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Impact of Accounting Information System as a Management Tool in Organisations

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ABSTRACT: The purpose of this study is to investigate the impact of accounting information system(AIS) as a management tool in organisations, including system quality, information quality, and service quality, that eventually influence accounting information systems effectiveness. It is generally believed that investment in an information system offers opportunities to organizations for business process efficiency and effectiveness. Despite huge investments in accounting information systems, organisations in Nigeria have not realized the full potential benefits of using these systems because of persistent failures. This studyrevealed that security, ease of use, and efficiency are key features of system quality, while the information quality dimension includes accuracy, timeliness, and completeness. The result of the study further revealed that information quality and system quality have significant influences on accounting information systems effectiveness. This study provides practitioners with important measures for evaluation of AIS effectiveness.

KEYWORDS:*Accounting, Information System, Management Tools, Organisations*

I. INTRODUCTION

Over several numbers of years, the general performance of accounting has increased right from the single entry system to double entry system. The main objectiveof accounting system is to provide financial data like purchase, sales, expenses and income of an organization but in today's world accounts maintenance is helpful in so many ways. Previously accounts maintenance is usedto know profit or loss of the organization but these days it is also useful for increasing the profit of the organization by way of accounting information system. Businesses include transactions which give out information for better analysis of business performance and accounting information system is a delivery system for accounting (Rono, 2006).

Accounting Information Systems are tools which, are incorporated into the field of Information and Technology systems (IT). They were designed to help out in the management and control of daily activities related to organization's economic-financial area. But the overwhelming advance in technology has opened up the possibility of generating and making use of accounting information from a strategic viewpoint.

Accounting information systems (AIS) as part of a company's information systems (IS) are seen as a way of facilitating decision making within organizations and should be approved to an organization's environment, requirements of task, and structure. An accounting information system is a structure that a business uses to collect, store, manage, process, retrieve and report its financial figure so that it can be used by accountants, consultants, business analysts, managers, chief financial officers(CFOs), auditors and regulatory and tax agencies.

In addition, trained accountants work with AIS to ensure a high level of accuracy in a company's financial transactions and recordkeeping and to make financial data available to those who rightfully need access to it, while keeping data intact and secure, this indirectly boost the productivity and performance of an organization. Furthermore, Management of organisations in Nigeria relies on information generated from the AIS given by the entity. Moreover, quality reports and data are keys to come at an ideal investment, and a traditional way of recording, summarizing and reporting a company financial report led to less optimal decisions. Investment in good and reliable accounting systems has become a main concern for all managers as it leads to best management and analysis of a firm's performance.

The Accounting Information System is said to be one of the important systems of any organization. Its aim is to provide necessary information to the managers at different levels and ranks. This information helps them in carrying out their responsibilities in an effective and efficient way in the areas of planning, resource control, performance evaluation and decision making. Accounting Information Systems (AIS) are tools which, when introduced into the field of Information and Technology systems (IT), are designed to help in the management and control of topics related to organization' economic-financial area.

Finally, the main aim of the accounting information system in an organization is to provide information on profit or loss and financial position of the business to its owner. This information is also very useful to investors, auditors, suppliers, buyers, bankers and other financial institutions etc. But most importantly accounting information is ofconcernto a person within the organization. Since every decision involves a number of options, accounting information must help the user to make a decision on his course of action.

An effective accounting information system performs several key functions. The functions are - data collection, data management, data maintenance, data control (including security), and information generation. These functions are akin to interrelated subsystems. Efficient and effective accounting information systems are based on certain basic principles. These principles are cost effectiveness, useful output and flexibility.

Well-designed AIS can help to improve the efficiency of operations and decision making by providing accurate information in a timely manner. It also helps to share knowledge and expertise, perhaps thereby improving operations and even providing a competitive advantage (Romney and Steinbart, 2000).

Information is generally what gives a company a competitive edge and makes it viable. Because it is such a valuable resource, information must be reported from unauthorized disclosure and destruction. Risk due to security lapses have increased, partly because of the complexity of computer systems and intra-and inter organization networks. To protect its resources, a firm should implement and approve a variety of security measures. They must treat information as a valued resource in order to prosper. Information is intelligence that is meaningful and useful to persons for whom it is intended, because it is necessary for making sound decisions and inducing desired actions (Wilkinson et al., 2000). Much of the information needed by firms is accounting information, since it is particularly useful in meeting these needs. Accounting information is the output of AIS and is financially oriented.

II. STATEMENT OF THE PROBLEM

Generally, information system is developed using information technology to aid an individual in performing his job. Therefore, organizations focus on developing information system in order to give support on decision system, knowledge management, communication as well as many others. The main part of information system needed for making decision in organization is accounting information system.

Moreover, the world and human life have transformed from information age to a knowledge age, and knowledge has been seen as the most valuable asset. Knowledge is not impersonal like money and does not live in a book, a data or a software program. Knowledge is always and will be embodied in a person, learned and taught by a person, misused or used by a person. Accounting information system is a fair tool for a management and effective administration. Failed accounting information systems jeopardize administrative effectiveness, which makes managers have a problem administratively mostly in the Nigerian banking industry. The aftermath of this is the current distressed syndrome that most Nigerian organizations are facing. Companies must learn how to manage their intellectuals (i.e. knowledge) in order to survive and compete in the 'knowledge society'. Indeed, knowledge management is concerned with the exploitation and development of the knowledge assets.

However, there is an uncertainty in predicting how growing need for accounting information system will change the productivity and performance of the organization since the Accounting information system provides a stand to an organization, to deal with itsemployees, customers and vendors. The fact that organisations have incorporated the use of good accounting information systems in their daily transactions, a number of problems need to be addressed, as accounting gives business information in statements of transactions and in monetary terms.

III. OBJECTIVE OF THE STUDY

The objective of this study is to examine the impact of accounting information system as a management tool in organisations.

IV. LITERATURE REVIEW

4.1 Conceptual Framework on Accounting System

Financial Accounting is a process of collecting, recording, presenting, analyzing and interpreting financial information for the users of financial statement. Accounting was defined as the set of rules and methods by which financial and economic data are collected, processed and summarized into reports far back into history. Accounting practice was said to have been performed by the temple priests of summer who operated a tax system that brought under their control vast stocks of grain, animals, and estates which key accounted for.

Accounting literature argues that strategic success is considered a product of Accounting Information Systems (AIS) design (Salih, 1982). It has also been examining the impact on performance of the interaction between certain types of strategies and different design of AIS (e.g. types of techniques and information). The normal design of AIS helps and supports business strategies in many ways that increase the organizational performance (Chenhall, 2003). Upgrading AIS investment will be the leverage for achieving a stronger, flexible corporate culture to face uncontrollable changes in the environment. Innovation is the incentive which a virtuous circle will be put in place, leading to a better organisational performance and a decrease in the financial and organizational hurdles, while making it possible to access capital markets. AIS are systems used to put down the financial transactions of a business or organization. AIS put together the methodologies, controls and accounting techniques with the technology of the IT industry to follow up transactions, provide internal reporting data, external reporting data, financial statements, and recent analysis capabilities to effect on organizational performance (GUL, 1991).

In managing an organization and implementing an internal control, the effect of accounting information system (AIS) is crucial. A crucial question in the field of accounting and management in decision-making concerns the fit of Accounting Information System with organizational requirements for information communication and control. Benefits of accounting information system can be analyzed by its impacts on improvement of internal controls, decision-making process, performance evaluation, quality of accounting information and facilitating company's transactions (Nicolaou, 2000).

Accounting information as part of the management information is very essential in decision making.

According to Choe (1996), this System involves the effective combination of materials within the organisations in order to provide actionable information for decision making. Accounting information systems perform this transformation even if they are manual systems or computerized. Furthermore, accounting information system of any organisation needs to be appropriately designed in order to enable managers fully utilize materials at their disposal efficiently and effectively. Therefore it is important for adequate and timely accounting information system to be put in place for business management. In designing an Accounting information system, the practice and study of accounting is put together with information system.

4.2 Accounting System as a Management Information System

Hunton (2002) is of the view that in any business organization, the accounting system is the major quantitative information system. He states further that it provides information for the three broad purposes as follows:

(i) Internal reporting of managers for use in planning and controlling.
(ii) Internal reporting to managers for use in making non- routine decision and in formulating major plans and policies.
(iii) External reporting to stock holders, government and other outside parties.

Manager's contribution is quite relevant because it highlights not only the centrality of accounting in the information system of all business organizations, but also draws attention to the users and benefactors of such information so derived.

However, Wilkinson (1993) stated that an organization information system can be divided into two the formal portion (of which computerized data can be a part) and the informal position. The formal position can be divided into the areas of the firm's activities. There are three major areas of information system, namely the financial information system, the personnel information system and the logistics system.

They went further to comment on computer based information systems - that wide spread of computer in credit management provides certain essential up-to-date information for analysis. All of the information can be placed in computer storage readily accessible to the credit department, indeed; the computer can provide a vast way of detailed information. Although much of what comprises an organization system is not computerized, the part that is, is often significant. In fact, it may be of greater importance than its proportion to the total information system. In view of the great importance of information to bank lending and nearly all the activities of a banking organization, the right type of management information system must be designed to the right quarters and at the right time. In developing a management information system, designers must be aware of the process of managing a business.

This is to make the information understandable and effective in assisting the manager and induce him to take appropriate actions. These however, reveal that decision makers do not generally lack information but experience information overload. Management information problem may thus be seen as not that of lack of relevant information or that of getting the information, the say they need but lack of being overwhelmed with information.

4.3 System Quality and Organisational Performance

The system quality can have impact on use, user satisfaction and individual performance, and consistently affect organizational performance (Doms et al, 2004). The fundamental prerequisites for generating organization benefits are well-designed, implemented and developed system. All those benefits that could be created consist of increased revenues, cost reduction, and improved process efficiency.

On the other hand, a non-well designed system will likely run into occasional system crashes, which are detrimental to business operations continually causing anincreased firm product cost (Zimmerman, 1995). The situation of data storing has found system quality to be positively associated with stored net benefits in terms of individual productivity and ease of decision making, and at operational stage, system quality is correctly linked to organizational influence within entrepreneurial firms. In order to create firm's business value through its information systems, the system must enable Information System efficient delivery by way of the characteristics of system such as documentation and ease of use. Firm competitive benefits are directly relevant with software high quality.

However, the association amongst system quality and net benefits has been documented slightly by literature. Although the relationship among perceived ease of use as a system quality measure and perceived usefulness has varying products. Most researchers reported that system quality is positively related with organization's benefits. System quality is interrelated to perceived usefulness significantly. Nevertheless, systems reliability and also perceived ease of use do not have influence on productivity and effectiveness, no relationship is made available among system quality and individual impact, as measured through decision-making quality and productivity. In other research, Kaplan and Norton (1993) identified a significant relationship between perceived ease of use along with performance, no relationship between performance for individual ERP systems users and reliability.

4.4Nature and Functions of Accounting System

In understanding the nature of accounting system, a review of the different definitions given by different authors will be of great importance. Mawanda (2008), define accounting system as a means by which the management of an entity accomplishes the collecting, processing, and reporting of the essential data that reflect the results of the operations carried out under its direction and supervision. The accountant should be concerned with only those economic data which will illuminate the financial position of an enterprise of the financial results of its operations. David (1999) defines accounting system as a means of collecting, summarizing, analyzing, and reporting in monetary terms information about the business. The components of an accounting system consists the simple journals, ledgers and work sheet together with the rules for using them.

An accounting system is important for the existence and achievement of the objectives of firm. It is because it is profit oriented. Curtis (1995) stated that it is a means of organizing, accumulating and summarizing statistical information about a business so that proper control may be exercised. This definition connotes that for proper control to be exercised an accounting system is indispensable. An accounting system can again be described as the whole framework of accounting, all its functions and methods designed and installed for performance of desired functions and achieving set objectives. These will include:

i. The financial Accounting
ii. The costing processes
iii. The use of audit and internal control
iv. Tax accounting

Oguntimehin (2001) said that accounting system performs three functions, Collecting essential financial data; processing the data collected; and Reporting of the processed data. As a result of the fundamental importance of an accounting system, an accounting process or system should be designed in such a waythat the end product which is a set of reports called financial statements will satisfy all the interested groups Oguntimehin (2001). Where the information needs of the interested parties are not adequately supplied, a wrong decision can be taken which may not be tothe benefits of the organization.

Theoretical Framework

1. *Contingency Theory*

Contingency theory gives its opinions that an accounting information system should be constructed in a flexible manner so as to consider the environment and organizational structure confronting an organization. Accounting information systems also need to be considering the specific decisions being adapted. In other words, accounting information systems need to be constructed within an adaptive framework.

The first paper to specifically focus on the contingency view of accounting information systems in the accounting literature was a Contingency Framework for the Design of Accounting Information Systems, (Gordon & Miller, 1976). This paper laid out the basic framework for considering accounting information systems from a contingency perspective. Gordon & Miller (1976) concluded that environmental uncertainty is a fundamental driver for designing management accounting systems among successful organizations. A key finding in this study was that, as decision makers perceive greater environmental uncertainty, they tend to seek more external, nonfinancial and ex ante information in addition to internal, financial and ex post information.

Although extensively studied in the last two decades, contingency theory has been given relatively little insights in terms of the factors that influence the accounting information systems. Few organizations appear to have systematic processes in place for managing the evolution of their measurement systems.

2. *Agency Theory*

Agency theory has been one of the most crucial theoretical paradigms in accounting during the last 20 years. The fundamental feature of agency theory that has made it attractive to accounting researchers is that it allows us to explicitly incorporate problems of interest, incentive problems, and mechanisms for controlling incentive problems into our models. This is important because much of the motivation for accounting and auditing has to do with the control of incentive problems, (Kaplan & Norton, 1993).

It is generally assumed that the principal is risk-neutral and the agent is risk- and effort averse. The principal and agent are assumed to be motivated by self-interest, often leading to conflicting objectives. Compensation contracts bring these conflicting objectives into equilibrium (Salih, 1982). The sharing rule that determines the allocation of outcome between the principal and the agent is called a contract, whether it is written or not. Thus, agency theory provides a vehicle for formal, direct analysis of the economic elements of incentive compensation contracts based on effort levels or surrogates of effort levels.

In conclusion, agency theory is used in this research to address two questions; how do features of information, accounting, and compensation systems affect (reduce or make worse) incentive problems and how does the existence of incentive problems affect the design and structure of accounting information systems. Agency theory provides a framework for addressing these issues and rigorously examining the link between accounting information systems, incentives, and behavior.

3. *Behavioral Theory*

Early behavioral theory accounting research explored bivariate relations between control system characteristics (for example; reliance on accounting performance measures or budget participation) and various criterion variables (e.g., performance or dysfunctional behavior). Behavioral theory accounting research evolved rather quickly, however, to more complex contingency models of the organization with a richer view of the organization and of individual behavior. The fundamental premise of contingency theory research has been that organizational structure and control system design are related to organizational context. Thus, the effects of control system characteristics are moderated by contextual factors which impact the individual and the organization, (Kren, 1992).

Specific characteristics of the control system must be matched to the contextual variables that define the organization's environment. The (often implicit) assumption is that a better match is positively related to organizational performance. Understanding control system design and effectiveness, in general, begins with analyses of the characteristics of specific organizations and their environments and this forms the basis of the research.

Empirical Review

Akesinro, and Adetoso (2016) examined The Effects of Computerized Accounting System on the Performance of Banks in Nigeria. In their view, the fact that computerization has gained acceptance in Nigerian banking sector does not mean that an improvement in bank performances has occurred over the years of adoption of computerized system. Apparently, the study aims at examining the effects of computerized accounting systems on bank performance in the Nigerian banking sector. Convenience sampling method was adopted to arrive at a sample size of 50 covering Guaranty Trust Bank Plc, Wema Bank Plc and First Bank Plc.

The study variables consist of the dependent variables, bank's profitability and customer patronage as well as the independent variable, Computerized Accounting System. Data collected were analyzed using correlation analysis. Results show that computerized accounting system has a positive effect on bank's profitability as well as customer patronage. The study therefore recommends that computerized accounting systems should be adopted by all banks in Nigeria because it has a lot of advantages and benefits and government power supply should be replaced with inverters for the purpose of powering the computers used in their operations so as to prevent power outage which may result in data loss on the computer.

Ismailjee (1993) Studies the impact of accounting information systems on organizational effectiveness of automobile companies in Kenya. The design of the study is descriptive research method. In addition, both qualitative and quantitative methods were applied in data collection and analysis. The descriptive design is found to be suitable because it addresses major objectives and research questions proposed in the study adequately. The study gathered both primary and secondary data. Primary data was obtained through interviews and questionnaires to randomly selected employees from the selected companies. The use of interviews was ideal since it guaranteed confidentiality to the respondents thus they acted without any fear or embarrassment. Primary data was collected using interviews conducted one on one with the researcher and questionnaires were circulated and filled by the respondents. Secondary data included censuses, organizational records and data collected through qualitative methodologies or qualitative research. The findings of this study indicate that Accounting Information Systems are an important mechanism for organizations' effective management, decision-making and controlling activities. The results are consistent with empirical reviews which indicated that there exists a relationship between AIS and organizational performance. AIS are an effective decision-making tool for controlling and coordinating the activities of an organization. The study concluded that AIS are critical to the production of quality accounting information on a timely basis and the communication of that information to the decision makers.

In other words, empirical findings indicated that accounting information systems have a greater impact on the organizational effectiveness of automobile companies in Kenya.

El Louadi (1998) evaluated the impact of Accounting Information System in the Jordanian Islamic banks. The most important result wasthat banks rely on accounting systems, by connecting all the banking services of banks each department separately and linking between all departments at the same time, dependence on accounting information systems to satisfy the clients through the implementation of banking clients as quickly and with minimal effort. In order to realize the research objectives, a questionnaire was designed and distributed to the financial managers, accountants, interior auditors and heads of accounting departments in Islamic banks of Jordan. A total of 42 questionnaires were distributed and 35 were received back which equals to (83.33%) which is considered good and acceptable. The results were analysed by using SPSS and other statistical methods. The results showed that the Accounting Information System (AIS) is most common in the Jordanian Islamic banks and it helps in providing appropriate information about available substances at the right time. Finally, some conclusions and suggestions for further research are discussed.

V. METHODOLOGY

The paper adopted a singular source of data collection. The secondary source of data generation, which include the use of textbooks written by different authors on the subject matter, journals, magazines, information from the internet and other published and unpublished materials relevant to work. The data was analyzed using the content analysis approach. This is because of its major dependence on the secondary source data.

VI. CONCLUSION

This study examined the impact of accounting information system as a management tool in organisation. On the basis of the findings, it can be concluded that accounting information system has significant effect on Nigerian organisation's performance.Accounting information system is a financial information system which includes accounting terms, records instruction manuals flow charts programs, and reports to fit the particular needs of the business. It is a set of records, procedures, and equipment that routinely deals with the events affecting the financial performance and position of the organization. It is based on the database of the organization which generates information for the people in the organization to achieve the corporate objective of the organization.
It plays a vital role in the success of the financialorganisation.. The major conclusion of this study is that quality accounting information system in terms of relevance to users contributes significantly to the performance of organisationboth financially and in terms of service delivery. This we conclude is as a result of the fact that the use of such information for decision making is bound to yield the desired results

VII. RECOMMENDATIONS

On the basis of the above conclusion, we make the following recommendations:

i. More effort should be directed towards the production of good quality accounting information in organisations in Nigeria in order to improve financial performance. Such information should be free from systematic or deliberate bias, material or significant error, complete and not fraudulent with high levels of predictive and confirmatory value. Accounting practices that tend to over or understate, or even delay the reporting process should also be avoided.

ii. Managers of organisationsespeciallyfinancial organizations should focus on the permanent improvement of their accounting information systems, to keep abreast of technological developments because it reflected positively on functions such as, planning, control and decision-making.

iii. Training workshops and seminars aimed at sensitizing organisations accounting and record keeping staff and other key decision makers should be organized. This would enhance awareness of stakeholders of the need for good, quality, reliable and timely information to enhance proper financial management practices.

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