



The Importance of Financial Information in Managerial Decision-Making in Small-Sized Companies

Bachelor's Thesis
International Business Degree Programme
Autumn 2025
Fereshteh Nazari

DP Bachelor of International Business Degree Programme
Author Fereshteh Nazari Year 2025
Subject The importance of financial information in managerial decision-making in small-sized companies
Supervisors Simona Chilba

This thesis examines the important role of financial information quality in supporting managerial decision-making in SMEs. A qualitative case study supported by document analysis was used, a qualitative case study approach to a selected small company in the United Arab Emirates, Dubai.

The theoretical framework of this thesis is based on decision theory, challenges of decision-making in SMEs, and qualitative characteristics of financial information. This framework integrates modern decision theory with accounting principles and emphasizes how the qualitative characteristics of financial information, including relevance, faithfulness, timeliness, verifiability, and comparability, affect the quality of managerial decisions. This framework shows how access to accurate and reliable financial data reduces uncertainty in decision-making, supports rational decision-making by managers, and improves company performance, which is vital for SMEs that face resource limitations.

Data was collected through financial statement review, supporting documents analysis, interviews with internal stakeholders, and external financial experts. The findings reveal that the commissioning company has weaknesses in documentation, accounting policies, accounts classification, and communication.

The result demonstrates that a manager can use financial information more effectively in their decision-making process when reports are summarized, clear, and easy to understand. Therefore, improving managers' financial knowledge, enhancing internal reporting, and increasing the quality of financial information can significantly support managers in their decision-making process. The study concludes that high-quality financial information as a strategic tool improves the quality of managerial decisions and strengthens the company's credibility and transparency with external stakeholders. Future research is recommended to explore the important role of financial literacy in managerial decision-making in a group of SMEs in different sectors.

Keywords: Decision Making, Financial Statement, Qualitative Characteristics, Financial Information

Pages 36 pages and appendices 5 pages

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1 Introduction

Nowadays, in the competitive business environment, companies, especially small and medium-sized enterprises (SMEs), need to have access to high-quality financial information to make the right and effective decisions. Decision-making is one of the key tasks of managers in any organization, and the quality of these decisions can play a major role in the success or failure of the organization. SMEs need to be able to allocate the limited resources, such as financial, human, and technological resources, more efficiently to reduce risk and improve the effectiveness of management decisions. (Rejison, 2025)

Financial data and reports are among the most important tools for enhancing strategic outcomes. Information collected from financial statement analysis can provide a clear perspective of the company's status to make the right financial decision (Rejison, 2025). Accounting, the core of corporate reporting, is often referred to as the "language of business." (Sellhorn, 2023). The main aim of accounting, also known as bookkeeping, is gathering and analysing both financial and non-financial data related to economic entities, including businesses and organizations. Accounting is an organized process to record and share financial information about a company's operations with different stakeholders, including managers, shareholders, creditors, and government organizations. (Mohammad, 2024)

Financial reports such as statements of financial position, that known as balance sheets, profit and loss statements, and cash flow statements, are the final output of this data entry in accounting systems. Accounting data is one of the most important sources of information that supports managers in their decision-making process. (Chitta, 2023), However, the quality of accounting information is the key indicator for gaining an accurate insight into the entity's economic position and making appropriate decisions based on that information. In fact, the quality of accounting information adds value to financial reports by enhancing their relevance and reliability. (Gheorghe, 2011)

Considering all these facts, the analysis of financial statements is crucial for SMEs that operate with limited resources. Accordingly, this research aims to highlight the role and importance of financial statements and their data in managers' decision-making in small companies. By conducting a case study of Company X, the commissioning company for this thesis, the study aims to demonstrate how processing, reporting, and analysis play a vital role in management decisions. Moreover, understanding the approach of managers in SMEs to the financial statement and information can provide valuable insight for improving

accounting system design and training programs for small businesses, which will further improve the data needed for decision-making.

This research is a case study and uses a qualitative case study supported by document analysis.

The main research question is: How can the financial data quality be improved to support better decision-making processes in Company X?

Sub-research questions are: Does financial information improvement impact manager decision-making? What is the importance of financial information in managerial decision-making?

Company X is a small company that is located in the United Arab Emirates (U.A.E.), Dubai. The company's activity is import and export, and the main destination is China; the company was established in the early 2020s and has had a remarkable turnover during the last 3 years. (Personal Communication, 2025)

The company uses bank accounts as well as cash accounts. Most of the company's expenses printing and stationery, drinking water, and office expenses, are paid from cash in hand, and bank accounts are used for the main business financial transactions and other bills such as electricity, water, cooling service, telephone, and internet. Access to the bank transfer is limited, and only the internal manager has online banking access to make a transfer. Bills will be recorded in the accounting system by the accountant and then sent to the internal manager to release from the bank account. The bank statements are shared with the accountant daily to reconcile them with the bank statement in the accounting system. The bank accounts have had a high turnover in recent years. Moreover, the company has a broker contract with a company in China that provides financial services. (Personal Communication, 2025)

All customers and suppliers dealing with the company are approved by the manager and are required to have a completed Know Your Customer (KYC) form to avoid any risk of a bank account problem. In addition, any new customer must be introduced through a known reference, and the reference needs to confirm the customer. Traders or sales officers are not permitted to make deals with new customers who have not been approved by the manager. So the customer's credit will be confirmed by the manager, and the sales department needs to consider the customer's credit in their deal. (Personal Communication, 2025)

Right now, only a few people are employed in this company's Dubai office. Company X uses a well-known accounting system, QuickBooks, in the UAE market, which is user-friendly and straightforward; however, it can provide a proper statement of financial position, profit and loss, and inventory turnover. They use a perpetual inventory system and accrual accounting. There is no physical warehouse; purchases will be placed once there is a request for sales from customers, so they use the weighted average method for the inventory and cost of goods. (Personal Communication, 2025)

The company has limited physical assets, including only one car that the manager is using, and a reasonable amount of office furniture, office equipment, including software, PCs, a printer, scanner, and mobile phones. The company office is a rented flat. (Personal Communication, 2025)

The company did not provide any auditing report until the end of 2024, since the United Arab Emirates was free from tax, so auditing of the financial statement was not mandatory. But they need to report Value Added Tax (VAT) quarterly, on the 28th of the month in the Federal Tax portal. The VAT amount is 5% of the invoice's total amount, and invoices should be under the name of the company. The company has made a profit for all the last 3 years. Based on the market position and company transactions, the manager expects to make the same average profit in the current year. (Personal Communication, 2025)

This research aims to highlight the importance of financial information in managerial decision-making and the impact of improving the quality of this information on decision-making, which might be helpful and useful in the competitive and uncertain business environment. This research provides a clear perspective of the current situation of the company's financial information in terms of quality, focusing on reliability and timeliness, and highlights how this information characteristics support the manager in his decision-making process. Moreover, the study will help the company identify weaknesses in its current practices and enhance its financial recording, reporting, and efficiency.

This research objective is to provide practical recommendations for improving financial data quality in Company X, which can then better support the decision-making processes.

2 Theoretical Framework

This chapter aims to review the previous literature that provides key theories related to this study, such as the roles of financial reports in management decisions, the qualitative characteristics of financial information, and the challenges of decision-making in small companies. Examining these theories provides a theoretical base for understanding how financial information influences management practices and highlights gaps in existing research.

2.1 Decision-Making

Nowadays, in a competitive world, decision-making plays a vital role in the company's survival, especially in SMEs where there is a limitation in resources; any mistake in this process can be an expensive cost for the company and create a serious risk in terms of going concern of the company. (Parmigiani, 2009)

Decision-making is a process that managers face every day and is one of the most important in the success or failure of an organization. Unlike random decisions, this process is based on relevant information, examining the advantages and disadvantages of options, and choosing the best path to achieve goals. Decision-making is not a one-time act, but a step-by-step process that involves identifying options, evaluating them in terms of cost, efficiency, and risk, and choosing the most appropriate option. It is a process that starts from a specific point and ends at a conclusion point. It consists of several stages, each with a specific strategy for moving through each stage. This process determines the necessary action that should be taken at each stage and the reason for that action for decision makers, which is very useful and helpful. In general, decision-making in management means bridging the gap between reality and organizational goals and choosing the path that can bring the best result in complex and constrained conditions. (Taherdoost & Madanchian, 2023)

Decision-making in SMEs is typically concentrated in the manager's or owner's hands, who often acts as a solo decision maker, unlike large companies, where making decisions is distributed to different layers of management. This centralization provides advantages such as faster and more flexible decision-making processing, as fewer layers of approval are required, and decisions can be implemented immediately. It also enables managers to have a whole picture of the company situation and involve different perspectives of operation in their decisions. However, this solo decision-making strategy also has significant risks; one of

the most important is the increased potential for personal or cognitive biases in critical choices. The manager may rely heavily on his personal experiences and the market situation rather than on financial information. Furthermore, single decision-making can limit the diversity of perspectives and reduce the company's ability to evaluate different options or estimate unexpected risks, especially in situations where there is uncertainty (Benayad, 2023)

According to Ruiz (2024), one of the main challenges in SMEs is resource limitations, including financial, human, and technological. These limitations can significantly impact the decision-making process as the manager often needs to make critical choices under uncertain situations and time pressures, which can increase risk for the company. To overcome these challenges, González-Prida (2025) suggested the importance of financial literacy for managers. He believes that there is a significant positive and direct relationship between financial education and decision-making rationality. Both mentioned authors demonstrated that a higher level of financial knowledge helps managers identify and evaluate options more carefully and choose the best option from a wider range of acceptable options. In addition, financial literacy can provide more facilities in terms of interpreting financial data, predicting financial trends in the future, and enabling managers to respond to uncertainty. The manager would be able to understand the cost structure, analyses investment risk, manage cash flows, and predict the next operational action. This research enables the consideration that financial knowledge helps with information processing to respond to uncertain situations and will increase the quality of decision-making and ultimately improve overall company operation. (González-Prida, 2025 ; Ruíz, 2024).

Modern decision theory emphasizes not only the rational evaluation of available options but also the practical realities that shape the decision-making process in the real world. According to Abril et al.(2025), SMEs often face real-world limitations such as limited financial, human, and technological resources, which directly impact how decisions are made. SMEs often rely on single decision makers, unlike larger organizations that have different layers of managers and decision-making responsibilities. They also note that using advanced tools, such as technology learning, can help SMEs utilize limited resources for different objectives; in fact, decision-making in SMEs is a complex interaction between rational analysis and practical limitations, which highlights the importance of information quality and managers' ability to use this data, so it clearly demonstrates decision making as a practical process which influence by operational environment in SMEs.(Molina-Abril et al., 2025)

A review of Single-person decision theory can provide a deeper understanding of the individual decision maker form, especially in an environment of uncertainty. Single-person decision theory is considered from the standpoint that the decision maker is in an uncertain position and in imperfect conditions that cannot measure or estimate any future financial event. In this theory, the core assumption is made that potential events are not objective; however, in perfect circumstances, these events are objective and are not influenced by personal opinions. Within this theoretical framework, a formal approach is also considered, and the decision maker is expected to assess the possible options and select the best alternative from the available options. The method allows the person to add more information to their perspective and calculate the percentage of probabilities for each event, after making a decision, and enables them to consider other options. Single-person decision theory can be successful in accounting because financial statements provide more information that is useful for many decisions. The availability of high-quality financial information enables managers to analyse risks, estimate costs, and benefits of any options, and compare alternative options. (Scott, 2003)

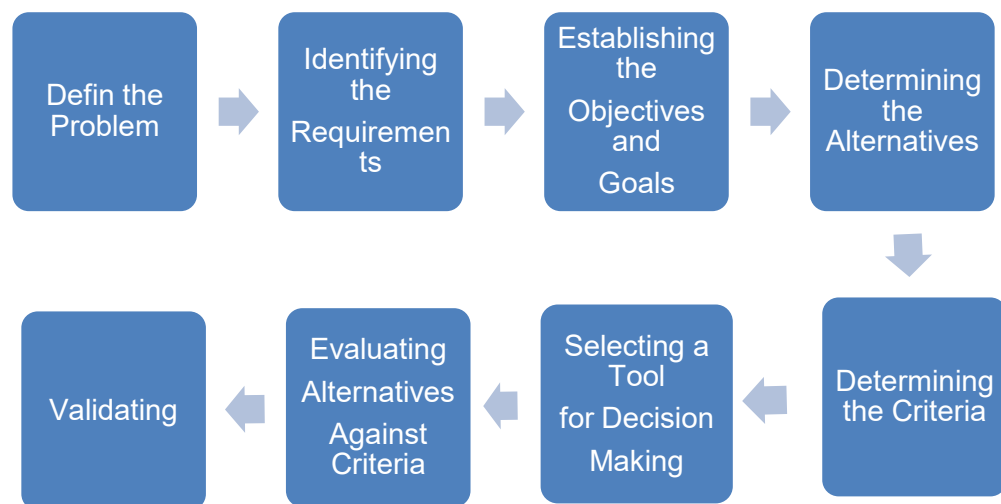
The decision theory emphasized that managers rely on high-quality and timely information to reduce uncertainty and increase the efficiency and effectiveness of strategic and operational decisions. Particularly in an SME environment, where resources are limited and the manager is the person who will handle solo decision making, so timely and reliable information becomes even more important since it enables the manager to respond faster and more efficiently, it will reduce cost and uncertainty, and increase the sustainability of the business. (Citroen, 2011)

The importance of using financial information in decision-making, particularly in SMEs, is highlighted by Ruiz (2024), who revealed that financial planning and decision-making based on reliable information can lead to better financial performance. The role of financial data is to provide structured, relevant, and timely financial information to decision makers. All users of accounting information systems have a main reason, which is access to data that is collected by the key system on all financial and economic events in the organization; they need to extract the data that they need to make informed decisions. Ebrahimi (2025), in his study on the management accounting framework in small and medium enterprises in Iran, concludes that, despite the high importance of decision-making as one of the most important tasks of managers in any company, small and medium-sized companies do not place importance on the use of accounting information, especially management accounting, due to their limitations such as lack of management accounting system, financial and professional human resource. (Ebrahimi, 2025; Ruíz, 2024; Romney, 2012)

Taherdoost & Madanchian (2023) divided the decision-making problem into different subgroups through different aspects. Decision-making based on the importance of problems is one of these aspects; based on this angle, decisions can be divided into routine or strategic decisions. The strategic decisions are usually long-term and related to the overall direction and main goal of the organization. But the routine or tactical decisions are more related to daily activities and operational problems of the entity, and they are usually less complicated and risky. The number of decision makers is the other aspect of decision-making, which can be group or individual decision-making. However, in SMEs, decision-making is often an individual process rather than a group. (Taherdoost & Madanchian, 2023).

The figure below demonstrates different steps of the decision-making process.

Figure 1. Decision-making process (Taherdoost & Madanchian, 2023)



2.2 Role of Financial Reports in Decision-Making

Regison (2025) stated that in today's competitive environment, financial statements play the main role in depicting the financial health of the organization. She mentioned that the financial statements play an effective role in the organization's strategic decision-making and its continued presence in the competitive business. Pasandi (2025) concluded that financial reporting is one of the most important tools for providing financial information to internal and external users, which plays a key role in economic decision-making. He described the elements of reporting, financial objectives, financial characteristics, the quality of financial information, and the needs of users and their importance in supporting the usage of such

data in planning and strategizing. They can use this information as a tool that supports them in their decision-making. The research concluded that theoretical concepts contribute to the transparency of financial information by increasing comparability. It also provides "capital maintenance" as the main conceptual basis, which is an accepted principle that links revenues and expenses to changes in assets and liabilities. This approach emphasizes improving economic decision-making through the quality of financial information. Despite limitations such as uncertainties arising from estimates and the historical nature of financial data, theoretical concepts provide a coherent framework that allows for a more accurate assessment of financial position, financial performance, and financial flexibility of a company. Ultimately, this framework not only helps users make economic decisions but also effectively reflects the accountability of management. (Pasandi, 2025; Rejison, 2025)

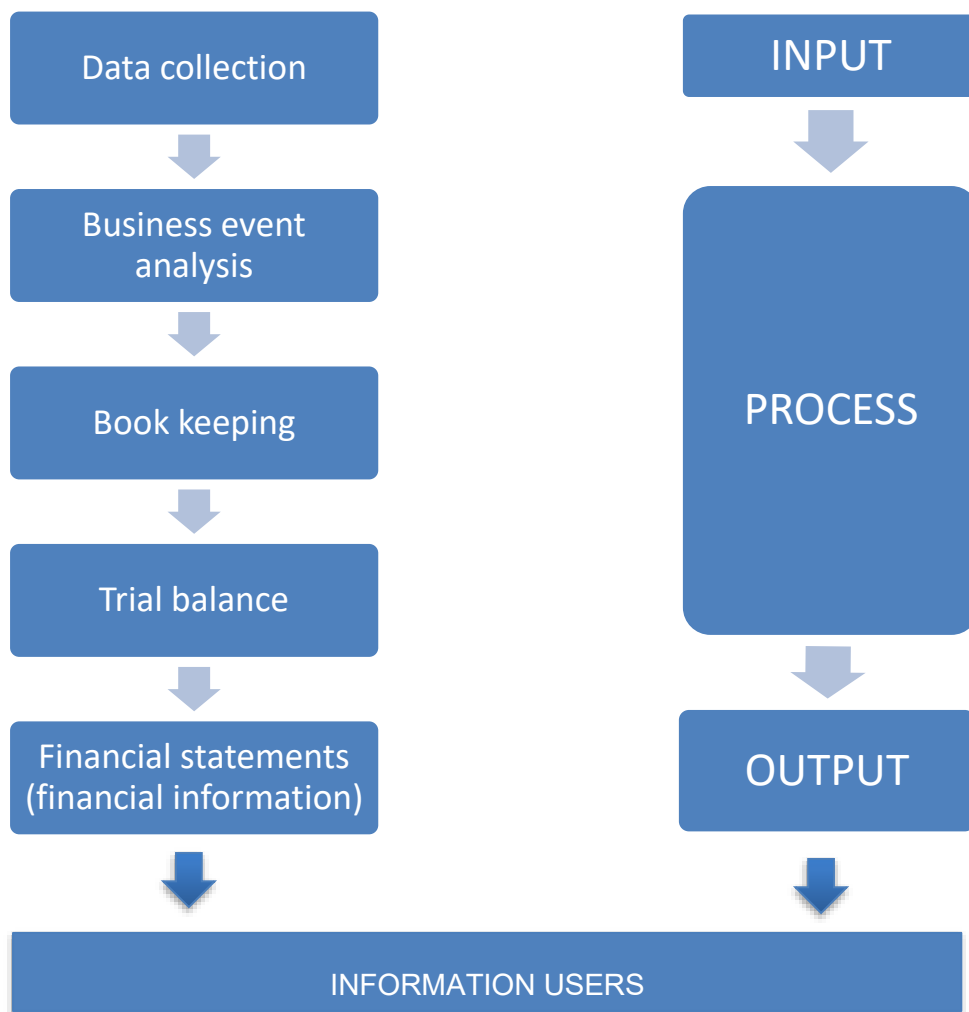
However, financial statements should provide a realistic and objective picture of the true situation of a business. But it is an important matter that is not easy for all users of financial statements to understand these reports. However, the auditing of statements is applied because of the warranty of accuracy and reliability; In other words, the auditing report attests that the financial statements accurately contain the information that they claim. But, in the context of examining financial statements as a function of decision-making, it is important to emphasize that different users must know how to use these statements. And especially "how to read" financial statements. Each group of users, such as managers, investors, and creditors, needs skills that enable them to understand the concept and relationships contained in financial statements to be able to apply them in their decision-making. (Zager, 2006)

In addition to providing useful information to external users, financial statements are also used as a vital tool for managers in evaluating organizational performance and making informed decisions. According to Carlon (2025), the information contained in statements such as the income statement, Statement of Position, and Cash Flow Statement provides managers with useful insights into profitability, liquidity, and financial position that can be used to make investment and financing decisions. For example, ratio analysis is a useful tool for managers to evaluate resources such as the company's cash flow. It also provides an indicator to answer questions such as whether additional financing is needed and how well the company is positioned for future growth. By systematically interpreting these reports, managers can ensure that decisions are based on accurate, timely, and comparable information, rather than on market pressure and intuition. (Carlon, 2025)

Other research states that the product of accounting is nothing but information, which is so complex. However, it is very important because it not only affects the individual decisions of stakeholders and management but also affects the stock market. Osameh (2025) gathered data from 39 respondents, and through his study, the financial reporting and indicators are shown as being crucial tools that can significantly enhance strategic decision-making. In addition, he suggests improving the financial knowledge of the management and strategic planning, and remarks on the role of financial analysis in the strategic decision-making framework. (Osamah, 2025; Scott, 2003) Based on all the above theories, it is quite clear that financial information can play an effective role in management decisions if the manager has sufficient knowledge to use Financial reports.

The figure below provides the accounting process and demonstrates how raw data is transferred into financial information.

Figure 2. Accounting process (Zager, 2006)



2.3 Qualitative Characteristics of Financial Information

The Acowtancy notes for the Association of Chartered Certified Accountants (ACCA) highlighted the difference between data and information. Based on its definition, data is raw figures, letters, numbers, and transactions that cannot be suitable to used in decision making since it is not processed yet. On the other hand, information is data that has been processed and summarised. It is mentioned that “Information is meaningful data.” To formulate a plan and make a decision, managers need to have access to information. (aCOWtancy, 2022), According to the International Accounting Standards Board (IASB), useful financial information must have specific qualitative characteristics. The Conceptual Framework for financial reporting explains that financial information will be useful if it is relevant, and it must faithfully represent the content of financial information. Two main fundamental qualitative characteristics are Relevance and Faithfulness. There are four enhancing qualitative characteristics, including Timeliness, Understandability, Verifiability, and Comparability. (ACCA, 2025)

Investors, lenders, and other current or potential creditors need the most useful information in making decisions about the reporting entity, so financial reports containing financial information should consider this type of information to enable users to assess the company's profitability, liquidity, and future expectations. High-quality financial information enables users to compare the company's operations in different periods to evaluate the manager's performance and even compare the company with other organizations in the same industry to assess the risk of investment. However, the quality of financial statements is not a directly observable indicator and, therefore, is not easily measurable. Instead, it depends on the users' insight and understanding; different users can have different findings in the same financial report, depending on their insight. Thus, standards such as International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) provide guidelines to improve comparability, relevance, and faithful representation of financial statements. (IASB, 2025; ACCA, 2025)

Achim (2014) refers to several definitions of the quality of financial information, and he argues that the definition proposed by Jonas and Blanchett (2000) is more widely accepted than the others. According to the definitions, quality financial reporting provides complete, transparent information that does not mislead users. Almaliki & Al-Saedi (2023) introduced six basic characteristics of financial statement information as a tool to help management in their own decisions. They divide them into two types of basic characteristics and enhancing characteristics. The six characteristics are: faithfulness, relevance, comparability, timeline,

understanding, and verifiability. This study considers that easily understandable information by a user is vital for companies. Moreover, they demonstrated that financial reports use complex literature to hide the company's weaknesses. The results of the study show that comparability is a crucial characteristic that helps investors and other users of financial information to achieve a deeper understanding of a company's performance. (Almaliki & Al-Saedi, 2023; Achim, 2014)

Although both the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) emphasize the importance of financial reporting quality, there are often significant methodological challenges in assessing the quality of financial statements and their usefulness in decision-making. In practice, it is not possible to directly observe or objectively evaluate the usefulness of the information disclosed in financial statements, which increases the complexity of measuring quality. (Braam & Beest, 2013)

2.3.1 Relevance

Relevance is a characteristic that indicates that information can influence a manager's decision. In other words, data is relevant when it can play a role in decision-making. Relevant information can influence the decisions made by creditors, lenders, and investors since it provides either supporting value, predictive value, or both. (McConnell, 2011; Mechta et al., 2023)

Financial information can be considered as relevant information if it has predictive value, confirmatory value, or both. In other words, relevant financial information can be employed by a user to predict the future outcome of decisions, and it has confirmatory value when it provides feedback regarding previous evaluations. The definition of materiality provided in the FASB's Conceptual Framework for Financial Reporting also supports the above statement: "information is material if omitting it or misstating it could influence decisions made by users based on the financial information of a specific reporting entity," and concluded that materiality represented another important aspect that is so close to relevance. (Achim, 2014)

2.3.2 Faithfulness

Nowadays, "faithfulness" is a known qualitative characteristic, but in the past International Accounting Standards Board (IASB) used the term "reliability" instead. According to the Framework (1989), information is considered reliable if it is free from bias and significant

mistakes, and users may rely on it to accurately represent what it claims to represent. Neutrality, prudence and completeness, and substance over form were also covered in the Framework as components of faithfulness. (Achim, 2014)

Faithful information is complete, free from bias, and free from error. Information is complete if it depicts a clear picture of the financial event, and the user can understand it clearly. A financial report represents the substance of the financial events by recording them in words and numbers to be faithful. According to the Conceptual Framework, information needs to include all essential information for the users to understand it, which means Complete. The information must be free from bias in selection and representation, which means Neutrality, and it needs to be free from error. (ACCA, 2025; McConnell, 2011)

Faithfulness is a qualitative characteristic that ensures financial information provides the company's economic reality. It can increase reliance on financial information and reduce the risk of misleading in the decision-making process. In SMEs, where resources and regulatory controls are limited, quality is more important. Managers in SMEs need to rely on reliable, transparent, and comparable data as a critical factor in the quality of financial information. Financial statements of SMEs in Malaysia show that ethical behavior in these types of companies, beyond technical accounting standards, has a significant impact on the quality of financial reporting. They concluded that the faithful representation and comparability of financial reports are improved by showing an ethical culture among financial information providers, and, consequently, the risk of distortion or bias in reports is reduced. (Zainal et al., 2025)

2.3.3 Timeliness

The timeline financial information is available for users when they need to make a decision. New information is more useful than older one, as some information may continue to be timely for a long duration. Timeliness refers to the availability of information before it loses its ability to influence decisions. Generally, the older the information is, it becomes less useful. However, there are cases where even old information is still timely, meaning it can influence decision-making, long after the reporting period has ended. This is particularly true when users rely on data to identify and assess trends to make future predictions. Historical information can provide information for estimation or risk assessment. High-quality financial reporting increases speed in balance with accuracy and ensures that information is available at the right time with a sufficient degree of reliability. Ultimately, timeliness improves decision-making by providing users with the right information at the right moment, enabling them to

recognize and respond to new opportunities and potential risks, which can enhance company operations in the long term. (Achim, 2014; McConnell, 2011; ACCA, 2025)

2.3.4 Understandability

Financial reports need to be easy to understand for the knowledge user. Classification, explanation, and reporting information clearly and concisely make it more understandable. The Conceptual Framework for Financial Reporting affirms that classifying, characterizing, and presenting information clearly and concisely make it understandable. However, some transactions are complex and contain numerous details, making them difficult to interpret quickly. In such cases, providing any additional available information, such as narration, graph summary, or a detailed note, may assist users in better understanding the transaction. This kind of disclosure is vital and, to some extent, even if it is mandatory to provide a clear picture of financial reports and increase transparency for users who have a reasonable level of financial knowledge. Although understanding numbers and figures is not easy, but goal is not to oversimplify the financial report; representing and characterizing reports as clearly as possible will make financial information more useful and easier to understand for users and can support managers in more efficient decision making. (McConnell, 2011; Achim, 2014; ACCA, 2025)

2.3.5 Verifiability

According to the statement of Financial Accounting Concepts, “Verifiability” means that financial information can be confirmed to represent what it claims to represent, without error or bias in the measurement method used. Verifiability provides assurance, either directly or indirectly, that the information faithfully reflects reality. Direct verifiability refers to confirming a value or quantity of a record through observation, counting, or measurement. However, indirect verifiability involves formulas, models, and methods to examine the output. There are some events in a financial report for which verification is not possible; in such cases, disclosure is required. Verifiability gives financial information authority by ensuring that the data accurately reflects what is stated., Different users who know how to use this data can reach the same result (however, not exactly) if that particular data is represented faithfully. (ACCA, 2025; Achim, 2014; McConnell, 2011)

Verifiability makes it possible to cross-check financial information with supporting documents and evidence, which will decrease uncertainty and enhance trust in decision-making. The

quality of financial information in SMEs is significantly and positively related to profit and debt reporting and management. In these types of companies, financing structures, especially debt, affect the quality of earnings. Companies with higher leverage are forced to present more favourable financial results, which leads to reduced transparency and verifiability in financial reports. As a result, the reliability of financial information for decision-making purposes decreases. However, when financial reporting practices lead to increased earnings quality, it becomes possible for decision-makers to assess the true financial position of the company, enabling them to reduce risk and increase the effectiveness of resource allocation. Therefore, increasing the quality of financial information not only ensures compliance with legal requirements but also improves the managerial decision-making process in small companies that face limited financial resources and skilled labour. (Sequeira, 2024)

2.3.6 Comparability

Comparability is the closest characteristic to decision-making. Investors are: “users choose between alternatives,” so they need to be able to do a comparison. Lenders and other creditors will be able to recognize similarities and differences between different financial data if it is comparable. (McConnell, 2011; Achim, 2014).

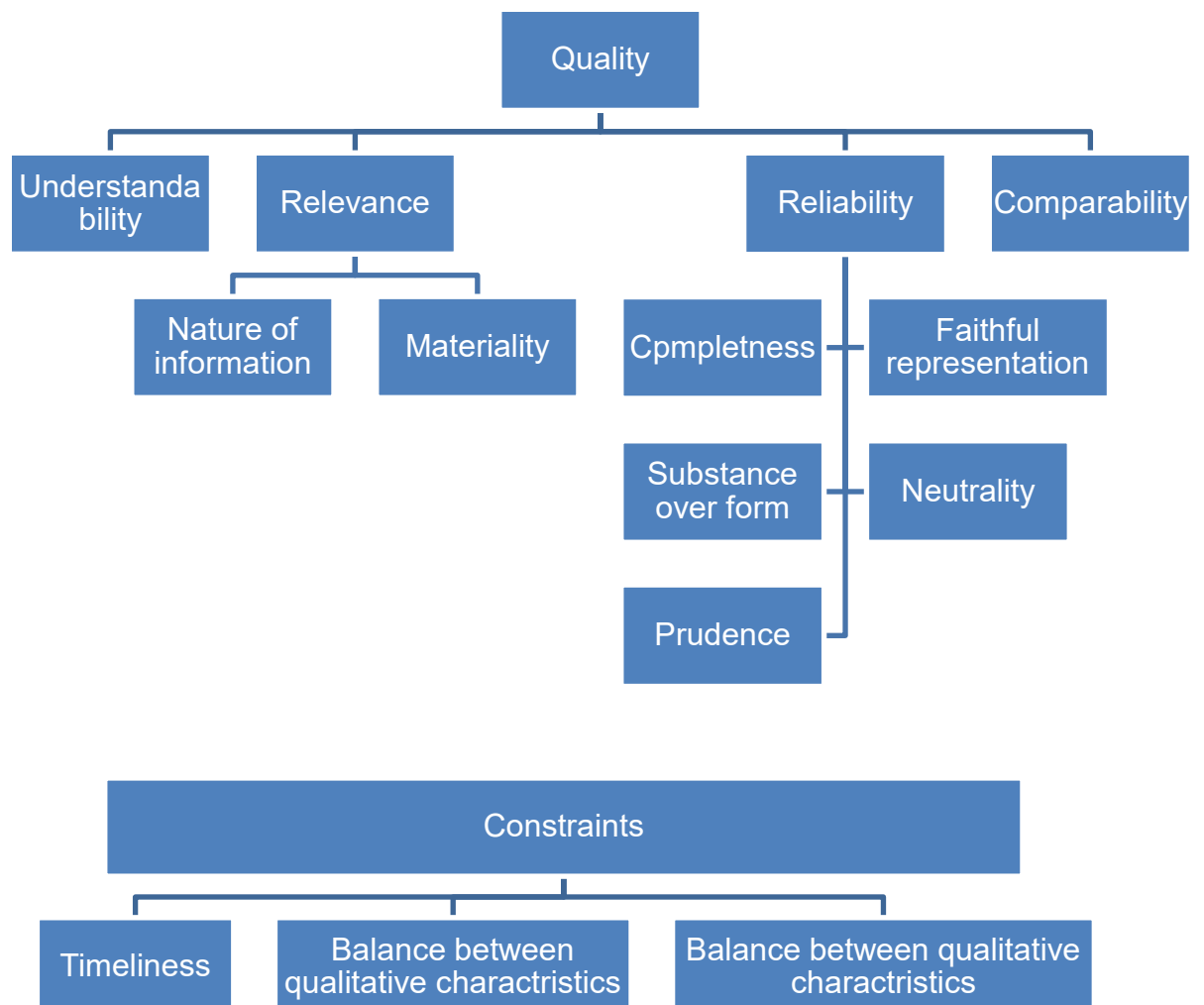
This characteristic will make them able to compare financial data in different periods of the same entity and would be helpful in some decision-making, as it supports activities such as budgeting. At the same time, it would be more useful if information could be compared with similar data in other companies in the same industry, which would be useful in other decision-making related operations, like investment. According to Bram and Bisset (2013), comparability is reflected in the uniformity of accounting procedures used to record financial events, as well as in the ability to compare information across different entities. These qualitative characteristics ensure that financial statements provide data that are a reliable basis for managers and other stakeholders to make decisions. (ACCA, 2025; Citroen, 2011; Braam & Beest, 2013)

According to the above facts and based on the previous research, as well as Sinthumule's (2020) study on the usefulness of information financial reports, it is demonstrated that the value of financial information is significantly and positively impacted by both the fundamental and the enhancing qualitative characteristics of financial reporting. These results support the Conceptual Framework (2010) statement that for financial data to be valuable, all qualitative characteristics must exist. Also, the findings of Yarisandi & Pospitasari (2015), Rahmani & Jabbari (2015), and Sutton (2015), who discovered and support the same idea, show that

every qualitative aspect of financial reporting affects the usefulness of financial data, and are similar to the above-discussed findings. Financial statements and information should have all of these. (Sinthumule, 2020; Yarisandi & Pospitasari, 2015; Rahmani & Jabbar, 2015)

The adoption of IFRS and the role of independent auditors are other factors affecting earnings quality in SMEs. Research shows that the adoption of IFRS leads to increased earnings quality by increasing the transparency, comparability, and reliability of financial information. In addition, the presence of large audit firms (Big Four) has a positive effect on earnings quality. The combination of these factors reduces the threat of earnings management and increases confidence in the financial information provided by SMEs, which is especially important in managerial decisions and attracting external financing. (Hsu, et al., 2024)

Figure 3. Qualitative characteristics of information from the 1989 General Conceptual Framework (Ciocan, 2019)



2.4 Challenges of Decision-Making in Small Companies

Research done in 2010 on 10 small firms shows that in these types of enterprises often there is lack of human resources, such as skilled human resources or proper accounting systems. In these situations, accounting reports are usually not used by the manager, and accessible information, such as bank account balances or cash flow, is presented only as a financial status of the firm, not as crucial information for decision making. The findings of López and Hybel in 2015 show that the usage of accounting systems in small and medium-sized enterprises is quite different compared to larger enterprises, and that small and medium-sized enterprises are significantly influenced by employee, environmental, and organizational factors. In SMEs, gathering data, classifying them, and recording them in the accounting system, which will provide the financial statement, the final product of the accounting system significantly depends on the accountant's approach. (López & Hiebl, 2015; Halabi, 2010)

A study done in 2023 on 7 cases, related to SMEs active in the field of big data in Finland, shows that practical challenges, such as a lack of resources, facilities, and technical capabilities in SMEs, make data-driven decision-making more difficult. Also, in these types of companies, managers are faced with the problem of increasing data volume and complexity of analyses. Also, lack of skills in using tools for interpreting financial information, like ratios and limited financial resources, are one of the key challenges in SEMs that affect managers' access to useful tools, such as integrating data science decisions. (Järvenpää, 2023; Tawil, 2024)

In SMEs, there is a lack of transparency of financial information, so financial reporting has a crucial role in these entities. The main purpose of financial reporting is to reduce information asymmetry between managers and stakeholders. Since the manager is the person who has access to more information compared to the other stakeholders, high-quality financial reports are the tools that provide useful information to stakeholders and balance the information asymmetry. According to the fact that there are limitations on the ability to collect, process, and analyze data effectively in SMEs, informed decision-making requires access to reliable information and the ability to apply statistical methods to reduce uncertainty and variability in outcomes. However, the lack of all these abilities drives SMEs to face more challenges in decision-making. (Scott, 2021; Black, 2023)

One of the key challenges in SMEs is effective decision-making under a limited resource situation, a lack of critical decision-making structures, and a direct connection with market factors. Zhang & Zhu (2023) examine the role of financial experts and managers in the quality

of decision-making and the level of innovation of the organization. The result demonstrated that a financial expert with knowledge makes more accurate and efficient decisions. These are crucial in SMEs due to their limited resources since any inefficient decision or mistake can have a significant impact on the going concern of the company. However, only having financial knowledge cannot lead the company to innovation, and executive decision-making can link financial knowledge to innovation. This research finds that managers who lack financial literacy face serious challenges in decision-making. The research findings support improving the financial literacy of managers in SMEs through training and the use of simple financial tools, using external consultants, and using simple and understandable decision-making models. (Zhang & Zhu, 2024)

In the financial decision-making process in SMEs, the use of heuristics plays an important role. According to the findings of Rauwerda & De Graaf (2021), decision-makers in the diverse and complex financial market environment often use mental shortcuts to select faster solutions, instead of fully and logically analyzing all options. This approach, which is also rooted in the behavioral psychology literature, is more common in the small company environment due to the lack of time, resources, and expertise. Although the use of heuristics can increase the speed of decision-making, it may also lead to cognitive biases and suboptimal financial choices. This is a significant challenge in SMEs' financial decision-making that should be reduced by improving financial knowledge, designing decision-support tools, and using consultants. (Rauwerda & De Graaf , 2021)

Recent studies suggest that financial literacy alone is not sufficient to shape appropriate financial behaviors among micro and SME operators. According to the findings of Widjayanti et al. (2025), innovation in financial literacy should be considered as a dynamic process that is influenced by individuals' financial attitudes and lifestyles. This research shows that even when small business owners have access to financial knowledge or educational tools, and their actual behaviors, such as saving, budgeting, or using loans, are strongly influenced by personal values, spending habits, and attitudes toward risk and money. Therefore, effective financial decision-making in small enterprises requires a combination of financial knowledge, a positive attitude toward financial management, and lifestyle alignment with financial goals. These findings highlight the need to consider behavioral components in designing financial literacy training programs, especially for policymakers and small business development institutions. (Widjayanti et al., 2025)

3 Methodology

This chapter demonstrates the methodology of conducting research; it reveals the research design and type, the scope of information that has been studied, and the tools that were used to collect and analyse the data. The methodology is designed to ensure the reliability, validity, and relevance of findings to the research question.

The method of this research is a case study and gives a deep insight into how financial information can influence manager decisions in Company X, but also in other companies of the same type by looking into what the company's financial information strengths and weaknesses are, and how the financial data quality can be improved, to support decision-making. Qualitative methods will be used for analysing financial information, which will be collected from the financial statements, and will also be used for understanding the managerial decision-making, so a qualitative case study approach is applied.

All the information has been collected from Company X's financial statements for the financial period of 2022 to 2025. This represents the secondary data of the research. In order to have deep insight into the financial events of the company, more detailed information was collected directly from the manager, accountant, and sales officer through interviews, and this represents the primary data collected for this research. To ensure the validity and reliability of data, two external experienced accountants were also interviewed.

In this research, a qualitative case study supported by financial document analysis was used to provide a clear picture of the quality of financial information and its role in managerial decision-making. Each data collection tool was selected for a specific purpose, with its own advantages and limitations.

The data collection was done by investigating the following financial information:

Financial Statements: Company X's Statement of Financial Position and Profit & Loss Statement was done through cross-checking of financial statements together, including profit and loss, and statement of position. Since all data are connected, and some information, such as Net Profit, is obtained from the profit and loss statement, it will be represented in the statement of financial position. Assets, liabilities, and equity in the Statement of Financial Position, Sales quantity, Sales revenue amount, cost of goods sold, sales and administration expenses, financial expenses, in profit and loss report need to be checked. These statements are standard and comparable in different periods and can be used as a base for financial

analysis. They are required based on IFRS, so they have higher credibility than other documents. Financial statements mainly report data at a specific time, which is the end of the financial year. (ACCA,2025) In addition, errors in classification or a lack of transparency cannot be found in the statement, so an auditing report can be useful in this case.

Statements of accounts: Suppliers and customers' account statements were cross-checked with sales and purchase invoices, which have been provided to the accounting department by the related section. Invoices support customers' accounts records and can demonstrate more details of sales, which are not provided in the statement of account, like terms of payment or terms of shipment. increases the clarity of the transaction. Invoices cannot be approved for the outstanding balance; to ensure the customers' debit or suppliers' credit balances, formal balance confirmation must be obtained from the parties. (ACCA, 2025)

Bank and cash account statement: Bank account statements were cross-checked with the bank statement from the accounting system, the cash report was also checked, and the recording method was reviewed. Received Voucher (RV) and Payment Vouchers (PV) have been checked with cash statements in terms of numbers to make sure any voucher used in the sort of system, and in terms of the account to make sure it is correctly classified. Bank statements and cash accounts are critical to verifying the accuracy of accounting entries and reconciling them with actual transactions. (ACCA, 2025) Since these documents are issued by the company can have high credibility and act as an internal control for recorded financial data. Access to bank account details can be limited due to confidential policies. Moreover, these records show only cash flows and do not fully capture upcoming obligations or accrued expenses.

The company's petty cash list: Bills have been checked for the expense's classification and records to make sure accounting classifications are sufficient for the nature of the financial event. Contracts have been reviewed, such as rent and any other contract, to make sure it has been accrued or need to be amortized. And the reserved account was checked. Supporting documents for petty cash provide details of classification and the matching principle; they will demonstrate details of the amount that the financial statement cannot provide. (ACCA, 2025). There is a lack of documents that have not been archived; in some cases, the manager instructed informally (via WhatsApp messages), which increases the risk of missing or unverifiable records.

Semi-structured interviews have been conducted by online meeting in Google Meet with the manager, sales officer, and accountant in September 2025 to gain more details about the company flow, the route of deals, and the customer and supplier KYC, allowing us to explore the experience of internal stakeholders as well as external experts. Qualitative insights that are not visible in form records can be captured in interviews, like the manager's personal experience in his decision-making or the sales department's challenges in accessing financial data. This tool depends on opinion and point of view; it can have bias or selective disclosure. Moreover, analysing qualitative data is time-consuming and requires careful interpretation.

Combining both the documents and the interviews has created a clear picture of many aspects of Company X. This study highlighted that both qualitative (interviews) and quantifiable (financial data) insights are vital to understanding financial information quality in SMEs. Quantifiable data assesses the objective, and qualitative data explains the reasons for challenges. The qualitative case study, supported by the document analysis method, helped to ensure the reliability of the findings.

This research has its limitations. This is a case study that observes only one company to gain deeper insight into financial information and access to data. Also, the company is new, and only 3 years of data were available for analysis (from 2022 to the end of September 2025). Confidentiality of financial information is a limitation of any research in the finance field and needs to be considered. It can affect the level of transparency in reporting.

4 Results

This chapter presents the data collected from the company's financial statements and documents, as well as interviews conducted with the manager, sales officer, and company accountant in September 2025. In addition, two external accountants with extensive experience in management accounting and auditing were also interviewed in September 2025, with an average duration of 30 minutes, and provided a valuable professional perspective on the company's operation and decision-making process.

The collected data are first coded and classified, followed by analyses based on the emerging themes. The findings are presented thematically, focusing on the key qualitative characteristics of financial information such as relevance, timeliness, accuracy, comparability, and transparency. These themes were derived from both the literature review

and the interview data, providing a structured way to explore how financial information is generated, interpreted, and applied in decision-making.

This chapter demonstrates the raw data and preliminary analyses on those data, highlights the strengths and weaknesses of Company X in accounting practice and financial information quality, and provides evidence of both internal and external users and based on their perspective. The connection to the literature review, discussion, and recommendation will be provided in Chapter 5.

4.1 Data Collection:

The data for this research were collected from both primary and secondary sources to ensure that they are reliable and free from bias. Secondary data were collected from the company's financial statements and supporting documents from the financial years of 2022 to 2025, including:

- Statement for Financial Position: on 30/08/2023 entry and 4, and 30/08/2025.
- Profit and Loss: From 01/09/2022 to 30/08/2023, from 01/09/2023 to 30/08/2024, and from 01/09/2024 to 30/08/2025.
- Cash and Bank statement: 4 months of each year for 3 bank account numbers, randomly try to check different periods of each year.
- Outstanding Balance Report: closing account balance for each year and opening balance for the next year for current and non-current assets, liabilities, and equity to make sure there is no discrepancy. And check the customer account balance with the customer confirmation letter.
- Other reports: Petty cash reports for 4 months of each year (randomly), Cashier reports for 4 months of each year, and Inventory turnover for 3 years.

These documents provide a deep insight into the company's financial activities and the accountant's approach to data entry and demonstrate a clear picture of the financial report of the company.

Table 1 summarizes the key financial and accounting data collected for analysis in this study, including period and sample size.

Table 1. Summary of Quantifiable Data Collected from Company X

Tools	Period covered	Sample Size	Source
Sales Revenue	2023 to 2025	12 Months, 4 months per year	Financial Statement
Exchange Rate Revenue	2023 to 2025	12 Months, 4 months per year	Financial Statement
Miscellaneous expenses	2023 to 2025	18 Months, 6 months per year	Supporting Documents, Financial Statements
Rent Expenses	2023 to 2025	3-yearly records	Contract, Cheques, Eijari
Account receivable	2023 to 2025	12 Months, 4 months per year	Financial Statement
Account payable	2023 to 2025	12 Months, 4 months per year	Financial Statement
Bank statement	2023 to 2025	36 months, 4months per year, 3 bank accounts	Bank Statement, Records
PV- RV	2023 to 2025	500 PV- 500 RV	Supporting Documents

Primary data were collected through semi-structured interviews with a total of five participants: three internal stakeholders and two external financial experts, to gain a deeper insight into how financial information is generated and used by the manager in his decision-making process. The internal stakeholders, including the company's manager, accountant, and sales officer, demonstrate a clear picture of daily practice in terms of accounting records, reports, and the role of financial information in company routine performance, but two externally experienced accountants were also interviewed to complete the internal perspective from a professional standpoint.

The interview questions focused on three main areas: the role of financial information in decision-making, the quality of information, and the use of financial information. Each interviewee's position and internal or external perspective were tailored to the questions, and answers provide high-quality data on how financial information supports managerial decisions and highlight gaps and weaknesses that may exist in the reporting process.

Table 2. Semi-structured interviews with key stakeholders inside and outside the company

Position	Date	Notes
Manager	19/09/2025	Focused on financial decision-making
Accountant	16/09/2025	Covered accounting practices
Sales officer	16/09/2025	Focused on the sales-finance connection
External Accountant 1	17/09/2025	27 years of experience in management, accounting, and auditing
External Accountant 2	19/09/2025	16 years of experience in management accounting and auditing

4.2 Data Coding and Classification:

Qualitative information was organized and analysed. Data and financial documents were classified based on the key accounts such as assets, liabilities, equity, revenue, and expenses. Petty cash, prepaid rent, and depreciation expenses are recognized as a challenging part of the financial reporting, as these require careful review and adjustment.

All interviews were transcribed and then coded manually. A thematic coding process was applied, which resulted in classifications based on the research question. The coding enables the analysis of data and connects the results in a meaningful way to the role, quality, and usefulness of financial information in decision-making (ACCA,2025). This approach also facilitated the integration of interview data with the financial document analysis.

In addition, the thematic categories were developed with reference to the conceptual framework for financial reporting (IASB/FASB), particularly focusing on the qualitative characteristics of financial information: relevance, faithful representation, comparability, verifiability, timeliness, and understandability. This ensured that the data analysis was not only grounded in the empirical material but also guided by established theoretical concepts, enhancing the validity of the study.

Table 3. Thematic coding of the interviews

Thematic coding	Internal Quat/Evidence	External
Use of financial information in decision-making	Manager: "Need for quick decision."	X
Quality of financial information	Accountant: "low transparency, poor classification."	Qualitative characteristics such as availability and reliability
Challenge in the current accounting reports	Sales officer data accessibility, Manager: "Not easily understandable."	Focused on the sales-finance connection
Role of financial information	Manager: "use P&L, Outstanding balance"	Cash flow
Recommendations	X	Training, system upgrades, and cash flow forecasting.

Codes were taken from the interviews and extracted from the responses to questions that were mostly focused on the role of financial information in decision-making, the quality of financial information, and the use of financial information in Company X. The questions were designed in four different categories based on the target person so that relevant information and codes could be extracted from their responses, some of direct quotations are as below:

Manager:

Role of financial information in decision-making: "Profit and loss, statement of position gives more clearer picture of the company's situation. Since I need to know the customer account statement, the cash, the bank balance, and sales revenue and expenses."

The quality of financial information: "I would like to invest in the stock market, but I need to spend time to learn it, so it will take time, and financial reports are not easily understandable." "I believe market information could be really helpful in some decisions."

The use of financial information: “In some cases, I have enough time to ask for financial information to recheck and make a decision, but most of the time I need to make a fast decision because of the market price and the customer preference.”

Challenge in the current accounting reports: “The market instability and fluctuation, lack of prediction of the market situation, time limitations, and a professional financial analyst are my challenges in using financial information.”

Accountant:

The quality of financial information: “Changing the classification of accounts is one of the keys that will help managers.” “However, the transparency is not at a good level, since in many cases, managers do not like to mention details in records.” About the timeline, I believe it could be improved since we have some cash transactions that have happened, and the manager forgot to inform us about that deal.”

The use of financial information: “Since he (the manager) is the only user of the financial information, it is enough that he can understand the record, even if it is not clear to us exactly. We control profit and loss daily as well as accounts receivable and payable, and close profit and loss monthly in our accounting system.”

Sales Officer:

Role of financial information in decision-making: “Accounting information can play a vital role in sales decisions. I believe access to the financial information, like sales amount and quantity for the different periods, can help us as a sales department to predict future market situations or fluctuations. Access to the customer accounts can also give us good details, for example, I can offer a discount or extend the duration of payment to the customer who has a good reputation in their history, to increase sales.”

The use of financial information: “Many customers prefer to pay their balance in cash. On the other hand, the supplier needs to receive the amount in their account, so if the sales department has access to this kind of information could be helpful and reduce any further challenges.”

Challenge in the current accounting reports: “ we face a challenge with the customer when we do not have details of their account, we faced a problem with the customer who

bought the products and did an advance payment, but cancelled the deal, so we have to cancel the deal with the supplier to find other customer for the same product to avoid any loss. One more challenge that we faced with customers is related to the terms of payment; so, if the sales department has access to this kind of information could be helpful and reduce any more challenges.”

External Accountant (1):

Role of financial information in decision-making:” The single most important role of financial information is to provide an objective reality check that guides strategic resource allocation.” “Cash Flow Management, as financial forecasts are vital for survival.”

The quality of financial information: “Quality financial information is defined by its usefulness. It’s not just about having numbers but about having the right numbers that are trustworthy and actionable. Its quality is evaluated based on key characteristics.”

The use of financial information: “Lack of Expertise & Time: The owner/manager is often wearing multiple hats (sales, operations, HR) and may not have formal financial training. Poor Systems and Data Quality: Many SMEs rely on basic spreadsheets or outdated software. Focus on Historical Data, Not Forecasting. Cost of Implementation: Investing in a good accountant seems like a prohibitive expense for a small business.”

External Accountant (2):

Role of financial information in decision-making: “I think the main role of financial information is to show the real situation of the business. In SMEs, resources are always limited, so managers need to decide based on facts, not guesses. Financial information helps them understand profit, cash flow, and costs, so they can focus on the right priorities and reduce risks.”

The quality of financial information: “For me, quality means the information is Reliable and relevant. Reliable means the numbers are accurate and follow accounting standards. Relevant means the information comes on time and helps the manager to make decisions.”

The use of financial information: “SMEs don’t have good systems and/or personnel and/or managers! reports are only for tax purposes, not for management. Also, some managers cannot read and understand financial reports.”

4.3 Summary of Findings:

This chapter presented the empirical data collected from Company X, which included financial statements, internal financial documents, and supporting documents, to have a picture of accounting practice in the company, and semi-structured interviews with the manager, accountant, and sales officer, which provided a deep insight into daily activity and company strategy in the decision-making process. Moreover, two interviews were conducted with two external accountants with extensive experience in management accounting and auditing to have an independent picture and be free from bias. The finding revealed several key issues:

Classification of accounts:

The analysis data of Company X's financial statements and interviews indicate that the classification of expenses requires significant improvement. The findings reveal that, as per the manager's instruction, the accountant records all items in the petty cash list under "Miscellaneous Expenses". However, this list includes a wide range of items such as taxi fares, petrol, groceries, stationery, and cleaning expenses. Although this approach simplifies reporting by reducing the number of accounts in the Profit and Loss Statement, on the other hand, it significantly impacts the quality of financial statements by reducing comparability and transparency. Consequently, the manager is unable to track which expenses exceed expectations and implement effective cost control measures.

Moreover, some of the assets, such as office furniture, were recorded as expenses as per the manager's instructions, for example, a bookshelf and water dispenser, which need to be adjusted and classified as assets and depreciated annually based on the company's depreciation policy. This misclassification increased expenses, thereby underestimating the profit; however, at the same time underestimates the company's total assets. It reduces reliability and faithful representation of the financial statements.

Cost amortization:

Another issue in company X is related to Rent Expenses. In Company X, the amount of the contract records at the time of payment as an expense without considering the matching principle. According to the regulations of the Dubai real estate market, rent payments are made in advance, which can be annually or quarterly. However, in Company X's case, the office space rate for one year is paid by a cheque at the beginning of the year, and the total

amount is recognized immediately under the "Rent Expenses" account. However, according to the matching principle, Expenses need to be matched with the revenue of the same period of the year in which the expenses were incurred (Zimmerman, 2016). Recording the total amount of annual rent in rent expenses leads to an overestimation of expenses and an underestimation of profit in the period of the payment. In addition, assets in the Statement of Financial Position are not in the accrual amount since prepaid rent should be recorded as a current asset. This issue becomes more critical when the terms of the rent contract cover two different financial years, as this misclassification will distort the net income of both periods and reduce the comparability and reliability of the company's financial reporting and information.

Financial Reporting and Managerial Decision-Making:

Financial reports generated by the accounting system are accurate; however, they are not easily understandable for the manager. He struggles to analyse accounting data and financial statements; it is time-consuming and adds pressure, thus relying instead on the market conditions, the company's requirements, and his personal experience when making decisions. Moreover, the manager does not have sufficient time to check these reports daily and typically only checks the outstanding balance of customers and the balance of cash and bank accounts. Additionally, fluctuations and market uncertainty forced managers to make immediate decisions. Due to all these limitations, the manager is unable to obtain a clear picture of the company's true financial position.

Cooperation with the Sales Department:

The efficiency and performance of the sales department can be significantly improved when it has access to relevant accounting and financial information, which can affect the sales manager's decisions in his deals or his approach to the customers. Such access enables the sales team to predict price trends more accurately based on the market situation and systematic financial information, such as sales revenue in the same period of the last year, and respond to customer needs on time. They can design a clear sales strategy and decrease the risk of bad debt through customer credit and accounts receivable turnover; sometimes it will help them to apply a discount for customers who have had good credit or add more limit for customer who have overdue payments; as a result, the company can achieve higher customer satisfaction, increased sales revenue, improve sales strategy, and ultimately expand its market share. This cooperation also directly affects the company's reputation in the marketplace. Moreover, improved collaboration between finance and sales

helps build strong customer loyalty and reduce customer turnover, which directly supports long-term business sustainability. In fact, aligning sales strategies with financial information is not optional but a fundamental business requirement that every successful company must adopt.

Accounting and Supporting Documents:

According to Company X's policy, paper files are not retained in the archive for long periods. Instead, as per the manager's instruction, all documents and information were converted into digital files and stored in the cloud as quickly as possible.

In this study and during these reviews of Company X's financial records, it was observed that some accounting records lack supporting documentation, and some records are missing in the archive. This not only could lead to serious problems for the organization in the near future but also reduce the reliability and transparency of financial information, which is one of the qualitative characteristics of financial information.

In addition, certain managerial instructions are being sent via WhatsApp message, either as a short text message or even as a voice message. This increases the risk of missing supporting documents since they cannot be attached to financial documents.

It should be noted that the issue was identified only in expenses related to internal orders issued by management. All sales invoices, purchase invoices, received vouchers, and payment vouchers related to customers' accounts were supported by the required documentation.

To sum up, the findings of this chapter highlight weaknesses in expense classification, cost amortization practices, usability, and financial reports for managerial decision-making, and archive the supporting documents while also identifying opportunities for stronger cooperation between the accounting and sales departments. Furthermore, the trust in informal communication channels like WhatsApp for financial instructions and the limited availability of supporting documentation reflect common practices among small entities with resource restrictions. These challenges reduce transparency, comparability, and decision-making efficiency, leading businesses to financial risks and reputational concerns.

These results provide a foundation for the next step of the recommendation. Chapter 5 will discuss these findings in relation to literature and provide suggestions.

5 Recommendations

This chapter discusses the key findings of the research in relation to the literature review and the conceptual framework presented earlier. It evaluated how the case study of Company X contributed to a deeper understanding of the role of financial information in managerial decision-making, particularly in SMEs. By reviewing the findings of the study with the provided theoretical framework, this chapter provides practice recommendations based on the commissioning company's performance to reduce risk and improve the quality of financial information, which can be used by managers in their decision-making process. The limitations of the study and suggestions for future research will be provided in the next chapter.

5.1 Classification and Transparency

The findings demonstrated that petty cash expenses were often under "Miscellaneous Expenses," which significantly impacts the clarity and usefulness of financial reports. According to the IASB framework, comparability and faithful representation are fundamental quality characteristics of useful financial information. The lack of proper accounts classification in Company X reduced both comparability and decision-making effectiveness.

Based on this research and observation of company transactions, it is recommended to set a limit on petty cash both in terms of amount and the type of expenses. This will help prevent material expenditures from being processed through petty cash and ensure that payments are properly tracked and recorded under the correct accounts. In this case, only small amounts, such as parking, taxi, and mobile charges, will be paid from petty cash, and they can be recorded in the related expenses account. Moreover, ensure that it is recorded in a sufficient account classification because it helps to correctly identify the cost centre, which may lead to greater control or even prevention. Other expenditures that are related to the major amount, such as visa costs for employees, Health insurance, vehicle testing and insurance, letterhead, or business card printing, and office maintenance, should be managed by the accounting department and paid through online banking from separate bank accounts. This approach ensures that the invoices are issued under the name of the company and can claim for VAT (Value Added Tax) return. To increase the internal control, it is recommended to apply a debit card bank account to be able to have a statement to cross-check with the petty cash list. It will increase the reliability of petty cash and reduce the risk of missing supporting documents.

5.2 Applying the Matching Principle

According to the financial statement of Company X, recording prepaid rent as an immediate expense at the time of payment presents a breach of the matching principle, one of the fundamental principles of accrual accounting. According to Scott (2003), proper recording of expenses is vital for providing an accurate reflection of financial performance. This is vital for the quality characteristic of financial information, especially comparability. Recording a prepaid rent, which is a current asset, as a rent expense is a misclassification that not only impacts reliability but also reduces the predictive value of financial information. It underestimates the profit of the current year, and even next year's profit will be overestimated since the expenses of that year are already reported in the current year; it reduces the comparability of financial information.

In this case, it is not possible to compare the company's annual performance, and it is not possible to identify the variance because the costs are not accurate, which would mislead managerial decision-making. The system needs to be reformed, and the rent amount should be recorded under the "Prepaid Rent" as an asset on the date of the cheque's amount collection and then amortized end of each month to the "Rent Expenses" account. This adjustment would provide a more accurate reflection of expenses and improve the reliability, comparability, and understandability of financial statements, and provide a strong basis for managerial decision making and improve overall financial reporting quality.

5.3 Use Financial Information by the Manager

The case study revealed that the manager often relies more on market knowledge and personal experience rather than accounting information. This observation is consistent with prior studies that highlight how SMEs underutilize financial statements due to a lack of financial knowledge or time limitations. While financial data is available, its complexity and lack of user-friendly presentation reduce the effectiveness and usefulness of these reports, so managers cannot use them in their decision-making process since they cannot understand them. To solve this challenge in Company X, it is recommended that the accountant prepare a daily financial summary report based on the financial statements for sharing with the manager. The report should be designed in a standard and clear template. It needs to highlight the most important figures of the profit and loss statement, and cash flow, such as Revenue, Costs, and Income. The report could focus on comparing the current day's performance with the previous day, to be summarized and useful for comparison and follow-up. It will enable manager to identify the cost center, the major activity of each day,

and compare the actual performance with their plan. He can highlight the variance and change or redesign the next step. However, it should be considered that it is only an understandable, reliable, and faithful report from the existing financial statement for the manager, and it cannot be used for any other purpose in the company

In order to make sure that report reached the manager timely, accountant of the Company X can send it as a daily report to the manager through an email from the official email address of accounting department, with clear subject which could be the date of the report, and the email includes a Profit and Loss table that demonstrates figures along with a brief text that highlights the amount of the income or loss and explain the reason of the major cost clearly, thereby providing useful and effective information, as shown in the table below.

Table 4. Summary of Profit & Loss Statement of Company X

Profit & Loss Statement

Description	Result up to Today	Result up to yesterday	Difference
SALES REVENUE	XXX	XXX	XX
INCOME	XXX	XXX	XX
OTHER INCOME	XXX	XXX	XX
TOTAL INCOME	XXX	XXX	XXX
TOTAL OF EXPENSE	(XXX)	(XXX)	(XXX)
NET income (LOSS)	XXX	XXX	XXX

5.4 Coordination between Departments

Findings demonstrate that communication between the sales and accounting departments could be improved. Literature highlighted that the integration of financial and operational improves decision-making efficiency, the lack of such integration in Company X results in some bad debts and missed opportunities. Redesigning the company's workflow and implementing a system restriction for invoice issuance would ensure that invoices cannot be issued to customers whose debit balance exceeds their credit limit. Holding a weekly meeting

and discussing the challenges could be helpful for both the sales and accounting departments. The sales department can reach relevant information from the accounting department, which can affect their plan for the next week, for example, increase a credit limit of a customer based on the customer's account balance, or redesign the sales strategy based on the cash flow of the company. In addition, it is highly recommended that the company use an official email address for each department, even for internal communication, and employees are required to use the Email instead of WhatsApp at least for content that contains financial information and attachments. It will reduce the risk of missing the message by team members in the WhatsApp group, and it is easier to search for and save the documents.

5.5 Archive Supporting Documents

Findings indicate that some recorded payments lack proper supporting documentation. Supporting documents for this event should include an invoice, a payment order, an accountant confirmation, a manager approval, and ultimately receipt of the payment. However, certain managerial instructions are communicated via WhatsApp message or voice, which cannot be formally attached to financial records. It increases the risk of incomplete documentation and could cause serious issues for the organization in the near future. It was noted, however, that this problem is limited only to expenses related to internal orders issued by management. In order to solve this problem, it is highly recommended that the company use a standard format for processing payment requests. The form could obtain requests by the related department or person, review and approval of the accounting department, and ultimately the manager's authorization. This form can be attached to any payment to support it. Moreover, all managerial instructions should be documented and stored before any payment is made, and it should be saved in a file to be attached to the receipt of payment. For text messages, screenshots must be captured in a way that shows the manager's number or name clearly and attached to the payment order form. Even if they are not printed, they can be added to the scan file of the payment form. For voice messages, transcription should be prepared and saved in a format that clearly shows the date and time of the original messages and attached to the payment order form. These documents should be attached to the related accounting record in the accounting system to be available to check for users. At the same time, it should be shared in an internal group for the related team to archive it in the cloud or an external hard. Furthermore, no accounting record should be approved and saved without supporting documents. So, in this way, any accounting record will be saved as a PDF file, which will provide sufficient supporting documents for any transaction. Additionally, using official email instead of WhatsApp for financial

communication is strongly recommended. It will enable the team to follow up on their request, search easily for any subject, and save the attachment for the next step.

5.6 Perspective of External Accounts

The insights provided by both external experts who have good experience in management accounting and auditing in the U.A.E. and Iran highlighted the critical importance of qualitative characteristics of financial information. Key characteristics such as relevance, faithful representation, comparability, timeliness, and understandability, which match the conceptual framework by the IASB (2010). They believe that these characteristics are essential to ensure that financial information can support managers in the decision-making process, and the lack of these characteristics will increase the risk since the manager will not be able to accurately determine the real company's financial condition. Moreover, they made recommendations to improve the quality and accessibility of financial information. One of the most doable suggestions is adopting a cloud-based accounting system, which will increase accessibility and transparency of information for managers. They also highlighted the importance of managers' financial knowledge in the efficiency of the decision-making process. They suggested providing financial literacy training for the manager and employees in the accounting department, so the manager can analyze data and have a deeper insight into financial information and reports to improve resource allocation, risk management, and opportunity evaluation. This recommendation matches prior studies that demonstrated the usefulness of financial information not only in terms of the quality of financial information but also depends on the ability of users to understand and analyze this data.

5.7 Decision-making improvements

The results of the study revealed that the decision-making process in Company X relies more on the manager's personal experience, which is valuable but would increase the risk, especially in a market situation where there is high fluctuation. However, the decision-making process can be improved by using financial information and systematic data in this process. Increasing the manager's financial knowledge and risk management skills helps him to have a deeper understanding of financial data and the ability to use risk assessment tools. It will help him make an effective decision and increase the quality of his decision, especially in uncertain circumstances. Using more accrual information, such as financial statements and internal reports, would also significantly impact on the quality of decision-making since it allows managers to compare different alternatives and choose the best option. Since

Company X is a small and new company, establishing a management accounting department would not be reasonable in terms of cost and benefit; instead, leveling up the accounting team through training courses such as ACCA could be a practical solution in the long term. In addition, arranging a weekly brief meeting with the accounting team is strongly recommended, as it will not only improve teamwork but also give a clear picture of the company's position, especially cash flow, which is vital in planning for the next step. So, the manager and accounting team can review tasks and flow pending parts, highlight weaknesses and improve them, and plan for the next week. Moreover, increasing communication and sharing the relevant data between sales and accounting departments would provide more understanding of performance and decrease misleading in sales decisions and support the manager's decision-making process in Company X.

6 Conclusion

This case study highlighted the importance of financial information quality in supporting managerial decision-making in small and medium-sized enterprises. It examined how the financial data quality can be improved to support better decision-making processes in Company X to enable the manager to make informed, timely, and effective decisions. Based on theoretical frameworks such as the IFRS conceptual framework, financial quality is not only about recording accurate numbers, but also regarding relevancy, transparency, reliability, timeliness, comparability, and understandability, and findings of this research revealed that classification, documentation, applying accounting principles, transparency, and clear communication between the accounting and sales departments can impact the quality of financial information. The main research question in this study was: "How can the financial data quality be improved to support better decision-making processes in Company X?" To answer this question, a wide range of financial data, including financial statements for 3 years, documents and reports, accounting procedures, and decision-maker behaviour, was analysed. Moreover, 5 interviews were conducted with internal stakeholders and external financial experts. The findings show that the manager of Company X relies on his personal experience and market situation rather than financial information, which underlines the need for an understandable and timely daily report that can provide clear data for managerial decisions.

The commissioning company maintains accurate and up-to-date financial records. However, there are weaknesses in several key areas, such as classification, application of accounting principles, and presentation of financial reports that limit the reports' usefulness for

managerial decision making, especially when they need manager estimation, such as investment, budgeting, and performance evaluation. Moreover, the research results revealed that improving financial reporting methods, such as summarised managerial reports, and enhancing financial literacy could support managers to interpret financial information, which significantly improves decision-making effectiveness. The case study also highlighted that financial literacy among SME is crucial, as it can impact the manager's approach to the financial report and the way that reports are used. Limited financial literacy can reduce financial reporting efficiency in manager decision-making, even when accurate data is available. So, the improvement of the financial knowledge of managers and employees, which is one of the common limitations in SMEs, has a direct impact on decision-making quality, as it supports managers in risk assessment, cash flow management, and evaluating opportunities. This provides a positive and direct answer to the sub-question of this research: "Does financial information improvement impact manager decision-making?" Moreover, it was also found that strong communication and close cooperation between accounting, sales, and other departments, as well as providing access to the sales department to the related financial information, can significantly improve sales strategy, customer satisfaction, and ultimately increase sales revenue. However, the communication channel is important and should be well-organized so that email can be a good option.

Ultimately, this case study concludes that high-quality financial information not only enhances internal management performance in decision-making terms but also contributes to building transparency and trust with external stakeholders, which can improve the company's position in the market. This study suggests that SMEs need to consider financial reporting as a long-term management strategy tool that can support managers in their decision-making process. Managers can enhance decision-making effectiveness and organizational performance by improving their financial knowledge and efficiently using the financial reports.

It is recommended that the next studies explore the importance of financial literacy on managers' decision-making in a group of SMEs in different sectors and examine the effect of financial literacy on financial information quality.

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Appendix 1: Interview Questions:

- Date:19/09/2025
- Interviewee Position: Manager
- Interview Type: semi-structured

1. -How much do you use financial information and data in decision-making?
2. -What is the main challenge for your financial decision-making in your company?
3. -Which financial report helps you in your decision-making the most?
4. -In an uncertain situation, rely on financial information or on personal experiences?

- Date:16/09/2025
- Interviewee Position: Accountant
- Interview Type: semi-structured

5. Could you please explain the process of recording financial information in your
6. How do you assess the company's financial information quality in terms of accuracy, timeline, and transparency?
7. Is the current accounting system sufficient for the company?
8. In your opinion, how can the quality of information improve to assist the manager?

- Date:16/09/2025
- Interviewee Position: sales officer
- Interview Type: semi-structured

9. To what extent do you have access to financial information in the sales process?
10. In your opinion, can accounting data influence sales-related decisions?
11. Based on your experience, which challenges were faced because of a lack of financial information in the sales process?

- Date: 17/09/2025
- Interviewee Position: An accountant outside the company (1)
- Female, 27 years of experience in management accounting and auditing
- Interview Type: semi-structured

12. In your opinion, what is the most important role of financial information in managers' decision-making in SMEs?

13. How do you evaluate the quality of financial information? Which characteristics make financial information more useful for managers?

14.

15.

16. What do you see as the biggest challenges for SMEs when using financial information for decision-making?

17. Based on your experience, what recommendations would you give to managers of small companies to make better use of financial information?

- Date: 16/09/2025
- Interviewee Position: An accountant outside the company (2)
- Male, 16 years of experience in management accounting and auditing
- Duration: 20 minutes
- Interview Type: semi-structured

18. In your opinion, what is the most important role of financial information in managers' decision-making in SMEs?

19. -How do you evaluate the quality of financial information? Which characteristics make financial information more useful for managers?

20. -What do you see as the biggest challenges for SMEs when using financial information for decision-making?

21. Based on your experience, what recommendations would you give to managers of small companies to make better use of financial information?

Appendix 2: Payment order form that is used currently by Company X, developed by the thesis author

Payment / Receipt Request Form

Type of Request: Payment Receipt

Requester Information:

Full Name: Department / Unit:

Request Description:

Reason for Payment / Receipt:.....

Detailed Explanation (with specifics):.....

Financial Details:

Payment Method (Cash / Cheque): Amount:

Attached Documents:

Please tick the relevant items below or add any additional documents as needed:

Invoice Contract Written Request Related Email Cheque Image

..... Others: .

Requester **Financial Approver** **Final Management Approva**

Receipt of Payment

I, the undersigned, hereby confirm that I have received the amount stated below from the above-mentioned requester.

Received From: Amount:

Payment Method: Cash Cheque Other:

Signature Date:

Appendix 3: Thesis Data Management Plan

Description of thesis research data

This research data includes primary data collected through interviews and secondary data from financial reports, documents, and evidence in the commissioning company's records. Therefore, a qualitative case study supported by document analysis will be used to achieve data collection.

- To gather secondary data, the following list needs to be checked:

Tools	Source
Sales Revenue	Financial Statement
Account receivable	Financial Statement
Account payable	Financial Statement
Bank statement	Bank Statement
Cash Transactions	Supporting Documents

- To gather primary data, interview needs to be conducted from the following list

Position	Notes
Manager	Focused on financial decision-making
Accountant	Accounting perspective
Sales officer	Department communications
External Accountant 1	External overview (avoid bias)
External Accountant 2	External overview (avoid bias)

- An interview with both internal stakeholders and external financial experts will be online via Google Meet or a WhatsApp call.
- Data will be analyzed as a text, including quotations, and it will be coded and sorted as a thematic table.
- Questions for internal stakeholders will be designed based on the role of the person in the company to clarify their access and use of financial information.
- Questions for external financial experts will focus on financial data quality and managerial decision-making in SMEs.

Management and storage of the research data

The data will be stored and processed on my computer, which is protected by a password, and a backup copy will be filed in a separate file. All this data is financial data and is confidential, so it cannot be saved in cloud services.

Processing of personal data and sensitive data

In this thesis, no personal data will be collected since it will not affect the thesis result. Moreover, the commissioning company did not agree to disclose the personal data of the company and its employees.

Ownership of research data

The author will collect data, and it is not a team effort. The owner of the data is the author and the company, but HAMK can publish the thesis and results.

Further use of research data after the completion of the thesis

After the thesis is completed, the anonymized data will be transferred to the commissioning company for possible further research and development. The research participants have been informed about the further use of the data before data collection. A written agreement regarding the rights to further use the data will be made and attached to the thesis. The parties to the agreement are the thesis author and the commissioner/work-life connection.