



ISSN Print: 2394-7500  
ISSN Online: 2394-5869  
Impact Factor: 5.2  
IJAR 2016; 2(10): 733-736  
www.allresearchjournal.com  
Received: 18-08-2016  
Accepted: 20-09-2016

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## Effect of accounting information for managing judgment making

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### Abstract

The need for data is basic for concrete and express management decision to confirm the success and survival of a corporation and since the aim of any business concern is "profitability" Accounting information is indispensable to achieving this goal. Hence, this analysis work studies however effective and economical the instrument of fine accounting data is in higher cognitive process in a corporation. It conjointly appearance at the importance of fine accounting data because it relates to increasing the gain target of a corporation. Despite the large data provided to the management of the chosen tertiary establishments, management deviates from the set objectives. The aim of this analysis work is to search out the impact of the utilization of accounting data in higher cognitive process within the tertiary establishments and to spot the reason behind failures in education sector by providing attainable solutions. Organisation ought to eradicate weak accounting systems by ensuring that each worker within the Accounts Department is co-operative and totally aware of his or her role within the department therefore on turn out sensible accounting data.

**Keywords:** Accounting information, decision making, management performance, financial performance

### Introduction

Information and the data system are terms with increasing impacts on the enterprises, incursive the models and also the management analysis fields. Specifically as in the other data system, the economic information system contains news and knowledge from completely different fields; however most of them derive from the economic information. Management is consistently confronted with the matter of deciding particularly knowing that resources are comparatively scarce and restricted. It's thus pertinent that smart accounting data be created accessible for correct and correct deciding, maximization of profitability and best utilization of scarce resource. Accounting is that the language of business because it is that the tool for recording, coverage evaluating economic events & transactions that have an effect on commercialism. It processes all documents of monetary performance from payroll, cost, cost & alternative obligations to sales revenue & owner's equity. It provides money data concerning ones business to the interior & external users, like managers, investors & others. it's typically remarked as a method to associate finish, with associate finishing being associate end to the choice that's helped by convenience of monetary data. Management call is one among the foremost necessary aspects that penetrate all organization and represent its progress or failure in realisation of pre-determined goals and objectives. For this reason, for management call to own a "fair view", qualitative this can be because of inadequate and inappropriate use of accounting data (Clinton *et al.* 2011)

The most representative sources of economic data and information are (Ovidia, 2013):

- The economic planning, which provides economic informational planning and business prognosis data, their share being of 28% of the total economic information;
- The economic database which provides effective information data, representing 70% of the total economic information, distributed as follows:
  - 46-50% information provided by accounting;
  - 9-13% information provided by the economic-social statistics;
  - 11% of the information is provided by the active database;
  - Other sources represent the rest of the 2% percentage.

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Hence, the data of the economic data system are largely (70%) provided by the economic proof, mentioning that the majority a part of info in organizations embody accounting information (Zare and Shahsavari, 2012), an announcement sustained by the actual fact that the accounting info systems includes elements and components of a corporation that has information's for users by process money events (Zare *et al.*, 2012). Accounting info isn't solely necessary for analysis of the past and keeping this on course; it's helpful in designing the long run of the enterprise. Mbanefo (1997), "this designing we tend to might conventionally decision budget/budgeting targets, that provide that means and direction to operations of the organization at intervals a defined amount. At the top of the budget amount the external results are compared with budgeted performance and discrepancies (variance) are analyzed for functions of exposing the causes thus on forestall re-occurrence. Studies have shown in implementation of accounting data system which needs a work between three factors (Markus 1983) <sup>[3]</sup>. Firstly, a work should be achieved with dominant read in organisation or perception of scenario. Secondly, the accounting should work once issues is resolved, i.e. the technology of the organisation. Finally the accounting should work with the culture, i.e. norms & price system that classes the organisation. Accounting info is going to be helpful once info provided by them is employed effectively in higher cognitive {process} process by users (Christiansen 1994). Otley (1980) <sup>[5]</sup> argues that accounting info are vital elements of material of organisational life & got to be evaluated in their wider social control, organisational & environmental info not solely depends on the aim of such system however conjointly depends on contingency factors of every organisation

### Literature Review

Littleton (1953), the central purpose of accounting is to make possible the periodic marching of cost efforts and revenues accomplishments. This concept involves fixed point of accounting theory, and a bench mark that afford a fixed point of reference for accounting sessions. Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transaction and events, which are in part at least of a financial character, and interpreting the result thereof. (ALCPA, 1961). Benjamin (1978) reported that the primary function of accounting is to accumulate the communication information essential to understanding the activities of an enterprise, whether large or small, corporate or non-corporate, private or public. Anderson and Caldwall (1981) suggested that accounting is an information system for measuring, processing and communicating information that is useful in making economic decision. Contributing Needles Jr (1981) opined that accounting information is essential to decision system because it provides qualitative information for three functions: planning, control and evaluation. Simon (1987) <sup>[7]</sup> in his study used the first part of the statement as a measure of control for management and the second part for evaluating the effectiveness of the accounting information via continuous monitoring. Accounting information are said to be effective when the information provided by them serves widely the requirements of the system users. The effectiveness of accounting information has long been a subject of many researches (Chenhall 1986, Chong 1996, Kim 1988, Mia 1994) <sup>[4]</sup>. Accounting information is usually

categorised under two groups: information that influences decision making and mainly for the purpose of controlling the organisation; information that facilitate decision making process and mostly used for coordination within an organisation (Kren 1992). Hubber (1990) argues that integration of accounting information leads to coordination in organisation, which in turn, increases the quality of the decision. Some researchers in accounting show that the effectiveness of accounting information system depends upon the quality of the output of the information system that can satisfy the users' needs.

### Nature and the Use of Accounting Information in Business Organization

Business organization is classified into little and enormous corporations. For tiny corporations a specialist establishment is ready up to supply a backing for it and also the public can lack the keenness for the buying securities from the little firm whose shares aren't quoted on the securities market. Accounting data provides management the required data to be used in closing the affairs of the business and news to the house owners. 5 ingredients of accounting, in line with Black *et al.* are:

- Basic business documents or forms such as cheque and invoice.
- Journals in which the effect of transaction on assets and equities are analyzed in terms of Debit & Credit.
- Ledger, which shows that results of transactions as summarized according to each asset or equities.
- The financial report which reports on how enterprise scared for that period.
- The procedures for preparing these records & reports.

Accounting plays important and useful role by developing the information for providing answer to many question faced by the users of accounting information such questions are:

- How good or bad is the financial condition of the business?
- Has the business activity resulted in a profit or loss?
- How well the different departments of the business have performed in the past?
- Which activities or products have been profitable?
- Out of the existing products which should be discontinued and the production of which commodities should be increased?
- Whether to buy a component from the market or to manufacture it?
- Whether the cost of production is reasonable or excessive?

Ezegbe (2000), the management interpret expressed of account and knowledge specifically relevance what it have through with what have provided in money management and excusable reasons for call and actions. This can be respect of ethic of responsibility. to the present finish, adequate keeping of record of account encourage effective administration of college plants. By college plants here, we have a tendency to mean the totality of the belongings of the academic establishment (Hope & Alice, 2004) <sup>[1]</sup>. Accounting data helps management to understand the ramshackle facilities within the college that require to be restored. Studies allotted over the year indicated the importance of accounting data in a exceedingly little firm

and it's been established that one quarter of little scale business address their accountants after they want facilitate this shows that even the littlest firm got to be salaried if enough expenditure is formed for the aim of shows that even the littlest firm got to be salaried if enough expenditure is formed for the aim of getting an correct accounting data.

### Accounting Information as Management Decision Tools

Nobody is kind of positive wherever accounting in its narrowest sense started. It's prearranged that any accounting that's not useful in a way ought to be scrapped. all told its part, accounting info is beneficial to some type to management whether or not it's the officers, sub- officers of the academic establishments, the lecturers and potential staff, the creditors and potential creditors one or a lot of government tertiary establishments, every of those users of data manages its relationship with the enterprises a minimum of on the idea of accounting reports. An economic activity may be conducted properly if the choice, the implementation and also the management of the execution are supported operative, correct and complete info. During this context, on the one hand, we want an accounting management so as to supply the mandatory info, however conjointly an accounting the serves the requirements of the manager (Iacob and Karim, 2013).

### Statement of the Problem

Information is indispensable for deciding in any business organisation. The matter but lies within the quality and validity of the knowledge that is, if it's timely, adequate, and clear. The foremost purpose of the utilization of accounting info is to attenuate risk, failure and uncertainties and conjointly keep prior competitors. None the less the large good thing about use of accounting info, it's typically acknowledged that the majority unqualified accountants generate inaccurate info then end in failure of organizations to realize desired goal. These issues for the most part contribute to the failure of the utilization of accounting info in business with the result that incorrect choices are created to the harm of the organization. It's solely through accounting info that managers and external users get an image of the organisation as a complete entity. Managers who fail to grasp this don't appreciate an accountant's analysis in respect of economic accounting info generated. This could cause poor call being taken and it should have an effect on the profitableness & performance of the organisation. Some organisation as a result of low monetary layout causes the impact & importance on call to be taken to not be noticed or gained by the organisation. The researchers during this study can get to point out the knowledge management will derive from monetary accounting & their quality for deciding in Business. The aim is to examine the necessity for accounting info to any concern however it aids in management deciding.

### Objectives of the Study

As a central objective, this study seeks to evaluate the role of accounting information as an aid to management in decisions making in an organization. But more specifically, it attempts to achieve the following:

- To ascertain the relationship between effective use of financial accounting information & the decisions made in the organisation.

- To explain the accounting information to the users & various ways each of these users utilise the information & the benefits derivable from them.
- To make recommendations which may enhance the employment of information provided by accounting system?
- To promote the effective use of financial accounting system.
- To highlight the effects of managerial on accounting information for the achievement of organisational goal.

### Recommendations

In order to resolve the problems arising from this study, some recommendations are hereby proffered:

- Effective communication and information flow is important for a good accounting system, and banks/organizations should provide communication channels between top and lower levels of management regarding long and short term objectives and the practical problems of implementing those objectives.
- Clear-cut definition of long-term corporate objective, within which the accounting information system will operate.
- A professional accountant should be employed by the company in order to provide valuable information and keep accurate record of the company's account;
- Employees should be encouraged to develop themselves by becoming professionals in their chosen career; this will affect the company to grow positively;

### Conclusion

The adequate supply and correct use of accounting data had gone an extended manner in serving to management in creating economical and effective call and for this, there's a big impact of the employment of accounting data as an aid to management deciding within the establishments. The study additionally found that accounting data system results in smart monetary reports and additionally resulting in higher decision- creating. Additionally the policy implication of the study is for International principle Board (IASB) to adopt smart accounting data system and create its application necessary on industry. Supported the higher than mentioned, our opinion is that the organization of a second accounting circuit is critical, just like the monetary accounting, because the legislative laws (Accounting Law no. 82/1991) stipulate the indispensability of its organization. Related to the name of second circuit, management account or social control accounting, we tend to believe that the latter, i.e. social control accounting, suits its purpose higher, i.e. to supply data necessary for the choices related to value reduction. It will then be conveniently said that there exist a powerful relationship between the employment of organizations accounting data and social control potency. There's additionally a high level of awareness pertaining the role of accounting data system. This awareness isn't restricted to senior and management workers alone however additionally cut across intermediate and junior workers whose operations also are ruled by the accounting data system.

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