

**UNIVERSITY OF EDUCATION, WINNEBA**

**AN ASSESSMENT OF CORPORATE GOVERNANCE ON FINANCIAL  
ACCOUNTING PRACTICES  
A CASE STUDY OF THE NESTLE GHANA COMPANY LIMITED**



**MAGDALENE GYAWU AMANKWATIA**

**AUGUST, 2017**

**UNIVERSITY OF EDUCATION, WINNEBA**

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**MAGDALENE GYAWU AMANKWATIA**



**A Dissertation in the Department of Accounting Studies Education, Faculty of Business  
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requirements for the award of the degree of Masters of Business Administration  
(Accounting) in the University of Education, Winneba**

**AUGUST, 2017**

## DECLARATION

### STUDENT'S DECLARATION

I, **Magdalene Gyau Amankwaatia**, declare that, this dissertation with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

SIGNATURE:.....

DATE:.....



### SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of this work was supervised in accordance with guidelines for supervision of dissertation as laid down by the University of Education, Winneba.

SUPERVISOR'S NAME: **Mr. George Obeng**

SIGNATURE:.....

DATE:.....

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## **DEDICATION**

This project work is dedicated to Almighty God who is my constant caretaker and keeper. Again I dedicate this work to my parents Rev. and Mrs Asamoah Gyawu Amankwaatia who inspires me to give off my best and to all the following wonderful people; Mr. George Obeng (supervisor), Mr. Isaac Domena Boadi (husband) who have immensely contributed towards making this a success.



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## ABSTRACT

This research tried undertake an assessment of corporate governance and financial accounting practices. The study dealt with the contributions of internal control to financial accounting practices, the effects of audit committee on financial accounting practices, and lastly the influence of internal auditors on financial accounting practices.

Primary data was used during this research. Primary data was collected by administering questionnaire to Nestle Ghana limited. Respondents were selected based on their understanding and role in corporate governance and financial accounting practices. The Statistical Package for Social Science was employed for the data analysis. The study revealed that effective internal control systems are needed to ensure the safeguard of assets, valuation and authorizing of transactions, ensuring effective recording of routine transactions among others as identified from the survey conducted. It was also noted that effective internal controls does not guarantee errorless accounting practices and also does not necessarily ensure the prevention and detection of fraud, waste, embezzlement and also does not necessarily ensure the accuracy and completeness of accounting data recorded in the case study. It was also noted that effective audit committee had positive effects on financial accounting practices. Lastly, the study pointed out that, there is a strong positive influence of internal auditors on financial accounting practices. This implies that when the internal auditor is not effective in discharging the duties, financial accounting practice will not be effective and this goes for the vice-versa. This affirms that internal auditors play a vital role in ensuring effective financial accounting practices.

## **CHAPTER ONE**

### **INTRODUCTION**

This chapter entails the background of the study, the problem statement, objectives of the study, scope and limitation, significance of the study, definition of terms and the organization of the study. This chapter gives a descriptive idea about what the study entails.

#### **1.1 Background of the Study**

Corporation is an association of individuals, created by law or under authority of law, having a continuous existence independent of the existence of its members, and powers and liabilities distinct from those of its members (Webster's New Universal Unabridged Dictionary). This has made a corporation to have a continuous life span regardless of changes that are bound to occur in the ownership, leadership and staffing of the corporation. Investors who are also referred to as shareholders, become a shareholder of the corporation by buying floating shares issued. The shareholders of the corporation tend to control the affairs on the entity through a governing body. The fundamental responsibility of the governing body is to ensure that the organisation actually fulfils the needs and purposes of the owners (Balarin, 2008).

"Corporate governance has been the hot topic," says Charles King, managing director and head of global board services for Korn/Ferry International, a Los Angeles-based executive-search firm. Corporate governance is most often viewed as both the structure

and the relationships which determine corporate direction and performance. The board of directors is typically central to corporate governance. Its relationship to the other primary participants, such as shareholders and management, is critical. The primary participants here denote those who contribute primarily in the corporate governance of the organisation. Additional participants to the above listed primary participants include employees, customers, suppliers, and creditors.

The corporate governance framework also depends on the legal, regulatory, institutional and ethical environment of the community. Whereas the 20th century might be viewed as the age of management, the early 21st century is predicted to be more focused on governance. Both terms address control of corporations but governance has always required an examination of underlying purpose and legitimacy (James McRitchie, 1999). Hermes (2004) and Jenifer (2002) also define Corporate Governance as a set of interlocking rules by which corporations, shareholders and management govern their behaviour. In each country, this is a combination of a legal system that sets some common standards of governance and systems of behaviour determined by firms themselves. Akodo Robinah, Administrator of Makerere University Business School stated in his thesis that, Corporate Governance scandals and accounting failures such as Maxwell in the UK and Enron in the US have been dominating business debates during the last decade. Increasing ethical problems are recognized as symptoms of failing Corporate Governance and systems of accountability and control in publicly quoted firms (Igor, 2004).

Giving corporate governance a broader insight, it involves making sure that decisions are made effectively. This drive towards corporate governance has been due to many factors. For instance, it matters for shareholders as it is a shield against abuse of directors while improving access to capital for the company itself and instilling financial stability in the market (Omanga 2013).

Governance begins with shareholders who delegate certain responsibilities to the board of trustees or board of directors and in turn to management. However, the delegation of responsibilities needs to occur within a framework of control and accountability. The control system exists to ensure that tasks are assigned in accordance with responsibilities and accountability. Recent studies have proved that structure of corporate governance is directly related with a company's success or failure and it plays a role in the future status of companies (Hassas, 2005).

Financial accounting is a specialized branch of accounting that keeps track of a company's financial transactions. Using standardized guidelines, the transactions are recorded, summarized, and presented in a financial report or financial statement such as an income statement or a balance sheet (Averkamp, 2003). In preparation of the financial statements, accountants are required to follow some specific principles known as the Generally Accepted Accounting Principles (GAAP). GAAP refer to the standard framework of guidelines for financial accounting used in any given jurisdiction; generally known as accounting standards or standard accounting practice. These include the standards, conventions, and rules that accountants follow in recording and summarizing

and in the preparation of financial statements (Martins, 2013). Financial Accounting practices involve all activities done in the course of capturing financial information the last end of the accounting process. It entails in its cycle the process of capturing data, recording of data, classifying data, analysing data, summarising data and communicating the data to the users of the financial information (Cynthia, 2012).

This research provides an opportunity for the comparison of corporate governance in Thonket industry to the various financial accounting practices done in the organisation. It highlights the impact of the corporate body's activities to the implementation and application of the various financial accounting practices and principles followed to attain and communicate the financial statement to the users of it.

## **1.2 Statement of Problem**

Many have been said and heard about corporate governance and financial accounting practices. Financial accounting practices help produce and communicate the monetary and financial position of the company to the users of the financial information. Corporate governance on the other side pertains to the rules, principles and processes that are used to control and govern the operations of the organisation. The main dialog here is, to what extent does the corporate governance established in the company affects the application and practices of financial accounting in the company. Does corporate governance have any relation when it comes to financial accounting practices? Does corporate governance influences the processes or principles application in the practice of financial accounting?

The study tries to assess whether corporate governance practices influences the credibility and application of financial accounting practices in Nestle Ghana Limited.

### **1.3 Objectives of the Study**

The study seeks to assess corporate governance and financial accounting practices in the wholesale industry and this it seeks to achieve it specifically under the objectives below:

- i. To determine the contribution of internal control to corporate governance financial accounting practices.
- ii. To determine the effects of effective audit committee on financial accounting practices.
- iii. To describe the influence of internal auditors on financial accounting practices.

### **1.4 Significance of the Study**

This research study is of significance to;

- i. Be appreciated by organizations to have corrective measures to counter the problems arising from corporate governance impacting on the organization's financial practices.
- ii. The study also enhances the existing body of knowledge. Thus it will serve as a source of reference for other researching students. The study will also provide insight into the topic of corporate governance and financial accounting practices.
- iii. The study will be appreciated by Board of Directors to have corrective measures to counter the problems that arises from financial accounting practices.



### **1.5 Scope and Limitation of the Study**

The study will concentrate solely on wholesale industry specifically Nestle Ghana Company Ltd in Kumasi, Ashanti Region. The concept about corporate governance and financial accounting practices is broad but the study will be limited to the corporate body of the company, capturing of financial data, recording, analysing, summarizing and financial presentation of the company's financial records. The study also has a limitation of not covering all aspect of the research topic and also limited access to information.

### **1.6 Definitions of Terms**

- i. **Corporate Governance:** refers to the set of systems principles and processes by which a company is governed. They provide the guidelines as to how the company can be directed or controlled such that it can fulfil its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term (Lisa & Bureau 2009). Stakeholders in this case would include everyone ranging from the board of directors management shareholders to customers employees and society. The management of the company hence assumes the role of a trustee for all the others (Lisa & Bureau 2009).
- ii. **Shareholders:** Shareholders are stakeholders in a corporation but stakeholders are not always shareholders. A shareholder owns part of a company through stock ownership (MacEachern 2009)
- iii. **Board of Directors:** The Board of Directors of a corporation is a group of individuals who are charged with running the corporation. The duties of the board of directors and officers of the corporation are set by the corporate bylaws but are also

set specifically by the laws of the state where the business is incorporated (Murray 2013). Board of directors is also known as Board of Trustees (for non-profit corporations).

- iv. **Board Roles:** refers to the various tasks duties or responsibilities to be performed by the Board of directors (Murray 2013).
- v. **Financial Accounting Practices:** This entails all activities or processes that are done from the beginning of accounting process to the last stage of the accounting process of communicating financial information to the users of the accounting information (Cynthia 2012).
- vi. **Recording:** Recording means recording business transactions in the book or books of original entry (Sapkota 2013).
- vii. **Classifying:** The classification of the entries in the journal or subsidiary books into appropriate accounts in the ledger. In short it means the preparation of the necessary ledger accounts (Sapkota 2013).
- viii. **Analysing:** Analysis and Interpretation means rearrangement of the information found in the financial statements in a suitable manner, and drawing meaningful conclusions about the profit, the financial position and the future prospects of the business (Sapkota 2013).
- ix. **Summarizing:** The presentation of the information found in the ledger accounts in the form of financial statements like the profit and loss account and the balance sheet at the end of the accounting period. In short it means the preparation and presentation of financial statements (Sapkota 2013).

## **1.7 Organization of the Study**

The research study is organised into five main chapters. Chapter one will look at the introduction of the study. The chapter have further been subdivided into the Background of the Study, the Statement of Problem, the Objectives of the Study, Significance of the Study, Scope and Limitation of the Study, Definitions of Terms used in the study and lastly the Organisation of the Study.

Chapter two of the study will look at the literature review. The review will look at Discussions on Corporate Governance, Relevance of Corporate Governance, Roles of participants in the governance system, Policy and Decision Making, Understanding Board Roles, Relationship between Corporate Governance and Board Roles, Financial Performance, Relationship between Corporate Governance and Financial Performance and Conclusion

Chapter three comprise of the research methodology that will be adopted to gather data. It includes the type of research, population, sample size and sampling techniques, data collection, type of data, source of data, instruments for data collection, instrument validity, and instrument structure to meet research objectives, procedure of data collection and method of data analysis.

Chapter four will look at General Information about Sample Firm, Data Presentation and Analysis, Discussion of Research Findings.

Lastly, chapter five will also be a Summary, Conclusion and Recommendation(s) to the research.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

In recent decades, the concepts of corporate governance and financial accounting practices have often been associated with each other within economic debates. Along with business development, many companies have come to be managed and controlled by founding families, but the problem is not confined to the conflicts of interest arising among their members, but it extrapolates to other categories of stakeholders. This chapter talks about what other authors have written or said about the study.

#### 2.1 Discussion on Corporate Governance

Corporate governance is referred to the manner in which the power of an organization is exercised in the stewardship of the Corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholders value with the satisfaction of other stakeholders in the context of its corporate mission (Ayandele 2013) "Corporate governance deals with the ways in which suppliers of finances to corporations assure themselves of getting a return on their investments" (Shleifer & Vishny, 1997).

"Corporate governance is about promoting corporate fairness transparency and accountability." J. Wolfensohn President of the World Bank as quoted by an article in Financial Times, June 21, 1999. The committee on the financial aspects of corporate governance (the Cadbury Committee), defines corporate governance as the system by which companies are directed and controlled. Corporate Governance is both about

ensuring accountability of management in order to minimize downside risks to shareholders and about enabling management to exercise enterprise in order to enable shareholders to benefit from upside potential of firms (Keasey & Wright, 1993; Tricker, 1984).

Gedajlovic et al., (2004) extend an agency perspective on governance to suggest that particular blend of incentives, authority relations and norms of legitimacy in founder firms interacts with the external environment to affect the nature and pace of learning and capability development.

Zahra and Filatochev (2004) argues that corporate governance systems and organizational learning are independent, and in some cases may substitute or complement each other. The decision making style of the board has been linked to corporate performance (Pearce & Zahra, 1991). Prior research has investigated the emergence of corporate governance in developing economies in the context of corporate governance reforms (Rwegasira, 2000).

Krambia and Psaros (2006) investigated the implementation of Corporate Governance principles in an emerging economy of Cyprus and the findings indicated only a minimal impact unless it is supported by other initiatives. It is further noted that Cyprus was making serious endeavors to improve the corporate governance of its listed companies.

Solomon et al., (2000, 2003) argues that for developing countries to be internationally competitive and attract foreign capital they need to adopt “commonly accepted standards of corporate governance implies standards based on the Anglo-Saxon model. Rwegasira (2000) states that for the Anglo- Saxon model to be effective, company shares need to be owned by widely dispersed owners.

The Organization of Economic Co-operation and Development (OECD), (2004) provides the most authoritative functional definition of corporate governance:

Corporate governance is a system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance.

Witherell(2004) noted that regional roundtables on corporate governance set up in partnership with the world Bank have allowed the OECD principles to become a widely accepted global benchmark that is adaptable to varying social, legal and economic contexts in individual countries. Indeed the outcome of a survey by Mckinsey in collaboration with the World Bank in June 2000 attested to the strong link between corporate governance and stakeholders“ confidence (Mark 2000).

Corporate governance is important because it promotes good leadership within the corporate sector. Corporate governance has the following attributes; leadership for accountability and transparency, leadership for efficiency, leadership for integrity and leadership that respect the rights of all stakeholders, Institute of Corporate Governance of Uganda, (2000). Lack of sound corporate governance has enabled bribery, acquaintance and corruption to flourish and has suppressed sound and sustainable economic decisions.

Rossette, (2002) carried out the extent to which board composition affects team processes, (orientation, communication, feedbacks, coordination, leadership and monitoring), board effectiveness and performance of the selected financial institutions in Uganda. Matama, (2005) used three basic tenets of Corporate governance; transparency, disclosure and trust in relation to commercial bank financial performance in Uganda which is a profit making organization.

Masibo, (2005) focused on the board structure and board process in relation to state owned corporations set for divestiture and those listed on Uganda securities exchange which are profit making. In line Gavin and Geoffrey (2004), the current study focuses on board size, policy & decision making as indicators of Corporate Governance in relation to board roles, contingency, board effectiveness and financial performance of public Universities in Uganda. The concept of accountability though not listed in the scope of the study the accountability concept cannot be overlooked when reviewing corporate governance literature. Accountability relationships occur in every sector of the society including the commercial sector (Wheeler, 2000). Where there is inadequate

accountability resources will be used inefficiently and ineffectively; thus, inadequate accountability can result in devastating consequences for millions of people and compromising the operations of an organization (Kluver, 2001). Accountability is multifaceted and complex, at the heart of which is the notion of one party rendering an account of the use of resources to another party.

Gray and Jenkins (1993) have the opinion that accountability is an obligation to present an account of an answer for the execution of responsibilities to those who entrusted those responsibilities, the principal/agent relationship Kluver, (2001). Accountability forms the basis of the trust in organizations, so when accountability relationships are undermined then our trust in organizations is damaged. While accountability might at first seem to be easily defined the reality is that it is a complex multifaceted concept. Much of the earlier researches focused on accountability as measure of corporate governance, this study is focused on board size, policy and decision making.

## **2.2 Relevance of Corporate Governance**

Corporate governance is all about governing (running or managing) corporations (incorporate businesses). By their nature, large incorporate businesses are usually owned by one group of people (the owners or shareholders) whilst being run by other group of people (the management or the directors). This separation of ownership from management creates and issue of trust. The management has to trust to run the company in the interest of shareholders and other stakeholders. If information was available to all stakeholders in the same form at the same time, corporate governance would not be an



issue at all. Armed with the same information as managers, shareholders and creditors would not worry about the former wasting their money on useless projects; suppliers would not worry about customers not fulfilling its part of a supply agreement; and customers would not worry about a supplier firm not delivering the goods/services agreed. In the real world of imperfect information, each agent would use whatever informational advantage they have.” (Liandu 2002).

Looking at conventional firms, management will usually have an informational advantage over other stakeholders and hence the need for corporate governance. Again many large corporations are multinational and transitional in nature. This means that these corporations impact on citizens of several countries across the globe. If things go wrong, they will affect many countries notwithstanding some more severely than others. It is therefore necessary to look at the international scene and examine possible international solutions to corporate governance difficulties.

### **2.3 Roles of Participants in the Governance System**

The various participants in the governance system are Shareholders, Board of Trustees/Board of Directors, Financial Institutions and other creditors, Employees, Auditors e.t.c. All these groups ensure responsibilities are properly identified, and that tasks are assigned in accordance with responsibilities and accountability.

#### **I. Shareholders**

Shareholders must have the right to influence the corporate body on certain fundamental issues, such as;

- A. The election of board members
- B. Changes in capital
- C. Amendments to the regulations of the company
- D. Approval of extraordinary transactions; and
- E. Other issues as specified in corporate law and the regulations of the corporate body

(Ofei-Darko 2006 „A Study of Corporate Governance in Corporate entities“)

## **II. Board Of Directors/Board Of Trustees**

Investors in equity have certain property rights over which they must have control and which should be protected. However, a corporation cannot be managed practically on a day-to-day basis by shareholder referendum. In the light of these realities, the responsibility for corporate governance strategy and operations is placed in the hands of the Board of Directors of the corporation and a management team that is selected, motivated and, when necessary, replaced by the board.

Some functions of the Board of Directors on implementation of good corporate governance include;

- A. Selecting, compensating, monitoring and when necessary replacing key executive and overseeing succession planning.
- B. Ensuring the monitoring and management risk
- C. Ensuring compliance with relevant laws
- D. Overseeing the process of disclosure and communication

(Ofei-Darko 2006 „A Study of Corporate Governance in Corporate entities“)

### **III. Financial Institutions and Other Creditors**

“Financial Institutions (Banks) and other creditors have an extremely important role to play in fostering efficiency in state owned corporations or private firms. These creditors rely on debt repayment by their borrowers for their survival. Without dependable debt collection, there is no amount of supervision that can make these creditors operate efficiently. Due to this, creditors adopt strong incentives to ensure that debts are repaid. With corporations (borrowers) depending on the banks for survival they are “compelled” to adopt good corporate governance which will enable them fulfill their debt obligations” (Gray, 2011).

### **IV. Employees**

The role played by employees in the governance of corporations is very essential. Theirs is to ensure that they conform to whatever policies and procedures the organization has established so as to achieve corporate objectives since most cases of fraud are caused by employees. Thus to contribute to good governance in every corporation, employees should do their possible best to do away with all acts of indiscipline such as pilferage and poor attitude towards their work (Ofei-Darko 2006 „A Study of Corporate Governance in Corporate entities“).

### **V. Auditors**

“Auditing is defined as obtaining and evaluating evidences regarding assertions about economic actions and events to ascertain the extent to which they correspond with the established criteria and communicating the results to the interested users”. Thus it

encompasses investigation process, attestation process, and the reporting process, pertaining to economic actions and events. Auditors examine the information prepared by others and provide assurance about the reliability of that representation to people who use them in making business decisions. This assurance adds to the usefulness of the information and this is what makes the auditor's service valuable in the governance of corporations (Ofei-Darko 2006 „A Study of Corporate Governance in Corporate entities“).

## **2.4 Objective of a Company**

### **Maximization of profit**

The classical economic view of the firm is that it should be operated in a manner that maximizes its profits. Profit is the parameter of measuring the efficiency of the business concern. So it shows the entire position of the business concern.

### **Maximization of sales**

Maximization of sales can be useful as a short term objective. The relationship between sales and profit and business growth is positive .The higher the sales with all other factors constant retained and distributed profit would be high.

### **Survival**

Undoubtedly most firms would see survival as a necessary objective to pursue. A firm's ability to survive over a period would increase the image of the organization .This would enable the organization to attract investors and customers.

## **Growth**

Managers seek the objectives which give them satisfaction such as salary, prestige, status and job security. On other hand, the owners of the firm are concerned with market values such as profit, sales and market share. The differing sets of objectives are reconciled by concentrating on the growth of the size of the firm, which brings with it higher salaries and status for managers and larger profits and market share for the owners of the firm.

## **Maximization of shareholder wealth**

Shareholders are the owners of corporation, and they purchase share because they want to earn a good return on their investment without undue risk exposure. In ,most cases, shareholders elect directors, who then hire managers to run the corporation on a day-to-day basis. It is the responsibility of managers to maximize the fundamental price of the firms ordinary share not just the current market price in other to maximize shareholders wealth.

## **2.5 The Agency Theory**

Modern organizational theory views an organization as being composed of various interest groups. The relationships between the various interested parties in the company are often described in terms of agency theory. Agency relationship occurs when one party, the principal, employs another party, the agent, to perform a service on his behalf For example, the directors of a company can be seen as the agents of the shareholders; employees as the agents of directors; and, auditors as agents of shareholders. Each principal must recognize the fact that although he is employing the agent, the agent will

have interests of his own to protect and thus may not fully carry out the requirements of the principal.

The problem of agency is said to occur when managers are clearly not acting in the best interest of their shareholders. This may happen because , there exists a divergence of ownership and control whereby those who own the company do not manage it. Also, the goals of the management may differ from the shareholders. For example shareholder are interested in increasing earnings per share , current share price and dividend per share whilst managers are concern with managerial power, growth and increasing managerial rewards and emolument. Conflict might also arise from asymmetry of information exists between the two parties and costs to shareholders of forming a coalition to depose management and uncertainty as to whether new management would perform any better.

## **2.6 Policy and Decision Making**

The final function that a board needs to consider is its duty with respect to delegating authority. Given the complexity of the business environment, it is impossible for the board to be the sole decision making body in the company. Instead, each board needs to work on developing an appropriate method and level of delegation of authority. Obviously this will again vary with the context facing the board but, in all circumstances, the board needs to clearly articulate and document the delegations it makes (Gavin & Geoffrey, 2004).

## 2.7 Internal Control

The American Health Association in their book „Internal Control and Internal Auditing“ defines internal controls as „The plan of an organization and all of the co-ordinate method and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed management policies“ (Bonsu 2006 An Evaluation of Accounting Practice in Hospital).

Meigs and Meigs (1995) also defined internal control as „All the measures taken by an organization for the purpose of;

- (a) Protecting its resources against waste, fraud, or inefficient use
- (b) Ensuring the reliability of accounting data
- (c) Securing compliance with management policies and
- (d) Evaluating the performance of all employees, managers and departments.

In short, internal control includes all measures designed to keep the business or organization operating according to management policies.

## 2.8 Audit Committee

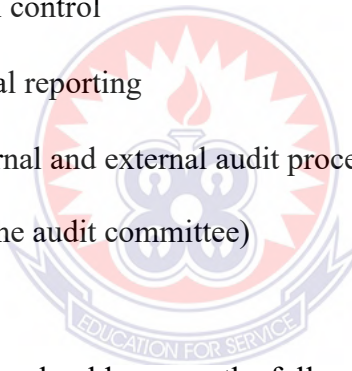
The most effective audit committees are not only critically aware of their responsibilities but also completely understand and embrace them, and recognize what is necessary to fulfill them effectively. The work of the audit committee has been evolving in response to changes in the business environment and leading practices (KPMG 2009, the role of the audit committee). Effective corporate governance depends on the active and collaborative

participation of all its principal champions – the audit committee, board of directors, independent external auditors, internal auditors and management. Ensuring that this collaboration occurs economically, efficiently and effectively is fundamental to an audit committee’s success. Its functions and responsibilities which are approved by the board of directors vary from organization to organization but each committee’s key responsibilities are essentially the same.

Some responsibilities played by the audit committee are;

- Overseeing the process relating to the company’s financial risks
- Overseeing internal control
- Overseeing financial reporting
- Evaluating the internal and external audit process

(KPMG 2009, the role of the audit committee)



In general, audit committees should assume the following responsibilities:

- Understand management's responsibilities and representations.
- Understand and assess the appropriateness of management's selection of accounting principles and the most critical accounting policies.
- Understand management's judgments and accounting estimates applied in financial reporting.
- Understand the communications received from the external auditors concerning their responsibilities under generally accepted auditing standards.



- Confer with both management and the external auditors about the financial statements.
- Assess whether financial statements are complete and fairly present in all material respects the financial position of the company and that disclosures are clear and transparent.
- Review earnings releases financial statements and other information presented with the financial statements prior to release.

(KPMG 2009, the role of the audit committee)

## **2.9 Internal Audit**

The Institute of Internal Auditors, IIA, describes internal audit taking into consideration their role in the organization and presents internal audit as a function of the organization that assist members and management in performing their duties. The Institute also present internal audit as part measures and evaluates the effectiveness of controls to meet organizational objectives (Ampofo 2010, An Assessment of the role of Internal Audit in Corporate Governance).

In 2004, the Institute defined Internal Auditing as:

“An independent objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes” (Whittington & Pany 2004).

### 2.9.1 Significance of Internal Audit

**Effective Internal Audit function is a tool to mitigating fraud.** According to Van Gansberghe (2005), an organization loses 6% of its annual revenues to fraud in the United States. Whistle blowing (tips), internal audit and external audit account for 40%, 24% and 11% of fraud detection respectively, while 21% is unveiled by accident. The events leading to failure of big corporations are clear indications that if proper control measures are not instituted, fraud and corruption would abound and they would have devastating impact on the company, its employees and other service companies (Manolescu et al, 2009). Research has proven that organizations with an internal audit function are more likely to detect and report fraud than those that do not, and that partial or full in sourcing is more effective in detecting and reporting fraud than completely outsourcing the internal audit function (Coram, Ferguson and Moroney, 2006).

Furthermore, internal audit assures management that internal control processes of the company are working efficiently. Internal auditors function as first line of defense for the company. They monitor, evaluate and test the efficiency of the internal control system to help the organization in meeting all its objectives (Whittington and Pany, 2004). Internal control is very important to an organization. In the United States, it constitutes 18% of fraud detection (Van Gansberghe, 2005). If the internal control is guaranteed by the internal audit, it reinforces the governance of the company (Di Gennaro, 2007). In other words, when internal audit is allowed to independently assess control system, it becomes a suitable ground for efficient controls and ensures greater transparency. (Asare, 2009).

Internal audit also assist members of the organization, including management, in performing their responsibilities. Internal auditors do this by providing members with analyses, appraisals, recommendations and counsel (Whittington and Pany, 2004). Internal audit function provides consulting service to the management for smooth and efficient operation. The activities of internal auditing are intended to safeguard assets, ensure the accuracy and help management to review and improve on performance. (Asare, 2009).

Finally, effective internal audit acts as a basis for the external auditor. The procedures that internal auditors employ in an engagement are similar in nature to those of the external auditor. Therefore the internal auditors' work reduces the external auditors' extent of substantive procedures and procedures in obtaining an understanding of internal control and assessment risk (Whittington and Pany, 2004). The External auditors usually consider the existence and quality of the internal audit function in their assessment of control risk. They examine the relevance of the work of the internal auditor, inquire about the internal audit procedure and audit plan, and assess the competence and objectivity of the internal audit staffs. This reduces the amount of audit testing if the independent auditors become satisfied that the internal auditors has done a relevant and quality work (Whittington and Pany, 2004)

### **2.9.2 The Role of Internal Audit**

Internal auditors, in other organizations are mainly confined to ensure that the accounting and underlying records of an organization's transactions are properly maintained and also to see whether policies and procedures are in place and are duly complied with to

detect errors and irregularities (Ampofo 2010, An Assessment of the role of Internal Audit in Corporate Governance).

With changing times, the scope of modern auditing has been broadened thereby creating new roles for the internal auditor in an organization. Modern role of the internal auditor includes review of the effectiveness and efficiency of operations, the reliability of financial reporting, investigation of fraud, risk assessment, compliance with laws and regulations, value for money, managerial effectiveness and governance processes. Investigating internal control and operational efficiency of the various units of the organizations and reporting findings and recommendations to top management for implementation are the current changes in the role of the internal auditor (Ampofo 2010, An Assessment of the role of Internal Audit in Corporate Governance).

### **2.10 Understanding Board Roles**

Board effectiveness occurs via the execution of roles set that is conceptualized by different researchers in different ways Hung, (1998), Johnson et al, (1997), Lipton &Lorsch, (1992). What is clear is that the roles of the board have evolved over time. Defining a clear role set is difficult as different disciplines concentrate on different areas of interest. Pettigrew, (1992) identified six themes of academic research on the role of managerial elites such as chairpersons, presidents, Chief executive Officers (CEOs) and Directors. These include the study of interlocking directorates and the study of institutional and societal power, the study of boards and Directors, the composition and correlation of top management teams, studies of strategic leadership, decision making

and change, CEO compensation and CEO selection and succession. There are, however board roles that receive board support Gavin and Geoffrey, (2004) as explained below.

### **I. Monitoring and Control**

The first role of the board is controlling and monitoring management, a role made necessary by the separation of ownership from control (Berle & Means, 1932).

They added a separate strategizing role of the board. This role is normally subsumed under “advising” role. The strategizing role is included for three reasons; the increasing performance pressures being applied by institutional stakeholders Black (1992), board perception of the importance of the strategizing role Tricker (1984) and recent legal precedent that places corporate goal setting and strategic direction squarely within the board’s charter (Baxt 2002; Glaberson & Powell, 1985; Kesner & Johnson, 1990).

### **II. Strategizing**

The board’s objective in strategy formulation is to ensure that the strategy of the company will lead to the long-term creation of shareholder wealth or other stated major goals of the organization. However, the level of board involvement will vary from company to company. For example, the board may see its role as developing the strategic questions for management to answer, when another approach sees the board setting broad objectives for management to implement, (Gavin & Geoffrey, 2004).

### **III. Accessing Resources**

All companies whatever their size or nature of business, need access to outside resources if their businesses are to succeed. These resources vary enormously from company to

company, but fall into main categories, as information and physical resources. Developing business networks and working to promote the reputation of the firm are two other important ways that a board can add value to the company. By acting in an open, professional and ethical manner in their dealings with people outside the organization, board members also raise the profile of the firm and enhance its reputation (Garvin & Geoffrey, 2004).

#### **IV. Advice and Counsel**

The role Directors play in providing advice to the chief executive officer (CEO) is a link between the direction of the company and the day to day implementation of the direction which is the responsibility of the CEO. The board is a key source of knowledge and experience for the organization it governs. Therefore it is important for the board to share its experience with management, particularly the CEO, to serve the interests of the company (Gavin & Geoffrey, 2004).

Advising the CEO is widely acceptable (Lorsch&Maclver, 1989) and also resource dependence perspective, which envisages a role for directors in providing access to resources, including information (Pfeffer, 1972).

#### **2.11 Relationship between Corporate Governance and Board Roles**

Higgs (2003), Overall leadership and control of the nonprofit entity fits within an overall system of management, which includes the Board and stakeholders, the relationship between the board and the stakeholders, the chief executive, (any) other policy or consultative council of leadership stature, and operating managers or functional heads within the entity.

The Cadbury Report(1992) embraces the interests of the stakeholders of the Organization and the interests of external bodies with who the Organization is in a strategic funding or policy relationship. McConville(2001), Company Act1963, (Act 179) leads to the conclusion that the board is responsible for regulating the status of the Company. Intuitive knowledge and commonsense of lay board members would say that the board must regulate the affairs of the NPO entity to which the board has been appointed.

## **2.12 Financial Performance**

Measuring firm performance using accounting ratios is common in the Corporate Governance literature Demaetz and Lehn, (1985), Ang et al, (2000), in particular, return on capital employed, return on assets, and return on equity. Similarly, economic value added can be as an alternative to purely accounting- based methods to determine shareholder value by evaluating the profitability of a firm after the total cost of capital, both debt and equity are taken into account (Copeland et al, 1995). Other measures of financial performance in profit making organizations are Capital adequacy, Asset quality, Management, Earnings and Liquidity which are commonly known as CAMELModel.

The current study on Public Universities as nonprofit making organizations will measure Financial Performance in terms of Actual revenue/budgeted revenue ratio (Revenue Collection Ratio), Actual Expenditure/budgeted expenditure ratio (Expenditure Ratio) and Actual revenue/ actual expenditure (Efficiency -Value for money ratio).

### **2.13 Relationship between Corporate Governance and Financial Performance**

Two broadly defined theories co- exist in the corporate governance literature. One stresses the discipline of the market, claiming that threat of hostile takeovers and leveraged buyouts in firms was sufficient to ensure full efficiency. Where managers neglect to invest in those projects that add value to the firm and its shareholders but divert resources to their own benefit, the financial markets act to restore good governance. A number of mechanisms have been suggested, such as removing senior managers in poorly performing firms (Palepu, 1986; Morch, Shleifer & Vishney, 1988, 1989); demanding cash flow payments in the form of debt service (Jensen, 1986); and linking executive compensation to performance, including equity and options (Jensen, 1986).

Matama (2005) in the study of Corporate Governance and financial performance on selected commercial banks, obtained a positive relationship between Corporate Governance and financial performance.

Masibo (2005) researched on Board Governance and firm performance of selected state owned corporations and in listed organizations on Uganda Securities Exchange, obtained a positive direct and indirect link between Board Governance and Firm Performance through Board Effectiveness. Piesses (2005), carried out empirical research on Corporate Governance and firm performance in an international perspective and obtained conflicting results on the link between Corporate Governance and Firm performance.



## 2.14 Legal and Regulatory Framework

### The Companies Code

Internal control is one of the major ingredients to make every business successful. It is most clearly known since the Company's code also emphasizes that. The company's code, 1963 (ACT179) requires companies carry on the duties to suit the follow matters.

- ❖ Proper books of account should be kept
- ❖ The statement of financial position and statement of income are in agreement with the books of account
- ❖ Provide all true and fair information and explanation

The Company's Code, 1963 (ACT179) also requires the company to perform these responsibility as part of the recommendations of the Act. Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error. All these are enacted by the law to help reduce agency problems.

### The Auditing Standard

ISA 250 clearly states that it is the responsibility of management, with the oversight responsibility of those charged with governance to ensure that the entity's operations are conducted in accordance with relevant laws and regulations particularly those that determine the reported amounts and disclosures in the financial statements

As part of ensuring proper running of a company and ensuring accountability, the Company's Code, 1963 (ACT179) mandate every company to appoint an auditor. The auditor is responsible to express an opinion on the financial statement in accordance with the International Standard on Auditing. Those standard requires that the auditor consider internal controls relevant to the entity's preparation and fair presentation of the financial statements.

### **The Accounting Standard**

In preparation of financial statement which is aided by the internal controls of every company, there is an accounting policies and estimates. The International Accounting Standard 37 prescribes the accounting and disclosure for all provisions, contingent liabilities and Contingent Asset. In view of this, it is the responsibility of the company to evaluate the appropriate the appropriateness of accounting policies used and the accounting estimates adopted. This in turn builds up their controls to provide an accurate preparation and fair presentation of the financial statements.

### **2.15 Conclusion**

Few researchers have researched on a direct link between corporate governance and financial accounting practices. This therefore called for an investigation into the significance, impact and relationship between corporate governance and financial accounting practices with focus in the wholesale industries, specifically Nestle Ghana limited.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The purpose of this chapter is to come out with the various processes involved in collecting the data. The chapter lays more emphasis on the research design, target population and sampling technique, method of data collection, administration of instruments and their justifications and reliability. This section examines the data gathering tools and the methods of gathering data to understand and find answers to the research questions.

#### **3.2 Research Design**

In this study it was necessary to first examine the area of corporate governance on financial Accounting practices. The approach used for the study was inductive approach. This is because data obtained was to establish the facts about the impact of corporate Governance on Financial Accounting practices. The study is exploratory in nature.

#### **3.3 Sources of Data**

This study is based on both primary and secondary data and it provides a framework for considering the relationship between corporate governance and financial accounting practices. The study is exploratory in nature. Data was both quantitative and qualitative in nature. Qualitative in the sense that sample size was enough, instruments like questionnaires and interviews were employed to get all the needed information for

analysis. On qualitative, accurate and reliable information to make generalization and reliability on the work was obtained.

This research work involves the of questionnaires , which will sent to staffs to ascertain how the various corporate Governance procedures instituted has influence the financial reporting practices. Apart from the primary data, we also collected secondary data from books, the Internet, magazines, trade journals. The analysis of the assessment of corporate Governance on Financial Accounting Practices will rely on secondary data supplemented by primary data from the survey questionnaires.

### **3.4 Population Under Study**

Population consist of all individuals that the research is interested in to study (Macnee& McCabe, 2007). It comprises of targeted and accessible population. The population of the study was the management of Nestle Ghana Limited.

### **3.5 Sampling**

A Sample is the subgroup of the population being studied. The sample is chosen to represent the population, get information from them to be able to analyse and make generalization if possible. (Polit & Hungler, 1995).

#### **3.5.1 Techniques and sample size**

The sampling method to be adopted by the study was the purposive sampling technique. Purposive sampling was used because the respondents to be selected are the key people (informants) deemed to be most appropriate source of data in terms of the objectives of

the study. Thus, selection of respondents was based on a predetermined set of criteria. The criteria is 3 categories of people comprising of one (1) Chief Executive Officer, two (2) Financial Controllers and eight (8) accountants in different departments in the company and 30 other administrative employees. This denotes that a sample size of 40 employees was used because they are directly involved in executing the Corporate Governance and that of Financial Accounting Practices. In addition, a review of related literature on credit risk management was also used to gather information for the research work.

### **3.6 Data Collection**

Data collection methods included personal interviews, questionnaire interviews and personal observation. Data gathering was done in a non-structured way such that it will not affect the integrity and accuracy of the data gathered.

**Questionnaire:** The questionnaire was modified to better reflect the specific objectives of the study intention towards the use of study. The reasons for choosing this instrument are; it produces quick response and it is less expensive.

### **3.7 Data Analysis**

The researcher will use statistical methods to analyse the data collected. Statistical instruments which will be used include tables, bar graphs and pie charts, which could help to portray a vivid, easily read and understood picture of data obtained and analysis performed. The method analysis of the data will be done with the help of Statistical Package for Social Sciences (SPSS) and Microsoft Excel.

## CHAPTER FOUR

### RESULTS AND DISCUSSION OF FINDINGS

#### 4.0 Introduction

This chapter presents the data collected and the detailed analysis of information gathered during the study as well as in-depth interpretation of presented data.

#### General Information on Respondents

This section seeks to give general information about the respondents who took part in the filling of the questionnaires.

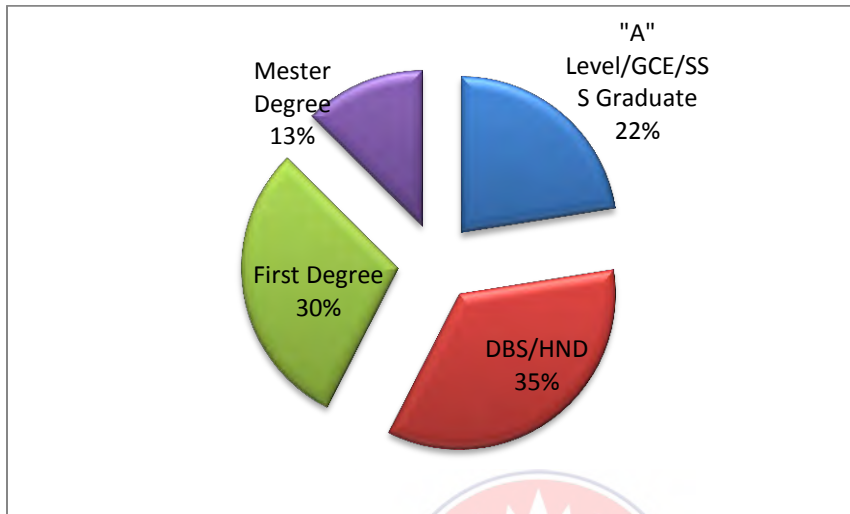
**Table 4.1 below presents the results on the various positions held by the respondents.**

Count		Crosstab				Total
		Educational background				
position		"A" Level/GCE/SSS Graduate	DBS/HN D	First Degree	Master Degree	
	Accountant		4	6	6	0
C E. O		0	2	2	0	<b>4</b>
Cost & Management Accountant		2	4	2	4	<b>12</b>
Financial Controller		3	2	2	1	<b>8</b>
<b>Total</b>		<b>9</b>	<b>14</b>	<b>12</b>	<b>5</b>	<b>40</b>

*Source: Field Data, August 2017*

Table 4.1 above depicts response rate of respondents, 16 out of the 40 respondents who part take in the survey were accountant with 6 respondents been DBS/HND and First Degree respectively whilst 4 respondents been "A" Level/GCE/SSS Graduate. Four

respondents were C E O while 12 respondents were Cost & Management Accountants and 8 been Financial Controllers. Inferring from the table, it indicates that Accountants constituted the majority of the respondents.



**Figure 4.1: Educational background**

Table 4.2 presents the results on the number of years spent by a respondent working in the company. Presents the results gathered about the educational backgrounds of the respondents

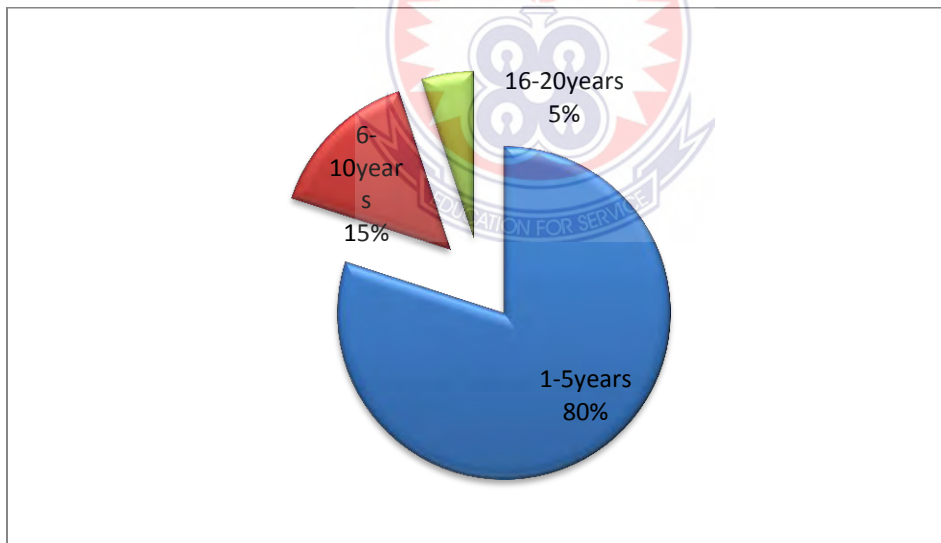
**Table 4.2: Presents the results on the number of years spent by a respondent**

		Working Experience			Total
Count		1-5years	6-10years	16-20years	
Educational background	"A" Level/GCE/SSS Graduate	9	0	0	9
	DBS/HND	11	2	1	14
	First Degree	10	2	0	12
	Master Degree	2	2	1	5
<b>Total</b>		<b>32</b>	<b>6</b>	<b>2</b>	<b>40</b>

*Source: Field Data, August 2017*

Table 4.2 above depicts the response rate of respondents when they were posed with the number of years they have worked in the business. The response reveals that 32 out of 40 respondents have worked in the business within the range of 1 to 5 years, 6 respondents have worked in the business within the range of 6-10, and 2 respondents have worked within the range of 16 to 20 years. It could therefore be inferred that, most of the respondents have worked in the company between the ranges of 1 to 5 years.

It is evident that 9 of the respondents are "A" Level/GCE/SSS Graduate while majority of them representing 14 respondents were DBS/HND holder, 12 respondents are First Degree holder whilst 5 respondents were Master Degree holder and work between 1 to 10 years



**Figure 4.2: Working Experience**

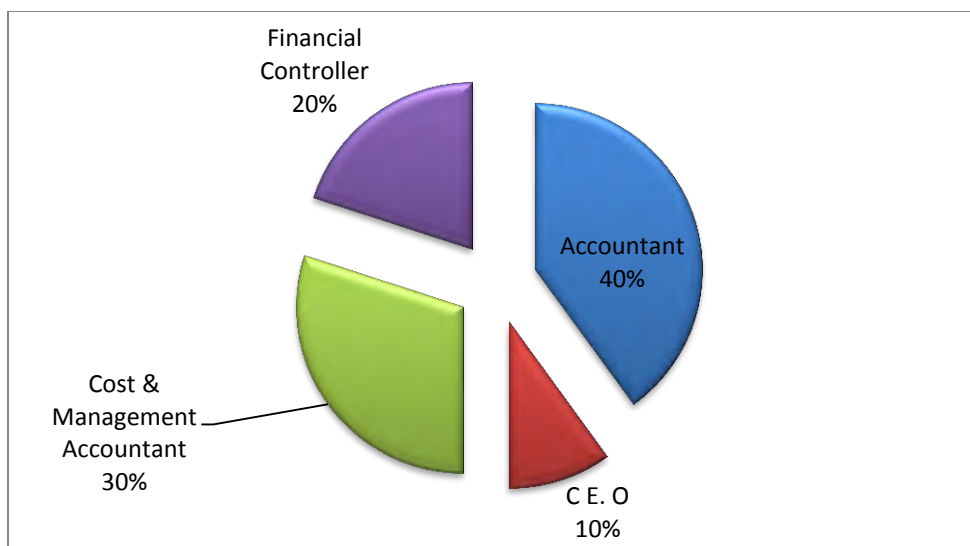


**Table 4.3: presents results about the knowledge respondents have about corporate governance.**

		<b>Crosstab</b>					
<b>Count</b>		<b>Position at work</b>				<b>Total</b>	
		Accountant	CEO	Cost & Management Accountant	Financial Controller		
Respondents' Knowledge about Corporate Governance	Yes	15	3	11	8	<b>37</b>	
	No	1	1	1	0	<b>3</b>	
<b>Total</b>		<b>16</b>	<b>4</b>	<b>12</b>	<b>8</b>	<b>40</b>	

*Source: Field Data, August 2017*

From Table 4.3, from the table above, it is evident that majority of the respondents had knowledge about corporate governance. 37 out of 40 respondents who indicate yes that they had some knowledge about corporate governance, 15 of them were accountant while 11 respondents were Cost & Management Accountant. Eight out of the thirty-seven were Financial Controller and three been CEO of the company. Only 3 out the 40 respondents indicate No that they had some knowledge about corporate governance. This implies all but three of the respondents have the required knowledge to testify and assure accurately the reality of the question posed.



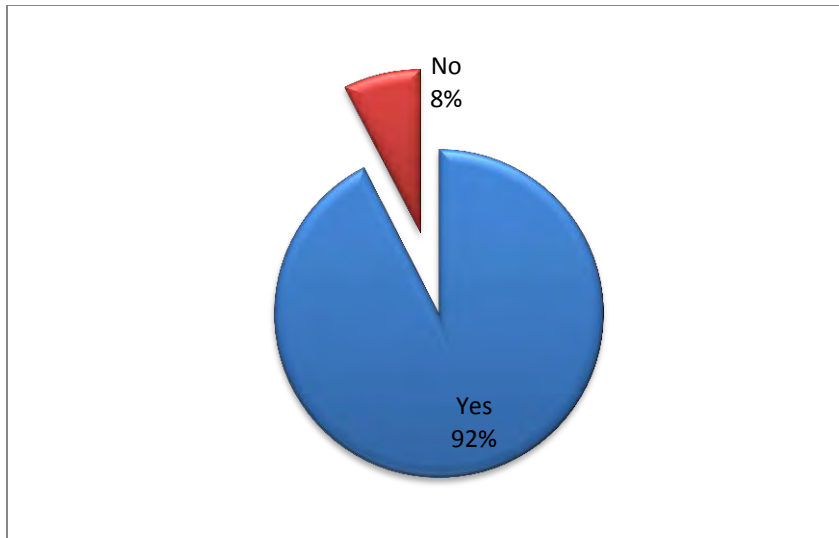
**Figure 4.3: Position at work**

**Table 4.4 presents the results on the knowledge respondents had about those involved in ensuring corporate governance in the business.**

		Frequency	Percent	Valid Percent
<b>Valid</b>	Yes	39	97.5	97.5
	No	1	2.5	2.5
<b>Total</b>		<b>40</b>	<b>100</b>	<b>100</b>

*Source: Field Data, August 2017*

From Table 4.4, it is evident that 98% of the respondents had knowledge about those involved in ensuring corporate governance in the business. This affirmed that the respondents know the participants involved in ensuring corporate governance.



**Figure 4.4: Respondents' knowledge in Corporate Governance**

#### **4.2 The Contribution of Internal Control to Financial Accounting Practices**

This chapter poses question directed towards determining the contributions of internal control to financial accounting practices in the business.

The respondents were required to use a 5-point Likert assess to rate by determining the contributions of internal control to financial accounting practices in the business;

**Strongly Agree(SA) Agree(A), Partly Agreed (PA), Disagreed(D) and Strongly**

**Disagree (5).** Finding of the various variables measured are presented below

**Table 4.5 presents results gathered on effective corporate governance ensuring effective internal control system in the company as per the respondents.**

	<b>Strongly Agree%</b>	<b>Agree%</b>	<b>Partly Agree%</b>	<b>Disagree%</b>	<b>Strongly Disagree%</b>
Effective corporate governance ensuring effective internal control system in the company	50	7.5	37.5	2.5	2.5
Internal control ensuring reliability of financial reporting in the company	37.5	22.5	25	15	0
Internal control contributing to the prevention and detection of fraud and error in accounting application	45	12.5	27.5	15	0

*Source: Field Data, August 2017*

From Table 4.5, 50% of respondents strongly agreed that effective corporate governance ensures effective internal control system in the company whilst 8% agreed to the stated fact above however, 38% partly agree to the fact that effective corporate governance can ensure effective internal control system in the company while 2% of the respondents indicate disagreed and strongly disagreed respectively. This means that majority strongly agreed to the fact that effective corporate governance ensures effective internal control system in the company.

Also, 38% of respondents strongly agreed to the fact that internal control ensures reliability of financial reporting in the company, 23% agreed and 25% partly agreed while 15% disagreed to the fact that internal control ensure reliability of financial reporting in the company. This affirms that majority of the respondents partly agrees and

partly disagree to the fact that internal control ensure reliability of financial reporting in the company.

Moreover 45% of the respondents strongly agreed that internal control contributes to the prevention and detection of fraud and error in accounting application, 13% agreed and 26% partly agreed while 15% disagreed to the statement. This affirms that majority of the respondents partly agree and partly disagree that internal control contributes to the prevention and detection of fraud and error in accounting application.

#### **4.3 The Effects of Effective Audit Committee on Financial Accounting Practices**

This section poses question directed towards determining the effects of effective audit committee on financial accounting practices in the business.

**Table 4.6 presents results gathered from the respondents concerning the audit committee ascertaining whether the accounting and reporting policies of the company are in accordance with legal requirements.**

	<b>Strongly Agree</b>	<b>Agree</b>	<b>Partly Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
The audit committee ascertaining whether the accounting and Reporting policies of the company are in accordance with legal requirements	42.5	17.5	25	12.5	2.5
The audit committee overseeing the performance of the internal audit functions in the company.	47.5	12.5	25	12.5	2.5

*Source: Field Data, August 2017*

From Table 4.6, 43% of the respondents strongly agreed to the statement that the audit committee ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and 18% agreed to the statement. However, 25% of the respondents indicate partly agreed while 12% and 2% disagreed and disagreed respectively. This affirms that majority of the respondents agreed that the audit committee ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements.

Also, 48% of the respondents strongly agreed whilst 12% agreed and disagreed respectively that the audit committee oversees the financial reporting and disclosure process and 25% partly agree to the statement. This affirms that majority of the respondents partly agree and partly disagree that the audit committee oversees the financial reporting and disclosure process.

#### **4.4 The Influence of Internal Auditors on Financial Accounting Practices**

This section poses question directed towards determining the influence of internal auditors on accounting practices in the business. The following questions were posed to the respondents;

**Table 4.7 presents the results on the internal auditor ensuring compliance with law & regulations in the company.**

	<b>Strongly Agree%</b>	<b>Agree%</b>	<b>Partially Agree%</b>	<b>Disagree%</b>	<b>Strongly Disagree%</b>
Internal auditor ensuring compliance with law & regulations in the company.	50	10	17.5	22.5	0
Internal auditor investigating the occurrences of fraud, embezzlement, theft, waste and recommends controls to prevent or detect such occurrences in the accounting practices of the company.	32.5	27.5	32.5	7.5	0
Internal auditor adding credibility and reliability to financial reports from the organization to its stakeholders by giving opinion on the report in the company	52.5	7.5	10	30	0

*Source: Field Data, August 2017*

From Table 4.7 above, the statement that internal auditor ensures compliance with laws & regulations in the company were strongly agreed by 50% of the respondents and 10% agreed to the statement. However, 18% of the respondents indicate partly agreed whilst 23% indicate disagreed. This implies that majority of the respondents strongly agree that internal auditor ensure compliance with laws & regulations in the company.

Also, the statement that internal auditor investigates the occurrences of fraud, embezzlement, theft, waste and recommends controls to prevent or detect such occurrences in the accounting practices of the company was strongly agreed and partly agreed respectively representing 33% of the respondents whilst 27% of the respondents

indicate agreed to the statement. This affirms that majority of the respondents strongly agreed that internal auditor investigates the occurrences of fraud, embezzlement, theft, waste and recommends controls to prevent or detect such occurrences in the accounting practices of the company.

As show the above table 4.7, 53% of the respondents strongly agreed that internal auditor add credibility and reliability to financial reports from the organization to its stakeholders by giving opinion on the report in the company while 8% agreed to the statement. However, 10% and 30% of the respondents indicating partly agreed and disagreed respectively to the statement. This affirms that majority of the respondents is of the view that internal auditor add credibility and reliability to financial reports from the organization to its stakeholders by giving opinion on the report in the company.

#### 4.5 Correlations

<b>Correlations</b>			
		Respondents' Knowledge about Corporate Governance	The audit committee overseeing the performance of the internal audit function in the company.
Respondents' Knowledge about Corporate Governance	Pearson Correlation	1	.293
	Sig. (2-tailed)		.067
	N	40	40
the audit committee overseeing the performance of the internal audit function in the company.	Pearson Correlation	.293	1
	Sig. (2-tailed)	.067	
	N	40	40



<b>Correlations</b>			
		effective corporate governance	the audit committee overseeing the performance of the internal audit function in the company.
effective corporate governance ensuring effective internal control system in the company	Pearson Correlation	1	.837**
the audit committee overseeing the performance of the internal audit function in the company.	Sig. (2-tailed)		.000
	N	40	40
	Pearson Correlation	.837**	1
	Sig. (2-tailed)	.000	
	N	40	40

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

<b>Correlations</b>			
		position	internal auditor ensuring compliance with law & regulations in the company.
Position	Pearson Correlation	1	-.025
	Sig. (2-tailed)		.877
	N	40	40
internal auditor ensuring compliance with law & regulations in the company.	Pearson Correlation	-.025	1
	Sig. (2-tailed)	.877	
	N	40	40

		<b>Educational background</b>	<b>Internal auditor</b>
educational background	Pearson Correlation	1	-.432**
	Sig. (2-tailed)		.005
	N	40	40
internal auditor investigating the occurrences of fraud, embezzlement, theft, waste and recommends controls to prevent or detect such occurrences in the accounting practices of the company.	Pearson Correlation	-.432**	1
	Sig. (2-tailed)	.005	
	N	40	40

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

#### 4.6 Discussion of Research Findings

The first objective sought to determine the contribution of internal control to financial accounting practices. It was identified that majority of the respondents agree to the fact that internal control contributes effectively to financial accounting practices. That is, from the results, it can be deduced that effective internal controls ensures accurate financial accounting practices. It was found that effective internal control systems are needed to ensure the safeguard of assets, valuation and authorizing of transactions, ensuring effective recording of routine transactions among others as identified from the survey conducted. This affirms what was stated by Meigs and Meigs (1995) that internal control entails all the measures taken by an organization for the purpose of:

- (a) Protecting its resources against waste, fraud, or inefficient use
- (b) Ensuring the reliability of accounting data

The study also pointed out that effective internal controls do not guarantee errorless accounting practices of which 60% of the respondents disagreed to and also majority partly agreed and partly disagreed to the fact that internal control necessarily ensure the prevention and detection of fraud, waste, embezzlement and also ensuring the accuracy and completeness of accounting data recorded. In general, the study affirms other literature and also affirms that effective internal control contributes to financial accounting practices.

The second objective sought to determine the effects of effective audit committee on financial accounting practices. It was found that majority of respondents strongly agreed that effective audit committee ascertained whether accounting and reporting policies of an organization are in accordance with legal requirements and ethical practices, monitors the internal control process, review the scope and planning of audit requirements, e.t.c. This in general denotes that majority of the respondents strongly agree that an effective audit committee have a positive effects on financial accounting practices as an effective audit committee will lead to effective accounting practices. This affirms the assertions made by KPMG (2009) about the responsibilities and roles of audit committee in the literature review that audit committees oversees internal control and financial reporting, and evaluating the internal and external audit process.

The last objective sought to describe the influence of internal auditors on financial accounting practices. The study found out that majority strongly agreed that effective internal auditors in an organization influences positively the financial accounting

practices in that company. Thus effective internal auditors ensure effective financial accounting practices. It was found out that internal auditors ensure compliance with law & regulations, ensures the review of internal administration & accounting controls to safeguard resources, participates in manual & automated system design as an advisor on internal controls to ensure effective accounting practices, investigates the occurrence of fraud, theft, embezzlement and recommend controls to prevent or detect such occurrences, add credibility and reliability to financial reports and also ensure accurate accounting delivery and implementation. This affirms to the modern role of the internal auditor which review of the effectiveness and efficiency of operations, the reliability of financial reporting, investigation of fraud, compliance with laws and regulation as stated by Ampofo (2010).



## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter summarizes, concludes and makes appropriate recommendations with respect to the research topic. This is arrived at by making critical investigation and analysis of the response from the questionnaire administered.

#### 5.1 Summary of Findings

The study conducted sought to perform an assessment of corporate governance and financial accounting practices in the wholesale industry using Nestle Ghana limited as the case study. As a result, the research attempted to achieve three specific objectives, which were to determine the contribution of internal control to financial accounting practices, to determine the effects of effective audit committee on financial accounting practices, and to describe the influence of internal auditors on financial accounting practices.

The data were collected by means of questionnaire and the results revealed that, effective internal control systems are needed to ensure the safeguard of assets, valuation and authorizing of transactions, ensuring effective recording of routine transactions among others as identified from the survey conducted. It was also noted that effective internal controls do not guarantee errorless accounting practices of which 60% of the respondents disagreed to and also majority partly agreed and partly disagreed to the fact that internal control necessarily ensure the prevention and detection of fraud, waste, embezzlement

and also ensuring the accuracy and completeness of accounting data recorded. This affirms the fact that majority of the respondents agreed that to ensure accurate financial accounting practices, internal controls should be made effective.

It was also noted that effective audit committee had positive effects on financial accounting practices. The study identified that, majority of respondents strongly agreed that effective audit committee ascertained whether accounting and reporting policies of an organization are in accordance with legal requirements and ethical practices, monitors the internal control process, review the scope and planning of audit requirements, review the effectiveness of accounts recording and internal controls, oversees the performance of the internal audit function, oversees the financial reporting and disclosure process, monitors choice of accounting policies and principles and oversees the performance of the external auditors. This in general denotes that majority of the respondents strongly agree to the fact that an effective audit committee have a positive effects on financial accounting practices as an effective audit committee will lead to effective accounting practices.

Lastly, the study pointed out that, there is a strong influence of internal auditors on financial accounting practices. This implies that when the internal auditor is not effective in discharging the duties, financial accounting practice will not be effective and this goes for the vice-versa. This is so because internal auditors ensure compliance with law and regulations, ensures the review of internal administration & accounting controls to safeguard resources, participates in manual and automated system design as an advisor on

internal controls to ensure effective accounting practices, investigates the occurrence of fraud, theft, embezzlement and recommend controls to prevent or detect such occurrences, add credibility and reliability to financial reports and also ensure accurate accounting delivery and implementation and this was strongly agreed upon by the respondents. Hence, internal auditors play a vital role in ensuring effective financial accounting practices.

## **5.2 Conclusion**

From the study, the following conclusions can be made on the contribution of internal control to financial accounting practices. It is evident from the study that internal controls have an important role to perform when it comes to financial accounting practices. The study revealed that effective internal control system ensures accurate financial accounting practices. The study also revealed that though internal control system in an organization ensures accurate financial accounting practices, it does not render errorless accounting applications.

The study also revealed that audit committee plays significant role in ensuring effective financial accounting practices as majority of the respondents strongly agreed that, the audit committee being effective in discharging its duties ensures effective financial accounting practices.

Lastly, the study revealed that internal auditors have a role to play in promoting effective financial accounting practices. Internal auditors help ensure compliance with law and

regulations, ensures the review of internal administration & accounting controls to safeguard resources, participates in manual and automated system design as an advisor on internal controls to ensure effective accounting practices, investigates the occurrence of fraud, theft, embezzlement and recommend controls to prevent or detect such occurrences and others. This indicates that, the work of the internal auditors influence financial accounting practices in businesses.

### **5.3 Recommendations**

In view of the findings of the study, the study would like to make the following recommendations, which could go a long way to ensure the improvement of internal control in Nestle Ghana Company Limited. It is recommended to the company to undertake monthly auditing of their internal controls to affirm a strong internal control systems. This will help the organization to detect the loopholes in the system and with this solve the issue pertaining to the contribute to accurate and complete accounting records and also the reliability of financial accounting reporting as projected in the findings.

It is also noted that internal auditors play a significant role in ensuring effective financial accounting practices. This calls to the organization to provide the internal auditors of the organization adequate resource in order to ensure proper functioning and also for effective financial accounting practices.



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**APPENDIX**

**UNIVERSITY OF EDUCATION WINNEBA-KUMASI**

**MBA ACCOUNTING**

**(DEPARTMENT OF ACCOUNTING)**

**QUESTIONNAIRE**

Dear respondent,

I am Magdalene G. Amankwaatia, a final year student of University of Education Winneba-kumasi Campus School of Business (Department of Accounting), researching on the topic: **Corporate Governance and Financial Accounting Practices Nestle Ghana Ltd.** Your assistance in this regard will be most appreciated. Thank you in anticipation.

NOTE: Please tick (✓) where appropriate and provide answers where needed.

Thank you for your support.

**INSTRUCTION: Please tick (✓) the appropriate box;**

1. How long have you been working in the business?

- I. Less than 1 year [ ]
- II. 1 – 5 years [ ]
- III. 6 – 10 years [ ]
- IV. 11 – 15 years [ ]
- V. 16 – 20 years [ ]
- VI. 20 years and above [ ]

2. Department: .....

3. Position Held: .....

4. Educational background

- “A” Level/GCE/SSS Graduate [ ]
- DBS/HND [ ]
- First Degree [ ]
- Masters Degree [ ]
- Other, [ ]

Please specify.....

5. Do you have knowledge of corporate governance? Yes [ ] No [ ]  
If Yes; Do you know those who are involved in ensuring corporate governance in the company? Yes [ ] No [ ]

**INSTRUCTION:**

Please indicate the extent to which you agree to the following statements

Use the scale below: **SA**- Strongly Agree. **A** – Agree. **PA** - Partly Agree. **D** – Disagree. **SD** - Strongly Disagree.

<b>Variables or situations</b>	<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
1. Effective corporate governance ensures effective internal control system in the company.					
2. Internal Control ensure reliability of financial reporting in the company.					
3. Internal Control contributes to the prevention and detection of fraud and error in accounting application.					

Use the scale below: **SA**- Strongly Agree. **A** – Agree. **PA** - Partly Agree. **D** – Disagree. **SD** - Strongly Disagree.

<b>Variables or situations</b>	<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
1. The audit committee ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements.					
2. The audit committee oversees the performance of the internal audit function.					

Using the scale below; **SA**- Strongly Agree. **A** – Agree. **PA** - Partly Agree. **D** – Disagree. **SD** - Strongly Disagree.

<b>Variables or situations</b>	<b>SA</b>	<b>A</b>	<b>PA</b>	<b>D</b>	<b>SD</b>
1. Internal auditor ensure compliance with laws & regulations in the company.					
2. Internal auditor investigates the occurrences of fraud embezzlement theft waste and recommends controls to prevent or detect such occurrences in the accounting practises of the company.					
3. Internal auditor add credibility and reliability to financial reports from the organisation to its stakeholders by giving opinion on the report in the company.					

Your sincerity, time and effort to undertake the exercise of filling this questionnaire is greatly appreciated.

THANK YOU