

# An Investigation on Accounting Information System, Zambia

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## Abstract

*This study and research are to know how accounting is done in a private school, the type of accounting system being used, and its effectiveness, accounts being the recording of financial transactions is necessary to be handled well. The goal of this study is to understand how the private education sector organizes a set of manual and computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret and present accurate and timely financial data used. This case study gives detail on the computer and manual accounting systems and the perception of accountants on the accounting system used in private institutions. This research study highlights how private education institutions keep systematic records of financial transactions to find out the type of payment system is used, how the school protects its business if its insured, how it utilizes the operational profits, and how effective is the accounting system. This will be analyzed by a structured questionnaire that will comprise closed-ended and open-ended questions to collect the primary data from the respondents who are residing in Lusaka.*

**Keywords:** Accounting, Accounting System, Computer and Private Education

## Introduction

The accounting system used in private schools is a computerized and manual system used to record pupil information the tuition fees, and management and teachers' information. This makes all transactions of the school easier and has enough records and proof to avoid fraud and help in decision making for the management. The growing in universities and educational institutions in the world particularly creates a need to develop an effective Accounting Information System (AIS) that helps in data archiving, analyzing, and classifying to be ready to use databases. This study aims at shedding light on the factors that improve AIS's effectiveness in institutions. Effective information systems are required due to rapid technological changes to coordinate and improve the institutions. Information technology and information systems play a vital role in promoting the institutions' activities by supplying economic information to these organizations, and that will aid them in decision-making, thereby allowing the administration to cope with competitiveness issues and the technological advances.

The accounting method is a discipline used to make decisions in financial and corporate matters. Billions of dollars are exchanging hands each day, in millions of different transactions. These are recorded and reported using a comprehensive set of guidelines, called the GAAP (Generally Accepted Accounting Principles).

This accounting system works together to manage the recording, summing up, review, and evaluation of financial transaction (money-related) activities to enable individuals and organizations to make informed judgments and decisions. By rule, all corporations must maintain records of the accounts. The assessments are focused on both for-profit and non-profit accounting information firms. There are different forms of business organizations: Private business object is to earn a profit of Sole Proprietorship owned by one person, Partnership-owned by two or more person Corporation owned by investors called stockholders.

### **Concept of Computerised Accounting System**

A computerized accounting system is an accounting information system that processes the financial transactions and events as per Generally Accepted Accounting Principles (GAAP) to produce reports as per user requirements. Every accounting system has two types, manual or computerized. Second, it must function within a collection of well-defined rules known as accounting principles. And that there's a user-defined system for record-keeping and report generation. The data storage and processing framework in a computerized accounting system are called an operating environment, which consists of both hardware and software in which the accounting system operates. The type of accounting system used defines the context in which it works. There's interdependence between both hardware and software. The software type defines hardware structure. Additionally, hardware selection depends on different factors, such as the number of users, the degree of confidentiality, and the existence of various functional department operations within an organization.

### **Accountants' Unique Role in Accounting Information System**

Accountants are uniquely involved with the accounting information system as system designers and system auditors.

### **Accountants as System Designers**

An appreciation of the accountant's responsibility for system design requires a historical perspective

that predates the computer as a transaction processing tool. Accountants have traditionally been responsible for key aspects of the information system, including assessing user information needs, defining the content and format of output reports, specifying data sources, selecting the appropriate accounting rules, and determining the controls necessary to preserve accounting data integrity. These conventional structures were unambiguous, real, measurable, and. The information processing processes were manual, and the paper was the medium used to transmit and store data. When computers arrived, paper records were turned into digital records and stored on electronic discs and tapes.

### **Accountants as System Auditors**

Business companies, for various reasons, undergo audits of different kinds. Of these, the most common are external (financial) audits, internal audits, and audits of fraud. Each type of audit requires that the auditor have a thorough understanding of AIS functions and internal controls. External (Financial) Audits are an independent attestation performed by an expert, the auditor who expresses an opinion regarding the presentation of financial statements. This task, known as the attest function, is performed by Certified Public Accountants (CPA), who work for public accounting firms that are independent of the client organization being audited. The audit objective is always associated with assuring the fair presentation of financial statements.

### **Global Scenario of Accounting Information System**

#### **Accounting Information System on China**

According to an article that was written by management accounting for the advanced technology of china, July 6, 2011, environments have said accounting systems designed decades ago no longer provide timely, relevant information for companies in today's highly competitive environment. New organizational management and performance assessment systems recognize the significance of global accounting. The management accounting in china's Beijing has decided on the tangible facts that are neither easy to see nor to interpret and can only be done automatically on the computer with the

advanced technology; accounting gives you a precise and detailed picture of your company's situation. The economy in China is changing, and technology has brought in a lot of ways in the computerized accounting system

### **Accounting Information System on America**

According to Michael Rapoport, on February 12, 2012, regulators are edging closer to switching U.S. companies to global accounting rules as the Securities and Exchange Commission's top accountant suggested that America was moving towards recommending a long-discussed compromise approach on Accounting System. The American corporations are watching intently for a recommendation from the Securities and Exchange Commission staff about whether the commission should do so. Most companies World Wide now uses international financial reporting standards (IFRS), but America still uses its own set of rules and principles of the accounting system.

### **Accounting Information System on Japan**

According to Naohiro Urasaki and faculty of business administration that published a paper that describes the transformation of Japan's accounting system standards over the past two decades and the driving forces behind this transformation. It also analyses the current state of accounting systems in Japan, which were the dichotomy of accounting systems inherited from political, economic, and legal institutions in the region. The economic downturn that began in 1991 after the collapse of the Japanese asset price bubble to as the last 10 years, a period that has also been thought to extend the recent decade. With a view to reconstructing Japan's financial markets to make them internationally competitive and comparable with those in New York and London. The financial system was rapidly reformed according to three principles 'free' to ensure a transparent, free-market that implemented market principles, 'fair' to ensure a transparent, trustworthy market and 'global' to ensure an international market that was ahead of its time in 1997. This is done best with a good accounting system.

### **Accounting Information System on Europe**

In Europe, accounting systems are used to combine and cave out financial statements analysis of a common practice a document primarily based on the responses received to the fee discussion by the management accounting board of Europe According to an article published in April 2011.

### **Accounting Information System on Russia**

Article by Rainer Stawinoga of a chartered accountant on July 2009, Russia committed to modernizing its national accounting system during the period of transition from the central planning as the accounting system in Russia is tax-driven as under Russian tax legislation; there is very few accruals deductible, generally in Russia accounting will not find any at all a good accounting system is used to calculate tax-avoiding error making work fast and other necessities.

One of the first surprises to foreigners, especially accountants or financial managers, is that invoices in Russia are not accounted for. They don't have more legal importance than other documents, such as acts of acceptance or way bills and delivery notes. Documentation in Russia is very necessary, and not only must all these records be created but also duly signed and stamped. In Russia, accountants spend a great deal of time phoning each other to buy signatures, papers, or stamps. The effect of this is that Russian accountancy is not usually designed to handle reports. And it is not enough to explain to Russian accountants how they should do it for international purposes once, as the basic conception between Russian standards and International standards is quite different.

### **Local Scenarios of Accounting Information System**

#### **Accounting Information System on Zambia**

Accounting systems in Zambia are used to prepare financial information on companies for business managers, investors, tax authorities, and anyone else making decisions on financial resource allocation. Other companies specialize in providing outsourced services such as comprehensive bookkeeping, management accounts, tax services, corporate secretarial services, payroll bureau facilities, and

debt management. There is a whole range of other financial services, which includes auditing company formation, financial management, and taxation advice.

### **Accounting Information System on South Africa**

According to Johan Gerhardus, in 1990, July said South Africa is currently going through major changes in political, social, and other arenas. It is, therefore, appropriate to consider the effect of these developments on financial reporting in a changing environment and to upgrade the accounting system software. Given its status as a developing country, and endeavors to show that financial reporting needs to be amended to reflect the changing face of South Africa's social fabric, its status as a developing country, as well as the emergence of new users of financial statements. Certain recommendations are made to address these issues.

### **Accounting Information System on Africa**

According to Pran Krishansing of Africa, in his study about various countries on the legal system on accounting standards of the sub-Saharan Africa countries, there has been a lot said on the accounting system to develop the financial activities of the country. Then the legal systems of these countries have been used to identify under which jurisdictions the adoption of IAS is more common. The legal systems existing in the SSA countries are different. They vary from the Portuguese legal system, English law, French civil law, a combination of English and French law.

### **Literature Review**

A literature review is an account of what has been published on a topic by accredited scholars and researchers. In writing the literature review, my purpose is to convey to the reader what knowledge and ideas have been established on my topic.

Nickels et al., (2002), Every organization, private or public, profit-making or non-profit making, large scale or small scale, uses accounting information to make decisions, and the information needs vary according to the information each user requires. With the advent of information technology, the accountant now has many accounting information resources

at his disposal that help him solve problems and provide reliable information for the company to which he provides services. The sector that has been most radically affected by this development is the financial sector, Hassan (2010). In the information age, companies are finding success or failure as increasingly dependent on their management and use of information. Therefore, banks need a good information system that enables the efficient and effective use of information to give them more competitive advantages (Moscove et al., 1999).

Elbashir, Collier & Sutton (2011) identify several rationales for the study of the accounting information systems. The first ones relate to the changing business environment, and increased business complexity, networks, globalization, shortening product life cycles, and need for cross-functional organizing are the main reasons for companies starting to use information systems. Shaheen (2012) examined the factors that are affecting the level of efficiency of the accounting information system in Palestinian private schools. The results showed a correlation between environmental legal and technological, cultural factors of accounting information system efficiency. These vary depending on the help rendered by banks.

Hadad and Tmehin (2009) studied factors that affecting the role of the accounting system in decision making strategy in Jordanian industrial companies. In particular, factors relating to information technology and the environment. In doing so, the researches distributed 114 questionnaires to the chief executive officer financial and production and marketing managers. Hussey & Ong (1996) stated that creative accounting first became very prevalent in 1980. Due to the loopholes of accounting regulations, companies could produce accounts which flattered their financial performance. Naser (1992) stated that much is written about Creative accounting and the various schemes of window dressing and off-balance-sheet financing, and very little information is available on how widely such schemes are used by various companies.

Uşurelu, Marin, Danailă & Loghin (2010) explained that the ethics in accounting and creativity. They stated that ethics should be followed by an accountant and creative accounting is a big challenge for them. They talked about a National Code of Ethics

for Professional Accountants of Romania. Berger (2003) an information system is a set of interrelated subsystems that work together to collect, process, and store, transform, and distribute information for planning, decision making, and control. The use of computers in information systems can improve the efficiency of information collection, processing, storing, transformation, and distribution.

### Need for the Study

For an institution like a private school, a lot of money is received financial transactions are dealt with always parents pay tuition fee, money comes in frequently. It must be handled with care recorded, classified, and summarised, so that error and fraud are avoided. Money can easily be stolen, so the transaction must be executed as soon as possible. A proper accounting system must be needed to have a true description of the transaction. Once the accounting system isn't fixed or built-in properly, a lot of loose of documents and files will be lost, and fraud may occur, so this study helps me know the necessity and kin of accounting system being used. If this fraud occurs, it may cause a depreciation of the school and no finances to deal with the problem at hand.

### Scope of the Study

The scope of my study was to know the kind of accounting system used in a private school in which the accounting system is preferred and how effective and helpful it's been for the school, how the records are classified and summarised. This study was based in Lusaka, one of the private schools in kanyama site and service one of the rural areas here in Lusaka. The study was meant to closely analyze the computerized and manual accounting system and how they are used in private schools.

### Objectives of the Study

- To know how the school keeps a systematic record of financial transaction
- To analyze how the school takes steps to protect the business from loss
- To know and ascertain operational profit and loss

- To ascertain the effectiveness of the accounting system for the school
- To know the type of payment system used

### Need and Impact of the Study

For an institution like a private school, a lot of money is received financial transactions are dealt with always parents pay tuition fee, money comes in frequently. It must be handled with care recorded, classified, and summarised, so that error and fraud are avoided. Money can easily be stolen, so the transaction must be executed as soon as possible. A proper accounting system must be needed to have a true description of the transaction. Once the accounting system isn't fixed or built-in properly, a lot of loose of documents and files will be lost, and fraud may occur, so this study helps me know the necessity and kin of accounting system being used. If this fraud occurs, it may cause a depreciation of the school and no finances to deal with the problem at hand.

### Research Questions

- What accounting system do you prefer as an institution for all your transactions?
- What method is used to pay tuition fees? Is it by cheque or cash basis only?
- How do you ensure that all records are classified and recorded for each pupil?

### Research Methodology

Research is a way of collecting information in a systematic or logical way; various methods are used to collect data and are not confined to science and technology only. Accountants have various perceptions of the accounting system. Others prefer using manual to computerized. It all depends on the satisfaction level to execute the business transaction. The accountant and people that are working on transactions decide what system will be fast and convenient. Still, of course, the computerized system is faster and quicker to record, classify and summarize transactions thereof, and it was hard for me because accountants are most of the time busy.

A research design is a program that guides the researchers in the process of collecting and analysis of data. The method used in this research was a survey

which involved interviews with several respondents using a pre-designed questionnaire. For this study, the set of objects are finite because accountants get to choose which accounting system is preferably used depending on the transaction and are satisfied with their preferences between computerized and manual system. In this case, the sample size was made of 120 respondents, of which 50 accountants from private schools and 70 accountants from privately-owned companies.

To conduct a convenient sample, the researcher must first know how to access the people and select several accountants from all accountants of institutions. From the selected accountant's sample is drawn to hear the view of accountants on the accounting system and which type the institute uses. A method in which an area to be sampled is sub divided into smaller blocks that are then again sub-sampled or fully surveyed. Here the researchers choose to carry out his research in Lusaka.

### **Difficulties Faced by the Researcher**

Respondents refusal to comply as they said they were busy in a rush or running late for appointments and execution of transactions. Some respondents that requested in the questionnaire to be left with them delayed in returning the answered questionnaire. Some respondents didn't explain and communicate well as to express their true feelings and views on the subject matter. False answers were being given by respondents as they thought the researcher was working for another private school and just wanted to know about the financial state of the school.

### **Finding of the Study**

According to the research, the researcher found out that most of the accountants and system designs are male and not female. It was found that many accountants employed in organizations are aged from 20 to 35 to the rate of 40% and 35 to 45 at the rate of 30% who are assistant accountants. The above 50 years (20%) are either management accountants or chief accountants who help in accounts works. The income for accountants depends on their qualifications and work experience and which firm they work for, and their position in the accounts department. According to the researcher, 30% of

the respondents get more than k4500, and 25% get paid k3000-k4500. This is because of the areas the institutions are located if it's a developed place, they can get more than k10000.

It was found that most companies, firms, and institutions are using a computerized accounting system helping them with financial reporting and recording of financial transactions; the researcher found out that 50% of the questioned respondents prefer a computerized system, unlike a manual system. Most institutions or firms located in undeveloped places don't have a computerized system due to the location, then some accountants in institutions use both manual and computerized. In this research, it was found that most institutions do not have an online payment system to avoid a lot of defects with their financial transaction at the rate of 70% and a few of the institutions use an online accounting system at the rate of 30%. Most of the institutions have bank accounts as a secure way of keeping and banking money; the researcher found that most of the institutions that are in undeveloped places don't have a bank account due to the charges the banks have. They are a few book keepers employed in institutions. Most of the respondents said they have less than five book keepers, and some have more than five.

Most of the accountants use the double-entry system due to the single entry system being outdated. Posting of books in institutions is done weekly according to the research because accountants are mostly occupied in particular days of the week. Still, other accountants do it daily to avoid work load, and others do it monthly, depending on how occupied they are. The accounts office gets busy 24 respondents that post daily at the rate of 20%, 54 respondents that post to the general ledger at the rate of 45%, and 42 respondents at the rate of 35%. The effectiveness of the accounting system used in the institutions varied. Others said poor, some very good, and others said well, but with this research, most of the respondents said very good and good a few from the sample size said poor.

Most of the respondents said their filling of documents is good; documents are referred to always, so it's hard to keep them in order, but they try. The filing of documents depended on financial

transactions. If the transactions had to do with banks, then the department in the institution would use an alphabetical or numerical filling system. Still, with other documents, chronological order would be used. With the data collected, most of the institute's audit their transactions termly every after three months, making it four times a year. Others do it once when they are about to make a financial report; then others do it every six months. The financial position has been changed year by year, depending on how much profit is raised by the institute. Most of the institutes are financially okay, but some are not financially okay.

### Recommendation

The pay for the accountants should be increased because they have a lot of work to do. There should be equality with gender when it comes to employing accountants. Online payment should be used in institutions to lessen queues in banks and payment queues in institutions. The posting of books and recordings should be done daily to avoid bulky work at the end of the month or year. The filling of documents should be chronological. The insurance company must reduce on premium because schools in undeveloped places are not insured due to the premium being high. The company needs to enhance methods of maximizing the profits of the organization.

### Conclusion

In conclusion, according to the study, it was found that most companies use a computerized system in which a database is implemented using a database management system, which is defined by a set of computer programs (or software) that manage and organize data effectively and provide access to the stored data by the application programs. The accounting database is well-organized with an active interface that uses accounting application programs and reporting systems. Other institutions still use the manual system. Those that are located in less developed areas green garden is one of them. Still, most of the institutions start with manually recording the transactions then the record in the computer system. The profit of the institutions varies year by year; the institutions have effective accounting

systems, and the use of both cash and cheque payment system, which is good cause those that can't pay by cheque can pay by cash and to avoid too must queuing.

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