PDF - THE USE OF ACCOUNTING AS A MANAGEMENT TOOL(A CASE STUDY OF ANAMBRA STATE AGRICULTURAL DEVELOPMENT PROJECT AWKA) - researchcub.infoABSTRACT

The study centers on the “Use of Accounting as a Management Tool” (A case study of Anambra State Agricultural Development Project, Awka).In pursuance of this investigation research objectives and hypotheses were formulated. Both primary and secondary data were collected and the data were then presented, analyzed, interpreted using textual, graphic and tabular modes of data presentation. The formulated hypotheses were also tested using chi-square as the test statistic.Based on the above, it was found that Anambra State Agricultural Development Project uses Accounting as Management Tool. All their financial transactions of Anambra State Agricultural Development project are recorded in the appropriate books of accounts. From these books, revenue projections, expenditure estimates, financial statements, statements of source and application of funds are prepared. Management of Anambra State Agricultural Development project uses ad inter-alia each of these prepared statements as a tool for decision-making, evaluation of the financial strength, profitability and future prospects. Continuous type of budget is used for planning and controlling purposes. Economic rate of return is used to evaluate projects. Profitability is evaluated in terms of the benefits, which the given community derives from a given project.With reference to the findings, the researcher recommends that; quarterly and mid year financial statements should be prepared to highlight the key variables affecting achievement of the objectives of Anambra State Agricultural Development Project; Budget should be compared with actual result so as to find out variables where they exist and make amendments where necessary; all the problems identified from the respondents should be addressed; there should be proper authorization and documentation; only qualified staff are to be employed; staff work schedules should be attainable with the actual working hours, ad accounting and computer training programmes should be organized at reasonable intervals.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Accounting, unlike the other natural sciences, is not based on fundamental laws or absolute precepts. It has evolved over many years through trial and error, and its continual improvement rests on a basis responsive to the requirements of users of financial statements. The domain of financial accounting is therefore visualized as requiring attention at four levels: postulates are the antecedent conditions or essential prerequisites to principles; the principles must meet the supported by the principles. This framework of accounting standards and guidelines defines the area accounting theory. Theories are generalizations, which serve to organize otherwise masses of data, and which thereby establish significant relationships in respect of such data.

Accounting theory is therefore the logical reasoning in the form of a set of broad principles that provide a general frame of reference by which accounting practices can be evaluated, and which guide the development of new practices and procedures. It thus provides a coherent set of systematic principles that form the general structural framework for the evaluation, and development of sound accounting practices. It presents the value judgments upon which accounting principles, concepts and polices are based. Theses policies regulate moderate and direct practices and lead to reports which are used by decision makers. Without a good knowledge of accounting theory, accounting becomes mechanistic, routine and a repetitive drudgery. Osisioma (1986: 40) stated that;

…Accounting involves the collection compilation and systematic recording of business transactions in terms of money, the preparation of financial reports and the use of these reports as tools of management …

Management is heavily dependent on accounting operation facts. Management is regarded as a process of converting information into action and accounting is the source of most of the information. Accounting is a system of principles and techniques that permits the recording, classification, accumulation, presentation and interpretation of financial information so that past performance, present condition and future planning can be evaluated. The decision making process of accounting normally involves planning and control. Accounting formalizes plans be expressing them in the language of figures as budget and control as performance reports which compare results with plans and spotlight deviations or variances form plans.

The importance of accounting information in management can be applied to any organization without regards to its size. Willsmore (1971: 1)observed that;

…Even in the very personal business management can only take place through figures; results, reporting and the man who doesn't understand that must fail…

Managing a business is a matter of deciding what should be done, seeing to it that the means are available and getting people employed in the business to do it. At every step in this process, management is faced with alternatives, and every decision, to do something or to refrain from doing something involves a choice. In most cases, the probability that a good decision will be made depends on the extent and validity of the information that the manager has about the alternatives and their consequences information which flows from the accounting records or which are developed by special analysis of accounting data constitutes the basis on which a wide variety of business decisions are made. Accounting involves the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information. The success or failure of accounting as a management tool will depend upon the philosophy on which it was established and the attitude of management towards it as well a the skills involved.

1.2 STATEMENT OF THE PROBLEM

The research problem is the use of accounting as a management tool. The success or failure of accounting as a management tool will depend upon the philosophy on which it was established and the attitude of management towards it. Accounting serves the interest of business therefore; it must keep pace with the various stages of business development. Management Accounting is concerned with the application of accounting and statistical techniques to the specific purpose of providing and interpreting information designed to assist management in its function of promoting maximum efficiency. It focuses on the internal environment of business, and provides information for such decisions of the firm as an inter-alia make or Buy, Replacement, Pricing, Cost Reduction Decisions. The techniques applied for the analysis are both statistical and accounting in nature – Budgeting and Budgetary control, standard costing and variance analysis, direct costing and Break-Even Analysis and Project Cost Analysis.

Accounting, the traditional companion of management in decision making, has to develop new and better techniques for the improvement of management decisions accounting has risen to the occasion, re-defining traditional concepts to meet the new challenges, and developing whole new techniques where they had never existed.

1.3 OBJECTIVES OF THE STUDY

This research has the major objective of examining the use of accounting as a management tool by Anambra State Agricultural Development Project.

Specific objectives include;

To identify the present accounting tools;

To examine the objectives for the adoption;

To assess the basis for developing the accounting tools;

To examine how the accounting staff are aware of the accounting tools in use

To identify the problems affecting the effective implementation of the accounting tools;

To examine the qualities of the accounting tools in use; and

To advance recommendations.

1.4 JUSTIFICATION FOR THE STUDY

A major reality of modern business management in a free enterprise economic system is the advanced state of competition and rivalry, where only the fittest enterprises survive. With the wealth creation and maximization of business motive ever s current, management continues to remain under increasing obligation to improve its share of the market, its assets, the value of its stock in the capital market, its credit worthiness and its overall earning potentials. These, in turn, require an improvement in the quality of decisions. Management should not for instance, miss an opportunity to increase its profit due to a mistake in the understanding of the real factor that determines profit. Therefore, in order to respond effectively, to the challenges of the times, management requires good decision analysis procedures, which will emphasize the relevant factors in business decisions.

The study will x-ray the extent of use of accounting as a management tool by Anambra State Agricultural Development Project, as a basis for offering informed suggestions for improvement on the use of accounting as a management tool.
It is envisaged that the findings, suggestions and recommendations of this study will be beneficial to both accountants and management of Anambra State Agricultural Development Project and other establishments, who will be interested in seeking the best use of accounting to achieve corporate result.
Specifically, this study will highlight the strength and weaknesses of each accounting tool in use by Anambra State Agricultural Development Project. It will also recommend those accounting tools that ill result in effective management.
This study will serve as a reference material for future research project on the same topic or related topic.
Finally, the outcome of this study will be useful to the researcher, as a partial fulfillment for the award of Higher National Diploma in Accountancy of the Institute of Management and Technology (I.M.T), Enugu.

1.5 PLAN OF THE STUDY

For purposeful completion of this study, the researcher therefore, plans the study as follows:
The whole study is subdivided into five chapters starting from the introduction, review of related literature, research design and methodology, analysis of data, findings and summary and finally policy recommendations and conclusion.
Introductory chapter will include; Background of the study, Statement of the problem, Objective of the study, Scope and Limitation of the study and finally definition of terms and references.
Chapter two which is review of related literature will be subdivided into sub-titles. It will also include hypothesis formulation and references.
Chapter three, which covers research design and methodology will include; the population to be samples, sample frame, size and technique, as well as method to be used in sourcing data. The researcher will use both secondary and primary data. This chapter will also indicate the statistical techniques to be used sample size determination formular and chi-square for hypothesis testing.
Chapter four is the analysis of data. Here textual, tabular, percentages, averages and graphic modes of presentation will be used in presenting and analyzing data collected.
Chapter five will include research findings and summary of the study. This will be deducted from the analysis of data; it also covers policy recommendations and conclusion will be based on the possible findings of this study.
The preliminary pages include; fly text, title page, approval page, dedication, acknowledgement, and table of contents, list of tables and figures, abstracts …

1.6 DEFINITION OF SOME TERMS

Budget: A formal expression of management plans in quantitative and

financial terms.
Management: A social system entailing responsibility for the efficient planning and regulation of the operations of an enterprise, with a view to attaining set objectives.
Objective: The end towards which activities of any enterprises are aimed, the end point of a management programme.
Planning: The process of setting goals and objectives, formulating strategy and deciding among alternatives course of action.
Profit: The increases in the net value of the assets of a business over a given period, which has arisen as a result of successful trading and not by means of capital adjustment.
Accounting: This is a systematic means of writing an economic history and plans of an organization in both quantitative and financial manner so that facts can be revealed, and properly analyzing such fact for the purpose of advising management.

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