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ACCOUNTING AND FINANCIAL MANAGEMENT FOR SUSTAINABLE DEVELOPEMNT

18

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ABSTRACT

usiness enterprise is essentially an economic organization and has to maximize the welfare or the interest f the members. For this, it has to earn surplus profit, savings or by whatever name it is called, on its perations. This means that its receipts should be more than its expenses over a period of time, though what ill be done with this surplus depends upon the objectives, philosophy, ideology and a number of other actors. The objectives of this paper is to find ways of measuring the success of a business enterprise, which s to compare the volume of. such surplus with investment made in business, and how the financial ıanager's maximization of the market value of the firm. Since the financial manager is a key member of the op management team, his decisions are felt throughout the firm. Funds flow to industries where earnings xpectations are high, and the individual firm allocates its available funds to projects that promise the rate of eturns, always considering the risk involved. The paper recommends that financial managers should be oncerned with the selection of specific goals like the types of assets that organization should acquire, the mount of the funds that should be used for expansion, the sources and application of funds, followed with ıe strategic components of financial planning: setting financial objectives, planning ongoing operations, apital budgeting and optimal financing structure. Profit planning compels management for sustainable uture of our economy.

NTRODUCTION

ccounting has an essential stewardship function which enables owners of the resources of a business to xtract accountability from the managers who are entrusted with the task of running the organization. The tewardship function is the bedrock of corporate governance, and provides the basis for the sacred trust upon vhich modern business is built for sustainable development. According to Osisoma (2002), "in the ulfillment of this general objective, accounting satisfies two basic functions – a measurement function and ommunication function. It ascertains the result of a business unit within a trading period by measuring ame; thereafter the result is communicated to interested parties in a standard form." Thus, accounting report s the instrument employed by the accountants to measure and communicate the financial affairs of business ntities which will lead to the sustainable development. The measurement and communication functions are arried out within the framework of generally acceptable standard.

HE FINANCIAL MANAGER AND ECONOMIC DEVELOPMENT

he financial manager is the focus of this paper. As we forge the tools of finance such as the techniques of nalysis, financial planning, forecasting, and monitoring the firms' activities, we took the view of the firm hrough the eyes of its sources of funds – the lenders, trade creditors and owners. To present a realistic view of financial decisions making, we begin by characterizing the government as a system described in terms of model that shows how the financial elements of the government fit together. The objectives of the financial nanager, and thus of the model, is the maximization of the market value of the government which may lead o sustainable development in the economy.

HE FINANCIAL MANAGER AND THE ECONOMY

he financial manager is a key member of the Top Management team. Observation of the real wor hat the effects of his decisions are felt throughout the ministry. Though the final decisio natters rests with owners – the board of directors in the case of corporations – th ajor role in planning and raising the funds needed by the government work profitably if the world economy is to attend sustainable develop affect the fortunes of the firm and have an impact on the welfare of th responsible for the allocation of the largest portion of our nation resources, the more efficient both the firm and the economy will be. Th organization have been developed. Of all these, the business (govern allocation of human and natural resources because it must meet the test Firms strive to survive, and in the process to make profit that will sustai maximization as a goal has guided both accountants, economists and businessmen for decades, the firm should look beyond immediate profits and involved in social issues such as clears air, and water, non-discriminatory hiring practices, fair wages to its employees, education and customers confidence in its products. This commitment is in the long run interest of both the firm and the society which may lead to sustainable development.

BEST METHOD IN FINANCIAL ADMINISTRATION

For the third world, to achieve sustainable development, effective financial reporting system is a must, based on accounting standards. The quality of the information provided in financial reports determines the usefulness of those reports to interested parties. According to the International Accounting Standards Committee (IASC), the qualitative characteristics of financial information includes, but not limited to, understandability, relevance, materiality, fairness, substance over form, neutrality, prudence, completeness and comparability. The responsibility of issuing accounting standards in Nigeria is vested on Nigeria Accounting Standard Board (NASB).

IMPORTANCE OF ACCOUNTING STANDARDS

The importance of accounting standards cannot be overemphasized. The absence of accounting standards would make it difficult for financial reports produced in one country to be compared with the ones produced in another country. Under such circumstances, there will be no system for consulting with other professional bodies on various accounting topics and sustainable development will be difficult if not impossible to measure. Though rules and regulations may be drawn from circulars, constitutions, professional releases and a host of other sources which seem to offer guidance on "best practice," members of the accounting profession would be under no obligation to follow them.

The importance of accounting standards as spelt out by ICAEW is summarized below:

- They narrow the areas of differences in the accounting practices.
- They recommend the disclosure of accounting bases used in arriving at the amount attributed to significant items depending on judgment of value or estimates of future events.
- They require disclosure of departures from definitive accounting standards.

They continue to suggest improvements in the accounting disclosure requirements laid down by relevant laws and authorities.Consistent with the broad objective of reporting to external users of accounting information, the standards provide a framework for the presentation and interpretation of data presented in financial statements. This makes comparison among business units more meaningful for management and investment decisions which may lead to sustainable development. Again reports are vital to the maintenance of accountability and transparency in organizations. Accountability entails requiring one to for one's performance. It is the opposite phase of responsibility. While responsibility flows downward, accountability flows upward to some superior for proper performance. Thus, anytime there is a requirement on a subordinate to make reports to management which will help in its all important task of decision making, accountability exists. In a normal business setting, there are different types of reports, there are some repots on memorandum form and there are pro forma report in frequently recurring situations (for example stock report, monthly staff returns, daily production schedule and so on.) Reports can also be crafted on rival products or services, internal situations needing improvement, or the funding of public enquiries. Whatever the specific need, these reports fall into the general category of reports aimed at influencing decision making, initiating action or persuading a superior along a particular course of action.

Accounting reports fall into three broad categories, namely:

1) External Report
2) Routine Internal Report
3) Non-Routine Internal Report

The information provided by the accountant serves management decision making at three different levels viz: lowest, intermediate and top most levels. At lowest level, we have structured (or programmed) decisions are taken, operational information is provided to facilitate frontline control and management. Decision at this level do not really involve managers, and can be easily handled at the clerical or workers level by means of set of procedures executed repeatedly – for example, transaction processing in the area of pay rolling, inventory, re-ordering and so on. At the intermediary level where semi-structure decision are taken, tactical information is provided to enhance the management control process, semi-structured decision are only partially programmable and therefore require the decision makers judgment. They are often complex, requiring detailed computation and analysis, for example production and profit planning, add or drop decisions, and replacement decisions. At the top-most level, strategic information is provided where unstructured decisions are taken. These are exceedingly complex problems defying more than mere quantitative analysis. Because they are novel, consequential and non-repetitive in nature, human experience is too insufficient to permit any meaningful structured analysis, for example, hiring a senior executive, formulating mission statement for a new company and so on. Unstructured decisions are not easily subject to quantification and structured analysis and therefore pose the greatest challenge to the Accountant. Nowadays, it is argued that financial reports should involve more than figures. They must begin to go beyond the financial and quantitative data, to also high light the qualitative data that may be critical in the assessment of the future course of a business. Besides, corporate report, should give an account of the social responsibilities of a business. Whatever balance is struck, however, will depend in general on the nature of the circumstances, and in particular on the information needs of the users. As the Trueblood Study Group concluded: "The qualitative characteristics of financial statements, like objectives, should be based largely upon the needs of users of the statements. Information is useless unless it is relevant and material to a user's decision. Information should be as free as possible from any biases of the preparer. In making decisions users should be able to assess its reliability and compare it with information about alternative opportunities and previous experience. In all cases, information is more useful if it stress economic substance rather than technical form:" (Accounting Objective Study Group, op. cit., p.60)

FINANCIAL PLANNING AND MANAGEMENT

Financial planning and management is concerned with the selection of specific goals and objectives and also the selection of policies, programmes and procedures specifically designed to achieve these objectives for the third world to have a sustainable financial accountability and company financial report. The main aim of financial planning is to ensure that the resources of the government are properly utilized. Three major questions should be assumed by financial position are:

- The type of assets that the organization/government should acquire
- The amount of funds that should be used for expansion
- Sources and application of funds.

The cost and availability of funds depend upon the quantity and quality of the investment purposes for which they will be used. All companies must answer to those questions so as to provide a conscious design of directing the funds into proper one to achieve the financial goals, which the company sets for itself.

STRATEGIC COMPONENTS OF FINANCIAL PLANNING

1. Setting Financial Objectives. The starting point of financial planning is setting up goals and have objectives to achieve these goals.
2. Planning Ongoing Operations. Projection of expected cash inflows and outflows, making sure that the company has sufficient cash to meet its future obligations they fall due. By financial analysis and through economic evaluation, making sure that available funds are being used in the best possible way. It involves evaluation of performance and the analysis of performance or rate of return on set and turn over ratios.
3. Capital Budgeting. This involves the evaluation of how vital expenditure and measuring the profitability of alternative ways of using funds with the company. It deals with criteria of discriminating between profitable and non-profitable investment and the problem of determining the cost of capital or hurdle rate for desirable investment projects.
4. Optional Finance of Structure. Arising jointly with the problem of efficient funds usage is the problem of how to finance the assets of the firm. Is there some optional way of balancing creditors and equity owners? Internal financing? Shorter and long run sources?

FINANCIAL OBJECTIVES

In furthering the financial objectives of the firm, profit maximization has been frequently used. However, not the best method of evaluating the economic efficiency of alternative courses of action. It has three draw backs:

1. It is vague – which particular profit should be maximized. Short-run or long-run? The amount or the rate of profit? Profit in the sense of total return to capital? Total returns to stockholders? Return to ordinary shareholders only? Profits on owner's capital and time? Profits by conventional profits to take to profit and loss account or adjusted profits to take process of factored, which lie outside the preview of this process.