

**THE IMPACT OF
COMPUTERISED ACCOUNTING
SYSTEMS AND FINANCIAL
REPORTING
A CASE STUDY OF MUNEZERO
CO-OPERATIVE AND CREDIT
SOCIETY LIMITED**

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INTRODUCTION

GENERAL INTRODUCTION

1.0 Introduction

Mainly, this chapter looks at the background of the study, statement of the problem, purpose of the study, specific objectives of the study, research questions, scope of the study, significance of the study

1.1 Background of the Study

Accounting has long been an organizational function especially with the advent of non-owner managers who need to update what is happening in the organization. Maintaining, preparation and presentation of accounts is crucial for business success as well as organization for effective decision making whether it is a nonprofit making organization or profit making because they have to report to the stakeholders of the organization through financial reports. However there was inefficient financial reporting due to loss of records, delay in preparation of records and its associated problems. This study focused on establishing the influence of computerised accounting systems on financial reporting.

The advancements in information technology have eventually led to the introduction of Computerized Accounting Systems in corporate reporting to help produce relevant and faithful representative financial reports for both management and external users for decision making (Greuning, 2006). The many advantages from the use of these systems have led many to conclude that Computerized Accounting Systems in Corporate Reporting is the 'engine of growth' in business organizations (Frenzel, 2006) Computerised accounting is a software program that is stored on a company's computer, network server or remotely accessed via the internet

and it can be a great benefit for a business. It performance and flow of funds. Therefore can help stream line accounting steps and help financial reporting is the presentation of minimize errors.

Computerised accounting systems provide major advantages such as speed and accuracy of operation and perhaps most importantly the ability to see the real time state of the company's financial position. A typical computerised accounting package will offer a number of different facilities these include;

On screen input and print out of sales invoices, automatic updating of customer account in sales ledger, recording of supplier invoices, automatic updating of supplier's account in the purchases ledger, recording of bank receipts, making payments to suppliers and for expenses, automatic updating of general ledger, automatic updates of stock records, integration of a business data base in accounting program, automatic calculation of payroll and associated entries. It can also provide instant reports for management for example aged debtor's summary like summary of customer accounts showing overdue amount, trial balance, trading and profit and loss account and balance sheet, stock valuation, sales analysis, payroll analysis, budget analysis and variance analysis, VAT returns.

Financial reporting can be defined as a process of presenting financial data about the company's financial position, its operation

complete set of financial statements which consist of statement of financial position at the end of the period, statement of comprehensive income for the period, statement of changes of equity, statement of cash flows in the period, notes and explanatory notes to the accounting policies used.

The primary objective of an accounting function in an organization is to process financial information about the activities of the organization and prepare financial statement at the end of the accounting period. The modern method of accounting is based on the system created by an Italian monk Frank Luca Polioli. He developed this system over 500 years ago. The great and scientific system was well designed that even modern accounting principles are based on it. [desants provide instant reports for management for 2010]. Our case study is based on Munezero example aged debtor's summary like a Co-operative Savings and Credit Society Limited in Kamwokya. Busabira Birahira revealed that this organization is a SACCO in profit and loss account and balance sheet, Kamwokya Kifubira Kampala Central division under Kampala capital city authority. The founder of the SACCO is Mr. Tom Babyabuza who was the chairman of Munezero savings group who began to save funds under the auspices of the society in late 2000. In 2006, Munezero cooperative savings was born under the presidential initiative of

"Bonabagawale". This was registered with power in the accounting department. The 180 people and by law with three major members/shareholders are obligated to wait in people the Chairman as Mr Busabira, the line just to finish their transactions in the said treasurer Mr Tom Babyabuza and the department.

secretary Mr. Mpibaaza Ashaka Sam. The increase of poverty among the people of

1.2 Problem Statement

Kifumbira zone influenced the opening up of a SACCO since Munezero savings group. The vision of the SACCO seeks to sensitize people with the intension to learn the savings culture.

The study intends to make a computer based system for enrollment and accounting systems of Munezero cooperative savings and credit society. The system will be composed of system pages focuses on computerized accounting system with several features on which staff will the user and beneficiaries of the system. These are meant to support and make the accounting procedures easier than the old manual accounting system. The

Computerized Accounting Systems helps produce relevant and faithful representative financial reports for both management and external users for decision making (Greuning 2006). The many advantages from the use of these systems have led many to conclude that Computerized Accounting Systems in Corporate Reporting is the engine of growth in business organizations, But according to the accountant of Munezero SACCO, despite the existence of well-established computerized accounting system instances of delay, inaccurate reporting, and wrong balances have continued to occur.

research will develop a system that can minimize the processing time in order to access records of the members quickly so that the accounting system will be much faster than usual. Researchers of the system will be aware of the existing problems that the members and accounting department are experiencing in the past few years to develop a system that will provide a solution to their needs for them to be comfortable of what the proposed system will provide. Kato (2007) indicated that Munezero co-operative and credit society limited, has a problem of man

It is worth noting that, notwithstanding the introduction of these Computerized Accounting Systems and despite the enormous benefits from the use of these systems, the problem is that the company still makes use of the Manual Accounting Systems which are often characterized by keeping a large number of books and are usually associated with errors in recording large volumes of transactions. This is because of low access to computers because it's the company policy that the manager is the only person to access the computers. Reasons for

the use of the manual accounting system may be attributed to factors such as inadequate supply of expertise knowledge about the Computerized Accounting Systems; With increased complexity of transactions and emergency of new technologies, Given that computerized accounting systems are put in place, such instances are not expected to occur and hence the researcher is therefore prompted to carry out the investigation on the effectiveness of the system used by the SACCO.

1.3 Purpose /Objective of the study

1.3.1 General objectives

The purpose of the study is to examine the impact of Accounting Systems and financial reporting in Munezero Saving and Co-operative Society- Kamwokya.

1.3.2 Specific objectives

- i. To examine the impact of Accounting systems and financial reporting in an organization.
- ii. To investigate the differences between manual and Computerised accounting systems.
- iii. To investigate the challenges faced by Munezero Savings and Co-operative Society.

1.4 Research Questions

- i. What is the impact of Accounting systems and financial reporting in an organization?
- ii. What are the differences between manual and computerized accounting systems?
- iii. What are the challenges faced by Munezero Savings and Co-operative Society?

1.5 Scope of the Study

1.5.1 Geographical Scope

The research will be carried out on Munezero Cooperative and credit Society limited (SACCO) in Kamwokya-Kampala. This is because of the availability and conveniences of obtaining data about the topic of the study.

1.5.2 Content Scope

The main concern of this study will be the impact of Computerised Accounting and finance reporting on medium co-operative financial societies focusing on Munezero Savings and Cooperative Society outsourcing mainly on sensitizing the community about their saving culture.

1.5.3 Time scope

The research will take cover a period of 6 Months chosen for the focus of our study at Munezero Co-operative.

1.6 Significance of the Study

- i. The study will enable management to understand the significance of preparing quality and -reliable financial reports.
- ii. The study will point out weakness in the accounting system which management needs to address.
- iii. Other researchers will use the report as literature review in order to improve on their research topic in another period

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes how data will be collected and analyzed. This rotates around the research design that will be used, study population/area, sample size, data collection methods and instruments, data processing and analysis tools and problems encountered in the execution of the study by the researcher.

3.1 Study Design

A case study that will be employed by the researcher would be more interested in a deeper understanding of the problem other than generalizing the findings across the population. The in-depth investigation in this case will aim at identifying or questioning an existing theory.

For the purpose of obtaining the objectives of the study, various designs will be used as follows;

3.1.1 Comparative research design;

The researcher will use this design to compare the computerized accounting system and financial reporting in the organization.

Association research design; this design

will establish the relationship between computerized accounting system and financial reporting.

3.1.2 Casual research design;

This design will establish the effect of computerized accounting system on financial reporting.

3.1.3 Correlational research design;

The researcher will use this research design to establish the importance of computerized accounting system in the organization.

3.1.4 Survey research design;

We will use interview as our tool to find out why financial reports were poor and we were able to find out that it's as it's the company policy for only managers to access the computers with important documents and software.

A cross-sectional research design will be used because of the limited time required to carry out the research.

3.2 Survey Population

The survey population will constitute management and employees from the departments of Accounts and information technology, the customers of the SACCO and the Chairman.

3.3 SAMPLE SIZE

Respondents will be chosen from the various departments by simple random sampling method. In each department, the researcher particularly will select the general manager, five (5) staff from the department of accounts and finance and information technology. This makes a sample size of (6) respondents from the various departments.

3.4 SAMPLING DESIGN

We will use different sampling designs and these include;

3.4.1 Cluster sampling design;

We will use this design by getting all the co-operate society enterprises in Uganda and allocated numbers, use random number method and choose one of the choices and this will be Munezero cooperative society.

Convenience sampling design; we will approach the employees of the enterprise, talk to them and they will be willing to speak to us for example we will ask them about the problem they face as far as financial reporting is concerned and they will tell us whether they are not allowed to access the computers.

Purposive sampling design; this will be

dictated by the nature of the study which will aim at getting information from specific respondents. We will interview the employees about the challenges they face while using computerized accounting systems.

3.4.2 Snowball sampling design;

This is where you first approach one person in the sample and he refers you to another person in the same sample until you get all the information needed. For example we will interview one of the employees on how often they use computerized accounting and he will preferably refer us to the manager of Munezero savings and co-operative society.

3.5 Data Collection Tools/Methods

Date collection methods involve gathering evidence about the behavior of the performance measurement and the area selected. It involves identifying the methods of carrying out the research. Since a case study is the most strategy that will be used, most of the data collected using a structured questionnaire and interviews. These comprises of questions on the areas of computerized accounting systems and financial reporting.

3.5.1 Questionnaires;

This is,-the use of question paper for the respondent to fill in the right answers. We will use structured questionnaires as the main data collection method. This instrument is administered to respondents to solicit for information from within the organization.

3.5.2 Interviews;

Direct interviews will also be used to elicit responses from some members of staff. This helps us to get first-hand information which could be used to draw conclusions on the topic under study.

3.6 Data Collection Procedure

The following is the procedure we followed while using interview method;

The researcher will list the areas about which we required information.

Decide on the type of interview to be used

The researcher will then transform the areas into actual questions

Try out some questions for example do a mock interview.

The researcher will then call the manager in order to make an appointment with them and fix a convenient venue

Understand the subject that we were going to search about and prepare an interview guide. The researcher will select a sample that is fairly representative for our research.

3.7 Data Processing

Data collected will be processed both manually and by machine through word processor. This will involve editing, summarizing and coding of the data. The researcher shall further edit and tabulate the collected data by collecting the papers from respondents put them together and started comparing their answers to the set questions for example we realized that.

3.8 Data Analysis

The researcher will further analyze the data collected and processed using a computer program that is Excel package.

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