FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

THE IMPACT OF DECENTRALISED INFORMATION SYSTEMS ON THE QUALITY OF FINANCIAL REPORTING CASE OF SIZE (PVT) LTD.

BY

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THIS DISSERTATION PROPOSAL IS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF COMMERCE ACCOUNTING HONOURS DEGREE PROGRAMME IN THE DEPARTMENT OF COMMERCE AT MIDLANDS STATE UNIVERSITY.

MAY 2015 2015

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DEGREE TITLE: Bachelor of Commerce Accounting Honours Degree In Accounting

YEAR THIS DEGREE GRANTED: December 2015

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DEDICATION

I dedicate this dissertation to my husband: Lovemore Masamba, my son Herbert, my two daughters Thandiwe and Anesu and friends; you were very supportive.

ACKNOWLEDGEMENTS

First and foremost, I would like to thank the Almighty God for his love and support throughout my entire life. I thank you the mighty father for the unlimited blessings he always shower on me. Had it not been for your mercy, I could not have been in this world and this college.

I truly thank God for the knowledge and strength He gave me to complete this work successfully and for the wealth of my family and friends. My sincere appreciation goes to my supervisor Ms. C. Mhaka for guidance and patience up to this stage of submission "May God bless you'' I am further grateful to my respondents for their time and corporation during my interactions with them. Special thanks go to all Size Investment (Pvt) Ltd management staff.

Lastly, I would like to extend my gratitude to my Husband Lovemore Masamba and Lungu A. for their encouragement, patience and moral and intellectual support throughout my studies because without them I could not have gone this far.

ABSTRACT

The thrust of the research was to evaluate the impact of Decentralised Information System on the quality of Financial Reporting, case of Size Investments. The time frame of the research was 2011 to 2014. Objectives of the study were put in place to assess how the manual accounting system of accounting reporting, to evaluate the relevance of integrating Information System at the SBUs and Accounts Department and its impact on quality of financial reporting and to establish the relationship between accounting information and quality of financial reporting. Literature reviewed the effects of manual accounting system on the efficiency of accounting reporting. Various authors contrasted and criticised while others agreed that computerized accounting systems were a necessity in establishing quality of financial reporting. It also brought to light that there is a strong relationship between accounting information system and the quality of financial reporting, thus the two are inseparable. Research methodology entailed the research design that was used in the research and this was descriptive design. It used both qualitative and quantitative approaches to gather data. The sample of 26 was extracted from a target population of 45 people. Simple random sampling was selected to pick the respondents for the study. The researcher used questionnaires and interviews to gather data from the respondents. Data was analyzed and presented in tables, pie charts, bar graphs and in narrative form. The major research findings were that non integration of the centralized SBUs has a direct influence on the quality of financial reporting; there is a strong relationship between accounting information system and quality of financial reporting. The quality of accounting information systems, organizational commitment, competiveness and changing environment contribute to the integration of information systems. The researcher recommended that information systems should be integrated to enable efficiency and quality of financial reporting.

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CHAPTER ONE

1.1 BACKGROUND TO THE STUDY

This research follows what other researchers have said about the impact of decentralized information systems on the quality of financial reporting.

Hardcastle (2011) said that "The role of Information Systems is to provide information to management which will ensure that organization is controlled." Information systems (IS) are implemented within an organization for the purpose of improving the effectiveness and efficiency of that organization.

According to Laudon and Laudon (2012) the good quality information makes an organization operate very well but the information may be a threat to the survival of the organization if the quality is poor. According to the memorandum issued by the Finance and Admin Executive on 30 November 2009, Size Investments (Pvt) Ltd decentralized its operations in 2009. The Strategic Business Units (SBUs) use both computers and manual systems in the various departments. Manual ledger accounts are kept at the SBUs. In certain instances, some customers have delayed paying their accounts as they argue that they will not have received statements.

Hansen *et al*. (2009) said that some organizations use accounting information systems ranging from manual and others use a combination of computers and manual.

It is noted in the internal auditor's report, 15 September 2011 that information at the decentralized units is difficult to disseminate from one department to the other because the systems are not integrated or networked to enhance work flow and facilitate communications

among employees. The Internal auditor also cited in the report that non – integrated information systems affect delays in preparation of reports for financial reporting. Auditors take three weeks to audit the final accounts instead of two weeks. The Audit fees for two weeks are ($10 000) and ($15 000) for three weeks. When Auditors take more than two weeks to audit the accounts it costs the organization $5 000 more. The SBUs management are experiencing a problem of not getting timeous financial and management reports from accounts department. Reports are received after two months instead of one month when the reports are required. This increases the risk of errors, and causes the organisation to base critical business decisions on incorrect or incomplete information. Gelinas *et al* (2012) stated that the quality of information must be accurate, relevant, timely and complete. Susanto (2008) said that Information is relevant if the information is capable of making a change in decision-making in accordance with the objectives of user and problems faced by users. In support to that, Song Lin dan Xiong Huang (2011) explained that the information must be timeous meaning that, it should be readily available to the decision maker and must be accurate relevant, timely and complete. For example, frequently Ghana governments make such resource allocation decisions with poor quality financial information that is not reliable, not timely and limited in its data on assets and liabilities (IPSASB, 2013).

Data from the SBUs is captured or posted into excel before it is posted into pastel, leading to duplication of work and it is time consuming thus creating unnecessary backlog. Premkumar et *al* (2010) state that, “the implementation of integrated information systems enhance information flow and reduce uncertainty.” The Point Of Sale, (POS) is a standalone machine at the SBUs and is not integrated to any of systems. Daily Sales reports for each SBU are prepared manual.

Research has been done by Xu (2009), Kurnia (2012) and Komala (2012) who found that the quality of accounting information is influenced by the quality of accounting information systems. Sajady et al. (2009) states that 'the information system effectiveness also depends on the decision maker's perception towards the usefulness of the information, resulted from the system, to fulfill the information needs in the operational process, the managerial report, the budget, and the organizational control."

The Finance and Administration Manager cited in the minutes dated 27 August 2014 that the manual perpetual inventory stock records kept by the SBUs do not give a true and correct record of inventory available. Omissions of figures, additional and subtraction errors are very high.

TABLE I.1 End of Month Inventory Count

Month	Item	Inventory Ledger Qty	Inventory Value @ Cost ($)	Physical Count Qty	Inventory Value @ Cost ($)	Quantity Variance	Variance $
Jul-14	Bread	1800 loaves	1440	1950 loaves	1560	150loaves	120
Aug-14	Beef	1600kgs	6400	1780ksg	7120	180kgs	720
Nov-14	Flour	1000kgs	720	850kgs	612	-150kgs	-108

Source: Month end Stock Take figures (Fife Street Bakery and Butchery Stock Take Sheets &Stock Control Bin Cards) (Period Jun, Aug & Nov2014).

In July 2014 the quantity of loaves physically counted were 1950 against inventory ledger balance of 1800 leaving out a variance of 150 loaves of bread, worth $120 in total cost. Beef stocks actual quantity was 1780 kilograms (kgs) against 1600 (kgs) in the month of August 2014.The variance was 180 (kgs).Similarly the physically count was 850(kgs) for flour against

1000 (kgs) leaving out a negative variance of 150(kgs) in quantity and a negative variance in total of $108.

According to the management meeting minutes of 15 October2014, the Manager of Fife Street Bakery reported that pilferages at the decentralized units do happen. For example on 11 October 2014 one dough mixer who was on night shift stole fifty six loaves of bread at the Bakery early in the morning and was caught by the security guard who was manning the place. Keeping manual records of bread produced and sold on a daily basis is tedious and information is not reliable.

The cashier at the cash office records the daily takings manually and balances all the takings against expenses incurred. Such information is not integrated to accounts department and other departments thereby causing delays and conflicts in the organization. It is with the above background that the researcher has decided to embark on integration of information systems at Size Investments (Pvt) Ltd to enhance performance of the organization including financial reporting.

1.2 STATEMENT OF THE PROBLEM

The study seeks to analyse how a disintegrated accounting information system used by Size Investments (Pvt) ltd impact the quality of financial reporting. Systems are not fully computerised. The SBUs operations are still using manual and it is difficult for management to make quick and effective decisions and processing of information is affected and thus giving management difficulties in accessing information for operational control, effective decision making purposes and also leading to a lot of work that need to be done by accounts personnel who have difficulties in updating information into the system.

1.3 MAIN RESEARCH QUESTION

What is the impact of decentralised information systems on the quality of financial reporting?

1.4 RESEARCH OBJECTIVE

1) To assess how the manual accounting system affects the efficiency of accounting reporting.

2) To assess the factors that affect or influence integrated information systems.

3) To evaluate the relevance of integrating IS at the SBUs and accounts department and its effect on quality of financial reporting.

4) To evaluate the challenges of centralizing the information systems.

5) To establish the relationship between accounting information systems and quality of financial reporting.

1.5 SUB RSEARCH QUESTIONS

1) To what extent has the manual system at Size Investment (Pvt) Ltd affected the efficiency of accounting reporting?

2) What are the factors which may affect or influence integrated information systems?

3) What is the relevance of integrating IS and its effect on quality of financial reporting.

4) What are the likely challenges to be encountered in centralizing the accounting information system?

5) What is the relationship between accounting information systems and quality of financial reporting?

1.6 DELIMITATION OF THE STUDY

The researches were carried out at the SBUs (Fife Street Bakery and Butchery) and accounts department of Size Investments (Pvt) Ltd and are both situated in the Central Business District of Gweru. (CBD).Areas covered included accounting information systems, Point of Sale and various accounting tasks, in respect of debtors, creditors and inventory. The sample of data was drawn from members of staff especially those who work in the accounts department and managers of the SBUs and stores personnel. The sample was drawn from members of staff especially those who work in the accounts department, managers of SBUs and stores personnel. The research covered periods from January 2011 to December 2014.

1.7 LIMITATION OF THE STUDY

The research study is only confined to Size Investments (Pvt) Ltd accounts department and the two SBUs Fife Street Butchery and Bakery. The responses from the target population may be biased due to the fact that the researcher is part of the employees. The organization has its code of conduct that relates to official secrecy and as such the researcher may not report on matters that would compromise such ethics.

1.8 DEFINATION OF TERMS

1.8.1 IS - Information systems - means by which people and organizations, utilizing technologies, gather, process, store, use and disseminates information. It is a combination of hardware, software, infrastructure and trained personnel organized to facilitate planning, control, coordination and decision making in an organization. **Hardcastle (2011)**

1.8.2 Decentralised Information Systems – explanation from Beck (2010), it give individual business units autonomy over their own information technology recourses without major considerations

1.8.3 Integrated information systems (IISs) – explanation from Marcus (2009 are those computer based systems for information processing that semi-automatically organize the contents being displayed on interactive screens.

SBU – This stands for Strategic Business Unit

18.5 PASTEL – www.pastel.co.za define Pastel as a computerized accounting package which software can be purchased from its developers**.**

Perpetual Inventory - definition from **http://smallbusiness.chron.com** involves counting of inventory items on a daily basis to ensure continuous control either manually or through the computer

1.8.6 Point of Sale - The point of sale is the place and time at which a transaction takes place. Whenever a buyer and seller come together for the purpose of conducting a transaction, a point of sale is created. http://smallbusiness.chron.com

1.9 SUMMARY

This chapter was concerned with providing a concise introduction and summary of the research paper involved. It also looked at the background of study, statement of the problem, main research question; research objectives sub research questions, limitation of the study, delimitation to the study, definition of terms which form the basis of the following chapters. The next chapter which is literature review is a review of Information Systems literature, thereby setting this research in its broader context

CHAPTER TWO

LITERATURE REVIEW

2.0 INTODUCTION

The research intends to study literature on Information Systems (IS). The chapter sought to research on material that provided authoritative and qualitative points of research by reviewing theories and concepts that are closely linked to the impact of a decentralized Information Systems (IS) on the quality of financial reporting. The material sought to justify the undertaking of this research.

2.1 Effects of Manual Accounting System on the Efficiency of Accounting Reporting

2.1.1 Manual Accounting System

Weber (2010) said that, accounting system can be divided into two basic categories that are, manual accounting and computerized accounting system. According to Romney & Steinbartc (2009) manual accounting system is an information system and the information system is an organized means of collecting, entering, and processing data and storing, managing, controlling, and reporting information so that an organization can achieve its objectives and goals. In support to Stenibartc (2009), Tanis and Dalci (2002) emphasized that, information system has the following components; Goals and Objectives, Inputs, Output, Data storage, Instructions and Procedure, Users, Control and Measures.

Olugbode et al, (2008) in their research at Beale and Company revealed that the main problem of manual accounting system is inefficiency which leads to duplication of effort, poor operational

performance and decline in profitability. However on the contrary Harmon (2014) said that the manual accounting system produces accurate results when preparing Trial Balance and errors can be easily detected. According to Osmond (2011) many accountants and non-accountants preferred to use computer software to transactions because the manual system took longer to generate accounting reports. The manual accounting system was prone to human errors, risk to accounting records: of fire and water, hard to implement disaster recovery plans and not suitable to environments where there were large volumes of transactions. However computerized information systems involves usage of computers that handle large volumes of data with speed, efficiency and accuracy in order to overcome fundamental challenges which do not change the principle of accounting and hence producing quality and reliable work. In addition Baren (2010) states that the use of computers is time saving for businesses and all financial information for the business is well organized.

2.1.2 Poor and Inefficient information systems

Kharuddine *et al* (2010) say that traditional accounting method of inputting daily transactions and recording them manually has become inefficient. Furthermore the drawback of the manual accounting system is that there is a possibility of errors to be introduced into the system and that these errors could go undetected for quite some time. These errors could be wrong data entry, inefficient tasks performance and massive utilization of paper products created many problems to the business. Nurulfadhilah Binti Mohd Taif et al, (2014) in their study espoused that poor information quality in organization can increase errors in decision making and affect the relationship with customers. Bovee (2004) and Redman (2008) argued that good information quality leads to business success while poor information quality can lead to failure of the

business. The characteristics of information quality are: accuracy, timeliness, completeness, relevant and consistency.

The empirical findings of Adjei (2013) showed that the banks in Ghana that used manual banking were not suitable in delivering quick and efficient services to their customers. On the other hand, banks which operated with computerized accounting banking systems offered much improved, efficient and fast services to their customers, thereby making them much more competitive. Water field and Ramming (1998) argued that, all organizations have an information system of some kind that many might see a minimal system as sufficient like a manual accounting system that produces reports three months late. Moreover having good information is essential for an organization in order to perform efficiently and effectively to enhance its information and manage its resources.

2.2 **Strength of manual accounting system**

2.2.1 It does not depend on power supply and internet

Jones and Ramos da Silva (2013) in their research stated that the management of stock in the company not computerized does not depend on external factors such as power supply or internet connection for consultation or low registration of products in stock. Furthermore companies that use information system benefit immensely and that the information system allows users to make inventory control through reporting, attending to queries faster, facilitating the activities of control, incoming and outgoing products, management and analysis of items sold, among other advantages. Drohomeretsk (2009) supports Jones and Ramos da Silva (2013) that inventory control is done by tracing the material available through manual or computerized system. Chermont (2001: 33) say, "Information is essential, because it determines the future of the

company. The systems must provide clear accounting information without interference data that are not important and possess a high degree of accuracy and speed."

However Kanellou and Spathis (2011) argued that the use of computerised information systems reduces the time and frequency of preparation of financial statements monthly, quarterly and annual financial statements. Similarly, Salehi *et al.* (2010) confirmed in their study that a sophisticated accounting information system improves accounting performance. This performance is reflected in the adoption of new accounting techniques. Rom (2008) concluded, then, that enterprise resource planning (ERP) systems are considered an important source of information for most accounting practices. The result of Sajadi et al. (2008) study, has indicated that the implementation of the information system will result in betterment of the decision making process by the manager, the internal control and the financial reporting quality, and the facility of the company's transaction process. Grabsik *et al* (2010) argued that implementation of ERP's in many organization failed because it is not easy and can be a monumental disaster unless the process is handled carefully. The researcher is of the opinion that that the ERP as an information system for accounting reporting yields better results than the manual system. However both computerised and manual accounting has advantages and disadvantages but they perform the same tasks and the final result is the same. The main differences between them are the cost speed and mobility.

2.3 Factors that affect or influence integrated information system

According to Saeed and Abdinnour-Helm (2008) the way how system integration is done and perceived has a direct influence on IS usefulness and also that information quality affects the usage of the IS. Challenges faced by many organizations in the area of information management do vary in total. In support to Saeed and Abdinnour-Helm's views Kim and Oh (2000), said that

even though the systems are equally important and equally expensive for all organizations, they have been exploited in very varying degrees. Salazar and Sawyer (2007) said that in a typical organization, 90% of the information is still on paper and information systems are still not even close to being fully integrated. The pressure for companies to introduce information systems and get integrated with also the surrounding stakeholders comes from the collaborative nature of the business environment.

2.3.1 Competitiveness and changing environment

The researcher Zaiedv (2012) cited that some researchers have debated much on the role of information systems (IS); that it provides business a competitive edge. However, it has been argued that it is not the IS solution that provides competitive advantages but it is their utilization. Grande et al (2011) outlined the advantages of integrating accounting information into business to include better adaptation of the business to a changing environment, better management of arm's length transactions and a high degree of competitiveness. However integrating these systems brings real cost and efficiency benefits including minimising duplication and manual data entry. One of the most salient factors is the importance of systematic solutions to communication challenges. Huber (2010) argues that, integration of accounting information systems lead to coordination in organization which, in turn, increases the quality of the decisions. However lack of integration between the various types of revenues and expenditures makes it difficult to have a strategic overview of key issues during budget implementation and in financial reports. Gallego et al (2013) said that results of their study shows that external and internal Information Communication and technology (ICT) capabilities are important drivers of firm performance, while merely having integrated IS do not lead to better firm performance. Williams and Williams (2007) note that many researchers have found that IT in general is nowadays an

essential part in a company's competitiveness. Similarly Mabert et al (2003) noted that ERP has an important role in an organization gaining competitive advantage, but that only if the organization has competence enough to get the full power out of an ERP system. Cameron and Green (2004) note that it has also been suggested that since IT is no longer a scarcity in business and easily available it is not something that creates a competitive edge for a company. The research work has focused on SMEs because these firms in Spain account for more than 90% of the country's business (Central Companies Directory, 2010). An optimal implementation of AIS by SMEs means adapting more successfully to a changing environment and shows a high degree of competitiveness, thus enhancing the dynamic character of a company even when a company is small, it must assimilate the use of AIS. In other words, there are improvements in administrative management regarding accountancy and finance. This research study has attempted to clarify the relationship between information systems and organizational change.

2.3.2 Quality of accounting information systems

Susanto (2008) defines accounting information system as a component consisting of hardware, software, brain ware, procedures, database and technology of communication network. According to Piccoli (2008) a good information system has four components: information technology, people, processes and structures. All these components can be grouped into two subsystems: the technical subsystem and the social subsystem. Susanto (2013) adds on to say accounting information system is essentially an integration of the various transactions processing systems and it involves shaping the accounting information system to produce quality accounting information. This has been seen by Susanto (2013 and Stairs & Reynolds, (2010) that the quality of accounting information system can be seen from the integration, the efficiency and effectiveness of an accounting information system that is used.

According to Gelinas and Dull (2009) enterprise resource planning (ERP) coordinate some activities in the value chain by sharing data across the business process. Eric et al (2013) expounded that integration forces all business system into a common control model and the scope for situational adaptation at lower organizational levels is limited. However Hedman et al (2009) asserted that information can be made available easily if automated.

2.3.3 Quality of accounting information

O 'Brien and Marakas (2010)went on to say that accounting information quality can be seen from the relevant criteria, accurate on time and complete. Kieso et al (2007) argued that accounting information that is not qualified becomes useless to the organization and can lead to making the wrong decisions. This is evidenced by Sri Mulyani (2014) in the case of the exceptional world of Indonesian banks, namely the Bank Century case, which in the case of Century Bank financial data were provided by the Bank Indonesia was not accurate, causing KSSK decision not credible. In addition to banking problems, problems with quality accounting information was also found on the Indonesian government, especially local government, the statement of the former Chairman of CPC, Anwar Nasution (2009) stated that the quality was getting worse LKPD. Selanjutanya can be seen from the statement Sapta Damandari Charity (2009), as members of BPK RI, stating that many assets reported in the financial statements of local governments (LKPD) kepemilkikannya were unclear, as well as the estimated value. Former Vice Chairman of the Commission, Haryono Umar (2009) adds that up to now there is no data to show and prove how many the assets are owned by the government, especially in the area of ownership is not clear.

According to Gelinas *et al* (2012), quality of information is information that the users or consumers find it is suitable for use. In support to that statement Laudon and Laudon (2012)

stated that an organization performs if the quality of information is good. The researcher went on to say the quality of information is crucial for the sustainability if their information was of good quality. However poor quality information is a threat to the survival of the organization. Kurnia (2012) and Komala (2012) found that the quality of accounting information is influenced by the quality of accounting information systems. Okoli, (2011) said that the purpose of accounting systems in business is to have an orderly method of gathering and organizing information about various transactions so that that it may be used as an aid to management in operating the business.

2.3.4 Organizational and management commitment

Organizational commitment has a significant positive effect on the quality of accounting information. Several researchers including Basu et al, (2002), Day (2013), Al-Hiyari (2013) stated in their findings that organizational commitment affects the quality of accounting information systems. Syaifullah (2013) argued that there is a link between organizational commitment and quality of accounting information system. In addition Wang and Yeoh (2009) said that there is influence of organizational culture on the effectiveness of information systems. According to Verhage (2009), a project is successful if management provides enough resources and has the authority to support the project and participation in information systems development. Susanto (2008) regarded this as an important factor which influences the success or failure of the implementation of the system. Liebler and McConnel (2012) said management commitment is a total commitment not only to participative management and employee empowerment but also to intra and interdepartmental teamwork and improved communication throughout the organization. Vucetic (2008) argued that there are other factors that influence the development or integration of information systems and not only the support and commitment of

top management but all employees are required to conform to new accounting information system to ensure a smooth transition in the organization. The results of the empirical study show that the commitments of management, organizational culture and organizational structure have a significant effect on the quality of accounting information systems.

2.3.5 Business diversifications

Chari et al (2007) empirical studies to date have not found consistent support for the performance advantages of international diversification. One reason suggested by internalization theory is that leveraging firm specific assets is critical for enhancing performance from both local and international diversification and the integration also helps to boost 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 firm, mainly with foreign customers accessed through the firm's web. With the existence of more intercommunication, there are increased chances for diversification of traditional businesses.

2.4 Evaluation of the relevance of Integrating IS at the SBUs and Accounts Department and its effects on quality of financial reporting

2.4.1 Relevance of Integrating the IS at the SBUs and Accounts Department

Laudon and laudon (2012:33) says, "Information systems are a foundation for conducting business today. In many industries, survival and the ability to achieve strategic business goals are

> difficult without extensive use of information technology. Businesses today use information systems to achieve six major objectives: operational excellence; new

products, services, and business models; customer/supplier intimacy; improved decision making; competitive advantage; and day-to-day survival."

Al-Eqab and Ismail (2011) established that management need to respond quickly to the changing environment and market demands hence information should be complete, timeous and have integrated accounting information. Salehi Rostami and Moghada (2010) researched on the importance of introducing IT so that the quality of information can improve, which are relevance, reliability and comparability. However the impact of the system that is not integrated; more and more time is needed to process the data; decision-making becomes slow and it inhibit the growth of the company in the future. Ogah, Idagu Joseph (2013) said that the success of integrating AIS will depend on how well the factors are efficiently put in place to facilitate operations. Information needs of multi users of accounting systems is fulfilled by integrating IT so that the users are able to access accounting information easily through the systems. Agbeja and Oladejo (2012) argued that financial institutions have understood that poor and inappropriate information and communication systems have an adverse effect on every aspect of their operations, threatening operation effectiveness, profitability and even survival.

2.4.2 Quality of financial reporting

The Financial Accounting Standards Board {FASB}, (1999, 2010) and the; International Accounting Standards Board {IASB}, (2010),state that the primary objective of financial reporting is to provide high-quality information on reporting entities, which can be used for economic decision making. In addition to that, Rostami and Moghada (2010) said that financial information is considered qualitative if it possesses specific features and can offer benefit to users of financial information and help them in making decisions. These features are relevance,

reliability and comparability. The framework has also identified enhancing qualitative characteristics of accounting information that are complementary to the fundamental characteristics. These characteristics are: comparability, verifiability, timeliness, and understandability (FASB 2010; IASB 2010). Salehi1 & Torabi (2012) cited in their research that the information technology enhances the importance and reduces the reliability of accounting information. Furthermore it increases comparability however small amounts, and diminishes the negative impact of dominant limitations on qualitative characteristics of accounting information.

2.5 Evaluating the challenges of centralizing the Accounting Information Systems

According to Beck (2010) centralization is the allocation of all information Technology (IT) resources to one particular business unit that provides IT services to the whole organization. Jadner (2011) espoused that in centralization, important decisions are made by senior managers and other levels implement information to help higher levels. For example, related to trading, managers of the organization make decisions about important issues such as production, financial affairs, and marketing. On the other hand, systematic decentralization supports management power in all levels and organizations. Karimi (2009) established that centralization of data and their simultaneous inflexibility is the necessary element of integration.

A number of obstacles stand in the way of finance departments that want to provide decision support. Inefficient financial reporting ties up valuable time and resources obscures transparency, increases the risk of errors, and causes organizations to base critical business decisions on incorrect or incomplete information PricewaterhouseCoopers LLP (2007).

2.5.1 Organizational, Financial, Cultural, Political and other challenges

According to Pirnejad (2007) organisational and cultural changes are necessary before technical solutions can be applied. There are organisational, financial, political, and ethic legal challenges

that have to be addressed appropriately. It was evidenced by the Dutch healthcare providers that centralised and decentralised approaches have to be adopted in order to cope with these challenges. The empirical evidence by Gravesen,(2012) and Luckeet al. (2010) is that several challenges have been encountered by organizations with the adoption of Enterprise Architecture, (EA)). Another commonly identified challenge of EA is complexity which is often exaggerated by environmental influences and growth in terms of organizations centralising its units or operations. In addition some of the challenges which have been reported by Gravesen (2012) are: Capacity**:** the resource capacity constraints on EA can lead to many other challenges such as resistance to EA and lack of integration. Diversity**:** an organisation can respond either negatively or positively to using EA to standardise and integrate diversities within the organisation. Coordination**:** using coordination networks with other organisations to address the challenges of external and internal influences.

Dane (2012) asserted that computerized IS systems are particularly effective under special conditions. The conditions depend on the operational level and support for the system. At higher levels of organization IS are more subject to the politics and conflicts of organization. Powerful groups will not cooperate in systems developments. However even if political challenge may be encountered it is difficult to eliminate.

2.6 Establishing the relationship between accounting information systems and quality of financial reporting.

2.6.1 Link between AIS and quality of financial reporting

Imeokparia (2013) describe Financial Reporting as the preparation and publishing of financial statements or making accessible financial statements for users. In addition the accounting

information system leads to improved decision-making by managers, improves the quality of financial reports. Muphy *et al* (2004) established that there is a strong positive relationship between accountability and transparency and both positively influence quality of financial reporting in an organization. Hossein et al (2012) highlights that information systems and accounting software have a significant effect on the main characteristics of financial statement transparency, relevance, reliability and comparability. According to Susanto (2009) a company's accounting information system is built with the primary goal to process accounting data from various sources into the accounting information required by a wide range of users to reduce the risks when making decisions. In support of Susanto (2009)'s view Salehi et al (2010) stated that the accounting information system enhance the accuracy of financial results in quality reports. Sajadi et al (2008) clearly emulated that the effectiveness of accounting information systems lead to improvements in the quality of financial reporting and speed up business transaction processes.

Wongsim, et al (2011) espoused that the information quality dimensions have a positive relationship with accounting information system implementation processes. Furthermore, information quality dimensions play a vital role in the process of AIS adoption. According to Abdallah (2013) accounting information system has an impact on the quality of financial statements. This was empirical evidenced by the financial statements submitted to Tax and Sales department in Jordan and the study was to develop the devices used in the department and train staff in order to improve on the quality of financial statements.

Alrabei (2012) researched on accounting information systems(AIS) of four star hotels in terms of planning, control and decision making and found out that there is no relationship between

accounting information , planning and controlling , therefore recommends the development of IS towards the efficient application of AIS methods.

The research by Ogah et al (2013) showed that representing 90% of the respondents were of the opinion that there is a relationship between accounting information system and management decision, while 10% of the respondents alleged that there is no relationship between accounting information system and management decision making. The responses show that management decision process cannot be fruitful without the employment of AIS, which makes the management decision process seamless. This finding is supported by earlier studies like those of Mitchel et al., (2000) that accounting information could help organizations manage short term problems in such areas as costing, expenditure and cash flow by providing information to support monitoring and control. In a similar manner, Nicolaou et al., (2000) opined that an important question in the field of accounting and management decision-making concerns the fit of AIS with organizational requirements for information communication and control. In Nigeria, the low integration of AIS into business could be responsible for their failure in the banking environment.

2.6.2 Information Technology and quality of Financial Reporting

Kharuddi et *al (*2010) postulated that the increasing growth of Information Technology in the world has made the preparation and publishing of financial statements easier and less stressful. Furthermore this enables investors to find data they need to make investment decisions The researcher Granlund (2007) argued that, while it is widely recognized that IT plays an important role in the field of accounting, the relationship between IT and accounting has been studied relatively little . Based on literature review of these studies it can be concluded that there is very

limited knowledge about the impact of most recent IT developments in the accounting field. In support to Granlund (2007)'s views, Efendief et *al (*2006) said that even though IT clearly plays an important role in the relationship, it has not been studied enough. However Melville *et al(* 2004) established that the existing research has focused mostly on the relation between IT investment and company performance. On the contrary Sajady, *et al (*2008) and Urquia, *et al* (2011) established that the implementation, investment, and improvement of accounting information system are related to the increase in economic and financial results of a firm.

Majrebiyan (2005)'s research about the impact of web-centered accounting on the quality of information, on the accessibility of data and finally on economic decisions of managers proved that qualitative characteristics of accounting information increase through the use of web-centered accounting and access to data also becomes easier and faster. Web-centered accounting system enables managers to make improved financial reports for wise and reasonable economic decisions.

2.6.3 Accounting Information System and Organizational effectiveness

Hunton (2002) postulated that there is strong relationship between accounting information system and organizational effectiveness, which means access to accounting information leads to organizational effectiveness. Hossein et al (2012) established that information systems and accounting software have a significant effect on the main characteristics of financial statement that are transparency, relevance, reliability and comparability. The government institutions of the Republic of Indonesia are until currently still faced with a problem of the quality of accounting information system. That is reflected by the weakness." Onaolapo (2012) stated that benefits of accounting information system can be evaluated by its impact on improvement of decision

making process, quality of accounting information, performance evaluation, internal controls and facilitating company's transactions.

Summary

This chapter stressed on the literature review particularly the findings of other are searchers on this study's objectives. The literature confirmed existence of a relationship between decentralized information systems, decision making, accounting information system and quality of financial reporting but did not describe the nature and strength of the relationship. The following chapter dwells on the research methodology to this study**.**

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on research methods used to undertake the research. The research outlines the research design, research instruments used in collecting the data as well as the population and sampling procedures. The research study will start by highlighting the research design that was used on the impact of decentralised information systems on quality of financial reporting.

3.1 Research Methods

Greener and Ventus (2008) explained that research methods usually refer to specific activities designed to generate data, for example questionnaires, interviews, focus groups, observation. Swanborn (2010) states that they are two basically two research methods used in research that is quantitative and qualitative research methods. The researcher used both quantitative and qualitative research methods in determining the efficiency of accounting reporting.

3.2 Research Design

According to Moksha (2013) research design is the process of collecting, analyzing, and interpreting data in order to understand a phenomenon. The research process is systematic in defining the objective, managing the data, and communicating the findings within established framework and in accordance with existing guidelines. Gray (2011) said that a research design illustrates the purpose of the study, the types of questions addressed, the techniques used in collecting data, approaches used to collect data and how data is to be analysed by the researcher. Wyk (2009) also describes research design as an overall plan for connecting the conceptual

research problems to the relevant empirical research. The research design, articulates what data is required, what methods are going to be used to collect and analyse this data and how all of this is going to answer the research question, taking into account practical and other constraints of the study. Leedy and Ormrod (2013) emphasized that research has distinct characteristics which require a clear articulation of the research objective**,** require the collection and interpretation of data in an attempt to resolve the problem and that initiated the research. To ensure that adequate procedures are valid accurate and objective and answering the research questions the researcher carried out a descriptive research design under a mixed research method and embracing a case study approach. The researcher used descriptive research design for it allowed both qualitative and quantitative information under a mixed method approach that give specific direction and also embraced a case study approach to find out the problem under investigation. Descriptive research gives meaning to the quality and standing of facts that are going on Alceso(2012).

Mixed - method research requires the use of two or more methods of research, and usually refers to the use of both a qualitative and a quantitative methodology. Creswell et al (2011) describe mixed methods research is a mixture of qualitative and quantitative data in a single study or series of studies. Its central premise is that the use of quantitative and qualitative approaches in combination provides a better understanding of research problems than either approach alone.

According to Johnson & Onwuegbuzie (2009) mixed methods approach incorporate methods of collecting or analyzing data from the quantitative and qualitative research approaches in a single research study that answers questions about both the complex nature of phenomenon from the participants point of view and the relationship between measurable variables. That is, researchers collect or analyze not only numerical data, which is customary for quantitative research, but also

narrative data, which is the norm for qualitative research in order to address the research question defined for a particular research study.

Moksha (2013) describes qualitative research as an unfolding model that occurs in a natural setting that enables the researcher to develop a level of detail from high involvement in the actual experiences Qualitative method seeks the researcher to understand how to gather the data more in verbal and visual than in numeric form.

In this study mixed research method was valid such that the combination counteracts the limitations in quantitative and qualitative research methods; the method served the purpose of advocating change in marginalised groups and in this case advocating the quality of financial reporting. The mixed method considered the full range of possibilities for data collection in any study that is it allowed the use of both open-ended and closed-ended questions.

3.2.1 Descriptive Research Design

According to Leedy and Ormrod (2012) descriptive research approach is a basic research method that examines the situation as it exists in its current state and also involves identification of attributes of a particular phenomenon based on an observational basis, or the exploration of correlation between two or more phenomena. Saunders and Lewis (2012) assert that it seeks to describe persons, events, or situations accurately and involves the collection of measurable data primary or secondary. Furthermore descriptive research should be thought of as a means to an end rather than the end in itself: followed up with explanatory research.

The research design was used because of its applicability to decentralised information system as it describes how information is disseminated and how quality of information is affected.The descriptive research approach is a basic research method that examines the situation as it exists in its current state. Descriptive research involves identification of attributes of a particular

phenomenon based on an observational basis, or the exploration of correlation between two or more phenomena.Descriptive technical survey assisted in the description of respondents' attitudes and opinions in the case study. Descriptive concept implies qualitative way of analysis using archival records, questionnaire, secondary data etc (Saunders et. al 2003).

3.2.2 Case Study

According to Yin (2009), a case study is a pragmatic inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. Swanborn (2010) asserted that a case study seems to be the most advantageous strategy if more information about what group or groups of people perceive and decide in relation to their interaction during a certain period. Saunders (2012) outlines that a case study may use quantitative or qualitative methods and most case studies use both methods to collect and analyse data such as interviews, observation, documentary analysis and questionnaires. The researcher used case study analysis because it is both descriptive and explanatory in nature. Saunders and Lewis (2012 state that the case study method involves the investigation of a particular problem within its real-life context using multiple sources of evidence. In the case study the combination of interviews, observation and a documentary analysis are appropriate.

Creswell (2003) suggests the structure of a case study should be the problem, the context, the issues, and the lessons learned. The data collection for a case study is extensive and draws from multiple sources such as direct or participant observations, interviews, archival records or documents. The study was carried out at Size Investments (Pvt) Ltd on how decentralised information system is disseminated and its impact on the quality of financial reporting. This approach was adopted due to its advantages outlined by Saunders et al (2012) which are that a

case study explores a research topic or phenomenon within its context or within a number of real life context more easily.

3.2.3 Qualitative Research Method

According to Tewksbury (2009***)*** qualitative methods provide a depth of understanding of issues that cannot be understood when using quantitative, statistically-based investigations. Qualitative methods are the approach that centralizes and places primary value on complete understandings, and how people understand, experience and operate within environments that are dynamic, and social in their foundation and structure. Berg (2007) stated that qualitative research refers to the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things. Qualitative research builds its premises on inductive, rather than deductive reasoning. According to Creswell (2003) qualitative research process is largely inductive, with the inquirer generating meaning from the data collected in the field .The appropriateness of this research method to this study is that it typically involved small samples that you study in-depth allowing a lot to be gathered from a few people, and qualitative samples are purposive which means they are chosen for a particular purpose Gallardo (2009). It is from the observational elements that pose questions that the researcher attempts to explain.

3.2.4 Quantitative research methods

Creswell (2003) Creswell (2002) expounded that quantitative research involves the collection of data so that information can be quantified and subjected to statistical treatment in order to support or refute alternate knowledge claims. Lincoln and Guba (1985) asserts that quantitative research methods attempt to maximize objectivity, replicability, and generalizibility of findings, and are typically interested in prediction..Thus the researcher also used quantitative research to

quantify data on the quality of financial reports. Quantitative research method strengthens a cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories, and also employ strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data Creswell (2003).

3.3 Population and Sampling

3.3. 1 Target Population

According to (Cooper; 2009) population refers to the total set of units in which the investigator sees accessible and to involve in the study. The population is the pool from which the researcher sampled the respondents (target population) to interview and to respond to questionnaires to achieve the study objectives. The population of this study encompasses the SBUs of Size Investments (Pvt) Ltd. The respondents were managers of the SBUs as well as some accounting and management staff.

Table 3.3 Sample size

	Population	Sample size	Percentage %
Top management	10	6	60
Middle management	15	8	53
Other staff	20	12	60
Total	45	26	58

Table 3.3 depicts the sample size from the targeted population, that is top management, middle management other staff that are SBUs operational staff and those in Accounting and Finance

department involved in preparation of financial reports. The 58 %, [(26/45)*100%] is the targeted sample population. According to Saunders (2011), the minimum sample size is 30% that fully represent the entire population. The sample size is 58% of the target population and the researcher could not carry out the research of the whole target population was big.

Goldsmith (2012) states that amount requested for the resources often depends strongly on the sample size needed for the study and so should be well justified. Sample size is generally justified for two main reasons: estimation and hypothesis testing. Sample size for estimation depends on the parameter being estimated, the variation of the estimator, the distribution of the statistic used to create the standardized estimate and its confidence interval with some assumptions. Extracting the sample from the target population enabled the researcher to gather information more quickly than carrying out the research total population.

3.4 Sampling

According to Saunders and Lewis (2012) sampling is subset of the population identified for a research study and that population or sampling frame does not refer to people only but can also refer to places or objects. A sample of the population is used by researchers for practical reasons that include: time constraints, financial constraints and full extent of the population may be unknown or could be difficult to get to. Garson (2012) assert that sampling is associated with survey instruments but is independent of the specific measurement mode, which could also be observation, lab instrumentation, audio or video, archival record or other methods. Sampling determines how much and how well the researcher may generalize the study's findings. A poor sample may well render findings meaningless. Sampling can be a powerful tool for accurately measuring opinions and characteristics of a population.

3.4.1 Sampling Techniques

According to Lev and Lemeshow (2008) there are four major types of probability sample designs: simple random sampling, stratified sampling, systematic sampling, and cluster sampling procedure. Stratified sampling offers significant improvement to simple random sampling.

The researcher used simple random sampling, stratified sampling.

3.4.2 Simple random Stratified Sampling

According to Schwarz (2014) a simple change to a simple random sample can often lead to dramatic improvements in accuracy. This is known as stratification. Stratification begins by grouping the survey units into identical groups (strata) where survey units within strata should be similar and strata should be different Stratification will be beneficial whenever variability in the response variable among the survey units can be anticipated and strata can be formed that are more homogeneous than the original set of survey units. The researcher divided the population into homogeneous sub strata which included SBU managers, middle management and other staff from accounts department, human resources and operations. According to Sandy and Dumay (2011) simple random stratified sampling ensures that specific groups are represented, proportionally, in the sample(s) by selecting individuals from strata list.

3.5. Sources of Data

According to Gray (2009), the two sources and types of data are: primary and secondary data. They present original idea and new information in its original form, neither interpreted nor condensed nor evaluated by other writers. The researcher used both primary and secondary data for the purpose of this study as a result managed to conduct an in-depth review of secondary data

sources directly related to the research questions in order to develop a good understanding and insight about these sources.

3.5.1 Primary data

Green (2012) states that primary data is first-hand information obtained by the researcher on the variables of interest for the specific purpose of the study such as information from individuals, focus groups, internet and administered questionnaires for a specific purpose of a particular project, observe, and interview focus groups and surveys. According to Perreault and McCarthy (2009) primary data is data which has not been organized, analyzed or processed by any statistical method which has been captured for the first time, right from the point of origin for a specific purpose.

To derive primary data pertaining to the impact of decentralised information systems on quality of financial reporting self administered questionnaires and face-to-face interviews were employed. The researcher used primary data because it provided first hand data from the respondents.

3.5.2 Secondary data

According to Veal (2011) secondary data is collected for different or broader purposes, typically from administrative records, very important records, and surveys but are available for other uses. Saunders and Lewis (2012) refers to Secondary data as data which already exists but which was collected for purposes other than one's research, for example survey and documentary.

The advantage to use available data is that the literature review articles attempt to review the original research that focuses on a particular topic. Saunders and Lewis (2012) further explained that sometimes, experts and researchers present their reviews which may be the first written

overview of a topic area and such articles also push further discussion and enumerate every publication related with the origin of the information on certain topics.

Ghauri and Gronhaug (2005) states that for many research questions and objectives the main advantage of using secondary data is the enormous saving in resources, in particular the researcher's time and money. The researcher used secondary data to enhance her research by probing what other researchers found in regard to the impact of decentralized information systems on the quality of financial reporting.

3.6. Research Instruments

The appropriateness of these data collection instruments in the research afforded participants not to read questions and then enter their answers, instead they were asked questions orally to which they responded openly with minimum restrictions of their opinions (Babbie,2010:274) Self administered questionnaires , face to face interviews and internal documents were used to carry out the research .According to McMillan & Schumacher, (2001) interviewing is a typically face-to-face encounter with the interviewee. Research instrument includes questionnaires, interviews and observations.

3.6.1 Questionnaires

Saunders and Lewis (2012:141) states that a questionnaire includes all methods of data collection in which each respondent is asked to answer the same set of questions in the same order. Questionnaires can be distributed face to face by an interviewer, by telephone, by hand, by post and through the Web. According to Saunders and Lewis (2012), Lai and Waltman,(2008) questionnaires and interviews are often used together in mixed method. Questionnaires provide evidence of patterns amongst large populations; qualitative interview data often gather more in-depth insights on participant attitudes, thoughts, and actions. Sekaran and Bougie (2009) asserts

that questionnaires can be administered personally, mailed to respondents, or electronically distributed.

Open-ended question allow for a richer and fuller perspective on the topic of interest if the respondents are verbally expressive and cooperative (Polit and Hungler 1992). Closed-ended questions are questions in which the response alternatives are designated by the researcher. The researcher asked open-ended questions about the current information system at Size Investments (Pvt) Ltd because "the researcher's structuring of responses may overlook some important responses and a checklist of issues might omit certain issues that respondents would have said were important" (Babbie 2010, 256--257).

The questionnaire enabled the researcher to gather information from a large group quickly as the likert scale was used. It also saved time for the researcher.

3.6.2 Likert Scale

The researcher also used the Likert scale. According to Sekaran and Bougie (2009) is a design which examines how strongly subjects agree or disagree to statements on a five-point scale as follows:

Item	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Points	5	4	3	2	1

3.6.3 Interviews

Sekaran and Bougie (2009) asserts that an interview is a data collection method which includes face-to-face interviews, telephone interviews, computer assisted interviews and interviews through the electronic media. Interviews are flexible in terms of adapting, adopting and changing the question as the researcher proceeds with the interviews.

Semi-structured interviews are another type of interview which is often used in case study research and usually start with rather specific questions but allow the interviewees to follow their own thoughts later on (Blumberg et al 2005). The researcher used semi structured interviews to generate questions discussed with the respondents and as a result the respondents answered the questions freely. When a semi-structured interview is conducted, the researcher can generate the questions that will be discussed with the respondents. In consequence, the respondents can answer the questions with freedom and further questions may be added during the interview. The researcher used interviews to get qualitative data from participants or respondents and also the main reason was to gain full and detailed information of the experience under study. Face to face interviews are that they have high response rate, provide in-depth information and can gather more information from verbal cues

3.7 Data validity

Sekaran and Bougie (2009) describes validity as the extent to which an instrument measures what it purports to measure. It also relates to the extent to which research results accurately represent the collected data internal validity and can be generalised or transferred to other contexts or settings external validity. Saunders and Lewis (2012:127-128) says validity is "the extent to which data collection method or methods accurately measure what they were intended

to measure and the research findings are really about what they profess to be about." Leedy and Ormrod (2010) states that research findings would be relied on as faithfully representing the economic and business phenomena as the research instruments yielded accurate and consistent results. To ensure that the research was valid the researcher designed questions taking into cognizance objectives of the study and research questions to come up with relevant information.

3.8 Data reliability

Saunders and Lewis (2012:127-128) says "reliability is the extent to which data collection methods and analysis procedures will produce consistent findings." Davies (2011) says that reliability of data is the degree of consistence that is demonstrated by the procedure employed in a study to give reliable estimates.Reliability in quantitative data analysis includes category and inter-judge reliability, whereby categories that are defined in a very broad manner will lead to high category reliability and oversimplified categories reduces the relevance of the research findings. The research formulated research question sequential to obtain reliable information.

3.9. Data analysis

According to Bryman (2008) the collection of qualitative data frequently results in big amount of information. Qualitative analysis is not governed by codified rules in the same way as quantitative data analysis.

Data from primary and secondary sources that is information from the questionnaires, interviews together with financial reports were analysed so that conclusions could be made about the research study.

3.9.1 Qualitative data

According to Saunders et al (2012) the meanings from qualitative research are principally from words and not numbers. This analysis is said to be not easy. Sekaran and Bougie (2009:444) explained that qualitative data is "Data that are not immediately quantifiable unless they are coded and categorised in some way". Examples are interview notes; transcripts of focus groups or of video recordings, answers to open ended questions and news articles and these come from primary and secondary sources. According to Sekaran and Bougie (2009) qualitative data analysis can be done in three steps which are data reduction, data display and the drawing of conclusions. Data reduction is referred to as the process of selecting, coding and categorising data, and data display is referred to as the ways of presenting data such as graphs, charts, selection of quotes that may help the reader to understand the data. In this study qualitative data is going to be collected, presented and conclusions are going to be considered analysis of the information (Miles and Huberman, 1994). In this study primary data from questionnaires and interviews was sorted and then presented in table and graphs.

3.9.2 Quantitative data

O'Leary (2010) states that quantitative data is an effective way of reducing and summarizing data but statics rely on reducing the data into numbers. Saunders et al (2012) says that business and management research undertaken usually involve some numerical data that quantified to help in answering the research questions so as to achieve the research objectives. Numerical data collected that the researcher would use in measuring responses from questionnaires are called quantitative data and the characteristic of quantitative data which tends to be its advantage is that

it is scientific and can be verified thus providing credibility. This data was analysed using statistical mode.

3.10 Pilot Testing

Zhou et al (2010) purport that pilot testing is under-reported, specifically in qualitative research literature. This is an undesired situation, especially when considering the fact that pilot studies are instrumental in the framing of questions, collection of background information, refinement of a research approach or tailoring efficient research instruments (Nunes et al., 2010). However Foster (2013) states that a pilot study precedes the main study and is for testing. It is experimental and exploratory can be used in qualitative, quantitative or mixed methods studies. Pilot testing enabled the researcher to make necessary modifications in the main study.

3.11 Chapter Summary

This chapter dealt with the research methodology adapted for the study. It involved the research design, population, sample, research instruments, validity and reliability. The next chapter focuses on data presentation techniques, discussions and interpretation of findings.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF FINDINGS

4.0 Introduction

The chapter focuses on the data collected from Size Investments (Pvt) Ltd. The data analysis was collected through questionnaires, interview notes on the impact of decentralized information system on the quality of financial reporting. Pie charts, bar charts and tables were used to present data.

4.1. Response Rate

Questionnaires were issued to the targeted population, sample of twenty respondents, the administration of data analysis depended on the following response rate as tabled below.

Table 4.1 Questionnaire response rate

Category of Respondents	Population Targeted	Administered	Successful	Response rate %	Non Response	Non Response rate
Middle management	15	8	8	100%	0	
Other Staff	20	12	10	83%	2	17%
Total	35	20	18	90%	2	10%

The above table indicates that 8/8 (100%) questionnaires administered, the middle managers successfully responded to all them. Out of twelve questionnaires issued to the other staff members ten were returned, that is 10/12(83%). Non response rate, 2/20(10%). Other staff includes stores and accounts personnel. A committed follow up was done as some respondents were taking long to respond due to pressure of work. This response rate of eighteen

questionnaires issued, completed and returned assisted in coming up with the best study conclusions since the data was valid and reliable. Six interviews were administered which gave some relevant data about the study which could not be questioned in questionnaires. The data from the questionnaires and interviews were analyzed and the following information was extracted.

Table 4.2 Interview Response

Population Targeted	Administered	Successful	Response rate %
Top management	6	6	100%

The planned six interviews were all administered which gave a response rate of 6/6(100%). Time was created and made available to meet the respondents during tea break.

4.2 Analysis of questionnaire responses

4.2.1 Current Information system used in the organization

Table 4.3

Response	Yes	No
No. of responses	15	3
Percentage	83%	17%

Hansen *et al*. (2009) said that some organizations use accounting information systems ranging from manual and others use a combination of computers and manual. According to Table 4.3 above 15/18(83%) had a knowledge of the current information system used by Size Investments (Pvt) Ltd which is both manual and computerized and 3/18(17%) were not sure of the current

information system. The Strategic Business Units (SBUs) use both computers and manual systems in the various departments. Manual ledger accounts are kept at the SBUs. However the negative response is as a result of not using the system.

4.3 Effects of Manual Accounting System on the Efficiency of Accounting Reporting.

4.3.1 Poor and inefficient information system

Graph showing responses on poor and inefficient information system

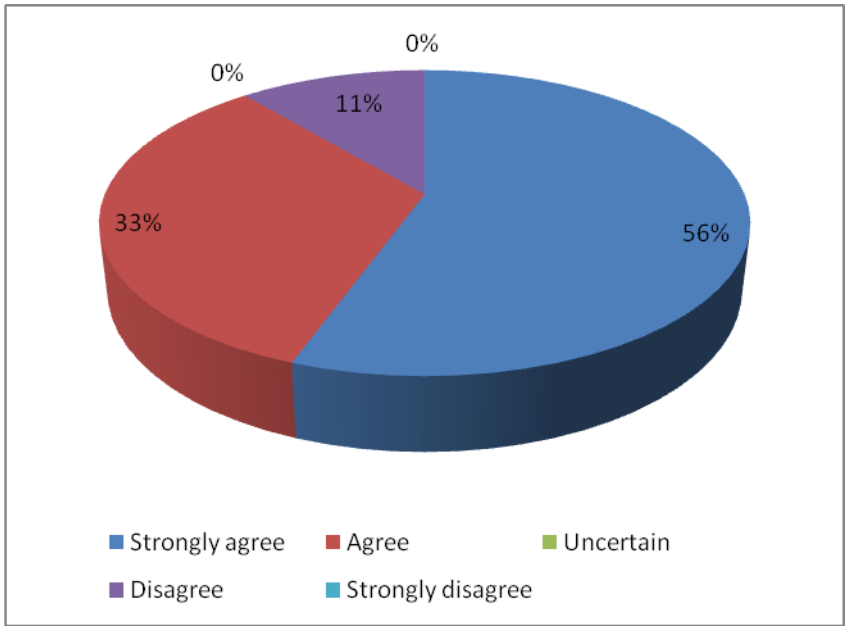


Fig 4.1

Fig 4.1 shows that the 10/18(56%) strongly agreed that manual accounting system produces poor and inefficient information, 6/18(33%) agreed, 1/8(6%) disagreed and 1/18(6%) were uncertain of the drawback of the manual accounting system that possible errors can be introduced into the system and that the errors could go undetected for quite some time. The overall percentage of 16/18(89%) agreed that manual accounting system produces poor and inefficient information. Kharuddine *et al* (2010) espoused that traditional accounting method of inputting daily transactions and recording them manually has become inefficient. The information gathered

confirmed that there is evidence that poor and inefficient information system is as a result of manual accounting system and this affects the quality of financial reporting.

4.4 Factors that influence or affect integration of information systems

Table 4.4 Responses to factors that influence or affect integration of information systems

Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
a) Competitiveness and changing environment	10	5	0	2	1
	56%	27%	0%	11%	6%
b) Quality of information systems	9	8	1	0	0
	50%	44%	6%	0%	0%
c) Organisational commitment	8	9	0	1	0
	44%	50%	0%	6%	0%
d) Business diversification	7	10	0	1	0
	39%	56%	0%	6%	0%

a) Competitiveness and changing environment

The first factor that influence or affect integration of information system is competitiveness and changing environment as indicated in Table 4.4 above**.** 10/18 (56%) of the respondents strongly agreed, 5/18 (27%) agreed, 2/18 (11%) disagreed and 1/18 (6%) strongly disagreed. A mode of 16/18 (89%) respondents agreed that competitiveness and changing environment has an influence on systems integration whilst 2/18 (11%) respondents disagreed and 1/18(6%) strongly

disagreed that competitiveness and changing environment has no influence on the integration of information systems. In support to the 16/18 (89%) Grande et al (2011) outlined the advantages of integrating accounting information into business to include better adaptation of the business to a changing environment and Zaiedv (2012) supported that the role of information systems (IS) is to provide business with a competitive edge.

Overally 3/18 (17%) respondents disagreed that it is not only competiveness and changing environment that influence integration of information systems and this was supported by Zaiedv (2012), that it is not the IS solution that provides competitive advantages but it is their utilization. As from the respondents having a mode of 16/18 (89%), it can be concluded that competitiveness and changing environment has an influence on system integration. Integration enhances efficiency and effectiveness which makes the organization to be above its competitions in a turbulent business environment.

b) Quality of accounting information system

The second factor contributing to integration of information systems is quality of information system, 9/18(50%) strongly agreed that quality of accounting information system influence integration of information systems, 8/18(44%) agreed and 1/8(6%) are uncertain. This was supported by Susanto (2013) and Stairs & Reynolds (2010), that the quality of accounting information system can be seen from the integration, the efficiency and effectiveness of an accounting information system that is used. In aggregate 17/18(94%) of the respondents agreed. This depicts that integration of information system has an effect on the quality of accounting information system. If accounting information system is not integrated it produces poor quality of financial reports.

c) Organizational commitment

The third factor contributing to integration of information systems is organizational commitment as shown in table 4.5 above, the respondents, 9/18(50%) agreed that organizational commitment influence integration of information systems, 8/18(44%) strongly agreed, 1/18 (6%) disagreed that organizational commitment influence integration of information systems .The overall percentage of 17/18(94%) agreed that integration of information systems is affected by organizational commitment, Verhage (2009) asserts that a project is successful if management provides enough resources and has the authority to support the project and participation in information systems development. Susanto (2008) regarded this as an important factor which influences the success or failure of the implementation of the system.

However 1/18(6%) disagreed that there are other factors which affect integration of information systems. This was supported by Vucetic (2008) who cited that the other factors that influence the development or integration of information systems is not commitment of top management only but all employees are required to conform to new accounting information system to ensure a smooth transition in the organization.

A mode of 17 respondents agreed and this convinced the researcher to conclude that organizational commitment influences the integration of information systems. Thus the magnitude of organizational commitment should be high and this is hinged on the staff commitment and quality of accounting information systems used in the organization.

d) Business diversification

Table 4.5 above shows that 8/18(44%) of the respondents agreed with the fact that business diversification influence integration of information systems, 7/18(39%) strongly agreed, 2/18(11%) are uncertain and 1/18(6%) disagreed. Overally 15 /18(83%) agreed. This indicates

that businesses diversification influence integration of information systems and this improves the quality of financial reporting. With the existence of more intercommunication, there are increased chances for diversification of traditional businesses. The researcher adds that if the business is expanse it is proper to use integrated accounting information system for ease of access of information and improved financial reporting by all users

4.5 Relevance of integrating information systems and its effect on the quality of financial reporting

4.5.1 Improves decision making

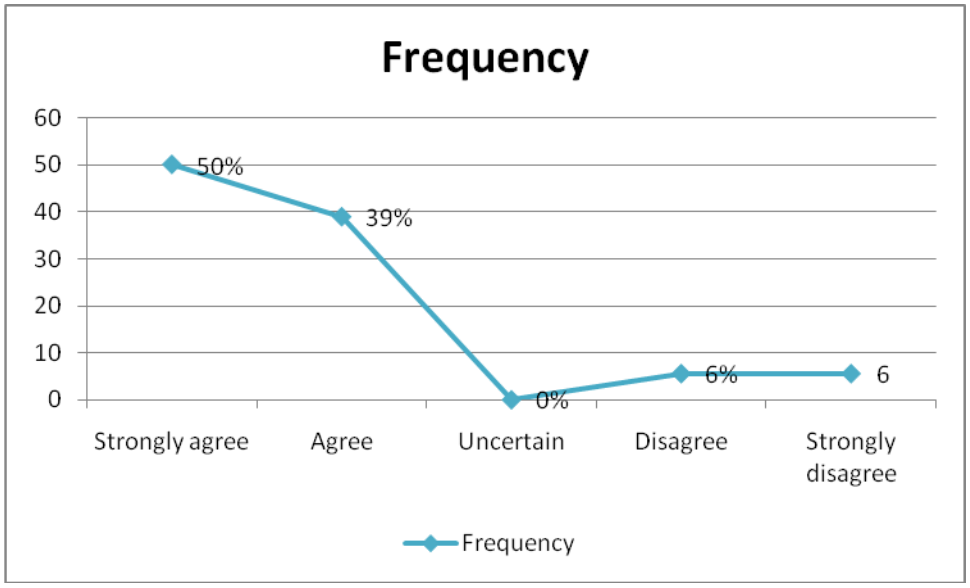


Fig 4.2

As indicated in Fig 4.2 above 9/18(50%) strongly agreed that integrated information system improves decision making and quality of financial reporting, 7/18(39%) agreed, 1/18(6%) disagreed and 1/8(6%) strongly disagreed. Overally 16/18 (89%) agreed. This implies that the respondents observed that integrating information systems improves quick and effective decisions to be made and this has an impact on the quality of financial reporting. As espoused by Ogah, Idagu Joseph (2013) the success of integrating AIS will depend on how well the factors are efficiently put in place to facilitate operations. Information needs of multi users of accounting

systems is fulfilled by integrating IT, so that the users are able to access accounting information easily through the systems. 2/18(12%) disagreed that integration improves quality of financial reporting.

A mode of 16 (89%) respondents agreed and this conclude that integration of information systems is essential for business processes and sharing of information to coordinate activities.

4.5.2. Competitive advantage

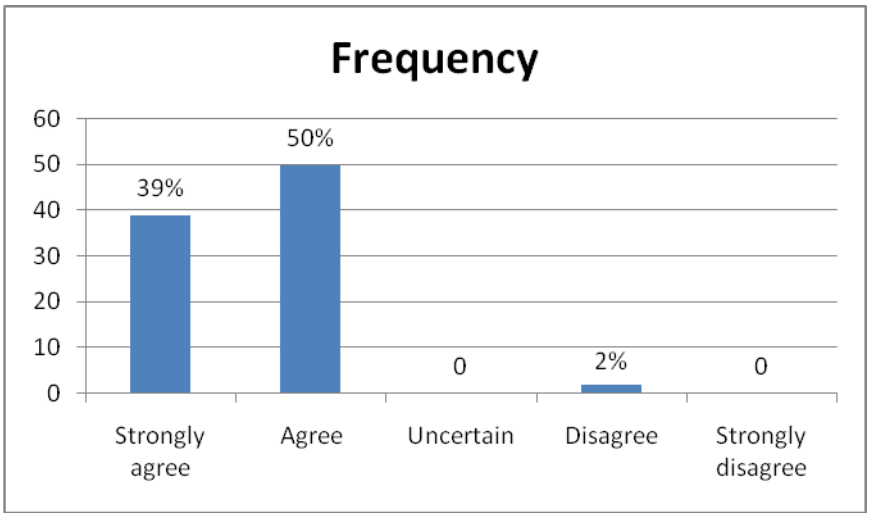


Fig 4.3

Fig 4.3 shows that 9/18(50%) of the respondents agreed that there is competitive advantage to integrate information systems and this improves the quality of financial reporting, 7/18(39%) strongly agreed. This is supported by Al-Eqab and Ismail (2011) who established that management need to respond quickly to the changing environment and market demands hence information should be complete, timeous and have integrated accounting information systems. However 2/18(11%) disagreed that competitive advantage is relevant to integration of information systems. Ogah, Idagu Joseph (2013) states that the success of integrating AIS will depend on how well the factors are efficiently put in place to facilitate operations.

Analyzing further the mode16/18(89%) indicate that the relevance of integrating accounting information in an organization yields competitive advantage. It puts the organization in a better position in the market and its industry as integration leads to efficiency in operations.

4.5.3 Improves quality of financial reporting

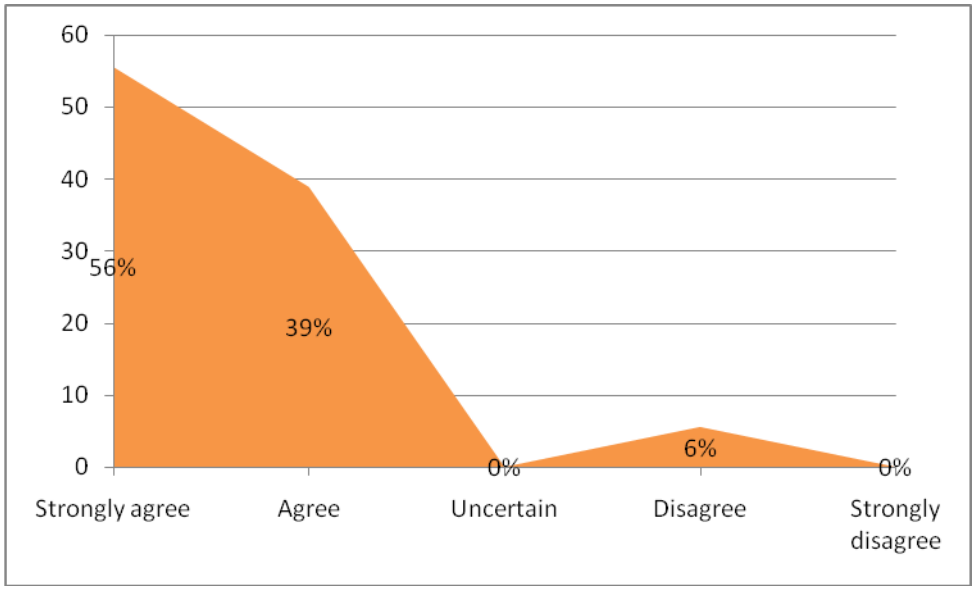


Fig 4.4

Fig 4.4 indicates that 10/18(56%) of the respondents strongly agreed; 7/18(39%) agreed, 1/18 (6%) disagreed. A mode of 17 that is 17/18 (95%) indicates that integration of information systems affect the quality of financial reporting positively. The Financial Accounting Standards Board {FASB}, (1999, 2010) and the; International Accounting Standards Board {IASB}, (2010),stated that the primary objective of financial reporting is to provide high-quality information on reporting entities, which can be used for economic decision making .

Overally 17/18(95%) agreed that integration of information systems improves the quality of financial reporting. The researcher concludes that integration of information improves the quality of financial reporting as duplication of effort is reduced and errors are minimized.

4.6 Challenges faced in centralizing accounting information system

4.6.1 Sharing of resources

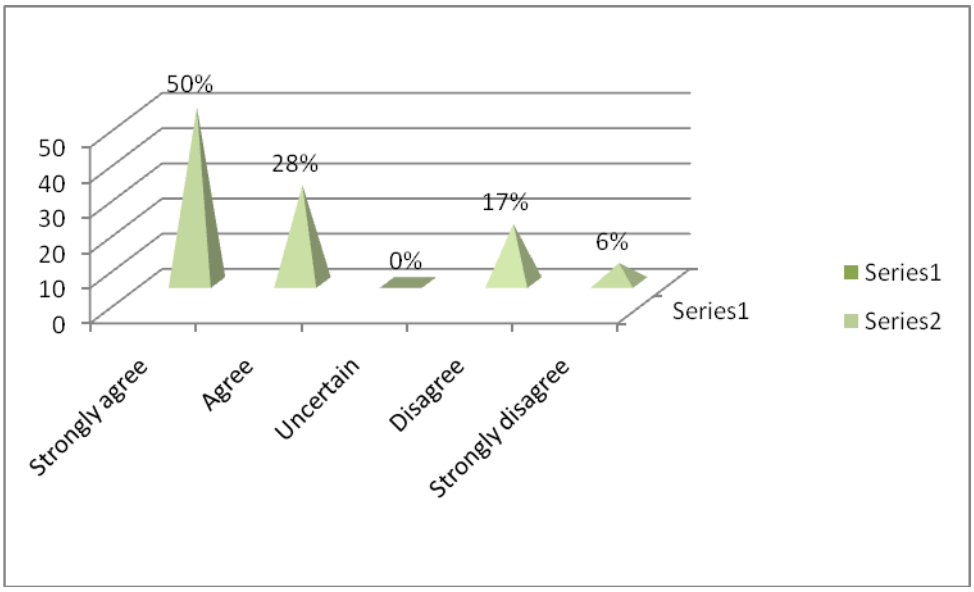


Fig 4.5

Fig 4.5 shows that 9/18(50%) strongly agreed; 5/18(28%) agreed3/18(17%) disagreed, 1/18(6%) strongly disagreed 9/18(50%) of the respondents strongly agreed that sharing of resources is a challenge faced when centralizing information system which concur with Price Waterhouse Coopers LLP (2007 that a number of obstacles stand in the way of finance departments that want to provide decision support. Inefficient financial reporting ties up valuable time and resources, obscures transparency, increases the risk of errors, and causes organizations to base critical business decisions on incorrect or incomplete information .Overally 18/18(100%) imply that centralization creates a barrier in the sharing of resources as people are acquainted to the resources it is difficult for them to share resulting from centralisation.

4.6.2 Organisational, financial and political challenges

Table 4.5

Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Organisational and financial challenges	9	7	0	2	0
	50%	39%	0%	11%	0%
Political challenges	6	7	2	2	1
	33%	39%	11%	11%	6%

Organizational and financial challenges

Table 4.5 above depicts that 9/18 (50%) of the respondents strongly agreed, 7/18(39%) agreed, 2/18 (11%) disagreed. A mode of 16/18(89%) respondents agreed that organizational and financial challenges has an effect on centralizing information system whilst 2/18 (11%) respondents disagreed that the Organizational and financial challenges has no effect in centralizing accounting information systems. In support to the 16/18 (89%), Pirnejad (2007) said that organisational and cultural changes are necessary before technical solutions can be applied. It can then be concluded that organizational and financial challenges are encountered in centralizing accounting information system therefore there is need to address these appropriately.

4.6.3 Political challenges

Table 4.5 above depicts that 7/18 (39%) of the respondents agreed, 6/18(33%) disagreed, 2/18 (11%) uncertain, 2/18 (11%) disagreed and 1/18 (6%) strongly disagreed. A mode of 13/18(72%) respondents agreed that political challenges affects centralization of information system whilst 4/18(28%) disagreed that political challenges affects centralization of information system, Dane(2012)asserted that higher levels of organization, information systems are more subject to

the politics and conflicts of organization. The researcher concludes that groups that are powerful in the organization will not cooperate in systems development.

4.7 The relationship between accounting information systems and quality of financial reporting

4.7.1 Accounting information System and quality of financial reporting

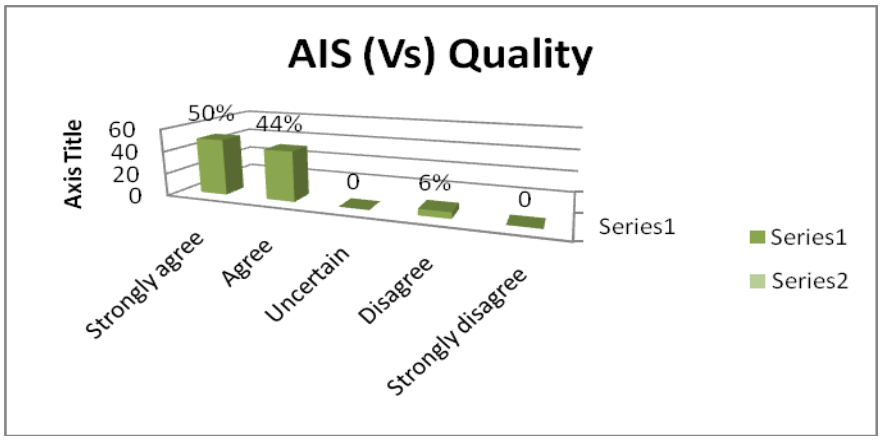
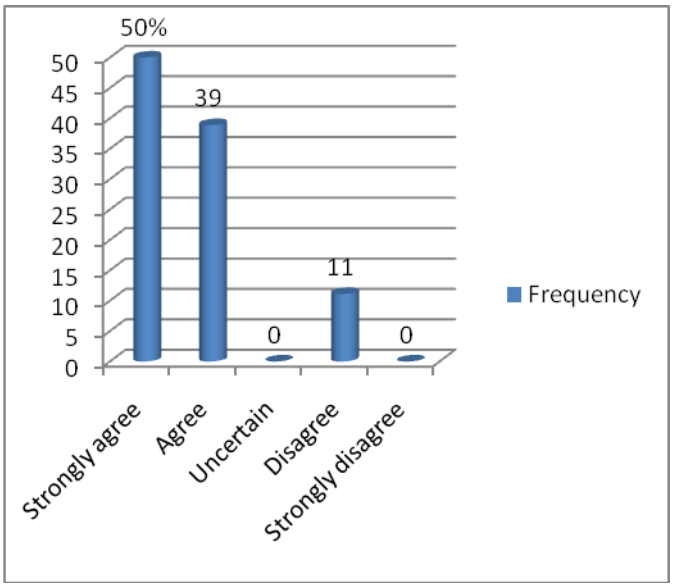


Fig 4.6

The number of respondents in Fig 4.8 is 9/18 (50 %) strongly agreed that AIS improves the quality of financial reporting, 8/18(44%) agreed and 1/18 (6%) disagreed.

A mode of 17 respondents agreed that accounting information systems, improves the quality of financial reporting. This was supported by Hossein et al (2012) that information systems and accounting software have a significant effect on the main characteristics of financial statements that are transparency, relevance, reliability and comparability. Salehi et al (2010) stated that the accounting information system enhance the accuracy of financial results in quality reports. The researcher concludes that the accounting information system that is existent in an organization plays a pivotal role in the quality of financial reporting.



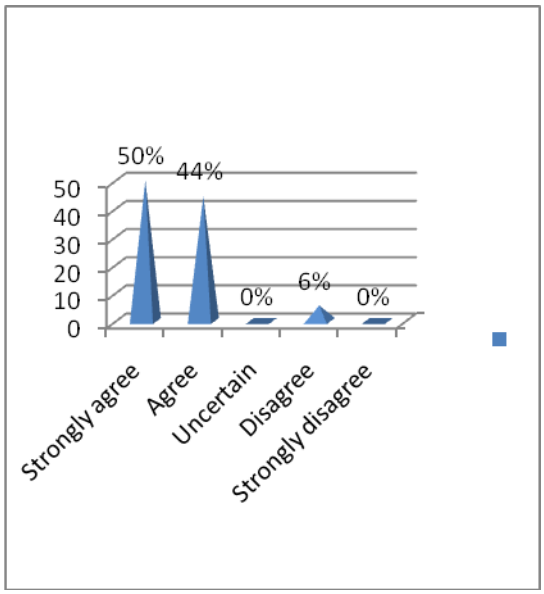


Fig 4.7 **Fig 4.8**

4.7.2 Information technology and quality of financial of financial reporting

Fig 4.7.1shows that 9/18(50%) of respondents strongly agreed with the phenomenon that the increasing growth of Information Technology in the world has made the preparation and publishing of financial statements easier and less stressful, Kharuddi et *al (*2010). 8/18(39%) agreed, 2/18(11%) disagreed. A mode of 17 (89%) respondents agreed. The researcher can conclude that there is a strong link between accounting information system and the quality of financial reporting.

4.7.3 Organisational effectiveness and (AIS)

Fig 4.8 above indicates that 9/18(50%) of respondents strongly agreed that there is a positive relationship between organizational effectiveness and (AIS), 8/18(39%) agreed 1/18(16%) disagreed. Overally17/18(89%) agreed. This depicts that the quality of information should be linked to the quality of financial reporting. This was supported by Hunton, (2002) who postulated that there is strong relationship between accounting

information system and organizational effectiveness, which means access to accounting information leads to organizational effectiveness.

However 1/18(16%) disagreed. This depicts that there is no relationship between organizational effectiveness and AIS. A mode of 17 (84%) respondents agreed that AIS has a relationship with the quality of financial reporting that is, quality of financial reporting which is the dependant variable depends on the accounting information system that is used by the organization. If the system is not efficient, quality of financial reporting is compromised.

4.8 Analysis of Interview responses

4.8.1 Does your organisation/company make use of a computerised accounting system in order to produce good quality financial reports? If yes name the accounting package used?

All the top managers interviewed responded that Size Investment (Pvt) ltd use pastel accounting package. One respondent outlined that though the organization make use of pastel accounting system, the strategic business units (SBUs) and accounts department are still using both manual and computerised accounting system and the information system is not integrated. The Financial Administrator stated that the organization makes use of pastel accounting package though it is not being fully utilized. All of the respondents stated that it is paramount to use a computerised accounting information system in an organization to enhance efficiency in accounting reporting.

4.8.2 How is the current information system at Size Investments (Pvt) Ltd in terms of access to information?

The Finance and Administration Executive responded that the current information system is decentralized and is difficult to access and disseminate information between accounts department

and the Strategic Business Units (SBUs). The current information system is not integrated and access to information is confined to accounts department only. Most of the respondents pointed out that they had no access to monthly and quarterly reports because they are not timeously prepared. This is supported by Osmond (2011) that many accountants and non-accountants preferred to use computer software to transactions because the manual system took longer to generate accounting reports. The Bakery manager responded that access to data assist managers to make quick decisions but it is not availed to them in time. The researcher concludes that integration and computerizing the SBUs and accounts enables the information to be accessed easily.

4.8.3 How do your staff members in the organization feel about the current information system in terms of data capturing and processing and ease of use?

All the two respondents stated that there is duplication of effort due to the use of both manual and computerised information systems. The other two pointed out that the semi automation system is cumbersome and information is not timely processed. Some of the data is captured into excel spread sheet before capturing into pastel leading to duplication of effort, poor operational performance and decline in effectiveness. Baren (2010) stated that the use of computers is time saving for businesses and all financial information for the business is well organized. Most respondents asserted that organizational culture make it difficult for staff to access information.

4.8.4 What other factors contribute to the quality of financial reporting in your organisation?

The accountant respondents stressed that integration of information systems contribute to the quality of financial reporting. O 'Brien and Marakas (2010) said that quality of accounting

information can be seen from the relevant criteria, accurate on time and complete. Most respondents pointed out that if large volumes of transactions handled at the SBUs can be automated will lead to substantial gains in efficiency. The Human Resources Manager indicated that lack of competent staff contribute to poor quality of financial reporting. This is supported by Bukenya (2014) who claims that staff should undergo training. The other respondent cited that the quality of accounting information systems affects the quality of financial reports. Most of the respondents pointed out that that accounting information system needs to be updated and so that it moves with technology.

4.8.5 Is there any relationship between the accounting information system and the quality of financial reporting? If yes state the relationship(s).

Responding to this question most respondents indicated that there is a relationship between accounting information system and the quality of financial reporting. Kharuddi et *al (*2010 said that accounting information system has made the preparation and publishing of financial statements easier and less stressful. A few cited that there is no relationship between the accounting information system and quality of financial reporting and these respondents do not use the computer on a daily basis. Most of the respondents postulated that there is a strong link between accounting information system and the quality of financial reporting that is, if accounting information system is not efficient it impacts negatively on the accounting reports that are produced.

4.9 Secondary Data analysis

Secondary data was collected from the internal auditors reports, management meeting minutes and memos, SBUs stock control sheets, debtors and creditor statements and financial reports to

clearly ascertain the impact of decentralized information systems on the quality of financial reporting at Size Investment (Pvt) Ltd.

4.10 Summary

Chapter four looked at the data presentation and the analysis of findings. These were presented in pie charts, tables, bar graphs and line graphs. The following chapter is going to look at findings, conclusions and recommendations.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The chapter summaries the whole research, the results of the study in relation to the problem of the research, research objectives, and, research instruments and data presentation, analysis and interpretation were concluded and recommendations are provided . The conclusions are arrived at on the basis of the analysis of research objectives.

5.1 Executive summaries

Chapter one looked at the background of the study where the researcher seeks to analyse how a disintegrated accounting information system used by Size Investments (Pvt) ltd impact on the quality of financial reporting. The quality of financial reporting originating from the internal auditor's reports of 2011-2014 that non – integrated information system affected delays in preparation of reports for financial reporting and also that the decentralized units had challenges in disseminating information from one department to the other resulting to poor quality of financial reports.

In **chapter two** the researcher went on to review literature published by other researchers and scholars on the quality of financial reporting. Literature sources in reference to the study were analysed, considering their findings in relation to the study and their support, in disagreement and indifferent views in regard to the each research objective showing the gap on the relevance of the study. The chapter identified and analysed the effects of manual accounting on the quality of financial reporting, determining factors which affect or influence integrated information system, evaluating the relevance of integrating IS at the SBUs and Accounts Department and its

effects on quality of financial reporting and link between accounting information system and quality of financial reporting

Kharuddine *et al* (2010) noted that traditional accounting method of inputting daily transactions and recording them manually has become inefficient. Salehi Rostami and Moghada (2010) researched on the importance of introducing IT so that the quality of information can improve. However the impact of the system that is not integrated; more and more time is needed to process the data; decision-making becomes slow and it inhibit the growth of the company in the future**.** Hossein et al (2012) highlights that information systems and accounting software have a significant effect on the main characteristics of financial statement transparency, relevance, reliability and comparability. Generally poor and inefficient information systems and non integration affects the quality of information system and that there is a relationship between accounting information system and the quality of financial reporting.

Chapter three looked at research methodology to gather data. The researcher used mixed research method due to the nature of the research problem, both quantitative and qualitative research designs were administered with the aim of coming up with reasonable results. The mixed method considered the full range of possibilities for data collection in any study that is it allowed the use of both open-ended and closed-ended questions. Descriptive research design and case study analysis were applied in this study.

Chapter four hinged on the presentation and analysis of data which was done in tabular form, graphically and in a narrative or descriptive way. Tables summarised the data collected and frequencies were converted into percentages and this information was further outline in bar graphs, pie charts and line graphs. A total of 18 questionnaires were administered and achieved a response rate of 83% and 17%.

5.2 Research Findings

- The researcher found that Size Investments (Pvt) Ltd uses both manual and computerised information system at the decentralised units and accounts department. The study established that manual accounting system used is inefficient which leads to duplication of effort, poor operational performance and decline in profitability and is time consuming.
- The study ascertained that non integration of the decentralised units has a direct influence on the quality of financial reporting. There are factors that contribute to the integration of information system and these are q**uality of accounting information systems, o**rganisational commitment, **competitiveness and changing environment.**
- The research also ascertained that there is a relationship between accounting information system and the quality of financial reporting.
- Due to non availability of information technology department (IT) at Size Investments information technology lag behind and human skills in computerisation is another contributing factor**.**

5.3 Conclusion

The objective of this study was to examine the significant impact of decentralised information systems on the quality of financial reporting. The researcher drew conclusions from the study's major findings in relation to the research objectives. The research aimed to address the best ways of improving the quality of financial reporting by integrating information systems. The link between accounting information system and the quality of financial reporting which leads to improved decision-making by managers, improves the quality of financial reports. Accounting information enhances the accuracy of financial reports. The researcher also concluded that the

updating of the current information system, introduction of sound data capturing systems enhanced accuracy and timely production of reports to improve financial performance.

5.4 Recommendations

The researcher recommends that Size Investments (Pvt) ltd should integrate their information systems. From the conclusions drawn from the study it is the responsibility of management to fund the upgrading of the current information system thereby improve the quality of financial reporting by producing timeous, relevant and complete financial reports. The measures and strategies that can be employed by the company are to introduce an IT department to move with technology and be competitive. The organisation should improve communication between SBUs and accounts department for the successful implementation of the decentralised information systems.

5.5 Summary

The major findings, summaries of the whole study, conclusions and recommendations of the research were highlighted in this chapter. Considering these, an integrated information system and fully automated systems should be supported for the improvement of the quality of financial reporting. However future research needs to be carried out on how decentralised accounting information systems can be implemented and integrated effectively for the betterment of financial reporting.

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APPENDIX A

COVER LETTER

Midlands State University

Established 2000

LETTER OF INTRODUCTION

Midlands State University
Private Bag 9055
Senga
Gweru

15 April 2015

Size Investments (Pvt) Ltt
P.O. Box 886
Gweru

Dear Sir/Madam

Ref: Application for authority to carry out an academic research

I am a student at the Midlands State University in my fourth year pursuing a B. Comm. honors degree in accounting. In partial fulfillment of my degree programme, I am undertaking a research topic titled, "**The Impact of decentralised information system on the quality of Financial Reporting." The Case study is for Size Investments (Pvt) Ltd (from Jan 2011-Dec 2014).** I am kindly requesting for your support in responding to the attached questionnaires. The information you will provide will be solely used for academic purposes only and a high degree of confidentiality will be exercised.

Your assistance is greatly appreciated.

Yours Faithfully

R12328T

APPENDIX B

RESEARCH QUESTIONNAIRE

Staff Questionnaire

Questionnaire Number	

The impact of decentralised information systems on the quality of financial reporting: Case Study of Size Investments (Pvt) Ltd.

INSTRUCTIONS

1. Do not write your name on the questionnaire.

2. Could you please respond by ticking in the respective boxes provided where applicable?

1. State the current information system in your organisation

.....

……

2. Effects of Manual accounting systems on the efficiency of Accounting reporting.

Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
a) Poor and inefficient Information Systems					

3. Factors that influence or affect integration of information systems

Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
e) Competitiveness and changing environment					
f) Quality of information systems					
g) Organisational commitment					
h) Business diversification					

4. Relevance of integrating information systems and its effect on quality of financial reporting

Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
a) Improved decision making					
b) Competitive advantage					
b) Improves quality of financial reporting					

5) The challenges faced when centralising information systems

Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
a) Sharing of resources					
b) Decision making					
c) Organisational, financial challenges					
d) Political challenges					

6. The relationship between accounting information systems and quality of financial reporting

Item	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
a) Accounting information and improved quality of financial reporting					
b) Information technology and quality of financial reporting					
c) Organisational effectiveness and AIS					

7. Does accounting information system have an impact on the quality of financial reporting?

Yes ☐ No ☐

If Yes /No, state the reason(s)

……

……..

THANK YOU

Official stamp

APPENDIX C

Questionnaire

Interview guide

1. Does your organisation/company make use of a computerised accounting system in order to produce good quality financial reports? If yes name the accounting package used.

.....

.....

2. How is the current information system at Size Investments (Pvt) Ltd in terms of access to information?

.....

.....

3. How do staff members in your organization feel about the current information systems in terms of data capturing and processing and ease of use.

……

……

4. What other factors do you consider contribute to the quality of financial reporting in your organisation?

……

……

5. Do you note any relationship between the accounting information system and the quality of financial reporting? If yes state the relationship(s).

……

……