

FINANCIAL STATEMENT ON THE GROWTH AND EFFICIENT MANAGEMENT OF BUSINESS ORGANIZATION AHASON INVESTMENT.

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Abstract

Analysis of financial statement is a vital instrument for good decision making in business enterprise. Good decision ensures business survival profitability and growth. Thus, without financial statement analysis on enterprise is likely to make decision that could spell its doom. The main objective of this project work therefore was to determine how (Ahason Investment Limited, Onitsha, Anambra State) could use Analysis of Financial Statement to aid them in managerial decisions making regarding liquidity, profitability, debt management, inventory management, Asset utilization and Debit financing. Research questions were formulated to guide the conduct of the study which actually helped to identify the problem of Ahason Investment, Onitsha Anambra State. The data used in this research were gathered from primary and secondary sources. The primary data were secured from the firm under investigation through a review of related literature which highlighted the views of different authors in the relevant field. Eighty questionnaires were administered while Fifty-one (51) were completed and returned, questionnaire were analyzed using Pearson Product Moment Correlation co-efficient technique. The finding revealed that the analysis of financial statement helps in good decision-making process. The study also concluded that the company should pay great attention to the use of financial statement analysis so as to properly equip themselves with the in valuable to in its decisions making.

Introduction

The complex nature of today's business would and the transformation of the entire world into a global village has been of great concern to managers of all forms of business organizations. Management therefore are making conscious efforts researching on the most effective and efficient means and method that will facilitate the making of timely and accurate decision that will guarantee the existence of the enterprise. To achieve this purpose, good managers employ certain analytical tools that help them appraise their performances or operations. One of such analytical tools is the financial statement analysis. Apparently no well-managed organization exists without preparing statements at the end of every financial period.

Financial statement analysis is very vital instrument in determining the probability and efficiency of any business enterprise. Good financial statement ensures business survival, profitability, quality, decision making and growth without financial statement analysis, an enterprise is likely to make decisions that could spell its doom, the objective of any business venture and company is to make profit or its members and to continue to stay in business for as long as it can. Companies collapse because management do not watch the danger signs that are flashing during the running of those companies. Therefore, the success or otherwise of any company depends to a large extent, on the importance or relevance that management place on financial statement analysis of its presents performance with past taking corrective measure where it is not doing well and improving upon its successes.

In order for the company to do this, it must be able to;

- ❖ Prepare proper and accurate financial statement.
- ❖ Analyze the financial statements so prepared.
- ❖ Interpret such analysis, identify strength, weakness, opportunities and threats and also to the existence of the firm (SWOT Analysis)
- ❖ Make effective and timely decision.

The vision to establish Ahason investment limited came as a result of a deliberate effort to compliment the vision of Onitsha Anambra State Government to industrialize the state. On March 30th Ahason investment, Onitsha commenced operations. The factory is situated in main market, Onitsha Local Government Area, Anambra State.

Ahason investment limited, is a conglomerate of the following companies; Ahason Maritime Agency Ltd, Ahason Flame Ltd (maker of Ahason polythene) Ahason shoes and canvas ltd (producer's of Ahason biscuit, Ahason premium table and sachet water, visi view (Nig) ltd; visi view home centre (furniture and accessories); visi view outdoor catering service and permse k (Nig) ltd. Ahason investment limited also include media outfil. namely; wetly torch and the light newspaper which is under the torch publishing and communication. Each independently charged with the responsibility of providing world class service, the numerous clients both within and outside the state.

The product and service rendered by Ahason investment suggest that if the company has a financial statement analysis on the company profitability at least for a while, hence, the need to choose Ahason investment as a study for the impact of financial analysis on the profitability and efficiency.

Statement of the Problem

In recent times, many companies have gone under and one wonders what had been responsible for the collapse of such firms. The worst areas in recent time in the Nigerian business environment are the banks which are distressed and the folding-up with billions of customer's monies. There have been many reports of cases where some companies could not meet their maturity short term financial obligations. The reason is that most of these companies depend on the sale of inventories to meet current financial obligations, where this happens suppliers seem to lack confidence in the paying ability of such companies and hence can no more grant credit to them.

Some of the problems associated with financial statement analysis are:

- Comparability between periods.
- Comparability between companies.
- Operational information.
- Lack of underlying theory.
- Variation in Accounting policies.
- Correlation among ratio.

It is these problems that necessitate the researcher to carry-out this study aimed at addressing some of these problems and recommend useful remedies to ameliorate or make better the situation, using Ahason investment limited, Onitsha, Anambra State as a case study.

Research Questions:

For the purpose of explicitly, the researcher formulated the following research questions;

- What is the impact of financial statement analysis on the growth and efficiency management of business organization?
- What is the relationship between financial statement analysis and profitability of companies?
- Will proper financial statement analysis and its prompt application help in sound decision making?
- Who are the users of financial statement?

Research Hypothesis:

Hypothesis One

Ho: There is no significant relationship between the impact of financial statement analysis on the growth and efficiency management of business organization.

Hi: There is a significant relationship between the impact of financial statement analysis on the growth and efficiency management of business organization.

Hypothesis Two

Ho: Organizational profitability does not have relationship with financial statement analysis.

Hi: Organizational profitability has relationship with financial statement analysis.

Hypothesis Three

Ho: There is no significant difference between the returns of financial statement on the growth and efficiency.

Hi: There is a significant difference between the returns of financial statement on the growth and efficiency.

Importance of Financial Statement Analysis

Identification of organizational performance through the use of analytical data.

Identification of empirical relationship between operating result and those items which have influenced the achievement of the results according to

Identification of existing investment opportunities

It is essentially on information processing system for providing data for profitability, efficiency and for decision making

It acts as a bridge looking the issuance of financial statements and the specific use of the statement for decision-making.

Through these means the success of the business as well as the profitability, efficiency and effectiveness of the management can be assessed. It will also help in the inter-company comparisons.

Functions of Financial Statement Analysis

To measure the present condition of business

This is done by monitoring the types and values of assets, the amount and age of payment, the inventory position, retired will cash position, debt/equity ratio, the amount of retired earnings etc. although the above and related indices will cash some ought on the past performance of a business they will principally provide relevant information to evaluate its future potentials and prospects. To predict future potential and outlook the business, this is done by making an informed choice among several alternative courses of action. For each course since every decision is future oriented, every effect in a cause and effect relationship has a futuristic dimension for decision making.

Financial Analysis as a Tool for Financial Planning

Understanding the past is prerequisite for anticipating the future, planning is the key to the strength and weakness. The strength must be understood if they are to be used to proper advantage and the weakness must be example, the firm's management may ask itself such question as;

- a. Are inventories (stock) adequate to support the project level of sales?
- b. Does the firm have to heavy and investment account receivables (debtors)
- c. Does this condition reflect a tax collection policy?

Users/uses of financial statements

Those who use financial statements to make economic decisions are of two broad groups, namely;

- ❖ The internal decision makers; which constitutes
 - a. The firm's management and
 - b. Employees
- ii. The external decision makers which constitutes primarily the present and potential investors (shareholders) short term and long term creditors, investment analysts, labour union, government and its agencies, and the public at large (Dun and Bradi 2010: 24). While the internal decision makers make use of financial data derived from birth management and financial accounting, the external decision makers rely on financial data from financial accounting and external financial statement. The nature of the analysts.

The Firms Management

Would be interested in every aspect of the financial analysis, it is the overall responsibility to see that the resources of the firm are used most effectively and efficiently, and that the firm's financial condition is sound. Timely, complete and regular financial information will enable managers to monitored performance so that necessary corrective actions are taken where planned targets are not being attained or surpassed,

necessary actions are taken to maintain their trend. Unlike other users who will usually have access only to the yearly financial statements, managers require information over shorter intervals i.e. monthly, quarterly, or any other period they consider appropriate.

Investors/ Shareholders

These are those who have invested their money in the firm's shares, and are most concerned above the firm's earning. Thus, they ask such question as;

- Is the firm profitable or not?
- What is the financial position of the firm?
- What is the long term prospect of the firm?
- Is the firm being effectively managed?

Answers to question are partly produced by the financial statements. They restore confidence in those firms that show steady growth in earning. As such, they concentrate on the analysis of the firm's financial structure to the extent it influences the firms earning ability and risk.

Employees

Needs information regarding the financial position and profitability of the firm as these would influences the trade union negotiation demands for improvements in employee's remuneration and conditions of service. This information they gain, by studying the financial statement.

External Users include:

Trade Creditors/Suppliers

Are interested in firm's ability to meet their claims over a very short period of time usually one year their analysis will, therefore confirm the evaluation of the firm's ability to pay for goods supplied to it on credit financial statement will provide them this information.

Lenders

These are suppliers of long term debts. They are concerned with the firm's long term solvency and survival. They analyze the firm's profit ability over time, its ability to generate cash or liquid resources to be able to pay interest and repay principal, and the relationship between various sources of funds capital structure relationship. Long term creditors do analyze the historical financial statement to make analysis about its future solvency and profitability. They also wish to assess the value of assets owned by the firm which could be realized for the purpose of recovering their loan in the event of default on the part of the firm in making agreed payments. The financial statement meet part of their information needs.

Customer

The information requirements of customers relate to product, prices, quality and reliability. These cannot be provided by the financial statements. However customers may also wish to know whether the firm is financially sound so that they will be able to ascertain whether they can continue to count on the firm as the source of the goods and services they require. The financial statement will provide them the information stability of the firm (Cliff notes. Com: 2010).

Financial Analyst

This group of users earns their living by analyzing financial statement of companies and other economic data and provides expert opinions, based on the analysis to their clients or employers.

Government Agencies

These include:

- Tax Authorities (Internal Revenue Service's): They require the financial statement for the purpose of assessing the tax liability of firms (in the case of companies) or of the owners (in the case unincorporated business).

Corporate Affairs Commission (CAC): Requires annual return from companies for regulatory and record purpose (CAMA 2004 as amended).

Federal Office of Statistics (FOS): Uses the financial statement for purpose of computing relevant economic and industrial data for national planning.

Central Bank of Nigeria (CBN): Uses returns and financial statement from financial institution for regulatory/purposes.

Federal Mortgage Bank of Nigeria (FMBN): Uses returns form and financial statement of mortgage banks for regulatory purposes.

Securities and Exchange Commission (SEC): Under (Ama 2004) as amended companies are to file annual and quarterly reports as well as documents notifying the sec when an important event has had an impact on the company.

Financial Statement Analysis (FSA)

Financial statement analysis is a quantitative exposition of the strength and weakness of the operation of a business enterprise. It is concerned with the total business financial requirements, sources and availability of funds as well as uses of these (funds flow) and the optimum finance mix (capital structure). The outcome of any financial analysis should deduct the prevailing economic or political circumstance (is Chima Onuoha 2011, 282). Financial statement analysis which is essentially information processing system for providing data for decision making therefore, acts as a bridge linking the issuance of financial statements and the specific use of the statements for profitability, efficiency and decision making.

Types of Financial Analysis

Categorically, there are three forms of financial analysis

Multivariate, Univariate and Ratio Analysis: The ratios need to be interpreted on the basis of their trends and in the light of what is known of the business as a going concern. It should be noted that financial statements represent the financial positions of a firm at a particular point in time.

Basic Types of Financial Statement

All financial statements are essentially historical documents. They tell what had happened during a particular period of time. However, most users of financial statement are concerned about what will happen in the future stockholders are concerned with future ability to repay its debts, managers are concerned with the company's ability to finance future expansion.

- ❖ Balance Sheet
- ❖ Income statements or trading profit and loss account
- ❖ Accumulated retained earnings statement (appropriation)
- ❖ Cash flow statement

Balance Sheet

The balance sheet is a list of the resources of the business together with equities or interest of creditors and owners in those resources. It is a statement of the financial position of an enterprise at a given data and it reflects the result of all records of accounting/financial transaction since the enterprise was formed. It is a classified summary of all assets and liabilities account remaining in the ledger accounts after the balance of the normal (income and expenditure) accounts have been transferred to the profit and loss account (Knoumet al 2010). The balance sheets are divided into two parts;

- a. The assets and
- b. Liabilities in addition to stockholders equity

The assets side of the balance sheet represents the resources controlled by the firm while liabilities in addition to owner's capital show how these assets have been finance. The sum of both sides of the statement must always agree since Ahason investment, Anambra State was chosen as research point, it four years financial reports (balance sheet) for 2011, 2012, 2013, 2014 are shown annexure.

Income Statement or Trading Profit and Loss Account

This is a summary of firm’s operating result of the past period usually one year. Its matches account derived from sales of goods and other items with all cost incurred in operating the company for that period. This result is in the net income, which is distributed between shareholders are dividend and retain earnings. Income statement also reports the firm’s relative earning per share (EPS).

Accumulated Retained Earnings Statement

Earnings may be paid out to stakeholders as dividend or retained are reinvested in the business stockholders like to receive dividend but it earnings are ploughed back into the business, the value of the stakeholders position in the company increase. The producer for a simple retained earnings statement is shown below.

Format for Retained Earnings

Statement of Retained Earnings for the Year Ending

December 31st 2012

Balance of Retained Earnings December, 312012	X	
Add T Net Income 2012	XX	XXX
Less T Dividend to Stock Holders	X	XX
New Balance on Retaining Earning	XX	XX

Empirical Review

According to Michael (2013) in his critical investigation on the degree of reliance of the published financial statements by corporate investors, the study employed survey research design by which data were generated by means of questionnaire administered on one hundred and fifty corporate investors and senior management officials of the selected banks. The descriptive statistics and percentage analysis were tested using t-test statistics. The results reveal that one of the primary responsibility of management to the investors is to give a standardized financial evaluated and authenticated by a qualified auditor or financial experts. The results of the analysis also indicated that investors depend heavily on the credibility of auditors/ financial statement is very important in the investor’s decision making. He recommended that adequate care and due diligence should be maintained in preparing financial statements to avoid faulty investment decisions which could lead to loss of funds and possible litigations.

Financial statement analysis which is essentially information processing statement for providing data for decision making therefore, acts as a bridge linking the issuance of financial statements and the specific use of the statements for profitability, efficiency and decision making.

Balance Sheet

The balance sheet is a list of the resources of the business together with equities or interests of creditors and owners in those resources. It is a statement of the financial position of an enterprise at a given data and it reflects the result of al records of accounting/financial transaction since the enterprise was formed. It is classified summary of all assets and liabilities account remaining in the ledger accounts after the balance of the normal (income and expenditure) , accounts have been transferred to the profit and loss account (Knowmet et al 2010).

The balance Sheet are Divided into Two Parts;

The assets and

Liabilities in addition to shareholders equity.

The assets side of the balance sheet represents the resources controlled by the firm while liabilities in addition to owner’s capital show how these assets have been finance. The sum of both sides of the statement must always agree since Ahason investment limited, Anambra State was chosen as research point, it four years financial reports (balance sheet) for 2011, 2012, 2013, and 2014 are shown at annexure.

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and investment efficiency is stronger for firms with low quality information environments. Overall, this proper has implications for research examining the determinants of investment efficiency and the economic consequences of enhanced financial reporting.

The Institute of Chartered Accountants in England and Wales (ICAEW) statement of auditing defines internal controls as not only internal check and internal audit, but the whole system of control, financial and otherwise, established by management of an organization in order to carry on the business of the entity in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its records. It is therefore worth noting from the above, that properly instituted systems of internal control will enhance better financial performance. It will ensure; completeness of all transactions undertaken by an entity that the entity assets are safeguard from theft and misuse, that transactions in the financial statement are stated at the assets presented in the company’s financial statements are recoverable and that the entity’s transactions are presented in the appropriate manner according to the applicable reporting framework.

The American institute of Certified Public Accountants (AICA) adopted as its definition of internal control the following statements, “Internal control comprise the plan of the organization and all the coordinate methods and means adopted within the business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribe managerial policies. According to ALCPA, Internal control is the team generally used to described how management assures that an organization does meet its financial and other objective. Thus, internal control system not only contributes to managerial effectiveness but is also important duties of corporate board of directors. Internal control has been defined by the committee of sponsoring organization of the trade way commission (Coso 1992) in internal control integrated frame work, as “A process effected by an entity’s board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories, effectiveness and efficiency of operations (basic operational objectives, performance goals and safeguarding resources), reliability of financial reporting; compliance with applicable laws and regulation.

The commission further added that internal control is a management tool used to provide reasonable assurance that the public sector organization’s objectives are being achieved efficiently. Internal control covers the whole system of controls, polices and procedure established by management to meet their targets and objectives. The three major categories of management objectives comprise; effective operations, financial reporting and compliance. Effective operations are about safeguarding the assets of the organization. The physical asset assets like cash, non physical assets like receivables, important documents and records of the organization can be stolen, misused or accidentally destroyed unless they are protected by adequate controls. The goal of financial control requires accurate information for internal decision because management has a legal and professional responsibility to ensure that info0rmation is prepared fairly in accordance with applicable accounting standard e.g. international financial reporting standards (IFRS) and international public sector accounting standards (IPSAS). Organizations are equally required to comply with many organizations are required to comply with many laws and regulations including company laws, tax laws and environment protection laws.

this research, the targeted population which is 100 covered the following department;

Category of Staff	Population
Account	15
Admin	20
Internal Audit	10
Marketing	15
Production	40
Total	100

Field Survey, 2022

Sample and Sampling Techniques

Method of Data Analysis

The Pearson’s Product Moment Co-Efficient (PPMC) is stated thus

$$r = \frac{N\sum Xy - (\sum X) (\sum y)}{\sqrt{(N\sum X^2) - (\sum x)^2 (N\sum Y^2) - (\sum Y)^2}}$$

Where:

r = Correlation co-efficient

n = Number of data being used

x = Independent variable

y = Dependent variable

$\sum X$ = Addition of all data available for the independent variables

$\sum y$ = Summary of ala data available for the dependent variables

$\sum Xy$ = Summation of all the products of independent are dependent variables .

Data Presentation

Presentation of Data

Analysis of rate of response by respondents

Table 1: Administration and Administration of Questionnaire

Categories of Respondents and Returns	Frequency	Percentage (%)
No of questionnaire received	51	64%
No of questionnaire not received	29	36%
Total	80	100%

Source: Field Study (2022).

Analysis on table .1 above recorded that a total of 100 questionnaires were distributed, out of which 51 were properly completed and returned and 29 questionnaires were not returned at all by the respondents.

Table .2: Sex Distribution of Respondents

Categories of Respondents and Returns	Frequency	Percentage (%)
Male	29	57%
Female	22	43%
Total	51	100%

Source: Field Study (2022).

Analysis on table .2 above recorded that out of the 51 respondent who returned the completed questionnaire, 29 respondents representing 57% are male while 22 respondents representing 43% are female.

The analysis shows that majority of the respondents are male as the questionnaire were randomly distributed to the respondents.

Table .3: Marital Status Distribution of Respondents

Categories of Respondents and Returns	Frequency	Percentage (%)
Single	30	59%
Married	21	41%
Total	51	100%

Source: Field Study (2022).

Analysis on table .3 above recorded that 30 respondents who returned the questionnaire were single representing 59% while 21 respondents representing 41% were married. The analysis shows that majority of the respondents are single.

Table .4: Educational Background Distribution of Respondents

Categories of Respondents and Returns	Frequency	Percentage (%)
Ph.D	15	29%
MSc/MBA	10	20%
BSc	23	45%
HND	3	6%
Total	51	100%

Source: Field Study (2022).

Analysis on table .4 above recorded that 29%, 20%, 45%, and 6% of the respondent's possess PHD, MSc/MBA, BSc and HND qualification respectively. The analysis above shows that all the respondents involved in the study have basic academic qualification that would enable them to effectively answer the questions in the questionnaire.

Table .5: Age Range Respondents

Categories of Respondents and Returns	Frequency	Percentage (%)
Under 20	Nil	Nil
21-30	6	11%
31-40	35	69%
Over 40	10	20%
Total	51	100%

Source: Field Study (2022).

Analysis on table .5 above recorded that the majority of the respondents are within the age range of the working population.

Analysis of Research Question-Data Analysis Question

Siba Group of Companies have been analyzing its financial statement

Table .6

Option	Respondents	Percentage (%)
SD	3	6
D	5	10
U	-	-
A	10	20
SA	33	64
Total	51	100%

Source: Field Study (2022).

Table .6 indicates that 3 respondent representing 6% strongly disagree on the questions, 5 respondents representing 10% disagree on the question, no respondent is undecided about the question. 10 respondents representing 20% agree on the question and lastly 33 respondents representing 64% strongly agreed on the question. Therefore, it can be concluded that Ahason investment have been analyzing its financial statement.

Question 2

Management has been effectively applying these analysis when taking financial and other decision.

Table .7

Option	Respondents	Percentage (%)
SD	-	-
D	5	10
U	-	-
A	38	75
SA	8	15
Total	51	100%

Source: Field Study (2022).

Table .7 indicates that no respondents strongly agreed to the question, 5 respondents representing 10% disagree on the question, no respondent was undecided, 38 respondent representing 75% agree to the question and 8 respondents representing 15% strongly agreed on the question. Therefore, it can be concluded that management have been effectively applying these analysis when taking financial and other decision.

Question 3

Weakness is been identified in analyzing the financial statement

Table .8

Option	Respondents	Percentage (%)
SD	4	9
D	7	13
U	5	10
A	5	10
SA	30ss	58
Total	51	100%

Source: Field Study (2022).

Table .8 indicates that 4 respondents representing 9% strongly disagree to the question, 7 respondents represent 13% disagree to the question and 5 respondent represent 10% were undecided and was agreed as well while 30 respondent representing 58% strongly agreed to the question.

Question 4

Management of the company reacts to such weakness when identified and communicated

Table .9

Option	Respondents	Percentage (%)
SD	30	58
D	4	9
U	5	10
A	5	10
SA	7	13
Total	51	100%

Source: Field Study (2022).

Table .9 indicates that 30 respondent representing 58% strongly disagree to the question, 4 respondent representing 9% disagree to the question and 5 respondent representing 10% were undecided and was agreed as well and lastly 7 respondent representing 13% strongly agreed to the question. Therefore, it can be concluded that management of the company does not react to such weakness when identified and communicated.

Question 5

Financial statement reveals the competence of management of the company

Table 10

Option	Respondents	Percentage (%)
SD	-	-
D	3	6
U	-	-
A	8	16
SA	40	78
Total	51	100%

Source: Field Study (2022).

Table .10 indicates that no respondents strongly agreed to the question, 3 respondents representing 6% disagree to the question, no respondent were undecided as well, 8 respondent representing 16% agreed to

the question and lastly 40 respondent representing 78% strongly agreed to the question. Therefore, it can be concluded that financial statement reveals the competence of management of the company.

Question 6

Companies believe in past financial statement in forecasting future performance.

Table .11

Option	Respondents	Percentage (%)
SD	40	78
D	8	16
U	3	6
A	-	-
SA	-	-
Total	51	100%

Source: Field Study (2022).

Table .11 indicates that 40 respondent representing 78% strongly disagree to the question, 8 respondent representing 16% disagree to the question while no respondent agreed or strongly agreed to the question. Therefore, it can be concluded that company does not believe in past financial statement in forecasting future performance.

Question 7

Financial statement helps users to know the state of affairs of the company

Table .12

Option	Respondents	Percentage (%)
SD	-	-
D	6	12
U	5	10
A	20	10
SA	20	39
Total	51	100%

Source: Field Study (2022).

Table .12 indicates that no respondents strongly agreed to the question, 6 respondent representing 12% disagree to the question, 5 respondent representing 10% were undecided, 20 respondent representing 39% agreed to the question and lastly 20 respondent representing 39% strongly agreed to the question as well. Therefore it can be concluded that financial statement help users to know the state of affairs of the company.

Question 8

Problems are encountered in the process of the analysis

Table .13

Option	Respondents	Percentage (%)
SD	-	-
D	-	-
U	-	-
A	11	22
SA	40	78
Total	51	100%

Source: Field Study (2022).

Table .13 indicates that no responded strongly disagree, disagree and undecided to the question, 11 respondent representing 22% agree to the question and lastly 51resopndent representing 78% strongly agreed to the question. Therefore it can be concluded that problems are encountered in the process of the analysis.

Test of Hypothesis

In this section, the testing of hypothesis assumed in chapter one will be made. The researcher shall test two of the hypothesis using the Pearson’s product moment correlations co-efficient as earlier stated in chapter one. The hypotheses were stated in null and alternative form.

Hypothesis 1

Ho: There is no significant relationship between analysis of financial statement on the growth and efficiency management of business organization.

Hi: There is significant relationship between analysis of financial statement on the growth and efficiency of business organization.

Option	Respondent	Percentage (%)
Strongly Disagree	23	45
Disagree	19	37
Undecided	3	6
Agree	2	4
Strongly Agreed	4	8
Total	51	100%

Source: Field Study (2022).

X	Y	Xy	X ²	Y ²
5	23	115	25	529
4	19	76	16	361
3	3	9	9	9
2	2	4	4	5
1	4	4	1	16
X = 15	∑y = 51	∑Xy = 208	∑X ² = 55	∑y ² = 919

Substituting:

$$r = \frac{N\sum Xy - (\sum X)(\sum y)}{\sqrt{(N\sum X^2 - (\sum x)^2)(N\sum Y^2 - (\sum Y)^2)}}$$

$$= \frac{5 \times 208 - 15 \times 51}{\sqrt{(5 \times 55 - 15^2)(5 \times 919 - 51^2)}}$$

$$= \frac{1040 - 765}{\sqrt{(5275 - 225)(4595 - 2601)}}$$

$$= \frac{275}{\sqrt{315.755}} = 0.8709$$

We now look at the t-test

$$t = r \sqrt{\frac{N-2}{1-r^2}}$$

Where N = No of observation

t = t-test

r = Pearson’s product moment correlation co-efficient

$$t = 0.8709$$

$$t = 0.8709 \sqrt{\frac{5-2}{1-0.8709^2}}$$

$$t = 0.8709 \times \frac{0.73205}{0.2415}$$

$$t = 0.8709 \times 7.17205$$

$$t = 6.2461$$

Now, the df (degree of freedom)

$$df = \text{No of rows} - 1$$

$$= (n-1)$$

$$= (5-1)$$

$$= 4$$

$$= 2.132$$

Decision Rule

If the calculated t-test is greater than the critical value at 0.05% 1.0.5, the tabulated valued is said to be of no significance and as such, we will reject the null hypothesis of no significance different and accept the operational hypothesis of positive significant difference.

Hypothesis 11

Ho: Organizational profitability does not have relationship with financial statement analysis based on management decision.

Hi: Organizational profitability has relationship with financial statement analysis on management decision.

Option	Respondent	Percentage (%)
Strongly Disagree	29	57
Disagree	16	31
Undecided	2	4
Agree	3	6
Strongly Agree	1	2
Total	51	100%

Source: Field Study (2022).

X	Y	Xy	X ²	Y ²
5	29	145	25	841
4	16	64	16	256
3	2	6	9	4
2	3	6	4	9
1	1	1	1	1
X = 15	∑y = 51	∑Xy = 222	∑X ² = 55	∑y ² = 111

Substituting:

$$r = \frac{N\sum Xy - (\sum X)(\sum y)}{\sqrt{(N\sum X^2) - (\sum x)^2 (N\sum Y^2) - (\sum Y)^2}}$$

$$= \frac{5 \times 222 - 15 \times 51}{\sqrt{(5 \times 55 - 15^2) (5 \times 111 - 51^2)}}$$

$$= \frac{1040 - 765}{\sqrt{345}}$$

$$= \frac{147.700}{345}$$

$$= \frac{345}{384.3}$$

We now look at the t-test

$$t = r \sqrt{\frac{N-2}{1-r^2}}$$

Where N = No of observation

t = t-test

r = Pearson's product moment correlation co-efficient

$$\begin{aligned}
 t &= 0.89769 \sqrt{\frac{3}{10.80585}} \\
 &= 0.89769 \sqrt{1.73205} \\
 0.199415 & \\
 &= \frac{0.89769 \times 1.732205}{0.4406} \\
 &= 0.89769 \times 3.39087 = 3.5287
 \end{aligned}$$

Now, the df (degree of freedom)

df = No of rows – 1

= (n-1)

= (5-1)

= 4

= 2.132

Hypothesis III

Ho: There is no significant difference between the returns of a financial statement on the growth and efficiency based on decision making.

Hi: There is a significant difference between the returns of financial statement on the growth and efficiency based on decision making.

Option	Respondent	Percentage (%)
Strongly Disagree	30	57
Disagree	15	31
Undecided	2	4
Agree	3	6
Strongly Agree	1	2
Total	51	100%

Source: Field Study (2022).

X	Y	Xy	X ²	Y ²
5	30	150	25	900
4	15	60	16	225
3	2	6	9	4
2	3	6	4	9
1	1	1	1	1
X = 15	∑y = 51	∑Xy = 223	∑X ² = 55	∑y ² = 1139

Substituting:

$$\begin{aligned}
 r &= \frac{N\sum Xy - (\sum X)(\sum y)}{\sqrt{(N\sum X^2 - (\sum x)^2)(N\sum Y^2 - (\sum Y)^2)}} \\
 &= \frac{5 \times 223 - 15 \times 51}{\sqrt{(5 \times 55 - 15^2)(5 \times 1139 - 51^2)}} \\
 &= \frac{1115 - 765}{\sqrt{(275 - 225)(5695 - 2601)}} \\
 &= \frac{350}{\sqrt{154,700}} \\
 &= \frac{0350}{393.3} \\
 &= 0.8899
 \end{aligned}$$

We now look at the t-test

$$t = r \sqrt{\frac{N-2}{1-r^2}}$$

Where N = No of observation

t = t-test

r = Pearson's product moment correlation co-efficient

$$t = 0.8899 \frac{\sqrt{5-2}}{\sqrt{1-0.8899^2}}$$

0.7919

$$t = 0.8899 = \frac{1.7321}{0.2081}$$

$$t = 0.8899 \times 8.3232$$

$$t = 7.4069$$

Now, the df (degree of freedom)

df = No of rows – 1

$$= (n-1)$$

$$= (5-1)$$

$$= 4$$

$$= 2.132$$

Decision Rule

We will reject the null hypothesis of no significant different and accept the operational hypothesis of positive significant difference.

Findings

The information gathered from oral interview and the questionnaire responses from the selected staff of Ahason investment limited, revealed certain facts that:-

- ❖ Management effectively applies financial statement analysis when taking financial and other decisions.
- ❖ As a result of analyzing financial statement, weakness in the system are discovered which are communicated to the management for corrective action.
- ❖ There are problems that are encountered in the process of financial statement analysis which include inadequacy of knowledgeable and experienced staff and late preparation of financial statements, among others.
- ❖ Financial statement analysis impact positively on the operations of businesses as reflected on improved performance of Ahason investment limited, over the years.
- ❖ As a result of financial statement analysis, Ahason investment limited, profitability has been on the increase in the past four years.

Conclusion

Ahason investment limited has a track record in terms of performance and production. Therefore, analysis of the company's financial statements has enabled the company to know its strengths and exploit them, and weakness which are corrected with the application of financial statement analysis, the techniques like liquidity ratios, profitability ratios, etc, the management of Ahason investment limited has been able to predict the future of its chains of business and develop long and short term plans in order to achieve its objectives.

Recommendations

Having accepted the fact that the analysis of financial statement impact positively on the profitability and efficiency of performance of compliance, the following recommendations are made by the researcher.

Staff should be trained on the techniques of financial statement analysis as wrong analysis can send a wrong signal to the management thereby affecting its decisions.

Timely preparation of financial statements helps management to take timely decisions, so financial statements should be prepared and presented on time.

Management should use the information gathered from the analysis of financial statement to identify the strengths and weakness of the company and act swiftly on them for the overall growth of the company.

Management should make time identification of the causes of problems that hinders timely analysis of financial statements and apply corrective measures.

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