

Impact of Management Accounting Practices on Financial Performance of Listed Manufacturing Companies in Sri Lanka

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Management accounting measures analyzes and reports financial and nonfinancial information that helps managers to make decisions, implement strategy to achieve the goals of an organization. The main purpose of this study was to examine the impact of Management Accounting Practices (MAP) on Financial Performance (FP) of listed manufacturing companies in Sri Lanka. Financial Performance was measured by Return on Assets. Costing system, Budgeting system, performance evaluation system, and equity issue and leverage were used as measures of management accounting practices. Total population of 32 manufacturing companies were drawn as the target sample to collect required data for the study. Structured questioner was used to gather primary data and annual reports of the selected companies were used as secondary data sources. Analysis was conducted by using Statistical Package for Social Sciences (SPSS). According to study, it was revealed that there was significant impact of costing system practices to FP and it was the highly practiced and influential MAP amongst the manufacturing companies in Sri Lanka. Further, budgeting system, performance evaluation system, equity issue and leverage respectively showed an impact to financial performance. Thus, it is advisable to manufacturing companies to pay attention for the costing system to improve their financial performance.

Keywords: Costing system, Budgeting system, Performance evaluation system, Leverage, Financial performance