

# INTRODUCTION

## 1.1 BACKGROUND OF THE STUDY.

At independence, Nigeria joined the committee of nation with the hope for a better tomorrow. We were able to feed ourselves and were of course almost self-sufficient. Subsequently our hopes seemed unattainable. We seem to be going deeper and deeper into the woods. The consensus is that it has been bad for Nigeria. Due to the adverse economic condition prevailing in the country many businesses have closed, shops and even financial institutions are being declared distressed at alarming rate. Businesses that are yet to be submerged or that want to stay afloat employ all kind of strategies. Some increase price, adopt promotional tools, engage in aggressive marketing etc. whereas others goes for an odd combination of activities and even undergo different kind of small business to survive. Any business or individual that wants to survive must make the right decision. The era of mile of thumb is gone. Okafor (2000)

The price of any consumable item from garri and bread to radio and book not to mention petrol has been soaring in geometric proportions over the year. The economy is truly in distress. These compounded and complicated intricacies are the problem of the organization vis-à-vis effective planning and decision making processes. Other factors such as stagflation, taxation, economic and political problem are the major problem which affects information and decision making. The future orientation is what most company and bank get from making accounting decision, the computation and interpretation of analytical ratios from financial statement enable bank to determine their operational trends and provide a basis for management decision making. Other uses of financial analysis are in making financial decision and achieving the goal of sustainability determines compliance with regulatory requirements. Financial analysis is an investment that has positive return in the future on how decision will be made, how to manage the finances to achieve the strategic goals of the institution through decision making. Many people think that accounting is a highly technical field which can be understood only by professional accountants; actually nearly everyone practices accounting in one form or the other. In modern times, management requires a wide variety of information to successfully accomplish its aim and objectives. This information is mainly determined by the element of uncertainty about the future and lack of knowledge about the present. Some of these decisions are of strategic importance having a large impact on the business, others are routine operational decision. Drury, (1973). Therefore accounting information is based on laws and regulations governing the handling of financial information contained in the financial reports of organization. Making the right decision depends on the possession of appropriate, accurate and up to date information provided and presented in a meaningful way. This study set out to examine the contribution of sound accounting system in providing management with financial and other information basis for dealing with decision problems that arises from their organizational operations.

## 1.2 STATEMENT OF THE PROBLEM

Basically, the nature of manufacturing business compels it to carry out a great deal of book-keeping based on accounting principles and information provided with the perpetual increase in the number of consumers of manufactured products. It has become necessary to devise a systematic means in handling the resultant book-keeping and accounting activities. A lot of criticism has always been made about the service of the organization, consumers complain of low quality product while employees complain of lack of promotion,

inadequate salaries, lack of training etc. Furthermore, the major challenge facing every financial institution business, organization of today is market relevance, on-going fundamental changes in the global politics, economy and emerging competitions particularly challenges proper adequate and contemporary accounting information for management decision making. The company itself tries to coordinate all these challenges effectively and efficiently so as to minimize any anticipated and unanticipated pitfalls Edward (1976). If a sound and effective accounting system is applied properly by the manufacturing organization, the difference will be clear. Improper attention to the accounting system and handling of accounting information has given birth to the under mentioned problems which are the specific problems of this study:

1. Perceived difficulty in generating and utilizing accounting information.
2. Accounting information generated by accounts departments contributes little to decision making.
3. Inability of accounting information to perform the basic functions of cost minimization and profit maximization.

### **1.3 OBJECTIVES OF THE STUDY**

The objectives of the study are as follows;

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

### **1.4 RESEARCH QUESTION**

1. Are there problems in generating and utilizing accounting information necessary for management decision making process?
2. To what extent does accounting information generated by accounts department contribute in decision making process?

### **1.5 RESEARCH HYPOTHESES**

Hypothesis one  $H_0$

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

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

**Hypothesis two**

$H_0$

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

$H_1$

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

### **1.6 SCOPE OF THE STUDY**

The research cannot treat all aspect and kinds of accounting information because the field is simply too

wide. So only those relevant to these studies were dealt with such as need- ratio analysis, cost-volume-profit analysis, absorption and marginal costing, the contribution margin, standard costing and variance analysis, linear programming. This study covers between 2010- 2014.

### **1.7 LIMITATIONS OF THE STUDY**

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

Financial and time constraints were seriously encountered by the researcher. Computational procedures of various accounting information or tools are outside the scope of the work. However, those deemed necessary may be treated. It is impossible to cover all the companies, firms and other business outfits in Nigeria as a sample, two companies in kogi state were studied and inferences made there from. Deliberate effort is being made to have a worthwhile study with sufficient validity and reliability. This work should not be viewed as a final solution to impact of accounting information on decision making process. There are limitations on resources for reference purposes especially responses on collection of data, many respondents give bias responses probably because of job protection, officer's name and image protection, personal reluctance, unnecessary fear of legal implication and so forth.

### **1.8SIGNIFICANCE OF THE STUDY**

This research study will help to maximize the beneficial impact of accounting information on the decision making process of an organization. This boosts the profitability of the organization as well as ensuring its continuity as a business entity. It will help in the efficient allocation of scarce resources that have alternative use as well as increase productivity thereby uplifting the standard of living. It will review the improvement in the organization or company handling the accounting information and show equally the ways through which improvement could be accomplished. In fact, all interested groups like shareholders, employers, investors, creditors, government etc. will benefit immensely. This project will equally serve as a reference to student who may be interested to embark on a research of this nature.

### **1.9DEFINITION OF TERMS**

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

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

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

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

**LEVERAGES:** They are used by companies on its limited assets to guarantee substantial loans to finance its business. **FINANCIAL INFORMATION:** This is information summarized by a company's activities over the last year. They consist of the profit and loss account, the cash flow statement etc.

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

**DEBT:** A sum owed by one person or organization to a person showing that such debt are required to be settled within one accounting period.

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

**DECISION MAKING:** This involves deciding between alternative courses of action. In running a business, accounting information and techniques are used to facilitate decision models such as discounted cash flow.

**IMPACT:** This means the duties, responsibilities and functions. As it has to do with this work, it is that fundamental obligation incumbent on the public relations for the attainment of democratic order in the organization policy. **ACCOUNTING:** Is the process of producing needed information regarding primarily the financial activities of economic entities. The wide scope of accounting can be recognized when one considers the diversity of economic entity which cut across sizes and borders. Accounting is the language used to convey the result of the entity's endeavors to the interested parties. An example of financial statement has been identified as follows:

Statement of accounting policy. The balance sheet. (Statement of financial position) Profit and loss account (income statements).

## **IMPACT OF ACCOUNTING INFORMATION ON THE DECISION MAKING PROCESS OF AN ORGANIZATION"**

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