The Impact of Financial Statement Analysis on Investing and Management Decision Making.
(A case of Allied Irish Bank Group Plc).

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Originality Statement

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Abstract

This research work was carried out with the aim of analysing the impact of financial analysis on investing and management decision making: A case study of Allied Irish Bank Group Plc. The problem of financial reporting is not a recent issue; therefore, several committees were set up to mitigate on these loopholes especially after the collapse of Enron and WorldCom. The study was anchored on the asymmetric information theory. The research is purely empirical with both primary and secondary data for the study sourced from the management of Allied Irish Bank Group Plc and the 2018 audited annual report of the company respectively. Descriptive statistics was used in analysing descriptive data from the primary survey while chi-square was used in testing the hypotheses of the study by developing a contingency table which took into consideration different variables to support the research objectives. The result of the hypotheses showed that; financial analysis is the best yardstick for measuring management efficiency in the absence of new project, financial statement analysis arriving at previous dividend payment does not influence the choice of investors in Allied Irish Bank Group Plc, financial statement analysis does indicate the good performance of an organisation, that there is a positive correlation relationship between profit after tax and proposed dividend of Allied Irish Bank Group Plc and lastly there is a positive correlation in the price movement between Allied Irish Bank Group Plc and Bank of Ireland (Its peer) . The study among others recommended that the bank should continuously review its mid to long-term strategy as this will in turn create value for the company which will encourage investors and shareholders.

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CHAPTER ONE

1.0. Introduction

Quality information (quantitative and qualitative) provided by a company is regarded as one of the most important assumptions in investors and management decision making process. Most times these investors are perceived to be external especially for publicly quoted companies and internal for limited liability companies. Belkaoui (as cited by Napitupulu, 2018 p1) defined Management Accounting Information System as the resources responsible for internal decision making; which at the end of every financial year are audited and used in the production of Financial Statement (combination of qualitative and quantitative data including possible outlook) that are made publicly available for external users (Investors). However, this is not enough to make general management decision, as this will only bring about quantitative reports with no view of qualitative insight. This chapter provides us with a description of how Management Accounting Information System (significant numbers)/Financial Statements should provide the users of these information with a going-concern (forward-looking) and realistic business condition of Allied Irish Bank Group Plc (AIB).

1.1. Background of Study

In order not to mislead both internal (Management) and external users (Investors) with information, the disclosure principle in accounting is clearly reviewed that significant and relevant data is provided in the management account and financial statement respectively.

In a bid to show transparency in financial instruments, the International Financial Reporting Standards 7 (*IFRS - IFRS 7 : Disclosures*, 2005) requires organisations to make available their financial statements to enable the users scrutinise the upsides or downsides of a financial product. This can strictly be achieved by timely submission of audited management report to supervisory authority and the public to clearly show the performance of the proposed company/instrument to be invested in.

In 2001, one of the Big-five auditing and accountancy firms, Arthur Andersen, was recorded as the largest corporate failure due to the exposed padding that led to the dramatic collapse of

Enron Corporations. Sherron (Watkins, 2003) remarks that "Enron was the biggest audit failure at this time". Rightly casting on the shadows of the scandal at Enron was another American Telecommunication company, WorldCom, which collapsed with over USD107 billion in assets. Directly linked to these corporate scandals are misdeeds in proper internal management accounting systems with a combination of ill-monitoring and control by external auditors. The foregoing development and the global financial economic crunch in the last decade, birthed a concerned view for the upscaling and enforcing of financial reporting globally to support the economy at large.

According to the International Financial Reporting Standards Jurisdiction profile, the Republic of Ireland has adopted the rules that will strengthen full disclosure and reawake stakeholder's confidence by maintaining a laid down compliance policy using international financial reporting standards. As a member of the European Union, the Republic of Ireland is subject to international accounting standards regulations adopted by the European Union in 2002; therefore, all companies in the Main Securities Market (MSM) of the Irish Stock Exchange, Issuers on the Enterprise Securities Market (ESM) (an equity designed for SME's) and Issuers on the Global Exchange Market (GEM) (a specialist debt market) follows the financial reporting standards (*Regulation (EC) No 1606/2002*, 2002). To the scandals discussed earlier, it is imminent to know that there is need for thorough and continuous review of accounting standards, financial reporting practices and auditing processes which can only be backed by reliability and availability of timely accounting information.

The aim of financial reporting is to provide financial information about an entity to interested parties, but the information contained in the report can only be meaningful through the evaluation of current and past results of operations and financial position of a business. We can arrive at the best possible estimate about future performances of an organisation, which enables us to take decisions where necessary.

Financial analysis is the use of financial statement to analyse a company's financial position and performance and to assess future financial performance (Graham, Buffett and Zweig, 2013). It is more than just computer-generated analysis of quantitative financial statement data but a further interpretation of this data by internal members (management and employees) and external parties (investors, shareholders and regulatory bodies). From the point of view of ownership of a company, both existing and prospective shareholders are interested in the earnings, out of which dividend can be paid as a return on their investments. External interested parties can also include load creditors, for example Debenture holders who are concerned that the company is solvent and that there is adequate cover for their interest.

Financial reporting is developed under a variety of standards and numerous legal requirements. For Ireland and United Kingdom, the main financial reporting framework is the International Financial Reporting Standards (IFRS) adopted by the European Union and issued by the International Accounting Standards Board (IASB). For the United State of America, the financial reporting framework is Generally Accepted Accounting Principles (GAAP) issued by the Financial Reporting Council (FRC).

The components of a financial statement include *profit or loss accounts*, *statement of financial position*, *statement of changes in equity*, *statement of cash-flows* and *notes to financial statement.*

The following four main methods are available for financial analysis: The ratio analysis, Cash-flow statement analysis, Comparative financial statement and Trend statement analysis. This research will be restricted to the use of ratio analysis for interpretation and analysis of financial statement and its impact on decision making with reference to Allied Irish Bank Group Plc.

1.2. Statement of Problem

To the contribution on financial stability in Ireland and European Union levels, the Central Bank of Ireland has a directive in both European and domestic legislations (*Role of the Central Bank*, Online). This act is carried out by supporting macro-prudential policy framework which will develop a set of indicators that assesses systemic risk, emerging risk and carrying out analytical research to give information on these tools with proper evaluation of their efficiency, which will reduce systemic risk. The Consumer Protection Directorate of the Central Bank is focused on three main outcomes : a regulated firms that are fully compliant with their obligations in a fair and transparent way; a positive consumer-focused culture; and a consumer protection framework that ensures customers interest are protected and fit for purpose (*Consumer Protection CBI*, Online). The consumer protection department of the Central Bank carries out regular appraisals of the quality of a bank's assets. To support the consumer protection act, a memo was issued by the Central Bank addressing the requirements for asset classification and disclosure, off-balance sheet engagements, interest accruals and provisioning for debts. For a financial and real economy to maintain a stable growth the financial institutions are of crucial importance to such result, not neglecting the stakeholders (depositors, shareholders, employees) to whom the banks are answerable to. (Etudaiye-Muhtar *et al.*, 2017) Muhtar, stated that the process of transformation of risk, liquidity provision, monitoring and control of the financial system gives banks the intermediary role which can only be gained through standard regulatory body, thereby adding to the vital role the banks play due to continuous maintenance of the compliance policies by the regulatory organisations.

1.3. Objectives of the Research.

The main objective of this research is to assess the impact of financial analysis on decision making with reference to AIB. The specific objectives are:

1. To identify the problems faced in the analysis and interpretation of financial reports
2. To determine the impact of Financial analysis on management decision-making
3. To examine the effect of asset quality analysis on the company's decision-making
4. To determine how Financial Statement Analysis impacts investors decision-making
5. To assess AIB management policies on its decision-making

1.4. Research Questions

This research work aims to answer the following questions:

1. What is the role of interpretation and analysis of financial report in enhancing business performance in AIB?
2. What criteria are used to assess or measure the level of performance in the company?
3. What impact does company outlook have on the position of investing decision?

1.5. Justification for the Research

The zeal for this research topic is mainly by two factors. First, a review in one of the then Big-five accounting and auditing firms which resulted in the collapse of Enron which created a need to report financial information using a global set of international accounting standards (Watkins, 2003).

Secondly, to understand how the reports generated are used in decision making either internally by the management and externally by institutional/individual investors, regulatory bodies, creditors etc. (Wiesel, Skiera and Villanueva, 2008).

In practice, the report of financial statement when not properly checked by the auditors, gives rise to unlikely manipulation of figures which are supposed to guide managements and investors in future decision making as the objective of financial reporting is for the provision of information regarding efficiency, timing and uncertainty of future cashflow. Long (2007), supported this practice in decision making as a moment for board of directors to be able to look into strategy for the company, executive performance monitoring, executive remuneration and independent judgment.

1.6. Profile of Allied Irish Bank Group Plc

Allied Irish Bank Group Plc (AIB) is a fully financial services group predominantly operating in the Republic of Ireland. The company is involved in comprehensive retail services, business banking, corporate/institutional banking, private and investment banking using the Havens, EBS and AIB brands. AIB bank operates in Northern Ireland and the United Kingdom as Allied Irish Bank (GB), under the trading name of First Trust Bank, with a key purpose to back its customers in achieving their dreams and ambitions (Annual Report, 2019). Either by regulatory codes or internal best practices, the company operates a systematic customer complaint process designed to give customers an opportunity to be heard, have their concerns checked and corrected where applicable (Code of Conduct, 2019). Allied Irish Bank Group Plc is known for its innovative process and creativity and some of the key milestones (Company Site, 2019) in history include:

- ✓ 1966: the incorporation as a result of the amalgamation of the Royal Bank of Ireland Limited (established 1836), the Provincial Bank of Ireland Limited (established 1825) and the Munster and Leinster Bank Limited (established 1885).

- ✓ 1983: part acquisition of outstanding shares of First Maryland Bankcorp ("FMB"), and full acquisition of FMB in 1989.
- ✓ 1996: retail operations in the United Kingdom were integrated and the enlarged entity was renamed AIB Group (UK) p.l.c.
- ✓ 2010: sale of its Polish interests to Banco Santander S.A. for € 3.1 billion and the group generated core tier 1 capital of approximately € 2.3 billion.
- ✓ 2011: the Central Bank set a new capital target for AIB and EBS with a total of € 14.8 billion of additional capital to be generated which was satisfied in July 2011.

The company's strategy is made up of four pillars which include Customer First, Simple & Efficient, Risk & Capital and Talent & Culture, with medium-term financial and non-financial targets embedded in each pillar.

1.7. Summary of Chapters

✓ Chapter One: This chapter gives an overview into the main topics of the research. This chapter is about the statement of problem and background to the issues that resulted in strengthening financial reporting standards.

✓ Chapter Two: This chapter contains extensive literature review on all the themes that would be part of the research including the proposed research framework and empirical review.

✓ Chapter Three: This chapter contains the robust methodology including research philosophy, strategy used which is quantitative, various data collection techniques (primary and secondary) through online questionnaire and annual report respectively and lastly the model of data analysis.

✓ Chapter Four: This chapter consists of presentation of all the findings from questionnaire and annual report. A test of these observed data to generate a contingency table showing the expected outcome from my sample size to support the objectives of the research.

✓ Chapter Five: This chapter has discussions on outcome of the study. It also contains limitations of the study, theoretical and practical few recommendations for further research.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

As a result of the impact of financial analysis on decision making, investors now realise the doggedness of good and professional financial analysis and reporting, which could lead to corporate scandals that provide ideal fodder for criminological analysis (Williams, 2008). Also, since some investors globally had made losses on investments in the poorly managed companies, shareholders have now become wiser, more active in the open market and really equipped with the information required for investing their money. Thus, they have started looking at the internal level of organizational management of these companies before investing or depositing their funds. Some have grown to be conventional investors and others intelligent investors who do not care about what the market thinks but keep accumulating to the extent that the mistakes in an investment creates better opportunities (Kay, 2016a). Safety and the level of service, with regards to quality service, speed, efficiency and effectiveness have become a major concern while proximity of the bank is less of an issue as digitalisation is taking over the financial service industry. Therefore, to have sound corporate capitalism, we must consider what the business as an entity relies upon to function properly. These include- but not limited to- Regulatory bodies and Tax authorities, as a neglect of these systems can bring an economy to a declining phase (Watkins, 2003).

2.1. Empirical Review

The quality of corporate information disclosures in various context has been examined by different researchers with separates views and outcome. Examples include but not limited to (Cavender, Gray and Miller, 2010); (Wiesen, 2003); (Williams, 2008); (Watkins, 2003); (Marens, 2003) and (Etudaiye-Muhtar *et al.*, 2017). Most of these studies have different views with respect to definition in explanatory variables, differences in disclosure indexes, differences in research analysis and statistical analysis. However, we must also note that these variables are just a hand-full that was deduced from a spectrum of literatures.

Kimura (as cited in Garg and Divya, 2009 Vol 2. P. 142) came up with a model which he proposed to be called Global Generally Accepted Accounting Principles (GGAAP) to understudy the mechanism to which a single accounting standard can be adopted globally rather than having a principled-based (International Financial Reporting Standards) and rule-based (Sarbanes Oxley). However, this may be a though global policy as compliance in financial service from one region to another differs; not forgetting also the adoption of Financial Technology in different parts of the world due to slow technological acceptance that leads to slow responsiveness from consumers perspective.

Between 1992 and 1996 using correlation and regression, (Akinlo, 2012) investigated the relationship between corporate profitability and working capital which was carried out from a sample of 1,009 large Belgian non-financial firms. He found a red relationship between Earnings Before Interest Tax Depreciation and Amortization (EBITDA) and the account receivable days (DSO), inventory and account payables. He went ahead to state that manager should create shareholders value by reducing the DSO and inventories to reasonable minimum.

In creating additional investments from external investors, Frankel et al (2016) noted that either voluntary of mandatory disclosure are difficult to isolate, as a continuous demand and supply of information depends on the company's investment opportunity. Other researchers supported this claim and further pointed out additional factors which were competitive structure of a firm's industry, litigation costs, proprietary costs and information asymmetry between parties (Skinner, 1994). Therefore, having not to disclose this information voluntarily can tick an investor off-balance in investing in such a company as this information are used to deduce investment decision making which shows a company's going concern, enhances stock liquidity and improves the reputation of the company in the market because there is likelihood of consideration of personal interest when exercising managerial discretion.

2.2. The Concept of Disclosure

A school of thought, has it that the quantity of an information has an impact in determining its quality as quantity measures are mostly used as calculating measure for disclosure quality. Healy and Palepu (as cited in Beretta and Bozzolan, 2008 p. 334) stated that the collapse of large firms quoted on important bourses are more due to pressure set by regulatory bodies and quality of corporate reporting which in turn has triggered the disclosure of performance of listed companies more timely. However, we must also note that with the rules to be complied with, some of these organisations still get involved in unethical dealing which led to their red zone and possible collapse.

Martson, Shives, Land & Lund-holms (2008) recalled that even though this disclosure is the widespread means of communicating company's performances, there are still pitfalls to traditional reporting in terms of its capability to satisfy increasing information needs which are 'when information is reported' and 'what information is disclosed' (timeliness and content respectively).

Due to bias in recent times, the Securities and Exchange Commission regulation Fair Disclosure policy assumes that some analysts get more information from managements after having some privileged communication which is used to derive their insights form processing financial data (Byard and Shaw, 2002). This may be seen to be idiosyncratic (private) rather than being open to the public. However, this information may as well not be as positive as it is perceived as most times the underlying factor of every price remains demand and supply which occurs at every intraday.

Haely and Palepu (2008) stated that an index representing the dependent variable can be used to measure the quality of disclosure also there is a mix in the compliance level of companies, the relationship between the level of disclosure and various corporate attributes. Khanna and Palepu (as cited in Sareen and Chander, 2009 p.29) pioneered the research on a random sample of 794 listed and unlisted corporate organisations on the relationship between company attributes and the corporate disclosure. The result showed the scores rate of the disclosure of companies using U.S. Disclosure Practices as an implicit benchmark. And also positive correlation between these disclosure scores and a variety of market interaction measures including performance and the superiority of disclosure is measured by an index of disclosure which are generally based on the general principle of content (or thematic) analysis (Beattie, McInnes and Fearnley, 2004).

Clinch (2013) concluded in his result from a research conducted in disclosure of all firm that three things occur in a relatively great size economy: (1) investment risk can be access by investors as there are more disclosures; (2) the economy's risk is shared by more investors; (3) presence of more firms generates wider economy which is evenly spread all through.

Disclosure is said to be a major tool that managers use to communicate information to investors. When it is a responsibility of regulatory organisations it is said to be Mandatory disclosure while from the managerial point of view it is regarded as being Voluntary disclosure. The continuous awareness of potential investors about published financial information and globalization has led to increased demand for both quality and quantity of that information. Owusu-Ansah (2015) noted that disclosing minimum amount of information in a corporate report can be said to be mandatory disclosure while providing additional information where mandatory disclosure is unable to give a clear picture on a firm's value is said to be voluntary disclosure.

In summary, both mandatory and voluntary disclosure has no red flag to its use as companies should make a sound decision on a greater level of total disclosure to comply with, by either following regulatory requirement or limiting to voluntary disclosure. Both remains potentially important and interact with each other as when regulations are difficult to translate, and vague or mandatory requirements are limited, companies can substitute missing information with voluntary one.

2.3. Overview of Financial Reports.

Financial information disclosed is the basis for financial analysis and decision making. This information is needed to compare, evaluate and predict the company's earnings ability. This financial information is contained in the financial statements or accounting /financial reports as this is a means of communicating financial information to the users/investors.

Bunn and Gilchrist (as cited in Game, Cullen and Brown, 2018 pg. 555) noted that during the colonial period, financial statements were certainly used as a basis for investing and decision making by government and private investors which gave rise to early economic growth of the colony. Such accountability is fairly seen as equating the company's operation to the stakeholders, by passing on underlying business transactions through accounting and financial practices.

Financial statements are timely oriented financial reports and related documents that highlights the financial strength of a company as well as its present profitability. This statement shows how the managers of that entity has been able to effectively utilize the resources made available to the enterprise by the investors.

In the early nineteenth century, the different company's acts passed in the United Kingdom greatly enhanced the evolution of financial statements in different parts of the world which has increasingly attracted the attention of practitioners, researchers, and policymakers in ethics and corporate governance issues. Corporate scandals like Adelphia in the United State, collapsed into bankruptcy after it made public $2.3 billion in off-balance-sheet debt. WorldCom another Telecomm giant overstated its profits by U.S. $3.8 billion by reporting expenses as investments. Enron created a Special Purpose Vehicle SPV called Raptors which was used to move debt off its own books and presented a misleading financial status. BCCI and Maxwell case were fraud cases that occurred in the United Kingdom.

Corporate governance is the regime that sets a system, principle and process by which organisations operates with in conducting businesses with fairness and integrity, making all the necessary disclosure and transparency to transactions. With a clear picture of delivering shareholders value strategically, good governance should facilitate efficient, effective and entrepreneurial management (ODCE, 2019). Corporate governance principles that have evolved, required quoted companies on every domestic bourse to have independent outside directors, unitary boards and board committees and is considered as the best practice in the United Kingdom and United State of America.

In May 1991, Sir Adrian Cadbury was the Chairman of the Committee which was formed by Financial Reporting Council, the London Stock Exchange and group of accountancy professionals on the Financial Aspects of Corporate Governance to consider the UK's corporate governance system. The report can be summarized as having accounting systems to mitigate corporate governance failures and the arrangement of company boards (Cambridge Archive, 2019).

Matt Lewis (1995) reported that in response to public and shareholders concerns about the pay and other remuneration of company Directors in the United kingdom the committee was set up to identify good practice in determining Directors remuneration and code of such practice by quoted companies in the United kingdom. It was concluded that the key to encouraging enhanced performance for Directors linked reward to performance and remuneration packages which aligns the interest of Directors and shareholders in promoting the growth of the company.

As expressed, 'Combined Code' was derived from Hampel Committee's Final Report, (Cadbury Report + Greenbury Report). The Combined Code is appended to the listing rules of the London Stock Exchange. As such, compliance of the code is mandatory for all listed companies in the United Kingdom. It obeys the Hampel's principle over 'one size fits all' rules, and the law that owners of the organisation be the ultimate arbiters of good corporate governance. The 1998 version states that " it is the responsibility of institutional shareholders to rightly exercise their votes", while the re-iterated in 2008 declares that "owners of the organisation can be involved in scrutiny to engagement and how management devote adequate resources " (The Committee, 2000).

In 1999, the Turnbull Committee was set up by the Institute of Chartered Accountants in England and Wales (ICAEW) to assist companies in implementing the requirements of the Combined Code relating to internal control; recommended that board should periodically investigate an internal audit and boards of directors should confirm the existence of procedures for managing and evaluating key risk (ICAEW, 2019).

Derek Higgs in 2002 was appointed to lead an independent review of the role and effectiveness of non-executive directors. This review was initiated as a methodical re-appraisal of corporate governance arrangements in the recent corporate failures at that time mostly in the United State. Higgs saw that the United States has chosen in passing the Sarbanes-Oxley Act which was rule based and so he makes recommendations to build on the existing corporate governance framework (the Combined Code) and described it as the 'comply or explain' nature of the existing Combined Code which is principled based (Derek, 2003).

Concomitantly (simultaneously) as Higgs was working on his report so was Robert Smith who chaired the Financial Reporting Council Group (FRC) on Audit Committee. Smith in the combined code, developed the guidance on audit committees. This report became the Smith Guidance and was codified as the role of audit committee which is now known as the FRC Guidance on Audit Committees. The FRC Guidance on Audit Committees is designed to help directors serving on audit committees in carrying out their duty and company boards in making suitable arrangements for their audit committees (Smith, 2003)

Barth (Chalmers, Clinch and Godfrey, 2011) claimed there has been improvement in global capital market due to the adoption of International Financial Reporting Standards (IFRS) as this has been able to bring to the table comparable and quality information to investors. Ball (as cited in Chalmers, Clinch and Godfrey, 2011 Pg. 152) added that International Financial Reporting Standards (IFRS) gives rise to more comprehensive, accurate and timely financial statement if the standards they replace have been influenced by legal and taxation agendas. Other researchers are of the opinion that's adopting International Financial Reporting Standards (IFRS) is tied to time-loss recognition and decreases earnings. However, it is of great importance for managers and directors, investors and regulators to gain insight whether the adoption of International Financial Reporting Standards (IFRS) improves accounting information to investors and managers for valuation purposes.

Financial statements are prepared to conform with "International Financial Reporting Standards" (IFRS) and "Generally Accepted Accounting Principle" (GAAP), such "principles" and "rules" respectively have evolved over time or have been made "acceptable" by decree from an official rule-making body of different jurisdictions.

As at march 2018, over 120 countries uses the International Financial Reporting Standards including those in the European Union (EU), South America and many in, but the U.S. uses Generally Accepted Accounting Principles (GAAP) (Palmer, 2019).

The International Accounting Standard Board (IASB) which replaced the International Accounting Standard Committee (IASC) in 2001 set up the following International Financial Reporting Standards requirements:

1. Statement of Comprehensive Income: This may be reported as a form of one statement, or it can be separated into a statement of other income and profit or loss statement, including property and equipment.
2. Statement of Financial Position: Also called a balance sheet. International Financial Reporting Standards influences the ways in the components of a balance sheet are reported.
3. Statement of Cash Flow: This is a periodical summary of the company's financial transactions, separating cash flow into Operations, Investing, and Financing.
4. Statement of Changes in Equity: Also referred to as a statement of retained earnings. It documents the company's change in earnings for the given financial period.
5. notes, comprising a summary of significant accounting policies and other explanatory notes
6. comparative information prescribed by the standard.

The International Accounting Standard Board established a broad set of financial reporting objectives to guide the financial reporting process: -

S/N	FINANCIAL REPORTING PROCESS	FINANCIAL REPORTING OBJECTIVES
1	Must provide information useful for decision making, rational investment and credit decisions	Is aimed primarily at investors and creditors and should strive to be useful to these individuals in their decisions.
2	Must provide information to help investors and creditors assess the amount, timing and uncertainty of cash flows	Investors and creditors are interested primarily in the cash they will receive from investing in a firm. Those cashflows are affected by the ability of the firm to generate cashflows.

3	Must provide information about the economic resources of a firm or enterprise and the claims on those resources	The balance sheet satisfies this objective.
4	Must provide information about a firm's operating performance during a period	The income state (profit OR loss account) accomplishes the objective
5	Must provide information about how an enterprise obtains and uses cash	The statement of changes in financial position accomplishes this objective
6	Must provide information about how management has discharged its stewardship responsibility to owners	No single statement helps in assessing stewardship. Rather, owners assess stewardship using information from all three financial statements and the notes.
7	Financial reporting should include explanation provided	Supporting schedules and notes to the financial statements satisfy this objective.

The financial reports also known as published accounts must comply with certain disclosure requirements. The minimum information to be disclosed in published accounts of Ireland companies is laid down by Financial Reporting Council and is meant to satisfy statutory disclosure requirements under the Companies Acts financial statements which must also comply with accounting standards for those financial statements to give a true and fair view (Online, 2019)

2.4. Financial Analysis

The decisions made by managers, suppliers, creditors and investors are based on an evaluation of the firm's operating performance that is how well it uses its assets to generate a return, its ability to meet its financial obligations such as paying the interest it owes on its debt when promised.

Management should be particularly interested in knowing financial strength of the firm to make their best use and to be able to spot out financial weaknesses of the firm to take suitable corrective actions. Other users of financial statement can get additional insight about financial strength and weakness of the firm if they properly analyze information reported in these statements. The future of the firm should be laid down in a view of the firm's financial strengths and weaknesses. Thus, financial analysis is the starting point for making plans, before using any sophisticated forecasting and planning procedures because understanding the past is a prerequisite for anticipating future.

"Financial analysis is the selection, evaluation and interpretation of financial data, along with other pertinent information, to assist in investment and financial decision making" (Matt, 2012). According to Graham et al (Graham, Buffett and Zweig, 2013) " Financial analysis is a critical process which aim at evaluating the current and past financial positions and the result of an entity with the primary objectives of determining the best possible estimates about future conditions and performance. It provides a quick diagnostic look at an entity's financial health and triggers off subsequent financial and operational analysis. Other researchers recalled financial analysis to be process of identifying the financial strength and weakness of the firm by properly establishing relationships between the profit or loss account and items of the balance sheet" (Jayadev, 2006; Kay, 2016b).

Financial analysis may be used internally to evaluate issues such as efficiency of operations and credit policies, employee performance, and externally to evaluate credit worthiness of borrowers, potential investment among other things. Financial analysis consists of three broad areas – risk analysis, profitability analysis and analysis of sources and uses of cash.

Risk Analysis: risk is of foremost concern to creditors therefore it is often discussed in the credit analysis. Risk analysis is the evaluation of a company's ability to meet its commitments. It involves assessing the liquidity and solvency of a company along with its earning variability.

Profitability Analysis: It focuses on a company's sources, levels of profits and involves measuring the impact of various profitability drivers. It also includes evaluation of two major sources of turnover (capital utilization) and profitability margins (the portion of sales not offset by costs) Profitability also focuses on reasons of changes in profitability and the sustainability of earnings as this is used in the evaluation of a company's return on investment.

Analysis of Sources and Uses of Cash: This analysis provides insights into a company's future financing implications. For example, a company that funds new projects from internally generated cash (profits) is likely to achieve better future performance than a company that either borrows heavily to finance its projects or worse, borrows to meet current losses. Analysis of sources and uses of cash can be said to be the evaluation of how a company is obtaining and deploying its cash.

Five main methods are available for financial analysis today- Ratio analysis, funds flow statement analysis, value added statement analysis and the straightforward criticisms of the financial statements. This research work will be restricted to the ratio analysis as the others are better applicable to trading organizations.

2.4.1. Users of Financial Statements.

The main objective of accounting is to provide information to the users to make relevant decisions and form judgements. Among the users of financial statements are owners/shareholders, managers of the firm, lenders such as banks, customers, suppliers, employees and government agencies such as tax and regulatory authorities.

Owners/shareholders: Owners or shareholders need information regarding the performance of the firm to know if the firm is profitable, what the financial position of the firm is, what the long-term prospect of the firm is (Strategic position), how efficiently the firm is being managed. Answers of these questions are mostly provided by the financial statements.

Managers: Unlike other users, managers need information on all aspects of the firm. Timely, complete and regular financial information will enable managers to monitor performance and compare actual performance with planned performance (Variance) so that necessary corrective actions are taken when planned targets are not being attained or surpassed, necessary actions are taken to maintain the trend.

Lenders: Banks and others who lend money to the firm are primarily concerned with information regarding the ability of the business to generate the liquid resources to make necessary interest payments and repayments of principal.

Customers: The information requirements of customers relate to product prices and reliability. These cannot be provided by the financial statements outrightly but by some analysis from the financial statement which will show the financial stability of the firm and will solidify continuity in transaction.

Suppliers: Suppliers primarily need information regarding the liquidity of the firm as these would determine the firm's ability to pay for the goods supplied to it on credit and this information can be found in the Financial statement.

Employees: Employees need information regarding the financial position and profitability of the firm, as these would influence the trade union negotiators demand for improvement of employees' renumeration and conditions of service. This information is gained by studying the financial statements.

Financial Analyst: This group of users earn their living by analysing financial statements of companies and other economic data and providing experts opinions based on the analysis to their clients or employers.

2.4.2. Structure of Financial Statements in Allied Irish Bank Group Plc

Company law requires directors of companies in Ireland to prepare their financial statement for each year which will give a clear view and these statements could either be (a) companies Act financial statements (b) International Financial Reporting Standards framework. However, (Chartered Accountant (Online), 2019) the IAS Regulation (Regulation (EC) No.1606/2002 stipulate that the consolidated financial statements of companies with either equity or debt securities quoted on a regulated European union market, e.g. the Irish bourse, are required to be prepared in accordance with European Union adopted International Financial Reporting Standard (IFRS). Therefore, AIB which is quoted on the Irish bourse can prepare their financial statement using the International Financial Reporting Standard framework.

In preparing accounts of AIB, the following regulatory requirements needs to be observed (a). International Financial Reporting Standard framework; (b). Central Bank of Ireland Prudential Guidelines. It is important to note here that; these regulatory bodies have made some relevant provisions in the preparation and presentation of accounts which are unique to financial institutions only.

2.4.3. Relevant Provision of European Regulatory System.

The Irish Financial Services sector operates within a European regulatory system with multiple factors underwriting to its growth. Firstly, is the strength and credibility of the regulatory framework which is guided by the International Financial Reporting Standard. Secondly, is the operative and robust approach to supervision which enhances the continuous reputation of the Central Bank (such that it is respected by our peers and trusted by the public). Lastly, the long-term attractiveness and broader reputation of Ireland as a financial services centre.

Conveyance of this vision of financial services in Ireland requires that these regulated firms meet the following criteria:

- ✓ Proper governance with effective risk management and control arrangements to commensurate with their size, scale and complexity;
- ✓ Have enough financial resources, including under a plausible but severe stress;
- ✓ Have capitally accretive business models; and
- ✓ They Can recover if they get into difficulty, and if they cannot, are resolvable in an orderly manner without significant externalities or taxpayer costs.

(a). Minimum paid up capital: Presently, the minimum capital requirement for the existing banks is pegged at €25billion, with effect from December 2011 (Central BankPCAR, 2012).

(b). Minimum Cash Reserve: Each bank is expected to maintain with Central Bank of Ireland cash reserves and special deposit of an amount not less than a minimum prescribed by the Central Bank from time to time. If at any time the cash reserves maintained with the Central Bank is below the minimum, the bank shall not grant or permit increases in advances, loans or credit facilities to any person without the prior approval in writing of the Central Bank (Central Bank, 2019).

(c). Dividend Payment: No publicly quoted financial institution shall pay dividend on its share until all its preliminary expenses and other intangible assets have been fully written off and it has complied with any capital ratio equipment as specified by the Central Bank.

(d). Books of Accounts: Every publicly quoted financial institution required to keep proper books of accounts with respects to all transactions of the institution. Proper books of accounts shall be deemed to be kept, such books are necessary to explain such transaction and give a true and fair view of the affairs of the bank and must be in compliance with accounting standard as may be prescribed for financial institutions. Such books of accounts shall be kept at the principal administrative office of the bank and at the branches of each bank in English Language and translated domicile language (Sibley, 2017).

(e). Monthly Return by Financial Institutions: Every financial institution shall submit to the Central Bank, not later than 28 days after last day of each month or such other interval as the Central Bank may approve a statement showing the assets and liabilities of the institution and an analysis of advances and other assets in such form as the regulators may specify from time to time (*Regulation (EC) No 1606/2002*, 2002).

Other Relevant provision of Prudential Guidelines

The primary objectives of the guidelines are to regulate how accountants and financial institutions should recognize losses arising from exposures and income therefore it regulates how interest loans and advances and other risk assets should be recognized and disclosed in the financial statement and how loan losses should be calculated. The prudential guideline classifies loan and advances into two major types;

- ✓ Performing facilities: A facility is said to be performing when the customer pays the principal and interest as and when due. For such a facility, the interest accrued should be recognized as income in the financial statements.

- ✓ Non-Performing facilities: A facility is said to be non-performing if the principal due is not paid within agreed period; the facility is rolled-over unless the financing institution has a reasonable excuse for such rollover Interest due is not paid as at when due; Interest is capitalized. When a facility is classified as non-performing, the prudential guideline requires that interest accruing and accrued on the facility should be suspended 100% i.e. interest will be credited to a suspense account.

The annual report of AIB contains the following statements and reports as required by the regulatory bodies already listed above. (It is important to note here that there are some items that are peculiar to banks and the manner of presentation appears to be different as required by Central Bank of Ireland prudential Guideline).

1. Chairman's report
2. Director's report
3. Auditor's report
4. Statement of accounting policies
5. Notes to the accounts
6. Profit or loss account
7. Balance sheet
8. Cash flow statement
9. Value added statement
10. Five-year financial summary

- ✓ **Chairman's report** is very Important as it highlights the financial performance of the bank in the current financial year, highlights the significant development in the bank, gives an outlook into future as to how to improve the bank's performance, reviews the quality of management staff of the bank and explains how the bank intends to improve their performance for better productivity and reviews the economy in which the company operates and highlights strategy to be adopted by the company to improve its performance.

- ✓ **Director's report** contains principal activities and business review, list of bank direction and their shareholding structures, details of the gift and donation to charitable organization, employment of disabled person, self-welfare scheme and training, information relating to change/ movement in fixed assets, operating results of the bank including appropriations from profit, research and development activities of the company, post balance sheet events and Auditors willingness to continue in office.
- ✓ **Auditor's report** contains report of the auditors to the group members of Allied Irish Bank plc, respective responsibilities of Director and Auditor, basis of opinion to whether the financial statements show the true and fair view and Auditor's opinion.
- ✓ **Statement of accounting policies:** financial statements are prepared under the historical cost convention and in the accordance with the provision of the statement of accounting standard for banks and non- bank financial institutions

    Loans and advances: are stated net of provision for doubtful debts. This Provision is determined from a specific assessment of each customer's account.

    Income recognition: is recognized on accrual basis interest overdue for more than 90 days suspended and recognized on cash basis only.

    Foreign currency: Transaction in foreign currencies are translated to Euro at the rate of exchange ruling at the date of the transaction. Oversees branch balances are converted to Euro at the rate of exchange ruling at the balance sheet date. Foreign currency balance is converted are converted to Euro at the rate of exchange ruling at the balance sheet date and the resulting profit or loss on exchange is taken to the Profit or loss account (Annual Report, 2019)

- ✓ **Five-year financial summary of banks** shows the balance sheet and profit or loss account of the bank from current financial year to the previous four financial years. The five-year financial summary enables investors and shareholders to have some ideas of trend in the bank over a period, it could be used to assess the performance of the bank over the period and may also be used to forecast future performance.

2.5. Ratio Analysis

In many failed corporations, fraudulent financial reporting has been the greatest concern for many corporate managers and regulators. To get this fraudulent financial reporting critically examined, a ratio analysis tool will be used as my prediction tool; therefore, the tool can be adopted by all users of financial information so that proper investing and preventive actions can be taken to mitigate fraud or wrongful decision making.

In financial analysis, a ratio is used as a benchmark for evaluating the financial positions and performance of the firm because the mere accounting figures reported in the financial statements do not provide a meaningful understanding of the performance and financial position of the firm. An accounting figure conveys meaning when it is related to some relevant information. Mathematically expressing the relationship between two or more accounting figures is referred to as financial ratio.

According to Dheraj (2016), he define financial statement analysis as the tool used to evaluate management performance, risk, efficiency and profitability by using historical information to project future performance.

Toor (2016) defined ratio analysis as the comparison of some line items in a given financial statement which is used to evaluate a liquidity, efficiency of operations, and profitability within a business.

The ratio analysis involves comparison for a useful interpretation of the financial statements. A single ratio does not indicate favorable or unfavorable condition. It should be compared with some standard which may consist of:

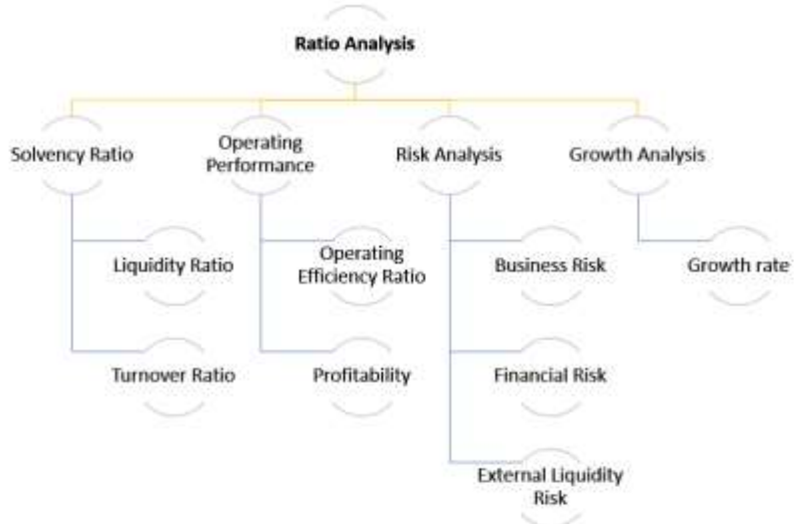
- ✓ Past ratios (Trend Analysis), i.e. ratios calculated from the past financial statement of the same firm.

- ✓ Competitors' ratios (Cross Sectional Analysis) i.e. ratios of some selected firms, especially the most successful competitor at the same point in time.
- ✓ Industry ratios (Industry Analysis), i.e. ratios of the industry to which the firm belongs.
- ✓ Projected ratios (Pro Forma Analysis) i.e. ratio developed using the projected or pro forma, financial statement of the same firm.

For ratio analysis to be useful in decision making, we must be compared with similar organizations in the same industry to determine strength and weaknesses, if such can be obtained to show position in the industry (Abel and Ikpor, 2016). Having the industry analysis helps reflect quantitative relationships which forms qualitative judgement. However, some organisations in the same industry may not be in same market capitalization scale as such may have some reduced ratio value compare to industry standard.

It is however important to note that ratios have their limitations. Several of the most important limitations are as follows:

- ✓ The ratios are based on financial statement data and are therefore subject to the same criticisms as the financial statements.
- ✓ Changes in many ratios are highly associated with each other. For instance, the changes in the current ratio and quick ratio at two different times are often in the same direction and approximately proportional, therefore it is not necessary to compute all the ratios to assess a factor.
- ✓ Some changes compared e.g. change in economic condition and changes in prices, must recognize conditions that have changed between the periods.
- ✓ When comparing ratios industry-wise, one must recognize differences between the firms e.g. Difference in the method of operations and financing.



(Dheraj, 2016)

It is important to note that within each heading, the researcher will identify several ratios that are normally calculated and generally acceptable as meaningful indications and are relevant tools in decision making at Allied Irish Bank Plc and they include Liquidity ratio, Profitability ratio, Leverage ratio and Activity ratio.

2.5.1. Liquidity Ratio

It is extremely essential for a firm to be able to meet its obligations as they become due. Liquidity ratios measures the ability of the firm to meet its current obligations i.e. these ratios try to assess the ease of how assets can be converted to cash. Mahajan and Sarkar (2007) defined liquidity ratio as an evaluating tool to measure the ability of a firms response to meeting it short-term financial obligations. They include Current ratio and Quick ratio (Acid Test ratio)

- ✓ **Current ratio:** is the ratio of current assets to current liabilities and it indicates the ability of a company to meet its short-term liabilities from its current assets without having to sell fixed assets or investments or issue share to raise addition funds and higher ratio will indicate a better ability of the company to meet its current liabilities. Industry experts (Dheraj, 2016) believe that the ratio is best at a 2:1 ratio, but other professionals cautions that the this may not always be achievable for all industries.

If the ratio of current assets to current liabilities is 2:1, therefore the relationship according to industry experts means that for every one Euro current liability there are two Euros current assets to meet it at maturity.

$$\text{CURRENT RATIO} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

- ✓ **Quick ratio (Acid test ratio):** This ratio indicates the ability of the company to meet its short-term liabilities from current assets without having to sell stocks. According to Dheraj (2016) " The acid test ratio is a stricter indicator of a company's solvency than the current ratio, as it gives a sharper focus on the assets which are more readily convertible into cash".

$$\text{CURRENT RATIO} = \frac{\text{Current Assets less Inventories}}{\text{Current Liabilities}} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

2.5.2. Profitability Ratio

Profitability ratios are used to measure profitability of ventures and efficiency of operations, i.e., it measures the operating efficiency of the company. This include Net profit margin, Return on Equity, Earnings per share, Price to Earnings, Dividend Pay-out, Dividend Yield.

- ✓ **Net Profit Margin**: also known as ratio of net profit to net sales, measures the relationship between the reported net operating income and the net sales. This ratio also indicates the firm's capacity to withstand adverse economic conditions. Mahajan and Sarkar (2007) agrees that "it evaluates the firm's overall profitability and efficiency of operations."

$$\text{Net Profit Margin} = \left(\frac{\text{Profit After Tax}}{\text{Net Sales}}\right) \text{X } 100$$

- ✓ **Return on Equity:** This ratio measures the relationship between profit (after tax and loan interest) and the firm has used the resources of the owners. According to Mahajan and Sarkar (2007), the Return on Equity is an indicator of growth or otherwise in the value of shares.

$$\text{Return on Equity} = \left(\frac{\text{Profit After Tax and loan Interest}}{\text{Shareholders' Equity}}\right) \text{X} \quad 100$$

- ✓ **Earnings Per Share (EPS):** This ratio is important only to ordinary shareholders as it measure the relationship between Net income or profit (after tax and preference share dividend) and the number of the ordinary shares in the issue.

$$\text{Earnings Per Share} = \frac{\text{Profit after Tax}}{\text{Shares Outstanding}}$$

- ✓ **Price-to-Earnings (P/E):** The reciprocal of the earning yield. It is ratio of market price per ordinary share to earnings per ordinary shares. The ratio is used by the stock exchange to evaluate a firm, the industry in which it operates and the economy as a whole.

$$\text{Price to Earnings} = \frac{\text{Market Value Per Share}}{\text{Earnings Per Share}}$$

- ✓ **Dividend Coverage Pay-out:** This is used to express the relationship between after tax earnings and the amount that is paid-out in terms of dividend. Dheraj (2016) argues that it is the means by which the ability of the company to continue paying current dividend levels in the future can be forecasted.

$$\text{Dividend Cov. Pay-Out} = \frac{\text{Profit after Tax}}{\text{Gross dividend paid}}$$

- ✓ **Dividend yield:** The dividend yield ratio is the dividend per share by the market value per share.

$$\text{Dividend yield} = \frac{\text{Dividend Per Share}}{\text{Market Value Per Share}}$$

2.5.3. Leverage Ratio

A creditor should always be concerned with the debt burden a potential borrower is carrying because a high leverage means the borrower may not be able to repay the debt. Financial leverage aids the users of the information in determining the risk associated with debt. Leverage ratio are used by investors to measure business and financial risk prior to their investment in each company. They are also used to measure the advantages or otherwise accruing to owners of a business from using borrowed funds to earn a high return for the business (Dheraj, 2016). Ratios under the leverage group are:

- ✓ Capital gearing ratio
- ✓ Interest covering ratio
- ✓ Debt to equity ratio
- ✓ Debt to total asset ratio.

2.5.4. Activity Ratio

Activity ratios measure how effective a firm employs resources at its command. These ratios assess the efficient utilization of the company's resources by its management. They are also called turnover ratios. One method to measure activity ratio is to review the total operating cycle which is also known as working capital. In doing this we convert cash into stock, then into debt and ultimately back into cash again. Some common ratios that aid in an analysis of investment and decision-making utilization are Assets turnover ratio, Debtors turnover ratio, Debtors collection period, Stock turnover ratio, Creditors payment period.

2.6. Decision Making in Business Organisation

> *Management is the equivalent of déjà vu (seen this before), whereas leadership is the equivalent of vu dàjé (never seen this before).* ***Weick,1973***

(Drucker, 2004) Being an effective executive does not need you to be a manager as we have it today in the business world. Effective manager (leaders) had their positive attitude, values, strength, weaknesses and personalities which went from easygoing to controlling, from generous to stingy. Eight practice are consistent in management and they are (a) what needs to be done? (b) what is right for the organisation? (c) Action plans (d) they took responsibility for decisions (e). there was flow in information (communication). (f) they saw more of opportunities than problems. (g) meetings were productive. (h). rather than say "I" they say "we". The first two practices were of knowledge, the next four converts this knowledge into effective action and the last two brought about responsibility in a business setting.

Most organisational decisions run into trouble because these bases aren't covered with no review decision intermittently thereby leading to poor outcome that would have been corrected before a system collapse.

We must know that it is a dangerous mistake when decision making comes from senior executive. At every level, decisions should be made beginning with individual professional contributors and frontline supervisors; apparently low-level decisions are very important in a knowledge-based organisation as making good decisions is a crucial skill at every level which needs to be taught deeply to every staffs that are based on knowledge (Jim, 2011).

Decision making is one of the most crucial activities of management. It is an all-pervasive activity played at every level in the organization covering both the short term and long term. In business, there are no right or wrong decisions but intelligent choices. What are considered a right decision in a particular time frame may turn out to be unintelligent decisions if the circumstances change. This is particularly true in developing countries where most of the variables required for intelligent decision are looking. Despite this, there is vast range of business situation for which quantitative and financial analysis plays a crucial part in making rational decisions.

Decision making can be classified into three major groups: -

- ✓ Decision making under certainty
- ✓ Decision making under risk
- ✓ Decision making under uncertainty

Decision making under certainty: when a decision is made with full knowledge of the occurrence of an event is said to be decision under certainty.

Decision making under risk: upon decision making, there are multiple possible outcome for each alternative and a value and probability of occurrence which can be attached to each outcome.

Decision making under uncertainty: when the number of outcomes, their values and probabilities is not known; each choice cannot be defined by a correspondence relationship even within a succinct framework.

2.6.1. Decision Making in-relation With Business Objective

Whether it is long-term or short term, four crucial and interrelated decision areas must be continuously addressed in an organisation based on the future objective or forward-looking concern of the firm and they are (a). Investment or long asset mix-decision. (b). Financing or capital mix-decision. (c). Dividend or profit allocation decision. (d). Liquidity or short-term asset mix-decision.

Investment decision: Investment decision or capital budgeting involves the decision of allocation of capital or commitments of funds to long term assets to yield benefits in the future. It also involves decision of recommitting funds when an asset becomes less productive or non-profitable after critically evaluating the business in term or expected risk and return (Davar and Gill, 2007). Two important aspects of the investment decisions are: (a) the measurement of cut-off rate against new investment. (b) the evaluation of the prospective profitability of new investments.

Financing decision: Optimally performed by the Chief Financial Officer (CFO). The Chief Financial Officer must decide when, where and how to acquire funds to meet the firm's investment needs with a central issue to determine the production of equity and debt which makes up the capital structure of the organisation. The firm's capital structure is optimum when the market value of shares is maximized. The use of debt affects the return and risk of shareholders; it may increase the return on equity funds, but it always increases risk (Brett, 2007). A proper balance will have to struck between return and risk. Once the Chief Financial Officer can determine the best combination of debt and equity, he/she must raise the appropriate amount through the best available sources. In deciding capital structure, a firm considers some factors such as control flexibility, loan covenants and legal aspects.

Dividend decision: This is also another decision a Chief Financial Officer must perform by realistically acknowledging if the firm should distribute all profits, retain them or distribute a portion and retain the balance. Like the debt policy, the dividend policy should be determined in terms of its impact on the shareholders' value (Henry, 2008).

The optimum dividend policy is one that maximizes the market value of the firm's share. Thus, if shareholders are not indifferent to the firm's dividend policy, Chief Financial Officer must determine the optimum dividend pay-out ratio. The Chief Financial Officer should also consider questions of dividend stability, bonus shares and cash dividends regularly. Periodically additional share, called bonus shares (or stock dividend), are also issued to the existing shareholders in addition to the cash dividend.

Liquidity Decision: Current assets should be managed efficiently for safeguarding and insolvency. Investing in current assets affects the firm's profitability, liquidity and risk. A conflict exists between profitability and liquidity while managing current assets (Mahajan and Sarkar, 2007). If the firm does not invest enough funds in current assets, it may become liquid. To ensure that neither insufficient nor unnecessary funds are invested in current assets, the Chief Financial Officer should develop sound techniques of managing current assets by estimating firm's needs for current assets and make sure that funds would be made available when needed.

2.7. Theoretical Framework.

The asymmetric information theory assumes that at least one party to a transaction has relevant information whereas the other do not and this model speaks about a deviation from perfect information (disclosure). Auronen (2003) opined that inequalities in access to information upset the normal market for exchange of goods and services. This theory provides an explanation of the burden to disclosure on the management of the financial institutions who are better placed in the corporate structure and therefore release the information they have to the investors that will use them for decision making.

Ball et al (2012) noted that not as substitute, audited financial statements and voluntary disclosures are complementary mechanisms to communicate information with investors.

Therefore, to enhance the credibility of these information by managers, it is advised that they be more truthful and void of manipulation.

Gigler and Hemmer (2001) observed that reporting independently audited financial outcomes plays a 'confirmatory role', which allows shareholders to evaluate the informativeness and truthfulness of past discretionary disclosure, as such the bias in financial reporting system leads to less valuable an information is. Therefore, this allows managers to credibly disclose relevant information even if such information is not directly verifiable.

2.8. Gaps in The Literature

We cannot have this research work with no discuss of the lapses from different literatures which provides several motivations for the current study, most of it is due to bias in disclosure from companies. Firstly, Sareen and Subash (2009) reported that the annual reports used had a separate corporate governance reporting section and only text within that section was analyzed in mere checklist.

Secondly, Sereen and Subash (2009) also commented that present study uses Linear Regression Equation but statistical tools was employed in the analysis of the data. The crash of Callirion is expected to increase the numbers of construction companies going bust as the insolvency rate increased over time (Rob, 2018).

Thirdly, there is no comprehensive study on disclosure measurement to guide researchers in developing measures of disclosure and measurement proxies after adopting available ones in the future since there is no measurement framework that can guide the analysis.

Lastly, issues with problem of measurement are rarely discussed in the financial/ accounting literature as compared to in the social sciences.

2.9. Conceptual Framework from Existing Literature.

Critical issues regarding conceptual frameworks and empirical methods are still changing as some of these disclosures are left best in the hands of analyst by internal managements of some organisations (Byard and Shaw, 2002).

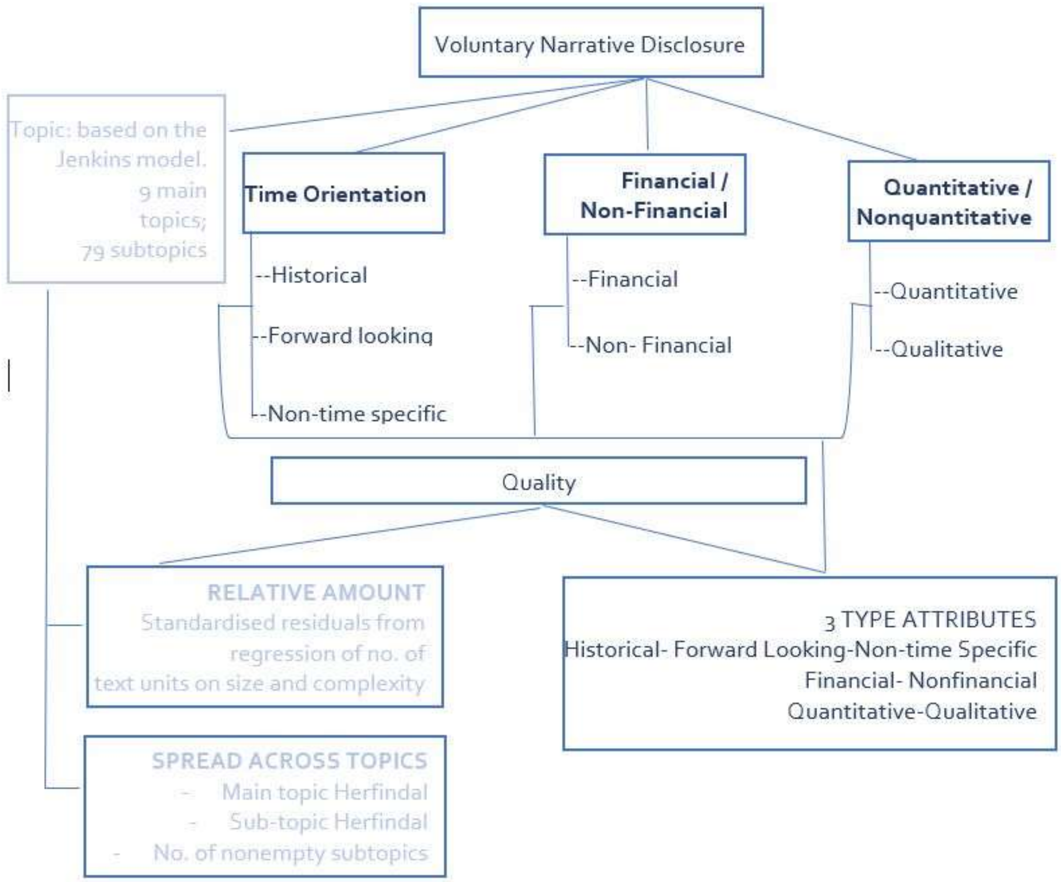


Fig. 2.9.1 The Beattie, McInnes, Fearnley's Framework (Beretta and Bozzolan, 2008).

This framework focuses on the characteristics of forward-looking information used by managements and financial analysts (Institutional and Individuals) in analysing and forecasting future earnings as this will also make the users of the information appreciate the value creation strategy and expected future financial results of the firm (Beretta and Bozzolan, 2008).

2.10. Summary of the Chapter

This chapter evaluates how financial analysis can be used to provide information to the management and investors in an effective and timely manner, which will aid them in decision making. It also takes into consideration the need for analysing data obtained, making comparisons and brewing conclusions as to the problems, prospects, strength and weaknesses of the company concerned. The chapter also explains that sound management policy puts in check the financial analysis and decision making and sound quality control in the financial information which must be based on proper work in an organisation. The information on quality and quantity of financial report aids the investors and management in arriving at the best decision in achieving individual and organisational goals respectively. Decision in management takes place at every level of organisation although they are different characteristics at each level with substantial different information requirements and the table below summarizes the main characteristics and information requirements of the various levels.

S/N	Management level	Decision Example	Information Required
1	Strategic	Mergers and acquisition, new product planning, capital investment, financing structuring.	Market and economic forecast and social trend legislative, environmental and technological constraints and opportunity.
2	Tactical	Pricing, capacity planning, budget preparation, purchasing constraints	Cost and sales analysis performing measures summa rises of operations/production, budget/actual comparison etc.
3	Operational	Production scheduling, maintenance, re-ordering, credit approval	Sales order, production requirements, performance measures, customers credit status, deliveries, dispatches etc.

CHAPTER THREE

METHODOLOGY OF THE STUDY.

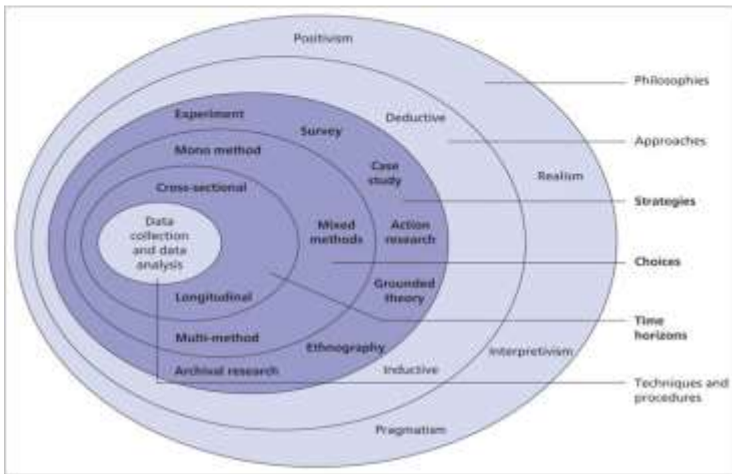
3.0. Introduction

Castellano (as cited in Datta, 2018 Pg.35) recalls that even though there has been worthwhile upscaling in research methods enquiry, the Western ways of conducting research and thinking still faces large challenges. Research is a problem-induced activity; it is simply a way in which scholars investigate various problems with a view to understand problem explanation. Stainton et al (2010), describes research methodology as a framework guiding the problem of design, its implementation and evaluation which is based on scientific inquiry. The procedures in research methodology includes observation of the fact made available relating to a problem provided, formulation of hypothesis for experiment and practical testing of the theology to obtain evidence for a conclusion or generalisation (drawing inferences from observations) which may not validate the hypothesis.

Methodology entails the different methods of research undertaken in collecting data that is for research work, so that appropriate decisions could be made where and when necessary. This chapter presents the method that will be used in data collected and essential in constructing the statement of the problem in clear and ambiguous terms and provide an efficient method of collecting and analysing the information. All phase for the research procedure is coordinated towards the goals of closing inappropriate course of action or condition. For this research, I shall only discuss the method of data collection used in this research.

3.1. Research Paradigm

Creswel et al (2010) stated that Positivism/post-positivism and constructivism/interpretivism are the main paradigms that traditionally are being fundamentally opposed. In simple terms, for quantitative research method the positivist notion of singular reality is being favored by objectives and value free enquiry; to say there is no such thing as single objective reality makes subjective inquiry constructivist which favors qualitative research. Both quantitative and qualitative purists, believe their research paradigm should not be coherently combined therefore advocate the incompatibility thesis (Howe, 2009). However, to descriptive knowledge and predominant justification, each pole is at its best in its criticism of the other. As a guideline to my thesis topic, I will outline the influences and approach that will be adopted using the Research onion framework as this will hold a very great significance in planning and carrying out my research. By peeling out the 2 layers of the onion (Research Philosophies and Research Approach) this chapter focuses on my underlying choice of data collection method.



Source: (Saunders, Lewis and Thornhill, 2009)

Due to the complexity in the financial sector as being financial intermediary, it has a lot to do with Compliance, Anti-Money Laundering and Regulations and each of the transitionary actions creates unique value proposition for the organisation. Saunders et al (2009) made it clear that these philosophies of positivism carries out the research in a value-free way having the researcher as being external to the process of data collection (no alternation is possible to derive unbiased outcome) and lastly having hypothesis being tested. With other sources of data being secondary, a qualitative analysis which will be used to for studying limited number of cases must be considered which as well has to do with Corporate governance of AIB, the outlook of the company and others. From positive information, comes knowledge that is capable of mathematical proof or being scientifically verified as researchers under the positivism umbrella focuses on theories linked to their approach to predict the social phenomena.

Furthermore, the research approach will be with deduction of theory and hypothesis which will be developed and a design to test the hypothesis as these data will be deduced from a captured historical data in the annual report called "Audited Financial Account". This approach is chosen because at the end of my research work, I aim to get a conclusion that financial statement analysis has an impact on decision making. Upon commencement, the research question will be tied to the theories which further leads to data collection and possible rejection or confirmation of the question (AllAssignmentHelpUK, 2017).

3.2. Research Design

Research design is a very critical part of a full research work as it comes immediately after a research topic has been identified, a research objective is developed and research questions laid out which is to be answered by the research philosophies and research approach chosen in the research paradigm (Abutabenjeh and Jaradat, 2018). However, this may differ for other research work with basis from a different research paradigm and it is based on the researchers view of project delivery. The goal of this section is on the research strategy, the research choice and the time horizon thereby turning the research question to a research project.

3.3. Restatement of Research Questions

1. What are the problems faced concerning the analysis and interpretation of financial reports?

2. What are the impact of financial Analysis on the investors

3. What are the impact of financial Analysis on Management

4. What is the impact of capital adequacy ratio analysis on the investors the Management decision-making?

5. How can the bank's management policies analysis improve the investors decision-making?

3.4. Restatement of Research Objectives

The main objective of this study is to assess the impact of financial analysis on decision making with specific reference to Allied Irish Bank Plc. The specific objectives however are:

1. To identify the problems faced in the analysis and interpretation of financial reports.

2. To determine the impact of Financial analysis on management decision-making

3. Examine the effect of asset quality analysis on the company's decision-making

4. To determine how Financial Statement Analysis impact investors decision-making

5. To assess Allied Irish Bank management policies on its decision-making

3.5. Restatement of Hypothesis

Chow (as cited in Sohn, 1993 Pg. 1169) allures (draws) that research hypothesis and its logical complement are two mutually exclusive and mutually exhaustive alternatives. Therefore, it is said to be neither backward nor strange to determine the tenability of a research hypothesis by testing its logical complement. It is a provisional statement of claims or set of assumptions given to guide an investigation which helps in examining the various aspects of problem being studied, so that the result obtained would support or contradict the model being presented.

There are basically two types of hypothesis. The null form of hypothesis which is designated by Ho. A null hypothesis is always stated in a negative way to reject a test and gives possible rejection, which will lead to the acceptance of an alternative hypothesis H1 (Statistics Solution (Online), 2009).

The following hypotheses, drawn by the researcher to be tested in the work are:

Ho1: There is no significant difference between Financial Statement Analysis and Management efficiency

Ho2. There is significant difference between previous dividend payout and choice of company to invest in

Ho3: There is no significant difference between Financial Statement Analysis and Management decision making (policy)

3.6. Research Strategy

First, the research work will have lot of secondary data which will be a good tool for both the quantitative research and qualitative research. (Damodaran, 2011) The quantitative research will help me focus on carrying out a proper valuation of the company for investing decision making while the qualitative research will be done with robust look into the company's outlook, corporate governance and management policy. The primary data collection will be used to drag inferences with regards to decision making which will be done by questionnaire that will go as an online link via google form to get the response from the management of AIB. A combination of the report derived from the quantitative and qualitative research will give a hint if to "BUY", "SELL" or "HOLD" share value of AIB Group plc taking into consideration the disclosure of historical which will be used to make close to perfect projections using Compound Annual Growth Rate for a minimum period of five years.

An empirical inquiry that investigates a phenomenon within a real life context brings my strategy to a case study strategy with sources from the bank Annual report and further questionnaire (Shareia, 2015). This research strategy is further called an instrumental case study as I will understand something through studying another thing and it will involve in-depth analysis with the data to be collected for the company which as well will have a historical with a view of providing an investment decision called "Recommendation" (Call to Act).

A further view of my research project in terms of the research objectives and the questions I wish to answer results in having my research as Analytical Research which will involve evaluation of relative facts (data) and critical thinking skills to find relevant information that are required for investing decision making from data provided (*Reference*, *Online*, 2018).

3.7. Methods for Collecting Data and Sources of Data

The data for this research will come from both primary and secondary sources. As earlier stated in my research strategy as being instrument case study that understands something for studying another thing, I will be getting my data from Allied Irish Bank plc Annual report which is audited (Regulatorily approved) for public consumption. As these data will drive my ratio analysis and carrying out some types of valuation that will deduce a recommendation for investing decision.

This Annual report will be used as well to support both the quantitative (data driven) aspect of my research and the qualitative (theory based) aspect. In discussing the mixed approach, Onwuegbueze and Combs (2019) noted that combining the quantitative research and qualitative research may result into a concurrent mixed analysis (independent analyses yielding combined inference), conversion mixed analyses, multi-level mixed analyses, integrated mixed analyses. However, it does not stop the research work as all variable may/may-not come out dependently/independently.

Secondly, to gather the data for management decision making policy, an online questionnaire/paper questionnaire where the relevant objectives of the research (management decision making policy) will be used as this will be to know the decision level taken an at what point does a control come in. This will be for the management team of Allied Irish Bank Plc as the respondent to the research.

3.8. Nature of Data

PRIMARY SOURCE: Questionnaire: This involves the use of structured questions aimed at collecting information from respondents who are in the management position of AIB. The questionnaire administration in relation to the study will consist of 12 questions. These questions provide alternative answers, and, in few cases, respondent will be asked to supply their answer into spaces provided. The purpose of designing the questionnaire in this firm is to allow the data collected to be used for analysis of management decision making opinion

Questionnaires have the following advantages:

a. It allows respondent to express his view freely as he/she is often not identified

b. It is usually less costly to administer

c. It is versatile, that is it can be used for almost every problem

Questionnaire paper mode is in the appendix while the online link is available below at

https://docs.google.com/forms/d/1WktBpA63-4Fpzc71ibjxzSeCSUvVZUoUoISDwXBH9b8/edit

SECONDARY SOURCE: This source of data collection will solely be from the annual report of Allied Irish bank and it will be used for both quantitative and qualitative valuation of the company. Other secondary sources can as well be news from the financial service industry with respect to possible changes in industry that affects the sector.

3.9. Access and Research Ethics Issues

Since Allied Irish Bank is a publicly quoted company, hence the company's annual report is made available on the company's website for every stakeholder to access and it can also be gotten on the site of the Ireland bourse. Access to the company's primary data from the management for decision making policy maybe a bit tougher; however, a reach out to the company Investor's Relations department will be of fair advantage for the primary data to be gotten.

Being a publicly quoted company, the management (participants) may not find releasing such data as being unethical as the questions poised in the questionnaire does not violate company policy for data protection so it may not be treated as confidential.

3.10. Analysis Techniques.

For the primary data, I will use percentage and statistical techniques in analysing the data Furthermore, responses to each question will be tabulated and converted into percentage for arriving at accurate decision-making point. To arrive at acceptable finding and conclusion, the techniques of data analysis to test the hypothesis is chi-square which is an appropriate statistical test (York, 2002) that will calculate properly the forward-looking point from my conceptual framework.

To have structured analysis of the research, the primary data will be critically analysed using descriptive and inferential statistics (Chi-Square). In the first level of data analysis, descriptive statistics will be used to present data to describing its various variables. The second level of data analysis will be the Inferential Statistics to show the relationships between multiple variables. This model will be developed on Microsoft Excel by creating a contingency table which will be used to calculate Chi Value, Degree of Freedom and Critical Value.

For the secondary data which will be from the annual report, the historical will be used to calculate the ratios. A year on year analysis and a Cumulative Average Growth Rate for the period will also be taken into consideration to support the forecasting of future performance of the company. This forecast is used for valuation method. This research work will have a combination of Discounted Cashflow model and Dividend discount Model for investors to make decisions.

3.11. Summary of chapter

This chapter is seen as the core aspect of any dissertation having the methodology roadmap for the research. It is the foundation on which all chapters are built upon; the research strategy, data collection methods, approach to data analysis were all covered in this chapter of this report by carrying out an in-depth study of financial reporting. The methodology especially data collection and analysis, were chosen as the best to support the objective. Based on the findings, there will be a recommendation as an independent adviser to investor and how the organisation can drive result taking into consideration other factors including strategy and culture.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS.

4.0. Introduction

It is the intention of the researcher to use this chapter for analysis and presentation of the data collected during the survey. Also, the working hypothesis earlier formulated in my previous chapter of this study will be tested here since the data used in the study were collected using questionnaire. It is therefore necessary to analyse them. It should be appreciated that the raw data does not have any valuable and relevant meaning until when it is analysed thereby becoming useful to visitors.

4.1. Sample size and Presentation (Primary Data)

In determining the sample size with a population of 200 in the mid to senior management level of Allied Irish Bank Group Plc, a confidence level of 95% was attained, a standard deviation of 5.5 and an error of 2. The absolute value of the z-score at 1.95 (app. 2) indicates that the 25 respondents is 2 standard deviation away from the mean. All variables were carried out by a five-point Likert-scale, ranging from not at all (1) to Extremely much (5)

$$\text{Sample Size} = \left(\frac{\text{Z-Score x Standard Deviation}}{\text{Error}}\right)^2$$

$$\left(\frac{2 \times 5.55}{2}\right)^2$$

Sample size = 30

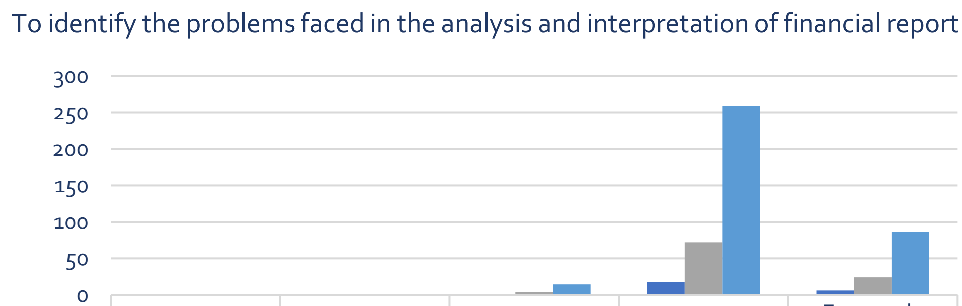
4.1.1. Findings based on Objective 1

Based on the first objective of the research, which is to identify the problems faced in the analysis and interpretation of financial report, the question on the knowledge of financial statement analysis was asked to the management of AIB. The descriptive analysis was deduced that 96% which represents 24 of the total respondents are very knowledgeable about Financial

Statement Analysis with just 1 of the respondents that is neutral with the knowledge of Financial Statement Analysis.

Likert Scale Option	Number of Respondent(s)	% respondent	Degree of respondent
Not at All	0	0	0
Not so Much	0	0	0
Neutral	1	4	14.4
Very Much	18	72	259.2
Extremely Much	6	24	86.4
Total	25	100	360

Table 4.1.1: Respondent(s) to support objective 1



	Not at All	Not so Much	Neutral	Very Much	Extremely Much
Number of Respondent (s)	0	0	1	18	6
% respondent	0	0	4	72	24
Degree of respondent	0	0	14.4	259.2	86.4

Fig 4.1.1: Chart representation to support objective 1

4.1.2. Findings based on Objective 2

In determining the impact of financial statement analysis on management decision making, four questions were asked and from the descriptive statistics an average of 95% of the management team agrees that Financial Statement Analysis has an impact on decision making while one of the respondents is neutral about financial statement having an impact on decision making.

Likert Scale Option	Number of Respondent(s)	% respondent	Degree of respondent
Not at All	0	0	0
Not so Much	0	0	0
Neutral	1	5	18
Very Much	15	61	219.4
Extremely Much	9	34	124.4
Total	25	100	360

Table 4.1.2: Respondent(s) to support objective 2

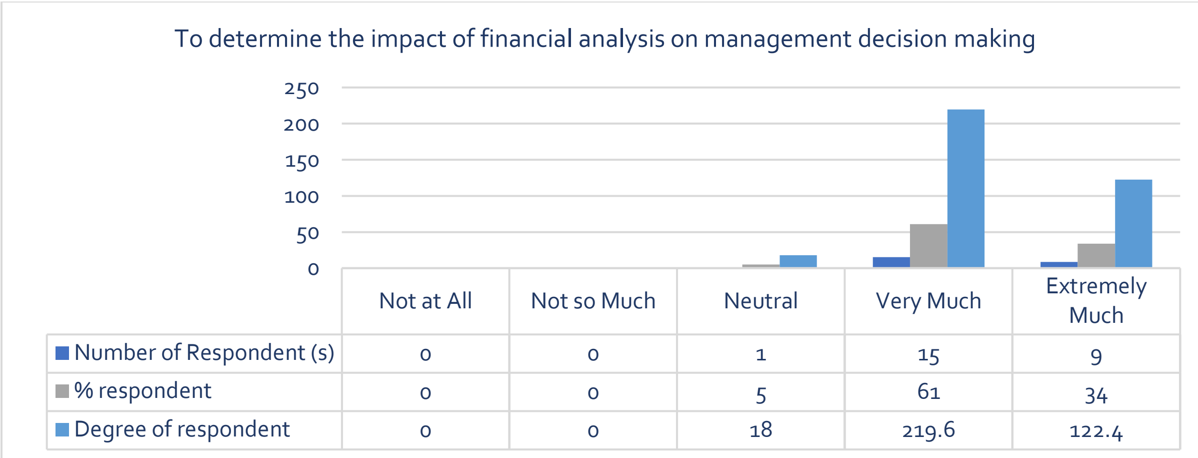


Fig 4.1.2: Chart representation to support objective 2

4.1.3. Findings based on Objective 3

Based on the third first objective of the research, which is to examine the effect of asset quality analysis in the company decisions making, five question were asked in the questionnaire. The descriptive analysis was deduced that 59.2% which represents 15 of the total respondents are of the opinion an effective asset quality has an impact on the company decision making. Nine of the respondents are neutral about asset quality and decision making.

Likert Scale Option	**Number of Respondent(s)**	**% respondent**	**Degree of respondent**
Not at All	0	0	0
Not so Much	1	5.6	20.16
Neutral	9	35.2	126.72
Very Much	11	44	158.4
Extremely Much	4	15.2	54.72
Total	25	100	360

Table 4.1.3: Respondent(s) to support objective 3

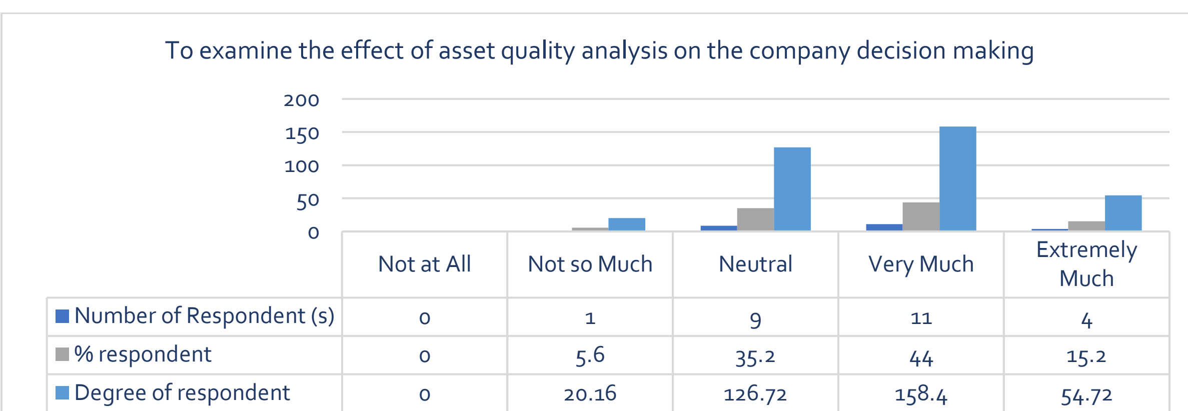


Fig 4.1.3: Chart representation to support objective 3

4.1.4. Findings based on Objective 4

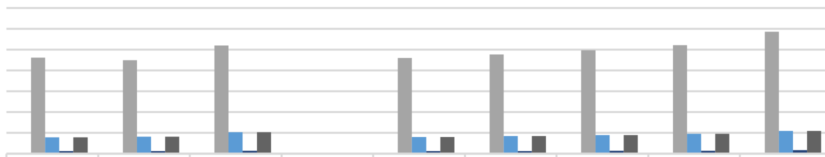
In determining how financial statement analysis impacts investors decision making, ratio analysis was calculated on excel to show how efficient management have been using the cash of the company to create value. The historical data is used to make five years projection using the CAGR. The Projection is used to support the valuation method discussed below.

RATIO ANALYSIS & PROJECTION									
	2018	**2017**	**2016**		**2019E**	**2020E**	**2021E**	**2022E**	**2023E**
Profitability & Efficiency Ratios									
Interest Margin	11%	12%	23%		12%	13%	14%	16%	17%
Dividend Payout	30%	22%	0%		30%	30%	30%	30%	30%
Retention Ratio	70%	78%	100%		70%	70%	70%	70%	70%
PBT Margin	53%	53%	64%		53%	55%	57%	60%	67%
PAT Margin	46%	45%	52%		46%	48%	50%	52%	59%
Return on Capital Employed	8%	8%	10%		8%	8%	9%	10%	11%
Return of Assets	1.19%	1.24%	1.42%		1.20%	1.28%	1.37%	1.47%	1.69%
Return on Equity	8%	8%	10%		8%	8%	9%	10%	11%
Per Share Ratio									
EPS	0.32	0.33	0.40		0.33	0.35	0.38	0.41	0.48
Dividend	0.10	0.10	0.12		0.10	0.11	0.11	0.12	0.14
Nets Asset	17.63	17.36	17.10		17.80	18.18	18.42	18.83	19.39
Earning Yield	6.9%	7.0%	8.6%		7.1%	7.6%	8.2%	8.8%	10.3%
Dividend Yield	2%	2%	3%		2%	2%	2%	3%	3%
Liquidity Ratios									
Current ratio	1.1	1.1	1.1		1.1	1.0	1.0	1.0	1.0
Quick ratio	1	1	1		1	1	1	1	1
cash ratio	1.2	1.2	1.1		1.1	1.1	1.1	1.1	1.1
Cash to income ratio	1.42	-1.08	1.92		2.11	2.09	2.08	2.07	2.00
Investment Valuation Ratio									
EPS	0.32	0.33	0.40		0.33	0.35	0.38	0.41	0.48
Price/book	0.69	0.90	1.40		0.72	0.84	0.88	0.91	0.94
Price/cash flow	5.38	(8.71)	5.68		3.71	4.17	4.10	3.99	3.74
Price/Earnings	9	11	14		9	10	10	9	9
Price/Income ratio	4.01	4.95	7.03		4.10	4.77	4.85	4.94	5.02

Table 4.1.4: Ratio analysis from Profit or loss, Statement of Financial Position and Cash flows1

Profitability Ratios: Profitability ratios are used to measure profitability of ventures and efficiency of operations, i.e., it measures the operating efficiency of the company.

Profitability and Efficency Ratio

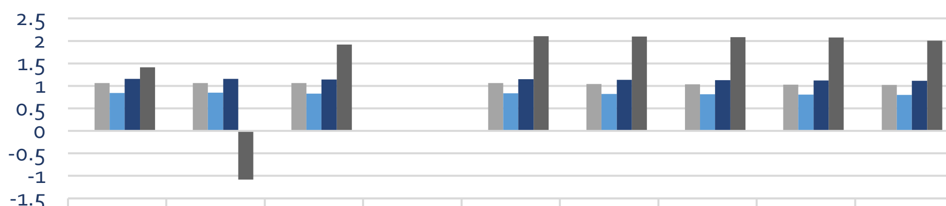


	2018	2017	2016		2019E	2020E	2021E	2022E	2023E
Profitability & Efficiency Ratios									
PAT Margin	46%	45%	52%		46%	48%	50%	52%	59%
Return on Capital Employed	8%	8%	10%		8%	8%	9%	10%	11%
Return of Assets	1.19%	1.24%	1.42%		1.20%	1.28%	1.37%	1.47%	1.69%
Return on Equity	8%	8%	10%		8%	8%	9%	10%	11%

Fig 4.1.4a: Chart representation to support objective 4

Liquidity Ratios: Liquidity ratios measures the ability of the firm to meet its current obligations i.e. these ratios try to assess the ease of how assets can be converted to cash

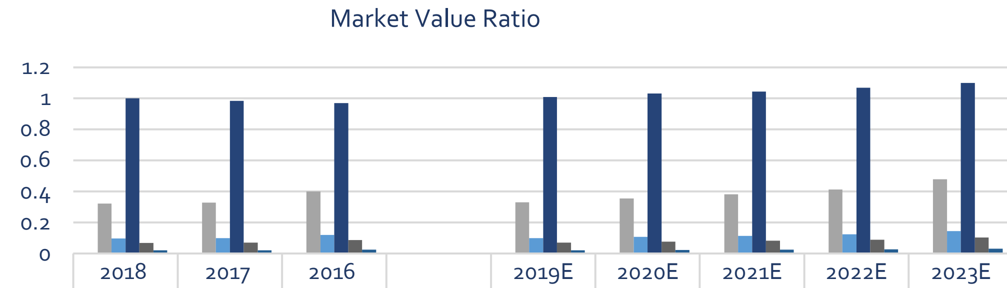
Liquidity Ratios



	2018	2017	2016		2019E	2020E	2021E	2022E	2023E
Liquidity Ratios									
Current ratio	1.1	1.1	1.1		1.1	1.0	1.0	1.0	1.0
Quick ratio	1	1	1		1	1	1	1	1
cash ratio	1.2	1.2	1.1		1.1	1.1	1.1	1.1	1.1
Cash to income ratio	1.42	-1.08	1.92		2.11	2.09	2.08	2.07	2.00

Fig 4.1.4b: Chart representation to support objective 4

Market Value Ratios: Market value ratios are employed by managements and investors to determine whether a company's shares are over-priced or underpriced especially for publicly quoted companies.



	2018	2017	2016		2019E	2020E	2021E	2022E	2023E
Per Share Ratio									
EPS	0.32	0.33	0.40		0.33	0.35	0.38	0.41	0.48
Dividend	0.10	0.10	0.12		0.10	0.11	0.11	0.12	0.14
Nets Asset (17.6)	1.00	0.98	0.97		1.01	1.03	1.04	1.07	1.10
Earning Yield	6.9%	7.0%	8.6%		7.1%	7.6%	8.2%	8.8%	10.3%
Dividend Yield	2%	2%	3%		2%	2%	2%	3%	3%

Fig 4.1.4c: Chart representation to support objective 4

Valuation

This is a mechanism behind the ability to trade cash for claims. In doing this, a meticulous financial engineering was carried out by the researcher which involved in-depth analysis of the company's financial data. Aswath Damodaran (2011) sees a proper mindset valuation as being biased and wrong but the simpler it can be to emphasize the difference in intrinsic and relative approaches. Two valuation models were carried out to support this research.

The Discounted cashflow model which takes into consideration projecting a free cash flow of the company and discounting the future value to the present to arrive at the Enterprise value. The Enterprise value is used to determine the upside/downside potential based on the fair value derived and the current trading price of the company.

DISCOUNTED CASH FLOW VALUATION					
	(1)	(2)	(3)	(4)	(5)
	2019E	**2020E**	**2021E**	**2022E**	**2023E**
EBIT	1,282	1,374	1,476	1,597	1,854
less taxation	(160)	(172)	(184)	(200)	(232)
Tax adjusted EBIT	**1,122**	**1,202**	**1,291**	**1,398**	**1,622**
less depreciation	(54)	(56)	(57)	(58)	(59)
Capex	(43)	(47)	(52)	(57)	(63)
Changes in WC	0	0	0	0	0
Unlevered FCF	**1,025**	**1,099**	**1,182**	**1,283**	**1,501**
WACC	10.8%				
Discounted Cash flows	925	895	868	850	897

Terminal growth rate	3%				
Discounted Terminal value	11,777				
PV of 2023E enterprise value	17,867				
Long term debt	2,382				
DCF based equity value	15,485				
Number of shares	3,392				
Fair Value	4.57				
Current share price	2.95				
Upside to fair value	55%				

Table 4.1.4b: DCF Valuation

The second model is the dividend discount model which uses projected dividend to determine the share price as we know in our findings that profitability and dividend payout have a positive correlation from the secondary collected and projected by the researcher.

DIVIDEND DISCOUNT MODEL VALUATION					
	2019E	**2020E**	**2021E**	**2022E**	**2023E**
DPS	0.10	0.11	0.11	0.12	0.14
PV	0.09	0.09	0.08	0.08	0.09
Total PV	0.43				
Terminal Value					
WACC	10.8%				
Growth	3%				
PV of TV	1.3				
Total PV	2				
Upside to fair value	63%				

Table 4.1.4c: DDM Valuation

We cannot discuss the two valuation models without having to see a parameter called Weighted Average Cost of Capital. Equity, debt and other accounts such as preferred stocks make up a capital structure of a firm.

Weighted average cost of capital (WACC) is the minimum interest rate the company pays to finance its growth, assets and funds required for work to progress (working capital) to satisfy every shareholders, investors and creditors (Hilpisch, 2019).

WACC = (Debt / (Debt + Equity)) x Cost of Debt + (Equity / (Debt + Equity)) x Cost of Equity

Where Equity = Shares Market Price * Shares Issued

Cost of Debt = after-tax cost of debt

After-tax Cost of Debt = (1-Tax Rate) x Cost of Debt

WACC COMPUTATION	
Effective tax rate	12.5%
Asset Beta	1
Debt/Equity	5.6%
Geared Beta	1
Risk Free rate	1.4%
Debt Premium	1.7%
Equity risk Premium	10.0%
Cost of Equity	11.4%
Cost of debt (after tax)	1%
WACC	10.8%

Table 4.1.4d Weighted Average Cost of Capital

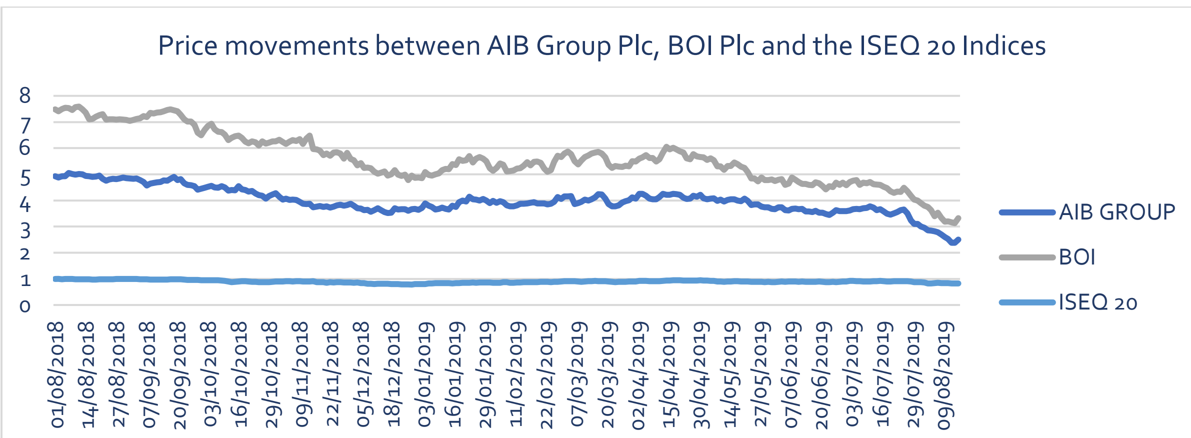
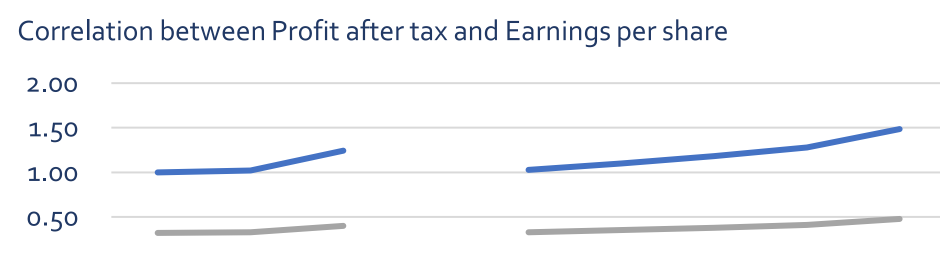


Fig 4.1.4d: Price movement of AIB, BOI & ISEQ 20 INDEX



	2018	2017	2016		2019E	2020E	2021E	2022E	2023E
Profit after tax	1.00	1.02	1.24		1.03	1.10	1.18	1.28	1.49
Earnings per share	0.32	0.33	0.40		0.33	0.35	0.38	0.41	0.48

Fig 4.1.4e: Positive Correlation between PAT and EPS

4.1.5. Findings based on Objective 5

In accessing AIB management policy on internal decision making, two questions were asked (one with Likert chart response and the other was open ended). From the descriptive analysis, 76% of the respondent believes the residual policy is the preferred dividend policy for shareholders and this is practiced by the company. (70:30).

On the open question, the respondents have the following as a way of managing relationship between shareholders and management

- ✓ A clear outline of stakeholder goals with a clear strategy to meeting those strategy which is seen as a long-term goal for the company.
- ✓ Having a proper Principal-Agency relationship.
- ✓ Using share option to support management remuneration as having a skin in the game will make them take the business to heart and scrutinize every aspect of the business.
- ✓ Transparency and introduction of Non- Executive Directors.

Likert Scale Option	**Number of Respondent (s)**	**% respondent**	**Degree of respondent**
100% Payout	2	8	28.8
100% Retention	1	4	14.4
Residual Policy	19	76	273.6
Stable dividend policy	3	12	43.2
Total	25	100	360

Table 4.1.5: Respondent(s) to support Objective 5

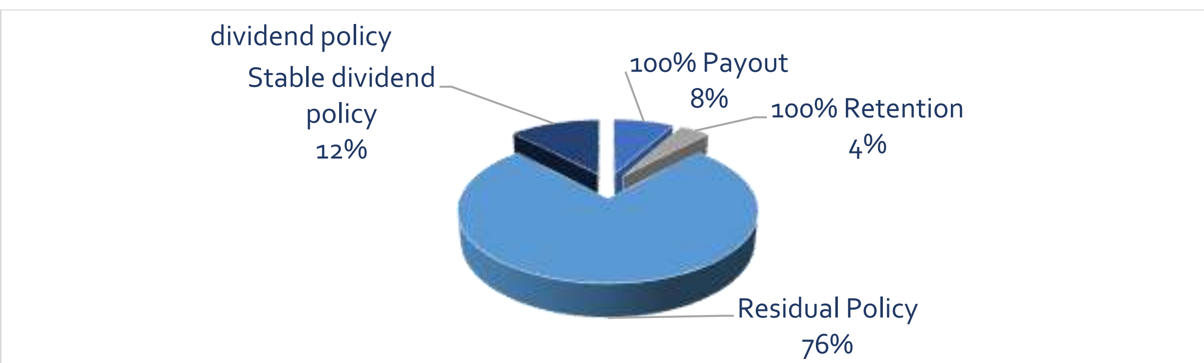


Fig 4.1.5: Chart representation to support Objective 5

4.2. Test for Hypothesis

<u>Decision Rule 1:</u> Reject a null hypothesis (Ho) if Chi calculated value is lesser than the Critical value, otherwise accept null hypothesis

Source of test: Question 3 and 4

Question 3: To what extent is Financial Statement Analysis a yardstick for assessing management efficiency in the absence of new projects?

Likert Scale Option	**Number of Respondent(s)**	**% respondent**	**Degree of respondent**
Not at All	0	0	0
Not so Much	0	0	0
Neutral	2	8	28.8
Very Much	14	56	201.6
Extremely Much	9	36	129.6
Total	25	100	360

Question 4. To what extent is Management efficiency a major determinant in Financial Statement Analysis?

Likert Scale Option	**Number of Respondent(s)**	**% respondent**	**Degree of respondent**
Not at All	0	0	0
Not so Much	0	0	0
Neutral	2	8	28.8
Very Much	16	64	230.4
Extremely Much	7	28	100.8
Total	25	100	360

Contingency Table:

Independent variable: Management Efficiency

Dependent variable: Financial Statement Analysis

	Not at all	**Not so much**	**Neutral**	**Very much**	**Extremely much**	**Total**
Financial Statement Analysis (Observed)	0	0	2	14	9	25
Management Efficiency (Observed)	0	0	2	16	7	25
Total	0	0	4	30	16	50

	Not at all	**Not so much**	**Neutral**	**Very much**	**Extremely much**	
Financial Statement Analysis (Expected)	0	0	2	15	8	
(O-E)	0	0	0	-1	1	
(O-E)2	0	0	0	1	1	
(O-E)2/E	0	0	0	0.066667	0.125	0.191667
	Not at all	**Not so much**	**Neutral**	**Very much**	**Extremely much**	
Management Efficiency (Expected)	0	0	2	15	8	
(O-E)	0	0	0	1	-1	
(O-E)2	0	0	0	1	1	
(O-E)2/E	0	0	0	0.066667	0.125	0.191667
					Chi Value	**0.383333**
					Degree of Freedom	**3**
					Critical Value	**7.81**
					Chi Value < Critical Value	**Reject Ho**

Table 4.2.1: Contingency table for Management efficiency and Financial Statement Analysis

On the chi distribution table, for 3 degree of freedom for the significance value of 0.05, the critical value is 7.81

Xo = ∑ (O - E) ^2/E

Where Xo = Chi Square

O = Observed data

E = Expected data

Determination of Degree of Freedom (DF)

DF= (c -1) * (r – 1)

Where c = column

r = rows

Decision: Since Chi Value is less than Critical value 0.383333 < 7.81, we reject null hypothesis (Ho). This means that financial Analysis is the best yardstick for measuring management efficiency in the absence of new project.

Decision Rule 2: Reject a null hypothesis (Ho) if Chi value is greater than the Critical value, otherwise accept null hypothesis

Source of test: Question 5 and 7

Question 5. How much of analysis of a company's financial statement, has an impact on decision making?

Likert Scale Option	Number of Respondent (s)	% respondent	Degree of respondent
Not at All	0	0	0
Not so Much	0	0	0
Neutral	0	0	0
Very Much	18	72	259.2
Extremely Much	7	28	100.8
Total	25	100	360

Question 7. To what extent will previous dividend payout influence your choice of a company to invest in?

Likert Scale Option	Number of Respondent (s)	% respondent	Degree of respondent
Not at All	0	0	0
Not so Much	4	16	57.6
Neutral	10	40	144
Very Much	8	32	115.2
Extremely Much	3	12	43.2
Total	25	100	360

Contingency Table:

Independent variable: Previous dividend

Dependent variable: Choice of Investment

	Not at all	Not so much	Neutral	Very much	Extremely much	Total
Previous dividend (Observed)	0	4	10	8	3	25
Choice of Investment (Observed)	0	0	0	18	7	25

Total	0	4	10	26	10	50
	Not at all	**Not so much**	**Neutral**	**Very much**	**Extremely much**	
Previous dividend (Expected)	0	2	5	13	5	
(o-E)	0	2	5	-5	-2	
(o-E)2	0	4	25	25	4	
(o-E)2/E	0	2	5	1.923077	0.8	9.723077
	Not at all	**Not so much**	**Neutral**	**Very much**	**Extremely much**	
Choice of investment (Expected)	0	2	5	13	5	
(o-E)	0	-2	-5	5	2	
(o-E)2	0	4	25	25	4	
(o-E)2/E	0	2	5	1.923077	0.8	9.723077
					Chi Value	**19.44615**
					Degree of Freedom	**3**
					Critical Value	**7.81**
					Chi Value > Critical Value	**Reject Ho**

Table 4.2.2: Contingency table for Previous dividend and choice of investment

Decision: Since Chi Value is greater than Critical value 19.4461 > 7.81, we reject null hypothesis (Ho). This means that previous dividend payout does not have an influence on the choice of company to invest in.

Decision Rule 3: Reject a null hypothesis (Ho) if Chi value is lesser than the Critical value, otherwise accept null hypothesis

Source of test: Question 2 and 5

Question 2. To what extent is the impact of Financial Statement Analysis in an organisation?

Likert Scale Option	**Number of Respondent(s)**	**% respondent**	**Degree of respondent**
Not at All	0	0	0
Not so Much	0	0	0

Neutral	1	4	14.4
Very Much	13	52	187.2
Extremely Much	11	44	158.4
Total	25	100	360

<u>Question 5.</u> How much of analysis of a company's financial statement, has an impact on decision making?

Likert Scale Option	**Number of Respondent (s)**	**% respondent**	**Degree of respondent**
Not at All	0	0	0
Not so Much	0	0	0
Neutral	0	0	0
Very Much	18	72	259.2
Extremely Much	7	28	100.8
Total	25	100	360

Contingency Table:

Independent variable: Financial Statement Analysis

Dependent variable: Management Decision Making

	Not at all	**Not so much**	**Neutral**	**Very much**	**Extremely much**	**Total**
Financial Statement Analysis (Observed)	0	0	1	13	11	25
Management decision making (Observed)	0	0	0	18	7	25
Total	0	0	1	31	18	50
	Not at all	Not so much	Neutral	Very much	Extremely much	
Financial Statement Analysis (Expected)	0	0	0.5	15.5	9	
(o-E)	0	0	0.5	-2.5	2	
(o-E)2	0	0	0.25	6.25	4	
(o-E)2/E	0	0	0.5	0.403226	0.444444444	1.34767

	Not at all	Not so much	Neutral	Very much	Extremely much	
Management decision making (Expected)	0	0	0.5	15.5	9	
(o-E)	0	0	-0.5	2.5	-2	
(o-E)2	0	0	0.25	6.25	4	
(o-E)2/E	0	0	0.5	0.403226	0.444444444	1.34767
					Chi Value	2.695341
					Degree of Freedom	3
					Critical Value	7.81
					Chi Stat < Chi Critical	Reject Ho

Table 4.2.3: Contingency table for Financial statement Analysis and Management Decision.

<u>Decision:</u> Since Chi Value is lesser than Critical value 2.6953 < 7.81, we reject null hypothesis (Ho). This means that Financial Statement Analysis has an impact on management decision making.

4.3. Discussion of Findings

From the result of the analysis of the hypothesis, the following findings are noted as follows:

a. That Financial Analysis is the best yardstick for measuring management efficiency in the absence of new investment project
b. That previous dividend paid is not enough metric for choice of company to invest in
c. That financial statement Analysis has an impact on management decision making
d. That there is a positive correlation between profit after tax and dividend (Historical and Projected
e. That there is a positive correlation between Allied Irish Bank Group Plc and Bank of Ireland Plc (Its peer)
f. That there is no correlation between Allied Irish Bank Group Plc and the ISEQ 20 (Benchmark stock market index on Euronext Dublin)

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

The potential outcomes of this research are to make informed decision taking into consideration that the quantity of information has an impact on the quality of the information to the end user. The study is also to show that financial disclosure is very important for companies regardless of its status (Public or private). Not also forgetting the auditors of corporations to bear in mind that supposed forensic that is ignored will have a negative impact on a company in the long run. This chapter consist of the summary of findings based on the data presented and analyses in chapter four, conclusion and recommendations in areas of weaknesses for further improvements.

5.1 Summary of Findings

As presented from the result of the analysis, over 96% of the respondents have knowledge of Financial Statement Analysis and the effect it has to the company. In reporting a financial account wrongly, it will lead to unfair disclosure to the external users. Almost similar percentage of the respondents which makes about twenty-four on head counts, agrees that a company financial analysis has impact in decision making.

40% of the respondents are neutral about previous dividend being a metric of choice of investing in a company while 44% decides to go with previous dividend as a tool to investing. On projected dividend, 68% of the respondents are neutral about making investing decision while 28% are very much on the positive side of investing using projected dividend. This makes an average of 54% for neutral and 32% for positive decision based on previous dividend paid and projected dividend respectively.

80% of the respondents are very much in support of declaration of dividend, liquidity of the company and legal provision as being paramount to management while other respondents are neutral about these major factors.

56% of the respondents believes that the increase in share price is a measure of how a company is being able to create value for its consumers thereby leading to the viability of the company while 40% are neutral about increase in share price showing the viability of the business.

The null hypothesis for hypothesis one was rejected. This then mean that Financial Analysis is the best yardstick for measuring management efficiency in the absence of new investment project. Also, findings from hypothesis two also rejected the null hypothesis and accepted the alternative hypothesis. This means that previous dividend payout does not influence their choice of a company to invest in. The null hypothesis for hypothesis three was rejected which means that Financial Statement Analysis has a very high impact of management decision making.

It can be deduced from the Financial Statement Analysis that the Profit After Tax margin is high both historically and projected which means the company is able to generate more income from their sales. Regardless of the 100% increase (year on year) in Net gains on other financial assets, the Profit before Tax still reduced by 9.5% which was as a result of impairment in amortization (-33%), impairment in depreciation (-10%) and 100% loss in the disposal of other businesses.

Based on the valuation of the secondary data, it will be advised by an Investment Analyst who makes informed decision to recommend Allied Irish Bank Group Plc into the portfolio of a value investor as in the nearest future the company has potential upsides to present market price.

5.2. CONCLUSION

The respondent's awareness of the "what financial analysis is" gives a clue that activities of the bank is strictly followed. The corroboration of this by a high number of respondents who believe that a company's financial analysis impact in decision making suggests that the bank's financial records can influence customer's investment behavior.

In making a choice of financial statement or report a policy to be followed by a company, profile authority issue has argued that a company should endeavor to formulate and establish a standard strategy that will maximize shareholders wealth. In theory, the financial analysis should be in conformity with the company's investment opportunities to evaluate the current and the past results operations and financial positions of the organizations with the possible estimates about future performances and conditions.

Also, since financial analysis is the best yardstick for measuring management efficiency in the absence of new investment project, financial reports of a company such as Allied Irish Bank Group Plc can be a great tool in swaying the interesting of the consumers in positive investment behavior towards the company bank.

5.3. Recommendations

Based on the findings of the research, the following recommendations can be a way of reaping the full benefits of impact of financial analysis on decision making regarding public and private organizations:

a. The bank should continuously review its long term strategy as a combination of strategy and culture will deliver a prominent result (Torben, 2013)
b. More shares should be issued so that the banks stability and strength can be improved
c. The bank should continue to ensure that it earns more than it pays so that higher profit can be declared which will boost dividend payment and encourage investors and shareholders
d. from the valuation carried out, it is my independent advice to invest in the company's share as the upside to fair value is computed at 55% upside using the Discounted cashflow method while the Dividend discount model is at 63% upside to the fair value.

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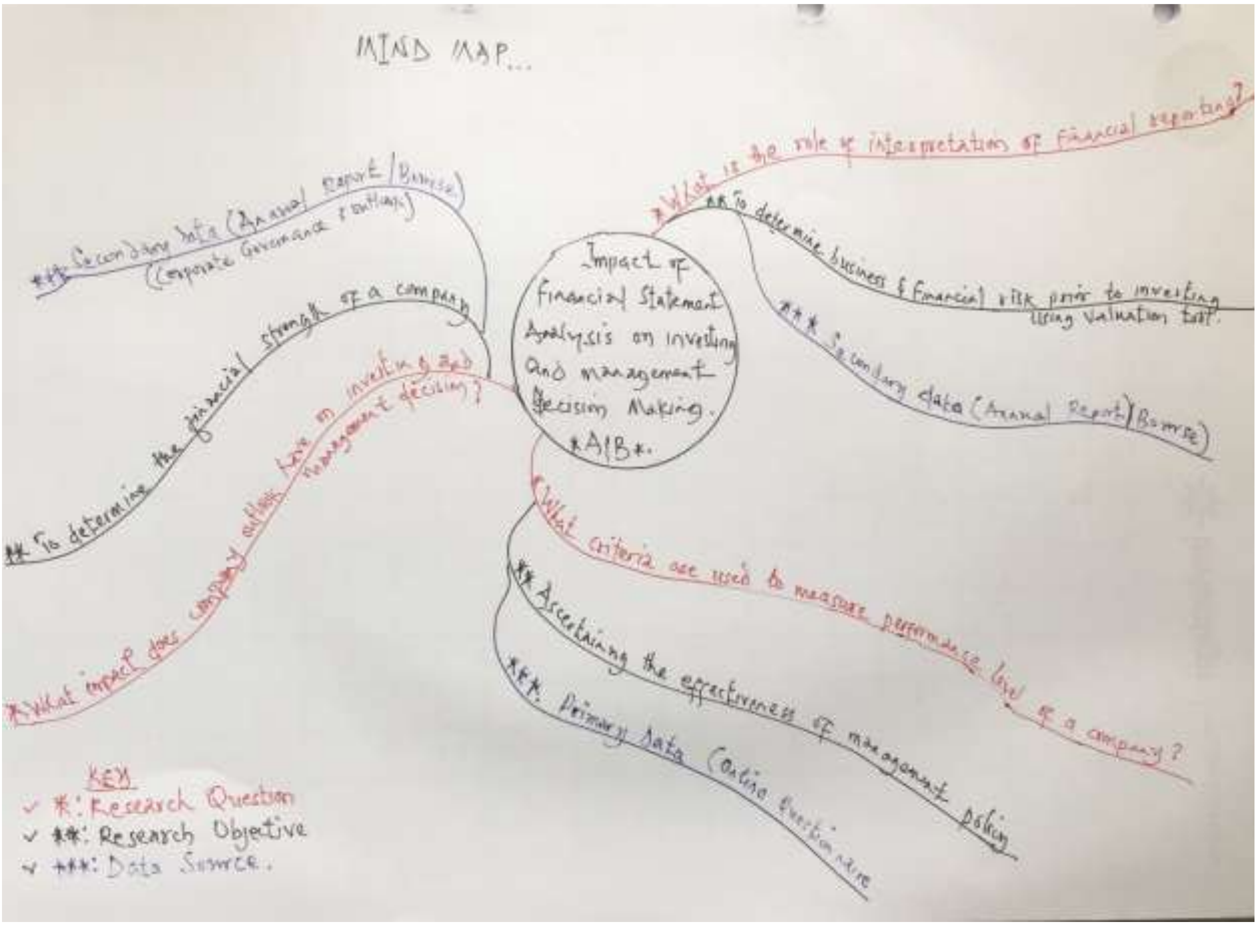
Appendix 1

Mind Map



Appendix 2

	PROFIT OR LOSS			PROFIT OR LOSS PROJECTION				
	2018	2017	2016	2019E	2020E	2021E	2022E	2023E
	€m	€m	€m	€m	€m	€m	€m	€m
Interest income	2,289	2,414	2,248	2,358	2,428	2,501	2,576	2,654
Other interest income and similar income	77	67	342	83	90	97	105	113
Interest and similar income	2,366	2,481	2,611	2,441	2,518	2,598	2,681	2,767
Interest expense	(266)	(305)	(598)	(298)	(334)	(374)	(419)	(469)
Net interest income	**2,100**	**2,176**	**2,013**	**2,143**	**2,185**	**2,225**	**2,262**	**2,298**
Dividend income	26	28	26	27	29	31	33	35
Fee and commission income	498	436	430	598	687	756	832	1,039
Fee and commission expense	(41)	(45)	(35)	(43)	(44)	(45)	(46)	(47)
Net trading income	5	97	71	8	11	17	25	39

Net gain on other financial assets measured at FVTPL	146	0	11	73	22	7	2	1
Net gain on derecognition of financial assets measured at amortised cost	121	32	0	61	73	85	98	103
Other operating income	19	277	403	36	51	71	99	139
Other income	**774**	**825**	**906**	**759**	**829**	**921**	**1,043**	**1,309**
Total operating income	**2,874**	**3,001**	**2,919**	**2,902**	**3,013**	**3,146**	**3,305**	**3,607**
Administrative expense	(1,661)	(1,694)	(1,462)	(1,694)	(1,711)	(1,728)	(1,746)	(1,763)
Impairment and amortisation of intangible assets	(110)	(83)	(70)	(132)	(158)	(190)	(228)	(274)
Impairment and depreciation of property, plant and equipment	(52)	(58)	(39)	(54)	(56)	(57)	(58)	(59)
Total operating expenses	**(1,823)**	**(1,835)**	**(1,571)**	**(1,880)**	**(1,925)**	**(1,976)**	**(2,032)**	**(2,096)**
Operating profit before impairment losses and provisions	**1,051**	**1,166**	**1,348**	**1,022**	**1,088**	**1,170**	**1,274**	**1,511**
Net credit impairment writeback	204	113	294	245	257	270	283	298
Writeback of provisions for liabilities and commitments	0	8	4	9	11	11	12	13
Operating profit	**1,255**	**1,287**	**1,646**	**1,276**	**1,356**	**1,451**	**1,569**	**1,822**
Associated undertakings and joint venture	12	19	35	14	16	19	22	24
Profit on disposal of property	2	0	1	3	4	6	7	8
Loss on disposal of business	(22)	0	0	(11)	(2)	0	0	0
Profit before taxation from continuing operations	1,247	1,306	1,682	**1,282**	**1,374**	**1,476**	**1,597**	**1,854**
Income tax charge from continuing operations	(155)	(192)	(326)	(160)	(172)	(184)	(200)	(232)
Profit after taxation from continuing operations								
attributable to owners of the parent	1,092	1,114	1,356	1,122	1,202	1,291	1,398	1,622
Basic earnings per share	0.32	0.33	0.40	0.33	0.35	0.38	0.41	0.48
continuing operations								
Diluted earnings per share								
Other income/loss, net of tax from continuing operations	(225)	(364)	(319)	(248)	(277)	(310)	(348)	(389)
Total attributable to owners of the parent	**867**	**750**	**1,037**	**874**	**925**	**981**	**1,050**	**1,233**

Appendix 3

	STATEMENT OF FINANCIAL POSITION			STATEMENT OF FINANCIAL POSITION PROJECTION				
	2018	2017	2016	2019E	2020E	2021E	2022E	2023E
	€m	€m	€m	€m	€m	€m	€m	€m
Assets								
Cash and balances at central banks	6,516	6,364	6,519	6,711	6,879	7,051	7,228	7,408
Items in course of collection	73	103	134	84	92	97	102	107
Disposal groups and non-current assets held for sale	10	8	11	12	13	13	14	15
Trading portfolio financial assets	0	33	1	17	17	18	18	19
Derivative financial instruments	900	1,156	3,613	1,035	1,118	1,207	1,304	1,408
Loans and advances to banks	1,443	1,313	1,399	1,486	1,561	1,639	1,721	1,807
Loans and advances to customers	60,868	59,993	60,639	61,477	61,538	61,600	61,661	61,723
Investment securities	16,861	16,321	18,793	17,451	17,469	17,486	17,504	17,521
Interests in associated undertakings	90	80	65	99	102	105	108	111
Intangible assets	682	569	392	750	788	827	868	912
Property, Plant and equipment	330	321	357	340	347	354	361	368
Other assets	356	418	248	367	378	389	401	413
Current taxation	10	5	13	10	10	11	11	11
Deffered tax assets	2,702	2,736	2,828	2,729	2,756	2,784	2,812	2,840
prepayments and accrued income	454	459	444	459	459	459	460	460
Retirement benefit assets	241	183	166	289	347	416	500	600
Total assets	**91,536**	**90,062**	**95,622**	**93,316**	**93,873**	**94,456**	**95,071**	**95,722**
Liabilities								
Deposits by central banks and other banks	844	3,640	7,732	852	895	940	987	1,036
Customer accounts	67,699	64,572	63,502	69,053	70,434	71,138	71,850	72,568
Trading portfolio financial liabilities	0	30	0	5	5	5	5	5
Derivative financial instruments	934	1,170	1,609	1,074	1,096	1,117	1,140	1,163
Debt securities in issue	5,745	4,590	6,880	5,860	5,977	6,097	6,219	6,343
Current taxation	74	68	18	75	75	76	77	78
Deferred tax liabilities	107	97	81	114	116	117	118	119
Retirement benefit liabilities	49	87	158	50	51	52	53	54
Other liabilities	887	824	973	891	918	946	974	1,003

Accruals and deferred income	325	348	484	338	345	352	359	366
Provisions for liabilities and commitments	219	231	246	226	230	235	239	244
Subordinated liabilities ad other capital instruments	795	793	791	803	811	819	827	836
Total liabilities	**77,678**	**76,450**	**82,474**	**79,342**	**80,953**	**81,894**	**82,848**	**83,815**
Equity								
Share capital	1,696	1,697	1,696	1,696	1,696	1,696	1,696	1,696
Reserves	11,668	11,421	10,958	11,785	12,020	12,141	12,383	12,631
Total shareholders' equity	**13,364**	**13,118**	**12,654**	**13,481**	**13,716**	**13,837**	**14,079**	**14,327**
Other equity interests	494	494	494	494	494	494	494	494
Total equity	**13,858**	**13,612**	**13,148**	**13,975**	**14,210**	**14,331**	**14,573**	**14,821**

Appendix 4

STATEMENT OF CASH FLOWS				STATEMENT OF CASH FLOWS				
	2018	2017	2016	2019E	2020E	2021E	2022E	2023E
	€m	€m	€m	€m	€m	€m	€m	€m
PBT from continuing operations	1,247	1,306	1,682	1,282	1,374	1,476	1,597	1,854
Adjustment for:								
Non-cash and other items	(4)	(5)	(266)	(8)	(8)	(9)	(10)	(11)
Change in operating assets	(740)	1,963	6,507	37	56	85	129	195
Change in operating liabilities	1,306	(4,693)	(4,588)	1,437	1,508	1,584	1,663	1,746
Taxation (paid)/refund	(44)	19	(106)	(48)	(53)	(59)	(64)	(71)
Net cash inflow/(outflow) from operating activities	**1,765**	**(1,410)**	**3,229**	**2,699**	**2,877**	**3,077**	**3,315**	**3,713**
Purchase of investment securities	(3,276)	(1,419)	(2,477)	(2,293)	(1,605)	(1,613)	(1,621)	(1,629)
Proceeds from sales and maturity of investment securities	2,392	3,499	3,386	2,870	3,014	3,165	3,323	3,489
Additions of property, plant and equipment	(65)	(26)	(55)	(72)	(75)	(79)	(83)	(87)
Disposal of property, plant and equipment	8	9	2	9	11	11	11	11
Additions to intangible assets	(223)	(261)	(173)	(241)	(248)	(256)	(263)	(271)
Investments in associated undertaking/joint venture	(10)	(81)	0	(15)	(17)	(18)	(19)	(21)
Disposals of associated undertaking/joint venture	2	76	0	4	6	9	14	20
Dividends/distribution received from associated undertaken and joint venture	10	9	40	11	12	13	14	16
Net cash inflow/(outflow) from investing activities	**(1,162)**	**1,806**	**723**	273	1,097	1,231	1,375	1,528
Dividends paid on ordinary shares	(326)	(250)	0	(336)	(361)	(387)	(419)	(487)
Distribution paid on other interests	(37)	(37)	(37)	(37)	(39)	(39)	(39)	(39)
Interest paid on subordinated liabilities and other capital instruments	(31)	(31)	(191)	(33)	(33)	(34)	(35)	(35)
Net cash outflows from financing activities	**(394)**	**(318)**	**(1,828)**	(406)	(433)	(460)	(493)	(561)

Change in cash and cash equivalents	209	78	2,124	195	235	281	338	405
Opening cash and cash equivalents	7,058	7,164	5,672	6,795	6,972	7,148	7,329	7,515
Effect of exchange translation adjustment	(21)	(184)	(632)	(23)	(25)	(28)	(31)	(34)
Closing cash and cash equivalent	**7,246**	**7,058**	**7,164**	6,968	7,181	7,402	7,636	7,887

Appendix 5

Questionnaire For Impact of Financial Statement Analysis on decision-making.

Hi Sir/Madam,

As a part of my Master's in Science (MSc) in International Business Management in Griffith College Dublin, I am conducting a survey on The Impact of Financial Statement Analysis on Management and Investors decision making. "Case study of Allied Irish Bank Group Plc"
The main objective of this survey is to consider the concept of financial disclosure taking into consideration how financial statement analysis with the use of ratio analysis as a tool impacts internal and external decision making.

Below are the survey questions with a Likert Scale representation designed to measure opinion on the subject matter.
1 = Not at all
2 = Not so much
3 = Neutral/Somewhat Much
4 = Very Much
5 = Extremely Much

* Required

1. **How much knowledge of Financial Statement Analysis do you have? ***
   Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

2. **To what extent is the impact of financial statement analysis in an organisation? ***
   Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely much

3. **To what extent is Financial Statement Analysis a yardstick for assessing management efficiency in the absence of new projects? ***
   Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

4. **To what extent is Management efficiency a major determinant in Financial Statement Analysis? ***
   Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

5. **How much of analysis of a company's financial statement, has an impact in decision making?** *

Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

6. **To what extent does Financial Statement Analysis indicated company's performance?** *

Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

7. **To what extent will previous dividend pay out influence your choice of a company to invest in?** *

Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

8. **To what extent will your choice of a company to invest in be independent on the company's projected dividend?** *

Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

9. **To what extent is the factor affecting declaration of dividend, Liquidity and legal provision most paramount to management** *

Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

10. **To what extent does increase in share price show a company is viable?** *

Mark only one oval.

	1	2	3	4	5	
Not at all	◯	◯	◯	◯	◯	Extremely Much

11. **What type of Dividend policy is most preferred by you? ***

Mark only one oval.

- 100% Payout
- 100% Retention
- Residual Policy
- Stable dividend policy

12. **What do you think can be done to minimize the conflict between management and shareholder in areas of financial statement and reports? ***

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