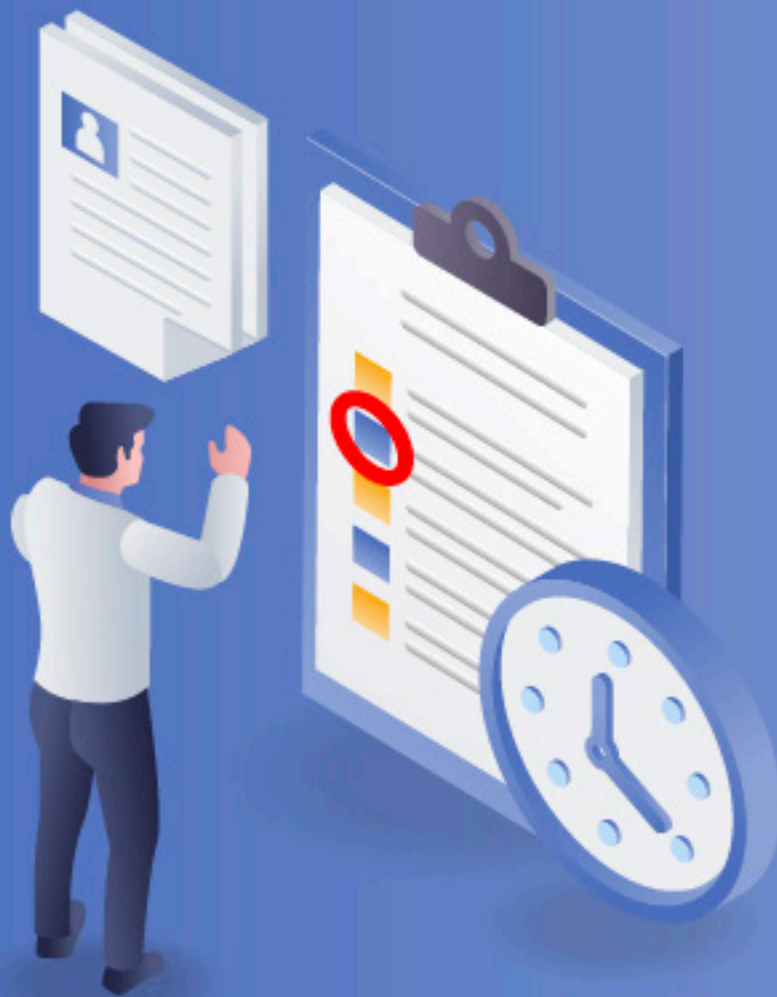




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Current Trends in Cost and Management Accounting Practices in Bangladesh.

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ABSTRACT

Effective financial management in businesses depends on cost and management accounting (CMA), which offers critical insights that influence resource allocation, strategic decision-making, and overall company success. The development of CMA practices has grown in importance in Bangladesh's quickly evolving economy. The use of contemporary methods like Activity-Based Costing (ABC), Target Costing, and Kaizen Costing—which improve operational efficiency and allow for more precise overhead allocation—is one of the developments in CMA practices that are examined in this paper. However, because of a lack of resources and experience, small and medium-sized businesses (SMEs) in Bangladesh frequently use traditional costing techniques. Cost management in Bangladesh has changed as a result of the incorporation of technology into CMA procedures, which has made automation and real-time financial analysis possible. However, obstacles including restricted access to qualified specialists and ongoing regulatory concerns still exist. This literature assessment emphasizes how crucial CMA is becoming to sustainability accounting and strategic decision-making, especially in industries focused on exports. According to research, effective CMA procedures increase Bangladeshi enterprises' profitability, operational effectiveness, and competitiveness. The ultimate goal is to place Bangladeshi companies competitively in the global market by promoting contemporary CMA methodologies, improving training and technology use, and supporting sustainable practices.

INTRODUCTION

Cost and Management Accounting (CMA) is essential to an organization's efficient financial management since it offers vital information that influences resource allocation, strategic decision-making and overall business success. In Bangladesh, an economy that is growing quickly and with a varied industrial environment, the development of CMA practices has grown in importance. Knowing the latest developments in CMA is crucial for companies looking to boost profitability, increase operational efficiency, and survive in a cutthroat global marketplace. A move toward more complex cost management techniques is shown in the adoption of modern CMA techniques like Activity-Based Costing (ABC), Target Costing, and Kaizen Costing. By identifying potential for cost reduction and more efficiently allocating overhead expenditures, these approaches help firms achieve better financial performance. However, because of limited resources and insufficient knowledge, small and medium-sized businesses (SMEs) in Bangladesh frequently continue to use traditional costing techniques, even though larger firms and international organizations have been adopting these creative ways more and more. The integration of technology into cost management (CMA) practices in Bangladesh has significantly improved accuracy and efficiency, enabling real-time financial data analysis and informed strategic decisions. However, challenges such as limited access to skilled professionals, lack of awareness

about contemporary practices, financial constraints, and regulatory and compliance issues persist, hindering the widespread adoption of modern CMA methodologies, especially among SMEs, and complicating the implementation of effective CMA practices. This study investigates the current trends in cost and management accounting practices in Bangladesh, focusing on the adoption of contemporary techniques, the impact of technology, and business challenges. It aims to provide insights into the evolving CMA practices and their impact on financial performance and competitiveness in the dynamic business environment.

LITERATURE REVIEW

This literature review explores the current trends in cost and management accounting (CMA) practices in Bangladesh, focusing on contemporary methods, technology integration, strategic decision-making, and sustainability practices. Bangladeshi businesses are increasingly adopting modern cost accounting techniques like Activity-Based Costing, Target Costing, and Kaizen Costing to improve operational efficiency and allocate overhead costs more accurately. However, SMEs in Bangladesh still rely heavily on traditional methods due to limited financial and human resources (Islam & Miah, 2020; Uddin & Hopper, 2001). Activity-Based Costing (ABC) is gaining popularity in businesses due to its ability to provide precise insights into product and

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service costs, leading to better pricing and product-mix decisions (Rahman & Islam, 2018). Technology, including accounting software and ERP systems, has significantly impacted cost management practices in Bangladesh, automating routine tasks and providing real-time financial data for timely decision-making. However, adoption is uneven across industries and more prevalent in larger firms (Bhuiyan & Rahman, 2019). Bangladeshi firms are utilizing ERP systems to improve cost management and reporting accuracy, but smaller companies face challenges due to high costs and a shortage of trained workers (Hossain, Mia, & Rahman, 2017). Bangladesh's management accounting is transforming from traditional budgeting to supporting strategic decision-making through budgeting, forecasting, and variance analysis, aligning with global trends in business strategy shaping, enabling better financial objectives, risk management, and performance evaluation (Ahmad, 2017; Hussain *et al.* 2002). Bangladeshi companies that adopt strategic cost management, including advanced budgeting and performance measurement, enhance competitiveness, enabling management accountants to serve as strategic partners, providing insights for long-term business planning (Siddique & Begum, 2022). Bangladeshi firms, particularly in export-oriented sectors, are adopting sustainability accounting practices to manage environmental costs, reduce waste, and improve energy efficiency. International stakeholders' demand drives this and is particularly prevalent in industries like ready-made garments (Rahman & Alam, 2020). Sustainability accounting is a crucial tool for businesses to reduce operational costs and enhance their global reputation by demonstrating adherence to sustainable practices, aligning with the global shift towards green accounting and sustainability reporting, which aims to enhance financial performance and social responsibility (Islam *et al.* 2019). Bangladesh faces challenges in implementing modern CMA practices due to a shortage of skilled professionals, high technology adoption costs, lack of training, and regulatory issues. SMEs face resource constraints, limiting their ability to adopt advanced costing methods and invest in technology. Regulatory compliance issues further complicate the situation, as many companies struggle to align with international accounting standards (Uddin & Hopper, 2001; Bhuiyan & Rahman, 2019). As technology becomes more widely available, the future of CMA practices in Bangladesh is probably going to be influenced by the further use of automation and digitization. The importance of strategic cost management and the expanding significance of sustainability reporting suggest that Bangladeshi businesses would keep improving their CMA procedures in order to compete in international markets. Professional development programs that may provide Bangladeshi accountants the abilities they need to successfully apply these sophisticated CMA approaches are also becoming more and more necessary (Siddique & Begum, 2022; Islam & Miah, 2020).

MATERIALS AND METHODS

The methodology is used to analyze the current trends in cost and management accounting practices in Bangladesh. Research Design: This descriptive and exploratory analysis will explore the adoption of contemporary CMA practices, technology integration, and strategic decision-making trends in Bangladeshi businesses. To learn more about CMA practices, difficulties, and effects on financial performance and competitiveness in Bangladesh, secondary data gathering techniques are employed.

Data Collection: To augment the original material, government statistics, industry publications, and financial reports are examined. Background information on the regulatory and economic landscape influencing CMA practices in Bangladesh are supplied by these sources.

Limitation: As the research is conducted on the basis of secondary data, data gathering techniques may not be up to quality requirements, and researchers have little control over them.

RESULTS AND DISCUSSIONS

The "Current Trends in Cost and Management Accounting Practices in Bangladesh" will provide insights into the implementation, challenges, and impact on financial performance and decision-making.

Adoption of Contemporary Cost Accounting Methods:

Activity-Based Costing (ABC), Target costing, and Kaizen costing are just a few of the contemporary cost accounting methods that Bangladeshi businesses have embraced more and more in recent years. These techniques enable businesses to more effectively distribute overhead expenses and pinpoint areas where costs may be cut. According to studies, small and medium-sized businesses (SMEs) may continue to use traditional costing techniques like job-order costing and process costing because of a lack of resources and experience, while larger companies and multinational corporations operating in Bangladesh are more likely to use these cutting-edge practices.

The Application of Technology in Cost Management:

One noteworthy development in cost management is the use of technology. Businesses in Bangladesh are automating cost accounting procedures to increase efficiency and accuracy as a result of the growing use of accounting software and Enterprise Resource Planning (ERP) systems. These technologies improve decision-making by offering real-time financial data. But there are obstacles, particularly for SMEs, due to the high expense of technology and a shortage of qualified workers.

Strategic Decision-Making and Management Accounting:

In Bangladesh, management accounting procedures are developing to facilitate strategic decision-making. To make wise financial decisions, businesses are using forecasting,

variance analysis, and budgeting more and more. These days, management accountants are essential in establishing strategic objectives, evaluating performance, and assisting with risk management. This change is part of a larger worldwide trend in which management accountants are shifting from more conventional to more consultative and strategic positions.

Challenges with Cost and Management Accounting Practices:

In spite of the advancements, companies in Bangladesh still encounter a number of difficulties while putting into practice efficient cost and management accounting procedures.

- **Limited Skilled Workforce:** Bangladesh’s lack of qualified cost and management accountants impacts the quality and efficacy of CMA procedures.
- **Lack of Knowledge and Training:** SMEs, in particular, frequently may not know the advantages of contemporary CMA procedures, and they might not have the funds for further education and training.
- **Cost Restrictions:** Many businesses, particularly smaller ones, find it challenging to acquire sophisticated cost management tools and systems due to their high cost.
- **Regulatory and Compliance Issues:** Some businesses struggle to conform their accounting procedures to legal mandates, which can make it more difficult to implement the international standards in accounting practices.

Cost control and sustainability: In Bangladesh, interest in sustainability-related cost management is rising as a result of the worldwide emphasis on sustainable business practices. Businesses are increasingly searching for methods to save waste, increase energy efficiency, and implement eco-friendly procedures, particularly in the manufacturing sector. Due to demand from global stakeholders to follow sustainable practices, export-oriented businesses are increasingly using sustainability accounting, a subset of cost management.

Sustainable Development and Cost Management:

As sustainable business practices gain international attention, Bangladesh is seeing an increase in interest in cost management strategies linked to sustainability. Businesses are increasingly searching for methods to save waste, increase energy efficiency, and implement eco-friendly procedures, particularly in the manufacturing sector. Due to demand from global stakeholders to follow sustainable practices, export-oriented businesses are increasingly using sustainability accounting, a subset of cost management.

Effect on Business Performance and Competitiveness:

Research shows that businesses that use good cost and management accounting techniques typically see increases in profitability, cost control, and operational efficiency. By improving pricing strategies,

optimizing resource allocation, and better understanding cost drivers, these methods help firms in Bangladesh become more competitive. For instance, by using improved cost management strategies, the ready-made garment (RMG) industry has shown notable increases in productivity and cost reductions.

Prospects for the Future:

The following developments are anticipated to impact cost and management accounting procedures in Bangladesh in the future:

- **Greater Automation and Digitalization:** As technology becomes more widely available, more businesses are anticipated to implement automated accounting systems.
- **More Attention Paid to Strategic Cost Management:** Management accounting will help achieve strategic objectives more and more, particularly in industries like manufacturing and services.
- **Focus on Sustainability Reporting:** Sustainability accounting techniques will become more popular as environmental and social responsibilities become more widely recognized, especially in export-oriented businesses.
- **Professional Development:** Educational institutions and professional associations in Bangladesh are probably going to increase their training and programs on contemporary CMA practices as the need for qualified accountants’ increases.

Bangladesh’s cost and management accounting is shifting towards advanced, strategic practices, with challenges for smaller firms. Investment in technology, training, and compliance is crucial for global market competitiveness.

Findings

The following findings are found by this article:

Implementation of Modern Cost Accounting Techniques:

Larger companies and multinationals are increasingly adopting modern cost accounting methods like Activity-Based Costing, Target Costing, and Kaizen Costing for effective overhead allocation and cost-saving strategies. However, small and medium-sized enterprises (SMEs) often rely on traditional methods like job-order and process costing due to limited resources and expertise.

Integrating Technology in Cost Accounting: Accounting software and ERP systems are being utilized to automate cost management processes, improving efficiency and decision-making. However, SMEs face challenges due to high technology costs and a shortage of skilled workers.

Strategic Decision-Making and the Function of Management Accounting:

Management accountants are now crucial in strategic planning, including budgeting, forecasting, and performance analysis, aligning with global trends of accountants taking on more consultative roles. These practices aid companies in setting strategic goals,

evaluating performance, and managing risks effectively.

Challenges in Cost and Management Accounting Practices:

Bangladesh faces challenges in cost and management accounting due to a skills gap, knowledge and training deficiencies, high costs associated with advanced tools, and regulatory compliance issues. This hinders the quality of CMA practices, particularly among smaller businesses, and hinders widespread adoption of international standards.

Focus on Sustainability and Cost Control:

Bangladeshi firms, particularly in manufacturing, are integrating sustainability into cost management to reduce waste, improve energy efficiency, and promote eco-friendly practices. Export-oriented firms are also incorporating sustainability accounting into their cost management due to international stakeholder demands for sustainable practices.

Effect on Competition and Business Performance:

Effective cost management practices have improved operational efficiency, profitability, and resource allocation, leading to increased competitiveness. These practices enhance pricing strategies and understanding of cost drivers, as seen in sectors like the ready-made garment industry, resulting in significant productivity gains and cost savings.

Potential Futures:

Automation and digitalization growth is expected to drive wider adoption of automated accounting systems. Management accounting will play a larger role in strategic cost management, especially in manufacturing and service sectors. Sustainability reporting will be increasingly important, especially in export-driven businesses. Bangladesh's educational institutions and professional associations are likely to expand training programs on contemporary CMA practices to meet the rising demand for skilled accountants.

Bangladesh's cost and management accounting is undergoing strategic evolution, but smaller firms face challenges. Investment in technology, workforce training, and compliance is crucial for global market competitiveness.

CONCLUSION

The study highlights the shift towards modern Cost and Management Accounting (CMA) methodologies in Bangladesh, such as Activity-Based Costing, Target Costing, and Kaizen Costing, by larger firms. However, small and medium-sized enterprises (SMEs) face challenges in transitioning due to resource constraints, lack of skilled professionals, and limited technological access. Technology integration in CMA practices has transformed accounting processes, providing real-time

insights and informed strategic decisions. Despite these advancements, regulatory compliance issues and a skills gap still hinder the full adoption of CMA practices, especially in the SME sector. Bangladeshi firms, particularly those in export-oriented industries, recognize the importance of sustainability accounting in enhancing their reputation and competitiveness in the international market. To foster a robust CMA environment, the study recommends encouraging SMEs to adopt modern accounting techniques through affordable training, technology access, regulatory reforms, professional development of accountants, and incorporating sustainability practices into cost management. Improving CMA practices in Bangladesh is crucial for enhancing business performance, competitiveness, and sustainability. Addressing challenges and implementing recommendations can help Bangladeshi firms position themselves effectively in the global marketplace, contributing to economic growth and development.

Recommendations

The following recommendations are made to implement on the basis of analysis and findings of the study:

Encourage SMEs to Have Access to Modern Cost Accounting Techniques:

Encourage SMEs to adopt modern cost accounting methods like Activity-Based Costing and Target Costing, with low-cost, simplified versions and easy-to-understand training programs.

Improve Training Assistance and Technology Adoption:

Public-private partnerships can subsidize SMEs' technology adoption, making ERP systems and accounting software more affordable, while training programs can build a skilled workforce for managing these tools.

Assist Accounting Roles in Strategic Management:

Encourage management accountants to participate in executive decision-making processes, focusing on strategic planning, budgeting, and risk management, to reinforce their consultative roles.

Regulatory Alignment and Skill Development to Meet CMA Challenges:

Invest in local up skilling programs for cost and management accounting, and advocate for regulatory reforms to simplify compliance processes and provide clear guidelines for international accounting standards.

Include Sustainable Practices in Cost Control:

Incentives like tax breaks and low-interest loans can be offered to businesses adopting eco-friendly and sustainable cost management practices, thereby enhancing Bangladesh's global competitiveness.

Make Use of Efficient Cost Control for Greater Competitiveness:

The initiative aims to promote cost management best practices across industries, particularly in the ready-made garment sector, and foster knowledge-sharing platforms for operational efficiency improvements.

Be prepared for Upcoming Changes in CMA:

Invest in automation and digitalization, expand sustainability reporting requirements, and strengthen partnerships between educational institutions and industry associations to ensure skilled accountants in modern CMA practices.

Bangladeshi firms can enhance their competitiveness and global market position by addressing cost and management accounting practices, aligning with international standards, and improving their accounting practices.

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