
Assessing The Impact Of Computerized Accounting System On The Financial Reporting In Companies In Uganda: A Case Study Of Stanbic Bank Mukono Branch

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Abstract

The study was carried out to assess the relationship between computerized accounting systems and organizational performance especially on quality financial reporting. The study aimed at evaluating the uses of computerized accounting system in business today; the limitations of computerized accounting system in business; and the relationship between computerized accounting and financial reporting in business. To achieve the above purpose, a cross-sectional research design together with the explanatory research design and analytical research design were used in the survey. The survey population included CEOs, Finance officers, Accountants, internal auditors and stakeholders of Stanbic Bank Uganda Limited, Mukono branch. Purposive and simple random sampling methods were used to select samples used in the study. Self-administered questionnaires were used to collect from Stanbic Bank Mukono Branch. Data was collected from 60 respondents. Data was analyzed using SPSS (Statistical Package for Social Scientist). While assessing the benefits of computerized accounting system, the findings indicated that respondents agreed that computerized accounting systems minimizes errors and allows easy posting of transactions on ledger. On examining the qualities of financial reports generated by Bank, 96.67% of the respondents accepted that financial reports produced are reliable and 3.33% respondent disagreed. The study indicated a strong relationship between computerized accounting system and financial reporting. Therefore, computerized accounting has a strong relationship of ($r^2=0.828$, $P=0.172$) this suggests a positive effect on financial reporting and recommended that the firm should run the computerized accounting systems alongside the manual system where some data can be captured manually. This is important because should the computerized system breakdown, important source information can still remain available. One other fact is that the computerized system very much relies on human effort which justifies the simultaneous run with the manual system. The researcher also recommends that the firm should run the computerized accounting systems alongside the manual system where some data can be captured manually. This is important because should the computerized system breakdown, important source information can still remain available. One other fact is that the computerized system very much relies on human effort which justifies the simultaneous run with the manual system.

Keywords: Computerized Accounting System, Financial and Reporting

Back ground of the study

In recent years, changing market factors and a changing political climate have had a substantial impact on the global banking sector (Polycarp et al., 2023). After decades of deregulation, globalization and financial innovation, the banking sector flourished until the near collapse of financial markets a few years ago. Consequently, a fundamental rethinking of the banking sector is called for (Christopher, Komunda, et al., 2022). Current regulatory and

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supervisory reform efforts will usher in a new era of reregulation and will likely affect bank profitability. In this context, Allen et al (2010) argue that Basel III will force banks to shift their business model from liability management, in which business decisions are made on asset volumes, with funding found in short-term wholesale markets when needed, to asset management, in which asset volumes are limited by the availability of financing (Racheal et al., 2023). Most African countries, especially those in sub-Saharan Africa, have recently undergone extensive financial sector reforms (Alex et al., 2023). The reform package includes the liberalization of interest rates, the removal of credit ceilings, the restructuring and privatization of state-owned banks, the introduction of a number of measures to support the development of financial markets, including money and stock markets, and private banking systems along with banking supervision. and regulatory schemes (Gracious, 2023). A particularly interesting consequence of these financial sector reforms has been the increase in interest in establishing stock exchanges and their rapid expansion in recent years. Every business has many processes; some simple, others complex and cumbersome (David et al., 2023). But as a business grows, acquires new customers, enters new markets, and keeps up with constant changes in information technology, companies need to maintain highly accurate and up-to-date accounting, inventory, and statutory records (Victor et al., 2022). This is where a computerized accounting system helps to simplify, integrate and streamline all business processes, cost-effectively and easily, helping users of financial reports present a true picture of all business enterprises (Racheal et al., 2023). Although most organizations do not perform well in financial reporting and accounting records, reports from a comparative survey conducted by Indira (2008) including Uganda indicate that firms have significantly improved their reporting practices due to the adoption of CAS.

Statement of the problem

Every day, individuals and companies hire accountants to help them meet the mathematical requirements of accounting and book balancing (Ronet et al., 2023). Before the introduction of information technology in accounting, these accounting protocols were done manually. Today, many accountants and non-accountants alike like to use computer software to perform these duties (Faith et al., 2023). However, there was an increase in accounting problems associated with financial reporting, which killed most businesses that fell victim to this circumstance (Ramadhan et al., 2023). To determine which system will be better positioned to improve the quality of the financial reporting and accounting operations of the business. An accounting information system is the property of methods, people, procedures and equipment regularly used to process business transactions (Damasus et al., 2023). Information is therefore much more useful when it is conveyed through a suitable reporting system that gives it good qualities such as accuracy and reliability among others, and this can be achieved by using a computerized accounting system. "The focus here is to find out whether the computerized accounting systems used have an effect on the quality of financial reporting in the banking sector".

Objectives of the study

1. To determine the uses of computerized accounting system in business today.

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2. To find the limitations of computerized accounting system in business
3. To establish the relationship between computerized accounting and financial reporting in business.

Methodology

The research involved a cross sectional study using both qualitative and quantitative research centered on Computerized accounting system. The techniques were designed in a way that would best suit quick collection of relevant data (Faridah et al., 2023). The data was systematically collected and presented to give exploratory analysis to particular phenomena with emphasis to cover the extent of the problem. This encompassed the accounting staff/tellers, support staff and management of Stanbic Bank, who record and even use the same information generated because of computerized accounting (Olanrewaju et al., 2021). The sample size was based on Slovin formula. The study population of 60 has a sample size of 52 (Refer to Krejcie and Morgan (1970) table in appendix 2) (Jallow et al., 2021). This follows a confidence level of 95% which gives a margin of error of 5%. This was determined using Slovin's formula as shown below

Slovin Formula:

$$n = \frac{N}{1 + Ne^2}$$

Where: n = sample size

N = population size

e - margin of error (0.05)

Table 1: Showing the category and size of respondents used for the study

Category	Size
Management Staff	7
Accounting Staff/Teller	50
Support Staff	5
Total	62

The purposive technique used above in selection of respondents is not only for its' time and money saving aspect, but also helps in selection of typical and relevant cases necessary to equip the study with the required information (Jallow et al., 2022). Besides, the simple random sampling method was also used to select a sample of respondents without any bias from the accessible population (Nafiu, 2012). Each party of the target population in this case has an equal opportunity of independence as far as expression of their opinions is concerned. The simple random sampling method was used to select a sample of respondents without any bias from the accessible population. Each party of the target population in this case had an equal opportunity of independence as far as expression of their opinions was concerned. The respondents will be from the employees and the staff management (Nafiu & Ph, 2012). The study used questionnaires, interviews and documentary analysis. Questionnaire was the dominant primary data collection method in the study. Here comprehensive self-administered questioners were used. Both open and closed ended

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questionnaires were used to let the respondents give their own opinion about the research problem (Rasheed et al., 2022). The questionnaire was used since the sample size was quite large and given the time constraints was ideal tool for collecting data. The target population was also largely literate and unlikely to have difficulties responding to questionnaire items. Both qualitative and quantitative data was collected using questionnaires, interviews and documentary analysis by the researcher herself between the periods of January to April 2018 at Stanbic Bank Ltd Mukono Branch (Nafiu et al., 2013). Upon collecting data, several methods were used to process and analyze the data. All the data collected was checked for results on completion of the procedure, the questionnaires were handed over to the researcher. This was compiled, sorted, edited, classified and coded. To improve on its accuracy and relevancy. It was tabulated to reveal the frequencies and percentage scores of different study attributes (Olanrewaju & Abiodun, 2021). To ease the interpretation of data, the study was analyzed using statistical techniques and qualitative techniques such as regression and correlation analysis with help of SPSS & STATA to clearly come up with the relationship between CAS and Financial reporting quality performance (Nelson et al., 2022).

RESULTS

Table 2: Problems affecting computerized Accounting System

Response	Frequency	Percentage	Cumulative percentage
Delay in processing financial statements	5	8.33	8.3
Unskilled staff	5	8.33	16.6
System breakdown	37	61.6	78.2
Congestion by users	4	6.67	84.87
Load shedding	2	3.33	88.1
Computer virus	7	11.67	99.93
Total	60	99.93	

Source: Primary Data, Field Survey November 2023

Table 2, indicates that the major problem affecting computerized accounting system in banking firm is system break down 61.6% which always results from disturbances from network failure and other factors like congestion by users 6.67%, computer vims 11.6%, delay in processing financial statements 8.3%, Unskilled staff 8.3% and load shedding 3.3%. The most pronounce problem therefore, affecting the banking industry is system failure according. This is the most dominant of all the problems affecting the system with the response rate standing at 61.6% far above all the others (Edgar & Moses, 2023).

Table 3: Showing findings on what the qualities of financial reports generated by a computerized accounting system are.

Response (Qualities)	Frequencies	Percentage (%)
Comparable	49	81.67

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Understandable	50	83.33
Consistent	58	96.67
Reliable	58	96.67
Material	58	96.67

Source/Primary Data (N=60)

Table 3 above, shows the qualities or characteristics of a computerized accounting system that the researcher was able to find out from the-respondents. The findings above are majorly solid to the aspects of these financial reports being consistent, reliable and material as indicated by their high response percentages of 96.67% above (Akankwasa et al., 2022). This shows that the system is not only accurate as far as calculations of figure that appear in the reports are concerned but is also produces trustworthy results and cannot be manipulated when it comes to reporting. It is also important to note that the aspects of materiality, consistency and reliability as pointed out above, among other qualities of reports generated through computerized accounting is concerned, are the major weaknesses of a manual accounting system and it is the reason as to why financial reports generated in a computerized manner are much more preferred as compared to those generated the manual way, which is an outdated system of operation (Christopher, Moses, et al., 2022).

Table 4: Showing findings on whether transactions pass unauthorized and why.

Response	Frequencies	Percentage (%)
Yes	0	0
Some	60	100
No	0	0
Total	60	100

Source: Primary Data (N=60)

All companies have got different and various modes of operation as far as supervision and chain of command are concerned. It is right from the beginning point of a single transaction that a company will either make a gain or a loss that eventually has to appear in the periodic financial statements (Allan et al., 2023). In this case, every company treats their chain of transaction differently and with this factor in question, the researcher deemed it necessary to find out the authority of transactions in the case study where respondents were meant give their independent opinions. However, from the findings, it is clear that some transactions may pass by authorization and others pass unauthorized (Ntirandekura & Christopher, 2022). The reasons given for this option all zeroed to one conclusion that transaction differ in nature especially in terms of the amount of monies the transaction requires. As far as the case study is concerned, any transaction beyond the amount of Uganda Shillings Twenty-Five million (25,000,000) has to be authorized by the bulk tellers in charge whereas transaction below that amount of money can be carried out between the teller and the client without any authorization unless the client or customer is actually borrowing a loan from the bank (Polycarp et al., 2023). This indicates that the company has put in place risk

management strategies so as to reduce on the level of risks associated with the business operations which may lead to losses.

Table 5: Shows correlations between computerized accounting and financial reporting in Stanbic Bank.

	Computerized Accounting	Financial Reporting
Computerized Accounting Pearson Correlation	1.000	.91**
Sig (2-tailed)		.000
N	60	60
Financial Reporting Pearson Correlation	.91**	1.000
Sig (2-tailed)	.000	.
N	60	60

**, Correlation is significant at the 0.01 level (2-tailed)

From the table above, findings show a strong significant positive relationship between the variables ($r=0.91^{**}$, $p>0.01$) which presupposes that if management of Stanbic Bank ensures proper computerized accounting, the quality of financial reporting will surely be increased by 91%. Therefore 9% is the gap that needs to be closed by Stanbic Bank and this is majorly due to short falls of the computerized accounting system (Nelson et al., 2023).

Discussion of major findings from the Study

To determine the use of a computerized accounting system

The study showed that the company (case study) makes use of a computerized accounting system. This is evidenced by the results given by the respondents in agreement with the use of the system in the company. Where the uses of a computerized accounting system are; the system's ability to perform data entry, data processing, data security and data reproduction or reporting such as the generation of financial statements/reports. All these functions of the system have enabled the bank to run its operations smoothly in a much more effective and efficient manner (Ivan et al., 2023).

To find out limitation of computerized accounting system

According to the findings of the study, a computerized accounting system is of a great importance to the running of the company but is also associated with its own weaknesses that sometimes hinder efficiency in the company's business environment. The most prominent values of the system being: ability to carry out automatic financial auditing and transaction balancing, easy communication, user friendliness, speed and the time saving factor. With all these values at hand, it is clear that the system actually performs its operations very well as far as guaranteeing effectiveness and efficiency of business operations is concerned (Benard, 2023).

The irregularities of the system however, count in as well. These majorly include risks of system failure and eye strains among others. Most of these weaknesses of the system can actually be combated easily in order to reduce on

the business risks that may come up as a result. For example, system failure can be solved through consistent upgrading of the system and the aspect of eye strains can be controlled by avoiding long working hour on computers and operation through working shifts. Otherwise, it is notable from the findings that the system is actually more of an asset than a liability to the company's business operations and it would therefore be

Relationship between computerized accounting system and financial reporting

Using the above finding, it implies that there is a strong relationship between computerized accounting system and financial reporting. Therefore, computerized accounting has a strong relationship of ($r^2=0.828$, $P=0.1721$) this suggests a positive effect on financial reporting.

Conclusion

From the findings, it is evident that computerized accounting system contributes a lot towards financial reporting in banking firms and other organizations that prepare financial reports. The study reveals that firms are able to maintain financial reports with qualities of timeliness, liability, relevancy and understandability, accuracy and efficiency because of computerized accounting system. The researcher sides with findings of the study and concludes that computerized accounting has greatly led to improved financial reporting because of the advantages it offers to preparation of financial reports.

Recommendation

Basing on the findings of the study, the researcher made the following recommendations for the Bank and similar organizations in improving on their financial reporting. The Bank should recruit a professional to handle computerized accounting systems. This is because any wrong entry of data will certainly generate inaccurate and unreliable results. Staff must therefore be adequately trained to enable them efficiently to operate the system.

The Bank should select packages or software that are user friendly and should consider customization of the systems to fit specific needs. Other than adopting off-shelf packages with customized packages, training costs will be reduced. The systems should suit business environment that adapt to changes.

There should be routine system maintenance programs put in place so that the system can be rid of shortfalls such as viruses and fraud among others that may affect the system operations. This should be done so that the system can operate to the expectation of management. This Bank should ensure that deadlines within which a report should be ready. This will enable the accountant to work within the set schedules. The firm should set aside budgets for research and development specifically for its computerized projects. These will improve and update the computerized accounting system.

Data manager of the firm should ensure that all financial information capture and backed up, computerized systems security is sometimes prone to threats such as virus attacks. It is important that the data is backed up so that in case of a system breakdown, the data would have been secured.

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