

# PDF - OVERVIEW AND APPLICATION OF ACCOUNTING POLICIES AND ITS EFFECT ON SHAREHOLDERS' INVESTMENT IN PUBLIC LIABILITY COMPANIES A CASE STUDY OF BETA GLASS PLC, UGHELLI - researchcub.info

## ABSTRACT

This research project was designed to look into the problems and prospect associated with choice implementation and disclosure of accounting policies in public liability companies in Nigeria and its relationship with shareholder investment and the returns on such investments. This study was prompted by the fact that corporate disclosure is an inevitable activity such that the need to render a true and fair view of financial statements by management of resources owners (shareholders) who have entrusted them with limited resources. The literature review analyzed the stages of development though corporate disclosure has undergone and the need to identify most reliable accounting decision policies adopted by the firm. The possible disclosure techniques and what influences such disclosure techniques. The economic and political implication of accounting policy disclosures was also put into consideration. The research design used in the study involves the use of questionnaire and the policy statement of one sample limited liability companies. A total of 20 questionnaire items was developed and 50 questionnaires were distributed to members of management and staff of the company. The responses were tabulated and data were analyzed using the simple percentage method and the chi-square statistical analysis for accuracy. The result of the analysis showed that there are problems existing in the disclosure of accounting policies as well as defined prospects. The analysis also showed that there is a direct relationship between the accounting policies developed and adopted by a firm and the return on investment of shareholder.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The disclosure of accounting policies in the statement of accounting standards' (NASB) is contained in the current accounting standards as at 2001. This policy formulation application development and disclosure has been posing serious problem to many public enterprise over the years. Accounting policies are specific accounting based are the method that have been developed for applying the fundamental accounting concepts and convention to specific financial transaction and item. The fundamental accounting there are often more than one recognized accounting basis for dealing with the particular items for example department straight line method reducing balance and sum of the year digit method, inventory valuation includes FIFO, LIFO or weight average method other area of major accounting principles are on consolidation depreciation, tax and inventories.

There is variation in the implementation of these policies, however any methods or basis adopted and the activity of the policy maker. That is the procedure of policy formulation and attachment and the technical of implementation is a relative to individuals company, but the extend of such disparity is not much for instance, the difference in depreciation against assets.

The policy making process involves a network of relationship among policy makers decision makers individuals firm, and auditor etc.

The network process of accounting policy formulation makes financial reports to become more and more complex that there has been more criticism of the users of the information.

Information supplied should be that which would satisfy the need of this user and such information should also be subjected to an independent check by an auditor and this will enhance reliance in financial information

is prepared as objectively as possible ability to understand information is also very essential financial information should therefore show a true and fair view.

Consequently is one of the basic concept but it is not to be followed slavishly if new and improved techniques indicate a change in methods timelines to update information of more use to recipient than outdated new economy of presentation too many details can obscure.

The importance factors in accounts and comes difficulties in understanding them. Completeness a rounded picture of the company activities is needed.

The inconsistency in policy decision, the conflicts in the implementation of the policies and the disclosure discrepancies between policies and reports have caused to inferior in the formulation of this project topic 'application of accounting policies in public liability companies and its effect on shareholders find with reference of Beta glass plc.

The research is necessary to find out the causes of such inconsistencies and disparity in accounting policy decision, its practicability.

The efforts on financial statement and reports that distort the full and fair disclosure of accounting policies and its effects on shareholders' investment. Therefore any concept that has to do with resources management be it cash or money worth, must be taken into consideration especially, now that fraudulent practices and embezzlement of firms resources in the public, municipal and private sectors are increasingly invading the moral of the accounting profession. Hence any research like this one designed to develop the process of accounting policy formulation, its implementation and disclosure base and concepts can never be detrimental in any sphere of the accounting profession for originating and reliability, this research will provide adequate information as a tool for generation in spite of the fact that the samples of the research are limited to one public limited company.

The Beta glass plc, the problem and prospects associated with the disclosure techniques of the company holds for the other public company or corporation.

## 1.2 Statement of the Problem

The present state of the act of accounting is such that we have not yet arrived at producing specific financial report for each group users, tailored to their specific needs.

Accounting policies that has been generally accepted have a persuasive impact on the form and content for financial statement.

Information about the accounting policies adopted by a reporting company is essential for financial for the financial statement user and should be disclosed adequately. The referred place to disclosed accounting is under caption summary of significant accounting policies, but in the 2001 annual report of Beta glass plc it is stated on the pages 12 and 13 with the option accounting policies.

## 1.3 Objectives of the Study

The aim of the disclosure therefore is to bring the five, the needs for unified accounting standards that are generally accounted. The absence of some generally accepted rules each accountant will have to make his rules. Adopts his own accounting policies. In order to achieve his own objectives.

This board principle relates to the basis accounting function of recognition, measurement and full disclosure. It will be difficult to compare one set of accounts with another. It is every man's interest that the business community uses one set of rules in accounting for money.

The objectives of the research project under study therefore would be to.

To determine the factor that is generally considered in the determined and set of accounting policies.

To evaluate the effectiveness of accounting concept as tool of achieving the application of accounting policies.

To find out the extent of the impact of political and economic consequences on corporate disclosure.

To determine the adequacy and the manliness of the reporting firm.

To suggest means by which corporate disclosure could be improved to meet the need of the users of the financial information.

If it is to provide a base and authorization sources for further research in the area of corporate disclosure.

#### 1.4 Research Question

For the purpose of this study, the following research questions are formulated.

What factor determine of choice of accounting policies adopted by firm?

To what extends are accounting concepts applicable in the treatment of financial information?

Whether or to political and economic consequences influence the extent or policy disclosure in financial statement?

#### 1.5 Research Hypothesis

Test (1)

Ho: Resources owners should not be involved in accounting policy decision.

Hi: Resources owners should be involved in accounting policy decision.

Test (2)

Ho: Accounting policy disclosure is not a function of political economic issues.

Hi: Accounting policy disclosure is a function of political economic issues.

Test (3)

Ho: Government intervention in corporate disclosure is not as a result of its macroeconomic implication rather it is for the security of investors.

Hi: Government inventions is corporate disclosure is a result or its macroeconomic implication rather it is for the security of investors.

Test (4)

Ho: The accounting policies developments are not dependent on the type of the business and available resources.

Hi: The accounting policies development are dependent s on the type of business and available research.

#### 1.6 Significance of the Study

The accounting system is a management information system (mis) that is responsible for the collection and processing of data to produce information useful to the decision makes in planning and controlling the activities of an organization.

The research focus on the generation of funds amended information which might be useful for developing and harmonizing accounting standard practices and to facilitate the process of setting such standards.

It is hopeful that on completion of this research, the following shall be achieved.

The accounting policy decision making process and factors taken into consideration in the choice of accounting policies should be made more expect.

it will lead to objective application and adherence to accounting concept and policies in processing accounting transaction and information.

It will assist management in setting up a meaningful disclosure to suit the needs of shareholders, creditors, government and other users of the financial information.

Help management to buffer assist the political, economic and social consequences and their influence on corporate disclosure and the entire accounting profession.

It will also stand as a point of reference for management when dealing with related financial matters.

It will also help shareholders to know how funds are managed and how accounting policies affect dividends.

### 1.7 Scope and Delimitation

It would have been very interesting to carry out this research study on all public liability companies. However, due to time and financial sufficiency, the study is limited to one major company, the Beta Glass Plc. The study will cover the periods of 2008-2019. In the same vein, the discussions should be limited to the types of accounting policies operated by the company and the responses to the research questionnaire developed for the study.

### 1.8 Limitation of the Study

This research cannot be regarded as totally perfect and complete in all its classification as some difficulties were encountered in the course of the study.

Inadequate availability of some vital materials and the limited time stipulated for carrying out this research pose a limiting factor. Also, the condition under which the project itself was carried out along with normal academic programmes is another limiting factor.

### 1.9 Definition of Terms

**Accounting policies:** Accounting policies are the specific principles and conventions that are adopted by business enterprises for the purpose of preparing their financial accounts, for example, inventory valuation, FIFO, LIFO.

**Accounting standards:** Accounting standards are standards used as guidelines set by professional accounting bodies to ensure uniformity in the financial information reported, what is to be described or not in financial statements.

**Accounting bases:** Accounting bases are the methods which could be used in applying the concepts.

**Accounting concepts:** These are defined as broad assumptions that underlines the periodic financial accounts of the business enterprise.

**Consolidation:** This is the combination of two or more companies into a new legal corporation with the original companies going out of existence.

**Annual reports:** This is a report required by statute containing information on the activity of a firm over a period of time usually of a year, showing the summary of income, expenditure and financial status of the firm.

**Users:** These are interest groups to whom disclosures are meant to serve.

**Share/Inventory Holders:** This set of people is placed at the top of the companies who have set up because they are owners of the company who have contributed and invested money towards the company business.

**Investment:** A sacrifice of certain present value for (possibly certain) future value, it can be in financial assets and in the assets.

IFRS = international financial reporting standards

SAS = statement of accounting standards

SSAP = statement of standards accounting practices

NASS = Nigeria accounting standards boards

IAS =international accounting standards

#### 1.10 History of BetaGlass Plc

Beta glass plc was previously known as delta glass companyplc until 1995 that it was changed to its present named it was incorporated in1974 with number RC 13215 but, started full operation in 1979.

Beta glass plc is a manufacturing and sales company which is into the manufacturing and sales of hollow glass confirmers lantern globes andtable wares.

With its head office in Iddo House, Lagos State and mainfactory situated at Kilometer (km) 17 Warri Patani Road, Ughelli, Delta State.

Beta glass parent company is the Nigeria bottling companyplc with an authorized share capital of N35.6million (ordinary share of 50k eachand 34.97 million paid up). Beta glass plc formally called delta glass rosefrom the second tier market to the first tier market in 1990 in the stockexchange listings as a result of being a pioneer company shareholderspercentages of the company is Nigeria 41.5% and foreign 58.5%. The shareholdersstructure was Nigeria bottling company plc 54.75% delta state government 12.6%and the Nigeria citizens and associated 32.65%.

The company has 15 men of board of directions with chief(D2) C.O Ogunbayo, C.ON as the broad secretary it has at 2,0011,186 employeemade up of to 252 management and 934 non – management categories and 7expatriate and such as bottles, jars tumblers and mugs using raw materials suchas silica, saw, soda ash, limestone, feldspar, gypsum.

Beta glass has also won industrials awards such as Niscertificate of quality.

Principal bankers are union bank of Africa (UBA) Eco- bankprime merchant bank.

It runs it financial record year to 30th march every year.But Beta glass plc is also into social responsibility such as reconstructionand renovation of 16 glass room blocks in neighboring communities in and aroundUghelli and the sponsorship of the annual delta state marathon race.

Beta glass plc has over 4000 shareholders who have madevaluable capital investment into financing the companies operation and are alsowaiting for a quantitative return on their capital invested.

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