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Source Documents and Credibility of Financial Reports in the Accounting Cycle

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ABSTRACT

The study examined source documents with authenticity of the financial statements in accounting cycle. Exploratory survey design was adopted because there are few studies to refer to. This study covered Sixty (60) employee of Finance and Supply, Budget and Planning Accounts and Audit unit of (Cocoa Products (Ile-Oluji) Ltd and Ile-Oluji Oke-igbo LGA). The total number of respondents responded were 48. The appropriate number of staff was selected from the population using (Taro Yamani formula). Data collected through the use of questionnaire were presented and analyzed with table of frequency and simple percentage method as the descriptive statistics pattern chosen. Chi-square estimation method was employed for the Hypotheses test. With reference to the practical nature of Accounting and the contributions of various scholars to the pool of knowledge, it was discovered that source documents served as an important tool for the Accounting processes which added to the credibility of the financial statements. It was concluded that, if the identification of genuine source documents is jettisoned, accounting procedures cannot be completed, this buttresses the fact that source documents have a great positive impact on financial reports, if properly identified and recorded. There is relationship between genuine source documents and authenticity of the statements of account in accounting cycle. This study recommends among others that Accountants of organizations should take much cognizance of genuine source documents and post transactions to relevant prime books in order to ascertain how genuine and credible the financial statements and activities of an organization can be.

Key words: Source Documents, Credibility, Financial Reports, Accounting Circle

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1. INTRODUCTION

The credibility and quality of financial statements of an organization is based on accuracy in identifying the relevant genuine source documents and proper recording of the documents in the books of original entry. Financial reporting quality is a comprehensive concept that encompasses not only financial data but also disclosures and supplementary non-financial information included in reports to aid in decision-making (Van Beest, Braam, & Boelens, 2009).

Consequently, it constitutes a significant concern for both current and potential investors. According to the Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 1 (1978), the primary purpose of an entity's financial reporting is to inform current and prospective investors about the expected cash flows of the company, aiding them in making informed investment decisions. Thus, it is of paramount importance to provide high-quality financial reporting information, as this will have a favorable influence on the decisions of capital providers and other stakeholders of the firm, impacting their choices related to lending, investing, and resource allocation, ultimately contributing to overall market efficiency (IASB, 2006; & 2008).

According to Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 1 (1978), it was stated that: financial reporting of an entities is aimed at informing current and potential investors of the expected organization's cash flows in making hard investment risk decision. With full consideration of the importance of Provision of high quality financial reporting information, capital providers and other firm stakeholders would be influenced positively in making investment, credit, and other similar resource allocation decisions for the overall market efficiency (IASB, 2006; & 2008).

The reason why financial statement and accounting is important is majorly to provide concrete information regarding a business or an organization to be accessible to anyone who may need it. It is often important to compare financial statements of different firms for proper analysis as stated by AICPA (1970).

Before an investor could find investing in a business needful or profitable, such would have considered and studied the organizations statement of account and be satisfied with a well - structured , logically and accurately prepared and well-presented statement of account before such could invest in such a business. Securities and Exchange Commission (SEC) (2000), opines that the advantage and comparability of investments, with proper allocation of capital is promoted to boost investors' confidence in investment. The Financial Accounting Standards Board (FASB) explains the actual concept of account statement. Through critical analysis of financial statement by investors and business owners, a better clue on how well or weak a business could be can be easily determined. Pandey (2010) stated that when the differences and similarities between the information contained in the profit and loss account and balance sheet of a business is properly considered, it will be easy to identify the flaws and wins of any business' financial statements.

It is impossible to overstate the importance of source documents in the creation of financial statements for an organization. The original records that include the specifics that support the financial transactions that are entered into a company's internal accounting system are referred to as source documents in accounting. They are utilized to start or gather financial transactions as they take place in a professional setting. Most financial statements of organizations today do not reflect the actual transactions that occurred from the inception when an accounting period ends. For instance, a company having a figure for sales in its statement of income and other comprehensive income which cannot be backed up with an accurate numbers of invoices and there was no corresponding posting of all the invoices (cash and credit) into the relevant prime books (sales day book and cash book). This technique has subjected the financial statements of organizations to various questions which impinge on the legitimacy of reports presented from time to time.

The basis for any financial report is the source documents. Proper or improper recognition of genuine source documents will have effect on the credibility of the financial statements of any organization. There is always a challenge in ensuring the accuracy and caliber of such reports by substantiating the figures in the financial reports of an organization with the pertinent source materials and numerous books kept from the beginning. Accounting has procedures and financial statements cannot be completed if source documents are not reckoned with from the inception. Scholars in the field of accounting have actually looked at what source documents and prime books are but have not been able to discuss their relationship with the credibility of financial statements which is the focus of this research work. Therefore, this study is an exploratory analysis of source documents, it also shows how important accounting reports are in business.

1.1 Statement of Problem

Ideally, organization's financial statements should be credible if there is proper identification and recording of source documents used to initiate transactions. The recent tide of scandals in financial institutions and window dressing of financial statements in some organizations in Nigeria and other countries, have made the financial statements not reflecting the true state of activities that transpired in those establishments concerned within a particular accounting period. Masud, (2013) made mention of the inefficiencies of some companies who often change the records of their financial statements so as to reduce or avoid tax payment.

The effect of this development led to financial problems in world market, the issue of financial misappropriation raised in year 2000 against some American and European companies, including Enron about how some Deposit Money Banks were insolvent together with other companies in Nigeria between year 2006 till date. There is a problem of non-transparency in a financial reporting process which made the source documents used to initiate transactions by most companies to have gotten insignificant impact on the credibility of financial statements and accounting. This ugly trend has made users of financial statements not to rely on the information that is contained in the financial statements of organizations. Also, there is a challenge of tedious adjustments of transactions before the preparation of final accounts which may be minimal if source documents are identified at the inception as well as ensuring that they are properly recorded in the prime books.

Related Researches have been carried out with various conclusions by some researchers such as (Hung, Van, and Archer, 2023; Pangaribuan, Sunarsi, Santoso, Wahyuni, & Yoewono, 2023; Abed, Hussin, Haddad, Almubaydeen, & Ali, 2022; Oyerogba, 2014; Dabor & Adeyemi, 2015; Regina, 2006; McDaniel, Martin & Maines, 2002) but these studies have scarcely focus on the relevance of source documents on the credibility of financial reports. Hence, this study tends to bridge this gap by examining credibility of financial reports as a function of proper identification and analysis of genuine source documents.

1.2 Research Objectives

The main objective of this study is to assess the relationship between genuine source documents and credibility of the financial reports in the accounting cycle. The specific objectives of this study are:

(i) to underscore the significance of genuine source documents on the credibility of financial reports
(ii) to assess if proper identification and recording of genuine source documents minimize adjustments of transactions before the preparation of final accounts/reports.

1.3 Research Questions
The questions below served as guide to the study:
(i) Do genuine source documents have significant effect on the credibility of financial reports?
(ii) To what extent has proper identification and recording of genuine source documents assist in minimizing adjustments of transactions before the preparation of final accounts/reports?

1.4 Research Hypotheses
The null hypotheses formulated for this study are:
Ho_1 Genuine source documents do not have significant effect on the credibility of financial reports
Ho_2 Proper identification and recording of genuine source documents do not assist in minimizing adjustments of transactions before the preparation of final accounts/reports.

1.5 Significance of The Study
The major importance and significance of this study is that, it will stimulate awareness of the need for proper identification and recording of source documents for the purpose of ensuring the credibility of financial statements. This study is important because it will help in ensuring that financial statements of organizations show a true state of activities that transpired within a particular period. It will assist in reducing window dressing in the course of preparing the financial statements as it has become the usual practice of most companies to deceive the users. It will at large enlighten the users of financial statements on the importance of source documents as a panacea to the credibility of financial statements. Also, this study will help to highlight that genuine source documents should be identified and verified by Accountants and Auditors of an organization respectively which can be used to substantiate various figures on the financial statements. Finally, this study will add to the body of knowledge and serve as reference point to students and researchers who wish to embark on similar research in the future.

2. LITERATURE REVIEW

2.1 Conceptual Review

Overview of Source Documents
According to Robert (2014), Source documents are used to capture the relevant details relating to financial transactions as they occur. The most-handy and tangible documents which are available and visible as evidences for any business transactions carried out remains the source documents. When auditors or accounting authorities and professionals may need to find out if any transaction has taken place or not, so as to review the financial statements of companies, source documents remain the instrument of verification and validation.

Common information contained in the source documents are:
i. Particulars of business transaction
ii. The dates when transactions took place
iii. certain sum of money
iv. Authorizing signature(s).

The original records that include the specifics that support the financial transactions that are placed into an organization's internal accounting system is source documents. The advent of technology with the use of mini and portable electronic devices, computers and phones have made keeping of source documents easy and convenient for users. Source documents could be in hard copy (papers) or soft copy(electronic) forms and at the same time stamped, dated and approved/sealed in whatever format it might be without altering the genuineness and authenticity of the documents.

Listed below are the common examples of source documents in relation to the kind of business transactions captured in their financial records:

i. Bank statement. This document is used to reconcile between the record of a company's cash at hand or within the organization and the one in the bank to ascertain the balances.
ii. Cash register tape. It is a recorder in form of tape which captures the details of all cash sales. It is used to reconcile the book record of all cash sales which occurs in a business.
iii. Credit card receipt. This serves as an evidence of payment made to be claimed from petty cash account.
iv. Lockbox check images. These are backup images used to record cash receipts from customers.
v. Packing slip. The details and description of items sent to a customer by shipping is recorded in this slip so as to be able to verify and monitor the amounts quoted in the details of the supply made through the transaction.
vi. Sales order. This paper is attached to a bill of lading to serve as an invoice and an evidence of sales which indicates that a transaction has taken place.
vii. Supplier invoice. This document serves as backup that payment of a particular item has been made through the stated means to a supplier. It is as good as though cash transaction has been made. It shows the recording of item, an expense, inventory or fixed asset.
viii. Time card. This is used to check employees billing hours so as to determine payment. It is a kind of receipt for payment for time spent on work by an employee. It can also be used to create customers invoice in case they are billed on employees work hours.
ix. Receipt. It is an evidence of all cash payment/cash received from customers.
x. Credit note. This document shows the details of all overcharges and information of goods returned to seller by buyers.
xi. Debit note. This is the document used for recording an undercharge or all the particulars of items returned to suppliers by sellers for one reason or the other.

Accounting Cycle

The accounting cycle defines all the processes involved in collating, recording and processing of all the accounting records or financial transactions of a business or organization. i.e. anything done from the beginning to the end of a transaction which led to the preparation of financial information, statements or record is known as accounting cycle.

Overview of Financial Statements

The major method of reporting general purpose financial information to someone who is not within a business organization is a set of accounting reports which is referred to as financial statements, (Akeju, 2003).

Gautem (2005) mentioned that financial statement as financial information which is the information relating to the financial position of any firm; when presented in a concise and capsule form. Financial statement helps individuals or organization to know the actual information about the financial position, viability and credibility of any business so as to be able to make vital economic and investment decisions.

Just as Hung & Subramanyam, (2007) opines that accounting standards is most essential to be noted especially when financial reports are to be prepared or presented so as to guide for standard across markets mostly in preparation for listing in the stock exchange. Published financial statements is required in line and conformity with relevant and notable accounting standards. According to Madhani, (2009) when financial statements and accounting records are properly and clearly presented and reported, there will be greater reliability management, more long-term investors, increased transaction, higher ultimate ownership, greater liquidity, less volatility, Gap sales, higher resolution, better access and lower costs, cordial relationships with the investment community and better stock prices. According to the Companies and Allied Matters Decree (CAMD) 1990 section 334 No company must jettison the following statements:

Statement of Financial Position
This serves as a true picture of the solvency of any company especially during the end of the financial year in relation to the consideration of its financial position especially in the concluded year. This guides on determining how the future or the next financial year may be (Akeju, 2003). Common terminologies in the statement of financial position are: noncurrent liabilities, current assets, current liabilities, and non-current assets and capital e.t.c.

The Statement of profit or loss and other Comprehensive Income
This statement of account reveals the outcome of business operations within a particular period of accounting. By this, a business is able to identify if it has made a gain or loss after calculating the expenses incurred in the course of running a business in a particular period of account. According to Ama, (2002) in preparing the statement of organizations comprehensive income, all these must be known and considered: the turnover for taxation and appropriation, director’s emoluments, the remuneration or salary for auditors, director’s allowances, income from investment e.t.c

Statement of Accounting Policies
The statement often is revealed as an important aspect of financial statements. Quite a reasonable number assumptions and speculations are adopted by many to prepare and report accounts and this in turn affects the results gotten. Knowing the accounting policies to be adopted and employed in account preparation helps in presenting standard accounting statement. This statement is usually prominently disclosed as an integral part of the financial statements. A substantial number of alternative postulates, assumptions, principles and methods adopted by a reporting entity in the preparation of its accounts significantly affect its result of operation. It is therefore essential to disclose accounting policies adopted apart from the fundamental one in order to aid the understanding of the financial statements, statement of accounting standard (SAS, 2010).

Director Reports
This report being a vital part of financial statements is expected to show and express the underlisted detail.
(i) Comprehensive review and report of business growth during the reporting year.
(ii) The key activities of the company and the changes which have occurred therein.
(iii) The detailed report of profit or loss account (income statement)
(iv) Names of Directors.
(v) State of Affairs of the business
(vi) Charitable gifts
(vii) Guiding policies on employment
(ix) Distribution lists and names of company's product etc (Akeju, 2003)

Value Added Statement
This is a financial statement which shows the wealth created by the company during the year and how the wealth is distributed across various interest groups e.g. employees, the government, creditors, proprietors and the company.

The Five-Year Financial Summary
This financial statement provides a report of vital financial information to be compared. It could be within five years or more SAS (2010).

The Auditors Report
The auditor would prepare and present this report to the management, to show the detailed, genuine, true, fair and well prepared financial statements of the organization.

Notes on the Accounts
This is the note that gives detailed explanation on how the figures in the financial statement are gotten. Computation of related figures in the financial statement are explained through the notes for clarification and easy understanding.

Statement of Cash Flow
It is a statement prepared to ascertain the source and use of cash between two balance sheet dates. This cash analysis is mostly used for short-term planning.
Reasonable amount of cash is needed to settle debts, interests, dividends and miscellaneous. cash inflows and outflows can be projected for the future to be able to determine availability of cash.

How Source Documents Affect the Credibility of Financial Statements/reports
If pertinent source documents were not located and the various prime books were not opened to record the transactions and summarize the entries prior to posting to the ledgers, the veracity and authenticity of any financial statements would be called into question. There are various users of financial statements such as shareholders, government, employee, regulatory authority, investors, creditors etc who use to take decisions on the information recorded in the reports from time to time. Based on the erroneous information in the reports that cannot be supported by pertinent source documents, this group of persons would have been deceived. Any number in the financial statements must give a true and fair picture of the organization's financial activities at all times.

Relevance of Source Documents in Accounting Cycle

Source documents are critical in accounting. They serve as the supporting documentation for all commercial transactions. When there is a misunderstanding or inaccuracy in the accounting system, you can refer to these documents as evidence. These include bills, cheque counterfoils, inter-office memos, invoices, notes (not only notes, but documents like invoice to communicate something about transaction on credit), and receipts. Source documents are important due to the following reasons: they Form the basis for making entries in books, they are Evidences for certain transaction, they are used for auditing purpose, Source documents serve as evidence of the terms and conditions agreed upon for any transaction, Source documents, can easily be used to identify and interpret the relevant information.

2.2 Theoretical Review

The information Theory

Francis (2011) suggested that financial reporting is central to monitoring purposes. An alternative or compliment to the monitoring principle is the information principle, focusing on the provision of information to enable users to take economic decisions. Investor requires audited financial information on behalf of their investment decision-making and assessing of expected returns and risks. Investors value the audit as a means of improving the quality of financial information.

The Assurance Theory

Elder, Beasley, and Arens, (2010) define an assurance as an independent professional service that improves the quality of information for decision makers. This theory helps in given assurance to the users of financial statements on the accuracy of the information contained in the reports.

Asymmetric Theory

As Akerlof (1970) observed, disparities in knowledge access can significantly impact the functioning of capital markets for trade and business transactions. In line with this, unequal information access can disrupt the regular marketplace for trading goods and conducting business, particularly in certain financial operations. This theory provides an imaginary explanation for the onus placed on bank executives who occupy superior positions within the corporate hierarchy, as they possess a deeper understanding of the banks they oversee and are responsible for disseminating this knowledge to financial experts who rely on it for strategic decision-making.

In a related context, Ball (2009) highlighted deliberate disclosures and financial statements as two equivalent means through which executives communicate critical information. In their study, Gigler and Hemmer (1998) noted that independently assessed financial results reporting serves as a "supportive role," enabling shareholders to assess the competence and trustworthiness of prior voluntary disclosures. This enables directors to transparently present information that is pertinent to valuation, even if it may not be indisputably verifiable in every case.

2.3 Empirical Review

Hung, Van, and Archer (2023) examined the influence and importance of firm characteristics on the quality of financial statements of listed companies in Vietnam's stock market from the audit point of view. Regression models and machine learning algorithms was used to investigate data from 2225 observations of listed companies in the period 2014–2020.

Findings showed that business profitability, business size, and the size of the Board of Directors positively correlate with the quality of financial statements. In contrast, dividend policy, state ownership, and enterprise listing time have a negative relationship. Results show that the most critical factors affecting financial statement quality include profitability, profit after tax on total assets, state ownership, and enterprise size. This finding has practical implications for market participants and policymakers in improving financial reporting transparency and quality.

Pangaribuan, Sunarsi, Santoso, Wahyuni, and Yoewono (2023). This study aims to determine the effect of accounting standards, internal control systems and accounting information systems on the quality of the financial report. The study adopted a survey approach with a sample of 197 employees, using variance-based data analysis techniques. The results showed that applying accounting standards and internal control systems significantly affected the quality of the financial report. However, this was different with the application of accounting information systems. This implies that the application of accounting standards, internal control systems and accounting information systems are important in improving the quality of financial reports. This research provides important input contributions in efforts to improve the quality of financial reports.

Abed, Hussin, Haddad, Almubaydeen, and Ali (2022) conducted a study on creative accounting determination and financial reporting quality: the integration of transparency and disclosure. The study's proposed hypotheses were thoroughly examined, and the desired objectives were achieved through a deductive research approach, facilitated by the administration of a survey questionnaire. The findings from this research also highlight a discernible link between transparency, disclosure, and the impact of factors associated with creative accounting practices.

Dabor and Adeyemi (2015) examined Corporate Governance and the Credibility of Financial Statements in Nigeria. Primary data collected from two hundred and forty eight respondents, and secondary data from twenty quoted companies in Nigeria, . The secondary data was analysed using multiple regression, while the primary data was used to test hypotheses using the chi-squared test. Findings revealed that including non-executive directors on the board, and compliance with audit committee composition as provided by the Nigerian Companies and Allied Matters Act (CAMA) 1990 are likely to enhance the credibility of financial statements. The study recommend that apart from including non-executive directors on the board and ensuring that the composition of the audit committee complies with corporate regulatory framework, stakeholder must constantly assess the credibility of the financial statements by assessing the benefits accruing to them in relation to their financial exposure to the organization.

Oyerogba (2014) examined the use of voluntary disclosure in determining the quality of financial statements: evidence from the Nigeria listed companies. An exploratory research methodology was employed in this study, which centered on the entirety of Nigeria's 258 publicly traded companies during the research period. Primary data was collected through the use of a questionnaire, and descriptive statistics were utilized for analysis. The study's results revealed that voluntary disclosure had contributed to improved performance and facilitated simplified decision-making for investors. According to the study's findings, there was a statistically significant correlation between voluntary disclosure and both investor decision-making and the performance of listed companies in Nigeria.

Van Beest, et.al (2009) examined the Quality of Financial Reporting: Measuring Qualitative Characteristics. 231 annual reports from companies listed at US, UK, and Dutch stock markets in 2005 and 2007 was used. Data and results were tested for both inter-rater reliability (using Krippendorff's alpha) and internal consistency reliability (using Cronbach's alpha). Compound measurement tool was constructed to comprehensively assess the quality of financial reporting in terms of the underlying fundamental qualitative characteristics (i.e. relevance and faithful representation) and the enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) as defined in 'An improved Conceptual Framework for Financial Reporting' of the FASB and the IASB (2008). findings suggest that the measurement tool used in this study is a valid and reliable approach to assess the quality of financial reports.

The measurement tool contributes to improving the quality assessment of financial reporting information, fulfilling a request from both the FASB and the IASB (2008) to make the qualitative characteristics operationally measurable. Also, the concept of financial reporting quality encompasses more than just financial data; it also encompasses disclosures and other pertinent non-financial information that are thoughtfully included in reports to aid in decision-making.

Regina (2006) conducted an investigation into the impact of information asymmetry and the quality of financial reporting on debt trading within the secondary loan market, utilizing secondary data sources. The study's outcomes reveal two significant findings. Firstly, there is a positive correlation between firm-specific and loan-specific bid-ask spreads in secondary loan trading. Secondly, the bid-ask spread at which borrowers' loans are exchanged experiences a decrease when economic losses are promptly reflected in their financial statements. These findings suggest that high-quality financial reporting not only enhances efficient secondary trading but also reduces information costs associated with debt agreements, especially in settings characterized by significant information asymmetry. Loans sourced from private companies, loans lacking an available credit rating, loans syndicated by less reputable arrangers, troubled loans, and loans from loss-making firms are observed to be traded with significantly wider bid-ask spreads.

McDaniel, Martin and Maines (2002) conducted research on Evaluating Financial Reporting Quality: The Effects of Financial Expertise vs. Financial Literacy The study employs a 2 (financial designation) 3 (financial item salience classification) mixed design, with financial designation as a between-subjects factor and financial . Results suggest that experts' evaluations of financial reporting quality are more strongly associated with their assessments of characteristics underlying reporting quality (e.g., relevance) espoused in Statement of Financial Accounting Concepts No. 2's framework than literates' evaluations.

3. RESEARCH METHOD

This study adopted exploratory and survey design due to the fact that it lacks stored data about the subject matter. Data were collected through primary source with use of questionnaire. A questionnaire was developed using a five-point Likert scale. The staff of Finance and supply, Budget and Planning, Accounts and Audit unit of (Cocoa products Ltd (Ile-Oluji) and Ile-Oluji/Okeigbo Local Government) were used for this study since they get involved in accounting processes. Sixty (60) Staff of the organizations mentioned above were used due to their relevance as the Population for the study.

A sample size of Fifty-two (52) people was selected for the study. Copies of Questionnaire were distributed and only Fifty (48) copies were returned. Taro Yamane formula was used to arrive at the sample size. Data were collected, presented and analyzed with the use of descriptive statistics such as frequency tables and simple percentage. Hypotheses were tested using Chi-square estimation method. Proxies used to explain the independent variable are voucher; invoice and receipt while for dependent variable were sustainability of business operations and expansion in business operations.

Applying the Taro Yamane formula, $n = N/1+N(e)^2$
n = sample size
N = population
e = error limit
Therefore, $n = 60/1+60(0.05)^2$
$n = 60/1.15$
$n = 52$

4. DATA ANALYSIS AND DISCURSION

The data on Table below shows responses of forty-eight (48) respondents to the administered questionnaire.

Table 1: Analysis of responses to Genuine source document and its significant effect on the credibility of financial reports/records

S/No	Statement	SA	A	UD	D	SD	Total	Remark
1.	Non identification and improper analysis of receipt as source document affect the credibility of financial reports	35 73%	11 23%	1 2%	0 0%	1 2%	48 100%	Agreed
2.	Non identification and improper analysis of Invoice as source document affect the credibility of financial reports	30 63%	10 21%	2 4%	5 10%	1 2%	48 100%	Agreed
3.	Non identification and improper analysis of payment voucher as source document have negative effect on the credibility of financial reports	30 63%	15 31%	1 2%	1 2%	1 2%	48 100%	Agreed
4.	Non Identification and improper analysis of credit note as source document do not enhance the credibility of financial reports	20 42%	18 38%	4 8%	3 6%	3 6%	48 100%	Agreed
5.	Non identification and improper analysis of debit note as source document affect the credibility of financial reports	23 48%	20 42%	4 8%	0 0%	1 2%	48 100%	Agreed
6.	Non identification and improper analysis of bank statement as source document affect the credibility of financial reports	30 63%	12 25%	3 6%	0 0%	3 6%	48 100%	Agreed

The results in Table 1 disclosed that majority of the respondents agreed with all the statements stated to deduce that genuine source document has significant effect on the credibility of financial reports.

Table 2: Analysis of responses to Credibility and Minimization of adjustments in the financial reports/records

S/No	Statement	SA	A	UD	D	SD	Total	Remark
7.	Identification and analysis of genuine source documents enhance the credibility of Financial reports	27 56%	16 33%	3 6%	1 2%	1 2%	48 100%	Agreed
8.	Identification and proper analysis of genuine source documents minimizes adjustments of transactions before the preparation of final account	20 42%	20 42%	6 13%	1 2%	1 2%	48 100%	Agreed
9.	There is a relationship between genuine source documents and credibility of financial reports	31 65%	12 25%	4 8%	0 0%	1 2%	48 100%	Agreed
10.	increase in the number and emolument of employees is a byproduct of credibility of financial reports	21 44%	12 25%	5 10%	6 13%	4 8%	48 100%	Agreed
11.	There is a relationship between credibility of financial reports and expansion in business operations	21 44%	21 44%	3 6%	2 4%	1 2%	48 100%	Agreed
12.	Credibility of financial reports enhances investors' confidence and prospect	27 56%	14 29%	5 10%	1 2%	1 2%	48 100%	Agreed
13.	Identification and proper analysis of genuine source documents reflect the true status of organizational financial position	29 60.4%	14 29.1%	2 4.2%	2 4.2%	1 2.1%	48 100%	Agreed

The results in Table 2 revealed that majority of the respondents strongly agreed with all the statements stated to deduce that identification and proper analysis of genuine source documents minimizes adjustments of transactions before the preparation of final account

Test of Hypotheses

Hypothesis 1

H0: Genuine source documents do not have significant effect on the credibility of financial reports

Table 3: Chi-square showing effect of Genuine source documents on the credibility of financial reports

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	48.000[a]	4	.000*
Likelihood Ratio	65.790	4	.000
Linear-by-Linear Association	29.842	1	.000
N of Valid Cases	48		

The result of chi-square in Table 3 shows that chi-square value 48.000, P value 0.000 lesser than 005 level of significance. This implies that Genuine source documents have significant effect on the credibility of financial reports.

Hypothesis 2

H_0: Proper identification and recording of genuine source documents do not assist in minimizing adjustments of transactions before the preparation of final accounts.

Table 4: Chi-square showing Proper identification and recording of genuine source documents assist in minimizing adjustments of transactions before the preparation of final accounts.

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	29.511[a]	4	.000*
Likelihood Ratio	39.892	4	.000
Linear-by-Linear Association	23.793	1	.000
N of Valid Cases	48		

The result of chi-square in Table 4 shows that chi-square value 29.511, P value 0.000 lesser than 005 level of significance. This implies that Proper identification and recording of genuine source documents assist in minimizing adjustments of transactions before the preparation of final accounts.

5. DISCUSSION OF FINDINGS

In view of the results obtained from the presentation and analysis of data, as well as the test of hypotheses, the discussion of the major findings of the study is as follows: there is a relationship between genuine source documents and credibility of financial reports. Also, identification and proper recording of genuine source documents have significant effect on the credibility of financial reports as well as helping in minimizing adjustments before the preparation of final reports in an organization.

The essence of any financial statement is to show a true and fair view of the various financial activities of an organization at the end of a particular period. Accounting itself is an act of identifying, recording, classifying, summarizing and interpreting financial transaction in order to give adequate information for decision making.

As highlighted by Van Beest et al. (2009), the concept of financial reporting quality encompasses more than just financial data; it also encompasses disclosures and other pertinent non-financial information that are thoughtfully included in reports to aid in decision-making. Also, the findings aligned with the study of Pangaribuan, Sunarsi, Santoso, Wahyuni, and Yoewono (2023), which revealed that the application of accounting standards, internal control systems and accounting information systems are important in improving the quality of financial reports.

This study is also linked to and hinged on information theory and asymmetry theory as posited by Francis (2011). This holistic approach to financial reporting quality is of significant importance to both existing and prospective investors. This cannot be achieved when there is improper identification of genuine source documents and in ability to record transactions in the necessary books of original entry.

6. CONCLUSION

Based on the findings from this study, it was concluded that, if the identification of genuine source documents is jettisoned, accounting procedures cannot be completed, this goes to buttress the fact that source documents have a great positive impact if properly identified and recorded. In the same vein, it will have negative impact if source documents are not properly identified and recorded on the financial statements of an organization.

Proper identification and capturing of genuine source documents can also help in reducing the level of adjustments, financial scandals and window dressing in the Accounting cycle of an organization. The credibility of financial statements can be guaranteed if relevant details relating to financial transactions are captured as they occur.

7. RECOMMENDATIONS

In view of the findings in this study, the following recommendations were made:

1. Organizations should identify relevant source documents as soon as transaction is consummated
2. Summary of entries should be done to minimize various entries of similar type of transactions
3. The figure in the final accounts should be substantiated with the relevant source documents and balances from various similar books of original entry
4. Every transaction, no matter how minor it may be should be captured to ensure the credibility of the financial statement.
5. Proper identification and recording of source documents should be done in order to minimize adjustments before the preparation of final accounts.

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