



**ADDIS ABABA UNIVERSITY**  
**GRADUATE STUDIES**

**Impacts of Accounting Information on Management's  
Decision-Making – Profit-Oriented Vs Not-for-Profit  
Organizations**

(The survey study in selected profit-oriented and Not-for-Profit Organizations)

**By:**

**Mesfin Legesse**

**Advisor:**

**Dr. S. Ulaganthan**

A PROJECT SUBMITTED TO THE PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTERS OF SCIENCE IN  
ACCOUNTING & FINANCE

**June, 2009**

## Statement of Declaration

I, the undersigned, declare that this project is my original work and has not been presented for a degree in any university, and that all source of materials used for the project have been dully acknowledged.

Declared by:

Name Mesfin Legesse

Signature \_\_\_\_\_

Date \_\_\_\_\_

Confirmed by:

Name \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Place and Date of submission 15<sup>th</sup> June, 2009, AAU

## ***Acknowledgement***

I would like to express my deepest indebtedness to my advisor Dr. S. Ulaganthan for his insightful comments and guidance which I benefited much. Without his professional assistance it would have been difficult.

My particular appreciation also goes to Senait G/Hiwot who helped me a lot to have every possible comfort.

Last but not the least my appreciation goes to, my brother Danny Boy and to all my family to their endless support they gave me.

# T A B L E O F C O N T E N T S

Acknowledgement .....	i
Table of Content.....	ii
List of Tables .....	iii
Abstract .....	v
<b>1. INTRODUCTION</b>	
1.1. Background of the study.....	1
1.2 Statement of the Problem.....	3
1.3. Objectives of the study.....	4
1.4. Research Question.....	5
1.5 Significance of the Study.....	6
1.6. Purpose.....	7
1.7. Limitations of the Study .....	7
1.8 Organization of the paper .....	8
<b>2. Review of Literature.....</b>	<b>9</b>
2.1 The meaning of Information.....	9
2.2 The value of information.....	9
2.3 Information and Accounting .....	10
2.4 Accounting information systems.....	11
2.5 What is accounting? .....	13
2.6 Data vs. information.....	15
2.6.1 Qualitative v. quantitative data.....	16
2.6.2 The characteristics of ‘good’ information.....	16
2.7 Accounting and the objectives of the firm.....	17
2.8 How accounting information is used.....	17
2.9 The Challenges confronting Accounting.....	19
2.10 Short-term decisions and long-term decisions.....	20
2.11 Stages in the decision-making process.....	20
2.12 A customer-oriented perspective.....	21
2.13 Profit-Oriented Corporations vs. Non-profit Organizations.....	22

<b>3. Data sources and Methodology</b>	
3.1 Data Sources.....	24
3.2 Methodology.....	24
3.2.1 Target population and Sampling Procedure.....	24
3.2.2 Questionnaires.....	25
<b>4. Data Analysis and Discussion</b>	26
4.1 Personal Profile of the Respondents.....	26
4.2 Availability of Accounting Information System Department.....	28
4.3 Competency and qualification of accounting personnel.....	29
4.4 The attention given to accounting department	31
4.5 Adequacy of accounting information produced.....	33
4.6 Managerial use of accounting information for making decision.....	35
4.7 Convenience of accounting information for management’s decision.....	36
4.8 Management commitment in accommodating accounting information...37	
4.9 Accounting information that most impact management’s decision.....	38
4.10 Impacts of Accounting Information.....	39
4.10.1 Impacts on Areas of decisions	39
4.10.2 Extent of influencing power of AI on management decision.....	41
4.10.3. Impacts on Preparing Long-term Plan.....	43
4.10.4 Impacts on forecasting the future performance of an organization.....	45
4.10.5 Impacts on Profitability and Objectives execution.....	46
4.10.6 Impacts on Business vs. Non-business organizations.....	48
<b>5. Conclusion and Recommendations</b> .....	52
5.1 Conclusion.....	52
5.2 Recommendations.....	54
<b>References</b>	57
<b>Appendices</b> .....	59

## **List of Tables**

Table 4.1 Personal Profile .....	27
Table 4.2 Accounting Information System (AIS) department .....	28
Table 4.3 Responsible department for producing accounting information.....	29
Table 4.4, Skills and Competency of Accountants.....	30
Table 4.5 Attention given to accounting department .....	31
Table 4.6, Value of Accounting Information in the decision making process.....	33
Table 4.7 Types of Accounting Information produced.....	34
Table 4.8 Usage of Accounting Information by managers .....	35
Table 4.9 Convenience of Accounting Information for making decision.....	36
Table 4.10, The commitment of managements in accommodating accounting information in their decision making process .....	37
Table 4.11 The accounting information that most impact management’s decision.....	38
Table 4.12 Areas of decisions on which Accounting Information is mostly reflected ...	40
Table 4.13, The influencing ability of Accounting Information .....	41
Table 4.14 Information of more influential.....	42
Table 4.15, Effects of Accounting Information on the efficiency of long-term plan.....	44
Table 4.16 Organizations exposed to major losses due to absence of accounting information in the decision making process.....	45
Table 4.17 Forecasting ability of Accounting Information .....	46
Table 4.18 Results that will happen if Accounting Information is not included in the decision making process.....	47
Table 4.19 Weights given to accounting information for decision purpose in various types of organization.....	49
Table 4.20 Type of organization that should more rely on accounting information.....	50

## **Abstract**

*In every organization decisions are regularly made as part of smoothening activities of the organization and to achieve their objectives. Decision makers use different types of information to make these valuable decisions. Accounting information is one of this information that managers and other concerned bodies use when they make decisions. The main purpose of this study is to assess the impact of accounting information in management decision making in both profit-oriented and not-for-profit organizations.*

*General Managers, other higher level manager and accountants were included to gather the necessary data pertaining to the assessment of the impact of accounting information. To elicit the impact of accounting information on management decision making, questionnaires were distributed to General Managers, Financial Managers, Marketing Managers, Production Managers and Accountants who are thought to be influenced by the information. All of them were selected by personal judgment of the research.*

*The results of the study showed that majority of managers are influenced by the accounting information to the relevant range. In addition, the dedication of managers in incorporating accounting information in their decision making was found to be weak. The reason for this fact is that managers are not as such comfortable to make decisions with the type of information being produced. They have doubts on the competency of accountants. It is also found that accounting information is widely used in business organizations especially in manufacturing organization as compared to not-for-profit organizations.*

*In response of these findings, the researcher forwarded possible recommendations that will enhance managers' use of accounting information.*

---

---

# CHPATER I

## 1. INTRODUCTION

### 1.1. Background of the study

Decision-making can be regarded as an outcome of mental processes leading to the selection of a course of action among several alternatives. Every decision making process produce a final choice. The output can be an action or an opinion of choice. James reason (1990)

Making decisions is part of our every day's lives. Considering organizational life, it often one of the main functions and tasks of management, as underlined also in the statement above. Indeed, management and decision-making are often regarded as going together, as management usually makes the major decisions of the organization. (Young, J. 1982)

Decision-making involves the selection of the best course of action (Emmanuel, C. et al. 1990). In order to decide on the best option, management has to judge the effective ness of various alternatives. Therefore, they need some guidance that is usually provided in form of data and information (Bierman, H. et al. 1986). For this reason they often rely on financial and economic information gathered by management accounting.

Management accounting can be defined as “the process of identification measurement, accumulation, analysis, preparation, interpretation, and communication of information that assists executives in fulfilling organizational objectives a formal mechanism for gathering and communicating data for the purpose of aiding and coordinating collective

---

---

decisions in light of the overall goals or objectives of an organization.” (Macintosh, N. 1995)

As can be derived from this definition, accountants play a crucial role in providing information for making economic and financial decisions. These decisions are an important element for the organization. Implementing the wrong ones can affect the company in a very negative way and may sometimes also lead to its bankruptcy. (Young, J. 1982) even goes so far to claim, “The road to bankruptcy is paved with poor decisions.” As the outcome of a decision cannot always be predicted with certainty, management often faces the risk of choosing the wrong ones. Hence, management always needs to have some courage as well when facing decisions.

Apparently, good decisions are important and ensure the well-being and also the survival of an organization whether it is profit-oriented or not-for-profit organization, In this case all organizations need to pass the right decision to prolong their existence as an institution.

---

---

## 1.2 Statement of the Problem

In order to circumvent financial disasters through wrong and ineffective decisions, there is nowadays a vast pool of financial tools available which can be used to support the decision-making process. Nevertheless, these accounting information are not properly used in all organizations. The reason for not for sufficiently use the accounting information for decision making on one hand is that managers may not give due attention to the outputs of accountants. Some managers think that the accounting information prepared is not suitable and others perceive that accounting information is not as such important for making fundamental organizational decisions. Managers consider accounting departments just as a controlling unit. They also have doubts on the competency of accounting personnel.

On the other hand, managers may not use accounting information in their decision making process due to inadequate understanding of what accounting information implies and lack of provision of sound financial analysis. In many of both the profit-oriented and Not-for-profit organizations in Ethiopia basing their Head Office in Addis Ababa, the accounting information that managers use in their decision making process are prepared by other departments that these departments may not actually meet the information needs of managers.

The other problem to be investigated here is that the type of accounting information that matters profit-oriented and Not-for-profit organization which have dissimilar missions. It is important to identify which kind of accounting information suitable for profit-seeking

---

---

organizations and which one is more important to a Not-for-profit to make the right decision.

By taking these views into account, the research attempted to evaluate whether the managers of profit seeking and Not-for-profit organizations basing their Head Office in Addis Ababa effectively assume the impacts of accounting information in their decision making activities.

### **1.3. Objectives of the study**

The main objective of the study is to identify the effects and magnitude of accounting information as an input in managerial decision-making process in both profit-oriented and not-for-profit organizations in Ethiopia that base their Head Office in Addis Ababa.

#### Specific objectives

- Identifying which accounting information most impact the profit-seeking organization versus not-for-profit organization
- Assess whether failure of accommodating accounting information in the decision making process can be the grounds for not attaining stated objectives
- Assess whether the profit oriented and not-for-profit organizations in the selected organizations have skilled and qualified accounting personnel
- Examine the attention given to accounting department that produces accounting information
- Clarify the types of information that managers frequently use to make decisions

- 
- 
- Describing the degree to which managerial decision rely on accounting information
  - Give recommendation to develop business and non-business decision making in both Profit-Oriented and Not-For-Profit organizations in the target organizations so that the process of decision making will be enhanced.

#### **1.4. Research Question**

- Do the target organizations establish accounting information system that converts data into information?
- Do managements of Profit-Oriented and Not-For-Profit organizations in the selected organizations use accounting information to make decision?
- What are the decisions that are frequently made by the managers of these types of organizations and is accounting information reflected?
- Do managers of Profit-Oriented and Not-For-Profit organizations in Addis Ababa rely on accounting information in their decision making process?
- What does the accounting information prepared look like by Profit-Oriented and Not-For-Profit organizations in Ethiopia and do they really have impacts on management's decision making?
- Does the purpose of accounting information produced in profit-oriented organization in Ethiopia differ from Not-for-profit organization?
- What are the major accounting reports which are mostly used in the decision making process of profit-oriented versus Not-for-profit organization in Ethiopia?

---

---

## 1.5. Significance of the Study

The writer of this research believes that some valuable results will be achieved from the study. It is hoped that the study will provide some significances for the organizations, individuals and for the country as a whole.

The research will provide the following significances:

- It will enable the selected organizations to understand the role of why accounting information system in producing timely information
- It will benefit stakeholders such as government and creditors in evaluating whether the organizations' decisions were made in line with their interest
- The study will help managers evaluate their commitment and reliance on using accounting information in the decision making process
- It will help the accountants in the target organizations to identify managers' needs of information to make effective decision and take corrective measures.
- It will have impact on management groups to use accounting information when they make long-term decision

---

---

## **1.6. Purpose**

The purpose of this research is to find out the magnitude of the importance of accounting information in the decision making process in profit seeking organization and not-for-profit organization and to inform the reader about how this information affects the decisions made by these organizations having varied mission.

## **1.7. Limitations of the Study**

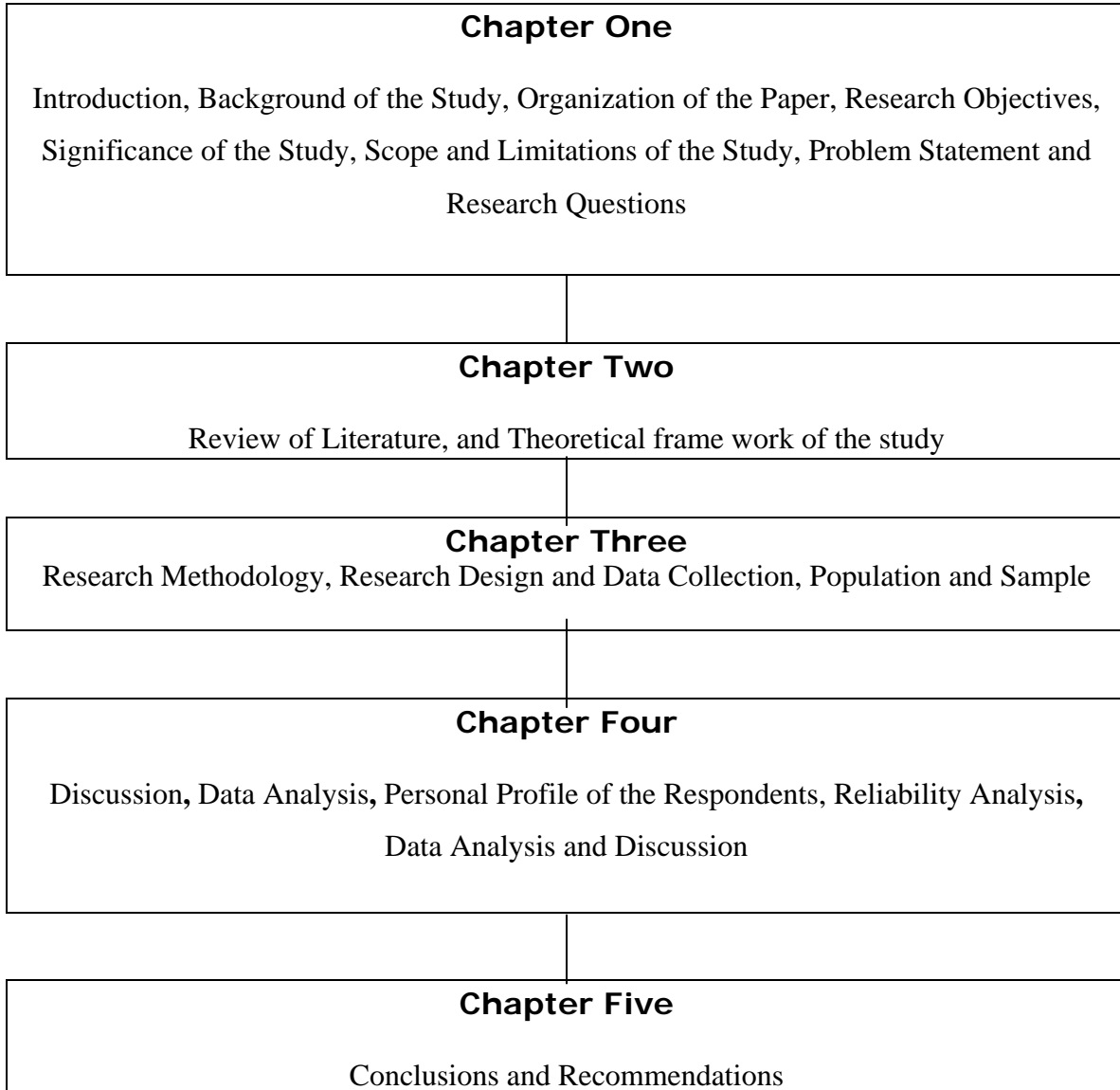
The research was not completed without confronting limitations during the study. The first limitation was that the target organizations managers were not as such willing to provide appropriate information. Secondly, it was found to be infeasible to investigate the impacts of their accounting information because of shortage of internal data. Moreover, the study was limited only to 20 organizations locating their Head Office in Addis Ababa.

---

---

## 1.8 Organization of the paper

This part will give a description in summarized form of the main content, and how the thesis is organized and structured. The paper has been divided into five chapters and can be seen as follows.



---

---

## CHAPTER II

### 2. Review of Literature

#### 2.1 The meaning of Information

Information is a fashionable word. We are often said to live ‘in a world of information’. One of the most important changes in our environment during the past decade has been the development of information technology, in the form of advances in both computer hardware and software (John Arnold 1990). We receive information from a variety of different sources – from ‘indirect’ sources such as television, radio, books, newspapers, and computer printouts, and from more ‘direct’ sources such as conversation.

#### 2.2 The value of information

If the value of a piece of information is dependent upon its impact on future decisions, it follows that the value is personal to the decision taker, the user of the information. In assessing the value of information, we must consider who is going to use the information, and for what purpose.

The provision of information is not, generally speaking, free. Information has cost, and one kind of information may be more costly to provide than another. Thus cost is an important factor in the choice of alternative sources of information. Information is valuable only if the decision maker’s best action with the information is different from his or her best action without the information. This ‘value’ of the extra information is usually termed its *gross value*, and the difference between the gross value and the cost of providing the information is called the *net value* of the information. We can use the

---

---

notion of the net value of information to aid two kinds of (important decisions which involve the production of information:

1. Decisions as to whether a piece of information is worth producing. Production is worthwhile if the net value of the information is positive.
2. Decisions concerning the choice of alternative information production methods. The method with the highest positive value should be chosen.

## **2.3 Information and Accounting**

These ideas of information value and cost may well be of general interest and importance, but what is their relevance to accounting? Accounting is concerned with the provision of information to aid decisions, i.e. with the provision of valuable information. 'Valuable' information in an accounting sense is that which relates to the decisions taken by users of such information. And these decisions are likely to vary from user to user. Many groups might be interested in information produced by a large industrial organization.

Decision for which information is required

- Buy, sell or hold shares
- Increase, reduce or keep constant levels of credit and loans
- Submit claim for wage increase; change employment
- Raise taxation; examine the impact of the firm on the environment
- Buy the firm's products
- Determine the level at which to conduct operations
- Assess the economic and 'social' impact of the firm

---

---

It is clear that these different users may not always require the same information. Differing user information need present a major difficulty for the accountant or other provider of information who may have to attempt to satisfy them in a single report (or at least in a small number of reports).

Whatever the possible conflicting needs of users of accounting information, it remains necessary to devise suitable channels for communicating information from the reporting entity to those who are interested in its performance and prospects (John Arnold and Tony Hope 1990).

## **2.4 Accounting information systems**

A system can be defined as a group of elements that are formed and interact to achieve goals or objectives. An organization is a system in which a number of people work together to achieve particular objectives.

Organizations continue to exist because managers take decisions about what they should do. In order to take a decision, a manager needs information. The information is provided to the manager from an information system. It is an item of output from the information system. The decision taken by the manager is input back into the information system. Changes are then made to information held within the information system, and then output from the information system to the recipient(s).

---

---

For example, a manager who is in charge of ordering raw materials will be told by the information system how much raw material is held by the organization and how much will be needed. The manager then decides how much raw material to order and who to order it from. That decision is entered into the information system by the manager, the order is sent to the supplier by the information system and the information system is updated to show that an order has been placed.

Business organizations have a number of systems, all of which must work together in an effective and efficient way. There are systems for purchasing, production, marketing, human relations, etc. The accounting system is just one of the systems within an organization; they also have an information system. The information system receives data from its environment, processes it, and then sends the converted data into its environment in the form of information.

The accounting information system is part of the organization's information system. Whereas the information system will process a mixture of quantitative (i.e. numerical) and qualitative (i.e. non-numerical) data; the accounting information system focuses almost entirely on processing quantitative data. The accounting system is just one of the systems within an organization, all of which must work together in an effective and efficient way.

As with inputs to the accounting information system, the actual list of outputs is very long indeed. Some of the output is organized in a commonly agreed format so that

---

---

anyone looking at the output will understand it. Other output is presented in a way that suits an individual or group of people who will use the information to take decisions of one type or another.

## **2.5 What is accounting?**

Accounting can be described as an information system which can be used to assist people in making financial decisions. These financial decisions may relate to such matters as the following.

- The investment of money in a business or an income-earning venture such as buying shares
- The expansion or reduction of that investment
- The use of the resources of a business. All business have scarce resources of land, labor and capital and must make decisions about how these may be used to the maximum benefit of the owner. (Eric Smith, 1990 pp. 2)

The Trueblood Committee from American Institute of Certified Public Accountants (AICPA) listed twelve objectives which again emphasized the role of accounting for decision making. The twelve objectives were:

1. To provide information useful for making economic decisions.
2. To serve primarily those users who rely on financial statements as their principal sources of information about an enterprise's financial activities.

- 
- 
3. To provide information useful to creditors and investors for predicting, comparing and evaluating potential cash flows to them in terms of amount, timing and related uncertainty.
  4. To provide users with information for predicting, comparing and evaluating enterprise earning power. In other words, to show the profit-ability of the enterprise.
  5. To supply information useful in judging the management's ability to utilize enterprise resources, that is, to indicate how well they are using the resources on behalf of the owners.
  6. To provide factual and interpretive information about transactions and other events that affect earning power.
  7. To provide a statement of financial position. This statement is usually called a balance sheet.
  8. To provide a statement of earnings for the period. This statement is usually called a profit and loss statement.
  9. To provide a statement of financial activities that affects the cash position. This is often referred to as a cash flow statement.
  10. To provide information useful for the predictive process. That is, forecasts of future performance.
  11. In government and non-profit organizations to provide information useful for evaluating the effectiveness of the management of resources in achieving the organization's goals.

---

---

12. To report on those activities of the enterprise that affect society. This includes its role as an employer, sponsor of worthwhile projects and supporter of charitable organizations as well as such negative aspects as its role as a polluter of the environment.

## **2.6 Data vs. information**

The distinction between data and information is very important in accounting. Data is the accountant's raw material that is converted into information. Data means nothing until it is processed. (Frank Wood, et al.) Data become information when it is combined with something else that enables you to assess it within a relevant context, such as how much the book would have cost had the bookshop bought it from a different supplier. Information is the accountant's product.

The data has been converted into information. Information is data processed for a purpose. In each and every case, once you have information, you can take a decision. You can't take meaningful decisions with data. First, you must convert the data into information, you must have a purpose in using the information, and the decision maker must exercise judgment in how to use the information in taking a decision. This can be expressed as:

$$\text{Decision} = \text{Purpose} + \text{Information} + \text{Judgment}$$

Accountants specialize in converting data into information. In other words, they specialize in taking data and making it useful for decision making. Much of the data accountants process is financial – pounds and pence – and some is non-financial but

---

---

quantitative – e.g. the number of pairs of shoes available for sale in a shoe shop. Traditionally accountants do not deal with data that cannot be expressed in numbers.

### **2.6.1 Qualitative v. quantitative data**

Accountants do not, traditionally, deal with qualitative data, such as whether a customer was happy or sad, or whether it looked like it would rain when a customer bought an umbrella.

Qualitative data is not objective. It cannot be reliably verified. Quantitative data can often be verified – you can see the evidence on paper that it is correct. Accountants believe that dealing with qualitative data is someone else's task, so they leave it to engineers, marketing staff and others to make what they can of it. There is a school of thought that believes this to be very short-sighted of the accountants, and that by doing so they run the risk of losing out in the long-run to members of other professions who extend their expertise to encompass the processing of both qualitative and quantitative data.

### **2.6.2 The characteristics of 'good' information**

Accountants increasingly have to deal with growing quantities of information and many have to search for relevant information as part of their jobs. (Frank Wood, et al.) To be 'good' from an accounting perspective, information must be *useful*. That is, it must serve a purpose. Information must be useful to someone or it is not worth producing it. (Frank Wood and Alan Sangster) Without organizations – whether they are profit-seeking businesses, charities, universities, clubs, churches, or any other type of organization you can think of – accounting would not have much of a role to play.

---

---

## **2.7 Accounting and the objectives of the firm**

People working in a business and non business organizations need to know what its objectives are if they are to take the correct decisions. If they don't, decisions will be taken on the basis of the individual beliefs of the decision takers and the business will suffer as everyone pursues different objectives.

Thus, everyone in the business needs to know what the objectives are, and accountants need to provide the decision takers with the information they need in order to (a) pursue their objectives (b) monitor performance in relation to the objectives, and (c) amend the objectives when needed. Accountants provide information so that decisions can be taken that are compatible with the objectives of the organization.

## **2.8 How accounting information is used**

In our society accounting information in some form is used by nearly everybody. The following are some of the major users.

- Owners of business. Whether the owner is a sole proprietor, a partner in a partnership, or a shareholder in a company, they need to know that their investment in the business is secure and that it is earning reasonable profits. These people must decide whether to keep their investment in the business or to withdraw from it. The profitability and safety of their investment is measured by accounting information. Potential owners will also use accounting information as a basis for deciding whether to invest in a business, and where, then and how that investment is best made.

- 
- 
- **Lenders.** The lenders providing funds to others may be private individuals, finance companies, banks or government bodies. The lender's major consideration is the security of the loan. This can be assessed by use of accounting information.
  - **Management.** The efficient operation of any business or even a non-profit organization such as a public hospital or sporting club requires constant monitoring of the financial information about cash flow. Accounting provides this information.
  - **Government authorities.** Most organizations, individuals and businesses are required to provide financial information to government authorities. The most obvious requirements are those of the various tax authorities for income tax, sales tax, payroll tax, fringe benefits tax, and excise duties. However, there are many other requirements; for example, statistical information is required by the labor and industry departments in each state. This information is also produced by the accounting system.
  - **Employees and unions.** Employees can use financial information about a business to make decisions about whether to remain, or to seek an employer with better prospects, or whether to press for more pay or improved working conditions. Unions can use financial information to assess the overall profitability of an industry and therefore to make decisions about what claims to make on employers. Again, accounting reports are the sources of the financial information used.

---

---

## 2.9 The Challenges confronting Accounting

Accountants, managers and other users of accounting information cannot afford to ignore the significant changes that have taken place in the business organization, business environment and broader society. Puxty (1993) stresses that Accounting is not merely a collection of techniques, but that it has a significant impact on society at large. So too, society impacts on Accounting and accountants. Accountants are seen as the gatekeepers of financial markets, who are responsible for the quality and integrity of information so that:

- Capital markets are efficient
- The cost of capital is low
- The standard of living is high
- The investment risk is low, and
- Resources are allocated efficiently (Wallman, 1995)

Another role of Accounting and accountants is to identify inequities and ensure the faire equitable distribution of resources (Gouws, 1996). Accounting restores equity by ensuring a correct and accurate measurement and reporting of performance and the corresponding rewards (Belkaoui, 1980, p.90). A failure to respond to such expectations may cause the accounting discipline to lose its credibility, usefulness and relevance, and the accounting profession to lose its standing in society.

---

---

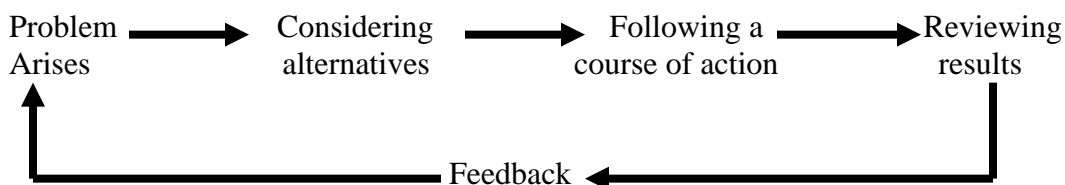
## 2.10 Short-term decisions and long-term decisions

As stated above, decisions can be grouped into short- and long-term decisions. It is necessary to consider decisions from both perspectives. The short-term (Drury, C. (2000), p. 8) is usually defined as being one year or even less. In short-term decisions the importance of the time value of money is low. These decisions are mainly based on today's data. Short-term decisions can usually be changed easily as opposed to long term ones. (Ibid., p. 233)

Long-term decisions (Ibid., p. 8) have effects on longer periods of time. Consequently, such decisions demand a firm's resources for a longer episode of time. Such decisions can influence future decisions and can have an impact on long-term potentials. Examples might be capital investments, like the purchase of new machinery, which will be discussed later on.

## 2.11 Stages in the decision-making process

Decisions are made by people, although they may use a great deal of computer-generated data. It is always difficult to analyze the way in which people think and people may not always act rationally (Eric Smith, 1990)). Assuming that they do act rationally, it is possible to break the decision-making process into stages. However, it should be clear that these stages may sometimes be difficult to identify, and may overlap.



---

---

## 2.12 A customer-oriented perspective

One of the keys to success in the new business environment is recognition of the dominant role of the customer. A deficiency of the traditional accounting information system is that it is not customer oriented with regard to a number of aspects. Firstly, accounting systems provide almost no information about customers other than revenue data. Secondly, they focus on internal issues rather than on the needs of customers for products or services. Thirdly, the accounting system itself is not sufficiently customer focused.

Hope and Hope (1995) present evidence that huge amounts of work in every type of organization provide no added value to the customer. Ernst & Young (1995) found that only about 20% of administrative processes add value for the customer. Yet the accounting system is not able to highlight such waste, and instead disguises it. It raises the ethical question of whether the customer should be expected to pay for such inefficiencies in cases where the price of the product or service is based on cost. Accounting information should support the business in becoming and remaining customer oriented by supplying more information regarding relationships with customers, exposure of waste and costs that fail to add value for customers.

Accountants should also align product, information, in similar way that successful businesses align their products and services to the needs of their customers (AICPA, 1994a). If accounting becomes customer driven its output, namely business information,

---

---

will be focused on meeting the changing need of its users. The selection of data and its processing will therefore be determined by the required output.

## **2.13 Profit-Oriented Corporations vs. Non-profit Organizations**

A profit oriented corporation is an organization whose existence depends on selling its goods and services to potential consumers of its products at a profit (Emmanuel, et al., 1995). A non-profit organization is an organization whose foal is to provide services for the good of the community and/or on humanitarian grounds, without receiving any financial compensation in return.

These charitable organizations, the main interest of this paper, need to heavily rely on public support provided by governments and foundations (Anthony et al., 1988). This means that their revenues do not directly measure the value of services provided to the clients (beneficiaries). Usually in this kind of organization, those that provide support (donors) tend to exercise and increasing amount of influence over the activities of the organization.

In highly competitive global markets, managers are obliged to devote an increasing proportion of their time to strategic decision making, and must of necessity leave more and more operating and administrative decisions to employees (Ansoff, 1988). The managerial focus has shifted from mainly inward to outward focusing decisions, or stated differently, from a closed to an open system approach. In the past, accounting recognized and measured information that was mainly related to operating, and to a lesser extent,

---

---

administrative decisions. This has been because the accounting information system has remained essentially a closed system which focused on the internal affairs of a business organization. The demand is changing, however, towards more information that will assist in strategic decision making.

Although some work has been done in the field of strategic decision making with the development of the field of Strategic Management Accounting, the current accounting system is still not geared to support strategic decision making (Allen, 1994, p.11). Strategic Management Accounting has been developed in response to the pressure for change from managers in the private sector. It provides and analyses financial information on a firm's products, markets, and competitor's costs and cost structures and monitors of the enterprise's strategies and those of its competitors in these markets over a number of periods (Bromwich, 1990). A distinctive aspect of this approach to management accounting is the changing role of the accountant. Here the accountant is depicted as fulfilling a role which is not restricted to only *internal* accounting, but in which he/she takes note of, and measures, the impact of significant external events and reports on these to management within the organization (Lapsley & Pettigrew, 1994).

---

---

## **CHAPTER III**

### **3. Data sources and Methodology**

The research was a survey type, which is basically designed to examine the extent of the impact of accounting information in managerial decision making process in Ethiopian profit-oriented and Not-for-profit organizations basing their Head Office in Addis Ababa.

#### **3.1 Data Sources**

The researcher used both primary and secondary data to conduct the study. While the secondary data is obtained from published documents such as books of accounts, related websites, research articles, and organization's publications relevant to this study, to gather the primary data the researcher constructed the questionnaire and interviews.

#### **3.2 Methodology**

The research used both qualitative and quantitative research method and will contain descriptive statistics like percentages and figures to analyze the respondents answer in the questionnaire and interviews.

##### **3.2.1 Target population and Sampling Procedure**

A single stage sampling procedure was used to conduct the research. The population was selected purposively. The reason for this selection was their coverage in the country, their huge investment and their familiarity to the researcher. The population for the research project contained 20 large organizations. Of which 15 profit-oriented and 5 not-for-profit

---

---

organizations in Ethiopia basing their Head Office in Addis Ababa were selected. The researcher tried to cover the known organization in Ethiopia.

### **3.2.2 Questionnaires**

Questionnaires were designed and distributed to selected managers and accountants of the target organizations. The researcher clarified those terms that seem to be unclear to some of the respondents while they were filling the questionnaire. General managers, Marketing managers, Production managers, Finance managers, and Accountants were the target respondents to whom questionnaires were distributed.

---

---

## CHAPTER IV

### 4. Data Analysis and Discussion

*In this chapter, a brief overview of the respondents' answer were analyzed to support findings*

For the purpose of data analysis, descriptive statistics like percentages and figures were used to summarize means of key dimensions and profile characteristics of the respondents.

#### 4.1 Personal Profile of the Respondents

The demographic profile of the respondents was found to be diverse with 54 (37.7%) respondents reported as young age group between 20-30 years, followed by almost one-third 46(32.2%) respondents were middle age group 30-40 years, and a little over one-fourth 36(25.2%) as those claimed to be between (40-50 years). Majority (65.4%) of the respondents reported as male and the remaining (34.6%) as female. With respect to position, 16(11.2%) respondents were stated themselves as General Managers with 19(13.3%) who claimed to be Finance Managers, 12(8.4%) Marketing Managers, 6(4.2%) Production Managers and 90(62.9%) of the respondents were accountants. While 69(48.2%) of them claimed to be with a monthly income of ETB 1,000 to 2,500, less than one-fifth (17.5%) reported with their monthly income as more than ETB 4,000. On the part of education, overwhelming majority claimed to be with first degree 110(76.9%) and some certificate/diploma 26(18.2%). Almost one-third (32.8%) of the respondents have an experience of for more than 10 years, less than one-third (29.4%) reported with 5-10 years (Table 4.1).

From a total of 150 questionnaires distributed, 55 to higher level managers and 95 to accountants, 143(95%) questionnaires were collected, 53(96%) from managers and 90(95%) from accountants.

**Table 4.1 Personal Profile**

Personal Profile of the Respondents No.	Profile	Description	Percentage (%)
1	Age ( in Years )	Below 20 Years	0%
		20-30 Years	37.7%
		30-40 Years	32.2%
		40-50 Years	25.2%
		above 60 Years	4.9%
2	Gender	Male	65.4%
		Female	34.6%
3	Position	General Manager	11.2%
		Finance Manager	13.3%
		Marketing Manager	8.4%
		Production Manager	4.2%
		Accountant	62.9%
4	Monthly Salary (Ethiopian Birr)	< 500 Birr	0%
		501-1000 Birr	9.1%
		1001-1500 Birr	14.7%
		1501-2500 Birr	33.5%
		2501-4000 Birr	25.2%
		> 4001 Birr	17.5%
5	Educational Background	12th Grade or Lower	0%
		Certificate/Diploma	18.2%
		First Degree	76.9%
		second Degree	4.2%
		Above Second Degree	0.7%

<b>6</b>	<b>Type of Organization</b>	Gov'tal profitable	57.3%
		NGOs	18.2%
		Private Profitable	24.5%
		Others	0%
<b>7</b>	<b>Years of employment</b>	Less than 1 Year	3.5%
		1-3 years	11.2%
		3-5 Years	23.1%
		5-10 Years	29.4%
		More than 10 years	32.8%

## 4.2 Availability of Accounting Information System Department

Every organization, whether business or non-business, to exist as an organization, it must account for all finance related activities properly. In my field study while examining the Accounting Information System availability the following results were found.

**Table 4.2 Accounting Information System (AIS) department**

	Not-for-profit	Profit-oriented
It is established long time ago		2(13%)
Established recently	1(20%)	1(7%)
There is no AIS department yet	4(80%)	12(80%)
Total	5(100%)	15(100%)

As the above Table shows, 4(20%) of the selected organizations for the study have established the accounting information system and 2 (10%) of them have started getting information from this unit recently. This means 16(80%) of the organizations have not yet established a department that converts the data obtained from accounting department into information that suits the needs of managers to make the necessary decision. For

organizations which do not have accounting information department, the question was forwarded to know which department is producing the information.

**Table 4.3 Responsible department for producing accounting information**

	Not-for-profit	Profit-oriented
Management Information System (MIS) prepares accounting information	1(25%)	4(33%)
Accounting Department prepares accounting information	3(75%)	8(67%)
Others prepare the information		
Total	4(100%)	12(100%)

Based on the study from all organizations under study, more than 11(55%) of the selected organizations get accounting information produced by accounting department. The accounting information produced by accountants may not clearly portray the current situation of the organization since, as the literature says, accountants do not deal with qualitative data. And 25% of the organizations get their basic accounting information from Management Information System (MIS) department. Again the link between the accounts department and this MIS department is, as the researcher saw, very weak. Their activity is limited to summarizing the data obtained from accounting department.

### **4.3 Competency and qualification of accounting personnel**

When the accounting reports are prepared by accountants their qualification and competency is essential to meaningful and accurate information. According to the Trueblood Committee from American Institute of Certified Public Accountants (AICPA), one of the roles of accounting is “to supply information useful in judging the

management's ability to utilize enterprise resources, that is, to indicate how well they are using the resources on behalf of the owners." To provide such valuable information, accounting staffs are supposed to be qualified and competent enough. This study showed that many of the managers who use the information have doubts on the competency of the staffs.

**Table 4.4, Skills and Competency of Accountants**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
Our accountants are highly competent	5(31%)	7(37%)	2(17%)	3(50%)	49(54%)
Their skills satisfactory	11(69%)	12(63%)	10(83%)	3(50%)	41(46%)
They are not competent enough					
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

Most of the managers, that is, 11 from G/Managers, 12 from Finance managers, 10 from Marketing managers, and 3 from Production managers or 68 percent of the managers, believed that the accounting personnel are averagely qualified and competent. They thought that in one or another reason their organizations' accountants are not well skilled to provide the required accounting information. Especially marketing managers have a strong doubt since 83% of the respondents said that their accounting personnel's competency is adequate for the current tasks. But they might have difficulties in competing with new jobs. Opposite to this, from 90 accountants who filled this questionnaire, 49(54%) accountants said that the accounting personnel are qualified and

competent enough. While the remaining 45(46%) accountants agreed with the managers, that is, the accountants' skills are at a medium level. That it requires additional training.

#### 4.4 The attention given to accounting department

Since both business and non-business firms need to have ascertained that their financial activities are well managed, managers and other concerned bodies should give special attention to accounting department that produces accounting information. Based on the respondents answer from both groups, managers and accountants, the researcher found that the attention given to this department can be said competitive as compared to other departments. For example, from 90 accountants 69(77%) evaluated the concern being given to accounting department as adequate to the level that many organization could give. And from the 53 managers involved in the study 27(51%) agreed with this evaluation, that it is their attention is sufficient.

**Table 4.5 Attention given to accounting department**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
Excellent attention is given to accounting department					1(1%)
It has very good concern	5(33%)	3(13%)	1(10%)	3(50%)	2(2%)
It is given sufficient attention	3(17%)	5(27%)	3(20%)	1(17%)	12(13%)
The attention is fair	8(50%)	10(53%)	7(60%)	2(33%)	69(77%)
It does not get sufficient attention		1(7%)	1(10%)		4(5%)
The attention is highly weak					2(2%)
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

---

---

Only 1(1%) respondent from non-business organization accountants considered the attention given to accounting department as big enough. On the other extreme, 2 respondents from business organization accountants evaluated the attention given towards accounting department as below the normal level it does not get organizational concern. But all respondents from management groups agreed in that the concern being given to accounting department is quite enough.

From this result, it can be concluded that organizational concern towards accounting department within the study area is high in non-business organization than in business organization. The researcher also physically observed that accounting departments in non-business organization are well equipped and they used modern accounting software. During my interview, a Finance manager from World Vision Ethiopia said “... accounting department in our organization is very crucial. We get a donation and grants based solely on our expenditure. That is why we give more attention to this department.”

Though the majority of the accountants and managers agreed that organizational attention towards accounting department is sufficient, both groups of respondents, as shown on the table below, believed that accounting information is undervalued in the decision making process. Again from the 53 managers contacted, 30(57%) managers said that accounting information is sometimes undervalued. Similarly 47(52%) accountants agreed in that it is sometimes undervalued. Of course, 43% of managers and 46% of accountants are confident that their organization had never undervalued the information before. The result was surprised the researcher that he did not find a single accountant who is disappointed

with the thought that his/her work is undervalued. This is an indicator to what extent accounting information is used as input for decision making purpose.

**Table 4.6, Value of Accounting Information in the decision making process**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
The value of accounting information is high	13(81%)	4(15%)	4(33%)	2(33%)	41(46%)
Managements sometimes undervalued the information	3(19%)	15(79%)	8(67%)	4(67%)	47(52%)
The information is frequently undervalued					
I am not sure					2(2%)
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

In an interview conducted with managers and accountants, many of the interviewees particularly accountants said that the accounting reports that was prepared for decision making purpose may not be suitable for managerial decisions. This is, because the department is not structured in such a way that it can prepare those needed information. Some management groups also shared this answer.

#### **4.5 Adequacy of accounting information produced**

Whether the information is produced by accounting information system department or by others, the necessary information have to be provided to enable managers make appropriate decision. From the study, the researcher found the following results as to whether the selected organizations produce all types of information.

---

---

**Table 4.7 Types of Accounting Information produced**

	Managers	Accountants
All types of accounting information is produced	17(32%)	66(73%)
The information prepared does not encompass all needed reports	26(49%)	24(27%)
The information contained only few types of reports		
We do not know	10(19%)	
Total	53(100%)	90(100%)

As it is depicted on the above table, 17(32%) who filled the questionnaire seemed to be comfortable with the information produced by accountants. Whereas 26(49%) managers chose that the report is not that much full. Moreover, 10(19%) managers do not know even whether the information is full or not. These managers do not rely on accounting information when they make many of their decisions.

On the other hand, 66(73%) accountants who filled the questionnaire believed that they produce all sorts of the accounting information which are important to make decision. And only 24(27%) accountants have doubts on the information they produce. This shows that there misunderstanding between managements and accountants as to the type of information produced. What is complete from the accountants' perspective is not complete from management's point of view.

---

---

## 4.6 Managerial use of accounting information for making decision

Managers need to know every summarized activities of their organization to make better decision. And, of course, accounting information is one of the information that is required.

**Table 4.8 Usage of Accounting Information by managers**

	Managers	Accountants
Managers always use the information to make decision	14(27%)	68(75%)
Managers sometimes use the information	39(73%)	22(25%)
They do not use the information for making decision		
Total	53(100%)	90(100%)

Based on the survey conducted, as depicted on Table 4.8, to measure the commitment of managers to use accounting information in their decision making process, it is found that 39(73%) said that they use the information occasionally and not on a regular basis. Some organizations especially non-profit-oriented are found repeatedly to rely on public information instead of accounting information. On contrary, 68(75%) accountants believed that their management groups always use accounting information when they make decision and the remaining 25 percent agreed with managers that they do not rely on accounting information for all types of decisions. The basic reason to these different views, as Marketing managers said, on one hand is that the information being produced does not suit management's needs of information. On the other hand, it is because managers are not committed to accommodate the accounting information in their decision.

---

---

## 4.7 Convenience of accounting information for management's decision

To make the right decision that best suit the organization's objective basing accounting information, the information obtained from accounting department should be convenient and understandable. When testing the suitability of the information from various managers and accountants, the following results were obtained.

**Table 4.9 Convenience of Accounting Information for making decision**

	Managers	Accountants
The accounting information prepared is suitable for make decision	38(72%)	90(100%)
The information is not convenient	15(28%)	
Difficult to judge		
Total	53(100%)	90(100%)

From the managers perspective as shown on Table 4.9, it can be concluded that in the selected organizations the accounting information produced is convenient since 38(72%) of the respondents said that it is convenient, while for the remaining 15(28%) of the respondents the information is not convenient. And from the 15 managers who are not comfortable with the information 7(47%) were marketing managers. Similarly, all of the 90(100%) accountants who answered the questionnaire agreed that the information produced is convenient and understandable.

As per The Trueblood Committee from American Institute of Certified Public Accountants (AICPA) Twelve Objectives, the first objective is that accounting information is used "...to provide information useful for making economic decisions." In this case, the information prepared seemed to be suitable for the majority of the

population and hence managers are able to pass important decision. Moreover, all respondents agreed as to the usage of accounting information as a major input in the decision making process.

## 4.8 Management's commitment in accommodating accounting information

To get valuable result from accounting information managements should accommodate the information in their decision making process. The results obtained during the study were summarized as follows.

**Table 4.10, The commitment of managements in accommodating accounting information in their decision making process**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
Managements are excellent in accommodating accounting information					7(8%)
They are highly good to include the information	7(44%)	2(11%)	3(25%)	1(17%)	53(59%)
Their dedication is nice	5(31%)	11(58%)		3(50%)	15(16.5%)
Managers are committed sufficiently	4(25%)	6(31%)	8(67%)	2(33%)	15(16.5%)
They are not trustworthy to include the information			1(8%)		4(5%)
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

As it is summarized on the above Table, 32(60%) managers appreciated their commitment in accommodating accounting information in the decision making process. Of whom 13(41%) managers evaluated their dedication as productive that motivates accountants and the rest 19(59%) managers quoted as good enough. Based on the respondents' answer from 90 accountants, 75(83%) accountants were found to be happy by managements' commitment in accommodating accounting information in their

decision making process. Of these 75 accountants, 7(8%) accountants quoted the managements' commitment as superior and 53(59%) of them quoted as best devotion and the rest 15(16.5%) accountants evaluated it as adequate enough. The majority of managers are 20(38%) are have said that they are using the accounting information comparatively and 1(2%) marketing manager judged the tendency to use accounting information in his decision making process as immaterial. Of the managers who said that they include accounting reports at a relevant level, 8(40%) were from marketing managers. Marketing managers were found to be less comfortable with the information produced. And it can be concluded that accounting information has lesser impact on marketing managers as compared to other lines of managers within the study area.

#### **4.9 Accounting information that most impact management's decision**

The accounting information provided for management's decision takes different forms. It is important to identify which types of reports that most impact management's decision.

The survey study brought the following results.

**Table 4.11 The accounting information that most impact management's decision**

	B/Sheet	I/Statement	Cash flow Statement	Cost information	Interim reports	Others like Ratios	Total
Managers	2(4%)	8(15%)	26(49%)	11(21%)	6(11%)		53(100%)
Accountants	23(25%)	27(30%)	15(17%)	14(16%)	11(12%)		90(100%)

What is most important from management's perspective is not as such important from accountants' perspective. Based on the above result, 26(49%) respondents are being impacted by the cash flow statement, which took the highest share than the other type of

---

---

information. In contrast, from accountants' perspective Balance Sheet and Income Statement have got the highest share by getting 23(25%) and 27(30%) respectively. Here somewhat there is misunderstanding between managers and accountants as to which type of information has more impact in making decision. Most importantly financial ratios are advised to be used in making both short and long-term decisions. But based on the field study, from 143 respondents of managers and accountants, none of their organization is using ratios when they make organizational decisions. The Balance Sheet and the Statement of Income are essential, but they are only the starting point for successful financial management.

## **4.10 Impacts of Accounting Information**

### **4.10.1 Impacts on Areas of decisions**

As John Arnold, 1990, wrote "Accounting is concerned with the provision of information to aid decisions, i.e. with the provision of valuable information." And according to him Accounting information is required to make various decisions like buy, sell, change employment, wage increase and expansion related decision. From both business and non-businesses organizations conducted for this research, respondents gave the following answers.

---

---

**Table 4.12 Areas of decisions on which Accounting Information is mostly reflected**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
Pricing decision	6(37.5%)	7(37%)	8(67%)		32(36%)
Buy or Sell decision	5(31.25%)	5(26%)	4(33%)		18(20%)
Expansion-related decision	1(6.25%)			5(83%)	
Employee Recruitment decision				1(17%)	
Internal Control decision		2(11%)			12(13%)
Bonus-related decision	4(25%)	5(26%)			28(31%)
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

Though respondents may use the accounting reports for more than one type of decision, it is clearly observed from the above table that the impact of accounting information is frequently reflected in Pricing and Buy or Sell related decisions. From the total of 53 higher level managers, 21(40%) managers and 14(26%) managers respectively said that they use accounting information frequently when they make Pricing and Buy or Sell related decisions. Next to these two decision areas Bonus related decision has got the third highest share, that is, 9(17%) managers' responses. But when we take accountants, they found that accounting information is frequently reflected in Pricing decisions by getting 32(36%) accountants vote. Next to this they gave highest share to Bonus related and Buy or Sell decisions by being chosen by 28(31%) and 18(20%) accountants respectively. The impact of accounting information on Pricing decision is relatively high since both managers and accountants have seen the information reflected in this decision.

---



---

#### 4.10.2 Extent of influencing power of accounting information on management's decision

The ability to of accounting information to influence the selected organizations is increasing. Many of the organizations involved in the study have ascertained this conclusion.

**Table 4.13, The influencing ability of Accounting Information**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
Accounting information strongly influences the decision	12(75%)	16(84%)	3(25%)	2(33%)	75(83%)
Its influence semi-strong	4(25%)	1(5%)	1(8%)	1(17%)	15(17%)
Its influencing power is weak		2(11%)	8(67%)	3(50%)	
It does not influence decisions					
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

As it is observed on Table 4.13, 33(62%) managers are strongly influenced by accounting information and 7(14%) are influenced semi-strongly. Whereas the remaining 24 percent of managers who filled the questionnaire said that the information weakly influences them. Of whom Marketing Managers account for 8 or 62% of the respondents. From all types of managers Finance Managers are highly influenced by the accounting information than General, Marketing and Production managers. As a percentage from the strongly influenced managers General Managers, Finance managers, Marketing managers and Production managers account for 36 percent, 49 percent, 9 percent and 6 percent respectively. Though the tendency to be influenced by accounting information is increasing, it is not still uniform enough to take the information thoroughly. The financial managers seemed to be the main users of the accounting information. That is, the higher

percentage share of using accounting information by Finance managers is not evenly distributed among various managers. From the accountants perspective also it is interesting that 75(83%) of the respondents believed that the accounting information produced strongly influences their managers when they make decisions. They said that all decisions are made based on the accounting information. And the remaining 17 percent of the respondents said that managers are influenced somewhat for particular decisions.

Though from both management and accountant groups the result said that accounting information's influencing power is strong, they still give higher attention to Marketing, Production and Public information. The result is summarized as follows.

**Table 4.14 Information of more influential**

	General Managers	Finance Managers	Marketing Managers	Production Managers
Human resource information	2(12.5%)		1(8%)	
Accounting information	3(18.75%)	11(58%)		
Marketing information	3(18.75%)	5(26%)	7(59%)	2(33%)
Technique information	1(6.25%)			
Public information	4(25%)		3(25%)	
Production information	3(18.75%)	3(16%)	1(8%)	4(67%)
Total	16(100%)	19(100%)	12(100%)	6(100%)

Despite respondents might have been influenced by more than one type of information in their decision making process, they indicated the major information type that highly impacts their decision. From the five not-for-profit organizations managers all of them or 100 percent of the respondents said that public information is the most influential information in their organization in making decision. Regarding business organizations

---

---

production and marketing information have got 11(21%) and 17(32%) respectively as influential information. While accounting information is considered as influential by 14(26%) respondents.

From physical observation also it is clear that accounting departments in each selected organizations are not well equipped as compared to the other departments. And as I understood from interviews and questionnaire results Production and Technique departments in business organizations and Public relation department in Non-business organizations have gained more attention. As a percentage from the 4 manufacturing General Manager respondents who filled the questionnaire, 3(75%) of them frankly said that they give more attention to production department and 1(25%) respondent give his prior attention to technique department.

#### **4.10.3. Impacts on Preparing Long-term Plan**

An organization while running its current and immediate tasks, it simultaneously projects program to be done in the future using internal and external data. If management groups believe that their long-term plan is efficient only if they consider accounting information, it is clear that in such organizations accounting information will have great impact when they make decisions. Based on the results from the study, as shown on Table 4.15 below, more than half of the managers, (58%), and 57(63%) accountants said that long-term plan without accounting information is absolutely inefficient. While 8(15%) managers and 21(23%) accountants claimed that the need of accounting information depends on the type of the plan, 14(26%) managers 7(8%) accountants said that accounting information

is not necessarily required to plan in the long-term. The rest 5(6%) accountants are not even sure whether accounting information is required to plan the future.

**Table 4.15, Effects of Accounting Information on the efficiency of long-term plan**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
Long-term decision is not efficient without accounting information	7(44%)	16(84%)	4(33%)	4(67%)	57(53%)
The necessity of information is dependent of the type of decision	5(31%)		1(8%)	2(33%)	21(23%)
Accounting information is not required to make long-term decision	4(25%)	3(16%)	7(59%)		7(8%)
I do not know					5(6%)
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

As it is seen on the table above, accounting information has significant impact on organizations long-term plan. And since majority of the management group believed on its necessity, accounting information in the selected organizations will have a great impact when they prepare organizational long-term plan.

During the interview as one Area General Manager of Ethiopian Telecommunications Corporation said "... in our corporation for both financial activities, collections and disbursements, have great value in projecting the future performance and when actual activities happened, it is always compared with the budget. Discrepancies will be discussed."

Moreover, respondents were also asked whether their organization was ever exposed to major losses due to lack of accounting information in the decision making process. All of

the 53 managers and about half of (53%) the accountants responded that their organization was never exposed to such losses. And the remaining 47% of accountants replied that they did not remember a loss incurred due to absence of accounting information. The result was summarized on the table below.

**Table 4.16 Organizations exposed to major losses due to absence of accounting information in the decision making process**

	Managers	Accountants
It has never been vulnerable before to major losses due to lack of accounting information	53(100%)	48(53%)
It was exposed to such losses for a few instances		
The organization was exposed to losses so often		
I do not remember		42(47%)
Total	53(100%)	90(100%)

#### **4.10.4 Impacts on forecasting the future performance of an organization**

One of the major purposes of accounting information is its ability to provide the basis to forecast the future performance of the organization. This study showed that the forecasting power of accounting information produced in the selected organizations is constructive. For instance, 34(65%) managers have ascertained that prediction of future performance using accounting information brought good result so often. They said in the interview "... accounting information has almost become the single tool to predict the future activity." And only 35% of the managers have some doubt in the forecasting power of accounting reports.

---

---

**Table 4.17 Forecasting ability of Accounting Information**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
Our accounting information is strong enough to forecast	2(13%)	5(26%)		1(17%)	
In many cases the information is accurately predict the future	9(56%)	9(48%)	5(67%)	3(50%)	59(66%)
There is uncertainty	5(31%)	5(26%)	7(33%)	2(33%)	29(32%)
It doesn't enable managers to forecast					2(2%)
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

The result obtained from accountants is also similar. From the total of 90 accountants who returned the questionnaire, 59(65%) of them agreed in the argument that forecast of future performance using accounting information worked many times with good precision. But 32% of the accountants have still doubts on the forecasting power of accounting information. Especially, service business organizations are found to be weak in providing accounting data that enable managers predict the future. From 19 managers who have doubt on its predictability, 7(37%) managers are from service business organizations. Generally, from this finding accounting information has a great impact on the selected organizations in predicting the future.

#### **4.10.5 Impacts on Profitability and Objectives execution**

A well established accounting system will definitely have a great impact on profitability and objectives completion. As Anderson D. said profitability has to be achieved and hence, it is more a result of right decisions and of a cost conscious management. When the researcher conducted an interview saying “Is your business organization profitable

during the last five years or so?” All of the business organizations 15(100%) under study were found to be profitable and, as the interviewees said; their profit is increasing from year to year. The accounting information normally has share on the product of this profit. The answer was the same when the interview went to not-for-profit organizations. “Does your fund balance meet the needs of your expenditure?” Almost all interviewees within the selected organization agreed that their fund balance was sufficient to execute their objectives. They said that we use the accounting information to get donations by projecting our future activities.

All respondents were asked the question that what will happen if accounting information is not included in the decision making process. All of the respondents gave similar answer. The result is summarized as follows.

**Table 4.18 Results that will happen if Accounting Information is not included in the decision making process**

	Managers	Accountants	Total
Production will be inefficient	2(4%)	5(6%)	
Market will decline			
Objectives will not be met			
Controlling system will deteriorate	1(2%)		
All of the above	50(94%)	85(94%)	
Nothing will be seriously affected			

As Table 4.16 showed that more than 94% of the respondents from both management and accountants group confirmed that absence of accounting information will result in all organizational problems such as production will be inefficient, market will decline, objectives will not be met; controlling system will deteriorate and so on. Only 2(4%)

---

---

managers and 5(6%) accountants said that the accounting reports will seriously affects production, while 1(2%) manager ascertained that the absence of the information damages the controlling system of the organization. Generally, from the respondents answer and the facts from the literature, absence of accounting information in the decision making process will have a negative impact on the existence of the organization.

#### **4.10.6 Impacts on Business vs. Non-business organizations**

Accounting information is required in all types of organizational activities. But because of individual's differences in perceptions, it may be given different weights in different companies. This perception was clearly reflected during the study. When from a total of 53 managers, 13(25%) said that accounting information has equal weight in all types of organization, the majority 33(62%) of them said "No, they do not have equal weights." And 7(13%) managers believed that the choice depends on circumstances. These 13% of managers who said the weight of accounting information 'depends' on the nature of the organization were found to be the same with that of the 62% of managers who said the weight given to accounting reports varies in all types of organization when they select the organization that aggressively use accounting information.

**Table 4.19 Weights given to accounting information for decision purpose in various types of organization**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
Accounting information has equal weight in all types of organization	4(25%)	6(31%)			22(24%)
It doesn't have equal value	11(69%)	10(53%)	5(67%)	5(83%)	61(68%)
Its weight depends on the type of decision	1(6%)	3(16%)	7(33%)	1(17%)	7(8%)
Total	16(100%)	19(100%)	12(100%)	6(100%)	90(100%)

The same result was found when the answers from accountants were evaluated. 22(24%) accountants believed that the weight given to accounting information is uniform throughout all types of organizations. Nevertheless, 61(68%) accountants, the highest share, believed on the notion that value given towards accounting information is not the same in all types of organization. And the remaining 7(8%) accountants said that choice will depend of the type of organizational decision to be made. What is important information in business organization may not be important in non-business organization

Those respondents who believed that the weight of the information should vary were asked to give an answer as to which type of organization would rely more on accounting information. Their answer is compiled as follows.

---

---

**Table 4.20 Type of organization that should more rely on accounting information**

	General Managers	Finance Managers	Marketing Managers	Production Managers	Accountants
All Business organizations	2(18%)	5(50%)	3(43%)	1(20%)	13(21%)
Manufacturing organizations	8(73%)	5(50%)	4(57%)	4(80%)	44(72%)
Non-governmental organizations	1(9%)				4(7%)
Non-business public institutions					
Total	11(100%)	10(100%)	7(100%)	5(100%)	61(100%)

As it is depicted on Table 4.17, from a total of 33 higher level managers who said “the weight given to accounting information varies with the type of organization”, 11(33%) managers believed that its value would be high in all types of profit-seeking organizations. 2(18%) of them, the highest share, were General managers, 5(46%) of them Finance managers, 3(27%) of them were Marketing managers and a single production manager. Almost the rest or 21(64%) managers believed that the value of accounting information should be high in manufacturing organizations. And in this group 4(29%) were production managers from a total of 5 production managers. At this point, the researcher stopped and conducted an interview with production managers to check whether there is biasness for favoring accounting information in manufacturing organizations. One production manager from Kaliti Metal Products Factory said “The financial activities in manufacturing organization are highly complicated. Costs incurred and revenues earned at different levels from the conversion of raw materials into finished goods to sales of finished goods. That is why we said its value should be high in manufacturing organization.”

---

---

The answers from accountants were also similar with the managers in that 13(21%) accountants believed that all profit-oriented organizations should give high weight to accounting information than non-business organization. On the other hand, 44(72%) accountants favored accounting information to be highly valued in manufacturing organization and the rest 4(7%) of them chose NGOs to give high weight to accounting information. Surprisingly, 1 General manager and 3 accountants from Not-for-profit organizations believed that the weight to be given to accounting information should be high in business organizations than non-business organizations. This study showed the researcher that in the selected organizations majority of the players in the decision making process believed that the weight given to accounting information varied with the types of the organization. They concluded that accounting information should be highly valued in business organizations than non-business organizations.

---

---

## CHAPTER V

### 5. Conclusion and Recommendations

#### 5.1 Conclusion

Any kind of organization, business or non-business, makes organizational decisions in its daily activities. These decisions are made on information obtained from different sources, both internal and external. Accounting information is one of a kind that managers and other stakeholders use to make appropriate decisions.

The introduction part of this study presented background of the study, the problem to be studied and the objectives realized. The concepts, definitions and theories in the literature part also help the researcher know more about accounting information and decisions making process. Moreover, the data collected from both secondary and primary sources from the selected 20 organizations are presented and analyzed in the previous chapter which showed the structure of accounting department, use and impacts of accounting information system. Here, based on the analysis and discussions on chapter four, the researcher finalized all the findings in the following brief and precise points.

As the literature also states, to get benefit from accounting related activities, accounting information system unit that converts accounting data into information should be established. In this regard, many of the organizations do not have this department and many of them get their basic accounting information from the accounts department. The remaining gets the information from Management Information System unit. The study also tried to see the attention given to accounting department that produces the

---

---

information. The result indicated that accounting department has got an adequate attention and many of the respondents from accountants said that their product of accounting information sometimes seemed to be undervalued. They believed that much attention is being given to production and marketing department in business organization and to public relation department in non-business organizations.

The study evaluated the use of accounting information in the decision making process and major areas where it might be reflected. Many of the respondents from both management and accountants group believed that managers of their organization always use the information to make decision and they also believed that managers' reliance on accounting information is increasing. Based on the analysis of respondents answer, it is known that accounting information is mostly reflected in Pricing and Buy or Sell decisions. Next to this Bonus and Market related decisions take the highest share in reflecting the accounting information. Whereas in not-for profit organizations accounting information is mainly reflected in expenditure related decision.

Finally, the paper discussed the impacts of the accounting information on the decisions of various activities, on predicting the future, on profitability and meeting objectives, and the extent of its influencing power on managements' decision. It showed that though its impact differs in weight and result from organizations to organizations, it was found to have a relative impact in all types of organizations. And it also depicted that the impacts of accounting information is high in business organization in general, as compared to not-for-profit organizations, and in manufacturing companies in particular.

---

---

## 5.2 Recommendations

Organizations established and run their operations to fulfill their objectives. These organizations to conduct their activities smoothly, they need to make proper and timely decisions. Such decisions either assist the entity to grow and expand rapidly or they may expose it to be ceased up. There are different types of information that enable managers of various organizations make appropriate decisions. And accounting report is one of this information.

This research while tried to evaluate the source of accounting information, its use and influences on managerial decisions in both profit-oriented and not-for-profit organizations, it found some strong and weak sides of the way accounting information is produced and used by managers. Thus, to approve the 'good' step and to give insights about their weaknesses the following recommendations are forwarded.

Based on the results of the study, many of the selected organizations do not start using accounting information system to process accounting information. Since converting accounting data into meaningful information needs expertise, these organizations are advised to establish the department and get up-to-date information form this department by preparing cost benefit analysis. What good is to know that a book cost a bookshop Birr 50? It should be combined with something else that enables managers make the right decision. Beside the organizations under study ought to upgrade, through both on-the-job and off-the-job training, the qualification and competency of their accounting personnel. Without competent accountants the information will not be produced in a better way.

---

---

Many of the managers involved in this research agreed that the skill of their accountants is not adequate. The enhanced skill of accountants may encourage managers to give high value to accounting information and to include it in their decision.

Regarding the types of accounting information being produced majority of the managers are not that much interested. Whereas the purpose of accounting information is to enable managers and other users of the information make better decision. To cope up with this mission, the accounting reports prepared must be simple and understandable. It should prepare in such a way that it suits the managements' needs of information. Moreover, the types of the reports should be sufficient enough to meet the interests of different users. Of course, with the existing type information managers of these organizations were found to be comfortable.

Though many of the target business and non-business organizations did not have accounting information system unit, their management groups are found to be committed at an average level in accommodating accounting information in their decision. However, the tendency of managers to use accounting information in the decision making process should not be limited to average consumption. In every type of organizational decision, accounting information should be sufficiently included. It should be used in a regular manner.

---

---

The lower level of managers' reliance on accounting information should also be changed. Managers should give more attention to accounting information and to the department that prepares this information. They should understand the impacts of accounting information on long-term plan, forecasting, profit, price, performance and overall activities of the organization. By considering all these facts in to account the need to keep up the best and improve their weakness.

Generally, organizations should analyze specifically their interests of accounting information and organize that department in such a way that it can provide the information that suits management needs of information.

---

---

## References:

- Bierman, H. J., Bonini, Ch. P. and Hausman, W. H. (1986) Quantitative Analysis for Business Decisions, 7<sup>th</sup> edition, Illinois: Irwin
  
- Macintosh N.B. (1995), Management Accounting and Control Systems: An Organizational and Behavioral Approach, 1<sup>st</sup> edition, Chichesters: Wiley publications
  
- Puxty, A.G., 1993, The problem of paradigm: a critique of prevailing orthodoxy in management, London, Macmillan
  
- Arnold J. and Hope, A., Accounting for Management Decisions, Prentice Hall International, 1990
  
- Hope and Hope, (1995) Accounting Information System, 1<sup>st</sup> edition
  
- Young, J. F. (1982), Decision-making for Small Business Management, 2<sup>nd</sup> edition, Florida, Robert E. Krieger Publishing Company
  
- Lapsley and Pettigrew, Management Accounting and Decision Making, 3<sup>rd</sup> edition, 1994
  
- Emmanuel, Clive & Otley, David, & Merchant, Kenneth, (1995) Accounting for Management Control, 2<sup>nd</sup> Edition, Chapman & Hall

- 
- 
- Drury, C. (2000), *Management & Cost Accounting*, 5th edition, London:  
Thompson Business Press
  
  - Ansoff, *Management Accounting Information*, 1<sup>st</sup> edition, 1988, Prentice Hall
  
  - Anthony, Robert N., & Young, David W., (1998) *Management Control in  
nonprofit Organizations*, 4<sup>th</sup> Edition, IRWIN Inc.
  
  - Gouws, *Accounting for Managerial Decisions*, 2<sup>nd</sup> edition, 1996
  
  - Frank Wood and Alan Sangster, *Business Accounting*, 1<sup>st</sup> Edition

---

---

**APPENDIX**

**Addis Ababa University  
Faculty of Business and Economics  
Accounting and Finance MSc. Program**

**Questionnaire for measuring the Impacts of Accounting Information on  
Management's Decision making  
(For Managers of Profit-Oriented)**

**Dear Respondent;**

This questionnaire is designed to evaluate the impacts of accounting information on management's decision making in profit oriented and not-for-profit organizations. In order to accomplish this research, your co-operation in filling-up the questionnaire is much appreciated. Your true responses to this study will be important to evaluate the extent to which the accounting information is included in the decision making process and show its impacts.

Please be sure that the information you provided will remain be confidential and the data collected are solely for research purpose. Also, feel free to clear your doubts, on any portion/question, with the researcher (Ato Mesfin Legesse) while contacting him through phone no. **0911-505594**. Filled-in questionnaires will be collected by hand.

Thank you in advance

**Part I. Personal Profile.** Please indicate your answer by circling the appropriate choice.

1. Type of your organization ( if you represent an organization):

- A) Governmental profit-oriented organization
- B) NGOs
- C) Private Profitable Organization
- D) Others

2. Years of employment in your organization

- A) Less than 1
- B) 1-3
- C) 3-5
- D) 5-10
- E) more than 10

3. Age (in years):

- A) Below 20
- B) 20-30
- C) 30-40
- D) 40-50
- E) above 60

4. Monthly salary (in Ethiopian Birr):

- A) Less than 500
- B) 500-1500
- C) 1001-1500
- D) 1501-2500
- E) 2500-4000
- F) More than 4000

---

---

5. Educational background:

- A) 12<sup>th</sup> grade or lower  
B) Certificate/ Diploma  
C) First Degree  
D) Second Degree  
E) Above Second Degree

6. Occupational Position:

---

## Part II: Measurement Question

1. Did your organization establish Accounting information system unit?

- A) Yes, long time ago  
B) Yes, recently  
C) Not yet  
D) I don't know

2. If your answer in question No. 11 is "Not yet", which department is responsible for producing accounting information?

- A) Management Information System department  
B) Accounts department  
C) Others, specify  
D) Not specifically mentioned

3. Does your organization produce all sorts of accounting information that are important for making decision?

- A) Yes  
B) Not that much  
C) No  
D) I don't know

4. Do you rely on the accounting information for your decision?

- A) Yes, always  
B) Yes, sometimes  
C) I don't know  
D) Never

5. To what extent the accounting information produced influences your decision?

- A) Strongly  
B) Semi-strongly  
C) Weakly  
D) It doesn't influence  
E) I don't know

6. Which organizational information is more susceptible in influencing management's decision in your organization?

- A) Human resource and supply information  
B) Accounting information  
C) Marketing information  
D) Technical information  
E) Public information  
F) Other information  
G) Production Information

---

---

7. Do you think the accounting information developed is convenient for your decision?

- A) Yes  
B) No  
C) I don't know

8. Accounting information must be major input in the management's decision making process?

- A) Strongly agree  
B) Agree  
C) Neutral  
D) Disagree  
E) Strongly Disagree

9. Which accounting information does most impact your decision?

- A) Balance Sheet  
B) Income Statement  
C) Cash flow Statement  
D) Production Cost information  
E) Weekly and other interim reports  
F) Others, state \_\_\_\_\_

10. Do you think management's decision reflect the accounting information?

- A) Yes, always  
B) Yes, sometimes  
C) No, I don't think so  
D) I don't know

11. In what kinds of management's decisions the accounting information is frequently reflected?

- A) Pricing decisions  
B) Buy or sell decisions  
C) Bonus related decisions  
D) Expansion related decisions  
E) Purchase related decision  
F) Sales related decision  
G) Employee recruitment decision  
H) Internal control related decision  
I) Market related decision  
J) I don't know

12. Is your organization accounting department structured in such a way that it can produce relevant information?

- A) Yes, absolutely  
B) Yes, to some extent  
C) Yes, few kinds of decisions  
D) No, I don't think so

13. Do you think that the accounting personnel are qualified and competent enough to produce the required accounting information?

- A) Yes, they are  
B) Average  
C) No, they are not

14. How do you evaluate the attention given to the accounting department that produces accounting information?

- A) Excellent  
B) Very Good  
C) Good  
D) Fair  
E) Weak  
F) Highly weak

---

---

15. Do you think your organization has the right tool to produce accounting information?

- A) Yes, of course
- B) Yes, I think so
- C) No, I doubt
- D) No

16. Management's member should have the accounting know-how to make proper decisions

- A) Strongly agree
- B) Agree
- C) Neutral
- D) Disagree
- E) Strongly disagree

17. Which department has gained more attention in making decision in your organization?

- A) Accounting department
- B) Public relation department
- C) Marketing department
- D) Human resource and supply department
- E) Production department
- F) Technique department
- G) Others, \_\_\_\_\_
- H) All are equal

18. Do you think your organization undervalued the accounting information in its decision making process?

- A) Yes, frequently
- B) Yes, sometimes
- C) Never before
- D) I don't know

19. Can we conclude that management's decision is not efficient without accounting information in the long-term plan?

- A) Yes, absolutely
- B) It depends
- C) Not necessarily
- D) I don't know

20. Do you think accounting information has equal weight for decision purpose in all types of organization?

- A) Yes
- B) No
- C) It depends

21. If your answer for Question No. 20 is "No", which type of organization should rely more on accounting information?

- A) All profit-oriented organization
- B) Manufacturing organization
- C) Non-governmental organizations
- D) Not-for-profit Public Institutions
- D) All

22. If you select any of the choices in Question No. 21, please specify your reason

---

---

---

---

---

---

---

23. Is your organization ever exposed to major losses due to exclusion of accounting information in its decision making process?

- A) Yes, many times
- B) Yes, sometimes
- C) No
- D) I don't remember

24. Are all working departments of your organization interrelated so that the information processed by one unit represents all?

- A) Yes, all departments
- B) Yes, few departments
- C) No, I don't think so
- D) No, they are not

25. Is the accounting information produced strong enough to forecast the future performance of your organization within a narrow error interval?

- A) Yes, absolutely
- B) Yes, many times
- C) I doubt
- D) Not possible

26. How do you evaluate the management's commitment to accommodate the accounting information in their decision making process?

- A) Excellent
- B) Very Good
- C) Good
- D) Fair
- E) Weak
- F) Highly weak

27. What will happen if accounting information is not included in the decision making process?

- A) Production will be inefficient
- B) Market will decline
- C) Objective will not be met
- D) Controlling system will deteriorate
- E) All of the above
- F) Nothing will be seriously affected

28. Please write any opinions and outcomes that resulted from failure accommodating accounting information in the decision making process

---

---

---

---

*Thank you for your cooperation*

---

---

**Addis Ababa University**  
**Faculty of Business and Economics**  
**Accounting and Finance MSc Program**

**Questionnaire for measuring the Impacts of Accounting Information on Management's Decision making**  
**(For Accountants of Profit-Oriented)**

**Dear Respondent;**

This questionnaire is designed to evaluate the impacts of accounting information on management's decision making in profit oriented and not-for-profit organizations. In order to accomplish this research, your co-operation in filling-up the questionnaire is much appreciated. Your true responses to this study will be important to evaluate the extent to which the accounting information is included in the decision making process and show its impacts.

Please be sure that the information you provided will remain be confidential and the data collected are solely for research purpose. Also, feel free to clear your doubts, on any portion/question, with the researcher (Ato Mesfin Legesse) while contacting him through phone no. **0911-505594**. Filled-in questionnaires will be collected by hand.

Thank you in advance

**Part I. Personal Profile.** Please indicate your answer by circling the appropriate choice.

1. Type of your organization ( if you represent an organization):

- A) Governmental profit-oriented organization
- B) NGOs
- C) Private Profitable Organization
- D) Others

2. Years of employment in your organization

- A) Less than 1
- B) 1-3
- C) 3-5
- D) 5-10
- E) more than 10

3. Age (in years):

- A) Below 20
- B) 20-30
- C) 30-40
- D) 40-50
- E) above 60

4. Monthly salary (in Ethiopian Birr):

- A) Less than 500
- B) 500-1500
- C) 1001-1500
- D) 1501-2500
- E) 2500-4000
- F) More than 4000

---

---

5. Educational background:

- A) 12<sup>th</sup> grade or lower
- B) Certificate/ Diploma
- C) First Degree
- D) Second Degree
- E) Above Second Degree

6. Occupational Position:

---

## Part II: Measurement Question

1. Did your organization establish Accounting information system unit?

- A) Yes, long time ago
- B) Yes, recently
- C) Not yet
- D) I don't know

2. If your answer in question No. 11 is "Not yet", which department is responsible for producing accounting information?

- A) Management Information System department
- B) Accounts department
- C) Others, specify
- D) Not specifically mentioned

3. Does your organization produce all sorts of accounting information that are important for making decision?

- A) Yes
- B) Not that much
- C) No
- D) I don't know

4. Do managers in your organization rely on the accounting information for their decision?

- A) Yes, always
- B) Yes, sometimes
- C) I don't know
- D) Never

5. To what extent the accounting information produced influences management's decision?

- A) Strongly
- B) Semi-strongly
- C) Weakly
- D) It doesn't influence
- E) I don't know

6. Which organizational information is more susceptible in influencing management's decision in your organization?

- A) Human resource and supply information
- B) Accounting information
- C) Marketing information
- D) Technical information
- E) Public information
- F) Other information

---

---

G) Production Information  
7. Do you think the accounting information developed is convenient for management's decision?

- A) Yes  
B) No  
C) I don't know

8. Accounting information must be major input in the management's decision making process?

- A) Strongly agree  
B) Agree  
C) Neutral  
D) Disagree  
E) Strongly Disagree

9. Which accounting information does most impact management's decision?

- A) Balance Sheet  
B) Income Statement  
C) Cash flow Statement  
D) Production Cost information  
E) Weekly and other interim reports  
F) Others, state \_\_\_\_\_

10. Do you think management's decision reflect the accounting information?

- A) Yes, always  
B) Yes, sometimes  
C) No, I don't think so  
D) I don't know

11. In what kinds of management's decisions the accounting information is frequently reflected?

- A) Pricing decisions  
B) Buy or sell decisions  
C) Bonus related decisions  
D) Expansion related decisions  
E) Purchase related decision  
F) Sales related decision  
G) Employee recruitment decision  
H) Internal control related decision  
I) Market related decision  
J) I don't know

12. Is your organization accounting department structured in such a way that it can produce relevant information?

- A) Yes, absolutely  
B) Yes, to some extent  
C) Yes, few kinds of decisions  
D) No, I don't think so

13. Do you think that the accounting personnel are qualified and competent enough to produce the required accounting information?

- A) Yes, they are  
B) Average  
C) No, they are not

14. How do you evaluate the attention given to the accounting department that produces accounting information?

- 
- 
- A) Excellent  
B) Very Good  
C) Good
- D) Fair  
E) Weak  
F) Highly weak
15. Do you think your organization has the right tool to produce accounting information?  
A) Yes, of course  
B) Yes, I think so  
C) No, I doubt  
D) No
16. Management's member should have the accounting know-how to make proper decisions  
A) Strongly agree  
B) Agree  
C) Neutral  
D) Disagree  
E) Strongly disagree
17. Which department has gained more attention in making decision in your organization?  
A) Accounting department  
B) Public relation department  
C) Marketing department  
D) Human resource and supply department  
E) Production department  
F) Technique department  
G) Others, \_\_\_\_\_  
H) All are equal
18. Do you think your organization undervalued the accounting information in its decision making process?  
A) Yes, frequently  
B) Yes, sometimes  
C) Never before  
D) I don't know
19. Can we conclude that management's decision is not efficient without accounting information in the long-term plan?  
A) Yes, absolutely  
B) It depends  
C) Not necessarily  
D) I don't know
20. Do you think accounting information has equal weight for decision purpose in all types of organization?  
A) Yes  
B) No  
C) It depends
21. If your answer for Question No. 21 is "No", which type of organization should rely more on accounting information?  
A) All profit-oriented organization  
B) Manufacturing organization  
C) Non-governmental organizations  
D) Not-for-profit Public Institutions  
D) All
- 
-

---

---

22. If you select any of the choices in Question No. 21, please specify your reason

---

---

---

23. Is your organization ever exposed to major losses due to exclusion of accounting information in its decision making process?

- A) Yes, many times                      C) No  
B) Yes, sometimes                      D) I don't remember

24. Are all working departments of your organization interrelated so that the information processed by one unit represents all?

- A) Yes, all departments                      C) No, I don't think so  
B) Yes, few departments                      D) No, they are not

25. Is the accounting information produced strong enough to forecast the future performance of your organization within a narrow error interval?

- A) Yes, absolutely  
B) Yes, many times  
C) I doubt  
D) Not possible

26. How do you evaluate the management's commitment to accommodate the accounting information in their decision making process?

- A) Excellent                                      D) Fair  
B) Very Good                                      E) Weak  
C) Good    F) Highly weak

27. What will happen if accounting information is not included in the decision making process?

- A) Production will be inefficient      D) Controlling system will deteriorate  
B) Market will decline                      E) All of the above  
C) Objective will not be met              F) Nothing will be seriously affected

28. Please write any opinions and outcomes that resulted from failure of accommodating accounting information in the decision making process

---

---

---

---

*Thank you for your cooperation*

---

---

## Interview Questions

- 1) How do you explain the office facility of your organizations accounting department?
- 2) How do you interpret the importance of accounting reports in your organization long-term plan?
- 3) Do you really appreciate accounting information in forecasting for the performance and how do you evaluate its precision to the actual result?
- 4) Do you estimate the future expenditure based on accounting information equate with your fund balance? How do you measure this estimate?
- 5) How do you explain the importance of accounting reports in relation with other types of organization?

---

---

### **List of Target Organizations**

- ETC
- EEPCO
- Kaliti Metal Products Factory
- World Vision Ethiopia
- Water Aid Ethiopia
- Ethiopian Maritime Service Enterprise
- Addis Ababa Foam and plastic Factory
- Kaliti Construction Materials Production Enterprise
- Bank of Abyssinia
- Save the Children(UK)
- EIC
- Ethiopian Shipping Line
- Zak Ethiopia Trading PLC
- Goal Ethiopia
- Nifas Silk Paint Factory
- Kaliti Food S.C.
- Agricultural Materials and Technical Service S.C.
- Action Aid Ethiopia
- Ethiopian Road Authority
- Bethezata General Hospital