DEPARTMENT OF ACCOUNTANCY
AN INVESTIGATION INTO THE EFFECTIVENESS OF FINANCIAL
CONTROL TOOLS MOSTLY USED IN FINANCIAL ANALYSIS. A SURVEY
OF FINANCIAL INSTITUTIONS IN HARARE URBAN (2011-2012).

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ABSTRACT

The research was carried out to investigate the effectiveness financial control tools mostly used by financial institutions in Harare urban (2011-2012). The objectives of the study were to investigate why an institution using financial control tools may fail to benefit from them, to establish whether the concept of financial analysis was understood, to identify common tools that can be used, how they can be used and to provide recommendations to enhance effectiveness of the tools. The tools under study included ratio analysis, cash flow analysis, statistical tools, and budgeting and variance analysis. The research was both quantitative and qualitative. The population under study was one hundred and fifty people in the accounting and finance department only. The sample consisted of seventy-five respondents. The respondents were all from fifteen financial institutions in Harare. Instruments used were questionnaires and interviews. Seventy-five questionnaires were administered and 73% of them were returned. Eleven interviews were also carried with the management accountants, branch managers and fund managers. The major findings indicated that financial control tools were effective but employees and managers did not know how to use them. They have limitations but they are very useful in financial analysis. The researcher came up with the conclusion that lack of knowledge on how to interpret and use the tools was the main reason most institutions have going concern problems. Creative accounting was also seen by the researcher as a reason for financial analysis failure. The major recommendations were for managers to increase their knowledge and awareness, since they make decisions that affect the institutions financial analyst with the required skills could be an alternative solution. Also Reserve Bank of Zimbabwe needs to constantly monitor if banks are using financial control tools. The researcher also gave recommendations for future studies to focus on the effectiveness of the new framework for calculating capital adequacy for banks known as the Basil II expected to replace the current framework Basil I in Zimbabwe in 2013.