

PDF - THE EXTENT OF RELIANCE ON FINANCIAL ACCOUNTING INFORMATION FOR EFFECTIVE BUSINESS AND FINANCIAL DECISION IN CORPORATE ORGANIZATION. (CASE STUDY OF FIRST BANKS OF NIGERIA PLC) - researchcub.info

CHAPTER ONE

1.0 INTRODUCTION

Accounting is the recording, classifying and interpreting financial data relating to a particular organisation or person. (Aspinall, 1970:37).

Accounting has one or more of the following objects

The maintenance of a classified records of cash debtors and other property, of creditors and of changes in them.

The maintenance of a record of transactions classified to show gains or losses resulting from the various activities.

The periodic preparation of statements summarizing the economic results of the activities and the financial position.

The use of such statements, by the management of an Undertaking to assist them in the conduct of its business by the proprietors to assist them in assessing the efficiency of the management and in determining policy with regards to further Investment and the withdrawal of profit, and by the government in determining tax liability.

The owners of any business naturally wishes to run their business as efficiently as possible in order to be able to do this, accounting information is kept. These accounting information enable the owner of the business to make Comparisons of the amount of each cost and each expense, it also services as a guide to business and financial decisions.

Accountants are responsible for preparing financial accounting information. Some of these accountant exercise their profession as the employees of Commercial Industrial and public practice of accountancy.

The financial accounting Information prepared by accountants are of quantitative nature because it is usually expressed in monetary terms, through non monetary information are also often contained in accounting reports.

The method and procedure for preparing financial accounting information are based upon definite principle which are usually rules and Conventions which have been adopted as a general guide to action by accountancy profession.

These principles are formulated in such away that the practical details of accounting may differ from one Company to another. However, in order to secure acceptance such an accounting principle must be useful in coping with a practical recording problems, it must be reasonably objectives that is provides a similar answer in the hands of qualifies practitioners, and it must be feasible and as such not expensive to apply. These accounting principles are known as generally accepted accounting principle (GAAP).

1.1 STATEMENT OF THE PROBLEM

Most corporate organisations may have sound accounting system which enable them not only in their decision making but also in monitoring operating expenses rules on the information content of the financial statement is quite uncertain because they may be managing the business Intuitively.

Financial accounting information involves technicalities such as quantitative analysis, adequate recording

reporting etc. Some organisation may unknowingly employ Incompetent and unskilled manpower and as such the financial accounting information prepared may not show a true and fair view of the financial strength, profitability and future prospects of the organisation.

Some organizations have to realise that accounting information is the only medium through which both the management and external users get a clear picture of an organization. They fail to realised, appreciate an accountants analysis in respect of the accounting information generated, this often leads to poor management decisions which will have negative effects on the performance of organization.

1.2 OBJECTIVES OF THE STUDY

The Core objectives of the study is to examine the extent of reliance on financial accounting information for effective business and financial decision in corporate organization in Nigerian and in First Bank of Nigeria to be precise.

Moreso, the research intends to accomplish the following objective:

To ascertain whether there is a direct relationship between the performance of first Bank of Nigerian and effective use of financial accounting information.

To ascertain whether there is a direct relationship between financial accounting information and the decision make in the bank.

To analyse the impact of and roles of financial accounting in First Bank of Nigeria Plc.

To identify the factors which may constrain or promote the effective use of financial accounting information.

1.3 SIGNIFICANCE OF THE STUDY

Business organization exists to provide goods and services and in return provide rewards to its Owners. These two needs are linked to each other in the sense that profitable organizations are those that normally receives more resources from their customers in exchange of goods and services.

Some business organizations are non-profit oriented. However, Irrespective of the types of organisation therefore always have accounting information regarding the value /normally in monetary terms, of the resources used in generating the required product and / or services used in generating the required product and / or services on the one hand and on the other, a fairly accurate measurement of income or profit or value of benefits earned from the disposal of their products and or services.

The study provide insight into the nature and roles of financial accounting information, as well as management needs for accounting information which may be said to resolve around the purpose of planning and controlling the affairs of an organisation making policy decisions and making choices among a number alternative options under circumstance which may be unexpected.

This work will serve as a guide to others who may intend to undertake a review of the work or other related topics in the future.

1.4 RESEARCH HYPOTHESIS

In view of the native and extent of the problem outlined for this study, it was considered appropriately to have a sound basis for a research for this nature.

These are:

Hi: Financial accounting information has contributed to effective decision making in first banks of Nigeria Plc.

Ho: Financial accounting information has not contributed to effective decision making in the bank.

Hi: The information content of annual financial Statement of the bank is effective.

Ho: The information content of annual statement in the bank is not effective.

1.5 SCOPE AND LIMITATIONS OF THE STUDY

This study was limited at various stage by several factors which include the following:

The time conduct compile, produce and submit this work was not adequate due to compacted academic and non academic programme.

Accounting information is very vast, it covers various branches of accounting such as public sector accounting financial accounting, management accounting etc. Consequently the study is limited.

There were financial constraints however Judicious use of available resources was made in order to achieve the objective of the study.

1.6 DEFINITION OF TERMS

ACCOUNTING: The provision of relevant economic information to permit informed Judgement and decisions by users of the information.

ACCOUNTANT: A person whose profession is to keep and examine business accounts.

ACCOUNTING ASSUMPTIONS / CONCEPTS: These are general guide to action by the accountancy profession.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP): They are accounting principle that have been developed largely in accounting practice or have been established by an authoritative organisation.

LIABILITIES: Debts owned by a company e.g trade creditors.

OWNER EQUITY; That shares of the business that owners own out – right.

FINANCIAL ACCOUNTING INFORMATION: These are information obtained as a result of systematic gathering, identifying, summarizing and reporting business transaction in monetary terms.

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