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## STUDY OF COST AND MANAGEMENT ACCOUNTING PRACTICES IN MSMEs: A COMPARATIVE STUDY

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### Abstract

MSMEs, or small and medium-sized enterprises, are crucial for job creation and economic growth, especially in developing countries like India. The majority of SME failures in India can be linked to their insufficient accounting expertise, which results in the creation of management and no-cost accounting records. MSMEs continue to fail at a high rate in India. The goal of this study is to examine the cost and management accounting practices of sixty MSMEs—twenty-four micro, twenty four small, and twelve medium-sized businesses—in the Udaipur district. The study looked at the different cost and management accounting techniques that MSMEs employ. The study found that some people did not maintain cost and management accounting records, and that MSMEs have very limited cost and management accounting practices. The results indicate that size and other demographics, including respondent gender, educational background, industry type, investment, and workforce size,

do not significantly differ in C&M practices.

**Keywords:** Micro, Small and Medium Sized enterprises (MSMEs), Cost and management accounting practices, Lack of accounting knowledge

### Introduction

MSMEs play a crucial role in economic growth and job creation, especially in Developing countries like India, where they make up over 99.99% of enterprises. However, many MSMEs struggle with financial management due to poor or non-existent accounting practices, leading to potential cash flow problems and even business closure. Proper financial management, which includes maintaining accurate books of accounts, is essential for business success. It involves daily recording of financial transactions and ensures that financial statements, balance sheets, and cash flow reports are accurate. These records are vital for tax compliance, legal obligations, and better decision-making.

Cost accounting helps businesses assess the costs of their products and processes, providing management with information to improve cost efficiency and control expenses. It is essential for budgeting and future planning. Management accounting, on the other hand, is used to make informed business decisions and applies to all types of businesses, regardless of size or industry. Both cost and management accounting are important for improving profitability and guiding long-term growth strategies, particularly in MSMEs.

### Review of Literature:

(Wulan sari Yanti, 2023) According to their research, future technology and financial resources could not have an impact on firm performance, and neither could the costing for decision support systems. Three conclusions emerged from this study: strategic management accounting, performance measurement systems, and budgeting systems all have a positive impact on business

performance.

(Nair & Nair, 2017) discovered that advanced production technology, market competition level, organizational size, and accounting staff qualifications can all have an impact on management accounting practices. The study's findings showed a significant correlation between MAP and advanced production technology and organization size.

(Abdulsalam & Dembal, 2020) found that management accounting techniques were being gradually adopted by Ethiopian manufacturing companies. The study found that the implementation of cost and management accounting techniques had a significant impact on the financial performance and operational effectiveness of the sample manufacturing firms.

(Ozyure & Yilmaz, 2015) In their article, they explained in detail how Turkish SMEs adopted costing systems. They found that manufacturing industries have embraced cost accounting methods like value engineering, kaizen costing, target costing, life cycle costing, activity-based costing, benchmarking, just-in-time, total quality management, and target costing. They also found that the current cost system can offer accurate and pertinent data for decisions regarding process, product, and customer enhance

### Objectives:

Ç' To study the cost and management accounting practices used by MSMEs in small districts.

Ç' To understand how owners and accountants of MSMEs perceive cost and management accounting practices, considering factors like business size, gender, education level, and investments.

### Research methodology:

This study is descriptive in nature and will be based on Primary & secondary both data. The primary data are based on one-to-one discussion.

**Data Collection:**

- PRIMARY DATA: -This data was collected through one-to-one discussions
- SECONDARY DATA: -The secondary data was collected from various websites. The data was tabulated, analyzed, and interpreted to conclude.

**Data Analysis**

Based on secondary data collected from various sources (Websites) on MSMEs Cost and Management accounting practices. The following section contains the main findings, conclusion, and study suggestions.

**Table 1: Cost accounting practices in MSMEs**

Cost Accounting Practices	Micro Units(24)		Small Units(24)		Medium Units(12)	
	Yes	No	Yes	No	Yes	No
Prepare cost sheet	12(50%)	12(50%)	20(83.33%)	4(16.67%)	10(83.33%)	2(16.67%)
Maintaining separate cost records	12(50%)	12(50%)	22(91.66%)	2(8.33%)	12(50%) 12(50.10) (83.33%)	2(16.67%)
Using inventory control practices for resorts to material	12(50%)	12(50%)	22(91.66%)	2(8.33%)	10(83.33%)	2(16.67%)
Record of idle time	12(50%)	12(50%)	18(75%)	6(25%)	10(83.33%) 2(16.67)	2(16.67%)
Provision for overtime	16(66.67%)	8(33.33%)	22(91.67%)	2(8.33%)	11(91.67%)	1(8.33%)
overhead classification	13 (54.17%)	11 (45.83%)	23(95.83%)	1(4.17%)	11 (91.67%)	1(8.33%)
Use of Standard costing	9 (37.50%)	15 (62.50%)	20(83.33%) 4(16.3))	4(16.67%)	9(75%)	3(25%)
Use of cost data in the decision making process	13 (54.17%)	11 (45.83%)	22(91.67%)	2(8.33%)	10 (83.33%)	2 (16.67%)

The table mentioned above shows that 50% of micro, 83.33% of small, and 83.33% of medium-sized businesses prepared cost sheets. The remaining 50% of micro, 16.67% of small, and 16.67% of medium-sized businesses did not prepare cost sheets because they may be thought of as complicated, especially for smaller companies with less financial knowledge. They also thought their estimates were accurate. Furthermore, the researcher found that a large number of them were making rough calculations or creating rough cost sheets. In contrast to

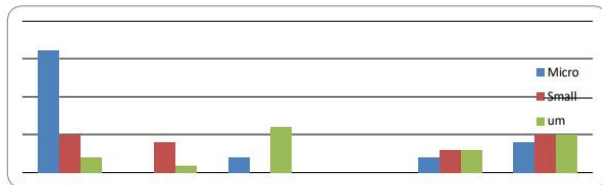
54.16% micro, 29.16% small, and 8.33% medium businesses, 45.84% micro, 70.84% small, and 91.67% medium businesses kept a separate cost accounting record, as shown in the above table. It was revealed during the conversation that some people did not maintain records because they did not think the company's size was important enough to justify keeping explicit records. They also didn't understand the value of having a full set of books and cost records when making business decisions because they didn't know enough about accounting. Because many of them did not use cost accounting records, the remaining micro, small, and medium enterprises did not keep idle time records in their industry, while 50% of micro, 75% of small, and 83.33% of medium enterprises did, regardless of the reason for not keeping separate according to the MSMEs idle time record.

According to the table, 83.33% of businesses, 91.66% of small businesses, and 50% of micro-businesses employed inventory control techniques for sorted materials. According to MSMEs' idle time records, 83.33% of medium-sized businesses, 75% of small businesses, and 50% of micro businesses maintained idle time records within their industry. The remaining micro, small, and medium-sized businesses did not, which is explained by the fact that many of them did not use cost accounting records. Many MSMEs, however, do not formally calculate idle time costs and instead maintain these records informally. Table 3.8 shows that 66.67% of micro, 91.67% of small, and 91.67% of medium-sized businesses reported overtime in their sector. The remaining businesses, for whatever reason—such as a lack of specialized cost accounting knowledge—did not report any kind of overtime provision. According to the different MSME classifications, 91.67% of micro-enterprises, 95.83% of small businesses, and 54.17% of micro-enterprises used overhead

classification in their industry. The remaining micro, small, and medium-sized businesses did not use any kind of classification at all. According to MSMEs' use of standard costing practices, 37.50% of micro, 83.33% of small, and 75% of medium-sized businesses employed standard costing techniques in their sector, whereas 62.50% of micro, 16.67% of small, and 25% of medium-sized businesses did not. According to the MSMEs application of cost data in the decision-making process, 54.16% of micro, 91.67% of small, and 83.33% of medium-sized businesses used cost data for their industry's decision-making process, while 45.84% of micro, 8.33% of small, and 13.33% of medium-sized businesses did not. This might suggest that microenterprises are not using a scientific approach when making decisions and are not aware of the possible applications of costing.

**Table 2: Use of Traditional Costing Methods in MSMEs**

Type of business	Micro	Small	Medium	Total
Conventional Costing Methods				
Unit or output costing	10(66.67%)	5(20.83%)	2(16.67%)	23(38.33%)
Contract costing	Nil	4(16.67%)	1(8.33%)	5(8.34%)
Process costing	2(8.33%)	7(29.17%)	6(50%)	15(25%)
Marginal costing	Nil	Nil	Nil	Nil
Standard costing	2(8.33%)	3(12.50%)	Nil	5(8.33%)
Product costing	4(16.67%)	5(20.83%)	3(25%)	12(20%)
Total	24(100%)	24(100%)	12(100%)	60(100%)

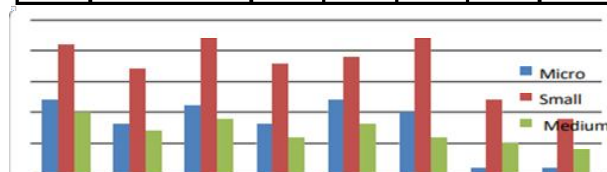


As can be seen from the above table and graph, 66.67% of micro, 20.83% of small, and 16.67% of medium-sized businesses use the unit or output costing method. The contract costing method was used by 16.67% of small businesses, 8.33% of medium sized businesses, or none at all, according to the respondents. Because they

were not aware of the marginal costing method, none of the respondents used it. None of the medium-sized businesses did not use standard costing, while 8.33% of micro and 12.50% of small businesses in their respective industries did. 20.83% of small businesses, 25% of medium-sized businesses, and 16.67% of micro businesses used the product costing method.

**Table 3: Modern cost accounting practices used in MSMEs**

Type of business	Micro	Small	Medium
Modern cost accounting practices used			
Activity-based costing	12(50%)	21(87.50%)	10(83.33%)
Target costing	11(45.83%)	22(91.67%)	9(75%)
Life cycle costing	10(41.67%)	22(91.67%)	6(50%)
Kaizen costing	1(4.17%)	12(50%)	5(41.67%)
Throughput costing	1(4.17%)	9(37.50%)	4(33.33%)

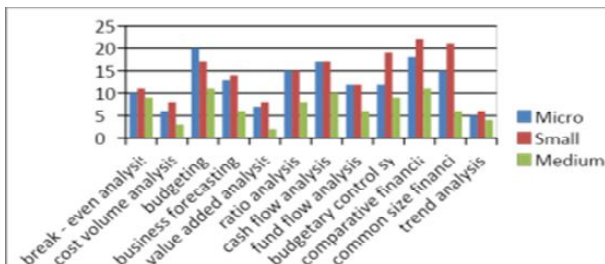


According to the above table, 87.50% of small businesses, 83.33% of medium-sized businesses, and 50% of micro businesses used the industry's activity-based costing method. 45.83% of micro, 91.67% of small, and 75% of micro-enterprises used target costing, while

41.67% of micro, 91.67% of small, and 50% of medium-sized businesses used industry life cycle costing. While 4.17% of micro, 50% of small, and 41.67% of medium-sized businesses used kaizen costing, 37.50% of small, 33.33% of medium-sized, and 4.17% of micro businesses used the throughput costing method. sized, and 4.17% of micro businesses used the throughput costing method.

**Table 4:**  
**Use of traditional management accounting practices in MSMEs**

Type of business	Micro	Small	Medium
Traditional management accounting practices			
Break - even analysis	10(41.67%)	11(45.83%)	9(75%)
Cost volume analysis	6(25%)	8(33.33%)	3(25%)
Budgeting	20(83.33%)	17(70.83%)	11(91.67%)
Business forecasting	13(54.17%)	14(58.33%)	6(50%)
Value added analysis	7(29.17%)	8(33.33%)	2(16.67%)
Ratio analysis	15(62.50%)	15(62.50%)	8(66.67%)
Cash flow analysis	17(70.83%)	17(70.83%)	10(83.33%)
Fund flow analysis	12(50%)	12(50%)	6(50%)
Budgetary control system	12(50%)	19(79.17%)	9(75%)
Comparative financial statement analysis	18(75%)	22(91.67%)	11(91.67%)
Common size financial statement analysis	15(62.50%)	21(87.50%)	6(50%)
Trend analysis	5(20.83%)	6(25%)	4(33.33%)



According to the above table, cost volume analysis was employed by 25% of micro, 33.33% of small, and 75% of medium-sized businesses, while breakeven analysis was utilized by 41.67% of micro, 45.83% of small, and 75% of medium-sized businesses. 54.17%

of micro, 58.33% of small, and 50% of medium-sized businesses in the sample employed business forecasting techniques, while 83.33% of micro, 70.83% of small, and 91.67% of medium-sized businesses used budgeting techniques. 62.50% of micro, 62.50% of small, and 66.67% of medium-sized businesses used ratio analysis, whereas 29.17% of micro, 33.33% of small, and 16.67% of medium-sized businesses used value-added analysis. Cash flow analysis was used by 70.83% of micro, 70.83% of small, and 83.33% of medium-sized businesses in the sample, while fund flow analysis was used by 50% of micro, 50% of small, and 50% of enterprises. 50% of micro, 79.17% of small, and 75% of medium-sized businesses employed budgetary control systems, while 75% of micro, 91.67% of small, and 91.67% of medium-sized businesses employed comparative financial statement analysis. 62.50% micro, 87.50% small, and 50% medium-sized businesses were subjected to common-size financial statement analysis; 20.83% micro, 25% small, and 33.33% medium-sized businesses were subjected to trend analysis. Many small business financial reports are never used, despite the fact that most of them are prepared for legal requirements. Either managers and owners of MSMEs are unaware that they can use financial statements to support financial decisions, or they do not know how to use them correctly. Most MSMEs are unable to assess their financial status, prove their viability, or assist with loan financing due to a lack of prepared accounting information systems. Due to poor financial decisions, this situation may result in a high failure rate and subpar performance.

**Table 5:**  
**Use of Modern Management Accounting in MSMEs**





Type of business	Micro	Small	Medium
Modern management accounting practices used			
Balance score card	9(37.50%)	14(58.33%)	8(66.67%)
Total quality management	11(45.83%)	15(62.50%)	7(58.33%)
Value chain analysis	2(8.33%)	5(20.83%)	2(16.67%)
Six sigma	1(4.17%)	3(12.50%)	2(16.67%)
Value engineering	Nil	2(8.33%)	1(8.33%)
Customer profitability analysis	7(29.17%)	12(50%)	8(66.67%)
Pareto analysis	1(4.17%)	3(12.50%)	Nil

According to the above table, within their respective industries, 45.83% of micro, 62.50% of small, and 58.33% of medium-sized businesses used total quality management practices, whereas 37.50% of micro, 58.33% of small, and 66.67% of medium-sized businesses used balance scorecard practices. Value chain analysis was utilized by 8.33% of micro, 20.83% of small, and 16.67% of medium-sized businesses in their respective industries, while Six Sigma practices were used by 4.17% of micro, 12.50% of small, and 16.67% of medium-sized businesses. None of the microbusinesses did not use value engineering techniques, while 8.33% of small and 8.33% of medium-sized businesses did. In their industry, 66.67% of medium-sized businesses, 50% of small businesses, and 29.17% of micro businesses used customer profitability analysis. In their sector, 4.17% of micro, 12.50% of small, and none of the medium-sized enterprises used Pareto analysis.

### Conclusions

The different cost and management accounting techniques employed by MSMEs were investigated in the study. MSMEs have very limited cost and management accounting practices, according to the study.

It was revealed during the conversation that some people did not maintain management accounting and cost records because they did not think their company was big enough to

justify explicit record-keeping. Furthermore, when making business decisions, they failed to consider the importance of maintaining a comprehensive set of books and cost records because they lacked accounting knowledge. Many small business financial reports are never used, despite the fact that the majority are prepared for legal purposes. Owners and managers of MSMEs are either ignorant of the fact that financial statements can be used to support financial decisions or do not know how to use them correctly. Most MSMEs are unable to evaluate their financial status, prove their viability, or help with loan financing due to a lack of prepared accounting information systems. Due to poor financial decisions, this situation may result in a high failure rate and subpar performance.

The results indicate that neither size nor demographics—such as respondent gender, educational background, industry type, investment, number of employees, etc.—significantly alter C&M practices.

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## TAXATION ISSUES FACED BY THE COMPANIES

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### ABSTRACT

The introduction of the Goods and Services Tax (GST) has brought significant changes to the tax system, impacting small businesses in various ways. This research paper aims to explore the effects of GST on cost management practices in small businesses. By examining the period before and after the implementation of GST, the study seeks to understand how cost structures, compliance costs, and overall financial management have been influenced. The research employs a mixed-methods approach, incorporating both quantitative data analysis and qualitative insights gathered from interviews and surveys with small business owners and financial managers. This combination provides a comprehensive view of the challenges and benefits experienced by small businesses in adapting to GST. The findings indicate that GST has simplified the tax process and reduced instances of tax evasion. However, it has also introduced new compliance requirements that have increased operational costs for small businesses. These costs include the need for updated accounting systems, regular filing of GST returns, and the necessity for ongoing staff training to stay compliant with the new tax regulations. Despite these challenges, the paper