CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY.

At independence, Nigeria joined the committee of nation with the hope for a better tomorrow. We were able to feed ourselves and were of course almost self-sufficient. Subsequently our hopes seemed unattainable. We seem to be going deeper and deeper into the woods. The consensus is that it has been bad for Nigeria. Due to the adverse economic condition prevailing in the country many businesses have closed, shops and even financial institutions are being declared distressed at alarming rate. Businesses that are yet to be submerged or that want to stay afloat employ all kind of strategies. Some increase price, adopt promotional tools, engage in aggressive marketing etc. whereas others goes for an odd combination of activities and even undergo different kind of small business to survive.

Any business or individual that wants to survive must make the right decision. The era of mile of thumb is gone; employing it is a sure way to fail absurdly.

The price of any conceivable item from garri and bread to radio and book not to mention petrol has been soaring in geometric proportions over the year. The economy is truly in distress. These compounds and complicates intricate are the problem of the organisation vis-à-vis effective planning and decision making processes. Other factors such as stagflation, taxation, economic and political problem are the major problem which affects information and decision making. The future orientation is what most company and bank get from making accounting decision .the computation and interpretation of analytical ratios from financial statement enable bank to determine their operation trends and provide a basis for management decision making. Other users of financial analysis are used in making financial decision and achieving the goal of sustainability determines compliance with regulatory requirements. Financial analysis is an investment that has positive return in the future on how decision will be made, how to manage the finances to achieve the strategic goals of the institution through decision making.

Many people think that accounting as a highly technical field which can be understood only by professional accountants actually nearly everyone practices accounting in one form or the other. In modern times, management require a wide variety of information to successfully accomplish its aim and objectives. This information is mainly determined by the element of uncertainty about the future and lack of knowledge about the present. Some of these decisions are of strategic importance having a large impact on the business, others are routine operating decision. Therefore accounting information is based on laws and regulations governing the handling of accounting report contained in the financial reports of organisation.

Making the right decision depends on the possession of appropriate, accurate and up to date information provided and presented in a meaningful way. This study set out to examine the contribution of sound accounting system in providing the management with financial and other information basis for dealing with decision problems that arises from their organisational operations.

1.2 STATEMENT OF THE PROBLEM

Basically, the nature of manufacturing business compels it to carry out a great deal of book-keeping records based on accounting principles and information provided with the perpetual increase in the number of consumer of manufactured products, it has become necessary to devise a systematic mean in handling the resultant book-keeping and accounting activities.

A lot criticism has always been made about the service of the organisation, consumers complain of low quality product while employers complain of lack of promotion inadequate salaries, lack of training etc.

Furthermore, the major challenge facing every financial institution\ business, organisation of today is market relevance. On-going fundament at changes in the global politics, economy and emerging competitions particularly challenges proper and adequate contemporal accounting information for management decision making. The company itself tries to coordinate all these challenge effectively and efficiently so as to minimize any anticipated and unanticipated pitfalls. If a sound and effective accounting system is applied property by the manufacturing organisation, the difference will be clear.

Improper attention to the accounting system and handling of accounting information has given birth to the under mentioned problems.

- Poor planning
- Result to poor decision making

- Poor organisation and control of business activities and unsatisfactory service to its customers.
- Poor decision making in administrative activities of the organisation.

1.3 OBJECTIVE OF THE STUDY

The objectives of the study are as follows;

1. To determine whether there has been problem in generating and utilizing accounting information necessary for management decision making.
2. To ascertain the extent in which accounting information generated by accounts departments has contributed in decision making process.
3. To ascertain the extent accounting information has effectively performed or fulfils the basic roles of cost minimization, proper allocation of scare resource and improvement in the production.

RESEARCH QUESTION

1. Are there problem in generating and utilizing accounting information necessary for management decision making process?

2. To what extent does accounting information generated by accounts department contributed in decision in making process?
3. To what extent does accounting information has improved effectively performed or fulfil the basic roles of cost minimization, proper allocation of scare resource and improvement in the production?

RESEARCH HYPOTHESIS

NUMBER ONE

H_o There are problem in generating and utilizing accounting information necessary for management decision making.

H_1 There are no problems in generating and utilizing accounting information necessary for management decision making.

NUMBER TWO

H_o accounting information generated by accounts department has not contributed in decision making process.

H_1 Accounting information generated by accounts department has contributed in decision process.

NUMBER THREE

H_o Accounting information has not improved effectively performed or fulfil the basic roles of cost minimization, proper allocation of scare resource and improvement in the production.

H_1 Accounting information has improved effectively performed or fulfil the basic roles of cost minimization, proper allocation of scare resource and improvement in the production.

1.6 SCOPE AND LIMITATION OF THE STUDY

The research cannot treat all aspect and kind of accounting information because the field is simply too wide. So only those relevant to these studies were dealt with as per need- ratio analysis, cost-volume- profit analysis, absorption and marginal costing, the contribution margin standard costing and variance analysis, linear program.

The availability of correct and up to data is not easy, even when available; one still encounters wholly unnecessary bottlenecks due to our socio – cultural background vice versa disclosure of information and bureaucracy. So this constituted an impediment to this research work.

Financial and time constraints were seriously encountered by the researcher. Computational procedures of various accounting information or tools are outside the scope of the work. However, those deemed necessary may be treated.

It is impossible to cover all the companies, firms and other business outfits in Nigeria

As a sample of the two companies in Enugu state were scheduled and inferences made from these.

Though deliberate effort is being made, to have a work wile study with sufficient validity and reliability. This work should not be viewed as a final solution to impact of accounting information on decision making process. There are limitations on resources for reference purposes especially responses on collection of data, many respondents give bias responses probably because of job protection, officer's name and image protection, personal reluctance, unnecessary fear of legal implication and so forth.

1.7 SIGNIFICANCE OF THE STUDY

This research study will help to maximise the beneficial impact of accounting information on the decision making process of an organization. This boosts the profitability of the organization as well as ensuring its continuity as a business entity.

It will help in the efficient allocation of scare resources that have alternative being use as well as increase productivity thereby uplifting the standard of living. It will review the improvement in the organization or company handling the accounting information and show equally the ways through which improvement could be accomplished.

In fact, all interested groups like shareholders, employers, investors, creditors, government etc will benefit immensely.

This project will equally serve as a reference to student who may be interested to embark on a research of this nature.

1.8 DEFINITION OF TERMS

EFFETIVENESS: The total or actual interest paid or earned in a year, expressed as a percentage of the principal amount at the beginning of the period.

EFFICIENCY: A measurement of the ability of an organization to produce and distribute its product. In accounting terms it is qualified by a communism of the standard hours allowed for a given level of production and actual hour taken.

ACCOUNTING INFORMATION: This is a system designed to obtain the financial position of an organization as at the end of the period.

INFORMATION: Is a processed data used in obtaining detailed data about a particular person, thing or place.

LEVERAGES: They are used by companies of its limited assets to guarantee substantial loans to finance its business.

FINANCIAL INFORMATION: This is information summarized by a company's activities over the last year. They consist of the profit and loss account, the cash flow statement etc.

ANALYSIS: In standard costing and budgetary control, analysis of various in order to seek their causes. The total profit of various is analysed into sub – variance indicating the major reasons for budged figures.

DEBT: A sum owned by one person or organization to a person showing that the debt to be required to be settled within one accounting period.

RATIO: To put company's performance in percentage. The use of accounting ratio to evaluate a company's operating performance and financial stability.

DECISION MAKING: This is the end of deciding between alternative courses of action. Running of a business, accounting information and techniques are used to facilitate decision models such as discounted cash flow.

IMPACT: This means the duties responsibilities and functions. As it has to do with work, it is that fundamental obligation incumbent on the public relations for the attainment of democratic order in the organization policy.

Accounting: Is the process of producing needed information regarding primarily the financial activities of economic entities by Bartho N. Kezee 1996.

The wide scope of accounting can be recognized when one considers the diversity of economic entity which cut across sizes and bounders.

Accounting is the language used to cover the result of the entity's endeavours, to the interested parties inform of financial statement and the financial statement has been identified as follows:

- Statement of accounting policy.
- Balance sheet.
- Profit and loss account (income statements).
- Notes on the accounts.
- Statements of source and application of funds.
- Value added statement.
- Five years historical summary.

INFORMATION ON DECISION MAKING PROCESS

Information consists of data that have been retrieved processed or used for information purposes and as a basic for forecasting and decision making process

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CHAPTER TWO

2.1 REVIEW OF RELATED LITERATURE

Accounting is often said to be the language of business in the business world to describe the transaction entered into by all kinds of organizations. Accounting terms and ideas are therefore used by people associated with business whether they are manager, owners, investors, bankers, lawyers or accountants.

Accounting extends far beyond the actual making of records. Accounting is concerned with more than the record making phase. In particular, accountant should be interested in the relationship between the financial results and the events which have created them. He should be studying the various alternatives open to the firm, and be using his accountancy experience in order to aid the management to select the best plan of action for the firm.

Accounting has been defined broadly as “the process of identifying, measuring and communicating economic information to permit informed judgements and decision by users of information”. On the other hand it can also be defined as “a system of principles and techniques which permits a series of inter-related activities that form a progression of steps, beginning with observing, then collecting, recording, analysing and finally communicating information to its users". Thus the accountant's task is to inform raw data into information. Accounting information is therefore a data organized for the special purpose of decision making.

Just as physical measurement are provided by the metric system and are stated in financial terms. These economic measurements are put together in reports that carry the information essentials for planning activities, for control of operation and for decision making by managers of the business units.

Accounting also provides financial reports that are needed by outside person who invest in business units, lend money to them or extends credit to them. Accounting furnishes reports which are to be used by government agencies which regulate business. It helps tax authorities such as the internal revenue service determine the correct amount of tax collected if the unit accounted for it is not for profit organization such as school, hospital, church or other charitable groups, its members and those who contribute to it need to know for what purposes and in what proportions their money is being used.

In summary, accounting is the set of rules and methods by which financial and economic data are collected processed and summarized into report that can be used in making decision.

2.2 NATURE AND OBJECTIVES OF ACCOUNTING INFORMATION

What is information? Information is defined in the dictionary of business and management as "that which is assigned to data by means of convention used in their representation. Information consists of data that have been retrieved, processed or otherwise used for informative or inference purpose argument or as a basic for forecasting and decision making.

The encyclopaedia of professional management states that information must be distinguished from data and this distinction is important. Data are merely facts and figures that have little to do with decision making, while information on the other hand are essential raw material for decision making.

Accounting is not an end itself but an important information device thereby the optimum objectives is in use of accounting information through analysis and interpretation as a basis for business decision. Its function is to provide quantitative information, primarily financial in nature about economic entities that are intended to be useful in making quantitative choices among competing alternative course of action that have for reaching consequences the entity concerned.

Accounting is not only an information system design to communicate meaningful economic information about a business firm or an entity to interested parties. It is also a discipline which provides financial and other information. The information which it provides is more so essential for effective planning, controlling and decision making.

Accounting system is the heart of the management information system whereby cost, financial management, taxation, auditing and internal control are integrated so as to make relevant information available for dealing with future prospects and environment factors.

This was succinctly and aptly recognized by Murdick Rober etal, in their book whereby they stated that accounting information system is the net work of activities of the organization responsible for the information obtained from transaction data for the purpose of following, controlling current and future transactions external reporting to stock holders, government and other external users.

2.3 THE VALUE OF INFORMATION

Accountants should aim to provide the right information to the right people in the right quantity, at the right time and at minimum cost. This raises the questions as to what is the optimal quantity, content, accuracy and speed of transmitting information. These alternatives have different cost and values and it is clear that accountant should bear this in mind when collecting and presenting information.

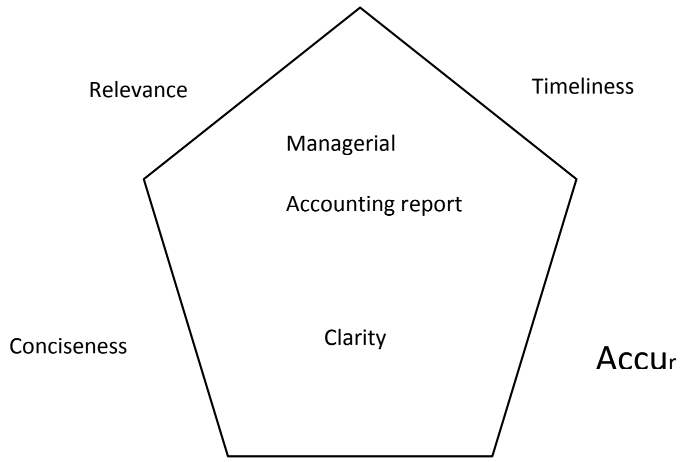
An important factor in vitally all practical decision is the risk and uncertainty involved. This means that it is important that the information supplied by the accountant shows the effect of risk and uncertainty and the range of likely outcomes. Information for decision making must therefore be oriented towards the future invariably involves forecasting, estimating and extrapolation. Information has no value in itself; its value derives from improvements in the decision which are taken upon the information.

Furthermore, accounting information should direct attention to problem areas, thus facilitating the operations of management by exception. It should also be problem solving, in other future actions, highlighting possible alternative solution to organizational problems and aid in the establishment of best alternative. Accounting information must aid efficiency and not only must it highlight existing deficiencies and provide a basis for appropriate action, but it must further the interest of the business organization by recommending changes for the improvement of the plans, policies, procedures and various phases business operations. Accounting information should be of assistance in estimating the future earning potential of the firms and it should generally disclose information relevant to the users of financial statements.

Besides these desirable objectives of accounting information must also be timely because without that quality, the desired information becomes ancient history by the time it comes to the manager's desk. Indeed accounting information is news, if it is not timely presented, and then its values deteriorate.

2.4 **CHARACTERISTICS OF ACCOUNTING INFORMATION**

The usefulness of the accountant's reports for management depends on the characteristics presented in the following diagram.



Sources: Canse Warren and Philip E. Fess, principles of financial accounting p. 497

Relevance: Relevance means that accounting specific action has being considered by management.

In applying the concept of relevance it is important to recognize that some accounting information may have a high degree of relevance for one use but may have little or no relevance for another use.

Timeliness: Timeliness refers to the need for accounting report to contain the most up to date information. In many cases, outdated data can lead to unwise decision.

In some cases the timeliness concepts may require the accountant to prepare reports on a pre-arranged schedule such as daily, weekly or monthly. In other cases reports are prepared on a regular basis or only when needed.

Accuracy: Accuracy refers to the need for the report to be correct within the constraints of the use of the report and the inherent in accuracies in the measurement process. If the report is not accurate management decision may not be precise. For example if inaccurate report on a customer's past payment practice is presented to management, an unwise decision in granting credit may be made.

As previously indicated, the concept of accuracy must be applied within the constraints of the use to be jade of the report. In other words there are occasions when accuracy should be sacrificed for less precise data that are more useful to management. For examples, in planning production, estimates (forecast) of more accurate data from past sales.

In addition, it should be noted that there are inherent inaccuracy in accounting data that are based in estimates and approximates. For example in determining the unit cost of a product manufactured, an estimate of depreciation expenses on factory equipment is used in the manufacturing process must be made. Without this estimate, the cost of the product would be of limited usefulness in establishing the product in the selling price.

Clarity: It refers to the need for report to be clear and understandable in format and content reports that are clear and understandable, it will enable management to focus on significant factor in planning and controlling operations that is, reports on actual and expected costs in standard cost and variance analysis.

Conciseness: Conciseness refers to the equipment that the report has being brief and straight to the point. Although the report must be complete and include all relevant information, the inclusion of unnecessary information wastes management's time and makes it more difficult for management to focus on the significant factors relevant to a decision. For example reports prepared for the top level of management should usually be broad in scope and present summaries of data rather than small details.

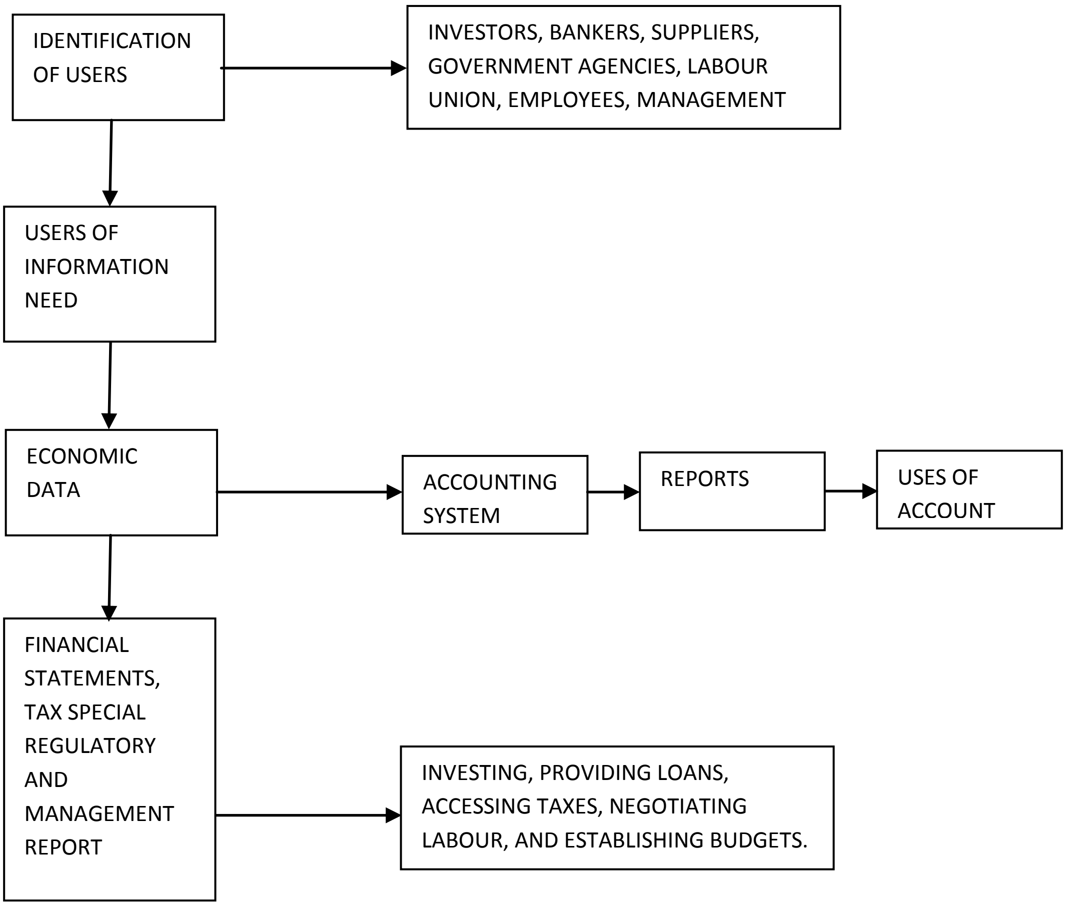
Cost Benefits Balance: The characteristics of managerial accounting report information provide general guidelines for their preparation of report o meet the various needs of management. In applying these guidelines, considerations must be given to the specific needs of manager and the reports should be tailored to meet these needs. In preparing reports, costs are incurred and a primary consideration is that the value of the management reports must at least be equal to the cost of producing them. This overriding cost- benefits evaluation must be considered no matter how information report may be. Therefore a report should not be prepared if its cost exceeds the benefits derived by users.

2.5 **USERS OF ACCOUNTING INFORMATION**

Various individuals and institutions use the economic data that are gathered and communicated by the accounting system for assistance in making decision regarding future actions. For example, investors in business enterprise need information on the financial condition and result of operations of the enterprise in order to access the profitability and risk of their investors in the enterprises. Bankers and suppliers need accounting information with which to appraise the financial soundness of a business organization and to access the risk involved in making loan and granting credit. Government agencies are concerned with the financial activities of business organizations for purpose of taxation and regulation. Employer and their union representatives are virtually interested in the stability and probability of the organization that hire them.

The dependent individuals who are most involved with the end product of accounting are those charged with responsibility of directing the operations of the enterprise. They are often referred to as “management” managers rely upon the accounting information to assist them in evaluating current operations and in planning future operations.

Diagrammatical illustrations of the process of providing accounting information to users are as follows:



From the above diagram it is clear that accounting is a language which communicates financial information to people who have an interest in organization manager, shareholder and potential investors, employees, creditors and the government. Managers require accounting information which will assist them in their decision making and control activities for example, information needed on the estimated selling price, cost, demand competitive position and profitability of various products which are made by the organization. Shareholders require accounting information on the value of their investment and the income which is derived from their shareholding. Employees require accounting information on the ability of the firm to meet wages demands and avoid redundancies. Creditors and providers of loans capital require accounting information on a firm's ability to meet financial obligations.

Government agencies like statistical offices collect accounting information which is needed such as information for the detail of sales activity, profit investments, stocks, dividend paid, and the proportions of profits absorbed by taxation and so on. In addition the Inland Revenue is needed in accounting information for purpose of taxation. All these information are important for determining policies to manage the economy.

Accounting information is not confined to business organization as stated above. Accounting information for the individual is also important.

For example, credit will only be extended to an individual after the prospective borrower has furnished reasonable accounting information of his private financial affairs. Non – profit making organization such as local authorities also require accounting information for decision making and for reporting the result of their activities. For example, a sport club with required information on the cost of undertaking the various activities so that a decision will be made on the resources which must be used to finance them.

An examination of the various users of accounting information indicates that they can be sub – divided into two categories:

- Internal parties /users within the organization.
- External parties/users outside the organization.

The above broad category of users into internal and external users presupposes that they need the information for different purposes. Thus the kinds of accounting information they need are also different. In fact accounting information system is one of the largest information systems in most organization.

2.6 KINDS OF ACCOUNTING INFORMATION AND TOOLS FOR DECISION MAKING

Kinds of accounting information and tools for decision making are the function of the source, utilization and classes of accounting that are financial management, cost tax accounting and auditing which deal with the comparative analysis is in terms of:

- Underlying authority.
- Purpose of report.
- Method of gathering data.
- Time – period covered by the report.
- Form of financial report.
- Receivers of financial report.

COMPARISON OF THE TYPES OF ACCOUNTING INFORMATION

	TAX ACCOUNTING	**FINANCIAL ACCOUNTING**	**AUDITING**	**COST AND MANAGEMENT ACCOUNTING**
Underlying	Tax Act Decrees or Revenue Codes.	Generally accepted accounting principles.	Generally accepted accounting principles and generally accepted auditing standards.	Cost accounting standard board.
Purpose	Determining Tax liability or refunds.	To record, classify, summaries and interpret organization data and of financial statement issue.	To express opinion on fairness, truth, consistency and conformity.	To facilitate planning cost, accumulation control and decision making.
Data collection method	Illustration cost after the fact work sheet based on financial records.	Historical after the facts work sheet based on records in journals and ledger.	After the facts work sheet based on records and news evidence gained in the audit.	Based on future, current and past data.
Times	Annually (but sometimes quarterly).	Annually, quarterly, possibly monthly and half year.	Annually and sometimes two year comparison.	Any time or period as required.
Forms of report	Federal and state returns.	Balance sheet, income statement, fund flow statement.	Auditor’s opinion or reports.	Budgets, cost, report, performance report, special analysis report.
Receiver of the report	Top management internal and inland.	Top management and the public.	Top management, members of the company and the public.	Top management.

2.6.1 FINANCIAL ACCOUNTING INFORMATION AND TOOLS

The focus of financial accounting, financial accounting is concerned with the measuring and other economic unit and the periodic preparation of various reports from such records. The reports which may be used for general purpose or for specific purpose provide useful information for managers, owners, creditors, governmental agency and the general public. Particular importance to financial accountants are the principles of accounting terms generally accepted accounting principles. These principles were developed because of the demand by outsiders such as stock holders and creditors for accurate financial statement for use in judging the performance of management. Corporate enterprise must use these principles in preparing their annual reports on profitability and financial status for their stock holders and the investing public.

The end products of financial accounting information system are embedded in the annual reports and accounts. Annual reports and accounts or financial statement or profit and loss account, notes on the accounts and other statement which are identified as being part therefore which are required statute or regulatory authorities to include them.

2.6.1 ANANLYSIS OF FINANCIAL STATEMENT

Analysis is the resolution of data into their elements or component parts, the tracing of facts to their source, with a view of discovering the general principles underlying individual phenomena. It involves explaining the meaning of given facts and their elucidation and unfolding to show the purpose of these facts. It is the translation of data into intelligible or familiar terms.

The analysis of financial accounts is therefore, the interpretation, amplification and translation of facts and data contained in the financial statements the purpose being the drawing of relevant conclusions therefore, making inferences as to business operations, financial positions and future prospects.

Analysis of financial statements can be horizontal or vertical, internal or external depending on the document being used the sources.

Ratio analysis is used in analysing financial statement. A ratio is a statistical relationship between figures, which aim at highlighting desirable features by which performance is judged. These are as follows:

- Profitability ratio.

- Liquidity or solvency ratio.
- Debt or leverage ratio.
- Activity or efficiency ratio.
- Coverage ratio and gearing ratio.

It should be noted that these ratios are means of analysing the financial statement (tracing profit and loss account and balance sheet).

Profitability ratios are accounting ratio used to measure the overall profits performance of a revealed by which the returns on earning generated by sales and investments. The ratios are aimed at bringing to light the profitability of the firm operations, the management efficiency as measured by the returns on capital employed and the intensity of capital usage of the rapidity which will be invested in capital turnover. The principal profitability ratios are returns on capital employed or return on investment. It is an efficiency measures to show the intensity and profitability of overall usage.

FORMULA: $\frac{\text{Net profit (before interest and tax)}}{\text{Capital employed}}$

Return on equity: this is a test of profitability based on the investment of the owners of the business net profit (after interest and tax.

Net profit margin (or net operating margin): This is a measurement of the proportion of the monetary unit sales which remains after the deduction of all expenses. This is necessary for control measures.

FORMULA: $\frac{\text{Net profit (before interest and tax)}}{\text{Net sale}}$

The gross profit margin: It is a measurement of the efficiency of a firm's sales operation with respect to the cost of goods sold. This good is for planning and controlling of cost of goods sold and mark – up or margin gross sales and net sales respectively.

FORMULAR: $\frac{\text{Gross profit}}{\text{Net sales}}$

LIQUIDITY OR SOLVENCY RATIO

Liquidity relates directly to solvency, the ability of a firm to meet its financial obligation as they fall due. Liquidity and solvency are vital consideration because a business can be forced into liquidity for inability to pay its debts.

The principles of liquidity ratio are:

- Current (or working capital ratio)

Working capital = Current asset – Current liability or

Total current asset – Total current liability

- Acid test or quick ratio

FORMULAR: $\dfrac{\text{Current asset – stock and prepayment}}{\text{Current liabilities}}$

These measure the ability of a firm to pay off all short term obligations out of its cash and near cash item only.

DEBT OR LEVERAGE RATIO

This measures relationship between the contribution of owners of the business and those of creditors. They indicate the risk inherent in making further loan advances to the firm as well as assessing the credit position of the firm. Finally, the leverage ratios and the assessment of the underlying strength, security and quality of the firm's equity shares. The ratios are:

- Debt – Equity ratio

FORMULAR: $\dfrac{\text{Long term debt}}{\text{Shareholders equity}}$

This ratio specifically measures the security for creditors since it relates creditor's funds to the investment of the owner of the business.

- Debt – capitalization ratio: This ratio expresses the relationship between the total debts of a firm and total resources available to the firm.

  FORMULAR: <u>Long term + short term debt</u>
  Total assets

  <u>Long term</u>

  Total assets – current liabilities

- Leverage ratio: This expresses the relationship between the total assets of a firm and shareholders' equity. This is an index of the stability, security and quality of the firm's equity shares. It is an indication of the level risk that management is willing to assume in anticipation of a large profit.

  FORMULAR: <u>Total assets (or total capitalization)</u>
  Shareholders equity

- Capital gearing ratio: it specifically measures the extent of a firm's trading on its equity.

  FORMULAR: <u>Net sales and cost of goods sold</u>
  Average stock

ACTIVITY AND EFFICIENCY RATIOS

- Activity ratios are measurement of the efficiency with which management employs the assets of a business. The ratios include:

- Sales or stock turnover ratio: this measures how many times firm's average is turnover sales.

  FORMULAR: $\frac{\text{Net sales and cost of goods sold}}{\text{Average stock}}$

- **Debtors' turnover ratio**: This shows the ratio at which customers are paying up and should approximate to credit terms allowed by the business.

  FORMULAR: $\frac{\text{Credit sales}}{\text{Average net debtors}}$

Bad debts

Net sales

This is important for policy reviews and controls.

- **Plant asset turnover ratio**: This enable management to evaluate operators vis – a – vis plant capacity.
- **Total asset turnover ratio**: This measure the efficiency of the use of the capacity invested in assets.

  FORMULAR: $\frac{\text{Net sales}}{\text{Total assets}}$

Coverage ratio: they give an indication of the firm's ability to generate enough funds out of current operations. They can disclose the effect of profit illustrations on the company's ability in meeting its interest and divided obligation. The ratios are:

- **Equity divided coverage ratio**:

  FORMULAR: $\frac{\text{Net profit after interest + taxes and preference dividend}}{\text{Equity dividend}}$

- **Interest coverage ratio**

  FORMULAR: $\frac{\text{Net profit before tax and interest}}{\text{Preference dividend}}$

2.6.1.3 SIGNIFICANCE OF RATIO ANALYSIS

The purpose of ratio analysis is to establish and present the relationship and trends inherent in financial statement to enable the user of this statement draw their own conclusion and act accordingly. It therefore reduces aggregate data into meaningful ratios, thereby focusing attention on the salient features of financial statement. It reveals company performance and provides a comment of its financial capacity. In uncovering potential corporate strength and weakness, it identifies underlying causes behind apparent charges and trends in company performance. It also provides a good gauge of managerial performance and efficiency.

Ratio analysis is the most useful tools for charting a firm's history appraising it's prevent position and predicting it's future course. However, like all financial statement, the long ways of ratios should be listened to with raid attention analyzed with care and the final product consumed with judgments and caution.

2.6.1.4 **FUNDS FLOW ANALYSIS**

The funds flow statement or statement of source and application of funds or statement or changes in financial position is a selection, reclassification and summarization of information contained in the profit and loss account for the period with opening and closing balance sheet for that period.

Generally the profit and loss account reports the net profit that arises out of the firm's operations over a given period. The balance sheet on the other hand reports that total financial resources of the firm at a particular point in time the sources from where the resources are invested by their nature therefore, the profit and loss account and the balance sheet fail to disclose certain basic facts desired of a proper understanding of a firm's financial position.

2.6.1.5 **OBJECTIVES OF THE FUND FLOW STATEMENTS**

The objectives of the fund flow statements are:

- To present in compact from the financing and investing activities of a business.
- To indicate the amount of working capital provided by operations (as distinct from the net operating result finished by the profit and loss account).

- To provide information on the statement on the assets of the business and the sources of finance.

2.6.2 COSTS AND MANAGEMENT ACCOUNTING INFORMATION AND TOOLS, TECHNIQUES AND MODELS FOR DECISION MAKING

Management accounting serves managers by providing information to help them in decision making, planning and control. The ways in which these are realized are through the following:

- Cost classification.
- Standard costing and variance analysis.
- Budgeting.
- Accounting for material and labour.
- Job costing system.
- Accounting for overhead expenditure.
- Process costing.
- Joint and by – product costing.
- Absorption costing and variable costing.
- Cost volume profit analysis.
- Accounting techniques for measuring cost and benefits for decision making.
- Models of capital investment decision.

- Responsibility accounting.
- Application of quarantive method of management accounting.
- Application of linear programming to management.
- Application of prancing models and techniques to management account.

All these are very important due to time, financial and material constraints, but only the following will be discussed briefly:

- Cost classification.
- Standard costing and variance analysis.
- Linear programming.

2.6.2.1 **COST CLASSIFICATION**

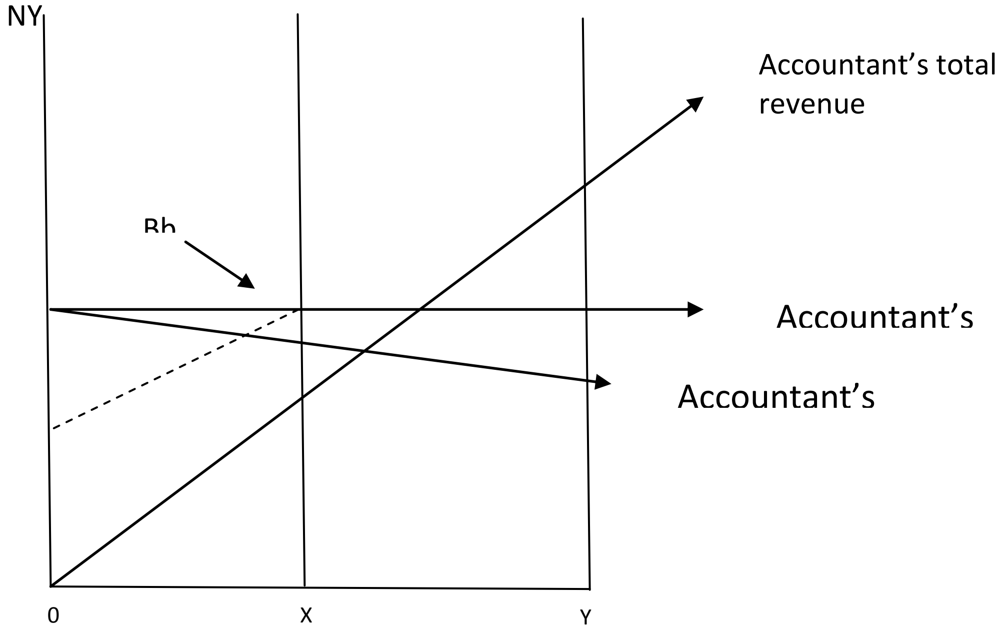
Some very useful classification of cost to facilitate managerial decision making includes:

- Cost revenue behaviour in relation to volume of activities.
- Relevant and irrelevant cost.
- Sunk cost.
- Opportunity cost.

The objective of cost - volume profit analysis is to establish what will happen to the financial results if a specified level of activities or volume fluctuates. This information is vital to management of some of the most important variable influencing total cost, total sales revenue, and profit is output or volume. For this reason output is given special attention as knowledge of this relationship will enable management to identify the critical output level, such as the level at which profit will be maximized or the level at which neither a profit nor loss will occur that is break – even point (BEP).

Cost volume profit analysis is based on the relationship between sales, revenue, cost and profit in the short run, the short run being a period in which the output of a firm is restricted to that available from the current operating capacity. In the short – run some inputs can be increased but others cannot be increased.

The accountant's cost- volume profit diagram



2.6.2.3 **Linear programming**

Linear programming is a powerful mathematical technique which can be applied to the problem of rationing limited facilities and resource among many alternative uses in such a way that the optimum benefit can be derived from their utilization. It seeks feasible combination of output which will maximize or minimize the objective function. The objective refers to the quantification of an objective and usually takes the form of maximizing profits or minimizing cost.

2.6.2.4 **Absorption and marginal costing:**

Absorption costing sometimes known as full or total costing is the basis for all financial accounting statement. Using absorption costing, all costs are absorbed into production and thus operating statements do not distinguish between fixed and variable cost. Consequently the valuation of stocks and work in progress contains both fixed and variable elements. On the other hand using margin costing, fixed costs are not absorbed into cost of production they are treated on period cost and written off each period into the profit and loss account. The effect of this is valued at marginal cost only that is the variable elements of cost usually prime cost plus variable overhead. At the end of a period the marginal costs of sales is deducted from sales revenue to show net profit.

The contribution margin is of great relevance into a whole range of management planning and decision making it is applicable to costs volume profit relationship, pricing special order. Replacement of assets/equipments, business promotions or drop decision, controlling the level of cost, manipulating volume etc indeed, because of its versatility costing is found useful in the analysis and understanding of both routine and non – routine decision.

2.6.2.5 STANDARD COSTING AND VARIANCE ANALYSIS

A standard cost is defined as “a predetermined calculation of how much costs should be under specified working conditions.

It is build up from an assessment of the view of the cost element and correlates technical specification and the specifications of materials involved and other cost to the prices and/or wages rates expected to apply during the period in which the standard cost is intended to be used. Their main purposes are to provide basis for control through variance accounting for the calculation of stock and work in progress and in some cases, for fixing selling price.

Standard costing is a method of ascertaining the cost whereby statistics are prepared to show:

- Standard cost.
- Actual cost and
- Difference between the costs which is termed the variance.

Some of the variances used in practice are listed below:

- Production cost variance
    I. Direct material total variance.
    II. Direct material price variance.
    III. Direct material usage variance.
    IV. Direct material yield variance
    V. Direct labour total variance
- Direct labour rate variance
    I. Direct labour rate variance.
    II. Direct labour efficiency variance.
- Overhead total variance
    I. Overhead expenditure variance.
    II. Overhead volume variance.
    III. Overhead efficiency variance.
- Sales variance

I. Sales mix profit variance.

II. Sales volume profit variance.

III. Selling price variance etc.

Advantages

Some advantages may be summarized as follows:

- Actual performance is readily comparable with the predetermined standards, showing separately favourable or adverse variance.
- The variance can be analysed in details, enabling management to investigate the cause. Any inefficiencies of labour of the use of material and of the operation of machines for example will be delivered.
- The principle of management exception can be applied in management, do not spend time and effort searching through unnecessary information but can concentrate their attention on the important matters.
- Gains or losses due to market fluctuation in prices of raw material as distinct from variations due to manufacturing conversions are revealed.
- The effect on cost of variations in the price and use of materials in rate of the labour, wages, the volume of

production and alternations in expenses are demonstrated at short intervals

This information enables the management to see whether scopes or processes are being worked economically and are producing a satisfactory output. It further serves as a guide as to whether prices can be adjusted to meet competition. In periods of trade depression the records shows at what price work may be undertaken to secure trade efficiency, to cover overheads.

2.7 **TAXATION**

Taxation whether as a cut from the tax payer's earnings, on individual as a surcharge for goods and services bought, or as a civic responsibility of every citizen is notorious for its unpopularity. Both the rich and the poor, honest and fraudulent, able and disable loathe paying tax. Taxation has many faces hence no definition can be ascribed to it.

The Oxford Advanced Learners Dictionary (1999 – 1224) defines tax as "money that has to be paid to the government". This definition presents a platform from which we can progress. Rosen (1995:339) believed that "a tax can be defined as a means by which the government appropriates part of the private sector's income and expenditure (in an equilibrium where income and expenditure are equal) as its revenue for the purpose of meeting recurrent expenditures and creating public capital information towards the development and growth of goods and service of the economy". Not all definition of tax is this lengthy and elaborate. Sabine (1980:1) simply sees tax as part of the price for civilization; (op. cit) believes that while it is possible to have government without taxation, it is not possible to have taxation without government. Taxation on its own is the process of imposition and collection of taxes and making some available for government use.

2.7.1 ROLES OF TAXATION

Taxation plays a very fundamental role in the development of any economy. It is an all pervading subject, which affects the lives of nearly everybody and no major accountancy or legal problem can be satisfactorily solved without considering its tax aspects. Benjamin Franklin, a state man and philosopher observed that "in this world nothing is certain but death and taxes". Taxation is not only used as a means of raising revenue for the government, it is as useful as an instrument of economic and social policies. Basically taxation plays a very vital role in area of an economy as can be seen.

2.7.2 OBJECTIVES OF TAXATION

According to Shaibu (2004:22) people in Nigeria still ask the question as to what they pay taxes for. It would be very difficult to answer this question if the only reason of taxation is to raise sufficient revenue to meet the need of the government's recurrent expenditure.

Today we have however, travelled a long way from that, as taxation now has multifaceted dimensions. Taxes now have an important role to play essentially in government's social policies and economic development. Following Musgrave (1959:5) The objective of taxation would be discussed vis – a – vis allocation of resources, distribution of resources and stabilization of economy.

2.8 **DEFINITION OF AUDITING**

According to the national association of college and university officials (NACBO) "the development of auditor as a major element of management control resulted to all significant aspects of institutional operations. The expansion of college and universities which being in early (1950s in the United States) caused increasing difficulty monitoring their operations as well as determining the effectiveness with which objectives were met, politics were being followed, the control system were functioning.

Auditing by Ferdinard T. Olusanya says that auditing may be defined as "the independence examination and investigation of books, accounts and vouchers of a business with a view of enabling the auditor's report whether the balance sheet, profit and loss accounts are properly drawn up so as to show a true and for view of the state of affairs and the profit and loss of a business.

Auditing is conducted by an independent professional who must not only be independent in mind but be only independent judging from the fact that he does not have interest on conduct an audit of a company owned by any of his blood relations or close relatives.

2.8.1 **FUNCTIONS OF AN AUDITOR**

The main function of an internal/external auditor can be said to consist of the following:

- Enforcing compliance with laid down principles and procedures.
- Monitoring enforcement of compliance ensuring that things are done how and when they should be done not side tracking of laid down principles and procedures.

- Preparation and submission of regular reports to managements, reviewing the whole internal system, asking suggestions for improvement as appropriate and necessary.
- To co – ordinate activities with others, so as to best achieve audit objectives and objectives of the organization.

2.9 SUMMARY OF RELATED LITERATURE REVIEW

The accounting information system in a manufacturing firm is very Important the summary of related topic in this project is nature and objective of accounting information, the value of information to an organization, the characteristics of accounting information, the users of accounting information, the type accounting information and the tools for decision making analysis of various financial statements and models for decision taking, way in which taxation and auditing has impacted on accounting information and the economy as a whole.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the various methods by which data are collected and analysed in the process of carrying out this research work by research methodology. This means the methods and designs used by the researcher in the collection and analysis of the data. This chapter will expose the design of the study, population of the study, sampling design and technique, source of data or others are instrument for data collection and method of data analysis.

3.2 **RESEARCH DESIGN**

A research design is the plan for a research project which provides guidelines that directs the researcher toward solving the research problems. It is the approach to be used in conducting a specific enquiry. Two basis approaches were used in the study. They are the survey approach and the case study approach.

The survey approach studies both large and small population by selecting and studying sample chosen from the population to discover the relative incidence and also the distribution and interrelations of variables.

A case study approach was also used to explain the "impact of accounting information" on decision making process which the researcher got their information from some selected manufacturing firm like Emenite, Anammco,

SOURCE OF DATA

The study relied heavily on both primary and secondary source of data

PRIMARY DATA

The primary data used in this approach was obtained from a sample drawn from the staff of some selected manufacturing firm. All these were done through the questionnaire distributed, direct observations and interviews with the staff of the organisation. This is directed at achieving a more balance research result and conclusion.

QUESTIONNAIRE

The questionnaire design was a combination of structured question with multiple- choice answer for the respondents to choose from.

The self- constructed questionnaire was used to seek information about how the impact of accounting information aid effective decision making process. This is also aimed at finding out the methods which is to be adopted.

The questions asked in the questionnaire were well structured so as to be relevant to the researcher. They offer the respondents a limited range of responses for instance, simple alternatives or multiple-choice of responses of agreed and dis agreed were made available for the respondent to tick the answers. This helps the researcher to filter the question easily.

INTERVIEWS

The oral interviews performed were necessary to limit the level of bias in the answer supplied in response to the questionnaire.

The interview was also considered to be good supplement to the questionnaire used for the study to extract some useful information.

The interview recorded were made and processed to get useful information about the organisation.

SECONDARY DATA

Secondary data are generated from accounting personnel of the firms and other documents from the organisation.

Under this source of data which I obtained during the course of my work which has already been done before, published or unpublished by other people which are still relevant to this study.

The secondary data were collected from text books, seminars, journals, office records, magazines and statistical records.

3.3 **AREA OF THE STUDY**

The global view of this research work is manufacturing industry in Nigeria. The area is indeed two large to manage and as a result, a case study of some selected manufacturing firm was used. The research was carried out in Emenite, Anammco, .the study covers the whole departments of the companies.

3.4 **POPULATION OF THE STUDY**

Out of the population of 200 staff, the researcher judgementally selects 133 staff, as the target population.

The target population is involved directly with decision making all staff of Emenite, Anammco.

3.5 **SAMPLESIZE/SAMPLING TECHNIQUES**

Since the population of the Emenite, Anammco has sample size of 133 staff it was not easy to obtain data for the whole population. Therefore decide to select a sample from the population.

This involves simple random sampling which gives equal chance for each population to be selected.

DISTRIBUTION OF QUESTIONNAIRE TABLE

DEPARTMENT/PERSONNAL	POPULATION SIZE	PERCENTAGE SAMPLE SIZE%
Auditor	40	30
Manager	30	22.56
Director	30	22.56
Accountant	10	7.5
Marketer	10	7.5
Stakeholder	13	9.77
TOTAL	133	100

Simple percentage frequency method was used to analysis results. The expected result from respondent which stands at 100% is the independent variable upon which the actual result varies. To determine the sample size, the population size using the Yaro Yamani's formular

$$n = \frac{N}{1 + N\,(e)^2}$$

Where n sample size

N finite population

1 constant

E level of significant taken to be 0.05

$$= \frac{200}{1 + 200\,(0.05)^2}$$

$$= \frac{200}{1 + 200\,(0.0025)}$$

$$= \frac{200}{1.5}$$

$$n = 133$$

3.6 ADMINISTRATION OF RESEARCH INSTRUMENT

This is the instrument used in reaching the identified sample unit for the purpose of this study. The respondents were reached by the use of questionnaire was designed in part “A” which showed personal data, part “B” was used to generate other information for the research reports. Primary data through structured questionnaire were administered to a sample size of 133 personnel/staff of the organisation. The main instrument used in the analysis of this research work is expected percentage and regression co-efficient technique.

3.7 VALIDITY AND RELIABILITY OF THE INSTRUMENT

Validity refers to the degree to which a measuring instrument measured and what is to be designed to measure. To ensure the validity and reliability of the instrument used for this study, questionnaire were properly designed and distributed while misleading question was avoided. Questionnaire issued out were been used to prominent lectures, professors and personnel who went through them and made necessary suggestions to the work.

3.8 **METHOD OF DATA ANALYSIS**

Data related to this research work were analysed using percentage and simple statement as referred to the information collected from respondents through the research questionnaire delivered as represented in a tabular form.

Regression co-efficient analysis was used to test hypothesis about the impact between the methods in which accounting information assist in decision making.

The regression co-efficient analysis formular is as stated below:

Y= a+ bx

Where a is the value of

b is the slope of the line or the gradient

y is the variation of x in regression line

x is a given value.

$$b = \frac{Ex_1Y_1 - n\overline{x_1}\,\bar{y}_1}{Ex^2 - n\bar{x}^2}$$

Where x_1y_1 is the source of the respondent population

X□$_1$y□$_1$ is the mean score of the respondent population

X_2 is the variance of score

n is the number of respondents

$$a = \bar{y} - b\bar{x}$$

$$\bar{x} = \frac{Ex}{n}$$

$$\bar{y} = \frac{EY}{n}$$

TESTING OF HYPOTHESIS B (S_b)

The hypothesis is tested using formular

$$S_b = \frac{s.e.e}{\sqrt{Ex^2_1 - n\bar{x}^2}}$$

Where s.e.e denotes the standard error of estimate and is equal to

$$s.e.e = \frac{\sqrt{Ey_1^2 - a\,E\,\bar{y}_1 - b\,Ex_1y_1}}{n-2}$$

$$S_b = \frac{\dfrac{\sqrt{Ey_1^2 - a\,Ey_1 - b\,Ex_1y_1}}{n-2}}{\sqrt{Ex_1^2 - n\,x^2}}$$

$$Z \text{ test statistic} = \frac{b}{S_b}$$

3.9 DECISION CRITERION FOR VALIDATION OF HYPOTHESIS

DECISION PLAN

In taking a decision, if the computed valued of significant of xb is greater than the table value you reject null hypothesis and accept alternatives otherwise. 5% level of error of significant.

That is if xb< a accept the H_O null hypothesis

If xb> a reject the H_I alternative hypothesis

Where a is critical or table value.

xb is calculated value.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

In this chapter, the researcher analyses and interprets the data collected from the respondent through the questionnaire and oral interviews.

The questionnaire raised and analysed in this and issue to the researcher work 133 were raised and issued to the respondents. The presentation and representation of the information will be based on 133 questionnaire collected below.

The analysis would be based on percentage, but the hypothesis would be tested using regression co – efficient techniques.

The following are the analysis of questionnaire distributed and collected by the respondent.

4.2 **ANALYSIS OF DATA**

The researcher uses simple percentage technique in analysing the response to the questionnaire.

Table 4.1

Accounting information generated and utilized by an organization is necessary for production decision and suggested solutions to the problems.

RESPONDENT	AGREED	DISAGREED	TOTAL	PERCENTAGE OF AGREEMENT	PERCENTAGE OF DISAGREEMENT
Director	8	10	18	44	56
Manager	15	20	35	42	58
Accountant	11	9	20	55	45
Auditor	6	4	10	60	40
Marketer	14	16	30	46	54
Stakeholders	9	11	20	45	55
Total	63	70	133		

From the table above, respondent agreed that accounting information generated and utilized by an organization is necessary for production of decision and suggested solutions to the problem.

Table 4.2

Accounting information generated by account department has effectively been applied in production and decision of the organization.

RESPONDENT	AGREED	DISAGREED	TOTAL	PERCENTAGE OF AGREEMMENT	PERCENTAGE OF DISAGREEMENT
Manager	9	10	19	42	58
Accountant	15	6	31	42	58
Auditor	15	10	25	55	45
Marketer	15	5	20	50	50
Stakeholders	15	15	30	47	53

Director	9	9	18	45	55
Total	78	55	133		

information generated by account department has effectively been applied in production and decision of the organization. From the table above, respondent agreed that accounting

Table 4.3

Accounting information has improved effectively the basic roles of cost minimization, proper allocation of scarce resources and improvement of production.

RESPONDENT	AGREED	DISAGREED	TOTAL	PERCENTAGE OF AGREEMMENT	PERCENTAGE OF DISAGREEMENT
Manager	8	10	18	44	56
Accountant	15	20	35	42	58
Auditor	11	9	20	55	45
Marketer	6	4	10	60	40
Stakeholders	14	16	30	46	54
Director	9	11	20	45	55
Total	63	70	133		

From the table above respondent agreed that accounting information has improved effectively, the basic roles of cost minimization, proper allocation of scarce resources and improvement of production.

Table 4.4

The quality of accounting information is relevant to an organization performance.

RESPONDENT	AGREED	DISAGREED	TOTAL	PERCENTAGE OF AGREEMMENT	PERCENTAGE OF DISAGREEMENT
Manager	15	15	30	50	50
Accountant	6	4	10	60	40
Auditor	10	10	20	50	50
Marketer	19	16	35	54	46
Stakeholders	14	16	30	46	53
Director	9	9	18	50	50
Total	63	70	133		

From the table above respondent agreed that accounting information is relevant to an organization.

Table 4.5

Accounting information in an organization, apply decision making on matter relating to the organization.

RESPONDENT	AGREED	DISAGREED	TOTAL	PERCENTAGE OF AGREEMMENT	PERCENTAGE OF DISAGREEMENT
Manager	8	12	20	40	60
Accountant	13	17	35	43	57
Auditor	5	5	10	50	50
Marketer	13	7	20	65	35
Stakeholders	15	20	35	42	57
Director	9	9	18	50	50
Total	63	77	133		

From the table above, respondent agreed that Accounting information in an organization, apply decision making on matters relating to the organization.

Table 4.6

Accounting information in an organization fulfils the basic achievement in a standard decision making.

RESPONDENT	AGREED	DISAGREED	TOTAL	PERCENTAGE OF AGREEMMENT	PERCENTAGE OF DISAGREEMENT
Manager	8	10	18	44	56
Accountant	15	20	35	42	58
Auditor	11	9	20	55	45
Marketer	6	4	10	60	40
Stakeholders	14	16	30	46	54
Director	9	11	20	45	55
Total	63	70	133		

From the table above respondent agreed that accounting information in an organization fulfil the basic achievement in a standard decision making.

Table 4.7

Accounting information in an organization provides basic information needed by the public.

RESPONDENT	AGREED	DISAGREED	TOTAL	PERCENTAGE OF AGREEMMENT	PERCENTAGE OF DISAGREEMENT
Manager	8	12	20	40	60
Accountant	13	17	30	43	57
Auditor	5	5	10	50	50

Marketer	13	7	20	65	35
Stakeholders	15	20	35	46	57
Director	9	9	18	50	50
Total	63	70	133		

From the above table respondent agreed that accounting information in an organization provides basic information needed by the public.

4.3 TESTING OF HYPOTHESIS

The hypothesis was tested using data collected from questionnaire distributed to population sample.

Hypothesis one

H_O there is no problem in generating and utilizing accounting information necessary for management decision making process.

H_1 there is problem in generating and utilizing accounting information necessary for management decision making process.

Respondent	X_1	Y_1	X_1^2	X_1y_1	Y_1^2
Manager	8	10	64	80	100
Accountant	15	20	225	300	400
Auditor	11	9	121	99	81
Marketer	6	4	36	24	16
Stakeholder	14	16	196	224	256
Director	9	11	81	99	121
Total	63	70	723	826	974

$$\bar{x} = \frac{63}{6} = 10.5$$

$$\bar{Y} = \frac{70}{6} = 11.67$$

$$b = \frac{82.6 - 6\,(10.5)\,(11.67)}{723 - 6\,(10.5)\,(10.5)}$$

$$b = \frac{826 - 735.21}{723 - 661.50}$$

$$b = \frac{90.79}{}$$

61.50

$b = 1.47$

$a = 11.67 – 1.47 (10.5)$

$a = 11.67 – 15.44$

$a = -3.77$

$$S_b = \frac{\sqrt{\dfrac{974 – (-3.77) (70) – (1.47) (826)}{6 – 2}}}{\sqrt{723 – 6 (10.5) (10.5)}}$$

$$S_b = \frac{\sqrt{\dfrac{974 + 263.9 – 1214.22}{4}}}{\sqrt{726 – 661.5}}$$

$$S_b = \frac{\sqrt{\dfrac{1237.9 – 1214.22}{4}}}{\sqrt{726 – 661.5}}$$

$$S_b = \frac{\sqrt{5.92}}{\sqrt{64.5}}$$

$$S_b = \frac{2.43}{8.03}$$

$S_b = 0.30$

Test statistical $Z = \dfrac{1.47}{0.30}$

$= 4.9$

Critical table at 4 degree of freedom at the 5% level of significance for two tailed test is 0.6736

Decision $4.9 > 0.6737$

Therefore e accept H_1 alternative hypothesis which states that there are problem in generating and utilizing accounting information necessary for management decision making process.

HYPOTHESIS TWO

H_0 : Accounting information generated by accounts department has not contributed in decision making process.

H_1 : Accounting information generated by accounts department has contributed in decision making process

Respondent	X_1	Y_1	EX_2	EX_1y_1	Y_2-
Manager	9	10	81	90	100
Accountant	15	6	225	90	36
Auditor	15	10	225	150	100
Marketer	15	5	225	75	25
Stakeholder	15	15	225	225	225
Director	9	9	81	81	81
Total	78	55	1062	711	567

$$Ex = \frac{78}{6} = 13$$

$$Y = \frac{55}{6} = 9.2$$

$$b = \frac{Ex_1Y_1 - nx\square\bar{Y}}{Ex_2 - nx^2}$$

$$b = \frac{711 - 6 \times 13 \times 9.2}{1062 - 6 \times 13 \times 13}$$

$$b = \frac{711 - 717.6}{1062 - 1014}$$

$$b = \frac{6.6}{48}$$

$b = 0.1375$

$a = \bar{Y} - bx$

$a = 9.2 - (0.138)(13)$

$a = 9.2 - 1.794$

$a = 7.406$

$S_b = \sqrt{567} - (7.406)(55) - (0.1375)(711)$

n – 2

$\sqrt{1062} - 6 \times 13 \times 13$

$S_b = \sqrt{567} + 407.33 - 97.7625$

6 – 2

$\sqrt{1062} - 1014$

$S_b = \sqrt{974.33} - 97.7625$

4

$\sqrt{1062} - 1014$

$S_b = \sqrt{876.6}$

4

$\sqrt{48}$

$S_b = \sqrt{219.15}$

$\sqrt{48}$

$S_b = 14.80$

6.93

$S_b = 2.136$

Test statistical Z = 0.138 = 0.0646

2.136

Critical table 4 degree of freedom at the 5% level of significance for two tailed test is 0.6736

Decision 0.0646 < 0.6736

There accept H_0 null hypothesis which states that accounting information generated by accounts department has contributed in decision making process.

HYPOTHESIS THREE

H_0: accounting information has not improved effectively the basic roles of cost minimization, proper allocation of scarce resources and improvement of production.

H_1: accounting information has improved effectively the basic roles of cost minimization, proper allocation of scarce resources and improvement of production.

Respondent	X_1	Y_1	X_1^2	X_1y_1	Y^2_1
Manager	8	10	64	80	100

Accountant	15	20	225	300	400
Auditor	11	9	121	99	81
Marketer	6	4	36	24	16
Stakeholder	14	16	196	224	256
Director	9	11	81	99	121
Total	63	70	723	826	974

$\bar{X} = \frac{63}{6} = 10.5$

$\bar{Y} = \frac{70}{6} = 11.67$

$b = \frac{EX_1Y_1 - n\bar{X}\bar{Y}}{EX^2_1 - n\bar{X}^2}$

$b = \frac{826 - 6\ (10.5)\ (11.67)}{723 - 6\ (10.5)\ (10.5)}$

$b = \frac{826 - 75.21}{723\ 661.50}$

$b = \frac{90.79}{61.50}$

$b = 1.47$

$a = \ - b\bar{X}$

$a = 11.67 - 1.47\ (10.5)$

$a = 11.67 - 15.44$

$a = -3.77$

$Ex_1 = 63$, $EY_1 = 70$, $Ex^2 = 723$, $Ex_1Y_1 = 826$, $EY^2 = 974$

Testing for significance of b

$S_b = \frac{s.\ e.\ e}{\sqrt{Ex^2_1 - n\bar{x}^2}}$

Where s.e.e denotes the standard error of estimates and is equal to

$= \frac{\sqrt{EY^2_1 - aEY_1 - bEx_1Y_1}}{}$

$$n - 2$$

$$\sqrt{Ex^2_1 - n\bar{x}^2}$$

$$b = \frac{841 - 723.24}{703 - 621}$$

$$b = \frac{108.76}{82}$$

a = - bx□

a = 12 – 1.326 (10.17)

a = 12 – 13.49

a = 1.49

$Ex_1 = 61$, $EY_1 = 72$, $Ex^2 = 703$, $Ex_1Y_1 = 841$, $EY^2 = 1036$

Testing for significant of b

$$S_b = \frac{s.e.e}{\sqrt{Ex^2_1 - n\bar{x}^2}}$$

Where s.e.e denotes the standard error of estimates and is equal to

$$S_b = \frac{\dfrac{\sqrt{EY^2 - aEY_1\ bEx_1Y_1}}{n - 2}}{\sqrt{Ex^2_1 - n\bar{x}^2}}$$

$$S_b = \frac{\dfrac{\sqrt{1036} - (1.49)(72) - (1.326)(841)}{n - 2}}{\sqrt{703} - 6 \times (10.17) \times (10.17)}$$

$$S_b = \frac{\dfrac{\sqrt{1036} + 107.28 - 1115}{4}}{\sqrt{703} - 621}$$

$$S_b = \frac{\sqrt{7.07}}{}$$

$\sqrt{82}$

$S_b = \frac{2.66}{9.06}$

$S_b = 0.29$

Test statistical $Z = \frac{1.326}{0.29} = 4.5724$

Critical table at 4 degree of freedom at the 5% level of significance for two tailed test is 0.6736.

Decision $4.5724 > 0.6736$

Therefore we accept H_1 alternative hypothesis which states that accounting information generated by accounts department has improved effectively the basic roles of cost minimization, proper allocation of scarce resources and improvement of production.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The major aim of this research was to find out to what extent does managements of some select manufacturing firm makes use of accounting information in decision making process. After a careful analysis and interpretation of data generated in the course of this research work, the following findings were made in order to confirm the null or alternative hypothesis stated in this study.

Firstly, there are problem in generating and utilizing accounting information necessary for management decision making processes.

Secondly, accounting information generated by accounts department has contribution in decision making process.

Furthermore, accounting information has improved effectively, the basic roles of cost minimization, proper allocation of scare resource and the improvement of production.

Finally the research also discovered that the selected manufacturing firms made use of cash flow statement, profit and loss account etc. in the planning of the operations and extending credit to other company.

5.2 CONCLUSION

The objectives of the firm differ from one organisation to another. Based on the statement of the problem stated in chapter one, the research concluded that the application of accounting information makes the difference between failed banks, enterprises, corporate bodies on one side and the successful one on the other side. For the improvement in the application of accounting information to be sustained, adequate understanding of the difficulty in the application of accounting information is very essential. If this is applied as at when due failure in business both private and public sectors will be highly minimised.

Accounting information on decision making process has helped in the proper allocation of resource such as material, money, machinery and man.

In conclusion, the failure of firms may not be due to non- generation of accounting information but they will be used effectively, efficiently and appropriately utilized in the accounting information generated in an organisation.

5.3 RECOMMENDATIONS

Accounting information is very essential to the users' for their development, especially when it extends to decision making. In view of the above the following recommendations were deemed necessary.

- Efforts should be made at employing professional staff with transparent honest ways of performance and also, due punishment should be given to fraudulent staff.
- Seminar/ training should be given to staff of accounting department to enable them specialize more on the field of accounting.

- The stakeholder, investors and other user should be meeting at interval so as to assist the management in the achievement of the organisation goals.
- Use of modern devices like computer should be introduced to the staff to enhance efficiency and effectiveness in decision making.
- Special panel or auditor should be introduced to ensure the accuracy of the accounting information so that the user should not be deceived.
- The accounting information generated should be readily available for decision making. The qualities of accounting information which include timeliness, clarity, relevance and accessibility of the information should be a guild in providing accounting information

Finally accounting information should be seen as an important tool for decision making process in an organisation and more encouragement should be given to staff in the performance of their duties. This will enhance efficiency and effectiveness of the accounting information in the manufacturing firms.

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06- august- 2012

Dear sir/madam

COMPLETION OF QUESTIONNAIRE

I am writing to solicit for your assistance to the attached questionnaire which is meant for my final year project.

The researcher is a student of the above named school in accounting department. She is doing this research work as a pre-requisite for the award of B.SC in accounting.

I also wish to state that all information supplied would be used for my project work and will be used for academic purposes and strictly confidential.

I will be pleased if you will tick the appropriate choice and make comment when necessary thank for your cooperation.

Your faithfully,

Agene Clementina.

QUESTIONNAIRE FOR STAFF

Please indicate how accurately you believed that each of the following statement is true or false by marking the box provided.

PERSONNAL DATA

SEX

Female ☐

Male ☐

AGE

20 – 30 ☐

31 – 40 ☐

41 –Above ☐

MARITAS STATUS

Married ☐

Single ☐

QUALIFICATION

WAEC/GCE ☐

HND/B.SC ☐

MBA/M.SC ☐

POST HELD

ACCOUNTANT

MANAGER

DIRECTOR

STAKEHOLDER

AUDITOR

MARKETER

SECTION B

1) Accounting information generated and utilized by an organisation is necessary for management decision making.

AGREED

DISAGREED

2) Accounting information generated by accounts department has contributed in decision making.

AGREED

DISAGREED

3) Accounting information has improved effectively, the basic roles of cost minimization, proper allocation of scare resource and improvement of production.

AGREED

DISAGREED

4) The quality of accounting information is relevant to an organisation performance.

AGREED

DISAGREED

5) Accounting information in an organisation, apply decision making on matter relating the organisation.

AGREED

DISAGREED

6) Accounting information in an organisation fulfils the basic achievement in a standard decision making.

AGREED

DISAGREED

7) Accounting information in an organisation provides basic information needed by the public.

AGREED

DISAGREED