Cost Accounting Practices and Financial Performance of Small and Medium-Sized Enterprises (SMEs) in General Santos City

Gidelyn Faye C. Estrellan[1*], Marwa A. Guinucud[1], Samantha Marie P. Borela[1], Maria Cristina P. Obeso[1]

[1]*College of Business Administration and Accountancy, Mindanao State University, General Santos, Philippines*

Abstract—Small and medium-sized enterprises (SMEs) are significant drivers of global economic growth. While high-quality accounting information is evident for the entity's growth, the effect of cost accounting practices on their financial performance requires further research. This study aimed to determine the relationship between cost accounting practices (absorption costing, marginal costing, and standard costing) and financial performance (measured by return on assets and net profit margin) of SMEs in General Santos City. The research study used a quantitative method, grounded on the descriptive correlational design, to investigate the characteristics of the variables as well as their relationship. This study is anchored on Resource Based View Theory (Wenerfelt, 1984; Penrose,1959) which posits that resources can lead to high performance of a company. A sample size of 327 SMEs was determined using Taro Yamane's Formula (1964). Questionnaires based on a five-point Likert scale were used to collect data, which yielded 151 responses. Analysis of the 151 SMEs responses revealed a high level of both cost accounting practices and financial performance. Furthermore, Spearman correlation coefficient analysis indicated a significant positive relationship between these variables among SMEs in General Santos City. Future research may examine other potential variables that could further weaken or strengthen this relationship.

Index Terms—Cost Accounting Practices, Financial Performance, Absorption Costing, Marginal Costing, Standard Costing, Small and Medium-sized Enterprises (SMEs), Resource Based View Theory.

1. Introduction

The demanding nature of firm management has increased because the business environment has grown increasingly dynamic and unpredictable over recent years. Global economy shows rising acknowledgment of small and medium-sized enterprises (SMEs) because they act as strong economic empowerment tools that boost development for the majority of economies worldwide (Islam et al., 2011). According to Muraguri (2010) small and medium-sized businesses generate significant economic growth impacts that benefit developed countries as well as developing nations.

Amoako (2013) states that there is a rapid growth in the number of users who rely on accounting information in small and medium-sized enterprises (SMEs). These users depend heavily on high-quality accounting information for financial performance success as well as general company growth. That is why having an efficient cost accounting system is essential to effectively manage a business's finances. Consequently, the absence of a cost accounting system can lead to a lack of success and profitability. Furthermore, cost accounting is an act of recording, analyzing, and reporting a company's production of both fixed and variable expenses. A company's management must do this to improve financial decisions, promote efficiency, and create realistic budgets. This seeks to raise net profit margins for the company (FreshBooks, 2023).

Yeboah-Mantey (2017) conducted his research through a cross-sectional analysis of management accounting practices MAPs and financial performance between SMEs operating within the Cape Coast Metropolis of Ghana. The research used a questionnaire for data collection through a descriptive study design. Research findings indicated that management accounting practices (MAPs) lead to improved product quality which enhances profitability and business expansion. Considering the significance of small and medium-sized enterprises, it is reasonable to examine factors influencing their financial performance, which is essential since these businesses constitute a substantial part in the economy. An accounting practice is an organized method to produce and manage control functions and financial details together.

Above mentioned studies showed limited research on the cost accounting practice in third-world countries, such as the Philippines. Thus, this study aims at the relationship between cost accounting practices and the financial performance of small and medium-sized enterprises in General Santos City.

2. Literature Review

A. Cost Accounting Practices

Cost accounting, according to Muntasir (2023), involves the determination and calculation of the cost of produced goods or services.. An accounting procedure is classification, analysis, interpretation, and controlling of that expense. Costing techniques are the techniques by which costs can be calculated for cost control and decision making. Such information is used for price appraisal, negotiation, make or buy decisions and

performance measurement of purchasing (Lysons and Farrington, 2006). The costing techniques are the ways to estimate costs. These methods are composed of rules and precepts controlling how businesses and services are priced. Different industries require different ways in which cost should be analyzed as well as the processes of production for several goods.

B. Absorption Costing

In absorption costing, also known as 'full costing', all the expenses in the production of a given good are accounted for. In this strategy, all expenditures are considered production expenses from direct and indirect categories such as rent insurance, direct materials, and direct labor (Tuovila, 2022).

Companies use Absorption costing to allocate period-fixed expenses between manufactured units during production. Production expenses accumulate as part of absorption costing for distributing them across manufactured products. This kind of costing is necessary in terms of accounting standards because the inventory valuation to be reported on a company's balance sheet must be a reflection of this like cost. A product holds the ability to absorb diverse types of fixed as well as variable costs. The entity does not record expenses for these selected payments which occurred during the current month because they were paid in advance. All costs are initially treated as inventory assets until the inventory sale occurs at which point the costs become part of the cost of goods sold. Absorption costing is the process of estimation or valuation of entire inventory on the basis that all production expenses are seen as product costs, irrespective of being variable or having a constant burden (Lal & Srivastava, 2008).

C. Marginal Costing

The production or service cost to produce an additional unit constitutes marginal cost. Variation in product amount divides itself by production cost changes to produce this value. Preferred production volume and price derive from marginal cost calculations. The analysis includes costs that stay the same with increased output and costs that change accordingly. Furthermore, it also helps investors in predicting a company's profit growth as a company becomes larger (Keenan, 2023). Managers need independent access to variable and fixed costs through cost data presentation which is known as marginal costing. As such, the opportunity cost stands crucial for decision making because it enables managers to concentrate on what changes arise from evaluation choices rather than all expenses related to decision making. This method is suitable for making abrupt decisions. But it is crucial to recognize that it is not a process costing or a task costing method. It is a process for analyzing cost data to advise management, which attempts to find what alters the volume of output to adversely affect profit (Imo et al., 2022).

D. Standard Costing

According to Tamplin (2023) standard costing represents an accounting method that relies on standard costs established for direct labor and direct materials and manufacturing overhead expenses. Standard costing defines the specific cost which should match the produced units as stated by Horngren et al. (2014). The CIMA (2008) organization supports the statement that standard costs represent fixed unit expenses for goods and services from predefined time periods. Accordingly, standard costing forms an essential component of the management accounting control alongside responsibility accounting statements and budgeting systems. According to Lucey (2002), standard costing requires repetitive efforts and a level of consistency. These conditions affect many of the economic sectors. For instance, in manufacturing, in the service sectors (banking, transportation, computing) and in the public sector (refuse disposal, street cleaning, etc.). In fact, standard pricing, that is revenue pricing, is not just a matter of the 3 steps as depicted in the previous slide but rather a three-step procedure requiring a lot of engineering effort before it becomes a useful tool. Standard costing is also an important management accounting control procedure as per information given by Adeniji (2009) along with responsibility accounting statements and budgeting systems. Also, a standard costing can be undertaken from an absorption costing or a marginal costing perspective. The standard costing approach when integrated with marginal costing technique can determine the overall relevant cost variance of the product while excluding fixed overhead effects. But according to Adeniji (2009) absorption costing will include the whole cost of the product to the company in a variance analysis.

E. Financial Performance

Financial performance exists subjectively when companies effectively generate business revenue while leveraging primary business assets (Kenton, 2023). In fact, the financial term can assess business entities operating within a single industry as well as cross-sectorial comparisons between companies. In addition, it provides a comprehensive measurement for evaluating the general health of a company across a defined period. Company value can be enhanced through performance measurement according to conceptual workers by targeting future cash flows for greater size (amount) and faster receipt (when) and lower risk (Cadbury, 2002). The study by Carreta and Farina (2010) supports the utilization of financial performance through its combined definition of various metrics such as accounting profits combined with productivity and cash flow despite the subjective nature of selection by managers. In terms of financial performance assessment, it uses profit or value added in combination with sales, fees, budgeted costs and expenses and stock market indicators as well as autonomy. Another measurement is return on equity (ROE) combined with return on asset (ROA) that serve as financial performance proxies because they operate as financial performance indicators.

The financial performance can also be used as a separate tool for getting feedback from the public, such as prospective investors who will be making investments on companies whose financial performance is favourable to the investors (Choiriyah et al., 2021).

F. Net Profit Margin

Net Profit Margin is a type of ratio which calculates the ability of a company to make net profit. Dimitrantzou et al (2020) report that the high net profit margin of the company leads to increased return on net profit. This illustrates the company's capability to reduce operational costs in a period. Another compounding that happens inside the net profit margin is also comparing net profit to sales. In other words, the calculation equals net profit and net sales values divided by one another. The increase of healthy company operations fosters increased investor confidence which leads to investment. Similarly, in regards to net profit margins on SMEs, they know that the effective management of costs may result in profitability. SMEs should understand the factors affecting the net profit margin and apply strategies to improve it to enhance their financial position and put them in a position of expansion. Three profitability indicators track profitability including net margin, operating margin and net profit rate of return to measure success. Moreover, it states that reducing costs is a main strategy to increase profit maximization and thus increasing net profit margins (Choiriyah et al., 2021).

G. Return on Assets (ROA)

This is the company's profitability emerges as a measurement regarding its total assets (Hargrave, 2022). The measurement of return on assets (ROA) indicates the operational success and efficiency of an entire business system. A higher return on assets (ROA) indicates stronger profitability and asset utilization. According to Al-Taani (2013) return on assets (ROA) stands as a variable that requires analysis. That is, return on assets determines the ratio between total assets and profit after taxes. It describes ROA as a ratio that helps businesses determine their profit generation from total asset utilization. The study utilized Return on Assets (ROA) as its dependent variable because Ekwe and Duru (2012) identified it as a measure of managerial success. Furthermore, according to Lazaridis and Trynidis (2006), Deloof (2003) and Shin and Soenen (2000) along with Falope and Ajilore (2009), Singh and Pandey (2008) and Karaduman et al. (2011), ROA is defined through the formula which divides profit before tax by total assets. ROA represents the net income generating ability of a business relative to its assets according to Hanafi and Halim (2016). It serves as a financial metric which also functions as return on investment (ROI). Another indicator of how well an investment is managed is ROI. An organization demonstrates enhanced performance when ROA or ROI reaches higher levels since it boosts its return rate according to Rosalina and Masditok (2018).

H. Small and Medium-Sized Enterprises

The definition of small and medium-sized enterprises (SMEs) describes operations which stay below specified revenue levels or asset valuations or employee counts (Anzules-Falcones et al., 2021). According to the Truic Team (2023), they form the backbone of any community because they bring people together and help economies thrive. In developed and developing nations, small and medium-sized enterprises are the most common type of operating businesses. Thus, the research by Martínez and Poveda (2022) demonstrates SMEs comprise 90% of the total business sector while offering two-thirds of private sector employment worldwide with 50% employment share and creating 40% of emerging country gross domestic product.

I. Statement of the Problem

This study aims to determine the cost accounting practices and the financial performance of small and medium-sized enterprises in General Santos City.

Specifically, this study will answer the following questions:
1. What is the demographic profile of managers/accountants of small and medium-sized enterprises in General Santos City in terms of
   1) Name and Business Name
   2) Age of the Respondent
   3) Position of the Respondents
      a) Manager
      b) Accountant
   4) Size of the firms (in terms of annual sales)
      a) Small (Less than Php 3,000,000)
      b) Medium (More than Php 3,000,000)
   5) Number of employees
   6) Age of Firm
2. What is the level of cost accounting practices of small and medium-sized enterprises in General Santos City in terms of:
   1) Absorption costing
   2) Marginal costing
   3) Standard costing
3. What is the level of financial performance of small and medium-sized enterprises in General Santos City in terms of:
   1) Return on Assets (ROA)
   2) Net Profit Margin
4. Is there a significant relationship between cost accounting practices and the financial performance of small and medium-sized enterprises in General Santos City?

3. Scope and Delimitation

The research utilizes a descriptive survey design to measure cost accounting practices along with their financial performance on Small and medium-sized enterprises operating throughout General Santos City. The study targets SMEs managers and accountants in General Santos City throughout the 1st Semester to the 2nd Semester of academic year 2023-2024. The final sample will be delimited to only include SMEs that confirm the utilization of cost accounting practices. The research objective investigates the relationship strength between independent and dependent variables

The scope of the study examines cost accounting practices and financial performance among small and medium-sized enterprises operating in General Santos City. The researchers will use absorption costing, marginal costing, and standard costing for measuring cost accounting practice while financial

performance will be measured using the return on assets and net profit margin. Thus, establishing the relationships between these research variables would help Small and Medium-sized Enterprises (SMEs) to enhance their cost accounting practices while improving their financial performance.

4. Methodology

A. Research Design

The present research used a quantitative method specifically, descriptive-correlational design. According to Burns and Grove (2001) "quantitative research is a formal, objective, systematic system for obtaining world information through numerical data." The authors stated that the study uses quantitative methods to explain relationships between variables and perform tests to determine cause-and-effect relationships between or among variables. The researchers utilize a general strategy to establish connections between cost accounting practices as independent variables and financial performance as dependent variables in small and medium-sized enterprises located in General Santos City.

Data collection for this research project depends on the self-constructed questionnaire. The researchers collected the data by implementing purposive sampling to identify their respondents. The researchers obtained the data through self-reported questionnaires using online and person-to-person distribution to respondents. The researchers employed both mean analysis and Spearman rank (rho) correlation coefficient analysis to analyze the data. The researchers conducted a data presentation followed by analytic and interpretative chapters based on the gathered information.

This design is to meet the objectives of the study, namely to determine the relationship between cost accounting practices and financial performance of small and medium-sized enterprises located in General Santos City.

B. Respondents of the Study

Respondents were selected based on the researchers' professional judgment, employing a purposive sampling technique. This is a technique of sampling on which the researchers choose the population that fits into the classifications and requirements of the study (Dudovskiy, 2018). All the research respondents must meet the inclusionary criteria (a) managers and/or accountants of small and medium-sized enterprises in General Santos City. Based on this, with the use of Taro Yamane's formula, the calculated sample size is the researchers would need the participation of three hundred and twenty-seven (327) small and medium sized enterprises (SMEs) in General Santos City. Additionally, the sample is delimited to only include SMEs that confirm the utilization of cost accounting practices.

C. Research Instrument

The researchers utilized self-administered questionnaires as a primary instrument in gathering data, and information was analyzed in the present study. According to Roopa and Rani (2012), questionnaires are valuable instruments in collecting a wide range of information from a huge range of respondents.

The researchers distributed the questionnaires online and face-to-face to 151 small and medium-sized enterprises (SMEs) in General Santos City.

The topmost part of the questionnaire was the research description, which included the title of the study, information about the researchers, statement of the problem, assurance of anonymity of the participants, and qualifications before taking the survey. Two (2) sections of the questionnaire were used; one (1) concentrated on the profile of respondents with respect to SMEs within the General Santos City based on close ended questions such as name, age, position of respondent, size of the firm (based on annual sales), number of employees, and age of the firm.

The second section consisted of questions that sought to measure the focal constructs by using a five-point Likert scale: (1) "strongly disagree", (2) "disagree", (3) "neutral", (4) "agree", and (5) "strongly agree". According to Boone & Boone (2012), Likert scales were widely used when analyzing attitudinal and behavioral elements.

Questions 1-3 measured descriptive statistics for absorption costing, questions 4-6 measured marginal costing, questions 7-9 measured standard costing, questions 10-12 measured net profit margin, and questions 13-15 measured return on assets. See appendix B for the table of questionnaire with constructs, items, and references.

D. Data Gathering Procedure

The researchers proceeded to gather data in the following manner. In identifying the problem, the researchers tried to find an area in business that requires a solution. The researchers made various titles and identified its problems. They selected their preferred title to discuss and find a solution regarding these problems. The researchers have seen that there is a research gap about how cost accounting practices relates to the financial performance of small and medium-sized enterprises in General Santos City. The findings of the current study are supposed to fill this gap.

After identifying the research problem, the researchers gathered the needed information that would help them understand the terms, concepts, and theories involved in the study. In particular, related literature and studies have been pulled in especially to be helpful and relevant to this study.

The researchers were able to request for the total population of SMEs in General Santos City from the Business Permits and Licensing Division of the Mayor's Office of General Santos City, in order to calculate the number of respondents of the study. The sample size required according to Taro Yamane's formula is three hundred twenty-seven (327) SMEs. The respondents required for this study were selected using purposive sampling technique.

The researchers prepared at least three (3) validation sheets for their survey questionnaire. Upon approval, the researchers then compiled all of their ethical requirements that were submitted to the Institutional Ethics Review Committee. With the ethical approval and permission of the committee and the research adviser, the researchers started conducting the study through administering survey questionnaires to the

respondents.

The data from the respondents that the researchers gathered were analyzed, interpreted and calculated using statistical tools; mean and Spearman rank (rho) correlation coefficient analysis. It used all the information to analyze the important link in the relationship between cost accounting practices and financial performance of small and medium-sized enterprises in General Santos City.

Lastly, the researchers interpreted the results obtained and are explained in the Results and Discussion Chapter. The researchers examined the information to construct and provide results and summary, suggestions and conclusions, and finally recommendations for the study.

E. Results and Discussion

This chapter presents, analyzes, and interprets the results of the data gathered in this study. The various results are presented in the succeeding tables along with the relevant discussions and explanations. It also answers specific problems stated in the previous chapter.

1) Demographic Profile of Small and Medium-Sized Enterprises

This study aimed to identify the demographic profile of managers and/or accountants of small and medium-sized enterprises in General Santos City in terms of name and business name; age of respondents; position of respondents; size of the firms (in terms of annual sales); number of employees; and age of firm. The results are presented in the table below.

Table 1
Age of respondents

Age (in years)	Respondents	Percentage
21-30	74	49%
31-40	55	36.4%
41-50	22	14.6%
Total	**151**	**100%**

Presented in Table 1 is the age distribution of the 151 respondents in the study. The majority of participants, 74 respondents (49%), fall within the 21–30 years age group. This is followed by 55 respondents (36.4%) in the 31–40 years category. The smallest group consists of 22 respondents (14.6%), who are aged 41–50 years. This distribution suggests that the study primarily involved younger individuals, with nearly half of the respondents being under 30.

Table 2
Position of respondents

Position	Respondents	Percentage
Manager	110	72.8%
Accountant	41	27.2%
Total	**151**	**100%**

Table 2 presents the distribution of respondents based on their job positions. Out of the total 151 participants in the study, 110 respondents (72.8%) were managers, making them the dominant group. Meanwhile, 41 respondents (27.2%) were accountants. This suggests that the study sample consisted primarily of managerial personnel, with a smaller proportion of accountants.

Table 3
Size of firms (In terms of annual sales)

Size	Respondents	Percentage
Small (Less than Php 3,000,000)	110	72.8%
Medium (More than Php 3,000,000)	41	27.2%
Total	**151**	**100%**

The table categorizes respondents based on the size of their firm. Out of the 151 total respondents, 110 (72.8%) are associated with small enterprises (with a financial size of less than Php 3,000,000). Meanwhile, 41 respondents (27.2%) belong to medium-sized enterprises (with a financial size of more than Php 3,000,000).

This distribution indicates that the majority of respondents operate within the small business sector, while a smaller portion represents medium-sized enterprises.

Table 4
Number of employees

Range	Respondents	Percentage
1 to 5	102	67.5%
6 to 10	28	18.5%
11 to 15	14	9.3%
16-20	4	2.6%
21 and above	3	2.1%
Total	**151**	**100%**

Table 4 presents the distribution of the number of employees in each firm participated in the study. The results indicate that the majority of respondents, 102 out of 151 (67.5%), fall within the 1 to 5 range, suggesting that most participants are concentrated in the lower end of the scale. A smaller yet significant portion, 28 respondents (18.5%), belong to the 6 to 10 range, while 14 respondents (9.3%) fall within the 11 to 15 category. Additionally, only 4 respondents (2.6%) are in the 16 to 20 range, and the smallest group, consisting of 3 respondents (2%), falls under 21 and above. This distribution highlights that the majority of participants are in the lower brackets, with fewer individuals in the higher ranges.

Table 5
Number of employees

Number of Years	Respondents	Percentage
1 to 5	107	70.9%
6 to 10	31	20.5%
11 to 15	8	5.3%
16-20	1	0.7%
21 and above	4	2.6%
Total	**151**	**100%**

Table 5 presents the distribution of age of firms participated in the study. The results indicate that the majority of firms in the study are relatively young. 107 out of 151 firms (70.9%) have been in operation for 1 to 5 years, suggesting that most businesses are in their early stages. A smaller but notable portion, 31 firms (20.5%), fall within the 6 to 10 years category. Meanwhile, only 8 firms (5.3%) have been operating for 11 to 15 years, and just 1 firm (0.7%) falls within the 16 to 20 years range. Lastly, only 4 firms (2.6%) have been in business for more than 21 years, making them the least common category.

Table 6
Level of cost accounting practice of small and Medium-Sized enterprises

Indicator	Mean	Description
Absorption Costing		
Our organization's accounting records include all manufacturing overhead costs in the product cost.	4.30	High
Our organization allocates overhead costs to products based on predetermined overhead rates, typically calculated at the beginning of the accounting period	4.18	High
Our organization believes that the amount of overhead cost assigned to products remains the same regardless of the actual level of production or activity.	4.10	High
Our organization perceives that the absorption costing method significantly enhances our ability to develop effective pricing strategies.	4.11	High
Our organization anticipates that the absorption costing is instrumental in our decision-making process regarding product mix and resource allocation.	4.13	High
Mean	4.16	High
Marginal Costing		
Our organization utilizes the concept of contribution margin (selling price - variable cost) to analyze profitability and make short-term pricing and production decisions.	4.15	High
Our organization regularly tracks and reports variable and fixed costs separately to understand the cost behavior of our products and services.	4.16	High
Our organization uses marginal costing to identify the point of indifference (where total revenue equals total cost) and make decisions regarding breakeven analysis and pricing strategies.	4.07	High
Focusing on maximizing contribution margin per unit is the most effective way to improve profitability in our organization using marginal costing.	4.04	High
Our organization utilizes marginal costing to enhance short-term profitability analysis and decision-making by focusing on variable costs.	4.06	High
Mean	4.10	High
Standard Costing		
Our organization establishes predetermined standard costs for direct materials, direct labor, and manufacturing overhead.	4.13	High
Our organization calculates variances between actual and standard costs to identify areas of cost efficiency and control.	4.15	High
Our organization believes that standard costing helps us improve cost planning and control, and achieve cost reduction targets.	4.13	High
Our organization attributes the enhanced efficiency of cost control measures to the implementation of standard costing.	3.99	High
The implementation of standard costing has enhanced the reliability of our organization's budgeting and financial forecasting models.	4.00	High
Mean	4.08	High
Overall Mean	**4.11**	**High**

Legend: 1.00-1.49 - Very Low, 2.50-3.49 – Moderate, 4.50-5.00 – Very High, 1.50-2.49 – Low, 3.50-4.49 - High

This distribution highlights that most firms in the study are relatively new, with only a small percentage having long-standing operations.

2) Level of Cost Accounting Practice of Small and Medium-Sized Enterprises

This study also aimed to describe the level of cost accounting practices of small and medium-sized enterprises in General Santos City in terms of absorption costing; marginal costing; and standard costing; and standard costing. The results are displayed in the table below.

Table 6 presents the levels of cost accounting practices in terms of absorption costing, marginal costing, and standard costing.

For absorption costing, the highest-rated indicator is "our organization's accounting records include all manufacturing overhead costs in the product cost" with a mean of 4.30, described as high, indicating a strong adherence to comprehensive cost inclusion. The lowest-rated indicator is "our organization believes that the amount of overhead cost assigned to products remains the same regardless of the actual level of production or activity" with a mean of 4.10, though still rated high. Overall, this is a high level of cost accounting practices in terms of absorption costing with a mean score 4.16 described as high.

This finding aligns with the fundamental principle of absorption costing. Horngren et al. (2019) defines absorption costing as full costing which aims to provide a complete cost of a product by including all direct and indirect costs in the inventory valuation. This was supported by the study of Ali-

Momoh et al. (2022) which revealed that absorption costing and marginal costing have a strong statistical relationship on corporate performance in the chosen companies in Nigeria. Furthermore, this corroborates the findings of Ohuonu (2021) which indicated that the use of absorption costing enhances the profit margin of the company.

Moreover, in terms of marginal costing, the highest mean score is 4.16 described as high for "our organization regularly tracks and reports variable and fixed costs separately to understand the cost behavior of our products and services", emphasizing the importance of cost tracking. The lowest mean score is 4.04 for "focusing on maximizing contribution margin per unit is the most effective way to improve profitability in our organization using marginal costing", though it remains within the high category. Overall, this is also a high level of cost accounting practices in terms of marginal costing with a mean score 4.10 described as high.

Garrison et al. (2018) highlight the importance of being able to differentiate between fixed and variable costs for successful cost-volume-profit (CVP) analysis, short-term decision making, and performance measurement. Moreover, as stated in the study of Ali-Momoh et al. (2022), there is a strong statistical relationship between absorption costing and marginal costing on corporate performance in manufacturing companies in Nigeria. This is contradictory to the study conducted by Ohuonu (2021) which revealed that marginal costing has no effect on the profit margin of the company.

Meanwhile, the standard costing obtained the highest-rated statement in "our organization calculates variances between

Table 7
Level of financial performance of small and Medium-Sized enterprises

Indicator	Mean	Description
Return on Assets		
Our organization believes that the return on assets is a valuable tool to increase the entity's ability to utilize its resources productively.	4.31	High
Our organization consistently generates a favorable return on its assets.	4.13	High
Our organization's return on assets contributes favorably to its long-term sustainability.	4.09	High
Our organization prioritizes strategies that aim to improve our return on assets over other financial performance measures.	4.13	High
Our organization regularly tracks and analyzes return on assets to assess financial performance and make strategic decisions.	4.17	High
Mean	**4.17**	**High**
Net Profit Margin	**Mean**	**Description**
Our organization believes that the net profit margin has improved significantly over the past year, indicating positive trends in the entity's financial performance.	4.17	High
Our organization consistently achieves a high net profit margin.	4.02	High
Our organization effectively manages and controls its operating expenses.	4.09	High
Our organization anticipates that strengthening cost accounting practices would lead to a potential increase in net profit margin through improved cost management strategies.	4.06	High
Net profit margin analysis provides our organization with insights into profitability drivers and areas for cost management improvement.	4.03	High
Mean	4.07	High
Overall Mean	**4.12**	**High**

Legend: 1.00-1.49 - Very Low, 2.50-3.49 – Moderate, 4.50-5.00 – Very High, 1.50-2.49 – Low, 3.50-4.49 - High

actual and standard costs to identify areas of cost efficiency and control", with a mean of 4.15 described as high, reflecting a strong focus on cost control measures. The lowest-rated indicator is "our organization attributes the enhanced efficiency of cost control measures to the implementation of standard costing", with a mean of 3.99, which, while still high, is the lowest across all categories. Overall, this is also a high level of cost accounting practices in terms of standard costing with a mean score 4.08 described as high.

Rayburn (2019) opines that variance analysis provides meaningful information on unplanned cost variances to enable management to detect inefficiency and make appropriate adjustments. According to the study of Akinleye (2023), standard costing has the ability to reduce cost variances and consequently helps in improving the financial performance of the organization. Additionally, "The Impact of the Standard Costing System on the Performance of Industrial Companies in Jordan" of Dannoun et al. (2021) indicated that standard costing has a positive effect on the company's performance.

In general, the cost accounting practices of small and medium-sized enterprises obtained a mean score of 4.11 described as high. This is an indication that the majority of the SMEs in General Santos City use cost accounting practices.

3) Level of Financial Performance of Small and Medium-Sized Enterprises

This study also aimed to describe the level of financial performance of small and medium-sized enterprises in General Santos City in terms of return on assets (ROA); and net profit margin. The results are displayed in the table below.

In terms of Return on Assets (ROA), the highest-rated statement is "our organization believes that the return on assets is a valuable tool to increase the entity's ability to utilize its resources productively", with a mean of 4.31 described as high. This suggests that organizations highly value ROA as a key measure of resource utilization. The lowest-rated statement is "our organization's return on assets contributes favorably to its long-term sustainability", with a mean of 4.09, indicating that while still rated high, it is perceived as slightly less impactful than other aspects of ROA. The overall mean for ROA is 4.17,

signifying a strong emphasis on its importance.

In terms of Net Profit Margin (NPM), the highest-rated indicator is "our organization believes that the net profit margin has improved significantly over the past year, indicating positive trends in the entity's financial performance", with a mean of 4.17 described as high. This reflects optimism regarding profitability trends. The lowest-rated indicator is "our organization consistently achieves a high net profit margin", with a mean of 4.02, suggesting that while profitability is viewed favorably, there may still be room for improvement in sustaining high margins consistently. The overall mean for NPM is 4.07, slightly lower than ROA but still within the high category.

With an overall mean of 4.12, the findings indicate that organizations place a high level of importance on both ROA and NPM as financial performance measures, with a slightly stronger emphasis on ROA as a key driver of long-term resource productivity and financial health.

Defined by Hery (2015), return on assets (ROA) captures a company's ability to efficiently generate profit from assets, reflecting how effective management is in leveraging the assets of the company. Additionally, research has established that the utilization of assets has a strong positive correlation with the financial performance of a company. Evidence from research substantiates that effective management methods for assets lead to better financial performance. Increased asset utilization, in combination with a greater ROA, enhances company value by generating higher investor confidence (UNUSA, 2020).

According to Horngren et al. (2018), Net Profit Margin stands as a widely used profitability measurement which derives from sales revenue. Better cost management practices and pricing strategies implemented by the company improve its profitability level thus enhancing the share of revenue that becomes profit. Literature shows the relationship between two profitability measures ROA and NPM and their impact on long-term sustainability. Short-term investments in sustainability do affect profit immediately but analysis over time reveals that strong asset utilization and profitability create financial stability necessary for sustainable practice implementation (Porter &

Kramer, 2011). The study by Efthymiou et al. (2023) shows through analysis how net profit margin and return on assets create a successful link between business sustainability and profitability levels.

F. Significance of the Relationship between Cost Accounting Practices and Financial Performance

This study also aimed to establish the significance of the relationship between cost accounting practices and the financial performance of small and medium-sized enterprises in General Santos City. Spearman rank (rho) correlation coefficient analysis was utilized as it is a non-parametric method suitable for analyzing non-normally distributed data, which was the case in this study due to violation of the normality test. Table 8 presents the findings.

Table 8
Significance of the relationship between cost accounting practices and financial performance

Variables	Financial Performance		
	Spearman rho	p-value	remarks
Cost Accounting Practices	0.818**	0.000	significant

**Correlation is significant at the 0.05 level (2-tailed)

Correlation results showed a strong positive and significant relationship between the cost accounting practices and financial performance of small and medium-sized enterprises in General Santos City ($\rho=0.818$, $p=0.000$). The positive value of the correlation indicates that the level of cost accounting practices is positively related to financial performance of the firm. This means that the heightened level of cost accounting practices could lead to strong increase in the financial performance of small and medium-sized enterprises and vice versa. This result leads to the rejection of the first null hypothesis between variables stating that there is no significant relationship using a 0.05 level of significance. Therefore, there is a significant relationship between Cost Accounting Practices and Financial Performance of the Small and Medium Enterprises (SMEs) in General Santos City.

This implies that investing and implementing Cost Accounting Practices is a great tool and strategy to improve a company's financial performance. The approach may allow owners to make wise decisions regarding pricing as well as product mixes and costs while gaining better market positions. Consequently, by improving their capacity to record costs accurately, make sound pricing decisions, manage costs, and assess profitability, General Santos City SMEs can anticipate a measurable positive effect on their financial condition and success.

The positive relationship between cost accounting practices and financial performance can theoretically be grounded through models like the Resource-Based View (RBV) Theory. In an RBV view (Wernerfelt, 1984), advanced cost accounting skills may be thought of as a valuable, rare, inimitable, and non-substitutable (VRIN) resource which helps firms obtain a competitive edge and deliver superior financial performance through improved decision-making, cost accounting practices, and resource allocation. Moreover, Penrose (1959) describes

the significance of the resources and labels them as organizational procedures, assets, capacities, information, and knowledge that belong to the company. These resources as cited by Daft (1995) allow the company to raise its productivity and effectiveness and ultimately boost the financial performance of the company.

This is supported by the previous studies, including those by Ali-Momoh et al. (2022), Imo et al. (2022), Kafgbo (2021), Masundin et al. (2021), Ng and Tan (2020), and Ohuonu (2021), which consistently established that Small and Medium-sized Enterprises (SMEs) that employ cost accounting practices realize improved financial outcomes, are more efficient, and make more effective business decisions. In particular, Imo et al. (2022) established a positive and significant relationship between cost accounting methods and the financial performance of Rivers State SMEs in Nigeria. Similarly, the research of Masudin et al. (2021) "The Impact of Cost Accounting Adoption on the Financial Performance of Manufacturing SMEs in Indonesia" revealed that SMEs with cost accounting practices had higher net profit margins and returns on assets compared to non-users.

In conclusion, the findings of this chapter have established a significant relationship between cost accounting practices and the financial performance of Small and Medium-sized Enterprises in General Santos City. This empirical evidence supports in rejecting the null hypothesis and conforms to the theoretical framework and findings of previous studies. The implications of this significant relationship underscore the strategic value of investing in and effectively implementing cost accounting practices for SMEs in this locale.

5. Conclusion

Based on the findings of this study, there is a high level of implementation of cost accounting practices of Small and Medium-sized Enterprises (SMEs) in General Santos City in terms of absorption costing, marginal costing, and standard costing. The study also indicates that the respondents have a high level of Financial Performance with respect to return on assets and net profit margin.

Moreover, the findings revealed that there is a significant relationship between cost accounting practices and the financial performance of Small and Medium-sized Enterprises in General Santos City. These findings corroborate with the study of Masudin et al. (2021) which revealed that SMEs with cost accounting practices had higher net profit margins and returns on assets compared to non-users. The positive relationship between cost accounting practices and financial performance can theoretically be grounded by Resource-Based View (RBV) Theory, which suggests firms obtain a competitive edge and deliver superior financial performance through improved decision-making, cost accounting practices, and resource allocation.

In conclusion, there is a significant relationship between cost accounting practices and the financial performance of Small and Medium-sized Enterprises in General Santos City. This empirical evidence supports in rejecting the null hypothesis and conforms to the theoretical framework and findings of previous

studies. The results of this study implies that adoption of Cost Accounting Practices enhances the financial performance of an entity. This study indicates the significance of Cost Accounting Practices to the operations and performance of SMEs. In today's economy where Small and Medium-sized Enterprises are one of the significant drivers for growth, the effective implementation of Cost Accounting Practices can contribute to economic strength and sustainability of places like General Santos City.

6. Recommendations

Based on the findings and conclusions of this study, the researchers highly recommend the following:

1) To the Government

The study recommends that they may provide awareness about the adoption and effective implementation of Cost Accounting Practices which may involve initiating training and expert consultation to address the needs of the SMEs. These initiatives may enhance the understanding and application, particularly of standard costing. Moreover, it is recommended to invest in research and development specifically identifying the number of SMEs who practice these cost accounting techniques. Furthermore, policies that encourage utilization of these practices may provide aid for a better financial performance and subsequently stimulate the local economy.

2) To the Business Owners

Companies may prioritize strategies ensuring consistent high profitability. This may include a detailed examination of determinants of profit margins such as cost accounting practices.

3) To the Small and Medium-sized Enterprises Industry

As evidenced by the results of this study, usage of cost accounting practices is essential in achieving good financial performance and to sustain this profitability, the SME industry may create an association or organizations which could organize workshops and seminars regarding these practices.

4) To the Future Researchers

In order to obtain a more complete and precise measurement of cost accounting practices and financial performance, the findings suggest a different approach that includes not only Absorption Costing, Marginal Costing, Standard Costing, Return on Assets and Net Profit Margin but also other costing techniques and value-based measures. Future researchers may also conduct a study determining the total number of SMEs who have an existing Cost Accounting Practices and may identify them industry wise such as service, manufacturing, or merchandising industry and cost accounting practices wise. Moreover, future researchers may stratify the respondents based on the industry and identify if they are CPA or non-CPA and if they are only adopting one cost accounting practice or more. With the overall high levels of cost accounting practices and financial performance, future researchers may also explore other possible variables that could further weaken or strengthen this relationship, such as firm size, industry classification, or management experience. It is also recommended to conduct longitudinal studies to determine the effect of enhancing the cost accounting system on financial performance over time. In addition, qualitative research, including case studies, may investigate the difficulties and best practices involved in adopting and using various cost accounting practices of SMEs. Finally, future research may undertake comparative analysis involving Cost Accounting Practices and Financial Performance of SMEs in other regions of the Philippines to further understand the broader implications of the findings of the present study.

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