



## ACCOUNTING INFORMATION AND DECISION MAKING IN AN ORGANIZATION. (A STUDY OF CROWN TRUST LIMITED, IBADAN)

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### ABSTRACT

*The study examines the impact of accounting information and decision making in an organization. It appraises the nature of accounting information and its various ways of application in decision making concerning the management and operation of the organization. The research elucidate critical decision making affecting the organization and consequently necessitating the use of accounting information. It portrays the grave consequences of the neglect and insufficiency of the use of accounting information for decision making. From this study a company with other four sister companies were selected random/sampling method. The sample of the study was taken to determine the administered questions. Data from the questions were validated and the sample size was also determine by slovins formula. The research therefore depicts a significant dimension of providing analytical framework of the application of accounting information for decision making.*

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### INTRODUCTION

Accounting refers to the act of gathering, processing, summarizing and reporting economic transaction to users in order to enable them, make formal decision. Institute of chartered accountant of Nigeria define accounting as a process of identifying, measuring and communicating economic information to permit informed judgment and decision by users of the information.

This paper examined the contribution of Accounting in providing what can assist the management in dealing with decision making problem that arises within the organization



operations. Management is the art of working particularly through people for the achievement of the broad goals of an organization in trying to achieve these goals, the manager has to map out strategies to find out the accounting information suitable for the company. Accounting information are said to be effective when the information provided them serves the internet and stored users. Effective information should systematically provide information which has potential effects on decision making process.

To be understood as the role of human factor particularly interesting in complex organizations is a fact that classic decision theory could benefit from Team approach to reduce the risk that a decision may lead to an undesirable consequences: Really, decision making is not a solitary action but decisions are made within a Team in other to make it effective. Decision making is the option made that facilitates actualization of the corporate objectives. Effective decision making is the physical and mental effort that normally makes organization activities to move forward.. This article also seeks to look at how many nations around the world give attention to Accounting Information toward effective decision making.

## **STATEMENT OF PROBLEM**

Generally the use of Accounting information will become critical factor is changing competitive environment for company like Crown Trust Limited to effectively and efficiently make decisions. The major problem discovered for management is the identification of fundamental concept of Accounting information to be implemented by the company which can affect the company positively or negatively and therefore there is a problem. If a particular concept of accounting information used by the company after the decision negatively and this help us to recognize the reason for the negative effect which can as a result of adoption of wrong accounting information or certified. Accountant going wrong decision to the progress of the company, the purpose is to see the need for accounting information in crown trust limited, Ibadan and how it facilitates decision making. Another plight observed was that there are crises with reseed in many organization this country due to failure of some organization not given attention and recognition and acceptability towards



Accounting Information some did not even understand the need for it due to their ignorance, Negative attitude toward the Accounting information and fear of change, cost of Training and engagement of competent hand to handle account so as to provide accurate information for the users

## **OBJECTIVES OF THE STUDY**

The aim of the study is to really investigate the effect of response strategy towards the effect of information to effective decision making in crown trust limited to effective decision making in crown trust limited, Ibadan. Also to analyze the accounting information so as to facilitates decision making processes. However the specific objective are to:

- (1) examine challenges of accounting information and its adaptability towards decision making
- (2) ascertain whether there is a relationship between accounting information and effective decision making
- (3) create more awareness on information among the users
- (4) determine the relevancy of accounting information towards the effective decision making process
- (5) identify factors which may promote the effective use of Accounting Information and Decision making

### **1.4 Research Question**

The study was guided by the following research questions.

1. does Accounting information have challenges towards adaptability when making decision
2. is there any relationship between the perception of accounting information and decision making processes
3. is the awareness enough on the need for accounting information among the users
4. what is the relevancy of accounting information to decision making
5. how to identify factors that can promote accounting information for effective decision making



### **Scope of the Study**

This paper sought the opinion of 120 employees of Crown Trust Limited. All sections/departments were visited in the company and two respondents were chosen from each department for the purpose to obtain data for the research work. Furthermore, two casual staff from each department were also interviewed. Data was also sourced from the public relations department where relevant journals about the company were made available for secondary data.

Furthermore, the study was restricted to Crown Trust Limited mainly to all the attention of the company to the need and usefulness of accounting information towards decision making.

### **LITERATURE REVIEW**

This section reviewed past literature. Also, all the variables in the conceptual framework which includes conceptual review, theoretical review and empirical were reviewed.

It also explains in details major variables that are related to the subject matter of the study which includes (Statement of Financial position, Statement of Accounting Standard, Management Account and Audited Account) the conceptual review emphasis shall be on the concept of financial accounting information and the roles in decision making.

### **Conceptual Review**

This section is concerned with understanding of major variables that are related to the subject matter of the study which includes statement of financial position, statement of Accounting Standard, Management Account and Audited Account. The conceptual review emphasis shall be on concepts relevant to financial position and other variables.

### **STATEMENT OF FINANCIAL POSITION**

Financial statement or financial report always contain financial information of an organization. This statement is a collection of data presented in accordance with the Accounting principle. It is a general purpose entity statement because it provides report of



financial position and operating result of a entire organization at the end of the Account period.

Financial statement or Balance sheet is meant for users and it can be utilized to compare financial statement and decision making. Given this essential requirement, Accounting concept and convention are established and used towards preparation of statement of financial positions. These are some of the concepts relevant for this study.

## **FINANCIAL POSITION**

Accounting concept require in preparing position of financial statement are as follows

1. going concern concept
2. historical concept
3. concept of capital
4. accounting concept
5. money measurement concept
6. business entity concept

### **Statement of Financial Position or Balance Sheet**

It is the summary of what the business own (Asset) and what the companies owns (liabilities) the statement of financial position are usually prepared closed of the accounting period. The statement is a parameter to check the financial health of the business. It records asset and liabilities and Equality of an organization.



Statement of financial position should always be prepared on a going concern basis unless the manager either intends to liquidate the entity or cease trading, or has no realistic alternative but to do so.

To prepare the statement of financial position on a going concern basis it requires the transaction or element of off to be measured on historical cost or value. The fair value measurement may be adopted where the criteria for fair value measurement is met.

However, where there is evidence indicating that the reporting entity may come to an end in the nearest future, then it means the financial position will not be prepared on a more appropriate basis but it will be prepared on a more appropriate basis, most likely the break up basis.

#### **Accrual Concept:**

The financial transaction and the event should be recognized or reported in the accounting period when they actually occurred. That is Accrual concept focuses on the timing of occurrence of transaction and not necessarily the timing of settlement or payments.

According to the Accrual concept income is recognized when earned and not when received and expenses recognized when incurred and not when payment is made.

It helps in moral to make sure up to date financial information are provided timely, this facilitates using accurate information to plan and take decision as inaccurate information if used will not yield good result at the end of the day for the organization.

#### **Concept of Capital Maintenance**

It is a concept which tries to ensure that excessive dividends are not paid in time of rising prices, that is, it is a concept that tries to prevent excessive distribution of dividends to shareholders especially in a period of inflation. They are in two classifications: physical capital



maintenance and financial capital Maintenance. The physical is also known as operating capital maintenance and it states that business entities should set aside enough profit when making decision on dividends to be distributed to shareholders so as to enables the entity to continue to operate at current level of activity. The concept is also conscious of specific inflation when deciding the amount to be distributed to shareholders. The physical maintenance concept also requires the adoption of the current cost of accounting measurement bases so as to provide an accurate and up to date financial information for purpose of making decision. Under the financial capital maintenance concept, the business should set aside enough profit so as to enable the entity to preserve the real value of its shareholders fund. That is to preserve the value of its shareholders fund after adjusting for the impact of general inflation using the constant purchasing power accounting.

## **Theoretical Review**

### **Decision Making Theories**

Decision making can be grouped into normative and descriptive theories.

Normative theories explain decision making in terms of the best and ideal decision that can be made in a given situation.

Descriptive theories explains how decision are made and it comprehends the logic and concept underlying any decision. The major theories of decisions making are as follows which its application to decision shall be explained.

- a. satisfactory theory
- b game theory
- c. subjective theory
- d. attribution theory
- e. heuristic theory
- f. prospect theory



### **Game Theory**

In game theory, there is an understanding of choice between completely people in this , the independent and factors are accessed while making decision. This provides tools for analys of situations in which people make independent decision. The independent helps players consider other players choices or strategies thus helping then formulate their strategies.

### **Heuristic Theory**

They are efficient cognate processes that ignore part of the information conscious or unconscious became using heurist saves effort, the view has been that heuristic decision imply greater errors than rational decisions. Define by logic or statistical model, due to heuristic, the decision maker would be able to make an effective decision in a novel and short time heuristics are efficient cognition processes that ignore part of the information conscious or unconscious because using heuristic saves effort the classical view has been that heuristic decision imply grater errors than rational decision define by logic statistical model.

### **Prospect Theory**

This Theory states that decision making depend on choosing between various alternative but decision depends on biased judgments. Kahreman proposed this heuristic and biases affect the assessment of the consequence and frequency of decision making. Such judgement involves evaluation of the external world. Decision involve fundamental internal choices across values

### **Rational Model**

They are established to handle multiple issues simultaneously. However very few papers have paid adequate attention to the decision maker's rationality i.e the optimism level of





the decision makers. Therefore in this paper, a series of rational decision making model are to be discuss on dealing with the multi-attributes assessment problems which includes incomplete preferences information also the evaluating data are also expressed under interval-value intuitionistic fuzzy settings, compared with the traditional distance based method.

### **Administrative Model**

The most important theory about this model is that where there is no administrative model properly put in place, the environment is managed chaotically and the bulk of wok is usually made up reactive troubleshooting.

The administrative model of decision making process is vital, especially in an organizational administrative or business context. Many factors such as Training, Technology, Competition and Employee motivation influence decision makers. Indeed the decision making process is complex because it demands extensive judgment..

### **Political Model**

The political model embrace those theories that characterize decision making as a bargaining process. These model focuses on the distribution of power and influence in organization and on the bargaining and negotiation between interest group.

Conflict is regarded as endemic within organizations and in arrangement is directed towards the regulation of political behavior (Bush 2020)

Political models assume that in organization, policy and decision emerge through process of negotiation and bargaining. Interest group develop and form alliances in pursuit of particular policy objectives. Conflict is reward as a nature phenomenon and power accrues



to dominate coalitions rather than being the presence of formal leader. The political model also focus on group activity rather than the institution as a whole.

Political model are concerned with interest and interest group.

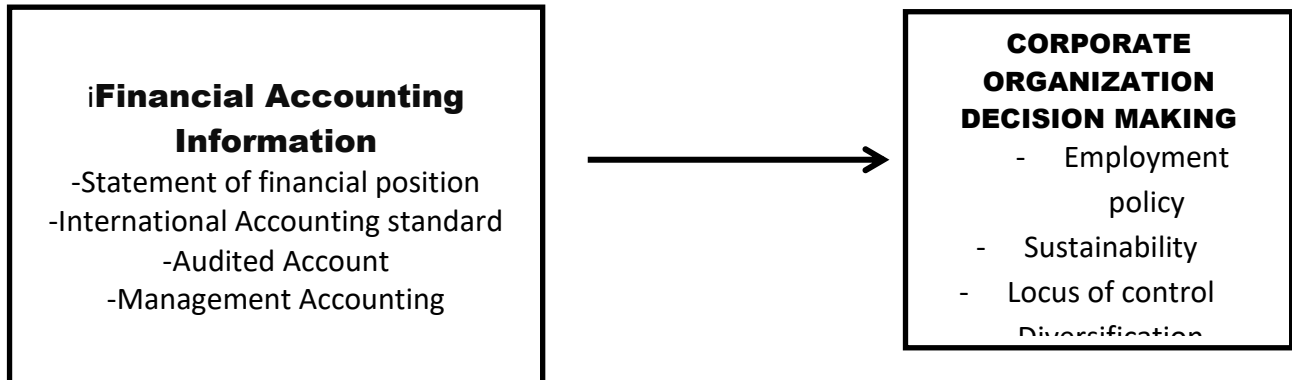


## Conceptual Framework and Model Specification

Independent variable

Dependent variable

**Figure 2: Conceptual model for accounting information and corporate organization decision making.**



Source: Researcher's 2023

### Conceptual Framework:

The conceptual model for the study shows the relationship among the independent variable (Statement of financial position, International Accounting standard, Audited Account, Management Accounting) and the dependent variable indices (its indicated on the figured for dependent variable). The conceptual model depicts relationship between the variable for the study. The independent variable for the study "Financial Accounting Information" include four indices while the dependent variable include two variable "Effective Decision Making" and "Corporate Organization" and which also includes its indices too.

The dependent variable with all the indices will be treated as a single variable. The arrows shows the relationship, the joint and relative influence to indices from independent



variable intention of Financial Accounting Information and corporate decision making in Crown Trust Limited, Ibadan.

### **Concept clarification**

In the recording of business transaction certain rules and customs are adhered with. These rules and customs are called **Concept**. They are necessary in order to bring as much objectivity as possible into accounting without, objectivity, third parties may not rely much on financial statements – prepared from the records.

### **Research Design**

The study employs the use of questionnaire with the staff of Crown Trust Limited, Ibadan forming the population of the study. A total of 55 staff was randomly picked using stratified sampling techniques. This consists 20 respondent from crown trust group Headquarter, 15 from crown trust investment, 18 from crown trust limited, 10 from crown trust insurance, and 10 from Crown Trust Plazer.

The questionnaire was based on 4 Likert Scale on of Strongly Agree, Agree, Disagree and strongly disagree for analytical simplicity, strongly agree and agree were subsumed into Agree while Strongly Disagree and Disagree were taken as disagree.

### **Population of the Study**

The population of this study consists of One Hundred and Twenty (65) workers in Crown trust group Headquarters and Sister Companies

The table below give summary of the population which includes, name of the company, population of selected workers, and the sample size.



**Table 3.1.**

S/N	Name of the Organization	Estimated Population of Selected Workers	No of Samples
1	Crown trust group	20	15
2.	Crown trust investment	15	10
3	Crown trust limited	10	10
4.	Crown trust insurance	10	10
5	Crown trust plazer	10	10
	<b>Total</b>	<b>65</b>	<b>55</b>

**Source:** Researchers Compilation (2023)

Workers selected in Crown trust Limited were based on following criteria.

1. Crown trust group of company– Corporate Headquarter is having quite a number of experienced construction workers and professional
2. They have engaged in one or more training programmes in their various fields

### **Sample and Sampling Techniques**

Sample will be drawn from the mentioned population above. Sampling techniques that will be used for the method is Simple Random Sampling Techniques. It is a probabilistic sampling which allow all elements in a sample to have equal chances of selection. To determine the sample size, this study used Slovin Sample Size determination formular. It is expressed below:



$$N = \frac{N}{1 + Ne^2}$$

Where N= Sample Size

N= Population

e= 5% Level of Significance

Given N= 65 e = 0.05 at 5% level of significance

$$N = \frac{65}{1 + 65(0.05)^2}$$

$$N = \frac{65}{1 + 65(0.0025)}$$

$$N = \frac{65}{1 + 0.1625}$$

$$N = \frac{65}{1.1625}$$

N= 55 respondents. Therefore, an exact sample size of 55 respondents will be used to conduct the research.

### Description of Research Instrument

The main research instrument for this study is questionnaire. Hence, data will be gathered through the use of self-administered questionnaires. The questionnaires were administered to Construction workers in the selected Crown trust group of companies, in order to generate adequate and valid information that accounted for the success of this study. The questionnaires contained two sections; section A and Section B. Section A is for



the introduction while section B demographic variables of respondents. However, Section B contained questions pertaining to the objectives of the study. In order to test the objectives of the study the 4-point Likert scale of strongly agree, agree, disagreed and strongly disagree will be used.

### **Reliability of the Instrument**

Reliability of research instruments indicates the extent to which the research is without bias hence ensured consistent measurement across time and the several items within instrument Kothari. That is, reliability has to do with the consistency, stability, and dependability of measuring instruments adopted for the study. To test the reliability of the instrument, the researcher carried out a pre-test on fifty-five (55) respondents randomly selected across all the selected across all the selected construction workers in the Headquarter and Sister Companies so as to test the reliability of the instruments before field administration.

This is necessary to ensure items consistency, ease of understanding and questions sequence appropriateness. This will be further assessed with the use of Alpha Crobach's Method to determine the alpha reliability ( $\alpha = 0.89$ ).

### **Administration of the Instrument**

The research instrument will be self-administered. The questionnaire will be self-administered to the sixty-five (65) workers in the various locations and that represents the total population to determine the sample size used in the research.

### **Method of Data Analysis**

The study will opt for descriptive and analytical research design for attaining outcomes. SPSS version 20 will be opted for analyzing the collected data. The study employed the use of



descriptive statistics. Specifically, the respondents' demographic information will be analyzed using the descriptive statistics to determine the mean, frequency distribution and the percentage result of the research work. Also the major techniques that will be used to test the hypotheses is Chi-Square method to determine the effectiveness of accounting information and decision making in crown trust limited, Ibadan.

## Data Presentation and Analysis

### Presentation of Data

This chapter presents an analysis of the data which the researcher collected via structure questionnaire and oral interviews from the staff of Crown Trust Limited, Eruwa.

This table was presented in a tabular form and analysed accordingly to ease understanding. The data presented in tabular arrangement was presented due to its relative simplicity and the capacity to accommodate large data responses.

**Table 1: to examine challenges of Accounting Information and its adaptability towards decision making**

OPTION	RESPONDENTS	COMPUTATION	PERCENTAGE
Yes	52	$\frac{52 \times 100}{55}$	92
No	2	$\frac{2 \times 100}{55}$	4
Undecided	1	$\frac{1 \times 100}{55}$	2
<b>Total</b>	<b>55</b>		<b>100</b>

Source: Field Survey, 2023.

The table above shows that 52 respondents representing 92% said yes, 2 respondents representing 4% said no, while 1 representing 2% was undecided as answers to the above questions.

**Table 2: to create more awareness on Accounting Information among the users**

OPTION	RESPONDENTS	COMPUTATION	PERCENTAGE
Yes	49	$\frac{49 \times 100}{55}$	89





No	6	$\frac{6 \times 100}{55}$	11
Undecided	0	$\frac{0 \times 100}{55}$	0
<b>Total</b>	<b>55</b>		<b>100</b>

Source: Field Survey, 2023.

The table above shows that 49 respondents representing 89% said yes, 6 respondents representing 11% said no, while none undecided as relates the above questions.

**Table 3: there is relationship between Accounting Information and decision making**

OPTION	RESPONDENTS	COMPUTATION	PERCENTAGE
Yes	53	$\frac{53 \times 100}{55}$	96
No	2	$\frac{2 \times 100}{55}$	4
Undecided	0	$\frac{0 \times 100}{55}$	0
<b>Total</b>	<b>55</b>		<b>100</b>

Source: Field Survey, 2023.

The table above shows that 53 respondents representing 96% said yes, 2 respondents representing 4% said no, while none undecided as relates the above questions.

**Table 4: to determine the relevancy of Accounting Information towards the effective decision making.**

OPTION	RESPONDENTS	COMPUTATION	PERCENTAGE
Yes	40	$\frac{40 \times 100}{55}$	23
No	10	$\frac{10 \times 100}{55}$	4
Undecided	5	$\frac{5 \times 100}{55}$	9
<b>Total</b>	<b>55</b>		<b>100</b>

Source: Field Survey, 2023.

The table above shows that 40 respondents representing 23% said yes, 10 respondents representing 4% said no, while 5 respondents representing 9% undecided as regards the above questions.



**Table 5: to identify factors which may promote the effective use of Accounting Information in decision making**

OPTION	RESPONDENTS	COMPUTATION	PERCENTAGE
Yes	45	$\frac{45 \times 100}{55}$	82
No	10	$\frac{10 \times 100}{55}$	18
Undecided	0	$\frac{0 \times 100}{55}$	0
<b>Total</b>	<b>55</b>		<b>100</b>

**Source:** Field Survey, 2023.

The table above shows that 45 respondents representing 82% said yes, 10 respondents representing 18% said no, while none were undecided as regard the above question.

### **Conclusion**

The researcher revealed that the Crown Trust Limited, Ibadan is applies accounting information in making useful and effective decision. The effectiveness however, was supported by facts gotten from accountants on how its applications has affected the company positively. This is to say that the use of accounting information are very vital in decision-making of the organization and it facilitates effective and efficient use in decision making in an organization and also the management makes use of accounting information in their day to day management decision making.

### **Recommendations**

These following recommendations are made on the basis of research findings:

1. Information can only be used and effective if it is relevant and timely. The management should therefore try to install more computers so as to help the



production of accurate information as this will go a long way enhancing the effectiveness and efficiency of the organization.

2. Managers should have elementary knowledge of accounting generally enable them understand the information for quickly use. They should be trained from time to time on how to apply accounting information to decision making.
3. Apart from employing qualified accountant to handle the processing of management accounting information, management should from time to time conduct an in-service training for staff to enhance their activities that is supplying accurate information for management use.
4. Management should ensure that jobs are properly allocated to staff that are qualified so as to ensure quality and timely jobs, especially in the sectional areas as their report from part of the main report that is being sent to the management. If the report from various sections delays it will affect final compilation; and timely presentation of accounting information to the management for immediate decision making.

To this effect, the study recommends that management provide all the necessary facilities that the sections will need to facilitate their jobs as quickly as possible, also the management should ensure that there is proper allocation in making sure that people working in accounting sections are purely accountants as this will affect the quality of the work being produced, and lastly staff should be encouraged and motivated especially when on duty.

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