

Suh Collins Suh

**THE ROLE OF FINANCIAL STATEMENT IN THE INVESTMENT
DECISIONS OF A MICRO FINANCE INSTITUTION (MFI)**

**Case: Bamenda Police Cooperative Credit Union Limited, Yaounde Branch
(BAPCCUL Yaounde)**

**Thesis
CENTRIA UNIVERSITY OF APPLIED SCIENCES
Business Management
March 2017**

ABSTRACT

Centria University of Applied Sciences	Date March 2017	Author Suh Collins Suh
Degree programme Business Management		
Name of thesis THE ROLE OF FINANCIAL STATEMENT IN THE INVESTMENT DECISIONS OF A MICRO FINANCE INSTITUTE (MFI). Case Study Bamenda Police Cooperative Credit Union Limited, Yaounde branch (BAPCCUL Yaounde)		
Instructor Janne Peltoniemi	Pages 36 + 2	
Supervisor Janne Peltoniemi		
<p>Today, it is possible to present financial statements in many ways. This makes it difficult to compare the financial statement of organisations within the same geographical area to suit the report of investors. For example, some organisations choose to provide a significant line of item detail, while others do not. By creating a single standard, we could provide investment decision makers with an improved starting point. This study therefore investigates the role of financial statements on investment decisions.</p> <p>The main explanatory tools used are the balance sheet, income statement, and the cash-flow statement. Investment decisions enable corporate leadership to analyse various investment opportunities and to show how departments should make good commercial bets.</p> <p>Primary and secondary sources of data were used. These data were analysed with the use of frequency tables with the outcome being, financial reporting has a role to play on investment decisions as shown by the responses. A result, management should ensure a timely and orderly presentation of reports to help boost investments.</p>		

<p>Key words Assets, balance sheet, cash flows, equity, financial statement, income statement, investment, liability, margins</p>
--

ABSTRACT
CONTENTS

1.INTRODUCTION.....	1
2 REVIEW OF RELATED LITERATURE.....	4
2.1 Conceptual Literature	4
2.1.1 Financial statements	4
2.1.2 Types of financial statements	5
2.1.3 Use and users of financial statement	7
2.1.4 Qualification on the usefulness of financial statements	7
2.2 Theoretical Framework.....	8
2.2.1 Financial analysis and Reports	8
2.2.2 Theory of Investment analysis	9
2.3 Linking Literature Review to current study	10
3 RESEARCH METHODOLOGY	11
3.1 Background of the study area.....	11
3.2 Reasons for choosing study area	12
3.3 Data Collection methods used.....	12
3.3.1 Primary data source	13
3.4 Sample and sampling techniques used.....	14
3.4.1 Questionnaire design and administration.....	15
3.4.2 Reasons for data collection method used	15
3.5 Problems and difficulties encountered.....	16
4. PRESENTATION AND ANALYSIS OF DATA	17
4.1 Identification of respondents	17
4.2 Administration of Data collection	18
4.3 Analysis of Data collected	19
4.4 Interpretation of Results	23
4.4.1 Testing of Hypothesis.....	24
5. SUMMARY, CONCLUSION, RECOMMENDATION AND SUGGESTION FOR FURTHER STUDY	26
5.1 Summary of Findings	26
5.2 Conclusion	26
5.3 Recommendations.....	27
5.4 Suggestion for further study	28
REFERENCES.....	29
APPENDICES	

TABLES

TABLE 1. What is your Gender	17
TABLE 2. How old are you	17
TABLE 3. What is your level of education	18
TABLE 4. Can you prepare a financial statement	19
TABLE 5. What type of Financial statements do you prepare	19
TABLE 6. Does your Organization keep some accounting records as well as financial statements.....	20
TABLE 7. Why do some other businesses not keep financial statements	20
TABLE 8. How often does your Organization prepare financial statements	21
TABLE 9. Are you aware of the importance of preparing financial statements	21
TABLE 10. Are you aware that in preparing financial statements, it can help your business in making favorable investment decisions.....	22
TABLE 11. What can you propose to improve and ease the preparation of the financial statement	22
TABLE 12. Are these solutions available to most Organizations	23
TABLE 13. When preparing a financial statement of your organization, which one do you prepare first.....	23

1 INTRODUCTION

Background of Study

A financial statement refers to a summary explaining or providing a picture of the financial position/business performance (Atrill & McLaney 2015) and or activities of a business during a certain period. Generally accepted accounting principles (GAAP) require a company to prepare a full set of financial statements that conform to regulatory guidelines and should be accurate. A full set of financial reports include statements of retained earnings, cash flows and the statement of a financial position (balance sheet). A good financial statement should document information such that it is easy to read and understandable. Presenting a financial statement clearly and professionally, helps companies interpret results and thus plan for a more profitable future. Growth in a business refers to a company expanding its business using its own resources and assets. This growth also depends on the financial statement of the organization. Similarly, a financial statement is a summarized report (Benedict & Elliott 2011) that indicates a cooperation's operating data during a period or its economic standing at a giving period. Financial statement preparations in a company are usually done by internal accountants, who are directly influenced by the management of the company. Companies make certain decisions based on information from financial statements. Thus, a fraudulent or an erroneous financial statement implies a risk possibility which can cause wrong investment decisions making in an organization. Financial statements of companies are prepared either using generally accepted accounting principles (GAAP), defined by the law on accounting and the law on financial statements, or using international financial reporting standards (IFRS) and international accounting standards (IAS), issued by the international accounting standards board. These standards are not enforceable together; therefore, companies choose one of them for reporting purposes. Investment decisions can be explained as the determination made by directors or management body as to when and how much capital can be spent on investment opportunities. The decision often follows research on financial statements.

Problem Statement

As a current situation in the society of Cameroon, investment decisions in the Bamenda Police Cooperative Credit Union Limited, Yaounde (BAPCCUL Yaounde) have been very slow due to the negligence

on the use of financial statement and other important financial records. Most organizations are still ignorant of the benefits of financial statement, thereby limiting their knowledge about their financial position and above all their ability to use financial statements to make important investment decisions. For this reason, it was very important for the researcher to carry out a proper study and research on this issue, to point out the alarming signal on the impact of the financial statement in investment decisions in an organization. Incidentally, bookkeeping as a practice is a necessary pointer of strength and weakness in a business entity, however, the level of business management expertise and financial reporting skills necessary for sound decision making has been way below the conventional standards expected. Also, most Micro finance institutes(MFI) complying with the bookkeeping principles have fallen short of living up to the laid down standards, but to satisfy the mandatory and statutory requirement. Subsequently, this has further raised the urgency to provide technical support and management training needs, to the operators in this sector to cope with the ever-growing demand for new and existing players in the industry because of competition, creativity and innovation. Financial statements hold the potential of unravelling the future of MFIs as an integral driver of economic growth and development in low income economies. Despite the use of financial statements in BAPCCUL Yaoundé, the institution is still unaware of the importance in the frequency and manner of presentation of these statements as far as investments are concerned. Having in mind the fact that financial viability is quite important, what therefore is the role of financial statements in investment decisions of micro financial institutions.

Research Questions

To attain the objectives of this study, the researcher had the main research question, what is a financial statement and what role does it play in helping managers make investment decisions in an organization? With the specific research question being, how many types of financial statements are there? And what are the various tools used for the presentation of the financial statements. What is its importance to an organization? And What recommendations could be made as far as the study is concerned?

Objectives of Study

The main objective of this research is: To know more about financial statements and to find out its contribution in investment decisions of an organization. The minor objectives include the following: To know the types of financial statements, used by different organizations and to know the various tools, used for the presentation of the financial statements and its importance to an organization.

Research Hypothesis

Here, concern the facts raised that needs to be verified or proved whether they are true or false. They are two types of hypotheses. They are state in the null and alternative forms. Null hypothesis (H0) seeks to describe that financial statements do not have any impact on investment decision making in organization. Meanwhile the Alternative hypothesis (H1), seeks to describe that financial statements have an impact on investment decision making in organization.

Significance of Study

A financial statement is a significant tool/document because investors and regulators rely on accounting information to make managerial decisions. Consequently, financial data's that are inaccurate or misleading can cause readers and users to make wrong investment or regulatory calls. Additionally, this study helps companies/organizations prepare financial statement under similar accounting principles. It also creates an awareness with respect to the great impact account reporting has on investment decisions. It shows how finance has been raised and how it has been deployed, how relationships between wealth generated and wealth invested can be important and helpful indicators of business effectiveness (Atrill & McLaney 2015). Finally, it will serve as a reference document for future researchers interested in this line of studies.

2 REVIEW OF RELATED LITERATURE

This chapter considers basic concepts outlined in the study, a review of theoretical literature which gives us an understanding of the basis of the study, and finally links literature to current study by considering what authors have written with the conclusions arrived at as far as this study is concerned. Investment decisions enable corporate leadership to analyze various investment opportunities and to show how departments should make good commercial bets. This chapter therefore seeks to show the views relating to the impact of financial statements on investment decisions in an organization. A business financial health is reported in three financial statements. The balance sheet, which shows a record of the business assets and liabilities at a point in time. The income statement or the profit and loss statement shows a record of its income and expenses for a given period. The cash flow statement describes the effect of its operations on the cash balances. Each of these is required to make informed business investment decisions.

2.1 Conceptual Literature

Damodaran (2013) points out that, when evaluating a company's profitability and potential return in investment, there are several questions that the financial statement when used in conjunction with one another answers. Thus, the amount of debt the business has or can take, the operating cash the business has, and the value of its products and investment can all be found in the balance sheet, income statement, and cash flow. However to some extent, since managers are shareholders or owners of organization, the preparation of financial statements is very important for investment decisions.

2.1.1 Financial statements

To make well-informed decisions, a company's management gleans data from various sources amongst which are financial statements. Financial statements therefore are a formal record of the financial activities of a business, person or other entity. Another name for financial statements is also known as financial report. Information on this report is presented in a structured manner and in a form easy to understand. Given the importance of financial statement in investment decisions, a lot of strategy goes into how a company must present its financial data and use such information to win economic competition. Most often the goal of financial statements is to steer the minds of the senior officers to combine their

business acumen to find the best ways to drive the company towards profitability. Financial statement has specific effects on investment decisions.

2.1.2 Types of financial statements

There are basically 4 main types of financial statements. They include:

- **Balance sheet**

While the income statement is essential to understanding the business, it doesn't contain all the information needed for a thorough analysis. The balance sheet provides the readers with data concerning the business debt loads and the value of assets such as real estate. While a business's revenue might be very healthy and increasing, if its burdened with too much debt, or many outstanding invoices that its clients haven't paid, they may not be clear on the income statement. It will be apparent on the balance sheet, however. Alternatively, a business with significant real estate or other assets that aren't monetized on the income statement will appear here; for example, if the business owns its own building, land, or plant, these values will be listed in the balance sheet. Thus, the balance sheet comprises of:

Assets: Refer to the thing owned by the business

Liabilities: Something the business owes its owners and represent the amount of capital that remains in the business after the asset are sold to pay its outstanding invoices. Thus, the difference between assets and liability equals equity. That is:

Assets – liability = equity

- **Income statements**

The income statement tells the reader how much money the company made from and spent over a certain period, usually a month, quarter or a year. Subtracting the total expense from total revenue reveals the business's margin. Higher margins are better because it means the business can spend less and keep a greater percentage of revenue as profit. It is best to analyze income statement from several consecutive years because it reveals what direction the business is heading to. As such with income statement often asked:

Are margins growing smaller or larger?

Is revenue growing along with the expenses or are only expenses growing while the revenues remain flat?

All these questions are answered by reading the income statements.

- **Cash flow statements**

Another piece of the puzzle when evaluating a business's worth is the cash statement. This statement shows the flow of cash in and out of the business account. Actual deposits and payment activity of account payable, payroll, revenue is reflected here. A business that's running low on cash but has adequate income and asset to fund operation may have an account receivable problem or may need to re-finance debts. On the other, a company statement that show too much cash may indicate that the business is not putting enough resources back into its operations. As a result, using the cash flow statement and performing calculation on operating, investment and financing activities. This hence brings us to what operating, investing and financing activities are;

Operating activities; It represents the cash flow from short term operating and primary activities of a business that is its current assets and current liabilities. This section evaluates net income and loses of a business. By assessing sales and business expenditure, all income from non-cash items is adjusted to incorporate inflows and out flows of cash transactions determine a net figure.

Investing activities; Represents cash flow from the purchase and sale of goods, this section reports inflows from purchase and sales of long-term business investment such as property, assets, equipment, and securities. Increase in investment indicates a cash outflow (use of fund) and decrease in investment signals a cash inflow.

Financing activities; Represents cash flow generated or spend on raising share capital and debt together with the payment of interest and dividends. It also accounts for all money that is related to financing your business. For example, if you received a loan from your organization, the loan itself will be considered as an inflow of cash. Loan repayment will be considered as an out flow of cash and both will be recorded in this part of the cash flow analysis statement making cash flow projections and computing cash flow statement can be confusion if you have never managed these types of finances before.

- **Statement of retained earnings or equity**

Finally, the last main financial statement is the statement of retained earnings also known as the equity statement. It shows the movement in owners' equity over a period which is mostly determined from the company's share capital issued; net profit and loss as reported for the year. Most organizations will use the first two financial statements to make investment decisions. Thus, it is only from reviewing the financial statement that can they perform a reasonable investment decision.

2.1.3 Use and users of financial statement

Yuh (2013) points out, the main group users of financial statement include investors, employees, customers, government and public. What then are the needs of this group and how would they use these financial statements? They include the following:

Investor group; This group comprises of both existing and potential shareholders. They would consider either investing or disinvesting in the business. Equity investors consider two elements to their investment, gain and income: income in the form of dividends and gain in the form of share prices.

Employees; It is encouraging to note that some companies produce a separate employee report. Employees and their representatives require information on business performance for two principal reasons:

For wage and salary negotiation

Assessment of current and forward opportunities in terms of employment.

They would be interested in both the current financial stability of the business in terms of cash flow and the organizations ability to meet its short-term liabilities.

Customers; This group is interested in the business short and long term financial stability and its potential to supply quality goods and services. They may also have interest in the environmental policy of the business.

Governments; The government department uses financial statement for the purposes of taxation, which is the company's taxation and VAT. The government therefore are decision makers and their forward economic plan is influenced by the performance of all businesses within the various sectors in the economy.

Public; Most often, public is been referred to "shareholders" and business that do not exist solely in isolation. Businesses are part of society at large and as such generate much public interest.

At local and national levels factor such as employment and environment are often key interest.

2.1.4 Qualification on the usefulness of financial statements

Although financial statements provide information useful to decision makers, there is much relevant information that they omit. Factors of the market demand, technological developments and price of raw materials, subsidies, competitors' actions, wars and nature can be a dramatic effect on a company's prospects in a firm investment decision making.

2.2 Theoretical Framework

This consists of the structure that will support the theory of this research study. It then goes by to introduce and describe the theories that explains why this research is made under this study.

2.2.1 Financial analysis and Reports

Fuhrmann (2013) says the process of putting an analysis down in writing can be instrumental in making sure as many stones as possible have been turned over when researching a company. Famed investor Peter Lynch is credited with using the above phrase and is quoted as saying, the person that turns over the most rocks wins the game. This has always been my philosophy when writing a financial analysis report on a company, the following should be considered: an overview of the company should be provided showing a description of the company to help investors understand the business, its industry, its motivation and any edge it might have over its competitors. These factors can prove valuable in helping to explain why a company might be a profitable investment or not. A fundamental analysis which can also be shown in this section included here and contain research on the firm's financial statement, such as sales and profit, growth trends, cash flow generation strength, debts levels and overall liquidity and how it compares to the competition. No detail is too small in this section.

Michael Porter (2014) Harvard University in The Porter five forces model helps explains company's place within its industry. Specifically, the factors include the threats for new entrants to enter the market, the threat for substitute's products or services, the extent to which suppliers can influence the company and the intensity of rivalry among existing competitors. Groups in USA regarded financial statement as the most important source of information to investment decisions. In the United Kingdom, only institutional investors made that judgment. Financial statements were found to be equally important for 'buy decision' or 'hold or sell decisions' change and most. Extensive studies were conducted of two categories of investors: individual investors and institutional investors. Both individual investors and investors regarded long term capital gains as more important than dividend income which is more important than short-term capital gains. According to law on financial statements 4.3, financial statements shall present true and fair view on enterprise's assets, liabilities, financial position, profit or loss and cash flow.

According to IAS 1.13, financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires that faithful representation of the effects

of transaction, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework. Both standards basically state that financial statements shall be true and fair, nevertheless, this is not always the case in financial reports. Frequently, companies manipulate with accounting data to show a better financial position than it is; this is called 'window-dressing'. As Rees (1995) also describes analysis of Smith & Hannah (1991), where the latter classify the most common accounting manipulations into 11.

- Excessive provisions: Goodwill is overstated and not expensed, thereby increasing profits
- Extraordinary items: Significant reorganization/rationalizations costs showed as extraordinary items.
- Off balance sheet finance: Loans not shown on balance sheet
- Capitalized costs: Inappropriate capitalization to reduce costs
- Non-trading profits: Such profits classified as normal earnings figure
- Brand accounting: Brands showed as intangible assets
- Depreciation rate change: Reduction in depreciation policy to show growth
- Pension fund holidays: Reduction in pension fund contribution shows larger pre-tax profits
- Earn-out commitments: Profit-sharing schemes to personnel
- Foreign exchange mismatch: Mismatch between debts and deposits
- Low tax charge: If low tax charge appears, profit manipulation probable.

Although the research by Smith & Hannah (1991) is a bit outdated, as accounting standards have changed, still, the conclusions they make are important. Many largest UK quoted firms have these 'creative accounting' procedures. They also found that these procedures significantly affect important security market variables – price/earnings ratio, annual abnormal return and beta.

2.2.2 Theory of investment analysis

Investment theory comes at the top of the report and includes parts of a company's overview, but regardless of its position in an analysis, it should cover the key investment positives and negatives. Investment analyses can use quantitative and qualitative techniques for determining profitable investment strategies. They include examination of the market trends, monitoring of reports published by businesses, statistical treatment of economic indicators to detect meaningful patterns, or other methods of identifying opportunities for profit.

2.3 Linking literature review to current study

It is important in our current world and studies to know how much greater impact financial statement have in our organization especially in the investment decision making department. Financial statements constitute the firm's transaction and possession thus an increase in the seats use will be but-for-in favor of investment decisions in that organization.

Lasher (2008) financial statement (5th edition) studied the role of financial reporting on investment on financial institution. It made use of the economic analysis and regression method to analyze secondary data and arrived at the conclusion that financial statement is the communication of financial information useful for making investment credit and other business decisions. Wallman (1995), notice that much of the institutions' value does not appear in the balance sheet thereby limiting the role of financial reporting to investors. Wallman believes that a dramatic change in the accounting system could solve the complaints about the timeliness of financial statement information. Famed investor, Lynch (2013) is credited with using the phrase quoted, the person that turns over the most rocks wins the game. And they have always been my philosophy. Let us see turning most rocks as spotting new opportunities and gaps, therefore when investors make good use of an organizations' report that is spotting opportunities in making investment decision the chances of growing big, avoiding losses and getting rid of risk is ignored totally and as such growing in profitability and winning the "game".

3 RESEARCH METHODOLOGY

This chapter is designed to produce an overview of the study area, data collection method, sample and sampling techniques, reasons for data collection method, limitation and difficulties encountered and questionnaire design.

3.1 Background of the study area

The credit union idea was introduced in Cameroon by Rev. Father Anthony Jansen, a Roman catholic priest from Holland (BAPCCUL Brochures (2012/2013)). The first credit union in Cameroon was created in Njinikom – North West Region in 1963 with a membership of 16 and a total saving of 21,000FCFA. The idea was further propagated by Tony Barnide and the idea of credit union spread all over the North-west regional and south west regions and by the 8th of June 1968, 34 credit unions that were already in existence joined to form the Cameroon cooperative credit union league (CAMCCUL) Ltd. It is the umbrella under which all other credit union functions. It is also the largest micro-financial institution in Cameroon and the CEMAC sub region.

Due to the rapid spread of the idea of credit union. On the 5th of February 1969 in the Mankon Police recreation hall, some members of the former west Cameroon on service in Bamenda, Police officers who attended the meeting among others Messer M.H. Ntune, Ane C.T., chief Yakum and Dema M.H Ntune was the chief of the police credit union as he had already created some in the south west region after he was convinced that a credit union could be of help in the police force. They were 84 in number, thus giving the name Bamenda police cooperative credit union ltd, with its head office in old town Bamenda. It is a financial cooperative owned and controlled by its members and dedicated to improved their welfare (BAPCCUL Brochures (2012/2013)).

Today BAPCCUL'S head office is located at commercial avenue old treasury street Bamenda. It has as of today the following branches in Cameroon; Head office Bamenda, Nkwen Bamenda, Up station Bamenda, Saint Paul junction Bamenda, Douala camp Yabassi, Bonaberi Douala (Nouvelle route), Mbot, Ndu branch, Bafia, Bafoussam, Carrefour biyem assi Yaounde, Emana Yaounde, Nkambe and

the Fouban branch. BAPCCUL is affiliated to the Cameroon Cooperative Credit Union League (CAMCCUL) and with COBAC REGISTRATION NO:19427 of 11/01/2001. MINAGRI REG, NW/CO/28/94/100

3.2 Reasons for choosing study area

There are several important reasons as to why the researcher chooses BAPCCUL Yaounde as a case study for this research project. They include the following;

BAPCCUL Yaounde has many staffs and as such, this made it easy for the researcher to gather information from individual staffs to ease the researchers work. BAPCCUL in addition has two branches in Yaounde, so it made the organization easily accessible. The researcher had quick access to information or files that were kept separately in the different branches. The use of financial statements in the organization gave the researcher an opportunity to make more research to sensitize the importance of financial statement in the long run and to encourage the use of the financial report.

In addition, this area was chosen because of the researcher's familiarity with the BAPCCUL's organization and the staffs there. Some of the staffs were people the researcher had met before and had some friend relations with. BAPCCUL Yaounde was chosen to be possible to bridge the gap that exist between the world of theory and the world of practice. This possibility made the researcher to confident of his work. Lastly, internship serves as a partial fulfilment for the award of a bachelor's degree offered by the University. BAPCCUL was initially created to serve police men only. It has expanded to integrate other civilians or non-police men. It has thousands of members now from all fields in life thus the slogan "Not for police only"

3.3 Data Collection methods used

During research, the researcher used both the primary, secondary and observation source of acquiring data or collecting data.

3.3.1 Primary data source

These are raw data that is, data collected directly from the field it is also known as first hand data. Primary data is collected specifically to address the problem in question and is conducted by decision makers, marketing firms, universities or extension researcher's etc. Finally, open and close ended questionnaires were used, thus giving the respondents the altitude to answer freely and fully.

3.3.2 Secondary data source

This refers to data used by the researcher which were collected by some other person may be for the same purpose or for a different purpose. The researcher collected this data through the reading of books, internet, newspapers, articles, publication, company's report, radio, television, media and from the minutes of AGM (Annual General Meeting) of BAPCCUL.

3.3.3 Observation

Observation and participation was used to collect data. The researcher in the various departments of BAPCCUL Yaounde observed and participated actively to enable the collected data is original. The researcher was very careful in observing the various activities carried out by the organization in all the departments. He walked through to know how they contribute to the preparation of the financial statements. The following methods can be used to collect primary data which include, experimentation, survey, focus groups or in depth interviews. Here the researcher used only two which are discussed below; **Surveys;** This is where questionnaires are prepared and given out to respondents to respond. Survey is perhaps the most common method of data collection. Here the researcher had personal interview with the staffs of BAPCCUL Yaounde and they responded in an unbiased manner. The questionnaire will consist of questions like, what is a financial statement? How can financial statements contribute to investment decisions in an organization? What is the importance of financial statements to an organization? These questions were administered through mail, internet, telephone calls and face to face conversation for responses.

Interview method; An interview is a conversation between two or more people whereby questions are asked by the interviewer to elicit facts or statement from the interviewee. By this method, the researcher gets direct information by questioning those who have knowledge about the study.

3.4 Sample and sampling techniques used

Once the population is defined, the sample is then the sub-population of the bigger population previously defined. The sample refers to the reduced number of subjects, persons, things or elements selected from the wider population to the current investigation because it is not possible to collect data from everybody. The population involved for studied was relatively small though easily exhaustible due to cost, time and scope. As a result, a sampling of sixteen employees (made up of staff members) was considered for presentation. This sample size was chosen because the researcher believes the staff of BAPCCUL Yaounde will give all information needed on the financial statement.

Sampling technique is a plan specifying how the elements will be drawn from the population. Two types of sampling techniques exist which are the random technique and the probability sampling techniques. The latter is the probability of drawing each member of the population. Two procedures were used for study such as the random a sampling technique and the probability sampling technique. The random sampling technique doesn't require knowledge of the exact composition of the population is so long as it can reach all members of the population. On the other hand, the probability sampling technique was used because it provides an opportunity for every member of the population of being selected. This was subjected to calculation using Yamane's formula. Yamane (1967) provided a simplified formula to calculate sample sizes for proportions:

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

Where N = target population

n = sample size

e = level of significance

When this formula is applied to the above sample, we get:

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

$$\begin{aligned}
 &= \frac{16}{1 + 16(0.05)^2} \\
 &= \frac{16}{1.04} = 15.38 \\
 &= 15
 \end{aligned}$$

3.4.1 Questionnaire design and administration

The researcher issued out fifteen questionnaires. They were structured into two parts. The first part made up of enquires about the respondent's personnel information while the second part composed of questions pertaining to the problem being investigated. Some of the questions were closed ended while others were scaled questions. The researcher sends out 16 questionnaires for reliable information and 15 were answered with a total number of 12 questions asked. The researcher design questionnaire which have the following characteristic;

The questions wordings were simple

The questions were relevant and not too personal

The questions allowed pre-printed answers to be ticked

The questions were simple and unambiguous

3.4.2 Reasons for data collection method used

This must do with the reasons why the researcher decided to use the primary and secondary methods of data collection. Workers could answer individual questions easily and confidently that is why the researcher used structured interview questions or could also be known as face to face interview. Also, this method is fast and can gather large quantity of information at once and immediate answers to questions are provided. Again, the researcher realized it was going to be very easy to get information through this method in the sense that respondents will not take questionnaire and fail to return them back to their researcher. This method was the best because the researcher sometimes participates in group discussion. During this discussion, questions were asked and explanation was given by members. It was therefore easy for the respondent to give suitable and quality information relevant to this study. Furthermore, the

method of data collection used was fast and made easy thereby making it possible for qualitative and quantitative collection of information.

3.5 Problems and difficulties encountered

It is naturally difficult if not almost impossible for a work of this nature to be carried out without any difficulties or problem encountered. Therefore, the researcher encountered several problems during the study. Given the distance involved from the intern's home and the organization, he sometimes found it very costly to get to the union or to go to other branches to gather information needed for the research work. Some staffs were not friendly and this limited and scared the researcher's ability to ask questions. The researcher faced communication problem with the respondent because most of them did not quite understand the questions they were asked. In addition, most of the questionnaires given out were not answered and this greatly made the researcher feel discouraged in carrying out research on the research topic. The researcher faced difficulties for the respondent to give reliable information. The main limitation of this study is that the study covers only one organization which is BAPCCUL Yaounde. The findings in this part may not be relevant or useful to other similar organizations since it covers only a small number of respondents.

In addition to the above reasons, there is a reasonable number of benefits gotten from this method of the acquiring data. It saves time in the case of interviews as questions asked are answered instantly. It makes data collected reliable as information is gotten directly. Also, staffs who couldn't provide time made it easier for data to be collected through questionnaires. It makes respondents to give their innate opinion of the topic ended under study through their responses in open and close ended questions. There is also a high probability of accuracy since respondents may give more honest answers to personal questions on papers. It is very flexible and can be used to collect large amount of data and respondents are easily identified. It gives detailed information about the study and is less stressful. Finally, these methods are economically cheap. That is, the cost incurred in data collection are at its lowest cost per respondent.

4 PRESENTATION AND ANALYSIS OF DATA

This chapter deals with the description and interpretation of data collected from research in a clear and precise form with the use of tables.

4.1 Identification of respondents

The respondents were gotten in accordance with the sample size, gender, age and level of education. As concerning the sample size, respondents were gotten, as for the gender both young and old were gotten.

TABLE 1. What is your Gender? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Male	9	60%
Female	6	40%
Total	15	100%

The table above shows that 9 respondents out of the 15 are male giving a percentage of while 60 while 6 are female giving a percentage of 40. As a result, the workers of BAPCCUL are dominated by men and gender is unequally distributed and job opportunities are more opened to men than women.

TABLE 2. How old are you? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
20-40	12	80%
41-54	3	20%
Total	15	100%

The above table shows that between the ages 20-40, the number of workers were 12, giving 80% while workers ranging between the ages of 41-54 were 3 giving a percentage of 20. The aim of this table is to

find out the age group which is mostly presented in BAPCCUL Yaounde and as observed, the workers of ages between 20-40 is dominating in the organization as compared to the old.

TABLE 3: What is your level of education? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
First School Leaving Certificate	0	0%
Ordinary Level	1	7%
Advanced Level	2	13%
HND Graduate	3	20%
Bachelor's Degree	4	27%
Other qualification	5	33%
Total	15	100%

The table above shows that 1 of the number of workers have an ordinary level certificate thereby giving the least percentage of 7%. Then 2 of the workers have advanced level certificate giving a percentage of 13. 3 workers have HND (Higher National Diploma) with a percentage of 20. 4 workers have the Bachelor's degree with a percentage of 27 and the final 5 have got other qualifications dominating with 33% thus giving a total of 15 respondents and a percentage 100%.

4.2 Administration of Data collection

Questionnaires were used to collect data and make generalization in the study. The questions were designed using the close ended form of questionnaire. Some questions required alternative response while the rest of the questions had yes or no answer.

Close ended form of questionnaires is usually easy to understand thus it enabled the researcher to attain the goals of this research study. Respondents reacted very fast to this method of administration.

4.3 Analysis of Data collected

The data were analyzed with the help of tables. This information was grouped and sub grouped according to their classification as per objective of the study. The systematic analysis was done using sample statistical tools and the data are represented in tables and percentages in a descriptive way.

TABLE 4. Can you prepare a financial statement? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Yes	5	33%
No	10	67%
Total	15	100%

Looking at the above table, we can see that 5 workers of the organization can prepare a financial statement giving a percentage of 33 and those who could not were 10 workers giving a percentage of 67. This proves that most workers in BAPCCUL Yaounde cannot prepare financial statements.

TABLE 5. What type of Financial statements do you prepare? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Balance sheet	3	20%
Cash flow statement	3	20%
Income statement	9	60%
Total	15	100%

3 workers could prepare the balance sheet giving a percentage of 20. 3 could also prepare the cash flow statement and again giving 20. Finally, 9 could prepare the income statement giving a percentage of 60. It can then be seen that, majority of the workers can prepare the income statement better than the other financial statements.

TABLE 6. Does your Organization keep some accounting records as well as financial statements? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Yes	10	67%
No	5	33%
Total	15	100%

From the above table, BAPCCUL Yaounde keeps some form of accounting records. Those who said yes explained that even though these records are kept, it's some time not taken into consideration when determining their taxes. This is because most of the tax inspectors levy, taxes based on the profit of the organization or the amount of goods available at that time in the organization. To some extent, it helps them to access the growth rate of their organization. Finally, those who said no, had no idea about financial statement.

TABLE 7. Why do some other businesses not keep financial statements? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Because it isn't necessary	5	33%
Because we do not know its importance	2	13%
Because it is meant only for big Organizations	4	27%
Because it is expensive to keep one	4	27%
Total	15	100%

The staffs had different reasons or feelings as to why some business Organizations don't keep financial statements. This is because in their opinion, they do not know its importance while others say it is expensive and others do not know how they can keep records.

TABLE 8. How often does your Organization prepare financial statements? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Quarterly	2	13%
Daily	0	0%
Weekly	0	0%
Monthly	3	20%
Yearly	2	13%
No idea	8	54%
Total	15	100%

From the table, a smaller majority were those that accepted their Organization prepare financial statements yearly or quarterly. This is probably those under the basic tax system where they must declare their tax weekly. The secondary majority goes to those who keep records monthly because they fall under the actual or real and simplified tax system where they need to declare their taxes on or before the 10th of each month which activities were carried out.

TABLE 9. Are you aware of the importance of preparing financial statements? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Yes	10	67%
No	5	33%
Total	15	100%

Majority of the staffs know they can keep records which can help to improve on the growth rate of the organization. What then is the importance financial statements have on investment decisions? They include the following;

- It can be said that financial reporting shows how far a business can be (its present state) and how far it can develop (growth)
- It can also be said that it is of importance because it shapes the basic character of an organization by showing its financial reports to investors.

- They are of importance because investment decisions are irreversible once taken or made. As such, there is the need for Organizations to show their financial reports before any important investments are made to avoid any form of risks which can lead to heavy losses.
- Finally, financial reporting if used well will influence the institutions growth in the long-run.

TABLE 10. Are you aware that in preparing financial statements, it can help your business in making favorable investment decisions? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Yes	12	80%
No	3	20%
Total	15	100%

Most business are aware that in preparing financial statements, will help them to know their business state, but still yet some of them do not prepare it. Some know but intentionally do not prepare them while those who answered “No” are not aware of such an importance as they do not prepare one.

TABLE 11. What can you propose to improve and ease the preparation of the financial statement? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Use of computers	12	67%
Use of manuals (books)	3	33%
Use of phones	0	0%
Total	15	100%

Most organizations nowadays use modern method of technology to prepare their financial statement, which is the computer. This is because it is less time consuming and more secured as compared to the other means like the book which can easily be stolen. So, most organizations are expected to prepare their financial statement now because this has been facilitated. BAPCCUL Yaounde uses computers to prepare their financial report.

TABLE 12. Are these solutions available to most Organizations? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Yes	15	100%
No	0	0%
Total	15	100%

The above table shows that every worker of BAPCCUL Yaounde confirms that this solution to ease the preparation of the financial statement are available to most organizations. It was in the past that BAPCCUL Yaounde did their financial statements manually.

TABLE 13. When preparing a financial statement of your organization, which one do you prepare first? (adapted from field survey, 2016)

Respondents	Frequency	Percentage
Income Statement	9	60%
Cash flow Statement	2	13%
Balance Sheet	4	27%
Total	15	100%

BAPCCUL Yaounde prepares mostly the income statement followed by the balance sheet and later the cash flow statement as answered by the staffs above.

4.4 Interpretation of Results

After a careful study and analysis of information and data collected from BAPCCUL Yaounde the following results are pointed out. BAPCCUL Yaounde does proper preparation of the financial statement and other accounting records but they do not know how much greater impacts financial statement can contribute to investment decisions of the organization and in determining their profit. Therefore, financial reports in BAPCCUL Yaounde are prepared monthly with a frequency response of 3 from (TABLE 8) This is because in this Institute, only 3 people such as the accountant, the general manager and the assistant general manager oversee financial reporting and they also have the access and knowledge of

preparing financial statement. Finally, financial statements mostly prepared in this institution are the income statement and the balance sheet and their annual budget. The income statement as seen in the appendix shows the institutions expenses and revenue. While the balance sheet shows the organization's asset, liabilities and equity and lastly the annual budget which gives an overview of the institutions total cash that came in and left the organization. To investigate the role of the financial statement in the determination of the taxes business pay to the tax department of the state. Also, technology has made it easier for BAPCCUL Yaounde to prepare their financial statement without any difficulties. As seen above on (TABLE 8) analysis of data, the frequency shows that almost all the staffs are aware of the role financial reporting has on investment decisions. It is of importance because of the following;

- Investment decisions are irreversible once made. As such, there is the need for institutions to show their financial reports before investment decisions can be made to avoid risk which can lead to heavy losses.
- Moreover, financial reporting if used well will influence the institutions growth in the long-run.
- In addition, financial reporting shows the profitability level or growth of the business.
- Finally, it is of importance because it shapes the basic character of an institution by showing the financial reports to investors.

4.4.1 Testing of Hypothesis

To test the hypothesis, the researcher used the chi-square (χ^2) method with the help of (TABLE 10) The method requires that the researcher decides to reject or accept any of the hypothesis formulated. When conducting a χ^2 test, the observed frequencies are being compared in each response category to the frequencies expected if the null hypothesis were true. These expected frequencies are determined by allocating the sample to the response categories according to the distribution specified in H_0 . This is done by multiplying the observed sample size (n) by the proportions specified in the null hypothesis.

Formula for χ^2 chi –square.

$$\chi^2 = \sum (O_i - e_i)^2$$

Where.

O_i = observe frequency

e_i = expected frequency

Level of significance =0.05

Degree of freedom = $(R-1) \times (C-1)$

Where

R = row

C = column

To get the expected frequency (e_i)

sum of frequency

number of elements

H1 = Financial statement have an impact on investment decision making in organization.

H0 = Financial statements do not have any impact on investment decision making in organization

Response	o_i	e_i	$O_i - e_i$	$(o_i - e_i)^2$	$(o_i - e_i)^2 / e_i$
Yes	6	3	3	9	3
No	0	3	-3	9	3
Total	6				6

Degree of freedom = $(r-1) \times (c-1)$

$(1-1) \times (2-1)$

$1 \times 1 = 1$

Level of significant = 0.05

X² calculated value = 6

X² critical value = 5.99

Comparing the two values

X² calculated > x² critical

$6 > 5.99$

Since x² calculated value is greater than x² critical with a level of significant at 5% then the researcher will reject the H₀ and accept the H₁. This therefore means that finance reporting has a role on investment decision making in a micro financial institution.

5 SUMMARY, CONCLUSION, RECOMMENDATION AND SUGGESTION FOR FURTHER STUDY

The chapter gives a valid summary and conclusion of the research work as well as recommendations to the readers and users of this work and to the case study of the organization.

5.1 Summary of Findings

The aim of this study is to assess the impact of financial statement on investment decisions in an organization. The data used are collected mainly from primary sources and secondary sources. The data collected was analyzed using descriptive statistics. The result shows that most organizations do not use financial statement to make investment decisions. As seen on (TABLE 9) with the analysis of data, the frequency shows that almost all the staffs were aware of the role financial reporting has on investment decisions. It is of importance because financial reporting of will influence the institutions growth in the long-run, together with other aspects as earlier explained below (TABLE 9). Therefore, financial reports in BAPCCUL Yaounde are prepared monthly with a frequency response of 3 from table eight. This is because in this institution only 3 people such as the accountant, the branch manager and the assistant branch manager oversee financial reporting and they also have the access and knowledge of preparing financial statement.

Finally, financial statements mostly prepared in this institution are the income statement and the balance sheet and their annual budget. The income statement as seen in the appendix shows the institutions expenses and revenue. While the balance sheet shows the organizations assets liabilities and equity and lastly the annual budget which gives an overview of the constitutions total cash that came and left the organization.

5.2 Conclusion

Summary reports are useful to the extent that they provide an overall picture of a company's financial position, but investment decision makes the ability to gain a deeper understanding of the company's

economy and this can only be achieved upon obtaining disaggregated information of the primary financial statement. This research work was only limited to the Bamenda police cooperative credit union Ltd Yaounde. This research can really be effective if the other entire organizations were covered together with the whole Central Region. But it is quite impossible to study as it will make the work vast and unfocused. As such the sampling technique has made it possible for such problems to be avoided. A critical assumption in the use of the financial statement is often made that the past will predict the future. For trends to have continued for many years, this will usually be true at least for the near future. Ration for a single company or within an industry using similar accounting methods will be most fruitful way of suing the data provided by financial statements. Looking at the financial statement of the organization presented in the appendix one can say that there is no doubt that financial statements do promote the growth of investment decisions in the organization which will be to the company's advantage such as an increase in it possessions as shown in the balance sheet, income statement and the annual budget for 2012 and 2013 for example. BAPCCUL Yaounde is continuously raising more building and acquiring more land and computers and other machines because of its effective use of financial statements which gives an overview of its performance.

This research therefore brings us to accepting the alternative hypothesis that financial statement has a role to play on investment decisions in micro-finance institutions in respect to (TABLE 9) where the total number of 15 staffs were aware of the role financial statements have on investment decisions. Together with (TABLE 8) where financial statements are prepared monthly, with the income statements and balance sheet being the most frequent reports the institutions prepare according to (TABLE 13)

5.3 Recommendations

Firstly, I will want to recommend the users of this research work, to extend and expand their scope of study into other regions of the country, and to other organizations within the Central Region. In addition, the organization where i worked had a limited space for offices but more staffs instead. The offices available could not contain all of them, so I will encourage that the institution add more offices. The organization should also do a further research so as know more about the role financial statement plays in their growth not only on investment decisions but on different important economic decisions as well.

Finally, organizations that do not use financial statements should try to use one and learn how to prepare them. This is because, from the above analysis and results obtained from this research, it is certain and

proven that financial statements do play a role in the investment decisions of an organization. With financial reports considered and interpreted rightly in these organizations, then for sure its businesses will tend to improve on higher margins.

5.4 Suggestion for further study

While writing this thesis, the author identified areas which might be interesting and relevant to research, but due to limited resources, was not able to perform. This research work was only limited to one organization, BAPCCUL Yaounde, Biyem-assi branch. This research could really be effective if all the organizations in the Yaounde region were put under study.

Finally, the work was only limited to a sample size of 15 due to the financial constraint and time limits with the research. Other findings on the topic and a target of more than 15 respondents could demonstrate and effectively explain the role of financial statements in investment decisions.

REFERENCES

- Atrill, P. & McLaney, E. 2015. Accounting and finance for non-specialists. 9th Edition. Plymouth: Pearson
- Benedict, A. & Elliott, B. 2011. Financial accounting. an introduction, 2nd Edition.
- Damodaran, A. 2012. Financial Statement Analysis, New York Universities, Stern School of Business.
- BAPCCUL Brochures. 2012/2013. On past financial statements and information on the different branches in Cameroon.
- Chaipetta, B., Shaw, K. & Wild, J. 2009. Principles of Accounting, McGraw – Hill/Irwin, 19th Edition.
- Elton, E.J., Gruber, M.J., Brown, S.J. & William N. 2013. Investment Analysis, 8th Edition. Paperback: John Wiley & Sons, 2010.
- Wood, F. 2005. Business Accounting 1. Financial Times Management, Avaxhome 10th Edition.
- Lasher, W.R. 2008. Financial Management, 5th Edition. South-Western Publishing Co.
- Morning Star. Introduction to Financial Statement, John Wiley & Sons. 2010
- Lynch, P. 2013. Financial statements
- Ittelson, T.R.1998. A Step-by-Step Guide to Understanding and Creating Financial Reports. Franklin Lakes, NJ: Career Press
- Nicoline, Y. 2013. The Importance of financial statement, A Research Project at National Polytechnic Bamenda.
- Global Finance School UK. 2014. Available: <https://www.youtube.com/watch?v=dmp-ZEyX2lQ>. Accessed 08.06.2017

APPENDIX 1

Questionnaire

I have the honor to present to you this questionnaire. The purpose of the questionnaire is to know the role financial statements have contributed to investment decisions in BAPCCUL Yaounde. Please answer the questions for they will help me to achieve my bachelor degree. This questionnaire is sub divided into two parts; gender and related information, and employee's questionnaire.

Gender and related information

1. What is your gender? a) Male b) Female
2. What is your level of education? a) FSLC b) Ordinary Level c) Advanced Level d) HND e) Bachelor's Degree f) Other qualification
3. How old are you? a) 20-40 b) 41-54 c) 55-65
4. What is your occupation? a) Accountant b) Branch Manager c) Cashier d) Loan officer e) Night watch

Employees of BAPCCUL Yaounde

1. How long have you been working with BAPCCUL? a) 1-3yrs b) 4-6yrs c) 7yrs and above
2. Can you prepare a financial statement? a) Yes b) No
3. Which type of financial statement can you prepare? a) Income Statement b) Balance sheet c) Cash flow statement
4. Does your firm keep some accounting records as well as financial statements? a) Yes b) No
5. How often does your organization prepare financial statements? a) Daily b) Weekly c) Monthly d) Yearly e) Quarterly f) No idea
6. Are you aware of the advantages of preparing financial statements? a) Yes b) No
7. Are you aware that in preparing financial statements, it helps your organization in investment decisions? a) Yes b) No
8. What financial statement do you prepare first? a) Income statement b) balance sheet c) cash flow statement
9. Are you aware of the fact that you are a user of the financial statement? a) Yes b) No
10. What can you propose to improve or ease the preparation of the financial statement?.....

.....
.....

11. What are the various tools used in preparing financial reports in your institution?

a) Computers b) Books c) Phones

12. Are these tools available in your organization? a) Yes b) No

13. If not why?

.....
.....
.....

14. Why do some business not keep financial statements?

.....
.....
.....
.....

15. How does financial statement aid an organization in investment decisions?.....

.....

APPENDIX 2/1

An example of page 1 of a multi-paged appendix 2.

APPENDIX 2/3

An example of page 3 of a multi-paged appendix 2. A reference to appendix 2 is used when referring to this page (APPENDIX 2).