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This thesis is submitted as part and partial requirement of
the Master of Business Administration (MBA) degree
programme of
2002.

**FINANCIAL ACCOUNTING INFORMATION
AND ORGANIZATIONAL PERFORMANCE
IN SRI LANKA**

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MBA INTAKE II - 2002

Faculty of Management Studies

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RAJARATA UNIVERSITY OF SRI LANKA

JULY 2005

Abstract

Many firms do not have a formal obligation to prepare financial statements. Therefore, they do not produce any financial accounting information voluntarily to end-users. However, financial accounting information is generally believed to be useful for decision making. It has been observed that the financial accounting information is vital for organizational performance in western countries. In Sri Lankan context, hardly any studies have been to assess the application of financial accounting information in the managerial information decision making process. On the other hand, it is believed that all the managers do not apply financial accounting information in their decision making process. Hence, this study is an attempt to explore the relationship between the use of financial accounting information in decision making and organizational performance in Sri Lanka.

Empirical data are tested to examine the applicability of financial accounting information in relation to organizational performance in Sri Lankan context. The data is collected from business organizations which have been spread through-out the country. The sample comprises of thirty business organizations including sole proprietorship, partnership and companies registered under the company act. The application of financial accounting information in the decision making process was obtained through a questionnaire survey. Data were gathered for a period of five years, which commenced from the financial year 1999/2000. The

correlation analysis, regression analysis, and other descriptive analysis were used to assess the relationship between the use of financial accounting information and organizational performance.

The findings of this study indicate that the financial indicators and revealed that the financial performance of business organizations that used financial accounting information for their decision making purposes was statically significant than the organizations that did not use financial accounting information for their decision making purposes. Further, the results suggest that financial accounting information could be indeed be useful to managers in business organizations of Sri Lanka. The findings are also consistent with the findings of previous researchers done in the western countries.

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