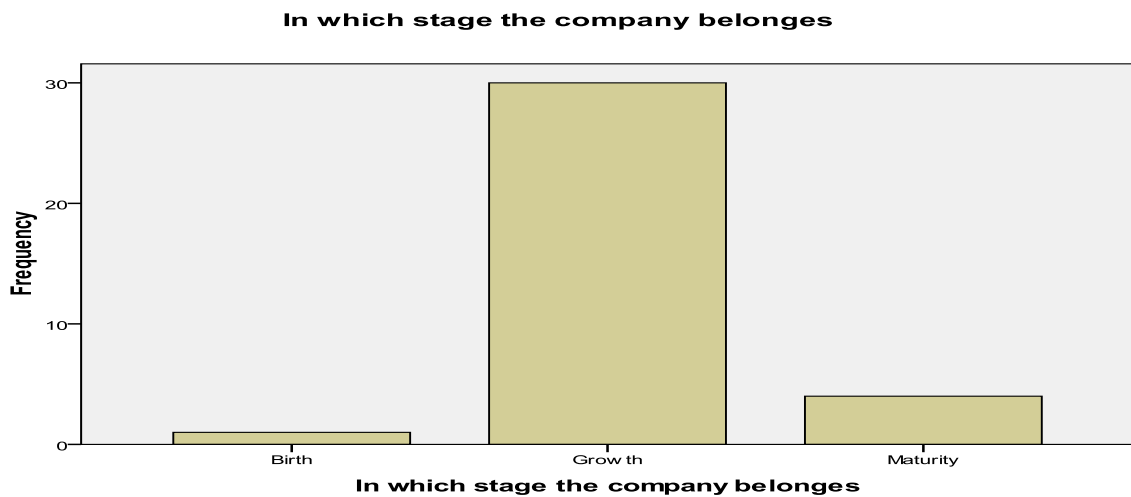


Figure 3.

In telecommunication sector the results indicate the 30% telecommunication companies were located in growth stage whereas 20% of companies were retained in maturity stage and rest of the 50% companies were existed in revival stage in life cycle stages. In telecommunication sector the results are quite different from banking and insurance sectors. There is no company which belongs from birth and decline stages. Here growth and maturity stages are 30% and 20% respectively and remaining all 50% companies retained in revival stage. It shows that the net work and size of the companies are very large with decentralization and high differentiation in telecommunication companies. The following is the diagram and table of the results of telecommunication companies.

Table 20. The results of telecommunication companies

	Frequency	Percent	Valid Percent	Cumulative Percent
Growth	3	3	30.0	30.0
Maturity	2	2	20.0	50.0
Revival	5	5	50.0	100.0
Total	10	10	100.0	
Total	90	100.0		

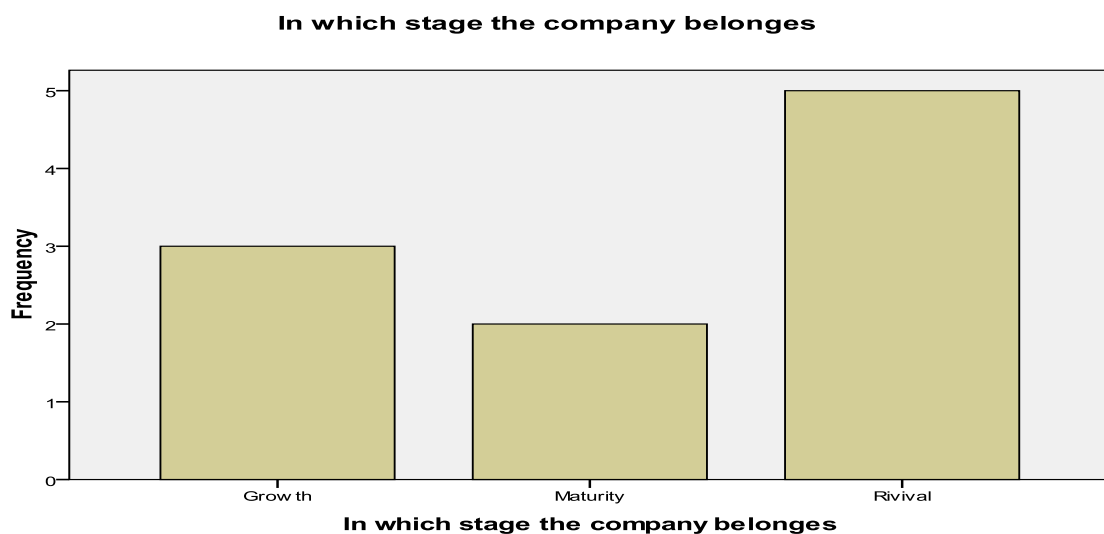


Figure 4 .

Computer sector contains one computer service company which was existed in growth stage. In Pakistan there is only one computer Services Company which is listed in Karachi stock exchange with the growing behavior with respect to life cycle stages.

4.5. Levels of Management Accounting Practices

In this research there are 27 management accounting practices have been identified for analysis. The structure of levels of these management accounting practices based on importance and usage of these practices with their rankings. The levels used previously by Abdel-Kader and Luther, (2006) in their study. Looking for first level of management accounting practices in which there are five management accounting practices which are widely used in service sectors of Pakistan. These are benchmark for performance evaluation, payback period technique, cash flow analysis, customer profitability analysis and break even analysis. Second level includes seven management accounting practices which are secondly highest usage level in service sector of Pakistan. These are cost of capital analysis, probability analysis, product profitability analysis, budgeting for long term planning, budgeting for controlling cost, budgeting for planning and budgeting for performance evaluation. Many previous studies for instance, Luther and Longden, (2001) confirmed about the usage of budgeting practices at different levels. Many European studies also confirmed the usage of these budgeting practices like (Israelsen *et al.* (1996) in Denmark; Groot (1996) in Netherlands; Bruggeman *et al.* (1996) in Belgium; Scherrer (1996) in Germany).

Move on third level in which there are eight management accounting practices that are non financial measure about customer for performance evaluation, financial measures for performance evaluation, plant as the base of overhead rate, separate dealing with fixed and variable cost, department as the base of overhead rate, flexible budgeting, non financial measures about operation and innovation for performance evaluation and non financial measures about employees for performance evaluation. These practices have lower means values of importance and usage than the first two levels. Fourth and fifth levels include the lowest means values of importance and usage. In fourth level there are five management accounting practices which are learning curve technique, activity base budgeting, zero base budgeting technique, cost of quality and incremental budgeting. Finally, fifth level has two management accounting practices that are target cost practices and activity base costing. Majority of the fourth and fifth levels have advanced management accounting practices which are rarely in used or not in used in service sector of Pakistan. These levels have been shown in appendix. On the basis of these levels we can say that the service sector of Pakistan adopted mainly traditional management accounting practices with some advance practices and in future service sector of Pakistan will use advanced management accounting practices.

5. Conclusions and Recommendations

5.1. Summary and Conclusions

The vital theme of this research is to find out the current status of management accounting practices in service sector of Pakistan. Our analysis based on 90 service companies in which banking sector includes 44 companies that have further sub groups of commercial banks, nationalized banks, specialized banks, Islamic banks, foreign banks and micro finance banks. Another important sector is insurance sector which contains 35 insurance companies that have sub groups of life and non life insurance companies. There are 10 companies taken from telecommunication sector in which five are foreign companies and remaining five are listed telecommunication companies at Karachi stock exchange. There is only one computer Service Company in the sample because in Karachi stock exchange there is only one listed computer Service Company. For this purpose primary data has been collected from these companies through questionnaires. The questionnaire contains demographic characteristics of companies, role of management accounting practices and level of usage of management accounting practices in service sector of Pakistan. There were 27 management accounting practices under the heads of costing practices, budgeting practices, decision making practices and performance evaluation practices have been used. Over all reliability test contains .954 Cronbach's Alpha value. The unit of analysis is company and mean and standard deviation are the statistical techniques which have been used for analysis. Our main findings are as follows:

Costing practices: In costing practices there are 7 practices which have been included for analysis. The results show that the separation of fixed and variable cost was widely used practice which has 2.94 means value. Plant as the basis of overhead rate was also used by the companies which have 2.76 means value. Department as the basis of overhead and learning curve technique has been low level of usage. These have 2.56 and 2.42 means values respectively. Other costing practices like cost of quality, target costing and activity base costing were rare usage in service sector of Pakistan. These practices have 2.35, 2.18 and 2.06 means value respectively.

Budgeting practices: Budgeting practices include 8 practices which have been analyzed in which budgeting for planning and budgeting for controlling cost were highly utilized by the companies. These have 3.26 and 3.16 means values respectively. Budgeting for long term planning and budgeting for performance evaluation also have high means values which shows its level of usage. Other budgeting practices like, flexible budgeting, zero base budgeting, activity base budgeting and incremental budgeting have the means values of less than 3 which show their rare level of usage in service sector of Pakistan.

Decision making practices: There were 7 decision making management accounting practices which have been included in analysis. Payback period and breakeven analysis were highly used in service sector of Pakistan which has 3.32 and 3.25 means values respectively followed by product profitability analysis and cash flows methods that have 3.20 and 3.16 means values respectively. Customer profitability analysis, probability analysis and cost of capital analysis were used with low rate.

Performance evaluation practices: It includes 5 management accounting practices in which benchmark was the highest mean value of 3.65 which showed its level of usage in service sector of Pakistan. Financial measures for performance evaluation has also used by the companies. It has 2.21 means value. All the non financial measures related to employees, customers and operation or innovation have lower level of usage in service sector of Pakistan.

Life cycle of companies show that there were only 1.1% respondent companies belong from birth stage and about 69% of respondent companies belong from growth stage which shows that majority of the companies of service sector were in growing stage. 24.4% companies were at maturity level that was reasonable percentage in maturity level of service companies. Only 5.6% companies belong from revival stage. There were 5 levels of 27 management accounting techniques which were taken on the basis of importance and usage level. In first level, those management accounting practices include that have high mean values and the remaining 4 levels have the lower level of usage and importance accordingly.

5.2. Recommendations

This research found that all the management accounting practices including traditional and advanced are very important for services sector of Pakistan. Financial sector which is the sub sector of service sector can get competitive edge by utilizing management accounting practices. All the managers should adopt management accounting practices at different stages and own them for the benefits of organization, especially advance practices like target costing, activity base budging and activity base costing. In service sector, customer loyalty is very important factor which can be achieved by using management accounting practices at up to the mark. Govt. should penetrate these management accounting practices in service industry by adopting different new International accounting standard (IAS). Moreover, in universities there should be learnt advance management accounting techniques in order to minimize theory practical gap between them.

5.3. Limitations and directions for future study

In this research the evidences which are reported have some limitations. This study based on four service sectors that were banking, insurance, telecommunication and computer service. The sample size can be extended by including transport sector, medical and health service and housing works planning service etc. There were time limitations in study because of completion of thesis requirement, so in future time limitations can be minimized. Our study depends on questionnaires which were not free from biasness, so future study may be included questionnaires as well as interviewed. The findings based on cross sectional study which highlights the current status of management accounting practices, not before

or after, so longitudinal research can be required in future with more power full statistical techniques instead of only means and standard deviations.

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