

THE ROLE OF ACCOUNTING INFORMATION IN THE COMPANY'S DECISION-MAKING PROCESS

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ABSTRACT: Accounting system represents as the language of business because cost, price, sales volume, profits and return on investment are all accounting measurements and the purpose of accounting is to provide information that is useful for decision-making.

This paper aimed to explain and clarify the important of using accounting information in decision making process, to meet the requested administrative needs to rationalize the administrative decision of the company.

The researcher in the field of data are dependent on the primary sources and secondary sources, to achieve the goals of the study and in answering its questions. Through this approach, they obtained the data, which formed the theoretical frame for the study. Meanwhile, the practical frame depends on an interview.

KEYWORDS: Decision-Making Process, Accounting information.

1 INTRODUCTION

Today companies live in an environment characterized by rapid and complex economic, social, and technological changes that have increased the need for data collection, processing, and the effective use of information.

Use of information, which is available on the success of institutions, that makes it compulsory for most institutions to provide additional information 24 hours a day in making decisions related to management, planning, organization, direction and control.

Information has become an important resource in management activities of modern institutions as it plays a crucial role in the determination of effectiveness and efficiency of the institution.

Organizations have tended to design and build information systems to control the amount of the necessary information and accurate the information at all levels of management, in a timely manner to take rational decisions contributed to the achievement of the objectives of the issue.

These developments have also led to the development of accounting information systems, which has led to the emergence of new types of accounting, generating a variety of accounting information to meet the growing needs of its users.

Therefore Companies need to develop their information systems, especially the accounting systems, to achieve their different objectives and to adopt a rational decision-making, which must be rationalized using scientific based methods mainly on the accounting information.

Accounting information is useful in carrying out all administrative activities, where administration becomes more efficient and when accountants provides accurate and complete information for the management as on the basis of this information, to say that the accounting information is useful as some criteria and characteristics must be available in this information.

It is in the context that we studied about the impact of accounting information, on the decision-making process of organizations. the relevance, deadlines precision, conciseness and clarity of information and methods of presentation of users that have been reviewed by different users was in need to the accounting information to make the important decisions and in These users investors, creditors, management government agencies, unions and others are all included.

The importance of studying this subject lies in the need to demonstrate the capacity of the accounting information to meet the needs of applicants and users of this information and focus on this aspect to assist policy makers. Because experience is not enough to make rational decisions, therefore it takes a balance between accounting information and the decision-making process, hence the importance of research to prove the

role of accounting information in decision-making rationally, which could lead to the smooth running of the business and its success.

2.LITERATURE REVIEW

In managing an organisation and implementing an internal control system the role of accounting information is crucial. An important question in the field of accounting and management decision making concerns the fit of accounting information with organisational requirements for information communication and control (Nicolaou 2000).

Accounting information system is a vital tool in strategic decision-making as it provides a detailed description of the financial position of a firm. This information is critical for the firm to understand its strengths and weaknesses, and the opportunities and threats it faces from the external environment. This in turn helps the firm to make informed decisions and mitigate the risk associated with strategic decision-making (Chong, 1996)

One of the recognized objectives of accounting is to produce the quality of accounting information that responds primarily to the decision-making needs of the company. Based on this observation, it seemed wise to ask ourselves about the stakes of this accounting information in the decision-making within a company.

Accounting which represents a system that sends information to people with different responsibilities is a broad concept encompassing methods providing information at different levels of the organization.

2.1 The conceptual framework of accounting information

There are many definitions for accounting information:

Accounting information: is the data that have been processed properly to give a full meaning and can be used in ongoing operations and future decision-making.

Selon le Commette on the Fondations of Accounting Measurement: « accounting measurement is an assignment of numerals to an entity's past present or future economic phenomena, on the basis of observation and according to rules." Accounting information is quantitative, relates to an entity, is based on observation and is prepared according to rules.

Data and information that do not meet these criteria are not accounting information but may be used by managers and may be important in a management information system »

All these definitions can be collected in one definition, which is:

Accounting information reflects the events and facts that related to the financial and accounting aspect of the company, and it is represent the final product of the accounting system because the main purpose of accounting system is to provide the necessary information for decision makers.

2.1.1 Users of accounting information

There are several user groups with an interest in the accounting information relating to a business. The majority of these are out side the business but, nevertheless, they have a stake in the business. This is not meant to be an exhaustive list of potential users; however, the groups identified are normally the most important.

Accounting system prepares its financial report which includes accounting information in both internal and external report. Management accounting deal with the information that is needed for the internal users and financial accounting focus on the information that is needed for the external users.

Managerial accounting:

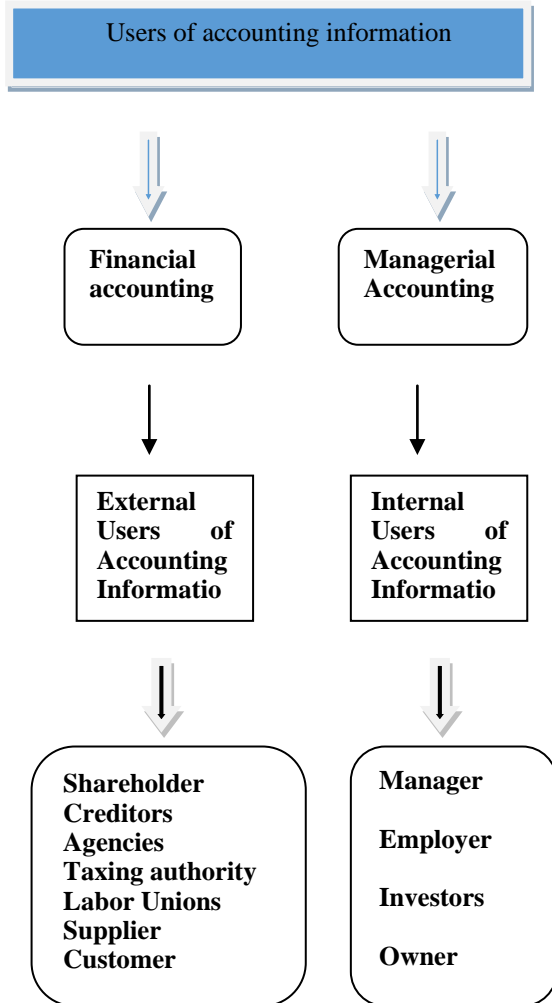
Provides internal decision makers who are charged with achieving the goals of profitability and liquidity with information about financing, investing, and operating activities.

Financial accounting:

Generates reports and communicates them to external decision makers so they can evaluate how well the business has achieved its goals.

The most important of these groups are shown in Figure 1.

Figure 1: Users of accounting information



A. Internal users:

Parties inside the reporting entity or company who are interested in accounting information.

Types of internal users include:

MANAGEMENT:

Management in every level of the business from director level to supervisor level relies on accounting information to do their job properly. They all use the same information for different purposes. For example, directors use it for strategic purposes and middle management can use it to see if they are meeting their financial targets.

Investors:

Investors generally provide money to individual or organization to start a business. Before investing money investors generally want to know whether they should invest or not or if they would invest to start a business now then how much return they will get from their investment. The investors will decide based on the financial accounting information of that business.

Employers:

Employers use accounting information for their own benefit, accounting information help the employee to ensure their future benefit from the company like pension, health provision, retirement benefit etc.

Owners:

Business owners want to know whether their funds are being properly used or not. Accounting information helps them to know the profitability and the financial position of the concern in which they have invested their funds.

B. External users:

Parties outside the reporting entity or company who are interested in the accounting information.

Types of external users include:

Shareholders:

Shareholders use the balance sheet and profit and loss account produced by limited companies to decide if they are going to increase or decrease their holding.

Creditors:

Creditors (lenders) are generally focused on the information which is related to the borrower before making a large loan such as the Bank (creditors) will want information about the borrower regarding some criteria: the ability of the borrower to repay the loan, the amount of assets and liabilities of the borrower, evidence of income, tax policies and so on. The creditors will make the loan after having this detail information through financial accounting statement of the borrower.

Government Regulatory Agencies:

Government regulatory agencies like Federal and State Government Agencies and Security and exchange commission want financial accounting information, which is related to the investors, business organization or any individuals. These regulatory agencies want the information to know that whether the business organization are following the business rules and regulation or not or whether the investors are able to invest or make decision or not, Security and exchange commission want accounting information to evaluate the financial accounting disclosures of companies who sell their share or borrow money.

Taxing authority:

Taxing authority wants financial accounting information related to tax policies, tax laws, amount of payable tax etc. from the individual or organization., taxing authority wants financial accounting to know that the business organization are following tax rules or not and their ability to pay income tax because income tax is based on the financial accounting reports.

Labor unions:

Labor unions want accounting information to know their future salary.

Suppliers:

Suppliers want to know about company's future goals so that they can serve best material in coming days.

Customers:

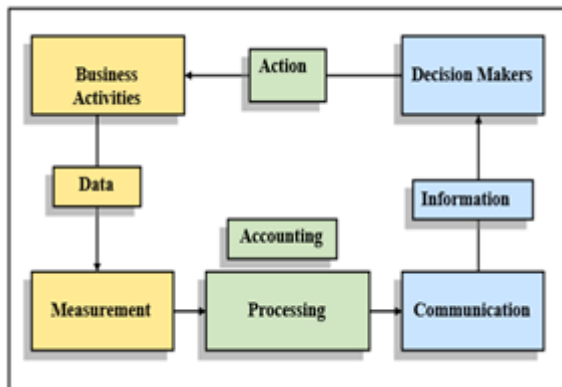
Sometimes customer also want to know about company on issues like warranty, product development etc.

2.1.2 Accounting as an Information System

Accounting is an information system that measures, processes, and communicates financial information about an economic entity; an economic entity is a unit that exists independently, such as a business, a hospital, or a governmental body.

Accountants focus on the needs of decision makers who use financial information, whether those decision makers are inside or outside a business or other economic entity. Accountants provide a vital service by supplying the information decision makers need to make “reasoned choices among alternative uses of scarce resources in the conduct of business and economic activities.” As shown in Figure 2, accounting is a link between business activities and decision makers.

Figure 2: Accounting as Information System.



This theoretical examination led us to conclude. On the one hand, the accounting information participate in the decision-making of internal and external users of the financial statements, and on the other hand, the quality and the use of accounting information influences perception is usefulness for decision making, and to try to present the decisions influenced by the use of this accounting information.

2.2. Decision making process

The life of the company is marked by many decisions. They are taken every day, from its creation until its death. They are not all of the same nature or importance.

The decision can be strategic engaging the business on the medium and long-term or operational for current operations.

Decision: the act of deciding, act of settling or terminating, as a controversy, by giving judgment on the matter at issue, determination, as of a question or doubt, settlement, conclusion.

There are many definitions for decision-making, such as:

Decision-making: Making choices among alternative courses of action, including inaction.

Decision-making: It is the study of identifying and choosing alternatives based on the values and preferences of the decision makers.

Decision-making: It is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them.

All these definitions can be collected in one definition, which is:

Decision-making: is the *process* of making *a choice* between a numbers of *options* and committing to a future course of *actions*.

The following is an explanation about the key parts of the definition:

Process:

Decision-making is a process, which includes a combination of many stages that lead to effective outcomes. This process can be very simple in some areas but in another, especially in business, it may be more complex.

2.2.1 Decision making levels:

Decision-making can also be classified into three categories based on the level at which they occur.

Three levels of decision have been identified:

Strategic:

Strategic decisions set the course of organization they are the highest level; here a decision concerns general direction, long term goals, philosophies and values. These decisions are the least structured and most imaginative; they are the most risky and of the most uncertain outcome.

Tactical:

Tactical decisions are decisions about how things will get done, they support strategic decisions, and Tactical decisions are decisions about how things will get done. They tend to be medium range, medium significance, with moderate consequences.

Operational:

Operational decisions are decisions that employees make each day to run the organization, used to support tactical decisions; they are often made with little thought and are structured, their impact is immediate, short term, short range, and usually low cost. The consequences of a bad operational decision will be minimal, although a series of bad or sloppy operational decisions can cause harm. Operational decisions can be preprogrammed and pre-made.

Important comment should be made here. Issues should be examined and decisions should be made at all of these levels.

If you discover that nearly all of your thinking and decision-making is taking place at the operational level, then you are probably not doing enough strategic thinking and planning. As a result, you will lead a reactive life, responding only to the forces around you and never getting control of your life, your direction or your goals.

Tableau 1: levels of decision-making

Levels of Decision	Examples of Decision	Who Typically makes Decision
Strategic decision	-Should we merge Another company? - Should pursue a new product line? -Should we downsize organization?	Top Management Teams, CEOs , and Boards of Directors
Tactical Decision	-What should we do to facilitate employee relations between two companies -Working together for the new product line - How Should we restructure when downsize?	Managers

Operational Decision	- How often should I communicate with my new coworkers? - What should I say to customers about out new product? - How will I balance my new work demands?	Employees throughout the organization
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2.3 Accounting Information As An Aid To Management Decision Making

Financial information is needed before any economic decision is made. Financial accounting information focuses on actual events. For the purpose of decision making, the past is used as a guide to future estimates of the consequences of different alternatives. The accountant can help significantly in the areas of budgeting, investigating, interpreting and communicating results for use by both internal and external decision makers.

Making decision is necessary when there is no one clear course of action to follow. Accounting systems can aid our decision making by providing information relevant to the decision and to the decision maker. Accounting systems also provide check for the validity through the process of auditing and accountability (Gray et. Al 1996). Effective and efficient accounting information plays a central role in management decision making.

3 STATEMENT OF PROBLEM

Generally, the use of accounting information will become critical factor in changing competitive environment, for the manufacturer to effectively and efficiently make decision.

The presence of many disorders and managerial problems within the organizations caused some major managerial irregularities that occur as a result of the administrative right not to rely on accounting information or the lack of quality of accounting information used in decision-making process and non-suitability of the resolution.

The purpose is to see the need for accounting information to any business organisation and how it aids in management decision making.

3.1 Research Questions

The study was guided by the following research questions:

- What is accounting information? What features are supposed to be useful to the parties who use it?
- What is a single decision? And what are his types?
- Does decision-making require accounting information?
- Does accounting information have any effect on management decisions?

3.2 Research Hypothesis

For the purpose of analysing the data, the following hypotheses were tested:

H1: the company must rely on the financial report to obtain the accounting information necessary for the decision-making process.

H2: Accounting information includes all the characteristics required for decision making.

H3: The leaders of the company use the accounting information in the decision making.

H4: Accounting information contributes to the quality and efficiency of administrative decisions.

4 METHODOLOGY

The study employed the descriptive analytical approach to complete the study, which depends on describing, and demonstrate the importance of use the accounting information in decision-making process.

In many situations, you must make decisions that have a significant impact on the organization's profits and financial position over the rapid development and competition that companies have always encountered.

The decision-making process is the essence of the administrative process, so that the decision-maker can not rely solely on expectations, experience and conventional methods of decision-making, but must rely on information and data about the decision-making process. situation or the problem that needs to be solved.

Many recent studies have shown that accounting information is necessary for management in decision-making, where management relies on the results of the accounting system as inputs to the decision-making process.

From there, it is necessary to approach this subject which is the accounting information and the importance of using it in the process of decision-making and the contribution of the accounting information to make the decision rational and effective in the sector of the textile and clothing.

The study was carried out and evaluated on the company TALLY WEIJL MOROCCO.

4.1 Population

The population comprised all workers of Eghiemai Industries Limited. From the population, a sample of 50 workers was obtained through the simple random selection technique.

4.2 Instrument

The instrument used to gather information in this study is an interview with the company's staff and several questions asked about it.

5 RESULTATS AND RECOMMANDATIONS

5.1. Resultats

The study came to a group of results and recommendations, which are related to explain the important of using accounting information in decision-making process in the company, and the most important points, are:

There is a positive relationship between the extent of using accounting information in decision-making and taken decision, if the accounting information is correct the decision taken is correct.

Errors found in the information leads to errors in the decision to the detriment the interests of the company.

Companies knows the role of accounting information in the rationalization of the decision making.

Company is well aware of the role of accounting information in streamlining decision-making, in most cases based on financial reports, which contain accounting information necessary for decision-making.

In the company, the leader is made to make many decisions.

Financial accounting helps to answer this need for information. Indeed, the accounting information allows him to:

- measure the performance of the company
- know the financial situation of the company
- help him in his decisions
- control the quality of its decisions
- provide a basis for forecasts
- memorize the transactions of the company.

5.2 Discussion

Finding of hypothesis that concludes that accounting information has significant effect on management decision agrees with the work of Anil Keimer (2008) who found out that accounting information obviate the necessity of remembering various transaction.

Studies have shown that successful utilisation of accounting information requires a fit between three factors. First, a fit must be achieved with dominant view in the origination or perception of the situation. Second, the accounting system must fit when problems are normally solved, i.e. the technology of the organisation. Finally, the accounting information must fit with the culture i.e. the norms and value system that characterises the organisation.

5.3 Recommendations

Based on the finding of this study, it is recommended that:

Companies should consult professional accountant when starting a business to learn about the various laws that affect them and also to familiarise themselves with the variety of financial records that they will need to maintain;

A professional accountant should be employed by the company in order to provide valuable information and keep accurate record of the company's account;

The company should always keep records of past events in case of future purpose, this can be possible with the use of computer or by fully automating the company's operations;

Employees should be encouraged to develop themselves by becoming professionals in their chosen career, this will affect the company to grow positively;

Efforts should be made to measure the effects of currently employed accounting concept on management decision making;

Regular meeting with staff should be organised to disseminate information about the company and also elicit feedback that help to improve the company.

It should choose the best alternative in the decision-making process in line with the goals and interests of the company. It should provide effective communication channels to facilitate the exchange of accounting information between employees for the implementation of short- and long-term objectives.

Users of accounting information must have a quick disposition at the end of each year and expenses and revenues must be reported accurately and accurately in order to make a good decision.

Finally, it should be noted that the centralization of accounting is felt by the company level managers as inherent in strengthening the power of top management at the expense of their responsibilities. Accounting information is generally the basis of negotiation with senior management.

6 CONCLUSIONS

In conclusion, accounting information plays a crucial role in the justification of the decisions, offering the possibility of a precise representation of the economic phenomena. Users of accounting information act, operate and make decisions in permanence, using and understanding the accounting information provided by the financial statements.

The financial statements published by the companies are intended to provide data to ensure the efficiency of markets and the optimal allocation of economic resources.

Thus, the decisions of the institutions, particularly specialize the strategic decisions, precise studies before being taken, and therefore to get a better management of a variety of information allowing the diagnosing of the environment in which it operates and anticipate its volatility and to find solutions for the anticipated problems.

Accounting information is one of the most important information, its effectiveness depends on the quality and effectiveness of the integrity of the accounting system that generates it.

This system is considered as one of the most important management information sub-systems in the company, which allows the administration to seize the opportunities offered to them to achieve their different goals. To deepen the research and knowledge of the contribution of accounting information in the rationalization of decisions, the company FCCM was chosen to confront the theoretical part of the study with a practical reality in a 2 months period.

On the one hand, to start with a support on existing theories allowed us to conclude that the accounting information is useful for decision-making in the company. On the other hand, it allowed us to understand how the perception of its utility is formed.

Then, to understand how the leaders of the company perceive the utility of the accounting information, we first initiated the qualitative study in the form of individual interviews. The results allowed us to highlight the fact that overall qualities of accounting information influence the Perceived Usefulness of Information accountant in decision-making.

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