

A STUDY ON IMPORTANCE OF FINANCIAL AUDITING INFORMATION FOR BUSINESS MANAGEMENT

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ABSTRACT

This paper elucidates the critical role of financial auditing information in the realm of business management. In an era characterized by heightened economic complexities and regulatory scrutiny, the accurate assessment of a company's financial standing is paramount. Financial audits serve as a linchpin in this process, offering a systematic examination of financial records to ensure accuracy, compliance, and transparency. Beyond its regulatory function, this information holds profound strategic value, empowering decision-makers to allocate resources judiciously, identify operational efficiencies, and mitigate potential risks. Moreover, it engenders stakeholder confidence, bolstering investor trust and fortifying organizational reputation. Through an in-depth exploration of the multifaceted benefits that financial auditing information confers, this paper advocates for a proactive and strategic approach to auditing, positioning it not merely as a compliance exercise, but as a powerful catalyst for informed and effective business management.

KEYWORDS – Financial Management, Business Management, Control, Financial activities, Financial audit.

INTRODUCTION

In today's dynamic and competitive business landscape, effective management hinges on making informed decisions based on accurate and reliable information. Among the indispensable tools in a manager's toolkit, financial auditing information stands as a cornerstone. This vital resource offers a comprehensive overview of a company's financial health, highlighting areas of strength and potential vulnerabilities. Its significance transcends mere compliance, playing a pivotal role in shaping strategic direction, ensuring regulatory adherence, and bolstering stakeholder confidence. This essay delves into the pivotal role that financial auditing information plays in modern business management. By examining the multifaceted benefits it provides, from enhancing transparency to optimizing resource allocation,

we illuminate the transformative impact it can have on organizational success. Through this exploration, we seek to underscore the imperative for businesses to not only conduct audits diligently but also leverage the insights gleaned to steer their operations towards sustainable growth and prosperity. The practice of financial auditing, often viewed as a compliance necessity, transcends regulatory requirements to emerge as a cornerstone of astute business management. It provides a systematic and rigorous examination of an organization's financial landscape, offering insights that extend far beyond balance sheets and income statements. This critical information empowers decision-makers to navigate complex financial terrain with precision, allocate resources judiciously, and uncover operational efficiencies. In this essay, we delve into the pivotal role played by financial

auditing information, illuminating its multifaceted significance in shaping strategic direction, bolstering stakeholder trust, and fortifying organizational resilience in an ever-evolving economic landscape. Through this exploration, we underscore the imperative for businesses to not only conduct audits diligently but also to integrate the gleaned insights into their management practices, thereby propelling them towards sustained success and competitive advantage.

OBJECTIVES

- To analyze the importance of financial auditing information for business management
- To investigate relationship between the decision of business management and the use of financial auditing information
- To assess the quantity of financial auditing information used for business management decision

REVIEW OF LITERATURE

(Černius (2012) The definitions of the concepts of accounting, bookkeeping, nancial accounting are used in different terms for describing the same phenomenon and this causes quite a lot of confusion. therefore, it is necessary to disclose cor-rectly the definition of nancial accounting before analyz-ing its importance (Osadchy (2015) Financial auditing definition discloses that nancial accounting is not only a system of transaction classification and recording, but it is also important for business decision making process (IASC, 1992, cited Krisement, 1997) The analysis of financial auditing definitions al-owed to disclose the fact that the main goals of nan-cial accounting is financial information collecting and transforming process (Yusuf 2016) Sum up, the majority of authors and scientists admit that nancial accounting is important for a user, unfortunately just some mention the business decision making process (Florin, 2014) However, it needs to be specified what nancial accounting information for a user is necessary

for a decision making process. Accordingly, nancial accounting information could disclose the information regarding the economic viability of the company, the performance of the company, the development stage of the company, as well as the risks the company is facing (Zambon, Del Bello, 2005; Yadav, Kumar, Bhatia, 2014) Therefore, traditional nancial accounting must assure true and fair view of the company's perfor-mance (Zambon, Del Bello, 2005) This is necessary for users of financial reporting, as well as for the investors to reduce the risk or "as a management tool for strategic deci-sion making" (Munteanu, Berechet, Scarlat 2016) Explained the im-portance of financial auditing information for users. e scientists admit the importance of cash ows, because the managerial decisions depend on different activities of cash ows in a company.(Bhatia 2014)financial auditing information discloses the size of resources of main activities or invest-ing. Cash now is acting as a self-financing margin. (Salako (2016) Margin. e nancial accounting information could be transformed into financial indicators, which are one of the company's analysis methods for managerial decision. Therefore, Financial accounting information contributes to the meas-urement of a company's financial indicators, development of financial and economic processes, evaluating of self-financing and generating cash capacity (B. Gib-son (1992) Financial accounting plays the role in the busi-ness management decision making of small companies, therefore the access to financial accounting information must be ensured for owners. (Achim and Chis (2014) what is needed is that nancial accounting has rules and the system users can make rational decisions. (G. Lambertson (2005) admits that "business decision makers require a balanced information set, in-cluding economic, social and environmental information if decisions are to achieve the multidimensional goal of sustainability". (S. Schaltegger, R. L. Burritt (2010) Debate about two lines of accounting sustainability, one illustrates

philosophical accountabilities and the other one the management perspective (G. Lambertson (2005), "The provision of sustainability accounting information to internal users would focus on the provision of relevant and decision useful information to management". (Bushman, Smith, 2001). Financial auditing information, which is stored in financial accounting systems, directs us to control mechanisms of company (Látečková 2014) Accounting is a valuable source of data for "financial planning, economic analysis, cost controlling, strategic controlling, liabilities controlling, controlling of sales, marketing analysis and planning, profit managing, cash flow and others" (Valentavičius, 2009) Business firms that are more familiar with the external environment, know their shortcomings and benefits, and have more opportunities to make effective changes to their strategies, and are much more flexible (De Bruin, M. Rosemann, 2005) Therefore, business process management requires holistic management understanding, involvement, process-aware information systems, well-defined accountability and a culture that is receptive to business processes it is important to admit that accounting processes are part of business processes (S. Valentavičius (2009) The main purpose of combination of Porter's five forces is to explain the level of competition in the market; also, it helps to find a niche in the market where the organization could best defend itself against these forces (Porter, 1989) Many researchers explained different types of

theoretical models of strategies which could be used by enterprises. One of them is Porter's five forces model.

RESEARCH METHODOLOGY

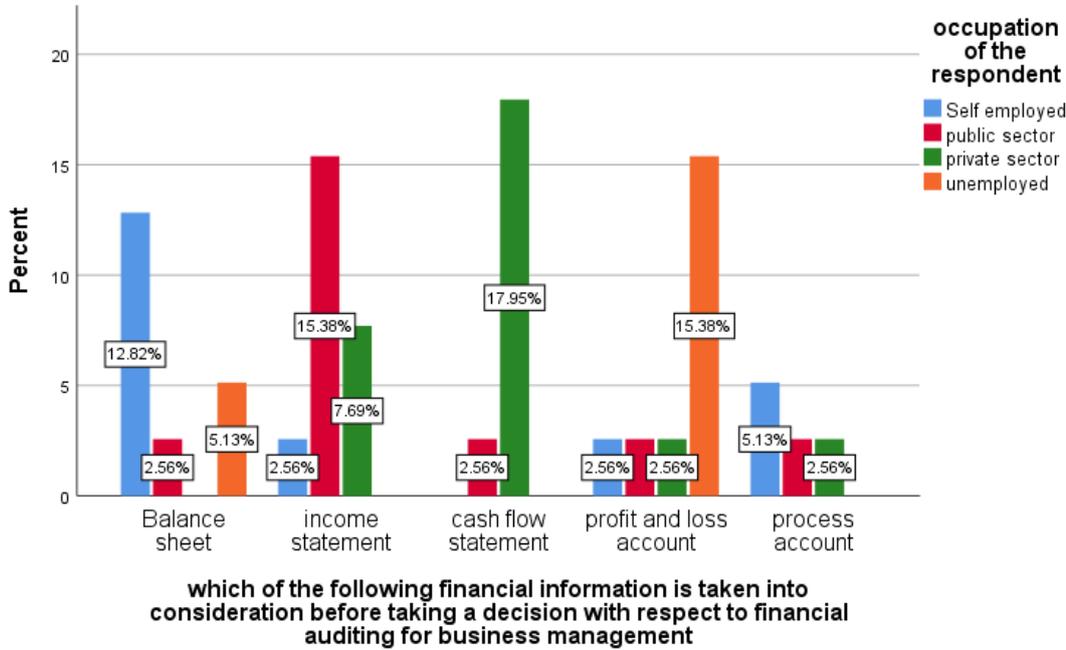
The research method used here is empirical research the total sample collected numbers to 210 sample method followed here is convenient sampling sample frame is picked from various offices and colleges the independent variables present here are the age, gender, occupation and educational qualification the dependent variables present here are as follows Which of the following financial information is taken into consideration before taking any decision with respect to financial auditing for business management, Which of the following factors of financial information discuss the financial viability of the company in the financial auditing of business management, State your agreeability with the statement "financial auditing information disclose the risks of the company in the business management", what do you think is the importance of financial auditing in business management, Which of the following objectives of financial information influence the financial audit business management decision, on a scale of 1-10 rate your agreeability with the statement "how important do you think financial accounting information is important for financial audit for business environment" statistical tool that is used here is graphical analysis the research design used here is descriptive design.



GRAPHICAL REPRESENTATION

FIGURE 1

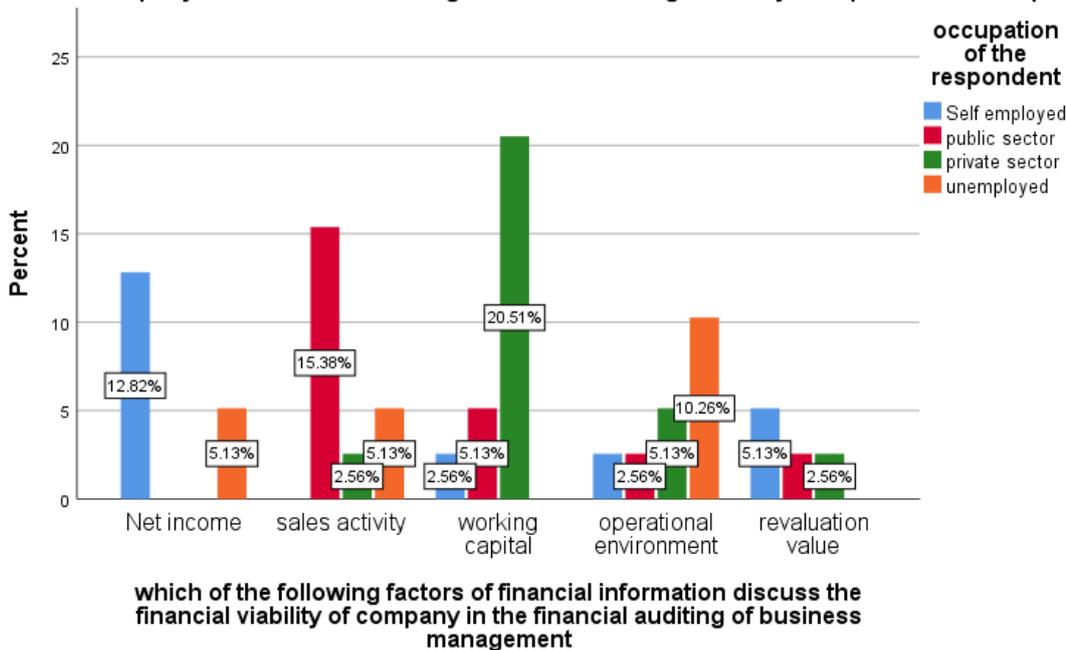
Clustered Bar Percent of which of the following financial information is taken into consideration before taking a decision with respect to financial auditing for business management by occupation of the respondent



LEGEND : FIGURE 1 represents the Occupation of the respondent and their response towards the statement which of the following financial information is taken into consideration before taking a decision with respect to financial auditing for business management.

FIGURE 2

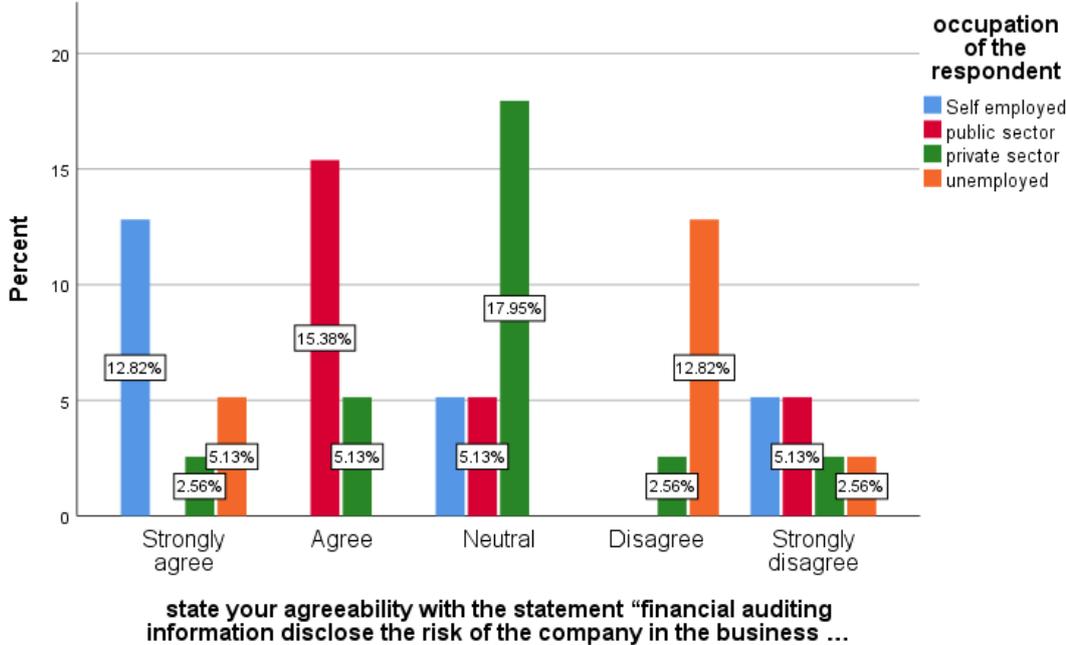
Clustered Bar Percent of which of the following factors of financial information discuss the financial viability of company in the financial auditing of business management by occupation of the respondent



LEGEND : FIGURE 2 represents the Occupation of the respondent and their response towards the statement which of the following factors of financial information discuss the financial viability of the company in the financial auditing of business management.

FIGURE 3

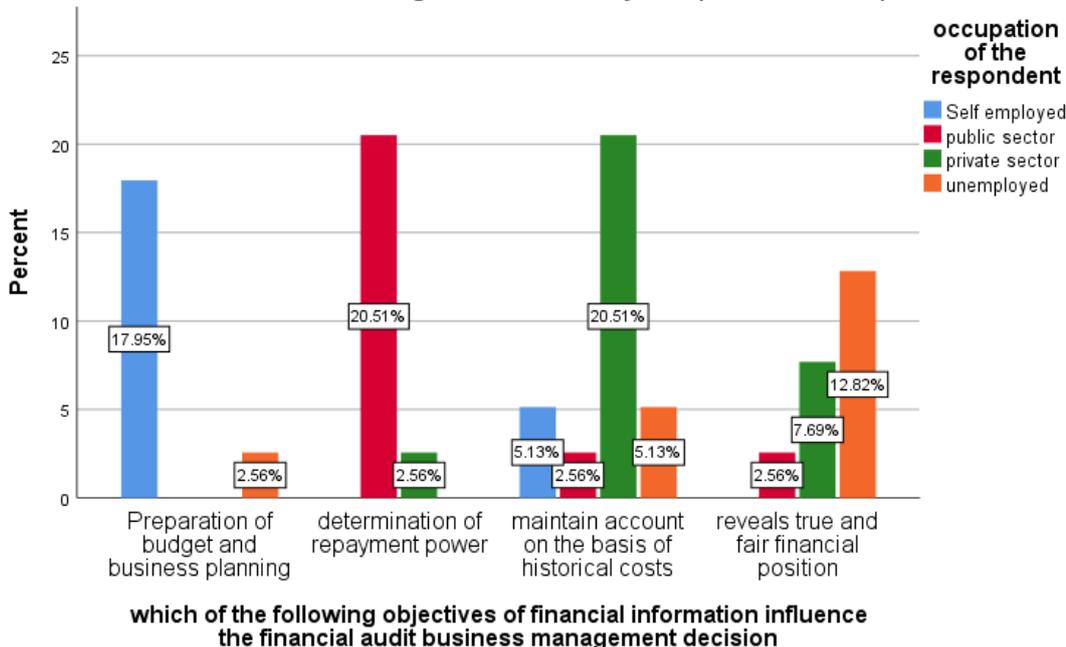
Clustered Bar Percent of state your agreeability with the statement “financial auditing information disclose the risk of the company in the business management” by occupation of the respondent



LEGEND : FIGURE 3 represents the Occupation of the respondent and their response towards the statement State your agreeability with the statement “Financial auditing information disclose the risk of the company in the business management”

FIGURE 4

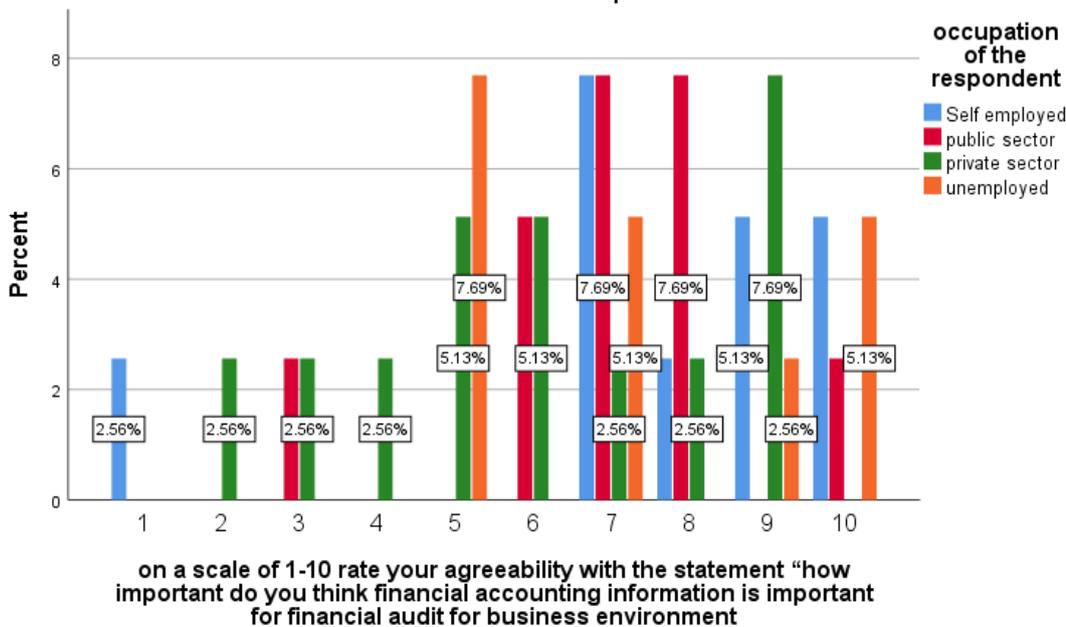
Clustered Bar Percent of which of the following objectives of financial information influence the financial audit business management decision by occupation of the respondent



LEGEND : FIGURE 4 represents the Occupation of the respondent and their response towards the statement which of the objectives of Financial information influence the financial audit business management decision.

FIGURE 5

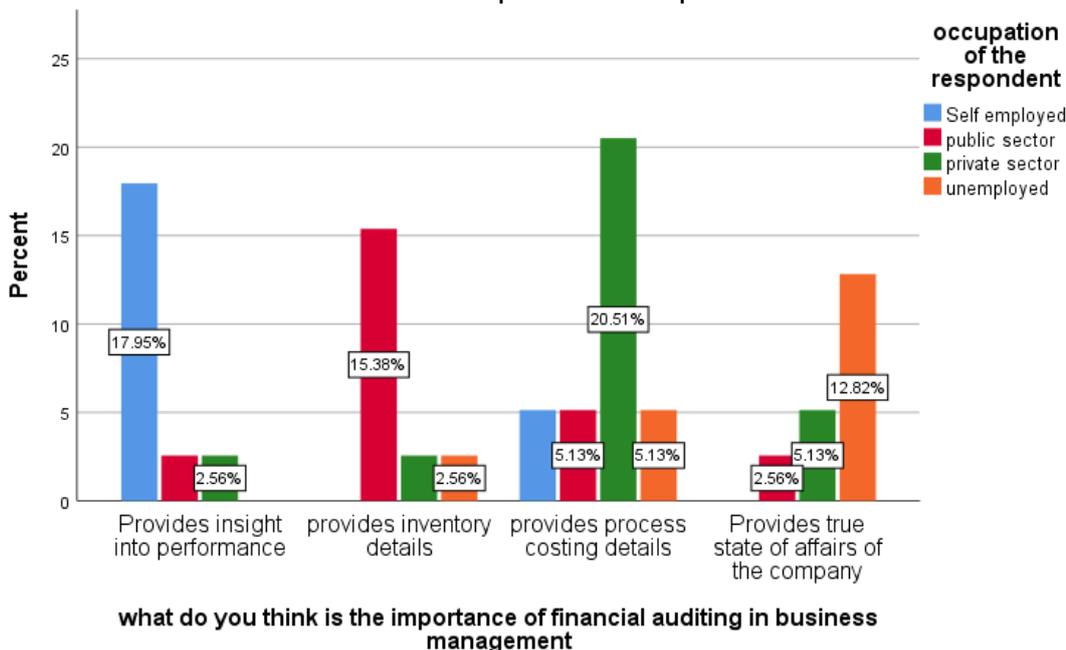
Clustered Bar Percent of on a scale of 1-10 rate your agreeability with the statement “how important do you think financial accounting information is important for financial audit for business environment by occupation of the respondent



LEGEND : FIGURE 5 represents the Occupation of the respondent and their response towards the statement On a scale of 1 - 10 rate your agreeability with the statement “How important do you think Financial Accounting information is important for Financial audit for business environment.

FIGURE 6

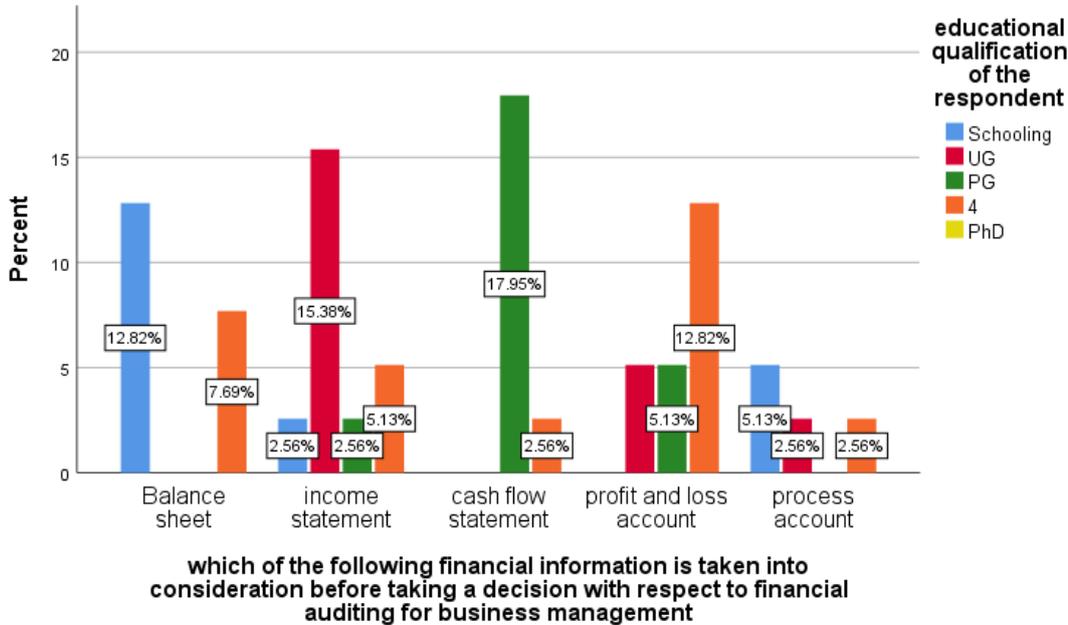
Clustered Bar Percent of what do you think is the importance of financial auditing in business management by occupation of the respondent



LEGEND : FIGURE 6 represents the Occupation of the respondent and their response towards the statement What do you think is the importance of Financial Auditing in business management.

FIGURE 7

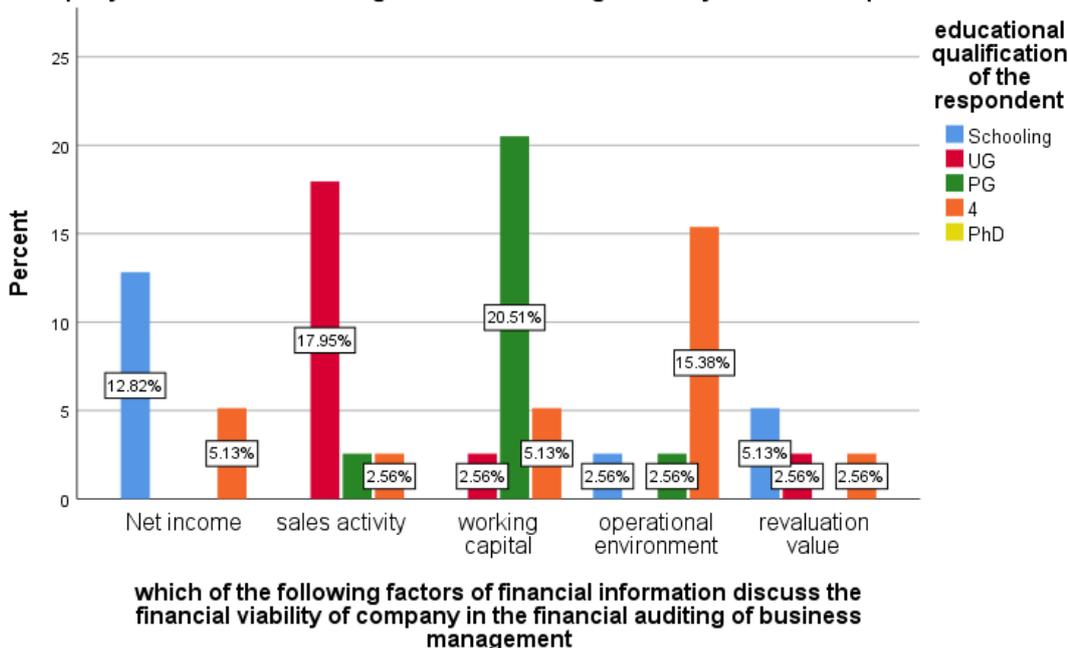
Clustered Bar Percent of which of the following financial information is taken into consideration before taking a decision with respect to financial auditing for business management by educational qualification of the respondent



LEGEND : FIGURE 8 represents the educational qualifications of the respondent and their response towards the statement Which of the following Financial information is taken into consideration before taking a decision with respect to financial auditing for business management.

FIGURE 8

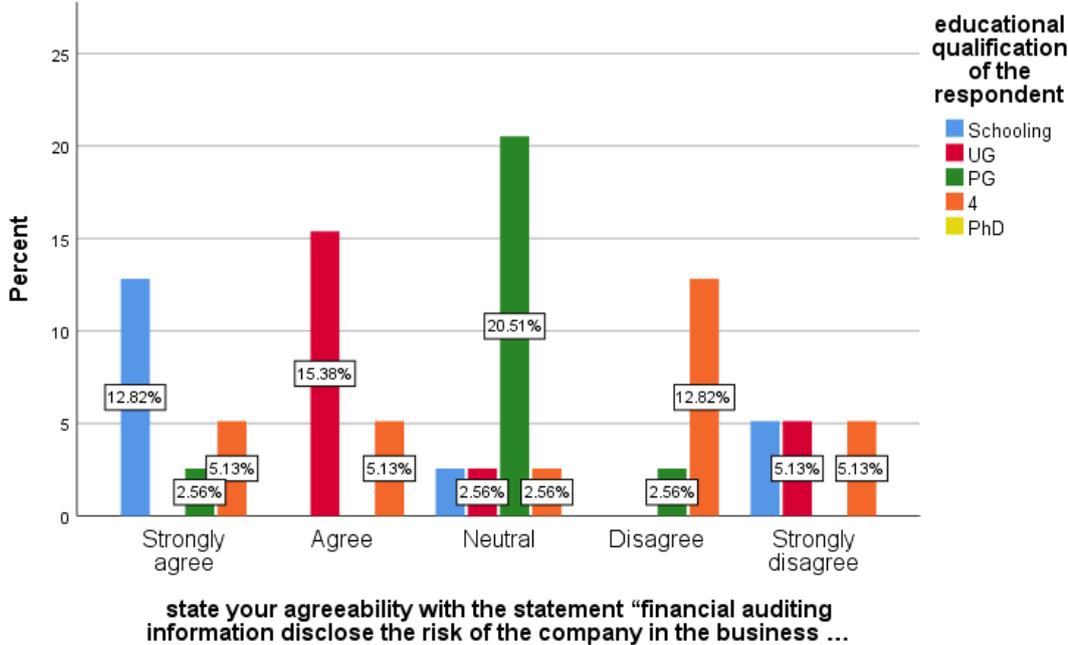
Clustered Bar Percent of which of the following factors of financial information discuss the financial viability of company in the financial auditing of business management by educational qualification of the respondent



LEGEND : FIGURE 8 represents the educational qualifications of the respondent and their response towards the statement Which of the following factors of Financial information discuss the Financial Viability of company in the Financial Auditing of business management.

FIGURE 9

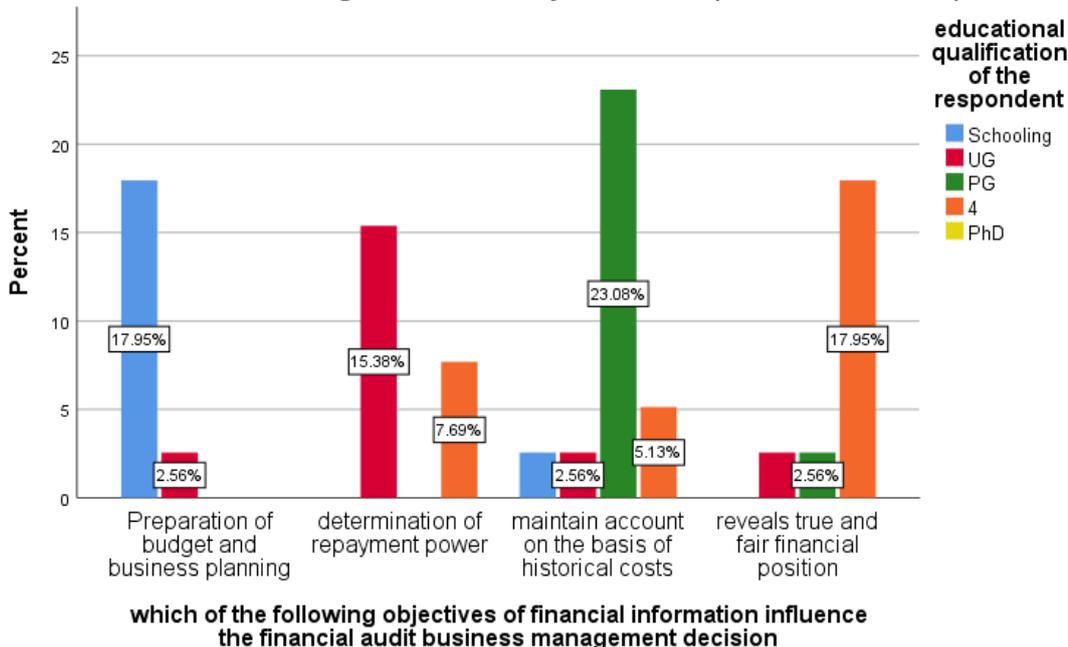
Clustered Bar Percent of state your agreeability with the statement “financial auditing information disclose the risk of the company in the business management” by educational qualification of the respondent



LEGEND : FIGURE 9 represents the educational qualifications of the respondent and their response towards the statement State your agreeability with the statement “Financial auditing information disclose the risk of the company in the business management”

FIGURE 10

Clustered Bar Percent of which of the following objectives of financial information influence the financial audit business management decision by educational qualification of the respondent



LEGEND : FIGURE 10 represents the educational qualifications of the respondent and their response towards the statement Which of the following objectives of Financial information influence the Financial Audit business management decision.

RESULTS

FIGURE 1 The respondents have stated that the balance sheet and the cash flow statement are considered before taking a decision with respect to financial auditing for business management **FIGURE 2** The Respondents have stated that the sales activity and the working capital discuss the financial viability of company in the financial auditing of a business management **FIGURE 3** The respondents agree with the statement while a few are in a neutral position **FIGURE 4** Revealing the true and fair financial position as well as maintaining account on the basis of historical costs **FIGURE 5** Most of the respondents have shown there agreeability by rating between a scale of 7-10 **FIGURE 6** The respondents have preferred the following options of provides true state of affairs of the company and provides process costing details **FIGURE 7** The balance sheet and the cash flow statement are the two most preferred options as to their opinion with respect to the statement which financial information is taken into consideration before taking a decision with respect to financial auditing for business management **FIGURE 8** The respondents have stated that the working capital and the sales activity are the two most preferred options **FIGURE 9** The respondents have held a partially neutral as well as agreeability opinion with respect to the statement **FIGURE 10** The respondents have stated that maintain account on the basis of historical costs and reveals the true and fair financial position of the company as the two most major objectives of financial information that influence the financial audit business management decision.

DISCUSSION

FIGURE 1 The respondents have stated that the balance sheet and the cash flow statement are considered before taking a decision with respect to financial auditing for business management since these two items hold the

highest relevance with respect to the true financial affairs and position of the company **FIGURE 2** Since the sales activity and working capital signify the profit or loss incurred by the business the total expense succumbed to achieved the resulted profit which shall light insights into the financial viability of the company in financial auditing of the business management **FIGURE 3** This shall be because financial auditing particularly only signifies the accuracy and reliability over the financial statement issued by the company and the true state of affairs of the company as well as the auditor shall provide certain suggestions to overcome certain pitfalls but does not accurately analyze and point out the risks **FIGURE 4** The financial audit helps in revealing the true and fair financial position of the company which can be done only if there is proper maintenance of the accounts on the basis of historical costs **FIGURE 5** This might be because as we know in general financial information like balance sheet, income statement, and cash flow statement are indispensable tools required for conducting a financial audit as without them it is impossible to identify the true and fair financial position of the company **FIGURE 6** Since the sales activity and process costing details signify the profit or loss incurred by the business the total expense succumbed to achieved the resulted profit which shall light insights into the financial viability of the company in financial auditing of the business management **FIGURE 7** The respondents have stated that the balance sheet and the cash flow statement are considered before taking a decision with respect to financial auditing for business management since these two items hold the highest relevance with respect to the true financial affairs and position of the company **FIGURE 8** Since the sales activity and working capital details signify the profit or loss incurred by the business the total expense succumbed

to achieved the resulted profit which shall light insights into the financial viability of the company in financial auditing of the business management **FIGURE 9** This shall be because financial auditing particularly only signifies the accuracy and reliability over the financial statement issued by the company and the true state of affairs of the company as well as the auditor shall provide certain suggestions to overcome certain pitfalls but does not accurately analyze and point out the risks **FIGURE 10** The financial audit helps in revealing the true and fair financial position of the company which can be done only if there is proper maintenance of the accounts on the basis of historical costs.

LIMITATIONS

The limitation in the research is the sample frame. The samples are obtained in the convenient sampling method and the sample size is 210. We can not determine the opinion of people in India with a small sample size. This is a limitation and a disadvantage to the research. We can not collect samples from the entire population of India.

CONCLUSION

In conclusion, the significance of financial auditing information for effective business management cannot be overstated. Beyond its role in regulatory compliance, it serves as a linchpin for informed decision-making, resource allocation, and risk mitigation. The insights derived from rigorous financial audits empower managers to navigate the intricate financial landscape with confidence and precision. Moreover, the transparency and credibility engendered by robust auditing practices foster trust among stakeholders, from investors to creditors, paving the way for sustained growth and prosperity. As businesses navigate an ever-evolving economic landscape, the imperative for a strategic and forward-looking approach to financial auditing is clearer than ever. Embracing audits not as a perfunctory exercise, but as a dynamic tool for driving organizational success, positions businesses on a trajectory

towards resilience and competitiveness. By recognizing the profound impact that accurate and reliable financial auditing information confers, organizations can harness its potential to not only weather uncertainties but to thrive in an increasingly complex business environment. Thus, in the pursuit of sustainable success, financial auditing information stands as an indispensable ally for astute and visionary business management.

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