



ACCOUNTING INFORMATION SYSTEM (AIS): A PREVAILING TOOL FOR EVALUATING CORPORATE PERFORMANCE

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Abstract

Accounting Information Systems (AIS) is a tool that organizations can use to achieve stronger, more flexible corporate culture to face continual changes in the ambiance. Accounting information systems assist companies to gauge the risk of some operations or predict future warnings using sophisticated statistical software applications. The objective of this paper is to examine if the usage of Accounting Information System has improved the internal control system in the corporate sector. In particular, specially trained accountants work with AIS to ensure the highest level of accuracy in a company's financial transactions and record keeping and to make financial data easily available. This study provides value added in accounting literature given the scarcity of works dealing with the relationship between the application and use of AIS and evaluating overall corporate performances.

Keywords: AIS, Corporate Performance, Internal Controls and Information Technology.

INTRODUCTION

Accounting Information System (AIS) is a structure that a business uses to collect, store, manage, process, retrieve and report its financial data so that it can be used by accountants, business analysts chief financial officers (CFOs), auditors and regulatory and tax authorities. Thus, Accounting Information system is vital to all organizations and perhaps, every organization either profit or nonprofit oriented need to maintain an Accounting Information System as no organization is exempted from decision making in their operations. Accounting system, in recent times, has tended to be a system of information that does not stop at limits of data and financial information, but also it includes data and descriptive and quantitative information which is useful in decision making for users distinct with plurality and diversity. Such users include current and potential investors, lenders, suppliers, creditors, customers, governments and the public in addition to the administration, which is its responsibility to prepare the accounting programs and displaying it, that information must be capable of achieving the goal that it has been prepared for. Hence the role of Accounting Information System for effective decision making cannot be over emphasized. . It is noteworthy to say here that Accounting Information System derives its source from accounting data. Accounting Information Systems produce results which enhances decision making. Hence, it can safely be concluded that Accounting Information System is not an end in itself but a means to an end i.e. decision making to improve corporate performance.

SIGNIFICANCE OF THE STUDY

The significance of the study is based on evaluating the corporate performance through the accounting information systems used in the Indian companies, where the accounting information systems is consider as one of the components of the administrative organization specialized in Accumulating, Classifying, Processing, Analyzing and Communicating the financial information and the quantity to make decisions to internal and external parties. The significance of this study shows through the attention of Indian companies, despite the fact that attention is often focused on their performance of collective jobs. Since this study concerned with assessing the performance of accounting information systems used Indian companies, this will give the study a serious dimension in studying the methods of designing and developing the accounting programs that form a large and growing importance to the issue of evaluating the performance of accounting information systems used in the Indian corporate firms.

OBJECTIVES OF THE STUDY

1. To Evaluate the corporate performance numerically through the accounting information system (AIS)
2. To determine the effectiveness of accounting information system in decision making of managers on corporate performance.

REVIEW

Edwards (2012), defines Accounting has been defined as the process of identifying, measuring, recording and communicating economic information to permit informed judgments and economic decisions. The primary purpose of accounting is to help persons make economic decisions. In our society resources must be allocated among and within all kinds of entities. Accounting information provides the basis for making decisions about resource allocation. To be useful,



data must be identified, measured, recorded, classified, summarized and communicated to potential users. These are the critical elements of accounting.

Hogget (2012), conceptualize accounting information as the financial information about economic activities. All economic entities (e.g. businesses, government agencies, families, charitable entities) need such information because it is used for making economic decisions about those entities. An economic event of an entity is referred to as a transaction. Transactions are of two types: external and internal.

Matthew Hall (2010), Accounting, Organizations and Society, accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information. Accounting information is a food for management planning and decision making. It refers to report of relevant financial information regarding the economic activities of an organization or business venture.

Fess and Newsmonger (2002), Evaluation Criteria of AIS Effectiveness The goals of evaluation are to learn from experience, to provide an objective basis for assessing the results of the work done, and to provide accountability in achieving its objectives. It is therefore to improve entities work by identifying and disseminating lessons learned from experience and by framing recommendations drawn from evaluation findings. Therefore, the alignment between the role of AIS and implemented AIS in the organization has a positive effect on companies' performance.

CONCEPTUAL FRAMEWOK

The emerging global economic scenario characterized by enhancement 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, has brought to the fore the essential role of accounting information in economic and business discourse especially in relation to administrative effectiveness.

The conceptual framework will be examines the concept and usefulness of Accounting Information System in the organizations and also examines the value relevance of Accounting Information in assisting investors' investment decisions. Accounting Information System is considered as a subsystem of Management Information System (MIS). Regarding accounting as information system is perhaps the latest definition of Accounting. Accounting actually is information system and if we be more precise accounting is the practice of general theories of information in the field of effective economic activity and consists of a major part of the information which is presented in the quantitative form.

NEED OF ACCOUNTING INFORMATION SYSTEM ADOPTION

Implementing the AIS is becoming predictable to be proficient in the present time with the globalization of trade and investments, as well as dynamic technological changes taking place, there for manufacturing firms need to gear themselves to face harder competition in the future. These firms there for need to recognize that IT has the potential to improve productivity, quality and performance - areas that are essential for their survival and success. Evaluation of corporate performance to implement the accounting information system successfully the system should consider contingency factors like dominant view of the organization, problems to be solved and norms of the organization in addition to the purpose of the system. Accounting information systems are said to be effective if the information provided by them serves widely the requirements of the system users. Effective systems should systematically provide information that has potential effects on decision-making process. Coordination of the organization is the result of integration of the system, there for coordination of the organization in turn increases the quality of the decisions. In addition, AIS provide use full information for monitoring decision-making process and performance of the organization, which enable to evaluate the effectiveness. Therefore, the criteria of evaluation of the corporate performance by using AIS are the role/benefits of the AIS. The association between the role of AIS and implemented AIS in the organization has a positive effect on corporate performance.

PERFORMANCE EVALUATION

Accounting is a system that provides information concerning the entity to a variety of interested users. The purpose of accounting information is to enable the users to make informed judgments. Since every decision involves several alternatives. Accounting information must assist the user to decide his course of action. Accounting is a process which with the help of accounting records produces financial statements. The Management is multiple foundation of knowledge whether in area of theory or practice which means that the theories, methodology and related models are based on principles of combination of scientific subjects such as economics, statistics, psychology, management accounting etc. In



management literature, the important duties of managers consist of planning, organizing, supervising, controlling, performance evaluation and decision making.

The performance evaluation criteria are divided into two groups; (i) Economic performance measures, and (ii) Accounting performance measures. The Economic Performance Measures In economic models, the firm value is function of profitability power, potential investment, and the different between rate of return and cost of capital. In recent years, various concepts have been proposed for measuring the residual income. Use of market value and book value for calculate the cost of capital has had a dramatic difference in results. Economic performance evaluation measures involve, economic value added (EVA), refined economic value added (REVA), EVA momentum, cash value added (CVA), and market value added (MVA). The accounting performance measures are a good indicator both for the retrospective evaluation of performances and also for prospective evaluation of performances. Accounting information is an unbiased tool for an effective administration. Poor accounting information jeopardizes administrative effectiveness, which makes managers emaciated managerially especially in Indian corporate sector.

CONCLUSION

It could be concluded that accounting information systems has a momentous outcome on evaluating corporate performance in Indian companies. The study found that good accounting information enhance administrative effectiveness. The study also found that accounting information system leads to good financial reports and also leading to better decision- making. In addition the policy implication of the study is for International Accounting Standard Board (IASB) to adopt good accounting information system and make its application mandatory on Indian industry.

Management should pays utmost attention to the role of accounting information system in better understanding of financial dimensions of development as one of the important tools of decision making and planning. Management should evaluate accounting policies which is used in company and it should be revised according to the principal and standard for giving more useful accounting information systems in case of necessities.

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