COMPUTERISED ACCOUNTING SYSTEMS AND FINANCIAL REPORTING.
A CASE OF NATIONAL WATER AND SEWERAGE CORPORATION, MBALE BRANCH

BY

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CHAPTER ONE

1.0 INTRODUCTION

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 computerized accounting systems on financial reporting.

1.1 Background

In Uganda, before the introduction of computerized system of accounting, the manual systems were inaccurate and inconsistent for many organization needs especially reporting of financial information. This is because the system was associated with errors since data was collected, analysed, journalized and a trial balance and balance sheet prepared (Meigs, 1986).

Though most organization have not being doing well in financial reporting and accounting records, reports from a comparative survey conducted by Indira (2008) Uganda inclusive indicate that firms have greatly improved on the ways of reporting their financial statements. Computerized accounting system is defined as the application of the computer based software used to input, process, store, and output accounting information. This application is in support of the ever advancing technology that enables firms to use computer programs to perform tasks that were previously done manually.

A computerized accounting system therefore involves the computerization of accounting information systems which is established inorder to facilitate decision making. These are associated with a numbers of benefits like speed of carrying out routine transactions, timeliness, quick analysis, accuracy and reporting.
However many organizations are not enjoying the benefit of computerization of accounting system as they have continued to be inaccurate due to increased number of interruptions due to system failure or breakdown and untimeliness with its reliability left in question (as per European Union Audit Report by National Audit Organization 6 May 2003).

According to Pandey (1998), Financial reporting to the company’s stakeholders for instance the government, public, donors is a statutory obligation for every organization. Saleemi (1981) defined financial reporting as the process of supplying financial information which is reliable, accurate and complete to the various stakeholders for making economic decisions. This is always inform of financial statements such as statement of comprehensive income, statement of financial position and cash flow statement and other financial annually reports which provide an overview of the company’s current financial strength.

1.2 Statement of the Problem

According to the Accountant of National Water and Sewerage Corporation, despite the existence of a well established computerized accounting system instances of delay, inaccurate reporting, misposting and wrong balances have continued to occur. 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 an investigation on the effectiveness of the system used by National Water.

1.3 Purpose of the Study

To find out the influences of computerized accounting system on financial reporting.

1.4 Objectives of the Study

i. To establish the accounting systems being used.
ii. To establish the benefits of computerized accounting system being used.
iii. To establish the appropriate strategies for improving computerized accounting system
1.5 Research Questions

i. What accounting system is being used?

ii. What are the benefits of computerized accounting system being used?

iii. What appropriate strategies can the firm use to improve on timely financial reporting?

1.6 Scope of the Study

1.6.1 Geographical Scope

The research was carried out in National Water and Sewerage Corporation Mbale Branch. This was due to availability and convinces of obtaining data about the topic of the study.

1.6.2 Content /Variable Scope

The research was based on two variables these are computerized accounting systems which comprise of definitions, components of computerized accounting software and benefits and limitation of computerized system and financial reporting which also comprises of definitions of financial reports, benefits and effectiveness of accounting system used at National Water and Sewerage Corporation.

1.7 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 TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This section of literature review focused on the concept of computerized accounting system in relation to financial reporting. The literature was presented in the order of the stipulated objectives of the study.

2.2 Computerized Accounting Systems

Meigs et al (1998) defined a computerized accounting system as a system that uses computers to input, process, store and output accounting information inform of financial reports. He adds that accounting system records all transactions that routinely deal with events that affect the financial position and performance of an entity.

Marivic (2009) described a computerized accounting system as a method or scheme by which financial information on business transactions are recorded, organised, summarized, analysed, interpreted and communicated to stakeholders through the use of computers and computer based systems such as accounting packages.

He emphasised that it’s a mechanized process of facilitating financial information inflows as well as the automation of accounting tasks such as database recording and report generation.

Marivic adds that keeping accurate accounting records is a vital part of any organization. Apart from helping it to keep its float financially and legal, it is a requirement of funding bodies or donors.

However computerized accounting system involves the use of computers to handle large volume of data with speed, efficiency and accuracy aimed at overcoming fundamental challenges which do not change the principle. The principle of accounting remains the limitations of many accounting and hence producing quality and reliable work.
McRae (1998) adds that computerized accounting systems are advantageous in consolidating information channels meaning that files that were previously been duplicated by several departments will now be consolidated into single file.

2.2.1 Components of Computerized Accounting Software

Accounting software’s are used to implement computerized accounting system. The computerized accounting is based on the concept of database; it is basic software which allows access to the data contained in the database.

The following are the components of computerized accounting software.

1. Preparation of accounting documents

Computers help in preparing accounting documents like cash memo, bills, invoices and accounting vouchers. Here computerized accounting systems have user defined templates which will provide faster, accurate entry of transaction and therefore all documentation and reports can be generated automatically.

2. Recording of transactions

Everyday business transactions are recorded with the help of computer software. Every account and transactions is assigned a unique code where the grouping of account is done at the first stage. This process simplifies the work of recording the transaction.

Marivic (2009) argued that computerized packages will minimize human errors in transactions recording as in the system there is the existence of reference of every transaction.

3. Preparation of trial balance and financial statements.

After recording of transactions, the data is transferred into ledger accounts automatically by the computer. Trial balance is prepared by the computer to check accuracy of records, with the help of trial balance; the computer can be programmed to prepare the statement of comprehensive income and the statement of financial position.
2.2.2 Benefits of Computerized accounting systems

According to McBride (2000), computerized packages can quickly generate all types of reports needed by management for instance budget analysis and variance analysis. Data processing and analysis are faster and more accurate which meets the managers need for accurate and timely information for decision making.

Frank wood (1999) consented to the speed with which accounting is done and further added that a computerized accounting system can retrieve balance sheets, income statement or other accounting reports at any moment. He consented that computerized accounting system allow managers to easily identify and solve problems instantly.

Indira (2008) pronounced the improvement in business performance as a result computerization of the accounting systems as it is a highly integrated application that transforms the business processes with the performance enhancing features which encompass accounting, inventory control, reporting and statutory processes. He then says, this helps the company access information faster and takes quicker decisions as it also enhances communication.

McBride (2000) stated that managers cannot easily satisfy statutory and donor reporting requirements such as profit and loss account, balance sheet and customized reporting without using computerized accounting systems. With the system in place, this can be done quickly and with less effort. Computerized accounting systems ease auditing and have better access to required information such as cheque numbers, payments, and other transactions which help to reduce the time needed to provide this type of information and documentation during auditing.

According to Carol (2002), it is easy to do accounting functions using computerized accounting systems. Posting transactions to the ledger, the principle of double entry can largely be automated when done through the use of computerized accounting system.

Although computerized accounting is highly beneficial to an entity, it is worth noting that it is dogged with a couple of pitfalls some of which are shown as below;
Meigs (1986) stresses that there is a risk of improper human intervention with the computer programs and computer files. Employees in the organization may temper with the computer programs and computer based records for the purpose of deliberately falsifying accounting information. This may result into distortion of information that would essential be for decision making.

According to Wahab (2003), another threat and limitation of computerized system is the computer virus. Where a computer virus is a computer code (program) specially designed to damage or cause irregular behavior in other programs on the computer. The adverse effect is that it may lead to breakdown of the hardware thus leading to loss of valuable information (for instance in financial institutions information such as customers accounts, previous financial report, information pertaining loans advanced among others) already saved on the computer.

2.3 Quality of Financial Reports

Van (2005) defines financial reporting as the process of presenting financial information or data about a company’s financial position, operating performance and its flow of funds for an accounting period.

According to Frank Wood (1999), financial reporting is all about presenting useful information to users so that proper decisions can be made. His implication about financial reporting is that financial information should aid in the evaluation of amounts, timing and uncertainties of cash flows. Also financial reporting should furnish information about the entity’s economic resources, claims against those resources, owners’ equity and changes in the resources and claims.

Indira (2008), emphasized that financial reports should provide information about financial performance during a period management discharge it’s stewardship responsibility to owners. It should likewise be useful to managers and directors themselves in making decisions on behalf of the owners.

He argues that accounting information is very necessary if decisions are to be made accurately and rationally by the various interested parties or users of financial
information. These are broadly classified into external and internal users. Where internal
users include management and employees while the external users include donors,
shareholders, creditors, government, competitors and general public.

According to Carl’s et al (1999) the quality of financial reports depends on the intended
users of the information and should be evaluated with respect to the needs of the users.

Federation of Accounting Standards Board (FASB) defined quality as a hierarchy of
accounting qualities with relevance and reliability considered as the primary
characteristics while representing faithfulness, verifiability, neutrality, comparability,
consistency and understandability considered as secondary characteristics.

Reliability, information is said to be reliable if it is free from material errors and bias and
represents faithfully that is purports to represent emphasized Frank wood (1999).

According to Turner (2000), neutrality is the demand that accounting information should
not be selected to benefit one class and neglect to other. Reliable information is
verifiable, neutral and has representative faithfulness.

Relevance is also a very important characteristic of quality. Frankwood indicates that
financial information is relevant if it is capable of making a difference in decisions made
by helping users to form predictions about the outcomes of the past, present and future
events either to confirm or correct prior expectations.

Comparability is another characteristic of quality information. Frankwood (1999) also
stresses that users must be able to compare the financial statements of the enterprise over
time in order to identify trends in its financial position and performance.

According to Indira (2008), timeliness is also another important characteristic of quality
financial information. This arises as a result of perishability of accounting information.
To benefit users, financial information must be presented at the right time otherwise it
loses relevance.

According to Pallai (2007) Understandability as a quality of financial reporting that
enables users to perceive the significance of financial information. He argues that users
are assumed to have reasonable knowledge of business and willingness to study and understand the information.

International Accounting Standards Board adds that information should not be excluded on grounds that it may be difficult for certain users to understand.

2.4 The Influence of Computerized Accounting System on Financial Reporting.

The influence of computerized accounting systems on financial reporting has been linked to the benefits of applying computer systems while generating financial reports.

The presentation of scheduled reports can be triggered and simplified and prepared at regular interval with ease (McRae, 1998). With the application of computerization, generation of financial reports will be easy since information can be easily generated and updated on a timely basis.

With the substantial increase in the number of transactions and increase in the need for real time information, maintenance of accounting data on a real time basis has become essential. This is achievable using computerized systems hence promoting the quality of financial reporting. Carol (2002) says that computerizing business general ledger, payroll and other accounting tasks increases office efficiency.

Computerized accounting systems have also been credited for their quick processing speed and large storage capacity. Using computerized accounting systems ensure up to date account balances are available at any time to aid management in decision making (Lancouch 2003). Computerization saves time on transaction hence leading to quality of financial reporting for instance timely, accurate and reliable information can be generated (Lewis 1999).

The influence of computerized accounting systems depends on the end users satisfaction. Mihir (2002) stressed that higher end users satisfaction leads to a positive attitude towards using the satisfaction and in turn increases the voluntary usage of the system.

Nash (2003) noted that the quality of accounting information and performance of the accounting systems is a great concern to management. A computerized accounting
system is a delivery system of accounting information for purposes such as providing reliable accounting information to users, protecting the organization from possible risks arising as a result of abuse of accounting data and system among others.

2.5 The Appropriate Strategies of Improving Financial Reporting.

Frank wood (1999), pointed that firms should ensure that they promote the use of up to date and complete IFRS in the preparation and presentation of its financial statements and ensure compliance to the set standards and governing regulations.

Indira (2008) remarked that, firms should also ensure public availability of full sets of financial statements including notes for public interest entities rather than producing a summary of the financial reports to the stakeholders.

Michael (2005) added that, firms should ensure that they recruit skilled professionals to handle its accounting and offer routine training to the employees in the field of accounting basing on the changing environment.
CHAPTER THREE

3.0 METHODOLOGY

3.1 Introduction

This chapter describes how data was collected and analysed. It rotates around the research design that was 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.

3.2 Study Design

A case study was employed because the researcher was more interested in a deeper understanding of the problem other than generalizing the findings across the population. The in-depth investigation in this case was aimed at identifying or questioning an existing theory.

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

The researcher used qualitative and descriptive research design to conduct the study because the findings of the study were non-numerical (respondent’s opinion and view about the variables). These methods enabled the researcher to process and analyse the findings in cross-section of the study.

A cross-sectional research design was used because of the limited time required to carry out the research. Associational research design was also used to establish the relationship between computerized accounting systems and financial reporting.

3.4 Study Population

The study population constituted management and employees from the departments of Accounts and information technology and procurement and logistics.
3.5 Sample Size and Selection Method

3.5.1 Sample Size

Respondents were chosen from the various departments by simple random sampling method. In each department, the researcher particularly selected the general manager, ten (10) staff from the department of accounts and finance and information technology (5) and procurement and logistics (5). This makes a sample size of 21 respondents from the various departments.

3.5.2 Sampling Method.

The researcher used purposive method of sampling. This was dictated by the nature of the study which was aimed at getting information from specific respondents.

Convenience sampling was also used by the researcher for convenience purposes just incase the selected staff are not available at the time of the interview.

Stratified random sampling was used to divide the staff and managers and then the researcher will conveniently chose the rest of the staff available in each department.

3.6 Data Collection Tools/Methods

Since a case study is the most strategy that was used, most of the data was collected using a structured questionnaire and interviews. These comprises of questions on the areas of computerized accounting systems and financial reporting.

3.6.1 Questionnaires

The researcher used structured questionnaires as the main data collection method. This instrument was administered to respondents to solicit for information from within the organization.

3.6.2 Interviews

Direct interviews were also used to elicit responses from some members of staff. This helped the researcher to get first hand information which could be used to draw conclusions on the topic under study.
3.6.3 Records Inspection

Under this method the researcher looked at the records produced at National Water and Sewerage Corporation using the current system in order to establish the effectiveness of computerized accounting system on financial reporting.

3.7 Data Management

3.7.1 Data Processing

Data collected was processed both manually and by machine through word processor. This involves editing, summarizing and coding of the data. The researcher further edited and tabulated the collected data.

Each questionnaire was ranked for consistency, accuracy, and completeness. Editing was carried out to direct any inconsistence in the collected data.

The researcher reduced the data into frequencies, tables and percentages for ease of analysis.

3.7.2 Data Analysis

Data was also analyzed using a computer programme that is Excel package.

3.8 Limitations of the Study

- Financial constraints in issuing the questionnaires and making follow up, this was due to high cost of typing and printing of the analysed data.
- Some respondents were uncooperative and always want to dodge the questionnaire.
- Difficulties in accessing the relevant information especially the documented materials. This could be so because of the sensitivity of the kind of information sought for.

3.9 Delimitations of the Study

- The researcher devoted a lot of time to counter the limitation of time factor by allowing the respondents to fill the questionnaire at their convenient time.
- The researcher ensured proper organization of necessary funds to support the search up to the end.
CHAPTER FOUR

4.0 PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter brings out the findings of the researcher when carrying out this research. The research was under the topic of computerized accounting systems and financial reporting.

4.2 Characteristics of Respondents

The respondent’s bio data was looked at in terms of Age distribution, Level of education and Duration they have worked in the organization in order to determine its contribution to the topic under study.

4.2.1 Age Distribution of Respondents

In order to establish the age group that had accepted to take part in the study, respondents were asked to state their age to determine its influence on financial reporting.

Table 1 Age Distribution of Respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>1</td>
<td>4.8</td>
</tr>
<tr>
<td>26-33</td>
<td>4</td>
<td>19.0</td>
</tr>
<tr>
<td>34-41</td>
<td>6</td>
<td>28.6</td>
</tr>
<tr>
<td>42 above</td>
<td>10</td>
<td>47.6</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

It is evident from Table 1 that majority of the respondents belong to the age group of 42 years and above because of the employment policy of National Water and Sewerage Corporation which require people with experience of at least 5 years and above especially
for senior position. This implies that they have encountered with the computerized accounting system before hence speed and timely financial reporting (Frank wood 1999).

4.2.2 Level of Education of Respondents

In order to establish whether data was obtained form learned respondents, respondents were asked to state their education level to determine if education background has an impact on financial reporting since managers who possess computer skills do not need computer training.

Table 2 Level of Education of Respondents

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>2</td>
<td>9.5</td>
</tr>
<tr>
<td>Diploma</td>
<td>5</td>
<td>23.8</td>
</tr>
<tr>
<td>Degree</td>
<td>10</td>
<td>47.6</td>
</tr>
<tr>
<td>Masters</td>
<td>4</td>
<td>19.0</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

It is evident from Table 2 that majority of the respondents are degree holders because majority of the task to be done required people who are degree holders hence taking the highest percentage (47.6%). This implies that data for the study was obtained from learned respondents who have easily got adopted to use computer based system hence reliability of data and ease of performing accounting functions using computerized accounting systems (Carol 2002).

4.2.3 The Duration of Employment

In order to get relevant data from the respondents, the researcher found it necessary to determine the number of respondents that have worked in the company in the period between 2009-2010 to establish the influence of experience of the respondents on timely financial reporting.
Table 3: Duration of Employment

<table>
<thead>
<tr>
<th>Duration</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years</td>
<td>2</td>
<td>9.5</td>
</tr>
<tr>
<td>3-4 years</td>
<td>4</td>
<td>19.0</td>
</tr>
<tr>
<td>5 years above</td>
<td>15</td>
<td>71.5</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

The results from Table 3 shows that majority of the respondents have worked for more than 5 years because the employment policy which requires employing experienced people to minimize training cost. This implies that data was obtained from respondents who have gotten experience on the use of computerized systems and were also more familiar with the variable under study hence more likely to implement the system single handedly, no doubt about the reliability of the data obtained.

4.3 Accounting System at National Water and Sewerage Corporation

In order to establish whether the company runs computerized system of accounting in financial reporting, respondents were asked to give their view on the system.

Table 4: Shows Whether the Systems are computerized

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>20</td>
<td>95</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

From Table 4 it is shown that majority of the respondents (95%) are aware that the company runs a computerized system. This can be associated to the fact that computerized accounting system results in accuracy and timely financial reporting (Marivic 2009). However the negative response is as a result of not using the system.
4.3.1 Computerized accounting Packages

Since the company runs a computerized system, in order to determine the various packages being used in the company, respondents were asked about the computerized accounting packages used that results in timely financial reporting.

Table 5 Computerized Accounting Packages used in the Firm

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sage</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Quick books</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Tally</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Navision</td>
<td>20</td>
<td>95</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

Results from Table 5 show that more than 90% of the respondents are aware of the system being used to generate financial reports. This indicates that the users of the package are familiar with the package hence producing timely financial reports (Indira 2008).

4.4 Benefits of Computerized Accounting System

The researcher asked the respondents on whether computerization of accounting function benefits the firm, the following responses were obtained as below.

Table 6 Response on the Benefit of Computerized Accounting Functions

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>19</td>
<td>90.5</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>4.8</td>
</tr>
<tr>
<td>Not sure</td>
<td>1</td>
<td>4.8</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data
From Table 6, it is shown that majority of the respondents agreed that computerization has benefits to the firm because with computerized system various types of reports can be generated and processing and analysis are faster and accurate (McBride 2000). This implies that majority of the respondents have worked for a long period of time (71.5%). However the negative response could be as a result of not working too long in the firm hence not realizing the benefits associated with the system.

4.5 The Quality Attributes of Financial Reports Generated

Here the researcher was interested in examining the financial reports generated by the firm in order to find out whether they meet the basic qualities. The qualities were examined in terms of timeliness and accuracy.

During the research, respondents were categorized as Accounting, Management, Information technology and Procurement staff. As a result, the following was discovered from their responses.

Table 7 Timeliness of the Computerized Accounting System in Providing Quality Financial Reports

<table>
<thead>
<tr>
<th>Class</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very fast</td>
<td>18</td>
<td>85.7</td>
</tr>
<tr>
<td>Fast</td>
<td>2</td>
<td>9.5</td>
</tr>
<tr>
<td>Slow</td>
<td>1</td>
<td>4.8</td>
</tr>
<tr>
<td>Very slow</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

It is evident from Table 7 that majority of the respondents consented with the view that computerized accounting system leads to timely financial reports (Indira 2008) due to perishability of accounting information. However the most important information to the researcher was not what was perceived as the very fast or fast but the fact that most of the
respondents think that computerized accounting system is fast enough to be timely in generating financial reports.

4.5.1 **Table8 Level of Accuracy in Processing and Reporting of Financial Information**

<table>
<thead>
<tr>
<th>Class</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>16</td>
<td>76.2</td>
</tr>
<tr>
<td>Medium</td>
<td>3</td>
<td>14.3</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>9.5</td>
</tr>
<tr>
<td>Very low</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source: Primary data**

Table8 indicates that majority of the respondents agreed with the view that the level of accuracy in processing accounting functions is very high in financial reporting this is because the system allows the company to enter data in a variety of ways which make work a pleasure hence adapting to specific business needs (McRae 1998). However respondents representing 9.5% said that the level of accuracy is low, it therefore means that the computerized accounting system though accurate, has some elements of inaccuracy. These errors could be brought about by staff entering data or bugs set up in installation of the system.

Let
VF – Very Fast
F – Fast
S – Slow
VH – Very High
MD – Medium
L – Low
4.5.2 Table 9 Showing Calculation of Spearman’s Coefficient of Correlation

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Timeliness</th>
<th>Accuracy</th>
<th>Rank (T)</th>
<th>Rank (A)</th>
<th>Rank diff (T-A)</th>
<th>(T-A)^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>VF</td>
<td>VH</td>
<td>4</td>
<td>5</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>VF</td>
<td>MD</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>VF</td>
<td>VH</td>
<td>4</td>
<td>5</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>F</td>
<td>MD</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>VF</td>
<td>VH</td>
<td>4</td>
<td>5</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
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<td>VH</td>
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<td>5</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>VF</td>
<td>VH</td>
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<td>5</td>
<td>-1</td>
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</tr>
<tr>
<td>8</td>
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<td>3</td>
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<td>VH</td>
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<td>5</td>
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</tr>
<tr>
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</tr>
<tr>
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</tr>
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<td>15</td>
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<td>1</td>
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</tr>
<tr>
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<td>1</td>
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<tr>
<td>21</td>
<td>VF</td>
<td>VH</td>
<td>4</td>
<td>5</td>
<td>-1</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Primary data
Spearman’s correlation coefficient \( r = 1 - \left( \frac{\sum d_i^2}{n(2n^2-1)} \right) \)

\[ \begin{align*}
= & 1 - \left( \frac{6 \times 60}{21(21^2-1)} \right) \\
= & 1 - \left( \frac{360}{9,240} \right) \\
= & 1 - 0.0389 \\
= & 0.96
\end{align*} \]

In Table 9, it is shown that computerized accounting system has an influence on timely financial reporting which is represented by a positive correlation of 0.96. This has been linked to the benefits of applying computer systems while generating financial reports and with computerized accounting system data balances are available anytime to aid management make decisions (Lancouch 2003).

Therefore there exists a positive correlation between timeliness and accuracy meaning that the responses on accuracy and timeliness are consistent to with each other.

### 4.6 The Appropriate Strategies of Improving Financial Reporting

Here the researcher was interested in establishing the appropriate strategies that could improve on financial reporting. The responses were summarized in the table below.

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance to IFRS and Standards</td>
<td>10</td>
<td>47.6</td>
</tr>
<tr>
<td>Adherence to ISA and IFAC</td>
<td>5</td>
<td>23.8</td>
</tr>
<tr>
<td>Recruitment of Skilled Staff</td>
<td>4</td>
<td>19.0</td>
</tr>
<tr>
<td>User friendly software</td>
<td>2</td>
<td>9.5</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** Primary data
From the above presentation, it is observed that 47.6% of the respondents sided with the strategy of promoting the use of IFRS and ensuring compliance with the set standards because it provides guidelines which Accountants need to follow in preparation of financial reports. This implies that in order to produce accurate financial reports, National Water should continue to use the appropriate strategies like compliance to IFRS and standards and adherence to ISA and IFAC. The company can also use the strategy of employing skilled staff in order to minimize errors in financial reporting.

However other strategies that the respondents specified include having adequate security to access the records by ensuring that passwords are used to protect the data from illegal alteration by unauthorized persons. Training of employees on the use of other computerized accounting packages for instance pastel and sage.
CHAPTER FIVE

5.0 SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

Having completed the study, presented data and analyzed the findings, this chapter reviews the outcomes of the study in line with the research objectives.

5.2 Summary

5.2.1 The Benefits of Computerized Accounting System in the Firm

Quick Financial Reports

The researcher found out that through computerized accounting system, financial reports can be generated quickly. This side with McBride (2000) view that computerized accounting system can generate different types of reports needed by management for instance profit and loss reports, and VAT reports among others. It was observed that the quickness in generation of the reports is due to the fact that through computerized accounting, data processing and analysis are faster and more accurate hence managers can instantly access different information which leads to easy and quick decision making.

Improvement in Business Performance

As pronounced by Indira (2008) that computerized system is a highly integrated application that transforms the business processes with its performance enhancing features. Thus accounting functions, inventory control and statutory reporting can be easily done resulting into faster access to business information.

Accuracy and Efficiency

Due to expansions, business transactions increase and such transactions can only be recorded and maintained accurately. The study revealed that the firm can handle large volumes of accounting data with ease which was the same view pointed by McBride
(2000). Computerized accounting can handle data many times greater than humans hence cost effective.

**Simplified Posting of Transactions**
There is no need to have huge paper documentations as in manual systems. The accountant emphasized the advantage that accounting functions such as record keeping, double entry principle are simplified with computerized systems. Cook (2002) also echoed that accounting functions such as posting transactions are simplified. However there should be accuracy in entering data otherwise human errors in inputting data results into inaccurate financial reports.

**Minimized errors**
The researcher observed that with computerized accounting systems, arithmetic errors are remarkably reduced this is because computerized accounting performs the computations automatically. However the researcher also established that computerized accounting does not have intelligence to eliminate or correct errors made by humans during data entry but can only detect errors.

**Easy Auditing**
The researcher was informed that when external auditors come, there work is simplified because all sets of transactions are easily availed to them hence saving time and costs.

### 5.2.2 Quality of Financial reports Generated
The financial reports generated conform to some of the quality attributes of good financial information. This was emphasized by a positive correlation of response on quality attributes of timeliness and accuracy though it was on a low scale.

### 5.2.3 Strategies for Improving Financial Reporting.
The researcher found out that in order to improve on financial reporting the strategies discussed should be used and this consists of promoting the use of IFRS and ensuring
compliance to the standards, adherence to ISA and IFAC, recruitment of skilled or professional to handle accounting data and lastly use of user friendly software.

5.3 Conclusion
The study revealed that computerized accounting system actually have an influence on the quality of financial reports for publication purposes. During the study, it was found out that National Water and Sewerage Corporation runs a fully computerized accounting system using the information generated by system.

5.4 Recommendations
From the findings and summary, the researcher recommends that first and fore most, the company needs to acquire a computerized accounting system that suits the organizational needs. Enough resources need to be saved for a tailor made software and system analyst need to be consulted in this important issue.

There should also be routine system maintenance programs put in place so that the system can get rid of shortfall such as viruses, fraud among others that may affect the system operations. This should be done so that the system can operate to the expectation of management and other users.

On the management point of view, it is important that staff for handling transactions is trained so as to improve on the accuracy and speed in posting. With increased improvements and versions of accounting packages, staff needs constant and continuous training by the authorized dealers of the packages so that they remain well acquainted with the knowledge and experience of the package. In addition to the training, it is important to constantly appraise the staff to check which staff is failing the system as regards reporting unbiased financial information.

The company needs more internal audit reviews to appraise and check the strength of the instituted controls within the system. The computerized accounting system is prone to fraud in cases where physical cash is involved. Without internal audit reviews, there may arise cases of teaming and lading fraud that may pass unnoticed. It is therefore important external auditors come in once in a while to do audit.

There is need to increase the security levels in the internal control system. Management needs to ensure that requisitions are authorized; cheque payment, vouchers and other
source documents are approved. On recording, it is important to have a clerk to enter the data which is then updated yet by another person preferably one with more experience and expertise.

Management can also consider the option of using a networked system linking all the system in the finance and accounting department. This is because the current system uses standalone personal computers. In this way, errors and fraud possibilities are minimized thus improving on the quality of financial reports.

5.5 Areas of Further Studies
There is need to explore whether it is only the qualitative characteristics that determine the quality of financial reporting or if there are other factors. If there are, such factors also need to be established.

More research should be carried out about how the computerized accounting system can be run alongside the manual system. It is generally accepted that the computerized system alone is very vulnerable. Therefore, there is need to investigate how the two system can be used concurrently.

Further research also needs to be undertaken to establish the role of management in promoting the quality of financial reporting in an entity.
REFERENCES


APPENDIX I

RESEARCH QUESTIONNAIRE.

Dear Respondents,

The researcher is a student of Makerere University pursuing Bachelor of Commerce. This questionnaire is designed for academic purposes and for partially fulfillment of the Award of Bachelor of Commerce Degree of Makerere University. It’s only through your response that the work can be completed well. Therefore any information disseminated will be handled with maximum confidentiality.

Please kindly spare a few of minutes to answer the following questions, they mostly involve ticking a response in the space provided and a few filling in.

SECTION A: BIODATA

Title .............................................................

Age: 18-25yrs  26-35yrs  35 and above

Educational Level

Certificate  Diploma

Degree  Masters

For how long have you worked for the firm?

Less than 2 years  3-4 years  Above 5 years

Does your work involve the use of computers?

Yes  No
SECTION B: ACCOUNTING SYSTEM AT NATIONAL WATER AND SEWERAGE CORPORATION

Is the firm’s system computerized?

Yes ☐ No ☐

What computerized accounting packages are used in this firm?

1. Sage ☐
2. Quick Books ☐
3. Tally ☐
4. Navision ☐
5. Others Specify …………………………………………………..

SECTION C: BENEFITS OF COMPUTERISED ACCOUNTING SYSTEM

In your view, do you think computerization of the accounting system has benefits to the firm?

Yes ☐
No ☐
Not sure ☐

Do you think computerized accounting has an impact on financial reporting?

Yes ☐ No ☐ Not sure ☐
If yes, you are required to tick any one option for the statement below.

A-Agree, N-Neutral, D-Disagree

<table>
<thead>
<tr>
<th>Statements</th>
<th>A</th>
<th>N</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial reports are timely generated for decision making</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is improvement in business performance due to computerization of the accounting system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is accuracy and efficiency in account record keeping through computerized accounting systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting functions like posting transactions to the ledger and double entry are simplified.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arithmetic errors are easily minimized through application of computerized accounting systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditing of the financial statement is ease with the use of computerized accounting systems</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other benefits please specify
...............................................................................................................................................................................
SECTION D: STRATEGIES TO IMPROVE ON FINANCIAL REPORTING IN THE FIRM.

In this section, the respondent should select any 3 right options.

What are the most appropriate strategies of improving on financial report in your firm?

1. Promoting the use of up to date and complete International Financial Reporting Standards and ensuring compliance with the set standards.

2. Promoting and ensuring adherence to International Standards of Auditing and international Federation of Audit Committee.

3. Recruitment of highly skilled professionals to handle the accounting functions.

4. Acquiring and developing soft ware’s that are user friendly.

Others please specify

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

Thanks for your cooperation. God bless you.
APPENDIX II

INTERVIEW GUIDE

Interview guide for research proposal for the staff of National Water and Sewerage Cooperation Mbale Branch.

1. What is your name Sir/Madam?

2. What is your department?

3. What position do you hold in this company?

4. Does your company use computerized accounting system?

5. If yes, which of the accounting package does it use?

6. What are the benefits you have derived from using the computerized system?

7. What are the costs associated with using these computerized system?

8. What strategies are used to improve financial reporting?

9. Where do you see your company from 5 years now with this technology in operation?
## APPENDIX III

**BUDGET**

<table>
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<tr>
<th>Items</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Total Cost (shs)</th>
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</thead>
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<tr>
<td>Ruled papers</td>
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<td>12000</td>
<td>12,000</td>
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<tr>
<td>Pens</td>
<td>4</td>
<td>300</td>
<td>1,200</td>
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<tr>
<td>Photocopying</td>
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</tr>
<tr>
<td>Internet surfing</td>
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<td></td>
<td>5,000</td>
</tr>
<tr>
<td>Secretarial services</td>
<td></td>
<td></td>
<td>50,000</td>
</tr>
<tr>
<td>Data analysis</td>
<td></td>
<td></td>
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<tr>
<td>Transport</td>
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<td></td>
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<tr>
<td>Lunch</td>
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<td></td>
<td>6,000</td>
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<tr>
<td>Telephone costs</td>
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<td></td>
<td>7,000</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>106,200</strong></td>
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## APPENDIX IV

### TIME SCHEDULE

<table>
<thead>
<tr>
<th>Activity</th>
<th>Duration</th>
<th>Time schedule</th>
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<tr>
<td>Preparation of a proposal</td>
<td>Four weeks</td>
<td>February</td>
</tr>
<tr>
<td>Visiting the library</td>
<td>Four weeks</td>
<td>February</td>
</tr>
<tr>
<td>Preparation and approval of proposal</td>
<td>Four weeks</td>
<td>April</td>
</tr>
<tr>
<td>Organization of questionnaire</td>
<td>One week</td>
<td>April</td>
</tr>
<tr>
<td>Distribution of questionnaire</td>
<td>One week</td>
<td>May</td>
</tr>
<tr>
<td>Processing and analysis of raw data</td>
<td>Two weeks</td>
<td>June</td>
</tr>
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