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A survey of cost and management accounting practices in Sri Lanka

Anura De Zoysa

University of Wollongong, anura@uow.edu.au

Shyam Bhati

University of Wollongong, sbhati@uow.edu.au

Menik De Zoysa

University of Wollongong, mdz179@uowmail.edu.au

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Abstract

Significant changes occurred in business environment in the last two decades have resulted business organisations to change their cost and management accounting practices to provide more relevant information for managers facing the challenges created by the changes in the business environment. A large number of prior studies have attempted to capture these changes in cost management accounting practices of business organisations in various countries. However, vast majority of these studies have been limited to examine such practices in developed countries, leaving a vacuum in the academic literature in relation to studies on emerging markets. This paper presents an initial analysis of results of a survey conducted on 55 listed companies in Sri Lanka, an emerging market in Asia. It examines the extent to which various traditional and modern management practices are used by business organisations. The survey results reveal that while most of the Sri Lankan companies are frequently using conventional cost and management accounting techniques such as budgeting, standard costing and Cost-Volume Profit analysis with varying level of use from low to high, many companies are still reluctant to use the modern cost management tools such as Activity Based Costing, Balanced Scorecard, Lifecycle costing. The over emphasis placed on the use of financial accounting based reports for decision-making seems to have contributed to the lack of use and development of various effective cost and management accounting practices in Sri Lanka.

Keywords

practices, accounting, management, cost, survey, sri, lanka

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A Survey of Cost and Management Accounting Practices in Sri Lanka

Anura De Zoysa, Shyam Bhati and Menik De Zoysa

School of Accounting and Finance, University of Wollongong, Wollongong, Australia

ABSTRACT

Significant changes occurred in business environment in the last two decades have resulted business organisations to change their cost and management accounting practices to provide more relevant information for managers facing the challenges created by the changes in the business environment. A large number of prior studies have attempted to capture these changes in cost management accounting practices of business organisations in various countries. However, vast majority of these studies have been limited to examine such practices in developed countries, leaving a vacuum in the academic literature in relation to studies on emerging markets. This paper presents an initial analysis of results of a survey conducted on 55 listed companies in Sri Lanka, an emerging market in Asia. It examines the extent to which various traditional and modern management practices are used by business organisations. The survey results reveal that while most of the Sri Lankan companies are frequently using conventional cost and management accounting techniques such as budgeting, standard costing and Cost-Volume Profit analysis with varying level of use from low to high, many companies are still reluctant to use the modern cost management tools such as Activity Based Costing, Balanced Scorecard, Lifecycle costing. The over emphasis placed on the use of financial accounting based reports for decision-making seems to have contributed to the lack of use and development of various effective cost and management accounting practices in Sri Lanka.