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THE ROLE OF FINANCIAL STATEMENTS ON INVESTMENT DECISION MAKING: A CASE OF UNITED BANK FOR AFRICA PLC (2004-2013)

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ABSTRACT

This study analyzes the role of financial statements on investment decision making: a case of United Bank for Africa Plc. in Nigeria. Financial Reporting Standards and Practices have in the recent past come under great criticisms, demanding that accountants take further steps in ensuring that the true and fair view of the actual worth of business are also incorporated in the financial statements published by them. The general objective is to ascertain the role of financial statement on investment decision making in United Bank for Africa Plc. of Nigeria .This study used the secondary data from ten years financial statements of the bank. Ordinary least squares (OLS) regression method of analysis, was adopted to test the hypotheses. The parameter estimates of the regression equation obtained revealed that, the transparency of financial statements of the bank has significant influence on the investment decision making of the users of financial statements. All the parameter estimates employed in the regression equation were statistically significant via the test of hypotheses. It is an indication that, the model for this research work is good for investment decision making by the prospective investors and policy making purposes by the management of the bank. From the descriptive statistics and percentage analysis used for the verification of the questionnaire collected via survey method; the results reveal that one of the primary responsibility of management to the investors is to give a standardized financial statement evaluated and authenticated by a qualified auditor or financial experts. It also showed that investors do understand the financial statement well before making investment .The results of the analysis also indicated that investors depend heavily on the credibility of auditors/financial expert approval of financial statement in making investment decisions and as such published financial statement is very important in the investors' decision making. We therefore agreed that, profitability, assets, liabilities and equities of banks are significant ways of evaluating the performance of a bank report on investment decision making. We therefore, recommended that adequate care and due diligence should be maintained in preparation of financial statements to avoid faulty investment decisions which could lead to loss of funds and possible litigations. The study proffered other proper recommendations emanating from the findings.

Keywords: Financial Statements, Investments Decisions, UBA Plc., Nigeria.

INTRODUCTION

Corporate organizations owe a duty to fully disclose matters concerning their operations so as to aid investors in making investment decisions. Both large and small organizations in addition to satisfying the legislating requirement tend to retain existing investors and to attract potential ones through the publication of their financial statements where the capital stock of a corporation is widely held and its affairs are of interest to general public relations. The discussions and illustrations of the study is centered on the financial statement presented to shareholders and also available for potential investors, bond holders and trade creditors as a tool of information for investment decision. Financial statement based on result for the past

activities was analyzed and interpreted as a basis for predicting future rate of returns and assessment of risk (ICAN, 2013).

Financial statement provides important information for a wide variety of decision, investors draw information from the statement of the firm in whose security they contemplate investing. Decision makers who contemplate acquiring total or partial ownership of an enterprise expect to secure returns on their investment such as dividends and increase in the value of their investment [capital gain]. Both dividends and increase in the value of shares of company depends on the future profitability of the enterprise. So investors are interested in future profitability. Past income dividend data are used to forecast returns from dividend and increase in share prices.

Financial statement is a formal and comprehensive statement describing financial activities of a business organization such as the financial institutions. For such a business entity, financial statement is a statement that reports all relevant financial information, presented in a structured manner and in a form easy to understand for managerial use for taking prompt and informed decision making related to investment (IASB, 2007a) and also to decision making pertaining to cost planning, investment planning, expected returns and performance evaluation. The financial statement comprises of balance sheet (for determining financial position), profit and loss statement (describes statement of comprehensive income), statement of equity changes (explain the changes of the company's equity), and cash flow statements (reports on a company's cash flow activities, particularly its operating, investing and financing activities).

Although, these statements are often complex and may include an extensive set of notes to the financial statement and explanation of financial policies and management discussion and analysis (IASB, 2007b). The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statement are considered an integral part of the financial statements. However, the approaches that the notes and financial statement are presented and reported are critically for investment decision making by existing and prospective investors in order to earn optimal returns on their investments.

This indicates that financial statement methods in terms of information disclosure pattern, transparency, auditing, reporting standards, regulatory control and flexibility, corporate governance, and financial scandals have influence on investment decision making in any organization, especially in financial institutions with extensive range of investment activities that requires comprehensive financial facts that can be obtained from a financial statement.

The perceived relevance of the financial statement are, to provide information about the financial position, performance and changes in financial position of a firm that is useful to a wide range of users in making management and investment decisions. These users include managers, directors, employees, prospective investors, financial institutions, government regulatory agencies, media, vendors and general public. Though, these financial statement are often prepared according to national standards, corporate governance, professional ethics, and code of ethics. This to avoid financial reporting fraud and scandals that might hinders effective decision making process by management and other users of reports. The purpose of ethics in financial accounting reporting with expected standards is to re-orientate corporate organization on the need to abide by a code of conduct that facilitates public confidence in their services (Okafor, 2006). In Nigeria, it has become common practice by financial

institutions to adopt creative accounting in anticipation of sourcing for equity capital from the capital firms. Although this approach in financial reporting process often lead to over-valuation of assets and company's net worth in the views of prospective shareholders and other stake holders. In Okoye and Alao (2008) view, "creating accounting is the transformation of financial accounting figures from what they actually are to what preparers desire by taking advantage of the existing rules and/or ignoring some or all of them". Also, another perceived problem of financial statement disclosure is the non-compliance to industry corporate governance, ethics, and regulatory standards which is prevalent in the financial institutions of Nigeria. In 2009, during CBN commercial banks test, huge financial fraud and scandal occurred in commercial banks and other financial institutions in Nigeria that led to service disengagement of its Managing Director and Executive Director. This was on the account of manipulating the company's financial records, book padding scandal and corruption. This warranted CBN to review and investigate all the financial institutions accounting records. The investigation confirmed a deliberate overstatement of the company's financial position over a number of years to the tune of billions of naira. The over-statements are directly traceable to those systems abuses, violation of regulatory standards, in particular, deliberate breaches of our accounting systems and controls.

It was observed that the roles of financial statement on investment decision making of financial institutions in Nigeria has some problems to both investors and managers of business organizations who are either not aware of the importance of interdependence relationship that exist between investors and financial organizations.

The insurgence of corporate failures, like that of Enron Corporation and World.com in the year 2002 and other accounting scandals compounded by the global energy, food and financial crisis leading to credit squeeze across the globe, has partly been attributed to impact of financial statement manipulations which portrayed some ailing company as if they were sound. In Nigeria also, corporate failures and distresses have been witnessed in the banking sector. Evidence was the huge collapse of the commercial banks all due to massive accounting related frauds. This problem resulted in the establishment of Asset Management Company of Nigeria (AMCON) to prevent corporate failures particularly in the Nigeria banking sector by acquiring and financially distress companies.

This trend has now more than ever ensures that financial statements are sternly scrutinized. Investors, Financial analysts and other users of accounting information tend to use their *'third'* eye to scrutinize financial statements. This became necessary because audited financial statements, which used to provide assurance as to the healthy nature or otherwise of a firm has now, become an object of criticism due to manipulations done in these statements. According to Onyekwelu (2010), one of the most difficulties facing the auditing profession is that there is no auditing process that can provide absolute assurance in detecting all fraudulent financial reporting. Calls have been made on the accounting/auditing profession to employ investigative principles in the preparation and audit of financial statements in order to restore confidence of the investing public on the financial statements. Mercy (2014), opined that contrary to the external auditor who is basically concerned about compliance, the forensic accountant should employ investigative, law and business principles and acumen to carry out investigations on financial statement and prepare it for the court. Obviously it is the responsibility of the companies' directors and management to prepare the final account of their companies. When a company prepares its own final account purely for internal use by the directors and management, it can draft them in any way which is most suitable. Although such accounts might have been prepared with strict adherence to accounting theory and

principles but will not necessarily be the one to be published. These separate sets of statements are viewed by investors as creative accounting and has contributed to eroding public confidence on the published financial statements. Banks have been accused of publishing paper profits. There is therefore the general belief that published financial statements have failed in its responsibility to provide credible information for investors and other users of financial statements (Duru, 2012).

The above listed problems are the problems to look into in this research work. The problems analyzed tend to scare away both existing and potential investors. The reason for this study will be, how to adequately look into the above problems. Nevertheless this research will find possible key factors to solving these problems because financial statement on investment decision making of the financial institutions in Nigeria is the life blood of every organization to the potential investor.

This study will therefore investigates the degree of reliance on the published financial statements by corporate investors in Nigeria with a view of finding the extent of the erosion of public confidence on the published financial statements. The study will focus on the banking sector because the banking sector in any country plays a pivotal role in setting the economy in motion and in its developmental processes. Banks promote growth and success of businesses in both developed and developing countries. The banking sector is an ideal area for this type of research because the banking sector is “intellectually” intensive and its operations more homogeneous than those in other economic sectors. Therefore any loss of public confidence in the banking sector by investors will spell doom for the nation. On the basis of the foregoing, this study is to examine the roles of financial statement on investment decision making in United Bank for Africa Plc., in Nigeria.

The main objective is to ascertain the role of financial statement on investment decision making in United Bank for Africa Plc. of Nigeria. The specific objectives are stated as follows; to detect how an assets in the financial statement has assisted the effectiveness of investment decision making in United Bank for Africa Plc., to examine the effect of liabilities and equity on the financial position of the bank and how it aids prospective investors in accessing the financial position of United Bank for Africa Plc., to evaluate the financial statements of United bank for Africa Plc. and its impacts on investment decision making, to examine the extent to which investors depend on the credibility of auditors/financial expert approval of financial statement in making investment decisions and to determine how well the investors have understood the financial statements before making investment decisions.
The rest of the paper is divided as follows: section 2 provides an overview of the review of related literatures on financial statements, section 3 provides the methodology of analysis while section 4 provides empirical analyses of the regression results and section 5 gives the conclusion and recommendations.

REVIEW OF RELATED LITERATURE
Theoretical Framework

The theoretical framework gives the meaning of a word in terms of the theories on financial statement such as proprietary, residual equity theory, entity theory, enterprise or social theory, DuPont mean- variance of portfolio investment theory and the modern portfolio theory. It assumes both knowledge and acceptance of the theories that this research work depends upon.

Proprietary and residual equity theory

Proprietary equity theorists such as Husband (1938), insisted that the accounting process of companies must be conducted from the shareholders' perspective. Staubus (1952, 1959), developed the residual equity theory which considered that the accounting must be done from the perspective of the residual equity holders, which for a going concern coincides with that of the common shareholders. Residual equity theory is often regarded as a more restrictive form of proprietary theory.

Under the proprietary view, transactions and events are analyzed, recorded and accounted for as to their immediate effect on the proprietors. Financial statements are prepared from the viewpoint of the proprietors and are meant to measure and analyses their net worth expressed by the accounting equation:

(1) $\sum assets - \sum liabilities = \sum equity$, *proprietorship or net worth*

In the proprietary view, the assets are considered the proprietors' assets, and the liabilities are the proprietors' liabilities. According to Newlove and Garner (1951) under proprietary theory "liabilities are negative assets – negative properties, which must be sharply defined and separated in the accounting process." Revenues are increases in proprietorship and expenses are decreases. Net profits, "the excess of revenues over expenses, accrues directly to the owners; it represents an increase in the wealth of the proprietors." (Hendriksen and Van Breda, 1992) Staubus (1959) narrowed the concept of owners to common stockholders and considered preference shareholders as liability holders and stressed the importance to investors of the estimation of future cash receipts. The accounting equation becomes:

(2) *Assets – Specific Equities (=Liabilities + Preferred Stock) = Residual Equity*

The proprietary approach represents an agency view of the company where the main responsibility of management is to manage the firm in the best interests of the owners. As the assets and liabilities are considered the owners' assets and liabilities, the maximization of profits equals maximization of the increase in the shareholders' net assets. For this reason, the asset/liability approach to income determination, where income is the by-product of the valuation of assets and liabilities, is the most direct way of quantifying the increase in net assets. Under both the proprietary theory and the asset/liability approach to income determination, it is imperative that shareholders' interests are sharply distinguished from the interests of the providers of debt capital in order to be able to measure the increase in net assets.

Entity theory and enterprise or social theory

Under the entity view, transactions are analyzed as to their effect on the accounting entity. Financial statements are prepared from the viewpoint of the entity. The income statement is meant to calculate income for distribution and analyze the company's performance over a period, whereas the balance sheet serves to indicate the security or riskiness of the company's financial position. Under the different varieties of entity theory the accounting equation may take the following forms.

(1) $\sum assets = \sum liabilities$ (Paton, 1922) Or

(2) $\sum assets = \sum equities$ (Paton, 1922) Or

(3) $\sum assets = \sum equities + \sum liabilities$ (Hendriksen and Van Breda,1992)

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In the entity view as expressed in equation 3, the assets are considered the company's assets, and the liabilities are the company's liabilities. Alternatively, as expressed in equation 4, the assets are considered the company's assets and the equities are all the financial stakeholders' equities. Entity theory views the entity as "having a separate existence – an arm's length relationship with its owners. The relation to the owners is regarded as not particularly different from that to the long-term creditors." (Lorig, 1964). Suojanen (1954)'s enterprise or social theory sees the large listed corporation as an institution with social responsibilities. Companies' actions affect many different stakeholders such as stockholders, creditors, customers, employees, the government as a taxing and regulatory authority and the public at large. (Hendriksen and Van Breda, 1992; Kam, 1990; Suojanen, 1954) Suojanen traces this institutionalization of the large enterprise to the separation of management and ownership leading to increasingly large proportions of income being retained within the company to reduce the corporation's dependence on external financing. Large corporations may decide to pay only 'conventionally adequate dividends' because this ties in with their survival and growth objectives. (Suojanen, 1958).

Financial reports according to the enterprise theory are to be prepared from the perspective of the enterprise as a social institution. Income generated by the enterprise is analyzed to measure the contribution of the enterprise to society using the concepts developed in national income analysis. Therefore, ultimately, the balance sheet is secondary to output, income and value added considerations. The balance sheet equation expressing the enterprise theory according to Meyer (1973) is:

(4) Assets = Investors' input contributions

Suojanen proposes that large companies prepare a value added statement in addition to the balance sheet and income statement. "If the enterprise is considered to be an institution, its operations should be assessed in terms of its contribution to the *flow* of output of the community." (Suojanen, 1954) "Although stockholders have legal rights as owners, from the point of view of the enterprise their rights are subsidiary to the organization and its survival." (Kam, 1990).

DuPont Mean- Variance of Portfolio Investment Theory

According to Adebimpe (2009) who adopted DuPont equation stated that, it is an expression which breaks return on equity down into three parts. The name comes from the DuPont Corporation, which created and implemented this portfolio formula into their business operations in the 1920s. It was adopted from Markowitz Mean-Variance Portfolio theory which states that profit of a firm is a function of total sales, total assets, shareholder equity contribution and the liabilities (debts). This formula is known by many other names, including DuPont analysis, DuPont identity, the DuPont model, the DuPont method, or the strategic profit model.

$$\text{ROE} = \frac{\text{Net income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Average Shareholder Equity}}$$

In the DuPont equation, ROE is equal to profit margin multiplied by asset turnover multiplied by financial leverage. Under DuPont analysis, return on equity is equal to the profit margin multiplied by asset turnover multiplied by financial leverage. By splitting ROE (return on equity) into three parts, companies can more easily understand changes in their ROE over time. Components of the DuPont Equation: Profit Margin: Profit margin is a measure of

profitability. It is an indicator of a company's pricing strategies and how well the company controls operating costs. Profit margin is calculated by finding the net profit as a percentage of the total revenue. As one feature of the DuPont equation, if the profit margin of a company increases, every sale will bring more money to a company's bottom line, resulting in a higher overall return on equity. Components of the DuPont Equation: Asset Turnover Asset turnover is a financial ratio that measures how efficiently a company uses its assets to generate sales revenue or sales income for the company. Companies with low profit margins tend to have high asset turnover, while those with high profit margins tend to have low asset turnover. Similar to profit margin, if asset turnover increases, a company will generate more sales per asset owned, once again resulting in a higher overall return on equity.

Components of the DuPont Equation: Financial Leverage: Financial leverage refers to the amount of (liabilities) debt that a company utilizes to **finance** its operations, as compared with the amount of equity that the company utilizes. As was the case with asset turnover and profit margin, increased financial leverage will also lead to an increase in return on equity. This is because the increased use of debt as financing will cause a company to have higher interest payments, which are tax deductible. Because **dividend** payments are not tax deductible, maintaining a high **proportion** of debt in a company's **capital structure** leads to a higher return on equity.

The Modern Portfolio Theory (MPT)

Harry Markowitz (1991), an American economist in the 1950s developed a theory of "portfolio choice," which allows investors to analyze risk relative to their expected profit. For this work Markowitz, a professor at Baruch College at the City University of New York, shared the 1990 Nobel Memorial Prize in Economic Sciences with William Sharpe and Merton Miller.

Markowitz’s theory is today known as the Modern Portfolio Theory, (MPT). The MPT is a theory of investment which attempts to maximize portfolio expected profit for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected profit, by carefully choosing the proportions of various assets. Although the MPT is widely used in practice in the financial industry, in recent years, the basic assumptions of the MPT have been widely challenged.

The Modern Portfolio Theory, an improvement upon traditional investment models, is an important advance in the mathematical modelling of finance. The theory encourages asset diversification to hedge against market risk as well as risk that is unique to a specific company. The theory (MPT) is a sophisticated investment decision approach that aids an investor to classify, estimate, and control both the kind and the amount of expected risk and profit; also called Portfolio Management Theory. Essential to the portfolio theory are its quantification of the relationship between risk and profit and the assumption that investors must be compensated for assuming risk. Portfolio theory departs from traditional security analysis in shifting emphasis from analyzing the characteristics of individual investments to determining the statistical relationships among the individual securities that comprise the overall portfolio (Edwin and Martins 1997).

The fundamental concept behind the MPT is that assets in an investment portfolio should not be selected individually, each on their own merits. Rather, it is important to consider the profitability of the company.

According to William N. G. (2011), the best measure of a company is its profitability, for without it, it cannot grow, and if it does not grow, then its stock will trend downward. Increasing profits are the best indication that a company can pay dividends and that the share price will trend upward. Investors will put their money at a cheaper rate to a profitable company than to an unprofitable one; consequently, profitable companies can use leverage to increase stockholders' equity even more.

The common profitability measures compare profits with sales, assets, equity and liabilities: net profit margin, return on assets, and return on equity. Although most financial services publish these ratios for most companies, they can be calculated independently by using net profit and total revenue from the *Income Statement* of a company's financial report, and total assets and stockholders' equity from the *Balance Sheet*, (Iyiola O. et-al, 2012).

The net profit margin is equal to the net profit (aka net income) after taxes and excluding extraordinary items divided by total revenues.

Net Profit Margin Formula

$$\text{Net Profit Margin} = \frac{\text{Net Profit after Taxes}}{\text{Total Revenues}}$$

The return on assets (ROA) (aka return on total assets, return on average assets) is one of the most widely used profitability ratios because it is related to both profit margin and asset turnover, and shows the rate of return for both creditors and investors of the company. ROA shows how well a company controls its costs and utilizes its resources.

Return on Assets (ROA) Formula

$$\text{Return on Assets} = \textbf{Net Profit Margin} \times \text{Asset Turnover}$$

$$= \frac{\textbf{Net Profit}}{\cancel{\textbf{Total Revenue}}} \times \frac{\cancel{\text{Total Revenue}}}{\text{Average Total Assets}}$$

$$= \frac{\textbf{Net Profit}}{\text{Average Total Assets}}$$

A better name for ROA is return on average assets, since it is more descriptive in how it is calculated. So a company can have a high return on assets even if it has a low profit margin because it has a high asset turnover. Banks are a good example of a business with low profit margins but high turnover.

The return on equity (ROE), also known as return on investment (ROI), is best measure of the return, since it is the product of the operating performance, asset turnover, and debt-equity management of the firm. If a firm can borrow money and use it to achieve a higher return than the cost of the debt, then the leveraging creates additional revenue that accrues to stockholders as increased equity.

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\phantom{\text{Net Profit}}}$$

Average Stockholders' Equity

A better name for ROE is the return on average equity, since like ROA, it is more descriptive of how ROE is actually calculated.
The return on equity is also equal to the return on assets multiplied by the debt-equity management ratio (aka equity multiplier):

$$\text{Debt-Equity Management Ratio} = \frac{\text{Average Total Assets}}{\text{Average Total Stockholders' Equity}}$$

ROE = ROA × Debt-Equity Management Ratio

This equation can be broken down further:

Return on Equity (ROE) Formula

$$\text{ROE} = \textbf{Operating Performance} \times \text{Asset Turnover} \times \textbf{Debt-Equity Management Ratio}$$

$$= \frac{\textbf{Net Profit}}{\textbf{Total Revenue}} \times \frac{\text{Total Revenue}}{\text{Average Total Assets}} \times \frac{\textbf{Average Total Assets}}{\textbf{Average Stockholders' Equity}}$$

$$= \frac{\text{Net Profit}}{\text{Average Stockholders' Equity}}$$

The debt-equity management ratio is proportional to the amount of debt being used by the company, because assets equals a company's liabilities plus stockholders' equity; hence, this ratio shows the amount of leverage that the company is using, and the ROE shows how well management is using debt to increase returns for stockholders. However, using debt also entails risk, since interest must be paid even in bad economic times.

CONCEPTUAL FRAMEWORK

The basis of financial planning analysis and decision making is the financial information. Financial information is needed to predict, compare and evaluate a firm's earning ability. It is also required to aid in economic decision making investment and financing decision making. The financial information of an enterprise is contained in the financial statements. Financial statements according to Gavtan (2005) is defined as financial information which is the information relating to financial position of any firm in a capsule form.

Financial statement according to Ohison (1999) was defined as a written report that summarizes the financial status of an organization for a stated period of time. It includes an income statement and balance sheet or statement of the financial position describing the flow of resources, profit and loss and the distribution or retention of profit. Financial statement according to Academic of organization Dictionary is a document which sets out the assets, income, expenses and debts of a company to allow a third person to assess that company's health.

Financial statement can also be defined as the process whereby information relating to the organization as a whole is reported to the outside world. They are reports on management and not to management. It deals with most external financial transactions of the organization. Financial statements are source documents of accounting information. They are referred to as the final accounts.

Financial statements according to Nigeria accounting standard Board (NABS) are the areas of communicating to interested parties information on the resource obligations and performances of the reporting entity. Financial statements of Nigerian companies are regulated by the requirements of the Nigerian Accounting Standards Board (NASB) through its pronouncements referred to as Statement of Accounting Standards (SAS). Although originally fashioned after the standards promulgated by the IASC now IASB, the similarities between both sets of standards have dwindled with time and machineries are presently put in place to fully align the local standards with the international ones. The disclosure requirements of these Standards (SAS and IAS/IFRS) define the way accounting information was presented in financial statements.

Other voluntary disclosures, which are discretionary accounting information over and above the mandatory disclosures, are also provided by management. The financial statements provide valuable information for different stakeholders. The major objective of financial statements is that they provide information about the financial position, performance and changes in the financial position of an enterprise (Elliot and Elliot, 2005).

According to Meigs and Meigs (1993), financial statements are the principal means of reporting general-purpose financial information to users. There are several users – managers, investors, suppliers, customers, lenders, employee, government and the general public - who have vested interest in these financial statements (Glautier and Underdown, 1997, Lewis and Pendrill, 2000; Werner and Jones, 2003; Sutton, 2004; Elliot and Elliot, 2005; IASB, 2006). The accounting data presented in the financial statements must be relevant and meaningful to the user (Omoleyinwa, 2000). A model of the conceptual view as adopted from Adebimpe (2009).

Definition of Financial Statements

Financial Statements have been widely defined in the extant literature by scholars and experts. According to the Companies and Allied Matters Act 1990 (CAMA), financial statements consists the basic statement of accounts used to convey the quantitative information of financial nature about a business to shareholders, creditors and others interested in the reporting company's financial condition, result of operation uses and sources of funds. Nwoha (1998) also defines financial statements as reliable financial information about the economic resource and obligations of a business enterprise. Meigs & Meigs (1998) defines financial statement is a logical point to begin the study of accounting. This is because most of the accounting information we see and use every day reflects the terminology and concepts used in these statements. Duru (2012) defines financial statement as a statement which conveys to management and to interested outsiders a concise picture of the profitability and financial position of a business. Concurring with above definitions, we can generally define published financial statement as the audited annual report and accounts of an organization including the balance sheet, profit and loss account and the cash flow statements which gives a summary of the results of operations of a firm, the financial condition of a company or organization for the period represented. It is prepared by the company or

organization and duly audited by the company's external auditor(s) and therefore made public for use by any the interested party. Flowing from the above, the published financial statements should be devoid of any material mis-representation or errors so the all the interested parties can be adequately equipped to make informed decision.

Credibility of Published Financial Statements

Source credibility is the extent to which information is believed based on where it comes from. This work seeks to enhance the comprehension or understanding of the process by which published financial statement influences users' behavior particularly the investors in the Nigeria banking sector. This depends on the extent of the users' appreciation and acceptance of the financial statement, which indirectly depends on the users' perception of the source. An individual's acceptance of information and ideas is based on who said it and those associated with it. Therefore, for any published financial statement to be credible for acceptance, it must be endorsed by a reputable audit firm. Source credibility is very important to investor's reception of the published financial statement because the authenticity of the financial statement is assumed therefore to be the reliance of the investors.

Problems of Published Financial Statement

The use of accounting information by shareholder depends on their efficiency on both making reasonable decision from such statement and also the level of their knowledge over the board areas of accounting information. Accounting concepts do not rest on universal truth or general laws. Therefore, judgment are applied to the interpretation of economic and social events and the subjective nature of these values implies that measurement process in accounting is not precise and there is opportunity for controversy as regards to how to measure events.

More also, financial statements do not reflect many factors that affect financial condition because they cannot be stated in monetary terms. Such factors include the reputation and prestige of the company with the public, the credit rating of the company, the efficiency, loyalty and integrity of management. Again, both the balance sheet and the income statement reflect transactions that involve naira value of many dates. It is evidenced that naira has declined remarkably in purchasing power, and the challenges here now is how has the published financial statement taken care of these changes in price level. The published statement is considerably prepared using historical cost system which represents fictions paper profit. Remarkably, Statement of Standard Accounting Practice (S.SA.P) 7 or International Accounting Standard (I.A.S) provides that financial statement should reflect the impact of changes in price level, yet in the current published financial statements, the application of this standard (the current cost accounting and current purchasing power accounting) is still a thing of doubt.

In addition to that, the complexity and technicality of reported information including the highly technical language of accounting appear to make the qualitative aspect of company and other reports unsuitable source of knowledge for a typical private investor lacking the experience to make best use of them. This invariably places a considerable premium on the analyst and the journalist upon whom the private investors may largely rely in their investment decision making. Equally, according to Umeaka (2003) there is a problem of harmonization of accounting practices and standards of different counties of the world into agreement, so that a common set of principles will be used in preparing financial statement

and making disclosure. This harmonization is necessitated by the fact that managers and investors found it difficult to understand the context in which financial information from other nations is generated. Some of the cause of divergences in practice includes:

- Some counties allow upward revaluation of asset which causes distortion in depreciation charges while other do not.
- There are inconsistence in asset capitalization policies among different counties of the worlds.
- Some counties allow the use of discretionary provisions and reserves to help smooth reported profit while others do not.

All these have significant effect on reported asset values and income (Umeaka, 2003).

Published Financial Statement and Investment Decision

Publication of financial statement provides a way for a firm to present its financial health or otherwise to shareholders, creditors and the general public and to potential investors, to enable them make rational investment decision. The role of financial statement analysis in making investment decisions should not be overlooked as it helps investors to establish the fiscal strength and weakness of a firm. Financial statement analysis can reveal the red flags of an investment opportunity. On the other hand, they can also reveal the strength of a company as well as the potential profit of investing with a particular company. By their nature, financial statements are retrospective, which means an investor should never look at a single statistic or metric in making investment decisions. For instance, an actual or potential investor must analyze the balance sheet, to assess the company's asset, liabilities and ownership equity (net worth) at a particular point in time. Also, he will assess the income statement to know the company's expense income and profit or loss over a specified period of time. He will also assess the cash flow statement, to find out how the company raised up cash through investors or creditors; how the cash is used to acquire assets and inventory; how the asset and inventory allow the company to generate cash to pay for business expenses; and finally how the cash is returned to investors and creditors. Moreover, the purpose of cash flow analysis is to estimate the amount of money an investor would receive from an investment, based on future free cash-flow projections for the company, at least in the short term.

Finally, virtually everyone has been to a doctor's office or hospital and at some point gotten an xray. Typically, when it comes to financial markets, the same diagnostic principles apply to securities analysis. But rather than X-rays, we have financial statements. The income statement, balance sheet and cash flow statement provide analysis multiple angles for making a proper company diagnosis. Each financial statement provides the user a unique perspective, and together, the statements paint a more complete picture into the financial condition of a company.

Additionally, investment bankers also rely heavy on financial statement when determining the sustainability of a corporate business. For instance, a company cannot be bought or sold without determining an agreed-up on valuation. Therefore financial statements help bankers establish an appropriate price for transactions.

Definition and Nature of Investment Decisions

As postulated by I. M Pandeg (2005) investment decisions or analysis has to do with an efficient allocation of capital. It involves decision to commit the firm's funds to the long-term

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assets. Such decisions are of considerable importance to the firm since they tend to determine its value size by influencing its growths, profitability and risk. Investment decision of a firm is one which is expected to produce benefits to the firm over a long period of time and it can pass both tangible and intangible assets (porter field J. T. S 1995).

The investment decisions of a firm are generally known as the capital budgeting decision may be defined as the firm's decision to invest its current funds most efficiently in the long-term assets in anticipated of an expected flow of benefits over a series of years. According to Canada and White (4) is the series of decisions by individual economic units as to how much and where resources will be obtained and expected for future. Situation where capital expenditure decisions are made or taken, they are based primary with measurement of capital productivity which provides an objective means of measuring the economic worth of individual investment proposals in order to have a realistic basis for choosing among the Firm's long run property. (Pandey 2005). The long-term asset is those which affect the firms operation beyond the year period. The firm's investment decision would generally include expansion acquisition, modernization and replacements of the long-term assets. Sales of division or business divestment are also analyzed as an investment decision. Activities such as change in the methods of sales distribution or undertaking an advertisement campaign or a research and development programmes have long-term implications for the firms expenditures and benefits, and therefore, they may also be evaluated as investment decisions. It is important to note that investment in long-term assets invariably requires funds to be tied up in the current assets such as inventories and receivables, some of the features of investment decisions are as follows;

a) The exchange of current funds for future benefits
b) The funds are invested in long-term assets
c) The benefits will occur to the firm over a series of years

The two importance aspects of investment decisions are;

a) The evaluation of the prospective profitability of new investments.
b) The measurement of a cut-off rate against that the prospective return of new investment could be compared.

Future benefits of investment are difficult to measure and cannot be predicted with certainty. Risk in investment arises because of the uncertain returns. Investment proposals should therefore, be evaluated in terms of expected return and risk. Beside the decision to commit funds in new investment proposals, capital budgeting also involves replacement decisions that are decision of recommitting funds when an asset becomes less productive or non-profitable. The correct cut-off rate in investments is the opportunity cost of capital which is the expected rate of return that an investor could earn by investing in financial assets of equivalent risk.

It is significant to emphasize that expenditures and benefits or an investment should be measured in cash. In an investment analysis, it is cash flow which is important, not the accounting profit. It may also be pointed out that investment decisions affect the firm's value. The firm's value will increase if investments are profitable and add to the shareholder's wealth. These increases are reflected in the financial statement of the firm, which invariably are used as tool for investment decisions owing to certain analysis inherent in them.

Empirical Framework

According to Michael C. E. (2013) in his critical investigation on the degree of reliance of the published financial statements by corporate investors. The study employed survey research design by which data were generated by means of questionnaire administered on one hundred and fifty corporate investors and senior management officials of the selected banks. The descriptive statistics and percentage analysis were used for the data analysis and the hypotheses were tested using t-test statistic. The results reveal that one of the primary responsibility of management to the investors is to give a standardized financial statement evaluated and authenticated by a qualified auditor or financial experts. It also showed that investors do understand the financial statement well before making investment decisions. The results of the analysis also indicated that investors depend heavily on the credibility of auditors/financial expert approval of financial statement in making investment decisions and as such published financial statement is very important in the investors' decision making. He recommended that adequate care and due diligence should be maintained in preparing financial statements to avoid faulty investment decisions which could lead to loss of funds and possible litigations.

There is therefore the general belief that published financial statements have failed in its responsibility of provide credible information for investors and other users of financial statements (Duru, 2012). According to Popoola, C. F. et-al (2014), they investigated published financial statement as correlate of investment decision among commercial bank stakeholders in Nigeria. A correlation research design was used in their study. 180 users of published financial statement were purposively sampled from Lagos and Ibadan. Data generated were analyzed using Pearson correlation and regression. The findings of their study revealed that, balance sheet is negatively related with investment decision, while income statement, notes on the account, cash flow statement, value added statement and five-year financial summary are positively related with investment decision making. Their findings also revealed that components of published financial statement significantly predicted good investment decision making for commercial bank stakeholders. And they recommended that Nigeria banks and professional bodies should instigate programs that will increase the knowledge of stakeholders on published financial statement.

Corporate organizations owe a duty to fully disclose matters concerning their operations so as to aid investors in making investment decisions because Investment decision makers rely on information obtained from financial statements to predict future rates of return. Without the financial statement, there will be a problem of how to determine the profit of a company, and evaluation of performance of a company. The general objective was to ascertain the role of financial statement in investment decision making. The study was based on survey and questionnaire used to gather the information. He discovered from the test of hypotheses that financial statement is relied upon in investment decision making and financial statements are useful for forecasting company's performance. The concluded was drawn based on the findings that financial statement plays a vital role in investment decision making and recommends that no investment decision should be taken without the consideration of a company's financial statements Mercy (2014).

Otley (2012) argues that financial statement is an important part of the fabric of organizational life and the need to be evaluated in their wider managerial, organizational and environmental context. Therefore the effectiveness of financial report not only depends on the purposes of such systems but also depends on contingency factors of each organization.

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Financial statements are said to be effective when the information provided by them serves widely the requirements of the users. Effective financial statement should systematically provide information which has a potential effective on investment decision making by the prospective investors.

The perception of investors about a company's ability affects the market prices of the company's security relative to others in the industry. Financial statement can only be useful if they are well understood published financial statement is the information source that is most directly related to the items of interest to both existing and potential investors.

According to Onyekwelu (2010), the satisfaction of the needs of the various users of accounting information as contained in the annual report can be accepted as the objective of financial statement. This objective of information is emphasized by the various accounting principles because investors and creditors use them in making rational investment and credit decisions. Financial statement fairly represents the business and economic situation of a country, which if studied carefully can lead to the achievement of some financial and economic goals.

For instance, the balance sheet provides the observant with a clear picture, of the financial condition of the company as a whole. It lists in detail the tangible and intangible assets that the company owns and owes, while the profit and loss accounts summaries the income and expenditure of a company in a given period of time. It shows the result of operation during these accounting periods. Also, it is through the use of financial reports that users can assess the project of receiving cash as divided or interest and proceeds from sales, exemption or maturing securities or loans for instance, cash flow statement shows how cash is predicted to move around at a particular given period of time. It is useful for planning future expense. It shows whether or not there will be enough cash to carry out the planned activities and whether or not the cash coming in will be enough to cover the expenses. It is useful in the determination of the company's liquidity in a given period of time.

According to Aroh J.C., et-al (2011), the most important purpose of the annual report is to get the shareholders informed about the financial status of his company, especially as to its income and financial position. The usefulness of financial statement to investors is to assist them to assess the ability of an enterprise to pay divided and interest when due while to the potential investors, published financial statement is used to decide on the type of security to invest in or which company to invest in. Conclusively, financial statement of accompany should provide information about the economic resources of a company, which are the sources of prospective cash inflows to the company. It should also provide its obligation to transfer economic resources to others which are the source of prospective cash outflow from the company and its earnings which are the financial results of its operation.

According Adebayo, M. et-al (2013), they examine the impact of accounting information system in assisting organizations in making sound and effective investment decision. The major source of data to their research was primary data through the administration of questionnaires. Regression analysis and Karl Pearson's correlation was used for the data analysis. Their findings shown that accounting information system is an indispensable tool in investment decision making in today's turbulent world. Organizations are however, advised to invest on information technology tools as it improve their efficiency, effectiveness and their overall performance.

RESEARCH METHODOLOGY

The following model was used for the analysis as shown below and is based on the Modern Portfolio Theory (MPT) as adopted by (William N. G. 2011, & Iyiola O. et-al, 2012).
Profit after Tax Functional Form
PAT = f (AST, LBT, EQT)………………………………………………..3.1
Where,
PAT = Profit after Tax
AST = Asset
LBT = Liabilities
EQT = Equity
The regression equation based on the above functional relational model is stated below:
$PAT = b_0 + b_1AST + b_2LBT + b_3EQT + \mu$ …………………….3.2
Where b_0 = constant, b_1, b_2, and b_3 are Estimated regression coefficients of equation 3.2, μ = Error term. It is the surrogate of all other variables that influence the dependent variable which are not included in this regression equation.

Data Presentation and Analysis

For every investor to take investment decision via the financial statement of a financial institution the focus is majorly on the profitability of the organization and the profit of the organization is a function of the assets, liabilities and equity contribution of the owner of the organization, as such the relationship between the profit and asset, liabilities, and equity is very significant for where the investors put their resources.
This section deals with data presentation, analysis and discussion of findings. Hence, the secondary data obtained from the financial statement of the bank; according to the issues involved in the research are hereby presented for interpretation and analysis. The ordinary least square method is used to analyze the data presented, followed by the discussion of findings about the test results of the hypotheses and inferences drawn to answer the research questions of the study. Thus, the estimates from the following measures are summarized under the following issues examined in this study: Thus, the estimated multiple regression equation results;

Table 4.1 Summary of Regression Results

Variables	Estimates	Standard Error	t-calculated
CONSTANT	-9288.6	17612.35	-3.527388
AST	0.9555	0.846070	2.34445
LBT	-0.5266	0.280739	-1.98685
EQT	0.9789	0.020715	3.81388
R^2 = 0.94	R^{-2} = 0.85	F-ratio =7.43	

Source: E-view 7.1 version, 2014

Analysis of the Regression Estimates

From the multiple regression results of profit function, the analyses of the sample as follow: if all the explanatory variables for profit function are fixed at zero, the percentage cumulative loss of the bank over this ten years; that will be recorded on the profit and loss account will be about 93%; very often the mechanical value of this intercept is that, it has no physical or economic meaning (perhaps it reflects the influence of all the omitted variables). Meaning aside the variables chosen for this work, all other factors for profit function will bring

negative impact on the profit of the bank and as such, the investment decision making of the prospective investors. It is a truism that, the researcher selection of these variables such as assets, liabilities and equity from balance sheet and profit and loss account based on the reviewed literature; is reflection of the important of these variables chosen for analysis.
The partial regression coefficient of assets of 96% indicates that when other variables employed in this model are held constant, a unit or one billion naira digit increase of assets of the bank will bring about 96% increase in the profit of the bank, all things be equal, the investors' decision to invest in the bank will be very high. The rate of increase revealed by this result is a true reflection why United Bank for Africa Plc, is vigorously expanding branch network nationwide and across the boundary of Nigeria. The items that make up the assets of the bank in the bank balance sheet, that potential investors must base his or her decision of investment in the bank are as follow: Cash and balances with central banks, Treasury bills, Due from other banks, Loans and advances to customers, Investment securities, Investment in subsidiaries, Investment in associate, Investment in joint venture, Goodwill, Deferred tax assets, Other assets, Investment properties and Property and equipment. This result concretize the theoretical explanation given by (IASB, 2007a) , they opined that decision making pertaining to cost planning, investment planning, expected returns and performance evaluation. The financial statement comprises of balance sheet (for determining financial position), profit and loss statement (describes statement of comprehensive income), statement of equity changes (explain the changes of the company's equity), and cash flow statements (reports on a company's cash flow activities, particularly its operating, investing and financing activities). Going by the probability of investors making wrong investment decision using assets of the bank as a yardstick is very low, because the probability from the regression result indicates 6.8% which is infinitesimal and very insignificant.

By the same token if the liabilities of the bank changes by one billion naira, where all other variables are fixed, the profit of the bank will decrease by 52.7%. The relationship between profit and liabilities is an indirect proportion. As such any unit increase of the naira value of the liabilities of the bank leads to drastic decrease of investment by prospective investors. The wise investors look at the following liabilities items on the balance sheet of the bank which make them know if the bank is profitable to be invested into, such items are: Customers' deposits, Due to other banks, Liability on investment contracts, other borrowings, Current income tax other liabilities, deferred income tax liabilities and Retirement benefit obligations. All of these variables has negative impact on the profit of the bank which has direct effect on the investment decision making of the prospective investors.

The estimate of the coefficient of the equity contribution of the owner indicates that one billion digit increase in the equity of the bank will generate a profit of 97.9% when other variables specified in the model are held constant, all things be equal, the multiplier effect of the on the investment in the bank will also increase by the same token of the percentage. The investment decision making of the prospective investors is majorly dependent on the return on the investment as such, for any investor to venture into the bank, he or she must examine the impact of the equity on the profit and all of this financial information for such investment decision making is usually obtained from the financial statement of the bank. The equity on the balance sheet of the financial statement of the bank comprises of Share capital, Share premium, Revaluation reserve on fixed assets, Retained earnings, other reserves, Attributable to equity holders of the parent and Non-controlling interest.

Test of Research Hypotheses
A Priori Criterion

The following coefficients of the assets, liabilities and equity justify implicit theories that underline the relationship between profit of an organization and the selected exogenous variables as stated in the methodology; this is a strong indication that these variables are the major factors that determine investment decision making of the prospective investors via multiplier effect of the financial position of the bank. This agreed with the work of Gavtam V. S. (2005), according to him Financial statement is defined as financial information which is the information relating to financial position of any firm in a capsule form. In the same vain J. A. Ohison (1999) defined financial statement as a written report that summarizes the financial status of an organization for a stated period of time. It includes an income statement and balance sheet or statement of the financial position describing the flow of resources, profit and loss and the distribution or retention of profit.

The coefficient of determination

The coefficient of determination obtained was 0.95 (95%) which is commonly referred to as the value of R^2. The cumulative test of hypotheses using R^2 to draw statistical inference about the explanatory variables employed in this regression equation, shows that, there is 95% variation explained in the profit of the bank by assets, liabilities and equity chosen for this study. And 5% was explained by unknown variables that were not included in the model. The predictive power of this model is very high and good for users of financial statement for investment decision making as listed in section 2.8 of this research work. This result is an obvious reflection of the reality of what is currently happening in financial institutions in Nigeria. What is keeping United Bank for Africa Plc, in business in Nigeria and building more branch network as well as employing more labor force in spite of the economy downturn till now is the profitability position that the bank had maintained over the years which is reflected in her yearly financial statement published annually for public use.

Test of Research hypothesis 1

H_0: Assets as an item of financial statement does not significantly assist the effectiveness of investment decision making in United Bank for Africa Plc.
H_1: Assets as an item of financial statement does significantly assist the effectiveness of investment decision making in United Bank for Africa Plc.
The t-calculated at the absolute value of the assets estimate of 2.344 is greater than the critical value of $t_{0.05\,(6)} = 1.943$ at 5% level of significance, we therefore, do not accept the null hypothesis and conclude that it is statistically significant and accept the alternate hypothesis that says; Assets as an item of financial statement does significantly assist the effectiveness of investment decision making in United Bank for Africa Plc.

Test of Research hypothesis 2

H_0: There are no significant analytical tools of liabilities and equity on the balance sheet of the bank set to aid prospective investors in accessing the financial position of United Bank for Africa Plc.
H_1: There are significant analytical tools of liabilities and equity on the balance sheet of the bank set to aid prospective investors in accessing the financial position of United Bank for Africa Plc.

The t-calculated at the absolute value of liabilities and equity estimates respectively of 1.986 and 3.814 are greater than the critical value of $t_{0.05\ (6)}$ =1.638 at 5% level of significance, we therefore, do not accept the null hypothesis and conclude that they are statistically significant and we accept the alternate hypothesis that says; There are significant analytical tools of liabilities and equity on the balance sheet of the bank set to aid prospective investors in accessing the financial position of United Bank for Africa Plc.

Test of Research hypothesis 3

H_0: There is no significant way of evaluating the financial statement of United Bank for Africa Plc and its impacts on investment decision making of the bank over this period
H_1: There is significant way of evaluating the financial statement of United Bank for Africa Plc and its impacts on investment decision making of the bank over this period**.**

On the bases of F-test, that is, to verify the variability between the profit and exogenous variables selected for this analysis and test the total fitness of the multiplier effect of the profit function on investment decision making of the prospective investors who want to invest in United Bank for Africa Plc, at the specific level of significance of 5% with the critical value of $F_{0.05\ (2,\ 6)}$ = 5.14 which is less than the F-calculated of 7.43. We do not accept the null hypothesis and conclude that, the regression equation for profit is statistically significant. It means the exogenous variables for this model are influential factors that can explain a large forecasting ability of the prospective investors for the investment decision making in the bank. As such, we therefore, accept the alternate hypothesis that says: There is significant way of evaluating the financial statement of United Bank for Africa Plc and its impacts on investment decision making of the bank over this period.

Test of Research Hypothesis 4

H_0: There is no significance extent to which investors depend on the credibility of auditors/financial expert approval of financial statement in making investment decisions.
H_1: There is a significance extent to which investors depend on the credibility of auditors/financial expert approval of financial statement in making investment decisions.
In testing this hypothesis, the mean response score were tested using the t-test statistic. The results are presented below.

Table 4.2 One-Sample T-Test Descriptive Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Investors' dependability on the credibility of auditors /financial experts' approval of financial statements in making investment decisions	2	1.4900	.02828	.02000

Source: SPSS 2014

As presented in table 4.3, the overall mean score of 1.490 indicates that the respondents agree that investors depend on the credibility of auditors/financial experts' approval of financial statements in making investment decisions.

Table 4.3 Test Result for Hypothesis Four

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2tailed)	Mean Difference	Lower	Upper
Investors' dependability on the credibility of auditors/financial experts' approval of financial statements in making investment decisions	74.500	1	.009	1.49000	1.2359	1.7441

Source: SPSS 2014

As presented in table 4.3, the calculated t-test value is 74.50. This value is greater than the critical t-test value of 6.314, i.e. t_{cal} (74.500) > $t_{critical}$ (6.314). With $p < 0.05$, this result is significant. Hence, the null hypothesis is rejected and the alternative hypothesis accepted accordingly. Therefore, investors depend on the credibility of auditors/financial expert approval of financial statement in making investment decisions.

Investor's dependability on the credibility of auditors/financial expert's approval of financial statements in making investment decisions

ITEM	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Std. Dev.
Endorsement of financial statement by reputable auditing firm gives credibility to financial statement	92 (61.3)	48 (32.0)	4 (2.7)	4 (2.7)	2 (1.3)	1.51	0.79
To what extent does the endorsement of a reputable auditor influences your investment decision decisions	80 (53.3)	70 (46.7)	0 (0.0)	0 (0.0)	0 (0.0)	1.47	0.50

Source: Field Survey, 2014

With 92 (61.33%) respondents strongly agreeing, 48 (32%) respondents agreeing, 4 (2.67%) respondents being undecided, 4 (2.67%) respondents disagreeing and 2 (1.33%) respondents strongly disagreeing and a mean of 1.51, respondents agree that the endorsement of financial statement by reputable auditing firm gives credibility to financial. The views of the respondents 80 (53.3%) who strongly agreed and 70 (46.67%) who agreed while no (0%) respondent was undecided, disagreed or strongly disagreed and the mean responses of 1.47 reveals that the endorsement of a reputable auditor influences respondents' investment decisions.

Test of Research Hypothesis 5

H_0: There is no significance in how well the investors have understood the financial statements before making investment decisions.

H_1: There is significance in how well the investors have understood the financial statements before making investment decisions.
In testing this hypothesis, the mean response score were tested using the t-test statistic. The results are presented below.

Table 4.5 One-Sample T-Test Descriptive Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Investors understand financial statements before investment decisions	4	1.4725	.17017	.08509

Source: SPSS 2014

As presented in table 4.5, the overall mean score of 1.473 indicates that the respondents agree that investors understand financial statements before investment decisions.

Table 4.6 Test Result for Hypothesis Five

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2tailed)	Mean Difference	Lower	Upper
Investors understand financial statements before investment decisions	17.306	3	.000	1.47250	1.2017	1.7433

Source: SPSS 2014

As presented in table 4.6, the calculated t-test value is 17.306. This value is greater than the critical t-test value of 2.353, i.e. t_{cal} (17.306) > $t_{critical}$ (2.353). With $p < 0.05$, this result is significant. Hence, the null hypothesis is rejected and the alternative hypothesis accepted accordingly. Therefore, investors do understand the financial statement well before investment decision.

Response on whether investors understands financial statement well before making investment decision

ITEM	SA (%)	A (%)	U (%)	D (%)	S.D (%)	Mean	Std Dev.
Introduction of ratio analysis in published account would aid you in utilizing financial statement.	120 (80.0)	22 (14.7)	4 (2.7)	2 (1.3)	2 (1.3)	1.29	0.71
Understanding of ratio analysis aids in interpreting published financial statement	75 (50.0)	60 (40.0)	5 (3.3)	5 (3.3)	5 (3.3)	1.70	0. 94
aware of the concept published financial statement	80 (53.3)	70 (46.7)	0 (0.0)	0 (0.0)	0 (0.0)	1.47	0.50
published financial statement ever aid your financial decisions	100 (66.7)	40 (26.7)	5 (3.33)	0 (0.0)	5 (3.3)	1.43	0.72

Source: Field Survey, 2014

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As presented in table 4.7, with a mean response score of 1.293 and the responses of 120 (80.0%), respondents, 22 (14.67%) respondents, 4 (2.67%) respondents, 2 (1.33%) respondents and 2 (1.33%) respondents who strongly agreed, agreed, undecided, disagreed and strongly disagreed respectively, it is the opinion of the respondents that the introduction of ratio analysis in published account would aid investors in utilizing financial statement..
The respondents also agree that understanding of ratio analysis aids in interpreting published financial statement. This opinion is captured in the responses of 75 (50%) respondents strongly agreeing, 60 (40%) respondents agreeing, 5 (3.33%) respondents being undecided, another 5 (3.33%) respondents disagreeing, and another 5 (3.33%) respondents strongly disagreeing and a mean responses score of 1.7. Responses of the respondents in the above table also show that out of the 80 (53.33%) sampled respondents and 70 (46.67%) respondents strongly agreed and agreed respectively that they had awareness of the concept published financial statement while none of the respondents (0%) was undecided or not aware. The mean response of 1.47 confirms this from the above data the respondents were of the opinion that financial statements and their investment decisions. This is reflected in the mean response score of 1.43 and the responses of 100 (66.67%) respondents who strongly agreed, 40 (26.7%) respondents who agreed, 5 (3.3%) respondents who were undecided, another 5 (3.3%) respondents who disagreed and yet another 5 (3.3%) respondents who strongly disagreed that financial statements aid their investment decisions financial decisions.

DISCUSSION OF RESEARCH FINDINGS

The major findings revealed that for every investor to take investment decision via the financial statement of the financial institution the focus is majorly on the profitability of the organization and the profit of the organization is a function of the assets, liabilities and equity contribution of the owner of the organization, as such the relationship between the profit and asset, liabilities, and equity is very significant for where the investors put their resources via multiplier effect.

The relationship between profit and assets of the bank selected is very strong, as such for effective and efficient investment decision based on the assets of the organization, the investors will prefer to invest in bank, due to significant impact of assets with high correlation coefficient, prospective investors will not be able to take such decision without evaluating the financial statement of the bank. The relationship between profit and liabilities of the four bank was very strong as such for effective and efficient investment decision based on the liabilities of the organization, the investors will prefer the bank with low level of liabilities.

While that of equity, the relationship with profit indicate that, there is strong relationship between the equity contribution of the owners and the profit as revealed by this result as such the investors like to invest in the bank that is why the share capital of the United Bank for Africa Plc is one of the top sale shares in Nigerian capital market, because at the end of the financial year dividend will be declared for the shareholders and the investors may equally want to invest in commercial papers of the organization which is part of the organization's equity value. A wise investor will invest in this bank, the share will yield high return.

The variation analysis of the influence of financial statement transparency as one of the considered factors of evaluating the performance of a company financial statement on investment decision making that affect managerial decision making process. The result of the ANOVA, coefficient of determination and the student-t-test of the selected financial

institution revealed that financial statement transparency has significant influence on management investment returns because almost all the parameter estimate are statistical significant. We therefore agreed that, profitability, assets, liabilities and equities of financial institution are significant ways of evaluating the performance of a company financial report on investment decision making. This result agreed with work of Gavtan. U.S. (2005), he simply put it that investment decision making is a process of determining and interpreting the relationship between assets, liabilities, and equity of financial statement to provide a useful understanding of the performance, solvency and profitability of an enterprise.

SUMMARY AND RECOMMENDATIONS

Summary

The basic aim of this study is to evaluate the role of financial statement on investment decision making of Untied Bank for Africa Plc in Nigeria. This is because prospective investor's uses financial statement of financial institutions as a major parameter for assessing the profitability and the risk of investing in such ventures and the aim of financial statement is to provide financial information about an entity to interested parties. The information can become meaningful through financial interpretations and the decisions unveil the essence of financial statement as the major custodian of financial information necessary for any investment decision. Investment are not made on a vacuum hence, there are bedrocks on which they will stand.

Recommendations

Having gone through this study the researcher recommend the following specific recommendations as a way of incurring that, financial statement plays a vital role in investment decisions making.

1. Every financial institution should ensure that all material facts as regard the assets and equity of the organization should be reflected in their yearly financial statement. As such, the financial institutions should adhere to the demand of subjecting their financial statement to statutory audit as a way of authenticating their contents.
2. The financial statement should be prepared using such a language and terms a layman can understand because the technical terms do not mean much to the investors. These should be prompt provision of the financial statement at the end of each financial year and the profit after tax should be reported precisely and correctly with actual figures and avoid use of percentage to enable any layman make good investment decision.
3. Investment decision should not be on a vacuum or rule of thumb rather, the financial statement should be used as the bedrock and the volume of liabilities acquired by financial institutions should be minimal and invested wisely to avoid its negative effect on the profit of the bank which will discourage prospective investors. No investment decisions on a financial institution should be taken without the consideration of a company's financial statement.
4. Banks and companies should carry out educational enlightenment programme from time to time to enable investors understand the financial report fully. Investors should attach much importance to the annual reports so that banks and companies can really know the extent of their responsibility in preparing the financial statement.
5. Banks and companies should sponsor research into the information needs of their investors and how best to communicate this information to them. There should be a review of annual report of banks and companies by the authority concerned, in order to effect the much needed charges raised by investors considering the changing economic trend in the country.

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