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## Abstract

The aim of this study is to show the impact of ratio analysis on the effective asset management of banking concern. It is also intended to identify the importance of ratio analysis, its limitations and how it can be effectively utilized in asset management of a Nigeria banking firm. It is the aim of business firms to optimize profit and maximize costs. In the high of this business firms try to channel their efforts towards buying the above aim into reality. Whoever, this aim of profit optimization cannot be achieved in isolation in the essence that business firms try to evaluate their performance with a view of funding their weakness and strengths so as to improve on them. Consequently, firms the various strategies to evaluate the performance from time to time one these strategies of performance evaluation is ratio analysis. In conclusion, business firms with effective utilization of the ratio analysis in making its assets management policies can high profitability results.

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CHAPTER ONE

INTRODUCTION

The primary objective of every business entity is the production and distribution of goods and services with the aim of maximizing or earning profit, while profit is not the only goal of business entity, it is an extremely important one and where a decision has to be made between profit and some alternative objectives, profit is normally dominant said by Bill (1984 – 360).

There was never in time profitability existing in vacuum. Due to the adoption of effective and efficient mode of operation by most of the firms, this can not be attained in total isolation of an adequate planning and control system. In other words, for a business to declare more profit, there must be adequate planning and control system.

The planning function as one of the management function. According to Horngren (2003 -3) with edition, planning is deciding on organizational goals, profit producer result under various alternative way of achieving those goals and then decide how to attain the desired goals. While control is

Deciding on and taking actions that can implement the planning decision and

Deciding on performance evaluation and the related feedback that will help future decision making. Decision making and management are almost synonymous, according to Kontz and Wehrich (1994-1999). Managers at times see decision making as their central job because they must constantly choose what is to be done and when, where and occasionally even how it will be done.

Eventually, it is frequently a problem as to what information to search for and utilize and why the information is necessary, it is frequently decision making purpose an important source of information frequently used for the aim of making decision are records of accounting and their ratio analysis.

Meanwhile, past accounting information have sever limitations for the purpose of assessing company's progress, it is therefore necessary to test the importance of accounting ratio analysis in business decision making. For the purpose of research, accounting ratio analysis as it relates to assets management in banking concern is particularly involved. Also an important parameter or indicator of efficient asset management is the output derived such as turnover and profits, this research will seek to prove that ratio analysis provides information as regards the relationship between assets and output and therefore as concern its possible use in assets management.

First bank of Nigeria Plc, a renowned bank in Nigeria is observed in this work to test of indeed, ratio analysis is used and can be used as a good guide in formulating effective asset management (policies in a banking concern).

1.1 BACKGROUND OF THE STUDY

First Bank of Nigeria Plc commenced operation in Nigeria in 19\894 as a branch of Bank of British West Africa. A shipping magnate from Liverpool England by Sir Alfred Jones who founded it. The bank headquarters is in Liverpool. It was incorporated as a private limited liability company in Nigeria in 1969 and in 1970 it was converted as a public company. The bank's shares were quoted on the floor of the Lagos stock

Exchange now Nigeria Stock exchanges (NSE). The bank formally commenced its banking business in the office of Elder Dumpster and company in Nigeria with a paid up capital of twelve thousand pounds sterling. Since then, the bank has been growing from strength to strength. The bank has the widest branch network in the Nigeria banking industry with a total number of five hundred and thirty six branches as at 2009. (2010 Annual Report).

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