THE IMPACT OF FINANCIAL STATEMENT ON MANAGEMENT DECISION MAKING.

(A CASE STUDY OF COCA-COLA)

BY

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CERTIFICATION

This is to certify that this project work has been written by **WASIU NAFISAT ODUNOLA** with Matriculation Number **HND/23/ACC/FT/0680** and has been read and approved as meeting part of requirement for the Award of Higher National Diploma (HND) in the Department of Accountancy, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic, Ilorin, Kwara State

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DEDICATION

This research is work is dedicated to Almighty Allah the most beneficent the most merciful.

ACKNOWLEDGEMENT

I want to acknowledge the **Almighty Allah**, the author and finisher of all things, I want to acknowledge him for the wisdom, knowledge and understanding he grant unto me throughout this journey, for his grace, Mercy and strength May his name be forever praised.

My deep appreciation goes to my project supervisor **Mr. Azeez Y.O** who devotes time and supported me throughout this project work. May Almighty God continue to be with you and your entire family. Amen.

In this regard, I wish to express my sincere regard, gratitude and appreciation to my parent **Mr. and Mrs. WASIU** for their financial and morally support. I pray Almighty God let you live long to reap the fruit of your labour. Amen

I will also like to extent my appreciation to all my family and friends. Thank you all for everything you contribute towards the completion of this project

Finally, I must congratulate myself for being able to take up the challenge to complete this program and project work successfully.

TABLE OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Business entities communicate their information to interested users through published financial statements. These published financial statements are prepared in the form of report and many people think of financial statement as highly technical documents which can be understand only by professional accountants. (Gordon, 2020).

One need the art of measuring, interpreting and communicating the information contained in the financial statement. The financial statements present the summary of the activities of an organization over a period. Its main objective is to communicate a disruption of financial condition and operating of a business entity. The financial statements the last in accounting process are the starting point in the study of accounting. (Fertig, 2022).

As with things by understanding what the ultimate goals is, it is easier to achieve it for the purpose of the project business entity are the economy entity whose objective is to earn a profit and in order to earn a profit, a business entity must sell its service or product a price that exceed its cost of production. (Decoster, 2021).

Decision making is the most persuasive of the managerial function. In every stage of managerial process, planning, organizing, controlling or communicating are the areas which managerial have to make decision. (Ajayi, 2021).

All business decision involves a choice among alternative courses of action. The criteria for such may be attitude of employees; it may be objective and subjective factors. In most situations, it is possible to analyze some of the consequences of alternative action quantitative terms and to use the result of the analysis in making decision. (Decoster, 2020).

1.2 STATEMENT OF THE PROBLEM

In the main stream of research work the researcher observed that the organization ordeal stated to unfold gradually and the detail of the problem will be given having out the organization process.

The problems of the study are: how organization concerns operate their information system; and data stored about individual in side computer are subject to abuse and misuse. At the esteem and inaccurate data can even be stored about individual without their knowledge. This problem is generally referred to as "privacy" problem. A number of the legislature such as the data protection act of 1984(5): have been made in civilized countries to control the use of personal data about individual.

Despite the importance of financial statement in decision making, there is limited understanding of how management use financial statement to make inform decision and also there is need to examine the relationship between financial statement and management decision making to identify best practices and area of improvement.

1.3 RESEARCH QUESTIONS

In the course of the study, the following research questions will be provided with answers.

1. To what extent does financial statement have impact on management decision making?
2. To what extent does financial statement helps investors in investment decision?
3. Does financial statement reflect the truth and fairness of a organization?

1.4 OBJECTIVES OF THE STUDY

i. To examine the impact of financial statement on the management decision making

ii. Assess whether the financial statement helps investors during investment decision

iii. Examine whether financial statement always reflect the truth and fairness of an organization

1.5 RESEARCH HYPOTHESIS

H1: Financial statement does not have impact on management decision making?

H2: Financial statement does not helps investors in investment decision?

H3: Financial statement does not always reflect the truth and fairness of a company?

1.6 SCOPE OF THE STUDY

The disciplinary scope of this study is the financial statement on management decision making in departmental stores, while the spatial scope is on shoprite, Ilorin.

1.7 SIGNIFICANCE OF THE STUDY

The research work is an impact of financial statement on management decision making. The research work is limited with many problems, such as in adequate finance. To finance a detail research it needs a lot of funds. As a student the researcher does not have enough money to travel wide for more information as regard to the topic.

1.8 LIMITATION OF THE STUDY

The major problem encountered in the course of this study is distance the company under is situated far away from the school it takes at least one hour trip travelling for the collection of relevant data, Unwillingness of the respondent to give the replies.

a. **Time constraint**: a lot of a sacrifice has to be made so that the researchers could have enough time for this study. The time lag is a serious problem faced by the researcher, that is the time space between the period it was submitted which was not sufficient enough as the researcher has to combine academic activities with the research work which was not all that easy. Additionally, the time constraint made quite challenging following up on respondents to collect questionnaire feedback for the necessary required data for analysis as well as meeting with supervisor for consultation.

b. **Financial constraint**: the researcher encountered some financial difficulties as I could not get enough adequate funds for some activities which have great impact on the success of the researcher as well.

c. **Availability of Data**: the statistical data to be collected were scarcely recorded in almost all department in the organization and not properly kept, not updated and this made it difficult for the researcher to get sufficient and adequate information needed.

1.9 DEFINITION OF TERM

1. FINANCIAL STATEMENT: Financial statements are the means of communicating to interested Parties information on the resources obligation and performance of the reporting entity or enterprise. The information expected in financial statement are those that are qualitative and quantitative in nature.

2. PROFIT AND LOSS ACCOUNT (STATEMENT OF COMPREHENSIVE INCOME): Profit may be defined as the excess of selling price over cost price. The total revenue realized from goods bought exceed to total expenditure on goods.

3 BALANCE SHEET (STATEMENT OF FINANCIAL POSITION): It may be defined as a tabular summary showing a what a person or a business own (assets) and what the person or business ones (liabilities) in a particular period of time.

4. CASH BOOK: Cash book can be defined as a book of recording the receipts of income and personal or trade payment of money either in cash, cheque, company draft or postal orders. It consists of the cash and company (two column cash book) account taking out of the ledger.

5. LEDGER: Ledger may be defined as the principle book of account. Every other entries of transactions in all the other book of account are recorded in it.

6. TRIAL BALANCE: Balance may be defined as a system of checking f arithmetical accuracy of the book keeping in the financial statement to text the double entity whether it has been completed in the ledger or not.

7. SALES DAY BOOK/SALE JOURNAL: in this book, a daily record is made of all sales of goods on credit (goods not paid for).

8. PURCHASES DAY BOOK/ PURCHASES JOURNAL: This book contains the particulars of goods bought on credit (goods not pay for) particulars of each purchase with date and name of seller are entered in it and the amount is posted individually to the credit of the account of the supplier in the ledger.

CHAPTER TWO

LITERATURE REVIEW

2.1 PREAMBLE

This chapter seeks to review literature of existing bodies of literature on the subject of the research. The chapter analyzed conceptual framework, theoretical framework and empirical review of the study.

2.2 CONCEPTUAL FRAMEWORK

2.2.1 THE CONCEPT OF FINANCIAL STATEMENT

The basis for financial statement planning, analysis and decision making is financial information. Financial is needed to product and compare the firm's earning ability. It is also required in economic decision making. The financial information of an enterprise are contained in the financial statement.

According to the Meigs (2021) financial statement is the means of conveying to management and to interest outsider, a concise picture of profitability and financial position of the business. Financial statement generally can be defined as the summarized information of the firm’s financial affairs organized systematically. They are the means of presently the forms financial situation to all users (Pandey).

In SAS 2, financial statements are expected to be simple, clear and easy to understand by all users. Besides, they are the means of communication to interested users or parties information on the resource obligation and performance of the reporting entity or enterprise. Financial statements are external (financial accounting) statements. The institute of cost and management accounting (ICMA) defines internal financial statement in the technology as the provisions of information required by management for such purchases as formulation of policies, planning and controlling of activities of the enterprises, decision making an alternative course of action disclose to those external to the entity, disclosure to the employees and safeguard assets.

Internal financial statement are not given to parties outside the entity, they are prepared mainly for the benefit of the outside the entity, they are prepared mainly for the benefit of the management and are used exclusively by the management, therefore, they are prepared to need specific internal policies need and act as guidelines to managers.

2.2.2 THE CONCEPT OF INTERNAL FINANCIAL STATEMENT

Internal financial statements are concerned with the provision of information to people within the organization to help them make better decision. It is considered that the benefits from the information by management exceed the cost of collecting and the preparation. (Dury of the 2020.)

According to Pandey (2022), External financial statements are product of accounting. They are given to parties outside the entity. External parties are unable to specify guidelines for the preparation of financial statements.

The presentation presented in external financial statements help investor and other user to make between decision about the entity. Thus financial statements must present information which are relevant to economic decision that is, they must be rare for predicting the future success and failure of the business entity relevance as an important quantitative characteristics of financial statement is concerned mainly with low accounting can serve external decision makers (Hongren 2024).

External financial statement principally consist of the profit and loss account, balance sheet, note on the account, sources and application funds, value added statement.

External financial statements involve the measuring and recording of transaction of a business enterprises or other economic unit and periodic preparation of various report from such record. (Warren and Fees 1968). It can also be defined as the "Discipline responsible for the providing of the information needed to evaluate the decision of the present and planned activities of organization in the society".

2.2.3 THE CONCEPT OF PROFIT AND LOSS

According to Pandey (2020), the profit and loss account is the "score Board" in the firm's performance during a particular period of time. Since the profit and loss account reflect the result of operation for a period of time. It is a flow statement. It present the summary of revenues, expenses and net income (or net loss) of a firm's profitability.

The balance sheet is one of the most significant financial statements. It indicate the financial condition or the state of affairs of a business at a particular point of time more, specifically, it contain information about resources and obligation of a business entity and about its owner's interest in the business at a particular point of time.

In short, financial statement can be described as a man made act which charge and improve day-in-day-out, in the process of communicating business information as it function is vital to every unit of the society. The individual must account for his or her income and so the users of financial statements use them as basis for controlling their resources (which are very limited in supply) and meaning accomplishment.

2.2.4 INFORMATION TO BE DISCLOSED IN THE FINANCIAL STATEMENT

All financial statement that will assist users to assess the financial statement or position, profitability solvency and viability of a reporting company in order to make a valuable business decision should disclose certain information in logical clear and understandable manners.

Information to be disclosed in financial statements are group into two categories, general disclosure requirement and specific disclosure requirement.

(a) The financial statement of a company should state:

i. The name of a company.

ii. The period of time covered.

iii. A brief description of activities.

iv. Its legal firm.

v. Its relation with its significant local and overseas suppliers including the immediate and ultimate present association or affiliated company.

(b) Financial statement should include the following

i. Statement of accounting policy

ii. Balance sheet

iii. III. Profit and loss accounts or income statement.

iv. Notes on the account

v. Statement of source and application of funds.

vi. Value added statement.

vii. Five years financial summary.

(c) The financial implication of inter-company transfer and technical/management agreement between the enterprises and its significant local and overseas suppliers including it immediate and alternate associated, affiliated should be disclosed.

(d) Financial statement should show corresponding figures for the proceeding proceed.

(e) General disclosure on the balance sheet. The following disclosure should be made as regarded balance sheet in the financial statement.

i. Restriction on the little of assets.

ii. Security given in respect of liability.

iii. The method of providing for pension and retirement plan.

iv. Contingent asset and contingent liability quantified possible.

v. Amount committed for future capital expenditure.

2.2.5 SPECIFIED DISCLOSURE ON BALANCE SHEET

Assets: Property plant and equipment: the following terms should be disclosed

(a) Land freehold and leasehold

(b) Buildings

(C) Plant and equipment

(d) Other categories of asset suitably identified

(e) Accumulated depression for each category.

Separate disclosure in a note form should be made of assets on leases and assets required include the type of asset involved their amount and the period covered.

2.2.6 OTHER LONG TERM ASSET

(A) Long term investment (quoted or unquoted) distinguishing between:

i. Investment in subsidiary

ii. Investment in associated company.

iii. Other investment.

(B) Long term debit

All long term debits including their tenure should be disclosed

(C) Intangible assets

i. Goodwill.

ii. Patient. Trademark and similar assets

iii. Preferred charge such as pre- incorporated and formation expenses, pre production expenses and re-write any write-offs during the period and the value of investment

CURRENT ASSETS

The following item should be disclosed as regards current asset in the financial statements:

(a) Stocks and spare parts

(b) Current portion and long term debits.

(c) Trade debits

(d) Prepayment and sundry debtors

(e) Directors debt debit balance

(f) Subsidiary and associated companies debit balance

(g) Short term investment

(h) Deposit with central company

(i) Cash and balance

CAPITAL AND RESERVE

A) As regard capital and reserve stead in the balance sheet, the following information should be disclosed. The variety of ownership interest such as ordinary shares, preference shares, cumulative, non cumulative and participating preference shares.

i. The number, nominal value and amount of shares authorized and issued.
ii. The right, preference and restrictions with respect to the distribution of the repayment capital.
iii. Cumulative preference dividends in arrears.
iv. Share reserve for future issue under options sales contract and option for conservation of loans and debenture into shares, including the term and amount.
v. Movement in the share capital account during the period.

B) Other share interest indicating movement during the period and any restriction on their centralization by way of bonus shares

i. Share premium or discount
ii. Revenue and capital reserve
iii. Retained earning

LIABILITIES

Information that can be disclosed in the financial statement in respect of liabilities can be categorized into two: The long term liabilities and current liabilities.

a) LONG TERM LIABILITIES

i. Secured loan

ii. Unsecured loan and

iii. Loan from holding, subsidiary and associated company.

b) CURRENT LIABILITIES

i. Amount due to holding, subsidiary and associated company.

ii. Trade creditors

iii. Other creditors and accrued expenses

iv. Dividend payable

v. Current taxation

vi. Current portion of long term liabilities

vii. Company loans and overdrafts.

(A) PROFIT AND LOSS ACCOUNT (INCOME STATEMENT)

The following information should be disclosed in respect of profit and loss account in the financial statements.

i. Turnover / sales and other operating revenue.\

ii. Other earning distinguishing between interest income from investment and other sources.

iii. Interest charge

iv. Taxes on income

v. Unused charged

vi. Depreciation

vii. Auditors remuneration

viii. Unusual credit

ix. Directors emolument

x. Net income.

(B) SOURCES AND APPLICATION OF FUNDS

The following disclosure should be made in the financial statements in respect of sources and application of funds.

(a) Sources of funds

Funds generated from normal operations.

Fund from other resource.

(b) Application of funds

Loan repayment

Fixed asset acquisition.

Payments of dividends.

Payments of tax etc.

(c) Increase or decrease in working capital in respect of:

Stock

Debtors

Creditor etc should be disclosed in the financial statement.

(d) Movement in act liquid fund.

(C) VALUE ADDED STATEMENT

The financial statement should separate the following under the value added statement.

a. Sale to outsiders
b. Purchase (goods and services) distinguishing between imported and local items.
c. Benefit to various group such as:
d. Employees
e. Owners and suppliers of capital
f. Governments.

(d) Money retained from maintained and expansion of the enterprise. It should be noted that meaningful information to be disclosed in financial statements can be gathered, collected and presented in different form but the format presented in their projects is recommended by the Nigerian Accounting Standard Board (NASB).

2.2.7 PROBLEMS IN THE USE OF FINANCIAL STATEMENT IN ACCOUNTING

Before there can be a proper understanding of the information shown in financial statement, there must be a proper understanding of the information shown in financial statement, there must be a clear and adequate interpretation of the figures.

This is made possible with the application of method such are: ratio analysis, comparison and directors reports.

However, the user of financial statement can still have a problem in making business decision despite the fact that three methods have been applied. These problems include:

A financial statement presents a limited picture only of the business. The information include in the financial statement does not cover all aspect of the business.

The problem associated with differing bases of accounting are now more important than in ratio analysis in particular difference in valuing fixed assets depression method used and valuation in stock-in-trade can be mentioned. There is usually a variety of accounting method, which may be appropriate to a particular firm but in appropriate to another firm.

There is problem of comprising small and large firm, financial statement as it is incorrect to do so.

Interpretation of a charge in a ration in financial statement may pose another problem as there is need for careful examination of charge in both numerator and denominator, so that without a full and details investigation some wrong conclusion may be down.

A financial statement of a firm that finance its fixed plant through varietals thus not showing it as an asset will be difference as compared with a firm which purchases its own assets.

External analysis balance can be misleading because the picture at one particular moment of time may not be representative of the year as a whole.

For example firms that takes stock when their stock levels are lowest. Average figure should be used but are not available externally.

There is room for considerable difference between individual companies. It is therefore wrong to lay down too rigid guideline since what many be good for one successful firm may be wrong for another and these can create problem also in the use of financial statements.

Through a financial analysis the management of the company or outside parties such as owners, creditors, investor and other strike to seek answer to question such as:

a. Can the company meet the current obligation?

b. What source of long term finance is employed by the company and what is the relationship between this and the current liabilities?

c. Are earnings adequate?

d. How efficiently does the company use its assets?

e. Do investors consider the company profitable and safe for the purpose of investing in its share?

Financial statement analysis may not always provide the exact answer to these questions but it does indicate the general direction of what can be expected in future.

When all the users to which financial statement analysis can be put are considered, one may be tempted to include that its leaves no room for subject judgment.

2.2.8 TYPES OF FINANCIAL STATEMENT

Basically, there are two categories of financial statement in respect of any company, the internal and external statements. The former is for management internal consumption while later is publication for members of the general public consumption.

For the purpose of this project work however, discussion on the external financial statement will be focus on and based on profit and loss account statement, the balance sheet statement, the source and application of funds statement and the year financial summary.

2.2.9 PROFIT AND LOSS ACCOUNT STATEMENT

Profit and loss account statement is a statement that presents the summary of revenue and expenses of firm in order to arrive at net profit or loss for the period.

Thus, it serve as a measure of the firm's profitability, it is usually prepared on annual basis.

The new income, which is an indication of the firm's profitable operation is the amount by which the revenue earned during the period exceeds the amount by which the revenue earned during the period exceeds the expenses, incurred during the period, it the firm operation proved to be unprofitable, the total expenses will exceed total revenue and the difference if referred to as net loss.

The presentation of profit and loss account as a financial statement for public consumption has already been dealt with in chapter of this project as it affects the case study. It should be noted that from profit and loss account statement, the following can be determined.

a. Stock turnover
b. Gross profit percentages
c. Expenses percentages
d. Fixed interest cover
e. Fixed dividend cover
f. Earnings per share
g. Dividend per share

The result of number 1-7 above will indicate to the interest parties, the type of interest decision he or she wishes to undertake who ever, whatever decision arrived at depends on the actual, integration on is giving to the various result figures. Important function of the profit and loss account statements are:

1. It gives a concise summary of the firm's revenue and expenditure during the period of time.
2. It measures the firms profitability
3. Communicates information regarding the resulting of the firms activities of the owner and others.
4. Measures net income by matching revenue and expenses according to basic accounting principles

2.3 THEORETICAL REVIEW

2.3.1 GOING CONCERN THEORY

Theory of going concern refers to the ability of a company to make enough money to stay afloat without having to go bankrupt. The theory is premised on the assumption that an enterprise will continuously carry out its operating activities for a period of time that is sufficient enough to meet its obligations and commitments as they fall due. In other words, it is presumed that the company would have no reason to liquidate or be forced out of business in the foreseeable future.

2.3.2 THEORY OF PROPRIETARY AND RESIDUAL EQUITY

Proprietary equity theorists like Husband (2020) argued that a company's accounting procedure should be handled from the standpoint of its shareholders. The residual equity theory was created by Staubus (2019), who believes that accounting should be done from the viewpoint of residual equity holders, which in a going concern is the same as that of common shareholders. Financial statements are created from the perspective of the business owners and are intended to evaluate and assess their net value, as indicated by the accounting equation: Equity, proprietorship, or net worth are all examples of assets-liabilities.

The assets are the owners' assets, and the liabilities are the proprietors' liabilities, according to the proprietary perspective. “Liabilities are negative assets – negative qualities, which must be precisely identified and segregated in the accounting process,” according to Newlove& Garner (2023), under proprietary theory. In a proprietorship, revenues are rising while costs are down. “The excess of revenues over costs,” as defined by net profits, “accrues directly to the owners; it indicates a gain in the proprietors' wealth”. Staubus (2021), Hendriksen and Van Breda (2022), and Hendriksen and Van Breda (2020), reduced the idea of owners to common stockholders and treated preference shareholders as liability holders, emphasizing the significance of forecasting future cash payments for investors.

2.3.3 PORTFOLIO INVESTMENT THEORY OF DUPONT MEAN VARIANCE

According to Adebimpe (2021), who modified the DuPont equation, it is a phrase that divides return on equity into three parts. The word was coined by the DuPont. Corporation in the 1920s, which devised and implemented the portfolio formula into their business operations. According to the Markowitz Mean-Variance Portfolio Theory, a firm's profit is determined by total sales, total assets, shareholder equity contribution, and liabilities (debts). This formula is known by many various names, including DuPont analysis, DuPont identification, the DuPont model, the DuPont technique, and the strategic profit model.

ROE= Net income x Sales x Total Assets…………………………2.

Sales Total Assets Average Shareholder Equity

Profit margin time's asset turnover time's financial leverage equals ROE in the DuPont calculation. The profit margin multiplied by asset turnover multiplied by financial leverage, according to DuPont's calculations, equals the return on equity.

Companies may more quickly grasp and appreciate changes in their ROE (return on equity) over time by breaking it down into three sections.

2.4 EMPIRICAL REVIEW

Various research studies were carried out on financial statement and their impact on decision making. (Siyanbola & Raji, 2022) on their study of the impact of financial statement. Inflation is as old as a market economy, it is a period in which there is a rise in general level of prices measured by price indexes which are averages of consumer or producers prices, in other words it a condition of a persistent rising in general price level. Like disease inflation shows different level of symptoms. It is useful to classify them into three categories. Moderate inflation, Galloping inflation and hyper inflation.

Barbole,Yuraj, and Santosh(2021) conducted an examination on the impact of inflation. Moderate inflation is the medium price are rising it is not extreme or excessive, holder of moderate inflation make or become moderate we might arbitrarily classify this inflation rates, those less than ten percent annually. In conditions of moderate and stable inflation. Relative prices do not spend much time trying to unload their money because its real interest rate is not too low.

The study of Oyerogba, Olaleye&Solomon (2020), examined the Galloping inflation is which the rate of inflation is so mild, and un-alarming and is tolerated as a "price" for other objectives like sustained growth in economy. Most economist believe that a small rate of inflation (i.e. Galloping inflation) is necessary in an economy because it is natural that price must rise to stimulate production and economic growth.

Anthony, et al (2019) regards Financial market whether away and funds are generally allocated by rationing rather than by interest rate people head goods, buy houses and never lend money at ordinary interest rates. Hyper inflation or run-away inflation occurs when price have escalated to such unreasonable level that it makes money to be virtually useless. A hyper inflation means that money rapidly loses its value in such a situation, people are anxious to spend money as quickly as possible while, they can still get something in exchange for it is an extreme form of inflation. Having discussed in detail, inflation as a subject matter. It is necessary to relate the effect of inflation on bad debts in financial institution. It is important to note that bad debts was originally incurred by business promoters to financial this acquisition of one thing or the other. The purpose could be an item of fixed asset.

Sikka (2023) further discussed that Business promotes find it difficult to get the relevant spare parts for this assets all, the prices are so prohibitive that they can hardly afford to buy. Because of the entrepreneur inability to maintain their fixed assets plant and machinery they are forced to make use of the machine in their faculty state with their resultant effect of reduce production capacity. While the machine continues to be flopped more damages are being done to them until such as time that machine are totally grounded and production comes to be half. Total production stoppage is experience at this stage and it is only after these has happened that business promoters start for funds to keep the machinery working again. In the mean time since company can no longer sell and make profit, the borrower finds it difficult to meet his banking obligation again. The effect of this is too known the company's debt become abandoned thereby increasing the volume of bad debts in our banks most working capital provided by bank some times ago has in the face of the growth of inflation in our economy because totally inadequate for the need of business promoters.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 PREAMBLE

This chapter highlights the procedures used in conducting the study. Pertinent issues discussed in this section include the research design, population of the study, sample size and sampling techniques, sources and methods of data collection, instrument of data collection and techniques for data analysis.

3.2 RESEARCH DESIGN

A research design is the basic plan which guide the data collection and analysis phase of the research project. It is structuring of investigation aimed at identifying variables and their relationships to one another. It is basically a preconceived notion of what the information, the investigation needs to generate to complete the study, why it is needed, how it is needed to be secured and how it is to be referred and related to the statement of the problem.

In management science, the research methods employed include historical, empirical, case study and survey method. Survey method was therefore employed for this study.

3.3 POPULATION OF THE STUDY

A population is an aggregate of similar things, that is the total head count of the element involved in the programme affected. Cherisnall (2018) described population as any group of people or objects which are similar in more ways and which forms the subject of the study in a particular survey.

The target population for this research work are the staff/workers of the Shoprite Ilorin in Kwara State. These people were been selected because they are the major people involved in the study area. Therefore, the target population is 30 staff of Shoprite Ilorin.

3.4 SAMPLE/SAMPLING TECHNIQUES

The sample size for this study consist of 28 staff of Accounting Department of Shoprite, this is arrived at according to Yaro Yammane formula.

3.5 SOURCES AND METHOD OF DATA COLLECTION

The method of data collection used in accomplishment of this research work involves both primary and secondary data collection which includes personal interview, relevant materials and textbook consultation, e.t.c.

For this research work, interview administration lasted for only few days and the major problem faced during the exercise is this factor. Questionnaire was basically employed in collecting data.

3.6 INSTRUMENT FOR DATA COLLECTION

The primary data was employed in gathering information from staff of all cadres. Interviews were also conducted with other stakeholders, including customers of the company. The questionnaire consists of two sections. Section A elicits demographic information like gender, working experience, while Section B contained structured items relating to the research questions that necessitated this research.

3.7 THECNIQUES FOR DATA ANALYSIS

After the collection of the completed questionnaires from the respondents, data collected were manually analyzed with the aid of Table which were drawn to indicate the responds and these were expressed in the percentage of all respondent to each question in the questionnaire.

CHAPTER FOUR

ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

This chapter deals with the actual making of decision based on the computation and analytical process under which information collected from questionnaire will be made fifty-two questionnaire were sent out but thirty was returned, the information gathered from the analysis in section A below give insight into the cadre of the respondents. Therefore, the analysis of the study was based on the 30 questionnaire returned.

4.2 RESPONDENTS CHARACTERISTICS AND CLASSIFICATION

Having enumerated the questionnaire in previous chapters they will now be analyzed so that conclusions would be reached as to whether to accept or reject the ideals put across based on the response obtained. In doing this, the questions will be picked on after the other.

SECTION A - BIO DATA OF RESPONDENTS

TABLE 4:2:1: Gender of respondent

1	Gender group	Number of Respondents	Percentage (%)
A	Male	18	60
B	Female	12	40
	Total	30	100

Sources: Researcher’s Survey, 2025

From the table 4:2:1 above, it shows the sex group of the respondents. However the male respondent are 18 about 60% of the total respondent and female respondent are 12 about 40% of the total respondent. Therefore the male respondents are more than the female respondent.

TABLE 4:2:2 Marital status of respondent

2	Marital Status	Number of Respondents	Percentage (%)
A	Single	12	40
B	Married	16	53
C	Divorced	2	7
	Total	30	100

Sources: Researcher's Survey, 2025

The table 4:2:2 above shows the marital status of the respondents. However the single one are 12 about 40% of the respondent, the married are 16 about 53% and the divorced ones are 2 about 7% of the respondents.

TABLE: 4:2:3: Length of work experience

3	Length of work experience	Number of Respondents	Percentage (%)
A	Between 1-10 years	7	27
B	Between 11-20 years	6	57
C	Between 21-35 years	17	17
	Total	30	100

Sources: Researcher's Survey, 2025

The table 4:2:3 above shows the length of work experience of the respondents. However, between 1-10 years are 7 about 27% of the respondent, between 11-20 years are 6 about 57% of the respondent and between 21-35 years are 17 about 17% of the respondents.

TABLE 4:2:4: Educational qualification

4	Qualification	Number of Respondents	Percentage (%)
A	WSC/SSCE/NCE	7	24
B	OND/A’ LEVEL	17	56
C	BSC/HND	6	20
	Total	30	100

Sources: Researcher’s Survey, 2025

Table 4:2:4 above shows the qualification of the respondents. However, WSC/SSCE/NCE are 7 about 24% of the respondent, OND/A’ LEVEL are 17 about 56% of the respondent and BSC/HND are 6 about 20% of the respondents.

TABLE 4:2:5: Department specification of respondent

5	Department specification	Number of Respondents	Percentage (%)
A	Account/Finance	13	43
B	Personnel	11	20
C	Administrative	6	37
	Total	30	100

Sources: Researcher’s Survey, 2025

The table 4:2:5 above shows the department specification of the respondents. However, the Account/Finance are 13 about 43% of the respondents, personnel are 11 about 20% of the respondents and administrative are 6 about 37% of the respondents.

4.3 PRESENTATION AND ANALYSIS OF DATA ACCORDING TO RESEARCH QUESTION

SECTION B: TABLE 4:2:6

1 Which of the following are prepared in your company?

	RESPONSE	Number of Respondents	Percentage (%)
A	Statement of accounting policies	15	50
B	Statement of comprehensive income	15	50
C	All of the above	00	00
	Total	30	100

Sources: Researcher's Survey, 2025

Table 4:2:6 above shows the preparation in the company. However, the company prepares both the statement of accounting policies and statement of the comprehensive income of the financial reports.

TABLE 4:2:7

2 Do you agree that the management need information provided by the financial statement in the performance of its information?

	RESPONSE	Number of Respondents	Percentage (%)
A	Strongly agree	21	70
B	Agree	7	23
C	Disagree	2	7
	Total	30	100

Sources: Researcher's Survey, 2025

The table 4:2:7 above shows the management information provided by the financial statement in the performance of its information. However, the strongly agree are 21 about 70%

of the respondents, agree are 7 about 23% of the respondents and disagree are 2 about 7% of the respondents.

TABLE 4:2:8

3 Do you think that competent and sufficient hands are employed to prepare financial statement in time?

	RESPONSE	No	%
A	Agree	19	63
B	Disagree	11	37
	Total	30	100

Sources: Researcher's Survey, 2025

Table 4:2:8 above shows the competent and sufficient hands employed to prepare financial statement in time. However, agree are 19 represent 63% of the respondents and disagree are 11 represent 37% of the respondents.

TABLE 4:2:9

4 Do you think that sufficient data are available for financial statement in time?

	RESPONSE	No	%
A	Agree	10	33
B	Disagree	20	67
	Total	30	100

Sources: Researcher's Survey, 2025

The table 4:2:9 above shows the sufficient data that are available for the financial statement in time. However, the one's that agree are 10 about 33% of the respondent and disagree are 20 about 67% of the respondent.

TABLE 4:2:10

5 Who are the users of financial statement?

	RESPONSE	No	%
A	Investors	-	-
B	Employee	-	-
C	Management of the above	30	100
	Total	30	100

Sources: Researcher's Survey, 2025

The table 4:2:10 above shows the users of financial statement. However, the analysis shows that the investors and employee respondent represented by 100% agreed that all the above use of ratio.

TABLE 4:2:11

6 What are the reasons for preparing financial statement?

	RESPONSE	No	%
A	Planning	-	-
B	Decision making	-	-
C	All of the above	30	100
	Total	30	100

Sources: Researcher's Survey, 2025

The table 4:2:11 above shows the reasons for preparing financial statement. However, the analysis shows that the planning and decision making both agreed with the reasons for preparing their financial statement.

TABLE 4:2:12

7 How would you assess management ability to interest financial statement?

	RESPONSE	No	%
A	Strongly agree	5	17
B	Agree	20	66
C	Disagree	5	17
	Total	30	100

Sources: Researcher’s Survey, 2025

The table 4:2:12 above shows the assess management ability to interest financial statement. However, strongly agree are 5 represented 17% of the respondents, agree are 20 represented 66% of the respondents and disagree are 5 represented 17% of the respondents.

TABLE 4:2:13

8 Which of the following techniques do you use in analyzing financial statement?

	RESPONSE	No	%
A	Statement analysis	27	90
B	Value added statement	1	3
C	Inflation adjustment account	2	7
D	If others, please specify	-	-
	Total	30	100

Sources: Researcher’s Survey, 2025

The table 4:2:13 shows the technique use in analyzing financial statement. However, the statement analysis are 27 about 90% of the respondents, value added statement are 1 about 3% of the respondents, inflation adjustment account are 2 about 7% of the respondents and other use known of the respondent to analyze their financial statement.

TABLE 4:2:14

9 Which of the following statement do you use as a manager?

	RESPONSE	No	%
A	Profitability statement	-	-
B	Liquidity statement	-	-
C	Stock management statement	-	-
D	Stability statement	-	-
E	All of the above	30	100
	Total	30	100

Sources: Researcher’s Survey, 2025

From the table 4:2:14 above shows the statement use as a manager. However, the above shows that all respondents accept that all the following statement are used as manager.

TABLE 4:2:15

10 Are the inventory in your company adequate to support the project level of sales?

	RESPONSE	No	%
A	Agree	26	87
B	Disagree	4	13
	Total	30	100

Sources: Researcher’s Survey, 2025

The table 4:2:15 shows the inventory in the company adequate to support the project level of sales. However, agree are 26 represent 87% of the respondents and disagree are 4 represent 13% of the respondents support the projected level of sales.

TABLE 4:2:16

11. which of the following do you compare your result within analyzing the financial statement?

	RESPONSE	No	%
A	Post events	25	83
B	Budgeted figures	3	10
C	Leading firm industry	-	-
D	Industrial	2	7
	Total	30	100

Sources: Researcher’s Survey, 2025

The table 4:2:16 above shows the respondent in the industry to compare the result within analyzing the financial statement. However, the post event are 25 represent 83% of the respondents, budgeted figures are 3 represent 10% of the respondents, industrial are 2 represent 7% of the respondents and no on accept leading firm in the industry to compare their result in analyzing their financial statement.

TABLE 4:2:17

12 Do you think that management (most especially the non-accounting ones) caused companies a lot to have by treating of financial advice with levity?

	RESPONSE	No	%
A	Agree	30	100
B	Disagree	-	-
	Total	30	100

Sources: Researcher’s Survey, 2025

The table 4:2:17 above shows the respondents that financial advice treated with levity by non-accounting ones. However, the analysis shows that all respondents that is 100% agreed that financial advice is treated with levity by non-accounting ones.

4.3 TEST OF HYPOTHESIS

H0: Financial statement does not have significant impact on management decision.

H1: Financial statement has significant impact on management decision.

Positive Response	Negative Response	
	X	Y
Question 1,	36	3
Question 2,	35	4
Question 3,	38	1
	109	8

Pearson (r) method

$$r = \frac{N\sum x\,Y - \sum x \sum Y}{\sqrt{n\sum x\,2 - (\sum x)^2 \ \ (N\sum Y^2)\,(\sum Y)^2}}$$

$$= \frac{3 \text{ x } 286 - 872}{\sqrt{3 \text{ x } 3965 - (11881)\,(3 \text{ x } 26 - 64)}}$$

$$= \frac{858 - 872}{\sqrt{(11895 - 11881)}}$$

$$= \frac{14}{\sqrt{14\text{x } 14}}$$

$\underline{\underline{14}}$

$\sqrt{14 = -14 = 3.74}$

= $\underline{\underline{3.74}}$

HYPOTHESIS 2

115625

X81	Y	X^2	Y^2	XY
34	5	1156	25	170
30	9	900	81	270
35	4	1225	16	140
99	18	9801	324	1782

Source: field survey, 2025

r = 1740 – 1782

$\sqrt{(9843 - 9801)(366 - 324) = (42 - 42)}$

- 42   42   = 6.48

$\sqrt{42}$ $\sqrt{6.48}$

r = 6.48 is greater than 0.71

Therefore, accept Hi and reject the Ho

The liquidity of a company has no significant impact on returns on investment.

HYPOTHESIS 3

H_1 the probability level of a company has a significant impact on the rate of return on investment.

Question	Positive response	Negative response	X^2	Y^2	XY
1	25	14	625	196	350
2	32	7	1024	49	224
3	38	29	100	841	290
4	10	4	1369	16	148
5	37	1	1444	1	38
	142	55	4562	1103	1050

SOURCE: FIELD SURVEY, 2025

$$r = \frac{5.1050 - 142 \text{ x } 55}{\sqrt{(5.4562 - 20124)\ (5515 - 3025)}}$$

$$= \frac{5250 - 7810}{\sqrt{2646 - 2490}}$$

$$= \frac{-2560}{\sqrt{65885450}}$$

$$+\frac{2560}{2.567} = 0.99$$

4.4 SUMMARY OF FINDINGS

From the result obtained on the data analyze, it was discovered that of the financial statement have a significant impact on investment decision.

a. The liquidity level of a company influences the return to be received on investment.

b. The profitability level of a company influence rate of returns as return on investment.

Before the date was analyzed, it was certified by using test-rates method. The hypothesis formulated were now tested to see if they should uphold from the result been rejected.

Investors in order to critically analyze the financial statement in order to determine the liquidity and profitability level of a company before taking any managers are to ensure that used so that potential investors can be attracted.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

Business entities communicate their information to interested users through published financial statements. These published financial statements are prepared in the form of report and many people think of financial statement as highly technical documents which can be understand only by professional accountants.

One need the art of measuring, interpreting and communicating the information contained in the financial statement. The financial statements present the summary of the activities of an organization over a period. Its main objective is to communicate a disruption of financial condition and operating of a business entity. The financial statements the last in accounting process are the starting point in the study of accounting.

5.2 CONCLUSION

It can be concluded from this study that in order to make appropriate investment decisions for adequate understanding of the financial information presented in financial statements, the interested parties to financial statement must have an in-depth understanding of the items contained in the financial statements. For this reason, the interpretation of accounts was considered a major aspect of the study and the items in the financial statements were analyzed and explained for the purpose of those who have little or no knowledge of such statements. The two major financial statements are balance sheets and profit and loss accounts. The former give a true and fair view of the state of affairs of a company at the end of a financial year to ascertain the financial position of the company while the latter shows the results of a business over a particular accounting period.

Based on the findings it can also be concluded that financial statement has an impact on investment decisions as this will portray the strengths and weaknesses of the organization which is of paramount important to the interested parties.

It is further concluded that there is a significant relationship between financial statement and investment decisions as another finding concluded to prove this postulation by asserting that investment decisions depends solely on financial statement meaning that financial statement is a criteria for making investment decisions.

5.3: RECOMMENDATIONS

Considering the importance of investment decision by prospective investors, it would be pertinent to proffer some recommendations.

The recommendations are:

- In order to take investment decisions, proper investigations should be made on all financial statements, that is apart from the balance sheet and the profit and loss account, an in – depth investigation should be made on other statement such as cash flow statement, value added statement, report of the auditors, report of the directors, chairman’s statement and the five year financial summary all these statements are contained in the published annual reports. This goes to affirm the finding that financial statement has a significant relationship with investment decision

- It is recommended that all interested parties to financial statement require financial ratio analysis for decision making.
- The company should not relent in its effort of the study that deals with the financial positions and operational activities of union company in Nigeria, so as to provide among the other things the basis for making the performance, strength and weakness as a means for making rational decision by the management and the other interested parties.
- The company should continue to keep a good and reliance financial recording transaction for the firm, so that the organization can be able to make an accurate planning and a well reliable decision making for the organization.

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