Saudi Journal of Business and Management Studies
Scholars Middle East Publishers
Dubai, United Arab Emirates
Website: http://scholarsmepub.com/

ISSN 2415-6663 (Print)
ISSN 2415-6671 (Online)

Accounting Information for the Determination of Financial Performance and Productivity of Production Companies in Nigeria

Joseph Fineboy I[1], Nwanosike Dominic U[2], Onwuka Izundu CC[2], Omeonu Obioma[3]
[1]Department of Accounting, Clifford University Owerrinta, Abia State, Nigeria
[2]Department of Economics, Clifford University Owerrinta, Abia State, Nigeria
[3]Department of Business Administration, Clifford University Owerrinta, Abia State, Nigeria

***Corresponding author**
Joseph Fineboy I

Article History
Received: 11.10.2017
Accepted: 16.10.2017
Published: 30.10.2017

DOI:
10.21276/sjbms.2017.2.10.9

Abstract: The study explored accounting information as a veritable tool for the appraisal of the performance of production companies in relation to their productivity and financial position. The research adopted a quasi-experimental design. Primary data were gathered with questionnaire and the results of the hypotheses were arrived through percentage and Spearman's Rank Correlation Coefficient. It was revealed that the productivity of a production company is enhanced and sustained when the financial position of a firm is timely ascertained as this would help the company in financing their operations for maximum output. Besides, objective, timely, cost effective, complete and reliable accounting information help a production company to determine its financial position at any point in time. Based on the findings, the study recommended that effectual accounting information would be of immense help to a company in boosting and sustaining its productivity; the reason is that sureness of the financial position of a production company would, to a considerable extent, assist it in taking informed and timely decision either to continue to finance the production of a profitable product or to discontinue the production of a product that does not add value to the firm financially or otherwise. Finally, this would help a production firm to sustain an appreciable level of performance and growth for its survival.

Keywords: Accounting Information System, Company Financial Position, Performance Appraisal, Benchmarking, Financial Oriented-Decision

INTRODUCTION

It is an established and age-long fact that accounting information is fundamental in majority of business activities and function. The generation, collection, collation, processing, storage, and reporting of accounting information and other varieties of information bothering on business activities help to examine the performance of business. Business environment and the society at large are experiencing extraordinary changes. Time and again increasing tumultuous changes spur business to action into finding ways out of the current and impending dangers as to achieve short and long term objectives of the going concern. A production company produces monetary and non- monetary information in the process of operations. Through accounting information fundamental financial decisions are made by many businesses.

Accounting information is usually adopted in making financial, investment, economic and other pertinent decisions. Through business operations, array of accounting inputs and various forms of financial reports vital to decision makers in making complete and informed decision are generated. The utilization of accounting information in the assessment of economic and financial performance of business is valued by both internal and external users of accounting information as very vital for the survival and growth of business. Employees at all levels from the top management to the lowest levels are users of accounting information. Investor, stockholders, creditors, customers, regulatory agencies and financial institution are all external users of accounting information. Accounting information is used by both external and internal users to make dependable economic, business and investment decisions. Corporate planning and financial management will be a fantasy without adequate accounting information. This is because it provides effectual and efficient encouraging statistics that act as a fulcrum that helps a company to pursue its guided primary objectives.

Without adequate accounting information, the assessment of business would leave a business with bias judgement regarding investment provisions and returns. Again, corrective measures for the realization of business objectives and goals may not be attainable. Financial information is an indispensable necessity to forecast, compare and convincingly appraise a company's performance. It is also needed to make financial decision in areas such as investment options, earning potentials, financial resources and asset management, sourcing of fund or credit facility, debt obligation management and settlement, full disclosure of business financial position, changes in the net worth of business et cetera. It assists a manufacturing firm in making relevant decisions in relation to allocation of scarce resources between competing need.

Accounting information is obtained from company's annual report and other sources which form the database components of a firm. As noted by Butter (1972:15), with accounting information, allocation of scare resources is made realistic especially in a market economy where persons and businesses have the freedom to distribute resources between competing ends. Briddle (1980:26) observed that accounting information could be used in the provision of direction to management as regards strategic management policy framework with the intention to achieve firm's set objective. Uncertainties are brought to bare minimum with reliable accounting information to enhance informed decision making. As much as accounting information is appreciated as a useful tool, it provides the basis or point of reference for making comparison on the current and prospective performance of a business. It also serves as a factor in determination of performance to ascertain best practices in the industry, cost effective method of boosting performance, provision of basis for comparison of performance and goals set by organization. To avert risks and provide essential defence tactics to avoid business collapse, reliable accounting techniques are needed for accurate assessment of business performance. Such information originates from financial reporting, managerial accounting to form a framework and pursue mindfully the interfacing of variables and employees view towards the attainment of organizational goals. Through a reliable accounting system, internal control is strengthened, discipline and a dependable platform for organizational growth ensured. Effective exchange of accounting information facilitates and enhances job responsibility and would entrench sustenance of internal control mechanism in an organization. Achievement of corporate objectives and business survival is attainable when there is a dependable accounting information system.

This study therefore provides resolution options on the need and how to tackle the problems the delay in generation of financial positions of companies pose to production companies in Nigeria. It equally serves as a pointer to stakeholders of organizations on the need to provide effective accounting information necessary to enhance the sustainability of productivity in production firms in Nigeria.

LITERATURE REVIEW

Theoretical Framework

As aptly opined by Wu [1], the management of a business requires information concerning economic development to chart a course for operation and assess improvement in comparison with already established goals. Accounting information has elements of goals, plans and control in a business set up and these are relevant for feedback. Relevant data for accounting information are obtained through processes such as receiving of stock, placement of stocks, issuance of stocks and stock collection. These are predominantly confirmed with transaction documents such as intake card, bin card, stock request card, stock records, and ways/salary cards. These are known as source documents.

Feldman and March [2], recognized theories of logical choice that advocate that information on the outcome of different actions will be required and applied whether the accuracy, value and dependability of the information are well-matched with its cost. According to the proponents, the empirical studies of information in organizations show a model that is hard to understand in such cases. Organizations methodologically collect greater information than they use, still continue to ask for more. They put forward that this action is the effect of some ways in which organizational setting for information use are at variance from those expected in a simple decision theory vision. Information is usually collected and applied because it assists to arrive at a choice. Investments information is made at the point where marginal cost equals marginal expected rectums. They believe that individual and organization do not invest in information systems which do not in any way make decision sense. In their view again, organizational members seems to find valuable information that has no great decision relevance.

Mauldin and Ruchala (1999), observe that accounting information adopts three orientation approaches namely technological, organizational and cognitive .It equally uses open system viewpoint as well as applying a model that links system design with the three orientations and performance task. The accounting information model put major focal point on the accounting job and suggests corresponding process between the need of the task and system plan option at various levels of analysis.

Conceptual Issues

Accounting Information System and Accounting Information

Definitions and Concepts

Moscove and Simkin [3], explain accounting information system as an organizational element which build up, classifies, processes, analyses and communicates related monetary decision-making information to a company's outside parties like current and would-be investors, federal and state tax agencies, creditors and internal parties. Wu [1] defines accounting information system as a unit or a constituent inside a business that processes financial transaction to make available score keeping and attention directing.

Accounting information proxies are objectivity, timeliness, cost effectiveness and completeness. Financial performance evaluation proxies hereunder are liquidity ratios, profitability ratios and leverage ratios. Liquidity ratio consists of current ratio, quick or acid test ratio, working capital ratio, times interest earned and networking ratio. Again, leverage ratio comprises debt ratio and debt to equity ratio and equity ratio. Profitability ratio includes gross profit percentage, net profit percentage, return on capital employed and turnover ratio. Equally considered in the interpretation of accounts are price earnings ratio, dividend yield and dividend cover which fall under investment ratio.

They are used for the interpretation and evaluation of a company's financial performance in order to make informed decisions regarding sustainability of production and timely ascertainment of financial position of companies. The independent variable in this research work is accounting information (Predictor Variable) while financial performance assessment in relation to determination of productivity and financial performance position is the dependent variable (Criterion Variable).

Hobbs and Hobbs (1979) see accounting information as an output accounting system which is presented in form of financial reports; this in turn is used to evaluate and supervise the performance of individuals and groups in addition to fashioning out a design that has effect on the future. The process of being answerable to ones responsibilities and obligations is known as accountability.

Review of Empirical Studies

In a similar study carried out by Nkwor Azariah and Nkwor [4] using chi-square, a non-parametric statistics that can be used to test two or more variables. The study revealed that the more effective and accurate accounting information, the more productive the decision of Small and Medium Scale Enterprises (SME's) becomes. Again, the more reliable accounting information, the better the performance of SME's. The study finally concluded that there is a significant relationship between accounting information and overall performance of SME's.

Another study was conducted by Onaolapo and Odetayo [5] on effects of accounting information system on organizational effectiveness. The study adopted formulated hypothesis and equally used both descriptive and inferential statistical tools. The outcome revealed that accounting information system has effect on organizational efficiency. It came to a conclusion that effectual accounting system would boost performance of a firm in relation to sustainable production and effective performance.

Furthermore, Elena, Grande and Clara [6], carried out empirical study aimed at measuring the relationship between the use of the Accounting Information Systems (AIS) by the Small and Medium Sized Enterprises (SMEs) in Spain to ascertain improved performance indicators and productivity. The experiential study, based on a survey carried out among small and medium-sized firms revealed that development and implementation of accounting information systems may impact positively on general performance and productivity of SMEs.

Similarly, Jose, Melchor and Alberto [7], conducted an empirical study with the help of the Smart PLS statistical tool in Ciudad Victoria, Mexico to determine the extent to which accounting information technology can influence SMEs when implemented concluded that technology via accounting information system has helped raise productivity in relation to improvement in administrative activities, in decision-making and in the use of generated information.

Husin [8], in his empirical study on the roles of accounting information services and impact on Small Medium Enterprises (SMEs) performance in manufacturing sector, opined that there exist relationship on service quality and performance of SMEs and also accountant firms. Akandi and Aruwaji [9], in their study concluded that accounting information system helps a manufacturing firm in the preparation of financial statement, enhancement of inventory valuation and improvement in budgetary management with a view to enhancing performance.

RESEARCH METHODOLOGY

This research work is a field study and descriptive, for this reason depends on survey analysis of the views of individuals on the relationship between accounting information and financial performance of production companies in Nigeria with particular reference to some companies in Rivers and Abia States. The study equally adopted simple random sampling technique in gathering primary data from the sample drawn from the population. Percentage and Spearman's Rank correlation coefficient as statistical tools are used in the analysis and testing of the hypotheses. SPSS is used to show the outputs of the tests.

Model Specification

The function model is specified as follows:

PERFEVA = F (OBJ, T, CE, C)……………………. (1)

Where; **PERFEVA =** Performance Evaluation Function:

OBJ = Objectivity
T = Timeliness
CE = Cost Effectiveness
C = Completeness

Mathematically equation (1) can be recast as follows

PERFEVA = β_0+ β_1 OBJ, β_2T, β_3CE, β_4C-------------(2)

Where:

β_0 = Constant

$\beta_1 - \beta_4$ = regression coefficient

Econometrically, we transform equation (2) into equation (3), thus:

PERFEVA = β_0 + β_1 OBJ+ β_2T+ β_3CE+ β_4C + Et---(3)

Where Et = Error term.

Presentation and Analyses of the Results of the Test

The analyses of the data obtained from respondents give more attention to these questions relevant to the two (2) null hypotheses for the study. These research hypotheses with the empirical data were tested using Spearman's Ranks Correlation Coefficient. Subject to the experiences of the respondents on the subject matter, a total of 30 copies of questionnaires were distributed to three basic levels of staff, namely senior management, middle management and junior staff of 30 selected companies in Rivers State and Abia State. Out of these 28 copies questionnaire, representing 93.4% were returned while 2 copies questionnaire representing 6.6% were not returned.

Research Hypotheses

HO_1: There is no significant relationship between effectiveness of accounting information and accurate determination of a production firm's financial position.

HO_2: Effectiveness of accounting information does not enhance productivity in a production company.

Table 1: HO_1: There is no significant relationship between effectiveness of accounting information and accurate determination of a production firm's financial position

Correlations				
			x1	y1
Spearman's rho	x1	Correlation Coefficient	1.000	.986**
		Sig. (2-tailed)	.000	.000
		N	6	6
	y1	Correlation Coefficient	.986**	1.000
		Sig. (2-tailed)	.000	.000
		N	6	6
**. Correlation is significant at the 0.01 level (2-tailed).				

Applying SPSS output of the Spearman's Ranks Correlations Coefficient result underneath, the hypothesis is tested for acceptance or rejection.

From the SPSS table 1 above, the Spearman's Rank Coefficient is 0.986 showing a positive relationship between effectiveness of accounting information and accurate determination of a production firm's financial position. The p-value is .000 which is less than 0.05 thus revealing a significant relationship between effectiveness of accounting information and accurate determination of a production firm's financial position. Based on this, we reject the null hypothesis and conclude that there is a positive relationship between effectiveness of accounting information and accurate determination of a production firm's financial.

Table 2: HO_2: Effectiveness of accounting information does not enhance productivity in a production company

Correlations				
			x2	y2
Spearman's rho	x2	Correlation Coefficient	1.000**	1.000**
		Sig. (2-tailed)	.000	.000
		N	6	6
	y2	Correlation Coefficient	1.000**	1.000**
		Sig. (2-tailed)	.000	.000
		N	6	6
**. Correlation is significant at the 0.01 level (2-tailed)				

Similarly, from the SPSS table 2 above, Spearman's Rank Coefficient is 1.000 showing a positive relationship between effectiveness of accounting information and enhanced productivity in a production company. The p-value is 0.000 and less than 0.05 revealing a significant positive relationship between effectiveness of accounting information and enhanced productivity in a production company. Therefore, the null hypothesis is rejected and we infer that is a significant positive relationship between effectiveness of accounting information and enhanced productivity in a production company.

RESULT AND DISCUSSION

From SPSS table 1, the study concludes that there is a relationship between efficacy of accounting information and accurate determination of a production firm's financial position. Besides, the table shows a coefficient correlation of 0.986 which is more than the p-value of 0.05 which leads to the rejection of the null hypothesis and emphasizes that efficacy of accounting information leads to accurate determination of a production firm's financial position. This is in line with a similar study by Onaolapo and Odetayo [5] using descriptive and inferential and statistics tools with a consistent outcome that efficient and effective accounting information system has strong positive effect on overall organizational efficiency.

From SPSS table 2, the study inferred that when accounting information system becomes more effectual, reliable and timely, a company is well positioned to take informed decisions that would enhance sustainable productivity. Besides, coefficient correlation of 1.000 is more than the critical value of 0.05 which leads to the rejection of the null hypothesis. Therefore the alternate hypothesis which states that effectiveness of accounting information does enhance productivity in a production company. This is equally in line with a study carried out by Nkwor-Azariah and Nkwor [4] using chi-square, a non-parametric statistics that can be used to test two or more variables. The study finally concluded that there is a significant relationship between accounting information and overall performance of SME's-a proof of consistency with this study.

CONCLUSION AND RECOMMENDATION

The objectives of this study are to investigate the extent to which reliable accounting information could lead to the enhancement of productivity and timely determination of financial position in a production company. In line with the results of the hypotheses, the study came to the following inference and recommendation:

Effectual accounting information system would certainly enhance production in a manufacturing company. The reason is that the company is well positioned at any point in time to timely ascertain its financial position to enable it take informed position with respect to financing it manufacturing operations.

Besides, accounting information system that is objective, timely, cost effective and complete would to a high degree make it possible for on-the-spot determination of the financial strength of a manufacturing firm to facilitate making informed decision.

The study therefore recommends that production companies should not only ensure that effective and efficient accounting information systems are on ground but also pay serious attention to performance variables such as liquidity ratio, profitability ratio, leverage ratio and income statement in relation to their analysis to enable them make informed decisions. Such decisions in line with this study include timely determination of a firm's financial position or strength in order to decide the type manufacturing venture to embark upon.

Accounting information system should be fashioned and structured in a way as to generate pertinent information that will assist management in setting precise objective, benchmark, and monitor and ensure the meeting of the set standard with limited resources at its disposal.

REFERENCES

1. Wu, F. H. (1984). *Accounting Information system Theory and Practice*, Japan,McGraw Hill Book Company ltd.
2. Feldman, M. S., & March, G. J. (1981). *Information in Organization as Sign and symbols, Administrative Science Quartly*,(June) Vol, No.2 Cornel University Press.
3. Moscove, & Simkin. (1990). *Information Technology System*.
4. Nkwor-Azariah, C., Nkwor F. A. (2015). The Impact of Accounting and Information System on the Performance of Small and Medium Scale Enterprises in Rivers State, Nigeria. *Greener Journal of Economics and Accountancy, 4*(1), 021-028.
5. Onaolapo, A. A., & Odetayo, T. A. (2012). *On effects of accounting information system on organizational effectiveness.*
6. Elena, Grande, & Clara. (2011). The impact of Accounting Information Systems (AIS) on performance measures: empirical evidence in Spanish SMEs. *The International Journal of Digital Accounting Research, 11*, 25 – 43.
7. Jose, Melchor, & Alberto. (2014). *Enterprise Technology in support for accounting information systems. An innovation and productivity approach.* Universidad Autonoma de Tamaulipas, Tamaulipas, México.
8. Husin, M. A. (2014). The Role of Accounting Services and Impact on Small Medium Enterprises

Performance in the manufacturing sector. *Procedia-Social Behavioural Sciences*, pp 54-67.

9. Akandi, T. A., & Aruwaji, A. M. (2016). Effect of Accounting Information System on Accounting Activities in Manufacturing Industries in Nigeria. *Accounting and Information e-journal, 11*.