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

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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
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
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], 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:

\[ \text{PERFEVA} = F (\text{OBJ}, \text{T}, \text{CE}, \text{C}) \]  

(1)

Where;

\( \text{PERFEVA} = \) Performance Evaluation

Function:

\( \text{OBJ} = \) Objectivity

\( \text{T} = \) Timeliness

\( \text{CE} = \) Cost Effectiveness

\( \text{C} = \) Completeness

Mathematically equation (1) can be recast as follows

\[ \text{PERFEVA} = \beta_0 + \beta_1 \text{OBJ} + \beta_2 \text{T} + \beta_3 \text{CE} + \beta_4 \text{C} + \text{Et} \]  

(2)

Where:

\( \beta_0 = \) Constant

\( \beta_1 - \beta_4 = \) regression coefficient

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

\[ \text{PERFEVA} = \beta_0 + \beta_1 \text{OBJ} + \beta_2 \text{T} + \beta_3 \text{CE} + \beta_4 \text{C} + \text{Et} \]  

(3)

Where \( \text{Et} = \) Error term.

Presentation and Analyses of the Results of the Test

Table 1: HO1: There is no significant relationship between effectiveness of accounting information and accurate determination of a production firm’s financial position

<table>
<thead>
<tr>
<th>Correlations</th>
<th>x1</th>
<th>y1</th>
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<tbody>
<tr>
<td>Spearman’s rho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>x1</td>
<td></td>
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</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.986 **</td>
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<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
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<tr>
<td>N</td>
<td>6</td>
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<td>y1</td>
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**. 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 0.000 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: HO2: Effectiveness of accounting information does not enhance productivity in a production company

<table>
<thead>
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<th>Correlations</th>
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<tr>
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<tr>
<td>x2</td>
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<td>y2</td>
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<tr>
<td>Correlation Coefficient</td>
<td>1.000**</td>
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<tr>
<td>Sig. (2-tailed)</td>
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<td>N</td>
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</table>

**. 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
observation, the null hypothesis is rejected and we infer that there 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

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