ACCOUNTING PRACTICES AND ITS IMPACT ON MANAGER'S DECISION MAKING: A STUDY ON AUTO-RICE MILLS OF SHERPUR DISTRICT OF BANGLADESH

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Abstract: This study tries to explore the accounting practices and its impact on manager's decision making based on a study on the Auto-rice mills of Sherpur District in Bangladesh. For this purpose; a well developed structured questionnaire was administered to explore the Accounting practices of automated rice-mills and their influences on rice-millers and the data were collected from the entrepreneurs and employees of rice mills of Sherpur district. After collecting the data; the data collected were processed and analyzed using simple tabular technique, graphical representation, table of frequencies etc. The statistical measures like scale, mean, standard deviation and percentage were also used to define the variables. However, the findings of the study have revealed that all the private limited-based automated rice mills prepared income statement, balance sheet, owner's equity statement, and receipt-payment accounts whereas only 12 automated mills prepared receipt payment account. It has also found that automated rice mills based on single ownership and partnership obeys self built income calculation system. The findings also revealed that in deciding rice price to be sold to customers, no automated rice-mills assign cost price and rice-millers rely on accounting details for the major decisions.

Keywords-Decision Making, Practices, Variables.

1. INTRODUCTION

Accounting is an information system which connects all the organizational structures of a company. Accounting reports are regarded as scoreboard of any organization which represents the performance score of all other departments of the organization and thus it responds to information requirements of other departments as well as to external factors. Every organization irrespective of size needs to maintain accounting system to ensure fulfill such functions as providing essential financial information for the owners and managers in order for them to be able to manage the business in a competitive environment and to make informed decisions to prevent business failure and to expand the business. To meet the growing demand of rice in Bangladesh, the number of rice-processing industry has grown over time. Sherpur district is not exception in this case. Recently we experienced establishment of a number of new automated rice mills and conversion of traditional rice mill into automated rice-mills. Due to automation in rice-mill volume of production of rice and by-product, purchase, sales, finance, budget, employment of labor and technicians, salary payment etc. and other transactions have increased rapidly that creates demand for separate Accounting department and maintenance of effective Accounting Information System (AIS).

There are 27 automated rice-mills in Sherpur district all of which have their own Accounting System. Within 27 rice-mills 8 mills are single ownership automated rice mills and 4 are partnership owned automated rice mills and remaining 15 are private limited owned automated rice-mill. Most of the rice mills follow computerized accounting information systems to support decision making of owners. Income statement, balance sheet, receipt payment account, separate ledger for sales and purchase of paddy and rice, and ledger for sales of by-product are maintained by the private limited ownership automated rice-mills. Other mills didn't prepare the financial statements rather they maintained their own designed accounting information systems to support owner's decision making. Major reasons for maintenance of proper accounting systems are lack of public accountability, development of effective software, lack of legal requirements, and lack of resources. Information is of vital importance to managers and owners for different interests and for making plans and taking decisions after analyzing information. As the Accounting represents the core of the informational system, providing most of the information circulating in the economic informational system, and the accountants as part of AIS are the main authors, providing quality information that represent the base for the processing and analysis of information, researcher is interested to explore the Accounting Information System and its impact on managers decision making of owners of Automated rice mills of Sherpur district.

The main purpose of this study is to explore the Accounting practices of Automated rice-mills and its impact on manager's decision making. Specific objectives of the study are-

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pg. 27

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- To find out the whether automated rice-mills in Sherpur district are using manual or computerized accounting information systems.
- To asses the impact of Accounting practices on automated mills owners decision making.
- To identify the extent to which Accounting information is being used for measuring financial performance at automated rice-mills.
- To provide recommendations to solve problems in implementing the effective Accounting information Systems.

Basically accounting system is worldwide live out that circulated some parallel part of the organizational system, Ismail and King (2007), focused on correct position in relation to accounting information requirements and accounting system capacity to generate information in the context of Malaysian SME manufacturing firms where AIS alignment strongly related to the six influencing factors (IT sophistication, owner/manager knowledge, owner/manager commitment, external expertise, internal expertise and firm size). Zhou L (2010) identified some problems in conducting a study (Undeveloped SMEs Accounting Software, inadequate managerial attention and untrained managers and employees regarding accounting information systems) relating to implement accounting systems that SMEs faced and gave some suggestions (Development of SMEs accounting software, strengthen the responsibility of administering authority, educational depth of accounting information of the authority as well as software developers and effective training to the managers and employees to the overall operations of SMEs) to resolve those problems for making SMEs better services. McMahon et al. (1993) reviewed the financial management practices across the countries in terms of accounting information systems, financing decisions and investing decisions. Burns and Walker (1991) examined the working capital based on cash, receivable and payable and inventory management practices. Okoli E (2012) conducted a study in Enugu, South East of Nigeria for evaluating the accounting systems of small-scale enterprises due to the high failure rate. The result of the study revealed that a significant number of enterprises followed single entry accounting system as a record keeping tool for the flexibility of its usage and for ensuring profitability.

Fatoki (2012) focused on financial planning and control, financial analysis, accounting information, management accounting, investment appraisal and working capital management for proper financial management practices whereas micro enterprises did not follow financial planning and control, financial analysis and investment appraisal but those enterprises maintained purchase and sales books as to keep the record of the business transactions. Uddin et al. (2017) in a study of Accounting practices in SMEs in Rangpur found that the level of awareness on the importance of financial management is still to apply accounting system very low in small and medium firms. Most of the managers do not aware the importance of keeping a good accounting record.

In the literature, not much research work was available on Accounting practices and its impact on decision making in the Bangladeshi rice-milling sector. Hence, it was deemed appropriate to study this aspect.

On the conceptual framework of the study researcher had classify research variable into two major parts; one is dependent variable, and another is independent variable. The dependent variable is accounting system in small and medium enterprises. Independent variables are name of the respondents, relation with SMEs, and knowledge about accounting system, accounting methods and basis used by SMEs, financial statement prepared by SMEs and decision-making process.

For all independent variable researcher did not used liker scale. To find out the result of accounting used by SMEs directly or indirectly researcher used yes and no as response from the entrepreneur. If the respondent answered yes, then asked the entire system followed by SMEs. But if the entrepreneur answered no then the researcher asked the limitation behind it's to use accounting system (Figure 1).

Data will be collected from both primary and secondary sources. The researcher will use entrepreneur and employees as a primary data source. Secondary data have been collected from various books, published journals, articles, research paper, internet website, reports of Daily star newspaper, Preliminary reports and annual report of Bangladesh Bank.

There are 27 automated rice-mills in Sherpur District. All the automated rice-mills have been taken as sample.

In order to explore the Accounting practices of automated rice-mills and its impact on rice-millers, a structured questionnaire has been administered. Questionnaire covers three major parts: first part covers demographic profile of the respondents. Second part covers Accounts related issues and third part covers pricing related questions. Second part investigates the type of accounting systems maintained by the rice-mills and third part investigates how the rice-millers use Accounting information in making major financial decisions. No Likert scale has been used in preparing questions.

Considering objective of the study, questions have been prepared on the basis of "Yes" and "No" options.

The collected data have been processed and analyzed by simple tabular technique. Researcher used graphical representation, frequency table etc. The statistical measures such as range, mean, standard deviation and percentage has been used for describing the variables. Tables has also been used in presenting data for clarity of understanding.

2. DEMOGRAPHIC INFORMATION:**Table-2.1: Type of Ownership of Automated Rice-Mills in Sherpur District, 2018**

Type of ownership	frequency	Percent
Single ownership	8	29.6%
Partnership	4	14.8%
Private Limited company	15	55.6%
Total	27	100%

Source: Researcher's field survey,2018

Components of AIS and information needs of owners may vary because of variation in ownership. Table-2.1 shows that more than 50% of automated rice-mills is private limited, 29.6% is single ownership and only 14.8% is partnership based automated rice-mills.

Table-2.2 Job Responsibility of Respondents Surveyed from Automated Rice-Mills in Sherpur District, 2018

Level of job responsibility	frequency	percent
Non-management employee	0	0%
Middle management	25	92.6%
Top management	2	7.4%
Total	27	100%

Source: Researcher's field survey,2018

Table-2.2 presents that most of the (92.6%) employee surveyed are part of middle management and only 7.4% are part of top-management which means that owners engage themselves in Accounting functions especially in case of single ownership and partnership based automated rice-mills in Sherpur district.

Table-2.3 Level of Accounting Knowledge of Respondents of Automated Rice-Mills in Sherpur district, 2018

Level of knowledge	frequency	percent
No knowledge	0	0%
Average knowledge	19	70.4%
Little knowledge	8	29.6%
Good knowledge	0	0%
Total	27	100%

Source: Researcher's field survey,2018

Proper execution of Accounting functions like transaction analysis, transferring transactions to suitable ledger, finding out mistakes in recording and posting, analysis of different accounting reports, presentation of accounting reports to rice-millers etc are greatly dependant on level of accounting knowledge of employee working with Accounts section. Table-2.3 shows that 70.4% of employee surveyed has average knowledge in the field of Accounting and 29.6% have little knowledge in Accounting.

Table-2.4 Academic Qualification of Respondents of Automated Rice-mills in Sherpur district, 2018

Academic qualification	frequency	percent
Master's degree	5	18.5%
Honor's degree	7	25.9%
Pass course degree	11	40.7%
HSC	4	14.8%
Diploma/others	0	0%
Total	27	100%

Source: Researcher's field survey,2018

Academic qualification and background of employee working with accounting sections help better understand the Accounting jobs. Table-2.4 shows that 40.7% of the employee has pass course degree, 18.5% have master's degree, 25.9% have honor's degree and 14.8% have HSC degree. Most of the respondents having HSC and SSC degree are working with the single ownership and partnership based automated rice-mills.

Table-2.5 Job Experience of Respondents of Automated Rice-Mills in Sherpur District, 2018

Job experience	frequency	percent
Less than 1 year	18	66.7%
1-3 years	9	33.3%
4-6 years	0	0%
7-9 years	0	0%
More than 10 years	0	0%
Total	27	100%

Source: Researcher's field survey,2018

Making experience with accounting jobs is essentially a central element for designing user effective AIS and MIS. It also helps them in bringing out effectiveness in Accounting jobs and preparing user effective accounting reports. Our surveyed result shows that only 33.33% of the employee have experience of 1-3 years and 66.7% have less than 1 year of experience.

Table-2.6 Response of Respondents Regarding Selected Criteria of AIS in Automated Rice-Mills in Sherpur District, 2018

Selected criteria of AIS	Single owner-ship rice-mills	Partnership rice-mills	Private Limited company	Percentage of Total
	8	4	15	27
Computerized Accounting System	6	4	15	25(92.6%)
Manual Accounting system	8	4	15	27(100%)
Double entry system of Accounting	0	0	15	15(55.55%)
Cash basis of accounting	3	1	0	4
Accrual basis of accounting	0	1	15	16
Unknown basis of Accounting	5	2	0	7
Maintaining journal	0	0	15	15(55.55%)
Maintaining ledger for each vendor and paddy supplier	0	0	15	15(55.55%)
Maintaining trial Balance	0	0	15	15(55.55%)
Considering credit terms and credit periods in settlement of receivables and payables	0	0	0	0%
Financial statements are audited	0	0	15	15(55.55%)
Considering stock level of purchased paddy for each time production	8	4	15	27(100%)
Maintaining receipt-payment account	8	4	15	27(100%)
Preparing income statement	0	0	15	15(55.55%)
Preparing Balance- sheet	0	0	15	15(55.55%)
Preparing owners-equity statement	0	0	13	13(48.15%)
Preparing cash-flow statement	0	0	0	0%
Maintaining centralized data-base	6	4	15	25(92.6%)

2.1 Computerized Accounting System

The table shows that 100% Private limited automated rice-mill and Partnership automated rice-mill use computerized system for transactions recording. Out of 6 single-ownership rice mills only 2 maintain manual system for transaction recording. Those who maintain computerized system have also manual system of transaction recording.

2.2 Double entry system of Accounting

100% Private limited automated rice-mills follow double entry system of Accounting. No other rice-mills follow double entry system of Accounting. Above table shows that more than 50% of the surveyed rice-mills follow double entry system of Accounting.

2.3 Basis of Accounting

“Basis of Accounting” simply defines the timing of the recording of various financial transactions for an entity (when revenues and expenses are recognized, and assets and liabilities are reported). The table shows that % of surveyed automated rice-mills use cash basis of Accounting, % follow accrual basis of accounting and % follow unknown method of transaction recording.

2.4 Journal, Ledger and Trial Balance

A journal is a chronological (arranged in order of time) record of business transactions. All the Private limited automated rice-mills make chronological records of paddy purchase, rice-selling, cash collections and cash payment. No other mills make chronological records of transactions. Similarly, ledger and trial balance are not prepared by other two categories. It is said from the table that about 55.55% of the rice-mills prepare journal, ledger and trial balance.

2.5 Credit terms and Credit Periods in Settlement of Receivables and Payables

In prompt settlement of dues from vendors and payables to suppliers credit terms and credit periods are used. Table shows that no rice-mills use such terms for dues settlement. It means that no aging schedule is not prepared by rice-mills in Sherpur district.

2.6 Considering Stock Level for Each Time Production

Considering stock level for each time production means that rice-mills are using inventory management system as an important aspect of AIS. Surveyed result reveals that 100% of the automated rice-mills in Sherpur district are maintaining inventory management system. But it is known from the interview with the respondents that the stock level is maintained only when the Raw paddy is purchased, no stock is maintained when Dried paddy is purchased.

2.7 Audited Financial Statements

Audited financial statements provide more reliable information to stockholders and stakeholders. The table shows that only the financial statements of private limited automated rice-mills are audited to provide correct information to rice-millers. they also expect the auditing firm to have good credentials and be knowledgeable about the subject company's industry. It is said from the table that about 55.55% of the rice-mills have audited financial statements.

2.8 Receipt-Payment Account

The receipts and payments account is prepared from transactions recorded in cash book. The various cash transactions recorded in cash book that can be grouped together are shown under one account head in receipts and payments account. Surveyed result indicates that 100% of the automated rice-mills in Sherpur district are maintaining receipt-payment account.

2.9 Preparing Income Statement and Balance-Sheet

Income statement provides the operating results of a particular financial year at year end whereas Balance-sheet provide financial position at particular date of financial year. The table shows that only private limited automated rice-mills prepare income statement, Balance-sheet. It is about 55.55% of surveyed rice-mills.

2.10 Preparing Owners-Equity Statement and Cash flow Statement

As receipt-payment accounts are maintained, no separate cash-flow statement is prepared by the surveyed automated rice-mills. It is seen from the table that only private limited automated rice-mills prepare owners equity statement. It is about 48.16% of total surveyed rice-mills.

2.11 Database Management System

AIS is a part of MIS. Table shows that the rice mills that have computerized system of Accounting have centralized database and data warehouse. It is about 92.6% of total surveyed rice-mills.

Table-2.7 Response of Respondents Regarding Pricing Related Questions (Usage of Accounting Information in Pricing and other Aspects) of AIS in Automated Rice-Mills in Sherpur District, 2018

Pricing and other aspects of using AIS	Single owner-ship rice-mills	Partnership rice-mills	Private Limited company	Percentage of Total
	8	4	15	27
Determination of cost price of rice and by product	8	4	15	27(100%)
Consideration of by-product cost in determining sales price of rice	0	0	0	0%
Consideration of LIFO/FIFO in determining price of rice	0	0	0	0%
Consideration of latest price in determining cost of goods sold	0	0	0	0%
Maintaining stock for processed rice	0	0	0	0%
Considering cost price in determining sales price	0	0	0	0
Millers use Accounting information for planning, cost control and performance measurement.	8	4	15	27(100%)

2.12 Determination of Cost price of Rice and by Product

Cost per bag of rice needs to be calculated to determine price and find out profit. Sometimes they price of many products is calculated by adding a certain percentage of margin on cost of production. It is also necessary when LIFO/FIFO method is applied to determine Cost of goods Sold. Our survey result reveals that 100% automated rice-mills irrespective of ownership types determine cost per bag which is used to calculate profit.

2.13 Consideration of LIFO/FIFO in Determining Price of Rice and Maintaining Stock

LIFO and FIFO are two important methods of inventory valuation and considered as part of inventory management systems. When both new and old produced rice are kept in stock, cost price of latest produced rice may be taken into consideration for sales price determination under LIFO method and cost price of oldest produced rice may be taken into consideration for sales price determination under FIFO method. Surveyed result shows that no auto-mated rice mills apply LIFO/FIFO method. As production of rice is done on the basis of sales order collected by the millers appointed marketing officers, there is no possibility of stocking and no necessity of LIFO/FIFO.

2.14 Consideration of Cost Price in Determining Sales Price

Determination of price is an important decision of business owner because sales volume and profit largely depend upon proper price determination of price. After processing rice from paddy, price is determined and it is supplied to the customers and cash is collected. The survey results show that no automated rice-mills consider cost price in determining price of rice to be sold to customers. The price at which rice per bag is supplied to the customers is the available market price which may higher or lower than cost of rice per bag.

2.15 Use of Accounting Information

Accounting information is used by both internal and external users to make decision of their investment. High quality accounting information ensures better investment decision and performance measurement of different departments. Table shows that all of the sampled rice-mills use accounting information for different decisions like paddy purchase, hiring temporary labors, production planning, tax payment decision, payment to the different marketing officers (who are involved with paddy purchase and collecting orders of rice for sale), financing decision, cost control, fixing up salary and wages, collection of cash from receivables, purchasing fixed assets, expansion of business etc.

3. FINDINGS AND RESULTS OF THE STUDY

3.1 Major Findings

Our study findings showed that among 27 automated rice mills 15 are private limited, 8 rice-mills are single ownership based, and remaining partnership based automated rice-mills. Among selected criteria of AIS, most of the criteria are satisfied by the private limited based automated rice-mills although all of the sampled mills follow computerized system of Accounting. Partnership and single ownership based automated rice-mills neither follow fully single-entry system of accounting nor fully double entry system of accounting whereas other automated rice-mills (55.55% of surveyed mills) follow double entry system of accounting with a mean value of 1.44 and standard deviation of 0.506. The findings showed that chronological record of transactions (journal), ledger for suppliers of paddy, and ledger for each customer is maintained by all the sampled automated rice-mills with a mean value of 1.00 and no deviation. Credit terms used for prompt cash collection from the receivables is not used by the most of the automated rice-mills although they provide some discount in case of emergency cash collection. Neither of the sampled automated rice-mills obtains any discount facility from the paddy suppliers. Within selected 27 mills 100 percent used voucher as records of documents. Financial statements are income statement, receipt-payment accounts, cash flow statement, balance sheet, owner's equity statement and notes and disclosure. The result of the study found that all the private limited based automated rice-mills (55.55% of surveyed mills) prepared income statement, Balance-sheet, owner's equity statement, and receipt-payment accounts, 12 automated mills prepared only receipt payment account. It also found that single ownership and partnership based automated rice mills follow owner designed system for calculating profit. Out of 27 mills, 25 used TALLY software for Accounting and they also maintained their own data management system for storing of data. Among 27 automated rice-mills % use cash basis of Accounting with mean value of 1.85 and standard deviation of 0.36, % follow accrual basis of accounting with mean value of 1.41 and standard deviation of 0.50, and % follow unknown method of transaction recording with mean value of 1.70 and standard deviation of 0.46. Findings shows that 55.55% of automated rice mills prepared audited financial statement with a mean value of 1.59 and standard deviation of 0.50. To investigate the impact of accounting information on owners decision making researcher investigated whether cost price is used as basis of sales price determination of rice, whether the accounting reports are used for decisions like paddy purchase, payments for payables, cost control, budget and planning. The survey reveals that no automated rice-mills consider

cost price in determining price of rice to be sold to customers. It was found that 100% of the rice-millers depend on accounting information for the major decisions covered by the questionnaire.

The study recommends the following to ensure effective implementation of AIS :

- As academic qualification and experience of most of the Accountants employed by the rice millers are not up to the mark for proper execution of accounting functions, higher educated and experienced accountants should be employed by the owners to support of their accounting information based decision precisely.
- Arrangement of training of accounting information producers by the different professional institutes and focusing more on practical means of solving accounts reporting needs can bring about positive change in boosting up usefulness of accounting information to the rice mill owners.
- The rice mill owners should ensure informative environment for the producers of accounting information to make sure that the data processed in the accounting program is the most similar to the mill's activity, needs and demands.
- Latest TALLY software and MIS software should be introduced for executing accounting function.
- Most of rice-millers and managers think that accounting record maintenance is time consuming and costlier function, they should be educated and aware of keeping proper accounting system.

Hiring consultant for financial statement analysis, organizing training for managers and owners, enforcing monitoring and supervision, setting legal requirements for financial statements audited are recommended to get the full usefulness of information produced by accounting system of automated rice-mill of Sherpur district.

CONCLUSION

This study attempted to analyze the accounting practices pattern of automated rice mills and the effect of AIS on manager's decision taking for rice-mill owners in the Sherpur district of Bangladesh. It conducted field surveys of 27 automated rice mills in the study area by constructing a structured questionnaire, and reviewed various journals, articles, and other relevant material. However, the study findings revealed that all private limited based automated rice mills prepared income statement, balance sheet, owner's equity statement and receipt payment accounts, while only 12 automated mills prepared receipt payment account. It has also found that self-built framework for calculating income obeys automated rice mills based on a single ownership and partnership. The findings also show that no automated rice mills assign cost quality, and rice millers rely on accounting information for the main decisions when deciding on the price of rice to be sold to customers.

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