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Managerial Needs, Design Features, and Usage of Accounting Information Among SMES in Malaysia

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ABSTRACT

Firms need accounting information to make decision. Only with good accounting information firms are able to come up with effective decision to survive, compete and strategize in the present global competition. More precisely firms need accounting information to make effective strategic decision. However in Malaysia there are not many studies that were carried out on the managerial needs, design features, and usage of accounting information. Thus there is a need to carry out more studies on accounting information especially among SMEs. In view of the limited studies in the area this study endeavours to investigate accounting information usage among SMEs, particularly in the northern region. In this research, the list of SMEs registered with the Small and Medium Industries Development Corporation (SMIDEC) Northern Branch was used as the sampling frame. Questionnaires were sent to 500 SMEs selected from the sampling frame. From the 500 SMEs only 61 responses were useable for analysis, providing a response rate of 15 percent. Descriptive analysis, mean and standard deviation scores were carried out on data obtained from the respondents. The findings of the study showed that when generating accounting information firms need to consider the managerial needs and design features in order for it to be useful to the users. Additionally cash flow statement, budgeted cash flow, standard costing, production report, job costing report, and product pricing are strategic accounting information that received intense focus from the SMEs in the study.

Keywords: Accounting management, strategic management, SMEs'

1. INTRODUCTION

SMEs made up a significant percentage in many countries in the world today. As a dominant factor in many of the world economies, SMEs' contribution to their respective economies can easily be observed. Among the SMEs contributions are such as in the form of providing employment to the populace and also corporate tax to their respective governments. Though SMEs are minnows compared to their larger

counterparts, their contribution to a nation's economic development is no less small. There is no doubt that the SMEs play major role in the economic development in many countries (Pervan, 2012).

In developing effective strategies managers of SMEs and large firms are required to make quality decisions. Quality strategic decisions require the inputs of quality information. With quality information and in turn good strategic decisions, performance can be improved, (Al Mawali, Zainuddin and Ali, 2012). As a matters of fact for firms to survive, compete and strategize in the present global competition, firms depend on a supply of quality information. More precisely firms need quality accounting information to make decision. Only with good accounting information inputs can firms come up with effective decision.

According to Mia and Patiar (2001), the accounting information as provided by the conventional accounting method seems unable to fulfil the requirement of the present environmental challenges. Not only that accounting information based on the conventional method is unable to meet the challenges but at the same time they are inadequate to develop an organization's competitiveness over the long term. Among others, usage based on nonconventional accounting and usage of customer accounting information needs further investigation, (Al Mawali et. al., 2012).

The studies carried out by Langfield-Smith (1997) and Tucker (2009) indicated that the subject of accounting information had received vast research attention. This is particularly so especially in the area of management accounting information. According to the authors, management accounting information will be able to provide valuable input that is much required for the formation and implementation of effective strategy. Thus accounting information fulfils a vital role for the development and implementation of strategy. In view of this proposition the uses of accounting information can improved firms' strategic decision making that lead to increase in performance.

The research on accounting information covers wide areas. One of them is the style of information. The style of information usage is yet another focus of the study on accounting information usage. Though there had been much interest in the studies on styles of information usage, most of the studies are carried out in the United States and Australia. However in Malaysia studies that examine style of accounting information is limited. Thus there is a need to carry out studies on information usage particularly on the style of information usage locally, (Mohd Yusof et. al., 2012).

While the proper usage of accounting information can enhance decision making, the perception on accounting information can also affect performance of firms. This is so as accounting information is only useful to the extent the users are able to perceive it in the right perspective. The literature also indicates that the perception of accounting information users is another aspect that warrants further investigation. This due to the fact that implementation of accounting systems may cause changes in strategic decision. Thus it is important to identify the perception of the accounting information users with regard to the usefulness of the accounting of the accounting information usage. Further it is useful to gauge the characteristics of the information users including training and knowledge about the accounting concepts.

In the context of SMEs there are numerous studies that are focused on accounting information of SMEs such as the studies by Monk (2000), Al-Shaikh (1998), Potts (1997), Simons (1991), Arnold and Hope (1990), Haswell and Holmes (1989), and Withman (1983). Accounting information usage may determine the outcome for SMEs. For instance the study by Potts (1997) found marked differences between successful and problem SMEs, Haswell and Holmes (1989) indicated the link between the lacked of accounting

information and the performance of SMEs and Withman (1983) noted that SMEs need to not only develop their accounting capability but also to be able to use their accounting information to make decisions.

Accounting information is the input that is much needed by firms to make and implement strategic decision. In more advanced countries particularly western economies, there had been numerous studies on accounting information that had been carried out. However in Malaysia more studies need to be carried out on accounting information especially among SMEs, (Mohd Yusof, Wee, Abdul Rahman, Omar, and T'se, 2012). However despite the importance of accounting information to SMEs the review of the literature indicates that not many studies have specifically attempted to examine accounting information usage among SMEs in Malaysia. In view of the limited studies in the area this study endeavours to investigate accounting information usage among Malaysian SMEs.

2. LITERATURE REVIEW

Managerial Needs and Design Features of Accounting Information

Managers need information to decisions. Information is required as inputs to ensure smooth operation. Information is also required for the purpose of planning, implementing and evaluating strategy. Information especially accounting information is required in making decision with long term consequences on a firm. In particular, accounting information is beneficial as inputs for crafting, implementing and evaluating firms' strategy. Based on Choe (1994), David (2013), and Wheelen and Hunger (2010) accounting information provides much assistance for managers to plan, control and evaluate operating performance.

The literature suggests that accounting information is a set of accounting data that provides various financial information of a firm to its users. In general, the preparation of accounting information can be categorized into three major forms, statutory information, budgetary information and management accounting information. Subsequently, according to Bruns and McKinnon (1998) and Kaplan and Norton (1996) accounting information can be generally classified into two major types, financial information and non-financial information. Financial information takes a quantitative form while non-financial information can be in the form of both quantitative and qualitative.

In making day to day decisions and strategic decisions, managers use the different kind of accounting information both financial and nonfinancial at the same time. Managers with different background orientation will require different type of accounting information. For instance accountant and finance executives will prefer to focus more on the financial accounting information, marketing and human resource executive will prefer to focus more on the nonfinancial accounting information, while a strategist will focus on both kind of accounting information. Consequently, the information requirement may also depend on the decision making processes and also problems faced, (Mia and Patiar, 2001; Naranjo-Gil and Hartmann, 2007; Tse and Gong, 2009).

The accounting information literature also indicates that internal users and external users of accounting information. The internal users of accounting information include executive, managers and directors involved in functions such as marketing, payroll, income and expenses, and budgeting, (Briciu, Groza, and Gânfălean, 2009; Pervan, 2005). The external users of accounting information are such as the bankers who required the accounting information for credit evaluation purposes, and the different investors who need the accounting information for investment evaluation.

Another aspect of accounting information which is important for the users is its design features. Accordingly information design features refer to the form of accounting information required by users. Usually users would prefer features which are easy to understand the accounting information. Further the accounting information must be able to facilitate users to make decision. Regardless the design of the accounting information may depend on several factors involving the users themselves. Among the factors are such as users involvement in recording accounting transaction, knowledge, skills and training received, (Briciu et. al., 2009).

This paper will also discuss the three types of accounting information that are normally prepared in most firms; statutory accounting information, budgetary accounting information and management accounting information or recently more popularly known as strategic accounting information.

Statutory Accounting

Statutory accounting comprises the financial statements of firms. Firms need to prepare the financial statements in order to comply with the statutory requirements. The literature suggests that the International Accounting Standard Committee require that firms present their financial statement in accordance with its framework on the preparation and presentation of financial statements. Preparing and presenting financial statements in such manner will provide accounting information regarding a firm's financial position, changes in financial position and performance. This allows users to make informed strategic decision, particularly on the performance of management and economic decision, (Epstein and Mirza, 1999; Beaver, 1998).

Lavigne (1999) noted that financial statements act as way for the bank to assess the financial risks of the firm, hence approving the loan. In securing a loan from financial institution, a firm must prepare and provide the financial statement up to a certain standard that fulfill the requirement of the financial institution. In similar vein, financial statement that fulfill statutory is required for valuing an investment. In a study on investment readiness of 158 SMEs in Thailand, Sarapaivanich and Kotey (2006) discovered that the SMEs might face difficulty in procuring finance and accrued higher costs if the SMEs' accounting systems were not transparent enough for potential investors to rely on in making investment.

Based on the literature review of the statutory account on SMEs, Sian and Roberts (2009) findings indicate that most of the current studies do not differentiate between larger SMEs, which and the smaller owner-managed enterprises. However, the literature seems to suggest that not many SME owners understand the contents of statutory accounts, and most tend to depend on their accountant to explain the details to them. At the general level the users of SMEs' financial statements are mainly bankers, owners, managers, tax authority, and also capital providers. The financial statement consists of:

- (i) balance sheet
- (ii) income statement
- (iii) statement in changes in equity
- (iv) cash flow statement
- (v) accounting policies and accompanying notes

Budgetary Accounting

Budgetary accounting information is required by decision makers in making strategic organizational decision. In order to better manage their organizations top management, middle managers and other key decision makers need the budgetary accounting information. The budgetary accounting information consists of information from the management accounting activities. Base on Turner (1997), management accounting can be viewed as the preparation and provision of management accounting information to decision makers in an understandable, reliable and timely format. Despite, there is not much awareness on the part of SMEs on the need for management accounting information and the accompanying benefits.

According to Gorton (1999) the proper management accounting technique had been exposed to SMEs for quite some time. For the SMEs accounting information is one of the avenues for enhancing their profitability. In relation to this budgetary planning and control is one of the popular techniques in management accounting. In the budgeting process, decision makers would be able to get the information required for making planning and control decisions for the organization. This is so as in budgeting performance standards are set and feedbacks are provided by means of the variance reports, (Henderson, 1997). de Waal, Bilstra, and Ottens (2004) describe budget as an agreed upon plan, expressed in financial terms, against which performance to be realized in the future is measured and compared (in de Waal, Hermkens-Janssen, and van de Ven, 2011). Taking budget in such a manner, budget then actually represent the operating plan of an organization in the form of financial statement. The budget also a manifestation of an organization long term objective in the form short term action

Base on Wheelen and Hunger (2010) budgetary information incorporate the financial information needed to implement a program once a strategy is agreed upon. The information provided by a budget would assist a firm to evaluate the feasibility of a strategy. In this sense a budget will determine the practicality to carry out a strategy. The financial pro forma statement will be able to gauge the financial impact of implementing a chosen strategy. Using budget in this manner will be able to weed out strategies that do not fulfill the financial objective of a firm.

Budget also provides accounting information for control purpose, Rothaermel (2013). Before programs are defined and carried out, managers would set the amount available for the respective programs. In this way the information gained from the budget acts a form of control for employees to define and carry out a certain program. For David (2013), budget does not only provide information on the on funds are obtained and used, it also spells out what need to be done to implement a strategy successfully. Instead of limiting the expenditure to be used budget should be construed as a mean to obtain the most productive and profitable use of organization's resources.

Generally budget is a tool for firms to make strategic decisions and to ensure growth of a business venture. Budget allows firms to set priorities and maintain the financial and nonfinancial objectives. Standard costing is the management system which employs the budgeting concepts to control business operations. Therefore budgets with its standard costing is one of the key tools management have at their disposal that help to organize, implement and informs plans throughout the firms, (Hilton, 1999; Horngren, Harrison & Bamber, 1999).

Strategic Management Accounting Information

According to Cadez and Guilding (2012) strategic management accounting (SMA) is a management accounting subset that emphasizes on how accounting information facilitate strategic decision and the strategic management process. SMA is relatively new and there not much consensus as to what it constitute. Regardless for the researchers' the two elements of SMA are (1) the adoption of strategically oriented management accounting techniques; and (2) accountant's participation in strategic management processes.

Further, Cadez and Guilding (2012) highlight that strategically oriented management accounting techniques can be distinguished from conventional management accounting techniques. The differences lie with the emphasis on two factors. Strategic management accounting techniques emphasized greater focus on their environmental (outward-looking) and long-term (forward-looking). Cadez and Guilding (2008) identified 16 such techniques which are consolidated into five underlying themes: (1) strategic costing, (2) strategic planning, control and performance management, (3) strategic decision making, (4) competitor accounting; and (5) customer accounting.

The external dimension of SMA, according to Guilding, Cravens, and Tayles (2000) is the management accounting information which covers the external constituents of a firm. In this respect the external constituent refers to information on competitors, suppliers and customers. Additionally the literature shows that under the external dimension SMA attempts to capture various information relating to the external constituents in different form which include cost, prices, market share, competitive benchmarking, financial statement, competitive analysis and position monitoring, and product attribute cost.

However for Shank and Govindarajan (1992, 1993) both internal and external information are beneficial to a firm. This is so as both type of information would enhance a firm to understand their customers, suppliers and other participants in the value adding process. In other words both the internal and external information would enhance a firm to fully realize the benefits of the value chain in achieving competitive advantage. The researchers exhort the need to incorporate both the internal and external information by taking into considerations cost elements as well.

The greater focus of costing in SMA had contributed to the development of information based on cost- related application to aid in the formation of competitive advantage. Thus according to Cinquini and Tenucci (2010) information on cost can have an external implication to the extent that it is able to provide support to strategic decision making. In the literature cost related information of SMA which support strategic decision to create competitive advantage can be observed in the area such as resource usage and product positioning,

Another dimension of focus in SMA has been the non-financial information. The relevance of non-financial information is the idea of performance prediction. The appropriate use of non-financial information can assist a firm to predict its strategic and operational performance, (Ittner and Larcker, 1998). Following this there has been increased research in the studies on the use of balance scorecard and integrative performance measurement system and the relationships with the said information on performance measures and other factors such as market position, strategy communication, and management control device, (Chenhall, 2005; Hoque and James, 2000; Kaplan and Norton, 1996, 2000).

SMA is different from conventional management accounting in a number of ways. The tools and technique employed in SMA are different from conventional management accounting. The tools and technique which are used in SMA are such as value chain costing (Porter 1980), activity-based costing (Hoffjan and Wömpener, 2006), cost allocation based on product attributes (Bromwich and Bhimani, 1994), target costing (Hoque, 2006), just-in-time concepts (Hoque, 2006), and accounting for competitive positioning, or also known as competitor accounting (Roslender and Hart, 2003).

Annual financial reports are used as the source for different financial ratios that assists in making strategic decision and useful for purposes of explaining and predicting performance, (Devine and Seaton (1995/95). The authors suggest using ratios to assists with the financial analysis so that in order to benefit from the internal financial reports. For Dodd and Turner (2000), ratio analysis comprised the activities such as inter firm comparison and industry analysis. Both of these activities fall under the aspect of benchmarking in accounting information. Benchmarking is the process of enhancing performance through continuous effort to identify, understand and adapt excellent practices from other organization as well as inside the organization itself.

According to Hayes (1997) breakeven analysis is another management accounting information. In order to achieve effective pricing and costing decisions, firms need to assess their breakeven points. One of the serious mistakes often done by SMEs is the failure to gauge the breakeven points. In another study Hilton (1999) considers accounting information such as manufacturing statement and production reports as information related to production in the manufacturing process. Other process such as job costing is also considered part of the management accounting information as well. Job costing entails producing goods in batches with significant differences among the various batches. Based on the current literature on SMA, Cinquini and Tenucci (2010) identified 11 SMA techniques which based on four categories, costing, customer, competitor, and performance. The 11 SMA techniques are given in Table 1.

Table 1
SMA category and technique based on Cinquini and Tenucci (2010)

<i>SMA technique category</i>	<i>SMA technique</i>
Costing	Activity based costing
	Life cycle costing
	Quality costing
	Target costing
	Value chain costing
Customer	Customer accounting
Competitor	Competitive position monitoring
	Competitor cost assessment
	Competitor performance appraisal based on public financial statements
Performance	Benchmarking
	Integrated performance measurement and BSC

3. RESEARCH METHODOLOGY

Sampling Frame and Sample

The population in this study comprised SMEs that are operating in the states of Pulau Pinang, Kedah and Perlis. In the context of this study, the SMEs are defined as firms which employed not more than 300 employees. The sampling frame for the study is the list of SMEs that are registered with Small and Medium Industries Development Corporation (SMIDEC) branch office for the Northern Region. The list consisted of 1464 SMEs operating in the northern area. A total of 500 firms were identified and selected to participate in the study. The 500 firms selected formed the sample for the study. Postal survey was used to collect the data from the sample firms. Structured questionnaire with self-addressed envelope and stamp were mailed to the owners and managers of the 500 selected firms. Of the 500 firms, 70 firms responded. However of the 70 responses only 61 firms completed the questionnaires, yielding a response rate of 12 percent.

Research Variables and Measurement

In the study there were three accounting information variables that were used, managerial need of accounting information, design features of accounting information, and accounting information usage. A five-point response scale ranging from (1) “not likely” to (5) “most likely” were used to capture the managerial need of accounting information and the design features of accounting information. The respondents were requested to select and indicate the extent to which their firms emphasize the managerial need for accounting information and the design features of accounting information. As for the accounting information usage, the respondents were required to indicate the frequency in which the firms prepared the statutory accounting information, budgetary accounting information, and strategic management accounting information from (1) “once a year” to (5) “more than 4 times a year”.

Questionnaire

The structured questionnaire that was used in this research comprised four sections and 48 items. The first section of the questionnaire consisted of 9 items used to enquire on general information relating to the background of respondents and the second section which also comprised 9 items covered the firms’ characteristics. The third section covered the 15 items on managerial need and design features of accounting information while the fourth section with another 15 items on accounting information usage. Reliability analysis was carried out to test the reliability of the accounting information variables. The Alpha Cronbach score for the reliability test were 0.855, 0.889, and 0.930 for the variables, managerial need of accounting information, design features of accounting information, and usage of accounting information respectively. The Alpha Cronbach score in the range of 0.6 to 0.7, and 0.7 to 0.8 indicate moderate and good strength of association respectively, (Hair, Jr., Babin, Money, and Samouel, 2003). The three scores were within the acceptable level for most studies in the social science discipline.

4. RESULTS

Background of Respondents

The background of the respondents who participated in this study is shown in Tables 2 and 3. Table 2 showed the background of respondents in terms of how respondents become owner/manager, reason

for joining the firm, position in the firm, gender and marital status. From the table, it can be seen that 2 respondents (3.3 percent) initiated their present firms, followed by 6 respondents (9.8 percent) who inherited their present firms from their family, 53 respondents (86.9 percent) are either hired or promoted by existing firms.

Table 2
Background of Respondent-How did you become owner/manager, reason for joining the firm, position in the firm, gender and marital status

<i>How did you become the owner/ manager of this firm?</i>	<i>Frequency</i>	<i>Percent</i>
Cofounder	2	3.3
Inherited or purchase from family	6	9.8
Hired or promoted by the company	53	86.9
<i>Primary reason for joining the firm</i>		
Work for the company	31	50.8
Did not like the previous work	8	13.1
Wanted to be own boss	6	9.8
Opportunity arose to develop own or someone's idea	12	19.7
Wanted to make money	4	6.6
<i>Position in the firm</i>		
Owner	4	6.6
CEO	4	6.6
Manager	29	47.5
Supervisor	14	23.0
Others please specify	6	9.8
<i>Gender</i>		
Male	40	65.6
Female	21	34.4
<i>Marital status</i>		
Single	17	27.9
Married	44	72.1

A number of respondents or 31 of them (50.8 percent) are employed with the firms, 12 respondents (19.7 percent) started business because of the opportunities to develop own or someone's ideas, 8 respondents (31.1 percent) did not like the previous work, 6 respondents (9.8) wanted to be own "boss", and finally 4 respondents (6.6 percent) intended to make money.

Table 2 also showed that 29 respondents (63.9 percent) are managers of their present firms, followed by 14 respondents (23 percent) who are employed as supervisors, and 4 respondents each (6.6 percent) who are owners and managers of the firms. The remaining 6 respondents (9.8 percent) are regular staff and also assistant managers. In terms of gender, most of the respondents who participated in this survey are male (40 respondents or 65.6 percent), and female (21 respondents or 34.4 percent) while those who are married (44 respondents or 72.1 percent) and single (17 respondents or percent 27.9 percent). The following Table 3 shows the background of respondents in terms of level of education, years with firm, age, and years of experience before joining the firm.

Table 3
Background of Respondent-Level of education, years with firm, age, and years of experience before joining the firm

<i>Level of education</i>	<i>Frequency</i>	<i>Percent</i>
School certificate	2	3.3
Diploma	5	8.2
Bachelor's degree	42	68.9
Master's degree	12	19.7
<i>Years with firm</i>		
1-10	33	54.1
11-20	20	32.8
21-30	6	9.8
>30	2	3.3
<i>Age</i>		
21-30	21	34.4
31-40	32	52.5
41-50	8	13.1
<i>Years of experience before joining the firm</i>		
1-5	25	41.0
6-10	20	32.8
11-15	10	16.4
16-20	4	6.6
>20	2	3.3

As for the level of education, 42 respondents (68.9 percent) possessed bachelor's degree, followed by 12 respondents (19.7 percent) with masters' degree, 5 respondents (8.2 percent) with diploma and the remaining 2 respondents (3.3 percent) with school certificate. Majority of the respondents i.e. 33 respondents (54.1 percent) has been with the firms for less than ten years. This is followed by 20 respondents (32.8 percent) who have been with the firm between 11 to 20 years, 6 respondents (9.8 percent) have been with the firms between 21 and 30 years, and 2 respondents (3.3 percent) have been with the firm for more than 20 years. As regards the number of years of previous experience, 25 respondents (41 percent) had less than 5 years of experience, followed by 14 respondents (23 percent) with 6-10 years of experience, 13 respondents (21.3 percent) with 11-15 years of experience, 4 respondents (6.5 percent) with 16-20 years of experience, and 5 respondents (14.6 percent) with more than 20 years of experience.

In terms of age, 32 respondents (52.5 percent) are between 31 to 40 years of age, 21 respondents (34.4 percent) are within the 21-30 and 8 respondents (13.1 percent) who are 41 to 50 years of age. A number of 25 respondents (41 percent) had less than 5 years of experience before joining the firm. This is followed by 20 respondents (32.8 percent) with 6-10 years of experience, 10 respondents (16.4 percent) with 11-15 years of experience, 4 respondents (6.6 percent) with 16-20 years of experience, and 2 respondents (3.3 percent) with more than 20 years of experience.

Background of Firms

The background of the firms that participated in this research in terms of business entity, age of firm, age, location, and business activity is shown in Table 4. The firms are mainly incorporated as private limited

company (48 firms or 78.6 percent) while the remaining firms are either in the form of sole proprietorship (4 firms or 6.6 percent) or partnership (9 firms or 14.8 percent). It can be said that most of the firms have been in business for less than 15 years (39 firms or 64 percent), while 6 firms (9.8 percent) have been operating between 16 to 20 years and 16 firms (26.2). As shown in Table 4.3, 34 firms (55.7 percent) are located in Penang, followed by 17 firms (27.9 percent) in Kedah, 10 firms (16.4 percent) in Perlis.

Table 4
Background of Firm-Business entity, age of firm, and location

<i>Business entity</i>	<i>Frequency</i>	<i>Percent</i>
Sole proprietor	4	6.6
Partnership	9	14.8
Private limited company	48	78.6
<i>Age of firm</i>		
1-5	12	19.7
6-10	13	21.3
10-15	14	23.0
16-20	6	9.8
>20	16	26.2
<i>Location</i>		
Perlis	10	16.4
Kedah	17	27.9
Penang	34	55.7

The activity of the firms is showed in Table 5. The firms are active in a variety of business activities, ranging from basic iron and steel to transport equipment. Among the more frequent activities are electronic & electrical (15 firms or 24.5 percent), followed by plastic & plastic products (7 firms or 11.4 percent), basic iron & steel and machines & equipment, either (6 firms or 9.8 percent). The rest are fabricated metal product (5 firms or 8.2 percent), food processing/canning, textile & garments, transport equipment (4 firms or 6.5 percent) for each category and finally processing of agricultural products (3 firms or 4.9 percent).

Table 5
Business activity

Basic Iron & Steel	6	9.8
Chemicals/Fertilizer	5	8.2
Electronic & Electrical	15	24.5
Fabricated Metal Product	5	8.2
Food Processing/Canning	4	6.5
Machines & Equipment	6	9.8
Paper Products/Printing Works	2	3.2
Plastic & Plastic Products	7	11.4
Processing of Agricultural Products	3	4.9
Textile & Garments	4	6.5
Transport Equipment	4	6.5

The responses on accounting information are shown in Table 6. There are 8 items that measure the managerial needs for information. The three items with the highest mean score are ‘as a decision making tool’ (4.2131), ‘to assess income/expenses’ (4.0656), and ‘for owners managers to assess cash’ (3.8631). The three items with the lowest mean score are ‘For tax purpose’ (3.6557), ‘Owners/managers prefer to have financial information made by accountant like auditor/advisor’ (3.6066), and ‘To compare with other companies’ (3.4754).

Table 6
Managerial Need For Accounting Information

<i>Items</i>	<i>Mean</i>	<i>Std. Deviation</i>
As a decision making tool	4.2131	.85858
To assess income/expenses	4.0656	.81382
For owners managers to assess cash	3.8361	1.03570
To compare between reporting periods	3.7377	1.03121
Owners/managers prefer to have financial information for internal use	3.7049	1.10067
For tax purpose	3.6557	1.01465
Owners/managers prefer to have financial information made by accountant like auditor/advisor	3.6066	1.22853
To compare with other companies	3.4754	1.20563

Table 7 shows the responses on the design features of accounting information. There are 7 items that measure the design features of accounting information. The three items with the highest mean score are ‘Users have the capacity to produce financial statements’ (3.8689), ‘Users have the knowledge and skills to analyse financial statements’ (3.8525), and ‘Users have ongoing access to training to overcome lack of financial statements understanding’ (3.8361). The three items with the lowest mean score are ‘Users are able to manage financial statements reporting because they understand financial statements’ (3.7377), ‘Users receive adequate training before financials statements are produced’ (3.4918), and ‘Users need simplified financial statements’ (3.3934).

Table 7
Design Features of Accounting Information

<i>Items</i>	<i>Mean</i>	<i>Std. Deviation</i>
Users have the capacity to produce financial statements	3.8689	.80572
Users have the knowledge and skills to analyse financial statements	3.8525	.89137
Users have ongoing access to training to overcome lack of financial statements understanding	3.8361	.93417
Users are involved in recording and accounting transaction	3.7541	.72240
Users are able to manage financial statements reporting because they understand financial statements	3.7377	.89259
Users receive adequate training before financials statements are produced	3.4918	1.11987
Users need simplified financial statements	3.3934	.98790

Accounting Information Usage

Table 8 showed the frequency of preparing accounting information. The accounting information prepared is categorized into statutory accounting information, budgetary accounting information and managerial

decision accounting information. As shown in the table, for the statutory accounting information category, 35 firms (57.4 percent) prepared tax return once a year, 20 firms (32.8 percent) prepared profit and loss once and 4 times a year, and 22 firms (36.1 percent) prepared cash flow statement and balance sheet 4 times a year. For the budgetary accounting information category, 18 firms (29.5 percent) prepared budgeted profit and loss account once a year, 20 firms (32.8 percent) prepared budgeted cash flow twice a year, and another 18 firms (29.5 percent) prepared standard costing once every year. In the strategic management accounting information category, the highest number of firm which is 23 firms (37.7percent) prepared manufacturing statement 4 times a year while the least number of firms which is only 4 firms (6.6 percent) prepared production report twice yearly.

Table 8
Frequency of Accounting Information Usage

<i>Accounting Information</i>	<i>Once a year</i>		<i>2 Times a year</i>		<i>3 Times a year</i>		<i>4 Times a year</i>		<i>>4 Times a year</i>	
	N	%	N	%	N	%	N	%	N	%
<i>Statutory Accounting</i>										
Tax Return	35	57.4	11	18	4	6.6	8	13.1	3	4.9
Profit & Loss Statement	20	32.8	4	6.6	7	11.5	10	16.4	20	32.8
Cash Flow Statement	20	32.8	4	6.6	2	3.3	13	21.3	22	36.1
Balance Sheet	18	29.5	8	13.1	2	3.3	11	18.0	22	36.1
<i>Budgetary Accounting</i>										
Budgeted Profit and Loss	18	29.5	16	26.2	7	11.5	10	16.4	10	16.4
Budgeted Cash Flow	18	29.5	20	32.8	9	14.8	2	3.3	12	19.7
Standard Costing	18	29.5	15	24.6	6	9.8	10	16.4	12	19.7
<i>Strategic Management Accounting</i>										
Ratio Analysis	12	19.7	10	16.4	13	21.3	18	29.5	8	13.1
Manufacturing Statement	12	19.7	8	13.1	8	13.1	23	37.7	10	16.4
Inter firm Comparison	14	23.0	16	26.2	8	13.1	17	27.9	6	9.8
Industry Trends	12	19.7	10	16.4	8	13.1	21	34.4	10	16.4
Break Even Analysis	12	19.7	8	13.1	11	18.0	20	32.8	10	16.4
Production Report	10	16.4	4	6.6	9	14.8	16	26.2	22	36.1
Job Costing Report	8	13.1	10	16.4	9	14.8	14	23.0	20	32.8
Product Pricing	10	16.4	10	16.4	6	9.8	15	24.6	20	32.8

5. DISCUSSION AND CONCLUSION

As mentioned earlier, this paper is an attempt to examine the accounting information usage among Malaysian SMEs. First the paper examined what are the managerial needs of accounting information and the level of the managerial needs for accounting information. Second this study examined what are the design features of accounting information preferred by the accounting information users in SMEs. Third, the study investigated the usage of accounting information in the form of the frequency of accounting information prepared in SMEs.

Managerial Needs and Design Features of Accounting Information

Initially the paper arts examined the managerial needs of accounting information and design features of accounting information. The managerial needs of accounting information and design features of

accounting information would shed some lights on the kind of information required by the users of accounting information particularly the owner/manager. At the same time the design features of accounting information indicates the kind of accounting information design preferred by the users. The results of the study showed that there are a number of uses of accounting information. The result showed the uses ranged from a lowest mean score for comparing results with other companies to a highest mean score for using the accounting information for decision making. The three major uses of accounting information are for assisting managers to make decision, to gauge income and expenses, and finally to assess the cash position of a company. The findings of the study concur with other studies (Briciu et. al., 2009; Pervan, 2005) particularly on the use of accounting information to assess the income and expenses. The findings on the other uses of accounting information paralleled with other studies mentioned above. However the preferences tended to differ. This can be due to the different environment settings.

The paper also tried to identify the design features of accounting information. The design features of accounting information have to take into account the interest and the background of the users. In the study there are 7 items that measure the design features of accounting information. The results of the study showed that most important when preparing the information on accounting is to consider the users capacity to produce financial statements. It is also vital that the level of the users' knowledge and skills to analyse financial statements be considered as well. In addition the users too must have the access to ongoing training to overcome the lack in understanding financial statements. Besides these three, other factors are also required when preparing accounting information such as the level of simplicity, adequate training for users, ability of users to manage statements, and the involvement of users in recording accounting transactions. The results of the study partly concur with the comparative study between Canadian and Romanian SMEs carried out by Briciu et. al., (2009).

Statutory Accounting Information

The results of the study showed that for statutory accounting, the most frequent accounting information prepared is the balance sheet and cash flow statement, followed by profit and loss and finally tax return. In other studies too such as Pervan (2005) it is found that cash flow is given much focus by the SMEs. The results of the study indicate that SMEs provide much emphasis on the preparation of statutory accounting. This may not be such a surprise as the accounting information is legally required to be prepared.

However what is interesting is the focus on the cash flow statement. It seems that the SMEs tended to focus on the preparation of cash flow statement as evidenced in the study and also other study as mentioned. One possible explanation is that cash plays a very important role for firms, big and small. The ability to properly manage cash will ensure a firm to operate. Failure to manage cash will derail a firm from its operations, and should the problem persist it will affect the firm over the long haul. A firm cash flow position is the basic condition for any firm to operate. Therefore, the SMEs are focused on the usage of the cash flow accounting information.

Budgetary Accounting Information

As for the budgetary accounting information, the results of the study showed that the two most frequently prepared budgetary information are the budgeted cash flow and standard costing. This is followed with budgeted profit and loss. In another study on accounting information usage among SMEs in Libya, Elhodari

(2006) observed that the two most frequently prepared accounting information, are the budgeted cash flow and profit and loss. The finding of the study is similar with to the findings of Elhodari (2006) for SMEs in Libya in terms of budgeted cash flow preparation. Setting aside the difference, it seems that the SMEs are focused on the preparation of cash flow statement. This can be due to the importance of maintaining a stable cash flow position for the SMEs to be operational.

Strategic Management Accounting Information

In the strategic accounting information category, there are several items that are considered as significant by the respondents. These items are frequently prepared by the respective firms. The items that received much attention from the respondents are production report, job costing report, and product pricing. The findings in particular, information on job costing and production report are similar to other studies such as by Cadez and Guiding (2012) which found that costing as one of the dimensions of strategic accounting information. The study by Cinquini and Tenucci (2010) also showed that information on costing is one of the dimensions of strategic accounting information.

6. CONCLUSION

There are several conclusions that can be drawn from the results of the study. First, there are many uses of accounting information, and this can be among others assisting managers to make decision, to gauge income and expenses, and finally to assess the cash position of a company. Second, the accounting information features should take into considerations its' users. Put it differently the accounting information should consider the interest and the background of the users. The idea is to facilitate the users to understand what the figures of the accounting information means for them. Third, the SMEs that participated in the study prepared the three type of accounting information which are statutory accounting information, budgetary accounting information and strategic accounting information. Fourth, as for the statutory accounting information, the preparation of cash flow statement seems to be given high priority by the SMEs in this study and some other studies in foreign countries as well. Fifth, in terms of the budgetary accounting information, the two accounting information that are deemed important by the SMES in the study are the budgeted cash flow and standard costing. Finally, production report, job costing report, and product pricing are strategic accounting information that received intense focus from the SMEs in the study.

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