

**“AN ANALYSIS OF FACTORS AFFECTING THE EFFECTIVENESS
OF ACCOUNTING INFORMATION SYSTEMS IN FINANCE
COMPANIES IN BATTICALOA DISTRICT”**



1375

SEHU ALI FATHIMA NASMIN



FCM1375



Project Report
Library - EUSL

**DEPARTMENT OF MANAGEMENT,
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA**

2014

ABSTRACT

Concern over the implementation of effective accounting information systems is in the spotlight in almost every business organisation, mainly due to the wave of corporate scandals experienced in the recent past. Adjacent to the corporate scandals is the vast separation of management from the ownership where the rights of individual shareholders have become increasingly derivative and dissipated. Thus, the quality of financial information provided by the financial statements is of much importance to the shareholders and other parties. In such a context, a study focusing on identifying the factors affecting the effectiveness of accounting information systems can be considered as a timely need. The purpose of this study is to investigate the aforementioned topic of identifying the factors affecting the effectiveness of accounting information systems in a context of selected finance companies in Batticaloa District. A thorough literature review was done in order to identify the variable for the conceptual framework of the study. A case research methodology employed by selected 100 employees through simple random sampling method. A questionnaire was designed to measure the variables in the conceptual framework and distributed among the selected companies. Research results indicated that there is a high level of use of computerised accounting systems in the context of Batticaloa District. Results of hypothesis -testing provided evidence of strong positive relationships prevailing between the extent of IT development, top management support and effectiveness of accounting information systems. Based on the research findings, recommendations have been provided to improve the effectiveness of accounting systems.

Key Words: Accounting Information Systems (AIS)

TABLE OF CONTENTS

ACKNOWLEDGEMENT	I
ABBREVIATIONS	II
ABSTRACT	III
TABLE OF CONTENTS	IV
LIST OF TABLES	IX
LIST OF FIGURES	XI
CHAPTER -01 INTRODUCTION	1-7
1.1 Background of the Study	1
1.2 Problem Statement	2
1.3 Research Questions	3
1.4 Objectives of the study	4
1.5 Significance of the Research	4
1.6 Scope of the Research	5
1.7 Limitations	6
1.8 Assumptions	6
1.9 The Organization of the Chapter	6
1.10 Chapter Summary	7
CHAPTER-02 LITERATURE REVIEW	8-20
2.1 Introduction	8
2.2 Effectiveness of Accounting Information Systems	10
2.3 Factors Affecting the effectiveness of Accounting Information Systems	10
2.3.1 Organizational Factors	10
2.3.1.1 Top Management Commitment	11
2.3.1.2 IT Capability of the Organization	13
2.3.1.3 Organizational Culture	16
2.3.1.4 Organizational Structure	18
2.4 Chapter Summary	20

CHAPTER-03 CONCEPTUALIZATION AND OPERATIONALIZATION 21-26

3.1	Introduction	21
3.2	Conceptual Frame Work	21
3.2.1	Effectiveness of Accounting Information System	22
3.2.2	Organizational Factors	22
3.2.2.1	Top Management Support	22
3.2.2.2	IT Capability of the Organization	22
3.2.2.3	Organization Culture	23
3.2.2.4	Organization Structure	23
3.3	Operationalization of Variables	23
3.4	Hypothesis	25
3.5	Summary	26

CHAPTER-04 RESEARCH METHODOLOGY 27-35

4.1	Introduction	27
4.2	Research Approach	27
4.2.1	Time Horizon	27
4.2.2	Unit of analysis	27
4.3	Data Collection	28
4.3.1	Types of Data	28
4.3.2	Method of Data Collection	28
4.4	Research Instrument;-Questionnaire	29
4.5	Population and Sampling Procedure	30
4.5.1	Study Population	30
4.5.2	Sample Size	30
4.5.3	Sampling Method	30
4.5.4	Sampling Distribution	31
4.6	Method of Research Used	32
4.6.1	Descriptive Research	32
4.6.2	Correlation Research	32
4.7	Methods of Data Analysis	32
4.8	Methods of Data Evaluation	33
4.9	Chapter Summary	35

CHAPTER-05 DATA PRESENTATION AND ANALYSIS		36-57
5.1	Introduction	36
5.2	Analysis of the reliability and validity of the Instrument	36
5.2.1	Internal Consistency of measures	36
5.2.2	Content validity of the Instrument	37
5.3	Univariate Analysis	37
5.3.1	Gender Analysis of Respondents	37
5.3.2	Age Analysis of Respondents	38
5.3.3	Position of the Respondents	40
5.3.4	Experience Analysis of Respondents	41
5.3.5	Salary Analysis of Respondent	42
5.3.6	Outsourcing of Accounting Function	43
5.3.7	Status of AIS	44
5.3.8	Analysis of Software Type	45
5.3.9	Univariate Analysis of Research Variables	46
5.3.9.1	Effectiveness of AIS	46
5.3.9.2	Organizational Structure	47
5.3.9.3	Organizational Culture	48
5.3.9.4	Top Management Support	49
5.3.9.5	IT Capability	51
5.3.9.6	Organizational Factors	52
5.4	Bivariate Analysis	52
5.4	Hypothesis Testing	52
5.4.1	Organizational Structure and Effectiveness of AIS	53
5.4.2	Organizational Culture and Effectiveness of AIS	54
5.4.3	Top Management Support and Effectiveness of AIS	55
5.4.4	IT Capability and Effectiveness of AIS	56
5.5	Chapter Summary	57
CHAPTER-06 FINDING AND DISCUSSION		58-69
6.1	Introduction	58
6.2	Discussion on Personal Information	58
6.2.1	Gender Discussion of Respondents	58

6.2.2	Age Discussion of Respondents	58
6.2.3	Position Discussion of Respondents	59
6.2.4	Discussion on Outsourcing of Accounting Function	59
6.2.5	Status of AIS	59
6.2.6	Discussion on Software Type	60
6.3	Discussion on Research Variables	60
6.3.1	Discussion on Effectiveness of Accounting Information System	60
6.3.2	Discussion on Organization Structure	60
6.3.3	Discussion on Organization Culture	62
6.3.4	Top Management Support	63
6.3.5	Discussion On IT Capability	65
6.4	Discussion of Hypothesis Testing	67
6.4.1	Discussion of Hypothesis for Organization Structure and Effectiveness for Accounting Information System	67
6.4.2	Discussion of Hypothesis for Organization Culture and Effectiveness for Accounting Information System	67
6.4.3	Discussion of Hypothesis for Top Management Support and Effectiveness for Accounting Information System	68
6.4.4	Discussion of Hypothesis for IT Support and Effectiveness for Accounting Information System	68
6.5	Chapter Summary	69
CHAPTER-07 CONCLUSIONS AND RECOMMENDATIONS		70-74
7.1	Introduction	70
7.2	Conclusions	70
7.3	Recommendations	71
7.3.1	Recommendations for Organization Structure	71
7.3.2	Recommendations for Organization Culture	71
7.3.3	Recommendations for Top Management Support	72
7.3.4	Recommendations for IT Capability	72
7.4	Future Research	74
7.5	Implication Of the study	74

7.6	Chapter Summary	74
	REFERENCES	75
	APPENDIX-01 A comparison of AIS effectiveness evaluation models	78
	APPENDIX-02 value statements to identify organizational culture profile	79
	APPENDIX-03 Questionnaire	85