

**ACCOUNTING INFORMATION SYSTEMS AND FINANCIAL PERFORMANCE OF
MANUFACTURING ORGANISATIONS**

A case study of Ntake Bread Bakery

**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF BUSINESS
ADMINISTRATION AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF A BACHELOR OF BUSINESS
ADMINISTRATION AND MANAGEMENT OF
UGANDA MARTYRS UNIVERSITY**

BY

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2013-BO21-20119

April 2016

DEDICATION

This work is dedicated to my family, relatives and friends. Thank you for the financial, material and moral support. May the Almighty God bless you all.

ACKNOWLEDGEMENTS

The successful completion of this study has not been entirely a result of my own efforts, but a combination of efforts of various groups of people and individual persons whom I am grateful to. Special thanks are due to my supervisor for his unwavering support and kindness. A lot of thanks to him for the support and invaluable advice and making this research study easy and enjoyable. It has been a pleasure working with him. I would also like to thank all the respondents especially the management of Ntake Bread Bakery. I thank them for their acceptance to be part of this study. Words fail to express how grateful I am to each of you. I am indeed grateful to all my relatives and friends. Thank you for being part of my success that I treasure most. Lastly but not least, I would like to thank Eden Secretarial centre for typing and printing this research report. Notwithstanding comments and advice from various individuals to this research report, I remain fully responsible for any mistakes that may be contained herein.

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LIST OF ABBEVIATIONS

AIS	Accounting Information System
CAIS	Computerized Accounting Information System
DSS	Decision Support System
FRS	Financial Records System
MAIS	Manual Accounting Information Systems
MIS	Management Information System
MIS	Management information system
MS	Microsoft
ODS	Operational Data Processing System
PSFAU	Private Sector Foundation Association of Uganda
ROA	Return on Assets
ROC	Return on Capital
ROE	Return on Equity
ROIC	Return on Invested Capital
ROS	Return on Sales
SMEs	Small Scale and Medium Enterprises
SPSS	Statistical Package for Social Scientists
UK	United Kingdom
USA	United States of America

ABSTRACT

This study was undertaken to investigate the effect of Accounting Information Systems on financial performance of manufacturing organizations. It was conducted at Ntake Bread Bakery. The study objectives were to analyze the accounting information systems used by Ntake bread bakery, examine the indicators of effective financial performance exhibited at Ntake Bread Bakery and establish the relationship between accounting information systems and financial Performance of Ntake Bread Bakery. A detailed description of literature on the concepts; Accounting Information System and financial performance was undertaken basing on the local and global publications.

A descriptive research design was used and a total of 70 respondents consisting of Administrators, Accounts and Finance staff, head of Departments and staff participated in the study. These were selected using multi stage and random sampling and contacted through use of questionnaires and oral interviews. Data analysis was done with use of descriptive statistics and findings presented in tables, graphs and descriptions.

Findings revealed that Manual Accounting information and Computerized Accounting Information systems were being used at the company, although computerized Accounting information was not yet strong. Computers, computerized accounting systems and software were the most ICT facilities used. Manual reports, payroll sheets, requisition and payment vouchers were some of the manual accounting information system facilities used. Financial performance was a priority but not yet effective at the company. Accountability, profitability, liquidity, financial reporting, investment levels, computation of financial ratios were major indicators of effective financial performance established. A strong positive relationship was established between accounting information system and ability of the company to attain effective financial performance. It was found that when well managed accounting information systems facilitate accountants to do better work, proper book keeping, timely financial reports, promoted personal interest and professionalism of accounting officials in their work, safeguarded financial resources and against fraud while ensuring effective documentation, value for money, professionalism of financial control, analysis and record keeping.

It was concluded that accounting information systems had a significant effect on financial Performance of Ntake Bread bakery and could improve the financial status of the company when properly utilized. Major recommendations included strengthening computerized accounting information system, while upholding the benefits of manual accounting information system, acquiring more ICT facilities to achieve the above, involving all stakeholders in using computerized accounting facilities, strengthening the level of accountability, financial reporting and profitability. Evaluating the effect of ICT on ethical conduct of Accounts Staff, influence of management on effective financial performance were recommended for further study.

CHAPTER ONE: GENERAL INTRODUCTION

1.0 Introduction

This chapter presents the background to the study, statement of the problem, research objectives, research questions, scope, significance, the conceptual framework and justification of the study.

1.1 Background to the Study

Accounting for the organization is a composite process that entails various activities, procedures, records and hence yielding to an accounting system followed by the accountant in executing his/her duties. An accounting information system is a layout of the various accounting related activities carried out in an organization (Murtashur, 2009). There are two (2) main accounting information systems that is manual and computerized accounting information systems. The manual system is a traditional one which has however progressed over innovations to computerized Accounting Information system (Ntinzaara, 2004).

Computerized Accounting Information System (CAIS) is widely used in each section and department compared to start-ups and small scale firms in developed economies. The adoption of CAIS has been mainly associated with weaknesses in the Manual Accounting Information Systems (MAIS). A number of firms in the US and UK among other prominent business centers emphasize adoption and use of Computerized Accounting Information system to attain these benefits (Lindsay, 2001). Similar trends are also reported in Middle East commercial centers and firms, with the increased use of computers in business (Wahab, 2004).

Despite technological gaps in most African Countries, 34.1 percent of firms in Sub-Saharan Africa use Computerized accounting Information system, 19.6% use both systems and the rest (46.3%) use Manual Accounting Information System. These rates are still low (Omasa and

Njemoughu, 2011). Nevertheless, owing to push and pull factors experienced by Accountants, firms tend to prefer Computerized Accounting Information system. In Africa, South Africa, Nigeria, Kenya, Uganda and Zambia are at the fore front of these accounting information system innovations (Ntinzaara, 2004).

Uganda's level of adopting Computerized Accounting Information system is moderate with many firms using both manual and computerized accounting Information systems. Most firms 67.9% still use Manual accounting Information system (Ssekate, 2008). This has several times affected their financial performance in short and long run periods of operations. Financial Performance of an organisation is a core area of the organisation and a basis upon which firms hinge their operations, stability and growth.

Appropriate financial performance focuses on all those activities that work to enhance efficiently, profitability and survival in highly competitive business operations (Mutatiina and Sheria, 2011). These include among others, how the firm meets its financial projections, liquidity, accountability and value addition subsequently assessing their financial performance levels. Evaluating financial performance thus bases on key aspects such as profitability, liquidity; its liability to others, as well as the way financial operations regulates the production scope and output.

According to Private Sector Foundation Association of Uganda (PSFAU, 2014), the adoption of Information technology has steadily improved accounting than before and this has resulted into high levels of Automated Accounting Information System. Different aspects have been adopted to harness accounting practices and as such more than 23.9 percent of the firms today use computerized accounting though the scope is still low. Majority SMEs have remained using

Manual Accounting system (Niwamanya, 2013). This has resulted into variances between the nature of work done and the financial performance of many organisations. One of such affected organisations is Ntake Bread bakery. Hence, this study was conducted to examine the effect of Accounting Information System on the financial Performance of Organisations basing on operations of Ntake Bread bakery.

1.2 Statement of the Problem

There has been persistent poor financial performance among a number of organisations especially small-scale firms in Uganda (Luyirika, 2010). Despite efforts by owners and management of various organisation to attain high financial performance levels, the score has remained low and for others a total failure (Private Sector Foundation Association of Uganda (PSFAU, 2014). For each 10 firms, only 3 have continuous growth and steady progress in their financial performance. In addition, a few Small Scale firms have adopted and use better accounting information systems. Details regarding the ways in which Accounting Information System (AIS) had affected the performance of organizations had not been attended to by any recent research and thus less documented. Therefore, the researcher was prompted to conduct this study so as to assess the extent to which Accounting Information System have affected the financial performance of organisations focusing on Ntake Bakery limited.

1.3 Objectives of the Study

1.3.1 General Objective

The study sought to examine the effect of Accounting Information Systems on financial performance of manufacturing organizations.

1.3.2 Specific objectives

- I. To analyze the accounting information systems used by Ntake bread bakery
- II. To examine the indicators of effective financial performance exhibited at Ntake Bread bakery
- III. To establish the relationship between accounting information systems and financial Performance of Ntake Bread bakery.

1.4 Research Questions

- I. What accounting information systems are used by Ntake bread bakery?
- II. What are the indicators of effective financial performance exhibited at Ntake Bread Bakery?
- III. What is the relationship between the accounting information systems and financial performance of Ntake Bread bakery?

1.5 Scope of the Study

1.5.1 Content Scope

The study was on Accounting Information Systems and financial performance. It tackled the accounting information systems used by Ntake bread bakery, indicators of effective financial performance exhibited at Ntake Bread bakery and also establish to the relationship between accounting information system used and financial performance of an organisation.

1.5.2 Geographical Scope

The research was carried out at Ntake bread bakery. Ntake Bread Bakery is located at Plot 384 Entebbe Road, Kyengera in Kampala District. The researcher selected Ntake Bakery Bread because she believed it provided her with required data for the study.

1.5.3 Time Scope

It concentrated on the Accounting Information Systems and financial performance of Ntake Bread Bakery (U) limited for a period of 5 years from 2010-2015.

1.6 Significance of the study

The study is useful in the following ways.

The study is useful to the management of Ntake on how to improve their AIS so as to achieve better performance levels.

Management of various companies both in the private and public sector has been provided with information that is helpful to provide and highlight issues regarding the value of Accounting Information Systems in an organization.

Findings of the study are useful in boosting the performance standards of organisations through utilizing better Accounting Information systems.

Findings can be helpful to identify challenges and provide solutions related with performance among organisations in Uganda

The findings are of value in general accounting and management professions.

The study is a basis and a fulfillment of the requirements for the award of a Bachelors of Business Administration and Management to the researcher.

They will be used as a basis up on which the policies in regard to ensuring an effective accounting system and performance in an organization.

1.7 Justification of the study

There have been varying performance trends in many organisations, and a number of them are failing to attain their performance targets. With such unattained financial performance (Walker and Munderson, (2008), the operations and progressive growth of such businesses remain low. However, this can be addressed when the firm is using a better Accounting information system that it may affect its financial performance. Nevertheless, a number of organisation do not have clearly defined accounting information systems and they can hardly consider themselves as either using manual or computerized or both of these systems. The choice between having computerized accounting information system as compared to manual information accounting system also remain a challenge for a number of organisations, and at times accountants are not well informed on how the accounting system used can affect the performance of the organisation. Owing to this information gap, it is justifiable that a study be conducted to examine the effect of Accounting Information Systems on financial Performance of Organization hence generated information that can improve the performance of an organisation. This study was conducted basing on information obtained at Ntake Bread Bakery.

1.8 Definition of key terms

Information- is any data that has been arranged, sorted and organized in some sort of manner. It is any category of information that has been properly organized and categorized in some form or order.

Accounting- the art and science of classifying, analyzing, interpreting, and organizing any information in form of transactions that has been put down or recorded in monetary terms. This is the practice of giving records in terms of money or its equivalent.

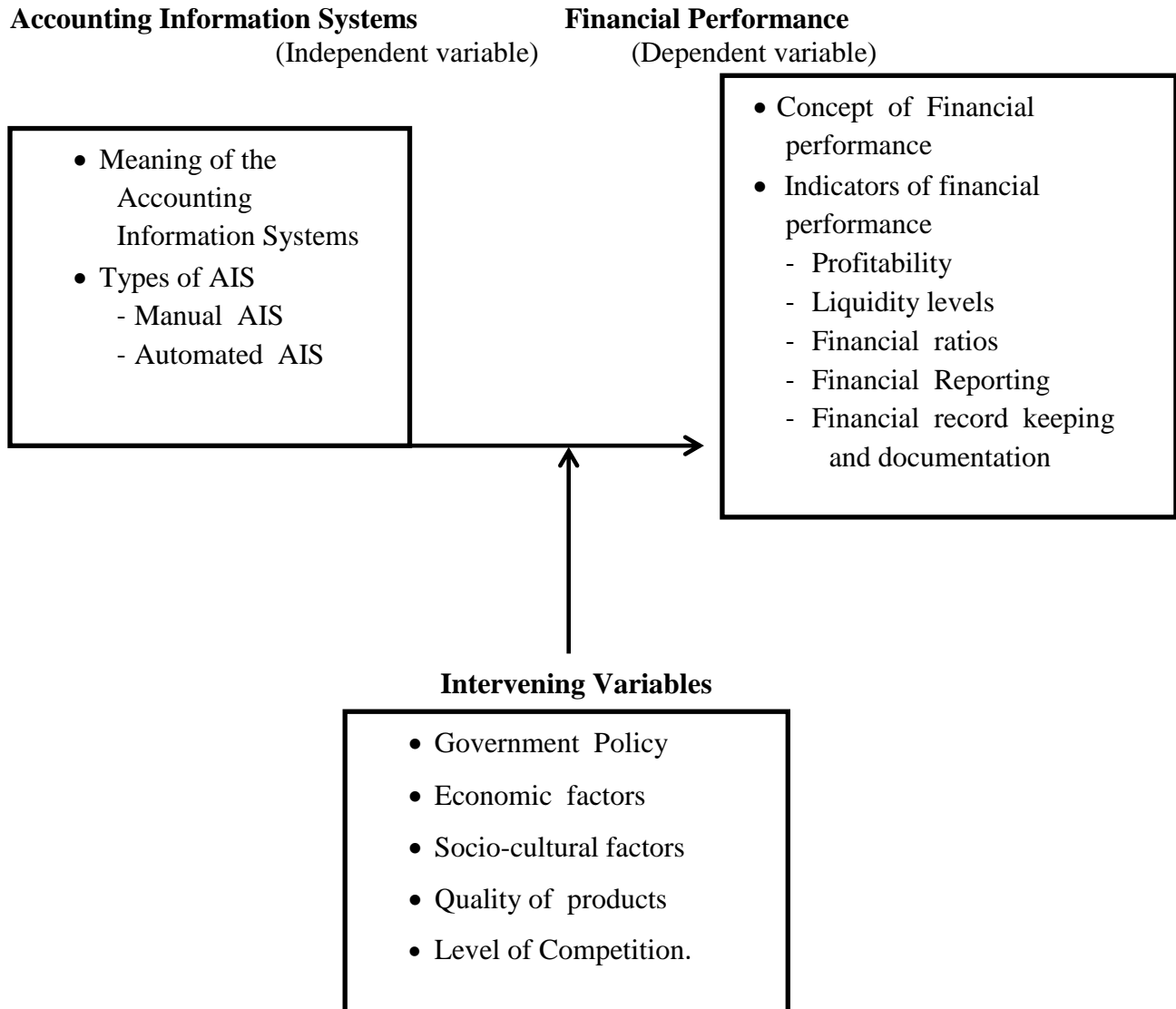
Computer- a machine that is used in collecting, sorting, interpreting, processing and interpreting information. This may be a desk top computer or palm top or laptop computer.

Performance- the act/process of executing or putting in practice given category of information. In this study, it refers specifically to the practice or endeavors put in place to carry out a given task.

1.9 Conceptual Framework

This study based on the following conceptual frame work.

Fig 1.1: Conceptual framework



Source: Kabali (2009). Financial Management Practices (3rd Ed.). Heinemann Publishers Ltd.

As shown in Figure 1.1, Accounting Information Systems (AIS) was the independent variable and financial performance was treated as the dependent variable. It was considered that the meaning and types of accounting information systems were identified and examined to see how they can affect financial performance. Financial performance will be the dependent variable measured basing on its indicators such as liquidity, profitability, financial ratios, financial reporting, record keeping and documentation established. However, financial performance of an organisation can also be affected by quality of products, level of competition, socio-cultural factors, and other factors, which in this study were considered constant as intervening variables.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter presents the review of related literature on accounting information system and financial performance in any organization. The review is based on the study objectives and is presented on the accounting information systems used, indicators of effective financial performance and relationship between accounting information systems used and financial performance of an organisation. This was generated from textbooks, journals, magazines and other reports, as published between 2005 and 2015.

2.1 Accounting information systems

Key elements under Accounting Information System, AIS include all inputs, storage, transactions processing, collating and reporting technology engaging in processing and disseminating of financial transactions.

According to Nkundabanyanga, (2004), Accounting Information System(AIS) is composed of all sub systems that include purchasing, sales order processing, receivables, payables inventory control, and payroll. General ledger and financial statements preparation, budgeting, cash flow and sales analysis. In his view, Nkundabanyanga (2004), accounting information systems commonly in use are decision support system (DSS), Operational Data Processing System (ODS), Financial Records System (FRS) and Management Information System (MIS).

Decision support system is the one which handles information required for making financial decisions. This accounting system is commonly used in making short term decisions like when to produce or to buy, when to outsource or to offer the service by self, [Nkundabanyanga,

2004]. This accounting system is used by the middle level managers who use well set programmes to establish the variance between various decisions if taken or foregone.

Operational data processing largely handles operations records of the organization. It includes the FRS as this (the FR system) only handles financial accounting records yet operations of the firm goes beyond financial accounting to budgeting and reporting. The American Accounting Association defines this accounting system basing on tasks it accomplishes and thus may have varying names right from purchasing, ordering, sales, invoicing and receipt of the goods among others (Nakasi, 2011).

According to Nkundabanyanga, (2004), one other form of accounting information system that can be adopted is the Management Information Accounting system (MIS). Management Information Accounting system largely deals with a lot of managerial tasks such as accounting for budgetary allocations, planning costs as well as setting alert management of the tasks in the organization.

In a related manner, Ssekate (2008) noted that while implementing management information system (MIS), there is a cyclic system where inputs (Transactions and Amendments) are fed into the Accounting Information system which then gives out various tasks accomplishments such as statement of comprehensive income, statement of financial position and cash flow statements and management information. Nevertheless, the firm has to make choice of which approach to use and as such the progress and choice of this form of AIS depends on the willingness of the organization's management.

Weber (2012) revealed that as many professional accountants and auditors state that accounting is a language of business which is accepted in all developed and developing countries. The extent

and manner in which this language is passed on from one person to another is through a system. With various trends and changes in operations, the scope of accounting information systems has significantly changed. In this section, focus is directed towards examining the various accounting information systems used and how they are part of the management information system.

In the view of Murtashur (2009) an accounting information system adopted by the organization depends on its competences to set up, support and run the defined processes involved in accounting. In his text he cites that the system may be traditional based on the legendary book keeping and double entry practice, or an integration of modern technology in the accounting system.

Related with this, Ntinzaara (2004) had earlier on cited that for most organizations to day, the use of traditional/ manual systems of various functions have been replaced by computerized systems accounting inclusive. This gives a broader perception of accounting information systems used. However, this study categorizes all these approaches of accounting information into two (2) classifications that is manual accounting system and computerized accounting information system. These are further described as noted below.

2.1.1 Manual Accounting Information Systems

The accounting cycle right from journalizing the transactions to preparing financial reports and audits and making financial decisions, the attempt to be accurate and up to date is paramount. Wahab (2004) while reflecting on this view notes that all along the traditional and pioneer system of accounting was manual Accounting Information system. This section gives a review of literature on the aspect of manual accounting information system.

According to Weber (2012) Manual Accounting Information system implies that employees perform the whole accounting cycle manually on periodic basis: they calculate trial balances, journalize transactions, and prepare financial statement reports and other routines. Of course it takes much time, resources and effort in large organizations. The adoption and use of manual accounting information system for time immemorial has been used in many firms, until the introduction of computerized accounting (Abo, 2012), making organizations adopt the later for accounting practices.

In addition to Weber and Abo, the study undertaken by Ssekate (2008) revealed that close to 67.9 percent of the small and upcoming firms use manual accounting information system. The preference of manual accounting information system has prevailed on the basis that most experienced accountants received training in it, the practice has been in use for centuries and hence has wide reference material and people can easily understand it better especially the senior accountants who may have little training in computer and the computer era changes.

In the context of Weber (2012), use of manual accounting information system (MAIS) is comparatively cheap workforce and resources, reliability, independence from machines and it has a wide market for skilled and experienced workers compared to the fresh graduate accountants who lean on computer era for execution of their duties and performance.

In addition, Omasa and Njemoughu, (2011) noted that if it was not the need to modernize the accounting system, one would perfectly perform his accounting roles and obligations without intervention by basing on the manual and traditional practices and as such financial performance seem to stem from this practice. However, recent trends in the accounting discipline and the challenges associated with manual accounting system.

Osmond (2009) also revealed that under manual accounting information system, companies have separate ledgers for each part of the accounting system, such as accounts payable, accounts receivable and sales. Accountants then consolidate these ledgers into one general ledger to generate the entire accounting opinion of events regarding the financial activities of the organization. In his view Osmond (2009) notes that despite being tedious and time consuming, manual accounting information systems offers some benefits. The ledgers are easy to review, make work easier but it is a little bit old fashioned and may not provide and meet the current trends of financial performance.

Further literature has cited loopholes in the use and implementation of the manual accounting information system hence yielding to preference of other form (s) of accounting information system (Ssekate, 2008).

In the view of Weber (2012), manual accounting information system is associated with accuracy, reliability and reference constraints. He reveals a number of disadvantages among others, reduced speed, increased effort of accountants, relatively slower internal control reporting, routine work and some others. Coupled with these challenges and the increasing access to computer, and computerized accounting packages, the revolution from manual to computerized accounting information systems is gaining pace than before (Osmond, 2009).

2.1.2 Computerized Accounting Information System (CAIS)

In order to stay on top, companies have to analyze the performance of all organizational departments and undertaken re-engineering procedures of making their operations boost and highly effective (Abo, 2012). As a means to do this, focus in this study was directed towards adoption of computerized accounting information system.

According to Weber (2012) Computerized accounting information system implies that the only thing that employees do is recording transactions into the computer which processes the other steps of accounting cycle automatically or by a request. It is a system where all activities are done and information obtained is processed based on the use of computerized accounting software. All belief and trust is put on the fact that computers provide accurate calculations and smart reports (Ssekate, 2008).

Understanding the computerized accounting information system is based on what is used, how it is done and its accuracy levels. Without these components, the system ceases to be computerized but manual (Weber (2012)). Therefore a well-established computerized accounting information system mainly bases on computers, and computer connectivity to receive, make computations, and offer a timely accurate as well as reliable feedback. However all these depend on the skills of the user, electronics quality of state as well as power supply, which manual accounting may do without (Omasa and Njemoughu, 2011).

In the view held by Weber (2012) Computerized Accounting information system has not yet been as effective in developing economies such as in Sub-Saharan African as in developed economies. The practice is still under implementation and slowly progressing. Ntinzaara (2004) and later on Omasa and Njemoughu (2011) all reveal that the use of computerized accounting information system is significantly low especially in Sub Saharan Africa.

Ssekate (2008) in his study revealed that adoption of computerized accounting system on the contrary to manual systems has been relieved with stiff opposition of many management and accountants especially those in Small and Medium firms. Nevertheless, due to the associated benefits the scope of using computerized accounting system is gaining fame and preference

especially where efforts to attain credible financial performance is urgently needed (Weber, 2012).

Considering the views of Abo (2012) computerized accounting information system offers a system that has a high speed and mobility of reporting, reliable and with the ability to do more routine work with increased accuracy. Also Weber (2012) added that computerized accounting information system if well implemented is a tool for increased productivity, easy back up and restoration of records. However, it is associated with high costs on developing, introducing and using the system, special trainings for personnel, increased personnel costs and dependence on machines for task accomplishment.

As noted in the above text and reflected on by various authors, both computerized and manual accounting information systems have advantages and disadvantages. In reference to the above literature, all manual accounting systems perform the same task though they differ in form, structure, operations and application. The main differences between them are the costs, health fitness, speed and mobility and most of all how they facilitate the organization to attain high levels of financial performance levels.

The level of use and preference of using either manual or computerized accounting information system is based on a number of factors at the organizational level, experience of the accountant, and the ability of the firm to handle the required technology. Nevertheless, it should be considered that with advancement in technology, most firms should opt for computerized accounting information system in addition to the benefits it has over manual accounting information system. Thus this study sought to examine the extent to which firms use either of these accounting information systems with reference to small scale and medium enterprises.

2.2 Indicators of effective financial performance

Any organization has three (3) core goals, growth, continuity and financial performance (Stoner, 2003). However, of these three (3), financial performance takes precedence since it's a baseline upon which other goals are attained. Therefore, examining financial performance is not only important but a practice of management and planning (Walker and Munderson, 2008).

Walker and Munderson (2008) further revealed that the aspect of financial performance is several times attained through functioning of other departments and tasks such as finance, cost control, production, and marketing success as well as internal and external controls. This section examined the concept of financial performance and the indicators considered in examining the extent of financial performance for many organizations, and hence were able to ascertain which of these are evident at Ntake bakery.

According to Stoner (2003), performance refers to the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats. Performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. Understanding performance several times bases on which area it is being considered, and its level in terms of high, moderate and low performance reflecting the level of attainment of the set objectives. Some of the key indicators of financial performance are discussed in the literature below.

2.2.1 Financial ratios

Katamba (2011) reveals that one of the core indicators of financial performance of the business is taking a close look at the way it handles financial ratios such as return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each of these ratios /indicators is calculated

based on the financial key activities for example on total assets, total common equity, and total net sales, respectively.

Ishungisa (2013) revealed that financial performance is widely examined on financial ratios. To mention; current ratio (current assets/ current liabilities) as a standard measure of liquidity in organisations. The importance of current ratio as a measure of an organization's liquidity lies of how best it has put to use the assets to generate cash while incurring fewer costs (liabilities).

According to Katamba (2011), financial performance can also be indicated by the Return on capital (ROC). Return on capital is a ratio used in finance, valuation, and accounting. The ratio is estimated by dividing the after-tax operating income (NOPAT) by the book value of invested capital.

In the related view, Pele (2011) reveals that return on invested capital (ROIC) is a financial measure that quantifies how well a company generates cash flow relative to the capital it has invested in its business. It is defined as net operating profit less adjusted taxes divided by invested capital and is usually expressed as a percentage. In this calculation, capital invested includes all monetary capital invested: long-term debt, common and preferred shares. All the above authors agree to the fact that financial ratios are fundamental in evaluating financial performance of the organisation, though details of this had not been properly examined and were key areas of inquiry under this study.

2.2.2 Liquidity

The liquidity concept in finance refers to the cash or cash equivalents level in the organization (Pele, 2011). These are cash related indicators of how healthy is the cash status aspects of

financial operations of the organisation. According to Raghunandan *et al.*, (2008), financial performance has for a long been looked at by liquidity indicators. Most firms especially small scale firms to date still cherish cash at hand and cash in bank as their financial performance measures although, large firms base on the liquidity.

In another study by Walker and Munderson (2008), over 67.9 percent of the firms globally evaluate their level of performance on the amount of cash they have in hand and bank. Majority of these companies in the long run focus on liquidity and examine it in relation to their day to day activities. Therefore, it was not certainly clear whether these firms based only on the liquidity or other indicators. This matter was examined in detail through this study.

2.2.3 Financial Records and Documents

Frolick, *et al.*, (2006) notes that financial records and balances as per the financial consultants and documents prepared by the organization reveal the rightful operations and scope by which one can evaluate the financial performance of the organization. In relation to financial records, emphasis can be drawn on the comprehensive statements of income, financial position, cash flow balances and how these records and documents have been properly kept.

According to Walker and Munderson (2008) financial prudence of every accountant largely dwells on how best he or she keeps records and accounting information. This is indicated by the uprightness of the records and documents kept by his/her office. For some organisation, some records may not be easily traced, while others provide inaccurate and incomplete information. This is several times reported in public organisations, where there is some form of laxity in orders, monitoring and control (Ishungisa, 2013). However, this had not been extensively examined at Ntake Bakery and formed a basis for this study.

2.2.4 Level of Investment

In the study by Emasu (2010), investment is a key financial aspect in any organisation. When income is generated and not consumed its susceptible for investment or savings. For many firms especially those in public sector, investment is fundamental to account for better financial performance and prudence. The level of investment can also be considered when establishing the level of financial performance of an organization.

In a related view, Emasu (2010) further reveals that the nature and level of investment shows excess of the consumption and working capital of the business implying better financial balances for the organization. It was thus vital to evaluate the firm's total amount of their investments in line with their total income, consumption, savings and daily operations in the organization. This aspect has however not been well examined basing on an organisation from the private sector and this attracted attention of the researcher in regard to the operations at Ntake bakery, its investments and whether they were a key focus when the firm is evaluating its financial performance.

2.2.5 Level of Accountability

According to Hayes, *et al.*, (2005), Managers need regular financial reports so as to make informed decisions. Reporting (particularly financial reports) is one way through which managers make accountability for the resources entrusted to them. The accountants prepare financial and other operational reports which reveal the vote of money received how it has been utilized, as well as the surpluses or deficit. This presents documentary financial performance levels and matches with the output levels and service delivery of the entity to the public.

Emasu (2010) asserts that accountability can be political, social or financial accountability. Accountability should also be considered by reflecting on the assets entrusted with the particular office, or department, the value within these assets and how these have been used to improve on the money value of the organization. Physical assets accountability should also be done in addition to monetary and performance reports (Pele, 2011). However, in this study, the researcher was interested in examining the extent to which the level of accounting was a fundamental indicator of financial performance levels at the organization.

2.2.6 Financial Reporting effectiveness

Walker and Munderson (2008) talk about the comprehensiveness of internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and compliance with laws and regulations. They further note that “Internal control also includes the program for preparing, verifying and distributing to the various levels of management those current reports and analyses that enable executives to maintain control variety of activities and functions that are performed in a large organization” They mention internal control devices to include; use of budgetary techniques, production standards, inspection laboratories, employee training and time & motion studies among others.

According to Emasu (2010) corporate law requires a divorce between ownership and management of an entity. Owners normally entrust their resources in the hands of managers. Managers are required to use the resources entrusted to them for the furtherance of the entity’s objectives. Managers normally report to the owners on the results of their stewardship for the resources entrusted to them through a medium called financial statements. It is these financial statements that reveal the financial performance of an entity.

Ishungisa (2013) believes that Enterprise Resource Planning systems provide a mechanism to deliver fast, accurate financial reporting with built-in controls that are designed to ensure accuracy and reliability of the financial information being reported to share holders.

According to Verschoor and Antinkson (2006), 75 percent of firms focus on monetary and financial attributes to evaluate the level of financial performance of the organization. However, financial performance can also be exhibited in relation to other activities, other than monetary and financial ratios. Some of these indicators of financial performance include innovation, ability to attract, develop, and keep talented people, quality of management, quality of products or services, and community and environmental responsibility and willingness of people to work for the organisation. All these implicitly reveal the level and manner by which the firm has built its financial goodwill and hence can be able to perform better in its finance and non-financing activities. This study reflected on how this was being done at Ntake bakery Limited.

2.3 Relationship between accounting information systems and financial Performance of an organisation

According to Sarens & De Beelde (2006), most organisations focus on the accounting information system as core aspect that is not only in management but also in operations. Accounting information system exists as a function, department and part of management. The relevancy of accounting information system can be established when it is correlated and related with financial performance. Proper functioning and feasibility of the financial performance of the organization seem to be associated closely with the practice and different accounting information systems used at the organisation. Aspects in which they are related are presented.

2.3.1 Facilitates effective documentation

According to Ishungisa (2013) there must be a strong accounting information system to be based on in verifying the operations of the system and authenticate the financial documentation, if feasible financial dealings are to be effected. The system plays a strong role in boosting the financial performance levels of the organization. The system simplifies the process of documentation, and gives a lot of enrichment to the accountants and auditors basing on the records made and properly secured using the information system at hand. All this subsequently results into better records which significantly affect the level of financial performance for the organisation (Emasu, 2010).

In the context of Emasu (2010) and later Ishungisa (2013), it is possible that the two authors agree that the accounting information system ensures better operations which subsequently generate better documentation. These help to provide information on how transactions are done which can help to evaluate the performance level of the organisation. This was a core area of concern for this study.

2.3.2 Boosts Financial Analysis

Accounting Information System practices several times yields and acts as a foundation for describing the nature of financial analysis. Financial Analysis is the foundation and guideline for the implementation of better, accurate and time financial performance (Morris, 2011). The view of Morris (2011), focused on the fact that well managed Accounting Information System is a fundamental base upon which the firm is able to authenticate its financial records, and thus be able to obtain and generate the financial reports. All financial reports base on the timeliness and effectiveness of the system used at the company.

In a related view, (Pele, 2011) reveals that the accounting information system used sets procedures that are seen as ends in themselves rather than a means towards a specific objective,

with such an approach one would never doubted the contribution lost in the financial operations, when the operations are not effective. In all the activities done and implemented at the company using the available accounting system, there is a possibility of attaining and preserving evidence of payment, authentication of audits notes and responsibilities, documentation standards and other control activities, data needed for local reporting standards and targets, training requirements and expectations and financial performance measures are set and defined. In such a case, effectiveness and better achievement of the accounting information system used strongly supports and reveals a better financial recording, performance and reporting.

2.3.3 Promotes and Ensure value for money

Walker and Munderson (2008) notes that there is a strong correlation between having a functional accounting information system and the quality of financial operations both in the short and long run. In their findings, they reveal that out of 450 firms contacted on the aspects, components and relevance of accounting information system, 206 revealed that accounting information system offers the basis upon which the firm can safeguard its assets, cash and cash equivalents hence ensuring the firm gets its value for money.

Verschoor and Antinkson (2006) also reveals that if the firm is to be sure of attaining optimum value from its activities, then all it can do is to ensure that its financial records, reports, and activities are backed, processed and stored under a strong accounting information system. Accounting information system acts as an engine within the organisation to help the organisation adhere to the required standards and ensure each value invested is accounted for and put to use (Verschoor and Antinkson, 2006). From the above view, one can easily tell that the level of financial performance is closely associated with the accounting information system.

Nevertheless, a detail of such in relation to operations at Ntake Bakery attracted attention of this research study to establish such information.

2.3.4 Promotes professionalism of financial controllers

Financial management and most particularly cash in and cash out flow aspects; cash allocation and dissemination are some of the areas that have tested the ethical standards of most accounting officials. A lot remains unexplained in matter regarding accountability, accuracy of records, and errors, omissions and fraudulent reports in the accounts (Hayes, *et al.*, 2005).

Hayes, *et al.*, (2005) further add on a conclusive remark notes that proper accuracy, accountability effectiveness and minimal cases of fraud and financial reporting inefficiencies can be a foundation for a firm's financial performance in both short and long run. This implies that other than ownership, managerial competence and rational decision making machinery, the level of financial resource utilization, reporting and general performance places a lot of its operations on the credibility of the accounting information system.

The level and scope of accounting information system offers a strong approach of ensuring a reliable and steadfast financial performance level of the organisation. What is not certain is whether all financial controllers and managers are aware of this profound benefit the accounting information system can have on their financial performance (Walker and Munderson, 2008). The aspects in which accounting information system and financial performance are related have been cited out in the literature text above, although the details of which remained unsatisfactory examined prior this study. Hence there was a need to focus on the extent to which these two concepts are related and inter dependent so as to consider the conclusions cited in the above literature in this study.

CHAPTER THREE: METHODOLOGY

3.0 Introduction

This chapter presents the procedures, methods and techniques that the researcher followed while undertaking the study. It shows the research design, study population, study area, variables and sampling design. It also highlights on the data collection methods, procedure and tools; data processing and processing criteria to be used for this study.

3.1 Research Design

A descriptive research design was used for this study. This helped to generate information about Accounting Information System (AIS) and Financial Performance using quantitative and qualitative approaches. The quantitative approach was used to establish information in form of statistics and numerical data while Qualitative approach involved a narrative description in form of opinions, views and responses about Accounting Information System and Financial Performance. This research design was considered because it provides a comprehensive data necessary in examining the effect Accounting Information System and Financial Performance without manipulating the variables.

3.2 Area of study

The study was conducted at Ntake Bread Bakery. Ntake Bread Bakery is located at Plot 384 Entebbe Road, Kyengeru in Kampala District. Ntake bakery bread is one of the fast growing small scale business operations in Kampala. The company supplies all categories of baked products ranging from buns, cakes, bread, and others. The company serves a profile covering all the five (5) divisions of Kampala city and by 2015 it had 35062 registered clients with whom it supplied daily on retail and wholesale terms. This area was selected because it had for the last

years adopted computerized accounting information system as modern way of conducting accounting activities and hence has viable information on all categories of accounting information system relevant for this study.

3.3 Population of the Study

The population for this study consisted mainly of management and staff of Ntake Bakery. Ntake bakery is a Medium firm that specializes in bakery products and by 2015; it had a total population of 89 employees, out of whom 9 are managers at various levels and 81 employees in various sections of the company. This population composition was chosen because it consisted of individuals who were directly or indirectly involved in Accounting and financial related activities of the organisation. This helped to provide relevant information on the study.

3.4 Sampling procedures

3.4.1 Sample Size

According to the table drawn by Krejcie and Morgan of 1970 (Appendix I) as cited by Amin (2005), the sample size of 72 respondents was selected. This is because it falls within the range of sample for a population above 85 and below 90. The sample was distributed according to their positions in the organisation as in Table 3.1 below.

Table 3.1: Distribution and Composition of Sample Size.

<i>Category</i>	<i>Population</i>	<i>Sample</i>
Administrators	04	03

Accounts and Finance Staff	10	08
Heads of Department	05	04
Other staff	70	57
Total	89	72

Source: Researcher, 2016

3.4.2 Sampling Techniques

The study involved the use of stratified random sampling and purposive sampling techniques. Stratified random sampling was used because it was the most appropriate form of sampling in which a heterogeneous population is categorized according to their characteristics for which different samples were randomly selected, while purposive sampling is a non-random sampling in which sample units are selected without any criteria but considered because are the rightful respondents available with specific information needed in the study.

To obtain the required sample size $n = 72$ for the study, the population was stratified into groups of administrators, accounts and Finance Staff, Head of Departments, and other staff. From each of these strata, sample respondents were randomly selected considering, gender and experience criteria. However, the accounts staff were purposively selected because they were key respondents. This approach was used because it guaranteed the researcher with the ability to have comprehensive data, minimized sampling error and facilitated the researcher to attain highly response rate.

3.5 Data Collection methods and Instruments

3.5.1 Questionnaires

The researcher used questionnaires to gather information from the respondents. These questionnaires consisted of close-ended questions covering the bio data information of the respondents, different accounting information systems, indicators of effective financial performance and relationship between accounting information systems used and financial performance.

Questionnaires were considered useful because they offered opportunity for high response rate, convenient for busy respondents and were easy to administer. Questionnaires were administered on all the selected respondents for the study.

3.5.2 Interviews

Oral interviews were used to obtain detailed information from Accounts and Finance Section Staff and the Head of Accounts section regarding the variables under study. For each interview, face to face interviews were conducted for at least 30 minutes. An interview guide was formulated to put in order key themes that the researcher focused on. Interview were used because they were good in research for collecting information that was readily provided in detail using other methods and as such considered relevant for this study.

3.6 Data Quality Control methods

Data quality control was used to control or reduce the effects of extraneous valuables. Therefore ensuring proper data quality control based on having validity and reliability of the study instruments. The questionnaires and interview guides were tested by the researcher for their reliability during the pre-testing exercise. The survey instruments were pre-tested on some of the

staff in Accounts and ICT sections (the selected for pre-test were excluded from the sample) so as to test their validity of the questions before they were adopted for the study.

Responses from pre-test questionnaires were the basis for which questions were re-designed and modified. Adjusted tools were considered valid and relevant. The researcher carefully selected the questions to be put in the questionnaires and interviews guides. The researcher was also guided by the supervisor on various aspects related to the tools especially on their content validity. After making comments on the clarity of questions, layout and format and appropriateness of coverage of the subject of study as stated in the objectives, subsequent revisions were made by deleting the irrelevant questions and adding in some others that were considered relevant.

3.7 Data management and processing

The researcher prepared a study proposal and research tools with the guidance of the supervisor. With a duly approved proposal, the researcher asked for an introduction letter from Uganda Martyrs University. This was presented to the general manager of Ntake bakery for consent to use their organisation in the study. The researcher also asked consent from all other respondents before administering research tools on them. Questionnaires were issued out in the morning and collected at Lunch break and/or at the end of the day. All collected data was assembled for processing. Data processing was done by editing, coding and tabulation of the responses that was obtained in the data collection activities.

3.7.1. Editing

The field data collection tools especially questionnaires were collected back from the respondents. The researcher used a tallying sheet to record the questionnaires tools collected

back which helped to ensure that all questionnaires issued were collected back. The data collected in form of responses or from interviews will be reframed and re-written in a proper, concise manner so that it could be coded under respective objectives of the study.

3.7.2. Coding

Collected data was assigned codes. These codes included O₁, O₂ and O₃ representing Objectives 1, 2 and 3 respectively. Responses under each objective were categorized under ranks, Qn1, Qn2, and so on to represent the questions that were asked in the questionnaire under each objectives and IR, OR and FGR for views generated from Interviews. Answers under the ranks were assigned figures in reference to their frequency in response rate (How often they had been raised by the respondents) and findings pointed out as descriptive statements especially in reference to interview responses. Documentary review noted and observation records were also used in describing and supplementing the views obtained from questionnaires and interviews.

3.7.3. Tabulation

While using computer packages, MS Excel and MS Word and SPSS; the researcher entered the information in the computer system to facilitate its analysis and interpretation of the findings. The researcher presented the frequency tables in form of frequencies and percentages. The results also presented in graphs, charts and descriptive statements according to the convenience of the data collected which helped explain the findings as obtained from the study.

3.8 Data Analysis

After data collection and processing, data analysis was done with use of descriptive statistics. This involved compilation of responses, tallying them, assigning them frequencies and percentages to represent the extent to which they had been highlighted in the study. A Pearson

rank correlation was computed to establish the extent to which Accounting Information system is related with financial performance. Results of the study were presented in form of tables, graphs and descriptive views of respondents. The statistics and descriptions obtained were carefully interpreted and discussed to effect AIS have on financial performance at the organization.

3.9 Ethical Considerations

The researcher introduced herself to the respondents and gave reasons for her study. She then requested for a discussion with the respondents. The researcher further ensured that the respondents answer questions in isolation from other people to avoid fear. The respondents were not required to give their names which ensured their anonymity. There was free interaction between the researcher and the interviewees. The researcher avoided as much as possible asking embarrassing questions to the respondents and the information from respondents was handled with confidentiality. The researcher kept the personality and professional dignity of respondents and this was done through proper conduct, interview sessions and they were free to ignore the items they did not wish to respond to.

3.10. Limitations of the Study

The researcher encountered the following limitations.

Data concealment

Some respondents concealed data for the sake of personal and official reasons. However, the university provided the researcher with an introductory letter which helped in introducing and giving the rationale for which this study was conducted. The researcher ensured that confidentiality was promised and ensured in the process of conducting the study.

Limited Finance resources

The study required financial resources to foster effective and timely data collection, typing, printing and making consultations with the various sources of data which was not available. However the researcher solicited for funds from relatives and friends to supplement her budget. The researcher also formulated the study budget to enable her finish the study with minimal financial challenges.

Limited time

The researcher had limited time on her to comprehensively cover the study schedules in time and as such some areas which were noted for further study have been considered in the recommendations section of this study. In addition, to minimize time constraints, the researcher however worked within the time limit by preparing a study work schedule.

CHAPTER FOUR: PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the findings that were obtained regarding the effect of Accounting Information Systems on financial performance of manufacturing organizations. The study was conducted at Ntake Bread Bakery, and focused on analyzing the accounting information systems used, examining the indicators of effective financial performance exhibited and the relationship between accounting information systems and financial Performance of Ntake Bread bakery. Below are the findings.

4.1 Findings on the general information about the respondents

The study selected 72 respondents to participate in the study. However, not all these respondents participated and the following was the response rate for the study.

Table 4.1: Study response rate

Response rate	Responses	
	Frequency (f)	Percentage (%)
Responded	70	97
Did not respond	02	03
Total	72	100

Source: Primary data, 2016

Out of the 72 respondents selected, only 70 (97%) of the respondents fully participated in the study and 2(3%) did not respond in the study. This implies that the study response rate was at 97%, high enough to be considered relevant and taken as a new sample for the study.

4.1.1 Position held by respondents

The positions held by respondents in this study were noted as shown in table 4.2 below.

Table 4.2: Position held by respondents

Position	Responses	
	Frequency (f)	Percentage (%)
Administrators	01	01
Senior Accounts and Finance Staff	08	11
Heads of Departments	04	06
Other staff	57	82
Total	70	100

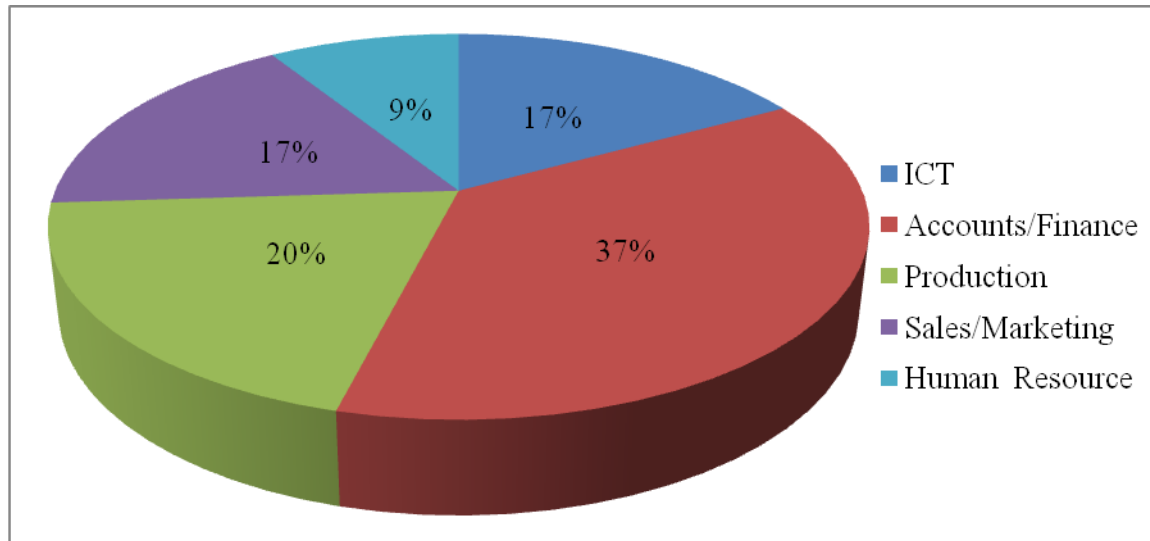
Source: Primary data, 2016

Results of the study in Table 4.2 above, indicate that staff (82%) dominated the sample although the study also gave its attention to the senior accounts and finance staff (11%) and Heads of Departments (6%). For purposes of representation, the Administrators (1%) also participated. The distribution above implies that respondents were selected according to their numbers in the population of the company, although the study focused on accounting related aspects making the Accounts and Finance Staff active than the rest in the study. This implies that aspects to do with accounting information system and accounting activities were so vital and this complements the earlier view of Murtashur (2009) who revealed that Accounting Information System and accounting activities carried out in the organization were important for all, both managers and workers in the organisation.

4.1.2 Distribution of respondents by departments

The respondents were selected from the entire company and participation of respondents according to departments was as revealed by Figure 4.1 below.

Figure 4.1 Distribution of respondents by departments



Source: Primary data, 2016

The study results above show that Accounts and Finance (37%), Production (20%), Sales and Marketing, and ICT (17%) were the most represented departments in the study. Nevertheless, 09% of the respondents were from the Human Resource department. This implies that almost all departments were represented, although owing to the sensitivity of the study variables regarding Accounts/ Finance, production and ICT at the company, these departments were highly represented. This supports the view of Ssekate (2008) who revealed that most organizations depend on their accounts sections to decide on which accounting system to use in their accounting systems.

4.1.3 Sex of the respondents

The gender distribution of respondents was as presented in Table 4.3 below.

Table 4.3: Sex of respondents

Sex	Responses	
	Frequency (f)	Percentage (%)
Male	39	56
Female	31	44
Total	70	100

Source: Primary data, 2016

Results above show that majority 39(56%) were male and 31(44%) of the respondents were female. The males dominated basing on the fact that the company employed more male than female although for purposes of gender balance even the females were involved in the study. Females were common in the packing, sales and distribution of the products. This implies that despite the fact that the company employed both male and female employees, the practice of using computerized accounting information systems and ensuring effective financial performance was a task involving both male and female at the company.

4.1.4 Level of education

The level of education of respondents was established as presented in the Table below.

Table 4.4: Level of Education of respondents

Education level	Responses	
	Frequency (f)	Percentage (%)
Certificate	02	03
Diploma	19	27
Bachelors Degree	40	59
Master Degree	08	11
PhD	00	00
Post graduate diploma	00	00
Total	70	100

Source: Primary data, 2016

Regarding education, 59% of the respondents had bachelors degree, 27% had diploma as their highest level of education and 11% had a master degree level of education. A few (3%) were certificate holders and none of the respondents had a PhD or a Postgraduate diploma. This implies that at least each of the respondents had some level of education, which helped to provide detailed and factual information about the study.

4.1.5 Involvement in Accounting and/or Information processing

Respondents were asked on whether they were involved in any accounting or information processing activities at the company and the responses are in Table 4.5.

Table 4.5: Involvement in Accounting and/or Information processing

Accounting	Responses	
	Frequency (f)	Percentage (%)
Yes	35	50
No	10	14
Information processing		
Yes	20	29
No	05	07
Total	70	100

Source: Primary data, 2016

Results above reveal that 50% of the respondents said they were involved in accounting activities, while 29% mentioned they were actively engaged in information processing. In total, 79% of the respondents participated in either accounting or information processing at Ntake Bread bakery. However, only 21% of the respondents were not active in the accounting and/or in information processing, though they were affected by the effect of Accounting and information processing undertaken at the company. This implies that to the majority participants in the

study, the area of inquiry under study was well known to them as they were directly involved. This helped the researcher to get their informed views regarding these variables.

4.2 Accounting information systems used by Ntake bread bakery

The first objective was to analyze the accounting information systems used by Ntake bread bakery. Several times the firm can adopt a number of Accounting Information System or use particular one. Findings on this objective were noted as presented below.

4.2.1. Use of ICT equipments and/or System

The respondents were asked as to whether, the company used any ICT related equipment and/or system in accounting and the following were established.

Table 4.6: Perspective that the company uses ICT related system or equipment in accounting

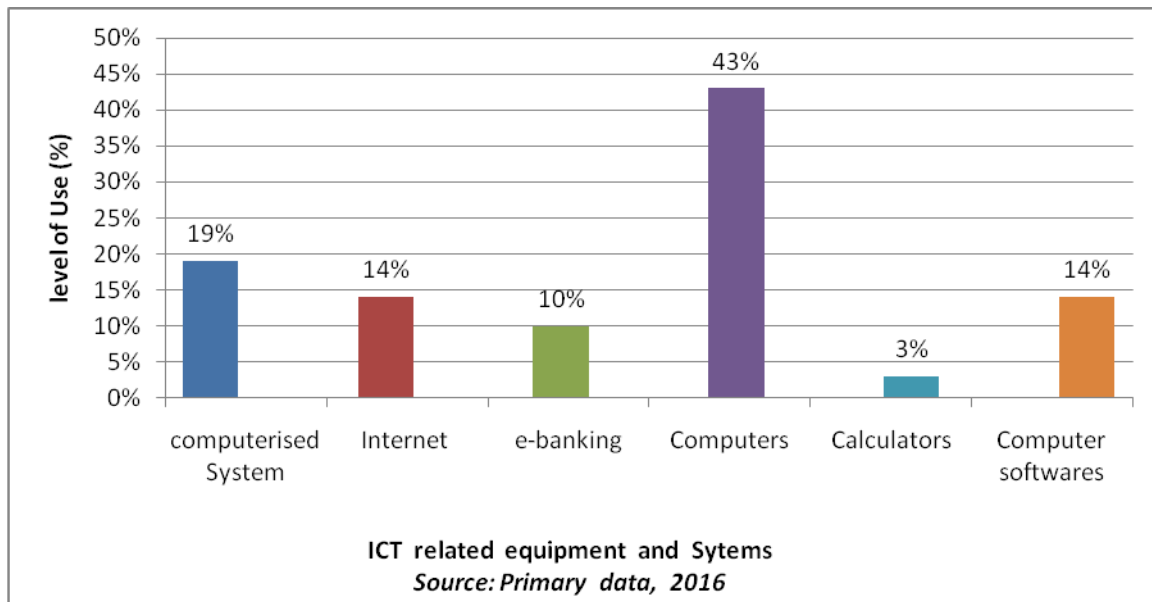
Response	Responses	
	Frequency (f)	Percentage (%)
Yes	68	97
No	02	03
Total	70	100

Source: Primary data, 2016

Results of the study above show that majority (97%) of the respondents said Yes, while 3% said No as regards use of ICT related system and equipments at the company. This implies that ICT related equipment and system were being used at the company. This however does not concur with the earlier view of Omasa and Njemoughu (2011) who considered that the rate of using computerized AIS was low, but supports Ntinzaara (2004) that Accounting Information System innovations are a priority in Uganda.

Some of these ICT related equipments and systems established from respondents and the interviews with the Accounts and Finance head of departments and staff, were as cited in Figure 4.2 below.

Figure 4.2: ICT related items and equipments used



Results of the study show that figure 4.2 show that computers (43%), computerized system (19%), internet (14%) and computer soft wares (14%) were the leading ICT related system and equipment that were being used in Accounting system at the company. Other ICT equipments and user facilities established included the use of e-banking, computers and calculators. This implies that the use of ICT related system and equipment was mainly done by use of computers, computerized packages and soft wares relevant for accounting practice. This aspect that puts computers and computer accessories are the key ICT aspects considered under accounting information system was in agreement with Weber (2012) who revealed that well established AIS is mainly based on computers and computer connectivity to receive, make computations and offer timely accurate and reliable feedback.

4.2.2. Departments where ICT equipment is commonly used

When asked on which departments commonly use IT equipments and facilities to execute their accounting activities, respondents revealed the following.

Table 4.7: Departments where ICT equipments are commonly used

Response	Responses	
	Frequency (f)	Percentage (%)
Administration	10	14
Accounting and Finance	43	61
Production	04	06
Human Resource	08	11
Sales and Distribution	04	06
Advertising and Marketing	01	02
Total	70	100

Source: Primary data, 2016

Results of the study in table 4.7 show that the Accounting and Finance department (61%), Administration(14%) and Human Resource Management (11%) were the most cited departments where ICT was commonly used. In addition, 6% of the respondents pointed out production, sales and distribution departments. The advertising and marketing department was the least (2%) pointed out. This implies that most often Accounting related ICT information system was used in the Accounts, Finance, Administration and Human Resource Management at the company among other departments. Findings also imply that the level of ICT as s till level developed, as revealed by least responses other than in Accounts, Finance and Administration of the company.

4.2.3 Manual Accounting Information System

Results from the interviews, showed that there were some instances of using ICT as well as Manual Accounting Information systems and views on whether the company used manual accounting system were as presented in Table 4.8 below

Table 4.8: Responses on whether the company uses any form of manual accounting system

Response	Responses	
	Frequency (f)	Percentage (%)
Yes	63	90
No	07	10
Total	70	100

Source: Primary data, 2016

Results in table 4.8 show that 90% of the respondents believed that other than use of ICT, the company also uses manual form of accounting information system. However, 10% were not sure about this. This implies that the company also used manual accounting information system in executing its accounting related activities. This finding agrees with the view of Ssekate (2008) who revealed that despite the efforts to encourage organisations to use Computerized Accounting Information System, a large section of organisations still use manual accounting information system.

Findings on forms of manual accounting information system used were also established and are presented in Table 4.9 below.

Table 4.9: Forms of manual accounting systems used

Response	Responses	
	Frequency (f)	Percentage (%)
Journals books	10	14
Cash books	20	29
Manual preparation of financial reports	16	23
Manual audit activities	04	06
Manual requisition for payments	15	21
Manual payroll and lists	05	07
Total	70	100

Source: Primary data, 2016

Results from the study showed that use of cash books (29%), preparing manual financial reports (23%) and manual requisitions for payments (21%) were the leading forms of manual accounting system used by the company. In addition, use of journal books, manual payroll and pay lists and some form of manual audit activities. This implies that by large the company used forms of manual accounting information systems especially in preparing cashbooks, journals, payrolls and pay lists at the organisation. This complements the earlier view of Weber (2004) who revealed that employees who perform accounting under manual AIS, calculate, journalize and prepare reports and statements basing on book and pen approach.

4.2.4 Positions of application of computerized accounting system

Responses on the various levels at which the company uses computerized accounting system were established and presented in Table 4.10 below.

Table 4.10: Positions where computerized accounting is applied in the company

Organizational level	Responses	
	Frequency (f)	Percentage (%)
Personal office	10	14
Top executive	09	13
Departmental level	12	17
Managerial level	30	43
All the above	09	13
None of above	00	00
Total	70	100

Source: Primary data, 2016

Results in Table 4.10 above shows that majority (43%) revealed that computerized accounting was commonly applied at managerial level, although 17% pointed out departmental level and 14% revealed personal office. Additionally, 13% mentioned top executive and other (13%) considered all the above levels of management. This implies that most often management at departmental and operational level significantly use ICT in executing the Accounting and Information processing activities at the company.

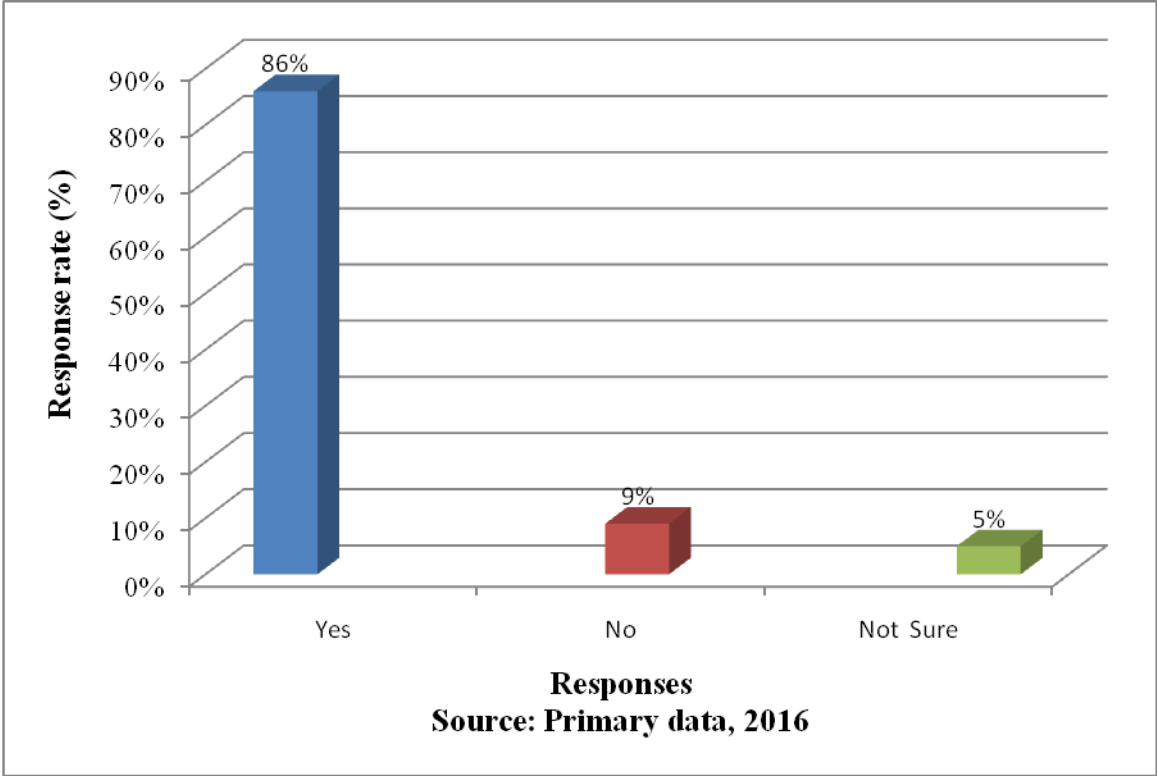
4.3 Indicators of effective financial performance exhibited at Ntake Bread bakery

The second objective of the study was to examine the indicators of effective financial performance exhibited at Ntake Bread bakery. Responses regarding this objective were as presented below.

4.3.1 Prioritization of Financial performance

Responses on whether Ntake bread bakery prioritised financial performance activities were as shown below.

Figure 4.3: Responses that the company priotises financial performance



The results above show that 86% of the respondents said Yes and believed that the company priotised financial performance, although 9% sad No and 5% were not sure about this. This implies that like most other companies, financial performance is a key aspect off concern priotised at the Ntake Bread Bakery. This perspective that financial performance was vital in management of any organisation and this finding agrees with Mutatiina and Sheria (2011) who cited that appropriate financial performance is good for survival and competitiveness of the organisation.

When asked on who is responsible for ensuring better financial performance at the company, the following were established.

Table 4.11: Official positions responsible for financial performance

Organizational position	Responses	
	Frequency (f)	Percentage (%)
Chief Executive Officer	08	11
Financial managers	18	26
Financial controllers	20	29
All workers	13	19
The internal Auditor	10	14
Board of trustee	01	01
Total	70	100

Source: Primary data, 2016

Results in Table 4.11 above show that 29% of the respondents believed that financial controllers and financial managers (26%) were the key officials who were responsible for ensuring proper financial performance. However, all the workers (19%) the internal Auditor (14%), Chief Executive Officer (11%) and the Board of Trustee (1%) were also pointed out as essential in ensuring financial performance at the company. This implies that financial performance was a duty of all workers, though people directly involved in accounts, finance and management were critically responsible.

4.3.2 Key financial aspects for financial performance

Responses on the key elements considered under financial management were presented in Table 4.12 below.

Table 4.12: Key financial aspects for financial performance

Financial elements/aspects	Responses	
	Frequency (f)	Percentage (%)
Cash flow management	20	29
Proper financial allocations	10	14
Clearance of company debts	06	09
Ensuring continuous production	05	07
Financial records management	08	11
Financial planning	09	13
Target accomplishment	07	10
Financial accountability	05	07
Total	70	100

Source: Primary data, 2016

Results of the study in table 4.12 above show that cash flow management, proper allocations of financial resources, financial planning, records management and clearance of company debts were the leading aspects people responsible for financial performance to put into consideration. However other aspects on this include financial accountability and ensuring continuous production when evaluating their financial performance in the company. This finding was in agreement with Walker and Munderson (2008) who revealed that financial performance is very important and is usually measured basing on functionality of different departments especially finance and effective production continuity in an organisation.

4.3.3 Financial Indicators of effective financial performance

Findings on the key financial indicators of financial performance at the company were revealed in Table 4.13 below.

Table 4.13: Indicators of financial performance at the company

Indicators	Responses	
	Frequency (f)	Percentage (%)
Liquidity	11	16
Profitability	24	34
Reporting	10	14
Investment	03	04
Accountability	20	29
Computation of ratios	02	03
Total	70	100

Source: Primary data, 2016

Results of the study in Table 4.13 show the various indicators of financial performance at Ntake Bread bakery.

As shown in Table 4.13, profitability was the most cited indicator of financial performance at the organisation. This was revealed by 34% of the respondents. The extent to which an organisation reported good profits per financial year indicated its financial performance level. This agrees with Stoner (2003) who revealed that financial performance for many firms in developing world, and specifically in Sub-Saharan Africa is based on the profitability of the ventures and tasks accomplished by the organisation.

Accountability of the people involved in finance regarding the cash, non-cash and assets of the organisation was also revealed by 29% of the respondents as a core indicator of financial performance at Ntake Bread bakery. This showed that financial controllers were tasked to account for the resources at their control. This finding complements Emasu (2010) who revealed that accountability should be considered as a means to ascertain usability and money value of the organisation, as a means of financial performance.

Results also show that 16% of the respondents pointed out that liquidity was a leading financial performance indicator at the company. How much money in cash form the organisation had in drawers and at bank was vital to portray the financial performance level of the organisation. Liquidity as an indicator was also pointed out by Raghunandan *et al.*, (2008), that financial performance has for a long time been looked at by liquidity factors.

In addition, findings in Table 4.13 show that 14% of the respondents revealed the aspect of reporting. Reports indicate the financial position of the organisation over the accounting period and thus reveal the financial performance. This indicator was also pointed out by Hayes *et al.*, (2005) reveals that financial reporting are good and should be entrusted by financial management as a means to evaluate financial performance at the organisation.

According to results, table 4.13 shows that investment level was revealed by 14% of the respondents. The company has to have some financial readiness and surplus to invest in long term activities. This view was also pointed out by Emasu (2010) who cited that the nature and level of investment of the organisation implies and depicts the stand of its financial performance in the organization.

Also revealed by the findings, 3% of the respondents pointed out the extent and scope by which financial ratios are computed. Financial ratios are vital for examining the performance of the organisation and this agrees with Katamba (2011) who revealed that one of the core indicators of financial performance of the business is looking at how the organisation handles and how often it computes financial ratios.

In all, it was found out that profitability, accountability and liquidity were the most indicators that were considered as financial performance.

4.3.4 Ways of measuring financial performance at the organisation

Table 4.14 Ways of measuring financial performance at the organisation

Financial measurements	Responses	
	Frequency (f)	Percentage (%)
Internal audits	16	23
Better and timely reports	13	19
Proper accountability	32	45
Financial support flow to the organisation	04	06
Accomplishment of duties and tasks	05	07
Total	70	100

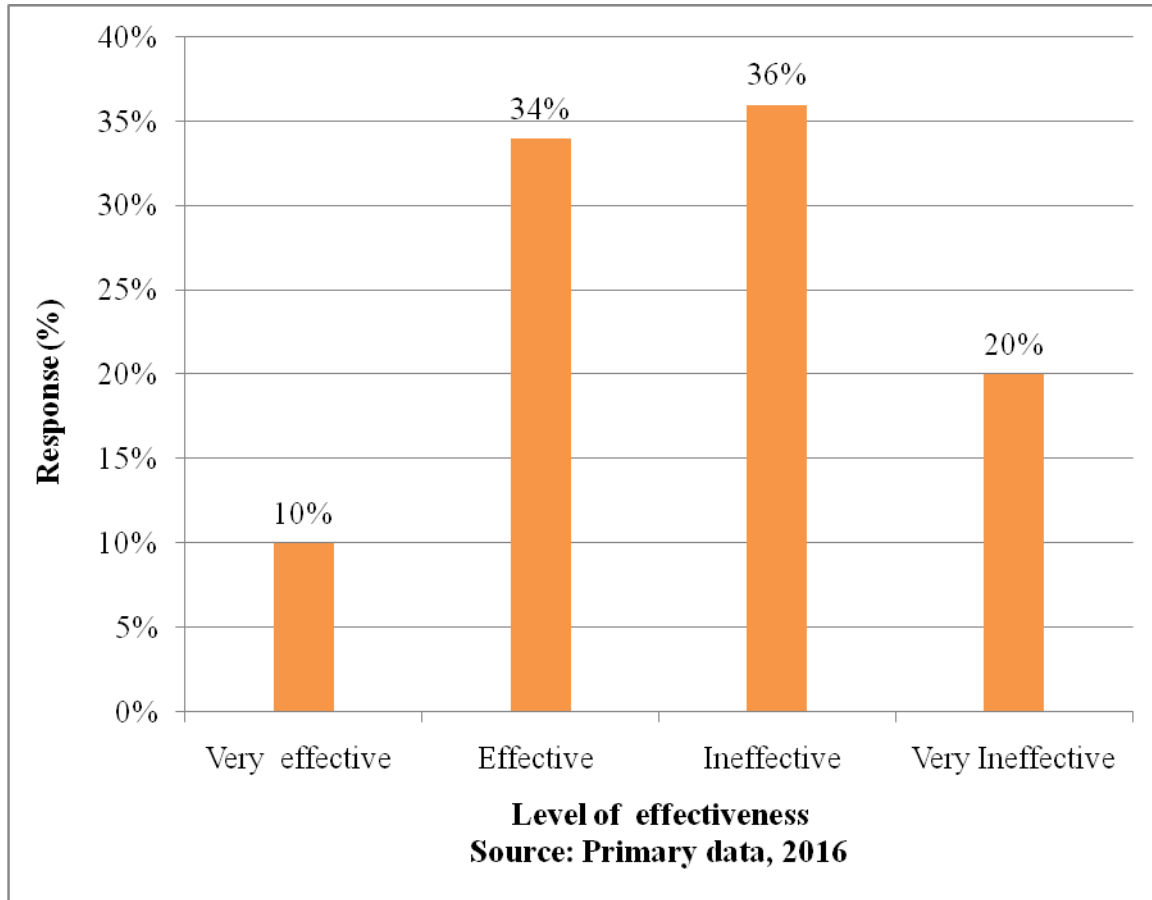
Source: Primary data, 2016

Results in Table 4.14 show that majority of the respondents (45%) believed that financial performance at the company was measured on proper accountability, while 23% mentioned internal audits, while 19% mentioned better and timely reports, and 7% of the respondents revealed that accomplishment of duties and tasks while financial support flow to the organisation. This implies that accountability and internal audits were widely used as measurement baseline to provide financial performance.

4.3.5 Level of financial performance effectiveness at the organisation

The responses rating the level of financial performance effectiveness at the company was cited as noted in Figure 4.4 below.

Figure 4.4: Level of financial performance effectiveness at the organisation



Results of the study in Figure 4.4 above reveal that 36% of the respondents, and who were the majority revealed that it was ineffective, although 34% considered it effective. In addition, 20% considered it very ineffective and 10% mentioned it was very effective. By comparison, 56% considered less effective and 44% said it had elements of effectiveness. This implies that despite some elements of effectiveness, most of the financial performance was not effective at the company and this was in agreement with Luyirika (2010) who reported that there has been persistent poor financial performance in a number of organisations in Uganda.

4.4 Relationship between accounting information systems and financial Performance of Ntake Bread bakery

The third objective was to establish the relationship between accounting information systems and financial Performance of Ntake Bread bakery. In response to the above objective the following were established.

4.4.1 Existence of a relationship between accounting information system and effective financial performance

The respondents were asked as to whether there was a relationship between accounting information system and effective financial performance.

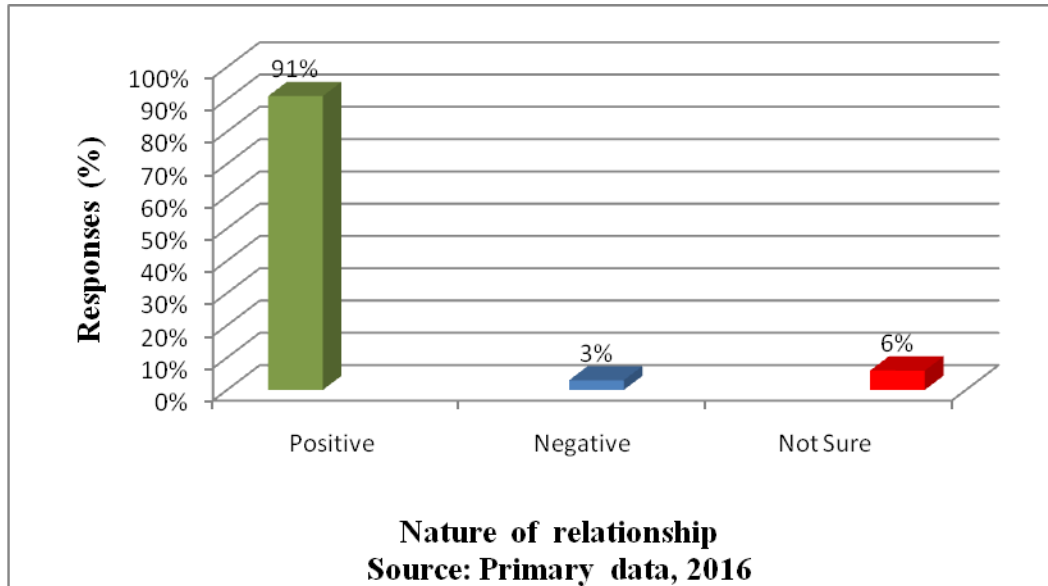
Table 4.15: Responses that there is a relationship between accounting information system and effective financial performance.

Response	Responses	
	Frequency (f)	Percentage (%)
Yes	68	97
Not sure	02	03
Total	70	100

Source: Primary data, 2016

Results of the study (Table 4.15) show that majority (97%) of the respondents said there was a relationship, although 3% did not agree to this as they were not sure. This implies that there was a significant relationship between Accounting Information System and Financial performance. This supports and agrees with the view held by Sarens and De Beelde (2006) that proper functioning and feasibility of financial performance was closely associated with the practice of accounting information systems used at the organisation. The nature of the relationship was presented in Figure 4.5 below.

Figure 4.5: Nature of the relationship between accounting information system and effective financial performance.



Results in figure 4.5 shows that 91% of the respondents considered the relationship between accounting information system and effective financial performance as positive although 6% were not sure and 3% stated it was negative. A correlation relationship was also computed as presented in Table 4.16 below.

Table 4.16: Pearson rank correlation on the relationship between accounting information system and effective financial performance

		Accounting Information system	Effective Financial Performance
Accounting Information system	Pearson Correlation	1	.892**
	Sig. (2-tailed)		.000
	N	40	40
Effective Financial Performance	Pearson Correlation	.892**	1
	Sig. (2-tailed)	.000	
	N	40	40

** . Correlation is significant at the 0.01 level (2-tailed).

Results in Table 4.16 above shows that there was a strong positive relationship between accounting information system and effective financial performance of $r = 0.892$. This implies that given an effective accounting information system, the firm is able to improve and attain effective financial performance levels up by 89.2%. Thus an improvement in AISs improves financial performance. This answers the third research question, “What is the relationship between the accounting information systems and financial performance of Ntake Bread bakery? as set for this study.

4.4.2 Ways in which manual accounting information system affects financial performance

Respondents regarding the ways in which manual accounting information system affects financial performance were established as noted in Table 4.17 below.

Table 4.17: Ways in which manual accounting information system affects financial performance

Ways	Responses	
	Frequency (f)	Percentage (%)
Facilitates accountants to do work better	16	23
Ensures proper book keeping	20	29
Facilitates timely financial reports	12	17
Safeguards financial resources	08	11
Promotes personal interest in ones’ work	07	10
Ensures opportunities for staff to advise management	07	10
Total	70	100

Source: Primary data, 2016

Results of the study pointed out that manual accounting information system affects financial performance as it strongly ensures proper book keeping (29%) and facilitates accountants to do the work (23%) and also facilitates timely financial reports (17%). Other ways pointed out included the way manual accounting information system and therefore it safeguards financial resources, promotes personal interest in ones’ work and also ensures opportunities for staff to

advise management. The findings above show that despite the recent move to end use of manual AIS, it still presents benefits to the financial performance of the organisation. This agrees with Osmond (2009) who revealed that despite being tedious, and time consuming, manual accounting information systems offers some benefits. Some of these benefits are presented above.

4.4.3 Ways in which computerized accounting information system affects financial performance

Results of the study on the ways in which computerized accounting information system affect financial performance and the findings are presented in table 4.18 below.

Table 4.18: Ways in which computerized accounting information system affects financial performance

Ways	Responses	
	Frequency (f)	Percentage (%)
Ensures safeguard measures on fraud	20	29
Help in acquisition of accurate records	10	14
Facilitates effective documentation	11	16
Boosts financial analysis	13	19
Promotes professionalism of financial controllers	15	21
Ensures value for money	01	01
Total	70	100

Source: Primary data, 2016

Results in table 4.18 above shows that computerized accounting information system also affected financial performance effectiveness mainly by the fact that it safeguards and puts measures against fraud as revealed by 29% of the respondents in the study. This was also in agreement with the earlier view of Hayes *et al.*, (2005) who revealed that proper accuracy attained when using computerized accounting information system there is need to minimize cases of fraud and financial reporting ineffectiveness.

In addition, findings in table 4.18 show that 21% of the respondents believed that computerized accounting information systems promotes professionalism of financial controllers. This agrees with Walker and Munderson (2008) who mentioned that when financial controllers and managers are aware of the profound benefit of using accounting information system in improving financial performance, they are able to operate well, professionally and satisfactorily.

As shown in Table 4.18 reveal that application of computerized accounting information system affects the effectiveness of financial performance because it has an effect on documentation of financial records at the company.

Results showed that 16% of the respondents believed that it results into effective documentation and this was supported by 12% other respondents who noted that computerized accounting information system helps in acquisition of accurate records. These findings agree with Emasu (2010) and Ishungisa (2013) who revealed that accounting information system when effectively done ensures better operations subsequently generating better and accurate records and documentation.

Finally, the study findings in Table 4.18 show that computerized accounting system was believed by 1% of the respondents to be good in ensuring value for money of the organisation. When using Computerized AIS, the company can save a lot of money. This perspective was also cited by Verschoorand Antinkson (2006) who reported that if the firm is to be sure of attaining optimum value from the activities it carries out, then it should ensure having a strong accounting information system.

4.5 Conclusion

The chapter gives a detailed account of the effect of Accounting Information Systems on financial performance of manufacturing organizations. Findings were obtained from 70 respondents who were from the key departments in which AIS is used, from different education background and highly involved in the accounting and information processing. The study found out that the company used mainly computers and related softwares and packages. Use of Accounting Information System was mainly in Accounting and Finance. However, there was also use of manual accounting information system mainly at the point of entering journals, cash books, financial reports, and also ensuring manual requisitions.

The chapter also concluded that financial performance was a priority at the company and a duty of almost all workers most especially financial controllers and managers, who should keep a close look on key aspects such as cash flow management, target accomplishments, financial planning, records management, and financial allocations to ascertain their status of financial performance. The key indicators established included liquidity, reporting, accountability, investment and reporting. The chapter also focused on the nature and level of relationship between the two variables. The chapter shows that there was strong positive relationship between accounting information system on financial performance effectiveness, especially seen in the way it safeguards against fraud, acquisition of accurate records, boost financial analysis, effective documentation and ensuring professionalism. The chapter winds up providing the effects of AIS on financial performance considered on the dimensions of manual and computerized forms of computerized forms used in the organisation.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings, the conclusions and recommendations in regard to the study regarding the accounting information systems and financial performance of manufacturing organisations. The chapter based on the findings that were generated at Ntake Bread Bakery and study objectives.

5.1 Summary of findings

The study had three (3) objectives that is; to analyze the accounting information systems used by Ntake bread bakery, examine the indicators of effective financial performance exhibited at Ntake Bread bakery and establish the relationship between accounting information systems and financial Performance of Ntake Bread bakery. A summary of findings was noted as below.

The study found out that use of Accounting and/or information processing was a common practice and common ICT items and equipments used included mainly computers, computerized packages and application of computer softwares to execute accounting tasks. Other items/facilities established to be used at the company though in mild levels was e-banking, internet and computers.

Findings showed that application of ICT and any other Computerized Accounting Information System in executing accounting activities was found in Administration, Accounting and finance, among other departments. Nevertheless, manual accounting information system was also being used mainly in form of cash books, manual requisitions and manual financial reports, manual audit books, payrolls and journals. Findings also ascertained that Computerized Accounting

information was not yet strong at the company although it was significantly used in managerial, personal offices, top executive offices, where applicable.

The study further established that financial performance was a priority for all workers at Ntake Bread Bakery. It was however found vital that financial managers, controllers, the internal auditor and CEO of the company. Results revealed that that cash flow management, target accomplishment, financial allocations, financial planning, records management among other aspects were considered vital during the course of ensuring effective financial performance at the company.

Accountability, profitability and liquidity were the leading financial performance indicators established at the company, although, financial reporting, investment levels of the company and the status by which the company computes financial ratios were also identified as financial performance indicators at Ntake bakery.

The study also established that financial performance was measured mainly through internal audits, proper accountability, better and timely annual reports, financial support flow to the organization and accomplishment of duties and tasks. The study found that financial performance was not effective in most of its activities.

The study also found out that there was a strong positive relationship between accounting information system and ability of the company to attain effective financial performance. Both manual and computerized accounting information system affected financial performance.

Manual accounting information systems facilitates accountants to do better work, ensures proper book keeping, facilitates timely financial reports, promotes personal interest in their work, and

safe guard financial resources, and computerization of the Accounting information system helped to safeguard fraud, ensure effective documentation, ensures value for money, promotes professionalism of financial controllers, financial analysis and also acquire accurate records.

However, manual accounting was found still dominant compared to computerization accounting information systems and this also affected the effectiveness of financial performance at the company.

5.2 Conclusions

Based on the above findings the study makes the following conclusions;

In regard to the first objective on the accounting information systems used by Ntake bread bakery. The study concluded that two (2) accounting information systems were being used at Ntake Bread bakery that is computerized AIS and Manual AIS.

Computers, computer applications, softwares and packages were widely used, while manual AIS was visible by the presence of Cash books, manual payroll sheets, requisition forms, and existence of manual financial reports and manual audit books.

The second objective was to examine the indicators of effective financial performance exhibited at Ntake Bread bakery. The study concluded that financial performance of the company was a priority, and task to be done by all financial controllers and managers. The level of financial performance was largely ineffective and this was indicated by profitability levels, accountability, liquidity, effectiveness of reporting levels, among others. The study also concluded that financial performance was measured on proper accountability, cash flow management and profitability levels of the organization.

In regard to the third objective was to establish the relationship between accounting information systems and financial Performance of Ntake Bread bakery. There was a significant positive relationship ($r = .892$) which revealed that an improvement and effective use of Accounting Information System could improve on the level of financial performance effectiveness at the company. Thus the view that the company still used a lot of manual than Computerized Accounting System was likely to be a strong cause for the ineffectiveness levels of financial performance at the company.

Therefore, the study established and concluded that accounting information systems had an effect on the financial performance of manufacturing organisations with reference to the above findings as established at Ntake Bread Bakery.

5.3 Recommendations

With background of the above findings and conclusions the researcher makes the following recommendations;

There is need for management of manufacturing firms to strengthen and involve most of its departments in Computerized Accounting Information system. This is because it was found out to be applicable mainly in Accounting, Finance, Administration and Human Resource departments.

It is important for the manufacturing organizations to be exposed on how computerized accounting information system is being used, since almost all of them have exposure on matters of manual accounting information system. This can be done through seminars, workshops and conferences at the company.

The management of Ntake bread bakery should also adopt and improve on the level of Accounting Information Systems used. The findings show that Accounting Information System at Ntake Bread bakery was mainly basing on computers, computers softwares and packages. There is need to have more equipments, items and systems that can be integrated in the accounting activities of the company.

The study recommends that there is need to involve all the stakeholders in the practice of financial performance because the study found out that despite being a role of financial managers and controllers, effectiveness of financial performance is a task of all members of company.

The study also recommends that the organisation should strengthen and improve its level of accountability, and financial reporting and profitability since these were found to be the leading indicators of financial performance. Efforts to improve the company's investment levels and computation ratios should be prioritised.

Efforts to strike a balance between using manual and computerized accounting information was recommended by this study. The study established that all forms of accounting systems - that is., manual and computerized accounting information system were useful in ensuring better financial performance.

The study also recommends that manufacturing organisations should give due attention to proper financial book keeping, professionalism, guard against fraud and financial analysis as these were found to be fundamental in boosting financial performance at the company.

There is need for Ministry of Trade, Industry and Co-operative in collaboration with Ministry of Information to pass policies that encourage all manufacturing organisation to

adopt use of computerized accounting information system. This can involve these Ministries offering a supportive hand in provision of necessary ICT items and facilities as a start up in these companies.

5.4 Suggestions for further research

The study identified the following areas for future study; the effect of ICT on ethical conduct of Accounts Staff, influence of management on effective financial performance, and the challenges experienced by manufacturing organisations regarding adoption of modern computerized accounting information system.

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Appendices

Appendix I: Krejcie and Morgan Table for calculating Sample Size

TABLE 1
Table for Determining Sample Size from a Given Population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size.
S is sample size.

Appendix II: Questionnaire of the study

Dear Sir/Madam

I am Nantongo Lydia, a student pursuing a bachelor of Business Administration and management of Uganda Martyrs University. As a requirement for this study, I am hereby approaching you for information regarding this topic of study. Please feel free to participate in the study. All the information will be provided solely used for this study and will be considered and treated with a lot of confidentiality.

Section A: General information about respondents

- 1. Position held at the organisation.....
- 2. Department in which you serve.....
- 3. Sex Male Female
- 4. Level of Education
Certificate Diploma Bachelor Degree Master Degree
PhD Post graduate
- 5. Are you involved in any accounting or information processing activities at this firm?
Yes No

Section B: Accounting information systems used by Ntake bread bakery

- 6. Does this Company use any ICT related system or equipment in its accounting system?
Yes No Not Sure
- 7. If yes, which ICT items/ equipments are used?
.....
.....
.....
- 8. Which departments commonly use these ICT equipments as they execute their accounting activities?
Administration Accounting and Finance
Human Resource Production
Any other, please specify;
.....
.....

9. Other than ICT, does the company use any form of manual accounting system?

Yes No Not Sure

10. If yes, which ones are used?

.....
.....
.....

11. At what level does this company use computerized accounting system?

Personal Office level Department level Managerial level
Top Executive level All the above None of the above

Section C: Indicators of effective financial performance exhibited at Ntake Bread bakery

12. Does Ntake Bread Bakery give priority to its financial performance activities?

Yes No Not Sure

13. Who is responsible for ensuring better financial performance at this organisation?

Chief Executive officer All Financial Managers Financial Controllers
All the Workers The Internal Auditor The Board of Trust

14. What are the key elements considered under financial performance?

Cash flow management Target Accomplishment
Proper financial allocations Financial planning
Clearance of company debts Ensuring continuous production

Any other, please specify;

.....
.....

15. What are the key indicators of financial performance at this organisation?

Liquidity profitability reporting
Computation of ratios accountability investment levels

16. In which ways is financial performance measured at Ntake Bakery Limited?

Through internal audits better and timely annual reports

Proper accountability financial support flow to the organisation

Accomplishment of duties and tasks

17. How would you rate the level of financial performance effectiveness level at this company?

Very effective Effective Not Ineffective Very Ineffective

Section D: Relationship between accounting information systems and financial Performance of Ntake Bread bakery.

18. Do you think there is a relationship between accounting information system and effective financial performance at this organisation?

Yes No Not sure

19. If yes, how do you rate the level of the above relationship?

Positive Negative Not sure

20. In which ways does use of manual accounting information system affect financial performance at your organisation?

Facilitates the Accountants to do work better Ensures proper book keeping

Ensures safeguard of financial resources Facilitates timely financial reports

Promotes personal interest in their work

Ensures opportunities to properly advise management

21. What are some of the ways in which computerization accounting information system has affected financial performance?

Ensures safeguard measures on fraud Help in acquisition of accurate records

Facilitates effective documentation Boosts Financial Analysis

Promotes professionalism of financial controllers

Ensures value for money

End

Thank you for your time and participation

Appendix III: Interview guide

This interview guide will be used as a reference for the interviews that will be conducted face to face with the Accounts and Finance Section Staff and the Head of Accounts section.

Questions

1. Which accounting information systems are used in executing and performing your duties?
2. What could be the benefits of using manual accounting information systems?
3. What are some of the benefits of using the computerized accounting information systems?
4. What are the challenges associated with using manual accounting information systems?
5. What are the challenges using the computerized accounting information systems?
6. How do you rate the level financial performance effectiveness at this company?
7. What are the indicators of financial performance effectiveness at this organisation?
8. Is the nature of accounting information system used by a firm having any effect on their financial performance?
9. What are some of the ways in which accounting information system affects the level of financial performance effectiveness at this company?
10. What are some of the challenges limiting effective financial performance at Ntake bakery Limited?

End

Thank you for your time and participation