Effect of Annual Audit Report on Financial Report Quality of Listed Consumer Goods Firms in Nigeria

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Abstract

The study examined audit report practice and financial reporting quality of consumer's goods firms listed in Nigeria. Data were sourced from the annual reports of selected firmsfor seven (7) years from 2012-2018. The study used multiple regression analysis to test the hypotheses. The study discovered that Audit report has positive insignificant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria. Based on the findings, it was recommended that the supervisory authorities should reinforce their activity in relation to the aspects addressed herein as relevant to auditor change, as a means of being able to correctly monitor the manner in which audits are conducted and the manner in which the conclusions are supported by these situations, with the aim of guaranteeing that auditors′ independence cannot be influenced, and that the assumption of the importance of the audit report to stakeholders is not affected.

Keywords: Audit Quality, Financial Reporting, Audit Report, Financial Statement, Management

INTRODUCTION

In the wake of the financial crisis of 2007–2009 and the failure of a number of global corporate entities, investors, analysts and regulators continue to wonder exactly what happened, what could have prevented it, and what measures can be taken to ensure it doesn't happen again. With companies collapsing on the heels of annual financial reports that sounded no alarm bells for current or potential investors, it's understandable that the quality of financial reporting is coming under scrutiny. While there are numerous discussions and activities underway around auditing standards, judgments, estimates and other technical reporting components, audit committees may find it valuable to consider the connection between audit report and the quality of financial reporting. If sound and relevant financial reporting is one of the direct results of a quality audit report – and I believe that it is – then the immediate questions to ask may be: what does "audit report" mean? Will current audit reform proposals improve the quality of audit reports? And how can the audit committee help the process. Financial reports are of great concern to corporate stakeholders especially in investment decisions (Lin & Hwang, 2010). Several studies (Kibiya, Che-ahmad, &Amran, 2016) , have investigated the effects of various board attributes and audit quality variables on Financial Reporting Quality, empirical evidence of their effects is relatively fluctuating. Financial reporting is seen as communicating information on the activities of companies to the users of accounting information; and the quality of financial reporting is a function of the quality of accounting standards and the compatible regulatory enforcement of the standards (Kantudu & Samaila, 2015).

A reliable audit report is imperative in corporate organizations where the retention of public confidence remains of utmost importance. In this regard, the auditors are the essential fulcrum upon which the concepts of objectivity, fairness coupled with independence and integrity of financial reporting rest. This assertion, notwithstanding, it suffices to say that reports from statutory auditors are still challenged. Financial scandal is an undesirable occurrence that had threatened the going concern status of many corporate organizations in Nigeria. In spite of frequent development in technology such as computer assisted audit technique, internet, automated accounting system etc., financial scandals in both public and private organizations still top the headlines of Nigerian newspapers on daily basis. The auditor's report is a disclaimer thereof, issued by either an internal auditor or an independent external auditor as a result of an internal or external audit or public]], among others) as an assurance service in order for the user to make decisions based on the results of the audit. An auditor's report is considered an essential tool when reporting financial information to users, particularly in business. Since many third-party users prefer, or even require financial information to be certified by an independent external auditor, many shareholders rely on auditor reports to certify their information in order to attract investors, obtain loans, and improve public appearance. Some have even stated that financial information without an auditor's report is "essentially worthless" for investing purposes.Stakeholders too often see the audit report as a relatively discrete document when, in fact, the processes and controls that ensure the broader integrity of the audit report comprise much more than the audit opinion itself. These processes and controls range from the company's collection and recording of financial information to the actual audit, through to the issuance of the annual financial report. The primary objective of this study is to examine effect of audit report on annual financial reporting quality of listed consumer's goods firms in Nigeria For the purpose of this study a null hypothesis was formulated and states thus:

Ho_1: Audit report has no significant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria

LITERATURE REVIEW

Conceptual Framework

Concept of Audit Report

An annual financial report can never be completely free from bias, since economic phenomena presented in annual reports are frequently measured under conditions of uncertainty. Many estimates and assumptions are included in the annual report. Although complete lack of bias cannot be achieved, a certain level of accuracy is necessary for financial reporting information to be decision useful (IASB, 2008). Therefore, it is important to examine the argumentation provided for the different estimates and assumptions made in the annual report (Jonas & Blanchet, 2000). If valid arguments are provided for the assumptions and estimates made, they are likely to represent the economic phenomena without bias. In addition, valid and well-grounded arguments provided for the accounting principles used increase the likelihood that preparers fully understand the measurement method. This will reduce the possibility of unintentional material errors in their financial report (Jonas & Blanchet, 2000; Maines&Wahlen; 2006). Moreover, when the selected accounting principles are clearly described and well-founded, it increases the probability to reach consensus and to detect misstatements for the user of the financial report as well as for the auditor. Verifiability implies that different knowledgeable users of financial reporting information reach general consensus, although not necessarily complete agreement" (IASB, 2008).

The other sub notion of faithful representation is neutrality defined as the absence of bias intended to attain a predetermined result or to induce a particular behaviour. Neutral information does not colour the image, it communicates to influence behaviour in a particular direction (IASB, 2008: 37). Jonas and Blanchet (2000) stated that neutrality is about objectivity and balance. Neutrality refers to the intent of the preparer; the preparer should strive for an objective presentation of events rather than focusing solely on the positive events that occur without mentioning negative events the last construct to measure faithful representation refers to the unqualified auditor's report. Various researchers examined the impact of an audit and the auditors‟ report on the economic value of the firm (Gaeremynck&Willekens, 2003; Kim, Simunic, Stein and Yi, (2007); Willekens, 2008). These researchers concludedthat the auditor's report adds value to financial reporting information by providing reasonable assurance about the degree to which the annual report represents economic phenomena faithfully. Maines and Wahlen (2006) even argue that an unqualified audit report is a necessary condition to perceive the financial reporting information as reliable or faithfully represented.

Importance of the Audit Opinion

Johnson (2002) argue that financial audit reports are the main means of communication betweenstakeholders, and, as such, the auditor´s opinion is usually treated as a source for assessing whether or not theinformation provided is true and accurate in relation to all aspects which are materially relevant to the financialand economic situation and cash flows of the entity being audited. In this perspective, Becker et al. (1998) state that financial audits reduce the information asymmetries existing between managers and other stakeholders in the company, enabling the users of the financial data to believe that the financial statements are credible. Santos and Pereira (2004) endorse this theory to the extent that the audit report is the end product of the auditor´s work.It is by means of the same that the auditor communicates with the users of the financial information, highlightingaspects in relation to the work conducted and the conclusions with regard to the audited entity expressed in theform of an opinion. Thus, the audit report represents the formal means of communication existing between the auditor and the interested parties in relation to the conclusion on the financial audit carried out (Boynton, 2002). In other words, on conclusion of the audit work the auditor´s opinion is published in the financial auditreport, via which the conclusion of the work conducted is disclosed to the users and the informative content ofwhich is gauged in accordance with auditing standards (Almeida and Vasconcelos, 2007).

The opinion that the financial audit report is used by the users in the different decision-making processes is questioned by some authors. According to Hermosa (2002), the auditor´s opinion is of little use in decision-making, as this is a report based on historical values, and, as such, the information is not up to date. Users are increasingly demanding prospective information and are turning to other information systems to obtain it. Thisline of thought is also shared by Barbadillo (1998), who emphasizes the fact that although the financial auditreport has a nominative value which makes it a valuable instrument of information, it is little used. The results obtained by the different authors lead us to conclude that the audit report is regarded as useful by stakeholders, despite the fact they show a lack of satisfaction with the type and adequacy of the information included in thesereports. Stakeholders expect the auditor to provide an impartial and true service, a detailed and thorough analysis of the financial statements, and, where applicable, to report any faults, errors or omissions detected in the auditedfinancial statements. However, at times the company being audited expects exactly the opposite, or in otherwords, that the auditor ignores any issues or omissions detected (Koo and Sim, 1999).

Financial Reporting Quality

Financial reporting involves recording financial information according to relevant accounting standards. According to (Vargiya, 2015), Financial Reporting includes the exposure of related financial information to the different Stakeholders about an organisation over a predefined timeframe. These Stakeholders include – investors, lenders, suppliers, and government organisations. Financial Reporting is considered as the final result of Accounting. It comprises of various important statement which include - financial related explanations from Statement of financial position, Statement of comprehensive income, Statement of cash flow, Statement of changes in equity, notes to financial related explanations, Quarterly and Annual reports (if there should be an occurrence of quoted organizations),Prospectus (if there should be an occurrence of organizations going for Initial Public Offers) and Management Discussion and Analysis (if there should be an occurrence of open organizations).

Financial reporting is a process of reporting financial activities of business on a formal way. It has been considered as an essential resource for any market participant. It also reduces the mystery and the conflict in opinion between all interested users such as managers, investors, regulatory agencies, society and other stakeholders. Every one participates in this process, even each operation related to this process should be submitted carefully, especially the disclosure process, all transactions, the accounting policies and all judgments and opinions made by the staff involved in this process (Gaynor et al., 2016). Explaining variation in firm performance is the central focus of much of the strategy literature. A large part of literature and previous studies try to examine quality of financial reporting and its effects on the subsequent performance of a company. For example, Garcia-Lara et al. (2010), Ahmed and Duellmand (2011), find that there is a positive effect for the quality of financial reporting on the overall higher performance of the company.

Empirical Literature

Mohammad and Chaudhory (2019) explored the impact of audit characteristics on firm performance. In this study, external audit quality (BIG4), frequencies of audit committee meetings, and audit committee size are used as the proxies of audit characteristics and firm performance is measured through ROA, profit margin and EPS. A total of 50 firms are considered as sample size from the listed manufacturing firms of Dhaka Stock Exchange (DSE) during the period of 2013 to 2017 to find out the impact of audit characteristics on firm performance. In this study, multivariate regression analysis is conducted using the pooled OLS method. Moreover, time dummy and lag model of multivariate analysis are also analyzed as robust check. The multivariate regression results find that external audit quality (BIG4) and audit committee size are significantly positively associated with firm performance. This study also finds that there is a significant negative relationship between audit committee meeting and firm performance.

Ikpantan&Daferighe (2019), aimed at assessing the influence of audit quality on financial reports of Deposit Money Banks (DMBs) in Nigeria. The motivation was the corporate collapses and failures experienced in the banking sector amidst the clean audit reports. The methodology adopted was ex-post-facto. Using descriptive and inferential statistics, a sample of 10 deposit money banks was purposively selected for a period of 14 years, resulting in 140 data points. The data were obtained basically from content analysis of published annual reports and accounts, and notes to the financial statements. Using Pearson Product-Moment Correlation and Linear multiple regression; the study revealed that Audit fees and Auditor tenure exert insignificant influence (3.4%, 3.3%) and exhibited significant relationship with the amount of discretionary accruals of deposit money banks in Nigeria. There existed 85.8% positive joint relationship between audit quality and financial reports. However, auditor tenure has more influence on discretionary accruals than audit fees.

Ndubuisi and Ezechukwu (2017),ascertained the determinants of audit quality with a focus on selected Deposit Money Banks listed on the floor of Nigeria Stock Exchange from 2010-2015. This study made use of secondary data obtained frovm fact books, annual reports and account of selected banks under study. The relevant data were subjected to statistical analysis using Pearson coefficient of correlation, Ordinary Least Square (OLS) and Granger causality test with the aid of E-view 9.0. The result of this study revealed that there is a positive and statistically significant relationship between audit fees, audit tenure, audit firm size and audit quality. It was also empirically verified that audit fees, audit tenure, audit firm size have a statistically significant relationship with audit quality of banks listed on the floor of Nigerian Stock Exchange at 5% level of significance. Madakawi (2012) conducted a study on the audit committee characteristics andfinancial reporting quality in Nigerian listed companies. This study aimed toinvestigate the effect of audit committee characteristics on the quality of financialreporting of Nigerian listed firms. The study employed multivariate regressionanalysis with a sample size of 101 firms-year longitudinal panels of 505observations of non-financial listed companies on Nigerian Stock Exchange for the period 2010 to 2014. The results showed that control variables; company age andcompany size are statistically significant. Audit committee share ownership, andfinancial expertise are positive and statistically significant, indicating that auditcommittee monitoring mechanisms influence the financial reporting quality of listed nonfinancial firms in Nigeria.

Theoretical Framework

Agency Theory

The theory underpinning this study is Agency Theory. Agency theory has been widely used in literature to investigate the information asymmetry between principals (shareholders) and agent (management). Sarens and Abdolmohammadi (2007), states that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. Jensen and Meckling (1976), states that in agency theory, agents have more information than principals and this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by the agents. Sarens et al (2007), opines that an assumption of agency theory is that principals and agents act rationally and use contracting to maximize their wealth.

METHODOLOGY

The study adopts Ex post facto design. Ex post facto design is a quasi-experimental study examining how an independent variable, present prior to the study, affects a dependent variable. The population of this study comprises all the twenty three (23) companies under consumables goods that are listed on the Nigeria Stock Exchange (NSE) bulletin and published in the Nigeria Stock Exchange website as at 30th November, 2019. In order to ensure accuracy and reliability of data, the approach adopted in this study for sample size determination is through judgmental or purposive sampling technique. The criteria for the sampled firms are: it must be quoted under NSE for more twenty years, recognized and have a large customer base. The sample firm Cadbury Nigeria Plc., Nestle Nigeria Plc., Nascon Nigeria Plc and Guinness Nigeria Plc.

Model Specification

The researcher adopts the model used by Ikpantan (2019). The model is as follows:

$FRQit= \beta 0+\beta 1ARit+ \mu it$

Where;

FRQ = Financial Reporting Quality
AR= Audit Report

Dependent Variable

FRQ = A dummy variable assigned the value 1 if the company has at least one qualified opinion on Assets, debt, liabilities and the value 0 if it doesn´t.

Independent Variable

AR = the audit report is *measured* by the outcome, that is the *audit opinion* issued. If it is unqualified report =1 and qualified report = 0

RESULTS AND DISCUSSION

In this study, the secondary sources of data collection were used. The secondary source of data for this study includes the annual report of the sampled firm for all the relevant years. The data covers the period from 2012-2018. The reason for using this source is because estimation models used in this study requires the use of time series data.

The data were gathered through the secondary sources to examine the impact of audit report and financial reporting quality sampled firm is processed using a multiple regression analysis to determine the relationship between dependent variable and independent variable The data are analysed for a period of seven years from 2012- 2018.

Table1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.140[a]	.220	.018	.39354	1.108

a. Predictors: (Constant), AR
b. Dependent Variable: FRQ

From table, the result shows that the co-efficient of the regression which is R^2 is low at 22%. This means that only 22% of FRQ is explained by the explanatory variable while 88% is unexplained. The Durbin Watson (DW) statistics of 1.108 suggests the absence of serial correlation. This indicates that there is a no autocorrelation among the error term of each of the variables used in this study, however, the father this is to 2, the fairer the model which is well fitted.

Table 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.080	1	.080	.520	.477[b]
	Residual	4.027	26	.155		
	Total	4.107	27			

a. Dependent Variable: FRQ

b. Predictors: (Constant), AR

SPSS Output Version 25

From table above, the result shows the overall fitness of the model formulated. The F-statistics as presented in the table is 0.520 which is insignificant at 5%. This shows that the model is well fitted as seen from the ANOVA table. This shows that audit report has no impact financial reporting quality.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.333	.227		1.467	.154
	AR	.173	.240	.140	.721	.477

a. Dependent Variable: FRQ

Ho. Audit report has no significant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria

The result from table 3 shows that AR is having a co-efficient of 0.173 and a p-value of 0.477. This indicates that the variable has a positive effect and it is statistically insignificant at 5% because the p-value is greater than 0.05. This therefore lead to the acceptance of the null hypotheses which states that Audit report has no significant impact on annual financial reporting quality of listed consumer's goods firms in Nigeriaand reject the alternate hypothesis.

Discussion of Findings

The study discovered that Audit report has positive insignificant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria. According to Carmargo*et al.* (2011), the auditor conducts analytical work in order to issue a summarized report on the conclusions drawn from the audit performed. This report provides stakeholders with an opinion on theadequacy of the audited financial statements, and, in turn, the audited parties are those which may be affected bythe decisions made by these stakeholders. Hence, according to Ballesta and García-Meca (2005), the parties withan interest in the financial statements take into account the existence of changes to the financial audit report,which might imply (i) adverse reactions in the market, affecting the relationship between the auditor and the audited party and resulting in the management of the audited company exerting pressure on the auditors, therebyquestioning their independence, or (ii) the existence of legal proceedings filed against the auditors due to errors inthe execution and results of the audit.The financial auditor therefore serves as a mechanism for covering information risk. Or, in other words, that theinformation published guarantees the parameters of quality required to make economic decisions. As a result thefinancial audit report should convey the shortcomings detected in the financial information. Hence, the researcher conclude that auditors play a role of corporate governance in monitoring a company´s financial reporting process.

CONCLUSION AND RECOMMENDATION

The study concludes that Audit report has positive insignificant impact on annual financial reporting quality of listed consumer's goods firms in Nigeria. Thus, the supervisory authorities should reinforce their activity in relation to the aspects addressed herein asrelevant to auditor change, as a means of being able to correctly monitor the manner in which audits areconducted.With the aim ofguaranteeing that auditors´ independence cannot be influenced, and that the assumption of the importance ofthe audit report to stakeholders is not affected.

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Effect of Accounting Information System on Financial Performance of Firms in Nigeria

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Abstract

Financial performance principally reflects business sector outcomes and results that shows overall financial health of the sector over a specific period of time. It indicates how well an entity is utilizing its resources to maximize the shareholders wealth and profitability. Although a complete evaluation of a firm's financial performance takes into account many other different kind of measures but most common performance measurement used in the field of accounting and finance inference is financial ratios. This paper provides a comprehensive study of the financial performance literature with respect to firms in Nigeria. The literature cover studies from conceptual and theoretical foundations as well as empirical literature relating to accounting information system and financial performance of firms. Findings from the review reveals that past studies on effect of accounting information on financial performance limitedly aligned their works to the cost implication of accounting information system as it relates to financial performance of firms. This review also found that most of the studies relied on the use of survey research design to examine this relationship and majority of the studies were carried out in advanced economies where computerized accounting system techniques have been accepted to a large extent. This review therefore recommends further research into this area to fill the gap in literature.

Keywords: Information System, Accounting Information System, Financial Performance

INTRODUCTION

The business world is highly competitive more than ever before due to globalization, technological advancement and transportation improvement all put together has made the world a global village such that businesses can freely enter into new markets with little or no restriction. This means that consumers have a wide range of choice as varieties of goods from all part of the world are made available. The implication of this is that businesses must operate efficiently to be relevant in the market. Not only that competition is mounting up, the effect of technology has promoted an ever growing change in consumers' spending pattern. Businesses must therefore device a system that is proactive to these dynamics. Thus the ever growing need for business development, growth and expansion in today's contemporary business environment has necessitated managers to consider more advanced management strategies targeted at improving decision making in organizations. Most of these strategies are tailored towards sustaining businesses in the wake of rapid technological innovations, increased awareness and challenging demands from customers (Davoren, 2019). Accounting Information System greatly helps to provide internal and external reporting data, financial statements and trend analysis capabilities to affect an organizational performance (Samer, 2016). Thus, one can say that it is the automation of the accounting system to promote effectiveness and efficiency in gathering, processing, generating and distribution of accounting information to users on timely basis using analytical tools of ratio, trend evaluation and financial modeling to aid decision making.

It is expected that accounting information system (AIS) should be correlated with the financial state and outcomes of firms. Financial performance is a composite of an organization's financial health, its ability and willingness to meet its long term financial obligations and its commitments to provide services in the foreseeable future (Weber, 2008). In a broader sense, financial performance refers to the degree to which financial objectives are accomplished. Financial managers need financial and accounting data provided by Accounting Information System to evaluate the firm's past performance and to map out future plans. The outcomes of Accounting Information System which primarily includes financial reports are required at different levels of management and by other stakeholders. In fact, the outcomes of an Accounting

Information System feed into various decision streams at operational, tactical, and strategic levels of the organization (Dandago and Rufai 2014). Users require financial and related information with various degrees of details, accuracy, timeliness and completeness with various levels of relevant analysis to serve stakeholders' interest or needs. Consequently, accounting information system (AIS) as a computer- based application, accompanies itself with innovation and modern ways of accounting practices which most business owners especially in developing countries are not prepared for or find it very difficult to adopt. Yet, organizations are designing even more sophisticated accounting information systems to meet up with strategic goals and enhanced performance (Ebb, Pretorius and Zuva, 2013). Typical problems faced by smaller firms such as the small and medium scale enterprises (SMEs) particularly in developing countries in the adoption of computerized accounting system are lack of capital and technological obsolescence, limited financial resources, management information, limited scale of economies and management's IT-oriented behavior, and lack of funds to improve skills (Malaranggeng, 2009; Marriot and Marriot, 2000). This seminar paper seeks to provide a substantial review on the effect of accounting information system (AIS) on financial performance of firms. Specifically, it attempts to presents empirical researches on accounting information system and to identify research gap related to effect of accounting information system and financial performance of firms as a basis of an empirical future research.

LITERATURE REVIEW

Conceptual Framework

Concept of Accounting Information System

Accounting information system according to Manchilot (2019) is a computer-based electronic system used for collecting, storing, processing and communicating financial and accounting data through financial statements with the aim of supporting and guiding organizational decision making process. Computers are the nucleus of Accounting Information System as they provide a platform for the workability of all information systems. For an accounting information system to be operational, appropriate software application must be on the computer system intending to be used. Borhan and Bader (2018) defined accounting information system as a system which contains a group of harmonized business, components, and resources which processes, manage, and control the data for producing and carrying the relevant information for decision makers in the organization. Accounting information requires series of processes to carry out its function just like any other system. It is a network of a set of resources and different components (human, equipment, finance, etc) that interact simultaneously inside a specific framework to work towards the achievement of organizational goals (Rainer, 2007). According to Borhan and Nafees (2018) accounting information system is the process of collecting, analyzing and converting data into action. This definition justifies accounting information system as a computer based system that collects data, process and analyses data and produces results or output. Kashif (2018) states that accounting information system is a combination of people, equipment, policies, and procedures that work together to collect data and transform it into useful information. AIS is a system that provides people with either data or information relating to an organization's operation to support the activities of employees, owners, customers, and other stakeholders in the organization's environment by effectively supplying information to authorized people in a timely manner.

Concept of Information System

Information system is an integrated set of components for collecting, storing, and processing data and for providing information, knowledge, and digital products. Business firms and other organizations rely on information systems to carry out and manage their operations, interact with their customers and suppliers, and compete in the marketplace. Information systems are used to run inter-organizational supply chains and electronic markets. For instance, corporations use information systems to process financial accounts, to manage their human resources, and to reach their potential customers with online promotions. Many major companies are built entirely around information systems. These include eBay, a largely auction marketplace; Amazon, an expanding electronic mall and provider of cloud computing services; Alibaba, a business-to-business e-marketplace; and Google, a search engine company that derives most of its revenue from keyword advertising on Internet searches. Governments deploy information systems to provide services cost-effectively to citizens. Digital goods—such as electronic books, video products, and software—and online services, such as gaming and social networking, are delivered with information systems. Individuals rely on information systems, generally Internet-based, for conducting much of their personal lives: for socializing, study, shopping, banking, and entertainment Marriot and Marriot (2000).

Concept of Financial Performance

Performance is a word ehich originated from the old French word 'Parfournir'; whose meaning is to bring through, to carry out, to do or to bring forth. Performance is an act of performing, implementing, achieving, and fulfilling of the given tasks that needs to be measured against defined sets of precision, money, fullness and timing. In finance, it refers to the measurements of the company's policies, activities and operational results in financial terms. It is used to check a company's success, compliance and financial position. These results are reflected in the firm's return on investment, assets, equity, capital employed and profitability. Financial performance is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide complete to the point information to shareholders and stakeholders to encourage them in making decisions. It can be used to evaluate similar companies from the same industry or to compare industries in aggregation. Managing risk and increasing profitability of a firm within the corporate governance compliance is an essence of making good decisions. In order to take timely decision, accurate information and proper analysis of the sector is necessary. The non financial business region is a vital part of a country's financial system. For that purpose, a stable and sound work base is necessary for country economy well being. One of the best ways of evaluating a sector financial performance is by the use of financial or ratio analysis. It shows the relation between one quantity or performance indicators over another, expressed mathematically and tries to summarize huge database for one eye view regarding the financial performance of a firm. According to Max Weber, the relationship between two or more things expressed mathematically is known as financial ratios.

Financial performance is a composite of an organization's financial health, its ability and willingness to meet its long-term financial obligations and its commitment to provide services in a foreseeable future (Weber, 2008). Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. Financial performance is broadly viewed as the ability of the firm to meet its financial objectives. Two prominent indicators of financial performance are investor's return and accounting returns. The investors return is measured from the perspective of the shareholders, whereas accounting return focus on how the firm's earning respond to different managerial policies (Ofoegbu, 2003). According to Farah, Farrukh, and Faizan (2016) financial performance is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide financial information to shareholders and stakeholders so as to enable them make well informed investment decisions. It can be used to evaluate similar companies from the same industry or to compare industries in aggregation.

Concept of Measurement of Financial Performance

According to Lin and Liu (2005) financial ratios are usually one of the indicators used to evaluate a firm's performance. Generally, the financial information of a company's business operations will be reported in the yearly financial statements, and a financial ratio simply constitutes one item divided by another in the financial statement. Financial ratios can be viewed as a preliminary reference for the analysis of the business performance. Traditionally, the measurement of a firm's performance usually employs the financial ratio method, because it provides a simple description about the firm's financial performance in comparison with previous periods and helps to improve its performance of management.

However, Glautier and Underdoon (2009) maintained that there are two aspects of a company's financial performance of interest to investors. First, its financial performance may be assessed by reference to its ability to generate profit. This agrees with Pandey (2004) who asserts that it is assumed that profit maximization causes the efficient allocation of resources under the competitive market conditions, and profit is considered as the most appropriate measure of a firm's performance. Thus, ratios of financial efficiency in this respect focus on the relationship between profit and sales and profit and assets employed. Second, the company's financial performance may be assessed in terms of the value of its shares to investors. In this way, ratios of financial performance focus on earnings per share, dividend yield and price/ earnings ratios. The ratios used to measure the overall profit performance of a firm are termed financial ratios.

Relevance of Accounting Information System

The main function of AIS is to assign quantitative value of the past, present and future business events (Rehab, 2018). Accounting information, in the form of periodic reports or special analyses, is often a source of information for making decisions. These decisions may include pricing, production levels and product mix, outsourcing, inventory policy, customer servicing, labour negotiations, and capital investments (Horngren, Harrison, Bamber, Willis and Jones, 2005; Sprinkle, 2003). Accounting information systems play an important role in the implementation of the managerial functions of the organization such as planning and control (Samer, 2016). In the planning function, AIS provide data relating to study and analyze the goals set for the organization. It also provides information regarding the relationship between cost, volume and profit required to determine the amount of interdependence and interaction between them. AIS under the planning function also helps in preparing lists of future needs and financial flows and planning of budgets for the development of quantitative criteria and converting them into financial standards to reflect the different aspects an organization's activities and presentation of the detailed plans and policies of the work and coordination across different departments (Frezatti, Andson, Guerreiro and Gouvea (2011).

On the other hand, in the control function, it requires a clear and specific plan that shows the desired objectives and defines the foundations on which results are evaluated and analyzed in order to correct distractions. This function is regarded as a practical test of decision making and implementation, follow up the actual implementation in accordance with the plans, policies and standards established, the discovery of deviations and correct them, provide reasons to protect the property of the shareholders and the preservation of their interests, resource development and follow up the activity of the organization, and to achieve the desired goals, thus ensuring the effectiveness of the organization (Onaolapo and Odetayo, 2012). Computerized accounting tools as integral part of AIS are directly related to the economic and financial results of firms (Urquía, Pérez, and Muñoz, 2011). Advantages of an optimal use of AIS in an organization might include: Better adaptation to a changing environment, better management of internal business transactions and a high degree of competitiveness. There is also a boost to the dynamic nature of firms with a greater flow of information between different staff levels and the possibility of new business on the network and improved external relationships for the organization, mainly with foreign customers accessed through the firm's web (Pérez, Urquía and Muñoz, 2010).

Subsystems of Accounting Information System

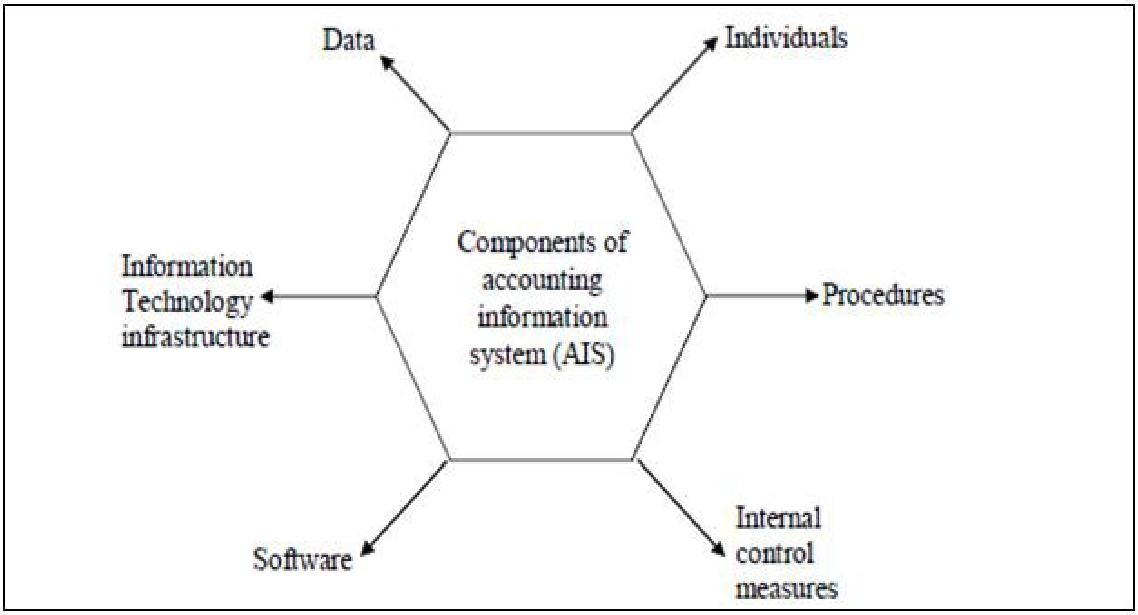
According to Hall (2008) an accounting information system may be divided into four major sub-systems including the transaction processing system, general ledger/financial reporting system, fixed asset system and management reporting system. The transaction processing system supports daily business operations with numerous documents and messages for users throughout the organization. Transaction processing systems (TPS) are the basic business systems that serve the operational level of the organization. A transaction processing system is a computerized system that performs and records the daily routine transactions necessary to the conduct of the business (Laudon and Laudon, 2006). The general ledger/financial reporting system produces the traditional financial statements, such as income statements, balance sheets, statements of cash flows, tax returns, and other reports required by law. This system is designed to collect data and information on AIS, customers, suppliers and wages, closure of accounting books, preparation of trial balance and a list of results and the budget of the organization and the reports of income and expenses and submit these statements to the owners and investors (Samer, 2016). The reliance of this system on the computer help the organization in cutting costs and using the fewest number of workers as well as in the completion of the accounting task in an accurate and orderly manner, and conducting financial control process. Fixed asset system processes transactions pertaining to the acquisition, maintenance, and disposal of fixed assets, while the management reporting system, which provides internal management with special purpose financial reports and information needed for decision making, such as budgets, variance reports, and responsibility reports. Samer (2016) also identified some subsystems of accounting information system to include inventory control system, customer accounts system, suppliers account system and payroll system. The inventory control system is designed to process the bills of stored materials, identify materials that need to be supplied, and generate reports showing the inventory situation. The reliance of this system on the computer helps the organization in customer service, recording changes in the level of inventory, reducing costs, and preparing documents. Customers' accounts system is designed to determine amounts owed by customers in accordance with the information of payment and purchase processes. Additionally, the system is intended to produce a monthly customer accounts and credit reports.

A computer-based customer accounts system provide the organization with accurate bills and monthly reports on credit provided to customers, which in turn enhances the processes of payment, collection and provision of liquidity. Suppliers accounting system provides daily information on procurement and payment to suppliers, preparing checks, pay bills and treasury reports. The reliance of this system on the computer, results in establishing good working relationships and achieving a good credit policy and taking advantage of discounts through the payment to suppliers timely and accurately, and financial control on the amounts paid by the organization. Payroll system is designed to display daily data on workers and attendance cards, generate payment checks and workers' payrolls, and prepare special reports on work analysis. The automation of the system on the computer helps the organization in the timely preparation and submission of special reports related to tax, returns, deductions and analysis of labour productivity and labour costs. The lists of subsystems of accounting information systems are not limited as these systems are designed for management of firms to meet their day to day accounting need.

Components of Accounting Information System

In a typical organization setting, accounting information system (AIS) is made up of several components. According to Rommeny and Stenbart (2006) accounting information system is made up of six components as presented in Figure 1.

Figure 1: Components of accounting information system



Source: Rommeny and Stenbart, (2006)

Individuals play a vital role in ensuring that accounting information system achieves its purpose. They include people who control the functions of the system and undertake diverse functions. AIS just like any other information system require raw data for processing. Data in this regard, refers to all raw facts and figures related to the operations of an organization. Preference is also laid on all methods that collect, operate, store data related to operations carried out by the organization whether manual or automated. Software in this context refers to all applications used to run organizations' operations. Personalization of accounting information systems by organizations is evident in AIS software development and acquisition. They play a vital role in AIS quality. Information technology infrastructure includes all means and devices that serve the AIS while internal control and the requirements of information security both ensures qualitative output from the day to day usage of accounting information systems (Rommeny and Stenbart, 2006).

Empirical Literature

Accounting information System plays an integral role in the financial performance of any organization. Available literature about accounting information and how it affects decision- making, financial performance, profitability, organizational effectiveness, strategy management, foreign ownership and timeliness of financial report has been studied by several researchers using different analytical methods. Khalid and Abdulqawi (2015), analyzed the role of accounting information systems and the effect of their use in improving the value chain of the business organizations using a study tool (questionnaire) based on the theoretical framework and previous studies. Using the appropriate statistical analysis tools for the study data (arithmetic mean, standard deviation, and testing of T-test One Sample) the research found a deficiency in the level of the availability of the basic components of accounting systems and the level of the quality of accounting information required to improve the value chain of business organizations in public shareholding industrial companies in the Kingdom of Bahrain in general, and recommended the need to work on improving the level of the basic components of accounting systems to improve the quality of accounting information, in order to improve the value chain of public shareholding industrial companies in the Kingdom of Bahrain; specifically in regards to the existence of clear and specific work procedures in the accounting system, the level of the ffectiveness of internal control measures, clear definition of responsibilities and authority, andmanagement's attention in training and continuing education programs for employees.

Al-Dalaien and Khan (2018) investigates the impact of AIS on the financial performance of selected real estate companies in Jordan. A well designed questionnaire was used for collecting data from employees working in the companies namely Noor Capital, Jordan International Investment Company (JIIC), Ihdathiat Coordinates, Real Estate Development (RED), and Afaq Holding were the selected real estate companies. The researchers distributed 250 questionnaires wherein 75 questionnaires were rejected and 175 were accepted for analysis. The study employed the linear regression statistics to analyse the collected data. Findings reveal that Jordan International Investment Company has benefitted the most with Accounting Information System but no impact of Accounting Information System was revealed in Ihdathiat Coordinates. Ironkwe and Nwaiwu (2018) examine the effect of accounting information system on financial and non-financial measures of companies in Nigeria. Qualitative and quantitative data of 16 companies were obtained from researchers. Data were obtained from questionnaires and the Nigerian stock exchange (NSE) from 2011 to 2014. Data collected were analyzed using multiple linear regression techniques with the aid of statistical package for social science (SPSS). The empirical investigation found that accounting information system exerts significant positive effect on financial and non-financial measures indicators of companies in Nigeria. Borhan and Nafees (2018) examine the impact of accounting information system on the financial performance of selected real estate companies in Jordan. The study employed a survey research design and collects its data through questionnaires from 175 employees pooled from 5 companies in Jordan. The study employs the linear regression statistics to analyze the collected data. The findings revealed that there is a significant impact of accounting information system on the financial performance of the companies under study. Kashif (2018) evaluates the impact of accounting information system on the financial performance of selected FMCG companies in India. The study adopted a survey research design with a sample size of 400 participants and data were obtained from 177 returned and valid questionnaires. The study analyzed the collected data using the simple linear regression analysis and hypotheses were tested at confidence level of 95%. Findings from the study revealed that that there is a significant impact of accounting information system on the financial performance of selected FMCG companies in India.

Rehab (2018) investigates the impact of accounting information systems on organizational performance. The study collected data through 137 questionnaires from small and medium enterprises (SMEs) in Saudi Arabia and employed smart partial least squares to analyze the data and to test the study hypotheses. Findings revealed that using Accounting Information System has a significant impact on organizational performance generally and on all its dimensions including cost reduction, improving quality and effective decision making. Borhan and Bader (2018) examine the impact of accounting information system on the profitability of selected commercial banks in Jordan. The study adopted a survey design and data were collected through self-administered questionnaires from 206 employees in Jordanian banks. The study analyzed the obtained data using the linear regression analysis. Findings highlights that there is a significant impact of accounting information system on the profitability of banks under study. Akanbi and Adewoye (2018) examine the effects of accounting information system adoption on the financial performance of commercial bank in Nigeria. The study employed a descriptive survey research design where data were obtained from questionnaires administered to 80 respondents randomly of 16 commercial banks. The study also employed secondary data from the financial statements of the sampled banks. Data were collected on return on capital equity (ROCE), return on total asset (ROTA), net operating profit (NOP) and gross profit margin (GPM) within the recent 10 years post AIS adoption years (2007-2017). Linear Regression was employed to test the significant effect of AIS adoption on bank performance. Findings revealed that commercial banks in Nigeria adopted and use AIS in providing their services to their customers and the level of usage is relatively high. The study concluded that AIS adoption has a positive significant with all the performance indicators (ROCE, ROTA, GPM and NOP).

Raed (2017) investigates the impact of accounting information systems (AIS) on banks success in Jordan. The study employs a survey research design. The study obtained data from 112 questionnaires administered to employees of Jordanian banks. Correlations and multiple regressions were applied to answer for the study hypotheses. Findings revealed that accounting information systems, has a significantly effect on banks success. Abdullah (2017) examines the extent to which electronic accounting information systems in the public and private universities in Jordan can provide quantitative indicators of financial performance. The study employed a survey research design and obtains its data from questionnaire administration and personal interview of 20 chief finance officers (CFOs) of public and private universities accredited to the Ministry of Higher Education and Scientific Research of Jordan. Data were analyzed using mean and standard deviation statistics while the hypotheses are tested using the t-test statistics. Findings from the study revealed that accounting information systems in electronic public and private universities in Jordan provide quantitative indicators of financial performance. Teru, Idoku and Ndeyati (2017) review the impact of accounting information system for effective internal control on firm performance. The study employed a qualitative method of data collection with various related previous literature being reviewed. The study also used secondary data to be able to come up with trustworthy conclusions which are based on the empirical data. Findings from the study revealed that when controls are operated efficiently and effectively, there will be improved performance, better accounting information reliability for better decision making for both the internal and external users. Alnajjar (2017) investigates the impact of accounting information systems on performance management and organizational performance. The study employed a survey research design and analyses the data collected from 74 SMEs. Data obtained for the study were analyzed using regression analysis. Findings from the study revealed that accounting managers' knowledge and top management support significantly impact on the accounting information systems in an organization and, accounting information systems also significantly impact the performance management and organizational performance of that organization.

Isa (2017) examines the impact of computerized accounting information system on management performance in public sector in Nigeria. The study adopted an exploratory research method. Data were obtained from secondary sources. The impacts of computerized accounting information system (CAIS) on the executives' officers of government's ministries, departments or agencies were considered in terms of accounting framework and operating procedure in the public sectors in Nigeria. The study pinpoints some of the problems associated with the implementation of CAIS such as high costs of implementations of hardware and software, costs of maintaining the system and it require special skills. Others are reduction of employee, inadequate security and having quality of backup and print accessories. The study further revealed the prospects of implementing CAIS such as to lower operating costs, improve efficiency, increased functionality, better external reporting, improved accuracy and faster processing of data in the system. The study concluded that the impacts of computerized accounting information system on the executives' officers of government's ministries, departments or agencies considered only accounting framework and operating procedure in the public sectors in Nigeria. Khan (2017) examines the impact of accounting information system on the organizational performance in Procter and Gamble. The study employed a descriptive survey design.Data were obtained through questionnaires designed on five point Likert scale. A sample of 174 employees working in P&G Limited is considered for the study. Simple linear regression was used as the statistical tool for analysis. The maximum impact of AIS was revealed on marketing performance, followed by job performance. However, the least impact was found in financial performance. The study concluded that that there is a significant impact of accounting information system on the organizational performance in P&G Limited. Nizar, Ahmad and Mohamad (2016) evaluate accounting information systems (AIS) in meeting the requirements of financial and managerial Performance. The study employed a survey research design and obtains its data from questionnaire administered to 38 sampled employees in various private hospitals in United Arab Emirates. The study analyses data collected using mean and standard deviation statistics. The study's hypotheses were tested using the one samples t-test statistics. Findings from the study revealed that accounting information systems in the United Arab Emirates private hospitals provide information to meet the requirements of the financial performance function.

Akesinro and Adetoso (2016) examine the effects of computerized accounting systems on bank performance in Nigerian banking sector. The study adopts a survey design and adopts a convenience sampling method to arrive at a sample size of 50 from 3 deposit money banks (DMBs) in Nigeria. Correlation analysis was used to analyze data generated for the study. Results show that computerized accounting system has a positive effect on bank's profitability and as well customer patronage. Taiwo (2016) investigates empirically the impact of information technology on accounting systems and organizational performance. This study utilized both primary and secondary data. The study sources its primary data from questionnaires administered to 20 staff in financial services and other related accounting departments in Covenant University Nigeria. Pearson's correlation was used for analyzing the data. Findings showed that there is a significant positive relationship between ICT system and accounting system and a significant positive relationship between ICT and organizational performance. Esmeray (2016) examines the impact of accounting information systems on firm performance. The study adopted a descriptive survey research design. Data relating to the study were obtained from interviews with 60 firms. Data were analyzed using generalized least squares. Findings suggest that there is a positive and statistically significant relation between the use of AIS and educational status of managers. Samer (2016) examines the effectiveness of Accounting Information Systems (AIS) and its impact on the operational performance of the industrial public-listed companies in Jordan. The sample of the study consisted of 42 Jordanian companies from different sectors listed in Amman Stock Exchange (ASE) at the end of 2012. The findings indicated that AISs employed in industrial companies were effective, particularly, in meeting planning requirements. The results also revealed that most of companies' decisions were taken based on executives' personal opinions supported by the board of directors who affected by those opinions.

Ali, Bakar and Omar (2016) investigate the effect of accounting information system (AIS) success factors on organizational performance. Four types of AIS success factors namely service quality; information quality, data quality and system quality have been used in this study as the determinants performance. Data were collected with a structured questionnaire survey from 273 respondents in Jordanian banking sector. The collected data were analyzed with PLSSEM technique. The findings revealed that service quality, information quality and system quality are the significant AIS success factors for increasing organizational performance. The study concluded that organizations involved in banking sectors can increase their performance by adopting and implementing AIS success factors. Mehdi, Mahmoud, Mostafa and Ebadollah (2015) examine the effect of implementation of accounting information system on efficiency, profitability and productivity of SMEs in Iran. The study employed a descriptive-survey research design. Data were obtained from 118 small and medium scale enterprises (SMEs) listed on Tehran Stock Exchange from 2007-2013. Data were obtained via questionnaires. The study analysed the collected data using descriptive statistics, Pearson correlation coefficient, and ordinary least squares (OLS) regression. Findings from the study revealed that effective implementation of AIS in SMEs listed on the Tehran Stock Exchange is positively associated with performance, productivity, and profitability (measured by P/E ratio and Tobin's Q). Dekeng and Prabowo (2015) explore the empirical research investigating the relationship between accounting information systems (AIS) alignment and small and medium enterprises (SMEs) performance. The study employs secondary data obtained from journals and publications. Results from the review revealed that AIS alignment is influenced by organizational characteristics, individual characteristics and situational factors which affect SMEs performance.

Hla and Teru (2015) examine the efficiency of accounting information system on performance measures. The study employed an exploratory approach solely relying on secondary data. Findings revealed that the biggest impact Information technology has made on accounting is the ability of companies to develop and use computerized systems to track and record financial transactions in facilitating management decision making, internal controls, and quality of the financial report. Patel (2015) investigates the impact of AIS on the profitability of an organization. The study employed an exploratory research method making use of solely secondary data. Findings from the review of literature revealed that there is a positive significant relationship between the accounting information systems used by the enterprises and its profitability. The study concluded that the effectiveness of accounting information systems helps in better decision making by managers, more effective internal control systems, improvement of the quality of financial reports, enhancement of performance measures, facilitating financial transaction processes and helps in expansion of profitability of the organization. Saeidi (2014) examines the impact of accounting information systems on financial performance. The study employed a survey research design and obtains data from 40 top managers in Tata consultancy services (TCS) companies in India through questionnaire. The study analysed the collected data using the statistical package for social sciences (SPSS) and uses the one samples t-test statistics to test the hypotheses. Findings revealed that accounting information system has a significant relationship with knowledge and understanding of managers and accountants, decision making, financial performance and organizational resources. The study concluded that there is a positive relationship in Knowledge and understanding of managers and accountants, decision making, financial performance and organizational resources.

Theoretical Discussion

Contingency Theory

The contingency theory was first proposed by Fiedler in 1964 as managerial leadership theory. According to Fiedler (1964) the contingency theory suggests that there is no one best way of leading and that a leadership style that is effective in one situation may not be successful in others. Gordon and Miller (1976) however laid out the basic framework for considering accounting information systems from a contingency perspective where the accounting information systems also need to be adaptive to the specific decisions being considered within a framework. Contingency theory suggests that an accounting information system need to be adapting to desired specific decisions while considering the environment and organizational structure confronting an organization (Dandago and Rufai, 2014). Applying this to the subject, contingency theory suggests that in order to improve performance, managers of firms must devote particular attention to their use of accounting information system, taking care to adopt the systems best tailored to their special circumstances. There are some criticisms of the Fiedler's contingency theory. However, one of the biggest criticisms of the contingency theory that best relates to the study under review is lack of flexibility (Mitchell, Biglan, Oncken, and Fiedler, 2017). Fiedler (1964) believed that because natural leadership style is fixed, the most effective way to handle situations is to change the leader. The theory does not allow for flexibility in leaders (Mind Tools, 2018). Relating this to the study indicates that managers will incur more cost to change accounting information system that does not tender to their required decision needs rather than carryout modifications.

Resource-based view Theory

The resource-based view theory was propounded by Barney in 1991. According to Barney (1991) the resource-based view avers that the source of sustainable advantage derives from doing things in a superior manner; by developing superior capabilities and resources. The resource-based view proffers a means of evaluating potential factors that can be deployed to confer a competitive edge for business organizations. A key insight arising from the resource-based view is that not all resources are of equal importance, nor do they possess the potential to become a source of sustainable competitive advantage. The resource-based theory is divided into three levels; capability, competence and skills, (Cragg, Caldeira and Ward, 2011). Capability refers to how firms manage their resources; competence, refers to how well those resources are managed, and skills are associated with ranges of skills such as technical, managerial and general management skills. Accounting information systems also form part of resources available to firms. Inclining the resource-based view theory with accounting information systems and performance will imply that firms properly and adequately manage accounting information systems to utilize its capability competence and skill sets for improved organizational performance.

The resource based view theory has faced several criticisms. One of such criticism is that the theory lacks substantial managerial implications or operational validity (Priem & Butler, 2001). It seems to tell managers to develop and obtain valuable, rare, inimitable, and non-substitutable resources and develop an appropriate organization, but it is silent on how this should be done (Connor, 2002; Miller, 2003). Lado, Boyd, Wright and Kroll, (2006) also argues the resource-based view theory suffers a tension between descriptive and prescriptive theorizing. However, Barney and Clark (2007) posits that the resource-based view theory is a theory aspiring to explain the sustained competitive advantage of some firms over others and, as such, was never intended to provide managerial prescriptions. In concurrence with this assertion, any explanations the resource-based view theory might provide may not be indicative, yet still of value to managers, so there may be no reason to oblige the resource-based view theory to generate theoretically compelling prescriptions.

Agency Theory

The agency theory was championed by Jensen and Meckling in 1976. The agency theory describes the owners' (principals') delegated authority to manager (the agent) to run the firm on his or her behalf with the owners' welfare depending on the manager accordingly (Jensen and Meckling, 1976). The agency theory seeks to address the potential conflict of interests between owners and managers, because the interests of managers may opportunistically utilize firm resources to satisfy their personal interests (Brammer and Millington, 2008). Basically, firms aim to maximize the wealth of shareholders, and it might be different with personal interest of managers. The agent (managers) might have more relevant information compared with shareholders, the information asymmetry occurs, and this would raise the possibilities that agent can behave in ways to pursue their own interests. This review examines the effect of accounting information system on financial performance of firms. The primary purpose of a firm is to maximize the wealth of shareholders (principals). This solely rests on the shoulders of managers (agents). Therefore, the adoption of accounting information system by managers for enhance performance is fulfilling the agency obligation, managers owe to their respective owners or principals.

Activity Theory

Activity theory is an approach to understanding human work and technology which emphasizes the long-term well-being of workers or users. Eschewing "one best way" task design for user-determined task procedures, action theorists seek to design work practices that are enriching and that lead to development of skills and knowledge. Activity theorists argue that acceptance of technology is contingent on the extent to which it meets these goals in the context of the user's own work. Activity theory largely aligns itself with the broad humanistic aims and the methods of the socio-technical approach. It is at least partially distinguishable by its emphasis on the product of the organizational process which characterizes socio-technical systems thinking (Martin and Leben, 1989). This research work is based on the activity theory.

METHODOLOGY

This is research is an exploratory research. It focus is to examine the theoretical and empirical literature review. The effect of AIS implementation on financial reporting quality has been studied by several researchers using different analytical methods. This paper is an empirical study on the effect of accounting information system on financial reporting quality. It employs the tool of literature review as its source of information by making use of available relevant literature on accounting information systems with respect to enhancing financial reporting quality.

RESULT AND DISCUSSION

As an exploratory research this paper seeks to provide a substantial review on the effect of accounting information system (AIS) on financial performance of firms. Specifically, it attempts to document empirical researches on accounting information system and to identify research gap related to effect of accounting information system and financial performance of firms as a basis of an empirical future research. The intention is to infer from available literatures the relationship between the Accounting Information System and Financial Performance of firms.The finding from the empirical literature review shows that an effective Accounting Information System has significant positive impact on the Financial Performance of every corporate and non-corporate organization alike in the following ways:

Support Policy Decision

Policy decisions are strategic to the success of any organization. They are decisions that determine how people act in alignment with set objectives and goals of organizations. Hence, when policies are made they should be based on factual evidences that are accurate, timely, reliable and verifiable so that the organization can be better positioned to enjoy competitive advantage.

Preparation and Excusion of Budgets

An ideal Accounting Information System supports preparation of budget. This is so because the Accounting Information System generates the data for the preparation of the budgets. Beyond this, it provides the basis for tracking and monitoring the execution of the budget to enable management knows the extent to which budget is executed within the set target or below it.

Financial Reports

An effective Accounting Information System has it as its prime focus to keep track of all financial transactions within the organization for prompt preparation of the organization's financial statements in order to report on the organization's performance to both internal and external stakeholders. The information used in preparation of financial statements is generated from the Accounting Information System. Thus it is the financial information bank of the organization.

Information for Budgeting, Analysis and Reporting

A major need for Accounting Information System is the information for budgeting, analysis and reporting. This is so because the Accounting Information System is the financial information bank of the organization. As a result it is needed to provide information for budgeting, analyses and reporting. These three key high level functions of any organization cannot be discharged without an effective and efficient financial information management system to provide accurate and verifiable information on a timely basis.

Audit Trail

A fundamental need for setting up an Accounting Information System is to keep an accurate, timely and verifiable track of all financial transactions within the organization in a consistent manner so that transactions can be traced. This in turn enhances the audit process as internal control is automated through the Accounting Information System which guarantees smooth audit process. Thus by keeping an accurate track of every single transaction within the business, the financial information management system helps in carrying out an audit of the organization effectively.

Collection of Information

Every Accounting Information System is designed to help an organization to serve its obligation. This presupposes that Accounting Information System must gather information that is accurate, timely, complete, reliable and consistent so that the information can be trusted for decision making. Therefore, at the heart of any organization is the need to have an effective and efficient Accounting Information System for the accurate and timely gathering of all financial transactions of the organization consistently.

Reports

An Accounting Information System is designed to gather, analyze and prepare reports based on findings using some predetermined margin of safety modeling such as ration analysis and trend evaluation to guide management on the alternative cause of action for the organization to stay afloat. For instance the Accounting Information System will produce reports on operations and capital budgets, accounting, working capital, forecast of cash flow using various tools such as ratio analyses, trend evaluation etc to report on various scenarios to guide management in decision making.

It Makes the Decision-Making Process Faster

The decision making process of any organization with an effective and efficient Accounting Information System is faster. This is owing to the fact it integrates the organization as the financial information bank of the organization. With the timely generation of supportive evidence upon which decisions are based, management is able to response promptly as information is supplied timely.

It Helps in Planning

As pointed out above, a need for setting up an effective and efficient Accounting Information System is to generate, analyze and reports on financial data using the tools of ratios, trend evaluation and financial modeling to provide management with predetermined alternative cause of actions to aid effective planning. Thus, Accounting Information System aimed at promoting organizational planning by providing accurate information which management can rely on to plan operations.

It Makes the Business More Efficient

One of the needs for setting up Accounting Information System is to provide a platform for the organization to manage its financial obligations. Therefore, an effective and efficient Accounting Information System seeks to manage a firm's financial obligations as they fall due. The Accounting Information System seeks so to do while using the least possible financial resources within the limit of some predetermine margin of safety that are cost effective and that places the organization in a position that is free of any financial risk.

It Makes the Business More Efficient

A business with Accounting Information System is obviously likely to be more efficient than a business which does not have. The Accounting Information System as the information bank of the business gathers information from every aspect of the organization and quantifies them in monetary form to analyze them in order to measure their impact on the financial performance of the organization. In this way prompt response is made by way of management decision to address any shortcoming that impairs performance below budgeted result or outcome. Beyond this is the fact that and effective and efficient Accounting Information System helps to eliminate redundant activities thereby reducing waste which promotes efficiency of the organization.

It Allows for Integration

A major benefit of Accounting Information System is the fact that it provides the basis for integrating the operations of the organization making it much easier for generating financial information within the organization. This is why it makes organization more efficient and promotes management planning. The integration of the processes within the organization helps for timely generation of financial transactions and onward transmission for timely reporting to meet organizations' need. Shared responsibilities are then centralized and redundant operations eliminated. This leads to lower cost of operations and business becomes more robust proactive in responding to customers' needs through quality service thereby promoting customers' loyalty hence efficiency. This of course is the inspiration behind Accounting Information System.

CONCLUSION AND RECOMMENDATION

Accounting information system had been widely used by many organizations to automate and integrate their business operations, efficiency and competitive advantages. This review focuses on the effect of accounting information system (AIS) on financial performance of firms. It is envisaged that the information technology (IT) component of accounting information system is one of the biggest impact of AIS to firms as it enables firms to track, record and produce financial and accounting reports with much ease. Paper ledgers, manual spreadsheets and hand-written financial statements have all been translated into computer systems that can quickly present individual transactions into financial reports. From the empirical works reviewed, it is evident that majority of the studies employed a survey research design to examine the relationship between accounting information system and firm performance. In addition to using survey research design, most of the studies made use of a relatively small sample size for this investigation. Most of the reviewed works were in Europe and Asia which have attained meaningful economic developed as compared to parts in Africa. Also, majority of the researchers measured accounting information system with indicators developed by themselves and previous authors. Finally, a good number of studies examine the impact of accounting information system on the general performance of firms and not the financial performance. To this end, more research can be carried out on this subject to address these issues. The vast directions of accounting information system on financial reporting quality presents the most important relations between the challenges and technological responses in pointing out the way for future research in order to improve the alignment between adopted technology and organization performance. The study therefore recommends further investigations into the relationship between accounting information system and financial reporting quality especially in technological adapting economies such as Nigeria.

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