The Impact of Accounting Information on Decision Making of Stakeholders

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Abstract
The impact of accounting information on decision making in organization cannot be overemphasized. The study examines how accounting information has influence the economic decisions of stakeholders. Data were collected through 100questionnaire distributed to respondents while research design was adopted. Two research hypotheses were raised and tested while the demographic information of the respondents were analyzed using simple percentage, the hypotheses were tested using t-test statistic at a significant level of 5%. It was concluded that there is a significant relationship between accounting information and decision making of the users of financial statements. It was recommended that organization should employ professional accountant in order to provide valuable information and keep accurate record of their accounts.

Keyword: Accounting Information, Decision Making, Economic Decision, Financial Statements, Professional Accountant, Stakeholders**.**

Introduction

Book keeping is the recording aspect of accounting. Every organization strive to keep accurate record of its financial transactions in the books of accounts such as the financial position of the organization can be ascertained at any given period of time. Accounting on the other hand is the language of business as it is the basic tool for recording, classifying and summarizing in a useful manner and in monetary terms, events and transactions which are of financial character and the subsequent interpretation to the users of financial statement. The process involves posting information from the various source documents, extracting the trial balance from the ledger accounts to final account which is eventually published after a thorough independent examination by the external auditors (Anil, 2018). According to the international Accounting Standard Board Framework, the objective of financial statement is to provide information about: financial position, financial performance (provided in an income statement or profit & loss account) and changes in financial position of an enterprise (primarily provided in a separate statement). It entails financial information about the economic performance of the business entity which helps the stakeholders to make economic decision. According to Arnold and Hope (2019), It is sometimes referred to as a means to an end, with the ending being the decision that is helped by the availability of accounting information.

Management is a process of getting things done through organization, direction, motivation and planning base on structured objectives and goals. The executive director must be articulate in the overall management of the organization. The achievements of these goals imply that the manager has to map out strategies that include keeping accurate record of accounting information from the source documents to the final accounts and the financial statements presented to the shareholders (Ken, 2018).

Managers makes use of financial and non- financial information available through the accounting documents with the intension to prepare a reliable, timely, relevant and comparable information to all stakeholders that would help them in making economic decision. Decision making is an essential aspect of realizing organizational goal. Every goal is only achievable when a good decision is made. Making decision is vital and has to be matched with accounting and internal control systems in order to meet the organization goal by providing relevant and reliable information to the stakeholders. Kim (2018) opined that accounting systems also provide check for the validity through the process of auditing and accountability.

Statement of the Problem

The use of accounting information has become critical factor in changing competitive environment, for the manufacturer to effectively and efficiently make decision. The major problem discovered for management is the identification of fundamental concept of accounting information to be implemented by each company which can affect the company positively or negatively and therefore, there is a problem (Otley, 2019). If a particular concept of accounting information used by the company affect the management decision negatively, and this helps to recognize the reason for the negative effect, which can be as a result of adoption of wrong accounting information or uncertified accountant giving wrong information to company which can lead to wrong decision to the progress of the company. The purpose is to see the need for accounting information to any business organization and how it aids in management decision making (Christianson, 2019).

Objective of the Study

The main objective of the study is to evaluate the impact of accounting information on decision making of the stakeholders.

Research Questions

The study was guided by the following research questions:

1. In what way has accounting information have effect on management decisions?
2. What are the relationship between the perception of the employees and accounting information of the firm?
3. What are the elements that affect adequate accounting information within the firm?
4. To what extent has accounting information influence the company performance?

Research Hypotheses

For the purpose of analyzing the data, the following hypotheses were tested:

1. Ho1: Accounting information does not require the aid of accounting system in the organization.
2. Ho2: Accounting information does not require the expertise of management in the organization.

Theoretical Review

The study is underpinned in the following theories: Public interest theory, Lending credibility theory, stakeholder's theory, Theory of inspired confidence.

Public Interest Theory

According to Essex (2019), public interest theory 'holds the view that regulation is proportional to the expectation of the public for maintaining equitable market practices'. That is, regulation is introduced for the benefit of the society as a whole as against a particular selfish interests. This theory represents the interest of the society rather than the private interest of the regulators. Regulation is considered to be a veritable tool for creating such confidence.

Accounting information is crucial to all the systems (accounting and internal control) introduced by the managers. The system should be sophisticated to meet up with the standard all over the world. However, it should not be complicated for the staff to understand. The simplicity of the system will enhance the quality of information provided and presented to the public. Accounting information system is seen as part of decision making process as information available will determine what decision to take. Every decision has a positive or negative implication which is crucial to the going concern principles of the entity. "Accounting principally deals with information system that is accurate, relevant and reliable to the public which will enable them to make of economic decisions (Huber,2018).

Secondly, the accounting system must fit when problems are normally solved, i.e. the technology of the organization. Finally, the accounting system must fit with the culture, i.e. the norms and value system that characterize the organization. Accounting system will be useful when information provided by them is used effectively in decision making process by users (Christiansen 2018).

Simon (2019), argues that decision making process involves critical analysis of the accounting information. Historically, accounting information been a subject of study by many researchers both academically and professionally (Mia and Chenhall, 2017). Accounting information is basically divided into two categories: accounting information are important parts of the fabric of organizational life and need to be evaluated in their wider managerial, organizational and information that impacts on decision making mainly for the aim of controlling the entity and information that leads to decision making process which is for the purpose of coordination within the entity (Ken, 2019). Markus and Pfeffer(2018), opines that fusion of accounting information culminates to articulation of quality decision for the stakeholders. Some researchers in business suggested that the reliability of accounting information system rely on the quality of the information system that available to the public.

Accounting information provides the basis for the preparation of financial reports yearly and also provides the yardstick for evaluating the process of decision-making and profitability of the entity. Nicholas (2017) in his study concluded that the first segment of the statement as means of control for board of directors and the second segment for measuring the reliability of the accounting information through regular evaluation.

The Lending Credibility Theory

The theory emphasizes public perception that the fundamental aim of auditing is to enforce credibility to the financial reports prepared and presented by board of directors. All the users of financial statement based their decisions on the credible information provided in the financial reports and they must have degree of confidence. The reports must show a fair representation of the economic value of the entity. The accounting information provides the basis for users of financial statement to make investment decisions because of the credibility of the information.

The Stakeholders Theory

The stakeholders are comprises of both external and internal users of financial report. The external users includes: customers, trade creditors, suppliers and competitors, business rivals and those interested in mergers, amalgamation and takeovers. The internal users comprises of managers, employees, unionists and shareholders. The stakeholder makes use of the accounting information in making economic decision.

Theory of Inspired Confidence

Developed in the 1920s by Prof. Theodore Limperg, this theory posits that the demand for audit services is the direct consequence of the participation of outside stakeholders (third parties) in the company. These stakeholders demand accountability from the management, in return for their contribution to the company. Since information provided by management might be biased, as a result of a possible divergence between the interests of management and outside stakeholders, an audit of this information is required. On the supply side (i.e. the level of assurance the auditor should provide), the auditor should act in such a way that he does not disappoint the expectations of a "rational outsider" while on the other hand, he should not arouse greater expectations in his report than his examinations justify. He should do everything to meet reasonable public expectations. There is a growing interest in published accounts of companies in Nigeria and worldwide owing to the collapse of giant firms like Enron.

Accessibility to information relating to the main transaction of an organization leads to a categorized detailed information which facilitates decision making in any difficult situation (Mia 2017). Accounting information system is a computer based system that (Nicolas, 2016) defines as a system that increases the control and enhances the cooperation inside the organization. Quality of information generated from accounting information is very important for management (Essex 2016). Kim (2017) argues that usage of accounting information depends on the perception of the quality of information by the user. Quality of information depends on reliability form of reporting, timeliness and relevance to the decision. Reliability of accounting information systems also depends on the perception of decision makers on the usefulness of information generated by the system to satisfy informational needs for operation processes, managerial reports, budgeting and control within organization. Aggregation of information is considered as means of collecting and summarizing information within a given time period (Chloe 2014).

Historically, accounting is as old as man, but the initial formal literature originated from an Italian monk and mathematician Luca Pacioli (1494). In his famous treatise *"Summa De Arithmetical Geometrical proportion"* (1494) in Venice, Reverend father Pacioli described the double entry system by giving insight into the reasoning behind accounting records. He postulated that all entries must be double entry, i.e. when one is debited, the other must be credited, or debit receiver and credit the giver. Even though during this period the records were prepared to show statement for the business rather than the owner the yearly preparation was lacking (Longe, 1999). After, a Dutch man advocated the profit and loss account at yearly interval. The level of civilization and technological advancement helped in the development of modern methods of accounting. During the industrial revolution there was need for sophisticated accounting methods. Different bodies were formed eg ACA (Scotland 1854); ACA (England and Wales 1880); AICPA (USA 1887). With the development of new methods ownership was separated from management. Since the discovery of the double entry principle, there has been tremendous development in accounting theories and methods. The introduction of micro and mini computers have brought enhanced performance but the fundamental principle remains unchanged. Locally, in Nigeria, record keeping has antecedents in the ancient kingdoms and empire and prominent then was the periodic contributions which were recorded on the wall, but the granting of royal charter to Royal Nigeria Company was the turning point in record keeping in Nigeria. The governing accounting principle in Nigeria was almost the same as the ones in Britain, our colonial master. The Institute of Chartered Accountants of Nigeria (ICAN) was established in 1965 and affiliated with the professional Institutes in Britain and USA.

Users of Accounting Information

In reality, the world is far more complex and demanding than for company to only provide information to the stakeholders in form of report but it is more challenging for the managers to produce performance which must reflect in the quality of information that is relevant, reliable and valid to all the stakeholders in making useful economic decisions. The managers adopt simple agency model of the statutory audit in discharging their fiduciary duties. That means they represent the interest of the shareholders in running the affairs of the business by providing quality information to the users of financial statement.

The shareholder-orientated purpose of the statutory audit is clear for the managers to see. The aim is to make the managers accountable and responsible to the contractual terms and conditions at all times. This in line with the view of many people who have keen interest in organizations and see the audit as a way of reinforcing trust and confidence in corporate reporting. Audit affects a wide variety of people who have different expectations. For example, we know that shareholders want the audit to serve and protect their interests in the organizations they own but directors may want auditors to support them in discharging their responsibilities;

The management needs accounting information for control over assets. There is reason for those in charge of the operation of the business to always put in place a strong internal control system in place. The alignment of the system with the overall objectives of the organization will boost efficiency of its overall management style. This also will encourage effective monitoring of cost incurred to revenue generated in accounting period which is the basis for the preparation and presentation of the annual report (Akin, 2017). Managers may want auditors to understand their organizations and add value by providing business advice and helping them to access finance at reduced cost;

The governments need the information for the formulation of fiscal policy. The government can adjusts its spending levels and tax rates to monitor and influence a nation's economy base on the report provided by companies. The quality of the report determines the tax liability imposed by government. This is indication that accounting information must be reliable, accurate and valid at all times. The tax authority who are agent of the government need accounting information to determine the amount of tax payable by the company. The shareholders need accounting information to enable them make appropriate investment decision such as buying and selling of shares. Also the information will enable the existing shareholders to know the worth of their investment and possibly measure or determine the return on their investments.

Creditors and suppliers need the information to decide whether the organization can meet up with the payment if granted credit facility. The creditor and supplier will extend credit if the organization's financial report present true and fair view. That is, all transactions and events have been adequately reported and presented based on professional and statutory requirements. Consequently, the creditor and supplier must determine credits terms and conditions for the organization. The Loan-Creditors group: This includes both the existing and potential debenture holders and loan stocks as well as providers of short term secured and unsecured loans. This group is interested in the solvency in order to ensure repayment of their loans. Banks also fall within this group;

Employees engaged in negotiation to increase wages of fringe benefits to ascertain the possibility of the business base on the information gathered from the report provided by the managers. Some employees go as far as giving the information to expert to analyze for them. Human resources are the most important to the success of every organization (Huber, 2018). However its inclusion in the statement of financial position of firms has been strongly denounced in certain quarters. Ken (2019), despite their apprehension on Human Resource Accounting explained the benefits of HRA to include: proper integration of Return on Capital Employed in disclosure of the value of human resources in the long term perspective of the business performance, maintenance of detailed record relating to internal human resources will improve managerial decision making process in Recruitment Vs Promotion, Transfer Vs Retention, Retrenchment Vs Retention. The employees need accounting information to enable them decide whether more facility can be granted or not and to use the information to demand for suitable working condition. The value of human assets can only be enhanced when the information are provided through quality audit of the financial statement. Competitors, who are interested in fixing their own prices and determine the strength of other competitor, The public need accounting information in order to enforce certain social responsibilities by company that will enable such benefits to be enjoyed by them date.

The Equity-Investor group: This includes both the existing and potential shareholders as well as holders of convertible debentures. This group is interested in earnings, both current and future, out of which their dividend can be paid. They are also interested in the security of their investment/dividend (dividend cover) as well as the returns on investment; Investors, who make decision about whether to obtain, retain, increase, or decrease investments also rely on the information available from the audited account for a considerable period of time. The analysis form the basis for people to invest in the company or not

The Analyst/Adviser group: These are financial analysts, journalists, economists, bankers, researchers, trade unions, stock providers etc. They have different ways of analyzing the financial statement depending on the need of their clients; Financial analyst, who help investors and potential investors evaluate investment in particular business.

The Business Contact group: This includes customers, trade creditors, suppliers, business rivals etc. This people would be interested in the solvency of the company to ensure prompt payment of their dues; Accounting information is significant important to the stakeholders. Therefore, the following questions are pertinent to the users of accounting information:

i. How is the information kept in the organization?
ii. Has the information been recorded in the books of accounts?
iii. How well is the manager aware of his responsibility about accounting systems?
iv. Has the company able to implement a control mechanism to ensure efficient accounting systems?
v. What is the accounting policy implemented to ensure adequate documentation?
vi. How often is the company able to carry out audit of its financial statement?

Though some critics have identified gaps, some of which are as follows:

i. Alternative treatments are used for financial accounting because it is premised on axioms, concepts, principles, conventions and standards
ii. Financial accounting is based on past events which is used to prepare the financial statement
iii. Financial accounting does not disclose the present value of the business, hence assets are recorded at their historical cost value in line with going concern basis of recording

Methodology

The study employed descriptive research design of the ex-post facto type. The method was chosen because it helped to describe record, analyze and interpret the condition, prevailing practices, belief, attitudes and ongoing process that exists in the survey

(Ndagi, 2014). The population comprised of 300 staff in companies in four states in south west of Nigeria. From the population, a sample of 170 staff (80 Females and 90 Males) was obtained through the Taro Yamani. The formula is given as shown:
N = N/1+N (e^2) . The instrument used to gather information in this study is a structured questionnaire. The questionnaire consists of two sections. Section A elicits demographic information like gender, working experience, while Section B contained three structured items relating to the research questions that necessitated this research. In this study questionnaire distributed were returned and analyzed based on descriptive design method. Specifically, the data were analyzed through mean, standard deviation. The data will be analyzed with the use of SPSS in accordance with the research work because it shows the level of impact of accounting information on decision (financing, investing and dividend) making of stakeholders.

Results

Table 1: Accounting Information does not Require the aid of Accounting System

Subject	No of Respondents	Mean (x)	SD	df	t-calculated	Table value	Decision
Agreed	55	1.93	0.3	5	22.32	1.12	Reject
Disagreed	115	5.4	0.7				

Level of Significance 0.05

Since t-calculated is greater than the table value (i.e. 22.32> 1.12), then the null hypothesis is rejected, while the alternative hypothesis is accepted and conclude that accounting information requires the aid of accounting system in the organization.

Table 2: Accounting Information does not Require the Expertise of Management

Subject	No	Mean (x)	S.D	df	t-calculated	table value	Decision
Agreed	40	1.2	0.3	4	29.33.	1.12	Reject
Disagreed	130	6.5	4.1				

Level of Significance 0.05

Discussion of Findings

From Table 2 above, the hypothesis is rejected because the t-cal 29.33 > 1.12 t-tab. It can be concluded that accounting information requires the expertise of management in the organization. The testing in hypothesis two corroborates the position that accounting information requires the aid of accounting systems in the organization for effective and efficient maintenance of adequate record. This falls in line with the opinion of Anil (2018) who opined that stakeholders are interested in accounting information about the efficiency, productivity and performance of the entity which enables them to evaluate the strength, weakness, opportunities and potential threat facing the entity of the enterprise. Kim (2018) also suggested that accounting information relies on the accounting systems which will help in improving the quality of information in the organization.

Conclusion

The study revealed that accounting information impact on the decision making of the stakeholders which can be expressed in three dimensions, which are financing decision, investing decision and dividend decision. This is achieved by implementing strong accounting systems suitable for keeping adequate record in the organization. The company used as case study made the researcher to understand that, for any company to be successful it should endeavor to make use of accounting information because accounting itself is a language of business, and before venturing into any business, one must understand the language of such business, so as to know the right method to achieve the stated goals and objectives.

Studies have shown that successful utilization of accounting information requires a fit between three factors. First, a fit must be achieved with dominant view in the origination or perception of the situation. Second, the accounting system must fit when problems are normally solved, i.e. the technology of the organization. Finally, the accounting information must fit with the culture i.e. the norms and value system that characterizes the organization.

Recommendations

Based on the finding of this study, it is recommended that:

1. Companies should consult professional accountant when starting a business to learn about the various laws that affect them and also to familiarize themselves with the variety of financial records that they will need to maintain;
2. A professional accountant should be employed by the company in order to provide valuable information and keep accurate record of the company’s account;
3. The company should always keep records of past events in case of future purpose, this can be possible with the use of computer or by fully automating the company’s operations;
4. Employees should be encouraged to develop themselves by becoming professionals in their chosen career, this will affect the company to grow positively;
5. Efforts should be made to measure the effects of currently employed accounting concept on management decision making;
6. Regular meeting with staff should be organized to disseminate information about the company and also elicit feedback that helps to improve the company.
7. Training on the use of sophisticated accounting systems should be introduced in the company. This will make the accounting record to be globally accepted.

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