

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Accounting information system (AIS) is responsible for recording, analyzing, monitoring and evaluating the financial condition of organizations, processing of documents necessary for tax purposes and providing information support to many other organizational functions (Amidu, 2010). In the context of public sector, accounting information is important because it helps the organization's manager make decisions in critical areas such as costing. expenditure and cash flows by providing information to support monitor and controlling (Mitchell, 2016).

Public organizations have transformed from using manual processes to account financial transactions and have welcomed the use of information technology (Maria, 2010). In the recent past computerized accounting has more advantages compared to the manual process. However, the two methods ensure that the fundamental principles of accounting and all concepts are adhered to. Bolon 1998) elaborated that technical aspect of utilization of initially developed software .ad codes makes automation of sonic of the processes a reality.

Watts, (2009) elaborated that accounting is a process of recording, categorizing and summarizing business transactions in a manner which is significant in monetary terms. Information technology (IT) on the other hand

involves the utilization and application of computers, telecommunication resources in the storage, transition, retrieval and manipulation of data. The areas in which AIS can be used include -stock accounting, sales ledger, purchase ledger, payroll, cost accounting and financial modeling.

According to Nzomo (2013), definition of Accounting Information System a device integrated in field of information technology (IT) responsible in the generation of reliable and more accurate financial reporting used by business leaders to make decisions. From this definition, accounting information system AIS) is considered a tool that assists management perform its roles of planning, controlling and directing through provision of reliable data. The great development it has unlocked the chance of producing data and utilizing financial accounting information from a strategic view (Elena, 2011).

Accounting information can be used to translate these different dimensions into a common financial dimension. Accounting information uses formalized categories for collecting and reporting information that creates a common language through which members of the organization can communicate. Formalization permits the transmission of information with fewer symbols and this facilitates the coordination between different functions that need to provide input to the decision-making process. However, accounting information is also an imperfect representation of the underlying decision problem, since not all aspects involved can be quantified perfectly in financial numbers (Gaibraith, 1973).

Accounting information may help managers to understand their tasks more clearly and reduce uncertainty before making their decisions (Chong, 1996). We talk about uncertainty as a lack of information compared to what a decision-maker needs to make a decision (Galbraith, 1973), and the less managers are able to predict the outcomes from their actions, the more uncertainty there is. The decision to centralize or outsource part or all of the accounting functions involves strategic decisions as well as practical considerations. The reasons for companies considering this are partly to do with cost and reporting processes (Chin et al., 1995), but also relate to improving the strategic accounting function, an issue currently of growing importance to organization groups (Collier and Gregory, 1995). This raises issues for on-site financial management concerning the extent of, and responsibility for, the control they undertake. If accounting processes are taken out of the unit, then there may no longer be a need for an on-site financial controller, and hence operational managers may have to take more responsibility for control issues. This raises issues about the perceived skills of managers, and the extent to which the controller is viewed as an advisor to the business, as well as a processor of accounting data. It is against the aforementioned backdrop the researcher plans to investigate the effect of accounting information system as a measure for performance evaluation in public sector with reference to NNPC, Ilorin, Kwara State.

1.2 STATEMENT OF PROBLEM

Capital expenditure on Information System has been on the rise recently in many organizations locally and globally. Operations within different departments in a firm have seen a change from being manual and shifted to being automated with the utilization of computer software. Competition and external conditions have increased the importance of real time information gathering, processing, utilization and storage. Cost reduction can only be a reality when proper analysis is carried out or decision making. Accounting information system is core to the achievement of firm's goals; this means that an organization is as good as its enterprise resource planning (ERP).

Accounting information is a tool for effective administration; bad AIS will jeopardize the effectiveness of administration (Onaolapo, 2011). The world has moved from an information age towards a knowledge based one. Knowledge is being acknowledged as a very important asset in many organizations. Business leaders therefore need to put acquisition of strategic knowledge at their stage of prosperity. Choe (2016) alluded that knowledge in itself is not impersonal compared to money. Knowledge is embodied on people; this can only be a reality if a firm invests on information search and proper analysis. Institutions must therefore know how to manage intellectual assets which is concerned with development and exploitation on intellectual assets (Huber, 2009). Nzomo (2014)

stated that information technology and transparency in the financial sector is a key driving force in organizations strategy and performance.

Management of public organizations depends on information generated from Accounting Information System used by the firm. Public organizations are complex in nature with departments. Integration with other stakeholders is avoidable hence the processes have to be real time and accurate in nature. The importance of AIS is major reason why the government, business owners and researchers need to invest more on researching this area. Onaolapo and Odetayo (2012) carried a study on how account information system affects organizational effectiveness for various organizations.

Locally, limited research has been carried out on the effect of accounting information system as a measure for performance evaluation in public corporations. Some of the research already conducted include, Odero (2012) study with the objective of establishing the consequences of accounting information systems quality systems quality on financial performance of Public institutions.

1.3 RESEARCH QUESTIONS

The following questions are raised for the purpose of this study:

1. What is the effect of accounting information system on the development of Public corporations?

2. How can accounting information system affect the performance of public sector establishments in Nigeria’?

1.4 OBJECTIVES OF THE STUDY

The broad objective of this study is to investigate the effect of accounting information system on public corporation performance. The specific objectives of the study are:

1. To investigate the implication of accounting information system on the development of public corporations
2. To examine how accounting information system has affected the performance of public corporations in Nigeria
3. To study the prospects of accounting information system on performance appraisal of public corporations
4. To evaluate the challenges encountered in accounting information system practice

1.5 RESEARCH HYPOTHESES

The following hypothesis is formulated for the purpose of the study:

HYPOTHEIS ONE

Ho: Accounting information does not have significant effect on performance of public corporations

Hi: Accounting information has significant effect on performance of public corporations

Ho: Accounting information does not effect on performance of public sector in Nigeria.

Hi: Accounting information has effect on performance of public sector in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

This research work will be beneficial to the following categories of people: management of the organization (NNPC), policy makers, General public and future researchers. It is expected that at the end of this research work, the researcher will have succeeded in throwing enough light towards the effect of accounting information system as a measure for performance evaluation in a public sector establishment. It is also expected that the management of the organization that the researcher cited in the project work as the case study will also key into the research work and possibly make adjustments in the areas of their organization's Accounting Information System practice that is lagging behind due to poor handling of situation by the concerned management.

More so, the research work will be beneficial to Office Assistants, Cashiers among others in appraising the significant role played by Accounting Information System in an organization that would promote effective dispensation of work among Employees in an organization. Information contained in this study could be beneficial to the entire public on having broad awareness on relevance of Accounting Information system on performance of public corporations in Nigeria. Also, the Research work would be beneficial to future researchers planning to conduct research on similar research work.

Lastly, this research work would add to the existing body of knowledge in the field of accounting.

1.7 SCOPE OF THE STUDY

Conceptually, this research work is basically concerned with the examination of independent variable affecting the use of accounting information system in an organizational setting as it concerns performance evaluation in public corporations. It covers the aspect of responsibility to carryout activities, planning and ways through which workers can improve on their job performance, efficiency and productivity that could gain more power and improve their position relative to information management within the organizational settings. The industrial scope of the study is limited to NNPC, the geographical scope of this study is restricted to Ilorin and the Statistical Scope of the Study involves the use of frequency tables expressed in counts and percentages through the application of excel spreadsheet.

1.8 LIMITATION OF THE STUDY

This study is however, subjected to some limitations which could make it not to be exhaustive. Such limitation includes the researcher's inability to interview some principal staff of the organization whose contributions could have been of great help. It is also limited to time and material resources. Also, the non behavioral variable such as change in technology, political and climatic conditions are not considered in the study.

Lastly, the researcher was financially incapacitated and this has been an impediment to the fast completion of the research work.

1.9 OPERATIONAL DEFINITION OF TERMS

Accounting information system:

Performance: this refers to the measure and appraisal of work done.

Performance Evaluation: This also refers to performance review. It is the method by which the job performance of an employee is documented and evaluated by employer

Public Corporation: This is a term used to denote organization public own and financed by the government. The primary responsibilities of running and financing such organization solemnly lie in the hand of the government

Employee: This refers to an individual employed within the an organizational context with specified assignment. The employee work under instructions of an employer

Automation: This refers to technology by which a process or procedure is performed with minimal human assistance. It is the process of executing office assignment using computer based practice

Management: this refers to the administration of an organization, whether it is a business, a not-for-profit organization, or government body. The management in most case supervises the affairs of organization in term of its production process.

Loss: this refers to the process of losing expected sum of money in term of profits in a business transaction.

Profit: In an accounting term, this refers to an income distributed to the owner in a profitable market production process. Profit is a measure of profitability which is the owner's major interest in the income-formation process of market production.