
**ACCOUNTING INFORMATION SYSTEM AND QUALITY OF FINANCIAL REPORTS IN
COMMERCIAL BANKS: A CASE STUDY OF EQUITY BANK, KABALAGALA BRANCH****1 Musiimenta Evalyne, 2 Zikusooka Enock****1, 2 Metropolitan International University****ABSTRACT**

The researcher investigated' accounting information system and quality of financial reports produced by commercial banks. The study was guided by three research objectives which were; to establish the different accounting information system employed by equity bank, kabalagala, to examine the qualities of financial reports produced by equity bank, kabalagala, to determine the procedures involved in financial reporting at equity bank kabalagala. The methodology involved in the use a cross sectional research design were data collected once a cross section of respondents were selected both qualitative and quantitative approaches were used in data collection and analysis. The study population constituted of 100 respondents comprising of the staff members and clients of the equity bank kabalagala branch. The data collection instruments involved the use of questionnaires and interviews. The findings reviewed that the accounting system used at the equity are managerial accounting system, computerized accounting system, inventory accounting system, industry specific accounting system. The producers used in financial reporting include entering data into the financial data base [FDB] and into the account, data is red and merged, the results are obtained after merging, determination of the balance method, results data are obtained, lastly, financial statement items are obtained. The effects of accounting information system of quality of financial reports produced by equity bank include but not limited to increasing speed of carrying out routine financial transactions, ensuring timelines that leads to timely delivery of financial reports to the top managers and facilitation of quick analysis of financial reports. The research recommended that government and the other entire stake should fully support the use of computerized accounting system and this involves investing in the sector to improve on the quality-of-service delivery in the society. Organization which under take the use of computerized accounting system should create backup of all their operations to limit the possibility of total loss in case of various attacks

Key words: accounting information system, quality, financial reports and commercial banks**Background to the study**

Accounting information system [AIS] was the tool that can help the organizational management to improve its control on the firm's operations and to develop its performance (Alex & Kazaara, 2023). AIS involved, identifying, delivering, collecting, processing and accounting information to employees and decision making throughout all organizational levels (Isaac et al., 2023). AIS are also seen as system

that is used to record the financial transaction of a business or organization (N. Moses et al., 2022). This system combined the methodologies, controls and accounting techniques to track financial transactions and to provide internal and external reporting data as well as helping the preparations of financial statements with capabilities to improve organizational performance (Anthony et al., 2023).

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The study considered two valuables that was accounting information system, as the independent valuable and quality of financial reports as dependent valuable. Accounting information referred to the quantitative information produced with in an organization management accounting system, meant to serve managers in making decisions and following up their business in line with the goals of the organization (K. Moses et al., 2023). According to Miami 2016 Financial report means of portraying financial accountability, in order for an organization to review the financial activities the past year and make plans for the future it prepares and publishes annual accounts or financial reports (Akankwasa et al., 2022). The study was carried out at equity bank kabalagala branch located in kansanga, Kampala in the central part of Uganda (Racheal et al., 2023). Equity bank is one of the biggest banks in Uganda serving over 10000 customers countrywide as it takes adequate use of accounting information at every branch in order to serve these clients perfectly and make good decisions that can lead to a better financial performance (Ministry of Finance, Planning and Economic Development report 2020)

Problem statement

Accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information (Racheal et al., 2023). Accounting provides information for managers to use in operating the business. In addition accounting provides

information to other stake holders to use in assessing the economic performance and condition of the business (Tasha et al., 2023). Accounting information presented in financial reports helps in decision making by showing where and when money has been spent or earned, what commitments have been made and it helps to predict the future effects of decisions (Winny et al., 2023). Furthermore, accounting information is used to assess the profitability of alternatives courses of action, measure performance, and evaluate the position of enterprises in terms of profitability, liquidity, activity and leverage. It can be used to improve banks performance, especially in making financial decisions (Naruanard, 2003). Apparently good decisions are important and ensure the wellbeing and also the survival of an organization. Therefore financial institutions need to take use of quality data in implementation quality decisions to enhance their performance (Faridah et al., 2023).

Despite the above, managers tend not to take use of accounting data as most of the banks Uganda has collapsed completely like crane bank and this is attributed to the wrong accounting decisions made by the top management (Annet et al., 2023). Therefore, this study sought to determine the impact of accounting information system on quality of financial reports in commercial banks considering a case study of Equity Bank Kabalagala Branch, Makindye Division.

Specific objectives of the study

1. To establish the different accounting information systems employed by Equity bank, Kabalagala
2. To examine the qualities of financial reports produced by Equity bank, Kabalagala

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3. To determine the procedures involved in financial reporting at Equity bank, Kabalagala

Research questions

1. What are the different accounting information systems employed by Equity bank, Kabalagala?
2. What are the qualities of financial reports produced by Equity bank, Kabalagala?
3. What are the procedures involved in financial reporting at Equity bank, Kabalagala?

Methodology

Research Design

A cross sectional survey design was employed in this study. Both qualitative and quantitative, approaches to data collection and analysis were employed in order to get an in-depth Understanding of the phenomenon under investigation and to confirm completeness for instruments (Amin, 2005).

Table 1: research approach and relevance of the approach

Research Approach	Relevance of the approach
Quantitative approach	Numeric data
Qualitative approach	Descriptive data like sex

Study Population

The target study population of tire study was 100 respondents comprising of the staff members and clients of Equity bank Kabalagala branch

Sample Size and Sampling Technique.

In the study, simple random sampling was used to obtain the sample size of the study and also purposive sampling was used to select respondents where necessary. The sample size of the study was established using the Slovene's (1967) formula given a finite population and the degree of precision (reliability) desired by the study.

The Slovene's formula states:

$$n = \frac{N}{1 + Ne^2} = \frac{80}{1 + 80(0.05)^2} = 60 \text{ Respondents}$$

n = 20

With

n=number of sample

n= total population

e= level of significance 0.05

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Table 2: population and the sample selected

Category	population	sample	Sampling technique
Top management	5	3	Purposive sampling
Accounting department	4	3	Purposive sampling
Auditors	2	1	Purposive sampling
Finance department	4	2	Simple sampling
Clients	65	41	Simple sampling
Total	80	50	

Source; primary data 2020**Data collection instruments and methods****Self-administered Questionnaire**

The questionnaires consisted of both open and close-ended questions that focused on the objectives of the study. The questionnaires were administered to select the respondents. This method was useful in saving time and other resources, and it also helped the researcher to collect secretive information which cannot be gotten through interviews. In addition, Clarification on some questionnaires that may not be clearly understood by the respondents was done by the researcher.

Data Processing and Analysis

Collected data was edited, coded, and entered into the computer using the Statistical Package for Social Scientists (SPSS) (Nelson et al., 2022). The analysis involved Pearson correlation analysis and Regression, analysis. Pearson correlation analysis was used to determine the relationship between the study variables that is accounting information and decision making by managers of financial institutions. Alternatively, regression analysis was used to establish the extent to which the independent variable can predict the dependent variable.

RESULTS**Different types of accounting systems used at equity bank Kabalagala branch****Table 3: Distribution of types of accounting systems used in commercial banks**

No.	Statement	SD %	D %	NS %	SA %	A %	TOTAL %
1	My organization uses accounting system for data storage	11.1	15.5	16.7	27.8	28.9	100
2	Managerial accounting system is the most	10.9	13.4	22.2	39.4	14.1	100

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	effective accounting system						
3	My organization uses a profit accounting system	60.6	27.8	10.0	0.6	1.0	100
4	Industry specific accounting system specifies the most important information in the organization	18.8	16.7	20.0	16.7	27.8	100
5	Computerized accounting system facilitates easy processing of information	40.6		1.7	13.3	44.4	100
6	Computerized accounting system allows fast and timely processing of information	3.3	5.0	15.0	45.6	31.3	100

Source; primary data, 2020

Table 3 above show the different types of accounting systems used in commercial banks. This is evidenced by 56.7% of the respondents agreed that my organization uses accounting systems for data storage, 53.5 %of the respondents agreed that managerial accounting system is the most effective accounting system, 44.5% of the respondents agreed that industry specific accounting system specifies the most important information in the organization (Ntirandekura et al., 2022), 57.7% of the respondents revealed that computerized accounting system facilities easy processing of information 76.9% of the respondents disagreed with the statement of computerized accounting system allows fast and timely processing of information and on the however side (Rashid et al., 2023), 88.4 %of the respondents agreed that my organization uses a not for profit accounting system. This implies that equity bank; kabalagala branch doesn't use only one type of accounting system but many different types dependently.

Qualities of financial reports produced by Equity bank, Kabalagala branch table

Table 4: Distribution of the responses on the qualities of financial report produced by commercial banks in Uganda.

No.	Statement	SD %	D %	NS %	A %	SA %	TOTAL %
1	The financial report produced are very reliable that is free from material errors and represents that real status of the firm	8.9	9.4	15	29	37.2	100
2	Financial reports can influence the decision of the stakeholders regarding issues in the organization			15.6	45	39.4	100

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3	The financial reports are easily compared with previous periods reports		10	47	33	10	100
4	The reports are always generated at the right time when needed by the stakeholders	3.3	5.0	5.0	31.7	45.0	100
5	The reports are always understood well by the stakeholders	10.1	13.4		14.1	61.6	100
6	All the information prepared in the reports is meaningful and relevant	5	5	40	30	25	100

Source primary data 2020

Table 4 above show the qualities of financial reports produced by commercial banks in Uganda. This is from the fact that 66.6% of the respondents agreed that the financial reports produced are very reliable that free from material errors and bias and represents that real status of the firm 84.4% of the respondents agreed that financial reports can influence the decision of the stakeholders regarding issues in the organization (Wegulo et al., 2023), 43% of the respondents agreed that the financial reports are easily compared with previous period 's reports, 76.7% of the respondents agreed that the reports are always generated at the right time when needed by the stakeholders and lastly 55% of the respondents agreed that all the information prepared in the reports is meaningful and relevant. This implies that the financial reports produced by equity bank, kabalagala branch are better quality basing on the study findings revealed above (K. Moses et al., 2023).

Procedures involved in financial reporting at equity bank, kabalagala branch

Table 5: Distribution of the respondents on the procedures involved in financial reporting of commercial banks

NO	STATEMENT	SD %	D %	NS %	A %	SA %	TOTAL %
1	Entering data into a financial data (FDB) into the account	0.6	1.0	10.0	60.6	27.8	100
2	Data is read and merged	18.8	16.7	20.0	16.7	27.8	100
3	The results are obtained after merging	12	2.5	7.5	27	50	100
4	Data results are obtained	10	15	25	40	30	100
5	Financial statement items are obtained	10	12.5		37	35	100
6	All the steps don't include the correction runs	15	10	5	45	25	100

Source primary data 2020

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Table 5 above show the procedures involved in financial reporting of commercial banks.

This is from the fact that: 88.4% of the respondents agreed that entering data into the Financial Data Base (FDB) into the account, 44.5% of the respondents agreed that data is read and merged. 77% of the respondents agreed that the results are obtained after merging 70% of the respondents revealed that data results are obtained, 72% of the respondents agreed with the statement of financial statement items are obtained and the last but not least 70% of the respondents agreed with the statement that all the steps don't include the correction runs. This implies that the procedures involved in financial reporting at Equity bank, Kabalagala branch are effective and efficient (K. Moses et al., 2023).

From the study it is evident that on age bracket of the respondents 3(22%) of the respondents were below 24 years, 3(22%) were between 25-29 years of age, 12(86%) were between 30-39 years of age, 20(144%) were between 40-49 years and 12(86%) were above 50 years of age. On gender of the respondents 52% (187%) of the respondents were males and 48% (173%) were females.

On Level of education majority of the respondents represented by 48% were graduates, 12% were post graduates, 28% obtained Diplomas, 8% obtained A 'level and the least were Others with just 4% (Racheal et al., 2023). On owning an account with Equity bank; 90% of the respondents agreed that they have an account in the bank while 10% of the respondents don't have. On owning an ATM card; all respondents agreed with the statement and lastly 80% of the respondents agreed that AIS has improved on the quality of financial reports produced at the organization as 20% were in disagreement with the statement (Winny et al., 2023).

Conclusions

In conclusion The Accounting systems used at Equity bank were managerial accounting systems. Computerized accounting system, Inventory accounting systems, Industry-specific accounting systems. The Procedures used in financial reporting included entering data into the financial database (FDB) and into the Account, Data was read and merged the results were obtained after merging, determination of the balance method, results data were obtained, lastly financial statement items were obtained. The effects of accounting information system on quality of financial reports produced by Equity bank included but of limited to increasing speed of carrying out routine financial transactions, ensuring timeliness that led to timely delivery of financial reports to the top managers and facilitation of quick analysis of financial reports. **Recommendations**

Having discussed, summarized and concluded the findings, the researcher recommends that;

The Government and all the other stake holders should fully support the use of computerized accounting systems and this involves investing in the sector to improve on the quality-of-service delivery in the society.

Organizations which undertake the use of computerized accounting system should create back up of all their operations to limit the possibility of total loss in case of virus attacks.

Further training an education should be undertaken such that all staff and employees are knowledgeable about the use accounting information systems to limits the problem of the limited workforce who are competent about the use of computers.

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