# CHAPTER ONE

# 1.0 Introduction

# 1.1 Background to the study

As we all know, accounting is the language of business as it records all transactions of an individual, firms or other bodies that can be run their business. Accounting is the scheme and art of collecting, classifying, summarizing and communicating data of financial nature required to make economic decisions. The rising global economic scenario characterized by advancement in information technology, rapid changes in production processes, increased sophistry of the consumer, fierce market competition and unethical skimming activities of producers in the drive to survive the unpredictable and complex business dynamics, had brought to the fore the crucial role of accounting information in economic and business discourse especially in relation to administrative effectiveness.

Accounting system deals with financial information’s of an organizations which is the most valuable asset. Financial information is very important to pass financial decisions and to determine ongoing process/success of an organization. It uses computer to collect, store and process the accounting transactions and financial data which was used by the internal users of the institution in order to give report regarding various information to the stakeholders of the institution such as creditors, investors, tax authorities, etc. it was a system to collect and store all information related to financial transactions and events in such a way that they can be retrieved for decision making by the internal management, accounts, auditors, etc. There may be a very simple ledger to various accounting, costing, financial reports like Statement of profit and loss, balance sheet, etc.

The earliest "intelligence techniques" in accounting were characterized by recorded transactions in clay and papyrus and systems of checks and balances to ensure that the records were accurate and could be verified. Early records indicate that ancient Romans were developed their own system of recording transactions and balances sheet to account for receipt and payment of money. Internal Controls were very important for every business organization. These were tools, checks, procedures, systems adopted by an organization to ensure the integrity of [financial](https://www.wallstreetmojo.com/financial-information/) [information](https://www.wallstreetmojo.com/financial-information/), prevention of frauds, errors, safeguarding of assets, etc. Accountants within any organization must use the accounting system to generate qualified accounting and financial reports. Accountants were usually part of a multiple-discipline team that designs or

implements accounting system. When an organization considers a change to its accounting system practice for accounting and auditing reports, accountants must be involved in decisions related to such matters to determine preferable software package to be purchased.

Computer integrated operational information system that fully integrates manufacturing with marketing and accounting data increasing both the quantity and timeliness of the information. Technological tools work to promote efficiency in the transferring of data between corporations and their different decisions, offices, customers, and even their accounting firms. Communications technology utilizes a combination of technologies to transmit data in a variety of forms to each of these recipients. This particular form of technology was of considerable importance for large firms, because it enhances communication capabilities to allow easier expansion into the worldwide market. This speeds up the transfer of information between an entity and its firm. For accountants, this means getting the most current information to work with.

Adamawa state University Mubi was the first private Insurance Company in Nigeria. In the Insurance industry, it dominates the market in terms of Assets, Capital, and customer. It has more than 50 branches that were expanded across the country. It has also more than 650 employees which creates job opportunity for the nation. According to the annual report of June 30,2020 and for fiscal year of 2019/2020, the total asset and capital of Adamawa state University Mubi reached Birr 3.41 billion and Birr 1.3 billion respectively. It contributes economic development of the country.

# 1.2 Statement of the problem

The quality of delivering service is one of managements most complicated, but important duties simultaneously. The activities of the institution were controlled using this system and used as internal control mechanism.

Based on the evidence of financial report there were a gap of accountant and managers to control all over the transactions of the institution especially, on collection and payment undertaken by different branches of the institution. As well as In the institution, all directorate and branches were passing their daily collection and payment through general

insurance information system (GIIS), furthermore they were not effective to know the appropriateness and correctness of the ledger done by different branches, and this makes the problem of erroneous financial statement preparation. The internal auditors controls and verifies the activity of each directorate and branches once in a year. As it’s mentioned on their report, there was a problem of the knowhow of the designed and accessible of the available system. Therefore the researcher was investigated to full fill the gap already mentioned above with in this organization.

Financial managers need the financial and accounting data provided by accounting system to evaluate the firm’s past performance and to map future plans. Therefore, the organizational performance was measured in terms of return on assets and return on equity (ROE). These ratios were financial performance measuring ratios (Majeed, 2011). ROE was a key to provide useful information about the performance of debt in the capital structure that the general manager must try to influence in order to improve and manage the overall organizational performance (Miller et al., 2001). Performance management has a key role to play in improving the overall value of an organization (Armstrong and Baron, 1998). Largely, the quality of information depends on the reliability, form of reporting, timeliness and relevance to the decisions. Effectiveness of accounting system also depends on the perception of decision makers on the usefulness of information generated by the system to satisfy informational needs for operation processes, managerial reports, budgeting and control within the organization (Nwinee et al., 2016).

# 1.3 Objectives of the study

# 1.3.1 General Objective

The general objective of the study was to assess the accounting system practice in order to increase the quality of financial and audit reports in Adamawa state University Mubi.

# 1.3.2 Specific Objective

Based on the aforementioned general objective, this study will specifically address the following specific objectives.

* To assess the accounting system practice of Adamawa state University Mubi.
* To identify the role of accounting system on internal control over financial accounting and audit report quality.
* To examine impact of accounting system on accounting transaction and audit reporting quality
* To investigate the effect of accounting system on financial and audit reporting quality.

# 1.4 Research Questions

## The main research questions raised under this study were:-

* How accounting system practice assess and evaluate on an internal audit report and comments done on financial transactions in accounting process and financial report of the institution?
* What is the role of accounting system to minimize the transaction posting problem that has its own dilemma on the report generated by the Accounting system of the institution?
* Did accounting system Practice have the ability to examine the quality of accounting transactions and financial reports of the institution?
* Did the External Auditor reports, comments and questions have its own role to investigate and evaluate the accuracy of financial report of a company?

**1.5 Research Hypotheses**

In this research work, the following hypotheses are to put forward to be tested in order to arrive atreasonable conclusion and make recommendation therefrom, the hypotheses are present in null form.

* **H1:** The accounting guidelines and policies have no significant impact on the preparation of financial statement of the institutions.
* **H2:** The administrator and other key officers of the institutions have not install effective internal control system to forestalling errors, irregularities and forged documents and operations of the accounting system.

# 1.6 Scope and Limitation of the study

This study was limited to assess the accounting system practices and its impact on Adamawa state University Mubi’s accounting and auditing practices and reporting quality. In terms of geographic coverage, the study will be conducted at head office and some selected branches at Adamawa state. Based on the time constraints and covid 19 disease the sample of the research was limited to cover small number of branches exist in the Adamawa state.

# 1.7 Significance of the study

The significance of this research were to draw significant change of financial and audit report quality in Adamawa state University Mubi and to recommend another person who will investigate over the same case of study for improving the impact of the accounting system by modifying the control system. The finding of this research will provide a knowledge that will aid in decision making for manager and help recognize internal control faults to prevent any negative consequence. The study will also help other researchers as a source of reference and as a stepping stone for those who want to make further study on the area afterward. Finally, the study provides for the stake holders an opportunity to gain deep knowledge about the impact of accounting system on internal control. It will provide information to the management how they can assess and prepare qualified financial and audit reports to keep up service quality exercised in the organization. Also it helps the institution not to incur any unnecessary cost in relation to the impact of accounting system.

# 1.8 Operational Definition of Terms

* EVALUATION; Provide a systematic method to study a program, practice, intervention, or initiative to understand how well it achieves its goals.
* EFFECT; A change that result when something is done or happen eg.an event, condition, state of affairs that is produced by a cause.
* ACCOUNTING SYSTEM; A system that is employed in a company or organization to organize financial information.it can be either manual or computerized.
* FINANCIAL REPORTING; Is the process of collecting and tracking data on a companies or organization’s finances, including its revenues, expenses, profit, capital and cash flow.