



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA IN ACCOUNTING AND FINANCE

THE ROLE OF ACCOUNTING INFORMATION

**ON DECISION-MAKING PROCESS IN SELECTED CHARITY ASSOCIATIONS IN
ADDIS ABABA**

BY

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ADDIS ABABA, ETHIOPIA

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BY

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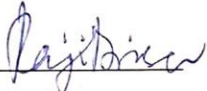
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor Misraku Molla (Ph.D). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher institution to earn any degree.

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St. Mary's University, Addis Ababa

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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This study is dedicated to Benyam Belete Addis, Founder and General Manager of Mekedonia Charity Association. and also I want to dedicate it to Mekedonia Charity Association's elders and people with mental disabilities; for they have been, and also will be my courage to study, work and help more.

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ABBREVIATIONS AND ACRONYMS

AIS - Accounting Information System

CA - Charity Association

MAI - Management Accounting Information

NGO - Non Governmental Organizations

SME - Small and Medium Enterprises

SWOT - Strength, Weaknesses, Opportunity and Threats

ABSTRACT

The study focuses on the role of accounting information on decision-making process of selected charity associations. The study was carried out at Makedonia Charity Association (MCA), Wud Aregawiyen Humanitarian Association (WAHA) and A Charity Association for the Destitute and Abandoned People (CADAP) in Addis Ababa. The objective of the study is to investigate the role of accounting information on decision-making process in selected charity associations in Addis Ababa. The study uses a survey research design to study accounting information and its relationship with decision-making in charity associations. For the purpose of this study the study population consisted of 150 registered charity associations in Addis Ababa city working on elders. The sample size of the study was 3 charity associations. There was a collection of primary data from 100 respondents using self-administered questionnaires. Descriptive statistics were used to analyze the data. Results indicated that comparability, reliability and relevance are important in determining decision-making in charity associations. Key findings of this study shows that Accounting Information has a significant role on decision making process in charity associations. From the study findings, the study recommends that the management puts in measures to improve both quantitative and qualitative characteristics of financial statements in their charity associations so that they are easily comparable to those industry averages. Another study can also be done in the private sector to assess if there will be similar or conflicting findings with explanations for the same being investigated.

Keywords:

Charity association, Accounting Information, Comparability, Reliability, Relevance, Decision-making, Addis Ababa.

CHAPTER ONE

INTRODUCTION

This chapter presents the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, scope of the study and organization of the study.

1.1. Background of the study

Accounting is concerned with providing information, which will help decision-makers to make decisions. To enhance credibility and utility of the information, the decision-making process, established concepts, principles, standard and legal requirements are strictly followed in order to translate physical facts into money values and ensures that all types of report are integrated and prepared on consistent basis (Weber, 2010).

This study set out to examine the contribution of sound accounting system in providing the management with financial and other information basis for dealing with decision problems that arises from their organizational operations (Stuart, 2015). The information provided by financial statement, cash flow, variance analysis, managerial costing in planning, organizing decision-making and control are invaluable to achieve objectives of the various interest groups. In spite of all the arrays of accounting tools at our disposal, organizations still wobble, trouble down the drain (Machael, 2011).

According to Stuart (2012), many people think that accounting as a highly technical field which can be understood only by professional accountants actually nearly everyone practices accounting in one form or the other. In modern times, management requires a wide variety of information to successfully accomplish its aim and objectives. This information is mainly determined by the element of uncertainty about the future and lack of knowledge about the present. Some of these decisions are of strategic importance having a large impact on the business; others are routine operating decision, Machad (2010). Therefore accounting

information is based on laws and regulations governing the handling of accounting report contained in the financial reports of organization. Making the right decision depends on the possession of appropriate, accurate and up to date information provided and presented in a meaningful way. This study tries to examine the contribution of sound accounting system in providing the management with financial and other information basis for dealing with decision problems that arises from their organizational operations, Jackson (2016).

Accounting information system that collects and processes data from the area of accounting planning, business transactions recording, controlling and analyzing should generate valid, timely and qualitative information. Qualitative financial information should be: comparable, relevant and reliable.

This research tries to show the role of accounting information on decision-making process. It is aimed to give management an overview of the role to help it make informed decisions in the future.

1.2. Statement of the Problem

Decision-making process requires information and accounting is the most important source of information for the process. Accounting information helps give a clear position on the financial state of the firm and it is applied as the foundation of decision making (Ullah *et al.*, 2014).

Firms often use accounting information to support the management decisions (Vitez & Baligh, 2011). Findings from previous research indicate that accounting information is important in organizational decision-making. However, there is dearth of research on the relationship between these two variables. (Royae, Salehi & Aseman, 2012).

Several studies have been conducted on accounting information and decision-making. Kariyawasam (2016) studied the relationship that exists in accounting information that end up affecting the decisions made in the Sri Lankan manufacturing sector and found that accounting information has a statistically significant strong positive relationship with both

marketing linked strategic making of decisions and industrial related strategic decision making of companies operating in Sri Lanka's manufacturing sector.

Poor records make it difficult for companies to get reasonably valued credit and then to manage their affairs effectively if they do get credit. Failing to make efficient decision based on financial information is a feature of firms in Ethiopia due to multiple books kept by businesses, so that most companies do not have audit-worthy financial records (Yuvaraj and Kibret, 2013).

Hafij, Jamil and Syeda (2014) studied the role played by accounting information when making major decisions in manufacturing companies in Bangladesh and found that there is significant relationship that exists in strategic decisions and accounting information. Siyanbola (2012) studied how information from accounting guides management in making decisions in Malaysia and found that there exists a significant relationship between. Botha (2014) did a study on the relationship that is there between information in cash-based accounting in Northern Cape Provincial Legislature and performance of the management (three E's) and found that management of the Northern Cape Provincial Legislature does not see a clear connection between the performance information and financial information.

In fact many studies have been conducted on contribution of AIS on decision-making, but only few of them focused in Ethiopia as well as in development Associations (Local NGOS). As the result it motivates to study in this area.

However, though the studies did have major contributions in significance and scope, they used other study variable leading to a contextual/geographical gap and paucity in literature. This is the research gap that the study attempts to address by studying the role of financial accounting information on decision-making in Charity Associations in Addis Ababa.

This study shows the information organization can derive from accounting information & their usefulness for decision-making in organization. The purpose is to see the need for accounting information to any organization in how it helps in decision-making.

1.3. Objectives of the study

1.3.1. General Objective

The general objective of this study is to investigate the role of accounting information on decision-making in case of selected charity associations in Addis Ababa.

1.3.2. Specific Objectives

- i. To study the comparability of accounting information on decision-making in charity associations.
- ii. To assess the reliability of accounting information on decision-making in charity associations.
- iii. To study the relevance of accounting information on decision-making in charity associations

1.4. Research questions

1. Is accounting information comparability an important determinant of decision-making?
2. Is accounting information reliability a key determinant of decision-making?
3. Is accounting information relevance an important determinant of decision-making in charity associations?

1.5. Significance of the study

This research study will help to maximize the useful impact of accounting information on the decision-making process of charity associations. This raises the sustainability of the organization as well as ensuring its continuity as an association. The study will help in the efficient allocation of scarce resources that have substitute for use as well as increase

productivity thereby uplifting the standard of living. It will review the improvement in the organization or company handling the accounting information and show equally the ways through which improvement could be accomplished. It will also help decision-makers in formulating policies that is relevant to the organization; lastly the study will complement academic literature as a reference to students who may be interested to embark on a research of this nature.

1.6.Scope and Limitations of the Study

1.6.1. Scope of the Study

The study focuses on the role of accounting information on decision-making process in selected charity associations in Addis Ababa. It focuses on the study of comparability of accounting information on decision-making in charity associations, assessing the reliability of accounting information on decision-making in charity associations and study the relevance of accounting information on decision-making of Charity Associations in Addis Ababa.

1.6.2. Limitations of the Study

This study is carried out within charity associations. Respondents gave biased responses and the questionnaires distributed to the respondents were accepted by them and delayed in filling those questionnaires. As there is a huge amount of accounting tools available, only some of them were investigated. There are some tools that are said to allow for an examination of the relationship between accounting information and decision-making. The limits of applying managerial accounting techniques in the charity associations and lack of adequate materials for reviewing literatures in the case of Ethiopia are also limitations.

1.7. Organization of the Study

- Chapter one centres on the introduction. It looks at the background of the study, statement of the problem, objectives of the study; it also briefly looks at the research questions, significance of the study, scope and limitations of the study and organization of the study
- Chapter two focuses on the review of the literature. Literatures are reviewed according to the research questions used in the study. The conceptual, theoretical and empirical framework of the study is outlined.
- Chapter three is the methodology; it explains the research design. It also gives details about the population, sample and sampling procedures used in the study. It also explains the research instruments, methods of data collection, data analysis.
- Chapter four focuses on the data presentation, analysis and discussion and
- Chapter five presents the summary, conclusions and recommendations for the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

INTRODUCTION

This chapter covers a review of the existing literature relevant to the study. It includes the theoretical and empirical aspects of the study in selected literature. The literature review basically focuses on accounting information that influences effective decision-making of an organization and Empirical literature related to the study.

2.1 Theoretical Framework

This section describes theories that present the study in view of the variables being studied. These theories include: Contingency and firm theories.

2.1.1 Theory of the Firm

Coarse (1937) was the promoter of the theory, which saw it make the first step in describing the firm in a theory way which is market related. There are quite a number of economic theories in firm theory that define, clarify and gives forecast of the company, which includes firm's survival, behavior, structure, and association markets.

A firm is a "black box" which works with an aim of meeting managerial conditions related to inputs and outputs that lead to profit maximization or gives present values. The theory assisted in clarifying why managers and entrepreneurs use financial structures that are fixed while having debt and equity select activities that leads to a low value of a firm as compared to if they were the owners of the businesses. It also explains why the result is independent whether a firm is operating with a competitive product, factor markets or monopolistic (Kantarelis, 2007).

The theory of the firm targets to give answers to these questions: Why the firms are structured in a similar way, for instance as to decentralization or hierarchy? Organization, Boundaries, Existence, firm's heterogeneity activities and their performances, the drive of

different actions for different firms, evidence and the assessments put in place for a particular firm theory (Thomas, 2008).

De Paula (1990) in support stated that risk assessment is important for the existence of the firm. Millichamp (1999) in support stated that monitoring of activities being undertaken by a firm reduces risk of deliberate handling of accounts and automatically leads to an increase of element of checking. This leads to profits of a firm being maximized since it makes fraud more difficult to be committed. Batra (1992) stated that have control in documents is a good driver to firm's performance. This theory becomes very important in the current research proposal since it assists in shedding light on how to make better decisions through managers having an interaction with financial accounting information.

2.2.2 Contingency Theory

This theory is a methodology of studying organizational performance in which it gives explanations as to how contingent related factors example; external environment, technological factors and culture, affect the function and design of organizations (Drury, 2008). A certain culture in and organization is not applicable to another organization and this is the main assumption underlying contingency theory. In that regard, organizational efficiency purely depends on a fit that exists between the type of volatility, environmental, technology, the organizational size, its information system, and the features of the organizational structure. (Woods, 2009) studied structural approaches in organizations and this formed basis where contingency theory established theories of sociological functionalist. The theory is used to give a description on relationship that exists between organizational control and its performance, particularly dependability of financial reporting (Cadez & Guilding, 2008).

Some of the factors influencing control of the systems by management include; Environment outside the organization, size of the firm, technology used by the firm, structure and national culture (Cadez & Guilding, 2008). The theory implies move to develop strategies used to match and control activities in an organization are highly encouraged by technical activities.

Organization culture is highly influenced where information is located in relation to technology and environment. When there is non-routine technology and the environment is uncertain, information is usually frequently internal. On the other hand, where the technology is routine or the environment surrounding is certain, information is outside the organization. Measurements of control and structure are activities structure & authority structure, i.e., guidelines and measures which regulate the will of individuals. Authority is the social power. Where we have uncertainty or technology that is changing, Decentralization is seen to be more suitable. On the other hand, centralization becomes suitable in environments that are certain. According to Contingency theory, design and control that a system uses is dependent on how the organization is set and more importantly on how the set controls operate. (Fisher, 1998). With these internal and external factors affects how control systems are selected and used by organizations. Factors including external environment, size, structure, technology, strategy and national culture influence how the control systems are managed. This model proposes that the forces brought by technical activities bring about development that organizations use when undertaking internal control and coordination of its activities.

2.2 Users of accounting information in an organization

Accounting information must aid efficiency and not only must it highlight existing deficiencies and provide a basis for appropriate action, but it must further the interest of the business organization by recommending changes for the improvement of the plans, policies, procedures and various phases business operations, (Betsegaw, 2019).

Wahab (2013) stipulates that various individuals and institutions use the economic data that are gathered and communicated by the accounting system for assistance in making decision regarding future actions. For example, investors in business enterprise need information on the financial condition and result of operations of the enterprise in order to access the profitability and risk of their investors in the enterprises.

Bankers and suppliers need accounting information with which to appraise the financial soundness of a business organization and to assess the risk involved in making loan and granting credit. Government agencies are concerned with the financial activities of business organizations for purpose of taxation and regulation, (Meigs, 2008).

The dependent individuals who are most involved with the end product of accounting are those charged with responsibility of directing the operations of the enterprise. They are often referred to as “management” managers rely upon the accounting information to assist them in evaluating current operations and in planning future operations. Accounting is a language which communicates financial information to people who have an interest in organization manager, shareholder and potential investors, employees, creditors and the government, (Wilson, 2014).

Managers require accounting information which will assist them in their decision making and control activities for example, information needed on the estimated selling price, cost, demand competitive position and profitability of various products which are made by the organization. Shareholders require accounting information on the value of their investment and the income which is derived from their shareholding. Employees require accounting information on the ability of the firm to meet wages demands and avoid redundancies, (Meigs, 2011).

Creditors and providers of loans capital require accounting information on a firm’s ability to meet financial obligations, (Lovis, 2011). Government agencies like statistical offices collect accounting information which is needed such as information for the detail of sales activity, profit investments, stocks, dividend paid, and the proportions of profits absorbed by taxation and so on. In addition the Inland Revenue is needed in accounting information for purpose of taxation. All these information are important for determining policies to manage the economy, (Jackson, 2016).

Accounting information is not confined to business organization as stated above. Non-Governmental Organizations such as humanitarian associations require accounting

information for decision making and for reporting the result of their activities. For example, a sport club with required information on the cost of undertaking the various activities so that a decision will be made on the resources which must be used to finance them, (Kibret, 2011).

An examination of the various users of accounting information indicates that they can be subdivided into two categories: Internal users within the organization and External users outside the organization. The above broad category of users into internal and external users presupposes that they need the information for different purposes. Thus the kinds of accounting information they need are also different. In fact accounting information system is one of the largest information systems in most organization, (Jackson, 2016).

Accountants use accounting information to enhance their role within the organization. The accountant fought a constant battle against the failure of record. During the 1960s the accountant was able to respond to manager's requests for reports on the business activities. Computers provided a more efficient means of keeping the books, and they afforded the accountant quick access to financial information for reporting purposes (Leo Burnet, 2012).

Useful financial reporting establishment is based on accounting information. Many traditional accounting tasks dealing with recording and processing of accounting transactions can be reliably automated thus; technologies add more incremental value to organizations in this regard anymore. Rather, an accountant's worth is now reflected in higher order critical thinking skills, such as designing business processes, developing c-business models, providing independent assurance, and integrating strategic accounting knowledge automatically (Hunton, 2012).

2.3 Qualitative Characteristics of Accounting information

1. Cost Benefits Balance

The characteristics of managerial accounting report information provide general guidelines for their preparation of report to meet the various needs of management, (Peterson, 2011). In applying these guidelines, considerations must be given to the specific needs of manager and

the reports should be tailored to meet these needs. In preparing reports, costs are incurred and a primary consideration is that the value of the management reports must at least be equal to the cost of producing them. This overriding cost- benefits evaluation must be considered no matter how information report may be. Therefore a report should not be prepared if its cost exceeds the benefits derived by users, (Wahab, 2013).

2. Relevance

Relevance means that accounting specific action has being considered by management. In applying the concept of relevance it is important to recognize that some accounting information may have a high degree of relevance for one use but may have little or no relevance for another use, (Kaplan, 2009).

3. Timeliness

Timeliness refers to the need for accounting report to contain the most up to date information. In many cases, outdated data can lead to unwise decision. In some cases the timeliness concepts may require the accountant to prepare reports on a pre-arranged schedule such as daily, weekly or monthly. In other cases reports are prepared on a regular basis or only when needed, (Peterson, 2011).

4. Accuracy

Accuracy refers to the need for the report to be correct within the constraints of the use of the report and the inherent in accuracies in the measurement process. If the report is not accurate management decision may not be precise, (Meigs, 2011). For example if inaccurate report on a customer's past payment practice is presented to management, an unwise decision in granting credit may be made. As previously indicated, the concept of accuracy must be applied within the constraints of the use to be jade of the report. In other words there are occasions when accuracy should be sacrificed for less precise data that are more useful to management. For examples, in planning production, estimates (forecast) of more accurate data from past sales, (Wahab, 2013).

In addition, it should be noted that there are inherent inaccuracies in accounting data that are based on estimates and approximations. For example, in determining the unit cost of a product manufactured, an estimate of depreciation expenses on factory equipment is used in the manufacturing process must be made. Without this estimate, the cost of the product would be of limited usefulness in establishing the product's selling price, (Kaplan, 2009).

5. Clarity

It refers to the need for reports to be clear and understandable in format and content. Reports that are clear and understandable will enable management to focus on significant factors in planning and controlling operations. That is, reports on actual and expected costs in standard cost and variance analysis, (Jackson, 2016).

6. Conciseness

Conciseness refers to the requirement that the report be brief and straight to the point. Although the report must be complete and include all relevant information, the inclusion of unnecessary information wastes management's time and makes it more difficult for management to focus on the significant factors relevant to a decision. For example, reports prepared for the top level of management should usually be broad in scope and present summaries of data rather than small details, (Jackson, 2016).

2.4 Determinants of Decision Making

2.4.1 Decision Specific Characteristics

Decision maker's understanding is the level to which the individual making a decision knows the problem at hand. Nooraie, (2011) finds familiarity to be significantly and negatively related to the processes involved in making strategic decisions. He however finds that in making strategic decisions, familiarity is significantly positively and linked to politicization. Dutton, (2006) found out that crisis is linked to devolution. A number of studies (e.g. Milburn, 2003) however have discovered that when there exists actual crisis, the relationship becomes

centralized. There is criticalness to decision makers when making decisions, and this brings about influence in decision characteristics process (Carter, 2011). In a study conducted out with reference to decision, Astley *et al.* (2012) concluded that decision's complications is directly related to the level of decisions made. Papadakis *et al.* (2008) suggested that there is a negative association of the degree of rationality when making decisions, but positive relation to the degree of decentralization when a new business investments in marketing.

2.4.2 Organizational Structure and Power

There are several ways of defining Organizational structure. Frederickson (2006) describes it as the point of formalization, integration and centralization. Formal integration and extent of rationality and collaboration are positively linked in making more innovative in more successful firms. Miller (2007) identified a positive relationship between rationality in making decisions and formalization but when he compared centralization and decision making, there was a negative relation.

Wally and Baum (2014) concluded that when there is centralization in a firm when making decisions, the executive evaluate an alternative at a slower pace. When there is centralization of power, a positive influence on processes of making decisions occurs and this affects the extent of politicization (Bourgeois and Eisenhardt, 2008). Patterns found when making decisions in organizations in are brought about by organizational models used which include bureaucracy and machine adhocracy and they are usually linked to the structure of the organization and in other cases the leadership styles in the organization (Muluken, 2010).

2.4.3 Organizational Size

Strategic decisions of an organization are influenced by the size of the organization. Smaller business have much greater participation in making decisions as compared to managers of larger units (Duhaime and Baird, 2007). There are inconsistent results that have been developed in Literature review in relation to the size of the firm and making of strategic decisions. Example Fredrickson (2006) identified that there is a positive relationship between

comprehensiveness in decision making. Dean and Sharfman (2013) did not find such an existing relationship. On the other hand, Nooraie (2008) studied that the size of an organization and rationality has a positive association in decision making but there is a negative relationship when compared with politicization.

2.4.4 Management Education and Experience

There was a finding by Hambrick and Mason (2014) that, amount, and not the field or level of education that a manager possess has a positive relationship to innovations and he of service of top management is negatively related to decisions that they make on product innovations, this support Nahavandi and Malekzadeh (2013) which suggests that specific features greatly affect the heuristics and reasoning capabilities used by managers while making strategic decisions.

2.5 Empirical Literature

Hafij, Jamil and Syeda (2014) did a study on what role accounting information has in making strategic decisions specifically in industrial businesses in Bangladesh. Five areas that require strategic decision such as manufacturing decision, human resource decision, basic strategic decision, long term investment decision and marketing decision were considered for the study. T-test, Mean, standard deviation and percentages, were used to define efficiency of the accounting information when making strategic decisions that are long-term. The study proved that there is noteworthy relationship that exists between accounting information and strategic decisions in all the designated areas that considerably depend on accounting information.

Ionu and Petec (2015) studied the significance of accounting information in decision making. The researchers identified four principal qualitative characteristics: Reliability, compatibility of information, comprehensibility, and relevance. The researchers also suggested that accounting information has a crucial role in substantiating the economic decisions, offering

the possibility of an accurate representation of economic phenomena and processes. There is a consistent operation and making of decision by the users and they make use of information provided by financial statements. This indicates that accounting information has a positive relationship with decision-making. Gwangwava, Faitira and Tendere (2016) studied organization bookkeeping information: A sample of 135 firms was picked using ZTA database. There was a positive relationship between database information and the performance of SMEs.

Harendra (2016) studied relationship that existed between accounting and decision-making in the Sri Lankan Industrial Division. Sample for the study consisted of 70 public quoted manufacturing companies operating in the country. The relationship between accounting information and marketing and manufacturing related strategic decision-making was analyzed using Pearson's Correlation. Findings from the study indicated that accounting information has a statistically significant strong positive correlation with both marketing related strategic decision-making and manufacturing related strategic decision making of companies operating in Sri Lanka's manufacturing sector.

According to Drury (2008) accounting is the language that communicates economic information about the business activities. A central matter in both management accounting and decision-making relates to the linkage of management accounting information (MAI) with strategic planning (Atrill & McLaney, 2009). Literature on this connection is becoming more and more prevalent. The remarkable development in technology has opened up the possibility of generating and using MAI from a strategic standpoint (Bruening *et al*, 2008). In a climate of rising uncertainty and rapid change, organizations world over require greater competence when it comes to accounting practice and effective strategies. Nnenna (2012) and Drury (2008) all state that the turbulent business environment is forcing enterprises to seek more updated accounting information to use in strategic planning. MAI can be a significant aid to effective strategic planning. The use of management accounting as a strategic planning tool is necessary in driving organizations as myriad of threats and challenges continue in a globally connected world (Frezatti *et al.*, 2009).

2.6 Summary and Research Gap

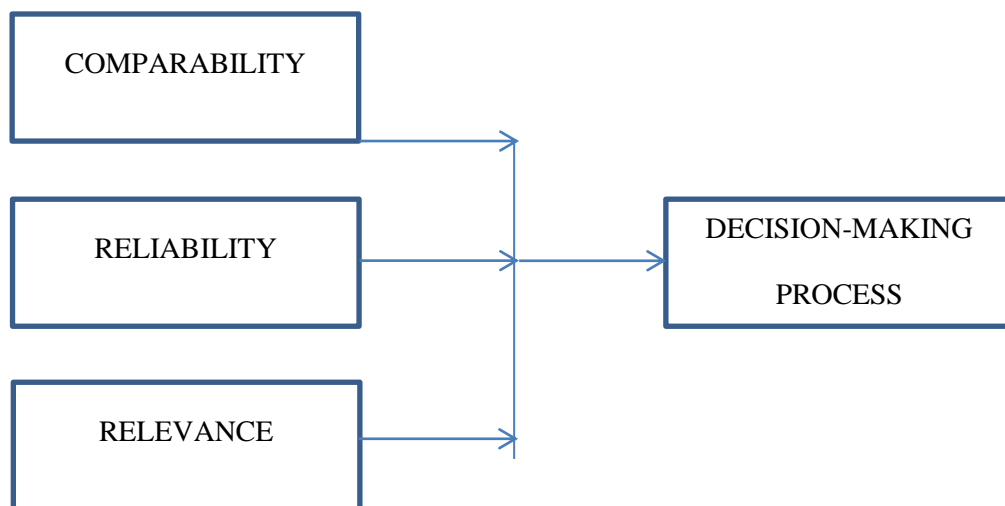
Various studies; {Hafij, Jamil and Syeda (2014), Ionu and Petec (2015), Gwangwava, Faitira and Tendere (2016), Harendra (2016), Drury (2008)} have found that financial accounting information could lead to positive results and improved decision-making. This research aims at establishing the role of accounting information and decision-making in charity associations in Addis Ababa. However, though the studies did have major contributions in significance and scope, they used other study variable leading to a contextual/geographical gap and paucity in literature. The purpose of this research was studying the role of accounting information on decision-making.

2.7 Conceptual Framework

A conceptual framework diagrammatically illustrates the predictor variables and how they interact with the dependent variable(s) in the study (Mugenda & Mugenda, 2003).

INDEPENDENT VARIABLE

DEPENDENT VARIABLE



CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

INTRODUCTION

This chapter included the research design, population study, sampling technique and sample size, data collection procedure, validity and reliability of data, analysis of data and presentation, and ethical consideration.

3.1. Research Design

A research design guides a researcher by giving them a framework that helps them in assessing a research problem (Coopers & Schindler, 2006). It directs the researcher on how to undertake the research process (Kothari, 2010). The study uses a survey research design to study accounting information and its relationship with decision-making in selected charity associations in Addis Ababa.

3.2 Population

Population refers to the specific possible cases or elements about which information is desired (Kothari, 2004). According to Creswell (2003), a population is a clear set of people, services, elements, and events, group of things or households that are being examined. For the purpose of this study the study population consisted of 150 registered charity organizations working on elders in Addis Ababa.

3.3 Sampling Technique and Sample Size

A sample refers to a subset or a true representation of a particular population being studied (Serakan, 2010). Stratified sampling technique was applied in determining the sample size. According to Creswell (2003) stratified sampling is ideal in instances where the population to be sampled comprises of groups with homogenous characteristics which the researcher is

looking for (Kothari, 2004). This method was preferred because the population sampled is purely specific charity associations according to the sectors they operate in Addis Ababa as they have the information the study requires. The sample size of the study are 3 charity associations with 100 respondents.

3.4 Data Collection Procedure

There is collection of primary data from the respondents using questionnaires that were self-administered. Respondents were left with the questionnaires and ample time was provided to fill them and then pick them at a later time after they had been filled. This is done by following up with phone calls to know whether they had been filled.

3.5 Validity and Reliability of data

3.5.1. Validity of the data

Validity refers to the amount of systematic or built-in error in measurement. Validity determines whether the research instruments truly measures what it intend to measure or how truthful research results would be. Confidentiality was assured to the participants and the report was edited to protect identification of individuals. Data collection was subject to some groundwork such as editing, coding and data entry which helped the study to detect errors and omissions. Piloting was carried out to test the validity of the instruments. A pilot study was conducted by the study taking some questionnaires to the staff security group which was filled by some respondents at random. From this pilot study, it was asy to detect questions that need to be edited and those that seem ambiguous.

3.5.2. Reliability of the data

Reliability refers to random error in measurement. It indicates the accuracy or precision of the measuring instrument. Reliability analysis allows examination of the properties of measurement scales and the variables making them up. The reliability analysis procedure

calculates a number of commonly used measures of scale reliability and information that are provided on the relationship between individual variables in the scale.

3.6 Data Analysis and Presentation

Descriptive statistics are used to analyze the data collected. The data are be coded, edited and analyzed using both statistical and non-statistical methods and the data collected is arranged in systematic way to ensure relevancy and adequacy. The study analyzed the data in order to generate answers to the research questions. The study presented the findings of the study using frequencies, percentages and tables.

3.7. Ethical Considerations

In order to keep the confidentiality of the data that was given by respondents; the respondents are not required to write their name and assured that their responses were treated in strict confidentiality. The purposes of the study were disclosed in the introductory part of the questionnaire. Furthermore, I attempted its best to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary respondents.

CHAPTER FOUR

FINDINGS, PRESENTATION AND DISCUSSION

4.1 The Response Rate

A response rate of 66% was obtained. This rate translates to 66% of the total respondents. According to Babbie (2004) response rates of 50% are acceptable, 60% is good and 70% is very good analyze and publish. The study response rate was good according to Babbie (2004) standards which implies that this study achieved a good response rate. Results are presented in Table 4.1.

	Response	Response in percentage
Successful	66	66%
Unsuccessful	34	34%
Total	100	100%

Table 4.1: Response rate

4.2 Sample Characteristics

The sample demographics on gender, age, education and work experience are presented in this section.

4.2.1 Gender

The study also wants to establish gender status of the respondents. Figure 4.1 presented these findings. Majority of the respondents were male who accounted for (68.6%) while female respondents accounted for 31.4%. The findings show that this study was a male dominated study.

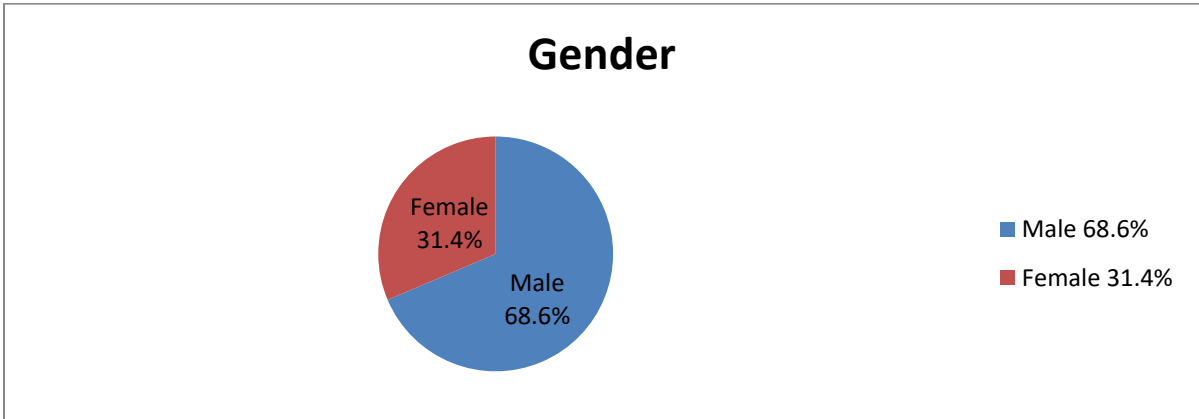


Figure 4.1: Gender

4.2.2 Age

Age bracket of the respondents was also a concern for the study. Figure 4.2 presented these findings.

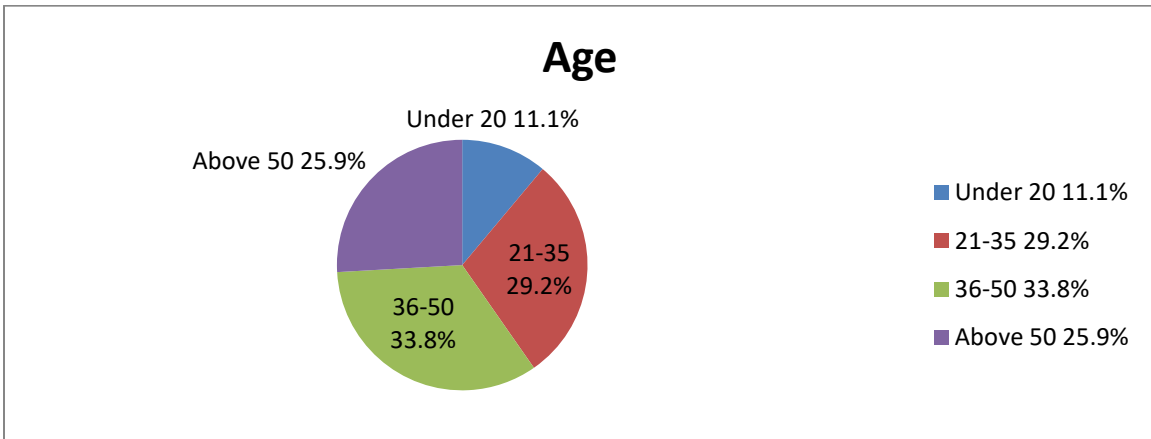


Figure 4.2: Age

Respondents aged between 21 and 36 years were 29.2%. Those aged above 50 years were 25.9% while those of 36 to 50 years were 33.8%. Below 20 years respondents were 11.1%. The findings imply that the respondents were people who were relatively advanced in age as they lay above 36 years as were at their career peaks.

4.2.3 Work Experience

Figure 4.3 represents work experience of the respondents that the researcher sought to find. Forty two percent of the respondents had work experience of above 5 years while 32.8% of the respondents had experience of 2-5 years. Twenty five percent of the respondents had experience of below 2 years. The findings indicate that most participants had a better experience and hence it is adequately appropriate to take part in this study.

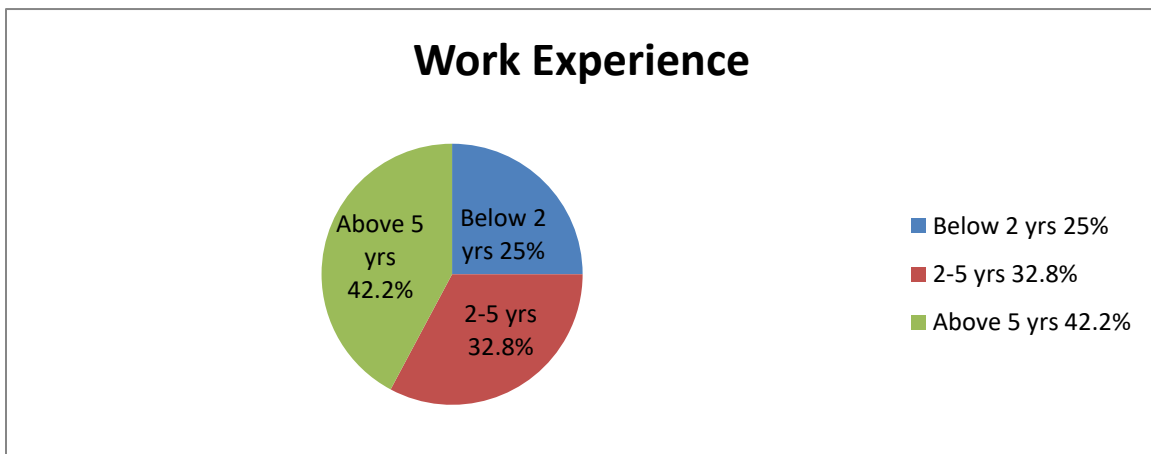


Figure 4.3: Work Experience

4.2.4 Education Level

The study finds out the highest achieved education level of the respondents. Figure 4.4 presented these findings. (67.5%) of the respondents, who were the majority had attained a bachelor's degree on the other hand, 26.4% of the respondents had attained a master degree. Above three percent of the respondents (3.3%) had attained a PhD doctorate degree while less than 3 percent (2.8%) had attained a diploma as their highest attained level of education. From the findings, the respondents were well informed as majority had attained higher education hence were informed individuals who would make rational decisions in terms of being accurate in answering the research questions as they were well versed with the environment within which their associations operated in.

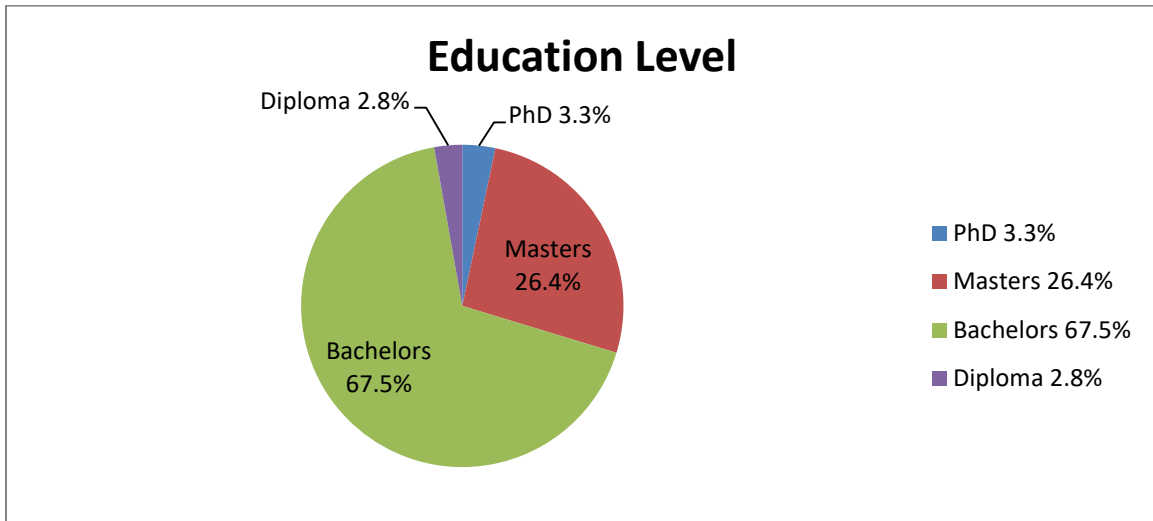


Figure 4.4: Education Level

4.3 Accounting Information and Decision-Making

This section presents descriptive results and discussion of the predictor and dependent variables.

4.3.1 Information Comparability and Decision-Making

The study sought to find out the role of comparability on decision-making. Table 4.2 presented the findings.

53.1% who were the majority agreed that financial statements of one accounting period are comparable to another and this helped users to derive meaningful conclusions. 64% of the respondents agreed that financial statements prepared by their Charity Association were consistent with those of other Charity Associations and this enabled the institution analyze its performance relative to other Charity Associations. 68.8% of the respondents agreed that financial information made it easier for users to choose between alternatives. 64.1% of the respondents agreed that qualitative characteristics of financial statements in their Charity Association were easily compared to those of industry average. 64% of the respondents

agreed that users of financial information were able to compare financial reports generated in different periods. The overall mean was 3.5 with standard deviation of 1.25. The findings imply that information comparability is an important determinant of decision-making.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
Statements are comparable between accounting periods	6.2%	21.1%	19.5%	35.9%	17.2%	3.4	1.18
Statements are consistent with those of other CAs.	11.7%	16.4%	7.8%	46.1%	18.0%	3.4	1.28
Information helps users choose among alternatives	10.9%	11.7%	8.6%	50.0%	18.8%	3.5	1.24
Qualitative characteristics	13.3%	14.8%	7.8%	41.4%	22.7%	3.5	1.35
Users able to compare financial reports for different periods	6.2%	21.1%	8.6%	44.5%	19.5%	3.5	1.20
Average						3.5	1.25

Table 4.2: Information Comparability and Decision-Making

4.3.2 Information Reliability and Decision-Making

The study sought to find out the role of information reliability on decision-making. The findings were presented in Table 4.3.

79.7% of the respondents agreed that accounting information used by management in decision-making in the Charity association is verifiable. 74.3% of the respondents agreed that financial information was faithfully represented and this is key in the decision-making process. Majority of the respondents or 76.5% agreed that reliability in accounting information had predictive value which aided in decision-making. 71.1% of the respondents agreed that financial information had neutrality and hence could be depended on when making decisions. About 87.5% of the respondents agreed that information generated from

accounting Systems displayed an element of completeness and this helped in decision-making. The overall mean was 3.9 with standard deviation of 1.04. The findings imply that information reliability is a key determinant of decision-making.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
Information verifiability	4.7%	4.7%	10.9%	65.6%	14.1%	3.8	0.91
Faithful Representation	7.8%	7.0%	10.9%	51.6%	22.7%	3.7	1.12
Predictive value	3.9%	10.9%	8.6%	57.0%	19.5%	3.8	1.01
Financial information Neutrality	4.7%	11.7%	12.5%	36.7%	34.4%	3.8	1.16
Information Completeness	3.1%	3.1%	6.2%	14.1%	73.4%	4.5	0.97
Average						3.9	1.04

Table 4.3: Information Reliability and Decision-Making

4.3.3 Information Relevance and Decision-Making

The study sought to find out the role of information relevance on decision-making. The findings were presented in Table 4.4.

83% of the respondents agreed that accounting information used by management in decision-making in the Charity association was timely and this timeliness was important especially when making decisions. 85.9% of the respondents agreed that there was feedback value associated with financial accounting information hence enabling managers to act on feedback in relation to decision-making process. 89% of the respondents agreed that there was understandability of information in relation to decision-making process. Majority of the respondents or 76.5% agreed that the users of financial statements could depend on consistency in release of development of financial data hence enabling them make decisions. Majority of the respondents 87.5% of them agreed that financial accounting information had

predictive value which aids in decision making. The overall mean was 4.1 with standard deviation of 0.98. The findings imply that information relevance is an important determinant of decision-making.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
Accounting information timeliness	4.7%	6.2%	6.2%	43.8%	39.1%	4.1	1.06
Feedback value	4.7%	4.7%	4.7%	50.0%	35.9%	4.1	1.01
Understandability of information	1.6%	6.2%	3.1%	40.6%	48.4%	4.3	0.91
Consistency in release of development of financial data	7.8%	3.1%	12.5%	65.6%	10.9%	3.7	0.99
Predictive value	3.1%	4.7%	4.7%	46.9%	40.6%	4.2	0.98
Average						4.1	0.98

4.3.4 Decision-Making at Charity Associations

The study sought to assess selected charity associations in Addis Ababa. The findings were presented in Table 4.4.

57.8% of the respondents agreed that elaborate problem recognition measures had been put in place in their charity association to help make decisions on identifying gaps associated and need for addressing such problems. 65.6% of the respondents agreed that definition of the specifications, goals and objective that answer problem in decision-making are well defined and outlined in their charity association. 64.8% there was a clear methodology designed on how decisions were undertaken in attempt to address any concern in the charity association. 68.7% of the respondent agreed that action was well carried out on specific decisions according to the stipulated processes associated with decisions made in the charity association. 68% of the respondents agreed that the management made use of feedback gotten from other parties in aligning and making better futuristic decisions in their charity

associations. Results indicated that accounting information was important in determining decision-making in charity associations.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
Problem recognition	17.2%	12.5%	12.5%	32.0%	25.8%	3.4	1.43
Definition of goals and objectives	10.2%	13.3%	10.9%	32.0%	33.6%	3.7	1.34
Clear methodology	10.2%	9.4%	15.6%	45.3%	19.5%	3.6	1.20
Actions on decisions	7.0%	10.9%	13.3%	32.0%	36.7%	3.8	1.24
Feedback	10.9%	7.8%	13.3%	24.2%	43.8%	3.8	1.36
Average						3.6	1.31

Table 4.4: Decision-Making

4.4 Discussion of Findings

From the study sample characteristics results majority of the respondents (75.8 %) were male while most respondents 45% of the respondents were aged between 36 to 50 years. Forty two percent of the respondents had work experience of above 10 years and 64.1% of the respondents had attained a bachelor’s degree. Most respondents (64.1%) of the respondents had worked in their respective for 6 to 10 years.

Comparability as a variable overall mean was 3.5 with a standard deviation of 1.25. The findings imply that information comparability is an important determinant of decision-making.

Reliability as a variable overall mean was 3.9 with standard deviation of 1.04. The findings imply that information reliability is an important determinant of decision-making.

Relevance as a variable overall had a mean of 4.1 and a standard deviation of 0.98. The findings suggest that information relevance is an important element of decision-making.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

INTRODUCTION

This chapter shows the detailed discussions of the major findings, conclusion drawn, recommendations and suggestions on areas of future research.

5.1 Summary

This study's general objective was to study the role of accounting information on decision-making in selected charity associations in Addis Ababa.

The first objective was to study the role of comparability of accounting information on decision-making in charity associations. Results indicated that comparability was important in determining decision-making in selected charity associations in Addis Ababa. This was supported by majority of the respondents who agreed that financial statements of one accounting period are comparable to another and this helped users to derive meaningful conclusions, financial statements prepared by their charity association were consistent with those of other charity associations and this enabled the institution analyze its performance relative to other associations, financial information made it easier for users to choose between alternatives, qualitative characteristics of financial statements in their charity association were easily compared to those of industry average and that users of financial information were able to compare financial reports generated in different periods.

The second objective was to assess the reliability of financial accounting information on decision-making in charity associations in Addis Ababa. Results indicated that reliability was important in determining decision-making in charity associations. This was supported by majority of the respondents who agreed that accounting information used by management in decision-making in the charity association is verifiable, financial information was faithfully represented and this is key in the decision-making process, reliability in accounting

information had predictive value which aided in decision-making and that financial information had neutrality and hence could be depended on when making decisions and that information generated from accounting systems displayed an element of completeness and this helped in decision-making.

The third objective was to establish the relationship between accounting information and decision-making of Charity Associations. Results indicated that accounting information was important in determining decision-making in charity associations. This was supported by majority of the respondents who agreed that accounting information used by management in decision-making in the charity associations.

5.2 Conclusion

From the study findings, one can conclude that accounting information comparability as a characteristic depended on whether financial statements of one accounting period are comparable to another, whether financial statements prepared by their charity association were consistent, whether financial information made it easier for users to choose between alternatives and whether the qualitative characteristics of financial statements in their charity association were easily compared to those of industry average. Further, financial accounting information in selected charity associations had adequate comparability characteristics and this comparability was a key determinant of decision-making in charity associations.

It can also be concluded that accounting information reliability characteristics on accounting information used by management in decision-making in the charity association was verifiable, financial information was faithfully represented, the information had predictive value, neutrality and had an element of completeness. It can further be concluded that accounting information in charity associations was characterized by reliability and this reliability was a key predictor of decision-making in charity associations in Addis Ababa.

Finally, it can be concluded that accounting information relevance in charity associations was timely, and there was feedback value associated with financial accounting information. The information was clear and highly understandable, depended on consistency in release of

development of financial data and had predictive value. Further, accounting information in selected charity associations in Addis Ababa had adequate characteristics and this relevance was an important determinant of decision-making in charity associations in Addis Ababa.

5.3 Recommendation

From the study findings, it is recommended that the management puts in measures to improve both quantitative and qualitative characteristics of financial statements in their charity associations so that they are easily comparable to those industry average. The management should also put in measures to enhance reliability in accounting information so as to improve predictive value which aids in decision-making in the future. The charity associations should strive to ensure that information generated from accounting systems displays an element of completeness so that this helps in decision-making in the organizations. Monitoring and control actions should be enhanced in the decision-making process on specific decisions according to the stipulated processes associated so that desired goals are achieved in improving the functionality and performance of the charity association.

5.4 Area for Further Study

The study suggests the areas where further studies should be conducted which included the following:

- Further studies should be conducted on the role of accounting information on the effectiveness of an organization,

Further studies should be conducted on the relationship between accounting information and organizational productivity.

Time Schedule

S.N.	Activities	Duration in Months (M)						Remark
		M1	M2	M3	M4	M5	M6	
1	Proposal Writing	✓						
2	Review of Related Literature		✓	✓	✓	✓		
3	Data Collection			✓	✓			
4	Research Report Writing				✓	✓		
5	Submission of Draft Report					✓		
6	Submission of Final Report						✓	

Budget

S.N.	Activities	Rate	Cost in Birr
1	Stationery materials	Overall	1,000.00
2	Fee for data collection	Per person	4,500.00
3	Secretarial service	Overall	500.00
4	Transportation	Overall	2,000.00
	Total		8,000.00

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APPENDICES

Appendix I: Letter of Introduction

TO WHOM IT MAY CONCERN

Subject: RESEARCH STUDY

Dear Sir/Madam

I am a post graduate student studying MBA in Accounting and Finance at St. Mary's University. I am writing a research project which is a requirement for the award of the degree. The topic of my research is; **“Role of Accounting Information on Decision-Making Process in Selected Charity Associations in Addis Ababa”**.

I kindly request your assistance by availing time to respond to the questionnaire. All data collected will be treated in strict confidence and used only for purpose of this study.

Your co-operation will be highly appreciated.

Yours faithfully,

Raji Dinsa.

Appendix II: Questionnaire

SECTION A: Sample Characteristics (Please tick as appropriate)

1) Please indicate your Gender

a) Male

b) Female

2) Please specify your age

a) Below 20 yrs.

b) 21 to 35yrs

c) 36-50 years

d) above 50 years

3) Please indicate your work experience

a) Below 2 years

b) 2 to 5 years

c) above 5 years

4) Please indicate your highest attained level of education

a) Diploma

b) Degree

c) Masters

d) Ph.D

SECTION B: ACCOUNTING INFORMATION AND DECISION-MAKING

This section is concerned with assessing different variables and their relationship to decision-making in charity association.

Section B1: Comparability and Decision-Making

This subsection is concerned with assessing comparability and its relationship with decision-making. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Rate your response on a scale of 1 to 5;

(1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree)

Financial statements of one accounting period are comparable to another and this helps users to derive meaningful conclusions.

Statement	1	2	3	4	5
Financial statements of one accounting period are comparable to another and this helps users to derive meaningful conclusions.					
Financial statements prepared by our charity association are consistent with those of other associations and this enables analyze its performance relative to other charity association.					
Financial information makes it easier for users to choose between alternatives					
Qualitative characteristics of financial statements in our association are easily compared to those of industry average					
Users of financial information are able to compare financial reports generated in different periods					

Section B2: Reliability and Decision-Making

This subsection is concerned with assessing reliability and its relationship with decision-making. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Rate your response on a scale of 1 to 5;

(1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree)

Statement	1	2	3	4	5
Accounting information used by management in decision-making in the charity association is verifiable					
Financial information is faithfully represented and this is key in the decision-making process.					
Reliability in accounting information had predictive value which aided in decision-making					
Financial information is neutrality and hence can be depended on when making decisions.					
Information generated from accounting Systems displays an element of completeness and this helps in decision-making					

Section B3: Decision-Making

This subsection is concerned with assessing decision-making in charity associations. Please mark (x) in the box which best describes the extent to which you agree with each of the following statements.

Rate your response on a scale of 1 to 5;

(1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree)

Statement	1	2	3	4	5
Elaborate problem recognition measures have been put in place in our association to help make decisions on identifying gaps associated and need for addressing such a problem					
Definition of the specifications, goals and objective that answer problem in decision-making are well defined and outlined in our association					
There is a clear methodology designed on how decisions are undertaken in attempt to address any concern in the association					
Action is well carried out on specific decisions according to the stipulated processes associated with decisions made in the association					
The management makes use of feedback gotten from other parties in aligning and making better futuristic decisions in our associations					

THANK YOU!