

## THESIS ABSTRACT

Master of Business Administration  
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Adventist University of Africa

School of Postgraduate Studies

Title: FACTORS INFLUENCING FINANCIAL DECISION-MAKING IN  
ZIMBABWE UNION CONFERENCE INSTITUTIONS

Researcher: Makhosiwonke Moyo

Faculty advisor: Carmelita Troy, PhD

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This paper investigated various elements that affect financial decision-making in church denominational institutions operated by the Zimbabwe Union Conference and the link between financial reporting and financial decision-making. Denominational policy provides guidelines for the financial reporting process, but some entities do not adhere to the policy requirements. The study was a cross-sectional and causal one using a questionnaire that was distributed to all the board members of the five respondent institutions. The questionnaire was used to determine the financial reporting practices and their relationship to financial decision-making in the institutions. For the descriptive data, the method of analysis was frequency and percentages as well as mean and standard deviation. Correlation analysis was used to analyse the relationship between the financial reporting variables and decision-making, and a regression analysis was used to assess if any of the variables have an effect on decision-making. Only three of the variables under study have a significant

relationship with decision-making, namely: the combination of the financial statements constituting the financial report, the board's understanding of the financial report and the role of the higher organization. Only the Role of the Higher Organization has a significant effect on financial decision-making. Therefore, I conclude that the higher organisation must be diligent in implementing oversight and requiring compliance with the working policy.

Adventist University of Africa

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FACTORS INFLUENCING FINANCIAL DECISION-MAKING IN ZIMBABWE  
UNION CONFERENCE INSTITUTIONS

A thesis

presented in partial fulfilment

of the requirements for the degree

Master of Business Administration

by

Makhosiwonke Moyo

June 2017



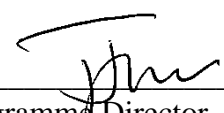
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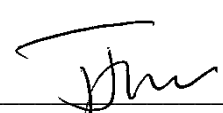
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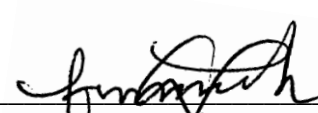
by  
Makhosiwonke Moyo

APPROVAL BY THE COMMITTEE:

  
\_\_\_\_\_  
Advisor: Carmelita Troy, PhD

  
\_\_\_\_\_  
Programme Director, MBA  
Josephine Ganu, PhD

  
\_\_\_\_\_  
Reader: Josephine Ganu, PhD

  
\_\_\_\_\_  
Dean, School of Postgraduate Studies  
Daniel Ganu, DrPH

AUA Main Campus

Date: June 2017

This thesis is dedicated to the  
Zimbabwe Union Conference of Seventh-day Adventists—the entity  
that sponsored me for the coursework of my MBA and also allowed me  
to carry out this study by surveying its institutions.

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## LIST OF ABBREVIATIONS

ABC	Adventist Book Centre
ADP	Adventist Dental Practice
ADRA	Adventist Development and Relief Agency
AUA	Adventist University of Africa
CFO	Chief Financial Officer
GC	General Conference of Seventh-day Adventists
IASB	International Accounting Standards Board
QUEACH	Queen Elizabeth Adventist Children's Home
SDA	Seventh-day Adventist
SDAAM	Seventh-day Adventist Accounting Manual
SEC	Securities and Exchange Commission
SID	Southern Africa-Indian Ocean Division of the General Conference
SIDWP	SID Working Policy
SU	Solusi University
ZUC	Zimbabwe Union Conference

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# CHAPTER 1

## INTRODUCTION

### **Background of the Study**

According to the International Accounting Standards Board (IASB), the objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions (2010). Nurnberg (2012) refers to it as “decision usefulness” (p. 65). This element of decision-making is true for most, if not all, the stakeholders of an enterprise. Financial statements help users to make better decisions including assisting investors to decide whether or not to invest in a particular company, lenders to decide if the company is worth lending and creditors to assess a company’s creditworthiness (Stover, 2016). Internal to the organization, the income statement is used to help to make decisions relating to the control of operating expenses. A decline in the cash flow of a company indicates that the manager(s) must “reassess pricing, inventory, overhead, debt, and other short-term decisions to improve the company’s cash position (*“The role of financial statements in managerial decision making,”* 2016).

It is in view of the fact that financial statements are necessary for decision-making, that the Seventh-day Adventist (SDA) Church has made financial reporting a requirement at all levels of church administration. According to the *Church Manual* “Reports of all funds received and disbursed should be presented at the regular business meetings of the church. A copy of these reports should be given to the

leading officers” (p. 83). The *Working Policy of the General Conference* and those of its 13 divisions also require that financial reports be distributed regularly as exemplified by the *SID Working Policy S 19 05* (2015) that sets the minimum frequency of monthly financial statement distribution as follows:

1. At least nine of the twelve monthly financial reports must be provided to the organization’s administrative officers.
2. At least four of the twelve monthly financial reports, reasonably spaced throughout the year, must be provided to the controlling board, executive committee, and officers of the next higher organization.
3. In the case of relatively inactive organizations, quarterly financial reports are required (instead of monthly). (p. 462-463).

*SID Working Policy S 19 10* states that the administrators of the organization must study the financial statements and that the controlling board or executive committees are expected to compare the financial statement actuals against the approved budgets, in order to assess financial performance.

However, some entities in the Zimbabwe Union Conference of SDA (ZUC) have not distributed financial reports regularly and other ZUC entities, which do distribute their financial reports regularly, often have not used them or referred to them when making financial decisions. This increases the risk of compromising the quality of decisions that are being made.

### **Statement of the Problem**

According to *SID Working Policy S 19* (2015), “In order that controlling boards, executive committees, and responsible officers may be kept fully informed concerning the operations under their control, monthly financial statements should be furnished to the members of the controlling boards and committees and to the officers of the next higher organization.” This policy requires denominational institutions to produce and distribute finance reports on a regular basis. However, this is, at times, neglected by some institutions. Financial statements are not being produced or

remitted to the next higher organization on a timely basis. As a result, decision-making may be impaired, because not only are financial statements not consulted as a part of the decision-making process, they sometimes may not even be available to be consulted.

### **Research Questions**

The purpose of the research was to document whether these entities are in compliance with the working policy and whether or not, the following of policy impacts the decision-making process. The specific questions to be addressed were as follows:

1. What are the financial reporting practices of the respondent institutions compared to the SID policy?
2. Is there any significant relationship between financial decision-making and:
  - a. Financial reporting
  - b. Role of Controlling Boards
  - c. Role of the Higher Organization
3. Do the demographic variables (such as age, education and experience) have an effect on financial decision-making?
4. Is there any significant effect of (a) Financial reporting, (b) Controlling Board and (c) Higher Organization on financial decision making?



## **Hypotheses**

In view of the research questions above, the following hypotheses were posed:

H<sub>0</sub> 1: There is no significant relationship between financial decision-making

and:

- a. Financial reporting
- b. Role of Controlling Boards
- c. Role of the Higher Organization

H<sub>0</sub> 2: Demographic variables (age, gender, educational qualifications and years of board service) have no effect on financial decision-making.

H<sub>0</sub> 3: Financial reporting, the controlling boards and the higher organization have no effect on financial decision-making.

## **Significance of the Study**

The findings of this research can be useful to decision-makers in the SDA entities in ZUC, including administrators and controlling committees. The results are also helpful to higher organizations that have the responsibility of supervising lower entities, since the supervision role includes ensuring that financial reports are distributed regularly, according to policy. The results can be helpful to the CFOs of church entities together with their treasury teams, as they work to be in compliance with policy requirements. The findings of this study can also be useful to the oversight bodies of the various denominational entities, if the general structure is the same, the dynamics and variables are similar- making this a relevant case study. Outsiders and other researchers can benefit from the findings of this research, to the extent that the principles and findings can be applied generally to other entities including non-SDA entities within ZUC, as well as other unions and divisions of the SDA Church and also in the broader context of not-for-profit entities in Africa.

The study documents and describes the relationship between financial reporting and decision-making. It will serve as an informative document for various decision-makers, making them aware of the various variables that are at play as they do financial reporting and make financial decisions.

CFOs and their financial management teams are expected to distribute financial reports regularly as a requirement of policy. This study helps them understand the rationale behind the policy requirements. Of particular importance is relationship between the board's understanding of the financial reports and decision-making. For other decision-makers such as controlling committees, the findings of this research reiterate the importance of financial reports, encouraging them to ensure that they receive the financial reports in a timely fashion. And finally, this study is helpful to other researchers, as the thesis will add to the body of knowledge on financial reporting in religious organizations.

### **Scope and Limitations of the Study**

The Zimbabwe Union Conference currently has five institutions that report to and are supervised by it. These are the Adventist Book Centre (ABC), the Adventist Dental Practice (ADP), the Adventist Development and Relief Agency (ADRA), Queen Elizabeth Adventist Children's Home (QUEACH) and Solusi University (SU). These institutions are the population that was studied in this research.

The Adventist Book Centre (ABC) is the official distributor of literature for the Seventh-day Adventist Church in Zimbabwe. The ABC is headquartered in the country's second largest city, Bulawayo and has three main branches and twenty sub-depositories scattered throughout the country. It also is the distribution center for vegetarian meat, grains, nuts and other health foods. The Union Publishing

committee, chaired by the Union President, is the governing board for the ABC. The manager and chief financial officer both have Master's degrees relevant to their work.

The Adventist Dental Practice is situated on the Union premises. As such, its main catchment area is generally the city of Bulawayo. Its staff complement includes a director (a dentist), two additional dentists, an accountant (who holds a degree in accounting), two dental assistants, a receptionist/secretary and a janitor. The Union president chairs the ADP board and the ADP director serves as the secretary.

The Adventist Development and Relief Agency (ADRA) has its offices in Harare, the capital city. It is funded by donors from all over the world. The ADRA Country Director and Finance Director are denominational employees, but all the other staff are contract workers. ADRA Zimbabwe is governed by a board that is chaired by the Union President. The country Director is the secretary of the board. The union Secretary and Treasurer are also members of the board, together with some conference president and lay members.

The Queen Elizabeth Adventist Children's Home (QUEACH) is an orphanage situated in Bulawayo and accommodates children from birth to age thirteen. Some of the children are orphans while others were abandoned by parents who were not identified. In order to subsidize the costs of running the children's home, QUEACH operates a preschool on the same campus. The Union President chairs the QUEACH board. The QUEACH Matron is the secretary and the union executive secretary and treasurer are also members of the board. The accountant is an intern who is working on his accounting degree.

Solusi University (SU) is the only tertiary institution run by the SDA Church in Zimbabwe. SU is situated fifty kilometers from Bulawayo and draws its students from all over Zimbabwe and beyond. It is governed by a university council that is chaired

by the Union executive secretary and the union CFO is a member of the council. The union president serves as the chancellor of the university. The union CFO chairs the University Finance Committee of Council, whilst the university Director for Financial Administration serves as the secretary of the finance committee.

It is these institutions that were of interest in this research that examined compliance with working policy in terms of preparation, distribution and use of financial reports in decision making. This research relied on surveys of members of controlling committees and structured interviews of the administrators of the entities mentioned above.

There were limitations in that, due to human nature, some respondents could not recall some things completely which impacted the results. Some respondents did not cooperate with the researcher- i.e., they did not complete the questionnaire. Another limitation was the sample size. The target group for the questionnaires were the board members of the five responded institutions. This meant that the total population was 70. The group sample size was small. As such, the results may not be generalizable, but still provide some useful information regarding compliance with policy and the impact that that has on financial decision-making.

### **Operational Definition of Terms**

#### 1. Documents

- Church Manual: This is a guiding handbook of the SDA Church that covers generally all church life, procedures and standards and is applicable to every SDA entity and SDA member worldwide.
- Working Policy: This is a document that serves as a manual and has guidelines for all activities and procedures that affect the church in the

constituency. The working policy is always in harmony with the church manual.

## 2. Organizations

- General Conference (GC): The General Conference is the world headquarters of the SDA Church and it is situated in Silver Spring, Maryland, Washington D.C., USA. It supervises the 13 divisions of the church organization.
- Southern Africa-Indian Ocean Division (SID): A division of the General Conference that covers the southern part of Africa. Its territory covers 23 countries including the Indian Ocean islands. It supervises the unions including the Zimbabwe Union Conference. The SID is responsible for oversight of the 10 unions in its territory.
- Zimbabwe Union Conference (ZUC): Is the headquarters of the church in Zimbabwe. It supervises the six conferences and reports to the SID. It also supervises the five institutions under review.
- Conference: This is a layer of church administration that oversees the local churches (congregations). It is this layer of church administration that employs and pays the pastors who oversee the churches.
- Constituency: This is the membership of a particular level of church administration.

- ## 3. Financial Reporting: In this study refers to the preparation, distribution and presentation of financial statements and other information that helps in understanding the financial position and operating results of an entity.

4. Decision-Making: financial decisions that the controlling boards make, including granting loans to employees, giving bonuses to employees, approval of capital expenditures, such as acquisition of immovable property.
5. Board members: This is the membership of the governing or controlling boards. Boards are composed of administrators from the higher organization, the local entity administrators and lay Adventist members.
6. Higher Organization: In this study, the higher organization for the all the institutions under review is the Zimbabwe Union Conference. It is the body that supervises all the institutions under study.

## CHAPTER 2

### REVIEW OF LITERATURE

In this section, I review the literature on decision-making and its relationship with financial reporting, governing boards and higher organizations.

#### **Financial Reporting**

##### **What is Financial Reporting?**

Turker and Sayar (2014) define financial reporting as the preparation of “such statements as balance sheet, income statement, cost of sales, fund flow statement, and cash flow statements based on monetary commercial affairs of enterprises” (p466).

According to Zager and Zager (2006), financial statements are prepared from accounting information. Accounting gathers, processes and studies raw data and converts the data into decision-useful information. Zager and Zager (2006) outline the accounting process as follows: collecting data about business events, business event analysis, recording in the business books, preparing the trial balance and then preparing the financial statements—the final product.

However, Kothari and Barone (2011) view financial statements as forming only a part of the financial reporting process. They note that some organizations add to the financial statements by presenting management review of the financial statements — explaining and describing the highlights of the organization’s financial performance and position. Some reports will include the principal challenges that the organization faces. All this makes up a financial report. But the basics are the

financial statements. It must be noted that many writers, including Kothari and Barone (2011) use “financial reports” and “financial statements” interchangeably.

### **Objectives of Financial Reporting**

The objective of a financial report is to provide information that is useful to investors and creditors for them to make decisions since they are the ones who provide resources to the organization. This is the primary user group since they have some sort of claim on the resources of the entity. (Kothari and Barone, 2011).

The American Institute of Certified Public Accountants (AICPA) recognizes that the objectives of financial reporting are different depending on the different types of entities. For instance, they state that the main objective of preparing financial statements for the governmental organizations and other non-profit making organizations is to facilitate decision-making. According to the AICPA, non-profit financial reporting differs from the usual financial reporting of commercial companies in that the non-profit organizations generally have a different emphasis.

Accomplishment of their mission is more important than the bottom line statements.

Freeman, Shoulders, Allison and Smith (2014) note that the objectives of financial reporting arise from the needs of external users, who usually cannot dictate the information that they want from an organization. The Financial Accounting Standards Board was established to create a body of standards that meet the needs of financial statements’ users generally. They also state that there are managers and governing bodies that need internal accounting information for planning and controlling activities. It must be noted that internal information differs from external reports in that the internal information is for aiding the management in control and planning activities- internal decision making, whereas external reports are for users



outside of the organization who need to make decisions about investments, credit worthiness and so on.

Freeman, et al (2014) also note that not-for-profit organizations should provide information that is useful in making rational decisions about the allocation of resources. The information must also be useful in assessing the services a nonprofit organization provides and its ability to continue to provide those services. Lastly, the information must be able to facilitate the assessing of how managers of a nonprofit organization have discharged their stewardship responsibilities and other aspects of their performance.

The objective of preparing and/or distributing financial reports is to aid in making decisions- especially those of a financial or economic nature.

### **Composition of Financial Reports**

According to the International Accounting Standards Board (IASB), a complete set of financial statements is made up of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes that summarize significant accounting policies and other explanatory information. (Kothari and Barone, 2011). Some writers are satisfied with having financial reports consisting of only three basic financial statements- the ones listed in the standard but excluding the changes in equity (The role of financial statements, 2016).

**Statement of Financial Position.** The Statement of Financial Position is still known by many using its old name: “balance sheet” (Kothari and Barone, 2011). According to Zager and Zager (2006), the balance sheet is the fundamental financial statement that represents the company’s financial position and is the basis for estimating the security of business. This financial statement has three main sections -

Assets, Liabilities and Owners' Equity. The structure of the three components is important as it signifies the "correlation and interdependence" among them. The balance sheet is prepared as at the end of a particular period (Kothari and Barone, 2011). It is like a snapshot or a picture at that very moment. It is a summary of what the organization owns (as indicated under the assets section), owes to outsiders (as indicated under the liabilities section) and what it owes to insiders (as indicated under the equity section).

**Assets.** Assets are resources that the organization controls that whose value can be measured and are expected to generate future benefits (Libby et al, 2009). It must be noted that some resources are not reported as assets- such as secret recipes that a business owner created himself, because it is difficult to determine the value of such a resource. Fraser and Ormiston (2013) summarize assets simply as what the organization owns. The assets section is further broken down into subsections such as Current Assets, Property, plant and equipment, and Other Assets. Current assets include cash and other assets that are easily convertible into cash. The list of items that fall under current assets includes cash, marketable securities, accounts receivable and inventories. The property, plant and equipment subsection includes the company's fixed assets- tangible, long-lived and capital assets. These include buildings, land, furniture, equipment and so on. These are normally depreciated over their estimated useful lives except for land (Fraser and Ormiston, 2013).

**Liabilities.** Liabilities are measurable amounts that an organization owes to creditors (Libby et al, 2009). This constitutes all that is owed to outsiders (Fraser and Ormiston, 2013). Liabilities are also broken down into the following subsections: current liabilities, deferred income taxes, long-term debt and other commitments and contingencies. Current liabilities are those short-term payables that must be paid

within one year or one accounting year. These include accounts payable, accrued liabilities, income taxes payable, short-term debt and current maturities of long term debt (Fraser and Ormiston, 2013). Long-term liabilities, on the other hand are those liabilities that are due to be paid later than a year's time.

**Equity.** This is sometimes referred to as the Owner's Equity or Owners' Equity, depending on the type of business organization. This section represents the owner(s)' claim to the business based two aspects- the amounts that the owner invested into the business and the amounts that the business has earned through profits (Libby et al, 2009). Another way of viewing the equity section is that it represents what the organization owes to insiders- as opposed to the liabilities section that shows what is owed to outsiders (Fraser and Ormiston, 2013). In the case of not-for-profit organizations this section is simply referred to as Net Assets (Ruppel, 2007).

**Cash flow statement.** The statement of cash flows is viewed as the most challenging financial statement to interpret, yet it is among the most important since it shows how cash has been generated and expended during the period under review. It is broken into three sections - cash flows from operations (or operating activities), cash flows from investing activities and cash flows from financing activities. The cash flows from the three sections (inflows or outflows, whatever the case may be) when added together represent the change in cash—which should match the difference between the opening cash balance and the closing cash balance in the balance sheet.

### **Composition of Financial Reports for SDA Organizations**

According to the SID Working Policy S19 15, when a treasurer or CFO presents the financial report, there must be use of visual aids to make trends easy to understand and technical terms must be explained so that everyone, including those

not well versed in finances, may understand. The policy specifically states that the reports must be in comparative format and the following must be included in the report:

1. Statement of Financial Position
2. Statement of Financial Activities
3. Statement of Cash Flows
4. Footnote disclosures which are an integral part of the report
5. Other supplemental information, such as schedules showing details of assets, liabilities, income, expenditures, and certain further percentages or ratios.

Since the degree of detail required for adequate disclosure of the information in the financial reports varies according to the type or organization and the circumstances, it is left to the CFO to decide how much detail to share. The rule is guard against disclosing too little information resulting in violating working policies or misleading the committees and also guard against giving too much information and the report ends up confusing the committee (Seventh-day Adventist Accounting Manual, 2011). The amount of emphasis on each financial statement item has a bearing on the quality of the financial report (McDaniel, Martin and Maines, 2002). If the financial report has been audited, the auditor's opinion should accompany the report (SID Working Policy, 2015).

From the policy cited above, the composition of financial reports in the corporate world and for SDA organizations are notably similar.

## **Users, Uses and Types of Financial Reports in the Corporate World**

What are the financial statements used for? And who uses them? According to Libby, Libby, Philips and Whitecotton (2009), financial reports are classified into two kinds- managerial accounting reports and financial accounting reports. The users can be classified according to these types of reports.

**Managerial accounting reports.** The managerial accounting reports include detailed plans and continuous performance reports. These are designed for internal decision-makers. Internal decision-makers include managers and owner-managers. (Libby et al, 2009). These internal decision-makers use these reports to help them make decisions such as whether or not to continue or discontinue making certain products, where to set their employee salary levels, whether it is necessary to borrow money for capitalizing their projects, if so, how much to borrow etc.

Owners of businesses need to know how their businesses are running and to assess risk and potential future returns. They also need to be able to tell if their managers are running their business well (Kothari and Barone, 2011). Shareholders may not have access to the internal financial records, so they rely on the financial statements to see how well the company is doing (Libby et al, 2009). Financial reports help them to see this picture and make decisions.

Managers also need to review financial reports in order to make good decisions as they plan and control the organization on a day to day basis (Kothari and Barone, 2011).

**Financial accounting reports.** The accounting reports include periodic financial statements and related financial disclosures. These are designed for external decision-makers. External decision-makers include investors, banks, suppliers and customers. (Libby et al, 2009). These external users are not given the detailed internal

records- thus they just have to rely largely on the publicly available financial statements.

The first group of users of financial accounting reports are investors. There are two categories of investors- current and potential investors. The current investors are interested in what all owners or businesses are interested in- to see if the business is running profitably. They want to see if their managers are managing the business effectively. Both types of investors (current and potential) use the financial reports to assess risk levels and project future returns on investments. For shareholders, financial information is also needed the company's ability to pay dividends (Kothari and Barone, 2011).

Employees and their representative groups such as trade unions are also interested in the financial reports of their respective employing organizations as this gives them insight into the organizations' abilities to keep them in employment. Some have retirement plans that depend on the survival of their employing organizations, so they are interested in seeing that their employer is still financially sound- thereby guaranteeing their future (Kothari and Barone, 2011).

Entities such as banks that lend money to organizations also need to see financial reports in order to assess the entity's credit worthiness. Before an entity is given the loan, the lender wants to ascertain that they are worthy of credit. After the loan is given, the lender is still interested in the financial information because they want to monitor that the client is able to repay the principal and the interest (Kothari and Barone, 2011). The banks need to receive continuous financial reports so that they monitor progress and detect problems ahead of time (Libby et al, 2009).

According to Kothari and Barone (2011), suppliers and other creditors are also interested in the financial reports of organizations. Basically, their interest is similar to

that of lenders like banks. They want to be sure that they will get their payment at the future agreed date. Thus, their interest is normally in the short-term liquidity of the organization. At other times, however, suppliers and trade creditors are also interested in long term picture of the financial position because they want a continued business relationship.

Customers with a good long term relationship with a certain business are also interested in the financial picture of the company as they are keen in the continuance of the relationship (Kothari and Barone, 2011). Some are interested in financial reports just so they can be sure that they can see if the company will be able to continue honoring warranties and servicing their products (Libby et al, 2009).

Government and their agencies may also be interested in the financial reports of an entity. This information is helpful in computing income taxes. The information is also used by some governments to decide what tax policies to adopt. Other governmental agencies use the financial reports to see which organizations need financial support.

Financial reports of organizations are also sometimes used by the general public. An example given by Kothari and Barone (2011) is when entities have made a substantial contribution to the local economy like employing many people. That public will be interested in the continued financial success of that company as that will guarantee people being in continued employment.

Investment analysts are also interested in the financial reports of various companies as this helps them to assess the company as an investment option and be better able to advise their clients (Kothari and Barone, 2011).

Kothari and Barone (2011) also list competitors as another class that uses financial reports. Their interest is to see how the competitor is performing to assess

threat from competition. They also use them to provide a benchmark against which they can measure the performance of competitors.

### **Users of Financial Reports of Not-for-profit Entities**

For not-for-profit organizations, the users of the financial reports are similar to those listed above although there are variations due to the nature of business.

The not-for-profit organizations have boards of directors or trustees that oversee the governance side of the entity. They use the financial reports to be better informed and be able to make relevant and appropriate decisions (Brogan, 2012).

The management of the not-for-profit entity also must review the financial reports closely as this is an important tool for the day-to-day running of any organization (Brogan, 2012). However, when preparing the financial reports, management sometimes only considers their needs and those of their board of directors and neglect the needs of other users (such as employees and lenders) of the same financial reports (Ruppel, 2007).

The bulk of not-for-profit organizations are funded by donations in some form or another. Their donors may be interested to know if the funds they have donated are being used for the stated purpose and if what they have contributed to the organization's assets is being used effectively and not being misused (Ruppel, 2007). This group is interested in knowing that their funding is being used for the intended purpose. They are also interested in knowing if all their funds have been used or there are some leftovers. Another element of their interest is knowing whether the funds are used in harmony with the relevant grant agreement/contract that they entered into (Ruppel, 2007).

Government regulators (as well as state charity bureaus and internal revenue services) are interested in the financial reports of not-for-profit entities to ensure that



appropriate financial information is given to the public. On the other hand, since some not-for-profit entities generate other income and this is of interest to the government revenue authorities (Ruppel, 2007).

Just as in for profit enterprises, vendors are interested in the financial reports of not-for-profit entities just to ascertain that the organization is able to pay its bills (Ruppel, 2007).

Employees may be interested in knowing if their employing organization is in a financially viable and is likely to continue in operation, if their remuneration is assured for coming periods and if they can expect growth (Ruppel, 2007).

Lenders are interested in knowing of the entity will be able to repay what was borrowed- whether long-term or short-term (Ruppel, 2007).

### **Users of SDA Entities' Financial Reports**

For SDA denominational organizations, the users of financial reports are controlling committees (SDAAM, 2011). Mainly these are the executive committees of the Conferences, Unions and Divisions. For institutions, the controlling committees/boards are the boards and councils. The financial reports are to be presented to the local management of each institution too- they must review at least nine out of the twelve month financial reports (SIDWP, 2015). Delegates to constituency meetings must also receive these financial reports as well as other denominational stakeholders according to needs and circumstances.

### **Analysis of Financial Report Details**

For financial statements to be meaningful and useful, they must be studied carefully in their entirety. For example, as stated by Zager and Zager (2006) it is possible that an organization that is doing well according to the income statement, to

be struggling to pay for its liabilities. Thus, to improve the usage of the financial information for decision-making there is need for financial statement analysis. They define this as the “process where we convert data from financial statements into usable information for business quality measurement by different analytical techniques. Babalola and Abiola (2013) agree when they state that financial statement analysis is the application of analytical tools and techniques to get more insight into the import of the financial statements. According to Zager and Zager (2006), financial statements analysis is very important in the process of rational management. Financial statements analysis helps to recognize good characteristics of the company so that the company can capitalize on them, and also to see the company’s weaknesses and “take corrective actions.”

There are three types of financial report analysis- horizontal analysis, vertical analysis and ratio analysis. Horizontal analysis is based on comparing financial statements over time to examine the tendency and dynamics of particular basic financial statement positions. These observed changes are used to estimate efficiency and security of the company (Zager and Zager, 2006). This is an analytical tool that is used to highlight relative changes in financial statement data from one period to the next and even over extended periods of time. The financial statements present percentage changes in the financial statement amounts in relation to the amount in the previous period (Stickney, Brown and Wahlen, 2007).

Another consideration in financial statements analysis is the vertical analysis. This procedure allows insight into financial statement structure. This is significant in the context of business quality (Zager and Zager, 2006). It is useful in analyzing relationships between financial data within the financial statements. This vertical analysis is also referred to as common-size financial statements. In common-size

financial statements, all amounts in the particular financial statement are expressed as a percentage of a particular common base. For example, for balance sheets the base is normally total assets- meaning all other amounts are expressed as a percentage of total assets. For Income statements, it is normally sales revenue- all other figures therefore are expressed as a percentage of the sales revenue amount (Stickney, Brown and Wahlen, 2007).

Another element in financial statements analysis is the use of ratios. According to Zager and Zager (2006), ratios measure the quality level of particular economic phenomena which are included in the financial statements. These ratios express relationships between various items on the three main financial statements and they help indicate the various dimensions of profitability and risk (Stickney, Brown and Wahlen, 2007).

### **Analysis of SDA Organizational Financial Report Details**

For denominational organizations, there are ratios that can and should be used to analyze financial reports. These are classified into two categories - financial position ratios and operating activity ratios. The Manual states that these are not all-inclusive and further that since denominational organizations differ, each entity is to use those ratios that are most relevant for them (SDAAM, 2011).

The accounting manual lists ratio of liquid assets to commitments, ratio of recommended working capital, ratio of receivables to operating net assets, ratio of plant assets to net assets, current ratio, debt percentage and equity (net asset) percentage. These are the ratios that are suggested by the manual to be used to evaluate the financial condition of a denominational organization. The ratio of liquid assets to commitments and the ratio of recommended working capital are mandatory to be reported in a note to the financial statements (SDAAM, 2011).

The Seventh-day Adventist Accounting Manual lists the ratio of self-support, ratio of net income to net sales (or total earned income), ratio of cost of goods sold to sales, ratio of gross profit to sales, ratio of operating expense to net sales, ratio of payroll-related expense to net sales, ratio of payroll-related expenses to tithe, collection percentage (student receivables), accounts receivable turnover and inventory turnover as suggested ratios to be used to analyze operating activity. None of these ratios are mandatory (SDAAM, 2011).

The SIDWP S 19 10 calls for administrators of the church's organizations to analyze the monthly financial statements. The policy highlights that the analysis must compare the income against expenses and that both income and expenses are to be compared to the approved budgets, and action taken to address significant variances. The same policy also calls for the governing boards of the institutions to analyze the financial reports. These details must be part of the format of the financial statements in order to facilitate the analysis. I talk more about the governing boards in a later section below.

### **Governing Boards**

SIDWP S 19 05 requires that financial reports be furnished to the governing boards of the SDA Church institutions. In this section I review literature concerning governing boards.

#### **What Are Governing Boards?**

According to Boivie et al. (2016), boards are the “highest legal authority in the organization” (p 320). They are responsible for governing the organization and thus board members are the individuals who drive the entity in the route to a sustainable future, according to the National Council of Non-profits (2017). However, there are

differing schools of thought about boards as we know them. For example, Leblanc & Gillies (2005, p 6) state that “nothing is more important to the wellbeing of a corporation than its board of directors.” Yet on the other hand, Gillespie & Zweig (2010) argue that generally boards are ineffective- useless and harmless.

### **Conditions Conducive for Good Governance**

Governing boards are better able to carry out their governance roles when several conditions are in place. First, they must be accountable to the individuals or organization that put them in place. Without accountability, there may be poor governance. Secondly, the boards need to operate in a transparent manner. The third condition is efficiency. The board must be efficient in the way it operates. Fourthly, the boards are expected to follow the rule of law. Good governance requires that boards must be responsive. Boards must be both participatory and consensus oriented. Boards must not be exclusive- they must be inclusive. (National Council of Nonprofits, 2017). According to Coombes & Watson, (2000), good governance is equated to the independence of the board. Westphal and Fredrickson (2001) support this view and believe that it is possible for outsiders to monitor executives. But there are other scholars who argue that outsiders cannot effectively monitor those who are running the organization on a day to day basis.

### **Functions and Duties of Boards**

The boards are to play an oversight role. The expectation and understanding is that boards will act in the interests of the shareholders. The boards can effect this by ensuring that the right management is hired and remunerated appropriately, supervised. Boards are expected to monitor the activities and progress or lack thereof

of the organization. All this is part of their duties and responsibilities (Boivie et. al., 2016).

Other key roles of the board are ensuring that the organization is adequately funded. Whether this calls for getting donor funding or whatever it takes, if the organization is unable to carry out its mission because of financial constraints, the board will have failed in its responsibilities, according to the National Council of Nonprofits (2017).

The National Council of Nonprofits (2017) also points out that it is the duty of the board to hire the Chief Executive Officer (CEO) of the organization. Sometime the board only appoints the CEO and a few other senior executive officers. In other cases, the board just appoints the CEO and then the CEO through the organization's structures ensures the appointment of the other needed human resources. It is also the responsibility of the board to set the compensation of the CEO.

Boards are also responsible for adopting sound and ethical fiscal policies that are for the good of the organization- National Council of Nonprofits (2017).

Boivie et. al (2016) also argue that the board's basic role is information-processing. This means in order to be able to play their role they must get and process information. They then share the same information. This view is supported by Hinsz et al. (1997) who add that the boards have to first understand the information that they are expected to process.

The National Council of Nonprofits summarizes the duty of all boards (whether they are boards for a corporation or a nonprofit organization) as the duty of care, loyalty and obedience.

## **Barriers to Board Effectiveness**

There are several factors that make boards ineffective. First, there are individual factors. These include the character, competence etc. of the individual members who make up the board. Sometimes board members may be overwhelmed by outside responsibilities and fail to render the commitment necessary to effectively carryout their responsibilities. Other factors that can inhibit board effectiveness are board size, meeting frequency, diversity, norms of deference, CEO power and the like. Board size has its complications. Some argue that the larger the board, the more access it has to resources, but other studies have shown that the smaller the board the more effective it is. Large boards may develop friction among members. The frequency of board meetings has an effect on the board's effectiveness. Demographic diversity has been said to have positive effects on the quality of board decisions. Another category of barriers to board effectiveness is Firm level factors. These include the size of the firma and firm complexity. The firm size determines the complexity of the firm and therefore the complexity of the information that needs to be processed by the board. To arrive at good decisions, the board has to properly process the complex information. The firm itself may be a complex one thereby resulting in the board failing to properly process the information that they need to process (Boivie et al., 2016).

## **Composition of Boards**

According to Boivie et al. (2016), there are many advantages of diversity in the composition of the board. Diversity is in two categories, namely functional and demographic diversity. Functional diversity includes invisible characteristics that are hard to measure like the skills set- the variety of human and social capital that the

directors possess. Demographic diversity is more visible and includes such things as age, gender, race, ethnicity, education etc.

There are other issues that affect board composition. Boivie et. al. (2016) argue that boards cannot be expected to be effective if they are not properly composed. Sometimes the boards are composed of the CEO's friends or other people who are close to the CEO. This results in them being unable to effectively play their governance role. They just rubberstamp whatever is brought to them.

### **Boards and Decision-making**

According to Hinsz et al. (1997), before boards or any decision-making groups make decisions, they must get information in the correct context and process that information. Information that is processed well and understood is helpful in arriving at good decisions.

### **Parent Organizations**

Besides giving financial reports to local administrators and to members of the governing board, the SIDWP S19 05 requires that the same be submitted to the officers of the parent organization. In SDA jargon, parent organizations are called "higher organizations." In this section, we review literature pertaining to the higher organizations.

According to Investopedia (2017), a parent company is a one that controls another smaller business. This results from the parent owning a controlling share. The parent can be said to be "hands-on" or "hands-off" with subsidiaries, depending on the amount of managerial control given to subsidiary managers.

According to Edwards and Moss (2002) the more autonomy a subsidiary organization has, the better its chances of success. They argue that the dynamics on



the ground may call for measures different from standard procedures of the parent organization. If the subsidiary needs to wait for the parents to approve most decisions, they may uncompetitive at the end of the day because of the bureaucracy.

In the SDA Church the boards of subsidiary institutions have a great degree of autonomy on paper. The control comes in the fact that the said boards are chaired by an officer from the parent organization and the structure always includes at least three officers from the parent organization as members of the subsidiary's board. The decision-making process is therefore always monitored by the parent organization- at least at board level.

### **Financial Decision-making**

#### **Financial Reporting and Decision-making**

According to Lucey (2003), decision making is choosing between future, uncertain options.” Babalola and Abiola (2013) state that the goal of the financial statements is to improve business decisions by evaluating available information about a company's financial management, its plans and strategies, and its business environment. The AICPA highlights that decisions made in non-profit organizations include decisions on resource allocations, service delivery and so forth - in pursuit of the objectives of the respective organization. All such decisions are better made based on reliable financial reports.

Kothari and Barone (2011) state that the capital providers of an organization use financial information to make decisions of whether to use available finances for a particular project and how to allocate the funds. They also decide on how they can protect and enhance their holdings. As the investors make these decisions, one element that is always their interest is to assess whether they are able to generate

income and as well as the management's stewardship. All this information inputs into the capital providers' decision-making.

One of the roles of managers is to make estimations about future costs and revenues. Such information is not usually readily available. Such estimations can only be wrought using information from financial reports. In many cases the accounting information is the only formalized part of the information system available in the company records (Zimmerman, 2009).

After making decisions, management has the task of implementing the decisions that they have made. However, it is not always an easy task since the decisions sometimes conflict with the interests of employees. Hence there is need to come up with ways to align employee interests with maximizing the organization's value. So, in summary the accounting system must serve at least two purposes - to provide information needed for planning and control and also to motivate and monitor the employees (Zimmerman, 2009).

According to Weygandt, Kimmel and Kieso (2012), the decision-making process varies in scope, urgency and importance, but normally has the following four steps:

1. Identify of the problem and assign responsibility
2. Determine and evaluate possible courses of action
3. Make a decision
4. Review Results of the decision.

Accounting information is normally needed in steps three and four.

### **Conceptual Framework**

Based on the literature reviewed above, I theorize that there is a significant relationship between financial decision-making and financial reporting. The SID

working policy highlighted the role of controlling boards and the role of the higher organization and this suggests that there is or should be a significant relationship between these two elements and decision-making.

Based on the provisions of the SID working policy, my theory, visualized in Figure 1, is that financial reporting, the controlling boards and the higher organizations all have an effect on financial decision-making. Further the governing board and the higher organization officers should also have an effect on decision-making.

### Conceptual Framework

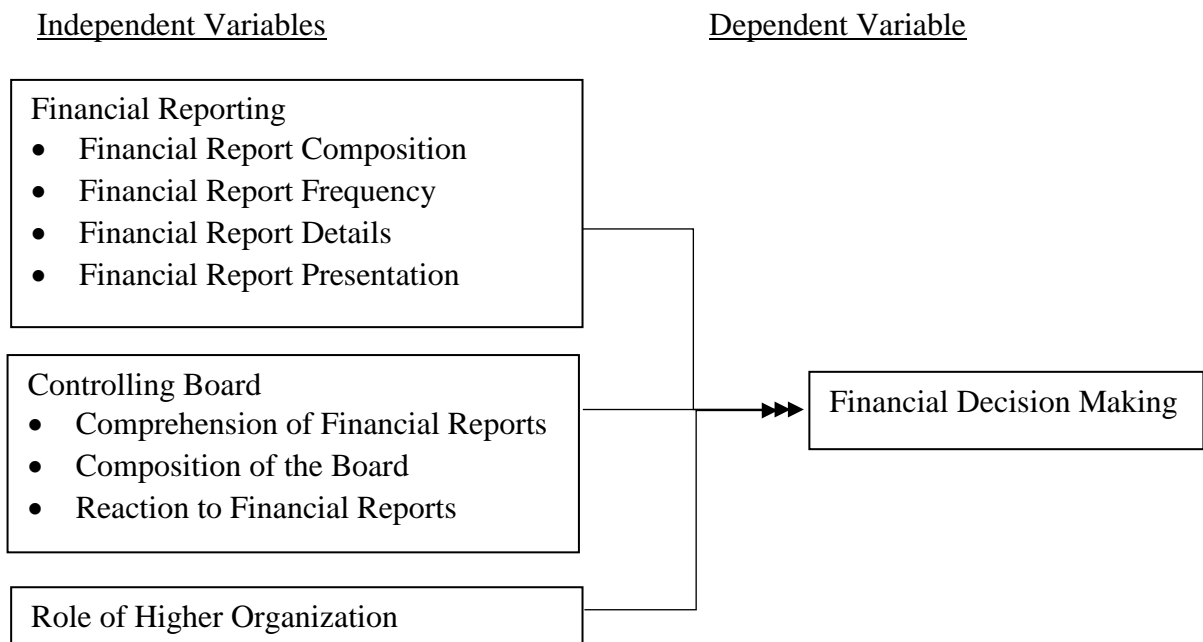


Figure 1. Conceptual Framework

## CHAPTER 3

### METHODOLOGY

#### **Research Design**

The goal of this research was to document whether the participating entities were following working policy regarding financial reporting and whether or not the following of policy impacted the financial decision-making process. In order to best accomplish this goal, the researcher adopted a cross-sectional causal design to analyze the financial reporting practices of specified ZUC institutions (namely ABC, ADP, ADRA, QUEACH and SU) and compared these practices to the working policy and decision-making practices. This was done using a mixed method of questionnaires and structured interviews.

#### **Population and Sampling Procedure**

The target population was the five institutions that report to the Zimbabwe Union Conference- namely the Adventist Book Centre (ABC), the Adventist Dental Practice (ADP), the Adventist Development and Relief Agency (ADRA), the Queen Elizabeth Adventist Children's Home (QUEACH) and Solusi University (SU). Due to the small size of the target population, the researcher utilized a census sampling technique and therefore included all primary decision-makers in all five entities. The primary decision-makers are the members of the governing boards and/or the administrators.

<u>Entities</u>	<u>Population</u>
Adventist Book Centre	9
Adventist Dental Practice	8
Adventist Development and Relief Agency	10
Queen Elizabeth Adventist Children's Home	13
Solusi University	<u>30</u>
TOTAL	<u>70</u>

### **Instrument for Data Collection (Validity & Reliability of Instrument)**

Two main instruments were used to collect the data:

1. Structured interviews (focused –group interview) of the administrators of the institutions under study. This group included the local management that comprises the leadership of each organization including the CFOs. This was helpful in bridging the gap that could not be easily covered by the questionnaires. But the results of the interviews were meant for the researcher's edification and not necessarily for analysis as part of the research. The researcher meant them to help understand the general setup and practices of each institution. A sample of the interview guide, consisting of ten questions is attached as Appendix C.

2. Questionnaires. These questionnaires assisted in gathering the required information. Section 1 of the questionnaire was designed to gain insight into the general characteristics of the respondents. Section 2 was designed to more directly answer the same questions in Section 3 so that in the event that the results in Section 3 proved inconclusive, due to whatever reason, Sections 2 could provide a more direct answer. Section 3 is the section with the scaled questions which would be used for the research. This section was divided into eight subsections that represent the eight

variables under study. Each subsection had a questions or questions that were designed to bring out the position about each variable. (See Appendix B for a sample of the questionnaire).

### **Instrument Validity**

On validity to ensure that the questions on the questionnaire were in line with the research objectives, business professors in the US, Kenya, South Africa and the AUA Research Committee vetted the questionnaire.

A factor analysis was conducted and after those results were considered, I revised the phrasing of some questions and removed some completely. Negative items had to be recoded, as indicated by the factor loading when the factor analysis was run.

### **Instrument Reliability**

To ensure reliability, the researcher conducted a pilot study to test the instrument. The researcher chose the AUA, since it is a similar type of institution to the respondent entities. The AUA Council members and invitees were asked to complete the questionnaire.

Table 1 shows the Cronbach's Alpha for the variables. The norm/standard is to consider variables with Cronbach's alpha reliability coefficient above 0.70 (Santos, 1999).

*Table 1. Cronbach's Alpha for Variables*

Variable	Cronbach's Alpha	# of Items
Financial Decision Making	0.92	2
Board Reaction Decisions	0.83	3
Financial Report Composition	0.94	7
Financial Report Comprehension	0.79	7
Role of higher Organization	0.89	6
Quality of Financial Report Presentation	0.81	4
Quality of Financial Report Details	-0.13	4

### **Ethical Considerations**

The research brought up some ethical concerns. Investigating policy requirements and comparing that to what is happening on the ground, could be unwelcome, perhaps viewed as a witch-hunt, especially where there is noncompliance with the policy. This could appear to point fingers at the CFOs or those charged with ensuring compliance with the financial reporting policies.

To mitigate these concerns, none of the questionnaires required the individuals' names, which enabled the responders to remain anonymous. The responses were held in strict confidentiality and each respondent had to send their completed questionnaires directly to the researcher. The researcher also assured the respondents that the data collected would only be used for this study.

All board members were encouraged to participate since the study is meant to help the whole system including the individual entities. I informed respondents that the results of this study would be published so that the entities can learn from the findings.

### **Data Collection Procedure**

For the questionnaires, I sought and obtained permission from ZUC and each of the respondent institutions to conduct this study. I, then, prepared a sample cover letter that was to be signed by the CEO of each entity on the institution's letterhead and emailed to all the seventy governing committee members together with the questionnaire. I also requested a contact or link person in each institution that he could work with on various follow-up items.

For interviewing the administrators, I conducted focus-group interviews with the participating institutions' administrators to get an understanding of the specific financial reporting practices of each institution.

### **Method of Data Analysis**

Several statistical techniques were used to analyze the data on the research questions. Frequency and Percentages were used to analyze the general characteristics of the respondents (demographics) as well as a direct question on the frequency of financial reporting. Means and Standard Deviations were used to analyze the descriptive statistics on financial reporting practices. Correlation analysis was used to analyse the relationship between decision-making and the other variables of the study. Finally, Multiple Linear Regression Analysis confirmed if the variables have an effect on decision making.

The results of the focused-group interviews were grouped into thematic areas and interpreted in the quantitative results.



## CHAPTER 4

### RESULTS AND DISCUSSION

#### Response Rate

The questionnaires were sent to all board members of the five institutions via email. As indicated in Table 2, the researcher distributed 70 questionnaires and received 53 responses. This represents a response rate of 75.71%. Solusi University Council response rate was only 56.67%. The response rates for the other four institutions was at least 75%. Table 2 shows the response rate results.

*Table 2. Response Rate*

Institution	Number of Questionnaires Distributed	Number of Responses Received	Response Rate
Adventist Book Centre	9	8	88.89%
Adventist Dental Practice	8	6	75.00%
Adventist Development & Relief Agency	10	10	100.00%
Queen Elizabeth Adventist Children's Home	13	12	92.31%
Solusi University	<u>30</u>	<u>17</u>	<u>56.67%</u>
Total	70	53	75.71% (average response rate)

## General Characteristics of Respondents

The 53 respondents are characterized as follows:

### Gender

As shown in Table 3 below of the 53 respondents, 43 were male and 10 were female. This somewhat represents the balance of the involvement of the genders in church leadership positions- 81% males and 19%.

*Table 3. General Characteristics of Respondents*

Gender	Frequency	Percentage
Male	43	81.10
Female	10	18.90

### Age

Most of the institutional board members are above fifty years of age as shown in Table 4 below. This is indicative of the general age-group of those in leadership positions of in the institutions.

*Table 4. Age*

Age Range	Frequency	Percentage
31 to 40	6	11.30
41 to 50	12	22.60
51 to 60	22	41.50
61 and above	13	24.50

### Board Member Category

The governing boards are composed of various categories of members. Each board is chaired by an officer of the union and the other officers of the unions are

members of the boards as well. In addition to the officers, the relevant departmental director of the union is also a member. For example, for Solusi University the education director is a member, for ABC the publishing director is a member and for the dental practice the Health Ministries director is a member. The board membership also includes the chief executive officer of each institution and, in some cases, other administrators.

There are several lay members included in the boards to bring outside experience and exposure for the cross-pollination of ideas. The other category encompassed individual board members that do not fit into any of the categories described above. This would include such people as conference presidents who are members of governing boards of union institutions e.g. all six conference presidents are members of the Solusi University council. From the response patterns as shown in Table 5 below, it appears that some I would have considered as lay members, classified themselves as other and almost all conference presidents classified themselves as entity administrators.

*Table 5. Board Member Category*

Category	Frequency	Percentage
ZUC	18	34.00
Entity Administrator	15	28.30
Lay Member	12	22.60
Other	7	13.20

### **Educational Qualifications**

Table 6 shows the frequency distribution of the educational qualifications of the board memberships. Over sixty percent have at least a Master's degree.

*Table 6. Educational Qualifications*

<b>Education Level</b>	<b>Frequency</b>	<b>Percentage</b>
Diploma	2	3.80
Bachelor's Degree	14	26.40
MBA	5	9.40
Other Master's	9	17.00
Doctoral	<u>23</u>	<u>43.40</u>
Total	53	100.00

### **Years of Service as Board Members**

Each governing board's membership is reviewed at the beginning of the union's quinquennium- the current one ranges from 2013 to 2017 for ZUC. Some are replaced and others allowed to continue. Almost 65% are new members who started serving in the current term, as indicated in Table 7 below.

*Table 7. Length of Board Member Service*

<b>Length of Service</b>	<b>Frequency</b>	<b>Percentage</b>
2 years and Below	27	50.90
3 or 4 years	17	32.10
5 years and Above	1	1.90

### **Research Results**

The questionnaire, specifically the area addressing the research questions, was scaled as follows: Strongly Disagree, Disagree, Not Sure, Agree and Strongly Agree. The rating for the scales was as shown in Table 8 which also shows the ranges used to analyze the mean of the responses.

*Table 8. Responses Scale Rating and Ranges*

Scale	Rating	Range
Strongly Disagree	1	1.00-1.49
Disagree	2	1.50-2.49
Not Sure	3	2.50-3.49
Agree	4	3.50-4.49
Strongly Agree	5	4.50-5.00

### **Research Objective 1**

**Introduction.** My first research question was: What are the financial reporting practices of the respondent institutions compared to the SID policy? The objective was to examine the financial reporting practices according to the division policy. According to SID Working Policy S 19 (2015), the board members must receive at least four of the monthly financial reports in the year. The same policy further requires that the financial reports are to be comparative and include the following:

1. Statement of Financial Position
2. Statement of Financial Activities
3. Statement of Cash Flows
4. Footnote disclosures which are an integral part of the report
5. Other supplemental information, such as schedules showing details of assets, liabilities, income, expenditures, and certain further percentages or ratios (SIDWP, 2015).

The policy requires that certain details including comparative columns for budget and previous year's actuals be included and the report be presented to the governing board.

**Results.** Table 9 shows a mean score of 3.45 and a corresponding standard deviation of score of 1.29 regarding the frequency of the financial statements received

by board members. Looking at these results, respondents seem uncertain as to the frequency. This may be a result of the fact that there are several entities under study. This may also mean that there has been no consistency in the distribution of the financial reports.

Regarding the Financial Report composition- which refers to the various financial statements included in the financial reports, there was a mean score of 4.26 (with a standard deviation of 0.67). This falls within the “Agree” range and standard deviations below 1. This is an indication that the institutions generally adhere to the policy relating to the composition of the financial reports.

*Table 9. Descriptive Statistics on Financial Reporting Practices*

	Mean	Std. Deviation
Financial Reporting Frequency	3.45	1.29
Presentation Quality	3.66	0.89
Financial Report Detail Quality	4.02	0.69
Financial Report Composition	4.26	0.67

Note: N = 53

The results on the presentation quality of the financial reports revealed a mean of 3.66 (with a standard deviation score of 0.89). This variable asked about the clarity, timeliness, relevance and reliability of the financial reports. The mean of 3.66, with the narrow standard deviation, indicates that the respondents agree with the quality of the presentations of the financial reports. This signifies compliance with the policy on financial report presentation.

On the financial report detail quality, which included the comparative aspect of the financial reports (both with prior years and with budgets), the adequacy of the reported information and the explanations thereof- there was a mean score of 4.02

(with a standard deviation of 0.69). This also falls in the Agree range. This confirmed that the institutions complied with SIDWP S 19 in terms of the detailed information required in the reports. This is also in harmony with the National Council for Nonprofits (2017) that stated that in order to have good governance there needs to be transparency. Again, this supports Boivie et al. (2016) who state that the board's role is to process information and in order for the board to be able to process the information well, they must be given adequate information.

Considering the entirety of Table 9 and the analysis above, I concluded that the institutions under study generally comply with the SID policy on financial reporting. The exception is that there is inconsistency in the area submitting four financial reports per year to the board members. This suggests that the institutions in general terms prepare and distribute financial reports on time, they prepare them in the required format, they include relevant information and board members consider the reports to be reliable.

In the area of financial reporting frequency, I ran a descriptive frequency analysis for question one of Section Two: General Questions. The results of presented in Table 10. Of the 53 respondents, two (3.80%) stated that they receive financial reports daily, eight (15.10%) said they receive the reports monthly, 11 (representing 20.80%) said they get the reports quarterly, 26 (49.10%) said that they receive the financial statements bi-annually. Most of the boards have two scheduled meetings- the mid-year and year-end meetings. From the structured interviews conducted with institutional administrators, it came to light that most institutions generally give board members the financial reports during those two scheduled meetings. This then explains why the majority of board members reported receiving the financial statements only twice per year. It must be noted that the respondents are a mixture of

lay board members and representatives from the higher organization. The entities are required to submit reports monthly to the higher organization. As such, there will be responses that show some board members received the reports monthly- while other board members received the reports only semi-annually.

*Table 10. How Often You Receive Institution Financial Statements*

		Frequency	Percent
Valid	Daily	2	3.80
	Monthly	8	15.10
	Quarterly	11	20.80
	Bi-annually	26	49.10
	Annually	2	3.80
	Total	49	92.50
Missing	System	<u>4</u>	<u>7.50</u>
Total		53	100.00

n = 53

In summary, I conclude that the ZUC institutions generally prepare the financial reports in the format required by the SID policy. They also present them to the boards and explain them as required by the policy. The details of the reports meet quality standards. However, instead of sending more reports to the board members to meet the frequency requirement of four financial statements per year, they normally just distribute the reports twice a year. From the results of the focus-groups interviews that I held with the institutional administrators, it came out clearly that generally the institutions do not comply with this policy. They said they only give the board members the financial reports during the mid-year and year-end scheduled meetings.



## **Research Objective 2**

**Introduction.** The second objective of this research was to find out if there is any significant relationship between financial decision-making and financial reporting, the role of Controlling Boards and the role of the Higher Organization. The hypothesis was that “there is no significant relationship between financial decision-making and financial reporting, the role of controlling boards and the role of the higher organization.” To address this question, a correlation analysis was conducted to determine the relationship between the dependent variable (decision-making) and the three independent variables (financial reporting, the controlling board and the higher organization).

The three independent variables mentioned above are broken down into several more variables as determined by the factor analysis. The role of the controlling board is broken down into two variables—the board’s level of comprehension of financial reports and the board’s reaction to financial reports. Financial reporting, as an umbrella, is broken down into four variables. These are the financial Report format, financial report frequency, presentation quality and detail quality.

Table 11 below presents the findings of the correlation analysis- showing the correlation between Decision-Making and the other variables in the study. A look at the financial report frequency shows a Pearson correlation of 0.10 with a significance of 0.47, meaning there is no significant relationship, since significance is above the 0.05 significance level. When it came to board reactions, the table shows a Pearson correlation rate of 0.22 and a significance level of 0.11, meaning there is no significant relationship between decision-making and board reactions to financial reports. The Pearson Correlation for the financial report format was 0.45 with a

significance level of 0.00. This indicates that there is a significant relationship between decision-making and Financial Report Composition. This seems to be in harmony with the literature that indicated that both the corporate world and the SDA Church require a complete set of financial statements for board consideration. And it suggests that generally the institutions comply with the requirements and best practices.

On the board's comprehension of the financial reports, the Pearson Correlation was 0.37 with a significance level of 0.01- indicating that there is a significant relationship between decision-making and financial reports comprehension. According to Hinsz et al. (1997), before boards or any decision-making groups make decisions, they must get information in the correct context and process that information. Information that is processed well and understood is helpful in arriving at good decisions. The same would apply to financial information. The board's understanding of the financial reports becomes key in the board making sound financial decisions.

Regarding the role of the higher organization, the Pearson Correlation was 0.48 with a significance level of 0.00. Since this was below the confidence level of 0.05 it suggested that there is a significant relationship between decision-making and the role of the higher organization. Under the church structure, there is a degree of autonomy in that the boards of institutions do not report to Union or conference Committees. However, control is still somewhat maintained by the officers of the higher organizations in that at least three of them or their designees are member of the lower entity and they hold influential positions such as chairing the board and the subcommittees.

A look at the quality of the presentation of financial reports showed a Pearson Correlation rate of 0.12 with a significance level of 0.40- signifying that there is no significant relationship between financial reports presentation quality and decision-making. The last variable in the table is the quality of the details in the financial reports. It shows that the Pearson Correlation was 0.15 with a significance level of 0.28. This suggested that there is no significant relationship between the quality of details in the financial reports and decision-making.

*Table 11. Decision-making Correlations Results*

		Decision-making
Financial Reporting Frequency	Pearson Correlation	0.10
	Sig. (2-tailed)	0.47
Decision-making	Pearson Correlation	1.00
	Sig. (2-tailed)	
Board Reactions	Pearson Correlation	0.22
	Sig. (2-tailed)	0.11
Financial Report Format	Pearson Correlation	.45**
	Sig. (2-tailed)	0.00
Financial Report Comprehension	Pearson Correlation	.37**
	Sig. (2-tailed)	0.01
Higher Organization	Pearson Correlation	.48**
	Sig. (2-tailed)	0.00
Presentation Quality	Pearson Correlation	0.12
	Sig. (2-tailed)	0.40
Details Quality	Pearson Correlation	0.15
	Sig. (2-tailed)	0.28

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
\* . Correlation is significant at the 0.05 level (2-tailed).

Based on the results reported Table 11, there is support for the hypothesis that there is a significant relationship between decision-making and the three variables- namely: 1) financial report composition, 2) financial report comprehension by the board and 3) the Role of the Higher Organization.

On the other hand, there was no significant relationship between decision-making and the under listed variables is rejected- hence the rejection of the hypothesis:

1. The frequency of financial reports
2. The boards' reaction to financial reports
3. The quality of the presentations of financial reports, and
4. The quality of the details of financial reports

### **Research Objective 3**

**Introduction.** The third objective of this study was to find out if the demographic variables (such as age, gender, educational qualifications and years of experience as a board member) have an effect on decision-making? The researcher's hypothesis was that these variables do not have an effect on decision-making.

**Results.** Table 12 shows an analysis of the demographic variables correlations with Financial Decision-Making. For Gender, there was negative correlation of -0.15 with a significance score of 0.27. For Age Groups, there was a correlation score of 0.17 with a significance of 0.22. For educational qualifications, the correlation was 0.06 with a significance of 0.67. And lastly, for the Years of Service as a board member, the correlation with Financial Decision-Making was 0.19 with a significance of 0.19. Since correlation is significant at a rate equal to or less than 0.05, the results shown on Table 12 suggested to the researcher that there is no significant relationship between Financial Decision-Making and any of the four demographic variables.

*Table 12. Demographic Variables Correlations*

		Decision-making
Gender	Pearson Correlation	-0.15
	Sig. (2-tailed)	0.27
Age group	Pearson Correlation	0.17
	Sig. (2-tailed)	0.22
Educational Qualification	Pearson Correlation	0.06
	Sig. (2-tailed)	0.67
Years of Service in Board	Pearson Correlation	0.19
	Sig. (2-tailed)	0.19

\*. Correlation is significant at the 0.05 level (2-tailed).

While the indication from Table 12 is that there was no significant relationship between the demographic variables and financial decision-making, I also conducted a multiple linear regression analysis to determine what, if any, effect the demographic variables had on financial decision-making. Table 13 below shows the Model summary; Table 14 shows the ANOVA and Table 15 shows the Multiple Linear Regression Analysis coefficients.

*Table 13. Model Summary*

Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate
1	.339 <sup>a</sup>	0.12	0.019	0.94331

a. Predictors: (Constant), Years of Service in Board, Gender, Board Member Category, Age group, Educational Qualification

According to Table 13, R Squared is equal to 0.12 meaning the regression model consisting of the demographic variable (Gender, Age Group, Board Member Category, Educational Qualification, and Time Served as a Board Member) explain only 12% of the variance in financial Decision-Making. The variance explained by the model is therefore not statistically significant as indicated in Table 14 ( $p = 0.33$ ). With only five degrees of freedom there are some limits to what I can infer.

Table 14. ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.313	5	1.063	1.194	.33 <sup>b</sup>
	Residual	40.933	46	0.89		
	Total	46.245	51			

a. Dependent Variable: Decision-making

b. Predictors: (Constant), Years of Service in Board, Gender, Board Member Category, Age group, Educational Qualification

Table 15 reveals that the standardized coefficients (*Beta*) in the regression model for the variables were Gender:  $B=-0.21$ ,  $t=-1.45$ ,  $p=0.15$ ; Age Group:  $B=0.26$ ,  $t=1.69$ ,  $p=0.10$ ; Board Member Category:  $B=-0.02$ ,  $t=-0.14$ ,  $p=0.89$ ; Educational Qualification:  $B=-0.08$ ,  $t=-0.49$ ,  $p=0.63$ ; and Time Served as a Board Member:  $B=0.20$ ,  $t=1.43$ ,  $p=0.16$ . In terms of significance, all these are above the 0.05 threshold, indicating that none of the variables has a significant effect on financial decision-making.

*Table 15. Multiple Linear Regression Analysis Coefficients*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.883	0.962		4.04	0.00
	Gender	-0.511	0.351	-0.21	-1.45	0.15
	Age group	0.258	0.153	0.26	1.69	0.10
	Board Member Category	-0.018	0.129	-0.02	-0.14	0.89
	Educational Qualification	-0.053	0.109	-0.08	-0.49	0.63
	Time served as a board member	0.271	0.19	0.20	1.43	0.16

a. Dependent Variable: Financial Decision-making

According to Tables 3 to 7, there seems to be considerable diversity in terms of age, experience and educational qualifications in the boards of the institutions. The results, however, indicate that the demographic variables (Gender, Age, Board Member Category, Education Qualifications and Years of service) have no effect on Financial Decision-Making. These results are at variance with the literature reviewed in chapter two, which suggested that demographic diversity normally tends to have positive effects on the quality of board decisions (Boivie et al., 2006).

#### **Research Objective 4**

**Introduction.** The fourth objective of this study was to determine if there was any significant effect of (a) Financial reporting, (b) Controlling Board and (c) Higher Organization on financial decision making. Basically, this question set to find out if any of the seven independent variables have a significant effect on the dependent

variable. The researcher’s hypothesis was that Financial reporting, the controlling boards and the higher organization have an effect on financial decision-making.

**Results.** Although the result shown in Table 11 indicate that only three of the independent variables have a significant relationship with Financial Decision-making (i.e. Financial report format, Financial report comprehension and the Role of the higher organization), I ran a multiple linear regression analysis to see the effect of each of the seven independent variables on the dependent variable. Table 16 shows the Model Summary, Table 17 shows the ANOVA and Table 18 shows the multiple linear regression analysis coefficients.

*Table 16. Model Summary*

Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate
1	.595 <sup>a</sup>	0.35	0.25	0.81712
a. Predictors: (Constant), Financial Report Frequency, Report Details Quality, Board Reactions, Fin Report Composition, Board Comprehension, Report Presentation Quality, Higher Org.				

As indicated in Table 16, the adjusted R Squared is 0.25 which means that this regression model explains only 25% of the variance in Decision-Making, and that is significant with  $f=3.521$ ,  $p=0.00$  (reflected in Table 17).



Table 17. ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.454	7	2.351	3.521	.00 <sup>b</sup>
	Residual	30.046	45	0.668		
	Total	46.5	52			

a. Dependent Variable: Decision making

b. Predictors: (Constant), Financial Report Frequency, Report Details Quality, Board Reactions, Fin. Report Composition, Board Comprehension, Report Presentation Quality, Higher Org.

Table 18. Multiple Linear Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.116	0.901		1.24	0.22
	Board Reactions	0.027	0.187	0.03	0.15	0.89
	Financial Report Format	0.439	0.237	0.31	1.85	0.07
	Financial Report Comprehension	0.177	0.281	0.11	0.63	0.53
	Role of Higher Organization	0.655	0.274	0.49	2.39	0.02
	Presentation Quality	-0.188	0.213	-0.18	-0.88	0.38
	Details Quality	-0.178	0.212	-0.13	-0.84	0.41
	Financial reporting Frequency	-0.170	0.118	-0.23	-1.44	0.16

a. Dependent Variable: Financial Decision-making

Table 18 reports the standardized coefficients (*Beta*) for the variables in the regression model were: Board Reactions:  $b=0.03$ ,  $t=0.15$ ,  $p=0.89$ ; Financial Report Format:  $b=0.31$ ,  $t=1.85$ ,  $p=0.07$ ; Financial Report Comprehension:  $b=0.11$ ,  $t=0.63$ ,  $p=0.53$ ; Role of Higher Organization:  $b=0.49$ ,  $t=2.39$ ,  $p=0.02$ ; Presentation Quality:  $b=-0.18$ ,  $t=-0.88$ ,  $p=0.38$ ; Details Quality:  $b=-0.13$ ,  $t=-0.84$ ,  $p=0.41$ ; and Financial Reporting Frequency:  $b=-0.23$ ,  $t=-1.44$ ,  $p<0.16$ . The focus was on the significance. The board's reactions to financial reports scored a regression significance level of 0.89- signifying that Boards' reaction to financial reports has no significant effect on financial decision-making. The financial report format's significance level was 0.07 and since this too is above 0.05, it meant that the report format has no statistically meaningful effect on financial decision-making.

The financial report comprehension scored a significance level of 0.53, meaning it does not have a significant effect on financial decision-making. The role of the higher organization scored a significance level of 0.02. This suggests that the role played by the higher organization has a significant effect in the financial decision-making of the institutions. The financial report presentation quality scored a significance level of 0.38, signifying that it has no effect on the financial decision-making. Financial report detail quality scored a significance of 0.41 and so this means this variable had no significant effect on the depended variable- financial decision-making. Financial reporting frequency scored a significance of 0.16- meaning it has no effect on the dependent variable.

The only independent variable with a significant effect on the dependent variable is the Role of the Higher Organization. The Financial Report Format was slightly above the threshold and this may be a result of the small sample size- with a bigger population, the results may have proved significant. Therefore, the hypothesis

on six of the seven independent variables was rejected. The researcher accepted the hypothesis with regards to the Role of the Higher Organization. This is very consistent with some pieces of literature that suggest that the parent organization always has very significant control on the subsidiary. Even though others, such as Edwards and Moss (2002) have argued that it is more beneficial for the subsidiary to have autonomy, the general trend all over the world is that in the majority of cases, the parent has control and therefore a significant effect. Clearly in the SDA Church, with the system of officers of the higher organization being mandatory members of the board of a lower entity has an effect that cannot be ignored on the financial decision-making.

## CHAPTER 5

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### **Summary**

I undertook this study to investigate the factors influencing financial decision-making in Zimbabwe Union Conference institutions. This research was inspired by the fact that some institutions do not seem to be adhering to the financial reporting policy of the Division which specifies the frequency and format. This non-compliance is problematic in that it could affect financial decision-making.

The following research questions were posed:

1. What are the financial reporting practices of the respondent institutions compared to the SID policy?
2. Is there any significant relationship between financial decision-making and Financial reporting, the Role of Controlling Boards and Role of the Higher Organization?
3. Do the demographic variables (such as age, education and experience) have an effect on financial decision-making?
4. Is there any significant effect of (a) Financial reporting, (b) Controlling Board and (c) Higher Organization on financial decision making?

## **Hypotheses**

As a researcher, I made the following hypotheses:

H<sub>0</sub> 1: There is no significant relationship between financial decision-making and Financial reporting, the Role of Controlling Boards and Role of the Higher Organization

H<sub>0</sub> 2: Demographic variables (age, gender, educational qualifications and years of board service) have no effect on financial decision-making.

H<sub>0</sub> 3: Financial reporting, the controlling boards and the higher organization have no effect on financial decision-making.

The research design was a cross-sectional casual design. The target population was the governing boards of the five institutions run by ZUC- namely ABC, ADP, ADRA, QUEACH and SU. Since the population was small, I conducted a census study and sent questionnaire to all the board members of these respondent institutions. To analyze the data, Frequency and Percentages were used to analyze the general characteristics of the respondents (demographics) as well as a direct question on the frequency of financial reporting. I used Mean and Standard Deviation to analyze the descriptive statistics on financial reporting practices. I used Correlation Analysis to analyse the relationship between Decision-Making and the other variables of the study. I used Multiple Linear Regression Analysis to verify the extent to which the variables have an effect on Decision making.

## **Results**

The specific objectives of the study, hypotheses and findings are summarized as follows:

**Objective 1.** What are the financial reporting practices of the respondent institutions, compared to the SID policy? The findings were that in order to meet the requirements of the policy framework with regards to financial reporting, ZUC institutions comply with policy provisions pertaining to the formats of the financial reports, the quality on the report details and the way the reports are presented, but they generally do not distribute the 4 required financial reports to board members per year. The average is two reports out of the required 4.

**Objective 2.** To establish if there is any significant relationship between financial decision-making and:

1. Financial reporting (Financial Report Format, Financial Reporting frequency, Financial Report detail quality and financial report presentation quality)
2. Role of Controlling Boards (Comprehension of financial reports and reaction to financial reports)
3. Role of the Higher Organization

My hypothesis was that there is no significant relationship between financial decision-making and financial reporting, the role of controlling boards and the role of the higher organization.

The findings were that:

1. There was a significant relationship between decision-making and three variables:
  - a. Financial report format,
  - b. Financial report comprehension by the board, and
  - c. the role of the higher organization
2. There was no significant relationship between decision-making and:

- a. The frequency of financial reports,
- b. The boards' reaction to financial reports,
- c. The quality of the presentations of financial reports, and
- d. The quality of the details of financial reports.

**Objective 3.** Do demographic variables (such as age, education and experience) have an effect on decision-making? The researcher's hypothesis was that demographic variables (age, gender, educational qualifications and years of board service) have no effect on financial decision-making.

The findings were that the demographic variables (Gender, Age, Board Member Category, Education Qualifications and Years of service) have no effect on Financial Decision-Making.

**Objective 4.** To establish if (a) Financial reporting, (b) Controlling Board and (c) Higher Organization have any significant effect on financial decision making? My hypothesis was that Financial reporting, the controlling boards and the higher organization have no effect on financial decision-making.

The findings were that six of the independent variables (the details quality of financial reports, the presentations quality of the financial reports, the frequency of the financial reports, the format of the financial reports, the board's understanding of the financial reports, and the board's reaction to the financial reports) have no effect on financial decision-making. Only the Role of the Higher Organization has a significant effect on financial decision-making.

Generally, the Higher Organization plays an advisory and guidance role in the financial decision-making process. The finance committee is chaired by a representative of the higher organization- the CFO or his/her designee. The higher organization is deemed to have more understanding of the policy requirements and

other standards. The board members from the higher organization are normally more experienced in denominational procedures as well. This causes them to be able to have a domineering effect in the financial decision-making process. As a result, under normal circumstances, if the higher organization is not convinced on a particular point, it does not pass in the meeting.

### **Conclusions**

ZUC institutions generally comply with the requirements of SIDWP S 19 pertaining to financial reporting framework except the requirement that at least four reports must be given to controlling boards per year. They generally give controlling members just two reports per year- during the midyear and yearend board meetings.

In order to make financial decisions, there are three elements that are important and that need to be in place: a) Financial statements must be complete in the format stipulated in the policy, b) The decision-making board must be helped to understand the financial reports and c) The higher organization must effectively play its role in giving guidance.

The composition of the board membership in terms of age groups, gender, educational qualifications, years of service and board member categories have no bearing on the financial decision-making of the institutions.

The role played by the Higher Organization is the key in institutional financial decision-making and it's the single element with a significant effect on the institutions' financial decision-making.

### **Recommendations**

1. The higher organization develop plans and procedures to ensure that the policy requirement on the frequency of the distribution of financial reports to controlling board members is enforced.



2. The institutions must invest more time and energy helping the board members understand the financial reports, ensuring that the financial reports are comprehensive in the correct format and involving the higher organization, in order to enhance the quality of financial decision-making.
3. The higher organization must take its role in institutional financial decision-making very seriously and assume responsibility for poor financial decisions taken by the boards. This calls for closely scrutinizing the lower organizations' financial reports regularly and ensuring that there is a close working relationship between both entities (the higher and lower organizations) so that both have the same information and are therefore able to arrive at mutually agreed decisions that are the best for the entities.

#### **Suggestions for Future Research**

1. The same research be carried out on tithe-based ecclesiastical entities (conferences) to understand if the variables behave the same way or not.
2. That the same or similar study is carried out with institutions in a different union.
3. A qualitative research analyzing the financial positions of institutions over a five-year period to establish the possible factors causing those results.

## APPENDICES

## APPENDIX A

### SAMPLE COVER LETTER TO BOARD MEMBERS

Dear Board Members

A study on the financial reporting and decision-making practices of the Zimbabwe Union Conference (ZUC) institutions is being conducted by an Adventist University of Africa (AUA) student. This is a thesis that forms part of his Master of Business Administration (MBA) degree requirements.

This research was approved by ZUC AdCom on 1 February 2017 (Action 17-016). ADRA AdCom also voted to authorize the study (Action..... dated.....).

Whilst this study is for academic purposes, it has a significance that has potential benefits. The findings, results and recommendations thereof are very likely to be of great benefit to ADRA, ZUC and the SDA Church as a whole.

The attached questionnaire is targeted at board members only. Since the board members are a small group, it is best that all respond. Kindly complete the PDF questionnaire electronically and email your completed questionnaires directly to the researcher on this email address: [moyom@aua.ac.ke](mailto:moyom@aua.ac.ke) preferably by end of day on Monday the 10th of April 2017.

May God bless you as you assist in this regard.

Yours truly

J. Musvosvi  
Country Director

APPENDIX B  
RESEARCH QUESTIONNAIRE

**Dear Participant,**

We are conducting an empirical study of the financial reporting and decision-making practices of Advent Hill institutions. This exercise is for academic purposes. This questionnaire is directed at the board/council members of your institution. In order to ensure that all information remains confidential, please do not indicate your name.

Please assist by carefully answering all the questions as accurately as possible, to the best of your knowledge and understanding. It should take you a few minutes.

Allow me to thank you in advance for participating in this survey. Without people like you, this research cannot be conducted. We really appreciate your help.

Makhosiwonke Moyo  
Adventist University of Africa, MBA Student

**Section 1: Personal Information** (*Tick where appropriate*)

1. Gender:            Male                                   Female
  
2. Age Group:    30 & below     31-40             41-50             51-60   
                                61 & above
  
3. Council Member Category:    General Conference Officer   
   Entity Administrator                                   Lay Member                                   Other
  
4. Educational Qualifications: O Level & below     A Level     Diploma [  
] Bachelors                                   Masters                                   Doctoral
  
5. How long have you served as a council member: 2yrs and below  3 or 4yrs [  
] 5yrs and above

**Section 2: General Questions** (*Please answer in the spaces provided*)

1. As a council member, how often do you receive the institution’s financial statements? Daily     Monthly     Quarterly                                   Bi-annually   
Annually

Never [ ]      Rarely [ ]      Sometimes [ ]      Often [ ]      Very Often [ ]

2. Which financial statements are normally part of the financial report that you receive?

- Statement of Financial Position [ ]
- Statement of Financial Activity [ ]
- Statement of Changes in Equity [ ]
- Statement of Cash Flows [ ]
- Statement of Liquidity and Working Capital [ ]
- Notes to the Financial Statements [ ]

3. Do you understand the use of financial ratios in the decision-making process?  
 Yes [ ] No [ ]

4. When you see the working capital and liquidity levels, do you understand what they mean?      Yes [ ] No [ ]

5. Do you know what the implications for violating policy regarding financial reporting?      Yes [ ] No [ ]

6. Describe the use of financial statements when making financial decisions:  
 .....  
 .....  
 .....  
 .....

7. Does the council sometimes take decisions without referencing the financial reports?      Yes [ ] No [ ]

8. Do council members demand financial information?      Yes [ ] No [ ]

9. Does management always link financial decisions to the financial reports?  
 Yes [ ] No [ ]

### Section 3: Scaled Questions

*As a council member, your duties include receiving reports and making decisions. Please read the statements below and answer them to the best of your knowledge using the scale provided:*

1. *Strongly Disagree*
2. *Disagree*
3. *Not Sure*
4. *Agree*
5. *Strongly Agree*

*Indicate your answer by ticking in the appropriate box.*

<b>Decision-Making</b>	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
1. Financial statements are key reference points when the council is making financial decisions					
2. The information in the financial statements affects my vote on the financial decisions we make as a council					
<b>Board Reactions</b>	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
3. When the variance between the budget and actual amounts is significant, the council enforces the revision of the budget					
4. When there are budget overruns, the council takes management to task					
5. The board takes management to task when financial statements are not distributed according to policy					
<b>Reporting Frequency</b>	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
6. As a council member, I normally received the monthly financial statements of the entity at least four (4) times per year					
<b>Financial Reporting Format</b>	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
7. The financial statements that I receive always include the Statement of Financial Position					
8. The financial statements that I receive always include the Statement of Financial Activity					

9. The financial statements that I receive always include the Statement of Cash Flows					
10. The financial statements that I receive always include the Statement of Working Capital and Liquidity					
11. The financial statements that I receive always include the Notes to the Financial Statements					
12. From the financial statements that I receive it is always easy to compare budget amounts versus actuals					
13. From the financial statements that I receive, I am always able to compare the current year's amounts to the previous year's figures					
<b>Report Comprehension</b>	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
14. I understand the institution's financial statements that I receive					
15. The financial statements are figures that do not make sense to me					
16. I consider myself qualified enough to understand the financial reports					
17. I am able to understand financial reports by reading them, without someone else explaining them to me					
18. After reading the financial statements, I feel I am competent to explain the financial position of the entity to others					
19. I understand the implications of liquidity and working capital levels					
20. I know the items that are required by policy to be part of the financial report					
<b>Higher Organization</b>	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
21. I am fully aware about the role of the General Conference in financial reporting					
22. The General Conference has clearly played a role in the financial reporting processes of the institution					
23. The General Conference has clearly played a role in the financial decision making process of the institution					

24. The General Conference has emphasized the importance of maintaining a liquidity and working capital above 100%					
25. I am comfortable when we take financial decisions in the presence of General Conference officers because they always give guidance					
26. When the institution does not distribute the required 4 financial statements to council members, General Conference intervenes					
<b>Presentation Quality</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Not Sure</b>	<b>Agree</b>	<b>Strongly Agree</b>
27. Financial reports are always presented clearly to my satisfaction					
28. As a council member, I receive the financial reports in advance so as to be able to make decisions based on the most recent financial statements					
29. When the financial reports are presented, the presenter always highlights the information that I feel is relevant to use as a council					
30. I feel that the financial statements that we receive as a council are reliable and can be depended upon					
<b>Detail Quality</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Not Sure</b>	<b>Agree</b>	<b>Strongly Agree</b>
31. Often when financial reports are presented, the presenter does not give adequate information to help me understand the bigger picture					
32. When we make financial decisions, I am often unsure if we are making the right decision because the financial report has not been explained clearly					
33. From the financial statements that I receive, it is easy to compare the current year's amounts to the previous year's figures					
34. From the financial statements that I receive, I am able to compare the current year's results to budgeted amounts					



## APPENDIX C

### ADMINISTRATION STRUCTURED INTERVIEW QUESTIONNAIRE

1. How frequently are financial reports prepared and distributed?
2. What format are the financial reports in?
3. What is included as part of the financial statements?
4. What process is followed in financial reporting
5. Is there a link between financial reports and decision making? Describe the relationship or lack thereof.
6. How have financial statements or reports been useful in making decisions? Give examples.
7. What guidelines do you know in the policy that have to do with financial reporting?
8. Do you think the board understands the financial reports? Why/why not?
9. Do you think as management you are producing quality financial reports in terms of:
  - a. Adequate information
  - b. Clear Presentation
  - c. Comparability
  - d. Relevance
  - e. Reliability
10. Do you think the higher organization plays a significant role in the financial reporting and decision making process?

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## VITA

### Personal Details

Surname: Moyo  
First Name: Makhosiwonke  
Date of Birth: 24 February 1976  
Place of Birth: Insiza, Zimbabwe  
Sex: Male  
Marital Status: Married  
Nationality: Zimbabwean

### Contact Details

Home Address: House 6, University Drive, Advent Hill  
Postal Address: Private Bag Mbagathi, 00503 Nairobi, KENYA  
Email Addresses: [makhosimoyo@gmail.com](mailto:makhosimoyo@gmail.com)  
[moyom@aua.ac.ke](mailto:moyom@aua.ac.ke)  
[sasisa04@yahoo.com](mailto:sasisa04@yahoo.com)  
Skype Name: sasisa04  
Mobile Numbers: +254 78 065 2236 (Kenya)  
+263 78 349 6284 (Zimbabwe)  
+27 79 473 6307 (South Africa)

### Education

- MBA. **Adventist University of Africa**. Major: Accounting. (2017)
- B.B.A. **Solusi University**. Major: Accounting. (September 1995 to June 1998)
- GCE Advanced Level- University of Cambridge. **St. Columba's High School**. 1994. (Subjects: English Literature, Divinity and Ndebele/Zulu)
- GCE Ordinary Level- University of Cambridge. **Bulawayo Adventist Secondary School**. 1992. (Subjects: English Language, English Literature, Mathematics, Geography, Ndebele, Core Science, Religious Studies, Commerce)

## **Work Experience**

- Deputy Vice Chancellor for Financial Administration for the Adventist University of Africa. (September 2016 to date)
- Treasurer of Zimbabwe Union Conference of Seventh-day Adventists. (January 2011 to September 2016).
- Treasurer of West Zimbabwe Conference of Seventh-day Adventists. (January 2003 to December 2010)
- Assistant Treasurer of West Zimbabwe Conference (November 2002 to December 2003)
- Senior Accountant, Zimbabwe Union Conference (September 2002 to October 2002)
- Business Manager, Hanke Adventist High School (February 2001 to August 2002)
- Accountant, Solusi Adventist Secondary School. (January 2000 to January 2001)
- Accountant, Chrison Accounting Services. (October 1998 to December 1999)

## **Skills**

- ✓ Good Communicator: ability to express self and present clearly
- ✓ Team player who is able to build and lead a team
- ✓ Coaching skills: able to train new recruits and groom them for supervisory roles
- ✓ Ability to work under pressure
- ✓ Able to work efficiently and productively
- ✓ Initiative and self-motivated
- ✓ Able to formulate an effective strategy for transforming an organization or department
- ✓ A good organizer

## **Other Qualifications and Experiences**

- ✓ Baptized member of the SDA Church since 1989.
- ✓ Commissioned into Treasury and the Gospel Ministry on 15 November 2008
- ✓ Computer Literate (Proficient in Word and Excel)
- ✓ Have a clean drivers' license.
- ✓ Was Treasurer of Solusi University Graduating Class of 1998
- ✓ Acted as the Solusi University Director for Financial Administration from mid-2011 to the end of 2012, during which period the Search Committee was still searching for the right person. I was Union treasurer at the same time acting as Solusi DFA.