

## **The Role of Accounting Information System (AIS) to the Accounting Profession for Effective Management of Companies**

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### **Abstract**

*The aim of the research is to identify an appraised the role of accounting information system (AIS) to the accounting profession in the effective management of companies. To the accounting profession especially as it relates to the provision of information by the accountant and role of computer in facilitating the provision to which accountants makes use of it as an information manager. Accounting information system (AIS) is the gathering and processing of raw data for decision making by the management. The population for this study is employees of the Aminu Ibrahim & Co. Chartered Accountants in Kano state the head office of the organization. The population figure for the study was hundred (100) respondents, comprising of the different sector of the organization of Aminu Ibrahim & Co. Chartered Accountant. Sample random sampling technique was used in this study. The sampling size determined for the study was forty (80) employees of the Aminu Ibrahim & Co. Chartered Accountant in Kano office and customers. The study employed a survey research design and for the purpose of this study both primary and secondary source of data were used. The results of the findings shows that critical analyzing and interpreting the data have shown that an appraisal of the role of accounting information identified factors like lack of computer knowledge by some accountants, none computerized operations by some firms are amount others respectively. It was recommended that accountant is therefore advised to be computer literate for effective performance of his duties of providing information needed by management for efficiencies decision making and companies should computerized their operation*

**Keywords:** *Accounting Information System, Relevance, Effective Management*

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### **INTRODUCTION**

Accounting information system is a part and parcel of today's life which is necessary to understand the accurate financial situation of the organization and used as the basis of making strategic decisions. Accounting plays a critical role in the success or fail of contemporary business institution. Accounting information system serve as a critical tools for recording, analysis, monitoring and evaluating the financial conditions of companies, preparation of document necessary for the purpose, providing information support to many other organizational functions.

Otley(2016), Kim(2015), Boocholdt (2017) and Curtis(2014) argues that accounting information system are an important part of the fabric of organizational life and need to be evaluated in their wider managerial, organizational and environmental context.

As we all know accounting speaks the language of business as it records all transactions of an individual firm or other bodies that can be expressed in monetary terms. Accounting is the scheme and act of collecting, classifying, summarizing and communicating data of financial nature required to make economic decisions. Over several numbers of years the performance of accounting has increased right from the single entry system to double entry system. The main aim of accounting information system is to provide financial data like purchase, sales, expenses and income of the organization but today's modern world accounts maintained is helpful in many ways. Previously accounts are maintained to know profit and loss of the organization by ways of accounting information system.

Accounting information system (AIS) as a part of company's information system (IS) are seen as facilitating decision making within organizations and should be tailored to an organization environment, requirements of task and structure. An accounting information system structure that a business use to collect, store, manage, process, retrieve and report its financial data, so that it can be used by accountants, consultants, business analysts, managers, chief financial officers(CFO), auditors, regulatory and tax agencies. In addition, specially trained accountants work with (AIS)to ensure the highest level of accuracy in a company's financial transaction and record keeping and to make financial data easily available to those who legitimately need access to it all while keeping data intact and secures this indirectly boost the productivity and performance of the organization. Furthermore, management of various organizations in Nigeria relies heavily information generated from the AIS employee by the company, moreover, quality reports are keys to arrive at an ideal investment and a traditional ways of recording, summarizing and reporting company financial reports led to less optimal decisions.

The accounting information system is considered to be one of the most important systems of any organization. Its objectives are to provide necessary information to the managers at different levels. This information helps them in discharging their responsibilities in effective and efficient manners in the arrears of planning, resources, control, performance evaluation and decision making.

Finally, the main purpose of accounting information system in any organization is to give information about profit or loss and financial position of the business to its owner. This information is also useful to Investors, Auditors, Suppliers, Buyers, Bankers, and other financial institutions etc. This research is presented to outline, the role of accounting information system (AIS) to the accounting profession for effective management of companies

#### **STATEMENT OF RESEARCH PROBLEM**

Most of the failures experienced in the Usage from the accounting and information technology, field's accountant's is that computerized system are at content risk of hackers, power failures, viruses and loss of information. Another issue is the relatively high cost of accounting information system besides these, system must be up to data, and usually the firm staff needs some sort of special training courses for effectiveness use of the system. There are also some security issues that are mainly summarized with computer fraud risk.

Also human error might not be identified as quickly, hence there must be some sort of validation for records input need for accuracy. Sometimes there might be some difficulties in understanding

accounting information systems, expert system, and there must be some specified adoption or set up for the business so it does not cause chaos in the accounts.

Problems facing accounting information systems include web service and internet of services, cloud computing, big data, computer assisted auditing and techniques (caats)

### **OBJECTIVES OF THE STUDY**

The major objective is to examine the role of accounting information and the specific objective are:-

- I. To examine the importance of accounting information system and basic accounting produces on the organization
- II. To determine whether there is accounting information system and basic accounting procedure implemented in the organization
- III. To examine whether there is accounting information system is being used a financial tool for measuring financial performance in the organization

### **LITERATURE REVIEW**

#### **CONCEPT OF ACCOUNTING INFORMATION SYSTEM**

This form the basis of accounting information, there is no accounting information that will lack these concepts and work as an accounting information, it is the foundation up which accounting information is built. The place, importance and role of these concepts mentioned above cannot be over emphasized. The concepts of accounting information system which it, the information in relations to accounting will lack merit and validity, it will be unreliable.

Osuagwu D. C. (1998:16), defines a system as, “a set of part co-ordinates to accomplish a set of goods”. It has component parts which do not work in an isolation of the other components. Accounting information system can be classified broadly into financial accounting and management accounting. While the former is concerned with financial decision that can be taken by management to ensure effectiveness and result oriented operation.

The accounting concepts are: the business entity, going concern continuity historical cost, quantification, dual aspect, accrual and realization to ensure effectiveness and result oriented operation. The accounting concept is to be followed strictly in accounting concept information system. As an information system it collects and communicates economic information about business and non-business organization, to a wide velvety of persons and organizations whose actors and decisions are related to the activity loving communicated.

Accounting may be defined is not shell as a systematic means of writing an economic history and plans of an organization in both quantitative and finances manner so that fact can be revealed and properly analyzing such fact for the purpose of advising management.

The accounting is responsible for directing controlling and co-coordinating the work of book-keeping staff. It is part of his duty to prepare periodical accounts such as trading, profits and loss accounts and other financial statement in a form which will be of assistance to the management not only in appreciating past results, but in formulating future policy, by careful and scientific analysis of accounting records. He can bring to light significant tack which will enable management take effective economic decisions.

The place of accounting concepts in accounting information system is of great important that it cannot be done without. This form the basis of accounting information, there is no accounting information that will lack these concepts and work as an accounting information, it is the foundation up which accounting information is built. The place, importance and role of these

concepts mentioned above cannot be over emphasized. The concepts of accounting information system which it, the information in relations to accounting will lack merit and validity, it will be unreliable.

In every accounts department the staff should be grounded in these concepts, so as to work with the sense of knowing where and what should be done. The accounting concept to classify, summarize data to relatively small, highly significant and inter related items that when properly assembled and reported, describe the financial condition and result of operation of such an entity. The officer should endeavor to ensure that the staff working under his department [accounts department] should have adequate knowledge, about these concept and should be able to apply it when necessary. This will give the job a more direction and better identity.

(Meigs et.al.2012) specified the basic function of accounting information system in developing information about the financial position of a business and the results of its operations; every accounting information system performs the following basis functions.

- i. Interpreted and record the effects of business transition.
- ii. Classify the effect of similar transaction in a manner that permits determination of the various totals and sub-totals useful to management and used in accounting reports.
- iii. Summarize and communicate the information contained in the system to decision makers.

The differences in accounting systems arise primarily in the manner and speed with which these functions are performed.

Ensure the fully control, which confirm accuracy reading and manipulating the data related to business activity also protect those data and organization assets.

### **THEORETICAL FRAME WORK**

The theoretical frame work of the study is built upon the Unified Theory of Acceptance and Use of Technology (UTAUT) proposed by VenkateshEt. al (2018).

According to VenkateshEt. al(2018) an accounting information system (AIS) is a system of collecting, storing and processing financial and accounting data that are used by decision makers. An accounting information system is generally a computer based method for tracking accounting activity in conjunction with information technology resource. The resulting financial reports can be used internally by management or externally by other interested parties including investors, creditors, and tax authorities. Accounting information system is designed to support all accounting function and activities including Auditing, Financial Accounting and Tax. The most widely adopted accounting information systems are Auditing and Financial reporting modules.

### **COMPONENTS OF ACCOUNTING INFORMATION SYSTEM**

Accounting information system components comprise Hardware and Software, Telecommunication, Database, Human resources and Procedures (Garcia Brovo 2000)

#### **1. Hardware**

Nowadays all companies use computers, usually personal computer (PCS). Large organization employs diverse computer systems including (main frames, minicomputers and most commonly personnel computer) (PCS). However, recent advancement in the technical specification of personnel computer (PCS) now more means that there from many of the tasks initially done by the min computers and three references between these two categories are becoming increasingly blurred.

## **2. Telecommunications**

Telecommunications are the means by which information is transmitted electronically over long distance. Nowadays computers system are generally (minded) by telecommunication networks various network connection are available to set the need of different companies in small companies personnel computer (PCS) are connected by local area network (LAW) enabling their users to communicate and share data, task and equipment. Wide area fields at greater distances either within the company or in a different location. Internet the network of networks links up an immense variety of network from diverse field worldwide. These connections enable personnel computer (PC) users to access the company's data base and other computerized resources.

## **3. Human Resource**

Two type of human resource can be distinguished: Information System specialist and End Users Information System specialist include system analysis programmers and operations. End users are people who use the information system or the output they generate in other word, the large majority of organizations members.

## **4. Procedure**

Procedure are the policies and method be followed when using operating and maintain an information system procedure must be used for example to establish when to run the company's payroll program to determine how many time it should be run, who is authorized to do so and who has access to the report it produces.

## **5. Data Base**

A database is a convection of inter related, data such as acquisition human resource or product database. The customer database is extremely value to the company since it can be used to inform clients of new product to develop new product that meet their needs.

## **CONCEPTUAL DEFINITIONS**

Otley (2016) argues that accounting system is on important part of the fabric of organization life and the need to be evaluated in their wider managerial organizational and environment context. Therefore effectiveness of accounting information system not only depends on the purpose of such system but also depends on contingency factors of each organization. Accounting information system are said to be effective when the information provided by them serves widely the requirement of the system users. Effective system should systematically provide information which has a potential effective on decision making process (Ivest et.al 2013), the effectiveness of accounting information system has long been a subject (Chang 2011, Mdriss 2014, Kim 2013, Chenhall 2018).

In the work of Boochaldt (2017), Accounting Information System can be defined as system that operate function of data gathering, processing, categorizing and reporting financial events with the aim of providing relevant information for the purpose of sources of keeping, attention directing and decision making.

Kim (2016), argues that usages of accounting information system (AIS) depends on the perception if the quality of information by the users. Generally the quality of information depends on the reliability. Form of reporting, timeliness and relevance to the decision.

(Amiduet. al. 2014) accounting information system is important as it can help the firms manage their short term problem in critical area like costing expenditure and cash flow by providing information to support monitoring and control.

Enekwe I.C.( 2010:1-6)in his definition, he defined accounting in various ways, as a” service activity, a descriptive and analytical discipline and information system”. As service activity, it provides interested parties with qualitative financial information that helps take economic decision.

### **THE IMPORTANCE OF ACCOUNTING INFORMATION**

It is necessary that an organization gets the needed adequate accounting information in order to function effectively. Accounting information is therefore important for the following reasons.

- i. Input and their cost of acquisition: it is very important to know the cost of investment into the acquisition asset, material, stock and goods operation cost etc. this will enable the owner take such decision like replenishment of stock, stock valuation etc.
- ii. Planning production is one of the importance of accounting information which helps an organization to plan out production.
- iii. Accounting information in order to ascertain the amount of profit or loss made in an organization as well as providing necessary tools for determination of its true financial position is required.
- iv. Accounting information is also necessary to decide on the type of their labour, ways and salaries
- v. Accounting information is needed for the valuation of goods and service produced.
- vi. Prevention of fraud and discovery of fraud:- frauds can only be discovered and prevented in an environment when there is good internal control in place, and a good internal control cannot be in place where there is no form of keeping track of events.
- vii. It also provides a guide to future policy.

### **CHARACTERISTICS OF ACCOUNTING INFORMATION SYSTEM**

(Stambaugh; Carpenter, 2011) counted in briefly the accounting information system characteristics as follows;

1. Provided on timely basis.
2. Presented in an aesthetically appealing format.
3. Relevant to the decision at hand.
4. Concise yet sufficient in scope to allow what if analysis.
5. Flexible to interface with information from other function units

### **THE USERS OF ACCOUNTING INFORMATION**

There are several users of accounting information in typical business organization or parastatals

- I. **The proprietor:** business owners use it for business and profit forecast and for knowledge on drawing limit from the business without affecting it.
- II. **Prospective investors;-** it provides enough basis of assessing the organization for decision making in whether or not to invest into the firm.
- III. **Creditor/supplier:-** the creditor will want to know whether the amount owing to them will be paid when due. Trade creditors are likely to be interested in an enterprise over a shorter

period than lenders unless, they are dependent upon the continuation of the enterprise as a major customer.

- IV. **Customers:** customers have an interest about the accounting information about the continuance of an enterprise, especially when they have a long-term involvement with, or are dependent on, the enterprise.
- V. **Government and their agencies:** government and their agencies are interested in the allocation of resources and, thereof, the activities of enterprisers. They also require information in order to require the activities of enterprises, determine taxation policies and as the basis to national income and similar statistics.

## **METHODOLOGY**

The study employed a survey research design and for the purpose of this study both primary and secondary source of data were used. The population figure for the study was hundred (100) respondents, comprising of the different sector of the organization of Aminu Ibrahim & Co. Chartered Accountant. Sample random sampling technique was used in this study. The sampling size determined for the study was eighty (80) employees of the Aminu Ibrahim & Co. Chartered Accountant in Kano office and customers. The data collected were analyzed using the statistical mean and standard deviation and both primary and secondary method of data collection were used while the method of data analysis adopted were tabulated description, percentage, statistical commentary was used and ANOVA test statistics at five percentages significant level was used.

## **CONCLUSION**

There is a revealing fact that Aminu Ibrahim & Co. Chartered Accountant is among the lightest ideals of professionalism in the nationwide. As the study shows Aminu Ibrahim & Co. Chartered Accountant is the lightest or the biggest indigenous accounting firm in Nigeria with lightly motivated and dedicated staff out which all most are Chartered Accountant, apart from those that come from different part of the world with big-big international accounting firm before joining Aminu Ibrahim & Co.

This has guaranteed the company high standard and hall mark which led to the effective management of the firm, however, this has associated to the efficiency of the accounting information system which is the back bone of every successful firm, were by the world in now living is in the age information technology, an environment which required today's accountant, auditors, and managers, to be versed on it in order to have an effective and efficiency management.

## **RECOMMENDATION**

In order affectively address the short comings identified and articulate in the course of carrying out this research, the research wish to proof forward the following suggesting and recommendation.

- The management of a company would be meaningful and effectives, it all the day to day running activities of such company will be computerizes in such a way that all administration are set systematically, so that the manager and other decision makers will have enough and reliable information for them to have an effectives and effective management of the company.
- Professional accountant bodies such as the institute of chartered accountant of Nigeria (ICAN), should devise a means of ensuring that all their member are computer literate.

- For the small companies with the AIS will be difficult for them to adopt it as there system of managing the company. A soft loan should be made available to them for the purchase of computer hardware's and software with other required hardware's and software's materials as well as the professional staff.
- Various governments should ensure that the financial transaction of all companies, ministries, prostates and agencies are computerized in order to have a rapid development.
- The Nigerian association of chamber of commerce industries mine and agriculture (NACCIMA) should organize seminars.
- Periodically to educate their members on the importance of the accounting information system.
- Accounting information (AI) should be made a core subject in a course of all tertiary institution in Nigeria.

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