



Global Scientific and Academic Research Journal of Economics, Business and Management

ISSN: 2583-5645 (Online)

Frequency: Monthly

Published By GSAR Publishers

Journal Homepage Link- <https://gsarpublishers.com/journals-gsarjebm-home/>



The multiple functions of Management Accounting information that have evolved over time for effective Decision Making in Organisations: International Fertilizer Development Centre (IFDC) as the case study.

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Article History

Received: 11/02/2026

Accepted: 25/02/2026

Published: 27/02/2026

Vol –5 Issue – 2

PP: -31-37

Abstract

The main objective of the study was to examine the contribution of management accounting information to the decision-making process with International Fertilizer Development Centre (IFDC) as the case study. Both qualitative and quantitative research design was used, and respondents were purposively selected. The sample survey involved 140 employees of International Fertilizer Development Centre (IFDC) located in four countries (Rwanda, Burundi, DRC and Kenya). 46 respondents were determined using the Raosoft sample size calculator. Data was collected using questionnaires, interviews and desk research. Analysis was made using SPSS. The findings indicated that management accounting information is frequently used in decision making as represented by 69.5% of the respondents. 98.3% of the respondents agreed that they use it in strategic decisions, 93.5% agreed that they used it in operations decision. The most used management accounting techniques include budgeting (97.8%), financial report analysis (97.8%), management report (95.2%), variance analysis (93.5%), CVP analysis (91.3%) and cost accounting (91.3%). It was recommended that, because of its importance, as evidenced by these findings, managers at all level of the organisation should employ the various management accounting information in their decision-making process.

Keywords: Management Accounting, Decision Making, Not-for-Profit Organizations, Managers, Information, Budgeting, Planning

INTRODUCTION

Management accounting, also sometimes referred to as managerial accounting, is a method of accounting that creates statements, reports, and documents that help management in making better decisions related to their business' performance (Nwakaji, 2022). The Chartered institute of Management Accountants observed that management accounting comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies and tax authorities (CIMA, 2021). The history of management accounting dates back to the rapid industrialization of the late 19th century. It was the management tool of choice for performance control. Since then, management accounting information has become dominant due to its strategic management role in the early 20th century. Management accounting is a very important tool in making strategic, tactical and operational decisions. It provides the information

needed to determine more effective steps, from budget planning to long-term decisions (Muhammad I R 2024).

STATEMENT OF THE PROBLEM

The use of management accounting in decision making revolves around financial aspects of the firm. The major problem challenge is that it restricts the use of management accounting to measurable financial aspects of the company, but unlike financial accounting, which is guided by IFRS and Ass, for example. It is on this premise that this study is carried out on the roles of management accounting in management decision making with special focus on International Fertilizer Development Centre (IFDC).

OBJECTIVES OF THE STUDY

The main objective of the study is to examine the roles of management accounting in management decision International Fertilizer Development Centre (IFDC). Specific objectives are to



- i. Establish the frequency of the use of management accounting information in decision-making
- ii. Determine reasons for the use of Management Accounting Information
- iii. Identify the Use of Accounting Information in Strategic, operational and tactical Decisions.
- iv. Examine the Use of Management Accounting Information in Geographical Decisions.
- v. Identify Use of Management Accounting Information in Planning and Controlling
- vi. Establish how the Use of Accounting Information assists in the planning and implementation of Human Resource Policies.
- vii. identify the extent of Use of Accounting Information in Performance Analysis
- viii. Identify Use of Accounting Information in Fixed Asset Decision.
- ix. Establish the Management Accounting Techniques used in IFDC.
- x. Find out Information on the components that are contained in the performance Management Accounting Systems
- xi. find out Components that are contained in the enterprise resource System (ERS).
- xii. Establish the Importance of the Techniques in the Decision-making.

METHODOLOGY

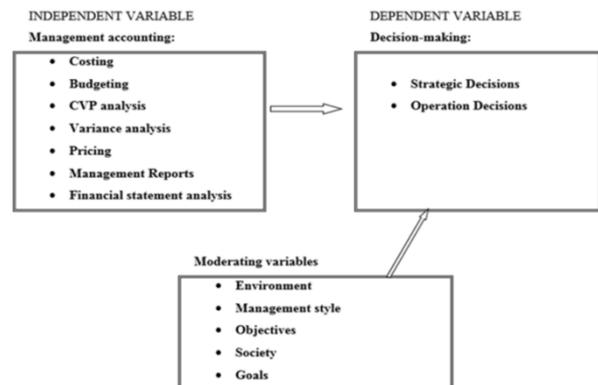
A case study and a survey design were used in this study. The study design was based on a multi-method strategy which used both qualitative and quantitative research approaches. This helped to have a triangulation of different results. A multi-method strategy is when more than one research strategy and data source are used in a study of social phenomena (Kaplan, S. Robert & Anthony A. Atkinson, 2010).

Employees of IFDC located in four countries; Rwanda, Burundi, DRC and Kenya totaling 140 were the population for the study. A sample size of 46 was calculated and determined using the Raosoft sample size calculator. The respondents within the selected population were selected purposively. This was because the study required people with technical knowledge about the study. In order to achieve the objectives of the study, primary data was collected by holding in-depth interviews. The interviews involved discussions between the researcher and the respondents on the importance of management accounting information in decision-making. This approach was consistent with the work of researchers who argued that in-depth interviews constitute one of the vital approaches for understanding phenomena that have not been significantly studied. During the interview, a set of questions were designed to guide the researcher in the interview process. The quantitative data was collected using one set of questionnaires which was designed using a five-point scale, both closed and open-ended questions were used. The data which was collected through interview was edited and imported into SPSS through rich text format. Data was

classified and organized into themes using mother and child nodes. Themes were merged and modified as meaning was attached to the data being analysed. The coding resulted into concepts that were used to identify the emerging relationships amongst the different variables. The survey data that was generated from the questionnaires was analysed using both exploratory and confirmatory statistical techniques. After receiving the completed questionnaires from the field, a data entry capture template was designed in the Statistical Package for Social Scientists (SPSS) which was used for data entry. After data entry and cleaning up, exploratory statistical data analysis was conducted using frequency distribution tables to summarise and display the respondents' views on the questions under study.

CONCEPTUAL AND THEORETICAL FRAMEWORK OF ANALYSIS

The conceptual framework shows the relationship between variables. The independent variable which is management accounting system is measured by costing, budgeting, CVP analysis, variance analysis, pricing, financial report, financial statement analysis. The dependent variable which is decision-making is measured by strategic decisions and operation decision. In addition, it also shows other variables (moderating variables) which affect the dependent variable which are management style, environment, objectives and goals.



Management accounting consists of a set of tools that have been proven to be useful in making decisions involving cost data, price and profit. Profitability is used especially as an indicator of effective decision making in organizations. Various techniques such as marginal costing, absorption accounting and cost volume profit analysis and how they are used differ from one organization to another (Pellinen, J 2003). A tool that proves to be very effective in an organization may fail in another organization. Different information is required for different purposes, so the organization must focus on the different accounting tools to support the decision-making process. These different types of information provide the grounds for financial planning and control as well as allow

taking of knowledge-based decisions regarding the enterprise future, production, services, departments. Total Quality Management (TQM) normally associated with production has relationship with management

accounting because like TQM, management accounting it targets continuously improving performance, enhancing accountability and measuring efficiency and effectiveness. It is essentially a way of planning, organizing and understanding each activity, and depends on each individual at each level. The concept of decision-making is a complex subject with a vast amount of management literature behind it. How businessmen make decisions has been intensively studied. In management accounting, it is useful to classify decisions as: strategic, tactical and short-run and long-run (Atrill, P., McLaney, E. 2009).

LITERATURE REVIEW

The evolution observed in management accounting is not random. it is environmentally driven. The major breakthroughs in the field came from two different sources: companies’ practices and the incorporation of concepts, models and theories of other disciplines both in central economies as well as in developing countries (Waweru, N, M ,2010). The International Federation of Accountants1 (IFAC) describes management accounting before 1950 as “a technical activity necessary for the pursuit of organizational objectives”. Its focus was mainly oriented toward the determination of product cost. In the 1950s and 1960s the focus of management accounting is seen to have shifted to the provision of information for planning and control purposes. In the 1970s, particularly noted for the oil crisis, the resultant environment necessitated management information and decision making to be diffused throughout the organization. The challenge for management accountants, as the primary providers of this information, was to ensure through the use of process analysis and cost management technologies that appropriate information is available to support managers and employees at all levels. In the 1990s, world-wide industry continued to face considerable uncertainty and unprecedented advances in manufacturing and information processing technologies. For example, the development of the world-wide web and the associated technologies led to the appearance of E-commerce. This further increased and emphasized the challenge of global competition. The focus of management accountants shifted to the generation or creation of value through the effective use of resources, including information provided by management accountants (IFAC, 2006; Ashton et al., 1995). The evolution of management accounting has alternatively been tackled from two different perspectives. One is the economic approach (Chandler 1977, Kaplan 1984, and Johnson and Kaplan 1987). These view management accounting as mainly a tool of management economists. Proponents of the economic approach argue that management accounting practices originated from the private sector to support business operations. It was entrenched by the emergence of managed, hierarchical enterprises in the early 19th century. During this period the need to gain more efficiency in production was realized. Factory owners started hiring workers on a long-term basis in a centralized workplace and hence, the development of hierarchical organizations. Factories were frequently located in a considerable distance from the head office of the owners, and an information system

was required to increase and judge the efficiency of the managers and workers at the factory. Before this time (the industrial revolution period) workers were hired

on a short-term basis and paid on work done, while factories were owner managed. The role of accounting was, thus, limited to record keeping.

The other approach is supported is the noneconomic approach (Miller and O’Leary 1987, Hoskin and Macve 1988 and Ezzamel et al. 1990 and Lutt, 1977).

FINDINGS, ANALYSIS AND DISCUSSION

This section presents, analyses and interprets the data and information collected from the respondents.

Table 1. Frequency of the use of management accounting information in decision-making.

Question: How frequently do you use management accounting information in strategic (long-term) decision-making

Responses	Frequency	Percent	Valid percent	Cumulative percent
Sometimes	7	15.2	15.2	15.2
Frequently	32	69.6	69.6	84.8
Always	7	15.2	15.2	100
Total	46	100	100	

In table 1 above 15.2% of the respondents indicated that they sometimes use management accounting information in the decision-making, 69.6% of the respondents indicated they frequently use the management accounting information and 15.2% indicated that they always use management accounting information in the decision-making. The results from the survey revealed that management accounting is a key component in the decision-making.

Table 2: Reasons for the use of Management Accounting Information

Question: Why do you use Management Accounting information for decision-making?

Responses	Frequency	Percent	Valid percent	Cumulative percent
To have basis of decision making	15	32.6	32.6	32.6
To increase the accuracy of decisions	16	34.8	34.8	67.4
decision is not possible	15	32.6	32.6	100

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without management accounting information				
Total	46	100	100	

The results in table 2 above show that 32.6% of the respondents use management accounting information in order to have basis of making decision, 34.8% use it in order to increase the accuracy of the decision made and 32.6% of the respondents use management accounting information because making decision is impossible without management accounting information. Results from the survey as indicated in the table above show that management accounting information is very important to the decision-making.

Table 3: Use of Accounting Information in Strategic, operational and tactical Decision.

Question: Do you use management accounting information in making strategic, operational and tactical related decisions?

Responses	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	19	41.3	41.3	41.3
Sure	26	56.5	56.5	97.8
Not sure	1	2.2	2.2	100
Total	46	100	100	

In table 3 above, respondents were asked whether they use management accounting information in the strategic and tactical decision of the organisation. Results from the survey show that 41.3% of the respondents strongly agreed that they use management accounting information in the strategic decision and tactical, 56.5% of the respondents agreed whereas 2.2% of the respondents were not sure. The results as indicated above imply that the majority of the respondents agreed that they use management accounting information in the strategic and tactical decision of the organisation. This, therefore, means that management accounting information is key tool in the strategic and tactical decision-making process.

Table 4: use of management accounting information in operation decision.

Question: Do you use management accounting information in operation decision?

Responses	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	21	52.2	52.2	52.2
Sure	19	41.3	41.3	93.5
Not sure	3	6.5	6.5	100

Total	46	100	100	
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Operations decisions are very important in the effective and efficient management of the organisation. The results as presented in table 4 above show that 52.2% of the respondents strongly agreed that they apply management accounting information in the operations decision, 41.3% of the respondents agreed and 6.5% of the respondents were not sure. As indicated in the table above, the majority of the respondents (93.5%) agreed that they use management accounting information in the operations decision of the organisation. This, therefore, means that management accounting information is very fundamental in the operations decision-making process of the organisation.

Table 5. Use of Management Accounting Information in Geographical composition Decision.

Question: Do you Use of Management Accounting Information in Geographical composition Decision?

Responses	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	18	39.1	39.1	39.1
Sure	23	50	50	89.1
Not sure	5	10.9	10.9	100
Total	46	100	100	

The researchers were interested to know whether they apply management accounting information before operating in any geographical context. The results from the survey in table 5 above revealed that majority of the respondents (89.1%) agreed that they apply management accounting information in the geographical decision of the organisation. This helps them to determine best location to start their operation.

Table 6. Use of Management Accounting Information in Planning and Controlling.

Question: Do you Use of Management Accounting Information in Planning and Controlling?

Responses	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	18	50	50	50
Sure	23	41.3	41.3	91.3
Not sure	5	8.7	8.7	100
Total	46	100	100	

Planning and controlling are key functions of management. The results as presented in the table 6 above show that 50% of the respondents strongly agreed that they use management accounting information in planning and controlling, 41.3% of the respondents agreed and 8.7% of the respondents were not sure. The results revealed that the majority of the respondents

(91.3%) agreed that they use management accounting information in the planning and controlling decisions making.

Table 7. Use of Management Accounting Information in Quality Decision.

Question: Do you Use of Management Accounting Information in Quality Decision?

Responses	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	17	37.0	37.0	37.0
Sure	20	43.5	43.5	80.5
Not sure	8	17.3	17.3	97.8
Disagree	1	2.2	2.2	
Total	46	100	100	

Quality is one of the key dimensions for measuring the efficiency and effectiveness of the management team. The results presented in table 7 above show that 37% of the respondents strongly agreed that they use management accounting information in the decision-making, 43.5% agreed, 17.3% of the respondents were not sure and 2.2% of the respondents disagreed. The results from the survey revealed that, the majority of the respondents (81.5%) agreed that they use management accounting information in the quality decision.

Table 8. Use of Accounting Information in Human Resource Policies.

Question: Do you use Accounting Information in Human Resource Policies: acquisition, selection both internal and external, and hiring decisions?

Responses	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	22	47.8	47.8	47.8
Sure	22	47.8	47.8	95.6
Not sure	2	4.4	4.4	100
Total	46	100	100	

The results in table 8 above show that the majority (95.6% of the respondents) agreed that they use management accounting information in human resource policy decisions.

Table 9. Use of Accounting Information in Performance Analysis.

Question: Do Use of Accounting Information in Performance Analysis?

Responses	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	19	41.3	41.3	47.8

Sure	22	47.8	47.8	89.1
Not sure	5	10.9	10.9	100
Total	46	100	100	

Whereas the profit-making aims at maximising profit, the non-profit organisation aims providing service to the clients. The results as presented in table 9 above show that 41.3% of the respondents strongly agreed that, they management accounting information in the performance analysis, 47.8% agreed and 10.9% of the respondents were not sure. The information from the survey revealed that, the majority of the respondents (89.1%) use management accounting information in the performance analysis of the organisation.

Table 10. Use of Accounting Information in Fixed Asset Decision.

Question: Do you use management accounting information in investment in fixed (purchase or lease) related Decisions?

Responses	Frequency	Percent	Valid percent	Cumulative percent
Strongly agree	15	32.6	32.6	32.6
Sure	29	63	63	95.6
Not sure	6	4.4	4.4	100
Total	46	100	100	

Management of fixed assets is very important in the smooth running of the organisation. Managers need to make decision on whether to invest or divest in the fixed assets. The results presented in table 10 above, show that 32.6% of the respondents strongly agreed that they, management accounting information in the fixed assets management decisions, 63% agreed and 4.4% of the respondents were not sure. The results from the survey revealed that management accounting information is highly applied in the management of assets as represented by 95.6% of the respondents.

Table 11. Management Accounting Techniques used in IFD

Question: Which of the following Management Accounting Techniques do you use?

Technique	Frequency	percent
Cost accounting	42	91.3
Financial report analysis	45	97.8
CVP	42	91.3
Budgeting	45	97.8
Variance analysis	43	92
Management reports	44	95.5

Literature provides various management techniques that are used in the decision-making. Results from the survey in table

11 above show that 91.3% of the respondents indicated use of cost accounting information. 97.8% indicated the use of financial report in the decision-making, 91.3% indicated the use of CVP analysis in the decision-making, 97.8% indicated the use of budgeting in the decision-making and 95.5% indicated the use of management reports.

Table 12. Information on the components that are contained in the performance Management Accounting Systems.

Question: Which of the following components that are contained in the performance Management Accounting Systems

Response	Frequency	Percent
Planning	30	65.2
KPIs	20	43.5
Business intelligence	0	0
Governance risks and compliance	15	23.6
Standardised reports	10	21.7
Objective Optimisation and analytics	20	43.5
We do not have any	0	0

In table 12 above 65.2% of the respondents indicated that system has the planning tool, 43.5% indicated key performance indicators (KPI), none of the respondents indicated the existence of business intelligence, 32.6%

indicated the existence of the governance risk and compliance tools, 21.7% indicated the existence of standardised reports and 43.5% indicated the existence of objective optimisation and analytics. The results revealed that the organisation uses various management tools. This can help in the effectiveness of the decision-making.

Table 13. Components that are contained in the enterprise resource System (ERS)

Question: Which of the following components that are contained in your enterprise resource System.

Component	Frequency	Percent
Finance and accounting systems	43	93.4
Supply Chain Management (value chain management)	40	86.9
Manufacturing (Producing service)	25	62.5
Human resource management	42	91.3
Project management	42	91.3
E-Commerce	15	32.6
We do not have any	0	0

Another important tool in the effective management accounting information is the existence of the enterprise resource system tools. Results in the table 13 above show that 93.4% of the respondents indicated the existence of finance and accounting systems, 86.9% indicated the existence of supply chain management systems, 62.5% indicated manufacturing systems, 91.3% indicated the existence of human resource management systems, 91.3% indicated the project management systems and 32.6% indicated the use of e-commerce. The results from the survey revealed that the organisations' enterprise resource system contains various tools that are used in providing management accounting information which eases the decision-making process.

Table 14. Importance of the Techniques in the Decision-making

Question: Rate the importance of management accounting information in the decision-making

Responses	Frequency	Percent	Valid percent	Cumulative percent
Very important	31	67.4	67.4	67.4
Important	15	32.6	32.6	100
Total	46	100	100	

In table 14 above, respondents were asked to rate the importance of management accounting information in the decision-making. Results from the survey show that 67.4% rated management accounting as very important and 32.6% rated it important. The results from the survey reveal that 100% of the respondents indicated that management accounting information is important in the decision-making.

CONCLUSION AND RECOMMENDATIONS

Management accounting information is a key input to the decision making. Managers at all level of the organisation should employ various management accounting information in their decision-making process. Management accounting succeeded to convert challenges to opportunities.

Management accounting information extends services to various organisations. Decision makers must be equipped with the new technology and management accounting Basing on the results coupled with the theories from the previous studies, the following recommendations were suggested. The organisation should provide periodic training to the employees on the new rules, regulations and accounting technique in order to enable them to compile up to date information for the decision making. The accounting system and the computer system should be flexible to accommodate the changes in the accounting rules, regulations and techniques. All the organisation processes should be automated to enable quick decision making. Decision support systems should be installed and integrated in the management

accounting information system in order to simplify the decision-making process technique

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