

## Analysis of Financial Statement on the Growth and Efficient Management of Business Organizations Ahason Investment

Evelyn Nwamaka Ochi Agbajeogu<sup>1\*</sup>, Chidimma Nwamaka Ozuomba<sup>2</sup>, Jude Onyenama<sup>3</sup>

<sup>1</sup>Faculty of Administration and Management Sciences, Nigeria

<sup>2</sup>University of Agriculture and Environmental Sciences, Nigeria

<sup>3</sup>Department of Economics, Madonna University, Nigeria

**Corresponding Author:** Evelyn Nwamaka Ochi Agbajeogu

[agbajeogueve@gmail.com](mailto:agbajeogueve@gmail.com)

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### ABSTRACT

Analysis of financial statement is a vital instrument for good decision making in business enterprise. Good decision ensures business survival profitability and growth. Thus, without financial statement analysis on enterprise is likely to make decision that could spell its doom. The main objective of this project work therefore was to determine how (Ahason Investment Limited, Onitsha, Anambra State) could use Analysis of Financial Statement to aid them in managerial decisions making regarding liquidity, profitability, debt management, inventory management, Asset utilization and Debit financing. Research questions were formulated to guide the conduct of the study which actually helped to identify the problem of Ahason Investment, Onitsha Anambra State. The data used in this research were gathered from primary and secondary sources. The primary data were secured from the firm under investigation through a review of related literature which highlighted the views of different authors in the relevant field. Eighty questionnaires were administered while Fifty-one (51) were completed and returned, questionnaire were analyzed using Pearson Product Moment Correlation co-efficient technique. The finding revealed that the analysis of financial statement helps in good decision-making process. The study also concluded that the company should pay great attention to the use of financial statement analysis so as to properly equip themselves with the in valuable to in its decisions making.

## **INTRODUCTION**

The complex nature of today's business world and the transformation of the entire world into a global village has been of great concern to managers of all forms of business organizations. Management therefore are making conscious efforts researching on the most effective and efficient means and method that will facilitate the making of timely and accurate decision that will guarantee the existence of the enterprise. To achieve this purpose, good managers employ certain analytical tools that help them appraise their performances or operations. One of such analytical tools is the financial statement analysis. Apparently no well-managed organization exists without preparing statements at the end of every financial period.

Financial statement analysis is very vital instrument in determining the probability and efficiency of any business enterprise. Good financial statement ensures business survival, profitability, quality, decision making and growth without financial statement analysis, an enterprise is likely to make decisions that could spell its doom, the objective of any business venture and company is to make profit or its members and to continue to stay in business for as long as it can. Companies collapse because management do not watch the danger signs that are flashing during the running of those companies. Therefore, the success or otherwise of any company depends to a large extent, on the importance or relevance that management place on financial statement analysis of its presents performance with past taking corrective measure where it is not doing well and improving upon its successes.

In order for the company to do this, it must be able to;

- Prepare proper and accurate financial statement.
- Analyze the financial statements so prepared.
- Interpret such analysis, identify strength, weakness, opportunities and threats and also to the existence of the firm (SWOT Analysis)
- Make effective and timely decision.

The vision to establish Ahason investment limited came as a result of a deliberate effort to compliment the vision of Onitsha Anambra State Government to industrialize the state. On March 30<sup>th</sup> Ahason investment, Onitsha commenced operations. The factory is situated in main market, Onitsha Local Government Area, Anambra State.

### **Statement of the Problem**

In recent times, many companies have gone under and one wonders what had been responsible for the collapse of such firms. The worst areas in recent time in the Nigerian business environment are the banks which are distressed and the folding-up with billions of customer's monies. There have been many reports of cases where some companies could not meet their maturity short term financial obligations. The reason is that most of these companies depend on the sale of inventories to meet current financial obligations, where this happens suppliers seem to lack confidence in the paying ability of such companies and hence can no more grant credit to them.

Some of the problems associated with financial statement analysis are:

- Comparability between periods.
- Comparability between companies.
- Operational information.
- Lack of underlying theory.
- Variation in Accounting policies.
- Correlation among ratio.

It is these problems that necessitate the researcher to carry-out this study aimed at addressing some of these problems and recommend useful remedies to ameliorate or make better the situation, using Ahason investment limited, Onitsha, Anambra State as a case study.

## **LITERATURE REVIEW**

### **Hypothesis One**

Ho: There is no significant relationship between the impact of financial statement analysis on the growth and efficiency management of business organization.

Hi: There is a significant relationship between the impact of financial statement analysis on the growth and efficiency management of business organization.

### **Hypothesis Two**

Ho: Organizational profitability does not have relationship with financial statement analysis.

Hi: Organizational profitability has relationship with financial statement analysis.

### **Hypothesis Three**

Ho: There is no significant difference between the returns of financial statement on the growth and efficiency.

Hi: There is a significant difference between the returns of financial statement on the growth and efficiency.

### **Importance of Financial Statement Analysis**

- Identification of organizational performance through the use of analytical data.
- Identification of empirical relationship between operating result and those items which have influenced the achievement
- Identification of existing investment opportunities
- It is essentially on information processing system for providing data for profitability, efficiency and for decision making
- It acts as a bridge looking the issuance of financial statements and the specific use of the statement for decision-making.

Through these means the success of the business as well as the profitability, efficiency and effectiveness of the management can be assessed. It will also help in the inter-company companions.

### **Functions of Financial Statement Analysis**

To measure the present condition of business, This is done by monitoring the types and values of assets, the amount and age of payment, the inventory position, retired will cash position, debt/equity ratio, the amount of retired earnings etc. although the above and related indices will cash some ought on the past performance of a business they pill principally provide relevant information to evaluate its future potentials and prospects. To predict future potential and outlook the business, this is done by making an informed choice among several alternative courses of action. For each course since every decision is future oriented, every effect in a caves and effect relationship has a futuristic dimension for decision making.

### **Financial Analysis as a Tool for Financial Planning**

Understanding the past is prerequisite for anticipating the future, planning is the key to the strength and weakness. The strength must be understood if they are to be used to proper advantage and the weakness must be example, the firm's management may ask itself such qu7estion as;

- a. Are inventories (stock) adequate to support the project level of sales?
- b. Does the firm have to heavy and investment account receivables (debtors) and
- c. Does this condition reflect a tax collection policy?

Users/uses of financial statements

Those who use financial statements to make economic decisions are of two broad groups, namely;

The internal decision makers; which constitutes

- a. The firm's management and
- b. Employees

External decision-makers primarily include current and prospective investors (shareholders), short-term and long-term creditors, investment analysts, labor unions, government bodies and agencies, as well as the general public. While internal decision-makers utilize financial information from both managerial and financial accounting, external users depend on data provided by financial accounting and external financial statements. This reflects the nature of the analysts involved.

### **The Firms Management**

Managers are interested in all aspects of financial analysis, as they hold the overall responsibility for ensuring that the firm's resources are utilized in the most effective and efficient manner, and that its financial health remains stable. Having access to timely, comprehensive, and consistent financial data allows them to track performance and take corrective measures when the organization fails to meet its targets or exceeds expectations, ensuring that positive trends are sustained. Unlike other stakeholders who typically review only annual financial reports, managers need financial information at more frequent intervals – such as monthly, quarterly, or as needed – to make informed decisions.

### **Investors/ Shareholders**

These are those who have invested their money in the firm's shares, and are most concerned above the firm's earning. Thus, they ask such question as;

- Is the firm profitable or not?
- What is the financial position of the firm?
- What is the long term prospect of the firm?
- Is the firm being effectively managed?

Answers to question are partly produced by the financial statements. They restore confidence in those firms that show steady growth in earning. As such, they concentrate on the analysis of the firm's financial structure to the extent it influences the firms earning ability and risk.

### **Employees**

Needs information regarding the financial position and profitability of the firm as these would influences the trade union negotiation demands for improvements in employee's remuneration and conditions of service. This information they gain, by studying the financial statement.

External Users include:

- Trade Creditors/Suppliers
- Lenders
- Customer
- Financial Analyst

### **Government Agencies**

These include:

- Tax Authorities (Internal Revenue Service's): They require the financial statement for the purpose of assessing the tax liability of firms (in the case of companies) or of the owners (in the case unincorporated business).
- Corporate Affairs Commission (CAC): Requires annual return from companies for regulatory and record purpose (CAMA 2004 as amended).
- Federal Office of Statistics (FOS): Uses the financial statement for purpose of computing relevant economic and industrial data for national planning.
- Central Bank of Nigeria (CBN): Uses returns and financial statement from financial institution for regulatory/purposes.

### **Financial Statement Analysis (FSA)**

Financial statement analysis is a quantitative exposition of the strength and weakness of the operation of a business enterprise. It is concerned with the total business financial requirements, sources and availability of funds as well as uses of these (funds flour) and the optimum finance mix (capital structure). The outcome of any financial analysis should deduct the prevailing economic or political circumstance. Financial statement analysis which is essentially information processing system for providing data for decision making therefore, acts as a bridge linking the issuance of financial statements and the specific use of the statements for profitability, efficiency and decision making.

## **Types of Financial Analysis**

Categorically, there are three forms of financial analysis: Multivariate, Univariate and Ratio Analysis: The ratios need to be interpreted on the basis of their trends and in the light of what is known of the business as a going concern. It should be noted that financial statements represent the financial positions of a firm at a particular point in time.

## **Basic Types of Financial Statement**

All financial statements are essentially historical documents. They tell what had happened during a particular period of time. However, most users of financial statement are concerned about what will happen in the future: stockholders are concerned with future ability to repay its debts, managers are concerned with the company's ability to finance future expansion.

- ❖ Balance Sheet
- ❖ Income statements or trading profit and loss account
- ❖ Accumulated retained earnings statement (appropriation)
- ❖ Cash flow statement

## **Balance Sheet**

The balance sheet is a list of the resources of the business together with equities or interest of creditors and owners in those resources. It is a statement of the financial position of an enterprise at a given date and it reflects the result of all records of accounting/financial transaction since the enterprise was formed. It is a classified summary of all assets and liabilities account remaining in the ledger accounts after the balance of the normal (income and expenditure) accounts have been transferred to the profit and loss account. The balance sheets are divided into two parts;

- a. The assets and
- b. Liabilities in addition to stockholders equity

The assets side of the balance sheet represents the resources controlled by the firm while liabilities in addition to owner's capital show how these assets have been financed. The sum of both sides of the statement must always agree since, as a result of investment, Anambra State was chosen as research point, its four years financial reports (balance sheet) for 2011, 2012, 2013, 2014 are shown in annexure.

## **Income Statement or Trading Profit and Loss Account**

This is a summary of firm's operating result of the past period usually one year. It matches account derived from sales of goods and other items with all cost incurred in operating the company for that period. This result is the net income, which is distributed between shareholders as dividend and retained earnings. Income statement also reports the firm's relative earning per share (EPS).

## **Accumulated Retained Earnings Statement**

Earnings may be paid out to stakeholders as dividend or retained and are reinvested in the business: stockholders like to receive dividend but their earnings

are ploughed back into the business, the value of the stakeholders position in the company increase. The producer for a simple retained earnings statement is shown below.

### Format for Retained Earnings

December 31 <sup>st</sup> 2012		
Balance of Retained Earnings December, 312012	X	
Add T Net Income 2012		XX
		XXX
Less T Dividend to Stock Holders		X
New Balance on Retaining Earning	XX	

### METHODOLOGY

The study adopted a survey research design, collecting data through questionnaires distributed to 150 corporate investors and senior management personnel from selected banks. Descriptive statistics and percentage analyses were conducted, and the findings were tested using t-test statistical methods. The results indicated that one of management's key responsibilities to investors is to provide standardized financial reports that have been evaluated and verified by qualified auditors or financial experts. Furthermore, the analysis showed that investors place significant reliance on the credibility of auditors and the financial statements, which play a crucial role in their decision-making process. The study recommended that financial statements should be prepared with great care and due diligence to prevent inaccurate investment decisions, which could result in financial losses and potential legal actions.

Financial statement analysis which is essentially information processing statement for providing data for decision making therefore, acts as a bridge linking the issuance of financial statements and the specific use of the statements for profitability, efficiency and decision making.

### RESEARCH RESULT AND DISCUSSION

#### Balance Sheet

The balance sheet is a list of the resources of the business together with equities or interests of creditors and owners in those resources. It is a statement of the financial position of an enterprise at a given data and it reflects the result of al records of accounting/financial transaction since the enterprise was formed. It is classified summary of all assets and liabilities account remaining in the ledger accounts after the balance of the normal (income and expenditure) , accounts have been transferred to the profit and loss account.

The balance Sheet are Divided into Two Parts;

#### The assets and Liabilities in addition to shareholders equity

The assets side of the balance sheet represents the resources controlled by the firm while liabilities in addition to owner's capital show how these assets have been finance. The sum of both sides of the statement must always agree

since Ahason investment limited, Anambra State was chosen as research point, its four years financial reports (balance sheet) for 2011, 2012, 2013, and 2014 are shown at annexure.

### **Income Statement or Trading Profit and Loss Account Financial and Non Financial Procedures**

Financial controls within an organization are primarily directed at critical transaction areas, with a strong focus on protecting assets, maintaining accurate accounting records, and ensuring the availability of reliable financial information. Additionally, it was noted that non-financial controls are broader in scope and address overall performance, encompassing both quantitative and qualitative aspects. Quantitative non-financial controls include tools such as performance indicators and scorecards, while qualitative controls involve elements like organizational structure, policies and guidelines, and strategic plans. The discussion concluded by categorizing financial control procedures into specific groups.

- **Management Control:** The management of any organization is the control that established other controls.
- **Organizational Control:** These are controls as a result of well spelt out organizational structure.
- **Segregation of Duties:** This entails the division of financial accounting work, so that no one staff is indispensable.
- **Physical Control:** Necessary to protect and safeguard financial records and assets.
- **Authorization Control:** To ensure that only properly authorized transactions are processed.
- **Supervision Control:** Controls exercise by the organization hierarchy.
- **Personal Control:** Personal controls are established starting from the recruitment point.
- **Arithmetic and Accounting Controls:** These are exercise when the work of a subordinate is expose to the cross examination of a superior.
- **Acknowledgement of Performance:** Individuals that execute a particular action acknowledge being the doer.

### **Internal Control System and Financial Performance**

According to the Institute of Chartered Accountants in England and Wales (ICAEW), internal controls encompass more than just internal checks and audits – they represent the entire system of both financial and non-financial controls put in place by an organization’s management. These controls are designed to ensure that the business operates in an organized manner, that its assets are protected, and that its records are as accurate and reliable as possible.

From this definition, it is clear that a well-implemented system of internal control contributes significantly to improved financial performance. Such systems help ensure the completeness of all transactions, protect the organization’s assets from theft or misuse, confirm that financial statement entries accurately reflect the underlying transactions, and verify that the assets reported in the financial statements are recoverable. Additionally, internal

controls ensure that the organization's transactions are properly presented in line with the relevant financial reporting standards.

The American Institute of Certified Public Accountants (AICPA) defines internal control as the organizational plan and the coordinated methods and procedures implemented within a business to protect its assets, ensure the accuracy and reliability of accounting data, enhance operational efficiency, and encourage adherence to established management policies. According to the AICPA, internal control refers broadly to the mechanisms through which management ensures that the organization achieves its financial and other strategic goals.

Internal control systems not only support effective management but also represent a key responsibility of a company's board of directors. Furthermore, the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in its 1992 publication *Internal Control - Integrated Framework*, defines internal control as a process carried out by an organization's board of directors, management, and staff, aimed at providing reasonable assurance of achieving objectives in three main areas: the effectiveness and efficiency of operations (including performance goals and resource protection), the reliability of financial reporting, and compliance with applicable laws and regulations.

Management objectives generally fall into three key categories: effective operations, financial reporting, and compliance. Effective operations involve protecting the organization's assets—both physical (such as cash) and non-physical (such as receivables, important documents, and records)—from theft, misuse, or accidental loss through proper control mechanisms.

In terms of financial reporting, internal controls ensure the accuracy and reliability of information used for decision-making. Management is legally and professionally obligated to ensure that financial information is prepared in a fair and transparent manner, following relevant accounting standards such as the International Financial Reporting Standards (IFRS) and the International Public Sector Accounting Standards (IPSAS).

Additionally, organizations must comply with a variety of laws and regulations, including corporate laws, tax laws, and environmental protection laws, making compliance a critical component of internal control systems.

A population may be finite or infinite. Usually the description of the population and the common binding characteristics of its members are the same. It is for the benefit of the population that researchers are done. For this project research, the targeted population which is 100 covered the following department;

Table 1. Targeted Population Which is 100 Covered

Category of Staff	Population
Account	15
Admin	20
Internal Audit	10
Marketing	15
Production	40
Total	100

Field Survey, 2015

### Sample and Sampling Techniques

A sample technique according to Frued and William (2011:20) is referred to as a part of an observed population. The sample size used for the research is not too small or large, so to ensure its reliability not only as a source of information but as a good estimation of the population, characteristics, with guided influence (2013).

Sampling is done usually because it is impossible to test every single individual in the population. It is also done to save time, money and effort while conducting the research, still, every researcher must keep in mind that the local scenario is to test all the individuals to obtain reliable, valid and accurate results. It also involves going to different offices which improved the enhancement of the knowledge of either parties or relevant issues. The sample size is the number of observations that constitute it. The sample size is typically denoted by “n” and it is always a positive integer. No exact sample size can be mentioned here and it can vary in different research settings. However, all things being equal, larger size sample leads to increase precision in estimates of various properties of the population. The sample technique shall be a simple random sampling and the sample size of this study is 80.

The sample size is determined by issuing the Yaro Yarmen’s formula. The researcher shall use 5% level of significance i.e. (0.05). The sample size shall be:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

N = Number of population size

n = Sample size sought

e = Level of significant

Substituting

$$N = \frac{100}{1 + 100(0.05)^2}$$

$$\frac{100}{1 + 0.25}$$

$$n = 80$$

### Presentation of Data

Analysis of rate of response by respondents

Table 2. Administration and Administration of Questionnaire

Categories of Respondents and Returns	Frequency	Percentage (%)
No of questionnaire received	51	64%
No of questionnaire not received	29	36%
Total	80	100%

Source: Field Study (2022).

Analysis on table 2 above recorded that a total of 100 questionnaires were distributed, out of which 51 were properly completed and returned and 29 questionnaires were not returned at all by the respondents.

Table 3. Sex Distribution of Respondents

Categories of Respondents and Returns	Frequency	Percentage (%)
Male	29	57%
Female	22	43%
Total	51	100%

Source: Field Study (2022).

Analysis on table 3 above recorded that out of the 51 respondent who returned the completed questionnaire, 29 respondents representing 57% are male while 22 respondents representing 43% are female.

The analysis shows that majority of the respondents are male as the questionnaire were randomly distributed to the respondents.

Table 4. Marital Status Distribution of Respondents

Categories of Respondents and Returns	Frequency	Percentage (%)
Single	30	59%
Married	21	41%
Total	51	100%

Source: Field Study (2022).

Analysis on table 4 above recorded that 30 respondents who returned the questionnaire were single representing 59% while 21 respondents representing 41% were married. The analysis shows that majority of the respondents are single.

Table 5. Educational Background Distribution of Respondents

Categories of Respondents and Returns	Frequency	Percentage (%)
Ph.D	15	29%
MSc/MBA	10	20%
BSc	23	45%
HND	3	6%
Total	51	100%

Source: Field Study (2022).

Analysis on table 5 above recorded that 29%, 20%, 45%, and 6% of the respondent's possess PHD, MSc/MBA, BSc and HND qualification respectively. The analysis above shows that all the respondents' involved in the study have basic academic qualification that would enable them to effectively answer the questions in the questionnaire.

Table 6. Age Range Respondents

Categories of Respondents and Returns	Frequency	Percentage (%)
Under 20	Nil	Nil
21-30	6	11%
31-40	35	69%
Over 40	10	20%
Total	51	100%

Source: Field Study (2022).

Analysis on table 6 above recorded that the majority of the respondents are within the age range of the working population analysis of Research Question-Data Analysis Question

### Analyzing its Financial Statement

Table 7. Analyzing its financial statement

Option	Respondents	Percentage (%)
SD	3	6
D	5	10
U	-	-
A	10	20
SA	33	64
Total	51	100%

Source: Field Study (2022).

Table 7 indicates that 3 respondent representing 6% strongly disagree on the questions, 5 respondents representing 10% disagree on the question, no respondent is undecided about the question. 10 respondents representing 20% agree on the question and lastly 33 respondents representing 64% strongly agreed on the question. Therefore, it can be concluded that Ahason investment have been analyzing its financial statement.

Question 2 : Management has been effectively applying these analysis when taking financial and other decision

Table 8. Option, Respondents and Percentage

Option	Respondents	Percentage (%)
SD	-	-
D	5	10
U	-	-
A	38	75
SA	8	15
Total	51	100%

Source: Field Study (2022).

Table 8 indicates that no respondents strongly agreed to the question, 5 respondents representing 10% disagree on the question, no respondent was undecided, 38 respondent representing 75% agree to the question and 8 respondents representing 15% strongly agreed on the question. Therefore, it can be concluded that management have been effectively applying these analysis when taking financial and other decision.

Question 3. Weakness is been identified in analyzing the financial statement

Table 9. Option, Respondents and Percentage

Option	Respondents	Percentage (%)
SD	4	9
D	7	13
U	5	10
A	5	10
SA	30ss	58
Total	51	100%

Source: Field Study (2022).

Table 9. indicates that 4 respondents representing 9% strongly disagree to the question, 7 respondents represent 13% disagree to the question and 5 respondent represent 10% were undecided and was agreed as well while 30 respondent representing 58% strongly agreed to the question.

Question 4. Management of the company reacts to such weakness when identified and communicated

Table 10. Option, Respondents and Percentage

Option	Respondents	Percentage (%)
SD	30	58
D	4	9
U	5	10
A	5	10
SA	7	13
Total	51	100%

Source: Field Study (2022).

Table 10 indicates that 30 respondent representing 58% strongly disagree to the question, 4 respondent representing 9% disagree to the question and 5 respondent representing 10% were undecided and was agreed as well and lastly 7 respondent representing 13% strongly agreed to the question. Therefore, it can be concluded that management of the company does not react to such weakness when identified and communicated.

Question 5. Financial statement reveals the competence of management of the company

Table 11. Option, Respondents and Percentage

Option	Respondents	Percentage (%)
SD	-	-
D	3	6
U	-	-
A	8	16
SA	40	78
Total	51	100%

Source: Field Study (2022).

Table 11 indicates that no respondents strongly agreed to the question, 3 respondents representing 6% disagree to the question, no respondent were undecided as well, 8 respondent representing 16% agreed to the question and lastly 40 respondent representing 78% strongly agreed to the question. Therefore, it can be concluded that financial statement reveals the competence of management of the company.

Question 6. Companies believe in past financial statement in forecasting future performance.

Table 12. Option, Respondents and Percentage

Option	Respondents	Percentage (%)
SD	40	78
D	8	16
U	3	6
A	-	-
SA	-	-
Total	51	100%

Source: Field Study (2022).

Table 12 indicates that 40 respondent representing 78% strongly disagree to the question, 8 respondent representing 16% disagree to the question while no respondent agreed or strongly agreed to the question. Therefore, it can be concluded that company does not believe in past financial statement in forecasting future performance.

Question 7: Financial statement helps users to know the state of affairs of the company

Table 13. Option, Respondents and Percentage

Option	Respondents	Percentage (%)
SD	-	-
D	6	12
U	5	10
A	20	10
SA	20	39
Total	51	100%

Source: Field Study (2022).

Table 13. indicates that no respondents strongly agreed to the question, 6 respondent representing 12% disagree to the question, 5 respondent representing 10% were undecided, 20 respondent representing 39% agreed to the question and lastly 20 respondent representing 39% strongly agreed to the question as well. Therefore it can be concluded that financial statement help users to know the state of affairs of the company.

Question 8 : Problems are encountered in the process of the analysis

Table 14. Option, Respondents and Percentage

Option	Respondents	Percentage (%)
SD	-	-
D	-	-
U	-	-
A	11	22
SA	40	78
Total	51	100%

Source: Field Study (2022).

Table 14 indicates that no responded strongly disagree, disagree and undecided to the question, 11 respondent representing 22% agree to the question

and lastly 51 respondent representing 78% strongly agreed to the question. Therefore it can be concluded that problems are encountered in the process of the analysis.

### Test of Hypothesis

The hypotheses were stated in null and alternative form.

Hypothesis 1

Ho: There is no significant relationship between analysis of financial statement on the growth and efficiency management of business organization.

Hi: There is significant relationship between analysis of financial statement on the growth and efficiency of business organization.

Table 15. Option, Respondents and Percentage

Option	Respondent	Percentage (%)
Strongly Disagree	23	45
Disagree	19	37
Undecided	3	6
Agree	2	4
Strongly Agreed	4	8
Total	51	100%

Source: Field Study (2022).

Table 16. Formula

X	Y	Xy	X <sup>2</sup>	Y <sup>2</sup>
5	23	115	25	529
4	19	76	16	361
3	3	9	9	9
2	2	4	4	5
1	4	4	1	16
X = 15	∑y = 51	∑Xy = 208	∑X <sup>2</sup> = 55	∑y <sup>2</sup> = 919

Substituting:

$$\begin{aligned}
 r &= \frac{N\sum Xy - (\sum X)(\sum Y)}{\sqrt{(N\sum X^2 - (\sum x)^2)(N\sum Y^2 - (\sum Y)^2)}} \\
 &= \frac{5 \times 208 - 15 \times 51}{\sqrt{(5 \times 55 - 15^2)(5 \times 919 - 51^2)}} \\
 &= \frac{1040 - 765}{\sqrt{(5275 - 225)(4595 - 2601)}} \\
 &= \frac{275}{\sqrt{315.755}} = 0.8709
 \end{aligned}$$

We now look at the t-test

$$t = r \frac{\sqrt{N-2}}{\sqrt{1-r^2}}$$

Where N = No of observation

t = t-test

$r =$  Pearson's product moment correlation co-efficient

$$t = 0.8709 \frac{\sqrt{5-2}}{\sqrt{1-0.8709^2}}$$

$$t = 0.8709 \frac{\sqrt{3}}{\sqrt{1-0.7585}}$$

$$t = 0.8709 \frac{0.73205}{0.2415}$$

$$t = 0.8709 \times 7.17205$$

$$t = 6.2461$$

Now, the df (degree of freedom)

$$df = \text{No of rows} - 1$$

$$= (n-1)$$

$$= (5-1)$$

$$= 4$$

$$= 2.132$$

### Decision Rule

If the calculated t-test is greater than the critical value at 0.05% 1.0.5, the tabulated valued is said to be of no significance and as such, we will reject the null hypothesis of no significance different and accept the operational hypothesis of positive significant difference.

Hypothesis 11

Ho: Organizational profitability does not have relationship with financial statement analysis based on management decision.

Hi: Organizational profitability has relationship with financial statement analysis on management decision

Table 17. Option, Respondent and Percentage

Option	Respondent	Percentage (%)
Strongly Disagree	29	57
Disagree	16	31
Undecided	2	4
Agree	3	6
Strongly Agree	1	2
Total	51	100%

Source: Field Study (2022).

Table 18. Formula

X	Y	Xy	X <sup>2</sup>	Y <sup>2</sup>
5	29	145	25	841
4	16	64	16	256
3	2	6	9	4
2	3	6	4	9
1	1	1	1	1
X = 15	∑y = 51	∑Xy = 222	∑X <sup>2</sup> = 55	∑y <sup>2</sup> = 111

Substituting:

$$\begin{aligned}
 r &= \frac{N\sum Xy - (\sum X)(\sum Y)}{\sqrt{(N\sum X^2) - (\sum x)^2} \sqrt{(N\sum Y^2) - (\sum Y)^2}} \\
 &= \frac{5 \times 222 - 15 \times 51}{\sqrt{(5 \times 55 - 152)(5 \times 919 - 512)}} \\
 &= \frac{1040 - 765}{\sqrt{(5 \times 55 - 152)(5 \times 1111 - 512)}} \\
 &= \frac{345}{\sqrt{147.700}} \\
 &= \frac{345}{384.3}
 \end{aligned}$$

We now look at the t-test

$$t = r \sqrt{\frac{N-2}{1-r^2}}$$

Where N = No of observation

t = t-test

r = Pearson's product moment correlation co-efficient

$$\begin{aligned}
 t &= 0.89769 \frac{\sqrt{3}}{\sqrt{10.80585}} \\
 &= 0.89769 \frac{1.73205}{1.73205}
 \end{aligned}$$

0.199415

$$\begin{aligned}
 &= \frac{\sqrt{0.89769 \times 1.732205}}{0.4406} \\
 &= 0.89769 \times 3.39087 = 3.5287
 \end{aligned}$$

Now, the df (degree of freedom)

df = No of rows - 1

= (n-1)

= (5-1)

= 4

= 2.132

### Hypothesis III

Ho: There is no significant difference between the returns of a financial statement on the growth and efficiency based on decision making.

Hi: There is a significant difference between the returns of financial statement on the growth and efficiency based on decision making.

Table 19. Option, Respondent and Percentage

Option	Respondent	Percentage (%)
Strongly Disagree	30	57
Disagree	15	31
Undecided	2	4
Agree	3	6
Strongly Agree	1	2
Total	51	100%

Table 20. Formula

X	Y	Xy	X <sup>2</sup>	Y <sup>2</sup>
5	30	150	25	900
4	15	60	16	225
3	2	6	9	4
2	3	6	4	9
1	1	1	1	1
X = 15	∑y = 51	∑Xy = 223	∑X <sup>2</sup> = 55	∑y <sup>2</sup> = 1139

Substituting:

$$r = \frac{N\sum Xy - (\sum X)(\sum y)}{\sqrt{(N\sum X^2) - (\sum x)^2} \sqrt{(N\sum Y^2) - (\sum Y)^2}}$$

$$= \frac{5 \times 223 - 15 \times 51}{\sqrt{(5 \times 55 - 15^2)(5 \times 1139 - 51^2)}}$$

$$= \frac{1115 - 765}{\sqrt{(275 - 225)(5695 - 2601)}}$$

$$= \frac{350}{\sqrt{154,700}}$$

$$= \frac{0350}{393.3}$$

$$= 0.8899$$

We now look at the t-test

$$t = r \frac{\sqrt{N-2}}{\sqrt{1-r^2}}$$

Where N = No of observation

t = t-test

r = Pearson's product moment correlation co-efficient

$$t = 0.8899 \frac{5-2}{\sqrt{1-0.8899^2}}$$

$$t = 0.8899 \frac{3}{\sqrt{0.7919}}$$

$$t = 0.8899 = \frac{1.7321}{0.2081}$$

$$t = 0.8899 \times 8.3232$$

$$t = 7.4069$$

Now, the df (degree of freedom)

$$df = \text{No of rows} - 1$$

$$= (n-1)$$

$$= (5-1)$$

$$= 4$$

$$= 2.132$$

### Decision Rule

We will reject the null hypothesis of no significant different and accept the operational hypothesis of positive significant difference.

## CONCLUSIONS AND RECOMMENDATIONS

Ahason investment limited has a track record in terms of performance and production. Therefore, analysis of the company's financial statements has enabled the company to know its strengths and exploit them, and weakness which are corrected with the application of financial statement analysis, the techniques like liquidity ratios, profitability ratios, etc, the management of Ahason investment limited has been able to predict the future of its chains of business and develop long and short term plans in order to achieve its objectives.

### Recommendations

Having accepted the fact that the analysis of financial statement impact positively on the profitability and efficiency of performance of compliance, the following recommendations are made by the researcher.

- Staff should be trained on the techniques of financial statement analysis as wrong analysis can send a wrong signal to the management thereby affecting its decisions.
- Timely preparation of financial statements helps management to take timely decisions, so financial statements should be prepared and presented on time.
- Management should use the information gathered from the analysis of financial statement to identify the strengths and weakness of the company and act swiftly on them for the overall growth of the company.
- Management should make time identification of the causes of problems that hinders timely analysis of financial statements and apply corrective measures.

## ADVANCED RESEARCH

This study has highlighted the importance of financial statement analysis in improving the performance and decision-making processes of Ahason Investment Limited. However, future research could explore how these financial analysis techniques perform across different sectors or organizations, especially in comparing large and small-scale businesses. Such comparative studies would help determine the general applicability of financial analysis tools and whether their impact on profitability and efficiency remains consistent across various industries.

Additionally, further research could focus on the role of technology and staff competency in financial analysis. Investigating how digital tools, software, or training programs enhance the accuracy and timeliness of financial reporting could provide valuable insights. This would also support efforts to strengthen internal capacity and responsiveness, ensuring financial analysis continues to serve as a critical tool in strategic planning and overall business growth.

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