

NASSR SALEH MOHAMAD AHMAD

Libya Academy, Libya

ABDULGHANI LEFTESI

Libyan Academy, Libya

AN EXPLORATORY STUDY OF THE LEVEL OF SOPHISTICATION OF MANAGEMENT ACCOUNTING PRACTICES (MAPS) IN MANUFACTURING COMPANIES LIBYA

Abstract:

Traditional MAPs such as standard costing and variance analysis, traditional budgeting and cost volume profit analysis have been under attack for some time now as being out of date and not suitable for today's new manufacturing and business environment. Thus, to keep pace with such new manufacturing and business environment, it becomes imperative for organisations, including Libyan organisation to adopt advanced MAPs such as ABC, JIT, TQM, life cycle assessment and target cost. Purpose: This study seeks to examine the extent to which traditional and advanced MAPs are being used in Libyan manufacturing companies, and investigating the stages of management accounting evolution in the country. Design/Methodology/approach: Data have been collected by utilising eighty-one postal questionnaires with the senior financial staff, such as financial directors, financial managers, the senior management accountant of large and medium size Libyan manufacturing companies from different industrial sectors. Then, an IFAC-based model was applied to analysis the stage of evolution of the management accounting practices in Libya. Finally, the reasons behind this low adoption rate of advanced MAPs were explained. Findings: The results of this study indicate that Libyan manufacturing companies rely heavily on traditional management accounting techniques, while the adoption rates of recently developed or advanced tools were rather low, slow and similar than those presented in other developing countries. Moreover, the analysis revealed that MAPs in Libya were still between stage one and two in IFAC-based model. Thus, almost all of Libyan manufacturing companies are implementing MAPs which provided information for cost determination and financial control and information for management planning and control. Finally, the reasons underlying an apparent low adoption rate of advanced MAPs were explained. These reasons are related to institutional factors, the attributes of adopter and the attributes of advanced MAPs. Limitation: The study is restricted to manufacturing companies, service sector companies raise their own particular issues and require separate in-depth studies. Value: It is envisaged that this initial study will add to the limited literature on MAPs in developing countries and provide a useful framework for further studies, especially those in the Arabic region. Moreover, it provides some insight into the barriers of applying the advanced MAPs, which if they are solved, will pave the way for Libyan organisations to compete globally in the future.

Keywords:

Traditional MAPs, Advanced MAPs, Libyan Manufacturing companies, Libya, Developing countries, Arabic region, IFAC-based Model and Barriers, Institutional factors, The attributes of adopter, The attributes of advanced MAPs.