

THE IMPACT OF ACCOUNTING INFORMATION ON DECISION MAKING PROCESS

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1. Introduction

Accounting generally involves the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions of users of the information.

In other words, accounting is concerned with providing information, which will help decision makers to make decisions. To enhance creditability and utility of the information, the decision making process, established concepts, principles, standard and legal requirements are strictly followed in order to translate physical facts into money values and ensures that all types of report are integrated and prepared on consistent basis.

The information provided by financial statement, cash flow, variance analysis, managerial costing in planning, organizing, decision-making and control are invaluable to achieve objectives of the various interest groups. In spite of all the arrays of accounting tools at our disposal, organizations still wobble, trouble down the drain.

It is against the background that the researchers delved into the study of the impact of accounting information on decision making process of organizations. To this end, the relevance, time liners, accuracy, conciseness, and clarity of the information and modes of presentations of the users were examined.

It is the objective of the researcher to highlight more vividly the invaluable importance of all these accounting tools and techniques in the decision-making process organization to better equip users of the job ahead. These researchers believe it would help significantly in reviewing our economy.

However, during the course of the research, the researcher will try to discover that the proper and enough accounting information should be generated and applied substantially in organization studied.

The researcher tried to discover that the problems of the economy lie elsewhere rather than in sufficient generation and application of accounting information in decision making process in organizations.

Therefore, the project was divided into five sections as indicated in the table of contents.

Due to the adverse economic conditions prevailing in the Kurdistan region and the country, many businesses have chased shops and even financial institutions are being declared distressed at alarming rate. Businesses that are yet to be submerged or that want to stay afloat, employ all kinds of strategies. Some increase prices, adopt promotional tools, engage in aggressive marketing etc. whereas, others go for an odd combination of activities and even subterranean one to survive.

Any business or individual that wants to survive must make the right decisions. The era of mile of thumb is gone, employing it is a sure way to fail absurdly.

The price of any conceivable item from bread to book not to mention petrol has been soaring in geometric progression over the years. The economy is truly in dire straits. These compounds and complicates intricately are the problems of organizations vis-a vis-effective planning and decision making processes, other factors such as stagflation, taxation, economic and political in research study. It is the intention of the researcher to concentrate more on financial accounting, cost

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accounting as well as management accounting. Nonetheless, recourse should be made to the other branches of accounting whenever there is a need to do so. 'Financial accounting is the part of accounting which covers the classification and recording of actual transactions of an entity in monetary terms in accordance with established concepts, principles, accounting standards and legal requirements. It presents in as accurate view as possible the effect of those transactions over a period of time and at the end of time.' Over time, it evolved and metamorphosed into a very complex web of integrated financial information system which modern organizations cannot do without.

It presents a broader, more overall view of the organization with primary emphasis upon classification according to type of transactions rather than cost and management accounting emphasis on functions, activities, products and processes and internal planning and control.

Cost accounting and management accounting are very much intrinsically interwoven that the difference between the two is superficial, as that definition of management accounting will substitute the other. Management Accounting is the provision of information required by management for such purposes as:

- 1) Formulation of policies.
- 2) Planning and controlling the activities of the enterprise.
- 3) Decision taking on alternative courses of action.
- 4) Disclosure to those external to the entity (shareholders and others).
- 5) Disclosure to employees.
- 6) Safe guarding assets.

The above involve participation in management to ensure that there is effective:

- 1) Formation of plans to meet objectives (long term planning).
- 2) Formation of short term operational plans (budgeting profit planning).
- 3) Recording of actual transactions financial cost accounting.
- 4) Corrective actions to bring future actual transactions into line (Financial control).
- 5) Obtaining and controlling (finance treasure ship).
- 6) Reviewing and reporting on systems and operations internal audit and management audit.

Cost accounting as a subset of management accounting is aptly buttressed by Lucey T. in his book "costing" where he defined cost accounting as that part of management accounting which establishes budget and standard cost and actual cost operations, processes, department or products and the analysis of variance, profitability or social use of fund.

2. Statement of the problem

Kurdistan Region is in a very distinct economic year. Some aspect of our economy are experiencing unprecedented hyperinflation whereas other aspects are worst by devastating depression, for years now, the emphasis is on the restructuring of our economy. The international monetary fund (IMF) prescribed some better-internal restructure measures (without regards to our socio economic (background) which were applied. The cream of our economists who can dictate economy is still running heedlessly into the words culminating in failure of business and pauperization of a great majority of Kurdistan Region. Under the present economic dispensation very different to stop a float vis-à-vis those that are yet to be submerged.

In times like this, judicious use of relevant information and techniques in decision-making processes of organizations, individuals and corporate entities are without questions. Application of accounting information makes the difference between failed banks, enterprises, corporate bodies

etc. and successful ones. In all cases, the accountants have collected, analyzed interpreted, presented and communicated the information for the use of interested parties. It remains the adoption, application and implementation of that information for the benefit of the organization. If these were being done as and when due, then the failures in the business sector and even domestic government would not have been. So the problem is, if interested users are actually aware of this various accounting information and if they apply it in their production or investment decision making process; can decision based on accounting information actually raise efficiency level via cost minimization and wealth maximization?

In summary, the problems encountered in course of this research are:

- 1) Material constraints occasioned by exorbitant and rising cost.
- 2) Financial constraints.
- 3) Inaccessibility of data due to unwillingness on the part of the company to give them out.
- 4) Transportation problem.
- 5) Time constraints.

3. Purpose of the study

Gross inefficiency and non-application of sound professional principles have been known to be a serious factor contributing to the failure of businesses.

Business and economic investors are no more Father Christmas. They will invest only if they are connected or convinced that their return on anticipated investment is high, guaranteed and outweighs all risks including financial costs. The only way to assure them of this is through efficient production via cost minimization by plugging leakages thereby maximizing the efficiency of operations.

Apart from technical know-how and capital, efficient management of information is paramount if the organization is to achieve its objectives.

The objectives of the study are therefore:

- To determine whether information generated by the account department are effectively applied in the production and decisions of the organization.
- To know the extent to which this information fulfills the basic roles of cost minimization, proper allocation of scarce resources and improvement in the period efficiency.
- To determine whether there are problems in generating and utilizing other information necessary for production decision and to suggest possible solutions to the problems.

4. Scope and delimitation of the study

This research study cannot possibly treat the aspect and kinds of accounting information because the field is simply too wide. So only those relevant to the research study were dealt with as per need-ratio analysis, cost-volume-profit analysis, absorption and margin, costing, the contribution margin; standard costing and variance analysis, linear programming.

The availability of correct and update data is not easy. Even when available, one still encounters wholly unnecessary bottlenecks due to our socio-cultural background vis-à-vis disclosure of information and bureaucracy. So this constituted an impediment to the research work.

Financial and time constraints were seriously encountered by the researcher.

Computational procedures of the various accounting information or fools are outside the scope of the work. However, those deemed necessary might be treated.

It is impossible to cover all the companies, firms, and other business outfits in Kurdistan Region as a sample of two companies in Enugu state were studied and inferences drawn from these.

5. Research questions

They are as follows:

- 1) How is information generated by the accounts department effectively applied in the production and decisions of the organization?
- 2) Does this information fulfill the basic roles of cost minimization, proper allocation of scarce resources and improvement in the production efficiency.
- 3) Is there any problem in generating and utilizing the information necessary for production decision and suggesting solutions for the problems?

6. Statement of hypothesis

- 1) HO: Null-Hypothesis
- 2) HI: Alternative Hypothesis

Number One:

Ho: The accounting information generated in manufacturing firms is not utilized effectively in production decisions.

HI: The accounting information in manufacturing firms fulfills the basic roles of proper resources allocation cost minimization and production efficiency in production decision making.

7. Significance of the study

This study will try to shed light and illustrate the high interest rates, massive depreciation of the local currency (Dinar), non-utilization of installed capacity of manufacturing plants, of inevitable funds occasioned by low capital formation, political instability, stupendous financial irresponsibility, devastating inflation, incredible deflation, high cost of living, high unemployment rate, and inappropriate taxation policy are factors that impinge adversely on the operations of manufacturing organization on the entire economy.

This research study will help to maximize the beneficial impact of accounting information in the decision-making processes of an organization. This boosts the profitability of the organization as well as ensuring its continuity as a business entity. It will help in the efficient allocation of scarce resources that have alternative uses as well as increase productivity thereby up lifting the standard of living.

In fact all interested groups like shareholders, employee, investors, creditors, government, etc will benefit immensely.

8. Summary of finding conclusion and recommendations

From the sample of 200, total respondents studied 180 representing 90% are in the managerial framework. The composition is as follows:

Production	20 respondents	(11.11%, 40)
Personnel	5 respondents	(2.78%, 40)
Control	2 respondents	(1.11%, 4)
Marketing	7 respondents	(2.89%, 14)
Accounting/costing	40 respondents	(22.22%, 14)
Data processing	15 respondents	(8.33%, 30)
Maintenance/stores	20 respondents	(11.11%, 40)
Internal Audit	71 respondents	(39.44%, 142).

This group was used to collect the necessary information from questions. 1 to 17 since they are the relevant group for this part of the research: based on their response in question 13 and 14 the two hypothesis stated in chapter one were tested.

Based on the two sets of questions issued it was found out that, all the respondents were asked the question.

Do you use accounting information in your decision-making visa-visa the company? Answer obtained from question 16 showed that they rely on profit and loss, balance sheet, funds flow statement, value added statement and auditors report to make their decisions regarding owning holding shares in the company, working in.

Accounting system and decision making process in ANAMCO was studied to determine; whether information generated by the accountants is effectively applied in production and decision of the organization. Based on the above purpose, the researcher constructed many questions which elicited information analyzed.

The result of many analyses/findings were discussed as follows. The entire 180 respondents maintained that accounting practices were adopted in the organization for decision taking. More than 90% of the respondents agreed that accounting information raises efficiency of the management decision taking.

Moreover, 85% maintained that accounting information was relevant in the organization on the type of system adopted, 40% maintained that invoice and receipts were kept 60% maintained that financial cost and auditing statement of accounting were in use. The majority of the respondents maintained that accounting information helps in proper allocation of resources.

The result of the hypothesis, which state that the result of accounting information system obtained from the company was not utilized as follows: Using t_{c2} at 5% level of significance and as 1 with t_{c2} value as 13.42 and calculated = 180, then $13.42 < 180$. Thus H_0 is rejected and H_1 accepted because accounting information in manufacturing industry (ANAMCO) fulfills basic roles of proper allocation of resources cost minimization and production efficiency companies were not available. Consequently, the research was limited to ANAMCO.

Accounting information is so essential to the users development especially when it extends to decisions making. In view of the above, the following recommendations are deemed necessary:

1. Efforts should be made at employing professional staff with transparent honesty, and due punishment should be given to fraudulent staff.
2. Seminar/ Training should be given to staff of accounting department to enable them specialize more in the field of accounting.
3. The shareholder, investors and other users should be meeting at interval so as to assist the management in the achievement of their organizational goals.
4. Use of modern devices like computers should be introduced to the staff to enhance efficiency and effectiveness.
5. Special panel or internal auditors should be introduced to ensure the accuracy of the accounting information so that the users should not be deceived.

Finally, accounting information should be seen as an important tool in decision making process of a company and more encouragement should be given to staff in the performance of their duties. This will enhance efficiency and effectiveness of the accounting information.

The objectives of the firms differ from one organization to another. Based on the statement of the problem stated in chapter one, the researcher concludes that application of accounting information makes the differences between failed banks, enterprise and corporate bodies and successful ones. In this difficult economic mire adoption and implementation of accounting

information is very necessary. If this is applied and when due, the multifarious failure in business sectors and government sectors should stop.

Accounting information on decision-making process helps in raising of efficiency. It helps in proper allocation of resources such as material, money, and machinery. Accounting information generated on a company utilized effectively in production in a company.

In conclusion, the failure of firms may not be due to non-generation but the problem of the economy lies on the effectiveness, efficiency and judicious utilization of accounting information generated in an organization. Some Kurdistan Region firms make extension use of accounting information in their business decision. The study of accounting information in manufacturing industry (ANANMMCO) has many implications:

First, the study is basic in the sense that the proper information accounting procedure is very much required for efficiency decision making in such organization. Moreover, when a company is progressing, the government which it is under is also progressing especially in this era of mass transit programmers. When the government is satisfied in this regard the individual members of the society are also positively affected by the reduction in public transport costs. The researcher suggests further research of the level of application of the system in other manufacturing companies in any part of the country. Moreover, further inquiry should be carried out concerning proper utilization of the results of accounting information in the company under investigation.

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Summary

The article tries to discover that the proper and enough accounting information should be generated and applied substantially in organization studied. Also, the problems of the economy lie elsewhere rather than in sufficient generation and application of accounting information in decision making process in organizations.

Keywords: economic information, accounting information, decisions, planning, organization.

JEL classification: M400

UD classification: 657(075.8)

Date of acceptance: 10.07.2014.