

# ACCOUNTING INFORMATION AND THE PERFORMANCE OF SELECTED ORGANISATIONS IN RIVERS STATE.

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## *Abstract*

*The study examined the impact of Accounting information and the performance of selected organisations in Rivers State, Nigeria. The study covers Genesis Group Nigeria Limited, Transcorp Hotels Plc, Seplat Petroleum Development Company, Orwell International Oil and Gas Limited, and Total Nigeria Limited all in Port-Harcourt, Rivers State, Nigeria. The data was obtained from primary source. The statistical method used was non-parametric test using Statistical Package for Social Science (SPSS 20.0). The result revealed that the information generated by the accounting department have significant relationship in the production and decisions of the organization and Accounting information fulfills the basic roles of cost minimization, proper allocation of scarce resources and improvement of efficiency. The study recommends that staff and management should continue to engage in seminar/ training in order to enhance their understanding on how to generate and use accounting information for decision making.*

*Keywords: Accounting information, Performance, Organisations.*

## **1. Introduction**

**M**anagers in every field of human endeavour need information that is relevant, objective, reliable and timely for planning, decision making and controlling of business activities in order to achieve the goal of the organization. The accounting information system is therefore charged with the function of transforming financial data

into relevant information that will aid not only the direct interest users of accounting information but also the indirect interest users for decision making (Ofurum and Ogbonna, 2013).

Financial Accounting according to Ahoke (2014) is concerned with the recording of transactions for a business enterprise or other economic units and the periodic preparation of various reports from such records.

Application of accounting information makes the difference between failed banks, enterprise, corporate bodies etc. and successful ones, organisations need to undergo the following phase: adoption, application and implementation of that information in order to achieve the desired result. So the question is: are interested users actually aware of these various accounting information and do they apply them in their production or investment decision making process; can decision based on accounting information actually raise efficiency level in an organization through cost minimization and wealth maximization?

According to Awoyemi (2015), gross inefficiency and non-application of sound professional principles have been known to be a serious factor contributing to the failure of organisations. Business and economic investors (potential investors) are no more interested in investing without considering the returns implication.

The scope of this study covers Genesis Group Nigeria Limited, Transcorp Hotels Plc, Seplat Petroleum Development Company, Orwell International Oil and Gas Limited, and Total Nigeria Limited all in Port Harcourt, Rivers State, Nigeria.

In the light of the above this study objectively carried out an empirical investigation on accounting information and the performance of selected organisations in Rivers State.

## **2. Theoretical Framework:**

### **a. Contingency Theory**

Contingency theories were developed from the sociological functionalist theories of organization structure such as the structural approaches to

organizational studies by Reid and Smith (2000), Chenhall, (2003) and Woods (2009). It is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations. It suggests that an accounting information system should be designed in a flexible manner so as to consider the environment and organizational structure confronting an organization. In other words, accounting information system need to be designed within an adaptive framework.

### **b. Scientific Management Theory**

Scientific management provides a strong link between organization and accounting research. Accounting information was used to support control over the work process in pursuit of efficiency and productivity. Taylor's scientific management applied not only to have control over individual workers, but structuring of divisions, and proper assignment of managers. Accounting information allowed managers to best allocate resources, as well as evaluate performance. The objective nature of accounting made it especially well-suited to this type of organizational control.

### **c. Decision-Making Perspective**

March and Simon (1958) brought forth the decision-making perspective. It was characterized by an emphasis on individual participants. These decision-makers had an unfulfilled need for good, relevant information that went unmet by the organization. Accounting provided some of this information and thus assisted in reducing uncertainty in organizations.

### **Conceptual Issues:**

#### **Meaning of Accounting**

According to Edward (2014), Accounting extends far beyond the actual making of records. Accounting is concerned with more than the record making phase. American Accounting Association defined it as “the process of identifying, measuring and communicating economic Information to permit informed judgments and decision by users of information”.

Reynold (2012) states that it can be seen as system of principles and techniques which permit a series of inter-related activities that form progression of steps, beginning with observing, then collecting records, analyzing and finally communicating information to its users.

#### **Nature and Objectives of Accounting Information System**

Investopedia have it that accounting information system (AIS) is the collection, storage and processing of financial and accounting data by internal users to report information to investors, creditors and tax authorities. In my view “effective financial and investment decision cannot be made in a firm/organization without a proper analysis of accounting information”. It is necessary to note that information generated by an accounting system should impact the decision making of management and other users. Some of the objectives are to provide financial and operational report for business owners to make decisions, for checks and balances i.e to separate tasks and ensure controls are in place for different accounting functions, improving the flow of work.

In Philip and Warre (2013), Accounting is not an end in itself but an

important information device which serves as a basis for business decisions.

#### **Accounting as Information**

External users of the financial information like owners, creditors, labour unions, governmental agencies, suppliers, customers, trade associations and public have important information need to be able to make their decisions about the reporting enterprise.

Accounting Information system (AIS) has evolved over the years from focusing on the provision of formal, financially quantifiable information to assist in decision-making processes to embracing a much broader scope of information. The dimensions used to reflect the design of AIS include focus, orientation, time horizon, aggregation, integration, timeliness, financial and non-financial, and quantitative and qualitative.

#### **Characteristics of Accounting Information**

The usefulness of the accountant's reports for management depends on the characteristics below:

**Timeless:** Timeliness refers to the need for accounting report to contain the most up to date information, in many cases, outdated can lead to making unfavourable decision.

In some cases, the timeliness concept may require the accountant to prepare reports on a prearranged schedule such as daily, weekly or monthly, in other cases, reports are prepared in a regular basis or only when needed.

**Accuracy:** This refers to the need for the report to be corrected within the constraints of the use of the reports and inherent in actuaries in the measurement

process. If the report is not accurate, management decisions may not be precise. For example, if inaccurate report on a customer past payment practices is presented to management an unfavourable decision in granting credit may be made.

**Conciseness:** Report should be brief and straight to the point. Although the report must be complete and include all relevant information. For example, reports prepared for the top level of management should usually be broad in scope and present summary of data rather than small details.

The characteristics of management accounting report information provide general guidelines for their preparation of reports to meet the various need of management. In applying these guidelines, consideration must be given to the specific need of manager, and the reports should be tailored to meet these need.

In preparing reports, cost are incurred and a primary consideration is that the value of the management report must at least equal to the cost of producing them, these overriding cost benefit evaluation must be considered, no matter how informational the report may be.

Cost accounting and management accounting are very much in fact interwoven that the difference between the two is superficial, as that definition of management accounting will substitute the other. Management Accounting in Reynold (2012) is the provision of

information required by management for such purposes as:

- (a) Formulation of policies
- (b) Planning and controlling the activities of the enterprise
- (c) Decision taking on alternative courses of action.
- (d) Disclosure to those external to the entity (shareholders and others.)
- (e) Disclosure to employees
- (f) Safe guarding assets.

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

- (a) Formation of plans to meet objectives.
- (b) Formation of short term operational plans.
- (c) Recording of actual transactions financial cost accounting).
- (d) Corrective actions to bring future actual transactions into line. (Financial control).

### **Empirical Review**

There are several empirical review on accounting information and firms performance.

Wolk, Dodd, & Rozycki, (2013) states that theories under the usefulness of accounting information are not well developed when it comes to creditors. Stephens (1980; cited in Kwok, 2002, p.351) examined the usage of financial statements in bank lending decisions with the intention to increase the scope of decision process research.

Sawalga (2012) research on accounting information and decision making, according to the research results, investors

weighed more, the usage of written information rather than verbal information for the purpose of investment decisions.

Another research about the importance of financial statements as a source of information accomplished Yap (2007) examined both investors and creditors and the result implied that even though the relevance of cash flow statement has been noticed, the statement has not become as a substitute for statement of financial position and income statement. The research implied that the most influencing statement under credit decisions is statement of financial performance, second is financial position and the third is cash flow statement. Alattar and Al-Khater (2007) examined the usefulness of information sources in decision-making process and the importance of other sources not comparing them to financial statements and thus not indicate how much more used financial statements are compared to other sources.

Jones et al. (2005) researched the essence of accounting information from the point of view of several users such as manager, creditors and findings indicated more use of cash flow information for creditors. Additionally, recent research has found that cash flow information has been important for creditors as it estimates the future cash flows. The estimation is important as creditors are evaluating the companies' ability to repay the loan (Billings & Morton 2002).

### **3. Methods And Data**

Kothari (2004) stated that research design refers to decisions regarding what, where,

when, how much by what means concerning an inquiry or a research study. To this end, the quasi-experimental research design is chosen and applied in this research study.

The method of data collection for this study was primary data, which means that the research is obtained through first hand investigation. Questionnaire were administered to staff of Genesis Group Nigeria Limited, Transcorp Hotels Plc, Seplat Petroleum Development Company, Orwell International Oil and Gas Limited, and Total Nigeria Limited. The questionnaire consists of 2 sections, A and B. The closed-end questions were adopted, which was based on 5 point likert scale. The likert scale measures the degree of agreement of respondents to a statement, such as (5) strongly agree, (4) Agree (3) Undecided (2) Disagree (1) Strongly disagree.

### **Population and Sample Size**

The target population of this study is Firms in Rivers State Nigeria while the accessible population is Genesis Group Nigeria Limited, Transcorp Hotels Plc, Seplat Petroleum Development Company, Orwell International Oil and Gas Limited, and Total Nigeria Limited all in Port Harcourt, Rivers State, Nigeria. The sample size for this study is determined using Taro Yamane's formula (1967), which is expressed as:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n = sample size,
- N = population size,
- e = level of precision.

$$n = \frac{151}{1 + 151(0.05)^2}$$

$$n = \frac{151}{1 + 0.375}$$

n = 110

A sample size of 109 was drawn using the Taro Yamane's formula

### Validity and Reliability

Validity test is testing the degree to which the measuring instruments measures what it has been designed to measure and it also assists the researcher asses the questionnaire's content. According to Lee Cronbach (1951) the Cronbach's alpha coefficient will be used to test the questionnaires to ensure the consistency of the research instrument.

**Table 1: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based Standardized Items	N of Items
.753	.639	8

Source: SPSS 22.0

The Cronbach's alpha is 0.75. If the Cronbach's alpha is 0.7 or above 0.7 then it is said to be reliable statistically and the researcher can rely on the research instrument (Lee Cronbach 1951).

The statistical and mathematical tool use for this research work is descriptive statistics because it is used to describe the spread of the population as reflected in the sample. The technique of data analysis for this study is the Chi-square non-parametric test. The chi-square ( $X^2$ ) test is an important extension of the hypotheses testing and is used to determine how well an observed set of data fits an expected set. Kothari (2004) presents that the value of chi-square was computed using the formula below:

$$X^2 = \sum \frac{(f_0 - f_e)^2}{f_e}$$

Where

$X^2$  = Chi-square

$f_0$  = Actual or observed frequency

$f_e$  = Expected frequency

$$f_e = \frac{\text{Column total} \times \text{Row total}}{\text{Grand total}}$$

The level of significance is 5% while the degree of freedom is calculated below

$$(R - 1) (C - 1)$$

$$(5 - 1) (2 - 1)$$

$$4 \times 1$$

$$df = 4$$

### 4. Results And Discussion.

The total questionnaire distributed was one hundred and ten (110) and eighty five (85) was returned while twenty five (25) was not returned. The responses returned were analysed using tables, and presented in form of percentages and analysis carried out immediately with the presentation of findings which also include the test of hypotheses.

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Table 2: Analysis of Administered Questionnaires

Firm	No. Distd.	No. Retud.	No. not Retud.	% of Retud.	% of not Retud.	Total %
Genesis Group	22	17	5	16	5	21
Transcorp Hotels	22	15	7	14	6	20
Seplat Petroleum	22	20	2	18	2	20
Orwell Oil and Gas	22	16	6	14	5	19
Total Nigeria	22	17	5	15	5	20
Total	110	85	25	77	23	100

Source: Field Survey of Researcher Questionnaire, 2016

### Test of Hypotheses

The table below summarizes the mean response score, chi-square computed value, degree of freedom, decision and conclusion.

Descriptive Statistics

	N	Mean	Sta. Deviation	Minimu Minimu	Maximu Maximu
QUESTION 1	85	4.15	.970	1	5

### Decision rule

The rule states that if the  $X^2$  calculated value is > than  $X^2$  tabulated value at 0.05 level of significance, the null hypothesis would be rejected and the alternative hypothesis accepted, but if the  $X^2$  calculated value is lesser than the  $X^2$  tabulated value at 0.05 level of significance the null hypothesis will be accepted.

### Hypothesis one

The responses to question one (1) in the questionnaire were used to test hypothesis one (1).

QUESTION 1

	Observed N	Expected N	Residual Residual
STRONGLY DISAGREE	3	17.0	-14.0
DISAGREE	3	17.0	-14.0
UNDECIDED	7	17.0	-10.0
AGREE	37	17.0	20.0
STRONGLY AGREE	35	17.0	18.0
Total	85		

$H_{01}$ : The information generated by the account department does not have significant relationship in the production and decisions of the organization.

**Test Statistics**

	QUESTION 1
Chi-Square	71.529 <sup>a</sup>
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.0.

**Source: Computerized Results from SPSS 22.0**

The mean response score is 4.15 which suggest that there is a reasonable agreement among the respondents that information generated by the accounts department have significant relationship in the production and decision making of the firm. The chi-square calculated is 71.529 and greater than the Chi-square tabulated of 9.488. The result of the test was significant at 5%. Therefore we accept the alternate hypothesis (H<sub>A1</sub>) that information generated by the account department have significant relationship in the production and decisions of the organization.

**Hypothesis two**

The responses to question two (2) in the questionnaire were used to test hypothesis two (2):

H<sub>02</sub>: Accounting information does not fulfill the basic roles of cost minimization, proper allocation of scarce resources and improvement of efficiency.

**Descriptive Statistics**

	N	Mean	Std. Deviation	Minimu Mijimu	Maximu Maximu
QUESTION 2	85	3.71	.998	1	5

**QUESTION 2**

	Observed Observed N	Expected Expected N	Residual Residual
STRONGLY DISAGREE	4	17.0	-13.0
DISAGREE	7	17.0	-10.0
UNDECIDED	13	17.0	-4.0
AGREE	47	17.0	30.0
STRONGLY AGREE	14	17.0	-3.0
Total	85		

**Test Statistics**

	QUESTION 2
Chi-Square	70.235 <sup>a</sup>
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.0.

**Source: Computerized Results from SPSS 22.0**

The mean response score is 3.71 which suggest that there is a reasonable agreement among the respondents that the accounting information fulfills basic roles of cost minimization, proper allocation of resources, and improvement



of efficiency. The chi-square calculated is 70.235 and greater than the Chi-square tabulated of 9.488. The result of the test was significant at 5%. Therefore we accept

the alternate hypothesis  $HA_1$  that

accounting information fulfills the basic roles of cost minimization, proper allocation of scarce resources and improvement of efficiency.

## 5. Findings, Conclusion and Recommendations

### Finding

Based on the data explored through questionnaire that was distributed to staff of the companies under study to measure the effect of accounting information and performance of organizations some observations and findings were made:

1. The information generated by the account department has significant relationship in the production and decisions of organizations.
2. Accounting information fulfills the basic roles of cost minimization, proper allocation of scarce resources and improvement of efficiency.

From the above, the study concludes that accounting information have significant impact on the performance of organisations in Rivers State, Nigeria.

### Recommendations

Based on the discussion of findings and Conclusion, the following are recommended:

1. Firms should employ professional staff with transparent honesty and due punishment should be given to fraudulent staff.
2. Seminar/ Training should be given to staff and management to enable

them understand more on how to generate and use accounting information for decision making.

3. Use of modern devices like

computers should be introduced to

the staff to enhance efficiency and effectiveness. This will enhance efficiency and effectiveness of the accounting information.

4. For any company to be successful it should ensure 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

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**APPENDIX  
QUESTIONNAIRE**

**SECTION A: PERSONALITY PROFILE**

Please write, fill, tick or circle where appropriate in the spaces or columns provided to indicate your response.

1. Sex: Male ( ) Female ( )
2. Age: 20-30 YRS ( ) 31-40 YRS ( )  
41 & above ( )
3. Educational qualification: OND ( ), HND ( ), B.Sc ( ), Others ( ).

**SECTION B: MANAGERIAL PROFILE**

Instruction: Please Circle where Applicable.

Note: Each item is measured on a five (5) point Likert scale:

- |   |   |                        |
|---|---|------------------------|
| 5 | = | Strongly Agree {SA}    |
| 4 | = | Agree {A}              |
| 3 | = | Undecided {U}          |
| 2 | = | Disagree {D}           |
| 1 | = | Strongly disagree {SD} |

Where SA= 5 points, A= 4 points, U= 3 points, D = 2 points, SD = 1 point.

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Questions	SA	A	U	D	SD
1. Information generated by the accounts department was effectively applied in the production and decision of firms.					
2. Accounting information fulfills the basic roles of cost minimization, properly allocation of scarce resources and improvement of efficiency.					
3. Your organisation encounter problems in generating and utilizing other information necessary for production.					
4. There is relationship between effective use of financial accounting information and the decisions made in the firm.					
5. Company performance is related to efficient and effective use of financial accounting information.					
6. Accounting information generated by the firm have a positive impact on performance.					
7. Production and marketing efficiency is achieved through accounting information.					
8. Professional advice has significant impact on the performance of firms.					

