THE EFFECT OF THE QUALITY OF ACCOUNTING INFORMATION SYSTEM ON FINANCIAL PERFORMANCE OF LISTED COMPANIES OF SRI LANKA

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The Project Report

submitted to the Faculty of Commerce and Management, Eastern University Sri Lanka as a partial fulfillment of the requirement of the Degree of Bachelor of Commerce Honours in Accounting and Finance

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ABSTRACT

The objective of this study is to investigate the Effect of the Quality of Accounting Information System on Financial Performance of Listed Companies of Sri Lanka. The study variables consist of both dependent variable and independent variables, with System Flexibility, System Sophistication, Effectiveness of the System and System Control being the independent variable and Financial Performance being the dependent variable. Proportionate Stratified Random Sampling method is adopted to arrive at sample size of 165, out of 290 listed companies in Sri Lanka. A questionnaire is designed using Five-Point Likert Scales and distributed through Google Forms to the Accounting Officers of the listed companies to obtain responses to the independent variable (AIS quality) and dependent variable that is Financial Performance has been measured from annual reports of the listed companies for the period of 2018. In accordance with literature review, there is knowledge gap regarding the effect of AIS quality on financial performance of the listed companies.

For the purpose of this research, frequency analysis, descriptive analysis, correlation analysis and simple regression analysis under univerate analysis and multiple regression analysis has been conducted. According to descriptive analysis, level of AIS quality and financial performance are high level in listed companies of Sri Lanka. Based on result of the correlation analysis, there is a significant relationship between variables and as per the regression analysis, there is a significant effect of accounting information system quality on financial performance of listed companies in Sri Lanka.

Based on the study results, researcher recommends to maintain the highest levels of Accounting Information System quality by keeping pace with the latest developments in the fields such as system flexibility, System Sophistication, Effectiveness of the System and System Control. Therefore, maintaining a high level of accounting information system quality will be an advantage to raise the financial performance of listed companies of Sri Lanka.

Keywords: *The Quality of Accounting Information System, Financial Performance*

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