

Research Article

The Golly of Professional Accounting System and Profitability of Selected Non-Profit Making Organizations

Abomaye-Nimenibo Williams Aminadokiari Samuel^{1,*} ,
Ibimina Daminabo Amachree²

¹Economics, School of Postgraduate Studies, Obong University, Obong Ntak, Etim Ekpo LGA, Nigeria

²Department of Accountancy, Ignatius Ajuru University of Education, Port Harcourt, Nigeria

Abstract

Importance, comprehensiveness, verifiability, neutrality, timeliness, comparability, and integrity characterize a well-defined financial report of any organisation. Nigeria has a thoroughly reviewed accounting system which is a major factor that enhances the profitability of most NGOs. For anybody to collect genuine data from a real source, a questionnaire has to be drafted and used. The results so obtained were analysed, and in most cases, presented in the form of percentages, averages, and standard deviations. The intended respondents off this research included financial professionals of renowned non-profit organizations in Rivers State of Nigeria. The respondents distributed a total of 55 questionnaires and returned 50 questionnaires, representing 90% of the total. To achieve a better analysis, the ANOVA One-way technique ware was used. Our findings revealed that, the accounting system has a substantial impact on the effectiveness of non-profit organizations. It is our recommendation that Non-profit organizations maintain adequate record-keeping in full compliance with the international reporting standards; follow proper recruitment procedures; carry out regular trainings for their accounting personnel in modern software on a constant schedule; carry out routing and annual auditing of their financial statements; and most importantly, incorporate good accounting and internal control systems.

Keywords

Accounting System, Book Keeping, Financial Statement, Non-Profit Organization(s), Performance, Internal Control Systems, Accounting Personnel, Financial Report, Profitability

1. Introduction

Ongoing global research focuses on non-profit organizations and to find out why these organisations do not make profit, and to proffer solutions. Alternatively, if they make profit, do they maintain and keep adequate and proper record keeping in full compliance with international reporting standards; follow proper recruitment procedures; carry out

regular trainings for their accounting personnel in modern software on a constant schedule; carry out routing and annual auditing of their financial statements; and most importantly, incorporate good accounting and internal control systems.

The complexity and the distinctive nature, and the interaction with the immediate surroundings of non-profit organiza-

*Corresponding author: wasanim2006@yahoo.com (Abomaye-Nimenibo Williams Aminadokiari Samuel)

Received: 13 July 2024; **Accepted:** 2 September 2024; **Published:** 25 December 2024



Copyright: © The Author(s), 2024. Published by Science Publishing Group. This is an **Open Access** article, distributed under the terms of the Creative Commons Attribution 4.0 License (<http://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution and reproduction in any medium, provided the original work is properly cited.

tion (NPO) operations have such a considerable impact on their performance on Non-profit organisations. Non-profit organizations, uses contribution funds, membership dues, program revenues, fundraising events, gifts, and investment income, are operating in a wide range of areas such as education, health care, religion, social services, commerce, sports clubs and the arts. They need to monitor their donors to identify who gives them money.

A NPO must send donor statements for tax filings at the end of the year. The non-profit accounting systems produce income and expenditure reports for submission to a board of directors, major donors, and the government. Non-profit managers need reports that track contributions to programs against the amounts estimated. Since financial events are recorded in account books, it is not sufficient to concentrate on memory since it enables asset control. [6].

As the authors displayed, there's little or no substantial research available on Nigerian non-profit accounting systems. The essence of this research is to contribute to the knowledge in this area that present and potential researchers will refer to, or make enormous use of. The purpose of this paper is to examine the importance of Nigerian non-profit accounting systems with an emphasis on companies in Lagos State. The focus will be on how a non-profit organization's accounting system facilitates data accuracy, the role of sound accounting systems in decision-making and the challenges which non-profit organizations have to implement. We also focus on the empirical literature review, the method of Study of the study, further dissects the generated data, followed by our recommendation.

1.1 Statement of Problem

The non-profit-making organization ought to be an excellent illustration of the love for humanity that we know from the bundle of revenue collected as donations, penalties, subscription selling, etc. if these associations investigate the problem of the common man, the needy, and the least privileged in society, who are helpless, then the NGOs will be golly in their authorized functions.

1.2. The Objective of the Study

This research mainly aims to:

- 1) Determine to what extent the accounting systems influence NGOs performance.
- 2) Determine how useful is the financial report to an organization.

2. Literature Review

2.1. History of Accounting System

It is commonly stated that the accounting system is the organized set of management decisions manual and comput-

erized accounting methods. It monitors the financial activities of an organization in terms of its assets, liabilities, sales, and purchases. The manual computations and balances have historically been included. Wikipedia traced the history of ancient civilizations in the accounting system. In ancient civilizations, writing, counting, and auditing systems were linked with Mesopotamia [15]. To Smith, Luca Pacioli's work on keeping double-entry books in Italy recognized access to financial information during the Roman Empire. Current accounting is a custom and convention product. The concepts that formed the current state of the accounting profession were the development of the 14th and 15th-century dual-entry compliance and the 19th and the 20th-century accounting profession. Today's accounting system is automated or cloud-based for non-profit organizations [14].

2.2. Empirical Studies

McMahon argued that enhanced financial reporting should be viewed as a matter of reality simply as part of a broader proficiency in financial management which would lead to more effective and efficient management and significant progress to its prospects, together with other functional capacities. According to him, management is a complex activity, which is affected by an array of interacting internal and external factors. It was supported by the general idea that the growth of SMEs would lead to more financial challenges or problems and, in consequence of that, to the success of growing SMEs in terms of their survival and results, greater attention is needed for financial management and financial reporting. The need for prompt reporting and regular financial statements was suggested in an empirically supportive case [8].

The financial records of a company, can provide rich insights into economic and social history, but it can be a daunting task to extract the information. Accounting is intended to influence and transform institutions in conjunction with their working conditions.

Libna revealed that the creation of double-entry recording emerges through the invention of cash, mathematical methods, the development of the banking system, and proper recording in its study on the development of double-entry bookkeeping and its relevance in today's business environment [5].

Information technology-assisted management accounting procedures according Mahdi, et al, aids a business firm to plan, check, coordinate, analyse projects to facilitate decision-making. Although their findings show that the accountability system impacts financial reporting in Iran. Further findings revealed that accounting standards are weak, and not compliance to financial systems, hence, corporate needs are not altogether covered by all information available for management decision [7].

The preference placed by Olatunji was not overemphasized for sound accounting and internal control systems. Resource shortages and adequacy of internal controls were noted as challenges faced by small and medium-sized companies that

led to the early collapse of many. His research showed that effective small and medium-sized enterprise accounting systems have a profound influence on performance. He concluded that a sound accounting system for the survival of small and medium-sized companies must be promoted, and those small enterprises must continue to operate [12].

Ivana, and Ana, investigated the Accounting Information System with a focus on how it produces quality data for financial statement users. Their study highlighted the impact of qualitative data on information technology. Timeline changes have resulted in several approaches and models in the financial reporting IT system, the most significant of which is IT. The Croatian accountants' assessment criteria are multifunctionality, universality, up-to-date monitoring mechanism, compatibility with other software, ability to upgrade, simplicity, level of business process adaptation, employee ability, safety, and reliability. They concluded that information technology affects the functioning of the IT system [4].

The effects of bookkeeping on small and medium-sized firms' growth have been discussed by Mutua. He believed that micro and small businesses were essential for a country's economic growth and development. The cause of most SMEs' failure was poor financial management. He pointed out that proper record keeping with adequate knowledge of book maintenance would save a company from financial discretion since bookkeepers are identified with cash receipts, cash issuing, sales, and acquisitions. The research ends by affirming that bookkeeping has a serious impact on small and medium-sized businesses with recommendations made to the government for small and medium-sized companies. Financial advisory organizations are supposed to support or provide a qualitative service, and regular bookkeeper training which is vital to the success and survival of non-governmental organizations [10].

Akanbi, stressed that information management is proper for the organization's survival. Good data would lead to financial reporting reliability. The researcher classified financial and managerial accounting for accounting information. The study concluded by saying that an information accounting system is essential for a business organization's decision-making and performance [3].

Ahmed et al states that information accounting help companies to recognize the benefits of investing in information systems, and further commented on the priority of the Business Accounting Information System to improve business efficiency. In their financial statements, public companies are obliged to provide vital information, including the Chairman's Statement, the Managers' Report, the Revenue Statement, the Finance Statements, the Cash Flow Statement, the Accounts Notes, and the Auditor's Report. The main goal of Business Accounting Information System is to determine the performance of the company, its financial capacity, and its purposes

for comparison. They concluded that business companies need to integrate their IT systems with knowledge management strategies to survive the competitive business circles [2].

Musah, has investigated the benefits and challenges of small and medium-sized companies' bookkeeping and accounting practices, and the impact on Ghana's growth and performance. He pointed out that the dominance and job capacity of the small and medium enterprises are regarded as Ghana's economic backbone. His study concluded that bad recording negatively affects small and medium-sized businesses [9].

Ahmed called for quality financial reports because it has a positive role in making decisions on investment and resource allocation to capital providers and other stakeholders. He felt that a lack of qualitative financial reports could adversely affect business performance and economic decisions. He believed that financial reporting quality is positively linked to financial performance measures including return on investment, investment volume, and earnings per share [1].

Osho and Adebambo in their study found a low impact of the accounting theory on financial performance in Nigeria. In addition, they discovered no significance between accounting theory and investment returns. The study concluded with a recommendation to management on the need to implement accounting research to improve the quality and performance of financial reporting and to implement a new accounting system [13].

Obasesin and Olaoye, stated categorically that best practices are required for financial reporting. The duo asserted that ethics play a large role in the financial impacts of corporations in Nigeria by recommending the quality of recruitment procedures for companies, adopting the international financial reporting standard in full, and establishing the compliance department and government agencies to monitor ethical codes appropriately, and to keep ethical standards [11].

3. Method of Study

This research aims to study the accounting system and profitability of the selected non-profit organization. The primary data source was the use of a 4 Likert scale questionnaire. Rivers State was the sample area of this study. The study population consists of Accountants of various non-profit making organisations. The methods of presenting the results were those of percentages, averages, standard deviations, and variations. The number of questionnaires submitted to the participants was 55, but a total of 50 were received, representing 90% which is considered suitable for the investigation. The technique used to test the hypothesis was the One-way ANOVA technique, with the n-1 degree of freedom at the significance level of 0.05.

4. Data Analysis

4.1. Presentation of Data

Table 1. Distribution of responses on accounting system and profitability of selected non-profit making organization.

S/N	Questions on Accounting System and NPO's Performance	Strongly agreed	Agreed	Disagreed	Strongly disagreed
		%	%	%	%
1	Good financial reporting enhances performance	72	18	6	4
2	NPOs keep required books for accountability	42	18	18	22
3	Inadequately skilled personnel limit accountability	48	34	8	10
4	The huge cost of implementing an accounting system affects its adoption	26	20	40	14
5	Sound accounting records aid decision making	34	38	16	12
6	Audit problems of NPOs affect the credibility	46	26	14	14
7	The use of accounting software facilitates data accuracy	44	26	14	16
8	The annual report complements financial information	38	36	36	20
9	The annual report discloses forward-looking future	42	38	10	10
10	The annual report explains the choice of accounting principle	40	50	8	2

Source: survey 2023

Our investigation revealed that 90% of the 50 respondents, agreed that good financial reporting enhances the level of performance of non-profit organizations, while 10% disagreed. Also, 80% of the respondents were in the affirmative that the annual report discloses a hopeful future for the organization, and 20% disagreed.

4.2. Analysis of Data

Table 2. Analysis of responses on accounting system on the performance of non-profit organizations in Nigeria.

S/N	Accounting System and NPOs Performance	Mean	Std Dev	Var	Skewness	Kurtosis
1	Good FR enhances Performance	1.42	.785	.616	1.991	3.463
2	NPOs keep required books	1.212	1.469	.387	-1.454	2.20
3	Inadequate skill limit accountability	1.80	.969	.939	1.122	.384
4	Huge cost affects accounting adoption	2.42	1.032	1.065	.337	-1.178
5	Records aid decision making	2.06	.998	.996	.646	-.574
6	Audit problem affects the credibility	1.087	1.182	.777	-.734	1.96
7	Accounting software aids accuracy	1.116	1.244	.694	-.911	2.02
8	The annual report complements the information	1.122	1.259	.740	-.807	2.08
9	The annual report discloses future	1.88	.961	.924	.967	.088

S/N	Accounting System and NPOs Performance	Mean	Std Dev	Var	Skewness	Kurtosis
10	Annual report explains account principle	1.72	.701	.491	.822	.942

Source: survey 2023

4.3. Test of Hypothesis

Table 3. Accounting System and NPOs Performance ANOVA – Single-factor.

Sources of Variation	F	Sig	Sum of Squares	F. Crit	Df	Mean Square
Between Groups	407.877	0.000	339.72	2.81	3	113.24
Within Groups			129.214		46	2.809
Total			468.934		49	

H0: The accounting system has no significant influence on the profitability of selected non-profit making organizations

H1: The accounting system has a significant influence on the profitability of selected non-profit making organizations.

At the level of significance of 0.05, with a degree of freedom at 3 and 46, the observed F is 407.877 which is greater than 2.81. H0 is therefore rejected. Thus, the alternative hypothesis is accepted which says that accounting system has a significant I influence on the profitability of selected non-profit making organizations.

ords to determine their financial position in line with the International Financial Reporting Standards.

- 2) Recruiting qualified staff by non-profit organizations will minimize corporate risk.
- 3) Periodic training on sophisticated accounting software for the finance personnel will help to increase productivity.
- 4) The setting up of a system of accounting and internal monitoring by non-profit organizations will ensure that financial statements are reliable and accurate.
- 5) The involvement of external auditors will give rise to objective opinions on their unpredictable operations.

5. Conclusion and Recommendations

5.1. Conclusion

Record keeping makes the preparation of financial statements easier, which complies with the information needs that enable the administration of a non-profit company to decide to avoid or minimize fraud and theft by doing so. During data collection questionnaires were administered; hypotheses were formulated and tested with the ANOVA One-way system. Research findings showed the importance of a non-profit organization's accounting system to be upright, so that assessing the performance of the system will be forthright and remains crucial at all times.

5.2. Recommendations

The following recommendations are put forward to advance good accounting record keeping and financial reporting.

- 1) Non-profit organizations should maintain adequate rec-

Abbreviations

NGO(s)	(Non-Profit Organization(s))
NPO(s)	Non-Profit Organization(s)
ANOVA	Analysis of Variance Which Is a Collection of Statistical Models and Their Associated Estimation Procedures used to Analyze the Differences Among Means

Conflicts of Interest

The authors declare that there is no conflict of interest exist.

Appendix

Survey Questionnaire

Please tick (√) appropriately.

1. Good financial reporting enhances performance

- a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
2. NPOs keep required books for accountability
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
 3. Inadequately skilled personnel limit accountability
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
 4. The huge cost of implementing an accounting system affects its adoption
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
 5. Sound accounting records aid decision making
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
 6. Audit problems of NPOs affect the credibility
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
 7. The use of accounting software facilitates data accuracy
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
 8. The annual report complements financial information
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
 9. The annual report discloses forward-looking future
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree
 10. The annual report explains the choice of accounting principle
 - a. Strongly agree
 - b. Agree
 - c. Disagree
 - d. Strongly disagree

References

- [1] Ahmed, H. A. (2018). The impact of the quality of financial reporting on non-financial business performance and the role of the organization's demographic attributes. *Academy of Accounting and Financial Studies Journal*. 22(1), 7-14.
- [2] Ahmed, H. A, Khalid, M. A, Raud, A. L, and Allozi, N. M (2017). Accounting information system and its role on business performance. *Journal of Management and Strategy*. 8(4), 79-82.
- [3] Akanbi, T. A (2017). Accounting information system and management decision making: a case study of the manufacturing company in Nigeria. *European Journal of Accounting, Auditing, and Finance Research*. 5(11), 66-74.
- [4] Ivana, M. S and Ana, O (2013). Information technology and accounting information systems quality in Croatian middle and large companies. *Journal of information and organizational sciences*. 37(2), 117-118.
- [5] Libina, R (2008). The development of double-entry bookkeeping and its relevance in today's business environment. Pace University.
- [6] Helmig, B. Jegers, M & Lapsey, I (2004). Challenges in managing non-profit organizations: a research overview. *International journal of voluntary and non-profit organizations*. 15(2), 101-116.
- [7] Mahdi, S. Rostami, V & Mojadom, A. (2010). The usefulness of accounting information system in an emerging economy: empirical evidence of Iran. *International journal of economics and finance*. 2(2), 186-190.
- [8] McMahan, R. (1995). Business growth and performance and the financial reporting practices of Australian manufacturing SMEs. *School of Commerce, the flinders university of south Australia*.
- [9] Musah, A. (2017). Benefits and challenges of bookkeeping and accounting practices of SMEs and its effect on growth and performance in ghana. *Journal of accounting, business, and management*. 24(2), 16-36.
- [10] Mutua, J. M (2015). Effect of bookkeeping on the growth of small and medium enterprises in Chuka town. *European journal of business and social sciences*. 4(7), 102-112.
- [11] Obasesin, M. O and Olaoye, F. O. (2019). The impact of ethics on financial report of corporate organizations in Nigeria. Proceedings of the conference on advanced research in management, economics, and accounting, Barcelona. 5th September. 978- 609-485-003-5.
- [12] Olatunji, T. E (2013). The impact of accounting system on the performance of small and medium scale enterprises in Nigeria. *International journal of business and management invention*. 2(9), 13-17.
- [13] Osho, A. E and Adebambo, A (2018). The relevance of accounting theory on business financial performance in Nigeria. *European scientific journal*. 14(25), 37.

- [14] Smith, L. Murphy (2018). "Luca Pacioli: The Father of Accounting". SSRN 2320658.
- [15] wikipedi. Accounting History retrieved on 26/9/2019. Availa-

ble from:
https://en.wikipedia.org/wiki/Accounting_History retrieved on 26/9/2019.