

**ANALYSIS ON THE ROLE OF ACCOUNTING INFORMATION SYSTEMS ON FINANCIAL
REPORTING IN ORGANIZATIONS**

A CASE OF SBM INVESTMENTS KAJANSI

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ABSTRACT

The prevalence of diverse accounting software or computerized accounting systems and the increased usage of such systems amongst micro finances globally, as well as the need to present decision- useful financial reports by microfinance organizations motivated the researcher to undertake this project. The study, therefore, sought to ascertain the influence of computerized accounting systems on financial reporting of organizations in Uganda. The researcher modeled computerized accounting systems as the independent variable with five formative constructs, namely internal controls, automated data-processing, relational database, automated reporting, and enhancing technologies. The dependent variable, financial reporting quality (FRQ), was modeled with five dimensions, namely relevance, faithful representation, comparability, verifiability, and understandability. Two hypotheses relating to the extent to which computerized accounting systems influence financial reporting quality in terms of relevance, faithful representation, comparability, verifiability, and understandability, were tested. The findings of the study also showed that the most impacted dimension of financial reporting quality by accounting system is understandability, while the least impacted is verifiability. Consequently, the researcher concluded that computerized accounting systems significantly enhance the quality of financial reporting information. Hence, there is a need to encourage organizations to adopt computerized accounting systems to improve their financial reporting quality. Management and those performing accounting functions in SBM Investments limited and finance and accounting scholars would find the results of this study extremely useful. The researcher has suggested areas for further studies that would help to validate and, or, extend the study's findings.

Key Words: Accounting Information Systems And Financial Reporting

Background of the study

Good financial statements in accordance with the applicable reporting standards was produced by a process of accounting information systems (AIS) is good. According to Romney and Steinbart (2019), accounting information systems (AIS) is a system to collect, record, store, and process data to generate information for decision-making purposes. According Gelinias et.al (2015) accounting information system is a subsystem of management information systems, which collect, process and report information relating to financial transactions. According to Azhar Susanto (2018: 28), accounting information system is a collection of subsystems that are interconnected with each other and work together in harmony to process financial data into the financial information required by the management in the decision-making process in the field of finance.

In the early days, small businesses view on record keeping was normally paper based records maintained and then handed over to the accounting organization to prepare the annual tax return (Hall, 2008). According to Porter and Miller (), over the years, information technology has played a major role in changing the nature of business and this appears to reduce the difficulties with record keeping practice with the introduction of new technologies like the accounting system (CAS) which is a more user-friendly software.

Traditional legacy Accounting Information Systems that were used before the new current systems were mainly paper-based systems and seem inappropriate for today's ever-changing business environment. Information technology (IT) revolution has transformed the nature of business operation, including accounting, to be led by IT and information systems (IS) applications (Trabulsi, 2018). The diffusion of such applications enhances the financial performance and maintains transparency within the business organizations while providing continuous access to the financial reports throughout the financial year (Melitski and Manoharan, 2014).

In more recent times, accounting information systems are configured and customized to match the organization's business processes. Larger organizations use software's such as Microsoft, Sage Group, SAP AG|SAP and Oracle Corporation Oracle which are normally prebuilt software packages. Small businesses often use accounting lower costs software packages such as Tally, MYOB and QuickBooks.

Problem Statement

Uganda was renowned internationally for its entrepreneurial flair and was ranked as one of the more entrepreneurial nations not only in Africa, but the world (Kurose, 2017, January 19) and based on Investment Organizations important role in Uganda they created employment opportunities and supporting (Kyatusiimire, 2018, April 8). It was however puzzling to know that there was a remarkably high business failure rate of 30% in the nation implying Investment Organizations rarely grow to their full potential and rarely live to celebrate their third birthday (Afunadula, 2018). Although various interventions have been undertaken by BOU, government programs such the Youth Initiatives and the African Development Bank to buck the trend; however, the performance of Investment Organizations remains slow and does not meet the expected targets of the country (Ssewagudde, 2018).

Objectives of the study

1. To examine the relationship between accounting information system quality and financial reporting at SBM Investments Kajansi.
2. To assess the level of professionalism of employees on the use of accounting information systems at SBM Investments Kajansi
3. To examine relationship between information quality and financial reporting at SBM Investments Kajansi.

Research Questions

1. What is the relationship between accounting information system quality and financial reporting at SBM Investments Kajansi?
2. What is the level of professionalism of employees on the use of accounting information systems at SBM Investments Kajansi?
3. What is the relationship between information quality and financial reporting at SBM Investments Kajansi?

Methodology

Research Design

The Researcher adapted a quantitative research design. The study was all about the analysis on the role of accounting information systems on the financial reporting of SBM Investments Kajansi.

Study Population

Population Description

The population from which the sample was taken involves the employees of SBM Investments Kajansi. The respondents were got from different departments of the company in order to make the researcher come up with coherent and accurate results.

Population Sampling Design

The targeted population was on 25 employees, 10 managers which made a total of 35 and it was drawn from different departments using random sampling technique because it was the most effective when handling large populations like this one.

Data collected was selected using simple random sampling technique which made the results objective. Therefore, the researcher used a sample size of over 33 employees who were the targeted population using a simple random sampling method as shown in the table below:

Table 1: Sample size

Respondents	Target Population	Sample Size	Percentage
Employees	25	25	76%
Managers	10	8	24%
Total	35	33	

Research Instruments

The researcher developed both primarily and secondary sources of information and data. In collecting Primary Data, the researcher used questionnaires as tools for collecting the data. For Secondary Data, publications by re known authors in this field was used.

Questionnaires

This choice of tool that was used due to the fact that the targeted population was literate and therefore capable of filling-in the questionnaires. It gave the respondents adequate

time to give well thought out answers. Questionnaires were also self-administered and provided a quick means of collecting data from a large population sample.

Interviewing

An interview guide consisting of structured questions was designed and administered to the employees and managers of SBM Investments Kajansi. Information that was solicited by this instrument helped the researcher to enhance responses from the self-administered questionnaires and this made it possible for the researcher to cross examine some key issues in the research. The choice of this instrument was made because it was much considered as a good method for producing data which deals with the topic in depth. Interviewing will also be a good method for producing data based on informants' priorities, opinions and ideas. Informants was given an opportunity to expand their ideas, explain their views and identify what they regard as the crucial factors.

Data Analysis

This involved editing, measuring and tabulation of the collected data. A quantitative method was used in computation of percentages and totals. Tables were used to present and summarize data for easy interpretation and display of information.

RESULTS

Response rate of respondents

The response rate of the respondents was explained in the table below:

Table 2: Response rate

Respondent Groups	Number of Questionnaires Distributed	Retrieved Questionnaires	Percentage (%)
Employees	25	25	83

Managers	8	5	7
TOTAL	33	30	100

Source: Primary data (2021)

Out of the 33 questionnaires from different groups such as employees and managers that were printed, 25 were retrieved which indicated a highest level of reliability and validity (83%) and 5 were not retrieved which indicated the lowest percentage of 7% and thus totaling up to 100% which indicated that the response rate of the study is normally distributed with a total probability of 1.

Demographic profile of respondents

Table 3: Demographic profile

Response	Frequency	Percentage
Male	22	73
Female	8	27
Total	30	100

Source: Primary Data 2020

From table 2, it can be seen that the majority of respondents were males that was (22) representing 73% of the total number of respondents, 8 respondents were female representing 27% of the respondents. This was an indication that gender sensitivity was taken care off so the findings therefore cannot be doubted on gender grounds; they can be relied for decision making.

Table 4: Education level of the respondents

Education level	Frequency	Percentage (%)
O Level	3	10
A Level	6	20
Diploma	10	33
Degree and above	11	37
Total	30	100

Source: primary data 2020

Table 4 above clearly indicated that 3 respondents were O level certificate holders with a percentage of (10%) of the sample size followed by 6 respondents who presented results showing that they finished A level and they had (20%) of the sample size, 10 respondents had diplomas and they had a percentage of (33%) of the sample size and finally 11 respondents presented results indicating that they had Degrees and other qualifications which were above and they had a percentage of (37%) of the sample Size.

Table 5: Age Distribution

Respondents age	Frequency	Percentages
15-19	01	3
20-29	15	50
30-39	8	27
40+	6	20

Total	30	100
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Source: Primary Data 2020

According to the table 4 above, 01 respondents with a percentage of (3%) of the respondents had their age ranging from (15-19) followed other respondents who had their age ranging from (20-29) with a percentage of (50%), 8 were the majority and their age was in the range of (30-39) with a percentage of (27%) of the respondents and finally respondents who had the age bracket of 40+ years were 06 with a percentage of 20% of the respondents

Empirical findings based on objectives of the study

The impacts of accounting systems on financial reporting of organizations

Table 6: Analysis for accounting systems

	N	Min.	Max.	Mean	SD
Internal Controls	30	1.2	5	4.56	0.857
Automated Data-processing	30	1.6	5	4.41	0.926
Relational Database	30	2.6	5	4.63	0.601
Automated Reporting	30	2.0	5	4.53	0.725
Enhancing Technologies	30	1.8	5	4.25	0.992

Valid N (listwise)	30				
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Source: primary source of data

From Table above, the internal controls construct of CAS has an overall minimum response value of 1.20 and maximum value of 5.0, with a mean value of 4.56 and standard deviation of 0.857. These values are above the threshold marks and, therefore, indicate that the sampled SBM Investments limited had strong internal controls in their accounting systems. The automated data-processing construct has an overall minimum response value of 1.60 and maximum value of 5.0, with a mean value of 4.41 and standard deviation of 0.926.

These values were above the threshold marks and, therefore, indicated that the accounting systems of sampled SBM Investments had effective data-processing subsystem

Table above also indicated that the relational database construct had an overall minimum response value of 2.60 and maximum value of 5.0, with a mean value of 4.63 and standard deviation of 0.601. These values were above the threshold marks and, therefore, indicated that the sampled SBM Investments ltd had efficient relational database in their accounting systems.

The automated reporting construct had an overall minimum response value of 2.0 and maximum value of 5.0, with a mean value of 4.53 and standard deviation of 0.725. These values were above the threshold marks and, therefore, indicate that the accounting systems of sampled firms had effective automated reporting subsystem.

The enhancing technologies construct had an overall minimum response value of 1.80 and maximum value of 5.0, with a mean value of 4.25 and standard deviation of 0.992.

The qualities of financial reports

The dependent variable (FRQ) consists of five dimensions, namely relevance, faithful representation, comparability, verifiability, and understandability. The descriptive analysis results for each of these dimensions were presented in Table below

Table 7: Analysis for the quality of financial reports

	N	Min.	Max.	M	SD
Relevance (RR)	30	1.0	5	3.76	1.389
Faithful Representation (RF)	30	1.0	5	4.01	1.292
Comparability (RC)	30	1.0	5	3.96	1.171
Verifiability (RV)	30	1.8	5	4.46	0.763
Understandability (RU)	30	1.4	5	4.16	1.052
Valid N (listwise)	30				

Source: primary source of data

From Table above, the relevance construct of the quality of financial reports had an overall minimum response value of 1.0 and maximum value of 5.0, with a mean value of 3.37 and standard deviation of 1.389. These values were above the threshold marks and, therefore, indicated that there was a sufficient level of relevance in the financial reports of SBM Investments limited.

Faithful representation had an overall minimum response value of 1.0 and maximum value of 5.0, with a mean value of 4.01 and standard deviation of 1.292. These values were above the threshold marks and, therefore, indicated that the financial reports of SBM Investments ltd had a significant level of faithful representation.

Table 8 also indicates that the comparability dimension has an overall minimum response value of 1.0 and maximum value of 5.0, with a mean value of 3.96 and standard deviation of 1.171. These values are above the threshold marks and, therefore, indicate that the financial reports of SBM Investments ltd had a significant level of comparability.

The Verifiability dimension has an overall minimum response value of 1.80 and maximum

value of 5.0, with a mean value of 4.46 and standard deviation of 0.763. These values were above the threshold marks and, therefore, indicated the financial reports of SMB Investments Ltd had a sufficient level of verifiability.

The understandability dimension had an overall minimum response value of 1.40 and maximum value of 5.0, with a mean value of 4.16 and standard deviation of 1.052.

Table 8: Response on examination of qualities of financial

Qualities	Responses			Percentages (%)	
	Yes	No	Total	Yes	No
Reliability	25	5	30	87.5	12.5
Timeliness	20	10	30	80	20
Relevance	22	8	30	70	30
Comparability	27	3	30	95	5
Understandability	30	0	30	100	0

Source: Primary data

From the above presentation, it was found out that 87.5% of the respondents accepted that the financial reports produced were very reliable while only 12.5% said that the reports were not reliable, 80% of them also sided with the timelessness of the reports. 20% did not say that the financial reports produced were not timely to the user. Also 70% of the responses agreed that the financial reports were of relevance while 30% did not accept, 95% pronounced that financial reports could be easily compared with previous reports while 5% did not side, 100% of the respondents said that the financial reports produced are easily understood.

The relationship between accounting systems and financial reporting of SBM Investments Limited.

The researcher interviewed respondents whether Accounting has relationship on financial reporting of the organization, the following responses were obtained:

Table 9: Response on the relationship between accounting and financial reporting

Responses	No. of respondents	Percentage (%)
Yes	22	73.3
Not sure	2	6.7
No	6	20
Total	30	100

Source: Primary data

The above table shows that 73.3% of the respondents responded Yes while 20% said No and only 6.7% were not sure therefore it implies that the relationship of accounting on financial reporting in the firm.

To establish the relationship of accounting on financial reporting in manufacturing firms under this objective the researcher used Person correlation coefficient to establish the relationship between the variables. (Account financial reporting),

Table 10: Correlation Analysis

Pw corr	Financial reporting	Accounting information
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Financial reporting	1.00	
Accounting information	0.669 0.00	1.00

*. Correlation is significant at the 0.05 level (2-tailed).

Ho: There is no relationship between accounting information and financial reporting

Ha: There is a relationship between accounting information and financial reporting

There Pearson correlation coefficient (0.669) shows a moderate relationship between financial reporting and accounting information. This is statistically significant at 95% confidence interval since the P-value (0.00) is less than 0.05 and therefore we reject the null hypothesis and conclude that there is a positive relationship between financial reporting and accounting information.

Conclusion

The result of the study showed a significantly strong and positive relationship between the accounting systems and relevance of financial reporting information. Considering Accounting system is a good predictor of financial information relevance and could influence it at about 63% amongst organizations in Uganda, with the remaining 37% being accounting for by external or environmental factors not captured in the study model, such firm size, management support, and knowledge and ability of systems users. In other words, about 63% of financial information relevance depends on the use of accounting systems. This outcome reveals the need for SBM Investment limited management to effectively control such factors to help reduce the unexplained variance below the indicated 37%, which would improve the explained variance and the predictive power of accounting systems.

Recommendation

Based on the outcome of the studies, the following recommendations had been provided. The management of SBM Investment limited should ensure that the quality of the

accounting systems to be deployed is rigorously evaluated before implementation as the quality of the accounting system has been found to predict or influence the quality of financial reporting information. This goal could be achieved by employing accounting staff with a reasonable knowledge of the adopted accounting system or engaging outside consultants who specialize in accounting systems implementation and administration.

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