

**УДК**

**Бу Фыонг Тхао**

**Студент**

**3 курс, Международный Финансовый Факультет**

**Финансовый Университет при Правительстве Российской Федерации**

**Россия, г. Москва**

**Нгуен Нгок Куан**

**Студент**

**3 курс, Международный Финансовый Факультет**

**Финансовый Университет при Правительстве Российской Федерации**

**Россия, г. Москва**

**Научный руководитель: Fedyunin Alexander Sergeevich**

**старший преподаватель**

## **ПРОБЛЕМЫ УПРАВЛЕНЧЕСКОГО УЧЕТА НА МАЛЫХ И СРЕДНИХ ПРЕДПРИЯТИЯХ ВО ВЬЕТНАМЕ**

*Аннотация:*

*В докладе рассматривается выдающаяся роль управленческого учета для малых и средних предприятий в целом и его практические ограничения использования управленческого учета для этих предприятий во Вьетнаме в частности. Используя различные методы и эмпирические опросы для вьетнамских компаний, авторы перечислили ряд причин этих проблем. Таким образом, на основе результатов исследования, несколько предложений и решений предлагаются для улучшения этих общих проблем.*

*Ключевые слова: accounting, management accounting (MA), small and medium enterprises (SMEs), Вьетнам, проблемы*

***Vu Phuong Thao. Baccalaureate***  
***Undergraduate student***  
***Financial University under the Government of the Russian Federation***  
***Moscow, Russia***

***Nguyen Ngoc Quan. Baccalaureate***  
***Undergraduate student***  
***Financial University under the Government of the Russian Federation***  
***Moscow, Russia***

## **SOME PROBLEMS OF MANAGEMENT ACCOUNTING IN SMALL TO MEDIUM ENTERPRISES IN VIETNAM**

### *Annotation:*

*The report addresses the prominent role of MA for small and medium enterprises in general and its practical limitations when applied to these enterprises in Vietnam in particular. By using various methods and realistic surveys at Vietnamese companies, the author has listed a number of reasons for these barriers. Thus, based on the research results, several directions and solutions in order to improve these issues has been proposed.*

*Keywords: accounting, management accounting (MA), small and medium enterprises (SMEs), Vietnam, problems*

## Contents

Introduction .....	4
Chapter I. Literature review.....	5
1. Overview of Management Accounting.....	5
2. The necessity of MA in SMEs .....	8
3. The use of MA in SMEs .....	9
Chapter II. Application of management accounting in SMEs in Vietnam .....	11
1. Vietnam's economic and accounting background.....	11
2. Current situation of MA application in SMEs .....	13
Chapter III. Problems of management accounting in SMEs in Vietnam.....	20
1. Problems of management accounting in SMEs in Vietnam .....	20
2. Research limitation and development proposals .....	22
Conclusion.....	23
References .....	24

## **Introduction**

Accounting activities only occur when we engage in the exchange of a business and need to record all the transactions and conversions, however it appears to be extremely important for the business. Prompt and accurate accounting performances allow business to keep track the business operations and fasten its growth. Administrative decisions are usually made on a reliable accounting information basis, including management accounting (MA). MA is all about planning and controlling information relating to costs of the company. Management accounting department acts like a strategic business partner who gives information, reports, advice to users and supports them in decision making tasks. We are seeking to add insights to the limited literature on MA in small and medium enterprises (SMEs) from Asian developing countries, particularly, Vietnam's MA system is taken into account as a study case in this research.

The chosen topic is: "Some issues of management accounting in SMEs in Vietnam". Key purpose is to fully aware of the MA application degree as well as some existing problems of applying MA in Vietnamese small to medium businesses. For better understand, the study is going to answer and analyze two questions are as follows:

Q1: What is the current situation of management accounting in SMEs in Vietnam?

Q2: What are the outstanding problems in Vietnam's MA system?

The paper is organized into three chapter:

- Chapter I presents the literature review of Management Accounting and its practices in small to medium-enterprises
- Chapter II analyses the current status of applying MA in businesses based on a quantitative method - questionnaire.
- Chapter III mentions some significant problems based on survey results, studying limitations and proposes several recommendations for further development in MA service in the future

## **1. Literature review**

### **1.1. Overview of Management Accounting**

Management accounting (MA) is a part of the management information system in an enterprise based on reports to plan and control the processes of the organization. According to Law of 2003 on Accounting, "Management accounting is the planning, processing, analysis, and provision of economic and financial information according to management requirements on financial and economic decisions within an accounting unit". The process of providing financial information and operational information for all employees in the organization, which is done according to the information needs of individuals within the organization and is intended to guide them in operation and investment decisions. MA plays significant roles as a managerial tool for adding value to the overall operational functions towards enhancing the performance of an organization. MA acts as the key information system for efficient information-processing, helping the organization to cope with current continuous change and to improve performance.

Current literature has shown that systematic use of MA can be seen in larger companies because many studies show the problems and development of MA from the perspective of companies. Large companies face less problems from MA adoption due to the surplus of resources and significant demand for appropriate MA. On the other hand, SMEs are relatively struggling to establish a systematic MA in their organizations due to limited resources.

MA is a tool to evaluate the targets through cost analysis, this is also a method to check the process of conducting business activities according to the set plan, from which decisions are made rational to operate more efficiently. MA provides information for administrators to make decisions through the main following steps: (1) planning and cost estimation; (2) organization of implementation (controlling); (3) checking and evaluating (assessing); and (4) decision making. In addition, in the

operation of modern businesses, MA also plays a role as building and developing information systems; maintaining optimal capital structure.

(1) MA is strongly interwoven in planning both because it provides decision-making information and because the entire budgeting cycle is formed around accounting-related data. Management accounting supports managers in planning by providing data that measure the impact of alternative activities on the ability of an organization to achieve optimal objectives.

(2) MA helps in the control function by producing performance reports and control reports showing variances between expected and actual output. Such reports form the basis on which to take necessary corrective measures to manage operations. In the case of substantial differences between budget and actual performance, a manager will generally investigate what goes wrong and, probably, may subordinates or units may need support

(3) MA assists managers assess by presenting reports and information required for managing and modifying operations and activities in light of changing conditions. MA will provide a sales report, production report to the respective manager to take appropriate action about the status of sales and output.

(4) MA plays a crucial part in the decision-making phase at stage 4. MA system provides a storehouse of useful information to predict the results of the various courses of action. MA can assist managers in formally structuring decision problems, as well as placing alternatives and their results will be easier to evaluate.

In the research of MA development in Asian economics by Akira Nishimura, the development is broken down into four stages, as seen in table 1. A separate MA calculation system was not developed in the first stage, and financial accounting data were used for business management. Management accounting during stage 1 had a strong character of 'drifting' management, since business was managed by the development of the situation and by using past financial accounts. In this stage, the

analysis of the financial ratio or comparative market are primarily used as a technique for managing production and management of the company.

Table 1: The development stages of management accounting

Stage	Name	Features	Methods
First	“Drifting” management accounting	Application of financial accounts to management control	Financial ratio, business comparative
Second	Traditional management accounting	Efficiency management based on scientific management (control through plan)	Budgetary control, Standard costing, Cost variance analysis
Third	Quantitative information management accounting	Optimum profit management based on management science (control decision-making process)	Inventory management, Information analysis, Behavior science, Profit prediction,
Fourth	Integrated management accounting	Integration of accounting management and organizational management, strategic and feed forward management	Cost design, Target costing, Activity-based management, Balanced scorecard

In the next step the cost variance should be removed. In this case the standard was valid, and there was an unexpected difference between the standard and the actual costs. The analysis and monitoring of variance thus played an important role in this stage of accounting management. This stage can be referred to as “traditional accounting management”. In this third stage, the management accounting system rested on the philosophy of management science. The optimum profit was pursued in profit management instead of the break-even point, or profitability in traditional management accounting. Probability, linear programming, economic optimum stock

model, and information theory were used broadly for profit management. Integrating management of the enterprise and accounting is essential for feed forward management. Without organizational management, feed forward management accounting will not be able to fulfill its purpose. This is called “integrated accounting management”.

## 1.2. The necessity of MA in SMEs

SMEs and startups must develop effective business strategies to attract and call for capital investment, thereby leading businesses to grow and develop efficiently. In order to achieve this goal, startups as well as business executives (managers) of SMEs must make reasonable use of available resources, such as technology, staff, plans, capital, as well as knowledge of corporate governance, ... to promote the strength of the business.

SMEs represent a major business sector in the global industry and are of great significance in developing countries. In many countries they account for over 95% of all businesses, employ around 65% of the workforce and contribute about 25% to GDP. It is essential that we understand the characteristics of small and medium-sized enterprises which make them different from large ones. A high failure rate is unquestionably a characteristic of the SME sector. In any given year, the small business failure rate is about 11%, around six times higher than large companies. SMEs tend to focus on a small number of buyers, manufacture regular goods or services and have little market price control. SMEs also tend to have independent ownership where owners / managers maintain close control as the key decision-makers and provide the majority of the operating capital required.

It is widely assumed that the larger the organization, the greater the need for management accounting information. This may suggest small and medium-sized businesses do not need extensive MA systems. On the contrary, we determine that SMEs face similar types of uncertainty and are more likely to fail, therefore, the



information of MA is especially significant to them for better resource management and allocation decisions. Given the importance of SMEs in any economy and the fact that they are a seedbed from which new, large enterprises will expand, it is felt that SMEs need timely, accurate and reliable accounting information for management. It is in this regard that accounting management takes on a potentially significant role for SMEs. It also seems that the MA needs of SMEs rely on the 'contingent complexities' they face at different times and under different circumstances. These complexities are of a strategic, operational, and financial nature depending on the different stages of the organization's development, from beginning to maturity. It is argued that the financial and cost management needs and the degree of complexity at each stage of growth within SMEs are affected by contingent complexities.

### 1.3. The use of MA in SMEs

Table 2. The result of use of management accounting practices and its rank

	Small			Medium			Total		
	No	Yes	Rank	No	Yes	Rank	No	Yes	Rank
Costing system	24	76	2	14	86	1	17	83	1
Budgeting system	36	64	3	19	81	2	24	76	3
Performance measurement system	22	78	1	20	80	3	21	79	2
Decision support system	54	46	4	28	72	4	37	63	4
Strategic MA	65	35	5	42	42	5	49	51	5

The result shows that the majority of respondents have used the five management accounting areas identified. The use of the costing system, budgeting system and performance assessment system is substantially higher than for the decision support system and strategic accounting management. This suggests that traditional MA practices are higher than advanced accounting management methods. The findings for

both practices also indicate a higher use of medium-sized businesses as compared to small ones. The main differences apply to the use of decision support structure and accounting for strategic management. The differences are claimed to be due to the importance of such activities to the specific scale of the businesses. In terms of raking, the most common practice in small-sized businesses is performance assessment and costing system in medium firms. However, for all respondents, costing system is the most widely used. In comparison, strategic management, with just half of the total respondents making use of this technique, is the least preferred technique suggesting that this technique is not yet practical for many small and medium firms worldwide.

## **2. Application of management accounting in SMEs in Vietnam**

### **2.1. Vietnam's economic and accounting background**

This chapter introduces the Vietnamese economic background to understand the growth of accounting in general and MA in particular. Also, it uses a quantitative method via questionnaires to examine the current status of SMEs when applying MA into practices.

“MA research seemed to assume what happened within an organization could not be understood without reference to developments beyond its boundaries. To fully understand MA one must examine its social, economic and political context and recognize the role of power and conflict”, Hopper (2000).

Along with the changes in revolution and politics, economic and financial activities of Vietnam has been through ups and downs. Accounting activities also transformed from simple bookkeeping with only income and expenditure to trial balance and accounting on software as it is now. In general, the Vietnamese accounting background can be divided into the following period:

- Before 1945

Since Vietnam became French colony, France built many factories and plantations to serve the exploitation policy, simultaneously using accounting methods. At this time, accounting and careers in accounting were introduced into the country, however, it wasn't developed. The concept “accounting” mainly means “bookkeeping” and “management accounting” hasn't been created.

- From 1945 to 1975

After the successful August Revolution against France in 1945, American army invaded the Southern area of Vietnam, temporarily separating the country's territory into 2 parts: North Vietnam and South Vietnam. This historic event certainly made an impact on the accounting system. The northern area's accounting system was affected by China's while the other shadowed America's one.

- From 1976 to 1986

After the reunification in 1975, with the aid and support of the Soviet Union, Vietnam was engaged to follow socialism based on a centrally planned model of the Soviet Union. The country relied heavily on trade with countries in the Soviet bloc and entirely disconnected from non-Soviet countries in trade flows and monetary investments. Its economic model was strongly affected by the Soviet Union's economic model, so was the accounting system. The forms of bookkeeping were Documents, Balance Method, Unified Accounting and Account System. However, in this period, accounting was just a tool to reflect indirectly the complement of requirements of the government and taxation authorities.

- From 1986 to present

After 1986, the Sixth National Congress of the Communist Party of Vietnam built a reform program, called the Innovation policy, replacing the old central planning economy with a new market mechanism. With the renovation, integration policies and opening up the national economy, the accounting systems began to be systematically researched. Consequently, they have gained great attention from researchers and enterprises' managers and also achieved a lot of significant developments. The rapid growth of the market economy requires higher demands on accounting information in a truthful, transparent and timely manner. Accounting activities gradually developed into an independent career socially recognized through the formation of Vietnam Accounting Association. Vietnamese perspective on accounting has been renewed since the reform program.

The world is constantly changing, the international accounting system has also been in the period of modernization to the International Financial Reporting Standard (IFRS). So the Vietnamese accounting system has gradually approached, amended and updated the accounting practices and standards embodied in the Law of 2003 on Accounting. This law is said to be an open, progressive and modern law, promulgating auditing and accounting standards, accounting regimes, the state budget

system, the organization of accounting apparatus and so on. Especially, in this Law of 2003 on Accounting that MA was officially recognized and defined for the first time. But until 2006 did the Ministry of Finance issue the circular including the instruction for applying MA in businesses. This could be seen as a significant benchmark in the legal document system, generating primary guidance for MA application in firms in Vietnamese market.

Overall, in the XX century, Vietnam has experienced many changes in society, environment and politics, which has led to reconstruction and changes in the accounting system. In terms of method, Vietnam has applied nearly all international accounting standards, except the principle of market prices (actual prices, Net Realizable Value) and standards of financial and derivative instruments. Even though they haven't officially announced, several businesses have applied them in practice. In terms of the situation of accounting activities, a gap between policies and actual practices still exists. However the Vietnamese accounting system has developed quickly throughout a rough history. As a result, approximately 90% of accounting work is executed automatically or semi-automatically on computer software. The duration for data publication of annual financial statements is narrowed down from 6 - 9 months to 30 - 90 days.

## 2.2. Current situation of MA application in SMEs

A great number of SMEs are established day after day and hold an increasingly important position in the economic development of Vietnam. According to the General Statistics Office, the number of SMEs rapidly increased at 8,8% in the period of 2012 - 2017, higher than the average growth of large enterprises (5,3%). Consequently, the SME quantity captures 98,1% of the total number. In particular, medium enterprises have around 8 500 companies accounting for 1,6%; small enterprises have 114 100 enterprises accounting for 22%, and micro enterprises have 385 300 enterprises accounting for the highest proportion of 74,4%.

However, MA is usually said to be necessary for big enterprises with large scales by many specialists. For SMEs, their activities are usually not too complex and are not likely to significantly affect the market trend and other competitors. This is a reason why SMEs and relating partners don't actually care about using MA tools. SMEs' The success of this stage depends on the ways that founders assess a company's value to attract investors. But success or failure in calling for investment is not a basis to evaluate the company's potential. Hence, in order to have an adequate value measurement of the business, the management accounting system is a serious stage. If a company develops at a rapid speed and doesn't carefully prepare the accounting system, performing well in the stages of finance and management will be a huge difficulty. This is a crucial preparation for any enterprises, especially for SMEs. A gap in the accounting management system could create a fraud then leading to other destructive results, even bankruptcy. In Vietnam, the term "Management accounting" has only been noticed in recent two decades. So SMEs are facing some challenges while applying for the MA.

The role of MA is considerable. Yet there is a limitation in academic studies on the topic of management accounting practice and its problems existing in Vietnam, and most of which are written in Vietnamese language.

For the objective of this study, a survey has been conducted in order to study the MA applying situation of SME in Vietnam. The survey consists of 3 parts: The first section is about general information of respondents, like name, working position, experience and information of the companies, such as company types, sectors, geographical location and operating duration. And the second part examines the applied MA methods and frequency of using them in corporations for later data analysis. The evaluation scale varies from 1 (never) to 5 (very frequently). They received two different types of surveys via email, one for the accounting manager position and the other for MA users. The survey was sent to 120 SMEs throughout the territory of Vietnam.

Upon receiving the results, there were 102 completed responses, as 85% of the outgoing survey, including 33 answers were face-to-face interviews and the rest were from answer sheets. Backgrounds of business respondents are diverse and they are summarized and recorded in Table 3.

Table 3. Characteristics of SMEs (n=102)

Variable	Title	Number of SMEs	Percentage (%)
Business types	Limited liability	42	41,2
	Joint-stock	37	36,3
	Private	15	14,7
	Joint-venture	8	7,8
Sectors	Manufacturing	50	49,0
	Services	24	23,5
	Commercial	15	14,7
	Construction	13	12,7
Duration	Less than 5 years	8	7,8
	5 - 10 years	15	14,7
	More than 10 years	79	77,5

The majority of the companies are either joint-stock or limited liability with 36% and 41% respectively. Approximately half the total number of corporations is manufacturing companies. Followed up, services sector holds 24% including banking, education, logistics, retail, and telecommunications. And more than three fourth ( $\frac{3}{4}$ ) of companies have been operating for quite a long time, more than 10 years, and only 8% is less than 5 years.

To facilitate further analysis, MA methods are grouped based on its function, namely planning, assessing, controlling and making decisions. For each method, we sum up the number of SMEs for each rate of frequency. Then we calculate the percentage it occupies in the total. Table 4 presents the number of SMEs using any MA methods and its frequency of using it. Here only shows the total ratio at the degree of frequent (4) or very frequent (5) representing monthly and quarterly. Moreover, it is noticeable that in assessing and making decision functions, not every enterprise fulfills the questions.

Table 4. Status of MA method in surveyed SMEs

Function (number of respondents)	Percentage (%)			No of SMEs	Stage
<b>Planning</b>	S4	S5	S4+S5		
1.Product budget by absorption cost (102)	31,4	56,9	88,3	90	2
2.Cost budget (102)	18,6	63,7	82,3	84	2
3.Target costing (102)	35,3	41,6	81,4	83	4
4.Flexible budget (102)	24,5	36,3	60,8	62	2
5.Budget for operational expenses (102)	56,9	0	56,9	58	2
6.Profit budget (102)	55,9	0	55,9	57	2
7.Cost budget for business, production (102)	55,9	0	55,9	57	2
8.Consumption budget (102)	37,3	0	37,3	38	2
<b>Controlling</b>					
1.Track information for budgeting (102)	34,3	54,9	89,2	91	3
2.Variance analysis (102)	0	63,7	63,7	65	2
3.Determine decisive factors (102)	0	60,8	60,8	62	2



<b>Assessing</b>					
1.Financial Ratio Analysis (96)	44,1	32,4	76,5	78	1
2.Compare with industry average (99)	25,5	34,3	59,8	61	1
3.Balanced Scorecard (94)	30,4	29,4	59,8	61	4

Continuation of table 4

Function (number of respondents)	S4	S5	S4+S5	No of SMEs	Stage
<b>Making decisions</b>					
1.Cost-volume-profit analysis (96)	33,3	45,1	78,4	80	2
3.Investment (99)	34,3	36,3	70,6	72	2
4. To continue or stop a project (95)	34,3	31,4	65,7	67	2

- Planning function

MA provides information for planning, budgeting and outlining actions to be taken in the subsequent period in a period of monthly, quarterly and annually. This step is acquired by the Management Board of the business. All 102 examined SMEs use at least 1 method for short-term and medium-term budgets. Among those methods, production budget and cost budget are one of the most common types, and widely used with 88,3% and 82,3% respectively. The flexible budget is occasionally used in small businesses, or stable markets, with only 60 businesses. Statistics shows that a flexible budget was mostly used by joint-venture companies in the industrial sector.

- Controlling function

MA provides information of monthly, quarterly and annually analysis, supporting managers to monitor the implementation process and identify the possible cause and influential determinant of the variance between planned and actual results to make

timely adjustments. From table 4, one technique applied by the entire number of SMEs is tracking and collecting information, such as direct materials cost, labor costs, overhead costs, revenues, for budgeting, among which 90% use it regularly. Then the task of analyzing variances is to compare between the estimated figures with the actual ones relating to costs and revenues. According to the results, 65 enterprises usually apply the variance analyzing method in the short-term, while the remaining uses for long-term analysis. After that, management accountants should determine key factors causing those gaps. It is important to define what are the primary and secondary reasons for existence of variance based on analysis of quantity production, price, market environment, exchange rates, inflation rates, competitor, market trends.

- Assessing function

The task of a management accountant in evaluation process is to measure business' performance efficiency through:

- Financial ratios: profitability ratio, like return on investment (ROI) or return on assets (ROA), turnover ratios, liquidity ratios
- A comparison with its competitors and with the industry
- A balanced scorecard.

These figures in the assessing group of table 4 show that the majority of managers in SMEs still use financial indicators to assess financial and production efficiency at a very frequent rate. Also, managers can monitor the MA process and evaluate its production by comparing the achieved results with the industry average and its competitors to see their positions in the market and based on a balanced scorecard. A business using a balanced scorecard should take into account these four perspectives, they are customers, internal processes, financial efficiency, learning and development. However, it's new to the Vietnamese market so not many SMEs apply this MA method.

- Making decision function

By analyzing the variances, financial ratio indexes and other methods, administrators can detect business potentials and strengths that need to be exploited and the weaknesses that need to be corrected. Furthermore, based on MA information, managers will make decisions for their upcoming projects or future investment to achieve long-term goals, such as optimizing the relationship cost - volume - profitability, minimizing risks and creating more innovative values for the enterprise. This study examined specific methods to make decisions about investment, or whether to continue or stop the current project. The figures in table 4 illustrate that the decision-making based on cost-volume-profit analysis was applied the most, holding nearly 80%. Using this type of analysis, managers are able to make such decisions on production volume, selling prices, and profit, for instance, decisions on adjusting variable costs, changing production quantity and decision on setting prices for special orders. Other decisions relating to projects, such as decisions to change certain parts of the production process, and decisions to maintain or withdraw investment are also taken into consideration.

The last column of the table notes the development stage of MA based on the theory of Akira Nishimura on Asian economic growth and MA. It is obvious that stage 2 (traditional techniques) occupies most of the column. In other words, the traditional techniques are the dominant methods in SMEs in Vietnam. It can be concluded that the Vietnamese management accounting system has nearly accomplished a full development of stage 2, except for limited usage of a flexible budget. While stage 3 and 4 rarely appears in the table due to a low level of application. A huge discrepancy in number between stage 2 and stage 3, 4 is due to the uncertainty of business environment and the level of integration of economy in Vietnam. It can be concluded that the Vietnamese management accounting system has accomplished a full development of traditional techniques.

### **3. Problems of management accounting in SMEs in Vietnam**

#### **3.1. Problems of management accounting in SMEs in Vietnam**

This part identifies the existing problems of MA that SMEs are struggling with. In addition, this chapter presents the research limitations during investigating the results and suggests some recommendations for further research and future company development.

Recently, the application of MA into the management process hasn't obtained enough attention and investment from business administrators and high level managers, especially in SMEs. These enterprises are facing with several problems as followed:

Firstly, SMEs in Vietnam are mostly micro and small businesses with limited capital so they always put calling for investment as priority. Hence to have a good accounting system, especially a MA system with an aim to provide effective and timely information for administrators, businesses need to invest a large amount of money to train their accounting employees and make expenses for the MA application. But in reality, just a few businesses have the ability to invest. Or if any businesses do, they don't invest enough because they constantly consider the cost of investment and the efficiency of MA activities. This is one of the reasons that Vietnamese SMEs do not want to apply the MA system into the enterprises.

Secondly, SMEs haven't yet adequately given attention to the first legislative document on guiding enterprises to apply MA. The circular in 2006 on MA application presents itself as just a guidance, not compulsory. Therefore, the practices of MA doesn't have an independent position in the enterprises; or if any, it is mostly a combination of MA and financial accounting. MA at a sketchy level is only detailed numbers of the financial accounting. In addition, businesses have just stopped at mandatory reports as prescribed by the law, but management reports for management purposes have hardly been built.

Thirdly, management capacity of the administrators is limited. Their decisions are driven by emotion rather than principles, skills, knowledge, as well as not efficient

use of available resources and determine the importance of MA. Some business managers have a right thinking about MA and awareness about the necessity of MA in business operation but they haven't had the opportunity and the condition to apply. Others refuse the need for MA in business operational processes because they have already had financial accounting. So misunderstanding or lack of knowledge leads to unreasonable and unsuitable decisions as well as business strategy planning, consequently decreasing the competitive advantage, lowering investments into SMEs, and causing a huge obstacle for the growth of SMEs.

Fourthly, with an goal to reduce costs, some SMEs came up with a solution by hiring professional-skilled accountants to work overtime or hiring staff with low qualifications at an affordable cost. The accounting employees are usually good at financial accounting, while lack of knowledge and training in MA. This issue causes an undisciplined accounting department in general and the MA system in particular, ineffective operation and information provided to the administrators are not timely and accurate.

Lastly, the work of planning and budgeting in SMEs is made in the form of annual plans or of each deal and it is only represented as the costs will occur in the future. Then using budgeting should be used to measure the project accomplishment, not to monitor current cash flows. At the same time, the enterprise only prepares estimates to serve the financial estimation, while the overall estimates (estimates of all parts of the business such as sales, production, research, marketing, ...) have not been mentioned. Besides, the classification of costs for the MA has not been focused on, resulting in a feasible and inaccurate budget. In conclusion, most SMEs lack of attention to the organization of the MA apparatus, and awareness of the importance of MA, leading to ineffective strategic planning and business management.

### 3.2. Research limitation and development proposals

This study contributes as a reference material to deal with issues in MA and to increase the number of applications. However, similarly to other studies, some limitations are recognized during the investigation. SMEs in Vietnam are various from size and types of ownership to geographic locations. The fact that SMEs in different sectors creates a broad range of business professionals, on the other hand, the result doesn't display a certain level of using MA for one specific type of business. Moreover, the selected sample size is quite small compared to the real number of SMEs in Vietnam so it doesn't fully and accurately reflect the whole population. The next research could extend the examining sample size for a more complete set of data.

In the current global integration trend, SMEs are very vulnerable in market economy, they have to compete with domestic and foreign rivals with capital potential, well-trained management and market experience. Therefore, to survive and develop their competitiveness, MA must become an indispensable tool for administrators. Some recommendations for development are as followed:

- Government agencies should amend, supplement and promulgate policies to delimit the scope between financial accounting and MA; provide clear guidelines to organize of MA in each specific industry, therefore enterprises could consult and apply appropriately.
- Government agencies should promote the role of training institutions and professional organizations in the training and professional guidance for MA in enterprises; strengthen the share of knowledge about MA to other SMEs with international professional organizations on international economic integration;
- Business executives need to learn from experience and change their perceptions of the MA; constantly enhance the professional knowledge of the MA employees of the accounting department of the enterprise and build a MA system in accordance with the management, production and business of the enterprise.

## **Conclusion**

The primary focus of this research paper was to examine and determine the significant role as well as the limitations of the MA system in SMEs in Vietnam. The adoption of MA has brought up several advantages for these businesses in Vietnam, such as assisting in forming the initial operating stages, especially the final one which is decision making of managers. A survey is given out to understand the subjects in SMEs, from then, indicates the frequency of the use of MA systems in those enterprises. It is understandable that the role of MA in SMEs has not been popular, especially in Vietnam case. However, given the economic importance of SMEs on the global scale, the requirements of the MA system is certainly needed. As mentioned above, Vietnam's management accounting system has come to a full development of traditional techniques. It is the stage in which cost design is a market-strategic cost management system in order to realize the target profit by forecasting the potential market demands. Therefore, this can be a notable advantage factor for Vietnamese MA systems in organizing and operating inside the enterprise. However, the management accounting system of enterprises in Vietnam has not been paid much attention by managers. Because of these SMEs, they do not have enough capital to fully exploit the benefits that the system brings as well as the knowledge of MA is rather limited. Therefore, it is suggested to guide the organization of management accounting in each branch and type of enterprise so that enterprises may refer and apply it appropriately into specific conditions; uphold the role of training institutions and professional organizations in training, retraining and providing professional guidance on management and accounting work at enterprises. Additionally, business managers need to learn from different aspects, experiences and may have a change in the point of view for MA.

## References

- 1/ Tran T. T. The Development Path of Vietnamese Accounting System // International Journal of Economics and Finance; Vol. 10, No 5. 2018
- 2/ Nguyen T. P. D & Masaaki Aoki. The Revolution of Management Accounting Practice in Vietnam: A survey research in Vietnamese food and beverage enterprise // Annual report of the Economic Society Vol. 74 No. 4. 2014.
- 3/ Akira N. Management Accounting Feed Forward and Asian Perspectives. 2003
- 4/Doan N. P. A. The Adoption of Western Management Accounting Practices // Griffith Business School. 2012.
- 5/ Pham D. H. Management Accounting Practices in Vietnam: An Empirical Study // AFMJ Vol. 3 No 07. 2018.
- 6/ Kamilah A. & Shafie M. Z. Management Accounting Practices Among Small And Medium Enterprises // The 28th International Business Information Management Association Conference . 2016. URL: (date of treatment 20/4/2020)  
[https://www.academia.edu/32722577/Management\\_Accounting\\_Practices\\_Among\\_Small\\_And\\_Medium\\_Enterprises](https://www.academia.edu/32722577/Management_Accounting_Practices_Among_Small_And_Medium_Enterprises)
- 7/ Law No. 03/2003/QH11 of June 17, 2003, on accounting // Legislation. 2003. URL:<https://vanbanphapluat.co/law-no-03-2003-qh11-of-june-17-2003-on-accounting> (date of treatment 20/4/2020)
- 8/ Applying Management Accounting in Entrepreneurs in Vietnam. 2019. URL: <http://vaa.net.vn/wp-content/uploads/2019/12/Ap-dung-KTQT-tai-DNVN.pdf> (date of treatment 20/4/2020)
- 9/ David J. Cooper & Trevor Hopper Critical Theorising in Management Accounting Research // Handbook of Management Accounting Research. 2006. URL: [https://www.researchgate.net/publication/222526000\\_Critical\\_Theorising\\_in\\_Management\\_Accounting\\_Research](https://www.researchgate.net/publication/222526000_Critical_Theorising_in_Management_Accounting_Research) (date of treatment 20/4/2020)