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An overview of the role of management accounting in improving financial performance

Amir Mohammadi Amirabad
MehrAlborz University

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A B S T R A C T

This article aims to examine the role of management accounting in improving financial performance. According to managers' information and their decisions, management accounting collects and analyzes financial and non-financial information to help managers in making strategic and operational decisions. In this article, the importance of management accounting in improving financial performance has been investigated based on a systematic review of available sources in this field. The results of this review show that management accounting can have a positive effect on improving financial performance. By improving decision making, controlling costs, evaluating performance, and improving communication, management accounting can improve financial performance. According to the results of previous studies, it can be recommended that organizations pay attention to better decision-making, cost control, performance evaluation, and communication improvement in the design and implementation of management accounting systems to improve their financial performance.

Key words: *Management Accounting, Performance Improvement, Investment Funds, Review Article*

Introduction

The impact of management accounting on improving financial performance is a crucial issue in the field of financial management. Management accounting, as an important tool, helps managers and decision makers in organizations to improve strategic and operational decisions based on financial and non-financial information, including performance data, costs and profitability (Hajiha and Kordelui, 2021). Investment funds as one of the reliable methods of investment play an important role in creating added value and economic growth. By using management accounting, these funds can manage various opportunities and challenges and improve their performance (Shen and Yank, 2020). Management accounting in investment funds can be effective directly and indirectly (Saeidi and Rahimi, 2018). Directly, by analyzing the costs, the financial performance of the funds is checked and improved. (Hajiha and Kordelui, 2021) This can include studying and analyzing the structure of costs, evaluating financial performance, optimizing operating costs, and evaluating the profitability of investments (Saeidi et al., 2018). Indirectly, management accounting has a significant impact on the strategic decisions of investment funds. By using models and methods of cost management, budgeting and performance evaluation, managers can make better decisions on financial resource allocation, stock pricing, risk management and investment strategies. These decisions can improve fund performance, reduce costs, increase profitability, and increase added value for investors and fund shareholders (Chen et al., 2019).

In general, management accounting helps investment fund managers to make better decisions about fund performance and strategies using financial and non-financial information. By improving financial and strategic performance, investment funds can increase their productivity and profitability and provide added value to their investors and shareholders.

In this regard, management accounting can be effective directly and indirectly. Directly, management accounting improves the financial performance of investment funds by analyzing the costs and profitability of investments. By reviewing and managing operational costs and investments, managers can use financial resources optimally and improve the profitability of the fund. Indirectly, management accounting has a significant impact on the strategic decisions of investment funds (Saeidi et al., 2019). By using models and methods of cost management, budgeting and performance evaluation, managers can make better decisions on financial resource allocation, stock pricing, risk management and investment strategies. These decisions can improve fund performance, reduce costs, increase profitability, and increase added value for investors and shareholders (Hajiha and Kordelui, 2021).

In summary, management accounting helps investment fund managers make more effective decisions about their performance and strategies by providing accurate and useful information. By improving financial and strategic performance, investment funds can increase their productivity and profitability and provide added value to their investors and shareholders (Chen et al., 2019). This article aims to review the role of management accounting in improving the performance of investment funds and its main goal is the impact of management accounting in improving the performance of investment funds.

A review of research literature

Management Accounting

Management accounting is a field in accounting that focuses on managerial aspects and managers' decisions and its applications in organizations. In management accounting, financial and non-financial information are collected and analyzed so that managers can benefit from them in making strategic and operational decisions. The main goal of management accounting is to provide information that helps managers in performing their duties and making effective and optimal decisions. This accounting is actively used during management processes such as planning, control, performance evaluation and investment decisions (Chen et al., 2019).

Management accounting helps managers and employees of organizations to have accurate and useful information about the organization's financial and operational performance. By analyzing and reviewing this information, managers can make important financial and strategic decisions according to the organization's goals and improve the organization's performance. For example, management accounting is used in budgeting, costing, performance evaluation and profitability analysis. By examining the costs and revenues, financial resources are allocated to different departments of the organization and the added value is evaluated. In short, management accounting helps managers to make more effective decisions about the organization's performance and strategies through the collection, analysis and use of financial and non-financial information (Chen et al., 2019).

Management accounting is used as an important field in the field of financial management and decision making. In management accounting, there are various concepts and theories that can be used in your research. Below, we mention some important management accounting concepts and theories:

Costing: The principles of costing and related techniques can be used in financial performance analysis.

Decision-making theories: Decision-making theories such as Pointo's theory, game theory and sensitivity analysis can be useful in relation to management decisions in investment funds.

Budgeting: Examining budgeting methods and budget control can be effective in improving financial performance.

Stock valuation: different theories and methods of stock valuation and investment can help you better understand financial performance (Chen et al., 2019, Ozer and Doro, 2020).

Management accounting, as an important field in accounting, focuses on providing management information for strategic and operational decisions in organizations. In investment funds, management accounting also plays a very vital and key role and can have a significant impact on improving financial performance. In the following, we will examine some key aspects of this effect.

Cost planning and control: Management accounting helps investment fund managers to accurately plan costs and control them. With the knowledge of different costs and factors affecting them, managers can identify and implement cost optimization solutions. These improvements can include reducing unnecessary costs, improving processes and increasing productivity, which ultimately results in improved financial performance.

Strategic decision-making: Management accounting provides investment fund managers with important information about financial performance, profitability, risks, and factors affecting investments. This information is able to guide decision makers about investing in funds, selecting investment portfolios, determining optimal strategies and analyzing risks. Appropriate strategic decisions can improve financial performance and improve financial performance.

Performance evaluation and follow-up: Management accounting provides managers with information that allows them to evaluate financial performance. Profitability, investment returns, financial ratios and performance indicators can be measured and compared through management accounting. By analyzing and evaluating this information, managers can identify the strengths and weaknesses of the fund and apply the necessary improvements.

Communication and information transfer: Management accounting provides better communication between investment funds and other related entities such as shareholders, investors and banks. By providing accurate and understandable financial and management information, management accounting helps to transfer information between these entities and establish effective communication between them. These improved communications can increase the confidence of investors and other stakeholders and ultimately result in improved financial performance.

Research background:

Abdogianfi et al. (2020), this study was conducted to investigate the impact of management accounting methods on the performance of manufacturing companies in Ghana. The research method is quantitative and the data was collected from 200 managers of manufacturing companies who were selected using a simple random sampling method. SPSS version 18.0 software package was used for data analysis. Regression analysis has also been performed to investigate the relationship between management accounting methods and performance. The results of the study show that the costing system, budgeting system, performance evaluation system, strategic management and information for decision-making are the management accounting methods that have attracted the most attention from manufacturing companies in Ghana and these management accounting methods have a positive effect on performance of manufacturing companies in Ghana. At the end of the study, it is recommended that if the managers want to increase the performance of the company, they should pay attention to these management accounting methods and follow them.

Chen et al. (2019), this research study was conducted to examine the impact of mergers and acquisitions in India on the operational performance of the merging companies in the first 15 years of the 21st century. The methodology used was to examine the financial profitability before and after the combination and the ratios of capital structure and financial return of the listed companies in India between 2001 and 2015. The analysis shows that profitability ratios or ROI ratios have not improved. However, the results show that there are differences in operational performance after mergers between mergers that involved mergers between joint development groups and mergers that involved unrelated companies. Also, differences are observed about the effect of composition for business firms in two different time periods 2001-2008 and 2009-2015, although these differences cannot be related to the global financial crisis that caused the recession in Indian industry. The results also show.

Oz and Doro (2021), in previous studies, the effect of the importance, application and use of information provided by the management accounting system on performance in contextual conditions has been repeatedly investigated. Although there are cases in the literature that show that management accounting has a positive effect on firm performance, which is a far-fetched conclusion, more research is needed to explain this relationship. In this study, using management accounting system information in strategic planning, an important management activity, and the mediating effect of strategic planning between management accounting system and company performance have been investigated. Through partial structural equation-structural regression-based theory studies, data collected from 75 listed companies in Turkey's 500 largest industrial companies were analyzed. As a result of this research, it has been observed that the management accounting system has a positive effect on strategic planning, and the effect of the management accounting system on the company's performance is partly through strategic planning. This finding is very important as a partial explanation of the relationship between management accounting system and firm performance. Therefore, this study shows that the management accounting system, which is designed according to the company's strategies and goals and considering its resources and needs, can improve performance by restoring the role in the success of strategic planning.

Nouri and Karachorlo (2016), the purpose of this research is to investigate the impact of management accounting practices on the performance of small and medium enterprises with the mediating role of organizational culture in the auto parts manufacturing industries of East Azarbaijan province. In this research, the variable of management accounting practices has seven dimensions and the performance of companies (Lopez, 2011) has six dimensions. In addition, for organizational culture, Dennison's model (2000) has been used as a mediating variable in four dimensions. The statistical population of this research is made up of automobile parts manufacturing companies of East Azerbaijan Province, and 125 acceptable questionnaires were obtained for data analysis and hypothesis testing. Structural equation modeling method was used in SMART-PLS software for data analysis. The results of the findings showed positive and significant relationship between management accounting practices and organizational culture with the performance of companies. Also, management accounting practices have a significant impact on the performance of companies through organizational culture. To increase quality and competitiveness and reduce costs, it is suggested that company managers pay attention to a suitable combination of management accounting practices in accordance with organizational culture to improve performance and profitability of products.

Hadian and Rahimi (2019), this research was conducted by using questions from senior managers of manufacturing companies active in the manufacturing companies of Chaharmahal and Bakhtiari provinces. The measurement tool in the research was a questionnaire. To prove the hypotheses, Fisher's test and regression analysis were used. The statistical population in this research is all the manufacturing companies of Chehrmahal and Bakhtiari province, and the selected sample size is more than 150 companies from the manufacturing companies of this province. In this research, we have tried to analyze the data using SPSS software and to reject or confirm the hypotheses, as a result of this research, we found a significant relationship between work ambiguity and the management accounting system, the scope of the territory, the levels of aggregation, integration, and timeliness and there is a significant relationship between managers performance and the management accounting system, scope of territory, levels of consolidation, integration, timeliness and there is a significant relationship between the performance of managers and the management accounting system, scope of territory, levels of consolidation, integration, timeliness .

Hadi et al. (2018), the research was conducted to investigate the mediating effect of management accounting methods on the relationship between cost system design and company performance. Among the companies admitted to the Tehran Stock Exchange during 2012 to 2015, questionnaires were randomly sent to 225 non-financial companies, 203 of them participated in the survey (response rate 90%). After the initial processing, 161 data remained as samples for analysis. In this research, the covariance-based structural equation model was used to examine the relationships between variables. Linearity between variables was also performed using OLS regression analysis. Cronbach's alpha test was used to check reliability, which has good reliability due to Cronbach's alpha being greater than 0.7. Confirmatory factor analysis was used to determine the suitability of the constructs of the questionnaire. The results showed that there is a significant positive relationship between the cost design system and the use of management accounting methods. There is a significant positive relationship between management accounting methods and company performance. Management accounting methods have a mediating role on the relationship between cost system design and performance.

Khoshnova and Jamshid (2002), this study evaluated the effect of using new cost management methods on university performance in 2021 among 397 employees and administrators of Kermanshah Azad University. The research method in this study is applied objectively, in terms of the type of data, it is a quantitative research, and in terms of data collection, it is a descriptive type and among the descriptive research methods, also due to the use of questionnaire, it is a part of survey research. Also, in this study, the structural modeling method was used to analyze the data. In this regard, the results of the current research have shown that the use of new cost management methods has created the effectiveness of internal control and the reliability of decision-making, and these two important factors have led to an increase in the level of performance of the organization (university).

Methods:

This paper is an applied article and a review of a systematic review. This type of article focuses on a question and during the article, it is tried to answer the purpose of the article by providing evidence and analyzing the issue. The final result is extracted from different researches. In fact, a systematic review is a kind of summary of existing literature and writings about a specific scientific position that uses specific methods (reproducible and transparent) to search the literature and critically evaluate each research to find valid and practical evidence and combine them using proper tools.

Discussion and conclusion:

Due to the advances in management accounting and new approaches in investment funds, it is possible to improve the performance of these funds significantly. But to improve the performance of investment funds, it is necessary to carefully and thoroughly examine how various factors such as investment strategy, processes, management, data analysis, and technologies can improve all aspects of investment funds (Shen and Yank, 2020, Chen et al. et al., 2019, Ozer and Doro, 2020).

The effect of management accounting in improving financial performance is a widely used and important topic. In the discussion related to this issue, the results and conclusions can be diverse and focus on various factors such as management accounting approaches, management processes and systems, risk management and innovation, data analysis and technologies. In the following, we will examine more details:

Management accounting approaches: The use of management accounting approaches can facilitate the improvement of financial performance. These approaches include budgeting systems, costing, objective analysis, operations management, and performance evaluation. Using these approaches, managers can improve financial planning, cost control, performance analysis and profitability evaluation, and make strategic decisions and investment optimization.

Management processes and systems: Improving financial performance requires optimizing processes and using effective management systems. The processes of investment management, risk management, operations management and information management can be effective in improving financial performance. Creating effective and optimal processes, improving risk control and productivity, reducing costs, and increasing decision-making capabilities can lead to improved performance.

Risk management and innovation: Due to the dynamic nature of investment funds, risk management and innovation are of great importance. Management accounting can help identify and assess risks and promote innovative strategies. Using risk management techniques such as scenario evaluation, portfolio management, and sensitivity analysis can be effective in improving performance and reducing risk factors.

Data analysis and technologies: The use of technology and data analysis in management accounting can facilitate the improvement of financial performance. The use of management information systems and analytical tools such as business intelligence, hyper-networks, big data analysis and artificial intelligence can help managers to analyze accurate and timely information and make better decisions about their investments.

As a result, the effectiveness of management accounting in improving financial performance depends on the correct use of management accounting approaches, optimization of management processes and systems, risk management and innovation, and the use of technology and data analysis. These factors, along with other economic and marketing factors, can help improve the performance and performance of investment funds.

According to the review study conducted and in accordance with the reviewed research background, the improvement of financial performance depends on various factors and management accounting can also play an important role in this improvement, in the following, we briefly explain the effect of management accounting in improving financial performance::

Better decision-making: Management accounting helps managers in strategic and operational decisions of investment funds by providing accurate and comprehensive financial and non-financial information. This information includes cost analysis, profitability of investments, budgeting and performance evaluation. With access to this information, managers are able to make better decisions in terms of allocating financial resources, choosing appropriate investments and determining optimal strategies.

Cost control: Management accounting allows the operational and investment costs of investment funds to be examined and methods of cost improvement identified. These improvements can include optimizing the use of financial resources, reducing unnecessary costs, improving processes and increasing productivity. These functions increase profitability and improve the financial performance of investment funds.

Performance evaluation: Management accounting provides appropriate criteria for evaluating financial performance. These criteria include profitability, return on investment, financial ratios and performance indicators. Using these evaluations, managers can review the fund's performance and make necessary changes and improvements if needed.

Better communication: management accounting plays an important role in the internal and external communication of investment funds. Accurate and understandable financial and management information provided by management accounting allows managers to communicate well with shareholders, investors and other related entities and meet their needs and expectations.

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