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A study on importance and benefits of considering 5s while preparing financial statements of an organization

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Abstract

Organization drives all its efforts towards accomplishment of objective that is pre determined. Achievement of objective incorporates ample of activities to be carried out in a synchronized way. The real fulfillment of goal set is reflected in financial statements of an organization. Financial statement reflects the true image of working of an organization. Financial statements are the one that leads organization to move forward to grab opportunities in the market, to grow or progress, to expand and much more. Keeping these into consideration the research work is based on benefits and importance of implementing 5s while preparing financial statement of an organization. The paper draws attention towards how smooth and easy it becomes for employees in the organization to prepare financial statement if 5s is maintain and implemented. The basic objective of work is to analyze the real impact of 5s on financial statement preparation.

Keywords: Financial statement, organization, implementation, etc.

Introduction

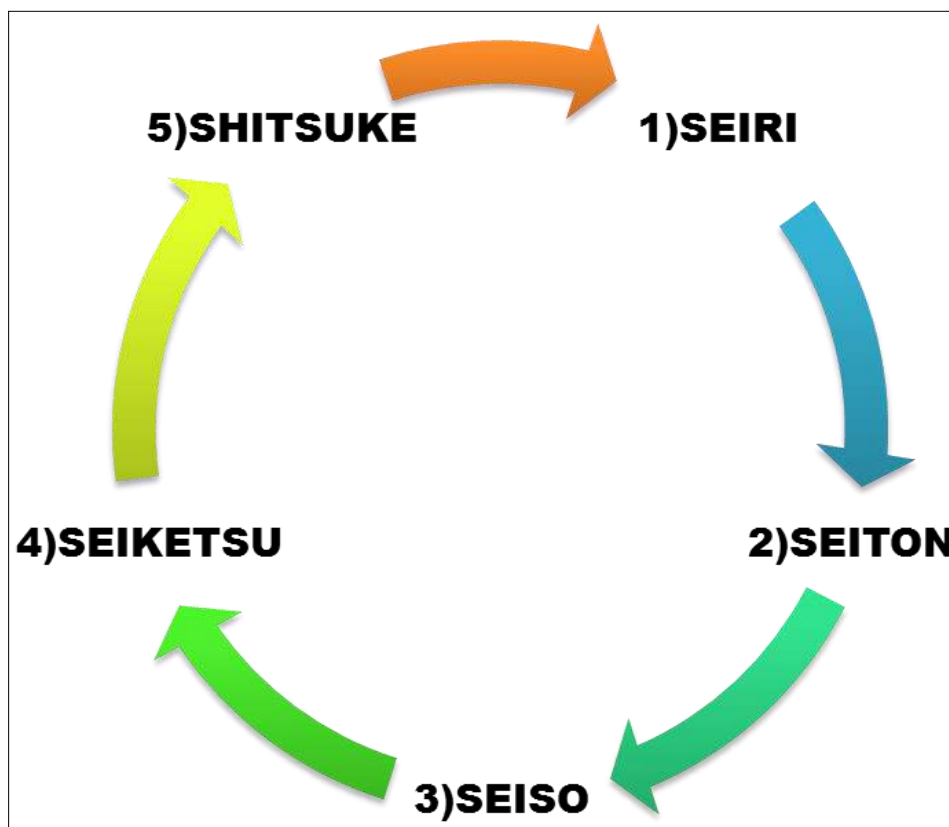
Organization roots are depended on financial strength and stability. Finance is considered as life line of any organization. Organization always strives to do identify different source of finance that could be made available to the organization. In order to raise finance from any source organization has to display its financial statement showing growth and profit. Organization has to furnish profit and loss account, cash flow statement and balance sheet to prospective investors to grab finance from them.

Financial statement is basically the sum total of all the financial activities and operation of an organization carried out during a year. In other word financial statement can be said as mirror of transparency of functioning of the organization. Financial statements are the one that facilities investor, management, shareholder and other to evaluate actual position of an organization in the market and on the bases of this further investment decision could be planned. So, to withstand the position in the market, grab opportunities and face tough competition financial statement should be prepared with utmost care and caution. There are various methods and techniques available to prepare financial statement of an organization. Management has to keep a keen eye on methods adopted to avoid manipulation. One of the effective and efficient ways to continuously track the financial record is implementation of Japanese technique of 5s. Implementing 5s will benefit organization in numerous ways and will lead to zero defect in preparation of financial statements.

Circle of 5s:

Japanese are the one who initiated the concept of 5s they believed that this technique will lead to smooth functioning of the organization. Here all the word starts with S so it is termed as 5S method where as in common term these 's' stands for: Sorting out, Systematic Arrangement, Spic & Span, Standardization, and Self- Discipline. Below is the diagram depicting Japanese origin of 5s Circle:

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Benefits and Importance of 5s

1. **Standard Practice and Procedure:** There are many methods available in Accounting through which financial statement can be prepared. These methods may vary from organization to organization and individual to individual. Implementation of 5s will help an organization to adopt only one standardized procedure and practice for preparing financial account even though employees may change over period of time.
2. **Increases Efficiency:** As implementation of 5s will lead to following standard method and practice of preparing financial account it will in turn increase the efficiency of the employees as they need not have to think over which technique to follow year per year in preparing financial accounts.
3. **Facilities Audit:** Implementation of 5s will help organization to maintain all the records of all business transaction in systematic way. 5s will lead to segregation of all the documents and will facilitate preparation of various folders and files as per the transaction carried out. Thus at the time of audit all records, files and folder will be easily available and will smoothen the auditing process for auditors and audit can be completed within short span of time.
4. **Manages Time Involved:** As we know that 5s involves sorting, system, spic& span, standardization and self discipline- these are the drives that moulds employees to work in are defined manner where today's work is done today itself avoiding pilling of work. In short it says that there is place for everything and everything in its place. So following 5s helps to save time and work is carried out in an organized way.
5. **Increases Consistency and Quality:** Standardization will improve the way of work and will lead to reduction in variation and mistake. This will help in avoiding all the deviation while preparing financial statement, thus overall productivity can be increased in preparing reflective and futuristic financial statement.
6. **Elimination of Fraud and Manipulation:** Often it is observed that books of accounts are being easily manipulated by accountant. There are ample of example to be quoted regarding accounting scams and fraudulent practices that are adopted by the organization to showcase huge profits and future growth. But implementation of 5s will easily identify and eliminate any manipulation and fraud at an early stage and will put a break on huge consequences.
7. **Identification of Error:** Implementing 5s will lead to easy tracking of all the accounting and human error that generally occurs while recording various transaction in different books of account.
8. **Increases Employees morale:** Implementation of 5s definitely helps in identification of various inputs of the employees and their work can be easily recognized and appreciated. This creates an environment where employees feel joyous in working and puts in best efforts in improving their organization overall.

Analysis and Interpretation

Questionnaire was prepared to carry out the research work. The questions were based on various headings that draw the importance and benefits of implementation of 5s while preparing financial statements. Around 200 employees dealing with accounts and accounting were asked to fill up the questionnaire. As per the responses received calculation was reflected in percentage bases. Below is the graphical representation of data collected in form of questionnaire:

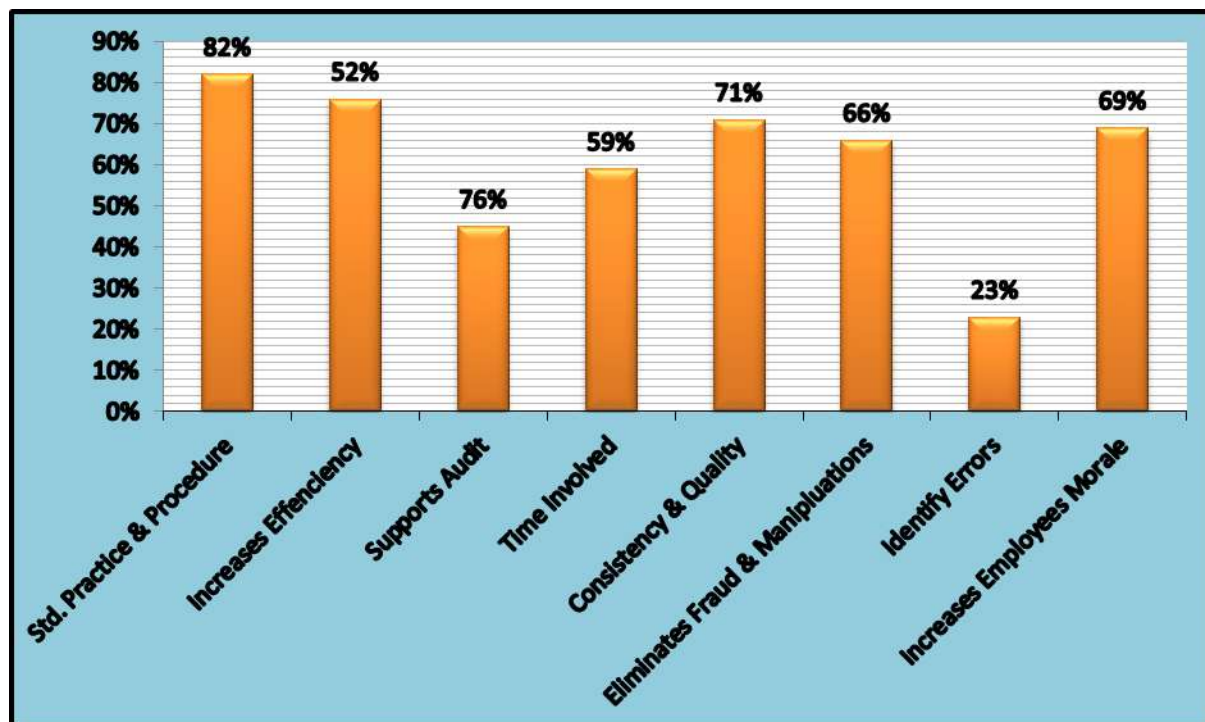


Fig 1: Responses of the Employees to trace the importance and benefits of 5s in preparing Financial Statements.

Interpretation

There were several question placed under various heading to known whether implementation of 5s in preparing financial statement really proves to be beneficial or not. Following are the interpretation drawn from the responses:

1. 5s leads to following of standardized practice and procedure over period of time which makes preparing of financial statement easy and quick. 82% of employees agree to these phenomena.
2. 52% of employees states that they agree to the concept that 5s increases their efficiency of work because everything falls in its place due to implementation of 5s. So employees need not waste their energy in evaluating transaction every time. Thus can work more effectively on other task simintenasouly.
3. 76% of the employees and auditors agree that 5s implementation in preparing financial statement decreases the work load at the time of audit. This is because every transaction is recorded timely and files and folder are maintained up to date.
4. Time involved in incorporating 5s at initial stage is more but gradually employees become use to it. 59% of employees feel that 5s has reduced their work time on particular task as 5s eliminates habit of piling of work.
5. 71% of employees strongly agree that implementation of 5s has benefited organization in preparing comparative, futuristic and competitive balance sheet.
6. 66% of employees states that 5s leads to elimination of fraud and manipulation to major extend. Thus helping in showcasing true financial status of the organization.
7. Very less employees (23%) agree that error can be identified or eliminated through implementation of 5s.
8. 69% of the employees believe that due to implementation of 5s their work is easily recognized and rewarded which in turn increases their morale.

Conclusion

Organization is very cautious in preparing its financial statement this is because financial statement is the source through which organization can attract investor and investment within the organization. It opens the fact that financial statement marks the position of an organization in the market. Implementing 5s while preparing financial statement draws ample of benefits to the organization. Basically it reduces the work load of management level in constants monitoring of finances utilized in business. Implementation of 5s helps top management to concentrate on other crucial aspects of the business. It is this 5s that makes work of employees associated with accounting more quick and easy. Thus we can conclude that implementation of 5s in preparing financial statement helps organization and employees in numerous ways and can grab various opportunities available in the market by eliminating threats and weakness.

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