

# PDF - THE USEFULNESS OF FINANCIAL STATEMENT AS A GUIDE TO INVESTMENT DECISION MAKING A CASE STUDY OF ETERNITY LTD, SAPELE - researchcub.info

## ABSTRACT

It is a fact that the usefulness of financial statement cannot be over emphasized, thus, this study was undertaken to highlight the users and analyze the problem associated with the usefulness of financial statement.

For these objectives to be achieved, we undertook a marketing company called "Eternit Ltd Sapele" we also held an oral interview with some selected staff of the company. Our findings reveal that the major problem facing company is that it does not know what optimum level of financial statement to maintain at any given level of the business organization. In conclusion, a good financial statement does not necessarily guarantee a good profile, so we recommended that proper operational policy should be done for them to be a correct estimation that will be required at all levels of the business activities.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Since the formulation of separation of management from ownership of public limited liability companies, there is the need for a formalized way of reporting to the owners of the business on how efficiently the management utilizes the shareholders' funds over a specified period hence the financial statement. Financial statement is a combination of income statement and balance sheet of the reporting entity at a particular point in time. Having a financial statement prepared does not really tell how the business has fared in the recent time, but subjects the result to various analysis and interpretation.

An organization to start with generally needs the fulfillment of many requirements of law accounting to the nation of origin.

In starting up a firm, the requirements needed are that the promoter must meet some laid down requirements i.e. adequacy of capital, number of directors and secretary, power of the company, the power of board of directors and there must be documented registration with the Corporate Affairs Commission (CAC) in Abuja. The requirements for operation apart from their normal expenses of day to day running of the business, the organization is expected to file an annual return to the Corporate Affairs Commission (CAC) time first thing after their six months of commencement of business called statutory report or financial statement.

#### 1.2 Statement of the problem

The second point of filing report sounds like: retesting i.e. investing in public liability company via decision based on financial report of the company.

The investing company/public sector invests in such company based on the report investing public who are individuals even highly educated individuals in the sector patronized their accountant or management conduct or brokensacking to invest based on their report post performance rather on either that is why the researcher bases his hypothesis on financial statement.

A guide to investment decision has contributed to shape the structure of the economy.

#### 1.3 Objective of the Study

It is essential to identify the objective (or purpose) of financial statement is to determine.

To determine the usefulness of financial statement in guiding investment decision

To determine the relevant investment policies put into play by government and how they have aided investment decision

To know what information should be provide

To know how information should be presented

To make appropriate recommendation based on finding and conclusion

To determine what extent has the financial statement been use in investment decision.

The current thinking is that the objectives of financial statement are to provide information decision making.

#### 1.4 Research Question

The following research question were formulated in the course of the research work.

Are there different in the behavioral attitude of investors in Nigeria?

Do the investors base their decision on reported performance of the budget company?

Has the investment of Nigeria have any significant on the structure of Nigeria economy?

Are there any structure changes noticeable?

Are there advantages attached when a company complies with the report pattern of CAMA 1990 (Company and allied matter Art)?

#### 1.5 Significance of the Study

The researcher study will be among the other thing provide valuable information which will be useful to the research to aid this knowledge, other researcher as a basis of reference as well as business people who deals in financial capital market.

The study will also educate the various categories of the people stated above on the financial statement and how risk could be managed using various strategies available to improve the economy.

#### 1.6 Research Hypotheses

In order to find relevant information to the question missed in the statement of problems, the choice was made to enable the researcher to collect all relevant information for the study with ease, therefore there is a need to formulate hypothesis which will form a story basis investment decision making.

a. H0: Financial statement preparation does not have significant effect on investment decision making.

H1: Financial statement preparation has a significant effect on investment decision making.

b. H0: Decision making does prevent effective linkage in preparation of financial statement.

H1: Decision making does not prevent effective linkage in preparation of financial statement.

#### 1.7 Limitation of the Study

Due to differently encountered in the purpose of carrying out project work, it has its own limitation. However in the course of this study, a number of problems were encountered and this include;

The problem of financial constraint which prevented the researcher from travelling around the all Local government area to get the information more relevant data for the research. By reason of the limitation it was virtually impossible to get as much information we anticipated for this research study.

#### 1.8 Definition of Terms

**Financial Statement:** Financial statement is the annual report and account which include the balance sheet and profit or loss Account.

**Balance Sheet:** This is a statement of the total assets and liabilities of an organization at a particular date usually the last day of the accounting period.

**Profit and loss:** these show the result of operation of the company for their reporting period and also explain what has happen since the previous balance sheet.

Short term investment: short term investment is when returns are expected over a short period of time usually with one year.

Long term investment: Long term investments are those financial commitments which return span over a series or multiple of years ranging from five years, ten years and above.

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