Effect of Mental Accounting on Corporate Profitability

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Abstract

This paper focuses on the impact of mental accounting on the performance of corporate organizations, using selected corporate entities in Owerri metropolis. The core objective of the study centres on the extent to which the components of mental accounting (including transaction utility, categorization process, and choice bracketing) affect the profitability of corporate entities. The survey research design approach was employed in generating data using structured questionnaire, while the Statistical Package for Social Sciences (SPSS) was employed in testing the formulated hypotheses at 5% level of significance. The reliability of the instrument was measured using cronbach test, and a coefficient reliability of 95.6% was obtained. It was found that no significant relationship exists between transaction utility (TU), choice bracketing (CB), and corporate profitability, while a significant relationship exists between categorization process (CP) and corporate profitability. Furthermore, the F-test shows that all the three components of mental accounting jointly affect corporate profitability significantly the recommendation therefore follows that every economic transaction ought to be ideally classified in the books of accounts irrespective of the perception or mentality of the person/organization involved in the transaction. Again, cost-benefit analysis is indispensable amid mental accounting practices to ensure that risks are adequately matched against associated returns.

Key Words: *Mental Accounting, Transaction Utility, Categorization Process, Choice Bracketing, Mental perception.*

1.0 Introduction

The term 'Mental Accounting' refers to an economic concept, established by economist [21], which contends that individuals divide their current and future assets into separate, non-transferable portions [26]. The theory purports that individuals assign different levels of utility to each asset group, which affects their consumption decisions and other behaviours. The importance of this theory is illustrated in its application towards the economic behaviour of individuals, and thus entire populations and markets, and even corporate organizations.

In mental accounting, we try to understand the influence of human emotions on the process of decision-making (13). Rather than rationally viewing every money as identical, mental accounting helps explain why many investors designate some of their income as "safety capital" which they invest in low-risk investments, while at the same time treating their "risk capital" quite differently. The joy of transaction is the value received from an exchange, and it is defined as the difference between the paid price and the goods' reference price [1]. This paper intends to evaluate the impact of mental accounting on corporate profitability, as well as how decision-making or reason-based choice is influenced by mental accounting.

Purpose of The Study

The broad objective of this study is to investigate the impact of mental accounting on corporate profitability. His broad objective is to be achieved through specific objectives. Hence, this study specifically seeks to:

i. Evaluate the relationship between transaction utility, categorization process, choice bracketing, and corporate profitability
ii. Evaluate the extent to which the components of mental accounting jointly affect cooperate profitability.

Research Questions

Based on the objective of this study, the following research question shave been posed;

i. What is the relationship between transaction utility, categorization process, choice bracketing, and corporate profitability?
ii. To what extent does the component of mental accounting affect corporate profitability?

Hypotheses

H_{01}: There is no significant relationship between transaction utility, categorization process, choice bracketing, and corporate profitability.

H_{02}: The components of mental accounting do not jointly affect corporate profitability.

2.0 Review Of Related Literature

The Concept of Mental Accounting

The concept, first named by (21), mental accounting attempts to describe the process whereby people code, categorize and evaluate economic outcomes (25). One detailed application of mental accounting, the behavioural life cycle hypothesis (20), posits that people mentally frame assets as belonging to either current income, current wealth or future income and this has implications for their behaviour as the accounts are largely non-fungible and marginal propensity to consume out of each account is different.

Components of Mental Accounting

There are three interrelated components of mental accounting [21]. These are:

A. **Transaction Utility:** The first component captures how outcomes are framed and experienced, and how decisions are made and subsequently evaluated. The accounting system provides the inputs to do both *ex ante* and *ex post* cost-benefit analysis [21]. For instance, compared to money earned through hard work, an equivalent amount that is won in a lottery may be perceived as unexpected, less serious, and costless (14).
B. **Categorization Process:** The second component of mental accounting involves the assignment of activities to specific accounts. Here, both the sources and uses of funds are labeled in real as well as in mental accounting systems; expenditures are grouped into categories and spending is sometimes constrained by implicit r explicit budgets. For example, consumers tend to label both resources and consumption, and group them into accounts such as regular income versus windfall gains and necessary consumption. Moreover, consumers have systematic preferences for matching certain mental accounts, such as when they prefer to pay for luxurious consumption with "windfall gains" (21).
C. **Choice Bracketing:** Finally, the third component concerns the frequency with which mental accounts are evaluated (e.g. daily, weekly, yearly) and whether they are defined narrowly or broadly. This, according to (15), might suggest that consumers who "balance" their accounts every week,

as opposed to once a month, are more likely to spend lottery winnings on luxuries during the same week the money was won than a week later.

Mental Accounting, Utility, Value and Transaction

In mental accounting theory, framing means that the way a person subjectively frames a transaction in their mind will determine the utility they receive or expect. This concept is similarly used in prospect theory, and many mental accounting theorists adopt that theory as the value function in their analysis. Another very important concept used to understand mental accounting is that of modified utility function. There are two values attached to any transaction – acquisition value and transaction value. *Acquisition* value is the money that one is ready to part with for physically acquiring some good [2] Transaction value is the value one attaches to having a good deal. If the price that one is paying is equal to the mental reference price for the good, the transaction value is zero. If the price is lower than the reference price, the transaction utility is positive.

A mental accounting cost or mental transaction cost, a kind of transaction cost, is the cost of making a useful decision, especially of a consumer making a useful decision to buy, and may set a lower bound on useful price granularity in a market.

Mental Accounting and Reason-Based Choice

The tendency to psychologically match the purchase of luxuries with unexpected and windfall monetary resources may suggest that, relative to necessary consumption, buying luxuries is harder to explain. Accordingly, consumers who feel they need to provide reasons or justifications (to themselves or to others) for their purchase decisions may spend regular income more conservatively. It is inherently easier to justify why you purchased an essential good or service that you cannot do without (e.g., a living room sofa), then to defend your decision to buy an extravagant water-bed.

More specifically, reasons and principles may function as antecedents of consumer choice (e.g. "never purchase the cheapest brand"), as consequences of choice (e.g., dissonance and self-perception), or even as the targets of choice (e.g.) choosing the most defensible reason rather than the best option). In the case of frivolous consumption, a good rule of thumb (reason) can be to constrain it to "windfall" accounts. Thus, reason-based choice and mental accounting may work together, as when reasons help determine the matching of different mental accounts.

[15] point out that when consumers make purchases they often experience an immediate pain of paying, which can weaken the pleasure derived from consumption or even prevent it altogether. The pain of paying, no doubt, has an important role in consumer self-control. For example, it counteracts biases in the assessment of costs and benefits at the time of purchase, biases that otherwise might lead to habitual overspending [16]

The pain of paying might be most acute for spending on luxuries, which are often difficult to justify, because by definition such expenditures are not essential. This proposition is supported by the reason-based choice conception which seeks to explain consumer preferences based on reasons that are constructed to justify decisions (19). This framework considers how the reasons that enter into people's thinking about a choice influence their decision. Such a process can be termed as *implicit reasoning*, because under this analysis "reasons" describe the factors and motives that affect decision, whether or not they can be articulated or recognized by the decision-maker.

According to [13], it seems plausible that a need for justification will tend to shift choices in favour of necessities at the expense of frivolous items, and to the extent that consumer choice is based on implicit reasons, hedonic options might be at a disadvantage. Specifically, consumers who tend to make decisions based on inner deliberations and "silent" reasons (provided to themselves) may be more likely to choose necessities because there is a more compelling reason for purchasing such products (i.e., they are simply

needed) than for buying luxury good (which may be perceived as a waste).

The notion that implicit reasoning increase necessary consumption, vis-à-vis frivolous purchases, can be empirically tested in further research. Future studies may also examine whether consumers indeed find it harder to justify the purchase of luxuries, for example, by recording respondents' explanation avoidance and latency times. Finally, notice that explicit reasoning – explaining one's choice to others – might operate in a different direction than implicit reasoning. That is, consumers might find it easier to choose luxuries when they are given the opportunity to *explicitly* defend their purchases with written or verbal reasons. Given that purchasing luxuries may be criticized and may call for justifications, consumers are less likely to buy such products without the opportunity to explicitly explain their choice.

Previous Studies

There is a growing literature on behavioural operations management (3). In other words, researchers study how people make operational decisions and how these decisions may differ from the rational decision. Interestingly, mental accounting has long been used to help understand the psychology, behind choice behaviour [9]; [24]; [21). It provides an explanation for many phenomena in human behaviour that seem irrational – most notably in consumer choice behaviour and other functional areas as finance and accounting [5].

[18] carried out a study on the mental accounting of delayed consumption. They found that the typical wine connoisseur thinks of her initial purchase of a case of wine an investment, and later thinks of the wine as free when she drinks it, and so goes through the entire process never experiencing the pain of payment. Similarly, [15] found that people prefer to prepay for a vacation because they think that a prepaid vacation is more pleasurable than one that must be paid for the returning.

[6] called the gradual reification in relevance of past payments "payment depreciation". This is because the payment is less painful if there is a future vacation to anticipate, and the vacation is more enjoyable if the payment has already been made. More generally, [15] called the mental future payments but largely writes off past payments "prospective accounting".

Furthermore, researches on mental accounting by [21] and mental budgeting by (8) indeed suggest that people may under consume hedonic, luxury goods. [21] argues that hedonically pleasurable luxuries are often under consumed for self-control reasons (which is why they are attractive gifts). Accordingly, (8) find out that mental budgets cause people to under consume in categories such as entertainment and apparel. However, overtime, consumers may come to that such expenditures (within a reasonable range) can enhance their quality of life, in many cases without significant affecting their ability to fulfill their essential needs. Moreover, in some instances, consumers can anticipate in advance their inability to balance resources wisely between hedonic (luxurious) and necessary consumption [10]. In such cases, it is interesting to ascertain whether consumers will use the principle of mental accounting to alleviate the pain of paying and increase hedonic consumption.

[10] also investigated a version of mental accounting where certain resources are more easily allocated towards hedonic (luxurious) consumption. Building on [23] discussion of in-kind various cash gifts, [10] propose that consumers often voluntarily exercise hedonic self-control, whereby they attempt to avoid default forms of spending on necessities in favour of luxury, hedonic purchase. A series of studies in which respondents were required to chose between a cash amount and an equally, or lower, valued luxury, hedonic item (e.g. a home theater system), indicated that substantial proportions of consumers (between 12% and 40%) in the various categories) actively try to force themselves to allocate money to hedonic experiences by pre-committing to luxurious goods and services [10].

Research extending over twenty years in behavioural decision theory has led to the development of two important research streams – mental accounting and reason – based choice. Hence (10) conducted a study to

explore the role of mental accounting and reason – based choice in the construction of consumer preferences. There is a strong evidence that the principles of mental accounting often regulate the purchase and consumption of luxuries and that the reasons may play an important part in this process. It was concluded that buying and consuming luxury goods tends to call for reasons and justification and can evoke intra-personal conflict that might be resolved with the aid of mental accounting.

[7] showed in their study that does not necessarily correspond to logical models of decision making in economic texts, that mental accounting appears as a different approach of decision-making scenario. [17] showed in their study that although the annual yield rate is an important feature for credit decisions, overall cost is more important for evaluating payback schemes, because most of the consumers examine the credit schemes based on mental accounting. In a study conducted by (4) on "The behavioural relevance of mental accounting for the pricing of financial options". Arbitrage-free option pricing is tested against three hypotheses based on mental accounting. The data show that, even with considerable experiences, exploited arbitrage opportunities persist. Subjects do not seem to make the connections between the different investment possibilities, as essential for Arbitrage-Free Pricing (AFP). Instead, they act as if they associate the risky assets to the same mental account, while the bond is treated separately

[12] carried out a study on the effect of payment on inventory decisions; the role of mental accounting. Keeping the net profit structure constant, they examined three payment schemes that can be interpreted as the newsvendors order being financed by the newsvendor herself (scheme O), by the supplier trough delayed order payment (scheme S), and by the customer through advanced revenue (Scheme C). In a laboratory study, they found that inventory quantities exhibit a consistent decreasing pattern in the order of scheme O, S and C, with the order quantities of scheme B, being close to the expected profit – maximizing solution. A second study shows that the results hold even if all physical payments are conducted at the same time, suggesting that the framing of the payment scheme is sufficient to induce the prospective accounting behaviour.

3.0 Methodology

Research Design and Sampling

The study adopted the survey research design approach. The study's accessible population comprises all the senior marketing executives and accounting personnel involved in the preparation of management accounting reports for use in making the organization's investment and operating decisions. Hence, the total accessible population is 30; the Yaro Yemen formula was used to determine the study's sample size, with 95% confidence level at 5% error tolerance. The formula is as stated below;

$$\frac{N}{1 + N(e)^2} = \frac{30}{1 + 30(0.05)} = 28$$

Where:

n = Sample size sought
N = Accessible population Size (30)
e = significance level (0.05)
Hence, the computed sample size is 28.

Research instrument

The questionnaire used consists of four major sections with 16 questions, all appearing in five-point likert scale format.

Test of reliability and Validity

Content validity was applied in the construction of the questionnaire used to elicit information from the respondents. Consequently, using a pilot study, the reliability of the instrument was measured using Cronbach Test, and a coefficient

reliability of 95.6% was obtained (see appendix IV). A widely cited minimum threshold for the Cronbach Alpha is 0.70.

Model Formulation

Considering that mental accounting (MA) has been divided into three (3) basic components, a multiple regression model has been formulated to express the relationship between the dependent variable (profitability) and independent/explanatory variables (mental accounting components). The study's model is as stated below;

$P= b_0 +\alpha_1 (TU) +\alpha_2 (CB) + \mu_{it}$

Where;

P	=	profitability
TU	=	Transaction utility
CP	=	Categorization process
CB	=	Choice bracketing
b_0	=	Constant
α_1--α_4	=	Unknown coefficient
μ	=	Error term

Data Analysis Techniques

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Descriptive and regression analysis were used in analyzing the data collected for the study using statistical package for social science (SPSS), version 16.0. Analysis of Variance (F-Test) and t-test statistical techniques were employed in testing the formulated hypothesis.

4.0 Data Presentation And Analysis

This section presents and analyses the data gathered from the survey the tables and computations below show the descriptive statistics of the responses elicited from the respondents using structured questionnaire, with a view to achieving the study's objective. An average response rate of 3.0 is adopted as decision-point. See Appendix for the computations.

A total of 28 copies of questionnaires were distributed to the respondents. Interestingly, all the 28 questionnaires were returned and used in further analysis. However, the responses have been presented/analyzed in table 4.1 to 4.4 below:

Table 4.1: Descriptive Statistics for Questions on profitability

S/NO	STATEMENT	5	4	3	2	1	TOTAL	MEAN
1.	Corporate entities improve	5 (17.9)	10 (35.7)	4 (14.3)	6 (21.4)	3 (10.7)	28	3.29
2	Payment scheme on inventory decision involving mental accounting enhances profit performance.	3 (10.7)	5 (17.9)	10 (35.7)	7 (25)	3 (10.7)	28	2.93
3	Investment decisions made by mentally aggregating the investment options will result in higher returns.	4 (14.3)	9 (32.1)	4 (14.3)	7 (25)	4 (14.3)	28	3.07
4	Reliable profit forecasts can be made using mental budgeting and accounting approaches.	7 (25)	15 (53.6)	6 (21.4)	0 (-)	0 (-)	28	4.04

Source: researcher's computation.

Note: Figures in parenthesis are percentages.

The first question was intended to ascertain whether respondents agree to the proposition that corporate entities improve significantly on their profit generation intensity due to the application of mental accounting. On the basis of the mean score generated, i.e. 3.29, this study inferred that respondents confirm the statement. The second question generated weighted average of 2.93¸ meaning that respondents opposed the proposition that payment scheme on inventory decision

involving mental accounting enhances profit performance. Furthermore, question 3 produced mean score of 3.07, implying that investment decisions made by mentally aggregating the investment options will result in higher returns. Furthermore, the 4.04 mean score for questions four shows that reliable profit forecasts can be made using mental budgeting and accounting approaches
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Table 4.2: Descriptive Statistics for Question on Transaction Utility (TU)

S/NO	STATEMENT	5	4	3	2	1	TOTAL	MEAN
5	The joy of Carrying out any transaction is measured in terms of the value received from the exchange	13 (46.4)	11 (39.3)	4 14.3)	0 (-)	0 (-)	28	4.32
6	Individuals and even corporate organizations pay attention to the gains and losses that are tender and sensitive.	0 (-)	7 (25.0)	11 (39.3)	9 (32.1)	1 (3.6)	28	2.86
7	Every investment decision is preceded by well articulated cost- benefit analysis	14 (50.0)	7 (25.0)	0 (-)	5 (17.9)	2 (7.1)	28	3.93
8	Consumers mentally expect to get maximum utility for every money spent on both luxury and basic goods.	6 (21.4)	9 (32.1)	8 (28.6)	5 (17.9)	0 (-)	28	3.57

Source: Researcher's computation.

Note: Figures in parenthesis are percentages.
The fifth question was intended to ascertain whether respondents agree to the proposition that the joy of carrying out any transaction is measured in terms of the value received from the exchange. On the basis of the mean score generated, i.e. 4.32, this study referred that respondents confirm the statement. The sixth question generated weighted average of 2.86, meaning that the respondents do not subscribe to the proposition that individuals and even corporate organizations pay attention to the gains and losses that are tender and sensitive. Furthermore, question 7 produced mean score of 3.93, implying that every investment decision is preceded by well articulated cost-benefit analysis. Finally, the 3.57 mean score for question eight shows that consumers mentally expect to get maximum utility for every money spend on both luxury and basic goods.

Table 4.3: Descriptive Statistics for Questions on Categorization Process (CP)

S/NO	STATEMENT	5	4	3	2	1	TOTAL	MEAN
9	Activities (inflows and outflows of funds) are normally assigned to specific accounts.	2 (7.1)	9 (32.1)	6 (21.4)	8 (28.6)	3 (10.7)	28	2.96
10	Expenses in your organization are constrained by implicit and explicit budgets	6 (21.4)	16 (57.1)	6 (21.4)	0 (-)	0 (-)	28	4.00
11	Funds to spend in your organization are normally categorized as regular inflows and windfalls.	4 (14.3)	12 (42.9)	5 (17.9)	5 (17.9)	2 (7.1)	28	3.39
12	The categorization process helps to guard against extra-budgetary	2 (7.1)	5 (17.9)	12 (42.9)	6 (21.4)	3 (10.7)	28	2.89

	spending.							

Source: Researcher's computation.

Note: Figures in parenthesis are percentages.

The ninth question was intended to ascertain whether respondents agree to the proposition that activities (inflows and outflows of funds) are normally assigned to specific accounts. On the basis of the mean score generated, i.e. 2.96, this study inferred that the respondents do not confirm the statement. The tenth question generated weighted average of 4.00, meaning that respondents support the proposition that expenses in your organization are constrained by implicit and explicit budgets. Furthermore, question 11 produced mean score of 3.39, implying that funds to spend in your organization are normally categorized as regular inflows and windfalls, while the 2.89 mean score for question twelve shows that the categorization process does not help t guard against extra-budgetary spending

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Table 4.4: Descriptive Statistics for Questions on Choice Bracketing (CB)

S/NO	STATEMENT	5	4	3	2	1	TOTAL	MEAN
13	Choice-making is indispensable in a situation of decision making under uncertainty.	9 (32.1)	10 (35.7)	0 (-)	6 (21.4)	3 (10.7)	28	3.57
14	The core objective of mental accounting is to enhance our understanding of the psychology of choice	3 (10.7)	7 (25.0)	4 (14.3)	11 (39.3)	3 (10.7)	28	2.86
15	Accounting decisions (such as to which category to assign a purchase and how often to balance the books) can affect the perceived attractiveness of choices.	8 (28.6)	14 (50.0)	2 (7.1)	4 (14.3)	0 (-)	28	3.93
16	Mental accounting helps organizations to describe how events are perceived and coded in making decisions.	11 (39.3)	3 (10.7)	7 (25.0)	4 (14.3)	3 (10.7)	28	3.54

Source: Researcher's computation. **Note:** Figures in parenthesis are percentages

The thirteenth question was intended to ascertain whether respondents agree to the proposition that choice-making is indispensable in a situation of decision-making under uncertainty. On the basis of the mean score generated, i.e. 3.57, this study inferred that respondents confirm the statement. The next question generated weighted average of 2.86, meaning that respondents oppose the proposition that the core objective of mental accounting is to enhance our understanding of the psychology of choice. Question 15 produced mean score of 3.93¸mplying that accounting decisions "(such as to which category to assign a purchase and how often to balance the books) can affect the perceived attractiveness of choices. Finally, the 3.54 mean score for question four is an indication that mental accounting helps organizations to describe how events are perceived and coded in making decisions.

4.1 Results And Discussion

This section examines the results and discussions of relevant findings from the data analyzed. See Appendix IV for full regression (SPSS) results.

Table 1: Coefficients of the Model Variables and t-calculated Values

Model variables	Coefficients	Std. error	t	Sig
(Constant)	-1.256	0.719	-1.748	0.093
Transaction utility (TU)	0.174	0.161	1.086	0.288
Categorization Process (CP)	0.733	0.135	5.444	0.000
Choice bracketing (CB)	0.166	0.133	1.252	0.223
R^2	0.982			

Adjusted R^2	0.980
Durbin Watson (DW)	1.327

SOURCE: Researcher's Computation (SPSS Version 16.0; see appendix IV)

The results in table 1 above indicate that the dependent variable (profitability) is predicated on the three independent variables, with a coefficient of determination of 98.00% (i.e. Adjusted R^2 = .980). This implies that mental accounting components (TU, CP, & CB) account for 98.00% variation in profitability, while the remaining 2.0% is attributable to other factors outside the study's model. Accordingly, therefore, the results in table show that one of the independent variables (categorization process – CP) has a significant impact on profit performance. Hence, from table 1, the regression equation is stated as: P= -1.256 + 0.174 (TU) +0.733 (CP) + 0.166 (CB) + μ_{it}. It could be noted that the intercept of the model is negative, meaning that without the independent variables, profitability will be negative. The result also shows that all the explanatory variables are positively related to profitability.

Table 2: result of (Joint) statistical significance of the Model variables (ANOVA Table)

Model	Sum of squares	Df	Mean square	F	Sig.
1. Regression	494.981	3	164.994	433.918	.000[a]
Residual	9.126	24	.380		
Total	504.107	27			

Source: Researcher's Computation (SPSS Version 16.0; See Appendix IV).

Table 2 above depicts the results of the statistical significance of the regression analysis. Expectedly, the model in the test reaches statistical significance (sig = .000), meaning that the model independent variables significantly affect profitability.

4.2 Hypotheses Testing

Hypotheses One

H_{01}: There is no significant relationship between transaction utility, categorization process, choice bracketing and corporate profitability.

H_{11}: There is a significant relationship between transaction utility, categorization process, choice bracketing and corporate profitability.

Test Statistic: The t-calculated for TU, CP, and CB are 1.086, 5.444 and 1.252 respectively (see appendix or table 1 above).

Critical/table value: $t_{0.05/2.26}$ = 2.056. (**Note**: Degree of freedom = n-2; 28-2=26)

Decision/Conclusion: it could be observed that the calculated values of TU and CB, bring 1.086 and 1.252, are less than the critical/Table value of 2.056, while the calculated value the first instance/situation and reject it in the second situation. The conclusion therefore follows that no significant relationship exist between transaction utility, choice bracketing, and corporate profitability, while a significant relationship exists between categorization process and corporate profitability.

Hypotheses Two:

H_{02}: The components of mental accounting do not jointly affect corporate profitability.

H_{12}: The components of mental accounting do not jointly affect corporate profitability.

Test Statistic: The f-calculated value for the variables is 433.918 (see appendix or table 2 above)

Critical/table value: $t_{0.05}$; 3,24 = 3.01

Decision/conclusion: Since the F-calculated of 433.918 is greater than the critical value,

we reject the null hypothesis and conclude that the three components of mental accounting jointly affect corporate profitability.

5.0 Conclusion/Recommendations

The objective of the study is to investigate the effect of mental accounting on corporate probability. It focuses on examining the extent to which the components of mental accounting affect the performance (profitability) of corporate organizations. To capture this, survey data were employed. The analysis of variance (ANOVA) test conducted confirmed that a significant relationship exists between the components of mental accounting (transaction utility, categorization process, and choice bracketing) and corporate profitability. Furthermore, even though the three components of mental accounting exerted a positive influence on corporate profitability, only the categorization process (CP) component is significantly related to profitability while the other two (transaction utility and choice bracketing) are not significantly related to profitability). This implies that when the spending habit (expenditure) is perceived as utilitarian and relatively virtuous, corporate organizations experience increase in the economic efficiency of their investment/spending decisions. It is therefore pertinent to note that the primary reason for studying mental accounting is to enhance our understanding of the psychology of choice. In other words, accounting decisions such as, to which category to assign a purchase, whether to combine an outcome with others in that category, and how often to balance the accounting books, can affect the perceived attractiveness of choices (decision making) which invariably affect profit performance. The recommendation therefore follows that every economic transaction ought to be ideally classified in the books of accounts, irrespective of perception. Again, cost-benefit analysis is indispensable amid mental accounting practices to ensure that risks are adequately matched against associated returns.

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APPENDIX 2

COMPUTATION OF PERCENTAGE (%) & AVERAGE RESPONSES (MEAN)

RATING	5	4	3	2	1	TOTAL	MEAN
Question 1	5	10	4	6	3	28	3.29
%	17.9	35.7	14.3	21.4	10.7		
Question 2	3	5	10	7	3	28	2.93
%	10.7	17.9	35.7	25.0	10.7		
Question 3	4	9	4	7	4	28	3.07
%	14.3	32.1	14.3	25.0	14.3		
Question 4	7	15	6	-	-	28	4.04
%	25.0	53.6	21.4	0.0	0.0		
Question 5	13	11	4	0	0	28	4.32
%	46.4	39.3	14.3	0.0	0.0		
Question 6	0	7	11	9	1	28	2.86
%	0.0	25.0	39.3	32.1	3.6		

Question 7	14	7	0	5	2	28	3.93
%	50.0	25.0	0.0	17.9	7.1		
Question 8	6	9	8	5	0	28	3.57
%	21.4	32.1	28.6	17.9	0.0		
Question 9	2	9	6	8	3	28	2.96
%	7.1	32.1	21.4	28.6	10.7		
Question 10	6	16	6	0	0	28	4.00
%	21.4	57.1	21.4	0.0	0.0		
Question 11	4	12	5	5	2	28	3.39
%	14.3	42.9	17.9	17.9	7.1		
Question 12	2	5	12	6	3	28	2.89
%	7.1	17.9	42.9	21.4	10.7		
Question 13	9	10	0	6	3	28	3.57
%	32.1	35.7	0.0	21.4	10.7		
Question 14	3	7	4	11	3	28	2.86
%	10.7	25.0	14.3	39.3	10.7		
Question 15	8	14	2	4	0	28	3.93
%	28.6	50.0	7.1	14.3	0.0		
Question 16	11	3	7	4	3	28	3.54
%	39.3	10.7	25.0	14.3	10.7		

APPENDIX 3

Hypotheses testing data/variables

Responses on Profitability (P)	Responses On Transaction Utility (TU)	Responses on Categorization process (CP)	Responses on Choice Bracketing (CB)
20	19	20	20
20	19	20	20
20	19	18	20
19	19	18	19
18	19	17	19
17	19	17	19
17	18	16	19
16	17	15	19
15	17	15	18
15	17	15	17
15	17	15	16
15	17	14	15
15	17	14	15
14	16	14	15
14	15	14	13
13	14	14	13

13	14	13	13
12	14	12	13
11	13	12	13
10	13	11	11
10	13	11	11
10	11	10	10
9	11	9	9
9	10	9	9
8	9	9	8
6	9	7	5
6	8	6	5
6	7	6	5

Note:
Dependent Variable: P
Independent variables: TU, CP, & CB.

APPENDIX 4

REGRESSION

Descriptive Statistics

	Mean	**STD. Deviation**	**N**
P	13.32	4.321	28
TU	14.68	3.772	28
CP	13.25	3.893	28
CB	13.89	4.841	28

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R square change	F Change	df1	df2	Sig. F change	
1	.991[a]	.982	.980	.617	.982	433.918	3	24	.000	1.327

a. Predictors: (Constant), CB, CP, TU
b. Dependent Variable: P

CORRELATIONS

		P	**TU**	**CP**	**CB**
Pearson correlation	P	1.000	.972	.988	.976
	TU	.972	1.000	.967	.978
	CP	.988	.967	1.000	.970
	CB	.976	.978	.970	1.000
SIG. (1 Tailed)	P	.	.000	.000	.000
	TU	.000	.	.000	.000
	CP	.000	.000	.	.000
	CB	.000	.000	.000	.
N	P	28	28	28	28
	TU	28	28	28	28
	CP	28	28	28	28
	CB	28	28	28	28

ANOVA [b]

Model		Sum of squares	df	Mean Square	F	Sig.
1	Regression	494.981	3	164.994	433.918	.000[a]
	Residual	9.126	24	.380		
	Total	504.107	27			

a. Predictors: (Constant), CB, CP, TU
b. Dependent Variable: P

Variables Entered/Removed [b]

Model	Variables Entered	Variables Removed	Method
1	CB, CP, TU [a]	.	Enter

a. All requested variables entered.
b. Dependent variable: P
M

Confidents[a]

Model		Unstandardized coefficients		Standardized coefficient		
		B	Std. error	Beta	T	Sig.
1	(Constant)	-1.256	.719		-1.748	.093
	TU	.174	.161	.152	1.086	.288
	CP	.733	.135	.661	5.444	.000
	CB	.166	.133	.186	1.252	.223

a. Dependent Variable: P

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	5.19	20.04	13.32	4.282	28
Residual	-.964	1.430	.000	.581	28
Std. Predicted value	-1.899	1.568	.000	1.000	28
Std. Residual	-1.564	2.319	.000	.943	28

a. Dependent variable: P