

**IMPACT OF ACCOUNTING INFORMATION SYSTEMS ON FINANCIAL  
PERFORMANCE OF JINJA DISTRICT LOCAL GOVERNMENT.**

**BY**

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**A RESEARCH DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS  
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UNIVERSITY**

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## DECLARATION

I Kabagambe Ali, declare that this research report is original work written through my effort and it has never been presented to any university or institution of higher learning for the award of a diploma or degree.

Signature:  .....

Date: 08/10/18 .....

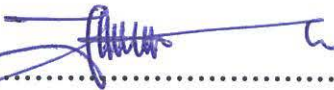
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### APPROVAL

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## **DEDICATION**

I dedicate this report to my Grandfather Mr. Kyalokali Andrew, my father Mr. Amanyu Julius, my Uncle Mr. Kule Elijah, My mother Mrs. Kabugho Anifa, and my aunties, uncles and friends plus classmates, brothers and sisters for their continued support towards my academic.

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## **LIST OF ABBREVIATIONS**

KIU	Kampala International University
F.M.S:	Faculty of Management Studies
J.D.L.G:	Jinja District Local Government

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## **ABSTRACT**

This study is set to analyze the role of computerized accounting on the financial performance of Jinja district local government council, specifically, the study aimed at finding out the role of computerized accounting on financial performance in the entity. The study also endeavored to discover the benefits of computerized accounting.

In the course of the study, the researcher used qualitative and quantitative research design with the help of questionnaires where a list of detailed questions were designed and distributed to the selected respondent. Interview guide was also used to obtain information from staff could easily be accessed and contacted.

According to the findings, there is a recommendation to use professionals to handle computerized accounting systems to reduce on inaccurate and unreliable results. This will therefor the organization in generating accuracy reports and reliable results.

In addition, to the findings, a recommendation of other ways of evaluating financial performance like at capital structure should be done by the organization.

According to the findings, a recommendation of customization of the system to fit the specific needs like speedy, less cost, timely, the organization should select a package or software that are user friendly.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

This study was set to analyze the role of computerized accounting on the financial performance of Jinja district local government council.

According to Franck wood and Alan Sangster(1997); defined accounting as the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by the users of the information. For example, government, tax authority, lending institutions and stakeholder

According to Robert N. Anthony, "Accounting....is the medium through which financial aspect of an undertaking are recorded, understood and communicated".

The American institute of certified public accountants defined accounting as, " the art of recording, classifying and summarizing in a significant manner and in term of money, transaction and event which are in part at least of a financial character, and interpreting the result thereof". Accounting is capable of supplying financial information that is essential for the efficient operation and the evaluation of performance for any economic unit in the society. Accounting is not only limited to finance but it is also generally meant for the explanation and defense or justification of action and the results of these actions. Therefore, accounting takes economic, political and social dimensions and this explains why it's part of life.

Marivic (2009) describes computerized accounting as a method by which financial information in business transactions are recorded, organized, summarized, analyzed, interpreted and communicated to the stakeholders through the use of computer and computer based system like accounting package.

Meigs et al, (1986); Computerized accounting is the system that uses computer to input, process, store and output accounting information inform of financial report.Accounting system records all transactions that are routinely deal with event that affect the financial position and performance of any entity.



In recent years, there has been a rapid development in the use of computers as a means of keeping accounting record and producing financial information.

This study is then about Computerized Accounting and financial performance in Jinja district local government. It has been found necessary to undertake this study because of the need to find out a way of speeding and improving the accounting system more especially in the aspect of financial performance in Jinja district local government and some extent in other organizations with the view of achieving effective, quality and timely financial report and records as well.

In an accounting environment where the transactions involved are small, a manually controlled accounting can service. However where there is a multitude of transaction, an effective accounting system needs to be implemented in order to beat the deadline of financial year. In such a situation, it may require more personal than needed and yet in accounting, more workers more costs incurred.

The study is expected to give case analysis of comparing computerized accounting and manual system in the JDLG financial departments and setting a good base for those organizations that have not yet computerized their accounting system.

The local government finance and accounting regulation (2007) cautioned on the need for effective financial reporting process as summarized in the form of accuracy, clean, easy and timely in terms of interpretation.

In addition it looks on proper keeping of the books of accounting and other records in relation thereto and shall balance its accounts for that period and produce statement of final account.

In the foregoing therefor, the organization needs to have a fast and accurate information management system so that the required deadline is met.

According to the ministry of Finance, Planning and Economic Development (MOFPEP), the computerized accounting system guideline, it's imperative that a proper accounting system should be applied by all companies in order to achieve the following benefits;

- To ensure that accounting officers entrust with sanctioning of the budget, effectively control and monitor the revenue and expenditure using computerized accounting.

- To ensure that computerized accounting acts as an important control in the audit system of the established organization department.
- To ensure that computerized accounting is effectively used in the implementation of accounting procedures in the organization departments.
- To ensure that computerized accounting is implemented to provide a timely access and use of financial report, while at the same time being protected against unauthorized leakage.

Bradley James Bryant,(1991); Financial performance refers to a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is used as a general measure of a firm's overall financial health over a given period of time and can be used to compare similar firms across the same industry or sector in aggregation. Financial statement analysis is the most objective way to evaluate the financial performance of a company. Financial analysis involves assessing the leverage, profitability, operational efficiency and solvency for a company.

## **1.2 Statement of the problem**

In spite of the need to have effective and efficient book keeping using computerized accounting, the problem still arises in the areas of recording and keeping. It was true that the manual accounting system in Jinja district local government required technical labour and time to coordinate the raw financial data so as to produce reports that are accurate and easy to understand.

Therefore, this study was sparked to investigate the degree at which Jinja district local government has achieved its set objectives of accuracy, less costly, timely, efficient and effectiveness following the implantation of computerized accounting to handle or manage accounting function so as to have effective financial performance.

## **1.3 Objective of the study**

The objectives of the study were both specific and general objectives.

### **1.3.1 General objective**

To assess the role of computerized accounting on financial performance of JDLG.



### **1.3.2 Specific objectives**

- i) To assess the benefits of computerized accounting to Jinja district local government.
- ii) To examine the levels of financial performance in Jinja district local government.
- iii) To assess the relationship between computerized accounting and financial performance in Jinja district local government

### **1.4 Research questions**

- i) What are the benefits of computerized accounting to JDLG?
- ii) What is the levels financial performance in JDLG?
- iii) What is the relationship between computerized accounting and financial performance in JDLG?

### **1.5 Scope of the study**

The scope of the study covered the content scope, geographical scope and time scope.

#### **1.5.1 Content scope**

The scope of the study focused on the role of computerized accounting on financial performance, the benefit of computerized accounting, the levels of financial performance and the relationship between computerized accounting and financial performance in JDLG.

#### **1.5.2 Geographical scope**

The researcher wished to conduct the research in Jinja district local government(central division).Jinja district was established in 1907, and is the second largest town in Uganda; it lies in the eastern south Uganda approximately 54 miles (87 kilometer by road, east of Kampala).

The town is located on the shores of L.victoria near to the source of River Nile, is the largest metropolitan area in Jinja district, and is considered the capital of Busoga kingdom. Jinja district is bordered by towns like Njure about 3.5km,Buwenda about 5.2km,kimaka about5.2km,Mpumudde about 4.8km,Masese about 4.3km,Walukuba about 4.4km, and Bugungu about 2.8km.

#### **1.5.3 Time scope**

The study was limited to a period of three years that was from 2009 to 2013.

### 1.6 Significance of the study

The study may be of great help and benefit in the following ways;

It may help to identify the role of computerized accounting on financial performance.

The study may benefit accountants, researchers and government policy makers.

The research may avail the future researchers with the necessary literature to conduct further investigation into other aspects related to the topic.

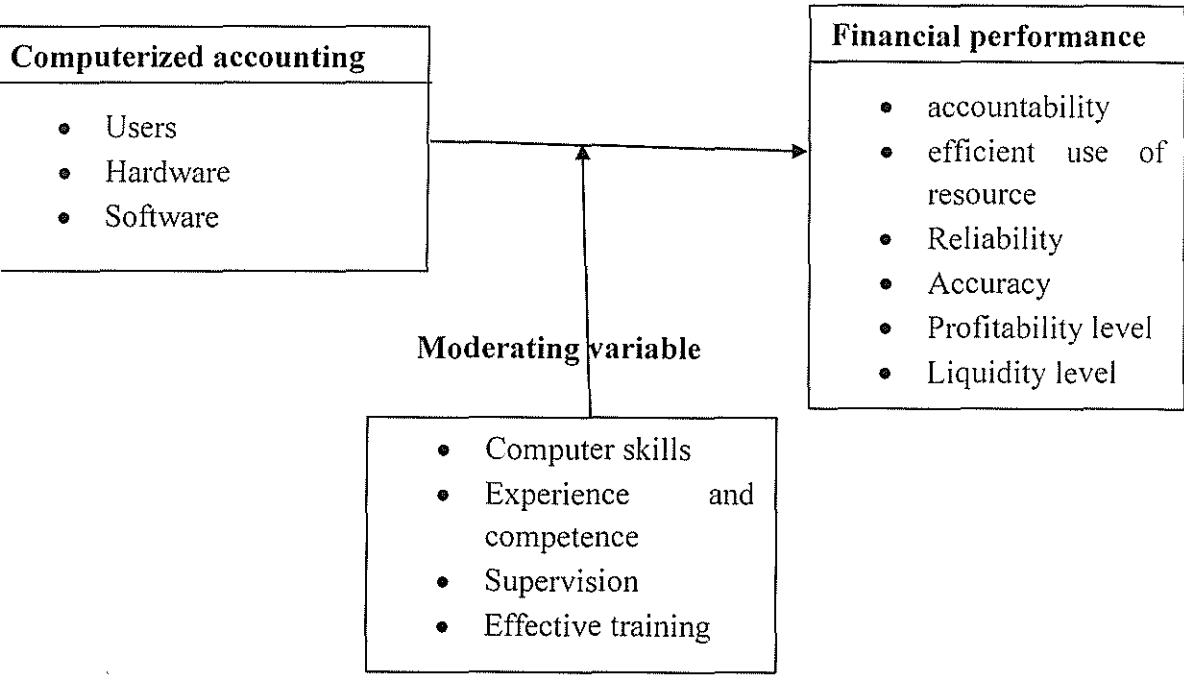
### 1.7 Conceptual framework of the study

The conceptual framework of this study presented the relationship between the role of computerized accounting and financial performance as follows;

**Fig.1 shows the conceptual framework of the study**

**Independent variable**

**Dependent variables**



**Source: Researcher, 2018**

The independent variable was computerized accounting and the dependent variable was financial performance while as computer skills, competence and experience, supervision and effective training are the moderating variables.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter deals with the role of computerized accounting on financial performance and other variables.

#### **2.1 Benefit of computerized accounting;**

Different scholars have expressed views on computerized accounting packages as below:

Mike et al (2006); computerized accounting in commercial organization helps to integrate, simplify and streamline all the business process and transaction cost effectively. Business organization should adopt a suitable accounting package in order to derive benefit from it.

Mc bride,( 2000); Quick decision making; generate real-time comprehensive manual system report needed by the management for instance budget analysis variance analysis and ensure access to complete and critical information instantly for decision making.

Van briefing (2005); computerized accounting is a system that uses computer to input, process, store and output accounting information in form of financial reports. It records all transactions that routinely deal with the event that affect the financial position and performance of the entity.

Walter B. Meigs and Robert F. Meigs, (1998); Quick and efficient; large amounts of data can be processed quickly and efficiently. Those businesses may engage in tens of thousands of transactions per day. In process, such a large volume of data, required the use of computers since a computer can save a vast amount of time in each step of accounting process including recording of transactions, posting to ledger accounts and preparing accounting records, schedules and reports.

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.

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.

Frank Wood, Business Accounting (ed.11) has it that computerized are created with the aspect such as time saving with respect to transaction process, increasing degree of accuracy and production of the whole series of report are obviously desirable and realist when using computers in accounting. The computer can be used in all aspects in the accounting system. This means computer can do everything in the accounting that can be done with the manual system but computers usually do them better and faster, more accurately more efficiently.

Mc Rae, (1998); computerized accounting is advantageous in consolidating information channel meaning that files which had previously duplicated by several departments are consolidated into single file.

Cook, (2000); computerized accounting are used in posting transaction to ledgers and automatic principle of double entry is made. thus simplifying the work especially to non-accountants who are lacking such principles.

Frank wood,(1999); Accuracy, speed; the information produced by computerized accounting provide accurate data entry of the transaction than then one done by manual accounting since tabulation signs are very accurate as compared to the later where errors are common.

Indira (2008), for improved business per computerized accounting is highly intergraded application that transforms the business process with its performance enhancing feature which encamps accounting inventory, reporting and statutory processes. This helps the organization access information and takes quicker decision. Computerized accounting also guarantees rill time optimization of operation and enhanced communication.

Drury (2003:154-521) argue for the importance of using computer in easing the accounting work through data management. He report that this data management functions consists of three steps which include; storing, updating and retrieving. His explanations on the above are;

Storing involving placing data in files and the data bases were it is stored for future references.

Updating involves adjusting the stored data to reflect newly occurring changes of events, operating and decisions.

Retrieving on the hand involves accessing and extracting data either for further processing or reporting to users. Therefore Drury emphasizes the use of computers in accounting to help in dealing with a number of business activities in the single process area and by one person leading to time saving, safety of the information and timely as well as reliable financial report is produced in an effective manner.

Gupta (2002: 9:16); in his research about computerized accounting on financial reporting in Zanzibar noted that “the computerized process has led to the effective control and management of accounting records in the central government”. The problem is then the insufficiency of the personnel to handle the accounting packages that keep on changing to the modern dynamic world of computer use.

According to Walter B. Meigs and Robert F. Meigs (1998); End-of-period reports, computerized accounting packages will automatically pull all relevant ledger entries for the period reports. Manual accounting takes longer, but can help a bookkeeper better understand the posting and end-of-period process. This is one reason why accounting students cannot take a computerized accounting course until beginning and intermediate accounting classes are completed.

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.

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

## **2.2 Levels of financial performance**

Matovu and ritva, (2001); the country is now universally recognized as a nation on the move and takes its amongst the successful economies in the region. The future potential is enormous but the country's destiny is in our hands. The time has come to move from small increment to bold, large initiative. The time has come to stretch the envelope and set goals which were earlier not seen to be possible. Time has come for performance to be measured and for allocated funds of the government to reach the people for whom they intended.



Alm, (2000); a customer is the most important visitor on business premises; he is not dependent on business. Business is dependent on him. He is not an interruption in business work. He is the purpose of it. He is not an outsider in business. He is part of it. Business men are not doing him a favor by serving him. He is doing them a favor by giving them an opportunity to do so.

He further argued that the profit motive is not too fundamental to our ability to reward shareholders and pay employees; it's fundamental to excellent journalism. Far from corruption the craft, profit enhances it. Expansion drives diversity and diversity protects and strengthens our craft. Nevertheless money is only used for two things. One, it's to make you comfortable, and the more comfortable you are the more creative you will become. And the other purpose is it enables you to extend the service you provide far beyond your own presence.

Matovu and ritva, (2001);the theories discussed so far all recognize that the attitudes and ability of the business owner have an important impact on small firm growth and will be reflected in strategic choice and the way in which he or she operates the business. The following section will draw from a variety of theoretical and empirical source on small firm growth for the purpose of developing expected theoretical relationship between particular sets variable and factor of growth.

Sexton and Robinson, (1989); it has been proposed in the literature that woman may have fewer opportunities to develop relevant experience may have fewer network to get assistance and may have greater difficulty in assembling resources.

Riding and swift, (1990); there is some evidence that bank may impose more stringent requirement on woman business owner in regard to collateral for loan, and therefor limit their ability to grow.

Brush, (2002); women may also be more family oriented and be less keen in pursuing economic goals relate to expansion of the firm.

Cooper et al., (2004); found that being female had a negative impact on the growth of small venture but had no impact on the survival of the firm.

Boswell, (2003); younger individual may be more willing to assume risk and grow their business. Following Davidsons argument, a younger individual may have a higher need for

additional income. The burden of supporting a family and meeting mortgage payment generally declines with age. An older individual who continues to be the owner-manager of a small firm is more likely to have reached his/her initial aspirations. However, while younger individuals have more motivation to expand their business they also may have fewer financial resources and fewer networks. The limited empirical evidence suggests that the owner-managers' age tends to be negatively related to growth.

Borjas, (2006); suggested that immigrants are more likely to become self-employed and that they are more likely to create higher income for his activity than will native entrepreneurs. The explanation for this differential is that immigrants create enclaves by concentrating in specific geographic areas, which in turn create an expanded opportunities for small entrepreneurial ventures, in particular for immigrants of the same national background as the residents of the enclave. However, it is suggested that there may be limits to the growth of entrepreneur ventures owned by immigrants as enclaves are in poor locations and offer limited access to the general market. It's also suggested that immigrants may have fewer contacts and more difficulty in obtaining insurance, credit from suppliers and access to prosperous customers.

McClelland, (2001); entrepreneurs intensively refer to the willingness of the individual to assume risk and be proactive as an indicator of commitment to grow.

Perren, (2000); the level of active risk taking by owner-manager also determines how willing he/she is to tap the various resources necessary for the developing of a firm. The active risk is demonstrated by the owner-managers' willingness to accept financial risk.

Riding et al, (2008); in sixteen case studies of micro-enterprise, found that active risk taking is a key that conditioned the owner-managers' willingness to tap the physical, material, financial and intangible resources necessary for firm growth beyond the micro-enterprise phase.

Matovu and Ritva, (2001); management know-how embodied in the entrepreneur may be an important factor in the growth of the firm. Management know-how may result from having had parents who were entrepreneurs themselves or from previous paid-employment experience in a similar business, or by previous management experience of the owner. Furthermore, management know-how may be acquired through the owner-manager having access to professional advisors or a network of contacts such as suppliers, customers, business associations.

Cooper et al, (2002); the effect of education has been widely studied. Education is presumably related to knowledge and skills, motivation, self-confidence, problem solving ability and discipline. Higher education is accepted to increase the ability of the entrepreneur to cope with problem and size opportunities that are important to the growth of the firm. Empirical evidence on the effect of education on firm performance is mixed. In ten out of seventeen empirical studies surveyed.

### **2.3 Relationship between computerized accounting and financial performance**

Walter B.Meigs and Robert F.Meigs, (1998); stated that special journals and subsidiary ledger are far easier to maintain in the computerized system of accounting. They further noted that the purpose of special journal are to reduce the amount involved in the writing the journal entries and posting to the ledger account. In the computerized based system, the accountant only ought to enter the data required for the computer to prepare journal entries. All the writing and posting to the general ledger and the subsidiary ledger account are then handle by the machine with no further human effort.

Robert Meigs, (1998); then stated that instant feedback may be guaranteed as transactions are taking place especially in case of online, real time computer system. This simply means the employee executing the transaction may have a terminal which is in direct communication with the computer. Thus the employee has immediate access to the accounting information in executing the current transaction.

He gives a case of points as;

The electronic cash registers found in many department stores are pointed-of sale terminal in direct communication with the store computer system. That when a salesperson makes a credit sale to a customer who is using the store credit card, the salesperson enters the credit card number into the terminal. The computer will compare this number to a list of cancelled or stone accounts balance to exceed a predetermined credit limit. If any of these procedures indicates that credit should not be extended to the customer, the computer will notify the salesperson not to make a credit sale immediately than it would have been in the manual system since the feedback would have been got may be when it is too late giving credit to the computerized accounting.



Frank wood, (1999); noticed that for many businesses, the task of producing report o regular basis such as VAT returns, payroll processing, cash flow analysis and the finical report can be time consuming, tedious and unrewarding. Therefore, the use of computerized accounting speed up the process to the point, in some case where it is done automatically, thus reducing the monotony of producing lengthy reports requiring extensive preparatory analysis of the data. In many cases such as VAT returns, pay slip, businesses finds that they can use computer printout or electronic output for instance, on the computer disk, instead of having to manually complete official or standard form.

James s. Reece, (1989); pointed that one of the remarkable advantage of using computers in accounting function is that since manual system, the cost preparing other report other than the basic financial statement is higher, he justifies his opinion that most of the accounting report are broader, general purpose nature and identical report are disturbed to many different manager in the organization. On the other hand, the cost of preparing management report in the computerized system is quiet low. This often leads to a large number of different reports oriented towards specific manager and their responsibility. Such customized reports are of advantageous if they are carefully designed to meet their recipients' informal needs.

According to Horne and derrick; in in computerized accounting, while creating new ledger, you are required to classify it suitability under relevant accounts group to tell the software the nature of the ledger where it will appear. This is necessary at this stage as all reports are prepared online the moment you enter transactions (vouchers) and this ledto high financial performance and incase of book keeping, this classification is done at later stageafter preparation o trial balance, nominal accounts are transferred to profit and loss account to through journal entry, real andpersonal accounts are posted the balance sheet under proper heading such as group.

It's true that the aim of computerized accounting is to perform the processing stage electronically much more quickly, consistence and accurately than it would be done manually. However transactions and amendments details have to input the system in the correct form, in the correct order and in the timely manner. In spite of the scope to use electronic method of entering some of this information, itrequires a good deal of initiative and an organized way of doing things in order to do so. Nevertheless, improved accuracy is one of the obvious benefits achieved by using any kind of computerized accounting which improves on the financial performance (lecture).

According to Frank Wood in his book of business accounting (11<sup>th</sup> edition): chp.22, pg236, he noted that in the present situation, there are very few business which do not use computer for at least some of their data processing tasks. In some cases, this may simply involve the using of spreadsheet as an extended trial balance, the data being input having been obtained in the first place from manually maintained ledgers, so long as the final adjustment to the trial balance have been made, the spreadsheet would then be used to produce the financial report.

According to H.P. Simonson, computerized accounting produces a good quality reports as compared to manual accounting system. He criticizes manual system on the ground that it is full of instabilities and confusion. He further says that for every organization to achieve effective and efficient performance it should design appropriate accounting system which is more achieved by use of computerized accounting.

Horne and Derrick content and supports the idea of using computer in finance matter. Horne emphasize that where the work of the accountant stops is where the work of the analyst begins.

However Derrick emphasizes the accounting area as the focal point to use computer so that the work of the financial analyst in book keeping is eased.

In an interview conducted by Bob and Maureen Hallisey owners of Hallisey pharmacy, they were interviewed on whether the introduction and implementation of computer in the accounting has brought positive results in the recording of day to day transaction in the business which has improved on the financial performance.

After 30 years in the business, their office is finally organized, their accounts receivable figures are at their figure tips, their payroll system to computer and their bills go out promptly. All these achievements were attributed to the new computer system.

They were quoted saying "all thanks to the new computer system". (Accounting Ed.4 by Horngren & Harrison/Bamber).

According to Daniel Lauren; a year-end entries in bookkeeping, you are required to pass the journal entries to transfer closing balance of all nominal accounts to prepare profit and loss accounts which are not required in the case of computerized. The software does this job on its own. In next year, only closing balance of real and personal accounts are carried and nominal



accounts balance is zeroed by the software (for which you pass journal entries in manual book keeping). The next advantaged are that your accounts are always open and any modification is instantly reflected.

When you opt for computerized accounting first time, you have to create all the ledges and entries open balance ( in subsequent year you need to create the ledger again or carry forward previous years balance as penning balance since it would be carried forward on its own by the software) and classify at this stage. Thereafter, you enter all transactions in the vouchers (different types of vouchers to record diverse nature of transaction). That's all you have to do and everything else (like posting to ledger, presentation of trail balance, final accounts and others.) is done by software. (K.A.francis, demand media)

According to the new vision (2002.21.jan), it was stated that computers increases on job satisfaction and more effective use of operator can be added bonuses. For example, if a business computerizes its sales records, an operator's job of keeping records properly maintained will be much the same as in the manual system. However, with instant reporting facilities available, such a list of all sales items that may be in short supply, the operator can produce details almost instantly. Also if time can be saved in producing sales report, the operator may use more time to chase for the suppliers who are not diverting on time or to around the market for better suppliers and products. All these achievements are derived more especially when using computerized accounting.

Another are remains the budget. Many business expenses can get out of hand if they (budget) are not frequently and properly checked. Computerized accounting is there for capable of an activity referred to as "exception reporting", a process of issuing a warning message to decision makers when something unexpected is happening. For example, when the expenditure against the higher than it should be. In the manual system, the situation can occur but the errors or unwanted transaction go unnoticed until it is too late thereby resulting in unnecessary cost being incurred by the business.

According to the lecture of computerized accounting attended by the conductor of students, he noted the lecturer saying that computerized accounting is being given bonuses in the aspects of flexibility. This means that the data once enter in the computer can be available and can be used



to generate financial statement, ledger account details, analysis of how long debt have been outstanding. This information can be produced immediately it is requested. He gave an example of computerized sales ledger will hold details but customers. The starting point would be to enter the details concerning the customers thus, name and address along with the balance brought forward from the manual system, if such a transfer has been occurring otherwise, if it is a new customer, an opening zero balance will be created automatically by the computer software.

Computerized system and manual can both generate whatever report you would wish so long as the relevant data is stored within the accounting. Where a fully computerized accounting is clearly superior is in the range of report it can process vertically instantly and in the way it can be programmed to process report precisely when they are scheduled to be available. This implies that there is no need for decision making to wait for so long for the summary of the previous month's business activities. Therefore, the day that is associated with the manual accounting, it is now available as soon as business closes at the end of the day, week or year. The computer can process report in second and as often as decision maker and implementers wish or require (<http://www.idr.caais>).

Robert N. Anthony,(1989); said that, regardless of the degree of computerized in book keeping process, professional accounting judgment is required in analyzing transaction and in creating source document or machine methods to capture the important information about the routine transaction. He clarifies his opinion by stating that the computer does take that human beings do in the manual system, for example, journalizing entries, posting in the journal and subsidiary ledger, taking a trial balance and preparing report of course, accountants must still analyze the trial balance and initiate the proper adjusting entries.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter represents procedures of how the research was conducted which included; research design, study population, sample size, sampling techniques, data collection methods, reliability and validity of data collection instruments and data processing analysis.

#### **3.1 Research design**

This refers to a plan that specifies how data was collected and analyzed. The research employed sampling technique where the study was conducted at an appointed time and specifies respondents that were interviewed in order to get specific information and on this case, the accountant was the target.

Descriptive research design was used because it was suitable for the research since it based on description and interpretation of the role of computerized accounting in the organization and analytical design was used to analyze the facts gathered.

#### **3.2 Study population**

The total population of the staff of Jinja district local government council was 80 comprising of all level and all departments. They included workers from accounts and finance department, engineering department, human resource department audit department, planning and the general workers section. However, for the purpose of the study, the convenient number was selected to ensure that significant subgroup of the population of the employees are represented in the study and at the same time, accessing specific and reliable information or data for report writing.

**Table 3.1 below indicates the study population**

Category	Study population
Audit	4
Account and finance section	10
Administration	9
Procurement section	5
Other staff	31
Total	59

**Source: JDLGC**

### **3.3 Sample size**

With the specific purpose of this study and since the researchers main aim was to access correct data that was directly related to the study and also the topic of the study would require high degree of professionalism and technicality, the sample size was comprised of 15 members to the technical staff. Since the researcher's topic of the study was about computerized accounting, it covered most of the members from the account and finance section.

**Table 3.2 indicates the sample size of the population**

Category	Study population	Sample size
Audit	04	04
Account and finance	10	10
Administration	9	5
Procurement section	5	3
Other staff	30	3
Total	59	25

**Source: Researcher, 2015**



### **3.4 Sampling method or technique**

Stratified random sampling techniques was used whereby, the population was categorized and respondent were randomly selected from every group or department until the sample size of the staff was realized. Purposive sampling was employed to select where the researcher require specific information that had been provided by specific people. A sample was selected from the respective sample frames comprising the accountant officer, internal audit and head of departments as well as the general manager.

### **3.5 Data collection method**

The research study used a number of instruments to collect data from the respondents and these included;

#### **3.5.1 Questionnaire**

This method involved writing down a number of questions by the researcher which were both open ended and close ended questions. The questionnaires were administered to the managers/administrators, procurement section, human resource department because it gave respondents time to think and provided the researcher with the required information.

In this method of data collection, questions were set and typed depending on the person's field of concern but consideration was made according to the objective of the study and it was too convenient to the respondents because they decided the appropriate answers freely without any interruption.

#### **3.5.2 Interview guide**

This method involves direct interaction between the researcher and the respondents. It involved face to face interaction where the researcher asked questions and the answers were given by the respondents. The researcher interviewed the internal auditors because this study mainly focused on role of computerized accounting therefore there was need for direct interaction with accountant.

#### **3.5.3 Documentary review**

Documents are information materials that concern information about the study and they include; manual, articles, case studies, internet, text books and among others.

These documents provided opportunities for making in-depth understanding about the role of computerized accounting in the organization performance in JDLG. All the filled questionnaires were thereafter analyzed and edited where the researcher rectified some errors and omissions, presented results and interpreted them which helped her to compile and produce the final report.

#### **3.5.4 Observations**

This is the way of gathering data by watching behavior, events or noting physical characteristics in their natural setting. Observation can be overt (everyone knows they are being observed) or covert (no one knows they are being observed) and observation is concealed. The researcher observed how the system was used.

#### **3.6 Reliability and validity of data collection instrument**

Validity of instrument was obtained by incorporating comments from the supervisor on the question designed for each of the study. Pre-test was done and 5 questionnaires were given at random to all categories, to check if answers given were relevant to the study, if not then adjustments were done.

#### **3.7 Data processing and analysis**

Data was coded, edited and finally tabulated. The purpose of the above was ensuring the competence, uniformity and easy presentation of the findings. The collected data was presented and organized in a systematic manner which enabled the researcher to come up with the final dissertation.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

#### 4.0 Introduction

This chapter presents and analyses the findings of the study with reference to the computerized accounting and financial performance.

#### 4.1 The background characteristics of the respondents

##### 4.1.1 Age of the respondents

**Table 4.1 showing the age group of the respondents**

Age group	Frequency	Percentage (%)
18– 25	2	8%
26 – 30	4	16%
31 – 35	6	24%
36 – 40	8	32%
41 & Above	5	20%
Total	25	100%

**Source: primary data**

The majority of the respondents (32%) were in the age range of 36 – 40years, indicative of the prime age that is normally capable of good performance.

The average age of respondents is 10years, an indicator that both the young and the aged exist. However, it may be an indicator of adequate experience and maturity as well as skills in service delivery.



#### 4.1.2 Sex of the respondents

**Table 4.2 showing the sex of the respondents**

Sex	Frequency	Percentage
Male	6	24%
Females	19	76%
Total	25	100%

**Source: primary data**

Male respondents were more than female respondents indicating a male dominance in the school. Males were 6 while female were 19 giving a percentage total of 24% for males and 76% for the females.

#### 4.1.3 Level of education

**Table 4.3 showing levels of education**

Response	Frequency	Percentage (%)
Diploma	2	8%
Degree	10	40%
Masters	8	32%
PHD	0	0%
Other	5	20%
Total	25	100%

**Source: primary data**

The findings indicate that the majority of the respondents came from the degree, masters, other, diploma and PHD had none; it gave a percentage of 40% degree, 32% masters, 20% others, 8% diploma and 0% phd.

#### 4.1.4 Respondents working experience

Efficiency in the performance of activities requires staff to have sufficient experience

**Table 4.4 showing respondents work experience**

Experience (years)	Frequency	Percentage (%)
1 – 3	5	20%
4 – 5	18	72%
6 & above	2	8%
Total	25	100%

**Source: primary data**

According to table 4.4, only 20% of the respondents were between 1 year of experience and above, only 8% respondents had above 6 years of experience indicating that majority of the respondents have work experience below 5 years. This implied that majority of the respondents had not worked with organization for a long time meaning they lack enough experience as regards to the operations of the local government.

#### 4.2 Benefit of computerized accounting

In assessing the benefit of computerized accounting, the researcher considered whether the organization accounting function was computerized, then the computerized packages used and their benefit to the organization.

##### 4.2.1 The organization's accounting system is computerized

When the respondents were asked whether the accounting functions are computerized, the responses obtained were tabled below:

**Table 4.2.1 shows response on whether the accounting functions are computerized**

Response	Frequency	Percentage (%)
Yes	20	80%
No	5	20%
Total	25	100%

**Source: primary data**

From the table above, majority of the respondents (80%) responded that the organization's accounting functions were fully computerized while only (20%) said that the system was not computerized. This implies that the organization's accounting function were computerized and efficiency in preparing and handling accounting records since majority of the respondents were in support.

#### **4.2.2 Computerized accounting packages**

When asked on what computerized accounting packaged the organization uses the responses obtained were shown below:

**Table 4.2.3 showing respondents response on computerized accounting packages**

Response	frequency	Percentage (%)
Manual	3	12%
Navision	22	88%
Total	25	100%

**Source: primary data**

The above table shows that 12% of respondent do their work manually and Navision 88% was the computerized accounting package used at organization. This implies that mainly JDLG uses Navision as its computerized accounting system this encourages more understandability about the system.

### 4.2.3 Benefits of computerization of the accounting system

When the researcher asked the respondent on whether computerized accounting function benefits the firm. The following were responses tabled below:

**Table 4.2.3: shows the benefit of computerized accounting system to the organization.**

Response	Respondents	Percentage (%)
Yes	18	72%
Not sure	5	20%
No	2	8%
Total	25	100%

**Source: primary data**

The above presentation 72% of the respondent affirmed that computerized accounting benefits the organization while 8% of them said that it had no benefit and only 20% were not sure of its benefits to organization. This therefore implies that majority of the respondents are aware of the benefits that the system offers to the organization.

After inquiring whether computerized accounting benefits the organization, the researcher focused on assessing the percentage to which the different benefits contributes to the organizations and finding were summarized.



**Table 4.2.4: Responses on assessing the benefit of computerized accounting system to the organization expressed in numerical term.**

Benefits	Responses					Total	Percentage (%)				
	SA	A	N	D	SD		SA	A	N	D	SD
Quick financial/reports	10	8	4	2	1	25	40	32	16	8	4
Improvement in business	10	9	2	3	1	25	40	36	8	12	4
Accuracy and efficiency	8	6	4	5	2	25	32	24	16	20	8
Simplified posting	9	6	5	3	2	25	36	24	20	16	4
Minimized errors	11	7	2	3	2	25	44	28	8	12	8
Easy auditing	7	6	5	4	3	25	28	24	20	12	6
Total	55	42	22	19	21	150	37	28	15	13	7

**Source: primary data**

The above shows the following:

40% of the respondent strongly agreed that financial statement are quickly generated due to the presence of computerized accounting, 32% agreed with it and 16% were neutral while on other hand 4% had strongly disagree with the statement.

40% of the respondent strongly agreed that computerized accounting improves the business, 36% agree with it and 8% were neural while on the other hand 12% disagreed with the statement and 4% had strongly disagreed with the statement.

32% of the respondent strongly agreed that computerized accounting improves the business, 24% agree with it and 20% were neural while on the other hand 16% disagreed with the statement and 8% had strongly disagreed with the statement.

36% of the respondent strongly agreed that computerized accounting improves the business, 24% agree with it and 20% were neural while on the other hand 16% disagreed with the statement and 4% had strongly disagreed with the statement.

Finding also showed that 44% of the respondent strongly agreed that computerized accounting improves the business, 28% agree with it and 8% were neutral while on the other hand 12% disagreed with the statement and 8% had strongly disagreed with the statement.

28% of the respondent strongly agreed that computerized accounting improves the business, 24% agree with it and 20% were neutral while on the other hand 12% disagreed with the statement and 16% had strongly disagreed with the statement.

However, the overall finding indicates that 37% responses strongly agree with the statement, 28% agree, 15% have mixed notion, 13%disagreed. Furthermore the findings imply that the computerized accounting bears a lot of benefit on minimization of errors, quick report generation, accuracy and easing auditing of the statement.

### 4.3Levels of financial performance

#### 4.3.1 A change in levels of financial performance

Finding on the level of financial performance of JDLG were considered and can be evidence in the table below;

**Table 4.3.2 showing a change in levels of financial performance**

Response	Frequency	Percentage (%)
Yes	12	48
No	3	12
Not sure	10	40
Total	25	100%

**Source: primary data**

Table 4.3.2 indicates that;48% Of the respondent accepts that the change, 12% of the respondent disagree and 40% are not sure whether is a change or not.

#### 4.3.2 The respondents' thinking on the level of financial performance.

The findings on the level of financial performance were considered and can be evidenced in the table below.

**Table 4.3.2 showing the levels of financial performance**

Response	Frequency	Percentage (%)
Very high	3	12%
High	10	40%
Moderate	10	40%
Very low	02	8%
Total	25	100%

**Source: primary data**

From the table above, 12% of the respondent accepted that the organization level are very high, 40% of the respondents high, 40% of the respondents noted moderated and 8% noted very low.

#### **4.3.3 How do you rate the financial performance of JDLG?**

**Table 4.3.3 below shows the finding on the rate of financial performance**

Response	Frequency	Percentage (%)
Very good	7	25%
Good	3	12%
Fair	11	44%
Poor	2	8%
Very poor	2	8%
Total	25	100%

**Source: primary data**

From the table above, 25% of the respondents accepted that the financial performance rates were very high, 12% of the respondent noted good, 44% of the respondents noted fair and 8% of the respondent noted very poor.

#### 4.3.4 The financial performance of JDLG is having gaps and loopholes and it needs attention.

Table 4.3.4 show the response about gaps and loopholes in financial performance of JDLG.

Response	Frequency	Percentage (%)
Strongly agree	11	44%
Agree	3	12%
Not sure	7	25%
Strongly disagree	2	8%
Disagree	2	8%
Total	25	100%

Source: primary data

From the table above, 44% of the respondent strongly agree that there is gaps and loophole in the financial performance, 12% of the respondent agree, 25% of the respondent are not sure, 8% of the respondent strongly disagree and 8% of the respondent disagree.

#### 4.4 Computerized accounting and financial performance

##### 4.4.1 Response on whether computerized accounting has an effect on financial performance

This is aimed at finding out whether the existence of computerized accounting in the entity, there has been any kind of effect or change on the financial performance.

Table 4.4.1 showing the response on whether computerized accounting has an effect on financial performance

Response	Respondents frequency	Percentage (%)
Yes	19	76%
Not sure	2	8%
No	4	11%
Total	25	100%

Source: primary data



The above table shows that 76% of the respondent responded yes while 16% said No and only 8% were not sure therefor it implies that there is a great relationship between computerized accounting on financial performance in the organization.

#### 4.4.2 The relationship of computerized accounting system and financial performance.

Since the respondents affirmed that there is a great relationship between computerized accounting on financial performance at the organization. Their research went ahead to inquire and assessed the level of relationship out of available variables. And the following responses were got.

**Table 4.4.2: Responses on the degree of relationship between computerized accounting system and financial performance to the organization expressed in numerical term.**

Responses	Responses					Total	Percentage (%)				
	SA	A	N	D	SD		SA	A	N	D	SD
Timely reports	7	6	5	3	4	25	28	24	20	12	16
Prepared at regular interval	10	9	2	3	1	25	40	36	8	12	4
Minimizes errors	8	6	5	4	2	25	32	24	20	16	4
Keeping reports (soft copy)	11	7	2	3	1	25	44	25	8	12	8
Speedy	9	5	4	4	3	25	36	20	16	16	12
Accuracy and quality report	9	6	5	4	2	25	36	24	20	16	4
Totals	45	34	18	18	11	150	36	27	14	14	8

**Source: primary data**

As per above table 4.4.2 out of 25 respondent 7 (28%) strongly agree that there is a great relationship between computerized accounting and financial performance in terms of preparation of timely report, 6 (24%) agreed with the same statement, 5 (20%) were neutral and on the other hand 12% disagreed and 16% strongly disagreed with it.

Minimize errors in report was also a factor that could show a degree of relationship between computerized accounting and financial performance and the following respondent were got.

40% of the respondent strongly agree that minimization of errors shows a clear relationship between computerized accounting and financial performance, 36% agree with it and 8% were neutral on the other hand 12% of the respondent disagreed and 4% strongly disagreed to it.

Production of accuracy and quality report was also a factor that could show a degree of relationship between computerized accounting and financial performance and the following were got.

32% of the respondent strongly agree that production of accuracy and quality report shows a clear relationship between computerized accounting and financial performance, 24% agree with it and 20% were neutral on the other hand 16% of the respondent disagreed and 4% strongly disagreed to it.

Quick speed in report generating was also a factor that could show a degree of relationship between computerized accounting and financial performance and the following respondent were got.

44% of the respondent strongly agree that quick speed in reporting generating shows a clear relationship between computerized accounting and financial performance, 25% agree with it and 8% were neutral on the other hand 12% of the respondent disagreed and 8% strongly disagreed to it.

Keeping report (soft copy) was also a factor that could show a degree of relationship between computerized accounting and financial performance and the following respondent were got.

36% of the respondent strongly agree that keeping reports (soft copy) shows a clear relationship between computerized accounting and financial performance, 24% agree with it and 20% were neutral on the other hand 16% of the respondent disagreed and 4% strongly disagreed to it.

From the above finding, it was evidenced that there is a strong relationship between financial performance and computerized accounting. Since the majority of the statement in other words 36% of the respondents had a view that there is a relationship between computerized accounting system and financial performance.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.**

#### **5.0 Introduction**

This chapter looks at discussion and summary of the finding based on the objective, conclusion

#### **5.1 Summary of findings**

The researcher in her study based the discussion on the objective of the study.

##### **5.1.1 The benefit of computerized accounting to the organization**

The researcher when assessing the benefit of computerized accounting on financial performance found out the following:

##### **Quickens the generation of financial reports**

The researcher found out that through computerized accounting financial reports can be generated very quickly, the quickness in generation of reports is due to the fact that through computerized accounting, data processing and analysis are faster and more accurate. With such advantage, manager can instantly access different information which leads to easy and quick decision making.

##### **Improvement in business performance**

The researcher observed that computerized accounting system result into improvement in business performance. That computerized system is a highly integrated application that transforms the business processes with its performance enhancing features. Accounting functions, inventory control and statutory reporting can easily be done hence resulting in access to business information for good decision making.

##### **Understandability**

The researcher found out that financial reports generated are very understandability to user, Financial reports need to be easily understood by the users as report acts as a way of communication between firm and stakeholders.

The illustration of benefits are summarized as below:

- Financial reports can quickly be prepared when required.
- There is bearable improvement in business performance.
- Accuracy and efficiency in record keeping.
- Posting transactions in that ledger are simplified.
- Arithmetic errors are also easily minimized.

Auditing of financial statement is simplified as all records of transactions are recorded safely.

Other benefits include handling automated book-keeping, bank reconciliation, payroll, VAT returns or large amount of data.

### **5.1.3 Relationship between computerized accounting and financial performance**

Using the finding, computerized system faster accessibility and faster transformation of information stored in computers, hence financial reports can easily be accessed through online system without delay and this encouraged timely decisionmaking.

Computerized accounting has been credited for their quick processing speed and large storage capacity. Using computerized accounting ensures up-to-date account balances are available any time for management to make quick decisions.

It implies that there is a strong relationship between computerized accounting and financial performance.

### **5.1.4 Levels of financial performance**

Using the finding, computerized system improves on the performance of the organization through faster report generation, accuracy.

It implies that there is a positive change in the levels of financial performance.

## **5.2 Conclusion**

From the findings, it is evident that computerized accounting contributed a lot towards financial performance at JDLG. The study reveals that the organization had been able to maintain



financial reports with qualities of timeliness, liabilities, relevancy and understandability, accuracy and efficiency because of computerized accounting system. The researcher decided with findings of the study and concluded that computerized accounting has greatly led to improved financial performance because of the advantages it offers to financial performance.

### **5.3 Recommendations**

Basing on the findings of the study, the researcher made the following recommendations for the organizations in improving on their financial performance.

The organization recruits professionals to handle computerized accounting systems. This is because any wrong entry of data will certainly generate inaccurate and unreliable results. Staff must before be adequately trained to enable them efficiently operate the system.

The organization should select package or software that are user friendly and should consider customization of the system to fit specific needs. Other than adopting off-shelf packages with customized packages, training cost will be reduce. The system should suit business environment adapt to changes.

There should be routine system maintenance programs put in place so that the system can be rid of shortfalls such as viruses and fraud among others that may affect the system operation. This should be done so that system can operate to the expectation of management.

The organization should set aside budget for research and development specifically for its computerized project. These will improve and update the computerized accounting system.

Data manager of the organization should ensure that all financial information capture and backed up, computerized system security is sometimes prone to threats such as virus attacks. It is important that the data is backed up so that in case a system breakdown, the data would have been secured.

Strong internal control system on computer and its system also need to be put in place so that in case errors occur, they can be traced and corrected.

The researcher also recommends that the firm should run the computerized accounting system alongside the manual system. This is important because should the computerized system breakdown, importance source information can still remain available.

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## APPENDIX I

### RESEARCH QUESTIONNAIRE

Dear respondent,

I am a student of Kampala International University finalizing with a dissertation as a requirement for the award of Bachelors of Business Administration

This questionnaire is intended to facilitate research on “*accounting information systems on financial performance of Jinja district local government council.*” You have been selected as one of the respondents in this study, which is purely for academic purposes.

#### Section A: Personal Data

(Write and Tick where necessary)

1. Age

Below 30 ☐      31-45 ☐      46-55 ☐      Above 55 ☐

2. Gender

Male ☐      Female ☐

3. Level of education

Diploma ☐ Degree Masters ☐ PHD ☐ ☐

Others (specify).....

4. For how long have you been working in this entity?

.....



**Section B: To assess the benefit of computerized accounting in JDLG**

Is the organizations accounting system computerized?

Yes ☐

No ☐

What computerized accounting packages are used in the organization?

Navision ☐

Manual ☐

Others (Specify).....

In your view, do you think computerization of the accounting system has been benefit to the organization?

Yes ☐

Not sure ☐

No ☐

If yes, please tick any one option for the statements below:

SA –strongly agree    A-agree    N-neutral    SD-Strongly disagree    D-disagree

Statements	SA	A	N	D	SD
Financial reports are quickly generated					
There is improvement in business performance due to computerization of the accounting system					
There is accuracy and efficiency in accounting records keeping through computerization					
Accounting function like posting transactions the ledger and double entry are simplified.					
Arithmetic errors are easily minimized through application of computerized accounting system					
Auditing and financial statement is easier					



Other benefits:

.....  
.....  
.....

### Section C: Levels of financial performance

Do you notice a change in the levels of financial performance of JDLG?

Yes ☐ Not sure ☐ No ☐

What do you think is the level of financial performance of JDLG?

Very high ☐ High ☐ Moderate ☐ Low Very low ☐

How do you rate the financial position of JDLG?

Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor ☐

The financial position of JDLG is having gaps or loopholes and its needs attention.

SA -strongly agree ☐ A-agree ☐ N-neutral ☐

SD-Strongly disagree ☐ D-disagree ☐

### Section D: Relationship between computerized accounting and financial performance

Do you think computerized accounting has an effect on financial performance?

Yes ☐ Not sure ☐ No ☐

In this section, the respondent is required to tick any one option for each statement below:

SA –strongly agree    A-agree    N-neutral    SD-Strongly disagree    D-disagree

Statements		A	N	D	SD
Financial reports are timely generated for decision making purposes by the users.					
The financial report can be prepared at regular intervals with much ease.					
Arithmetic errors in the financial report have greatly reduced due to computerized accounting					
Keeping records and maintenance of accounting data have become easy and simple to perform.					
There is guarantee of quick speed in processing reports.					
The stakeholders can greatly rely on the reports generated because of accuracy and quality.					

Other (please specify)

.....

.....

.....

**Thank you for your cooperation.**

## **APPENDIX II**

### **INTERVIEW GUIDE FOR THE RESPONDENTS**

- a) Does the district local government have computerized accounting system in place?
- b) What service does computerized accounting offer to JDLG?
- c) How effective is the computerized accounting of JDLG?
- d) Is there any benefit of computerized accounting on the financial performance of JDLG?
- e) How do you rate financial performance of JDLG?
- f) What is the relationship between computerized accounting and financial performance in JDLG?
- g) What are the strengths of computerized accounting to JDLG?
- h) What are the challenges encountered of computerized accounting by JDLG?
- i) Do you think JDLG still need to improve their financial performance further better?
- j) What measures would you recommend for JDLG to further improve their financial performance?

**Thank you for your cooperation.**