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The Usefulness of Accounting Information in Management and Decision Making By Managers of Business

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Structured Abstract:

Purpose: The study is concerned with the usefulness of accounting information in management and decision making by managers of business. Management needs accounting information for decision making and strategic planning.

Design / Methodology / Approach: The population for the study is 150 out which 100 respondents were randomly selected from the selected business organization for the study. The instrument for dad collection is a structured questionnaire. The statistical tool used for the study was simple percentage for research question while Chi-square was used to answer the hypothesis.

Findings: The study noted that accounting information records is an essential tool for decision making in any business organization to improve growth and productive of the business. It was recorded in the study that accounting department should be made an independent part of the organization.

Practical implications: The research noted that accounting information can be use to determine how liquid your business is by calculating a few ratios you can determine if you have enough current assets to pay your current debts.

Originality / Value: Accounting information system helps management achieve their stated goals and objectives through data presented in the accounting record that are use for internal decision making.

Keywords: Accounting Information, Management, Decision Making, Managers, Business Organizations.

Paper Type: Empirical Analysis.

Introduction

The management of any business is responsible for the survival of the organization in other to maximize profit. These responsibilities entail planning, controlling and coordinating the business activities and ensuring that supplies of resources are judiciously used for the purpose they are required. The management is concerned with the review of the different activities of the business and relationship between the cost and value of each unit. The organization managers do exercise overall control over the functioning of the organization and the overall result of the organizations activities as measured by profits and loss over a specific period, including the financial position of the business (Omolehenwa, 2005). However, for any business to function effectively, it needs different types of accounting information. Such information includes income and expenditure as it relates to the cost of the activities for conversion of raw materials or economic activities of the business. In the absence of such information provided, profit cannot be measured. Accounting information refers to the data that are computed in the financial statement. The statement provides a continuing history qualified in monetary terms of economic resources and obligation of a business enterprise (Patel, 2008).

Managers require information which will assist them in decision making and control activities, for instance; information is needed on the estimated selling prices, cost demand and competitive positions of the business with other organization. According to Henry (2003) asserted that management needs accounting information for decision making and strategic planning. Thus, management uses financial and non-financial information to improve processes, design, and develop new products and motivate employees' performance in their organization. In most cases, decision is as disastrous as making a wrong one, therefore a plan of action is indispensable, management are constantly confronted with the problem of making alternative decision especially with relatively scarce resource. It is therefore pertinent that good accounting information be made available for proper and accurate decision making, maximization of profit and optimal utilization of scarce resources.

Accounting information is not only necessary for evaluation of the past and keeping present on course. It is useful in planning the future of the business. Accounting information is a tool management can use to drive profit for their business (McGraw-Hill, 2012). Accounting information can be use to translate these different dimensions into common financial dimension. Accounting information can be use to determine how liquid your business is by calculating a few ratios you can determine if you have enough current assets to pay your current debts. This is particularly important if you have one or more customers who are slow to pay and you are anxiously awaiting their payment. It provide a snap shot of how well i.e. efficient the business is running. The income statement is a good plane to see how well, or poorly, operations are generating revenues and managing expenses.

Accounting information system helps management achieve their stated goals and objectives through data presented in the accounting record that are use for internal decision making. Management use internal accounting information not only for exclusive use inside the organization but also to share with external decision makers. For example, in order to meet a production schedule, a producer may design an accounting information system for suppliers detailing its production plans. The producer shares this information with its supplier for compliance so that they can help the producer meet its objectives, (McGraw-Hill, 2008; McGraw-Hill, 2013).

Statement of the Problems

The study examines the usefulness of accounting information in management and decision making by managers of business. Accounting information is a useful part of any business since it provides the managements the required information that are needed for effective decision making that will grow their business. It is important for business organization to have functional accounting information to enables managers to make quality decision for the growth of their business. However, most business organization do not have proper accounting records and information on their income and expenditure. For the institution to achieve this, it needs a formal accounting record keeping. The accounting and reporting practice in most business organization lack proper information need of users in the financial statement while some other business organization have not accounting information records. Thus, most businesses are suffering from deficiency of information records, thereby leading to improper decision making by management.

Purpose of the Study

The objective of this research project among others include the following

i. To determine the influence of accounting information in management decision making

ii. To examine the extent to which management decision is influenced by accounting information in the institution

iii. To explore the accounting tools and their importance and how they can be used by management wisely

iv. To conduct an investigation into the system executed by management for safeguarding importance accounting records

Research Questions

i. Does management rely on accounting information for decision making?
ii. Does insufficient information from accounting affects managerial performance?
iii. Does accounting information indispensable for management decision making?
iv. Does the profitability potential of an organization determined by the accounting information?
v. Does the accounting and reporting practice in the institution meet the information need of users of financial statement?

Research Hypothesis

Null and Alternative Hypothesis;

Ho_1: Management does not rely on accounting information for decision making.

Ho_2: Insufficient information from accounting does not affect managerial performance.

Ho_3: Accounting information is not indispensable for management decision making.

Ho_4: The profitability potential of an organization is not determined by the accounting information.

Ho_5: It is not the usual practice for accounting data to be analyzed for the purpose of providing information for management use.

Research Design

The descriptive survey design was adopted for this study. Descriptive survey design according to Osuala (2004) stated that survey design is concerned with the collection of data for the purpose of describing and interpreting existing conditions on practice, belief, attitude, opinion, motivation and behaviour. Survey design is considered suitable for this study since relevant information on strategies for improving students interest in accounting will be collected from the sample of accounting teachers using questionnaire.

Population of the Study

The population for the study comprises of some selected business in Delta State. A total of 150 staff from the selected business organization in the accounting department was the population of the study. The target population is useful to the research study because they are directly involved in the accounting information records of the business organizations.

Sampling and Sampling Techniques

The stratified random sampling technique was used to select the sample population of the study. The stratified random sampling is a technique which attempts to research the possible samples to those which are less extreme by ensuring that all part of the population were represented in the sample in order to increase the efficiency that is to decrease the error in the estimation. Out of the 150 staff selected, 100 were randomly selected for the research study. The questionnaires were administered to the 100 staff and the entire questionnaires administered were retrieved by the researcher from the respondents.

Instrument for Data Collection

The researcher used structured question gather information from the respondents. The questionnaire was administered by the researcher personally to respondents. The instrument which is designed by the researcher is tagged TUAIMDM. A total of 150 questionnaires were administered to staff of some selected business organization in Delta State on information as to how accounting information has been used as a tool for management decision making. The question is designed in two parts to elicit response from the respondents. It has the question section which has Yes and No and uses chi-square to answer the hypothesis. The decision rule is that, a null hypothesis (Ho) will be rejected if the chi-square (X^2) calculated (P-Value) is very greater than the chi- square (X^2) tabulated at certain degree of freedom at 0.05 level of significances.

The instrument is designed in a four point Likert scale as shown below:

Strongly Agree (SA)	-	4
Agree (A)	-	3
Disagree (D)	-	2
Strongly disagree (SD)	-	1

Method of Data Analysis

This statistical technique used in the analysis of data is simple percentage for research question and Chi-square to answer the hypothesis. As a result of questionnaires construction, the chi-square (x^2) statistical method was found most convenient. The Chi-square (x^2): This is text to whether then observed values differ significantly from the expected value.

Research Question One

Does Management rely on accounting information for decision making?

Table 1 above shows that item two had the highest response of agreement with 66% while only 34% disagreed, which agreed that accounting unit supply enough information to management for decision making. Also, 65% of the respondents agreed that management relies on accounting information for decision making and their performance is always positive related to a good accounting information system. It was also agreed by the respondent that accounting department always enhance decision making through accounting information records with a response rate of 55%. This implies that accounting information is very necessary for growth of business with proper accounting information records made available to management.

Research Question Two

Does insufficient information from accounting affecting management performance?

From the above table 2 indicate that majority of the respondent 65% agreed time constraint from accounting information affecting management decision making, while 60% of the respondents said insufficient information from accounting is affecting management performance. 62% of respondents agreed that Inability to provide reliable information changes in financial from income generating effort will mislead management in decision making while 65% agreed that inadequate accounting records will affecting management for decision making. This implies that adequate and accurate accounting information records should be giving to management to aid and assist them in decision making process for the profitability of the business.

Research Question Three

Does Accounting information indispensable for management decision making?

Table 3 above indicate that majority of the respondents 65% agreed that accounting information tools are indispensable for management decision making and also help the management to know their financial status as well as the staff of the business to make decision regarding their future support with a response rate of 65%.

Research Question Four

Does the profitability potential of an organization determined by the accounting information?

Table 4 shows that all the items were accepted by the respondents, items 13 with 65% of respondents agrees that accounting information enables the government to know the earning or sales for a particular period for the purpose of taxation. While items 14, with 55% say that accounting information enable researcher scholars to make a study into the financial operation of a particular firm. Also items 15 and 16 with 65% respectively implies that accounting information provides the employees the financial result of the organization activities in which their remuneration will be based, and that accounting information provide shareholders a substantial proportion of the organization financial resources. Accounting information records cannot be removed from the success of any business. This means that success of any business organization is tied to efficient accounting information records.

Research Question Five

Does the Accounting and reporting practice in the institution meet the information need of users of financial statement?

Table 5 shows that items 17 and 18 were accepted by respondents with a percentage rate of 65% respective indicating accounting and reporting practice in business organizations meet the information need of users of financial statement and that all transaction in the business organization is recorded in the books of account. While items 19 and 20 were rejected by respondents with 65% and 55% respectively indicating that appropriate method are used by the business organizations to safeguard accounting records and that all the recording accounting files are kept safely. It therefore means that even though that business organization have accounting books, not all the business organizations use adequate accounting methods in the posting of their financial records which may pose a threat to the future growth of the business.

Testing of Hypotheses

Hypothesis One

Management does not rely on accounting information for decision making

From the above table the chi-square (X^2) calculated value is greater than the chi-square (X^2) critical value. We therefore reject the null hypothesis which implies that Management relies on accounting information for decision making.

Hypothesis Two

Insufficient information from accounting does not affecting management performance

From the above table the chi-square (X^2) calculated value is greater than the chi-square (X^2) critical value. We therefore reject the null hypothesis which implies that insufficient information from accounting affecting management performance.

Hypothesis Three

Accounting information is not indispensable for management decision making

From the above table the chi-square (X^2) calculated value is greater than the chi-square (X^2) critical value. We therefore reject the null hypothesis which implies that Accounting information is indispensable for management decision making.

Hypothesis Four

Profitability potential of an organization is not determined by the accounting information

From the above table the chi-square (X^2) calculated value is greater than the chi-square (X^2) critical value. We therefore reject the null hypothesis which implies that profitability potential of an organization is determined by the accounting information.

Hypothesis Five

It is not the usual practice for accounting data to be analyzed for the purpose of providing information for management used

From the above table the chi-square (X^2) calculated value is greater than the chi-square (X^2) critical value. We therefore reject the null hypothesis which implies that it is the usual practice for accounting data to be analyzed for the purpose of providing information for management used.

Discussion of Findings

The purpose of this study was to determine the usefulness of accounting information in management and decision making. In an attempt to accomplish this objective, efforts were made to examine key variables pertaining to business organizations in Delta State. The staff that responded to the questionnaire were mainly accounting department staff in charge of accounting records in the organization.

From the findings, it shows that Management relies on accounting information for decision making; thus, insufficient information from accounting affecting management performance, accounting information is indispensable for management decision making, profitability potential of an organization is determined by the accounting information and it is the usual practice for accounting data to be analyzed for the purpose of providing information for management used.

This study is in-line with Henry (2008) who opines that managers requires accounting information which will assist them in their decision making and control activities such as information on selling price, cost demand competitive position and profitability of various products which are made by the organization. In the same vein, Anao (2004) stated that, accounting information provides the employees about the financial result of the organization activities on which their remuneration will be based. Similarly, Henry (2008) reviews that accounting information enable researcher scholars to make a study into the financial operation of a particular firm. The study is in line with Agbawe (2007) who asserted that accounting information is a tool that helps management and investors to evaluate the past performance and future prospects of an organization.

Conclusion

The study noted that accounting information records is an essential tool for decision making in any business organization to improve growth and productive of the business. It shows that management relies on accounting information for decision making, that insufficient information from accounting records can affect management performance, which implies that accounting information is indispensable for management decision making in a business organization. The study also agreed that profitability potential of an organization is determined by the accounting information record keeping thus it is a usual practice for accounting data to be analyzed for the purpose of providing information for management use in an organization.

Recommendations

From the foregoing, the following recommendations were made:

1. Management, fundamentally should recognize what its role is in the organization and the organizational objective it is out to pursuer
2. Management should properly determined the present state of its organization and the direction it is to take
3. It is not sufficient for accounting information to be generated and left idle on records. The information should be interpreted by management to enable useful relationship of data item to be uncovered and meaningful deductions made.
4. There should be an internal audit section to be headed by the internal auditor whose dirty should be carry out audit word on the recorded account to ensure that the information provided for management is as truthful as possible
5. The accounting department should be made an independent part of the organization to avoid extraneous influences on the department from other sections of the organization , which may affect the reliability of records and thus, of information for management used

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Table 1:

S/n	*Item*	*Agree* *No %*	*Disagree* *No %*
1.	Does management rely on accounting information for decision making?	65	35
2.	Does accounting unit supply enough information to management for decision making?	66	34
3.	Does accounting department always enhance decision making through accounting information records?	55	45
4.	Is management performance always positive related to a good	65	35

	accounting information system?		

Table 2:

S/n	*Item*	*Agree* No %	*Disagree* No %
5.	Does insufficient information from accounting affects management performance?	60	40
6.	Is time constraint from accounting information affects management decision making?	65	35
7.	Does inadequate accounting records affects management decision making?	35	65
8.	Dies inability to provide reliable information changes financial income generation effort that will mislead management in decision making?	62	38

Table 3

S/n	*Item*	*Agree* No %	*Disagree* No %
9.	Is accounting information tools indispensable for management decision making?	65	35
10.	Do accounting information tools help investors in evaluating past performance and future prospects of the organization?	55	45
11.	Does accounting information help management to know their financial status?	65	35
12.	Does accounting information help staff to make decision regarding future support?	65	35

Table 4

S/n	*Item*	*Agree* No %	*Disagree* No %
13.	Does accounting information enable government to know earning or sales for a particular period for the purpose of taxation?	65	35
14.	Does accounting information enable researcher, scholars to make a study into financial operation of a particular firm?	55	45
15.	Does accounting information provide employees the financial result of organization activities in which their remuneration will be based?	65	35
16.	Does accounting information provide shareholders a substantial proportion of organization financial resources?	65	35

Table 5

S/n	Item	Agree No %	Disagree No %
17.	Does accounting reporting practice in business organizations meet the information need of users?	65	35
18.	Does all transaction in the business organization recorded in the books of accounts.	65	35
19.	Is appropriate accounting method used in organizations to safeguard accounting records?	35	65
20.	Is all recording in accounting files kept safely?	45	55

Table 6

Items	SA	A	D	SD	Df	X2 Calc. value	X^2 Crit value	Level of sign(p)	Remarks
1	30	35	20	15	4	15.787	9.488	0.05	Reject Null Hypothesis
2	35	31	18	16					
3	25	20	30	25					
4	30	35	20	15					
E	30	30.25	22	17.75					

$P < 0.05$

Note: SA= strongly agree; A= Agree; D= Disagree; SD=strongly disagree E = expected frequency and Df = Degree of Freedom

Table 7

Items	SA	A	D	SD	Df	X2 Calc. value	X2 Crit value	Level of sign(p)	Remarks
1	35	25	25	15	4	24.7967	9.488	0.05	Reject Null Hypothesis
2	45	20	22	13					
3	15	20	30	35					
4	20	18	32	30					
E	28.75	20.75	27.25	23.25					

$P < 0.05$

Note: SA= strongly agree; A= Agree; D= Disagree; SD=strongly disagree E = expected frequency and Df = Degree of Freedom

Table 8

Items	*SA*	*A*	*D*	*SD*	*Df*	*X^2 Calc. Value*	*X^2 Crit value*	*Level of sign(p)*	*Remarks*
1	31	34	19	16	4	14.1764	9.488	0.05	Reject Null Hypothesis
2	20	25	29	26					
3	31	34	19	16					
4	30	35	20	15					
E	28	32	21.75	18.25					

$P < 0.05$

Note: SA= strongly agree; A= Agree; D= Disagree; SD=strongly disagree E = expected frequency and Df = Degree of Freedom

Table 9

Items	*SA*	*A*	*D*	*SD*	*Df*	*X2 Calc. value*	*X2 Crit value*	*Level of sign(p)*	*Remarks*
1	41	24	20	15	4	22.8804	9.488	0.05	Reject Null Hypothesis
2	20	25	30	25					
3	41	24	20	15					
4	30	35	18	17					
E	33	24.50	22	16.75					

$P < 0.05$

Note: SA= strongly agree; A= Agree; D= Disagree; SD=strongly disagree E = expected frequency and Df = Degree of Freedom

Table 10

Items	*SA*	*A*	*D*	*SD*	*Df*	*X2 Calc value*	*X2 Crit value*	*Level of sign(p)*	*Remarks*
1	30	35	18	17	4	15.1809	9.488	0.05	Reject Null Hypothesis
2	25	20	26	29					
3	30	35	18	17					

4	30	35	20	15					
E	30	30	20.50	19.50					

$P < 0.05$

Note: SA= strongly agree; A= Agree; D= Disagree; SD=strongly disagree E = expected frequency and Df = Degree of Freedom