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FINANCIAL REPORTING AND DECISION MAKING AT LAKE VICTORIA HOTEL

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A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTERS DEGREE IN MANAGEMENT STUDIES (FINANCIAL MANAGEMENT) OF UGANDA MANAGEMENT INSTITUTE

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DECLARATION

I, Sandra Tiwangye, do hereby declare that this research report is my original work and to the best of my knowledge, has not been submitted before for any degree award in any academic institution and that it conforms to the guidelines for presentation and style as set by Uganda Management Institute.

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APPROVAL

We certify that Sandra Tiwangye has prepared the dissertation under our guidance and supervision.

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DEDICATION

This dissertation is dedicated to Ms. Jessica Kafureeka for her contribution towards my career success physically, spiritually, emotionally and financially. May the good Lord bless her by granting her hearts' desires and a good long life.

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LIST OF ABBREVIATIONS AND ACRONYMS

A : Agree

AAA : American Accounting Association

ANOVA: Analysis of Variance

CVI : Content Validity Index

D : Disagree

DITR : Department of Industry, Tourism and Resources

FASB: Financial Accounting Standards Board

GASB: Government Accounting Standards Board

GFOA: Government Finance Officers Associations

IAS: International Accounting Standards

IASB: International Accounting Standards Board

IFRS: International Financial Reporting Standards

K : Number of questions in the questionnaire

LVH: Lake Victoria Hotel

M : Mean

M&E: Monitoring and Evaluation

N : Not sure

No.: Number

r : Pearson's linear correlation

R square: The proportion of total variance

SA : Strongly Agree

SD : Strongly Disagree

SD^2_i: Standard deviation square (variance) for each individual item

SD^2_t: Variance for the total items in the questionnaire

Std : Standard

SDV: Standard Deviation

Sig : Significance

SMEs: Small and Medium Enterprises

SPSS: Statistical Package for Social Scientists

UNDP: United Nations Development Program

ABSTRACT

The study was to establish the relationship between financial reporting and decision making at Lake Victoria Hotel. The study was underpinned by the decision theory and agency theory. The objectives were to find out the relationship between reliability of financial reports and decision making, to find out the relationship between timeliness of financial reports and decision making and, to find out the relationship between understandability of financial reports and decision making. The study took on the cross sectional case study design where both qualitative and quantitative methods approach were used to collect and analyze data. The targeted study population was 43 out of which a sample of 41 was selected using purposive and census techniques. A total of 38 responses were got (92.7% response rate). Data was collected using the questionnaires, interview guide and analyzed using Statistical Package for Social Scientists (SPSS) and content and thematic analysis for quantitative and qualitative data respectively. The findings revealed that there is a significant relationship between timeliness of financial reports and decision making, and a strong significant relationship between understandability and decision making at Lake Victoria Hotel. The study however revealed that there is an insignificant relationship between reliability of financial reports and decision making. The study concluded that timeliness and understandability of financial reports have a direct linkage with decision making at the hotel. The study recommends that for the hotel to improve in decision making there is need to have timely and understandable financial reports. The study further recommends that the managers of LVH should be trained to acquire necessary skills to help understand the financial reports so they make informed decisions.

CHAPTER ONE:

INTRODUCTION

1.1 Introduction

The research was to find out the relationship between financial reporting and decision making at Lake Victoria hotel. Financial reporting was conceived as the IV and decision making as the DV.

This chapter presented the back ground to the study, problem statement, study purpose, study objectives, questions and hypotheses, significance, justification and operational definition of terms.

1.2 Background

The section consists of historical back ground, theoretical back ground, conceptual and contextual back ground.

1.2.1 Historical background

Financial reporting is relatively old in the field of financial management, first coming to prominence in 3000BC in Greece (Belkaoui, 2004). Prior to then, according to Belkaoui (2004), financial reporting was not a necessity as people often used rudimentary methods to manage their finances. This often led to major defaults in the business world.

Stolowy and Lebas (2006) argue that “because of a need of proper guidelines to follow in financial reporting, the International Accounting Standards Board (IASB) was formed in 1973 and restructured in 2001”. The IASB later introduced the International Financial Reporting

Standard (IFRS) for SMEs in July 2009. It is when IASB specified its plan to commence the first comprehensive evaluation of the IFRS for SMEs to measure the first two years' experience that organizations could have had in executing it and to ponder if there is need for any modifications. In some jurisdictions, organizations begun to use IFRS for SMEs in 2010. Therefore, IASB began its first comprehensive assessment in 2012. After bearing in mind the response it got throughout the first comprehensive assessment, and considering the fact that IFRS for SMEs is still a new Standard, IASB has made less modifications to IFRS for SMEs and it is what is being used at the moment.

The need for proper financial reporting came from 1944-1974 as noted in the World Bank Report(2004) which ranked Australia as the second easiest economy but was still inefficient and needed intervention by the accounting practitioners (DITR, 2006)

In Uganda following the 15years of Idi Amin war and civil war, the economy was ruined. Since then, Uganda is one of the fastest developing economies in Africa, leading to a considerable decrease in poverty. However, Uganda had a few accountants that would do book keeping and reporting (Florence, 2010). The need for more of these led to the spread of the subject matter and consequently saw Uganda adopting the use of the international financial reporting standards. It in the process became a recommendation that all entities use IFRS or IFRS for SMEs while making financial reports. This is according to the Ugandan profile for Financial Reporting filing requirements around the world (2015). This has consequently improved decision making in the various businesses especially while planning, controlling and monitoring.

Decision making according to Buchanan and O'Connell 2006, originates from Chester Barnard, a retired telephone manager and writer of '*The Functions of the Executive'*. He brought in the concept “*decision making*” from the vocabulary of public administration in the business sphere. It started to substitute thinner descriptors like “resource allocation” and “policy making.”

“The institution of that expression altered how managers thought on the way they did and urged fresh crispness of action and yearning for resolution”, William Starbuck. He explains that “Policy making could go on and on endlessly, and there are always resources to be allocated”. “Decision’ implies the end of deliberation and the beginning of action.” It can therefore be concluded that what started in 3000BC in Greece as mere algebra and arithmetic has now developed into written guidelines for financial reporting that every business ought to follow to make better decisions (Belkaoui, 2004).

1.2.2 Theoretical background

Various theories have been formulated on financial reporting and decision making such as decision theory and agency theory.

Agency theory: It suggests “the existence of a contractual arrangement between the owners of economic resources and the managers of the entity who are granted the responsibility of controlling and utilizing the resources” (Jensen & Meckling, 1976). The theory assumes that “agents have more information than the principals and this information asymmetry adversely affects the principals’ ability to monitor the fulfillment of their interests by the agents and that agent’s act rationally and use the contractual arrangement to maximize their wealth” (Berle & means, 1932). As a consequence, they tend to act against the interest of the principals creating what is referred to as agency problem.

This theory was used because decision making is one of the numerous instruments in addressing the agency problem.

Decision theory; as a concept of accounting theory suggests that "decision-making is not an instinctive process but a cognizant assessment of likely substitutes which lead to results" (Maharshi Dayanand University, 2004). It is a coherent system which includes the following steps; recognition of a problem which requires decision, describing all the likely substitute solutions, assembling all the information necessary to these solution, measuring and ranking the advantages of alternate solutions, evaluating the best substitute solution by selecting that one that is extremely ranked and valuing the decision by way of information feedback.

"The significance of decision theory as a vital concept of contemporary accounting theory becomes apparent from the Financial Accounting Standards Board (FASB) goals and characteristics of accounting information and True Blood Committee Report which came down seriously in courtesy of decision usefulness of financial information" (Maharshi Dayanand University, 2004). In addition to earlier suggestions made, "*A Statement of Basic Accounting Theory* by the AAA predicted the role of accounting information for such decision usefulness to executives, creditors and investors.

In decision theory, reporting cannot be seen as a discipline with no collaboration with other operational tasks of the business. Accounting functions are entangled with management decision examination because, as an information system it offers substantial information on the firm for internal and external management use.

It is in this theory that the Financial Accounting Standards Board (2014) spells out qualities of financial reports as, reliable, timely, and understandable among others. These qualities were adopted as objectives as informed by the theory hence guiding the study.

1.2.3 Conceptual background

In this study the dependent variable was decision making. Decision making in this context refers to the act of choosing the best alternative while planning, monitoring and controlling (Saaty, 2008) which Buchanan and O'connell, (2006) would rather call "policy making" and "resource allocation" respectively. Every manager needs information from financial reports to make informed decisions. Good decisions in terms of planning, controlling and monitoring will lead to profitability of any organization. Kazooba, (2006) "although Uganda is among the nations with high start up of businesses, it has the highest number of non - performers as well as high closure". "Failure was attributed to inability of financial managers to plan, monitor and control the current assets and liabilities of respective organizations" (Mbaguta, 2002). In this study, the independent variable was financial reporting. Financial reporting refers to the preparation of financial statements like the balance sheet, income statements, statements of cash flows and statements of owners' equity in a manner that follows the financial reporting standards. According to Belkaoui, (2004), financial reporting has functions that include prevention of fraud, guiding the industry, determining equities, solving all essential conundrum of business, facilitating the government in its fiscal operations, guiding the business manager in the attempt to secure decision making. According to International Financial Reporting Standards for SMEs (2009), "financial reporting is majorly indicated or shown from the various financial statements and these often show results of stewardships of management and interested users are able to make economic decisions". Financial reporting was conceptualized as reliable, timely and understandable.

1.2.4 Contextual background

This study was conducted at Lake Victoria Hotel in division B Entebbe Municipality. The hotel has established the use of financial reporting to achieve decision making so as to avoid poor planning, monitoring & evaluation and controlling. An analysis of the financial statements of Lake Victoria hotel shows that the hotel has experienced losses (LVH annual report 2014). Lake Victoria hotel was formed with a goal to provide hospitality services, particularly one point of excellent sale of accommodation, food, beverages that exceed customer expectation; supported by a well-developed and motivated financial team that delivers timely and effective information to meet the needs of management (Lake Victoria memorandum 1994). According to the management framework for Lake Victoria hotel, March 2012, decision making is based on the financial information acquired which emphasizes proper planning (financial planning), monitoring & evaluation and controlling (controlling of costs). The existing dismay however is that this state of affairs has not translated into significant decision making. It appears that the financial reports given are still being queried.

1.3 Statement of the problem

Lake Victoria hotel was established in the early 1990's. The hotels' business is hinged on providing hospitality services, particularly one point of excellent sale of accommodation, food, beverages that exceed customer expectation at a return for shareholders (LVH memorandum). Over years, the hotel has been profitable. "This has been due to sound decision making and guided by prudent financial reporting" (LVH Annual report, 2000). Though, of recent, the hotel has suffered losses. For instance, the hotel has made losses of up to 5million Uganda shillings in 2014, reflecting a 100% increase from a previous loss of 2.5million in 2011(LVH annual report, 2014). It is envisaged that once financial reports are used, firms are able to make decisions necessary for improving business returns. However, despite the use of financial reports at LVH, formerly positive profitable returns have become negative. There is need to explore how financial reporting can best be utilized to improve decision making of LVH.

1.4 Objective

Its purpose was to find out the relationship between financial reporting and decision making looking at Lake Victoria hotel.

1.5 Specific objectives

i. To find out the relationship between reliability of financial reports and decision making at LVH.

ii. To find out the relationship between timeliness of financial reports and decision making at LVH.

iii. To find out the relationship between understandability of financial reports and decision making at LVH.

1.6 Research questions

i. What is the relationship between reliability of financial reports and decision making at LVH?
ii. What is the relationship between timeliness of financial reports and decision making at LVH?
iii. What is the relationship between understandability of financial reports and decision making at LVH?

1.7 Hypotheses

i. There is a significant relationship between reliable financial reports and decision making at LVH.
ii. There is a significant relationship between timely financial reports and decision making at LVH.
iii. There is a significant relationship between understandable financial reports and decision making at LVH.

1.8 Conceptual framework

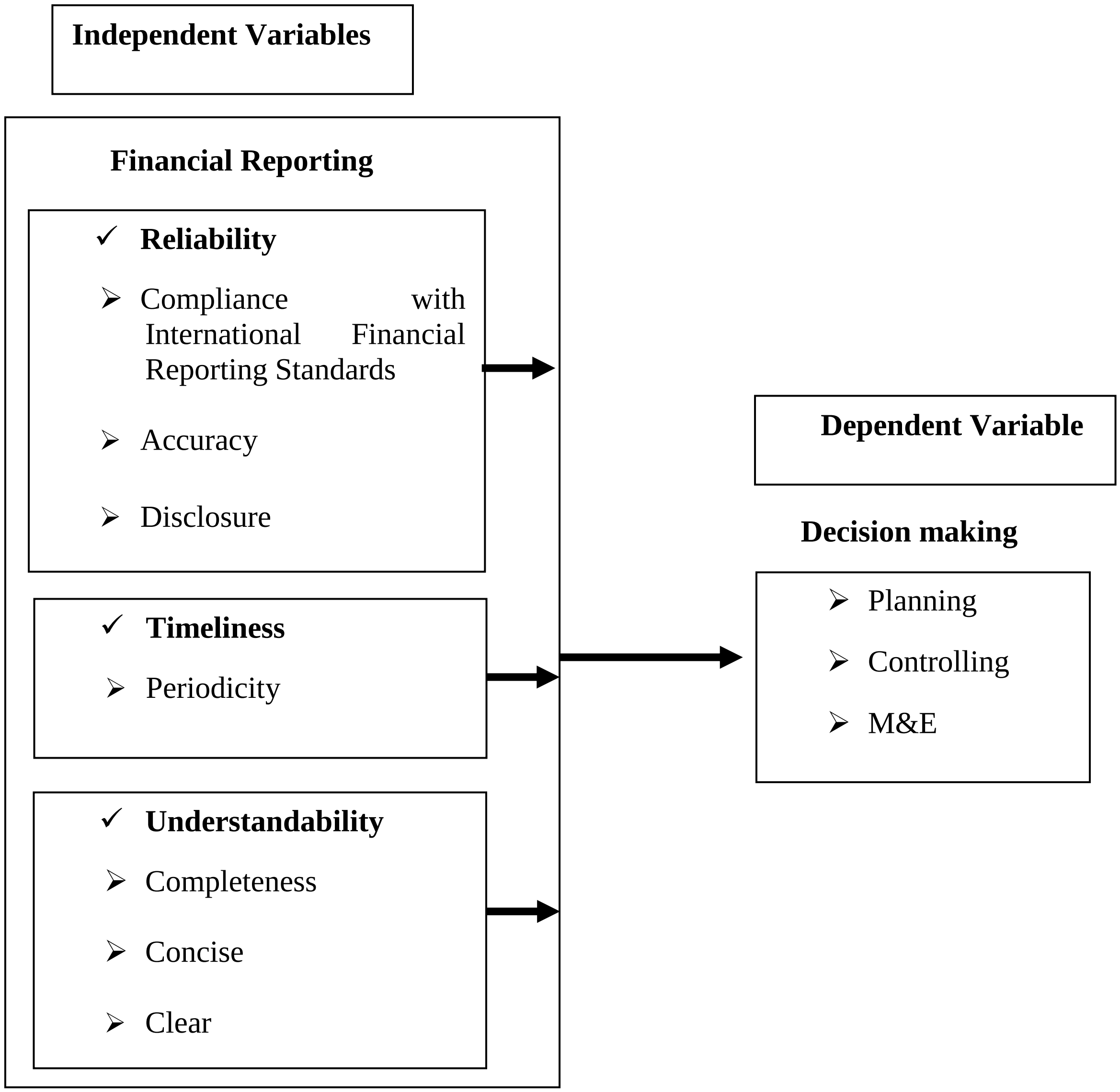

Figure 1: Conceptual framework showing the relationship between financial reporting and decision making.

Source: Developed basing on financial accounting standards board (2014) and Saaty (2008).

In the above conceptual framework, it shows a many to one scenario whereby reliability, timeliness and understandability as independent variables have an impact on decision making which is the dependent variable. The study established whether reliability, timeliness and Understandability have a relationship with decision making at LVH.

1.9 Scope

1.9.1 Content scope

This study concentrated on financial reporting dimensions of reliability, timeliness and understandability of information as the independent variable and how they affect decision making under the indicators of planning, monitoring & evaluation and controlling at Lake Victoria hotel.

1.9.2 Time scope

This study found out the relationship between financial reporting and decision making at Lake Victoria Hotel and it utilized data of 5 years covering the period 2011 to 2015 because it's the period the staff of Lake Victoria hotel registered losses and was undergoing massive training and system changes in the various departments.

1.9.3 Geographical scope.

This research was done at Lake Victoria hotel in Division B Entebbe municipality. In this study, focus was on finding out the relationship between financial reporting and decision making of the organization.

1.10 Justification of the study

Many Businesses have been seen collapsing as soon as they are set off. They are faced with the challenges of ever increasing costs in operating expenses and losses in sales and revenue (World Bank report, 2004). These have been linked to various reasons like poor decision making aligned with improper financial reporting. However, this has been largely discussed internationally. This study therefore catered for the local setting.

1.11 Significance

These research findings were useful as below;

i. The study findings were expected to allow accounting and finance team evaluating some of the procedures governing financial reporting and predict if they are producing the intended results.

ii. The study intended to help central government to figure out several ways to take up as a step to improve financial reporting-decision making levels.

iii. This study enabled the government and public to monitor and appraise financial performance on the basis of financial reporting recommendations and guidelines.

iv. To the academia, the study added knowledge on existing knowledge gap in financial reporting.

1.12 Operational definitions of terms and concepts.

Financial Reporting: It refers to the preparation of financial statements like the balance sheet, income statements, statement of cash flows and statements of owners' equity in a manner that follows the financial reporting standards.

Decision making: It is considered as the cognitive process resultant in selection of a belief of action amongst several other options.

Reliability: It is a reporting guideline which refers to financial reports being free from material error, bias and can be depended on by the users to symbolize that it purports to represent.

Timeliness: Is the need for accounting information that presented to users to achieve their decision making requirements.

Understandability: necessitates information given in financial reports to be concise, complete and clear in presentation.

Planning: It is a comprehensive process for setting goals and determining how to realize them.

Controlling: A practice of regulating activities/ resources so that actual outcome conforms to standards.

Monitoring & Evaluation: It is the process that helps improve performance and achieve results. It helps to check that outputs are as planned.

SMEs: SMEs are defined as businesses that employ 5-50 (medium scale) and 51-500 individuals (small scale).

In the next chapter, the researcher reviewed and presented literature on the different aspects of financial reporting and decision making.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presented literature review on different aspects of financial reporting and decision making. She reviewed a selection of literature as presented in the text books, journals, magazines, internet and articles on financial reporting and decision making. This chapter was arranged under theoretical review, conceptual review, actual literature review done on objective by objective and a summary of literature.

2.2 Theoretical Review

2.2.1 Decision theory:

This study was guided by Maharshi Dayanand University's decision theory (2004). In this theory, "decision making is not an instinctive process but a conscious assessment of likely options which lead to outcomes that optimizes the goal".

According to the American Accounting Association (AAA), "reporting roles are interweaved with managerial analysis because it offers key information on the firm for internal and external management use". Therefore this theory calls for financial information to help and become a tool for decision making. Decisions that are made by management are often determined by the information got from the finance department. For example a decision to increase employee's salaries should depend on how much profit the organization is making. Knowing how much profit the organization is making, is or should be as a result of proper financial reporting that will clearly give a picture of what is happening.

The decision making theory demonstrates the following assumptions: recognition of the problem which requires decision, outlining all likely solutions and valuing the decision by means of information feedback. A decision made by management without considering the financial information will consequently harm the organization and in the long run lead to its failure and collapse.

2.2.2 Agency theory:

It is related to solving problems which exists in agency relationships, i.e. among principals like agents of principals e.g. company managers. The two challenges which agency theory looks at are; those which arise when the desires of the principal and agent are in conflict and the principle is not able to prove what the agent is really doing, and the challenges which emerge when the principal and agent have varying attitudes towards risk. Due various risk tolerances, the principal and agent can be motivated to take different actions (Berle and means, 1932). Whenever, this relationship is not keenly handled, one party tends to mislead the other. This has previously happened with various companies such as Mid-com, Barclays and Enron. At Enron, there were complicated financial statements that were unclear to shareholders and analysts. Its complicated business ideal and unethical practices needed that the institution uses accounting loopholes to distort earnings and adjust the balance sheet to indicate favorable performance.

A mixture of these matters caused bankruptcy of the organization, and most of them were perpetuated by direct actions of Kenneth Lay, Jeffrey Skilling, Andrew Fastow, and others. Lay worked as the chairperson for the organization in its later years, and ratified the activities of Skilling and Fastow, though he did not continuously query the particulars. Skilling continuously concentrated on meeting Wall Street expectations, advocated the use of mark-to-market accounting and pressured Enron executives to discover other methods to hide its debt. Fastow and others "created off-balance-sheet vehicles, complex financing structures, and deals so bewildering that few people could understand them." This consequently led to the down fall of the company. The theory therefore spells out the fact that both the agent and principal should be in the know of what is happening and clearly get information on whatever is going on in their company with clarity.

2.3 Conceptual Review

According to Stolowy & Lebas (2006), financial reporting refers to "the preparation of financial statements such as balance sheets, income statements, statement of cash flows and statements of owners' equity in a manner that follows the financial reporting standards as guided by a specific government or body" (IFRS for SMEs 2009).

According to Belkaoui (2004) financial reporting begins with the accounting process which includes recording day to day transactions, analyzing them to see which books of accounts they belong to, and later summarizing them into meaningful and useful information for management of the organization. According to Belkaoui (2004), reporting has functions that include prevention of fraud, guiding the industry, determining equities, solving all essential conundrum of business, facilitating the government in its fiscal operations and guiding the business manager in an attempt to secure informed decision making. He in essence argued that none of the above was achieved if the financial reporting of the organization was lacking or insufficient. By insufficient, the researcher meant if the reports are not reliable, timely and understandable as these are some of the major qualities of good financial reports (FASB).

2.4 Reliability of financial reports and decision making:

According to International Financial Reporting Standards (2003), reliability is concerned with financial statements that are free from material error and bias and comply with the known reporting frameworks such as the International Accounting Standards/ International Financial Reporting Standards (IFRSs/IAS). Hans Hoogervorst, the incoming chain of the IASB said in a speech to a European commission conference on 9th February 2011 that financial statements should contain information that is as unbiased and reliable as possible. The IFRS body set standards that SMEs should follow in 2009. These standards highlight the fact that financial reports must be of high quality and acceptable to all users. According to Lempert (2013) the best way to improve decision making is by guidance got from reliable financial statements ensured by complying with the acceptable financial reporting framework. The IFRS for SMEs (2009) further suggested accuracy as one of its objectives that enables users of financial information to make economic decisions. It clearly highlights what content is necessary in every financial statement. Investors and creditors feel confident when they are making right decisions and dependable financial material is always key to decision making process. Unreliable financial statements can be very risky. E.g. if an organization is sold, the approved sale price can be significantly modified when real results reveal a financial position which is changing with financial reporting on which the original price was founded. Organizations may have harder time regulating their costs, getting investors or paying higher interest rates as users may realize the in-built risks in depending on on financial statements which are not based on any standard framework like the IFRS. Kumaran, (2015) “for any business other individuals to operate it, the significance of accurate financial reports cannot be under looked”. Some of the essential financial reports which are imperative for a company are income statements, balance sheets, statements of stockholders equity, cash flow statements and statements of comprehensive income.

“The numbers revealed in these financial reports play an huge role in making decisions, planning strategies, determining success, estimating failures and informing the world the company story” (Kumaran, 2015).

According to the Inland Revenue department of Hong Kong (2005), “reliable and accurate records allow you to be in better control of your business by helping with financial planning and decision making, portrays a more professional image that makes it easier to deal with your bank and also detects losses and thefts”. According to Mukunde (2015), “keeping proper books of accounts allows the owner of the business to track his growth and also manage costs”.

International Financial Reporting Standards (2009) further suggests that for financial reports to be more reliable there should be disclosure of proceedings of the organization. This should be done at the beginning and end of the period to enable comparison of the various events. . For example, comparing expenses of the first quarter with the next can guide a decision maker on which way to deal with the following quarter hence proper planning and control. It is therefore very important that organizations report their day to day transactions in a proper acceptable standard so they are able to meet decisions.

2.5 Timeliness of financial reports and decision making.

According to the Government Finance Officers Associations executive board (2008), "financial reports are intended to meet the needs of decision makers". Therefore, timeliness was recognized as one of the features of information in financial reporting in Concepts Statement No. 1 of the Governmental Accounting Standards Board (GASB*)*, Objectives of Financial Reporting". To achieve this objective, financial statements should be available in time to help in decision making. Thus, financial statements must be published as soon as possible after the end of a reporting period.

"This function is desired as information presented is usually relevant to users' delay in provision of information attempts to render it less pertinent to the decision making requirements of users" IFRS, (2003). According to Accounting-simplified.com (25/02/2016), "it is important to protect users of financial statements from building their decisions on obsolete information". Think of a problem which could rise if an organization was to subject its financial reports to users after twelve months of the accounting period. Users of financial reports like managers and potential investors would find it cumbersome to evaluate if present financial conditions of the organization have changed from those shown in the financial reports. These problems can be omitted by reporting financial performance of organizations with adequate regularity (e.g. quarterly, bi annually or annually) contingent on the size of the organization or its complexity.

Timeliness of accounting information is highlighted in IAS 10 events. After the reporting period which necessitates organizations to state all important post balance sheet proceedings which happen up to the date when they are official to be issued out. This confirms that users are informed of any substantial transactions and actions which occur after the reporting period when financial reports are issued other than waiting for the next set of financial reports for this information. The Government Finance Officers Associations executive board (2008) spelt out the need for timeliness and however mentioned that the organizations should certainly not sacrifice reliability for timeliness that there should be an achievable balance. The GFOA makes recommendations on ways to enhance timeliness of financial statements;

Periodicity: This refers to the period financial reports are presented. It should be undertaken at least four times a year to warrant ongoing completeness, accuracy and enable planning.

2.6 Understandability of financial reports and decision making:

"Understandability necessitates he information presented in financial statements to be concise, complete and clear" (Lempert, 2013). Managers and other executives should understand financial information in financial reports. "Line managers must be able to understand financial information contained in financial statements and reports in order to evaluate their units to communicate clearly with other managers and to apply financial information when making decisions" (Escobedo, 2009). The IASB highlights understandability of financial reporting standards based on clearly articulated principles. According to Lempert, (2013) "for financial reports to be understandable, they ought to be";

Complete: "The text presented should include all key information. E.g, they must indicate cash flows, liquidity and solvency for the user to appreciate the whole scope of future responsibilities".

Concise: "Do not conceal the users of financial information with an undue amount of detail". It implies presenting an adequate amount of information which is easily scanned for highlights". Between 2004 - 2005, the IASB received various comments from the users of the financial standards and highlighted what they thought was unnecessary to be presented and made adjustments accordingly in the IFRS for SMEs 2009.

Clear and organized: According to IFRS for SMES (2009), different financial statements are prepared topically in different sections and paragraphs. This is for clarity and to enable the reader to understand these reports better.

According to Haeflinger (2004), "information should be disseminated to facilitate its users". Nevertheless, did not prescribe any complicated information to be omitted because of its underlying difficulty in understanding. It necessitates to reveal information logically instead of presenting it unsystematically. e.g, financial statements recognized through giving the name of the financial reports, the organization and period covered by the report. In her presentation, Haeflinger, (2004) further stated that "managers or users of the financial information must be made to understand the key factors and also *numbers* so they make informed conclusions that will facilitate their decision making".

2.7 Decision making.

"Decision making is often thought to be synonymous with management and is one of the criteria on which management expertise is judged" (Marquis, 2009). It is a complicated cognitive process regularly defined as selecting a particular course of action. Decisions include numerous intangibles which must to be traded off. "To do this, they should be assessed together with tangibles whose dimensions should be measured as to how well they serve the objectives of the decision maker" (Saaty, 2008). "Decision making for which we collect most of the information has currently become a mathematical science today" (Figuera et al., 2005). It validates the thinking we use for making better decisions transparent in its features. Managers are often requested to make decisions which help the organization's capital work harder or reduce overhead costs. "Familiarity with these elementary forms of financial reports and the ability to understand the numbers is essential to sound business decision making" (Ohio University, 2016). For instance, the cash flow statement is one of the documents for making management decisions. It informs managers if the organization has money to pay its bills in short or long term. "The information got from a sound financial reporting system as revealed from financial reports will give a report on the company's financial position which is useful to a wide range of users for assessing the stewardship and making economic decisions (Glendinning, 1998; Davies, 2007).

Decision making is very vital in every organization and is often guided by the organizations financial reports (Chand, 2006).

According to Saaty 2008, decision making has an analytic hierarchy process which involves the following steps;

I. Define the problem and determine the kind of knowledge sought

II. Structure the decision hierarchy from top with the goal of the decision, then the objectives from a broad perspective through the intermediate levels to the lowest levels.

III. Construct a set of pair wise comparison matrices. Each element in an upper level is used to compare the elements in the level immediately below with respect to it.

IV. Use the priorities obtained from the comparison to weigh the priorities in the level immediately below. For each element in the level below, add its weighed values and obtain its overall goal or global priority.

    It is from these steps that we realize Saaty (2008) argues that decision making involves planning, controlling and monitoring and evaluation.

Planning: It is the process of setting goals and deciding how best to achieve them (Stoner 2001). "In this case the researcher will focus on financial planning which refers to the task of determining how the business will afford to achieve its strategic goals and objectives" (Tham

2008). This involves budgeting and making financial plans which describes each activity, material and resources that are needed to achieve these objectives. According to Tham 2008, analyzing of financial reports guides management while making plans and budgets as they do it in reference with the information given therein such as the cash flow statement. “A good business manager can see possibilities for growth and efficiencies behind the numbers of a balance sheet and consequently decide on the plan for the organization” (Ohio University, 2016). It is the role of management to deal with long term planning that is specific, measurable, achievable, and realistic and time bound (kamukama 2013). It is therefore important that management gets proper financial reports to guide this.

Controlling: It is the process of regulating activities so that actual outcomes conform to standards (Stoner 2001). In this study, we mainly look at control of costs which implies the practice of managing and or reducing business expenses. It starts by the business identifying what those costs are and evaluate whether the costs are reasonable and affordable. Loss making is unacceptable in any organization largely because it directly affects the various shareholders and therefore management has a major function of seeing that they operate at the lowest possible cost. The income statement is the document that often guides the manager on this kind of operation as it shows the operating expenses and costs on goods and services. Companies often want to keep close track of expenses so they allocate resources more strategically (Ohio University 2016). The most effective way to control costs is by reducing the level of irregularities and fraud through improvements in the company’s systems of financial reporting. Shareholders need to be assured that their resources are being used efficiently and effectively in providing the right service at the least cost.

Monitoring and Evaluation:

"It is the process that helps improve performance and achieve results. It is a systematic process of collecting, analyzing and using information to track a program's progress towards reaching its objectives and to guide management decisions" (Gage & Dunn, 2009).

"Evaluation applies the lessons and recommendations to decisions about current and future programs. It has other purposes that include; enhancement of organizational and development learning, ensuring decision making and support substantive accountability and repositioning" (UNDP, 2005).

2.8 Summary of Literature Review:

A review of literature suggested that realization of proper decision making depends on whether organizations have good quality financial reports. Non- compliance to the financial reporting principles and regulations was one of the major limitations to the achievement of proper decision making in most organizations. Weak, non-compliance, non-existent or absent financial reporting standards are likely to negate any advantages that might be inherent in achieving decision making of any organization. Therefore, there is need to establish the relationship between financial reporting and decision making. It can be concluded from the literature that reliability, timeliness and understandability are significant predictors of quality financial reports and consequently guide decision making of organizations. Further literature on global trends suggests that financial reports should not be doctored if they are to be used for sound decision making. However, several studies showed that no significant research has been made at the local levels. The researcher therefore, directs the study to fill this gap.

In the next chapter, the researcher discussed the methodology that was used in the study.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter provided the information concerning the methodology used in this study. It presented among others the research design, study population, sample size determination and sampling techniques, data collection methods and instruments, data collection procedures, data analysis, measurement of variables and ethical considerations.

3.2 Research Design

"Research design is the way requisite data can be gathered and analyzed to arrive at a solution" (Denscombe, 2014). This study was undertaken using a cross sectional survey design. "The researcher used this design because the study involved the analysis of data collected from a population at one specific point in time, it is relatively inexpensive, takes a short period of time to conduct and data could be collected only once" (Sekaran, 2003). It can also be conducted on representative samples of a population and there are seldom ethical issues (Schmidt, 2008; Mann, 2003). The researcher employed a mixed approach that took on qualitative and quantitative to investigate the relationship between financial reporting and decision making at Lake Victoria Hotel. This study therefore used methods including questionnaires, interviews and document review. Interviews assisted to provide rich data and help explore, dig deep and understand complex issues raised by respondents. The questionnaire was helpful in reaching out to a large group of respondents. It also allowed for confidentiality and anonymity on the part of respondents. Documentation review further assisted to obtain rich data.

3.3 Study Population

Denscombe, (2014) “the entire group of people, events, or things of interest which the researcher wishes to investigate”. A population is important as it gives a pool for selection of a sample size. This study was carried out at Lake Victoria Hotel, focusing on managers, the finance and accounting staff and the sales and marketing team mainly because they are knowledgeable about the area of study. The target population was 43 comprising of 12 sales and marketing staff, 16 finance and accounting staff, 12 middle managers and 3 top managers.

3.4 Determination of the Sample size

“A sample is a smaller group obtained from the accessible population” (Mugenda & Mugenda 1999). “The sample size for this study was determined using” Krejcie & Morgan, (1970) sample size determination table. The strata included top managers, middle managers from various departments, the finance and accounting staff and the sales and marketing team. According to Krejcie & Morgan, the researcher took on 41 respondents as the sample size.

Table 1: Research respondents by category and sample

Category	**Population**	**Sample**	**Sampling technique**
Top Managers of Lake Victoria Hotel	3	3	Census
Middle managers of Lake Victoria Hotel	12	12	Census
Sales staff at Lake Victoria Hotel	12	12	Census
Finance and Accounting staff of Lake Victoria Hotel	16	14	Purposive
Total	**43**	**41**	

Source: Lake Victoria Structure (2015) and Krejcie & Morgan (1970)

3.5 Sampling Techniques and procedures

The sample used for the study was derived using stratified sampling for the respondents to ensure that the interests of the population are represented in the sample to enable valid generalizations (Amin, 2005). The different strata included top managers, middle managers, sales and marketing and the finance and accounting staff of Lake Victoria hotel.

Critical case sampling: It is the process of selecting a small number of important cases that are likely to yield the most important information and have the greatest impact on the development knowledge (Patton, 2001). For purposes of this research, one single case study was adopted, the Lake Victoria hotel. Most organizations of this nature do not live to see their second birthday. However, Lake Victoria Hotel has survived since the 1990's. Its current situation of incurring high costs and losses makes it relevant to study and get information to represent what might be going on in the other organizations.

Within the case study of LVH, the study went deeper to sample respondents using;

Purposive: It is a non probability sample that is selected based on characteristics of a population and the objectives of the study (Thompson, 2012). It was used on the finance and accounting staff because it is believed that they are relevant to the objective of the study.

Census: It is a study of every unit, everyone or everything in a population. It is known as a complete enumeration which means a complete count. This sampling method recommends that the study takes the entire population as a sample if it is below 15respondents (Krejcie and Morgan, 1970). This was used on the top managers, middle managers and the sales and marketing staff.

3.6 Data Collection Methods

These are the specific means and ways used in the collection of data (Denscombe, 2014). The researcher used multiple data collection methods so that validity of findings is assured. Primary data was collected using the questionnaire survey and interview methods and secondary data through documentary review method.

3.6.1 Questionnaire Survey

This method was chosen because it permitted the researcher to gather data logically and address research concerns in a consistent and economical way. "It was used because it is easy to administer to such a large number of respondents in a short period of time. It is also flexible and can be used to collect data within a short time" (Sekaran, 2003). Questions were helpful in collecting sensitive information from respondents. There was also an assurance of achieving honesty and confidentiality using this method.

3.6.2 Interviews

"An interview is a procedure designed to obtain information from a persons' oral response to oral inquiries" (Dessler, 2006). Face to face interviews was used to supplement the questions. This method was used on 3 top managers of Lake Victoria Hotel because they were expected to be more knowledgeable and provide insight on the variables. Mugenda & Mugenda (1999) "interviews provide in depth data which is not possible to get using questions and the beauty about it is that interviews can take advantage of the interactive situation to get further information or clarification on responses given thereby enriching the findings". Interviews were carried out by the researcher herself to save on time and costs.

3.6.3 Documentary Review

This method involved the researcher looking at written sources of data to enrich findings (Denscombe, 2000). The researcher reviewed documents and extracted data to supplement questions and interviews hence enriching the findings. As other academicians have found out, the advantage with documentary review is that data can be verified by other scholars; saves time and costs of acquiring information (Sekaran, 2003) and is flexible since data can be accessed at any suitable times (Oso & Onen, 2009)

3.7 Data Collection Instruments

This means description of instrumentation and tools used in the collection of data. Data was collected using the questionnaires, interview guide and documents checklist.

3.7.1 Questionnaire

"A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents" (Denscombe, 2014). It is where the researcher pre-determines the questions to which he/she carried to the field and was grounded on the constructs identified in literature review. The questionnaire allowed the researcher to collect data systematically and addressed the research issues in the standardized and economical way as it is easier and cheaper to collect data from a large group of respondents in a limited time. Mugenda & Mugenda, (1999) "structured or close ended questions are easier to analyze since they are in an immediate usable form". They are easy to manage because answers follow each item. Also this was useful due to limited time and resources. Questions were scored on a five point Likert scale ranging from 5-1 i.e. strongly agree-5, agree-4, not sure-3, disagree-2 and strongly disagree-1. The questionnaire was pre-tested in order to ensure reliability and validity and that enabled to build confidence that the instruments yielded good results. Questionnaires were used on the sales and marketing team, the finance and accounting staff and the middle managers of LVH to collect first hand data.

3.7.2 Interview Guide

An interview guide is a set of topics or questions about which the interview is conducted (Dessler 2006). Open ended questions were used because they are easy to fill and save time (Mugenda and Mugenda 2003, Kothari 2004). The researcher developed the interview guide based on the constructs identified in the literature review. The guide assisted the researcher to remain on track while conducting the interviews. Interviews with Lake Victoria Hotel top management staff were conducted by the researcher herself to allow the respondent a free associative environment.

3.7.3 Documents Checklist

This means a list of books and documents that reviewed in the data collection process. A researcher read a great deal about the subject he or she was going to undertake in order to get the back ground and to find out information from other studies on a similar topic. An evaluation check list for analyzing was used for secondary data that is expected to supplement the primary source (Amin, 2005). A range of documents were reviewed and these include, the LVH management report (2014) and the LVH Annual reports (2011-2015)

3.8 Validity and Reliability

3.8.2 Validity

Validity refers to the appropriateness of the research instruments (Amin, 2005). In this study, validity tests were carried out prior to the administration of these instruments. This was done to find out whether the questions were capable of capturing the intended responses. The researcher consulted expert judgment in order to assess the content validity index (CVI) for each item. For the instrument to be acceptable as valid, CVI of at least 0.7 or above was considered (Amin, 2005). The researcher was to refine the instruments in case the CVI was below 0.7. The CVI was given by the following formula:

CVI = Number of items declared valid

a. Total number of items

The instruments for this study were valid since they calculated a C.V.I of 0.84.

3.8.3 Reliability

Sekaran (2003) defines reliability as the measure of the degree to which a research instrument yields consistent results. It is an indicator of the suitability, repeatability and consistency with which the instrument measures concepts. The researcher conducted a pre-test of the instruments with 10 respondents within Lake Victoria Hotel to help uncover and identify the inconsistencies to be corrected. This was to demonstrate truthfulness and honesty (Denscombe, 2014). The Cronbach Alpha coefficient was computed until at least the minimum reliability index of 0.7 was got which is always required (Amin, 2005). The Cronbach Alpha coefficient was computed using the following formula:

$\alpha = (K/K-1)\ 1-\sum SD^2i/SD^2t$. Where;

K = Number of questions in the questionnaire

SD^2i = Standard deviation squared (Variance) for each individual item

SD^2t = Variance for the total items in the questionnaire

The instruments for this study were tested reliable since they gave a statistic of 0.79

3.9 Procedure of Data Collection.

Data collection procedure is a brief explanation of the researcher on the procedure that was followed in the data collection exercise. Upon approval of the proposal by Uganda Management Institute, the researcher obtained a letter of introduction. This was used to get permission to carry out research at Lake Victoria Hotel. The researcher proceeded to fine tune the instruments and test run them before administering them to the respondents. The researcher went to the field to collect data on the study subject. Questionnaires were administered to respondents who were given a timeframe within which to complete and return them. The data collected was sorted, coded for analysis using SPSS computer package. The researcher held face to face interviews herself with top management of Lake Victoria Hotel based on their convenience. Appointment dates were set and recorded in the diary before proceeding to hold the interviews as agreed. After collecting data, the researcher edited, analyzed and interpreted it for the findings.

3.10 Data Analysis

Data analysis refers to a process of organizing data so that the readers can get a meaning out of it (Denscombe, 2014).

3.10.2 Quantitative Data Analysis

All quantitative data consisting of numeric values was analyzed using descriptive statistics and inferential statistics such as regression and correlation analysis especially when testing hypotheses and the relationship between variables. Data was also exported to statistical package for social scientists software (SPSS) for final analysis and interpretation and was presented using figures and tables.

3.10.2 Qualitative Data Analysis

Qualitative study is about understanding that deep knowledge that comes from visiting personally with participants (Creswell, 2013). Qualitative data was analyzed systematically and thematically based on objective by objective. The researcher condensed data into memos to sieve out the unnecessary information (Creswell, 2013). Analysis involved identifying patterns, inconsistencies and relationships and reasons for their occurrences with the aim of explaining the relationship between financial reporting and decision making at Lake Victoria Hotel. Using content analysis, data was critically studied, analyzed and interpreted to generate meaning and conclusions made thereafter in line with the objectives of the study. Data was presented in short sentences.

3.11 Measurements of Variables

Measurement of variables refers to the formulae or scale that used in the study. For qualitative data, initial responses were noted, while for quantitative data; a Likert scale was used to measure the variables. The variables was measured by a five point Likert scale of 5-1 (i.e. strongly agree-5, agree-4, not sure-3, disagree-2, strongly disagree-1).

3.12 Ethical Considerations

These are standards of conduct that a researcher followed while carrying out the study (Descombe, 2014). Ethical standards prevent against the fabrication or falsifying of data and therefore promote the pursuit of knowledge and truth which is the primary goal of research (Rensnik, 2015). To ensure privacy, the respondents were informed that their names were not required and participation was voluntary. To ensure confidentiality, the respondents were informed that the information sought was for academic purposes and the data obtained was treated in confidence as recommended by Amin (2005).

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

In this chapter, the results are presented, analyzed and interpreted. The chapter highlights the response rate, demographic characteristics of the respondents and empirical study findings of the study according to the objectives of the study which was to find out the relationship between financial reporting and decision making at LVH. The analysis was done using SPSS statistical package. The data collected was presented using distribution, pie charts, frequency tables, and figures. Qualitative data was presented in short sentences.

4.2 Response Rate

Table 2: Showing the response rate for questionnaires and in-depth interviews

Category	**Population**	**Sample size**	**Response Rate**
Top Managers of Lake Victoria Hotel	3	3	3
Middle managers of Lake Victoria Hotel	12	12	10
Sales and marketing staff of Lake Victoria Hotel	12	12	12
Finance and Accounting staff of Lake Victoria Hotel	16	14	13
Total	**43**	**41**	**38**

Source: Primary Data

This study had a study population of 43; a sample size of 41 was selected for the study, of these sampled respondents, a total of 35 returned the questionnaires completed and 3 were interviewed giving response rate of 92.68%.

4.3 Demographic Characteristics of Respondents

To determine the background characteristics of the respondents the study focused on gender, age, education level and time spent at Lake Victoria hotel.

Demographics allow you to determine whether you are actually reaching your target audience. Knowing the distribution of the demographic characteristics of your respondents helps in determining how close the sample replicates the population. It further enables you to differentiate between different sub-groups.

4.3.1 Gender of Respondents

This section looked at the gender of the respondents which was categorized as male and female. The results were analyzed using descriptive statistics and are presented below:

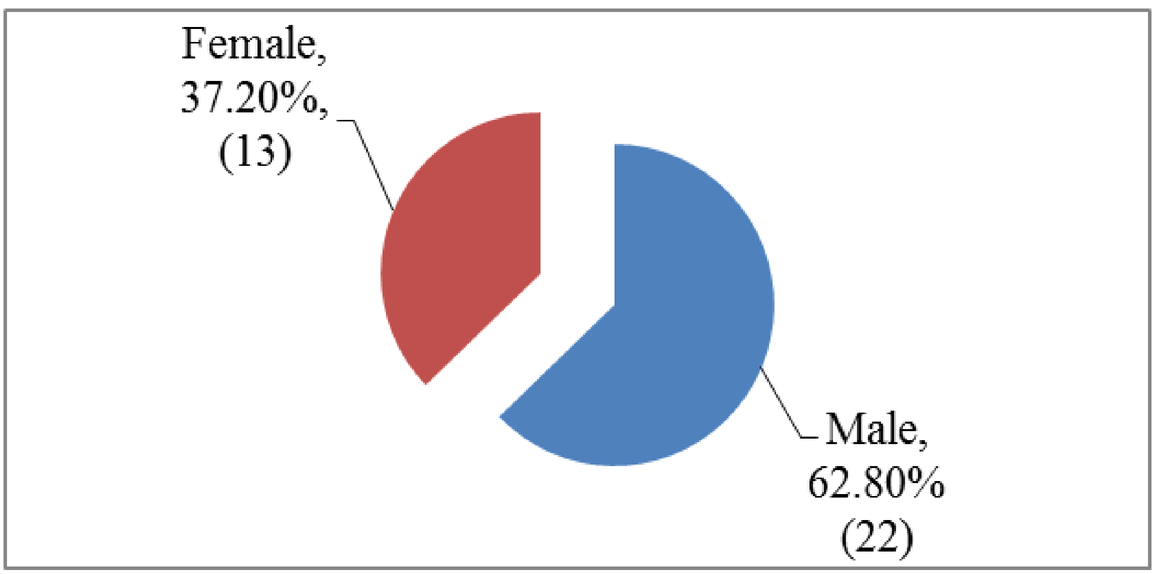

Figure 2: Gender of Respondents (N=35)

Source: Primary Data

The study had more male participants at a distribution of 62.80% (22), compared to 37.20% (13) females. The male respondents were the majority partly because of nature of work which is labor intensive at Lake Victoria Hotel. This implies that Lake Victoria Hotel is able to achieve its goals of decision making with this number of males since men are said to be more proactive and better decision makers.

4.3.2 Age of Respondents

This section looked at the age bracket of respondents which was categorized as Below 20 years, 20-29 years, 30-39 years, 40-49yrs, 50-59 years and Above 60 years. The results were analyzed using descriptive statistics and presented as follows:

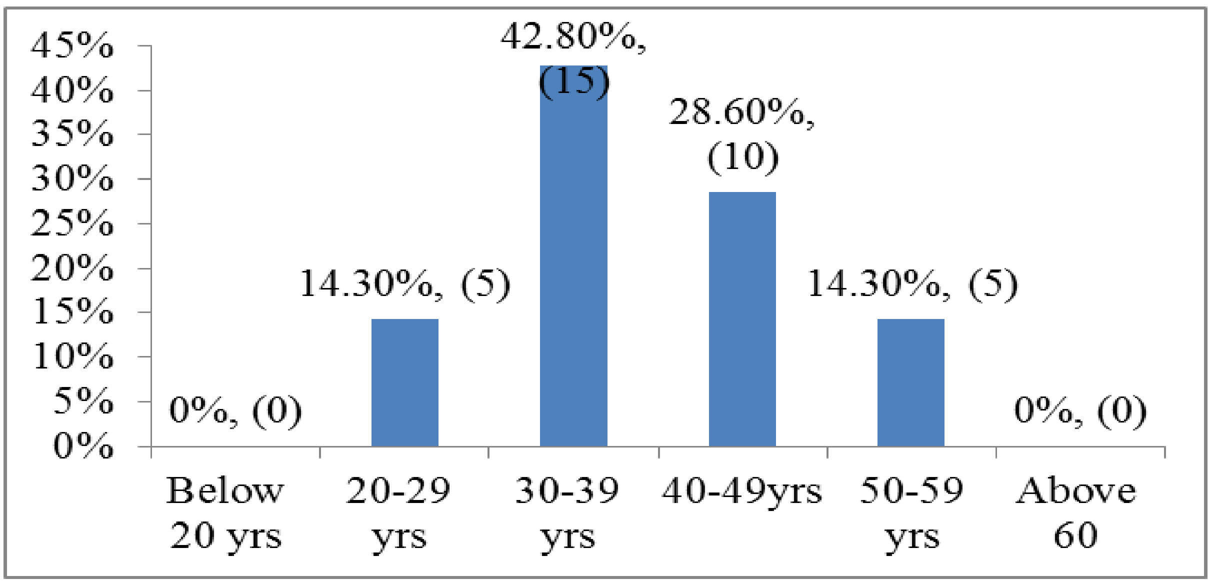

Figure 3: Age of Respondents (N=35)

Source: Primary Data

The study findings show that 42.80% (15) of the respondents fall in the age bracket of 30-39 years, followed by 40-49 years at 28.60% (10), 50-59 years at 14.30% (5), 20-29years at 14.30% (5) below 20 years at 0% (0) and above 60 years at 0% (0) The results show that majority of respondents were in age bracket of 30-39 years, this means that at Lake Victoria Hotel, most of the work is done by strong, specialized personnel who take long in education systems; this implies that Lake Victoria Hotel will benefit from these specialized personnel in preparing fine financial reports hence informed decisions.

4.3.4 Education level

This section looked at education level which was categorized as Tertiary, Bachelors, Post graduate and others. The results were analyzed using descriptive statistics and are presented below;

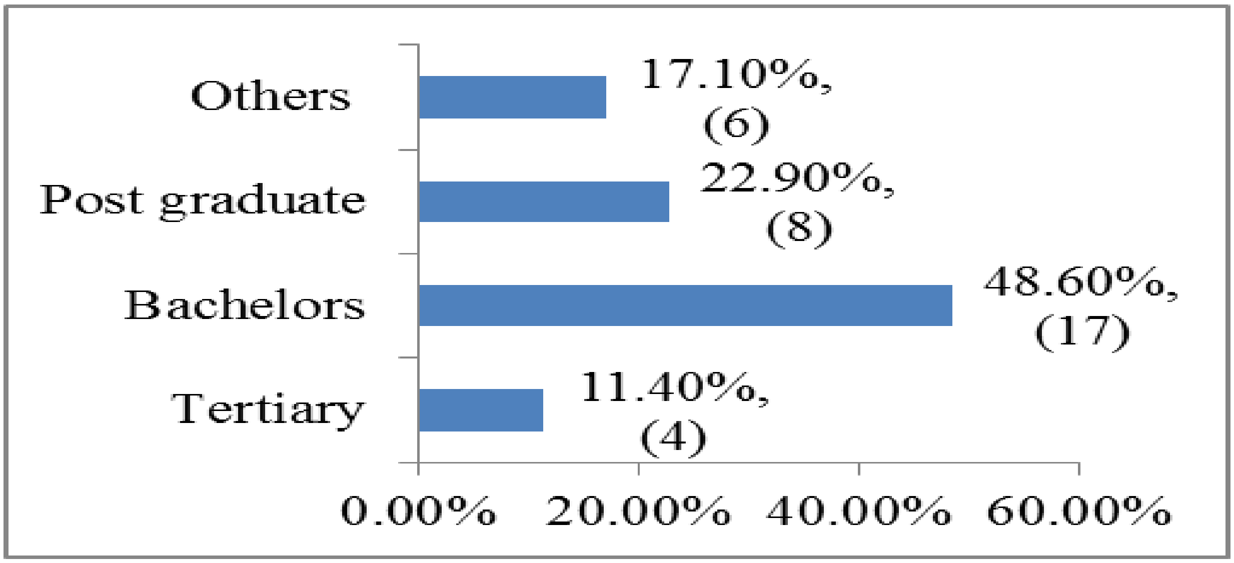

Figure 4: Education level (N=35)

Source: Primary Data

The study findings in the table above show that majority of the respondents at 48.60% (17) are at Bachelors level, 22.90% (8) at Post graduate, 17.10% (6) others and 11.40% (4) at Tertiary. The results show that majority of respondents are at Bachelor level, this is due to the fact that most organizations prefer employing degree holders since they are more innovative and knowledgeable. This implies that Lake Victoria Hotel has skilled qualified personnel that are able to help execute long term goals.

4.3.4 Time spent at Lake Victoria Hotel

This section looked at time spent at Lake Victoria hotel which was categorized as < Year, 1-4 Years, 5-9 Years and 10> Years. The results were analyzed using descriptive statistics and are presented below;

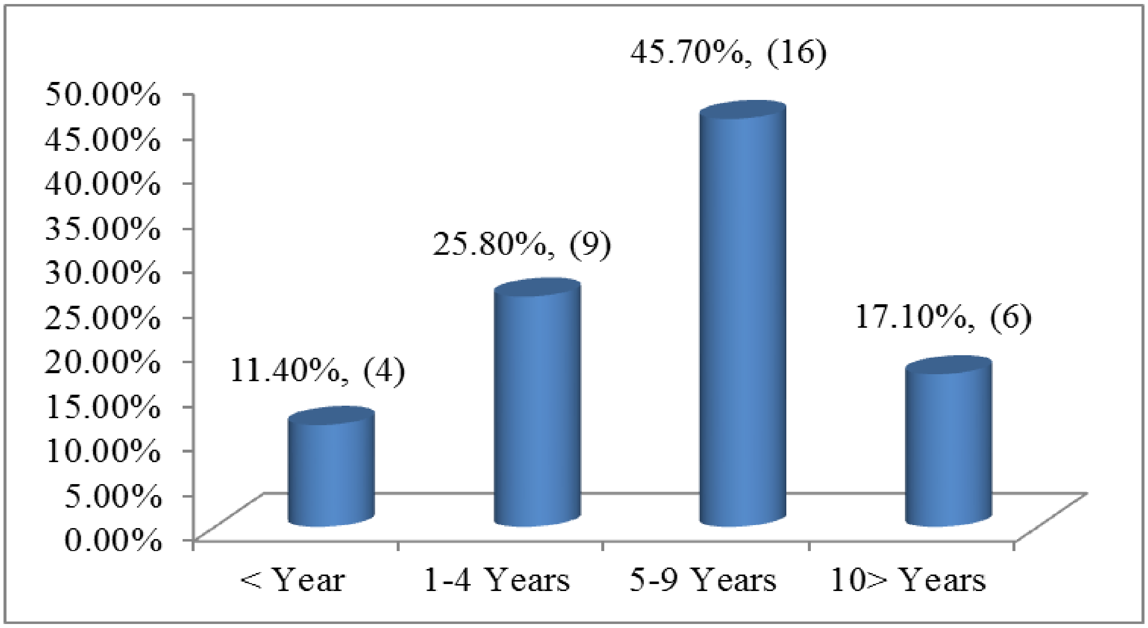

Figure 5: Time spent at Lake Victoria hotel (N=35)

Source: Primary Data

The study findings in the table above show that majority of the respondents at 45.70% (16) had spent 5-9 years, 25.80% (9) had spent 1-4 years, 17.10% (6) had spent 10> years and 11.40% (1) had spent < Year. The results show that majority of respondents had spent 5-9 years and this is due to the fact that there is job security and favorable working conditions at Lake Victoria Hotel. This implies that Lake Victoria Hotel can focus on long term goals and achieve them with continued experienced staff that stays for long.

4.4 Empirical Findings

In the study, financial reporting was considered to be the independent variable, of which three dimensions of reliability, timeliness and understandability were considered. Decision making was considered to be the dependent variable. Empirical findings revealed that there is an insignificant relationship between reliability of financial reports and decision making, a significant relationship between timeliness of financial reports and decision making and a significant relationship between understandability of financial reports and decision making of LVH.

4.4.2 Reliability of financial reports and Decision Making

This section looked at the relationship between reliability of financial reports and decision making. The indicators under reliability included Compliance with International Financial Reporting Standards, Accuracy and Disclosure.

Table 3: Responses on Reliability (N=35)

Reliability	**SD**	**D**	**N**	**A**	**SA**	**M**	**SDV**
This organization's financial reports are dependable.	0	0	22.9% (8)	51.4% (18)	25.7% (9)	4.03	0.707
Your financial reports conform to known International Financial Reporting Standards.	5.7% (2)	5.7% (2)	5.7% (2)	71.4% (25)	11.4% (4)	3.77	0.942
The organization financial reports are prepared accurately	2.9% (1)	11.4% (4)	25.7% (9)	51.4% (18)	8.6% (3)	3.51	0.919
This organization's financial reports are reliable	2.9% (1)	2.9% (1)	14.3% (5)	45.7% (16)	34.3% (12)	4.06	0.938
The finance team often discloses financial information to management	0	20.0% (7)	31.4% (11)	25.7% (9)	22.9% (8)	3.51	1.067
Management of this hotel depends on financial reports to make decisions	2.9% (1)	5.7% (2)	20.0% (7)	54.3% (19)	17.1% (6)	3.77	0.910
Reliability Mean and SDV						3.77	0.549

Source: Primary data

When respondents were asked if Lake Victoria Hotels' financial reports are dependable, 77.1% (27) of the respondents agreed with the statement, 22.9% (8) were not sure and 0% (0) of the respondents disagreed with the statement. Mean was 4.03 and standard deviation was 0.707 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that Lake Victoria's financial reports can be depended on and hence able to meet the proper decision making.

The qualitative findings sought from the interviews indicated that the financial reports prepared are reliable. This was mostly because they are prepared by trained personnel that conform to reporting standards.

In an interaction with key respondents, it was brought to attention that;

> *The reports are reliable. The hotel has trained personnel that prepare financial reports in a manner that conforms to the international financial reporting standards that can be relied on by the users. This helps with proper decision making while preparing financial plans in budgeting and controlling.*

This implies that management of lake Victoria hotel rely on their financial reports and are very confident in the content as they are prepared by trained personnel.

When respondents were asked if the hotels' financial reports conform to known International Financial Reporting Standards, 82.9% (29) of the respondents agreed with the statement, 5.7% (2) were not sure and 11.4% (4) of the respondents disagreed with the statement while mean was 3.77 and standard deviation was 0.942 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that the hotel prepares its financial reports in an acceptable financial reporting standard and therefore can be relied on.

This was confirmed in an annual report (LVH Annual report, 2012) while doing a documentation review where the auditor agreed and accepted the reporting standards that the hotel was using.

When respondents were asked if Lake Victoria Hotels' financial reports are prepared accurately, 60.0% (21) of the respondents agreed with the statement, 25.7% (9) were not sure and 14.3% (5) of the respondents disagreed with the statement while mean was 3.51 and standard deviation was 0.919 which means that majority of respondents agreed with the statement since mean was above 3.0

implying that there are limited errors in the hotel's financial reports. Information in the reports is well spelt out.

When respondents were asked if the hotels' financial reports are reliable, 80.0% (28) of the respondents agreed with the statement, 14.3% (5) were not sure and 5.7% (2) of the respondents disagreed with the statement while mean was 4.06 and standard deviation was 0.938 which means that majority of respondents agreed with the statement since mean was above 3.0. This implies that the financial reports of the hotel can be relied on.

When respondents were asked if the finance team often discloses financial information to management, 48.6% (17) of the respondents agreed with the statement, 31.4% (11) were not sure and 20.0% (7) of the respondents disagreed with the statement while mean was 3.51 and standard deviation was 1.067 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that there is transparency while preparing these reports and management gets access so they are able to make informed decisions.

When respondents were asked if management of the hotel depends on financial reports to make decisions, 71.4% (25) of the respondents agreed with the statement, 20.0% (7) were not sure and 8.6% (3) of the respondents disagreed with the statement while mean was 3.77 and standard deviation was 0.910 which means that majority of respondents agreed with the statement since mean was above 3.0.

In order to establish the relationship between reliability of financial reports and decision making, a correlation was established.

Table 4: Correlations between Reliability of financial reports and Decision making (N=35)

Correlations

		Decision Making	Reliability
Decision Making	Pearson Correlation	1	.294
	Sig. (2-tailed)		.087
	N	35	35
Reliability	Pearson Correlation	.294	1
	Sig. (2-tailed)	.087	
	N	35	35

Source: Primary Data

The study findings reveal that there is an insignificant relationship between reliability of financial reports and decision making given by the Pearson correlation of 0.294 at a sig. of 0.087. This indicates that reliability of financial reports has no significant relationship on decision making. This implies that decision making does not depend on reliability of financial reports at Lake Victoria hotel.

Table 5: Model summary of Reliability of financial reports and Decision Making (N=35)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.294[a]	.086	.059	.51487

a. Predictors: (Constant), Reliability

Source: Primary Data

The model summary in the table above shows adjusted R^2 value of 0.059 between reliability of financial reports and decision making which suggests that reliability predicted 5.9% (0.059* 100) of the variance in decision making. The table shows adjusted R^2 = 0.059 and standard error of the estimate = 0.51487.

Table 6: ANOVA results on regression of Reliability of financial reports and Decision making (N=35)

The study tested the alternative hypothesis which stated that “there is a significant relationship between reliable financial reports and decision making at LVH”.

The study tested the null hypothesis which stated that “there is no significant relationship between reliable financial reports and decision making at LVH”.

The study used ANOVA statistical technique to analyze data.

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.827	1	.827	3.118	.087[a]
	Residual	8.748	33	.265		
	Total	9.575	34			

a. Predictors: (Constant), Reliability

b. Dependent Variable: Decision Making

Source: Primary Data

From the table above it can be concluded from the regression that reliability has got no significant relationship with decision making, F was at 3.118 accompanied by sig 0.087. Since significance was (0.087) which is greater than 0.05 the study rejected the stated hypothesis that "there is a significant relationship between reliable financial reports and decision making at LVH".

Table 7: Regression on Reliability of financial reports and decision making.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.719	.613		4.438	.000
	Reliability	.284	.161	.294	1.766	.087

a. Dependent Variable: Decision Making

Source: Primary Data.

From the table above, the study used coefficients (beta values) statistical techniques to analyze data. This helped to determine the extent and direction of the relationship between reliability and decision making and how reliability impacts decision making. The study showed that reliability had beta value of 0.294. It can be deduced from the regression that at 1% increase in reliability, decision making is improved by 0.294%. At 100% increase in reliability, decision making is likely to improve by 29.4%.

4.4.1 Timeliness of financial reports and Decision making

This section looked at timeliness of financial reports and how it affects decision making. The indicator under timeliness was periodicity.

Table 8: Responses on Timeliness of financial reports and Decision Making (N=35)

Timeliness	**SD**	**D**	**N**	**A**	**SA**	**M**	**SDV**
The managers of this hotel are availed with financial reports on time	5.7% (2)	11.4% (4)	22.9% (8)	45.7% (16)	14.3% (5)	3.51	1.067
Delays in preparing financial reports affect decision making	5.7% (2)	8.6% (3)	8.6% (3)	54.3% (19)	22.9% (8)	3.80	1.079
The organization bases its decisions on out dated financial reports	8.6% (3)	22.9% (8)	14.3% (5)	31.4% (11)	22.9% (8)	3.37	1.308
Your organization bases its decisions on current financial reports	0	5.7% (2)	37.1% (13)	31.4% (11)	25.7% (9)	3.77	0.910
Your organization prepares financial reports quarterly	5.7% (2)	11.4% (4)	28.6% (10)	40.0% (14)	14.3% (5)	3.46	1.067
Your organization only prepares financial reports annually	8.6% (3)	11.4% (4)	17.1% (6)	42.9% (15)	20.0% (7)	3.54	1.197
Timeliness mean and SDV						3.57	0.707

Source: Primary data

On asking respondents if the managers of the hotel are availed with financial reports on time, 60.0% (21) of the respondents agreed with the statement, 22.9% (8) were not sure and 17.1% (6) of the respondents disagreed with the statement. Mean was 3.51 and standard deviation was 1.067 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that the financial reports are mostly released on time. The qualitative findings got form the key respondents' interview indicated that the hotel's management does not receive financial reports on time at all occasions.

Key respondents noted that;

> *The financial reports tend to delay yet management has to keep the hotel running. So management occasionally makes decisions based on other things such as urgency. This is because at times quick decisions have to be made and there is often no time to consult with the reports.*

This implied that the financial reports of the hotel are not timely and hence force the decision makers to base on various intuitive reasons which may in most cases damage the hotel. When respondents were asked if delays in preparing financial reports affect decision making, 77.1% (27) of the respondents agreed with the statement, 8.6% (3) were not sure and 14.3% (5) of the respondents disagreed with the statement while mean was 3.80 and standard deviation was 1.079 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that whenever there are delays in preparing financial reports, decision makers make improper decisions.

When respondents were asked if the organization bases its decisions on out dated financial reports, 54.3% (19) of the respondents agreed with the statement, 14.3% (5) were not sure and 31.4% (11) of the respondents disagreed with the statement while mean was 3.37 and standard deviation was 1.308 which means that majority of respondents disagreed with the statement since mean was below 3.0 implying that the hotel bases its decisions on current financial reports.

When respondents were asked if the hotel bases its decisions on current financial reports, 57.1% (20) of the respondents agreed with the statement, 37.1% (13) were not sure and 5.7% (2) of the respondents disagreed with the statement while mean was 3.77 and standard deviation was 0.910

which means that majority of respondents agreed with the statement since mean was above 3.0 implying that most of the decisions are based on financial reports of that particular period.

When respondents were asked if the hotel prepares financial reports quarterly, 54.3% (19) of the respondents agreed with the statement, 28.6% (10) were not sure and 17.1% (6) of the respondents disagreed with the statement while mean was 3.46 and standard deviation was 1.067 which means that majority of respondents agreed with the statement since mean was above 3.0.

Key respondents agreed with the study findings and noted that;

> *As management, they often receive these financial reports every end of a quarter. There is usually an explainable reason whenever there is a delay. Management prepares quarterly plans whenever the reports are available, and get held up whenever they are delayed.*

This implied that at times management of LVH makes misguided decisions especially when the financial reports are delayed. When respondents were asked if the hotel only prepares financial reports annually, 62.9% (22) of the respondents agreed with the statement, 17.1% (6) were not sure and 20.0% (7) of the respondents disagreed with the statement while mean was 3.54 and standard deviation was 1.197 which means that majority of respondents agreed with the statement since mean was above 3.0.

In order to establish the relationship between timeliness of financial reports and decision making, a correlation was established.

Table 9: Correlations between Timeliness of financial reports and Decision making (N=35)

Correlations

		Decision Making	Timeliness
Decision Making	Pearson Correlation	1	.438**
	Sig. (2-tailed)		.009
	N	35	35
Timeliness	Pearson Correlation	.438**	1
	Sig. (2-tailed)	.009	
	N	35	35

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Data

The study findings reveal that there is a significant relationship between timeliness of financial reports and decision making given by Pearson correlation of 0.438** and sig at 0.009. This means that if the timeliness component is well managed while preparing financial reports, decision making will be improved. This implies that Lake Victoria hotels' decisions will align with the up to date financial state which will help achieve long term goals and plans and proper resource utilization.

Table 10: Model summary of Timeliness of financial reports and Decision making (N=35)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.438[a]	.192	.167	.48432

a. Predictors: (Constant), Timeliness

Source: Primary Data

The model summary in the table above shows adjusted R^2 value of 0.167 between timeliness of financial reports and decision making which is suggesting that timeliness alone predicted only 16.7% (0.167* 100) of the variance in decision making. The adjusted R2 = 0.167 and standard error of the estimate= 0.48432 suggested that timeliness was a significant influence of decision making at Lake Victoria hotel.

Table 11: ANOVA on Regression of Timeliness of financial reports and Decision making (N=35)

The study tested the alternative hypothesis which stated that "there is a significant relationship between timeliness of financial reports and decision making at LVH".

The study tested the null hypothesis which stated that "there is no significant relationship between timeliness of financial reports and decision making at LVH".

The study used ANOVA statistical technique to analyze data.

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.834	1	1.834	7.818	.009[a]
	Residual	7.741	33	.235		
	Total	9.575	34			

a. Predictors: (Constant), Timeliness

b. Dependent Variable: Decision Making

Source: Primary Data

From the table above, it can be concluded from the regression that timeliness has a significant contribution to decision making, F=7.818 and sig. 0.009[a]. The study therefore accepted the hypothesis that "there is a significant relationship between timely reports and decision making at LVH".

Table 12: Regression on Timeliness of financial reports and Decision Making.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.617	.428		6.117	.000
	Timeliness	.328	.117	.438	2.796	.009

a. Dependent Variable: Decision Making

Source: Primary Data

The study used coefficients (beta values) to analyze data. This helped to determine the extent and direction of the relationship between Timeliness and decision making and how timeliness impacts on decision making at the hotel. The study showed that timeliness had a beta value of 0.438. It can be said from the regression that at 1% increase in timeliness, decision making is improved by 0.438%. At 100% increase in timeliness, decision making will improve by 43.8%. Therefore management should strengthen timeliness of financial reports because it improves on decision making. It should endeavor to see that financial reports are prepared on time. This will enable to them to make sound decisions.

4.4.3 Understandability of financial reports and Decision making

This section looked at understandability and how it affects decision making. The indicators of understandability included completeness, concise and clear.

Table 13: Responses on Understandability of financial reports (N=35)

Understandability	**SD**	**D**	**N**	**A**	**SA**	**M**	**SDV**
The financial reports of this organization are concise	5.7% (2)	11.4% (4)	31.4% (11)	34.3% (12)	17.1% (6)	3.46	1.094
This organization prepares financial reports with total completeness	2.9% (1)	20.0% (7)	8.6% (3)	54.3% (19)	14.3% (5)	3.57	1.065
This organization's financial reports are clear	8.6% (3)	17.1% (6)	14.3% (5)	40.0% (14)	20.0% (7)	3.46	1.245
The users of this organization's financial reports are equipped with the knowledge of how to get them understood	2.9% (1)	8.6% (3)	17.1% (6)	48.6% (17)	22.9% (8)	3.80	0.994
This organization omits some important information in their financial reports	0	17.1% (6)	14.3% (5)	34.3% (12)	34.3% (12)	3.86	1.089
The information in the financial reports of this organization is presented haphazardly	8.6% (3)	5.7% (2)	20.0% (7)	34.3% (12)	31.4% (11)	3.74	1.221
Understandability mean and SDV						3.64	0.709

Source: Primary data

When respondents were asked if the financial reports of this organization are concise, 51.4% (18) of the respondents agreed with the statement, 31.4% (11) were not sure and 17.1% (6) of the respondents disagreed with the statement while mean was 3.46 and standard deviation was 1.094 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that these reports are summarized.

When respondents were asked if the hotel prepares financial reports with total completeness, 71.4% (24) of the respondents agreed with the statement, 8.6% (3) were not sure and 22.9% (8) of the respondents disagreed with the statement while mean was 3.57 and standard deviation was 1.065 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that the hotel's financial reports rarely leave out some information.

When respondents were asked if the hotel's financial reports are clear, 60.0% (21) of the respondents agreed with the statement, 14.3% (5) were not sure and 25.7% (9) of the respondents disagreed with the statement while mean was 3.46 and standard deviation was 1.245 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that the hotel's reports are prepared with clarity and can therefore show exactly that that they intend to show.

When respondents were asked if the users of the hotel's financial reports are equipped with the knowledge of how to get them understood, 69.4% (25) of the respondents agreed with the statement, 17.1% (6) were not sure and 11.4% (4) of the respondents disagreed with the statement while mean was 3.80 and standard deviation was 0.994 which means that majority of respondents agreed with the statement since mean was above 3.0.

The qualitative findings got from the key respondents' interview indicated that the hotel's financial reports are not understandable.

They noted that;

> *Most of the decision makers do not understand these financial reports so well. If they do not seek guidance from the finance personnel, they totally misinterpret the reports. They noted that*

if a qualified person does not explain the meaning, no one understands the reports. This means that they will in the long run make decisions that are not dependent on the information given in the financial reports.

This in depth information got from key respondents implied that majority of the decision makers do not readily understand these financial reports. This means that they will make un-informed decisions in the long run that will affect the hotel. This was further confirmed in the hotel's management report where they noted that the managers of the hotel where somewhat ignorant about the "numbers" in these financial reports and needed to be guided.

When respondents were asked if the hotel omits some important information in their financial reports, 68.6% (24) of the respondents agreed with the statement, 14.3% (5) were not sure and 17.1% (6) of the respondents disagreed with the statement while mean was 3.86 and standard deviation was 1.089 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that some information is left out while preparing these reports.

When respondents were asked if the information in the financial reports of this hotel is presented haphazardly, 65.7% (23) of the respondents agreed with the statement, 20.0% (7) were not sure and 14.3% (5) of the respondents disagreed with the statement while mean was 3.74 and standard deviation was 1.221 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that these reports are not very orderly in presentation.

Table 14: Correlations between Understandability of reports and Decision making (N=35)

Correlations

		Decision Making	Understandability
Decision Making	Pearson Correlation	1	.779**
	Sig. (2-tailed)		.000
	N	35	35
Understandability	Pearson Correlation	.779**	1
	Sig. (2-tailed)	.000	
	N	35	35

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Data

The study findings reveal that there is a strong significant relationship between understandability of reports and decision making given by the Pearson correlation of 0.779** and sig of 0.000. This means that when reports are understood, proper decisions will be made. This implies that management will have the capacity to control costs and do proper financial planning which will enable them achieve long term goals.

Table 15: Model summary of Understandability of financial reports and Decision making (N=35)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.779[a]	.607	.595	.33753

a. Predictors: (Constant), Understandability

Source: Primary Data

The model summary in table above shows adjusted R^2 value of 0.595 between understandability of financial reports and decision making which is suggesting that understandability alone predicted 59.5% (0.595* 100) of the variance in decision making. The adjusted R^2 = 0.595 and standard error of the estimate = 0.33753 suggested that understandability of financial reports was a significant influence of decision making at Lake Victoria hotel.

Table 16: ANOVA on Regression of Understandability of financial reports and Decision making (N=35)

The study tested the alternative hypothesis which stated that “there is a significant relationship between understandability of financial reports and decision making at LVH”.

The study tested the null hypothesis which stated that “there is no significant relationship between understandability of financial reports and decision making at LVH”.

The study used ANOVA statistical technique to analyze data

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.815	1	5.815	51.044	.000[a]
	Residual	3.759	33	.114		
	Total	9.575	34			

a. Predictors: (Constant), Understandability

b. Dependent Variable: Decision Making

Source: Primary Data

From the table above it can be concluded from the regression that understandability has a strong significant contribution to decision making, F=51.044 (0.000a). This implies that availability of understandable reports as a dimension of the independent variable has a statistically significant relationship on decision making. The study therefore accepted the stated hypothesis, “there is a significant relationship between understandability of financial reports and decision making at LVH”.

Table 17: Regression on Understandability and Decision Making.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.663	.303		5.486	.000
	Understandability	.583	.082	.779	7.145	.000

a. Dependent Variable: Decision Making

Source: Primary Data

The study used coefficients (beta values) to analyze data. This helped to determine the extent and direction of the relationship between understandability and decision making and how understandability impacts on decision making at the hotel. The study showed that understandability had a beta value of 0.779. It can be concluded from the regression that at 1% increase in understandability, decision making is improved by 0.779%. At 100% increase in understandability, decision making will improve by 77.9%. Therefore management should endeavor to see that there is understandability of financial reports as it strongly improves decision making at the hotel.

4.4.4 Dependent Variable: Decision Making

Table 18: Responses on Decision making

Decision Making	**SD**	**D**	**N**	**A**	**SA**	**M**	**SDV**
Your managers rely on financial reports to make economic decisions	0	17.1% (6)	17.1% (6)	40.0% (14)	25.7% (9)	3.74	1.039
Financial planning is guided by the hotel's financial reports	5.7% (2)	17.1% (6)	5.7% (2)	45.7 (16)	25.7% (9)	3.69	1.207
Your company's financial reports help in controlling of costs	2.9% (1)	8.6% (3)	42.9% (15)	0	45.7% (16)	4.29	0.860
Goods and services to this organization are acquired at the least cost	5.7% (2)	11.4% (4)	20.0% (7)	28.6% (10)	34.3% (12)	3.74	1.221
Managers of this hotel rely on intuition when making decisions	0	22.9% (8)	20.0% (7)	37.1% (13)	20.0% (7)	3.54	1.067
Managers of this hotel make conscious Decisions	0	5.7% (2)	28.6% (10)	51.4% (18)	14.3% (5)	3.74	0.780

Source: Primary source

When respondents were asked if their managers rely on financial reports to make economic decisions, 65.7% (23) of the respondents agreed with the statement, 17.1% (6) were not sure and 17.1% (6) of the respondents disagreed with the statement while mean was 3.74 and standard deviation was 1.038 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that most of the decisions made by the hotel rely on the reports given financially.

When respondents were asked if financial planning is guided by the hotel's financial reports, 71.4% (25) of the respondents agreed with the statement, 5.7% (2) were not sure and 22.9% (8) of the respondents disagreed with the statement while mean was 3.69 and standard deviation was 1.207 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that the budgets and all other financial plans are guided by the financial reports.

When respondents were asked if the hotel's financial reports help in controlling of costs, 45.7% (16) of the respondents agreed with the statement, 42.9% (15) were not sure and 11.4% (4) of the respondents disagreed with the statement while mean was 4.29 and standard deviation was 0.860 which means that majority of respondents agreed with the statement since mean was above 3.0.

When respondents were asked if goods and services to this organization are acquired at the least cost, 62.9% (22) of the respondents agreed with the statement, 20.0% (7) were not sure and 17.1% (6) of the respondents disagreed with the statement while mean was 3.74 and standard deviation was 1.221 which means that majority of respondents agreed with the statement since mean was above 3.0.

When respondents were asked if managers of this hotel rely on intuition when making decisions, 57.1% (20) of the respondents agreed with the statement, 20.0% (7) were not sure and 22.9% (8) of the respondents disagreed with the statement while mean was 3.54 and standard deviation was 1.067 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that sometimes relies on intuition when making decisions. This is very dangerous to the profitability of the hotel.

When respondents were asked if managers of this hotel make conscious decisions, 65.7% (23) of the respondents agreed with the statement, 28.6% (10) were not sure and 5.7% (2) of the respondents disagreed with the statement while mean was 3.74 and standard deviation was 0.780 which means that majority of respondents agreed with the statement since mean was above 3.0 implying that managers make conscious decisions.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The purpose of this study was to find out the relationship between financial reporting and decision making at Lake Victoria hotel. This chapter presents the summary, discussion, conclusions and recommendations of the findings.

5.1 Summary of Key Study Findings

The summary of the study findings is presented objective by objective. The main finding of the study revealed that there is a significant relationship between timeliness, understandability of financial reports and decision making and that there is an insignificant relationship between reliability of financial reports and decision making.

5.1.1 Reliability of Financial reports and Decision making:

The study findings indicated that there is no significant relationship between reliability of financial reports and decision making at LVH. Reliability was found to have a Pearson correlation = $0.294^{*}$and sig of 0.087. The study also indicated that reliability influences decision making of Lake Victoria hotel by 5.9%. Furthermore the study rejected the stated hypothesis that "there is a significant relationship between reliable financial reports and decision making at LVH", since the sig value was above 0.05.

5.1.2 Timeliness of financial reports and Decision making:

The study findings indicated that there is a significant relationship between timeliness of financial reports and decision making at Lake Victoria hotel. Timeliness of financial reports was found to have a Pearson correlation r = 0.438 and sig of 0.009. The study also indicated that timeliness of financial reports influences decision making at Lake Victoria Hotel by 16.7%. Furthermore the study accepted the stated hypothesis that "there is significant relationship between timely financial reports and decision making at LVH".

5.1.3 Understandability of financial reports and Decision making:

The study findings indicated that there is a significant relationship between understandability of financial reports and decision making. Understandability of financial reports was found to have a Pearson correlation $r = 0.779^{**}$ and sig of 0.000. The study also indicated that Understandability of financial reports influence decision making at Lake Victoria Hotel by 59.5%. Furthermore the study accepted the stated hypothesis that "there is a significant relationship between understandable financial reports and decision making at LVH".

5.2 Discussions

5.2.1 Reliability of financial reports and Decision making

The first hypothesis of the study stated that there is a significant relationship between reliability of financial reports and decision making at LVH. Data analysis and interpretation using Pearson's correlation revealed that there is an insignificant relationship between reliability of financial reports and decision making at LVH.

According to Lempert (2013) the best way to improve decision making for an organization is by guidance got from reliable financial statement ensured by complying with the acceptable financial reporting framework. Furthermore the Inland Revenue department of Hong Kong (2005), argues that reliable and accurate financial records allow you to be in better control of your business by helping with financial planning and decision making, portrays a more professional image that makes it easier to deal with your bank and also detects losses and thefts. This shows that the reliability factor should not be neglected.

5.2.2 Timeliness of financial reports and Decision making.

The second hypothesis of the study stated that there is a significant relationship between timeliness of financial reports and decision making at LVH. Data analysis and interpretation using Pearson's linear correlation and regressions revealed that there is a significant relationship between timeliness of financial reports and decision making. This suggests that timeliness has an effect on decision making at the hotel.

The study findings are in agreement with International Financial Reporting Standards (2003) which emphasizes that the information that is presented timely is generally more relevant to users while conversely, delay in provision of information tends to render it less relevant to the decision making needs of the users.

5.2.3 Understandability of financial reports and Decision making.

The third hypothesis stated that there is a significant relationship between understandability of financial reports and decision making at LVH.

Data analysis and interpretation using Pearson's correlation and regressions revealed that there is a strong significant relationship between understandability of financial reports and decision making at LVH. This suggests that understandability of reports affects decision making at LVH. This finding was in agreement with Escobedo (2009) who suggest that line managers must be able to understand financial information contained in financial statements and reports in order to evaluate their units to communicate clearly with other managers and to apply financial information when making decisions.

The study findings are also in agreement with Lempert (2013) who contends that understandability requires the information presented in financial reports to be concise, complete and clear in presentation. This view is shared with Haeflinger (2004) who denotes that information should be presented so as to facilitate the users of the information.

5.3 Conclusions

Conclusions of the study are as below.

5.3.1 Reliability of Financial Reports and Decision making:

From the first objective which was to find out the relationship between reliability of financial reports and decision making at LVH, it was empirically established that there is an insignificant relationship between reliability of financial reports on decision making. Therefore the study concluded that reliability is not an influence to decision making at LVH. Reliability of financial reports does not affect the decisions made at the hotel.

5.3.2 Timeliness of financial reports and Decision making.

From the second objective which was to find out the relationship between timeliness of financial reports and decision making at LVH, it was empirically established that there is a significant relationship between timeliness of financial reports and decision making at Lake Victoria hotel. Therefore, the study concluded that as timeliness increases, decision making improves. This means that if the financial reports are prepared every given period say every quarter, management will be able to make valid decisions for the next period hence betterment of the hotel.

5.3.3 Understandability of financial reports and Decision making.

From the third objective which was to find out the relationship between understandability of financial reports and decision making, it was empirically established that there is a significant relationship between the two variables. The study therefore concluded that understandability of financial reports positively affects decision making at Lake Victoria hotel. This means that if financial reports are well understood by management, they will be able to make sound decisions.

5.4 Recommendations

Basing on the study the following recommendations were made:

5.4.1 Reliability of Financial Reports and Decision making:

The study recommends management of Lake Victoria hotel to maintain financial reports that are prepared accurately and in an acceptable financial reporting standard so they are continuously relied on to make proper decision making.

5.4.2 Timeliness of financial reports and Decision making.

The study recommends that LVH should prepare their financial reports on time so that they help in making valid decisions. These reports should be ready at every necessary period, say every quarter to enable proper decision making in that period of time for the hotel.

5.4.3 Understandability of financial reports and Decision making.

The study recommends that managers at Lake Victoria hotel should implement trainings to enable equip management to readily understand the prepared financial statements so they make decisions basing on the information provided in the financial reports. This recommendation is in relation to the finding which revealed that most of the users/ managers do not understand these financial reports. If well understood, they will be in better position to make decisions for the hotel.

5.5 Contributions of the Study

The outcome of the study has a number of implications as it has established the effects of financial reporting on decision making at Lake Victoria hotel. The most important contribution of the study is the awareness of the relationship between the variables of the study since the study came to finding that there is a significant positive effect of financial reporting on decision making.

Therefore, the owners and managers of Lake Victoria hotel can use the recommendations suggested to enhance decision making. The study can also provide a basis of future research.

The study also approved the agency and decision theory. It revealed that if the agent and principal are not aligned while running the hotel, there will be mishaps. For example we see that the managers of the hotel do not understand the financial reports. This means that if not guided, they will make decisions that will affect the prosperity of the hotel. The study further approved the decision theory and brought out the fact the decision making should not be intuitive. It should align with managerial aspects like accounting to make decisions that will guide the hotel.

5.6 Area for Further Study

Due to financial and time constraints the study was centered on reliability, timeliness and understandability of financial reporting as potential variables having an effect on decision making. However, there were other variables like neutrality, comprehensiveness and consistency of financial reports which may affect decision making. Therefore research needs to be carried out on these factors.

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APPENDIX I; QUESTIONNAIRE

QUESTIONNAIRE

Dear respondent, my name is Sandra Tiwangye. I am a Masters' student at Uganda Management Institute pursuing a Masters' Degree in Management Studies (Financial Management). I am gathering information about financial reporting and decision making at Lake Victoria Hotel. This is to request for your contribution towards my study by participating in being a respondent. The information you will give is confidential and is not binding. Your participation is highly appreciated.

A. Background information

Qn1. Gender:

1. Male ☐ 2. Female ☐

Qn 2 Age:

1. Below 20 yrs ☐ 2. 20-29 yrs ☐ 3. 30-39 yrs ☐ 4. 40-49yrs ☐

5. 50-59 yrs ☐ Above 60 ☐

Qn 3 Education level:

1. Tertiary ☐ 2. Bachelors ☐ 3. Post graduate ☐ 4. Others (specify) ☐

Qn 4 Time spent at Lake Victoria hotel so far

1. < Year ☐ 2. 1-4 Years ☐ 3.5-9 Years ☐ 4.10> Years ☐

Financial Reporting (Independent Variables)

In the following sections, you are required to give your response by ticking Strongly Agree- 5, Agree- 4 not sure- 3, Disagree-2, and Strongly Disagree-1

	Reliability of Financial Reports	**5**	**4**	**3**	**2**	**1**
		SA	**A**	**NS**	**D**	**SD**
5	This organization’s financial reports are dependable.					
6	Your financial reports conform to known International Financial Reporting Standards.					
7	The organization financial reports are prepared accurately					
8	This organization’s financial reports are reliable					
9	The finance team often discloses financial information to management					
10	Management of this hotel depends on financial reports to make decisions					

	Timeliness of Financial Reports	**5**	**4**	**3**	**2**	**1**
		SA	**A**	**NS**	**D**	**SD**
11	The managers of this hotel are availed with financial reports on time					
12	Delays in preparing financial reports affect decision making					
13	The organization bases its decisions on out dated financial reports					
14	Your organization bases its decisions on current financial reports					
15	Your organization prepares financial reports quarterly					
16	Your organization only prepares financial reports annually					
	Understandability of Financial Reports	5	4	3	2	1

		SA	A	NS	D	SD
17	The financial reports of this organization are concise					
18	This organization prepares financial reports with total completeness.					
19	This organization's financial reports are clear					
20	The users of this organization's financial reports are equipped with the knowledge of how to get them understood					
21	This organization omits some important information in their financial reports.					
22	The information in the financial reports of this organization is presented haphazardly.					

	Decision making (Dependent variable)	5	4	3	2	1
		SA	**A**	**NS**	**D**	**SD**
23	Your managers rely on financial reports to make economic decisions					
24	Financial planning is guided by the hotel financial reports					
25	Your company's financial reports help in controlling of costs					
26	Goods and services to this organization are acquired at the least cost					
27	Managers of this hotel rely on intuition when making decisions					
28	Managers of this hotel make conscious decisions					

APPENDIX II; INTERVIEW GUIDE

Dear respondent, my name is Sandra Tiwangye. I am a Masters' student at Uganda Management Institute pursuing a Masters' Degree in Management Studies (Financial Management). I am gathering information about financial reporting and decision making at Lake Victoria Hotel. This is to request for your contribution towards my study by participating in being a respondent. The information you will give is confidential and is not binding. Your participation is highly appreciated.

1. In your opinion, do you think Lake Victoria Hotel's management relies on financial reports to make decisions?
   ....
   ....
   ....

2. In your opinion, do you think the decisions made by management have affected planning and control of costs?

   …..
   ....
   ....

3. In your opinion, do you think the financial reports of this organization are;
   I. Reliable
   ....
   ....
   ....
   II. Timely
   ....
   ....
   ....
   ....

   III. Understandable

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

4. What do you think should be done to achieve proper decision making at LVH?
....
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THANK YOU FOR YOUR TIME AND PARTICIPATION

APPENDIX III; DOCUMENTATION CHECK LIST

1. Financial statements in managerial decision making
2. Lake Victoria management reports(2014)
3. Lake Victoria hotel annual financial reports 2011-2015

APPENDIX IV Table determining sample size from a given population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", <u>Educational and Psychological Measurement</u>, 1970.