

**ACCOUNTING INFORMATION SYSTEM AND FINANCIAL PERFORMANCE OF
SAVINGS AND CREDIT COOPERATIVES (SACCOs), A CASE STUDY OF
KASANDA SUB - COUNTY MUBENDE DISTRICT**


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**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS
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DECLARATION

I, Kabarokore Robinah, declare that this research report is my original work. It has not been submitted to any other university or higher institution of learning for any award. Any other author's work has clearly been indicated.

Signature.......... Date.....30th 09 / 2016.....

APPROVAL

This is to confirm that this research work of Kabarokore Robinah has been done under my close supervision and is ready for submission to the college of economics and management for examination and award of the Degree in Business Administration of Kampala International University with my approval.

Signature.......... date.....30.09.2016.....

Dr. Kirabo K. B. Joseph

(Supervisor)

DEDICATION

I dedicate this work to my dear father Mr. Rugundana John, Brother Kamugisha John and other all my family members

ACKNOWLEDGEMENT

I truly thank God for the knowledge and strength He gave me to accomplish this work successfully and for the wealth of my family and friends. My sincere appreciation goes to my supervisor Dr. K.B. Kirabo Joseph for guidance and patience up to this stage of submitting the research proposal.

LIST OF ACRONYMS / ABBREVIATIONS

SACCOs	:	Savings and Credit Cooperatives
AIS	:	Accounting Information System
ISA UK	:	International Standards of Accounting United Kingdom
IT	:	Information Technology
KTMF	:	Kasanda Tropical Micro Finance
CAS	:	Computerized Accounting Systems
TAM	:	Technology Acceptance Model
IDT	:	Innovation Diffusion Theory
UTAUT	:	Unified Technology Acceptance User Theory

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ABSTRACT

The Study was driven by the general objective (purpose) to find out the effect of accounting information system on financial performance of SACCOs in Kasanda Sub County, Mubende District.

The study was guided by the following objectives; to find out the components of accounting information system, effect of accounting information system on financial performance of SACCOs and establish the qualities effective accounting information system in SACCOs

The study covered Kasanda Sub County Mubende district and it was conducted only on accounting information system and financial performance of SACCOs.

The study was both descriptive and explanatory in nature based on the data collected. Both qualitative and quantitative data was collected and used to find out the effect of accounting information system on financial performance of SACCOs.

The population of the study was 58 people whereas the sample size was obtained as 50 by the help of Sloven's formula $n = \frac{N}{1 + N(e)^2}$.

Purposive method was used while selecting respondents. Data collected was presented, analyzed and interpreted with the help of micro soft word and Ms excel packages.

The effect of accounting information system was found to be relatively favorable (positive) where accounting information system has defined qualities such as timeliness, accuracy, cost effective and high output as well appropriate components such as qualified staff, control and checks, process and procedures and right technology.

Recommendations were made for instance, to employee qualified and experienced staff who may carryout proper forecasts, plans, and implementation and make necessary corrections to meet SACCO objectives. Installation of a full computerized accounting information system to mitigate problems of manual accounting systems proper segregation of responsibilities to prevent individuals from sealing illegal acts such as frauds.

Lastly but not least possible future research areas were highlighted by this study.

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.0 Introduction

This research paper pursues the concept of accounting information system and financial performance of Savings and Credit Cooperatives (SACCOs). First and foremost, whereas accounting itself refers to the process of identifying, measuring and communicating economic information to permit informed and rational decisions, Omonuk (2009). Predicated on the going concept, accounting is the scheme and art of collecting, classifying, summarizing and communicating data of financial nature required to make economic decisions (Curtis, 1995). Accounting information is an ingredient in most, if not all, financial managerial decisions. In developed economies, these decisions are worth billions of dollars each year. In some cases, the decisions are lacking in quality (Curtis, 1995). Consequently, if researches can improve decision making through improved information, society will benefit.

Therefore, this paper seeks to find out the effect of accounting information system on financial performance of SACCOs.

In pursuit of the topic mentioned above, this chapter brings forth the introduction to the research paper as it tackles the background of the study, the statement of the problem, purpose of the study, study objectives, research questions, the scope of the study in terms of geography, content/variables and time, conceptual framework and eventually the significance of the study.

1.1 Back ground of the Study

1.1.1 Historical Perspective

The savings and credit cooperative history started way back in 1938. At independence, only three SACCOs were registered. The savings and credit cooperative business embraced today arose in Bangladesh in 1976 with the founding of the Grameen Bank. It became popular in the 1980's as a response of doubts and research in the state delivery of subsidized credit to poor farmers.

According to ledger Wood (1998), prior to the 1980's Government agencies were the predominant vehicles for providing productive credit to those with no previous access to credit facilities. In Rwanda the health of the financial sector had been impaired by the political and social factors Gatete (2000) and this indicates that the trouble of the 1970's and early 1980's produced a severe contraction of Rwanda's monetary economy, a decline in financial intermediaries and loss of financial depth. In order to address the weaknesses in the economy and financial sector, the government of Uganda embarked upon an economic recovery program to put in place conditions to improve the incentive structure and business climate so as to promote saving mobilization and investment.

Gatete (1999) indicates that the National Bank of Rwanda developed a policy on SACCOS in the country where by the majority of the poor were put in safe and sound way. Rwanda like any other Sub-Saharan country, the formal financial position is under developed, small and in financial super structure to mobilize financial resources for economic development. Given that SACCOS in Rwanda have more to lose in case of default lending should be made available with minimum risk. This is in the line with Vogel's (1996) observation that it is the lender not the borrower who causes or prevents high level of delinquency in credit programs. According to Kabuga (1987) the colonial administration arranged that the natives were to specialize in the production of export crops while the Europeans and their Indian allies were to concentrate on the processing and marketing of cash crops. The Africans had been denied opportunity to process, market and export as aliens reaped most of the rewards.

Apparently, financial information recording is the one of the earliest known methods of record maintenance and can be traced back to thousands of years (Gijssels & Devetere, 2007). Despite this monetary information has long presented challenges, predominantly since the introduction of money. The current financial management stems back to the 15th century when the accounting system in use today of double entry was codified by Luca Pacioli (Schroy, 2010). Comprehensive accounting and monetary management are grounded on principles which include;

Financial management information systems are not a new phenomenon. On the contrary, the recording of financial information is the oldest known form of record keeping, dating back thousands of years. Yet financial information has long presented problems, particularly since

the invention of money. Governments in developing countries are increasingly exploring methods and systems to modernize and improve public financial management.

1.1.2 Theoretical Perspective.

The study utilized many theories that have been developed to study the issue of adoption of Computerized Accounting Systems (CAS) as an Information Technology (IT) which include, (Davis, 1989) the technology acceptance model (TAM) Roger's (1995) Diffusion of Innovation (DoI) or Innovation Diffusion Theory (IDT) and the unified technology acceptance user theory (UTAUT) (Venkatesh, et al 2003). These theories are later explained in the literature review.

1.1.3 Conceptual Perspective

The independent variable is accounting information system which is conceptualized as people (professionals), process and procedures, technology (devices) and controls whereas the dependent variable is financial performance conceptualized as Goal attainment, quality of financial reports and profitability/ surplus.

1.1.4 The Contextual Perspective

The study was conducted in Kasanda Sub – County Mubende District. The main economic activities include; majority trading businesses and companies dealing in retail businesses, wholesale, and production and there is concentration of small scale businesses. Due to these economic activities a number of traders and farmers have embrace taking loans and savings in SACCOs. This study therefore focused on the accounting information system and financial performance of SACCOs in Kasanda Sub – County in Mubende District.

1.2 Statement of the Problem

Saving and Credit Cooperatives (SACCOs) day by day hire accountants to help them carry out the mathematical requirements of accounting and balancing of books. Before the introduction of information technology into accounting, these accounting protocols were being performed manually. However, today many accountants and non-accountants like to use computer software to perform these duties, (Osmond, 2011).

Banks use accounting information technology systems to record, report and analyse their financial information and in doing this, they often generate several pieces of financial

information from business transactions, and compile this information into general ledgers and journals, (Osmond, 2011). SACCOs use both manual and computerised accounting information process books of accounts are prepared and though most transactions involve electronic process direct banking by customers or transfers through banks for financial data.

Accounting information system being an asset of methods, people, procedures and process, controls and devices regularly used to process business transactions, Hermanson et al, (1987), information is therefore much more useful when it is conveyed through a proper reporting system which gives it good qualities such as accuracy and reliability among others.

There is advancing technology which requires regular changes in methods of communicating financial information (financial reporting) by SACCOs. Most think that an effective accounting system for SACCOs must be computerised, this research study is yet to establish qualities of and effective accounting information system (whether computerised or not) that can positively affect financial performance of SACCOs.

1.3 Purpose of the Study

The study was purposely to find out the effect of accounting information system on financial performance of SACCOs.

1.4 Objectives of the Study.

- i) To determine the components of accounting information system.
- ii) To find out the effect of accounting information system on financial performance of SACCOs.
- iii) To establish the qualities effective accounting information system in SACCOs

1.5 Research Questions

- i) What are the components of accounting information system?
- ii) What is the effect of effective accounting information system on performance of SACCOs?
- iii) What are the qualities of effective accounting information system in SACCOs?

1.6 Scope

1.6.1 Geographical Scope

The study covered Kasanda Sub County Mubende District. Kasanda Sub County is found in Mubende District, it borders Nyanzi Sub County in the south, Manyo Gaseka in the North, Kalwana in the East and Kitumbi in the West. Kasanda Tropical Micro Finance (KTMF) is the well-known SACCO in this area thus the study was centred here since it was convenient to the researcher.

1.6.2 Time Scope

The study took four months that is March to July 2016. This time was enough for the researcher to complete the study

1.6.3 Subject Scope

The study basically involved accounting information system and financial performance of SACCOs as the major variables (independent and dependent) respectively.

1.7 Significance

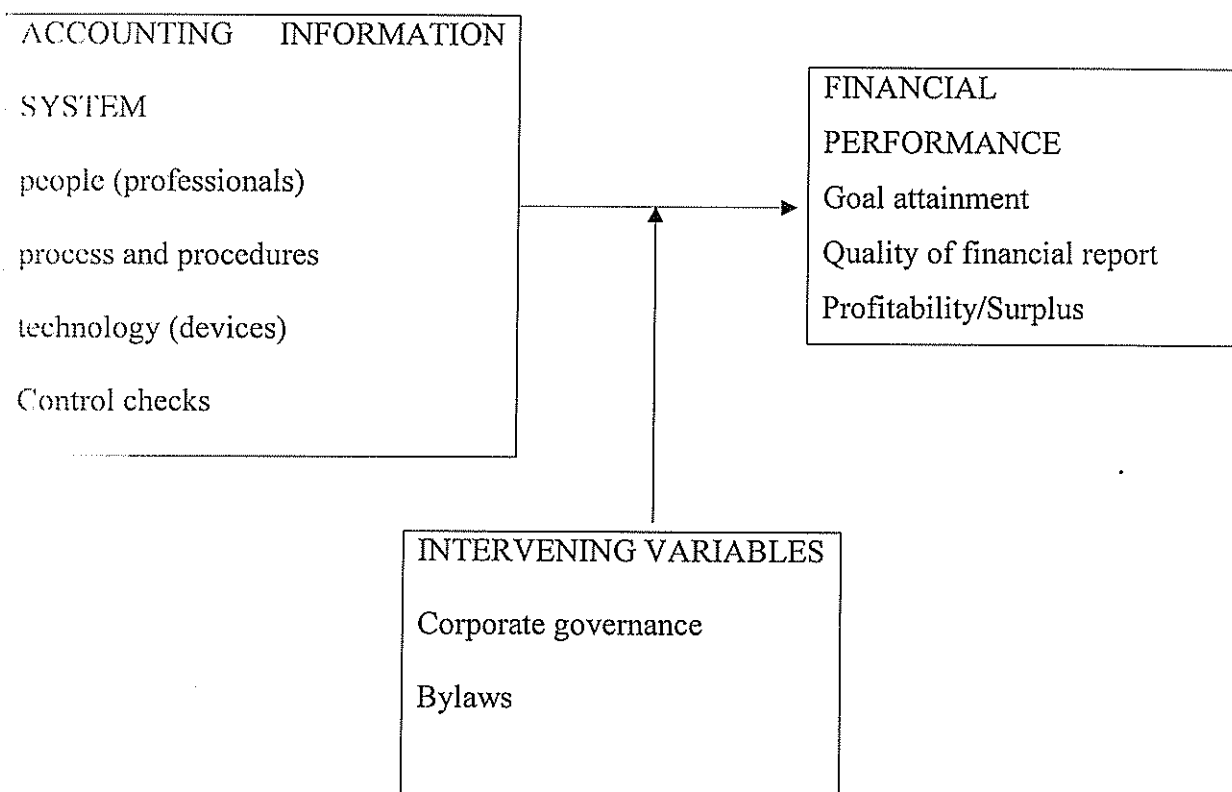
This research paper is of a prime benefit to the management and staff of SACCOs in Uganda and Kasanda Sub-County Mubende District in particular, since it will enable them identify and understand the uses, effect and qualities of effective accounting information system.

The study is also of a great benefit to the students who will be able to access this information that will guide them in research and equip them with knowledge as far as and accounting information system and SACCOs are concerned.

The study will help the researcher to graduate.

1.8 Conceptual frame work

INDEPENDENT VARIABLE DEPENDENT VARIABLE



Source: Adopted from Chinweike (2012) and modified by the researcher

Figure 1: Conceptual Frame Work

Financial performance of SACCOs is considered to be a functional outcome of accounting information system (people, controls and checks, processes and procedures, and technology or devices). These components can cause both positive and negative environments for financial performance of SACCOs in terms of level of revenues, cost per unit, quality of financial reports and profitability (surplus). However, in other instances, accounting information system is influenced by corporate governance and Bylaws (Government Policy), which also cause either positive performance or negative performance of SACCO.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses and reviews similar or related researches and literature published by other authors' articles, books, journals, reports and previous dissertations related to the topic in question and its variables in order to give an insight into the study as well as expressing the need for this study.

2.1 Accounting

As many professional accountants and auditors state - accounting is a language of business which is accepted in all developed and developing countries, but what exactly is accounting? Well, accounting has been defined by many authors in various ways. According to Osmond, (2011), accounting is the way business owners manage their company's financial information in orders to make better decision regarding their companies. Meigs & Meigs (1986) also defines accounting as the art of measuring, communicating and interpreting financial activities. I do agree with both authors since the meaning derived out of their ideas are similar and state the actual art behind accounting.

Sacco (2008) defines accounting as a process through which financial information is recorded, organized, summarized, analyzed, interpreted, and communicated. This implies that accounting is concerned with the design of an organization's record keeping system, the preparation of financial documents, analysis and interpretation of financial documents. This refers to a well-structured medium of gathering, processing, sending and receiving of both financial and non-financial business information to the users of accounting information. An important business factor that every manager has come to understand is accounting information system (AIS) (Chinweike 2012). There is a misconception that an accounting system must be computerised. Well if you have been in that class of people who think that AIS must be computerised, I am not here to rubbish your idea but to point out a fact that you have been missing.

Defining a system may be a better way to convince you; a system is an organised setting that comprises of components in a harmonious way in order to ensure that a stated objective

(Mission) is met and possibly surpassed. Although in this modern age and time, all accounting and information system ought to be fully automated and computerised that still does not mean AIS must be computerised at least, to accommodate the non-quantifiable strategic elements of AIS (Chinweike, 2012).

2.2 History of Accounting

Osmond, (2011), states that; Accounting is several centuries old and that Luca Pacioli, an Italian friar from San Sepulcro, is the father of accounting. Pacioli is credited with developing the double entry bookkeeping system in 1494 using debits and credits to manage a company's financial information. His system included ledgers and journals where financial information was kept relating to business transactions. Pacioli's accounting system is still in use today, even by the various computerized accounting programs in the industry.

2.3 Theories that explains accounting information system adaptability

2.3.1 Technology Acceptance Model

The Technology Acceptance Model (TAM) is an information systems theory that models how users come to accept and use a technology. The model suggests that when users are presented with a new technology, two specific factors influence their decision about how and when they will use it. The two factors are; perceived usefulness (PU), and perceived ease-of-use (PEOU) (Davis, 1989). TAM has proven to be a useful theoretical model in helping to understand and explain use behavior in the information system implementation. It has been tested in many empirical researches and the tools used with the model have proven to be of quality and to yield statistically reliable results.

However, parsimony has been one of TAM's strengths but also major weakness as it has limited use in explaining users' behavior. As a result of the shortcomings, many authors have extended TAM with additional constructs. Mbogo (2010) for instance, employed TAM and extended it to include other factors such as perceived ease of accessibility, perceived low cost, perceived security, perceived convenience, perceived satisfaction and perceived support to investigate the success factors attributable to use of CAS.

Tobbin (2011) modeled adaptation of CAS expanding TAM and DoI to investigate the consumer behavior towards CAS adaptation in Ghana. Similarly, Bosire (2012) adapted DoI alongside TAM to explain factors which contributed to success of adaptation of new

technologies. Similarly, Odia (2012) applied TAM with additional factors such as perceived trust, security, and perceived convenience.

2.3.2 Diffusion of Innovation Theory

Another theory that has been used to describe acceptance of information systems is Rogers' (1983) Diffusion of Innovation (DoI) or the Innovation Diffusion Theory (IDT). Innovation is defined as an idea, practice or object (Rogers, 1995). DoI includes five significant innovation characteristics: relative advantage, compatibility, complexity, trial ability and observe ability. Relative advantage is defined as the degree to which the innovation is considered as being better than the existing method of performing the same task. It is suggested in the theory that relative advantage has a positive influence on behavior intention.

Compatibility is defined as the degree to which adopting the innovation is compatible with what people do, existing values, experiences, and needs. Complexity is defined as the degree to which an innovation is perceived as relatively difficult to understand and use.

Trial ability is defined as the degree to which an innovation may be experimented with on a limited basis before making an adoption (or 11 rejections) decision and Observability is defined as the degree to which the results of an innovation are visible to others (Rogers, 1995).

2.3.3 Unified Technology Acceptance user Theory

The Unified Technology Acceptance user theory (UTAUT) proposed by (Venkatesh et al., 2003) was developed through a review and consolidation of eight IT adaptation theories: TAM, the motivational model, theory of reasoned action, theory of planned behavior / technology acceptance model, model of PC utilization, innovation diffusion theory, and social cognitive theory (Venkatesh et al, 2003).

The UTAUT aims to explain user intentions to use an IS and subsequent usage behavior. The theory suggests that four key constructs (performance expectancy ; refers to the extent to which an individual believes that using a system will help him or her achieve better results on the task; effort expectancy: refers to the extent of the ease associated with the use of the system (Vankatesh et al, 2003). Gender, age, experience, and voluntariness of use are posited

to mediate the impact of the four key constructs usage intention and behavior (Vankatesh et al, 2003). However, UTAUT is not perfect.

2.4 Accounting information system and its uses

This refers to a well-structured medium of gathering, processing, sending and receiving of both financial and non-financial business information to the users of accounting information. An important business factor that every manager has come to understand is accounting information system (AIS) Chinweike 2012). There is a misconception that an accounting system must be computerised. Well if you have been in that class of people who think that AIS must be computerised, I am not here to rubbish your idea but to point out a fact that you have been missing.

Defining a system may be a better way to convince you; a system is an organised setting hat comprises of components in a harmonious way in order to ensure that a stated objective (Mission) is met and possibly surpassed. Although in this modern age and time, all accounting and information system ought to be fully automated and computerised that still does not mean AIS must be computerised at least, to accommodate the non-quantifiable strategic elements of AIS (Chinweike, 2012).

There is a need to know more about computerised accounting system! Computerized accounting is defined by Alan & Frankwood (2005) as a total suit of components that together comprises all inputs, storage, transactions, processing, collecting and reporting of financial transaction data. Individuals and companies both big and small manage their money and assets one way or another. They hire accountants to help them carry out the mathematical requirements of accounting and balancing their books.

Before the introduction of information technology into accounting, these accounting protocols were performed manually. Today many accountants and non-accountants like to use computer software to perform these duties.

According to Thomas and Evanson, 1987, accounting information system is used to produce the information that is usually portrayed in financial statement such as cash flows, balance sheet and income statement. This shows that accounting information is vital in decision making as it provide useful information for making new decision after detecting errors from the previous financial report.

According to (Kothari,2004), management uses accounting information in handling investment decision, bankers depend on accounting information in lending out loan after assessing the risk, business owners uses to value their merchandise and accounting information is also useful in performance appraisal of the business after achieving high turnover as compared to the previous financial period. Accounting information is used to bridge the gap between anticipated target revenue and actual target revenue. It also measures the performance and evaluates the position of enterprises in terms of liquidity leverage and profitability. This can improve small scale enterprises performance especially in financial and economic decision of the business in a foreseeable future (Naruanard, 2003).

2.5 Accounting information system (manual vas computerised)

Accounting is an important part of every company. SACCOs are required to keep books on their credits and debits (Weber, 2011) emphasizes that every organisation applies accounting because it is generally accepted that they have to reveal certain financial and management information to the government and public users and of course because accounting is an indispensable tool in decision-making process, it has led to the development of information technologies and many computer products (software in terms of accounting packages) that make accounting as easy as ABC for those who use them. From this point accounting information system can be divided into two basic categories: those which apply manual accounting and those which prefer computerized accounting systems.

Whereas computerized accounting has been defined by Alan & Frank (2005) as a total suit of components that together comprises all inputs, storage, transactions, processing, collecting and reporting of financial transaction data, manual accounting on the other hand implies that employees perform the whole accounting cycle manually on a periodic basis: they calculate trial balances, journalize transactions, prepare financial statement reports and other routines.

Whether manual or computerized, accounting in itself is known to have a cycle that includes the following steps: journalizing the transactions, posting them to ledger accounts, preparing trial balance, making adjustment entries, preparing adjusted to end-of-period trial balance, preparing financial statements and appropriate disclosures, journalizing and posting the closing entries, and preparing after-closing trial balance at last, (Weber, 2011).

From the first look, it is not very difficult and it is so indeed, but when there are thousands or millions of transactions to be handled, the situation dramatically changes. Lots of transactions

that must be processed in the accounting cycle make this process routine and even a little mistake or inaccuracy can cause all the cycle from the very beginning to fail which will therefore require an extra effort to find and correct the mistake. Manual accounting uses several paper ledgers and journals where accountants record financial information. The general ledger includes miscellaneous transactions and the aggregate balance of all subsidiary ledgers and journals. Whereas Manual accounting is very detailed, since accountants must carefully enter information into physical books, Computerized accounting uses software programs designed from traditional manual accounting systems and involves the use of computers, spread sheets and programs designed to record and report financial information electronically, (Osmond, 2011).

2.6 Components of effective accounting information system

People (Professionals). According to Armstrong (1999) says that managers can contribute to enhancing the performance of companies by: Deploying professionals to develop and communicate an ethic policy and field the response to it, holding training sessions to help people think through the issues and monitory policy. Second is by contributing to the formation of company strategy especially through touching on mission and values. Lastly by setting an example through professional conduct, on issues such as fairness, equal treatment and confidentiality. Policy statements and codes of conduct can also be used to communicate the entity's values and behavioural standards to personnel and by example. (ISA UK and Ireland 315).

SACCO's control consciousness is influenced significantly by those charged with governance. Attributes of those charged with governance include independence from extent of their involvement and scrutiny of activities, the management, their experience and stature, the appropriateness of their actions, the information they receive, the degree to which difficult questions are raised and pursued with management, and their interaction with internal and external auditors. The importance of responsibilities of those charged with governance is recognized in codes of practice and other regulations or guidance produced for the benefit of those charged with governance. Other responsibilities of those charged with governance include oversight of the design and effective operation of whistle blower procedures and the process for reviewing the effectiveness of the entity's internal control (ISA UK and Ireland 315).

Asoke (2005) underscored the importance of segregation of duties that the likelihood of fraud and the theft, which may reduce organizational performance, is reduced if it becomes necessary to collude with others to accomplish an offence. For example, a person selling seats to a movie may be tempted to pocket some money received from customers who enter the theatre. This temptation is realized if the person staffing the box office is required to issue tickets that are then collected by a different employee as people come into the theatre. Manassch (2004) also noted that segregation of duties reduces the risk of fraud and error and manipulation in the business thus increasing efficiency in the company's operations and improving performance.

Plans of SACCOs should describe proper separation of functional responsibilities. Authorizing transactions and running a department should not be the responsibility of one person. Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of the person's duties. Examples of segregation of duties include reporting, reviewing and approving reconciliations, and approval and control of documents. Certain control activities may depend on the existence of appropriate higher level policies established by management of the SACCO or those charged with governance. SACCOs that have only a few employees, however, may be able to assign their responsibilities to achieve appropriate segregation or, if that is not possible, use management oversight of the incompatible activities to achieve control objectives (ISA UK and Ireland 315).

In addition, people understand policies and communications necessary for SACCO's objectives, and know how their individual actions interrelate and contribute to those objectives, and recognize how and for what they will be held accountable.

2.6.1 Process and Procedures

An entity's risk assessment process is its process for identifying and responding to economic risks and the results thereof. For financial reporting purposes, the SACCO's risk assessment process includes how management identifies risks relevant to the preparation of financial statements that give a true and fair view (or are presented fairly, in all material respects) in accordance with the SACCO's applicable financial reporting framework, estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to manage

them. For example, the SACCO's risk assessment process may address how the entity considers the possibility of unrecorded transactions or identifies and analyses significant estimates recorded in the financial statements (KASNEB, 2011). Risks relevant to reliable financial reporting also relate to specific events or transactions.

Shah (2011) asserts that one would incur more risk if he decides to invest in shares rather than Government bonds. However he asserts that risk and expected return move in tandem; the greater the risk the greater the expected return. Chandra (2002) note that Risk is everywhere and surrounds our personal activities or professional lives. Though it is difficult to eliminate completely, one can minimize risk by employing risk assessment techniques in his personal and professional capacity. Richie (1989) indicates that data protection is a must, appropriate security measure, shall be taken against unauthorized access or alteration, disclosure or destruction of personal data against accidental loss or destruction. Management may be aware of risks related to these objectives without the use of a formal process but through direct personal involvement with employees and SACCO members.

2.6.2 Technology (devices)

It includes the related business processes, relevant to financial reporting and communication. An information system consists of infrastructure (physical and hardware components), software, people, procedures, and data. Infrastructure and software have less significance, in systems that are exclusively or primarily manual. Many information systems make extensive use of information technology (IT). IT as defined by Williams et al (1999) is technology that merges computing with high speed communications links carrying data, sound and video.

Accordingly, an information system encompasses methods and records that: Identify and record all valid transactions. Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting. Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements. Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period. Present properly the transactions and related disclosures in the financial statements. (Williams, (1999) stresses that protection of information system entails; control of access, audit controls that track that track servers and programs, and people controls (check resumes to confirm training and separate employee functions, input controls, and output controls).

2.6.3 Control and Checks Activities.

Control activities are the policies and procedures that help ensure that management directives are carried out, for example, that necessary actions are taken to address risks that threaten the achievement of the SACCO's objectives. Control activities, whether within IT or manual system, have various objectives and are applied at various organizational and functional levels. Generally, control activities that are relevant to an audit may be categorized as policies and procedures that pertain to the following: Performance reviews; These control activities include reviews and analyses of actual performance versus budgets, forecasts, and prior period performance; relating different sets of data, operating or financial to one another, together with analysis of the relationships and investigative and corrective actions; comparing internal data with external sources of information; and review of functional or activity performance, such as a SACCO's consumer loan manager's review of reports by branch, region, and loan type for loan approvals and collections (ISA 315).

Information controls; a variety of controls are performed to check accuracy, completeness, and authorization of transactions. The two broad groupings of information systems control activities are application controls and general IT-controls. Application controls apply to the processing of individual applications. These controls help ensure that transactions occurred, are authorized, and are completely and accurately recorded and processed. Examples of application controls include checking the arithmetical accuracy of records, maintaining accounts, reviewing accounts and trial checks, and manual follow-up of exception reports. This control helps enhance organizational performance since wastages that accrue from inaccuracy are prevented or discovered if any. General IT- balances, automated controls such as edit checks of input data and numerical sequence controls are policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. General IT-controls commonly include controls over data centre and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance (ISA 315).

These controls apply to mainframe, mini frame, and end-user environments. Examples of such general IT- controls are program change controls, controls that restrict access to programs or data, controls over the implementation of new releases of packaged software applications, and controls over system software that restrict access to or monitor the use of

system utilities that could change financial data or records without leaving an audit trail. The general IT controls enhance the security of both software and hardware thus safeguarding information and thus preventing the losses that accompany loss of information; it also guarantees the safety of confidential records. Therefore competitors and rivals cannot access this information. (William, 1999) elaborates threats to computers and communication systems as; Errors and accidents, natural and other hazards, crime against computers and communication, worms and viruses and computer criminals.

Physical/Monitoring Controls; these activities encompass the physical security of assets, including adequate safeguards such as secured facilities over access to assets and records; authorization for access to computer programs and data files; and periodic counting and comparison with amounts shown on control records. Losses may occur if for example there is no comparing of the results of cash, security and inventory counts with accounting records. Frauds are discovered in these controls and hence improving the organizational performance. The extent to which physical controls intended to prevent theft of assets are relevant to the reliability of financial statement preparation, and therefore the audit, depends on circumstances such as when assets are highly susceptible to misappropriation. For example, these controls would ordinarily not be relevant when any inventory losses would be detected pursuant to periodic physical inspection and recorded in the financial statements. However, if for financial reporting purposes management relies solely on perpetual inventory records, the physical security controls would be relevant to the audit. Stealing of assets as commented on by Williams et al (1999) can range from shoplifting an accessory, diskettes and software from a store to taking a whole large asset. This when prevented enhances organizational performance.

2.7 Qualities of an effective Accounting information system in SACCOs

Because we understand that accounting information system may either fully or partly computerised, it is important to highlight qualities in comparison of manual and computerised accounting systems as explained by various scholars here under;

Time: Paper works are involved in manual accounting; all the accounting activities are carried out on paper manually and obviously, it takes much time and resources for the average business organization and most especially, a financial institution that still uses the manual system. Computerized accounting saves a lot of time where in, the employee has to

record the transactions and all the other calculations would be carried out by the software either automatically or by a request (Magdalene, 2010).

Accuracy: accounting information system should not be only speedy but also accurate. With a computer being used to collect data and change it into meaningful information that is used by management to make timely and effective decisions, the computer carries out the entire data processing through classifying, sorting, calculating, arising the data and production of reports, as stated by Birungi (2000). This entire process helps to minimize the risk of miscalculations and other human errors that could have emerged as a result of manual data processing.

Security: With the manual accounting system, every record is on paper and in case of any uncertainties such as heavy floods, landslides and fire outbreaks, the useful data may all be lost, and yet with the computerized accounting system and the introduction of internet and networks in the information technology world, an easy backup and restoration system as well as the use of passwords to avoid unauthorized parties from accessing the data, keeps the information secure.

Cost; Some arguments may stress that manual accounting can be handled with cheap work force and resources and that it is reliable as it is done manually with minutes of observations (Magdalene, 2010). However, the level of competition in the business world of today is tight and even growing tighter day by day and if a business with an aim of being successful does not consider the aspect of time especially as far as decision making is concerned, then that business stands to lose. Computerized accounting in this case may be more costly than manual accounting in terms of cheap work force but its output actually overweighs its cost.

Level of output: Magdalene M, (2010) also argues that computerized accounting can actually handle thousands of calculations simultaneously and accurately as compared to manual accounting where by transactions are handled one at a time and even needs much time to do that as well as being characterized by human errors and mistakes in calculations which may eventually affect the final output of information and hinder effective decision making.

2.8 Financial Performance of SACCOs

Financial performance of SACCOs can be gauged via the degree of attainment of their organizational objectives like meeting both short-term and long-term objectives as and

whenever they fall due. The scarce resources of the organization are not supposed to be pumped into white elephants. Optimal resource utilization should ensure maximum output in the projects named in the organizational objectives. SACCOs cannot afford to waste their limited financial and skilled man power resources on unproductive ideas. Investment projects must be chosen not only on the basis of partial productivity of overall development program which takes account of external economics indirect repercussion and long term objectives. Professionalism must be utilized where its contribution will be widely felt. Economic planning is assumed to help modify the restraining influence of limited resources by recognizing the existence of a particular constraint and by choosing and coordinating investment projects so as to channel the scarce resources into their most productive outlets (Gupta, 1999). However, financial performance of SACCOs in this study will be gauged by profitability/surplus, cost per unit and level of revenues and quality of financial report.

2.8.1 Profit/Surplus

SACCOs are supposed to strive for excess of assets over liabilities. Excellent financial performance will thus be seen in the view of loans advanced to members and loan returns optimal resource utilization also is a boost to the SACCO's sustainability. Thus they are supposed to have excess of assets over liabilities so as to remain viable. Income from members (savings and membership fees and interest income), and other funding are not enough sources of funds for SACCOs thus the need for proper accounting information system. SACCOs in their bid to sort for funds for development should not engage in too much borrowing that can course financial distress to the companies.

2.8.2 Financial reports

This is a control dimension that ensures that users of financial information, who include all the stake holders, get an accurate and reliable summary which communicates the firm's financial affairs (Pandey, 2002). Financial reports should secure as far as possible the accuracy and completeness of the company's records, to detect and prevent errors and frauds and to ensure the safety and adequacy of the accounting system for availability of true and fair view financial statements (Ajowi, 2005).

2.8.3 Goal Attainment

Among all SACCO's stake-holders goals have a major goal of maximizing their wealth (Pandey, 2002). Efficiency is optimal usage of organizational resources and minimization of

wastage. Millichamp (2002) stresses that the objectives of the accounting system run through all areas of activity usually found in an organisation's business. These include areas like cash and Cheques received by post, cash and sales collection, payment into a bank, cash and bank balances, stock and work in progress, wages and salaries, purchases and creditors and sales and debtors.

2.8.4 Quality of Financial Reports

According to the Babylon dictionary (1997), financial reporting is the process of preparing and distributing financial information to users of such information in various forms. Emphasis is made that the most common format of formal financial reporting are financial statements, which are actually prepared in accordance with rigorously applied standards defined by professional accounting bodies developed according to the legal and professional framework of a specific locale.

A financial statement also known as a financial report is a formal record of the financial activities of a business, person, or other entity, (Babylon dictionary 1997). A financial statement also often referred to as an "account"; expression of one's responsibility over a particular activity.

Financial reporting is largely an effort to assess financial performance, that is, how well or how poorly an entity performed with money entrusted to it, (Sacco 1998). Financial decisions include raising and spending money as well as making promises that have financial consequences. Financial reporting is considered a part of accountability for financial decisions. Exactly, the quality of financial reporting depends upon how the financial data is handled right from the point of data collection to the processing stage that leads to the production of meaningful financial information in terms of reports. As noted by (Sacco 1998) two major models are considered in this context, manual or computerized accounting. With either system, many types of financial reports can be generated but a considerable amount of attention is given to the system that generates financial reports with the stated qualities below:

Understandable: Naturally the information produced must be understandable. A guideline is to provide information that people, who are willing to understand it, can understand it: professionals or non-professionals. As a business owner, you have to think of the different accounting backgrounds of the different types of people who will be reading your reports and

match that accordingly Marquez Comelab. Information can only be useful to end users if they are able to understand it.

Relevant & Material: Relevance is the capacity of information to make a difference in a decision. It is important to report and disclose information that is relevant for anyone to make a decision. Accounting information must also deal with things that are significant enough to impact decisions that are made by those who use the financial reports (Marquez, 2011). Since financial statements are for users to make economic decisions, the information must be relevant to the decisions that those users have to make. . Whether the information affects the economic decisions of users (materiality) and the nature of information affect relevance as well. Materiality is one of the assumptions used in financial reporting that contributes to relevance (Derrell, 2010).

Reliable: also agree with Frank and Alan (1999) that reliability is regarded as one of the main qualities. People must be able to depend on the figures and the facts printed on your financial statements and to make sure that they are true. It must be verifiable. Free from error. E.g. you can always look at a receipt to verify the amount of an expense. As you already know, when you get audited, you must verify all transactions that occurred in your business.

Comparable & Consistent: Furthermore, comparability relates to the ability of information to be compared with those of other similar companies, without comparability the accounts would be of little use Frank and Alan (1999). General Accepted Accounting Principles (GAAP) allow for certain choices of different accounting methods for depreciation and inventory management. If a financial statement from one company that was prepared differently from other companies in the industry, or even prepared differently from previous statements, it is likely that the users will not be able to compare the statements among companies and over time. Comparability adds a degree of transparency to financial statements by allowing comparisons over time and among entities. Comparability is affected by consistency of presentation and disclosure of accounting policies-particularly when comparing items among entities that might use different (but equally valid) methods like straight-line/ reducing balance depreciation or FIFO/ average cost method. This indicates that comparable financial statements are not necessarily uniform, but merely allow suitable comparisons (Derrell, 2010).

Objectivity: Information which is free from bias will increase reliance the users place on it (Frank and Alan, 1999). The information should meet all the proper user needs and be neutral in that the perception of measures should not be biased towards the interest of any one user group. The accounts should always show a true and fair view of financial statements.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter brings forward the methodology of the study and in doing this, the discussion here under majorly involves the study design, area of study, the population studied, sample size and the selection method, the data collection tools or methods, way of data management, data processing and data analysis. The researcher also points out some of the challenges or limitations that may come up during the study process.

3.1 Study Design

The researcher used qualitative and quantitative research tools based on the findings of the questionnaires and interview guides that were used to gather the necessary data.

3.2 Area of Study

Study was carried out in Kasanda Sub-County Mubende District and it captured well known SACCOs like Kasanda tropical Micro finance.

3.3 Population Study

This encompassed the accounting staff/tellers, support staff and managers of SACCOs in the case study who actually recorded and even used the same information generated as a result of accounting information system. The population study involved 58 people.

3.4 Sample Selection and Size

Sloven's formula was used by the researcher to obtain the sample size. $n = \frac{N}{1 + N(e)^2}$

Where n = sample size to be obtained

N = population to be studied

e = possible error, $n = ?$ $e = 0.05$ $N = 58$ $n = \frac{58}{1 + 58(0.05)^2}$ $n = \frac{58}{1.175}$ $n = 50.65$

Thus the sample size was 50 respondents.

3.5 Sampling Method

Purposive sampling was used where different categories of individual were requested to answer questionnaires given and administered by the researcher to save time.

3.6 Research Instruments for Data Collection

A Self-administered questionnaire was used by the researcher to gather data from the respondents so as to keep time. This instrument was close ended plus interview guide or group discussion. Questionnaire and interviews were desirable for this researcher because they saved time and favoured the researcher in getting relative data (information) from respondents.

3.7 Measurement of Variables

The independent variable is the accounting information system whereas the dependent variable is performance of SACCOs.

3.7.1 Accounting Information System

The components based on the research study objectives and questions, data availability and the underlying conceptual framework, a close look at the qualities of an effective Accounting information carefully studied as well as its effects on SACCOs.

3.7.2 Performance of SACCOs

Performance of SACCOs was measured in terms of level borrowers, level of new members' entry and quality of financial reports.

3.8 Data Presentation, Analysis and Interpretation.

The research study used micro soft word and micro soft excel packages (frequency tables and graphs).

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESEARCH FINDINGS

4.0 Introduction

This chapter presents the findings on accounting information system and financial performance of SACCOs in Kasanda Sub County Mubende District. The findings are presented in the gist of the three objectives that the study was set to achieve;

To determine the components of accounting information system, find out the effect of accounting information system on financial performance of SACCOs and establish the qualities effective accounting information system in SACCOs

The analysis is based on the objectives of the study and the presentation and the interpretation done with the help of micro soft word and Ms excel packages.

4.1 Information about Respondents

This information includes; sex, age, title, business engaged, duration in business and the level of education.

4.1.1 Sex of respondents

Findings on the sex of the respondents were as follows;

Table 1: Sex Respondents

Sex	Frequency	Percentage
Male	36	72
Female	14	28
Total	50	100

Source: Primary source 2016

From the table above, 72% of the total respondents were males and 28% were females. This means that men involved in SACCOs more than women by 44%.

This can further be illustrated as follows

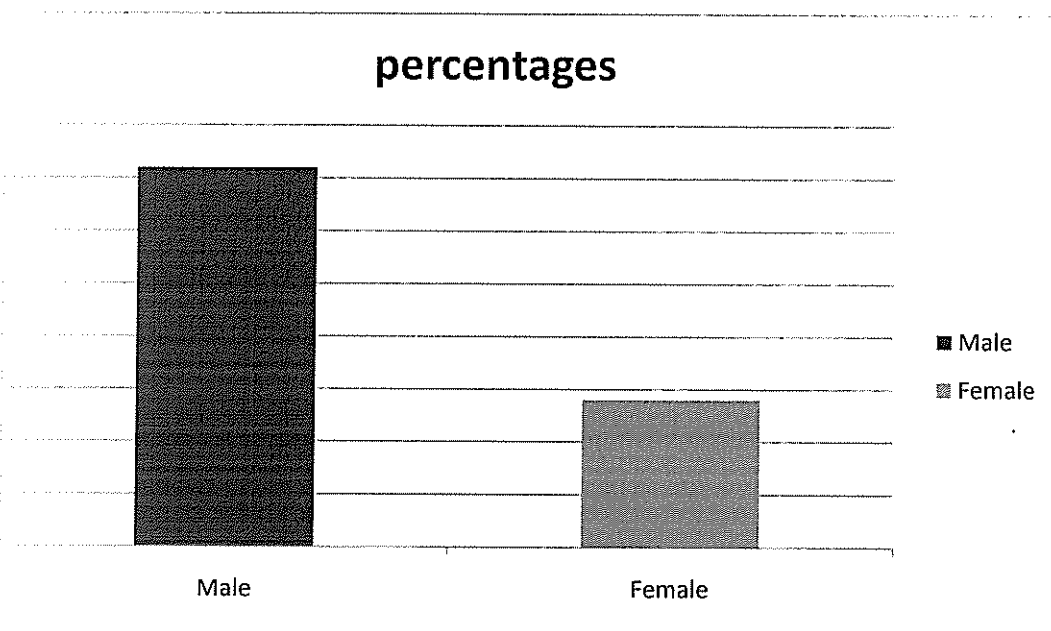


Figure 2: Showing The Sex Of Respondents

4.1.2 Age of the respondents

Findings on the age of the respondents were as follows

Table 2: Shows Age of Respondents

Age	Frequency	Percentages
20 – 24	4	8
25 – 29	8	16
30 – 34	9	18
35 – 39	11	22
40 +	18	36
Total	50	100

Source: Primary source 2016

From the table above, 8% of the respondents between 18 – 20 years, 16% were between 21 – 24 years, 18% were between 25– 29 years, 22% were between 30 – 34 years while 36% were 35 and plus years. This means that the majority of the respondents were 35 and plus years followed by those between 30 and 34 while respondents between 18 and 20 were the least.

This can further be illustrated as follows

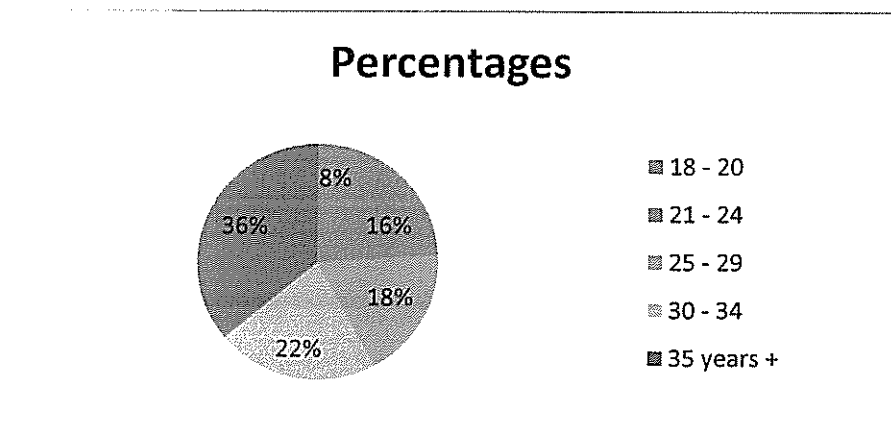


Figure 3: Showing Age of Respondents

4.1.3 Title of Respondents as SACCOs are Concerned

Findings on the title of respondents as SACCOs are concerned

Table 3: Shows Title of Respondents

Title	Frequencies	Percentages
Manager / assistant	8	16
Customer	22	44
Employee (staff)	20	40
Total	50	100

Source: Primary source 2016

From the table above, it was found that 16% of the respondents were managers or assistant managers of SACCOs, 44% were customers and 40% were employees (staff) of SACCOs. The above distribution of respondents was considered reliable to provide relevant information in the questionnaires provided to them

4.1.4 Duration respondents have in this context of SACCO in years

Findings on how long the respondent has been with the SACCO?

Table 4: Shows Duration of Respondents with The Saccos

Years	Frequency	Percentages
Below 2	4	8
2 – 5	9	18
6 – 8	14	28
9 – 11	15	30
12+	8	16
Total	50	100

Source: Primary source 2016

From the table above, it was found that 8% of the respondents had below 2 years in context of SACCOs, 18% were between 2 – 5 years, 28% were between 6 – 8 years, 30% were between 9 – 11 years, while 16% were having 11 years and plus in the context of SACCOs. This means that the majority of the respondents had been in the context of SACCOs for a period between 9 to 11 years followed by those who were between 6 to 8 years. These respondents were thus deemed to provide reliable data.

4.1.5 Response on the level of education of the respondents

Here respondents were asked about their highest level of education that is those who had completed O. Level, A. Level, Diploma, University and Others. The findings were as follows

Table 5: Shows Findings on the Level of Education

Level of education	Frequency	Percentages
O. Level	10	20
A. Level	12	24
Diploma	16	32
1st Degree	9	18
Others	3	6
Total	50	100

Source: Primary source 2016

From the table above 20 % had O. Level, 24% A. Level, 32% Diploma, 18% acquired degrees while 6% had other levels. This means that the majorities of respondents were literates and thus were able to approach questionnaires distributed to them appropriately.

4.2 Components of an effective accounting information system

To determine the components of accounting information system

Here respondents were asked respond about the components of an effective accounting information system (People / professionals, Control and checks, Processes and procedures, Technology / devices) in SACCOs.

4.2.1 Findings on people (professionals) as a component of an effective AIS

Table 6: Shows Findings on People (Professionals)

Appropriate response	Frequency	Percentages
Strongly agree	29	58
Agree	21	41
Not sure	0	0
Disagree	0	0
Strongly disagree	0	0
Total	50	100

Source: Primary source 2016

From the table above, 58% of the responds strongly agreed, 41% agreed while none disagreed. This implied that effective AIS must involve professionals (people)

4.2.2 Findings on control and checks as component of effective AIS

Table 7: Shows Findings on Control and Checks

Appropriate response	Frequency	Percentages
Strongly agree	38	76
Agree	10	20
Not sure	2	4
Disagree	0	0
Strongly disagree	0	0
Total	50	100

Source: Primary source 2016

From the above table, 76% of the respondents strongly agree, 20% agree, 4% were not sure while none disagreed on control and checks as a component of an effective AIS. This means that most of the respondents believed that an effective accounting information system involve control and check.

4.2.3 Findings on technology (devices) as component of an effective AIS

Table 8: Shows Findings Technology (Devices)

Appropriate response	Frequency	Percentages
Strongly agree	19	38
Agree	20	40
Not sure	6	12
Disagree	4	8
Strongly disagree	1	2
Total	50	100

Source: Primary source 2016

From the above table, 38% of the respondents strongly agree, 40% agree, while 12% not sure 8% disagree whereas 2% strongly disagree on technology as a component of AIS. This means that most of the respondents believed that technology (devices) is a component of EAIS.

This can also be illustrated as follows

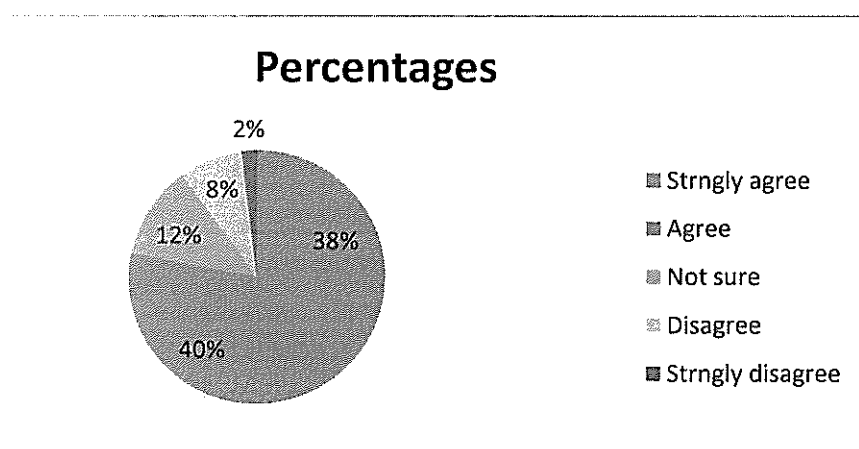


Figure 4: Showing findings on technology (devices)

4.3 Qualities an effective accounting information system in SACCOs

Here respondents were asked to respond appropriately about the qualities of EIAS (timeliness, high level of accuracy, security and high level of output)

4.3.1 Timeliness

Table 9: Shows Findings on Timeliness as a Quality of An EAIS

Appropriate response	Frequency	Percentages
Strongly agree	18	36
Agree	32	64
Not sure	0	0
Disagree	0	0
Strongly disagree	0	0
Total	50	100

Source: Primary source 2016

From the above table, 36% of the respondents strongly agree, 64% agree, while none disagreed on timeliness as the quality of an EAIS. This means that most of the respondents believed that an EAIS must be timely.

4.3.2 Findings on accuracy as the quality of an EAIS in SACCOs.

Table 10: Shows Findings on Accuracy

Appropriate response	Frequency	Percentages
Strongly agree	16	32
Agree	34	68
Not sure	0	0
Disagree	0	0
Strongly disagree	0	0
Total	50	100

Source: Primary source 2016

From the above table, 32% of the respondents strongly agree, 68% agree, while none disagreed on accuracy as the quality of an EAIS. This means that most of the respondents believe that accuracy is a quality of an EAIS in SACCOs.

This can also be illustrated as follows

Percentages

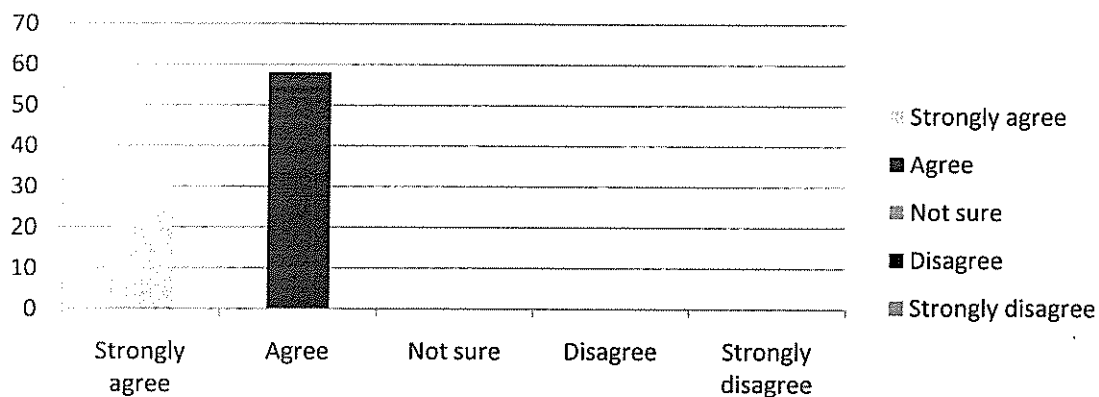


Figure 4: Findings on Accuracy

4.3.3 Security

Table 11: Shows Findings on Security as a Quality of EAIS in SACCOS

Appropriate response	Frequency	Percentages
Strongly agree	24	48
Agree	20	40
Not sure	4	8
Disagree	2	2
Strongly disagree	0	0
Total	50	100

Source: Primary source 2016

From the above table, 48% of the respondents strongly agree, 40% agree, 8% are not sure, 2% disagree while none strongly disagree on security as a quality of EAIS. This means that most of the respondents believe that security is a quality of an EAIS

4.3.4 Cost effectiveness

Table 12: Shows Findings on Cost as a Quality of EAIS in SACCOS

Appropriate response	Frequency	Percentages
Strongly agree	34	68
Agree	16	34
Not sure	0	0
Disagree	0	0
Strongly disagree	0	0
Total	50	100

Source: primary source 2016

From the above table, 68% of the respondents strongly agree, 34% agree on security as a quality of EAIS. This means that most of the respondents believe that cost effectiveness is a quality of an EAIS

4.3.5 High level of output

Table 13: Shows Findings on Output as a Quality Of EAIS in SACCOS

Appropriate response	Frequency	Percentages
Strongly agree	22	44
Agree	26	52
Not sure	2	4
Disagree	0	0
Strongly disagree	0	0
Total	50	100

Source: Primary source 2016

From the above table, 52% of the respondents strongly agree, 44% agree, 4% are not sure while none were not sure or strongly disagreed on output as a quality of EAIS. This means that most of the respondents believe that high level is a characteristic of an EAIS

4.4 Effect of accounting information system on financial performance of SACCOs

Here the effect of effect of accounting information system was measured in relation to goal attainment, quality financial reports and profitability / surplus.

4.4.1 Findings on surplus (profitability)

Table 14: Shows response on professional staff that ensures SACCOS maintain excess of asset over liabilities (surplus)

Appropriate response	Frequency	Percentages
Strongly agree	13	26
Agree	24	48
Not sure	5	10
Disagree	6	12
Strongly disagree	2	4
Total	50	100

Source: Primary source 2016

From the above table, 26% of the respondents strongly agree, 48% agree, 10% not sure 12% disagree while 4% strongly disagree. This means that most of the respondents believed that AIS professionals ensure excess of assets over liabilities.

This can also be illustrated in the bar chart as follows

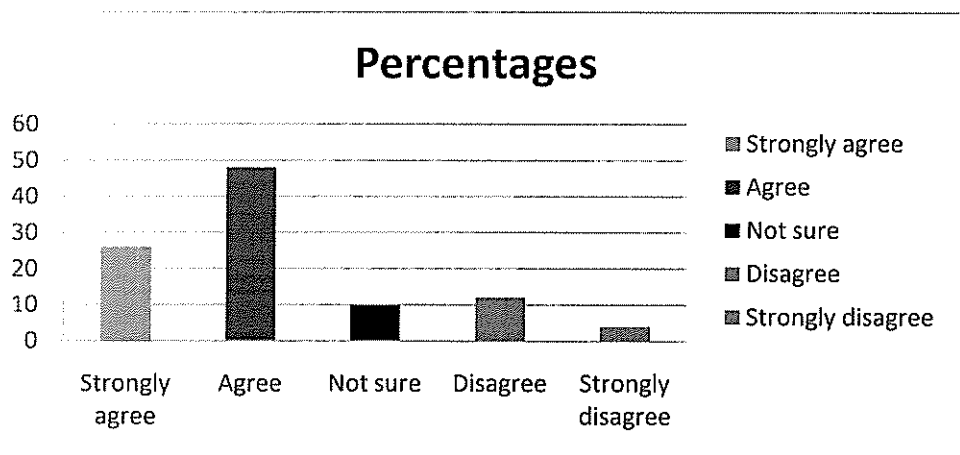


Figure 5: Showing Findings on Surplus

Table 15: Shows findings that process and procedures are followed to mobilise incomes which increases revenues (loan incomes, interest and membership fees)

Appropriate response	Frequency	Percentages
Strongly agree	14	28
Agree	32	64
Not sure	4	8
Disagree	0	0
Strongly disagree	0	0
Total	50	100

Source: Primary source 2016

From the above table, 28% of the respondents strongly agree, 64% agree, 8% not sure while none disagree. This means that most of the respondents believe that accounting information system ensures effective mobilisation of incomes which increases revenues (loan incomes, interest and membership fees).

This can be portrayed as follows

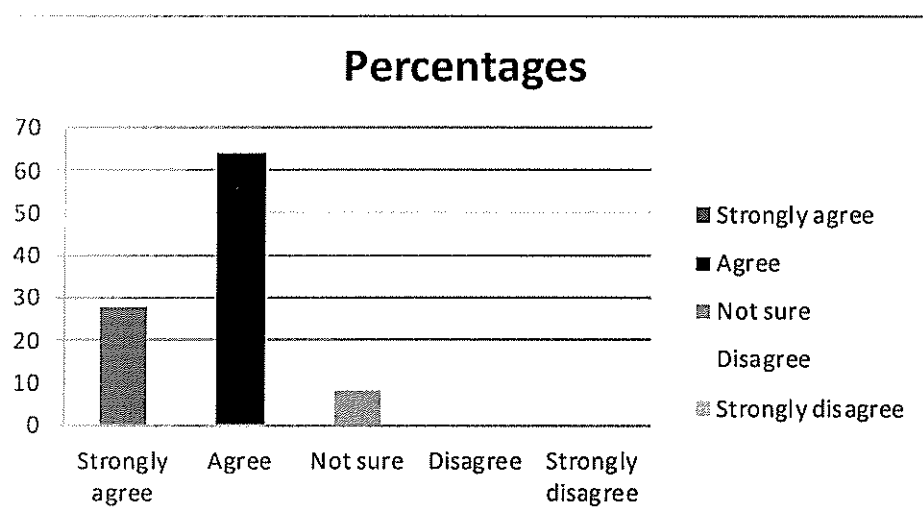


Figure 6: Showing Surplus (Profitability)

4.4.2 Findings on goal attainment

Table 16: Shows Findings Maximization Of Sacco Members' Goal Thorough Proper Handling Of Stakeholder Resources By Sacco Staff With The Help Of Proper Process And Procedures.

Appropriate response	Frequency	Percentages
Strongly agree	10	20
Agree	20	40
Not sure	5	10
Disagree	14	28
Strongly disagree	1	2
Total	50	100

Source: Primary source 2016

From the above table, 20% of the respondents strongly agree, 40% agree, 10% not sure, 28% disagree while 2% strongly disagree. This means that most of the respondents believe that goal attainment by SACCOs may be as a result of accounting information system however a reasonable percentage of 40 believe not

4.4.3 Quality financial reports

Table 17: Shows Findings on Production of Quality Financial Reports (Reliable, Comparable and Consisted, Free From Bias) That Meet User Needs

Appropriate response	Frequency	Percentages
Strongly agree	18	36
Agree	24	48
Not sure	1	2
Disagree	4	8
Strongly disagree	3	6
Total	50	100

Source: Primary source 2016

From the above table, 36% of the respondents strongly agree, 48% agree, 2% not sure, 8% disagree, whereas 6% strongly disagree. This means that most of the respondents believe that AIS leads to the production of quality financial reports.

Table 18: Shows Findings on Control Dimension That It Ensures Users of Financial Information with Accurate and Reliable Financial Affairs

Appropriate response	Frequency	Percentages
Strongly agree	16	32
Agree	18	36
Not sure	2	4
Disagree	8	16
Strongly disagree	6	12
Total	50	100

Source: Primary source 2016

From the above table, 32% of the respondents strongly agree, 36% agree, 4% not sure, 16% disagree whereas 12% strongly disagree. This means that most of the respondents believe that financial reports with accurate and reliable financial affairs are as a result of AIS thus it must be effective and efficient.

This may further be illustrated as follows

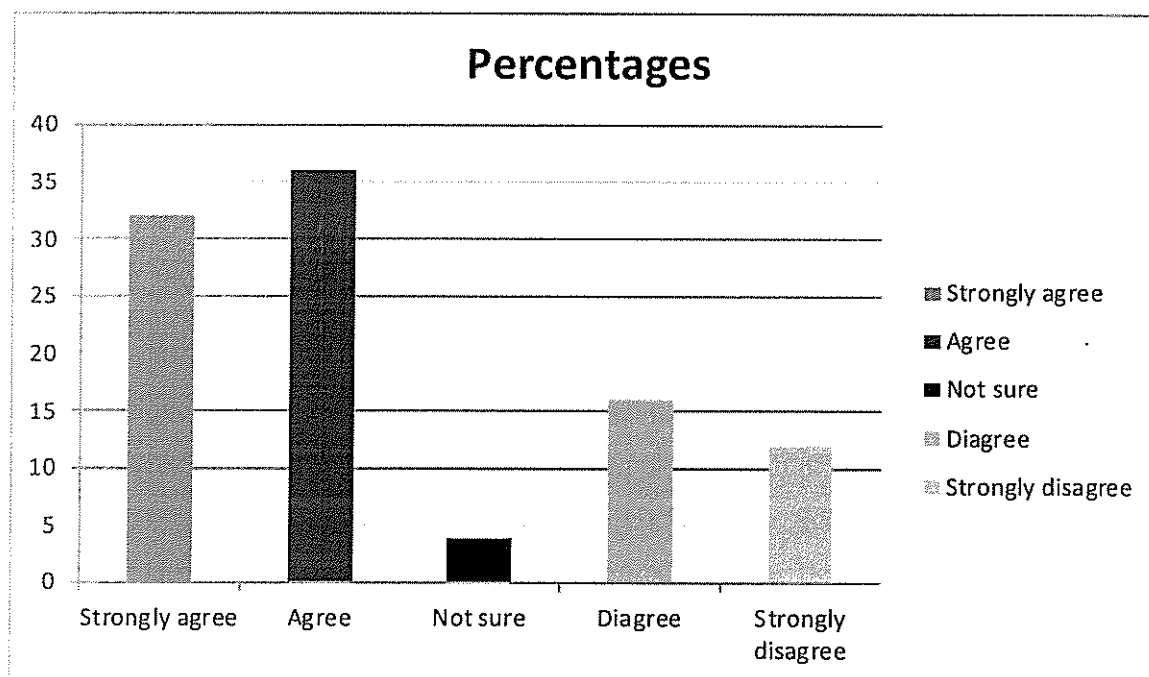


Figure 7: Showing Findings on Limit by Quality Financial Reports

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a discussion of findings, conclusions and recommendations

5.1 Discussions of findings

5.1.1 Components of an effective accounting information system for SACCOs.

The study findings found out that the components of AIS include; people, control and checks, process and procedures and technology.

Findings revealed that people (professionals) is among major component of an effective AIS. This observation is supported by the thinking of Armstrong (1999) who says that managers can contribute to enhancing the performance of companies by: Deploying professionals to develop and communicate an ethic policy and field the response to it, holding training sessions to help people think through the issues and monitory policy. Second is by contributing to the formation of company strategy especially through touching on mission and values. Lastly by setting an example through professional conduct, on issues such as fairness, equal treatment and confidentiality. Policy statements and codes of conduct can also be used to communicate the entity's values and behavioral standards to personnel and by example. However professionals also can intentionally make error and frauds that may affect SACCOs negatively; according to Manasseh (2004) it was noted that segregation of duties reduces the risk of fraud and error and manipulation in the business thus increasing efficiency in the company's operations and improving performance. Plan of SACCOs should describe proper separation of functional responsibilities. Authorizing transactions and running a department should not be the responsibility of one person. Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets is intended to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of the person's duties.

In reference to table: 7 in chapter four, the study finding was that 76% of the respondents strongly agree that an effective accounting information system involve control and checks to safeguard assets of an organization, this in support of Williams et al (1999) comment that

stealing of assets as can range from shoplifting an accessory, diskettes and software from a store to taking a whole large asset. Thus to enhance financial performance on SACCOs controls and checks must be in place all the time.

Study findings were also that technology (devices) has to be encompassed in the AIS; accordingly, an information system encompasses methods and records that: Identify and record all valid transactions. Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting. Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements. Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period. Present properly the transactions and related disclosures in the financial statements. Williams et al (1999) stresses that protection of information system entails; control of access, audit controls that track that track servers and programs, and people controls (check resumes to confirm training and separate employee functions, input controls, and output controls).

5.1.2 Findings on Qualities an effective accounting information system in SACCOs.

The study findings found out that (timelines, accuracy, cost effectiveness, security and high level of output) are the qualities of AIS for SACCOs. The findings thus found that an effective accounting system (EAS) must bear these qualities. 36% and 64% of the respondents strongly agree, and agree respectively that EAS should be timely. This was in support of the views by Magdalene M, (2010) that accounting information system should be computerised to save time where in, the employees have to record the transactions and all the other calculations to be carried out by the software either automatically or by a request. He continues to explain that much paper works are involved in manual accounting; all the accounting activities are carried out on paper manually and obviously, it takes much time and resources for the average business organization and most especially, a financial institution that still uses the manual system.

The study further found accounting information system should not be only speedy but also accurate. For instance 100% of the respondents were in support of this. With a computer being used to collect data and change it into meaningful information that is used by management to make timely and effective decisions, the computer carries out the entire data processing through classifying, sorting, calculating, arising the data and production of

reports, as stated by Birungi (2000). This entire process helps to minimize the risk of miscalculations and other human errors that could have emerged as a result of manual data processing.

AIS should be secured (security): the study expresses that With the manual accounting information system, every record is on paper and in case of any uncertainties such as heavy floods, landslides and fire outbreaks, the useful data may all be lost, and yet with the computerized accounting information system and the introduction of internet and networks in the information technology world, an easy backup and restoration system as well as the use of passwords to avoid unauthorized parties from accessing the data, keeps the information secure.

The study also found out that an effective accounting information system ensures high level of output. Magdalene M, (2010) also argues that computerized accounting system can actually handle thousands of calculations simultaneously and accurately as compared to manual accounting where by transactions are handled one at a time and even needs much time to do that as well as being characterized by human errors and mistakes in calculations which may eventually affect the final output of information and hinder effective decision making.

5.1.3 Effect of accounting information system on financial performance of SACCOs

The study findings found that accounting information system had effect on financial performance of SACCOs in terms of goal attainment, profitability / surplus and quality financial reports. The study found that professional staff ensures that SACCOs maintain excess of asset over liabilities. Process and procedures are followed to mobilize incomes which increase revenues (loan incomes, interest and membership fees). Control dimension ensures users of financial information with accurate and reliable financial affairs. Maximization of SACCO's member's goal thorough proper handling of stakeholder resources by SACCO staff with the help of proper process and procedures

Production of quality financial reports (reliable, comparable and consisted, free from bias) that meet user needs. The study findings were in support of Diffusion of innovation theory which explains five significant innovation characteristics (relative advantage, compatibility, complexity, trial ability and observe ability) that lead to adaptation of accounting information

system. Also the findings are in the support of various scholars for instance; (Pandey, 2002), financial reports is a control dimension that ensures that users of financial information, who include all the stake holders, get an accurate and reliable summary which communicates the firm's financial affairs. Financial reports should secure as far as possible the accuracy and completeness of the company's records, to detect and prevent errors and frauds and to ensure the safety and adequacy of the accounting system for availability of true and fair view financial statements (Ajowi, 2005).

Among all SACCO's stake-holders have a major goal of maximizing their wealth (Pandey 2002). Efficiency is optimal usage of organizational resources and minimization of wastage. (Millichamp, 2002) stresses that the objectives of the accounting information system run through all areas of activity usually found in an organization's business. These include areas like cash and Cheques received by post, cash and sales collection, payment into a bank, cash and bank balances, stock and work in progress, wages and salaries, purchases and creditors and sales and debtors. SACCOs are supposed to strive for excess of assets over liabilities. Excellent financial performance will thus be seen in the view of loans advanced to members and loan returns optimal resource utilization also is a boost to the SACCO's sustainability. Thus they are supposed to have excess of assets over liabilities so as to remain viable. Income from members (savings and membership fees and interest income), and other funding are not enough sources of funds for SACCOs thus the need for proper accounting information system. SACCOs in their bid to sort for funds for development should not engage in too much borrowing that can course financial distress to the companies.

5.2 Conclusion

Conclusion of this study was based on the study objectives.

Accounting information system includes; people (professional) control and checks, processes and procedures and technology (devices). These components may affect the financial performance of SACCOs in any form (negatively or positively). The study findings found out that an effective accounting information system bear certain quality for it to be more effective and efficient for instance; it has to be timely, accurate, cost effective and high output level.

The study measured financial performance of SACCOs in terms of Goal attainment, surplus (profitability) and quality financial reports. The study findings found AIS may relatively hinder the objective of members if people, control and checks, processes and procedures and technology are not properly interrelated. Professional are employed and they excess of assets

over liabilities, processes and procedures increase incomes that are revenues collected as membership fees, interest rates and loan incomes . This study therefore stresses that accounting information system for SACCOs must be effective if their financial performance has to be favourable in terms of meeting SACCO members' objective, maintain surplus and quality financial reports that will encourage increase of members in numbers and attract resources from other organisations such as the central bank and other government and non-government bodies.

5.3 Recommendations

Since SACCOs have to maintain excess of assets over liabilities, they need to employ employee and qualified and experienced staff who may carryout proper forecasts, plans, and implementation and make necessary corrections to meet SACCO objectives. In addition, necessary trainings, studies and surveys should always be considered to keep employees updated of the news technology, national and international regulations. In this way SACCOs will achieve their objectives of better financial performance.

Most of the accounting information systems for most SACCOs are more of manual yet this is time consuming, less accurate though cheap, a full computerized accounting information system should be the better dream for every SACCO to mitigate problems of manual accounting systems.

Since errors, frauds and bribery are common in most cases where certain staff may be involved solely in completing transaction, there should be proper segregation of responsibilities to prevent individuals from sealing such illegal acts.

5.4 Areas for further Research

There are opportunities for future research that would give further understanding and discoveries into the area of accounting information system and financial performance of SACCOs. These areas include:

A longitudinal study of the relationship between accounting information system and financial performance of SACCOs in Kasanda Sub – County, Mubende District.

The study of computerized accounting and manual accounting system in relation to financial performance SACCOs.

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APPENDICES
APPENDIX I: QUESTIONNAIRE

KAMPALA INTERNATIONAL UNIVERSITY
COLLEGE OF ECONOMICS AND MANAGEMENT SCIENCES
DEPARTMENT: ACCOUNTING AND FINANCE

Dear respondent,

I am Kabarokore Robinah a student of Kampala International University pursuing a Bachelor Degree in Business Administration. As a university requirement, am conducting a research study the topic “accounting information system and financial performance of SACCOs in Kasanda Sub-County Mubende District. I thus kindly request you to answer the question below with utmost trust. The study is purely academic and any information provided will be treated with greater confidentiality.

I thank you for your cooperation in advance

1.0 Information about respondent

Please tick or write answer in full where applicable.

1.1 Sex: male ☐ female ☐

1.2 Age 20 – 24 ☐ 25 – 29 ☐

30 – 34 ☐

35 – 39 ☐

40+ ☐

1.3 What is your title as far as SACCOs are concerned? (Tick the most appropriate answer)

☐ Manager of the SACCO

☐ Customer (a member) of the SACCO

☐ Employee (staff)

1.4 What is the duration you have in this context of SACCO in years?

Less than 2-9 ☐ 2-5 ☐ 6-8 ☐ 9-12 ☐ 12+ ☐

1.5 What is your highest level of education?

O Level ☐

A Level ☐

Diploma ☐

12st Degree ☐

Others specify.....

2. Components of an effective accounting information system

To determine the components of accounting information system

(Please tick the most appropriate in respect to the question below)

What are the component of an effective accounting information system	Strongly Agree	Agree	not sure	Disagree	Strongly disagree
People (professionals)					
Control and checks					
Processes and procedures					
Technology (devices)					

3. Qualities an effective accounting information system in SACCOs

To establish the qualities effective accounting information system in SACCOs

(Please tick the most appropriate answer for the question below)

What are the qualities of effective accounting information system in SACCOs?	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
Timely					
High level of accuracy					
Security that protect documents from unauthorised parties and natural hazards					

Cost (low cost and effectiveness)					
Level of output (complete dozens of activities with minimal or no human error)					

4. Effect of accounting information system on financial performance of SACCOs

To find out the effect of accounting information system on financial performance of SACCOs

(Please tick the most appropriate answer to the question below)

What is the effect of accounting information system on financial performance of SACCOs	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
Control dimension ensures users of financial information with accurate and reliable financial affairs					
Professional staff ensures that SACCOs maintain excess of asset over liabilities					
Process and procedures are followed to mobilise incomes which increases revenues (loan incomes, interest and membership fees)					
Maximisation of SACCO's members goal thorough proper handling of stakeholder resources by SACCO staff with the help of proper process and procedures					
Production of quality financial reports (reliable, comparable and consisted, free from bias) that meet user needs					

APPENDIX II: INTERVIEW GUIDE

1.0 Information about the Respondent?

1.1 What is your gender?

1.2 What is your age?

1.3 What is your title as far as SACCOs are concerned?

1.4 For how long have you been in this SACCO?

1.5 What is your highest level of education?

2 What is your opinion on the components of an effective accounting information system in SACCOs?

3 What are the Qualities an effective accounting information system in SACCOs?

4 What is the effect of accounting information system on financial performance of SACCOs?

APPENDIX III: ESTIMATED BUDGET

ITEMS	NUMBER OF ITEMS	COST PER ITEM (SHS)	TOTAL COST (SHS)
Pens	4	500	2,000
Pencils	5	200	1,000
Ream of papers	1	20,000	20,000
Typing	80	500	40,000
Printing	2*80	300	48,000
Binding	2	10,000	20000
Storage devices	1	15,000	15,000
Internet fees	15	500	7500
Transport	8	5,000	40,000
Miscellaneous			30,000
Total			223,500

APPENDIX IV: TIME SCHEDULE
FROM MARCH 2016 TO JULY 2016

Month	Activity
April – May	Research proposal
June	Data collection, data processing
July	Data analysis, interpretation and presentation of the draft copy
August - September	Printing and Submission of the Final copy