



Application of Cost Accounting Practices on the Financial and Non-Financial Performance of Small Coffee Shops in Baliwag, Bulacan

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ABSTRACT

This study examined the relationship between the application of cost accounting practices on the financial and non-financial performance of small coffee shops in Baliwag, Bulacan. The researchers used a quantitative research design utilizing a survey questionnaire as the primary data collection tool as adapted from Umeji and Obi (2014) and employed convenience non-probability sampling. The financial performance consisted of three indicators: Profitability, liquidity and sales volume. The non-financial performance has three indicators: External stakeholders management, employee or HRM and process measures. The paper conducted descriptive analysis for the gathered data and applied Pearson correlational analysis to assess the relationship between the variables with Jamovi software. In a sample of 30 small coffee shops in Baliwag, Bulacan, the results showed that the small coffee shops have a strongly positive description of their profitability (M=3.25), external stakeholders management measures (M=3.58), employee or HRM measures (M=3.29), and process measures (M=3.50) and a positive description on their liquidity (M=3.22) and sales volume (M=3.17). The study revealed that the application of cost accounting practices has a significant relationship on the external stakeholder's management measures ($r=0.434^*$; $p=0.016$) and process measures ($r=0.459^*$; $p=0.011$) and it has no significant relationship on the profitability, liquidity, sales volume, and employee or HRM measures. This study offers practical insights on the role of application of cost accounting practices for researchers and business managers and owners.

Keywords: *Application of Cost Accounting Practices, Convenience Sampling, Financial Performance, Non- Financial Performance, Quantitative Research, Small Coffee Shops*

INTRODUCTION

Context and Rationale

There has been an increasing demand for the food and beverage industry, particularly for the coffee shop sector. In America, the coffee industry was able to accumulate a total of \$85 billion revenue in 2023. Furthermore, according to Fantozzi (2024) the number of people who visit coffee shops increased by 5.1% in America. However, despite this growing industry, about 17% of these shops close within the first 12 months. Because of this, the application of cost accounting is considered. Cost accounting provides businesses with the necessary information for informed decision-making. Cost accounting is the process of tracking, analyzing, and summarizing all costs that are related to production. These include materials, labor, and overhead costs. Cost accounting helps in the pricing decisions of businesses which can help enhance their profitability (Luther, 2023).

Philippine coffee industry has been continuously on the rise, particularly the coffee shop businesses. In fact, coffee demand has been growing over 8.8% annually, according to the Philippine Coffee Industry Roadmap (2022). However, due to this trend, owners are also experiencing difficulties regarding their business survival and having a competitive advantage, among others. It has been shown in studies that up to 60% of small food and beverage businesses only survive until their fifth year and then fail due to financial mismanagement (Department of Trade and Industry, 2023).

The focus of this study is about the small coffee shops in Baliwag, Bulacan. Since these businesses are considered "small", extensive application of practices like cost accounting has always been neglected. The rising demand, which resulted in increasing prices and competition, with small businesses having only limited knowledge of financial management, highlights the need for effective cost accounting practices. This would not only help the owners track their expenses but also be an asset for their business to have a competitive advantage in the market, ultimately helping them optimize their performance.

An effective financial management strategy is crucial for the performance and survivability of small coffee shops. Financial performance metrics like profitability, cost efficiency, liquidity and more are influenced by accounting strategies. Meanwhile, nonfinancial performance, including employee productivity, decision making and other processes are also affected by cost management decisions. By analyzing these factors, this research can have a valuable contribution to existing literature by bridging the gap between cost accounting and micro businesses that will highlight the possible best practices that can be adopted by local coffee shop owners.

This study aims to examine the relationship between the application of cost accounting practices on financial and non-financial performance of small coffee shops in Baliwag, Bulacan. Specifically, this research seeks to provide valuable insights that can help small coffee shop owners to improve their financial strategies, enhance management decisions, and improve overall performance to still be able compete in the market.

THEORETICAL FRAMEWORK

Performance is one of the key factors in decision making. It encompasses two categories: Financial and Non-Financial. Profitability, return on assets, value added activities and other financial metrics enable firms to assess where they are and to plan. Non-financial metrics such as relationships with the customers, suppliers, and employees which managers use as a basis in allocating assets, selecting strategies, and for providing bonuses and promotions (Errore, Linderman & Lucianetti, 2013). Performance monitoring is necessary for businesses' long-term success, regardless of size and nature. Specifically, it is necessary for effective strategy formulation and implementation (Gibson, 2023).

It can be conferred that performance monitoring is more crucial for SMEs compared to larger entities. A study by Tam and Le-Anh (2021) indicates that performance monitoring and measurement are considered as major issues for the management of SMEs, especially since they are more prone to risks due to limited resources and capital. Performance can be subjective; however, it is not random. It can either be static or dynamic, but it always follows the patterns of its environment (Folan, Brownie & Jagdev, 2022).

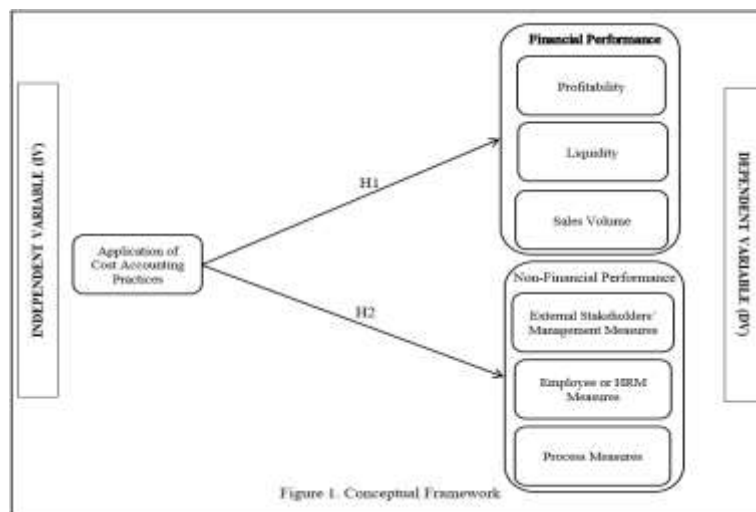
Moreover, underscoring the existing gap in literature, resources regarding SMEs' performance indicators are usually limited in assessing the impact on financial performance while neglecting the non-financial performance, given that both are equally important (Jamai et al., 2021).

This study, which aims to examine the relationship between the application of cost accounting practices on financial and non-financial performance of small coffee shops in Baliwag, Bulacan, was mainly underpinned by the Theory of Contingency. This theory was developed from the idea that no universal solution to the problems of control and decision making was feasible. It has been shown that businesses which adapt practices that align with the contingencies they faced have a higher rate of success than those that follow standardized practices (Brooks, 2023). Smaller businesses that use traditional cost accounting practices might face the risk of having poor performance due to the inflexibility of their processes.

In addition, Transaction Cost Theory views a transaction as the most basic unit of measure. It aims to maximize the transaction benefits while minimizing transaction costs (Wigand, 2015). It presents a practical view on decision making, whether for strategic or control purposes. Studies highlight this perspective on why businesses tend to stick with traditional practices when new methods are available (De Camargo Fiorini, 2018). Similarly, smaller businesses, given their size and limited access to resources, usually employ traditional cost accounting practices rather than conventional methods (Vardia, Kiran & Khatik, 2024). However, over time, these low-cost practices might not be as cost-effective as modern approaches which could affect their business' performance eventually.

Lastly, Pecking Order Theory suggests the concept of using earnings for expenses and avoids external financing which has additional costs such as interest or dividends (Thakur, 2023). Smaller Businesses prefer to rely on internal financing and tend to avoid incurring debts (Sagorb-Mira & Lopez-Garcia, 2008). Hence, the ability of smaller businesses to invest in modern cost accounting practices is limited. But, on the contrary, instead of having cost savings from not incurring interest expenses on debt, the opportunity cost of not investing on modern cost accounting tools might be more evident on the business performance.

CONCEPTUAL FRAMEWORK



This section illustrates the relationship between the application of cost accounting practices on the financial and non-financial performance of small coffee shops in Baliwag, Bulacan. Figure 1. above shows the relationship between the independent and dependent variables. It was hypothesized that there is no significant relationship between the application cost accounting practices on financial and non-financial performance of small coffee shops in Baliwag, Bulacan.

The independent variable application of cost accounting practices is the use of costing and cost accounting principles, methods, and techniques. Financial Performance, a dependent variable, refers to quantitative outcomes of the business directly related to its operations. Indicators of financial performance include: (1) Profitability, which refers to the ability of a company to generate revenue over and above its expenses. (2) Liquidity that is a measure of a company's ability to cover short-term financial obligations. (3) Sales Volume which refers to the number of units sold during a specific reporting period. Non-Financial Performance, a dependent variable, refers to outcomes of the business other than those quantitative and directly related to its operations. Indicators of non-financial performance include: (1) External Stakeholders' Management Measures that pertain to the management of relationships with external stakeholders. (2) Employee or HRM Measures which are used to evaluate and measure an employee's effectiveness, efficiency, and contributions to organizational goals. (3) Process Measures that provide the data and insights to objectively evaluate how business processes are working and whether they align with the company's goals.

RESEARCH QUESTIONS

This study entitled "Application of Cost Accounting Practices on the Financial and Nonfinancial Performance of Small Coffee Shops in Baliwag, Bulacan" aims to determine the relationship between the application of cost accounting practices on the financial performance and non-financial performance of small coffee shops hence, it aims to seek the answer for the following questions:

1. How may the application of cost accounting practices of small coffee shops in Baliwag, Bulacan be described?
2. How may the financial performance of small coffee shops in Baliwag, Bulacan be described in terms of:
 - 2.1. Profitability
 - 2.2. Liquidity
 - 2.3. Sales Volume
3. How may the non-financial performance of small coffee shops in Baliwag, Bulacan be described in terms of:
 - 3.1. External Stakeholders' Management Measures
 - 3.2. Employee or HRM Measures
 - 3.3. Process Measures
4. Is there a significant relationship between the application of cost accounting practices and financial performance of small coffee shops in Baliwag, Bulacan?
5. Is there a significant relationship between the application of cost accounting practices and profitability of small coffee shops in Baliwag, Bulacan?

HYPOTHESIS

The following hypothesis were formulated:

1. There is no significant relationship between the application of cost accounting practices and financial performance of small coffee shops in Baliwag, Bulacan.
2. There is no significant relationship between the application of cost accounting practices and non-financial performance of small coffee shops in Baliwag, Bulacan.

SIGNIFICANCE OF THE STUDY

The purpose of the study was to examine the application of cost accounting practices as a predictor of financial performance and non-financial performance among small coffee shop owners in Baliwag, Bulacan. The research findings may help small coffee shop owners and/or managers to understand how effective cost accounting practices can potentially boost their financial performance, such as profitability, liquidity, and sales volume; and non-financial performance, which include external stakeholders' management measures, employee measures, and process measures. This enables them to optimize planning and enhance their strategies. In addition, consumers can also benefit from this study by having access to good quality products and customer service provided by the small coffee shop owners at a competitive price. Furthermore, this study will also benefit society by having more job opportunities and job stability through the growth of small coffee shops. Lastly, this study will also be valuable to those who want to explore and broaden this current topic for this will serve as their courage in conducting their future exploration. Moreover, the said impressions and recommendations will serve as a guide for their use. Additional modifications and insights for this topic are truly welcome for it will widen the scope of the issue and continue to benefit prospective readers.

SCOPE AND DELIMITATIONS

This study focuses on finding the relationship between application of cost accounting practices on the financial and nonfinancial performance of small coffee shops in Baliwag, Bulacan.

Furthermore, the study examines the impact of cost accounting application in the financial performance in terms of profitability, liquidity, and sales volume and the impact on nonfinancial performance in terms of external stakeholders' management measures, employee or HRM measures, and process measures.

The study used a purposive sampling technique. Moreover, this research uses survey questionnaires as the data gathering procedure. The study was conducted in the month of February during the second semester of S.Y. 2024-2025.

RESEARCH DESIGN

A descriptive correlational research design, which is useful in identifying the extent and direction of relationship among variables, was employed by this research. The researcher mainly focused on describing and analyzing the relationship of the application of cost accounting practices on the financial and non-financial performance of small coffee shops in Baliwag, Bulacan.

RESPONDENTS

Selected owners of small coffee shops operating in Baliwag, Bulacan have been chosen to be the respondents of this study. The researchers have searched for coffee shop businesses in Baliwag. Coffee shop owners with enough knowledge and experience were chosen to achieve research objectives and to ensure that the participants were representative of the entire population of this business industry in the area.

The sampling method employed has been efficient and suitable for the study as it ensured that respondents possessing necessary characteristics are given more focus and chosen to participate. It was intended to eliminate sampling bias, so a meaningful and accurate set of data is provided. The selected respondents have allowed the study to achieve its goal of obtaining a comprehensive understanding of the application of cost accounting practices and their impact on the financial and non-financial performance of small coffee shops.

INSTRUMENT

This study employed a quantitative research design utilizing a survey questionnaire as the primary data collection tool. The questionnaire consists of structured questions, primarily utilizing a 4-point Likert Scale to assess each variable. To ensure the reliability and validity of the data, the questionnaire was adapted from Umeji and Obi (2014). To ensure that the survey questionnaires are clear and effective, the researchers have administered a pilot test prior to the conduct of the main survey. In this preliminary phase, a small group of respondents was selected to participate. The feedback received by the

researchers from the respondents helped identify some areas in the questionnaire that must be improved. Necessary adjustments were made for the development of the overall survey structure.

The application of cost accounting practices have corresponding number of items (number of items=10; Cronbach a reliability measure=0.814) The Financial Performance have 3 subscales with corresponding number of items and reliability values such as profitability (number of items=6; Cronbach a reliability measure=0.872), liquidity (number of items=4; Cronbach a reliability measure=0.856) and sales volume (number of items=6; Cronbach a reliability measure=0.887). The Non-Financial Performance have 3 subscales with corresponding number of items and reliability values such as external stakeholders' management measures (number of items=6; Cronbach a reliability measure=0.704), employee or HRM measures (number of items=4; Cronbach a reliability measure=0.857) and process measures (number of items=2; Cronbach a reliability measure=0.792). Provided the Cronbach measure, the survey questionnaire is acceptable and recommended to use.

DATA GATHERING PROCEDURE

To ensure the collection of accurate and reliable data, the researchers performed the data gathering procedure systematically. The researchers have searched for operating small coffee shop businesses in Baliwag, Bulacan. This helped in checking and identifying respondents who are most relevant to the objectives of the research study. To ensure that meaningful and accurate data were collected, the researchers have selected participants with enough knowledge and experience. The researchers then asked permission from the owners of the identified coffee shops to conduct the survey among them. A formal request prepared by the researchers was presented to each coffee shop owner. The purpose of the study, the voluntary nature of participation, and the confidentiality of all the information gathered were outlined in this request. The business owners who have provided consent to participate were included as respondents of the research study. The survey was administered partly through a printed questionnaire and partly through a Google Form questionnaire, allowing the coffee shop owners or managers may choose which may be more convenient.

The questionnaire aimed to gather necessary data about cost accounting practices and their perceived impact on both financial and non-financial performance of micro-enterprises like coffee shops. The researchers have oriented the respondents briefly for their better understanding of the process of completing the form. The researchers have also remained available to address any queries from the respondents. After the data collection process, the responses were reviewed by the researchers to check for completeness and accuracy. It was then organized for analysis to allow for proper examination and evaluation of the relationship between cost accounting practices and the performance of small coffee shops in Baliwag, Bulacan.

DATA ANALYSIS

Descriptive statistics is applied with Jamovi software to describe the application of cost accounting practices, financial performance, and non-financial performance of small coffee shops in Baliwag, Bulacan using statistical tools such as mean.

Pearson correlation analysis was done using Jamovi software to examine the strength and direction of relationship between the application of cost accounting practices on financial and non-financial performance of small coffee shops in Baliwag, Bulacan.

ETHICAL CONSIDERATIONS

To ensure the voluntary involvement of the participants and validity of the responses, the researchers made sure that the data collection was conducted with sensitivity to the consequences for the participants. Their involvement was not characterized with transparency nor were they deceived, exploited, or harmed in any way. Those who opt to participate in this study were given a consent form in compliance with the provisions of Data Privacy Act of 2012, also known as RA 10173.

Informed consent. The researchers have initially explained the goals and objectives of the study to the respondents. The students were asked accordingly if they agreed to participate. Moreover, it has been clarified that the participants voluntarily participate and have the right to withdraw their consent at any time. The form will serve as an assurance that the researchers will value the rights of the participants for the sake of legal and ethical observation.

Anonymity and confidentiality. The participants were not forced to include their business names during the data collection process. Their identities were kept confidential and only be used for academic purposes only. The researchers used codes, such as R1(which stands for respondent 1), to prevent any unethical acts that may happen in case their identities are disclosed. In addition, the researchers did not reveal their identities to the readers unless they agreed that their participation can be made.

RESULTS AND DISCUSSION

Quantitative Analysis

This section encompasses the presentation, analysis and interpretation of data and the discussion of results thereof regarding the examination of relationship between the application of cost accounting practices on the financial and non-financial performance of small coffee shops in Baliwag, Bulacan.

1. Independent Variable

SMEs, regardless of their size, view the application of cost accounting as an integrated part of their business. In a study conducted by Roffia, Benevides & Carillero (2024), it reveals that the size of a business does not have a significant relationship with the level of their application of cost accounting practices.

Table 1

Descriptive Measures of the Application of Cost Accounting Practices of Small Coffee Shops in Baliwag, Bulacan

No.	Cost Accounting Practices		1	2	3	4	Mean	SD	VI
1	Calculate cost per unit of item.	f	0	1	8	21	3.67	0.547	SA
		%	0	3.3	26.7	70			
2	Calculate total cost of product or service.	f	0	0	10	20	3.67	0.479	SA
		%	0	0	33.3	66.7			
3	Compute prime cost by adding direct cost.	f	0	1	8	21	3.67	0.547	SA
		%	0	3.3	26.7	70			
4	Calculate overheads by subtracting the sum of factory, administrative, selling, and distribution expenses from total cost.	f	0	0	15	15	3.50	0.509	SA
		%	0	0	50	50			
5	Add direct wages to determine prime cost.	f	0	3	9	18	3.50	0.682	SA
		%	0	10	30	60			
6	Calculate profit or loss by subtracting the cost of sales from total sales.	f	0	6	5	19	3.43	0.817	SA
		%	0	20	16.7	63.3			
7	Identify and allocate direct cost by adding direct and indirect materials, wages indirect expenses.	f	1	4	12	13	3.23	0.817	A
		%	3.3	13.3	40	43.3			
8	Aggregate direct material cost, direct wages, and direct expenses to arrive at prime cost.	f	0	1	14	15	3.47	0.571	SA
		%	0	3.3	46.7	50			
9	Aggregate indirect material cost, indirect wages, and indirect expenses to arrive at overhead cost.	f	0	4	16	10	3.20	0.664	A
		%	0	13.3	53.3	33.3			
10	Calculate selling price using mark-up system.	f	0	1	12	17	3.53	0.571	SA
		%	0	3.3	40	56.7			
11	Calculate selling price by deducting discount allowed to arrive at agreed invoice price.	f	2	4	9	15	3.23	0.935	A
		%	6.7	13.3	30	50			
12	Subtract selling expenses from gross profit to arrive at net profit.	f	1	1	6	22	3.63	0.718	SA
		%	3.3	3.3	20	73.3			
Overall							3.48	0.399	SA

Legend:	Rating	Verbal Interpretation
	1.00-1.74	Strongly Disagree SD
	1.75-2.49	Disagree D
	2.50- 3.24	Agree A
	3.25- 4.00	Strongly Agree SA

In alignment, the responses of small coffee shops in Baliwag, Bulacan regarding their application of cost accounting practices are shown in Table 1 with the corresponding mean. Item number 1,2 and 3 have the highest mean of 3.67 with a verbal description of “strongly agree (SA)” and standard deviation of 0.547, 0.479, and 0.547, respectively. This indicates that the small coffee shops in Baliwag, Bulacan strongly agree that they calculate the cost per unit of item, total cost of product or service, and compute the prime cost by adding direct cost as an application of cost accounting practices. On the other hand, item number 9 obtained the lowest mean of 3.20 with a verbal description of “agree (A)” and standard deviation of 0.664 which shows that the small coffee shops “agree” that they aggregate indirect material cost, indirect wages, and indirect expenses to arrive at overhead cost.

The overall mean of 3.48 with a verbal description of “strongly agree (SA)” and overall standard deviation of 0.399 reveals that the small coffee shops in Baliwag, Bulacan “strongly agree” regarding their application of cost accounting practices by calculating cost per unit of item, total cost of product or service, prime cost, overheads profit or loss, and selling price using markup system. This shows the active application of cost accounting practices by small coffee shops in Baliwag, Bulacan.

2. Dependent Variables

A. Financial Performance

Financial performance refers to the quantitative outcomes of the business directly related to its operations. It is directly related to the efficiency of management and overall stewardship towards the handling of the business. According to Matsoso and Benedict (2014), financial performance is highly regarded by small businesses and is often used as the primary measure of productivity and efficiency. For this study, financial performance was assessed with three indicators including profitability, liquidity, and sales volume.

In an investigation conducted by Mendoza (2015), it showed that small enterprises in the Philippines usually have favorable liquidity and activity levels but low level of profitability. In contrast, according to Margaretha and Supartika (2016), firm size has a negative effect on profitability. The negative effect indicates that the larger the firm the lower is their profitability because larger firms tend to be more difficult to manage.

Table 2.1

Descriptive Measures of the Financial Performance in terms of Profitability of Small Coffee Shops in Baliwag, Bulacan

No.	Financial Performance - Profitability		1	2	3	4	Mean	SD	VI
1	Company's profit margins have increased in the last year	f	0	5	10	15	3.33	0.758	SA
		%	0	16.7	33.3	50			
2	Company has been able to generate profit in the last year	f	0	5	11	14	3.30	0.750	SA
		%	0	16.7	36.7	46.7			
3	Company has been able to meet its annual financial objectives	f	0	7	14	9	3.07	0.740	A
		%	0	23.3	46.7	30			
4	Company has been able to raise salaries and wages from profits	f	1	3	15	11	3.20	0.761	A
		%	3.3	10	50	36.7			
5	Company pays in time as a result of availability of profits	f	0	3	13	14	3.37	0.669	SA
		%	0	10	43.3	46.7			
6	Company has funded its business growth from profits	f	1	5	10	14	3.23	0.858	A
		%	3.3	16.7	33.3	46.7			
Overall							3.25	0.632	SA

Legend:	Rating	Verbal Interpretation
	1.00-1.74	Strongly Disagree SD
	1.75-2.49	Disagree D
	2.50- 3.24	Agree A
	3.25- 4.00	Strongly Agree SA

Table 2.1 presents the mean for the responses of the small coffee shops in Baliwag, Bulacan regarding their profitability. It shows that item number 5 obtained the highest mean of 3.37 with a verbal description of “strongly agree (SA)” and standard deviation of 0.669. This indicates that the small coffee shops “strongly agree” that they pay in time as a result of availability of profit. Item number 3 has the lowest mean of 3.07 with a verbal description of “agree (A)” and standard deviation of 0.740 where it shows that the small coffee shops “agree” that they are able to meet their annual financial objectives.

The table also shows that the overall mean is 3.25 with a verbal description of “strongly agree (SA)” and overall standard deviation of 0.632. The result indicated a strongly positive description of the profitability of small coffee shops in Baliwag, Bulacan and that they “strongly agree” that their profit margins have increased in the last year, they are able to meet their annual financial objectives, raise the salaries and wages, pay in time as a result of availability of profits, and has funded company growth from profits. This is in alignment with the conclusion reached by Margaretha and Supartika (2016) while contrary to the assertion of Mendoza (2015).

Table 2.2.

Descriptive Measures of the Financial Performance in terms of Liquidity of Small Coffee Shops in Baliwag, Bulacan

No.	Financial Performance - Liquidity		1	2	3	4	Mean	SD	VI
1	The company always has enough cash to meet operational costs as paying employees and utilities	f	0	6	7	17	3.37	0.809	SA
		%	0	20	23.3	56.7			
2	The company always has enough cash to purchase any equipment considered necessary for the progress of the business	f	0	5	9	16	3.37	0.765	SA
		%	0	16.7	30	53.3			
3	The company usually goes for short term borrowings to pay suppliers	f	5	6	10	9	2.77	1.07	A
		%	16.7	20	33.3	30			
4	Suppliers are paid in time	f	0	3	13	14	3.37	0.669	SA
		%	0	10	43.3	46.7			
Overall							3.22	0.503	A

Legend:	Rating	Verbal Interpretation
	1.00-1.74	Strongly Disagree SD
	1.75-2.49	Disagree D
	2.50- 3.24	Agree A
	3.25- 4.00	Strongly Agree SA

Moreover, the study also determined the liquidity of small coffee shops in Baliwag, Bulacan to assess their financial performance. In accounting, the term liquidity means the ability of a firm to pay its short-term liabilities. The liquidity ratio shows how quickly a business can convert its assets into cash. Furthermore, this ratio also assesses the creditworthiness of a company. According to Nam & Tuyen (2024), liquidity has a positive influence on financial performance. This means that firms who have high liquidity ratios have better financial performance. Mendoza (2015) also concluded that small businesses tend to have favorable liquidity.

On this note, Table 2.2 shows the mean for the responses of the small coffee shops in Baliwag, Bulacan regarding their liquidity. It registered that item number 1, 2, and 4 obtained the highest mean of 3.37 with a verbal description of “strongly agree (SA)” and standard deviation of 0.809, 0.765 and 0.669, respectively. This indicates that the small coffee shops “strongly agree” that they have enough cash to meet operational costs, purchase any equipment considered necessary for the progress of the business and that the suppliers are paid in time. Item number 3 has the lowest mean of 2.77 with a verbal description of “agree (A)” and standard deviation of 1.07 where it shows that the small coffee shops “agree” that they usually go for short-term borrowing to pay suppliers.

The table also shows that the overall mean is 3.22 with a verbal description of “agree (A)” and overall standard deviation of 0.503 which is a positive description of the liquidity of small coffee shops in Baliwag, Bulacan and indicate that they “agree” that they always have enough cash to pay for operational costs and additional necessary equipment, and they usually go for short-term borrowings to pay suppliers in time. These results are in conformity with the assertion made by Mendoza (2015) regarding the liquidity of small businesses in the Philippines.

Table 2.3

Descriptive Measures of the Financial Performance in terms of Sales Volume of Small Coffee Shops in Baliwag, Bulacan

No.	Financial Performance – Sales Volume		1	2	3	4	Mean	SD	VI
1	The company sales has increased over the last year	f	0	5	12	13	3.27	0.740	SA
		%	0	16.7	40	43.3			
2	The company has opened more outlets in the last year	f	4	7	6	13	2.93	1.11	A
		%	13.3	23.3	20	43.3			
3	The number of customers have increased over the last year	f	0	5	11	14	3.30	0.750	SA
		%	0	16.7	36.7	46.7			
4	Company's suppliers have increased over the last year	f	0	6	13	11	3.17	0.747	A
		%	0	20	43.3	36.7			
5	Company's number of deliveries have increased	f	1	7	10	12	3.10	0.885	A
		%	3.3	23.3	33.3	40.0			
6	Company has been able to achieve its sales objectives	f	0	6	10	14	3.27	0.785	SA
		%	0	20	33.3	46.7			
Overall							3.17	0.669	A

Legend:	Rating	Verbal Interpretation
	1.00-1.74	Strongly Disagree SD
	1.75-2.49	Disagree D
	2.50- 3.24	Agree A
	3.25- 4.00	Strongly Agree SA

According to Best (2014), sales volume is the quantity of sales made by an enterprise over a specific time period. It can be quantified in monetary and non-monetary units. While Robert & Gathinji (2014) specified that sales volume is computed by multiplying the unit sales to the price of the goods sold. Per Uwasomba & Boniface (2023), some enterprises design strategies to achieve immediate sales. This underscores the importance of sales as perceived by businesses.

To support this, Table 2.3 shows the mean of the responses of the small coffee shops in Baliwag, Bulacan regarding their sales volume. It shows that item number 3 obtained the highest mean of 3.30 with a verbal description of “strongly agree (SA)” and standard deviation of 0.750. This indicates that the small coffee shops “strongly agree” that the number of their customers has increased over the last year. Item number 2 has the lowest mean of 2.93 with a verbal description of “agree (A)” and standard deviation of 1.11 where it shows that the small coffee shops “agree” that they have opened more outlets in the last year.

The table also shows that the overall mean is 3.17 with a verbal description of “agree (A)” and overall standard deviation of 0.669 which is a positive description of the sales volume of small coffee shops in Baliwag, Bulacan and indicate that they “agree” that their sales, outlets, customers, suppliers, and deliveries have increased over the last year. It also shows that they “agree” that they were able to achieve their sales objectives.

B. Non-Financial Performance

Alves and Laureco (2022) highlighted the importance of non-financial performance to accurately evaluate businesses. Non-Financial Performance refers to outcomes of the business other than those quantitative but are still crucial to the business' overall performance. This study uses the external stakeholders' management, employee or HRM and process measures as indicators of the non-financial performance of small coffee shops in Baliwag, Bulacan.

Table 3.1

Descriptive Measures of the Non-Financial Performance in terms of External Stakeholders Management Measures of Small Coffee Shops in Baliwag, Bulacan

No.	External Stakeholders Management Measures		1	2	3	4	Mean	SD	VI
1	We retain existing clients and manage to attract new ones.	f	0	0	9	21	3.70	0.466	SA
		%	0	0	30	70			

2	The number of customer complaints within the last period has decreased strongly.	f	3	3	10	14	3.17	0.986	A
		%	10	10	33.3	46.7			
3	Reputation of our company in eyes of the customers has improved.	f	0	1	8	21	3.67	0.547	SA
		%	0	3.3	26.7	70			
4	We consider our relations with suppliers to be excellent because we maintain genuine partnerships with them.	f	0	0	9	21	3.70	0.466	SA
		%	0	0	30	70			
5	There is a mutual trust between our company and our suppliers	f	0	1	8	21	3.67	0.574	SA
		%	0	3.3	26.7	70			
6	Quality of our products is well above the industry average.	f	0	1	11	18	3.57	0.568	SA
		%	0	3.3	36.7	60			
Overall							3.48	0.450	SA

Legend:	Rating	Verbal Interpretation
	1.00-1.74	Strongly Disagree SD
	1.75-2.49	Disagree D
	2.50- 3.24	Agree A
	3.25- 4.00	Strongly Agree SA

Table 3.1 shows the mean of the responses of the small coffee shops in Baliwag, Bulacan regarding their external stakeholders' management measures. External stakeholders are persons or organizations that can directly affect or be affected by a business or a project. Examples of which are customers, suppliers, and creditors. While they do not have any formal contractual obligations with the organizations, they are still key players in the business. Managers, therefore, need to respond strategically when external stakeholders manipulate crucial inputs and influence their projects directly (Tam et al., 2023). It shows that item number 1 and 4 obtained the highest mean of 3.70 with a verbal description of "strongly agree (SA)" and standard deviation of 0.466 and 0.466, respectively. This indicates that the small coffee shops "strongly agree" that they retain existing clients, attract new ones, and consider their relations with suppliers to be excellent. Item number 2 has the lowest mean of 3.17 with a verbal description of "agree (A)" and standard deviation of 0.986 where it shows that the small coffee shops "agree" that customer complaints have decreased within the last period.

The table also shows that the overall mean is 3.58 with a verbal description of "strongly agree (SA)" and overall standard deviation of 0.450 which is a strongly positive description of the external stakeholders management measures of small coffee shops in Baliwag, Bulacan and indicate that they "strongly agree" that they manage to retain existing clients and attract new ones, customer complaints have decreased, company reputation have improved, have an excellent relationship and mutual trust with suppliers and above industry average of quality of products.

Table 3.2

Descriptive Measures of the Non-Financial Performance in terms of Employee or HRM Measures of Small Coffee Shops in Baliwag, Bulacan

No.	Employee or HRM Measures		1	2	3	4	Mean	SD	VI
1	The employee retention is high within our company.	f	0	2	13	14	3.43	0.626	SA
		%	0	6.7	43.3	50			
2	Productivity of employees is much higher than the industry average.	f	3	3	10	14	3.17	0.626	A
		%	10	10	33.3	46.7			
3	Employees feel special commitment to the organization.	f	0	1	8	21	3.67	0.490	SA
		%	0	3.3	26.7	70			

4	Employee attendance in our company (relative to competition) is very high	f	0	0	9	21	3.70	1.04	A
		%	0	0	30	70			
Overall							3.29	0.534	SA

Legend:	Rating	Verbal Interpretation	
	1.00-1.74	Strongly Disagree	SD
	1.75-2.49	Disagree	D
	2.50- 3.24	Agree	A
	3.25- 4.00	Strongly Agree	SA

As cited by Harney (2022), in practical terms, small businesses are often short in resources and are labor intensive. This means that they have a greater reliance on the discretionary effort and engagement of employees. This shows that successful management of employees in small businesses can be a critical determiner of the businesses' survival and growth. Table 3.2 shows the mean of the responses of the small coffee shops in Baliwag, Bulacan regarding their employee or HRM measures. It shows that item number 1 obtained the highest mean of 3.43 with a verbal description of "strongly agree (SA)" and standard deviation of 0.626. This indicates that the small coffee shops "strongly agree" that they have high employee retention. Item number 4 has the lowest mean of 3.13 with a verbal description of "agree (A)" and standard deviation of 1.04 where it shows that the small coffee shops "agree" that they have high employee attendance.

The table also shows that the overall mean is 3.29 with a verbal description of "strongly agree (SA)" and overall standard deviation of 0.534 which is a strongly positive description of the employee or HRM measures of small coffee shops in Baliwag, Bulacan and indicate that they "strongly agree" that they have high employee retention, employee productivity, and attendance, and that employees feel special commitment to the company.

Table 3.3

Descriptive Measures of the Non-Financial Performance in terms of Process Measures of Small Coffee Shops in Baliwag, Bulacan

No.	Process Measures		1	2	3	4	Mean	SD	VI
1	Response time to customer complaints is well above the industry average.	f	0	0	11	19	3.63	0.490	SA
		%	0	0	36.7	63.3			
2	Service error level (waste level) is minimal in our company.	f	3	3	10	14	3.37	0.615	SA
		%	10	10	33.3	46.7			
Overall							3.50	0.455	SA

Legend:	Rating	Verbal Interpretation	
	1.00-1.74	Strongly Disagree	SD
	1.75-2.49	Disagree	D
	2.50- 3.24	Agree	A
	3.25- 4.00	Strongly Agree	SA

Process performance measurement, according to Hernaus (2012), is a necessity for a modern, process-oriented organization. It is important to find the right way to systematically measure the impact of business processes and their success. Table 3.3 shows the mean of the responses of the small coffee shops in Baliwag, Bulacan regarding their process measures. It shows that item number 1 obtained the highest mean of 3.63 with a verbal description of "strongly agree (SA)" and standard deviation of 0.490. This indicates that the small coffee shops "strongly agree" that they have above industry average response time to customer complaints. Item number 2 has the lowest mean of 3.37 with a verbal description of "strongly agree (SA)" and standard deviation of 0.615 where it shows that the small coffee shops "strongly agree" that they have minimal service error and waste level.

The table also shows that the overall mean is 3.50 with a verbal description of "strongly agree (SA)" and overall standard deviation of 0.455 which is a strongly positive description of the process measures of small coffee shops in Baliwag, Bulacan and indicate that they generally "strongly agree" that they have fast response time and minimal of service error and waste level.

Table 4.1

Correlational Analysis between the Application of Cost Accounting Practices and Financial Performance of Small Coffee Shops in Baliwag, Bulacan

Financial Indicators	Performance	Pearson's r	p-value	Interpretation	Decision
Profitability		0.019	0.921	Not Significant	Do not Reject Ho
Liquidity		0.143	0.451	Not Significant	Do not Reject Ho
Sales Volume		0.049	0.797	Not Significant	Do not Reject Ho

Note. * $p < .05$, ** $p < .01$, *** $p < .001$

Based on the analysis of data, the results showed no significant relationship between the application of cost accounting practices on financial performance of small coffee shops in Baliwag, Bulacan. Specifically, Table 4.1 shows that the application of cost accounting practices has no significant relationship on the profitability ($r=0.019^*$; $p=0.921$), liquidity ($r=0.143$; $p=0.451$) and sales volume ($r=0.049^*$; $p=0.797$) of small coffee shops in Baliwag, Bulacan. Therefore, the null hypothesis stating that there is no significant relationship between the application of cost accounting practices on the financial performance of small coffee shops in Baliwag, Bulacan will not be rejected.

Table 4.2.

Correlational Analysis between the Application of Cost Accounting Practices and Non-Financial Performance of Small Coffee Shops in Baliwag, Bulacan

Table 4.2. shows that the application of cost accounting practices has a significant relationship on external stakeholders' management measures ($r=0.434^*$;

Non-Financial Indicators	Performance	Pearson's r	p-value	Interpretation	Decision
External Stakeholders Management Measures		0.434*	0.016	Significant	Reject Ho
Employee or HRM Measures		0.332	0.073	Not Significant	Do not Reject Ho
Process Measures		0.459*	0.011	Significant	Reject Ho

Note. * $p < .05$, ** $p < .01$, *** $p < .001$

$p=0.016$) and process measures ($r=0.459^*$; $p=0.011$) of small coffee shops in Baliwag, Bulacan. This means that the application of cost accounting practices improves the external stakeholders' management measures and process measures, and vice versa. Hence, the null hypothesis stating that there is no significant relationship between the application of cost accounting on the non-financial performance of small coffee shops in Baliwag, Bulacan will be rejected. Small coffee shops that apply cost accounting practices tend to have better external stakeholder management and process measures. In contrast, the table also revealed that the application of cost accounting practices has no significant relationship to the employee or HRM measure ($r=0.332$; $p=0.073$).

SUMMARY OF FINDINGS

This study examined the relationship between the application of cost accounting practices on financial and non-financial performance of small coffee shops in Baliwag, Bulacan.

The procedures as described in the preceding chapter showed the following results: Table 1. shows that, most evidently, the small coffee shops apply cost accounting in calculating the cost per unit of their item and overall costs which they mainly use for pricing and allocation. This shows that cost accounting is an integrated part of a business regardless of its size.

The small coffee shops also have a positive description of their financial performance, especially regarding profitability. Small coffee shops strongly agree that they can pay in time due to the availability of profit. Both liquidity and sales volume also have a strongly positive description from the small coffee shops. Wherein it indicates their ability to pay for the operating cost and purchase equipment deemed necessary. It underscores the increase in their customer demand over the last year.

Similarly, results from the assessment of the non-financial performance of small coffee shops have a strongly positive description especially regarding the external stakeholders' management measures which shows their high client retention rate and excellent relationship with suppliers.

As shown in Table 4.2., the pattern of responses of small coffee shops in Baliwag, Bulacan indicates that the application of cost accounting practices only has a significant relationship on the external stakeholders' management measures and process measures. On the other hand, there is no significant

relationship between the application of cost accounting practices, profitability, liquidity, sales volume, and employee or HRM measures (Table 4.1 and Table 4.2).

CONCLUSION

The study revealed that the small coffee shops in Baliwag, Bulacan are actively applying cost accounting practices in their business operations.

From the findings of the study, it showed that small coffee shops' financial performance is enough for them to meet financial obligations, meet financial objectives and increase their profit margins. Consequently, able to pay salaries and wages in time and fund their growth. They also have enough cash to meet operating costs and purchase equipment. Suppliers are paid on time from short-term borrowings.

On the other hand, regarding their non-financial performance, it showed that they managed to retain existing clients and attract new ones and customer complaints have decreased. Hence, their reputation has improved, and they are able to have excellent relationships and mutual trust with suppliers and employees.

It also revealed that while financial and non-financial performance of small coffee shops in Baliwag, Bulacan have a positive description, application of cost accounting practices only has a significant relationship on the improvement of external stakeholder management measures and process measures.

The Contingency theory recognizes the importance of cost accounting from a contingent perspective. This enables businesses to adapt flexible and accurate strategies unique to their circumstances (Otley, 2015). Performance, whether financial or non-financial, is crucial and is a significant determinant of business survivability. Cost accounting must be utilized by businesses, especially smaller ones which are more prone to risk, to navigate appropriate approach for their decision making.

RECOMMENDATIONS

Based on the findings, the researchers recommend the following:

1. Since cost accounting is involved in external stakeholder management, businesses should use financial data to communicate better terms to suppliers and competitive pricing to customers. Good relationships with suppliers can result in favorable deals, and fair prices can drive customer loyalty.
2. By following cost accounting processes, coffee shops can optimize usage, cut down waste and service quality. Data is only useful if the owners regularly examine their finances and operations for inefficiencies and find solutions for them.
3. Adopt digital accounting tools or software to help track finances and manage the business. They can now streamline cost tracking, minimize manual errors, and offer real-time insights for improved and organized decision-making processes.
4. Business owners and staff may be trained or attend workshops, cost accounting or anything that can be related to financial management. Imparting them with necessary skills that will allow them to implement best practices effectively and improve business success.
5. Small coffee shop owners must review their financial standing and the operations of their business on a regular basis and discover any trends allowing them to adjust strategies and policies thus allowing these reports to help ensure continuous financial and operational improvement.
6. For future studies, consider having a larger sample size. Researchers may also consider other factors that could affect financial and non-financial performance.

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