

THE IMPACT OF USING COMPUTERIZED ACCOUNTING SYSTEMS (CAS) IN FINANCIAL REPORTING AMONG SMES: SPECIAL REFERENCE TO THE SOUTH EASTERN REGION, SRI LANKA

Moujood Mohamed Shiraj

Department of Management,
Faculty of Management and Commerce,
South Eastern University of Sri Lanka,
Sri Lanka
shirajmm@seu.ac.lk

ABSTRACT

Computerized accounting system plays a major role in improving the financial reporting among small medium business industries. It seems that small medium entrepreneurship has problems in presenting financial reports using computerized accounting system when compared with the other developed and developing countries in the South Eastern Region part of Sri Lanka. This study examines the impact of using computerized accounting systems (CAS) in financial reporting among SME in the South Eastern region in Sri Lanka. Further this study is based on a survey carried out among small and medium-sized entrepreneurships to determine the extent to which development and implementation of computerized accounting systems had taken place, and subsequently an analysis was made as to how much this introduction may impact on improvement in outcome indicators and productivity. The data were collected using questionnaires. The methodology espoused for this study is case study research approach for which the data gathered were respondents in South Eastern Region part of Sri Lanka were involved in this study. The study established that computerized accounting system had a great impact on quality of financial reports. The findings shows a strong significant positive relationship between the variables ($r=0.741$, $p>0.000$) which implies that computerized accounting system and financial reporting among SMEs in South Eastern region of Sri Lanka. Finally, this paper conclude that understanding the impact of using computerized accounting systems (CAS) in financial reporting is very significant to the small medium industries can make use of these information to advance appropriate strategies to present financial reports successfully in future.

Keywords: Accounting, Quality, Report, SME, System

INTRODUCTION

Accounting is most stable of the management disciplines to manage the financial healthiness of any business. In spite of its stability and continuity, accounting has seen major changes during the past century. Computerized accounting system is a tool which, when incorporated into the field of Information System, were designed to help in the management and control of topics related to firms' economic-financial area. This paper is intended to pursue the concept of computerized accounting system and financial reporting. Nowadays, business organizations adopt information technology gradually. In the way organizations use computerized accounting system in their business to entertain many advantages and avoid numerous disadvantages. Financial reports are precisely generated by computerized accounting system and it helps to make business decisions through timely preparation of financial reports and financial reporting.

As information system covers a wide area and include all the areas in which a firm acts, this research work has focused on a specific part of them, the computerized accounting systems (AIS) to show that computerized accounting tools are directly related to the economic and financial results and productivity in small and medium-sized business organizations. Computerized accounting systems used to record the financial transactions of a business or organization. This system combines the methodologies, controls and accounting techniques with the technology of the information system industry. The software used to track transactions provides internal reporting data, external reporting data, financial statements, and trend analysis capabilities.

METHODS

The study is conducted to the Small and Medium Entrepreneurs located on South Eastern region in Sri Lanka. The respondents of the study included proprietors of the enterprises that are using computerized accounting system in presenting their financial reporting.

The study approach will be descriptive. By that, it means that it intends to present facts concerning the nature and status of a situation, as it exists at the time of the study (Creswell, 1994). It is also concerned with relationships and practices that exist, beliefs and processes that are ongoing, effects that are being felt, or trends that are developing. In addition, such approach tries to describe present conditions, events or systems based on the impressions or reactions of the respondents of the research.

Survey will be used to collect data from the respondents. Quantitative research is chosen for this study to make results descriptive. It also follows resolutely the original set of research goals, arriving at more objective conclusions, testing hypothesis, determining the issues of causality and eliminates or minimizes subjectivity of judgment.

The data gathering instruments used in this study was a survey-questionnaire. The questionnaire contained the letter to the respondents, respondent's profile and question proper. This questionnaire was answered reliably. The answer given by the respondents will be kept confidential.

Objectives of the Study

The research aims at enriching the knowledge and understanding relationship between computerized accounting systems and organizational performance especially on quality financial reporting in South Eastern region in Sri Lanka. The main objectives of this study are:

1. To establish the qualities of financial reports generated by computerized accounting systems.
2. To understand the major advantages and disadvantages of using the computerized accounting systems in financial reporting among the small and medium enterprises in South Eastern region in Sri Lanka.
3. To acknowledge the extent of applying computerized accounting systems in financial reporting among SMEs among SMEs.

Research Questions

This research is remedying the lack of studies on the computerized accounting system in South Eastern region in Sri Lanka. This research deals with intention toward computerized accounting system usage. So research questions of this study will be:

1. Do small medium sized organizations which use computerized accounting systems have higher productivity?

2. What are the major advantages and disadvantages of using the computerized accounting systems in financial reporting among the Small and Medium Enterprises in South Eastern region in Sri Lanka.?
3. What are the advantages of computerized accounting over manual accounting in financial institutions?
4. What are the qualities of financial reports produced by a computerized accounting system?

RESULT AND DISCUSSION

This section provides a glance of the sample in terms of characteristics of survey respondents through frequencies analysis in order to meet the objectives. Factor analysis is a data reduction technique and underlying assumption of factor analysis is that a number of factors exist to explain the correlations or inter-relationships among observed variables. A Cronbach's Alpha coefficient close to 1.0 means that the questions are measuring similar dimensions of a factor. Although the general limit is > 0.7, a score > 0.6 would be acceptable because of the exploratory nature of this research. By this standard, any factor with a Cronbach's Alpha coefficient less than 0.6 should be eliminated.

The 140 collected cases include 106 traditional user who follow manual accounting system representing 75.71% of the cases and 34 CAS user who use computerized accounting system representing 24.28%. This shows there are more users who still use the manual accounting system in SMEs. At the analysis of advantages of a computerized accountings system; the system actually performs its operations very well as far as auditing, balancing, communication, user friendliness, speed and the time saving factor as per the high percentage of response on these factors. It is necessary to focus the disadvantages of computerized accounting system to find the impact of computerized system in financial reporting. At the result of analysis variable namely need of training has higher percentage of sample discovered as disadvantages because the training is important in any computer application for end users. Other variables namely malware attack, backup failure, reporting delay, and errors in generating reports show less than 50 percent which implies there is less disturbance from the computer software packages which are being used by the SMEs at the time of survey.

In order to analysis the future usage of computerized accounting system by manual accounting system user, a question was asked that user have an idea to any use computerized accounting system in future. All the traditional users have answered this question. 79 traditional users representing 74.53% have an idea to use computerized accounting system in future and 27 traditional users representing 25.47% have no idea to use computerized accounting system in future.

Table 1: Correlations

	Computerized Accounting	Financial Reporting
Computerized accounting Pearson correlation	1.000	.741
Sig (2-tailed)		0.000
N	34	34
Financial reporting Pearson correlation	.741	1.000
Sig (2-tailed)	.000	
N	34	34

The table 1 shows a strong significant positive relationship between the variables ($r=.741$, $p>0.00$) which assumes that if management of small medium entrepreneurship ensures proper computerized accounting system, the quality of

financial reporting will surely be increased by 74.1%. Therefore 15.9% is the gap that needs to be closed by SMEs who use computerized accounting system in their business.

CONCLUSION

The study critically evaluates from both descriptive and analytical point of view the impact of computerized accounting systems in financial reporting among SMEs. This study contributes to the existing literature by providing evidence of the impact of computerized accounting systems in financial reporting among SMEs. It has empirically investigated the use of modern instruments, programs and employees' efficiency. The study showed that the SMEs actually makes use of a computerized accounting system. This is supported by the results given by the respondents in agreement with the use of the system in the SMEs. 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 reports. The study also recognized a number of potentials of financial reports generated through computerized accounting system and the results exposed there are satisfactory level of advantages in using computerized accounting system. In summary the researcher would say there will be potential in computerized accounting system in SMEs and there is a positive impact on computerized accounting system revealed by the computerized accounting system user. Entrepreneurs who wish to use computerized accounting system can make use of these information to improve the qualities of financial report generation in future.

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