

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Each person like every business requires some measures of both financial position and financial performance in assessing his financial conditions. The financial position depicts one's wealth at ascertain point in time while one's financial performance describes once.

Financial statements according to Illoumezie (2006:33) are like compasses "which navigators use to locate their bearing and find direction". People use them to gauge their financial positions at various points in their lives in order to judge their progress towards their financial goals.

Financial statements according to meigs and meigs (1981:28) refers to reports which summarize the financial position and operating results of a business (balance sheet and income statements). It referred to as genera purpose that satisfy the need of many groups generally called stakeholders. These groups are particularly concerned with the risk inherent in and returns provided by their investments, and who require accounting information to enable their assess the ability whether they should buy, hold and sell their investments.

According to Anayaogu (2002:14) financial accounting provides information to eternal decision makes such as shareholders government, creditors, employees etc, these are people with whom or from whom money is ultimately paid or received. Anayaogu (2002:20) also states that records of

financial accounting includes various ledges accounts, profits and loss accounts, balance sheet and other financial records. These records are intended to show the strength, progress, portability, management effectiveness and stewardship.

Financial statement are the means of communicating to interested partners information or the resource, obligation and performance of the reporting enterprise in a simple, clear and understandable form to all its user with such attributer of relevance to decision reliability, consistency and comparability materiality efficiency and understandability.

According to information provides continuity in history as quality in monetary terms of economic activities resources and obligations of a business enterprises as well as the various activity that cause a change in the level of these resources and obligation. It is also serves as parameter for evaluating the performance of a business enterprise and as a measuring tool to both the management and decision markers and possible sale of shares by shareholder when actual results deviate from the target objectives. The importance attached to accounting information cannot only be related to management and the government but it also cuts across the cars of the various categories of creditors, employee, and other water cooperate bodies and potentials investors as well.

The annual report and accounts are said to be published owing to the fact. It is being printed and dispatched to each shareholder and any other unfrosted where person on request. The annual reports and accounts are the primary means of communicating vital economic information in the cooperation's

resources and obligation to absentee owners and could be investor by the management. The published financial statement serve as a means of conveying business information to the equity investor groups (shareholders), the loans creditors group, the employee groups, the business contract group, the government and its agencies as well as the general public. It gives a concise and genuine picture of an enterprise profitability trend and its financial position. The information contained in the published financial statement act as a basis for which shareholder maker investment decisions.

However, the account days of pre-colonial administration, the preparation and publication of financial reports used by owner managers for internal control and cost determination. This inter became. Inadequate role to increase completely of business organization. At the onset of industrial revolution, trade begins to increase and expand. This necessitated employing managers to manage the business on behalf of the shareholders. Managers positions now necessitated companies to prepare and publish a financial report that would reveal to the owners (shareholders) the operational state and financial position of the company and how the capital contributed by the shareholder had been utilized in the realization of the set out objectives of the company.

The company Act 1963 outline that every registered business organization should maintain and submit audited financial statements every year during the annual general meeting (agm) where. It is laid to the members. This is in consonance with the provision of schedule two of the companies and allied

matter decree of 1990 which states internally that the form and contents of published financial statements and with the accounting standard issued from time to time by the Nigeria Accounting Standard Board (NASB).

Meigs & Meigs (1981: 14) states that the preparation of financial statement is not the first step in the accounting financial statement is not the first step in accounting process. At the close of financial period, the stakeholders such as investors of a company naturally desires to ascertain the following:

- (a) The result of the company's operations for the period.
- (b) The resources and hostilities of the company over the period in question.
- (c) Wealth created by the company and how it has been distributed.
- (d) Financial resources acquired and how they have been a expanded.

Thus, published financial statement prepared under companies and allied matter decree (CAMA) 1990 supplies information about the above. As a matter of fact, shareholders of any corporation would require annual corporate report published about the entity and which must be relevant, sufficient and reliable.

The corporate report published in 1994 by a working paper setup by Accounting Standard Committee (ASC) to be reexamined the scope and aims of published financial reports identified seven user groups to include:

- 1) The equity – investors group
- 2) The analysis – advisory group
- 3) The employee group
- 4) The creditors

- 5) The business contact group
- 6) The government and its agential
- 7) The public

Bell (1998) identified (15) fifteen information needs of users of financial statements, which are concisely summarized here as the financial need of shareholders in the published financial statement of any business entity. These includes information for

- (a) Evaluating the performance of the entity.
- (b) Assessing the objectives established previously by its management members or owners.
- (c) Evaluating managerial performance, efficiency and objectives including employment, investment and profit distribution plans.
- (d) Assessing the liquidity of the entity.
- (e) Assessing the economic stability and inevitability of the reporting entity.
- (f) Assessing the capacity of the entity to make future realer nation of its resource for either economic or social purposes or for both.
- (g) Estimating the future prospects of the entity which respect to dividend payment remuneration and other cash outflows and predicating future levels of investment, production and employment.
- (h) Predicting, compressing and evaluating potential cash flow

Guinness Nigeria is a Nigerian Brewery founded in 1962. It engages in brewery, packaging and marketing of spirits, wines and beer in Nigeria. It offers

its products under Guinness Foreign Extra Stout (1962) Guinness Extra Smooth (2003) Malta Guinness (1990) Harp Lager Beer (1974) Gordon's Spark (2001) Smirnoff Ice (2006) and Satzenbrau (2006).

The company was incorporated in 1950 and it's headquartered at 24 Oba Akra Avenue Ikeja industrial estate, Ikeja Lagos Nigeria. Guinness and unlevered are the main shareholders, although some of the shares are locally owned. Guinness Nigeria plc is a company that believes in enriching its community. This it has achieved by embarking on laudable corporate social responsibility projects in several communities. In Nigeria these projects are water of life initiative, which currently provides potable water of over 500,000 Nigerians spread across several rural communities from Northern to Southern Nigeria.

The company was listed in exchange market in the year 1965, with its managers/ directors. Engr. (Chief) R.A. Alabi, OON (Chairman) Mr. N. Blazquez (vice chairman) Mark R.M. Taylor (MD/CEO) and B.A. savage (OMD) of Guinness Nigeria Plc, and so many other staffs.

The company's registrars is union registrars limited 2, Burma Road Apapa Lagos. And there end of accounting year is every 30th June of every year as the case maybe. The company has four branches in Nigeria so far, they have been to grow their turnover at average ratio of 20.7% per year over past five years and they are currently on track to overtake their turnover for the 2011 full year. Based on this result the return on equity improved from 0.17 to 0.31, this

leads to an estimated full year return on equity of 0.60. They have a current ratio of 1.56 and a quick ratio of 0.98.

1.2 STATEMENT OF THE PROBLEM

Virtually, every economic entity maintains its records on a historical cost basis. The historical cost figures alone are inadequate. This is because net profit is over stated, the balance sheet does not reflect the current worth of the enterprises and inflationary situation, and the charging of the historical cost of operations to profit and loss account may endanger the maintenance of the operating capital of the entity. It is obvious that the current situation of published financial statement has some limitations. This is because the result of operation (net profit) is a function of accounting standards, policies and conventions adopted by a company and used in the preparation of the financial statements.

The financial statement should provide accurate financial information; which shareholders can effectively manipulate to get the best out of their investment. It is pertinent to say that analysis and interpretation of any financial statement will descend on the adequacy and accuracy of the said statement and how the financial information is being disclosed so as to enable to shareholder make major investment decision such as “if to hold their shares or sell them and invest in bond other than equity”. If they are to buy more share of the same firm, but the problems statements.

- i) Some shareholders cannot interpret financial information correctly and cannot be able to make good use of the financial information disclosed to get the best out of their investment.
- ii) Company's concepts, conventions and principles are not capable of meeting the user needs.
- iii) Published financial statements do not induce more people to make investment in some companies.
- iv) Some shareholders are not oriented before making investment decision.
- v) Sometimes the dividend are not satisfactory considering the risk involved in investment.
- vi) Some financial statement sometimes guide the investors.
- vii) Some financial statement prepared are window dressing.
- viii) Some company's find it difficult to make their financial statement available to the shareholder at any point in time.

1.3 PURPOSE OF THE STUDY

This research was undertaken to find a better solution to the research problem(s) already existing in this area of study. It is therefore imperative to establish some guiding steps and principles in decision making process which will ensure that a given objective is not defeated and to find out if the financial information that emanate from the published finance statements makes any meaning to investing public.

- a) To know whether the information in the financial reports of companies and other financial information areas are understood and used for investment decision making.
- b) To ascertain the extent the company's concept, convention and principles are capable of meeting users/ investors needs.
- c) It is deemed to state categorically and in clear terms that the influence of corporate reporting to investment differences in accounting methods and how financial statement deficiency affects the investors (shareholders).
- d) To ascertain the extent published financial statement induced more people to invest in companies.

1.4 RESEARCH QUESTIONS

Bringing into consideration the complexity of making financial decision and the immediate problems which necessitated this researcher study, the work seeks or intends to provide answers to the following questions posed.

- 1) Do investors understand financial statement very well?
- 2) What do they (investors) see as the importance of published financial statement of companies?
- 3) Do the companies publish the market value of shares and dividend of the company to the shareholders?
- 4) To what extent do companies concepts, conventions and principles capable of meeting users need?

- 5) To what extent do the financial statement of a company encourage investors to invest?
- 6) What is the best source of information to the shareholder on investment decision?
- 7) Do the shareholders carryout analysis to the appropriate personnel?

1.5 STATEMENT OF THE HYPOTHESIS

Hypothesis One

Ho: Most investor does not analyze financial report before making an investment decision.

Ho: Most investor does analyze financial report before making an investment decision.

Hypothesis Two

Ho: Financial statement does not show true and fair view of the statement in your company.

Ho: Financial statement show true and fair view of the statement in your company.

1.6 SIGNIFICANCE OF THE STUDY

This research work is expected to be of great importance to investors and shareholders in particular. It will serve them as a guide to individuals who are interested to acquire shares in any firm, company or business organization. It is expected to serve also as an indispensable tool for current and potential investors of business organization as well as companies in their investment

decision making by way of providing sound investment strategies for shareholders and other users of published financial statement.

1.7 SCOPE OF THE STUDY

This research work covers all the relevant accounting information that was needed by investors/ shareholders of Guinness Nigeria Plc and their investment states of Guinness Nigeria Plc using its published annual report and financial statements between 2004-2003. The goal behind every investment is either return, capital appreciation, therefore the general goal of any investment decision that is obtainable in our business enterprise can be related to another.

1.8 LIMITATIONS OF THE STUDY

There is no research/ study that is hitch free, during the course of this study, some of the constraint failed and those envisage making this task all the more daunting are;

- 1) Financial constraints
- 2) Lack of co-operation among staffs
- 3) Limited time

1.9 DEFINITION OF TERMS

DIVIDEND: Is the distribution of part of the earnings of a company to its shareholders. The dividend is normally expressed as an amount per share on the par value of the share.

DILUTION OF EARNINGS: This is when additional shares of stock are sold without an immediate increase in income. This result is a decline in earnings per share until earning can be generated from funds raised.

EARNING PER SHARE: Is the amount of profit after tax and preference dividend (but before taking accounting of extra-ordinary income and expenses attributable to each ordinary share in issue and ranking for dividend during the period.

FINANCIAL INFORMATION: This is any information dealing with the operation of company and how the fund acquired.

EFFICIENCY: This refers to achievement of organization goals within minimum waste of resources that is best possible use of resources.

FINANCIAL STATEMENT: This is a periodic financial reports accounts and other related documents that highlights the financial position of an enterprise as well as the financial profitability.

INVESTMENT: This is the commitment and utilization of funds and other scare resources in a project with the expectation, that the utilization will generate return.

ORDINARY SHARES: These are the common stock of a company which is to be issued out for sale to individual public.

PROFITABILITY: Profitability refers to the relationship between profit and the resources employed in earning it. Its resultant effect is usually expressed as a percentage.

CHAPTER TWO

2.0 REVIEW OF RELATED LITERATURE

A research cannot be complete without the review of related literatures. According to Berndam and Laine (1979:11) “The review of literature can serve vital purposes. In the first place, it can reveal what has been done previously in the problem area, thus relieving the researcher of the possibility of unintentional repetition of previous student.

Secondary, review of literature can indicate whether it is feasible to do the planned research by revealing difficulties encountered by previous researchers. It indeed places the researcher in a better position to interact the significance of the study. Finally, through review of literature researcher can learn which procedure and instruments proved useful, shed Light on ways to improve the efficiency of data collection and obtain useful advice on how to increase the effectiveness of data analysis, having known the importance of literature review. It is the intention of the researcher to carry on the literature review in the order of its table of contents.

Pyson (1994:71) suggested that the basic financial statements which mentioned to include a trading account, a profit and loss account and a balance sheet provides the answers to the basic fundamental questions which owners of business want to know, such question include

- 1) What profit has the business made?
- 2) How much does the business owe?

3) How much is owed to the business?

The information contained in the basic financial statements will enable us to answer the three questions above asked by the owners of a business.

Kimmel Weyganat and Kleson (1998:6) state that the purpose of financial statement is to provide inputs for decision making. There are several types of external users of financial statement. Investors (owners) use financial statement to make decision to buy, hold, or sell stock. Creditors such as suppliers and bankers use financial statement to evaluate the risks of granting credit or lending money. Some question that may be asked by investors and creditors about a company include;

- 1) Is the company earning satisfactory income?
- 2) How do the company compared in size and profitability with its companies?
- 3) Will the company be able to pay its debt as they came due?

The answers to those questions get to the investors and creditors through published financial statement of companies other external users of financial statement include taking authorities, economic planners etc.

Meigs and Meigs (1981:26) states that a favorable set of financial statements may cause the market price of the company's stock to rise dramatically while an unfavorable set of financial statement may cause "bottom to fall out" of the market price why shareholders are satisfied with the financial statements published by a company, it induces more investors to invest in the company in question. And also when the demand is high, it may lead to increase in the

market price of the company's stock. But if investors are not satisfied with the performance of the business enterprise share of the company will be avoided in the stock market.

2.1 STATUTORY IMPERATIVE OF PUBLISHED ACCOUNTS

The various companies Acts passed in Great Britain dating back to the mid-nineteenth (19) century greatly enhanced the evolution of financial statement in different parts of the world, however, they did not have such impact on the Nigeria scene due to the level of economic development and industry growth. The first ever companies act was enacted in Nigeria 1968. It has however a replica of British companies and Allied Matter Decree (CAMD 1990) represents a solid affirmed at resigning of original have grown indigenous us companies act.

Schedules of (CAMD 1990) stipulates that financial statement should be relevant, understandable, objectives, reliable and comparable both in form and content, it is also disclosed the balance sheet and profit and loss account format. The directors of the respective companies are there to choose the format that suits them best. Section 334(2) of the companies and Allied Matter Decree 190 lists a number of other financial statement in addition to the balances sheet and profit and loss account shareholder by virtue of their votes on by making decision made during the meeting. The company and allied matter Decree (CAMD 1990) contains an act to this effects which state shareholders notwithstanding any position on the articles have alright to attend any general

meeting of the company and speak and vote on any resolution before the meeting.

Awareness of the right and privileges accruing to individual by virtue of his position defined clearly his expectations shareholders also have right to dispose off their shares or other interest of the company. Expanding on the right of shareholders, (CAMD 1990) further states that if any person changes his position to his detriment in good faith on the continual accruing of the statement made in a certificate the company should be stopped from denying the continued accruing to such statement and shall compensate the person for any loss suffered by loan in reliance on them which they would not have suffered had the statement been or continued to be accurate it is clear from the above fact that companies have obligations to their shareholders which they must meet.

When shares of accompany are brought the company is reactive to send the share certificate of their owners. According to (1993) in this column in the business time stated that “share certificate testify to a holders involvement in accompany as part owners (in case of ordinary share) and the delay in the delivery of such certificate to investors n publicity quoted companies has been identified as the bane of the country emerging stock market. The information needs of shareholders for their investment decision satisfied by the company though the publication of the financial statement paragraph twos) of (CAMD 1990) requires that company disclosed with reasonable accuracy at anytime, the financial statement includes the following

- a) The balance sheet as at the last day of the year
- b) Statement of accounting policies
- c) A profit and loss account
- d) Notes to the account
- e) The auditor's report
- f) The director's report
- g) A statement of source and application of funds
- h) A reduce added statement for the year
- i) A five year financial summary and
- j) In the case of holding company, the group financial statement in addition should be disclosed in the proper form and content.

2.2 STATEMENT OF ACCOUNTING POLICIES

The statement of accounting standard board deals with be disclosure of all significant accounting policies which have been adopted in the preparation and presentation of published financial statement.

SAS (1) stipulates that the selection and application of accounting policies by an organization should be governed by the rational judgment winded by the other accounting policies and conventions.

Accounting policies are those broad guidelines consistently followed by a business enterprise for the purpose of effectively presenting its financial position over a given period. They ensure consistency of decision. Thus, statement of accounting policies refers basically to those principles, rules,

convention, bases and procedures adopted in preparing and presenting financial statements.

It is obvious that accounting is practical within an implicit framework. The implicit framework meant here is nothing but GAAP. Generally accepted principles (GAAP) encompassing the convention, rules and procedures that are of necessity in a definite description of what ought to be accepted accounting practice at a particular time. They more or less serve as a guide in the choice of accounting techniques and for a considerable accounting practice in the preparation of financial statements.

Furthermore, it stipulates that accounting policies should be prominently disclosed as an integral part of the published financial statement under one heading, rather than as note to individual items in the financial statement. Consistency of accounting policies should be maintained. A change could be made if it would possibly provide a better explanation of the profit or loss of the current or subsequent period. But such changes must be reflected with its fiction and effect on the current year profit and loss account.

2.3 THE PROFIT AND LOSS ACCOUNT

The profit and loss account is a summary of the expenses incurred over a given period set against the revenue generated over the same period, usually one year where the revenue excels the expenses, a profit occurs, where the contrary is the case, loss is incurred. The profit and loss statement is the synopsis of the inflow and out flow of net asset during the period of operation. It is also called

operational statement or the income statement. Thus, the main purpose of the profit and loss statement is to ascertain the actual profit or loss arising from the activities of a business enterprise over a period under consideration enterprise such as sport clubs, philanthropic organization and cultural organization that do not engage in trading activities are not profit or created, prepared income and expenditure account in place of the profit and loss account.

The profit and loss account can be drawn in a horizontal form whereby expenses appear on the debit and revenue on the credit side. It can also be deducted directly from the gross profit and any other revenue item. Companies are free to select any of the form of profit and loss account formats specified in part 1 (A) of the schedule 2 of (CAMA 1990, provided such format is used consistently.

The information provided by the profit and loss should however include following:

- Information on the company's turnover and how it has been computed separately.
- Information on director's emoluments, including past directors, pension and compensation paid to directors and chairman emoluments must be shown separately and auditors fees classified as an expense.
- Information on depreciation, dividends including dividend proposed and corresponding amount for the preceding financial year for all items shown in the profit and loss account must be disclosed.

2.4 BALANCE SHEET

The balance sheet is a periodic financial statement that indicates the resources available to an organization and the means by which such resources are been financed. It is a statement of affairs drawn up at the end every financial year (usually reduce months) purporting to disclose the financial position of a business concern to the interested investors. It is essential historical document showing the accumulated result of past financial transactions.

Resources are valued on the basis of their original transacted cost. The balance sheet is not a ledger account purse, but a classified summary of the various debit and credit ledger account balance which still remain open following the preparation of the trading profit and loss account.

The balance sheet can be drawn up in horizontal form; the debit balance on the ledger appears on the left hand side. Thus, the right hand side comprises of asset, while the left hand side comprises of the capital reserves etc. Companies are free to choose either of the two balance sheet formula specified in 1 (A) of schedule (2) of CAMA 1990 provided it is used consistently over the year. The information provided by the balance sheet should include the following:

Authorized and issued share capital detail of any movement on resources classified under appropriate leadings, liabilities and prevision, information about debentures, indulging dates of redemptions, re-issue etc. the aggregate total of banks loans and overdraft. Company tax and its computations dividends.

Assets are classified under appropriate loadings fixed and current assets. Fixed assets of a permanent nature while current assets are assets of less permanent nature.

The assets have been categorized into fixed and current assets. The current liabilities deducted from the total current asset position. When debentures are redeemable, the date of redemption must be shown. However, the above listed points are of paramount importance in considering the balance statement. In the public limited liability companies, assets are represented in order of permanence. The balance sheet must be signed by at least two directors of the company.

2.5 NOTE OF THE FINANCIAL STATEMENT

The note to the financial statement provides detailed information on the major accounting policies adopted by the company. Reasons for any change in such policies and their effect on the overall operation results should be stated in the notes to the financial statement any reason for departure from the fundamental accounting principle adopted by the company should be stated also. The notes to the financial statement also provide useful explanation in respect of the different account and balance sheet. This is contained in part III of schedule 2 of CAMA 1990.

2.6 DIRECTOR'S REPORT

According to section 334 and 335 of CAMA 1990, every company shall prepare in respect of each year a report by the directors. The reports review the

general development of business of the company during the year under review. The report provided information in respect of important events analyze and any father development that have affected the company since the end of its accounting year. It also provides information on the company's research and development efforts.

The information of the company is also provided in respect or the following

- 1) **Matters General Nature:** These include assets, values, directors, interest, charitable gift and others.
- 2) **Employment and Employees:** These include employment of disable persons, employee's involvement and training, health safeguard welfare at wore of the companies employees.

It is mandatory for copies of the director's report to the attached to every copy of the balance sheet and profit and loss account laid before the general meeting of the company.

2.7 THE AUDITORS REPORT

This report is prepared following an auditor exercise came out in the affairs of the company by appointed auditors. The CAMR 1990 stated in section 359(1) that the auditors of a company shall make a report to its members of the accounts examined by them. The auditor is an independent person appointed by the company to examine its financial statement another underlying records. Such a person should be a member of the institution of chartered accountant of

Nigeria (ICAN). The auditor audit exercise is an objective, conscientious and independent examination of the financial statement and other underlying records that could enable the auditors for an opinion as their accuracy, truth and fairness.

In addition to such report the auditors are expected to provide a report the audit committee established by the company provided such a company is a public one.

2.8 STATEMENT OF SOURCES AND APPLICATION OF FUND

This statement is also known as fund flow statement, indicates how a company has raised its fund and how it has been utilized. It enables a company to ascertain the extent to which its profits have contributed towards available funds and the adequate way in meeting their demand.

Under the previous company Act 1968, the preparation of this was optioned for companies. It was made compulsory for public companies under CAMA 1990 section 334(2) and (a). The statement of source and application of funds is the only statement that disclosed how changes have occurred in its financial position between two given periods in accordance with SAS (2) the statement of source and application of funds should disclosed the following

- Application of Funds: Loan repayment, fixed assets acquisition, payment of dividends and taxation etc.
- Increase and decrease in working capital in respect of stock, debtors etc.
- Movement in net liquid funds.

2.9 THE VALUE ADDED STATEMENT

This shows the wealth created by a company over a given period and which is distributed among the various interest, groups such as employees, shareholders, creditors and the government etc. It measure the wealth creating ability of a company and the serves as useful indicator of its performance, while the income statement (profit and loss account) measures the profit or wealth which has occurred to the shareholders during a period, the value added statement measures wealth created which has been built up by the corporative government and the asserts of the organizations.

The accounting standard committee in the United Kingdom in 1975 recommended the induction of the value added statement among the financial statements to be published annually by companies. The companies and Allied matter Act 1990 also made it compulsory for public companies to include it among financial statements. The value added statement was not a compulsory induction for companies under the previous Act 68.

2.10 IMPORTANCE OF FINANCIAL STATEMENT

The perception of investors about companies affects the market prices of the company's security relative to other in the industry. It is necessary to understand that financial statement can only be useful to investors if they of the full year economic activities that would be revealed by any source as the most useful source of investment decision. This is true because, there is no other

publication bulletin statement or document rebased to the public which shows or contains so much details of any corporate body.

However, According to DAY (1930: 26) is difficult to access the usefulness of financial reports to investors directly the reason being that investors generally seem to made little use of the annual reports possibly because most of investors in our reach seem and to fully comprehend the role purpose and the use of such statement. Coupled with the fact that an intermediary (an analysis) may be required to elucidate the content of such financial statement. Lucia and Kenneth (1951:21) in their work found out that either because of harmony or sophistication individual investors do not attach as much importance to financial reports as other types of investors. Taylor that (1936:54) observed in their work that most often investors who before these reports are released they already have gotten enough information to make their decision. Therefore, the understanding of the information contained in the financial statement is very important per effective civilization of the information. They advise investors against such practice arguing that such reasoning is myopic and sets of investors had simply ignored the probability that annual report contain incremental information. They further explained that by incremental information, the mean “information content of the date contained in the financial statement to shareholders which have been previously released to the general public.

The satisfaction of the needs of the various users of accounting information as contained in the annual report can be accepted as the objective of financial information is emphasized by the various accounting principles because the investors and creditors use them in making rational investment and credit decision according to Anderson et al (1987:54). Therefore for financial reports to be useful and relevant, these reports as the primary means of communication between the business enterprise and its shareholders must both be read and understood to achieve user comprehension of the economic messages.

Financial statement of a business enterprise should provide information about the economic resource of an enterprise which is sources of perspective cash inflow to the company. Its obligation to transfers economic resources of prospective outflow from the enterprise and its earning which are the financial result of the operations.

2.11 THE CREDIBILITY OF PUBLISHED FINANCIAL STATEMENT

This piece seeks to enhance the comprehensive of the process by which financial statement influenced uses behavior which depends on the extent of their appreciation and acceptance of the user perception of the source. Berto et al (1984:64) states”An individual acceptance of information and ideas is based on “who said it and that information and ideas is based on “who said it and those associated with it”. The acceptance of any reputable auditing form of financial report published makes the report credible. “Source credibility is very

important to investors perception of the content of the financial statement is assumed therefore to be the reliance of the investors.

2.12 INFORMATION SOURCE

While accepting the fact that the use of financial information contained report beneficial to investors, we must not lose sight of the fact that there are other sources to help them in making up their minds and keep them in touch with the financial times which may be regarded as a mind of information with the function of providing invaluable information.

Investment especially in ordinary share should be rationally made since any wrong or bad investment decision made could mean or amount to a great in the event of failure and close down of company's investment.

Ordinary shares which represents the equity accompany are the main risk bearing capital, therefore, any portfolio of investment which has to be incorporated in the class of security has to be carefully had accurately analyst from the viewpoint of the available financial information to minimize the level of risk involved and such information remains primarily the output of the annual report. This is well the only to eliminate years from potential investor and give satisfaction to the users of such information. Hence according to Igwemma (2000:132) the essence of investment is the sacrifice of present consumption for future "bigger" consumption that is benefits.

PROBLEMS OF PUBLISHED FINANCIAL STATEMENT

Use of accounting information by shareholder depends on their efficiency in making reasonable decision from such statement and the level of knowledge over broad areas or accounting information.

Accounting concepts do not rest on universal truths or general laws. Hence judgments are applied to the interpretation of economic and social events. The subjective nature of these values implies that measurement process in accounting is not precise and there is ample opportunity for controversy as to how event should be measured.

The completely and technically of reported information including the highly technical language of accounting appears to make the quantitative aspect of a company and other report in suitable source knowledge for the typical private investors lacking the expectance to make best use of them. This places a considerable premium on the analyst and journalist whom the private investors may largely rely in their investment decision making. According to Aschermic (1989:8) there are 3 types of analysis which are commonly conducted of financial statement. The first is the vertical analysis which considers the accounting figures in a single period and express all of these as a percentage of an important member of them.

In a way, the structural relationship among accounting categories can be highlighted. The second is horizontal analysis which considers accounting

figures as often expresses as a percentage of the items in the base period. Third type is the ratio analysis.

2.13 COMPANIES FINANCIAL ANALYSIS

According to Nzotta (2002: 45) financial analysis is the process or basis through which shareholders identify the financial strength and weakness of a company by properly establishing relationship between the items of the balance sheet and those of profit and loss account. Financial analysis shows whether the firm is financial sound and profitable relative to other firm is financial sound and profitable relative to other firms in its industry and whether its position is improving or deteriorating overtime. Thus investors need such information in order to estimate both future cash flow from a firm and risk involve in these flow financial analysis of the company is very necessary as it is important to the shareholders to beware of financial position prospect of the company before investing in such firms.

RATIO ANALYSIS

In analyzing published financial statement, it is the most widely used technique for interpreting and comparing financial report. Pandey I.M. (1995:104) states that in financial analysis, “a ratio is used as a benchmark for evaluating the financial position and performance of a firm. Ratios are better used to summarize briefly relationship and results which are significant to an appreciation of critical business performance for best result, ratios should be compared with the ratio obtained from results of the previous years, and may be

made even more meaningful if compared with those of its competitors, that is accounts of other companies.

Sometimes, it is necessary to project trends into future, for example, analysis might reveal that a company has been steadily increasing sales over the past few years. A potential investor might deduce from this that the company will continue to increase sales in the future. As such, great care must be taken when making such projection and any additional information available which is not actually contained in the accounts should be used.

According to Biggs and Parins (1977:20) defines accounting ratio as techniques used to facilitate comparison of significant figure by expressing their relationship as ratio or percentage and so enabling the accounts of business to be interpreted by bringing into focus the salient features. The major ways of identifying ratio are as follows:

Internal Liquidity Rates: These show the ability of the firm to meet future short term obligation. The idea is to match the near term obligation such as accounts payable with current assets that will be available on short notice to meet the obligation.

The ratio on the category includes:

- (1) **Current Ratio:** This is measured through this application. That is dividing the current assets by the current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Liquid in approximately twelve months with obligation (liabilities) which will be due to paying in the same period. The ratio is generally considered by financial analysis as indication of a company's short term financial strength.

a. Acid Test Ratio:
$$\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$$

This could be called quick asset ratio. The ratio expresses the relative amount of cash and other assets that can be easily converted to cash that are available to meet current liabilities.

b. Cash Ratio =
$$\frac{\text{Cash Short Term Investment}}{\text{Current Liabilities}}$$

This ratio measures the availability of cash to current liabilities. In comparing the values of cash short term investment are regarded as par of cash

(2) **Investment Ratio:** The ratio under this group include:

(a) Dividend Ratio: The ratio =
$$\frac{\text{Dividend per share} \times 600}{\text{Market Price per share}}$$

This ratio measures the current actual return on the shareholders' investment. It is a measure of the cash of equality.

(b) Dividend Cover =
$$\frac{\text{Profit after Tax} - \text{Preference Dividend}}{\text{Gross Dividend (Interim Final)}}$$

This ratio measures the number of time ordinary dividend is covered by distributable earnings.

(c) Earnings Per Share =
$$\frac{\text{Net Profit after Tax} - \text{Dividend}}{\text{No of Ordinary Share Issued}}$$

This indicates the amount of net profit after tax (but before taking account of extra ordinary items) contributable to each ordinary shares in issue and ranking for dividend during the period, Jennings (1999: 404)

(d) Price earnings ratio:
$$\frac{\text{Market Price Per Share}}{\text{Earnings Per Share}}$$

This also relates the earnings per share to the price the share sells out in the market. This relationship is an important indicator the investor or financial manager of the market evaluation of share. It is very significant when a new issue of share is due since it shows the earnings the market experts in relation to the current share price.

(e) Return on Owners Equity:
$$\frac{\text{Net Profit after Tax}}{\text{Equity}}$$

This measures the return on the shareholders investment in the firm.

2.14 THE PUBLISHED FINANCIAL STATEMENT OF GUINNESS

NIGERIA

Guinness Nigeria Plc is committed to being the outstanding in the Nigeria beer market. The company's principle activities are Brewery, packaging and marketing of Guinness foreign Extra Stout, Harp Larger Beer, Malta Guinness, Gordon's Spark, Guinness, Extra Smooth Smirnoff Ice and other beverages Guinness Nigeria Plc is a pioneer company with an initial authorial share capital of N6 million. Its establishment in Nigeria dates back to 1962, the company has authorized share of fifty kobo (50k) each and five hundred and forty million (540,000,000) shares 50k each allotted and fully paid. The shares of the

company are hold in the ratio of 47.3% by Nigerians and 52.7% by other share investors.

The following are the significant accounting policies adopted by the company, Guinness Nigeria Plc in the preparation of its financial statements.

- (a) **Basis of Preparation of Financial Statements:** The financial statements are prepared under the historical cost convention as modified by the evaluation of leasehold properties, plant and machinery at depreciated replacement cost.
- (b) **Turnover:** This represents the value of beer and malt drinks dispatched to their parties inclusive of exercise duty thereon, but the exclusive of Value Added Tax (VAT) and net to trade discounts and volume rebates.
- (c) **Fixed Assets:** These are stated at cost or valuation less accumulated depreciation.
 - i. On disposal of previously revalued fixed assets an amount equal to the revaluation surplus attributes to that asset is transfer from revaluation reserve to revenue reserve.
 - ii. Fixed assets being constructed or developed for future use are disclosed as assets in progress.
 - iii. Depreciation of fixed assets: It is calculated to write off the cost of valuation of fixed assets on a straight line basis over the expressed useful lived of the assets concerned. The principal annual rates used for the purpose are;

| | |
|-----------------------------|-----|
| Leasehold land and building | 2% |
| Heavily – Plant machinery | 5% |
| Light – Plant and Machinery | 10% |
| Furniture and Equipment | 20% |
| Motor Vehicle others | 25% |

Assets in progress are not depreciated upon completion the attributes cost of assets is transferred to the relevant category and depreciated accordingly.

(d) **Stock:** These are valued at the lower cost and net realization value and are stated net of provisions for obsolete show moving or defective item, where appropriate cost incurred in banging each stock item to its present location and condition is derived as follows:

- i. Raw materials, bottles and containers and engineering, spares, these are values at purchase cost on a weighted basis including transportation and applicable handling charge.
- ii. **Bottle beer and beer in process:** These are valued at average cost of direct materials and labor plus the appropriate amount attribute to production overheads based on normal production capacity. Net realization value of bottles and contained is deemed to be their prevailing deposit value. Gains or losses arising from a change in the valuation of bottles and containers (principally is a result of changes in the deposit value which are below cost) are taken to the profit and loss account. Bottle and containers of a design/ product yet to be introduced

into the market are valued at cost. After introduction into the market, all bottles and containers are earned to deposit value.

- (e) **Debtors:** Debtors are stated after deduction of adequate provision for any debt considered bad and doubtful of recovery.
- (f) **Foreign Currencies:** Transaction in foreign currencies are translated into mark at the rates feeling on the dates of the transaction. Monetary asset and liabilities dominated in foreign currencies are translated into naira at the rate of ruling at the balance sheet date. Profit and losses on exchange are including in operating results.
- (g) Employees retirement benefits
- (h) **Gratuity Scheme:** Lump sum benefits payable upon retirement or resignations of employment are fully accrued over the Service Rivers of management on a project obligation basis. Actually, gains and losses arising from variations are charged in full to the profit and loss account. The scheme is not founded.
- (i) Pension scheme with effect from 1st January, 2005, the company in line with the provision of the pension reform Act 2004, has instituted a defined contribution pension scheme for its management and non-management staff. Staff contributions to the scheme are funded through payroll deductions while the company's contribution uncharged to the profit and loss account.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This research is design to find out if the financial information that emanates from the published financial statement made useful meaning to the investor and also to ascertain whether that financial statement has any significant effect (impact) on investment decision with particular reference to Guinness Nigeria Breweries. In line with this purpose, the researcher has taken some logical steps and procedure in gathering and interpretation of relevant data. The purpose of this chapter therefore, is to show the method, steps and procedure adopted by the researcher in carrying out this research. This includes research design, population size, sampling procedure, questionnaire design and method of data analysis.

3.1 RESEARCH DESIGN

Research design refers to the plan that is used as a guide in collecting and analyzing the data for a study. Pertinently the research for the project is an explanatory study aimed at exploring the relationship between the variable mentioned in the hypothesis. It makes use of administration of questionnaire and personal interview in issue particularly to Guinness Nigeria Breweries investor and shareholders as well as other professional and students.

3.2 SOURCES OF DATA

In carryout this study, the methodology employed in this research project consists of both primary and secondary data.

- a) **Primary Data:** These include information directly obtained from the company's financial statement and oral interview and questionnaire administered to respondents, that is, investor and shareholder of Guinness Nigeria Plc which formed the greater part of data generated.
- b) **Secondary Data:** These include;
 - i. Using relevant textbooks
 - ii. The company's annual report and other publication related to the study to elicit information.
 - iii. Documented works and journals

3.3 AREA OF STUDY

This research work has a wide range of coverage, intended to cover public business enterprises in Nigeria with a particular reference to Guinness Nigeria Breweries due to time lag and location is located at No 24 Oba Akran Avenue, Ikeja, Lagos State.

3.4 POPULATION OF THE STUDY

The population of this study is made up of investors (shareholders) and some staff of Guinness Nigeria Plc, numbering 132 people of both male and female.

3.5 DETERMINATION OF SAMPLE SIZE

From population size of 132 investors (shareholders) and staff, sample size of 99 were drawn using taro Yemen's formula

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

Where N = the Total Population

n = Sample Size

E = Error Estimation

$$N = 132$$

$$E = 5\%$$

$$I = \frac{132}{1 + (132)(0.05)^2}$$

$$n = \frac{132}{1 + 0.33}$$

$$n = \frac{132}{1.33}$$

$$n = 99.2$$

$$N = 99$$

3.6 RELIABILITY OF THE TEST INSTRUMENT

The research instrument administered to population were reliable because the respondent were consistent in answering the question, that is, the results obtained were consistent, respondent gave almost the same answer to many of the research questions.

3.7 VALIDITY OF THE RESEARCH INSTRUMENT

This research work has been accorded with close supervision as my supervisor has read, made all necessary correction in the areas where lapses occurred and after which the correction has been made, he approves validation of the work.

3.8 DATA ANALYSIS TECHNIQUES

For the purpose of this research, two meaningful techniques would be employed in analyzing the data collected and in testing the hypothesis declared.

These are:

- 1) Frequency table and sample percentage calculation
- 2) Analysis of variance (ANOVA) method

Frequency table and simple percentage calculation is used to ensure simplicity and easy understanding of the various results obtained and the findings of the research question as it affects the research at a glance.

Analysis of variance (ANOVA) is a statistical technique for determining the existence of difference among several population means.

The formula is given thus

$$F = \frac{\text{TKMS}}{\text{EMS}}$$

$$\text{Where TKMS} = \frac{\text{TRSS}}{R - 1}$$

$$\text{Ems} = \frac{\text{ESS}}{N - 1}$$

$$\text{TRSS} = \frac{\sum_{j=1}^J (x_j - \bar{x})^2}{J-1}$$

Where \bar{x}_{ij} is the means for the Jth
I = 1

Treatment

$$\text{ESS} = \text{TSS} - \text{TRSS}$$

Where $\text{TSS} = \sum_{i,j} (x_{ij} - \bar{x})^2$

TRMS = Treatment means square

TRSS = Treatment sum of square

ESS = Error sum of square

For two way AVOVA Model

Correction C = $(\sum x_{ij}^2) / ab$

Total! $\sum x_{ij}^2 - c$

Treatment: A = $\frac{\sum X_i^2 + \sum X_j^2 + \dots + x^2 a - C}{B}$

Residents = D = Total – treatment – replication

Degree of freedom:- Treatment (a-1)

Replication (b-1)

Residuals (a-1) (b-1)

Total (ab-1)

Decision Rule:

Reject the null hypothesis (Ho) is calculated of value is greater than the value from the table and accept alternative hypothesis (Hi). Accept the null

hypothesis (H_0) if the calculated f-value is less than the table value and reject the alternative hypothesis (H_1).

CHAPTER FOUR

4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 DATA PRESENTATION

This chapter focuses on the provision of empirical evidence on the substantive findings of study.

| RANGE | FREQUENCY | PERCENTAGE |
|---------------|-----------|-------------|
| Junior Staff | 33 | 33.33% |
| Senior Staff | 50 | 50.51% |
| Manager Staff | 16 | 16.16% |
| TOTAL | 99 | 100% |

Source: Field Survey

Senior staffs are higher with 50.51% followed by junior staff with 33.33% then manager staff with 16.16%.

From the above table 99 questionnaires were distributed by the researcher and all were retrieved, representing 100 of questionnaire distributed.

4.2 ANALYSIS OF QUESTIONNAIRE RESPONSE

In this section attempt will be made to analyze to response as filed in the questionnaire and returned by the respondent, in the entire questionnaire contained 11 questions. The questions are thus analyzed as follows:

TABLE 4.2.2

QUESTION 1 4.2.1

INVESTORS UNDERSTAND FINANCIAL STATEMENT

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 60 | 60.61% |
| A | 20 | 20.20% |
| UN | 19 | 19.19% |
| D.A | - | - |
| S.D | - | - |
| TOTAL | 99 | 100% |

From the above 60 respondents strongly agreed that investors understand financial statement, while 20 agreed and 19 undecided.

Comments: Based on the 60.61% that strongly agreed, it can be said that investors understand financial statement.

QUESTION 2: TABLE 4.2.2: INVESTORS SEE THE IMPORTANCE OF PUBLISHED FINANCIAL STATEMENT OF YOUR COMPANY

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 33 | 33.33% |
| A | 53 | 33.33% |
| UN | 24 | 24.24% |
| D.A | 9 | 9.10% |
| S.D | - | - |
| TOTAL | 99 | 100% |

From 4.2.6 above, 33 respondents strongly agreed and agreed, while 24 were undecided and also a disagreed.

Comments: Based on 33.3% that agreed it can be said that investors see the importance of published financial statement.

QUESTION 3: TABLE 4.2.3: YOUR COMPANY PUBLISH THE MARKET VALUE OF SHARES AND DIVIDEND OF THE COMPANY TO THE SHAREHOLDERS.

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 66 | 66.67% |
| A | 33 | 33.33% |
| UN | - | - |
| D.A | - | - |
| S.D | - | - |
| TOTAL | 99 | 100% |

From the table above 66 strongly agreed and 33 agreed

Comments: From the analysis above it is clear that 66 strongly agreed that Guinness Nigeria publish the market value of shares and dividend of the company to their shareholders.

QUESTION 4: TABLE 4.2.4: FINANCIAL STATEMENT OF YOUR COMPANY ENCOURAGE INVESTORS TO INVEST

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 60 | 60.61% |
| A | 20 | 20.20% |
| UN | 18 | 18.19% |
| D.A | - | - |
| S.D | - | - |
| TOTAL | 99 | 100% |

From the above table 60 strongly agreed and 20 agreed, 18 were neither here or there and disagreed.

Comments: From the analysis above financial statement of a company encourage investors to invest.

QUESTION 5 : TABLE 4.2.5: SHAEHOLDERS CARRYOUT ANALYSIS TO THE APPROPRIATE PERSONNEL

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 75 | 75.76% |
| A | 24 | 24.24% |
| UN | - | - |
| D.A | - | - |
| S.D | - | - |
| TOTAL | 99 | 100% |

The above table show that 75 respondents strongly agreed, 24 agreed.

Comments: Based on the highest percentage 75% and 24.24% it can be seen that shareholders carryout analysis to the appropriate personnel.

QUESTION 6: TABLE 4.2.6: FINANCIAL STATEMENT ALWAYS SHOW TRUE AND A FAIR VIEW OF THE STATEMENT IN YOUR COMPANY

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 66 | 66.67% |
| A | - | - |
| UN | 33 | 33.33% |
| D.A | - | - |
| S.D | - | - |
| TOTAL | 99 | 100% |

The above table states that 66 respondents strongly agreed, 33 undecided and no respondents disagreed, strongly disagreed.

Comments: Based on the highest percentage been 66.61% it is said that the financial statement always show true and fair view of the statement.

QUESTION 7: TABLE 4.2.7: INFORMATION CONTAINED IN YOUR COMPANIES ANNUAL REPORT COULD BE RELIABLE FOR EFFECTIVE INVESTMENT DECISION

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 75 | 75.76% |
| A | 24 | 24.24% |
| UN | - | - |
| D.A | - | - |
| S.D | - | - |
| TOTAL | 99 | 100% |

From the above table 75 strongly agreed, while 24 agreed

Comments: Based on the highest percentage 75.76%, the information in the companies annual report is reliable for investors decisions.

QUESTION 8: TABLE 4.2.8: INVESTORS ARE IGNORANT OF THE AFFAIRS AND FINANCIAL STAND OF THE COMPANY THEY INTEND TO INVEST IN

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 33 | 33.33% |
| A | 33 | 33.33% |
| UN | 24 | 24.24% |
| D.A | 9 | 9.10% |
| S.D | - | - |
| TOTAL | 99 | 100% |

From the above table 33 respondents strongly agreed and 24 undecided and 9 disagreed.

Comments: Based on the highest percentage 30% investors are ignorant of the affairs and financial stand of the company they invest in.

QUESTION 9: TABLE 4.2.9: COMPANY COMPLY WITH STATEMENT OF ACCOUNT STANDARDS AND COMPANIES ALLIED MATTER DEGREE 1990

| OPTIONS | NUMBER | PERCENTAGE |
|--------------|-----------|-------------|
| S.A | 99 | - |
| A | - | - |
| UN | - | - |
| D.A | - | - |
| S.D | - | - |
| TOTAL | 99 | 100% |

From the table 99 respondent strongly agreed.

Comment: Based on the highest percentage 100% company comply with statement of account standard and companies and allied matter 1990.

QUESTION 10: TABLE 4.2.10: MOST INVESTORS ANALYZE FINANCIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | - | - |
| A | 50 | 50.50% |
| UN | 33 | 33.33% |
| D.A | 16 | 16.16% |
| S.D | - | - |
| TOTAL | 99 | 100% |

From the table 50 agreed, 33 undecided and 16 disagreed with that.

Comments: based on the highest percentage 50% agreed that most investors do analyze financial statement before making an investment decision.

QUESTION 11: TABLE 4.2.11: PUBLISHED FINANCIAL STATEMENT DO NOT INDUCE MORE PEOPLE TO INVEST IN COMPANIES

| OPTIONS | NUMBER | PERCENTAGE |
|----------------|---------------|-------------------|
| S.A | 60 | 60.61% |
| A | 24 | 24.24% |
| UN | 15 | 15.15% |
| D.A | - | - |
| S.D | - | - |
| TOTAL | 99 | 100% |

From the table above 60 respondents strongly agreed 24 agreed, 15 undecided.

Comments: Based on the highest percentage 60.61% strongly agreed that published financial statement do not induce more people to invest in companies.

4.3 TEST OF HYPOTHESIS

As stated in chapter (3) three, ANOVA statistical technique could be employed in testing the research hypothesis. ANOVA techniques involves the case of null hypothesis (H_0) and alternative hypothesis (H_1) the hypothesis that is being tested is called null hypothesis (H_0) while the hypothesis we are willing to accept if we reject null hypothesis its alternative hypothesis denoted by (H_1)

ANOVA TABLE

| SOURCE VARIANCE | Df | SS | MS | F Value |
|------------------------|---------------------------|---------------------------|---------------|----------------|
| Treatment | $a - 1$ | A | $A(a-1)$ | $A/(a-1)$ |
| Error | $b-1$ | B | $B(b-1)$ | $b/(b-1)$ |
| Residuals | $(a-1)(b-1)$ | D | $D(a-1)(b-1)$ | |
| TOTAL | $a-b-1$ | $A+B+D$ | | |

Decision Rule

- 1) We reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1) if the calculated value is greater than the table value in effect.
- 2) We accept the null hypothesis (H_0) and reject the alternative hypothesis (H_1) if the calculated value is less than the table value in effect.

HYPOTHESIS 1

Testing whether shareholders analyze financial report before making investment decision or not to test the above hypothesis. We make reference to question 14. Most investors do analyze financial statement before making analyze financial statement before making an investment decision.

Ho: Most investors do not analyze financial statement before making an investment decision.

Hi: Most investors do analyze well before making an investment decision.

TEST OF HYPOTHESIS

| RESPONSES | MGT STAFF | SENIOR STAFF | JUNIOR STAFF | TOTAL |
|------------------|------------------|---------------------|---------------------|--------------|
| S.A | 20 | 10 | 2 | 32 |
| A | 18 | 10 | 6 | 34 |
| UN | 15 | 10 | 8 | 33 |
| D.A | - | - | - | 0 |
| S.D | - | - | - | 0 |
| TOTAL | 53 | 30 | 16 | 99 |

Calculation using analysis of variance (ANOVA)

| RESPONSES | MGT STAFF | SENIOR STAFF | JUNIOR STAFF | TOTAL |
|-----------------------|-----------|--------------|--------------|---------------|
| S.A | 5x20 =100 | 5x10=50 | 5x2=10 | 160 |
| A | 4x18=72 | 4x10=40 | 4x6=24 | 136 |
| UN | 3x15 =45 | 3x10=30 | 3x8=24 | 99 |
| D.A | 2x0=0 | 2x0=0 | 2x0=0 | 0 |
| S.D | 1x0=0 | 1x0=0 | 1x0=0 | 0 |
| £x | 16.7 | 120 | 5.8 | 395 |
| X | 33.4 | 24 | 11.6 | 69 |
| £x² | 53 | 30 | 1252 | 118761 |

$$\text{Total sum of square} = \frac{\sum x^2 - (\sum x)^2}{n}$$

Where r = number of row

C = number of column

Therefore n = r x c

$$3 \times 5 = 15$$

$$\text{TSS} = 18761 - \frac{(345)^2}{15}$$

$$= 18761 - 7935$$

$$= 10,826$$

$$\text{TRSS} = \frac{3[33.4^2 + 24^2 + 11.6^2 - 3(345^2)]}{15}$$

$$= \frac{3(1826.12 - 1587)}{15}$$

$$= 1,195.6$$

Error sum square (£SS) = TSS – TRSS

$$= 10,826 - 1195.6$$

$$= 9630.4$$

$$\text{Treatment mean square (TMS)} = \frac{\text{TRSS}}{r-1}$$

$$\begin{aligned} \text{TRMS} &= \frac{1195.6}{3-1} \\ &= 597.8 \end{aligned}$$

$$\text{Error mean square} = \frac{\text{£SS}}{n-r}$$

$$\begin{aligned} \text{£ms} &= \frac{9630.4}{153} \\ &= 802.53 \end{aligned}$$

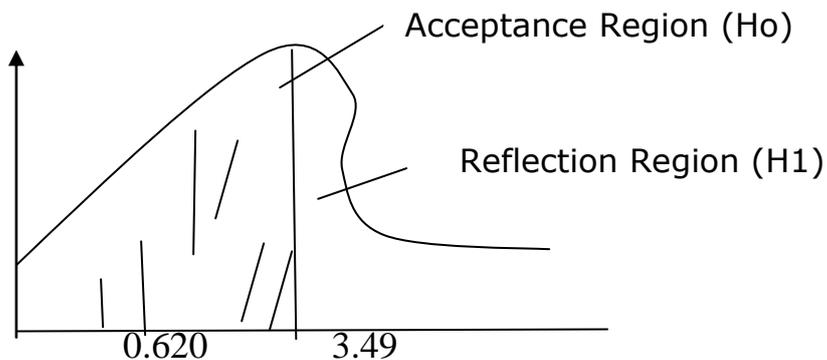
$$F - \text{Calculated} = \frac{\text{TRMS}}{\text{Ems}}$$

$$\begin{aligned} 597.8 &= 0.620 \\ 964.19 & \end{aligned}$$

From that – distributed table, the value of 0.05 (3.12) 3.49

Decision Rule:

Sincere the computed value is less than the critical value, therefore we accept the null hypothesis (Ho) and reject the alternative and conclude that investors do not analyze financial statement before making an investment f decision.



HYPOTHESIS II

Testing whether financial statement always show true and a fair video of the statement in your company to shareholders or not, to test the above hypothesis we make reference to question 10, financial statement always show true and fair view.

Ho: Financial statement do not show true and fair view of the statement in your company.

Hi: Financial statement always show true and fair view of the statement in your company.

TEST OF HYPOTHESIS

| RESPONSES | MGT STAFF | SENIOR STAFF | JUNIOR STAFF | TOTAL |
|------------------|------------------|---------------------|---------------------|--------------|
| S.A | 30 | 30 | 13 | 75 |
| A | 10 | 2 | 0 | 12 |
| UN | 10 | 1 | 1 | 12 |
| D.A | - | - | - | - |
| S.D | - | - | - | - |
| TOTAL | 50 | 33 | 14 | 99 |

Calculation using analysis of variance (ANOVA)

| RESPONSES | MGT STAFF | SENIOR STAFF | JUNIOR STAFF | TOTAL |
|-----------------------|--------------|--------------|--------------|--------------|
| S.A | 5x20 =150 | 5x30=150 | 5x15=75 | 375 |
| A | 4x10=40 | 4x2=8 | 4x0=0 | 48 |
| UN | 3x10=30 | 3x1=3 | 3x1=3 | 36 |
| D.A | 2x0=0 | 2x0=0 | 2x0=0 | 0 |
| S.D | 1x0=0 | 1x0=0 | 1x0=0 | 0 |
| £x | 220 | 161 | 78 | 1459 |
| X | 44 | 32.2 | 15.6 | 91.8 |
| £x² | 25000 | 22573 | 5634 | 53207 |

$$\text{Total sum of square} = \frac{\sum x^2 - (\sum x)^2}{n}$$

Where r = number of row

C = number of column

Therefore $n = r \times c$

$$3 \times 5 = 15$$

$$\text{TSS} = 53207 - \frac{(459)^2}{15}$$

$$= 53207 - 14045.4$$

$$= 39161.6$$

$$\text{TRSS} = \frac{5(44^2 + 32.2^2 + 15.6^2 - 3(459^2))}{15}$$

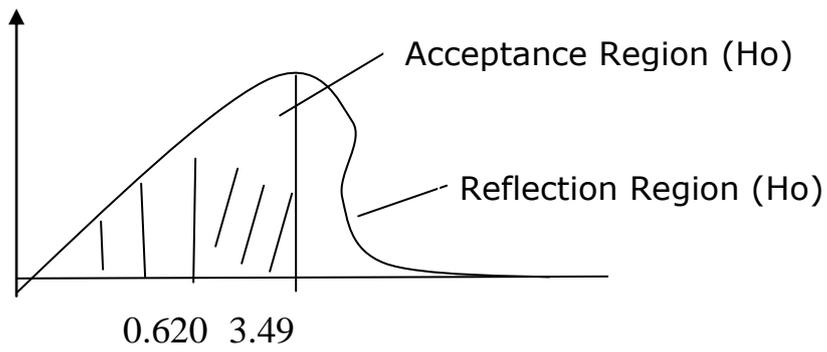
$$5(3216.2 - 2809.08)$$

$$= 2035.6$$

$$\text{Error sum square } (\text{£SS}) = \text{TSS} - \text{TRSS}$$

$$= 391616 - 2035.6$$

$$\text{£SS} = 37126$$



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

The aim of this chapter is to interpret the results, findings summarize, draw conclusion and give recommendation on the study. This will be presented base on the work of the foregoing four chapters.

5.1 SUMAMRY OF FINDINGS

This research was conducted based on the impact of published financial statement on shareholder investment decision; using Guinness Nigeria Breweries in order to accomplish this tasks, information was sourced from the company. On a thorough analysis and decision of the findings, the following were revealed.

- i) Investors do not analyze financial statement before making an investment decision.
- ii) Published financial statement of a company does not show a true and fair view.
- iii) Most of the respondents agreed that most investors do analyze financial statement before making an investment decision, while some disagreed.
- iv) most of the respondent strongly agreed that financial statement always show true and fair view of the statement in the country where as some were undecided.

5.2 CONCLUSION

It can be concluded from this study that in order to make appropriate investment decisions for adequate understanding of the financial information presented in the financial statements, the interested parties in financial statement must have an in-depth understanding of the items contained in the financial statements for this reason, the interpretation of accounts was considered a major aspect of the study and items in the financial statements were analyzed and explained for the purpose of those who have little a no knowledge of such statements. The two major financial statements are balance sheets and profit and loss accounts. The former gives a true and fair view of the state of affairs of a company at the end of financial ear to ascertain the financial position of the company while he letter shows the results of a business over a particular accounting period.

Financial ratio analysis also serves as a major tool for making good investment decision. It is used to determine a company's utilization of its assets and liabilities in order to know the overall efficiency and effectiveness of the company

In conclusion which may be drawn from the examination of financial statement and that of financial ratio analysis is that its general usefulness and relevance to investors and other users would be enhanced by increasing the uniformity of financial reporting practices by adhering to the relevant statement of accounting standard

5.3 RECOMMENDATIONS

Following by the findings in the study, the following recommendation(s) are made by me in order to make published financial statement more effective in investment decision.

- 1.) we recommend that all public limited enterprises (not only Guinness Nigeria Plc) should publish their financial statement every year, as it helps shareholders to know the financial position of the companies and change at any point in time, in order to know whether to continue holding, dispose or buy more shares in the companies.
- 2.) Every shareholder should join shareholders of Guinness Nigeria Plc in analyzing and interpreting financial report through the use of qualified personnel before making investment decision and also rely on that analysis for their investment decision, in order to invest in high growth company.
- 3.) I also recommend that other public enterprises including Guinness Nigeria Plc should use financial statement as a means of inducing more people to invest in their companies especially when there is need to increase capital base.
- 4.) we recommend also that every other public enterprise should make sure that market value of their shares, bonus and dividend declared should always been shown in their published financial statement because they are most thing that encourage shareholders to invest.

BIBLIOGRAPHY

- Akanwa P.U. (2003). Principles of Management and Human Relations, Owerri: Global Press Limited.
- Anderson et al (1987). Financial Report I and II a Revision Guide Theo Onwuka and Sons Publishers, Stadium Road. P.O. Box 876 Anambra State.
- Anyago C.M. (2003). Management Accounting a Functional Approach Owerri: Tonyben Publishers.
- Berridan et al (1979). Research Method of Administration Science Port Harcourt Belt Publishers.
- Bill O. Conner (1998). Financial Management: Graceland Press Nig Ltd. 22 Venn Road Worth Iva Court Road Onitsha.
- Dyson I.R. (1994). Accounting for Non-Accounting Students 3rd Edition London Press.
- Guinness: “Annual Report (2007) Guinness Nigeria Plc. Financial Year Statement Publication 2007”
- Guinness: “Annual Report (2008) Guinness Nigeria Annual Report and Financial Year Statement Publication 2008”
- Igben R.O. (2007). Financial Accounting made Simple 2nd Edition, Lagos K.O.I Publishers.
- Igwemma A.A. (2005). Management Economics Owerri Skill Mark Media Ltd.
- Ikwumezie A.A. (2006). Introduction to Finance Owerri Vee Pee Publishers.

Kimmel et al (1998). Financial Accounting Tools for Business Decision Making Von Hoffmann Press.

Kwer Ike M.F. (2002). Accounting Theory Practice Owerri Maso Publishers.

Meigs W.B. and Meigs R.F. (1981) Account the Basis for Business Decision Owerri: Good Davis Associates Publishers.

Ngotta S.M. (2002). Corporate Financial Decision Spring Field Publisher (2006).

Ojiuko A.A. (2002). Contemporary Financial Management Owerri: Bon Publisher.

Okparaeke C.N. (2004). Theory and Practices of Companies Account Owerri: Bon Publishers.

Onuoha C.B. (1997). Foundation of Finance and Financial Management Aba: Education Books Publishers Limited.

Oxford Accounting Dictionary (2005). Third Edition: Oxford University Publishers.

Pandy I.M. (1995). Financial Accounting Vikas Publishing House PVT Ltd 576 Maside Road.

Taylor Hat (1951). Financial Accounting IDP Publications Ltd Aidine Place, London Wiz

Verechis R.E. (1982). Journal of Accounting Researcher Institute of Professional Accounting University of Chicago.

Winke B.S. (1995). Probability and Descriptive Decision Making Port
Harcourt, Rivers State Publishers.

APPENDIX

Department of Accountancy,
Caritas University,
Amorji-Nike, Enugu.
Enugu State.

Dear Sir/ Madam,

REQUEST FOR COMPLETING A QUESTIONNAIRE

This is to kindly solicit your help in gathering information about your company and in the completion of the research questionnaire by your company's staff, investors and shareholders for the successful completion of the study on "The Impact of Published Financial Statement on Shareholders Investment Decision" (A Study of Guinness Nigeria Plc). In Partial Fulfillment for the Award of Bachelor of Science (B.Sc) in Accounting.

This research work is purely academic, and all information supplied will be treated in uttermost confidence. Therefore all our responses shall be treated with utmost confidentiality and will be used strictly for this exercise.

Yours faithfully,

ADINNU STEPHANIE C.

RESEARCH QUESTIONNAIRE

Dear Shareholder/ Staff

Please kindly indicate your response from the alternative answers provided or each question by ticking (✓) in the appropriate box.

1.) Investors understand financial statement very well

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []
 (e) Disagreed []

2.) Investors see the importance of published financial statement of your company.

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []
 (e) Disagreed []

3) Your company publishes the martial value of shares and divided of the company to the shareholders.

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []
 (e) Disagreed []

4) Financial statement of a company encourage investor to invest

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []
 (e) Disagreed []

5) Shareholder carryout analysis to the appropriate personnel

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []
 (e) Disagreed []

6) Financial statement always show true and fair view of the statement
 always show true and fair view of the statement in your company.

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []
 (e) Disagreed []

7) Information contained in your companies annual report could be reliable
 for effective investment decision

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []
 (e) Disagreed []

8) Investors are ignorant of the affairs financial stand of the company they
 intend to invest in.

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []
 (e) Disagreed []

9) Company comply with statement of account standard and companies and
 allied matter decree 1990

- (a) Strongly Agreed [] (b) Agreed []
 (c) Undecided [] (d) Strongly Disagreed []

(e) Disagreed []

10) Most investors do analyze financial statement before making an investment decision

(a) Strongly Agreed [] (b) Agreed []

(c) Undecided [] (d) Strongly Disagreed []

(e) Disagreed []

11) Published financial statement does not induce more people to invest in companies.

(a) Strongly Agreed [] (b) Agreed []

(c) Undecided [] (d) Strongly Disagreed []

(e) Disagreed []

**EFFECT OF PUBLISHED FINANCIAL STATEMENT ON
SHAREHOLDERS INVESTMENT DECISION
(A STUDY OF GUINNESS NIGERIA BREWERIES LAGOS)**

**BY
ADINNU STEPHANIE CHINONYE
ACC/2009/530**

**DEPARTMENT OF ACCOUNTANCY
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES
CARITAS UNIVERSITY AMORJI-NIKE, ENUGU**

AUGUST, 2013

**EFFECT OF PUBLISHED FINANCIAL STATEMENT ON
SHAREHOLDERS TITLE PAGE
INVESTMENT DECISION
(A STUDY OF GUINNESS NIGERIA BREWERIES LAGOS)**

BY

ADINNU STEPHANIE C.

ACC/2009/530

**A PROJECT PRESENTED TO THE DEPARTMENT OF
ACCOUNTANCY IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF BACHELOR OF SCIENCE
(B.Sc) DEGREE IN ACCOUNTING
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES
CARITAS UNIVERSITY ENUGU.**

AUGUST, 2013.

APPROVAL PAGE

The project titled “impact of Published Financial Statement on Shareholders Investment Decision” (A Study of Guinness Nigeria Breweries) has been assessed and approved by the committee of Department of Accountancy, Faculty of Management and Social Sciences.

DR. FRANK OVUTE
(Supervisor)

DATE

DR. FRANK OVUTE
(Head Department)

DATE

EXTERNAL EXAMINER

DATE

CERTIFICATION

This is to certify that this project titled “effects of Published Financial Statement on Shareholders Investment Decision” (A Study of Guinness Nigeria Breweries) was carried out by **Adinnu Stephanie Chinonye** with Registration Number **ACC/2009/530** under my supervision in the Department of Accountancy Caritas University Amorji-nike Enugu.

DR. FRANK OVUTE

(Supervisor)

DR. FRANK OVUTE

(HOD Dept of Accountancy)

DEDICATION

To the Almighty God and my family for their love and support throughout my stay in the University.

ACKNOWLEDGEMENT

My special thanks go to GOD almighty the creator of heaven and earth.

I will not forget the effort of my supervisor as well as my HOD in the person of Dr. Frank Ovute for making time to glance through my work despite the work load in his office, Sir I appreciate. Also to all the lecturers in Accountancy Department for making my stay a good one.

To my parents and wonderful brothers Casmir, Stanley, Gerald, Junior who has always wanted my success.

Finally, to my friends Ogechi, Clarin, Ada, Princess, Tobe, Marvelous, Bose, Cynthia and entire 2013 Accountancy Students. I love you all for your support.

ABSTRACT

This research project was designed to examine “effects of Published Financial Statement on Shareholders Investment Decision” (A Study of Guinness Nigeria Plc). The primary and secondary sources of data were adopted. Questionnaires were distributed by hand and ninety nine were returned. Upon presentation and analysis of data, hypotheses were tested empirically using analysis of variance (ANOVA). The research revealed the following: Investors do not analyze financial statement before making an investment decision. Published financial statement of a company does not show true and fair view. Majority of the respondents agreed that information contained in the company’s annual report could be reliable for effective investment decision. The researcher recommends that all public limited enterprise should continue to publish their financial statement every year; hence it helps shareholders in making investment decision.

CHAPTER TWO

| | | | | | | |
|------|---|---|---|---|---|-----|
| 2.0 | Review of Related Literature | - | - | - | - | 13 |
| 2.1 | Statutory Imperative of Published Account | - | - | - | - | -15 |
| 2.2 | Statement of Accounting Policies | - | - | - | - | 17 |
| 2.3 | Profit and Loss Accounts | - | - | - | - | 18 |
| 2.4 | Balance Sheet | - | - | - | - | 20 |
| 2.5 | Note to Financial | - | - | - | - | 21 |
| 2.6 | Directors Report | - | - | - | - | 21 |
| 2.7 | Auditors Report | - | - | - | - | 22 |
| 2.8 | Statement of Source and Application of Fund | - | - | - | - | 23 |
| 2.9 | The Value Added Statement | - | - | - | - | 24 |
| 2.10 | Importance of Financial Statement | - | - | - | - | 24 |
| 2.11 | The Credibility of Published Financial Statement | - | - | - | - | 26 |
| 2.12 | Information Source | - | - | - | - | 27 |
| 2.13 | Companies Financial Analysis | - | - | - | - | 29 |
| 2.14 | The Published Financial Statement of Guinness Nigeria Plc | - | - | - | - | 32 |

CHAPTER THREE

| | | | | | | | |
|-----|-------------------------------------|---|----|---|---|---|----|
| 3.0 | Research Methodology | - | - | - | - | - | 36 |
| 3.1 | Research Design | - | - | - | - | - | 36 |
| 3.2 | Sources of Data | - | - | - | - | - | 37 |
| 3.3 | Area of Study | - | -- | - | - | - | 37 |
| 3.4 | Population of the Study | - | - | - | - | - | 37 |
| 3.5 | Determination of sample size | - | - | - | - | - | 38 |
| 3.6 | Reliability of the Test Instrument | - | - | - | - | - | 38 |
| 3.7 | Validity of the Research Instrument | - | - | - | - | - | 39 |
| 3.8 | Data Analysis Techniques | - | - | - | - | - | 40 |

CHAPTER FOUR

| | | | | | | | |
|-----|--|---|---|---|---|---|----|
| 4.0 | Data Presentation Analysis and Interpretation- | - | - | - | - | - | 42 |
| 4.1 | Data Presentation | - | - | - | - | - | 42 |
| 4.2 | Analysis of Questionnaire Responses | - | - | - | - | - | 42 |
| 4.3 | Test of Hypothesis | - | - | - | - | - | 50 |

CHAPTER FIVE

| | | | | | | | |
|-----|--|---|---|---|---|---|----|
| 5.0 | Summary, Conclusion and Recommendation | - | - | - | - | - | 57 |
| 5.1 | Summary of Findings | - | - | - | - | - | 57 |
| 5.2 | Conclusion | - | - | - | - | - | 58 |
| 5.3 | Recommendation | - | - | - | - | - | 59 |
| | Bibliography | - | - | - | - | - | 60 |
| | Appendix | - | - | - | - | - | 63 |