

**ANALYSING THE IMPACT OF ACCOUNTING
INFORMATION FOR IMPLEMENTING BETTER DECISION
MAKING PROCESS: A STUDY ON BARCLAYS BANK**

Executive summary:

The research study is based on impact of accounting information towards business decision making. Through the continuation of this study, the researcher has framed supportive aim, objectives and questions. In regards to this, necessary discussions have placed with critical justification. On the other hand, necessary research methodologies have discussed in this study. The selected research methodologies and sample size will be supportive for a broader discussion of this topic.

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1. Introduction:

Accounting information provides information about company's financial performance, but it cannot provide report on market scenario. In regards to this, accounting managers will need to frame and put necessary accounting information for framing the resulting amount and profitability Cronan *et al.* (2011). In this study, the researcher will need to critically analyse the effectiveness of accounting information for decision making process in business.

1.1 Background of the study:

As accounting information are essential for judgment making process, it is necessary to evaluate their effectiveness on business for future development. In regards to this, accounting rules and policies will need to need to be critically discussed. Through the continuation of this study, the researcher will need to analyse how the accounting managers get help through accounting information for judgment making process.

For the continuation of this study, the researcher has chosen **Barclays Bank**, which is one of the oldest banks in UK. This banking organisation comes under top ten financial supporters in UK. The company had net income of almost £1 billion during the financial year 2014. (Home.Barclays, 2016).

1.2 Research study rationale:

What is an issue?

The issue is the usefulness of accounting information for implementing better decision making process. In this study, the researcher will need to analyse the impact of financial information.

What is the issue now?

As decision making process is an important issue within business organisation, it is necessary to have useful information for evaluating business performance and make better decision. In this study, the researcher will need to analyse the impact of accounting information towards better judgment making process for development of business.

Why it is an issue?

For judgement and resolution making process within business, top-level management requires different useful information from different sources like marketing report, financial report, and sales report. However, financial support is necessary for every business activity and no activity can be performed without financial supports. That means financial supports and their reports are essential for making decisions within business. Therefore, it is necessary to evaluate the impact and influencing level of accounting information towards business decision making process.

What could the study shed light on?

Through the research study, the researcher will be able to evaluate the effectiveness and usefulness of accounting information for implementing better judgement making process.

1.3 Problem statement:

In making process of business decisions different reports and information is necessary to evaluate. However, exact result cannot be gained through decision making process, a gap remains left. The gap is probability of decisions on to future performance. Through this study, the researcher will allocate the financial process for better formation of business decisions.

1.4 Research aim:

The aim of this research study is to evaluate the effectiveness of accounting information in decision making process for business development.

1.5 Research objective:

The supportive objectives towards the fulfilment of research aim are as follows:

- To critically evaluate the impact of accounting information in business
- To examine the crucial factors impact on business decision making process
- To critically analyse the impact of accounting information on business decision making process in banking sectors
- To recommend suitable ways for better utilisation of accounting information in judgment by reducing the challenging issues

1.6 Research questions:

The necessary questions for supporting research objectives are as follows:

- How accounting information is necessary in business?
- Through which crucial factors, business decision making process get affected?
- How accounting information impact on decision making process in banking sectors?
- Through which ways the accounting managers can minimise the issues and utilise accounting information in better way?

1.7 Structure of dissertation:

The structure of the dissertation (*Figure 1*) is attached in *appendix 1*.

2. Literature review:

In this section, the researcher will need to discuss critically different relevant theories related to the topic. The discussed information will be supportive for generalising necessary knowledge for continuing the research study. Along with this, the impact of accounting information has critically discussed through this section and gap area has allocated. On the other hand, the conceptual framework has provided clear ongoing picture of this study.

2.1 Useful accounting statements in business:

Each company will need to frame their annual financial report as per the rules of IASB, GAAP, and IFRS etcetera. In the words of Dougan (2014), all the accounting standards have common aim to provide necessary information to stakeholders for their pronouncement making process. Through the financial statement, companies will need to provide necessary information about cash inflows, outflows, and profitability etcetera. However, Ferrell *et al.* (2011) argued that sometimes company does not publish their actual income through their financial report for saving taxable amount, because in this case, government is the main decision maker. The necessary accounting statements are discussed below:

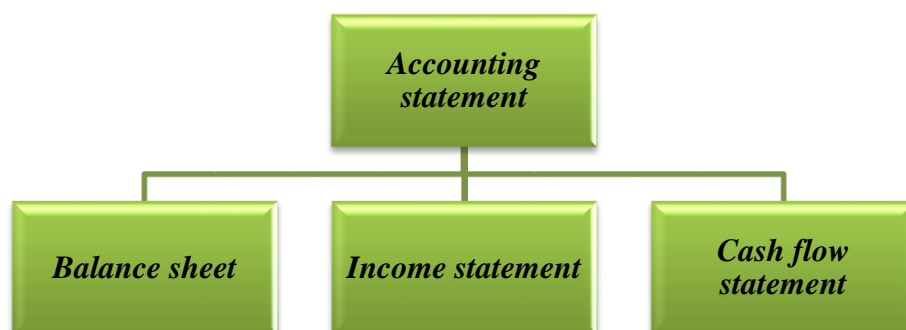


Figure 2: Different accounting statements for accounting information

(Source: Ghattas *et al.* 2014, p- 104)

Balance sheet:

Balance sheet shows company's financial strength and weakness within the financial year so that necessary gap areas can be removed for better financial performance. Along with this, through analysing the balance sheet, accounting managers can evaluate and allocate financial sources for future business financing (Jeovita, 2015). However, Mateja (2012) contradicted that through the analysis of balance sheet, accounting managers cannot evaluate market

conditions and competitors financial strength. In this case, competitors' balance sheet analysis is necessary.

Income statement:

As income statement, shows profitable figures through increased level of sales in market, company will need to increase their sales for better profitability. However, it is necessary for the companies to reduce the cost of production. In the words of Mohammed and Jalal (2011), the judgement through analysing income statement will provide strategy for increasing sales, controlling cost of revenue, reducing unnecessary operating expenses to improve net profit level.

Cash flow statement:

Through cash flow statement, the sources of company's finance can be determined, but the company will need to have proper and supportive financial sources for business financing (Mohsen *et al.* 2011). Less source of finance will detect low cash inflows in business. On the other hand, Nooraie (2011) argued that external sources are more important for business financing. Therefore, it is necessary for companies to provide necessary and perceived returns to creditors in time.

2.2 Impact of accounting information in decision making process:

In decision making process, different decision makers can contribute their efforts. Therefore, it is necessary for companies to provide a clear statement of financial report so that decision makers can understand and take essential judgments. According to Saaty and Vargas (2013), based on the rules of GAAP, IFRS, IASB etcetera companies will need to provide clear information so that gap areas can easily be determined. In opposed to that, Puncheva (2011) commented sometimes, companies cannot fulfil all the criteria of accounting rules, but the published accounting report can help the decision makers for making judgement. The additional usefulness of accounting information is incorporated below:

- a) Accounting information provides knowledge about company's financial strength and weakness.
- b) Through analysing accounting information, company can evaluate necessary financial supports for business process.

- c) Accounting rules of GAAP, AISB, and IFRS helps to construct the business in fair way so that no fraudulence can take place within business.
- d) Through determining the gap areas within business, companies can reduce with factors that are more profitable and less expenses.
- e) Through the analysis of accounting information, decision on new product launch can be taken. Along with that, necessary financial sources can be allocated for new product launch.

2.3 Current management accounting mechanism of Barclays:

Barclays bank provides financial supports to different business organisations in UK market. The banking organisation is serving since last 300 years. During the years, the organisation has developed their service process for better revenue earning and more market share. For supporting their banking activities, the organisation has increased their employment level to 132000 during financial year 2014 (Home.Barclays, 2016).

That means, the organisation will need to large amount of profitability for employee remuneration purpose. On the other, through the diversified business processes and services, the bank has earned maximum market share and increased their profitability. According to the accounting rules of IFRS, the bank provides their financial statements to their stakeholders for investment decision making process. Apart from that, the bank has shown all the necessary cash inflows within business so that investors can predict their yearly income from market area (Home.Barclays, 2016).

In the words of Kimmel *et al.* (2011), due to market competitiveness, the bank has diversified their banking services with low interest rates, so that maximum debtors can borrow loan. However, Levinson (2012) argued that the bank provides their maximum financial supports to retail sectors, which might not be profitable for long run. In this case, bank will need to have diversified investment areas.

2.4 Gap to improve in decision making process through improving accounting information:

Through the implementation of accounting information, decision framing process can be affected suitably, but market scenario cannot be judged through accounting information analysis. In this case, company will need to have market analysis report and report on

customers' feedback (Lucarelli and Brighetti, 2011). However, Mancini *et al.* (2013) contradicted that through analysing income statement, company can determine the changes in sales and that would lead to focus on changing customers preference level.

That means the gap of analysing market scenario can take place in this place. However, it can be measured through trend analysis of financial statement. Through this, company can easily determine the financial condition of the company, which has changed due to changes in market condition.

2.5 Conceptual framework:

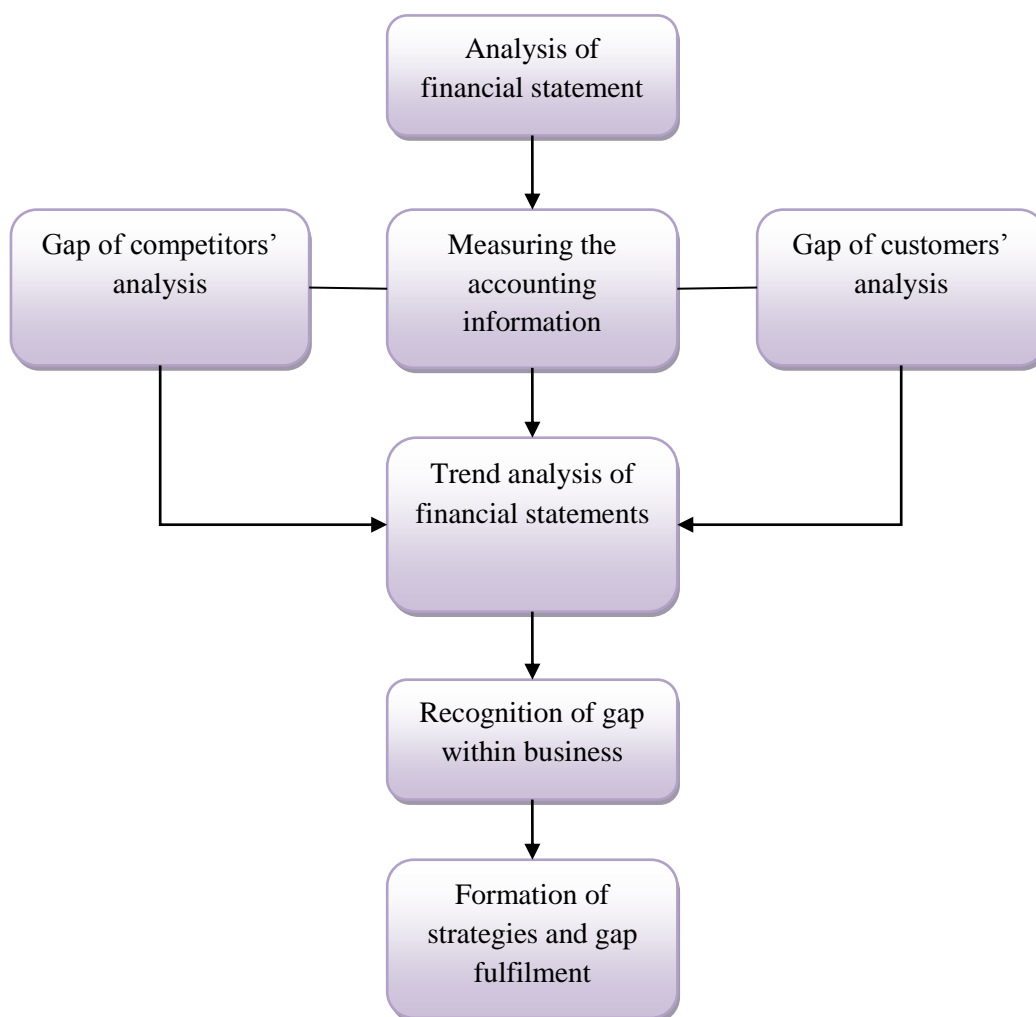


Figure 3: Conceptual framework

(Source: Created by author)

3. Research methodologies:

In this chapter, the researcher will need to select appropriate methodologies and techniques towards the continuation of this research study. The research methodology chapter will be helpful for drawing profitable conclusion for the study by fulfilling the objectives and aim.

3.1 Type of investigation:

The investigation will be consisting of different philosophy, research design and research approaches. Among all the methodologies, the researcher will need to choose the appropriate methodology for continuing the research study in broader sense. While selecting the appropriate research methodology for this study, the researcher will need to evaluate the study criteria and timing. Along with that, relevant analysis tools will need to chosen through this chapter.

3.1.1 Research philosophy and justification:

Through the implementation of research philosophy, the researcher will be able to consider the practical implications. According to Jack (2011), research philosophy has several components like interpretivism, realism, positivism and post-positivism. For this study, *positivism philosophy* will be appropriate.

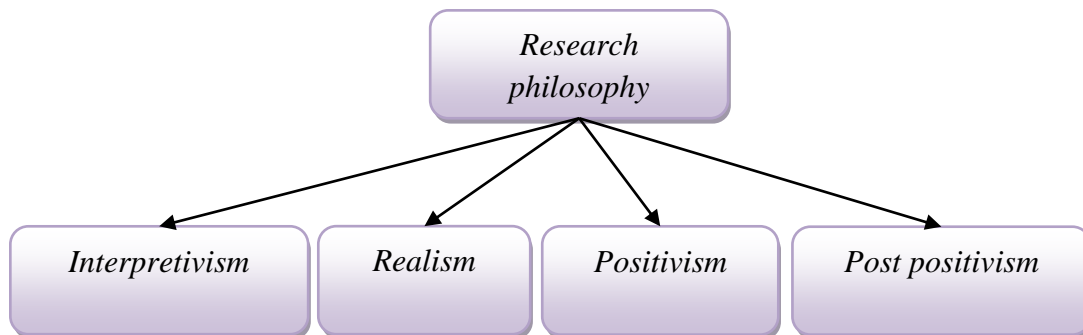


Figure 4: Research philosophy

(Source: Denk, 2010, p-34)

Justification:

Through the selected *positivism philosophy*, the researcher will be able to analyse the practical issues regarding accounting information in judgemental process within business. Along with this, the researcher will be able to analyse practical issues for monitoring the impact of accounting information.

3.1.2 Research design and justification:

The research design structures the analysis phases of research studies, which allocates necessary data for evaluating and fulfil research objectives. In the words of Jasso (2012), research design expands the research process towards the fulfilment of research study criteria. The researcher design has three different components like exploratory design, explanatory design and descriptive design. The appropriate design will be based on the situation of the study. As the study will describe the impact of accounting information, *descriptive design* will be appropriate.

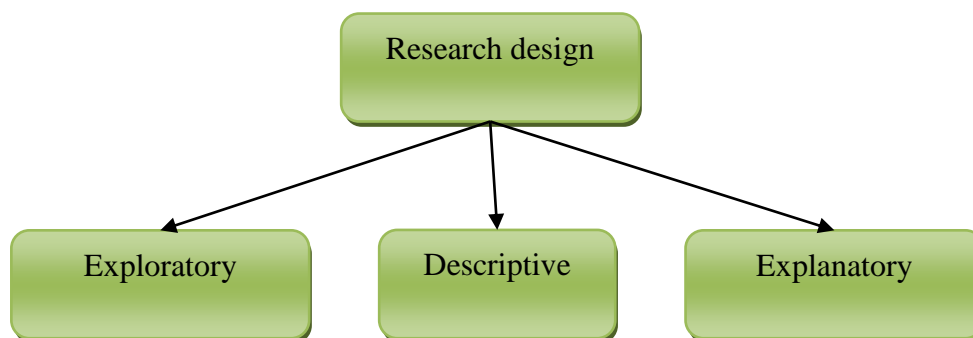


Figure 5: Research design

(Source: Jasso, 2012, p-223)

Justification:

As relevant theories have discussed through the study, *descriptive research design* will be appropriate for drawing enough conclusion. On the other hand, through descriptive design, the researcher will be able to discuss relevant theories in support to the impact of accounting information towards decision making process. Along with that, descriptive design will be supportive for random sampling technique.

3.1.3 Research approach and justification:

Research approach will be supportive for creating an expanded view of gathered information towards the completion of research objectives. The selection of research approach will need to base on criteria of the study (Kim, 2014). As the research, study is based on impact of accounting information in decision making process, *deductive based approach* will be suitable, because the researcher will be able to compress the knowledge from different information.

Justification:

Through the inductive approach, the researcher cannot expand the knowledge and discussion in broader sense; it will be possible by choosing deductive based approach. Along with this, through the continuation of the study, no new theory or concept on accounting information has discussed or will be discussed. Therefore, *deductive based approach* will be suitable for this study. Through the implementation of deductive based approach, the researcher will be able to critically discuss the impact of accounting information for judgemental process for business development.

3.2 Research strategy:

In this case, the researcher will need to choose suitable strategy for collecting data with chosen sample size. In this research study, the researcher will need to choose *primary method*. Through the method, the researcher will be able to collect necessary data from *randomly selected sources*. Through the strategy, the researcher will be able to meet discussed theories and other concepts of accounting towards the completion research objectives. The primary strategy will be helpful for the researcher to interact with employees for collecting necessary data.

3.3 Data collection method:

For collecting necessary data, the researcher will need to choose *quantitative technique* so that number of respondents can provide their opinion. The collected primary data will be helpful for drawing relevant conclusion towards the completion of research study. Through the collected data, the researcher will be able to get the opinion of employees on impact of accounting information towards making of business decisions. Therefore, quantitative

method will be supportive for researcher to continue this study. Apart from that, *open ended* and *close ended* questions will be supportive for collecting relevant data.

3.4 Population and sample:

In this case, the researcher will need to choose employees of Barclays bank. For better evaluation, the researcher will need to choose *100 employees* and *5 managers* of the bank. In this case, the researcher will need to frame close ended questions and open ended questions for employees and managers of bank. Through the data collection process, the researcher will be able to collect relevant opinion towards the completion of this study.

3.5 Ethical issues:

- Through the research study, the researcher will need to maintain the authenticity of data collection and analysis process. The analysis will need to meet research objectives for evaluating the impact of accounting information.
- As per the rule of *Data Protection Act 1998*, the researcher will not be authorised to use personal information of respondents and organisational information rather than this research study.
- All the necessary quantitative data will be collected with the authoritative permission of university and bank.

3.6 Accessibility issues:

- Collection of necessary quantitative data will be accessible for this study along with authoritative permission of university and bank.
- Along with that, interaction will be accessible with the authoritative permission. The information of bank's decision making process will need to access for evaluating the impact of accounting information on judgement process.

3.7 Timetable:

The timetable for this research study is attached in *appendix 2*.

4. Anticipated findings and analysis:

The collected data will need to be analysed through different mathematical and statistical techniques for evaluating their appropriateness towards the completion of this researcher study. Along with this, through analysed data, the researcher will be able to conclude necessary information for measuring the impact of accounting information on business decision making process. The analysed and resulting information will need to match with research objectives for measuring that how much they have fulfilled towards the completion of the research study.

5. Conclusion:

At the end of this study, the researcher has concluded that for evaluating the impact of accounting information, critical discussion of relevant theories and collection of quantitative data will be supportive. Along with this, the study will be supportive for development of business decision making process.

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Appendix 1: Dissertation structure:

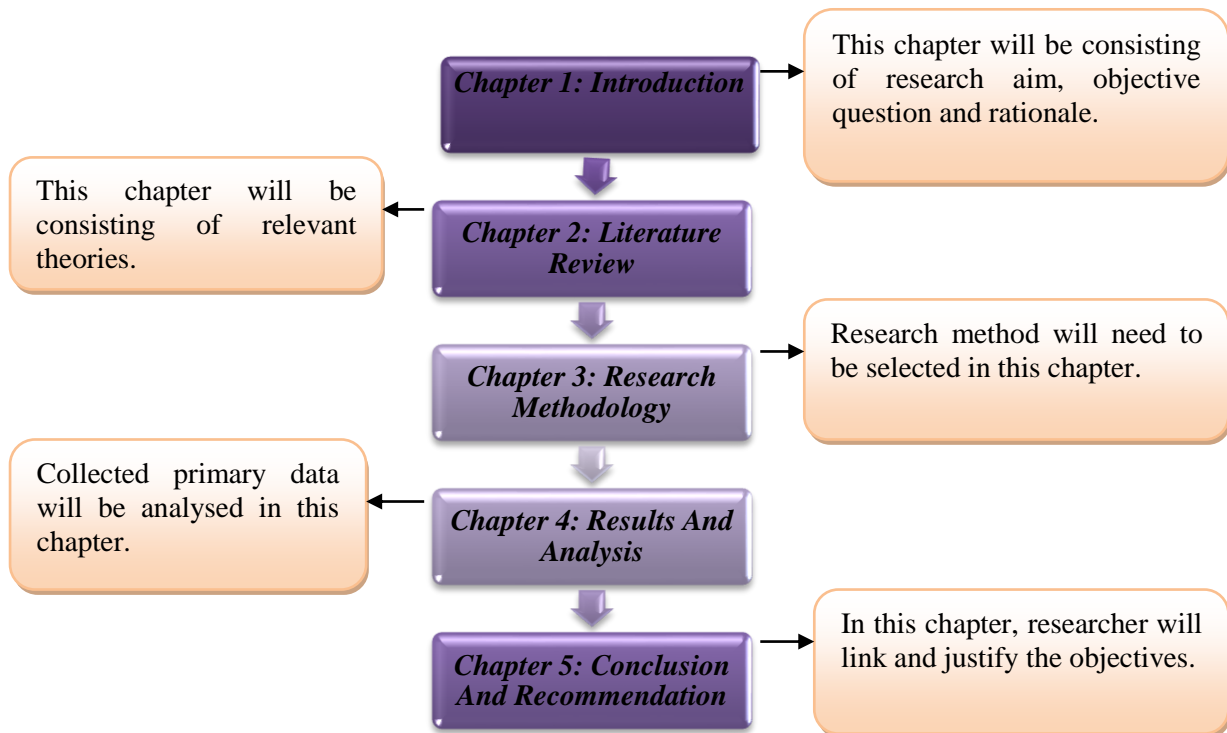


Figure 1: Dissertation structure

(Source: Created by author)

Appendix 2: Timetable:












<i>Activities</i>	<i>1st week</i>	<i>2nd week</i>	<i>3rd week</i>	<i>4th week</i>	<i>5th week</i>	<i>6th week</i>	<i>7th week</i>
Selection of research topic							
Formation of literature review and discussion							
Formation of questions for quantitative data collection							
Collection of quantitative data							
Selection of appropriate research methods and techniques							
Analysis and discussion of quantitative data							
Justifying and meeting research objectives							
Formation of conclusion and recommendation							
Submission of research project							

Table 1: Gantt chart

(Source: Created by author)