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SCHOOL OF ECONOMICS AND BUSINESS STUDIES

DEPARTMENT OF ACCOUNTING

ACCOUNTING REPORTS AS TOOLS OF DECISION MAKING OF MANUFACTURING COMPANIES IN RWANDA.

CASE STUDY: BRALIRWA PLC

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Declaration

We, UWAMAHIRWE Isaie and MUSHIMIYIMANA Naome, hereby declare to the best of our knowledge that, this dissertation entitled "Accounting reports as tools of decision making of manufacturing companies in Rwanda. Case study: bralirwa PLC, Period: 2019-2022" is our original work and where other works has been used, referencing has been indicated in bibliography.

Signature…………………………   Signature …………………………

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Date ………. /…………. /2023

APPROVAL

This is to certify that this work titled "**Acc**ounting reports as tools of decision making of manufacturing companies in Rwanda. Case study: Bralirwa plc, period: 2019-2022" is a study carried out by UWAMAHIRWE Isaie and MUSHIMIYIMANA Naome under my guidance and supervision.

Signature ………………………………….. Date………/………./2023

DDUMBA Arafat Yasser

DEDICATION

To Our parents and Families, brothers and sisters, neighbors.

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Special thanks go to the Almighty God for having preserved our life to the course of our study and enabled us to produce this work well. We would like to thank **Prof. Dr. BALINDA RWIGAMBA** the founder and president of Kigali Independent University ULK for his wise investment project of creating knowledge and skills provided to us. We cannot forget to thank our supervisor Ddumba Arafat Yasser who provided us with in valuable guidance, commitment and encouragement throughout the writing of this memoir. We would like to thank the management, lecturers and staff of Kigali Independent University. Our hearts felt gratitude go to our parents for their love, financial and moral support they have always given us. Last but not the least, I thank all our friends, classmates and colleagues, for the constant encouragement and prayers that enabled to successfully finish our studies through hardworking.

LIST OF ABBREVIATIONS, ACRONOMIES AND SYMBOLS

AICPA : American Institute of Chartered Public Accountants

BRALIRWA : Brasseries et Limonaderies du Rwanda

BEP : Break Even Point

CIMA : Chartered Institute of Management

EBIT : Earnings Before Interest Tax

FASB : Financial Accounting Standards Board

GAAP : General Accepted Accounting Principle

IASB : International Accounting Standard Board

IFRS : International Financial Accounting Report Standard

LTD : Limited

PLC : Public Limited Company

ROA : Return on assets

ROE : Return on equity

RWF : Rwandan francs

WACC : Weighted Average Cost of Capital

WWW : World Wide Web

List of tables

List of Tables

Table of Contents

ABSTRACT

This study titled Accounting reports as tools of decision making in manufacturing companies in Rwanda, a case study of BRALIRWA Ltd. BRALIRWA limited is a public company limited by shares since 9th June 2010 incorporated in the Republic of Rwanda under the law no7/2009 of 27th April 2009 relating to companies and registered by the Registrar General Office under no 100004348. The general objective of study is to investigate the contribution of accounting reports on the profitability of manufacturing companies in Rwanda. The specific objectives were to find out the tools used by BRALIRWA to control overall cost of their products, to identify the challenges faced by the profitability of manufacturing companies and to determine the correlation coefficient between accounting reports and decision making of manufacturing companies in Rwanda. The research study was of paramount to the researchers, BRALIRWA plc, manufacturing companies, other researchers and Kigali Independent University. The research design was descriptive and correlational design to get the information needed to conduct the research and make necessary conclusion. Both qualitative and quantitative methods were used. Secondary data were also used. In this research, to collect the information, documentary analysis has been used. The data were presented using Tables and Figures. The study recommended that accounting reports (financial statements) on time must have interdependent relationships that management needs to perform its activities. It also recommended that BRALIRWA Ltd should use comparative analysis using comparison with others in the manufacturing industry. It also recommended that BRALIRWA Ltd to give make new thing in this company as cash discount or trade discount in order to motivate the customers to pay on cash and to buy a high quantity of products.

CHAPTER ONE: GENERAL INTRODUCTION

1.0 Introduction

In this chapter, the current researchers introduce the work in general, discuss about the problem statement, and outline the objectives of the study, research questions and the study hypotheses. The researchers also clarify the significance of the study, the scope of the study and the organization of the study.

1.1 Background of the study

Accounting report is known as life giving force for any industrial unit and its management is considered among the most important function of corporate management. Accounting report is the most crucial factor for profitability of business (Mukhopadhyyay, 2004).

The purpose of accounting is to provide financial reports about a profitable or non-profitable organization. This information is of interest to owners, managers and other patties outside the business since accounting is used to gather and communicate financial information. It is often known as the language of business.

Nevertheless, many companies and organizations all over the world are experiencing difficulties in decision making processes resulting from poor prepared financial statement. (Nobes, 2002). Postulated that to some extent accounting reports may be prepared in such a way that may not meet the needs of the users, this problem is explained worldwide; external environment culture, legal system, taxation and inflation may influence it.

(Cole, The Journal of finance, 2000) postulated that in most continental Europe, Asia and Africa, the traditional scarcity of 'outsiders' shareholders has meant that external accounting reporting has been largely invented for the purpose of protecting creditors or controllers of economy. This has not encouraged the development of flexibility, judgment, fairness or experimentation. However, it does not lead to more careful accounting. This is because creditors are interested in worst case; they are likely to get their money back, whereas shareholders may be interested in an unbiased estimate of future prospects. Practically it has been done in continental Africa to give wrong financial information for tax evasion, fraudulent practice and complexity data. These entire scenarios do mislead financial decision making processes.

According to (Adolf, 1978), preparing accounting reports to be used in decision-making is a difficult task to many if not all of the commercial, industrial and government organizations in Rwanda. This has caused the failure to deliver productive decisions due to lack of sufficient records to base decisions. Adolf and others pointed out that the commercial and industrial parastatal compositions of Rwanda and fiscal affairs of the Rwandan government have been characterized too often by mismanagement, lack of controls and accountability, operating losses and irresponsibility, insufficiently trained and unsophisticated management, lack of adequate accounting and statistical data upon which to base decisions.

Accounting usually fits need because it allows companies to create financial reports that can be compared with other companies or an industry standard. Business owners and managers also use accounting to review the efficiency of operations. (Thuan, 2022)This information may help owners and managers make business decision and improve the company's profitability. An accounting report might include information from every part of the business; it might only focus on small goal, such as determining which department uses the most cash flow. *(O* (Lamont, 1997). Many businesses that closely for finances report accounting at least once per month. They might even do it more often, particularly if they are pursuing companywide goals related to finances.

A company can see it financial status over time as well as at one specific snapshot in time. All accounting reports should follow Generally Accepted Accounting Principles (GAAP) as established by the Financial Accounting Standards Board (FASB) these ensure accounting reports follow a set of principles, which include, but are not limited to, consistency, sincerity and good faith (Bragg, 2010).

Consistency means business is following the same accounting practices from month to month and year to year. Sincerity means personal creating the report (the accountant) is being honest. When people are acting in good faith, it means that everybody involved in every transaction is honest. Reporting in accounting is important because it allows businesses to have full knowledge of their financial situation (Palepu, 2020).

Accounting reports are key documents that give financial analysts the tools they need for reporting accounting and communicating the financial situation to the rest of the company, (Dillard, 2002)

During the period of study, BRALIRWA performed as it has been shown in operating decision (evolution of profit) In 2021 BRARIRWA has high profit compared to another years during this year of 2021 company has good performance.

This shown net profit fact where the ratios were 2%, 14%, 24%, 26% respectively for 2019, 2020, 2021 and 2022. According to financing decision (owner's equity and liabilities), it is clear that in 2019 BRALIRWA has been financed by internal financing at 60 % and 40% of external financing. In 2020 has financed by internal financing at 73% and 27% of external financing. In 2021 has also financed by internal financing at 79 % and 21 % of external financing. The ROE, the profitability of this company in terms of return on equity increased in satisfactory return of 19%, 21%, 34% and 40% for the years. According to the investing decision (non-current assets) in 2019, 2020, 2021 and 2022 BRALIRWA has invested more in property, plant and equipment.

In 2019 invested at the rate of 96% and other remain non-current assets has rate of 4%, in 2020 invested at the rate of 98% and other remain non-current assets at the rate of 2%. In 2021 invested at the rate of 97% and other remain non-current assets at the rate of 3%.

1.2. Problem statement

Today, companies are operating in zone of rapidly changing competitors and effective strategy of accounting report is critical to the success of them. Companies operate their businesses in the high cost effective and open a sustainable cost advantage. (M.A, 2005)said that to be cost leader, companies must be run like a pin companies. It must be highly efficient and it has to divide the labor, carry out tasks according to detailed instructions and have many quantitative check point and frequent feed-back to ensure that goals are met. The companies face the problem of fixing price of items produced; this is why proper accounting report practice should be put in place.

As enumerated by (Kociatkiewicz, 2008) today, many companies need to update their strategies in their activities in order to face the competitive environment, and those strategies should be formulated based on the business run by the company.

The same strategies should be of the competitiveness management and efficient the commercial company must confirm to the new environment and be updated in order to preserve their development according to evolution of the needs of market. To avoid financial risks caused by ineffective decision, there are the other financial tools which can be used to support that decision.

1.3.1. General objectives

The general objective of this study aims mainly at analyzing how accounting report impact decision making in BRALIRWA Ltd

1.3.2. Specific objectives

- Examine effectiveness of accounting reports implemented in BRALIRWA Ltd.
- To analyze if accounting reports system contributes to the decision making of BRALIRWA Industries Ltd.

1.4. Research questions

i. Is accounting report effectively implemented by BRALIRWA?
ii. Does accounting report contribute to the decision making of BRALIRWA Industries Ltd?

1.5. Hypothesis of study

The researchers used the following hypothesis in order to analyze given answers to problem statement stated above and verify the validity of those predetermined answers during the research. Those answers are;

i. Accounting report is effectively implemented in BRALIRWA Ltd.
ii. Accounting report contributes to the decision making of BRALIRWA Industries Ltd.

1.6. Scope of the study

Considering the limited time and financial constraints. This study present scope in time, space and scope in domain

1.6.1. Scope in domain

The study was conducted in domain of financial accounting

1.6.2. Scope in space

The study was carried out at BRALIRWA Ltd; the project to be carried out in the company site, on its headquartering at Kigali city, specifically in Kicukiro district because this company has big reputation especially in Rwanda. Also it is easy to get information about it. This helped other manufacturing companies to prepare and to implement their daily activities.

1.6.3. Scope in time

The study covered the period of 4years from 2019-2022. The reason of choosing this period is based on time limit of this study. Another reason is to attach this period with Covid-19 pandemic which has shaken the world especially those who are in the different businesses.

This time was easy for the researchers to get information effectively.

1.7. Significance of the study

Different interest implies research to carry out the study. Therefore, the study presented personal, academic, social interest.

This research will help the management of BRALIRWA INDUSTRIES Ltd

1.7.1 Personal Interest

The study helped the researchers to know the importance of accounting report in sustainable growth of a company.

The study helped researchers to know the effective of accounting report for the growth of BRALIRWA Ltd And it was used by the researchers as partial fulfilment of the requirement for the award of bachelor's degree in accounting.

1.7.2 Academic Interest

In academic, this work helps other student in their research or module

1.7.3 Social Interest

To identify its performance direction based on accounting report,

This research helped to identify the performance of BRALIRWA industry as well as the economic growth, which has an attempt to make and design option for improvement**.**

1.8. Structure of the Study

This work was divided into FOUR chapters.

The first chapter presented General introduction. The second represented literature review. The third chapter presented Research methodology. The fourth chapter represented Data analysis and presentation.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter shows the key concept defined in the study and theories related to the topic, so as facilitate to the comprehension, this chapter has the relevant theories and models to be used to review the accounting report as tools of decision making of organization.

2.2. Definitions of key concepts

It is important to clarify certain term from the beginning for better comprehension of the content of our work, much as in management sciences a concept or a nation might have different meaning depending up on the context.

2.2.1. Accounting

Accounting: is the measurement. Processing and communication of financial information about economic entities. Accounting is both an art and a science it’s an art because it is learned by practice and science because of it is extensive study and training is necessary before the professional is able to formulate a hypothesis in both science and accounting.

Accounting is defined as a systematic recording and summarizing, analyzing, verifying and reporting financial transaction. (William, 2011).

It is a tool of comparability of performance which allows the decision makers to make the decision on allocating the resources. It is an art of recording classifying and summarizing in a significant manner and in terms of money, transaction and events which are in part at least, of financial character, and interpreting the results, these character was designed by American institute of chartered public Accountants (AICPA).

2.2.2. Accounting reports

An accounting report: is financial report that a company files to show its past and present financial situation. With this report, company and financial analysts can also predict their financial situation in the future more easily.

Accounting reports is the final stage of accounting work. It is done after the completeness of the economics event recorded in journal and summarized in trial balance and ledger, an accountant respect accounting principle generated and developed by the General Accepted Accounting Principle (GAAP), (Gupta, 2001).

2.2.3. Decision making

Decision making: is a management approach and process of selecting the most logical choice from the available options to create the best situation.

Making decision is a common thought process within modern management. Every professional or manager makes hundreds of decision in the challenging environment where he or she works (Wild, 2000)

2.2.4. Manufacturing companies

A manufacturing companies: is a company that produces finished goods from raw materials by using various tools, equipment, and processes, and then sells the goods to consumers, wholesalers, distributors, retailers or to other manufacturers for the production of more complex goods. (James, 2007),

2.3. Theoretical review

Accounting reports as, “the end product of financial accounting in a set of Accounting reports prepared by the accountant of a business enterprise-that purport to reveal the financial position of the enterprise, the result of its recent activities, and an analysis of what has been done with earnings.” (Smith and Ashburne, 1981)

Accounting reports are also called financial reports. In the words of (Anthony, 1976) Accounting reports, essentially, are interim reports, presented annually and reflect a division of the life of an enterprise into more or less arbitrary accounting period-more frequently a year.” Accounting reports are the basis for decision making by the management as well as other outsiders who are interested in the affairs of the firm such as investors, creditors, customers, suppliers, financial institutions, employees, potential investors, government and the general public. (Caulton, 2020).

2.4. Empirical Review

(Thachappilly, 2009) Conducted a study on the Financial Ratio Analysis for decision making of manufacturing industries in 2009 by using descriptive statistics method. He stated that Financial Ratio Analysis is typically done to make sense of the massive amount of numbers presented in company financial statements and It helps to make decisions of a company, so that investors can decide whether to invest in that company and He assured that profitability, liquidity, solvency and activity ratios are useful tools for decision making of the manufacturing industries.

Profitability Ratio Analysis of Income Statement and Balance Sheet Ratio analysis in 2009 by using descriptive statistics method. (Clausen, 2009) Established profitability ratio analysis, and balance sheet ratio analysis for measuring manufacturing industries and he said that the income statement and balance sheet are two important reports that show the profit and net worth of the company. His analyses show how the well the company is doing in terms of profits compared to sales. He also showed how well the assets are performing in terms of generating revenue. He defined the income statement shows the net profit of the company by subtracting expenses from gross profit (sales- cost of goods sold). Furthermore, the balance sheet lists the value of the assets, as well as liabilities. In simple terms, the main function of the balance sheet is to show the company’s net worth by subtracting liabilities from assets. He said that the balance sheet does not report profits; there is an important relationship between assets and profit. The business owner normally has a lot of investment in the company’s assets.

A high percentage indicates that company’s is doing a good utilizing the company’s assets to generate income. He noticed that the following formula is one method of calculating the return on assets percentage. Return on Assets = Net Profit/Average Total Assets. The net profit figure that should be used is the amount of income after all expenses, including taxes (Zain, 2008). He denounced that the low percentage could mean that the company may have difficulties meeting its debt obligations. He also short explained about the profit margin ratio operating decisions. He pronounced that the profit margin ratio is expressed as a percentage that shows the relationship between sales and profits. It is sometimes called the operating performance ratio because it’s a good indication of operating decisions.

2.5. Research Gap

There is a possibility that some issues regarding the topic might not come up if such issues are peculiar to some private company that is not covered in the study. This limitation was addressed by conducting the study on BRALIRWA one of the private companies in Rwanda.

2.6. Theories related to account reports

Accounting theory is the set of assumptions and methodologies that is applied to financial reporting. The study of accounting theory is like the study of any other theory. It involves the historical foundations of accounting and how those practices have changed and added to the regulation of financial statements and reporting. In the U.S., accounting theory, and how it is interpreted and used, is governed by the Financial Accounting Standards Board (FASB).

This organization helps to evaluate and guide accounting practices and how they are used. Accounting theory continues to evolve with such organizations as the International Accounting Standards Board (IASB). Organizations like the IASB help to create and revise applications of accounting theory and make it more streamlined across borders.

It is then up to financial professionals to interpret these new rules and revisions for companies to effectively prepare financial statements.

2.6.1 Key elements of accounting theory

There are same crucial elements in accounting theory that makes it an indispensable framework for accounting practices. The key elements include the following:

Relevance: this is a crucial element of an accounting theory. Information provided by accounting theories are relevant in all aspect. Usefulness: accounting theory is useful for the compilation of financial reports of statements. It helps corporate businesses make informed decisions as regards finance. Reliability: an accounting report is reliable. It follows the standards of General Accepted Accounting Principles. (GAAP) Consistency: this is another key element of accounting theory. Furthermore, accounting theory generally maintains that professionals in the accounting industry operate based on assumptions which are: Discrepancy between a business and its owner, continuity of the business and, preparation of financial statements

2.6.2. The component of accounting reports

There are four main financial statement used in accounting report: Income statement, balance sheet, cash flow and owner's equity.

1. **Income statement**

Income Statement, or Profit and Loss Statement, is directly linked to balance sheet, cash flow statement and statement of changes in equity.

The increase or decrease in net assets of an entity arising from the profit or loss reported in the income statement is incorporated in the balances reported in the balance sheet at the period end.

The profit and loss recognized in income statement is included in the cash flow statement under the segment of cash flows from operation after adjustment of non-cash transactions. Net profit or loss during the year is also presented in the statement of changes in equity Chitins K.M. (1988).

It is also known as profit and loss account; this statement shows the result of a company for the specific period of time. This statement uses the progress information of the specific The elements of income statement are:

Revenue

That are inflow of the company for the period or income generated by the company's activities for the specific periodical time, example rent received, earned tax. Generally, the revenues the income generated from sale of goods or services or any other use of capital or assets associated with the main operations of a firm. The level of income determines how the company life is. The predictability of the company is based on income period till to it is end. The result shown in last year did not be used for the following year.

Expenditure

Expenditure is an outflow of a company's money or other asset to pay for a services or a product to reach the revenues. The impact of expenses on balance sheet is to increase liabilities and decrease the asset. Same of the business expenses are: the interest on money borrowed, salaries. The expenses are the main element in income statement preparation.

2. Balance sheet

Balance sheet, or Statement of Financial Position is directly related to the income statement, Cash flow statement and statement of changes in equity. Assets, liabilities and equity balances reported in the Balance Sheet at the period end consist of Balances at the start of the period; The increase (or decrease) in net assets as a result of the net profit (or loss) reported in the income statement; The increase (or decrease) in net assets as a result of the net gains (or losses) recognized outside the income statement and directly in the statement of changes in equity (e.g revaluation surplus); The increase in net assets and equity arising from the issue of share capital as reported in the statement of changes in equity; The decrease in net assets and equity arising from inters balance sheet transactions not included above (e.g. purchase of fixed assets, receipt of bank loan) Accruals and prepayments, Receivables and Payables.

The balance sheet is a financial statement prepared with a view of computing the financial position of a company in a business for certain fixed period. A balance sheet has two main parts:

Assets: This part include the company's economic resources that are owned by for at the reported time. The asset also has two main sub parts:

Fixed asset: That is the asset which cannot have expectation to be consumed or converted into cash any sooner than at least one year's time. Fixed asset are sometimes collectively referred to as "plant asset". Those assets are relatively with a long period to carry on a business of a firm. Some of the party contents are machinery, land and building.

Current asset: That is the asset which is convert easily into cash and can be used in the terms of payment. Example cash, inventory, debtor, prepaid expenses.

Liabilities: it is the balance sheet party which contain the amount that business is legally to pay within a short or long term period. Sometimes of a business owes to someone.

Equity: What the business owes to its owners. This represents the amount of capital that remain in the business after its assets are used to pay off its outstanding liabilities. Equity therefore represent the difference assets and liabilities. (John W. & Sons, 2001).

Retained earning

In accounting, retained earnings refer to the portion of net income of a corporation that is retained earned by the corporation rather than distributed to shareholders. Details the movement in owner's equity over a period. The movement in owner's equity is derived from the following components: Net profit or loss during the period as reported in the income statement. Share capital issued or prepaid during the period. Dividend payment. Gain or losses recognized directly in equity (e.g. revaluation surpluses). Effects of a change in accounting policy or correction of accounting error. View detailed explanation and example of statement of change in equity (Scott, 2010)

3. Cash flow statement

Statement of Cash flow is primarily linked to balance sheet as it explains the effects of change in cash equivalents at the beginning and end of the reporting period in terms of the cash flow impact of changes in the components of balance sheet including assets, liabilities and equity reserves, (Britton. & Jorisson, 2009).

Cash flow statement therefore reflects the increase or decrease in cash flow arising from: Change in share capital reserves arising from share capital issues and redemption; Change in retained earnings as a result of net profit or loss recognized in the income statement (after adjusting non-cash items) and dividend payments**;** Change in long term loans due to receipt or payment of loans; Changes in long term loans due to receipt or repayment of loans; Working capital changes as reflected in the increase or decrease in net current assets recognized in the balance sheet; Change in non-current assets due to receipts and payments upon the acquisitions and disposals of assets (i.e. investing activities). Cash flow statement, represent the movement in cash and bank balances over a period. The movement in cash flows is classified into the following segment: Operating activities: represent the cash flow from primary activities of a business. Investing activities: represent cash flow from the purchase and sale of assets other than inventories (e.g. purchase of factory plant).

Financing activities: represent cash flow generated or spent on raising and repaying share capital and debt together with the payment of interest and dividend (Charles, H.G, 2003).

4. **Statement of Changes in Equity**

Statement of Changes in Equity is directly to balance sheet and income statement. Statement of changes in equity shows the movement in equity reserves as reported in the entity's balance sheet at the start of the period and the end of the period. (Barry Elliot & J. Elliot, 2006) The statement therefore includes the chances in equity reserves arising from share capital issues and redemptions, payments of dividends, net profit or loss reported in the income statement along with any gains or losses recognized directly in equity (e. g. revaluation surplus).

2.6.3. The users of accounting information

Accounting is used by the different agents whose link of accounting information which the practice, and there are grouped in two types:

1. **Internal users**

Internal user are the ones who use accounting information to fulfil their internally in the company. The internal users are:

Managers: is same one whose management duties in the business to get more performance in the company, accounting report helps him/her to get information on financial on financial situation to use in decision making for the better performance of the company. Employees: they are in need for two main purpose. The first ones are that whose responsibilities are similar with the daily knowledge of accounting information to run their daily responsibilities. Those kinds of employees are in need of financial knowledge, some of them are: the directors of finance, human resources officer and the accountants.

The second purpose relate to all employees is to the accounting information for being motivated with the company financial performance for example for profitability assessing company security and future remuneration. This kind of employees do not have link with finance duty. Example security guards.

Owner: is a party that possess the exclusive right to hold use, benefit-from, convey, transfer and otherwise dispose of an asset or property, financial information help owner to know the position of the company performance. Internal auditor: is same one to make an audit internally in the company.

Source: courses.lumenlearning.com

2. External users

The external users are the one who are in periodical need of financial information but to use externally of the firm. Some of them are lenders, shareholders, external auditors and government.

The Government: the government use financial report to be updated on financial position of the firm. This helps the government to make the prediction of the budget on this firm. The government needs also to make computation of make national income. Tax collectors: to determine the credibility of the tax return filed on a behalf of the company. That collector is in need of the financial report to verify the company's contribution on government expenditures.

Investor: To analyze the company performance investors want to make sure if his investment made in the company will earn the considerable return. Creditor: he is in the need of accounting information for fixing the credit worth order to prevent the risks. Customers: for assessing the financial position of the supplier which is necessary for a stable source of supply in long term. Regulatory Agent: for insuring that the companies disclose the accounting information is in relation with the rules and regulation set-in order to protect the interest of stockholders who rely in such information in forming their decision. The external users use the financial statement to get the needed financial information.

Source: courses.lumenlearning.com

2.6.4. Characteristics of accounting information

Key characteristics of accounting information

There is general agreement that, before it can be regarded as useful in satisfying the needs of various user groups, accounting information should satisfy the following criteria:

Understandability

This implies the expression, with clarity, of accounting information is such a way that it will be understandable to users who are generally assumed to have a reasonable knowledge of business and economic activities

Relevance

This implies that, to be useful, accounting information must assist a user to form, confirm or maybe revise a view usually in the context of making a decision (e. g. should I invest, should lend money to this business? Should I work for this business?)

Consistency

This implies consistent treatment of similar items and application of accounting policies

Comparability

This implies the ability for users to be able to compare similar companies in the same industry group and to make comparisons of performance over time. Much of the work that goes into setting accounting standards is based around the need for comparability.

Reliability

This implies that the accounting information that is presented is truthful, accurate, complete (nothing significant missed out) and capable of being verified (e. g. by a potential investor).

Objectivity

This implies that accounting information is prepared and reported in a "neutral" way. In other words, it is not biased towards a particular user group or vested interest Thomas (Polzler, 2018)

Source: www.tutor2u.net

2.6.5. Management accounting tools

A ratio is one variable measured in terms of another, for example, how many girls are in a class compared to the number of boys. Ratio analysis is one tool in the strategic decision making process. Management accountants use ratios along with other internal business data and publicly available information to assess aspects of a company's performance (Gavtam, 2015).

2.6.6. Other tools available to a management accountant include

Cash flow forecasts which look at likely future flows of costs and revenues. The business uses these to plan expenditure and to see where it might need to borrow.

Budgets, which are financial plans for the future. They help the business to see where it will incur costs and where revenues will come from. They are particularly important in helping to coordinate the different parts or activities of a business.

Variances which show the difference between what was forecast to happen (in a budget) and what actually happened. The reasons for these differences can then be analyzed to show why the variance occurred.

Management accountants can then see how the business can build on positive variances or avoid negative ones in future.

Investment appraisal helps to decide whether a particular investment is worthwhile or not. It looks at the costs of investing, for example, in a new factory or processes and at the likely financial returns (Foster, 2016).

2.6.6. The main ratios used in management accounting are:

a) Efficiency or activity ratios

Activity ratios are used to determine the efficiency of the organization in utilizing its assets for generating cash and revenue. It is used to check the level of investment made on an assets and the revenue that it is generating (Dhillon, 2012).

The role activity ratios or turnover ratio is in the evaluation of the efficiency of a business by careful analysis inventories, fixed asset and accounts receivables.

Types of activity ratios

Stock turnover ratio or inventory turnover ratio; Debtors turnover ratio or accounts receivable turnover ratio; Creditors turnover ratio or accounts payable turnover ratio; Working capital turnover ratio; Investment turnover ratio.

b) Liquidity ratios

Liquidity ratios show whether the business is able to pay its debts. They look at whether the assets of the company (its buildings, land, and equipment) could repay any debts (Saleem, 2011).

Types of liquidity ratios

Current ratio or working capital ratio; quick ratio or acid test ratio; cash ratio or absolute liquidity ratio.

c) Profitability or performance ratios

This show how well a business is a doing. They relate to the business objectives, which might be to make profit or obtain a return on investment, or collects its debts quickly. It is important that management accountants look at all the relevant ratios when making a decision. Management accountants need to be able to produce accurate analysis, correct forecasts and a detached and professional overview to a company’s performance. These contribute to the future success of a business (Tajnikar, 2009).

Types of profitability ratios

Gross profit margin; Net profit margin; Return on assets; Return on equity.

d) Leverage ratios

Leverage ratios is any one of several financial measurements that look at how much capital comes in the form of debt(loans) or assesses the ability of company to meet its financial obligations.

Types of leverage ratios

Debt to asset ratio; Debt to equity ratio; Time interest cover ratio.

2.6.7 Importance of accounting information

In the business world, accounting is one discipline of study that all people, regardless of job position, should have some knowledge of. Its concepts can be applied to all job specialties, its importance has been promoted in recent years, and it is useful in people's everyday lives.

First, an accounting education is important because it can be applied in all job specialties. Secretaries must use accounting skills to manage the company check book and orders, auditors have to study financial statements to evaluate the accuracy and integrity of the business, and executives need to judge the success of their business using accounting statements from the past and present. These are just a few of the many possible positions where an understanding of accounting is necessary. Additionally, it is vital that everyone, not just business students acquire an understanding of accounting for personal benefit. People use accounting in their daily lives when they study financial statements to make investment decisions, assess interest rates to pay off their house mortgages, and calculate rates for car payments. In the business world, accounting is utilized in much greater depth, but each individual encounters some activities in his/her everyday life that requires knowledge of accounting principles. Accounting is the most basic framework of business. Without an accounting education, students would be unprepared for the real world (Nahar H., 2013).

2.7. Theories related to decision making

Decision making: is a management approach and process of selecting the most logical choice from the available options to create the best situation.

Making decision is a common thought process within modern management. Every professional or manager makes hundreds of decision in the challenging environment where he or she works. (Klein, 2008)

2.7.1 Types of decision making

2.7.1.1 Financing decision

Financing decisions refer to the decisions that companies need to take regarding what proportion of equity and debt capital to have in their capital structure. The financing decision seeks to optimize the WACC by looking at company's capital structure, specifically the cost of equity and the cost of debt. (Monahan, George E, 2000)The main sources of funds are shareholders' funds and borrowed funds. Shareholders' funds refer to equity capital and retained earnings. Borrowed fund refer to finance raised as debentures or other forms of debt.

A financial decision which is concerned with the amount of finance to be raised from various long term sources of funds like, equity shares, preference shares, debentures, bank loans etc. Is called financing decision. In other words, it is a decision on the 'capital structure' of the company.

Capital Structure Owner's Fund + Borrowed Fund

2.7.1.1.1. Factors Affecting Financing Decision:

1. Cost- The cost of raising funds from different sources is different. The cost of equity is more than the cost of debts. The cheapest source should be selected prudently.

2. Risk- The risk associated with different sources is different. More risk is associated with borrowed funds as compared to owner's fund as interest is paid on it and it is also repaid after a fixed period of time or on expiry of its tenure.

3. Flotation cost- The cost involved in issuing securities such as broker's commission, underwriter's fees, expenses on prospectus etc. Is called flotation cost. Higher the flotation cost, less attractive is the source of finance.

Source: economicdiscussion.net

2.7.1.2. Operating decision

Operating decision are determinations made in regard to the routine, ongoing activities of an organization. Examples of operating decisions are which customer orders to schedule for production, which component and row material to buy from suppliers, schedule production equipment for use, deciding the nature of marketing campaign, deciding where to invest excess funds, and determining how much inventory to keep on hand. Operating decision are made within the context of long term strategic decisions, so that an organization's strategy is always supported by its operating decisions. (Monahan, George E, 2000)

2.7.1.3. Investing decision

Investing decision refer to selecting and acquiring the long term and short term assets in which funds will be invested by the business.

Investment decisions are the financial decisions taken by management to invest funds in different assets with an aim to earn the highest possible returns for the investors. It involves evaluating various possible investment opportunities and selecting the best options, (Monahan, George E, 2000). A financial decision which is concerned with how the firm's funds are invested in different assets is known as investment decision. Investment decision can be long-term or short-term.

A long term investment decision is called capital budgeting decisions which involve huge amounts of long term investments and are irreversible except at a huge cost. Short-term investment decisions are called working capital decisions, which affect day to day working of a business. It includes the decisions about the levels of cash, inventory and receivables.

A bad capital budgeting decision normally has the capacity to severely damage the financial fortune of a business.

2.8. Link between accounting reports and decision making

Research focuses on the role of accounting reports in managerial decision making. The findings of some researcher revealed that financial reports help managers know what happened in the past and which is the present situation of the company, make visible those events that are not perceptible by daily activities, provide a quantitative overview of company and help managers prepare for future activities and decisions.

To be useful for decision making financial reports must be intangible, relevant, reliable and comparable.

The reality of decision making reveals that decision making taken not only in terms of information and status quo, but based on personal benefits and representations that shape the personal vision of the world (Fernando, 2013).

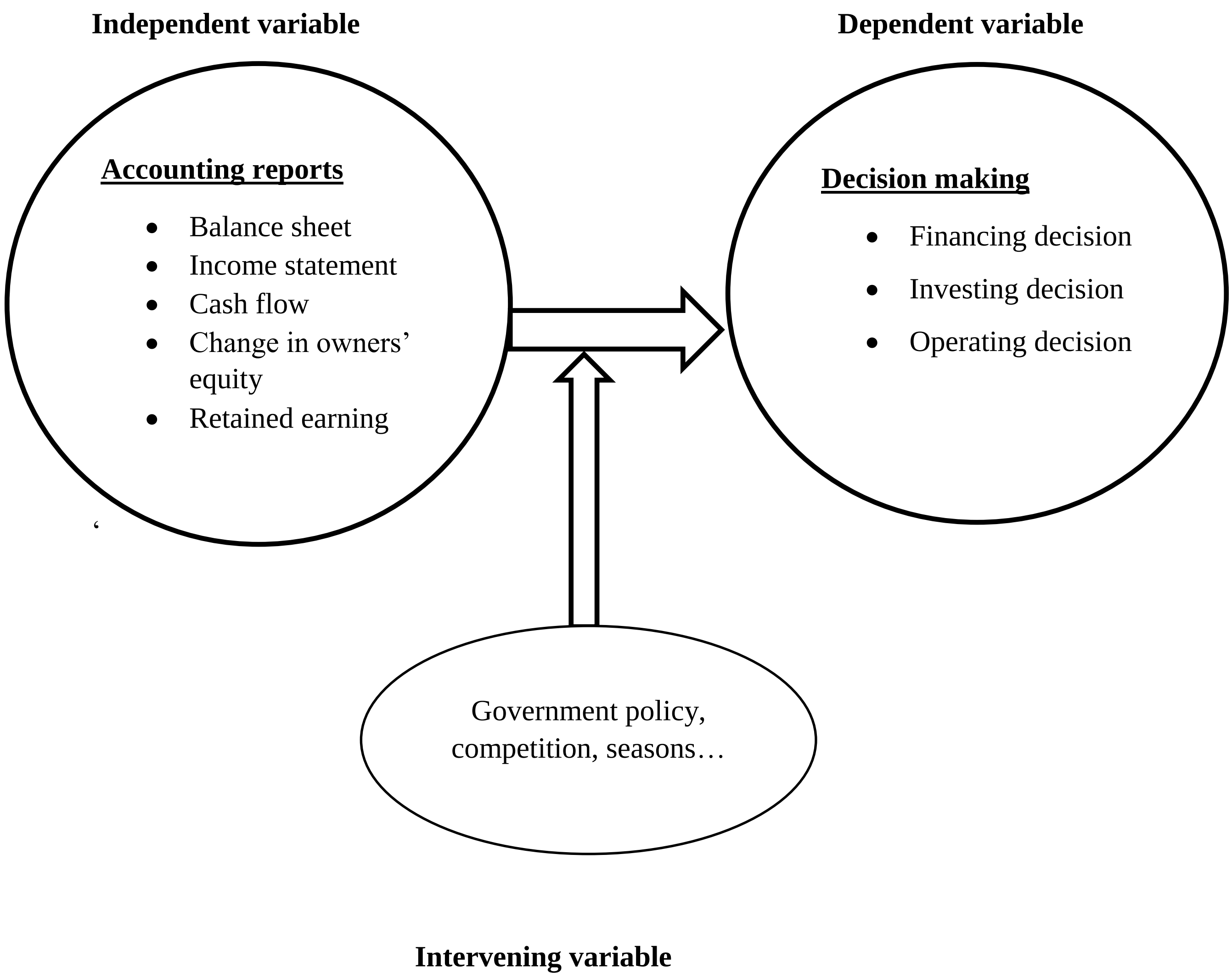
How is accounting a tool of decision making?

Management accountants look ahead they focus on forecasting and decision making. They use information to advice on how the business can move forward, for example, should a company buy another, should it invest in new equipment.

Management accounting involves using internal financial information available to managers, as well as that information which companies must publish by law. This contributes to forward planning, reviewing and analyzing performance of the business.

Management accounting is fundamental in strategic planning. When a business is looking to make strategic decision, for example, whether to develop a new product line, acquire another business or expand into other countries, CIMA trained management accountant can provide advice. They can use a number of tools to assist decision making. These include ratio analysis, budgets and forecasts (such as cash flow and variances).

Figure2. 1.Conceptual framework



CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

This chapter indicated various methods and techniques used by researchers during the course of gathering relevant information from the field. It also described methods and techniques used to collect and analyze data. I.e. Research design, target population, sample design, data collection procedures and data analysis.

3.1. Research design

According to (Kothari, 2008)research design is the conceptual structure within which research is conducted, it constitutes the blueprint for the collection, measurement and analysis of data as such includes an outline of what the researchers have done from writing the hypothesis and its operational implication to the final analysis of data.

The researchers used a descriptive research design, where qualitative and quantitative approach were used. It is quantitative because it provides numerical results. It is qualitative because it was used to gain an understanding of underlying reasons, opinions and motivation through individual interviews, and participation/observations. This research was designed to find out the use of accounting reports as a tool of decision making. It is descriptive and analytical in nature.

3.2 The population of the study

A study population was a group considered for a study or statistical reasoning. The study population was not limited to the human population only. It is a set of aspects that have something in common. They can be objects, animals, measurements, etc. The researchers used this to know the further information about the topic. This helped the researchers to collect data correctively. In this case study (BRLIRWA), the researchers used different sources include financial statements or accounting reports, managers, employees, government (example is Rwanda Stock Exchange “RSA”), Customers...

3.3 Data Collection Sources

Data collection refers to the means by which information is obtained from the selected subjects of an investigation or a study. It refers to the techniques applied in extracting the required study data for analysis (Mugenda, 2008).

The data required for the study were obtained from secondary sources that were used to investigate the relationship between dependent and independent variables. In the study, 4years' data (2019-2022) was collected.

The collected data will be related to dependent variables which is manufacturing company's profitability as measured by return on asset and return on Equity and the independent variables which are cash management, inventory management, payable and receivable management.

Research techniques includes, documentation and archival study Documentation techniques; refers to the analysis of the documents that contains information about the scenario or event under consideration, it is used to investigate, categorize and collect physical resources, mostly commonly written documents.

Quantitative data analysis data is typically presented in descriptive, tabular form and used to highlight this approach can also be quantitative (descriptive numbers, tables). Qualitative data analysis may be used in theory testing. Theory building may use the grounded theory approach. Theory testing typically involves pattern matching (Yin, 2014)

3.3.1 Secondary Data

Secondary data is research data that has previously been gathered and can be accessed by researchers. The term contrasts with primary data, which is data collected directly from its source. Secondary data is used to increase the sampling size of research studies and is also chosen for the efficiency and speed that comes with using an already existing resource. Secondary data facilitates large research projects, in tandem collect secondary data. The main research is then allowed to focus on primary research or particular areas of interest. This division of labor helps researchers learn more in less time.

3.4 Data collection techniques

Data collection methods are techniques and procedures used to gather information for research purposes. These methods can range from simple self-reported surveys to more complex experiments and can involve either quantitative or qualitative approaches to data gathering.

3.4.1 Documentation technique

According to (Madill and Gaugh, 2008)the data were collected from responded and analysis was based on the research questions, where the main aims was to verify correctness and extent to which the accounting report were used as a tools of decision making in business decision.

Descriptive statistics were used to describe the basis features of the data in the study. They also provided the simple summaries and measures. In fact, the descriptive analysis allows for the simply description of what the data shown.

The secondary data have been used to calculate the profit trend for the period under consideration, the profitability so as to measure finance performance of BRALIRWA Ltd for the period under study, since the ratio analysis is most powerful tool and more informative.

A ratio can be defined as tool used by individuals to conduct a quantitative analysis of information in a company's financial statement. Therefore, after collecting data, it was presented using tables and figures while interpretation and analysis was done based on percentages and frequencies of respondents views.

3.5 Data processing and Analysis

According to (Bailey, 1978) not all data can be presented in their totality. The variables to be presented are those central to the goals of the study. He defines data analysis as analyzing of variables records in order to obtain quantitative data about the past.

During the present study, quantitative data had been analyzed using statistical methods while qualitative data had been analyzed using thematic analysis.

3.5.1 Data processing

Processing of data is editing, coding and tabulation problems use of computer in social research. Analysis of data is statistical: diagrammatic and graphic representation. Interpretation of results

3.5.1.1. Data editing

The editing helped researchers to examine data, detect any errors and omission, and to correct them where possible. This have been done through checking, inspection, correcting and modifying collected data to ensure the completeness, accuracy, uniformity and comprehensiveness.

3.5.1.2. Coding

To ensure that all answers are coherently and logically recorded to provide consistent information in order to facilitate the understanding of phenomenon and cross check the data collected, the process of editing and coding were considered.

3.5.2 Data analysis methods

Data analysis is the process of inspecting, cleaning, transforming and modeling data with the goal of discovering useful information, suggestions and supporting decision making. Data analysis has multiple facts and approaches, encompassing diverse techniques under a variety of names, in different business, science and social science domains (Kothari, 2008)

The researchers used quantitative method to determine the relationship from the data obtained. This model of analysis examines the simultaneous effects of the independent variables on a dependent variable. A descriptive analysis technique has been employed to analyze data. This included the use of tables, charts, graphs, percentage and frequencies (Mugenda, 2008). Pearson correlation used to determine the relationship between profitability and various working capital independent variables. On this note, editing, coding and tabulating of data was done in order to be able to handle it easily.

3.5.2.1. Statistical method

This method is the one which facilitate in quantifying and numbering the results on facilitated presentation of information and graphs, charts and tables.

This method was used by presenting tables which show the results from secondary data collected and analyze them accordingly.

3.5.2.2 Analytical method

According to (Longman, 2004) analytical method is the one that enables systematic analysis of information and giving more details on data collected. This method will help researchers to analyze the collected data from website and other different sources in order to draw a good conclusion of the study.

This method also enable systematic analysis information and data collected during the research. It insists much on each case and element of the entire study. This method is particularly useful to develop a critical analysis of financial management in BRALIRWA Industry Ltd.

3.5.2.3 Historical method

It is the process of establishing general facts and principles through attention of chronology, to evaluation or historical cause of what is being studied (Lampson, 2015). This type of method used where researchers had described the history of BRALIRWA and its evolution in profitability.

3.8. Comparative method

According to (Jackson, 2011) Comparative method is a research methodology that aims to make comparisons across different study variables.

A comparative research is that data sets in different variables may not use the same categories, or define categories differently. It was important in the research, because it helped researchers to compare the financial statements. And it identifies an organization’s financial performance.

3.6 Data validity and reliability

The data of validity is checked before processing the result. This helped to establish the reliability of the tools used in data collection. This process was aided in correction of the mistakes and errors within the tools of data collection to verify how they were reliable to produce significant information from the field. The reliable data was got and this minimized statistical errors.

Validity refer to the degree to which a study accurately reflects or assesses the specific concept that the research is attempting to measure (Bernheimer, 2008). (K; David, 2016). The study was expected to be valued in sense that it only investigated the accounting report as tool of decision making.

Validity is concerned with the study's success at measuring what the researchers set to measure.

3.7. Limitation of the study

In view of the following threats to validity, the researcher claims an allowable 5% margin for error at 0.05 level of significance. Measures are also indicated in order to minimize if not to eradicate the threats to the validity of the finding of this study.

Attrition: there is likelihood of some respondents cannot return back the questionnaires and this might affect the researcher in meeting the sample size. Some of the questionnaire may also returned despite printing many.

3.8. Ethical consideration

The researchers considered the research values of voluntary participation, anonymity and protection of respondents from any possible harm that could arise from participating in the study. Thus the researchers made aware of the purpose of the study which was actually as a result of fulfillment of master's program and not for any hidden agenda by the researchers and requested the respondents to participate in the study on a voluntary basis and refusal or abstaining from participating was permitted. The research also assured the respondents of confidentiality of the information given and protection from any possible harm that could arise from the study since the finding would be used for the intended purposes only.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In this chapter, we are interested on the basis of preparation of financial statement and ratio analysis have been used in order to evaluate the impact of accounting reports on management decision making within Bralirwa Ltd over the last four years and assist down the conclusion and recommendation after assessing the different ratios on long and short terms of the company’s ability to pay its debts.

4.2 Background of BRALIRWA Industry Ltd

Founded in 1957, BRALIRWA Ltd is a Rwandan company producing and selling beers and soft drinks. Since 1971, BRALIRWA Ltd is part of the internationally renowned Heineken Company which currently holds 75% of BRALIRWA Ltd shares while the 25% remaining shares are hold by independent shareholders. BRALIRWA Ltd shares are listed on Rwandan stock exchange since January 31, 2011. The company beer portfolio includes primus, Mutzig, Amstel and turbo king produced in our Gisenyi brewery and the Heineken beer which is reported. Since 1974 the company hold the license of the Coca-Cola company to produce and distribute their brands, BRALIRWA Ltd produce the Coca-Cola portfolio: Coca-Cola, Fanta orange, Fanta citron, Fanta fiesta, sprite, Krest tonic and the company’s own brand vital’O.

4.3 Basis for preparation of financial statement for Bralirwa Ltd

The reports of Bralirwa Company are prepared in accordance with International Financial Accounting Report Standard (IFRS) The preparation of financial statement in conformity with IFRS requires the use of certain critical accounting estimates. It also requires to exercise the management and judgment in the process of application of the groups accounting policies. Financial statements in accordance with IFRS requires the Group’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and other available information.

Actual results could differ from those estimates. The most significant areas requiring the use of management estimates and assumptions relate to:

Useful lives of property, plant and equipment, Impairment of assets, Allowance for doubtful debts, obsolete and slow moving inventories, Decommissioning liability, Retirement benefit liabilities, Litigations, Deferred income tax assets.

All entities over which the group has the power to give the financial and operating generally accompanying a shareholding of more than one half of the voting rights. Subsidiary is fully consolidated from the date on which control is transferred to the group.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability includes judgments based on the utilization of deferred tax assets, including past operating results, operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from that estimates or if these estimates must be adjusted in future periods, the financial position, result of operations and cash flows may be negatively affected. In the event that the assessment of future utilization of deferred tax assets must be reduced, this reduction will be recognized in the income statement.

4.4. Analysis of implementation of accounting reports in BRALIRWA Company

Under this section, researchers assessed the implementation of accounting reports in BRALIRWA from documentary technique, the accounting reports used by BRALIRWA are as follow:

Statement of Financial position (balance sheet), Statement of Comprehensive income (profit & loss), Statement of cash flow, Statement of change in equity.

4.4.1. Analysis of Statement of financial position (balance sheet)

A statement of financial position is a financial statement of a company which are includes assets, liability, equity capital, total debt, etc. at a pint in time. Assets on side, and liabilities on the other.

4.4.2. Non-current assets

Non-current assets are company's long term investments that are not easily converted to cash or are not expected to become cash within an accounting year. Example of non-current assets include investment, intellectual property, and equipment.

Non-current assets appear on a company's balance sheet(financial position).

Table:4. 1.Non-current assets

Account	2019(in Rwf 000)	2020(in Rwf 000)	2021(in Rwf 000)	2022(in 000)
property, plant, and equipment	85,914	87,554	84,981	102,647
Intangible asset	1,672	1,697	1,536	966
Investment	1,166	9	9	9
Receivable from related parties-principle	-	-	592	587
Total non- current assets	**88,752**	**89,260**	**87,118**	**104,209**

Relates on the above table total non-current assets of BRALIRWA Company increased from 2019 to 2020, caused by property, plant, and equipment, from 2020 to 2021 decreased caused by property, plant, and equipment and also Intangible asset, and from 2021 to 2022 increased caused by property, plant, and equipment.

4.4.3. Current asset

In accounting a current asset is any asset which can reasonably be expected to be sold, consumed, or exhausted through the normal operations of business within the current fiscal year or operating cycle or financial year(whichever period is long).typical current assets include cash, cash equivalents, short term investments which in the ordinal activity are mainly related to non-strategic companies in the process of being sold(usually as result of private negotiations) account receivable, stock or inventory, supplies and the portion of prepaid liabilities(sometimes referred to as prepaid expenses) which will be paid within year.

Table:4. 2.Current assets

Account	**2019(in Rwf 000)**	**2020(in Rwf 000)**	**2021(in Rwf 000)**	**2022(in 000)**
Inventories	18,477	19,963	19,475	32,526
Receivable from related parties	3,266	1,934	1,315	3,009
Trade and other receivable	6,530	10,261	5,618	14,358
Tax recoverable	452	896	1,018	-
Bank and cash balance	4,264	4,957	1,864	1887
Total current assets	**32,989**	**38,011**	**29,290**	**51,780**

Relates to the table above, from 2019 to 2020 increased caused by Inventories, Trade and other receivable, Tax recoverable, Bank and cash balance except Receivable from related parties. From 2020 to 2021 decreased caused inventories, Receivable from related parties, Trade and other receivable and Bank and cash balance. From 2021 to 2022 increased caused by inventories, Receivable from related parties, Trade and other receivable, Bank and cash balance.

4.4.4. Owner’s equity and liabilities

Owner’s equity is defined as the proportion of the total value of a company’s assets that can be claimed by owners (sole proprietorship or partnership) and by its shareholders (if it is a corporation). It is calculated by deducting all liabilities from total value of an asset (equity=assets- liabilities) The liabilities represent the amount owed by the owner to lenders, creditors, investors, and other individuals or institutions who contributed to the purchase of the asset. The only difference between owner’s equity and shareholder’s equity is whether the business is tightly held (owner’s) or widely held (shareholder’s)

Table: 4. 3.Owner’s equity and liabilities

Account	2019(in Rwf 000)	2020(in Rwf 000)	2021(in Rwf 000)	2022(in Rwf 000)
Share capital	5,143	5,143	5,143	5,143
Share premium	85	85	85	85
Others reserves	2,072	2,072	2,072	2,072
Retained earning	27,311	35,288	43,813	48,841
Total equity	**34,611**	**42,588**	**51,113**	**56,141**
Liabilities				
Non-current liabilities				
Loans and borrowings	17,413	11,612	8,461	13,493
Deferred tax liabilities	5,805	4,194	5,095	4,178
Total non-current liabilities	**23,218**	**15,806**	**13,556**	**22,421**

Relates to the table above, from 2019 to 2020 Owner’s equity increased caused retained earnings. From 2020 to 2021 increased also caused by retained earnings. From 2021 to 2022 increased caused by retained earnings.

4.4.5. Current liabilities

Current liabilities are a company’s short term financial obligations that are due within one year or within a normal operating cycle. An operating cycle, also referred to as the cash conversion cycle, is the time it takes a company to purchase inventory and convert it to cash from sales. Example of current liability is money owed to suppliers in the form of accounts payable.

Table:4. 4.Current liabilities

Account	2019(in Rwf 000)	2020(in Rwf 000)	2021(in Rwf 000)	2022(in Rwf 000)
Loans and borrowings	28,149	35,975	14,743	13,493
Payable to related parties	6,430	3,881	6,739	6,202
Trade and other payables	29,333	29,022	30,159	52,692
Tax payable	-	-	-	5,039
Total current liabilities	**63,912**	**68,878**	**51,741**	**77,426**

In the above table, the current liabilities of BRALIRWA plc increased from 2019 to 2020 caused by Loans and borrowings. It decreased only from 2020 to 2021 caused by Loans and borrowings. And in 2021 to 2022 increased caused by tax payable and trade and other payables.

4.4.6. Analysis of Statement of comprehensive income

It is also known as profit and loss accounts; this statement shows the result of a company for the specific period of the time. This statement uses the progress information of the specific period till to it is end. The result shown in last year did not be used for the following year.

4.4.7. Trend of sales (revenue)

Revenue is the money generated from normal business operations, calculated as the average sales price times the number of units sold. It is the top line (or gross income) figure from which costs are subtracted to determine net income. Revenue is also known as sales in income statement

Table:4. 5.Trend of sales (revenue)

Account	2019 total amount in rwf (000)	2020 total amount in rwf (000)	2021 total amount in rwf (000)	2022 total amount in Rwf (000)
Revenue	100,691	107,111	123,596	157,656

An increase in revenue is positive thing for BRALIRWA Company because if revenue increases then profits are also likely to increase. Increasing revenue also allows a business to get past its break-even point (BEP) and increase its margin of safety by selling more products.

4.4.8. Trend of operating expenses

An expense is the cost of operations that accompany incurs to generate revenue. As the popular saying goes,” it costs money to make money.” Common expenses include payments to suppliers, employee wages, factory leases, and equipment depreciation.

An operating expense is an expense a business incurs through its normal business operations.

Table: 4. 6. Trend of operating expenses

Account	**2019 total amount in rwf(000)**	**2020 total amount in rwf(000)**	**2021 total amount in rwf(000)**	**2022 total amount in Rwf (000)**
Cost of sales	65,814	64,324	72,454	85,957
selling and distribution cost	7,856	9,769	10,647	15,976
Administrative expenses	12,428	10,084	10,021	14,072
Other operating expenses	4,395	3,570	46	60
Total operating expenses	**90,493**	**87,747**	**93,168**	**116,065**

Total operating expenses of BRALIRWA Company decreased during the period of 2019 and 2020 this means that the decrease in operating expenses means high profit for a business. During the period of 2020 to 2021 operating expense increased, means low profit for the business. During the period 2021 to 2022 operating expenses increased this means low profit for the business.

4.4.9 Trend of profit

A profit is a money that is earned in trade or business after paying the costs of producing and selling goods and services. Or a profit is an amount of money that you gain when you are paid more for something than it cost you to make, get, or do it.

Table: 4. 7.Trend of profit

Account	**2019 total amount in rwf(000)**	**2020 total amount in rwf(000)**	**2021 total amount in rwf(000)**	**2022 total amount in rwf(000)**
Profit after tax	1,192	9,005	17,525	22,545

Related on above table BRALIRWA Company has good performance in 2019, 2020,2021 and in 2022 the performance was good because the net profit for the year increased because the expenses in this year was increased. In 2022 net profit of BRALIRWA Company was increased compared to other years because the revenue was also increased.

BRALIRWA Company has good performance because revenue is greater than cost of goods sold.

4.5.1. Contribution of accounting reports to decision making of BRALIRWA Company

In every organization every decision is important. However, before creating such valuable decision, it is also important that the decision makers such as leaders has basis. In term of performance in an organization and creating new business ventures, it is emphasized that the use of financial statement or financial reports can be great source of creating decision.

The effective financial statement or financial report has helped the shareholders' managers, and customers to take the right decision for example:

Investing decision, financing decision, Operating decision

4.3.2. Investing decision

The table number 1 (non-current assets) shows that in 2019, 2020, 2021 and 2022 BRALIRWA has invested more in property, plant and equipment. Non- current assets have the rate of 6%. In 2019 invested at the rate of 96% and other remain non-current assets has rate of 4%. In 2020 invested at the rate of 98% and other remain non-current assets at the rate of 2%. In 2021 invested at the rate of 97% and other remain non-current assets at the rate of 3%. This situation involved the Return on assets (ROA) during this period as shown below:

Return on assets ratio

Is ratio that measures a company's earnings before interest and taxes (EBIT) against its total net assets? This ratio is considered as indicator of how effectively a company used its assets to generate earnings before contractual obligations must be paid.

Return on total asset= Net income / Total asset*100

Table: 4. 8.Return on asset

Years	Net income	Total assets	Return on total asset
Period of 2019	1,192,000	121,741,000	1%
Period of 2020	9,005,000	127,271,000	7%
Period of 2021	17,525,000	116,408,000	15%
Period of 2022	22,545,000	155,989,000	14%

Based on findings from table 8 ROA (return on assets) ratios are 1%, 7%, 15%, 14% in respected years 2019,2020,2021, the increase of return on total asset are available for each year except year of 2022 the return on total asset decrease because the net income of BRALIRWA Ltd decreased also. Thus, in 2019, it got 1%, in 2020, the profit from asset was 7% and in 2021, from 100 Rwf invested in assets, BRALIRWA got a profit at 15%, in 2022 the profit from assets was 14%, from is 100rwf.

This decision will contribute to BRALIRWA the better return for the period under study.

4.3.2. Financing decision

Refer to the table 5(owner's equity and liabilities) it is clear that in 2019 BRALIRWA has been financed by internal financing at 60 % and 40% of external financing.

In 2020 has financed by internal financing at 73% and 27% of external financing. In 2021 has also financed by internal financing at 79 % and 21 % of external financing. The financing decision has been too much affected by internal financing. This situation also involved the Return on equity (ROE), during this period as shown below:

Return on equity

Return on equity is the amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

ROE= net income/ total equity*100

ROE= net income/ shareholder's equity

Table: 4. 9.Return on equity,

Years	Net income	Total equity	Return on total equity
Period of 2019	1,192,000	34,611,000	3%
Period of 2020	9,005,000	42,587,000	21%
Period of 2021	17,525,000	51,113,000	34%
Period of 2022	22,545,000	56,141,000	40%

The table 9 reveals the ratios of ROE during the period of the study. In 2019 invested by shareholders, they got a profit 3Rwf. In 2020, the profit increased at 21Rwf and in 2021 they gained 34Rwf. In 2022 they got 40rwf.

From the above table, 2019, 2020, 2021, and 2022 return on equity increased caused by the increase in total equity.

4.3.3. Operating decision

During the period of study, BRALIRWA performed as it has been shown in table 7 (evolution of profit), In 2022 BRARIRWA has high profit compared to other years under study. This performance was the key factor of evolution of BRALIRWA activities.

This situation also involved net profit margin ratio during this period as shown in table 10

Net profit margin of sales

Net profit margin: a ration of profitability calculated as net income divided by revenues, or net profit divided by sales. It measures how much out of every franc of sales a company actually keeps in earnings.

Net profit margin= net profit/sales*100

Table:4. 10.Net profit margin

Years	Earning after tax	Total sales	Net profit margin
Period of 2019	1,192,000	65,814,000	2%
Period of 2020	9,005,000	64,324,000	14%
Period of 2021	17,525,000	72,454,000	24%
Period of 2022	22,545,000	85,957,000	26%

A low profit margin indicates a low margin of safety: a higher risk that decline in sales will erase profits and result in a net loss, or a negative margin. The higher net profit margin is, the more effective the company is at converting revenue into actual profit.

Net profit margin ratios increased during the period of the study as shown in table 10. In this ratio in 2019 by 2%. In 2020 the net profit margin ratio was 14% and it increased at 24% in 2021. And in 2022 the net profit margin ratio was 26%.

CONCLUSION

The general objective of this study aims mainly at analyzing how accounting report impact decision making in BRALIRWA Ltd.

The specific objectives of this study are to analyze if accounting reports system is implemented in BRALIRWA Ltd affectively and to analyze if accounting report contributes to the decision making of BRALIRWA Industries Ltd.

The first chapter is general introduction of the study. The second chapter entitled" literature review. The definitions are searched on the internet, publication and in other books with the related topic.

The third chapter entitled" research methodology" contain population and sample size, research design, secondary data, data processing data validity and reliability and method of data analysis, ethical consideration, and limitation of the study.

The forth chapter related to the "accounting reports as a tool of decision making for BRALIRWA Ltd". Researchers use financial statements analysis and ratio tools to analyze accounting information of this company.

The results of the research; related to the analysis financial position specifically total non-current assets (property, plant and equipment, intangible asset, investment, receivable from related parties-principle) show an increase and decrease from 2019, 2020, 2021 and 2022.

The working capital of BRALIRWA Company is not good because total current liabilities is greater than total current assets, this result shows the current assets it's not able to pay liabilities so is reason why BRALIRWA Company decided to sold non-current asset in order to pay liabilities.

Related to the statement of comprehensive income, BRALIRWA Company has good performance in 2019, 2020, 2021 and 2022. In 2022 net profit of BRALIRWA Company was increased compare to other years because the revenue was also increased.

BRALIRWA Company has good performance because revenue is greater than cost of goods sold.

During this period of study, BRALIRWA perform as it has been shown in operating decision (evolution of profit) In 2022 BRARIRWA has high profit compared to other years during this year of 2022 company has good performance.

This performance was the key factor of evolution of BRALIRWA activities.

The profitability of this company was good. This shown net profit fact where the ratios were 2%, 14%, 24%, 26% respectively for, 2019, 2020, 2021, 2022.

According to financing decision (owner's equity and liabilities), it is clear that in 2019 BRALIRWA has been financed by internal financing at 60 % and 40% of external financing. In 2020 has financed by internal financing at 73% and 27% of external financing. In 2021 has also financed by internal financing at 79 % and 21 % of external financing.

The ROE, the profitability of this company in terms of return on equity increased in satisfactory return of 19%, 21%, 34%, and 40%for the years.

The ROA of the two last years was performed with the ratio 7% and 15%. These ratios indicate the good management of the firms.

Thus, from the above findings, researchers confirmed hypothesis.

SUGGESTIONS

To BRALIRWA Ltd

The researcher recommends to BRALIRWA LTD to do the following:

To request personal

Finance manager should monitor collection from past sundry debtor and their turnover ratio.

To prepare or to fill the financial statement on time.

To give make new thing in this company as cash discount or trade discount in order to motivate the customers to pay on cash and to buy a high quantity of products. The researchers recommends the customers of BRALIRWA to pay the bills of products that they buy on credit on time because the fail of business will lead to the fail of other organization, public and others.

For further research

The study of accounting reports as a tool of decision making in manufacturing companies in Rwanda exposed the deepest and weakness to be corrected that an improvement can be made for decision makers of the company for that point of views to conduct more research on accounting reports as a tool of decision making in manufacturing companies in Rwanda.

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