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# THE IMPACT OF ACCOUNTING INFORMATION ON MANAGERIAL DECISION-MAKING

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**Abstract**

One of the numerous challenges that countries such as Kosovo must address during the transition period is enhancing accounting practices to provide both domestic and foreign investors with transparent and dependable information, as well as determining the extent of accountability required from business managers in their decision-making processes. An outdated accounting system and functionality that Kosovo has inherited are incompatible with modern reporting requirements and market demands. For the nation to achieve economic growth, investors, managers, government officials, and others must have access to sufficient accurate and pertinent information to make beneficial economic decisions. Kosovo possesses several small and medium-sized enterprises, necessitating the establishment of appropriate regulations for these operations. Establishing Kosovo's accounting standards is a means to achieve its ultimate European status. In contemporary economies, adherence to accounting standards, encompassing the definition of accounting, accounting systems, and recording procedures, is more vital. This application will directly impact the economic prosperity of the country, particularly in nations adhering to International Accounting Standards. It will also substantially affect the activities of governmental agencies tasked with overseeing and regulating public and private enterprises.

**Keywords:** Accounting Information; Managerial Decision-Making; Financial Reporting; Cost-Volume-Profit Analysis; Contribution Margin; Break-Even Point; Management Accounting; Small and Medium Enterprises (SMEs); International Accounting Standards; Economic Development.

**JEL Classification Codes:** M41, D81.

## Introduction

This study uses a mixed-methods design, combining quantitative and qualitative approaches to gain a deep and balanced understanding of how accounting information shapes managerial decision-making. The research blends descriptive and analytical perspectives: the descriptive aspect shows how accounting data is applied in real organizational settings, while the analytical aspect investigates the relationships between key factors influencing the decision-making process (Ahmeti, 2018; Horngren, Harrison, & Smith, 2002).

As a result, they outlined and analyzed the key stages and elements of managerial decision-making, emphasizing the critical role of financial information and accounting reports in evaluating situations, forecasting outcomes, and selecting appropriate strategic options. (Institute of Certified Public Accountants of Albania, n.d.; Terziu, 2012).

Alongside this, they used qualitative approaches, including interviews and content analysis, to gain deeper insights into managerial views, attitudes, and real-world practices concerning the use of accounting information in decision-making (Garrido, León, & Zorio, 2002). By combining these methods, they were able to identify the decisions taken, the supporting data, and the reasoning behind those decisions, as well as the factors influencing them and the relationships among relevant variables (Grant Thornton, 2006).

The researchers explored not just the events that took place but also the fundamental causes and processes behind them, thereby enhancing both the theoretical understanding and practical use of accounting information in managerial activities, while also drawing attention to the factors that impact decision-making effectiveness within organizations (Association of Certified Accountants and Auditors of Kosovo [ACAAK], n.d.; Hansen & Mowen, n.d.).

Accordingly, the researchers primarily employed a combination of qualitative, quantitative, descriptive, comparative, and deductive approaches to gain a comprehensive understanding of the research problem and address issues ranging from broad to highly specific (Ahmeti, 2018; Horngren et al., 2002).

By combining different research methods, the researchers were able to gather both solid, measurable data and detailed insights into how managers actually work and how they use financial information to guide their decisions.

To gather information, they collected both primary and secondary data. For primary data, they spoke with employees from public and private companies, accountants, finance professionals, and members of professional associations. This provided them with a rich variety of perspectives and real-world experience relevant to their research (Posta e Kosovës, 2011–2013).

The research took place over three consecutive months, from June to September 2024. This period gave the researchers the opportunity to systematically collect, process, and analyze the data, ensuring that all relevant variables were measured accurately and consistently (Garrido et al., 2002; Grant Thornton, 2006).

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**The Functioning of Accounting as an Information System**

The researchers emphasized that the need to track and identify the factors influencing the making of important economic decisions had existed throughout all historical phases accompanying the development of economic activities in business (Guvemli, 2006). They noted that, historically, as economic systems evolved and business operations became more complex, the demand for accurate, timely, and relevant information to support decision-making processes had grown steadily (Horngren et al., 2002). To ensure optimal conditions within economic entities and to allow all business operators to make informed, effective, and appropriate decisions, the researchers argued that it was essential to provide fundamental information that could guide the decision-making process and reduce uncertainty (ACAAK, n.d.; Ahmeti, 2018).

In this context, the researchers highlighted the particularly significant role of accounting information. They pointed out that knowledge of accounting not only enhanced understanding of financial operations but also increased the capacity of managers and stakeholders to make critical economic choices with confidence (Horngren et al., 2002; Garrido et al., 2002). The researchers stressed that the information provided by accounting formed the foundational basis for decision-making, thereby supporting economic entities in expanding their activities, planning strategically, and responding effectively to both internal and external economic challenges (Grant Thornton, 2006; Posta e Kosovës, 2011–2013).

Furthermore, the researchers underlined that contemporary accounting had become increasingly important due to its role in presenting essential financial information to the state, investors, creditors, regulatory bodies, and other relevant users (IASB, n.d.)

The importance of contemporary accounting also lies in the fact that it presents financial and necessary information that it provides to the state and other users for solving various problems in the financial field. The objective of accounting, in general, is to:

- provide good and accurate information, in order to better protect the interests of the members of the economic entity and the third parties, so that they are well oriented at all times;
- provide the right information for the purpose of good administration of the assets of the economic entity in order that the management of the economic entity, based on this information, is able to detect and identify in time the factors that may negatively affect it;
- set common accounting rules and principles, in order to enable comparability with the accounting of other countries.

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## Cost-Volume-Profit (C-V-P) Analysis

The researchers highlighted that Cost-Volume-Profit (CVP) analysis, together with the determination of the break-even point, represented a systematic study of the interrelationships between costs, production volume, and profit at varying levels of business activity (Hansen & Mowen, n.d.; Ahmeti, 2018). They noted that each management team within organizations sought to understand the sales volume required to achieve a break-even position—where the company would neither incur a loss nor generate a profit (Horngren et al., 2002). According to the researchers, this critical point could be determined by relating total fixed costs to the contribution margin per unit, expressed by the formula: Break-even point (units) = Total fixed costs / Contribution margin per unit (Hansen & Mowen, n.d.).

The researchers emphasized that CVP analysis extended the application of data derived from risk-threshold analyses and provided managers with tools to assess financial performance under different operating scenarios (Ahmeti, 2018).

They pointed out that the contribution margin could be expressed in absolute or relative terms and was commonly used in variable cost analysis, as well as in sales volume and profit planning (Ahmeti, 2018).

The researchers further noted that break-even analysis could inform various managerial decisions, such as whether to adjust sales volumes in response to price changes, how changes in fixed costs would affect required contribution margins, and how sales targets could be adjusted to meet desired profits (Horngren et al., 2002; Garrido et al., 2002).

Moreover, the researchers emphasized the practical utility of break-even point graphs, which visually represented the relationships between costs, revenues, and profits, providing managers with an intuitive tool for decision-making (Hansen & Mowen, n.d.). They also recognized the limitations of CVP analysis, including assumptions of linear costs and revenues, constant contribution margins, and the exclusion of external market fluctuations. Despite these limitations, they argued, CVP analysis remained an essential instrument for guiding managerial decisions and enhancing the strategic planning of economic entities (Ahmeti, 2018).

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## Conclusions

Based on the literature reviewed and all that was discussed in this paper, it can be noted that "Managerial decision making and determining CVP is a broad discipline or field to study, as it often happens that old theories are being modified, or even replaced with new ones, and cannot withstand the time. So, in this paper there were attempts to include or summarize as much detail as possible, based on the works so far.

Over the past few years, changes in the business environment have profoundly affected cost accounting and cost management in enterprises for information analysis and decision-making, some examples of which are an increased emphasis on providing value to customers, total quality management, time as a competitive element, advances in information technology and production, globalization of markets, growth of the service industry, disruptions and increased awareness of ethical and environmental business practices.

These changes have been driven by the needs for create and maintain a competitive advantage. For many companies, the information required to create a competitive advantage can no longer be derived from the traditional cost management information system. In a function-based system, cost and control are focused on organizational functions. Unfortunately, this function-based approach often fails to provide information that is detailed, accurate, and timely enough to support the demands of this new environment.

This situation resulted when the activity-based cost management system of businesses emerged and began. This system is more detailed and accurate than the function-based cost management system. Therefore, the new cost management system may be more accurate if we refer to it as an activity-based and strategy-based cost management system.

The emergence and acceptance of strategy-based and activity-based cost management suggests that in many cases the benefits of this more complex system outweigh its costs. On the other hand, the existing and reliance on function-based systems suggests the opposite for some companies.

This Integration is particularly useful in decision-making in manufacturing companies, where we can see how decision-making can change as information changes. For example, how a decision to close or expand changes as we move from a traditional function-based cost management system to a richer activity-based cost management system.

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