



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE**

**The Impact Of Accounting Information System on
Organizational Performance : A Case Study on
Pharmaceutical Fund And Supply Agency**

**BY
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**ADDIS ABABA, ETHIOPIA
FEBRUARY, 2017**

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**A Thesis submitted to College of Business and Economics
Department of Accounting and Finance in partial
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of Science in Accounting and Finance**

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DECLARATION

This project is my original work and has not been presented for a degree award in the university.

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This project paper has been presented for examination with my approval as University Supervisor

Signed..... Date.....

Dr. Venkati

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ABSTRACT

The main objective of this study was to explore the impact of Accounting Information Systems on the organizational performance of the Pharmaceutical Fund Supply Agency in Ethiopia related to inventory management, customer welfare, operating cost and financial statements. The researcher used both primary and secondary data and used explanatory research method. The researcher used random sampling technique and distributed questioners to the PFSA central and branch staffs and used Pearson correlation and simple linear regression to check the relationship and effect between the variables respectively. The finding of this study showed that accounting information systems has a positive and significant impact on inventory management, financial statement, customer welfare , organizational performance and it has a negative relationship with operating cost. Therefore, the researcher concluded that accounting information system has a significant and positive impact on organizational performance. The researcher recommends companies to use accounting information system for better organizational performance.

Key Words: Accounting information system, organizational performance, inventory management, financial statements, customer welfare, operating cost.

LIST OF ABBREVIATIONS

PFSA - Pharmaceutical Fund and Supply Agency

AIS - Accounting Information System

IM- Inventory Management

FS- Financial Statement

CW - Customer Welfare

OC- Operating Cost

OP- Organizational Performance

AIS_Score - Accounting Information Mean

IM_Score - Inventory Management Mean

FS_Score - Financial Statement Mean

CW_Score - Customer Welfare Mean

OC_Score - Operating Cost Mean

OP_Score - Organizational Performance Mean

Yr - Year

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CHAPTER ONE

INTRODUCTION

1. 1 Background of the Study

Accounting Information System is a system that collects and processes data which is measured in terms of money. AIS process accounting transactions and supplies information for the interested users which is used to take effective decision making process, to help management for performing business activities properly and finally to measure the performance of the company (Taposh, 2014). Accounting Information System (AIS) is vital to all organizations and perhaps, each organization either profit or non profit-oriented need to maintain the AIS. The output of an Accounting Information System is financial reports and statements that enhance its effective role in managerial policymaking and figuring out future plans (Nizar, Ahmad and Mohamad, 2016). According to (LI, M., YE, L.R. 1999) AIS is the whole of the related components that are put together to collect information, raw data or ordinary data and transform them into financial data for the purpose of reporting them to decision makers.

To better understand the term ‘Accounting Information System’, the three words constitute AIS would be elaborated separately. Firstly, literature documented that accounting could be identified into three components, namely information system, “language of business” and source of financial information (Wilkinson, 1993: 6-7). Secondly, information is a valuable data processing that provides a basis for making decisions, taking action and fulfilling legal obligation. Finally, system is an integrated entity, where the framework is focused on a set of objectives (Watts, 1999).

In managing an organization and implementing an internal control system the impact of accounting information system (AIS) is crucial. An important question in the field of accounting and management decision-making concerns the fit of AIS with organizational requirements for information communication and control (Nicolau, 2000). Benefits of accounting information system can be evaluated by its impacts on improvement of decision-making process, quality of accounting information, performance evaluation, internal controls and facilitating company’s transactions (Bolon, 1998). The appropriate design of AIS supports business strategies in ways that increasing the organizational performance (Chenhall, 2003).

Organizational effectiveness is the concept of how effective an organization is in achieving its goals. Every employee in a company contributes to organizational effectiveness. Taking into account skills, experience, motivation and rank, some employees play a bigger role than others. These are the people who contribute to the development of organization mainly with their knowledge (Scott, 1977).

Organizational effectiveness was succinctly defined by Daft (1983) as “the degree to which an organization realized its goals”. However, Mondy, (1990) defined it aptly as “the degree to which an organization produce the intended output” As Daft rightly argued. Organizations pursue multiple goals, and such goals must be achieved in the face of competition limited resources, and disagreement among interest groups. Oguntimehin (2001) submitted that organizational effectiveness is the ability to produce desire results.

There are many ways to measure the effectiveness of an organization, which include different criteria such as productivity, profits, growth, turnover, stability and cohesion. Rational perspectives focus on the achievement of previously set goals and on output variables such as quality, productivity and efficiency. Natural system perspectives focus on the support goals of the organization such as employee satisfaction, morale and interpersonal skills. Open system perspectives focus on the exchanges with the environment; this includes information processing, profitability, flexibility and adaptability (Campbell, 1977).

Pharmaceutical Fund and Supply Agency (PFSA) is a public company whose purpose is distributing affordable and quality pharmaceuticals sustainably to all public health facilities and ensure their rational use. PFSA has organized itself with head office and seventeen major branches. Branches are located in every regional state of the country. The head office plays major role in planning, acquisition of pharmaceuticals; Stock replenishment and fulfillment of other resources for the branches. Branches also have the responsibility of selling and delivering the medical facilities to hospitals, clinics and health facilities throughout the country.

Since its establishment Pharmaceutical Fund and Supply Agency, the lead organization managing the health care supply chain of the country, has been working to ensure the availability, accessibility, and affordability of essential medicines with appropriate quality, safety, and efficacy. To achieve these goals, PFSA supported by its partners has designed and implemented various innovative programs. With the help of its partner USAID Deliver Project

they started using an Accounting information system before five and three years ago at the branch and central level respectively. Recently they started using a dashboard which gives them information to track their stock level, expiries, pipeline. It also helps them to know how well their stock has been utilized, and how much stock they have nationally and per hub and how long the current stock will last. This is why the researcher decided to check the impact of the accounting information system they use on the organization performance (Shwarega,Abiy,Paul,Welelaw,Saim & Yared, 2015).

1.2. Statement of the Problem

In Ethiopia majority of the pharmaceutical drugs, medical supplies, chemical reagents and medical equipments are procured and distributed by Pharmaceuticals Fund and Supply Agency. PFSA has been using accounting information system that was developed by USAID Deliver Project for the past five years. Management in the Pharmaceutical Fund and Supply Agency in Ethiopia relies heavily on the AIS to do their day to day transaction and the agency use information generated from the Accounting Information System employed by the company (Shwarega,Abiy,Paul,Welelaw,Saim & Yared, 2015). Having a good and reliable accounting systems has become a major concern for all managers as it leads to better management and analysis of firm's performance and in Ethiopia the previous researches done were focused on the evaluation of design of AIS, the impact of AIS on decision making and the impact of AIS on investment. There is a gap on the previously done researches regarding the impact of AIS on organizational performance in Ethiopia. This had led the researcher to investigate on the application and use of accounting information systems and its impact on the organizational performance in PFSA.

This study focused on the impact of Accounting Information Systems on the performance of the Pharmaceutical Fund Supply Agency in Ethiopia and how does accounting information system contribute to the effectiveness of the Pharmaceutical Fund Supply Agency in Ethiopia?

1.3. Research Objective and Hypothesis

The main objective of this study was to determine the impact of accounting information systems on the effectiveness of Pharmaceutical Fund and Supply Agency in Ethiopia.

The specific objectives of this study were

- To assess the impact of AIS on Inventory Management
- To determine the impact of AIS on Financial Statements
- To determine the impact of AIS on Customer Welfare
- To determine the impact of AIS on Operating Cost.

In the light of the above statement of problem the following main hypothesis were formulated:

H1: Accounting information system has significant effect on organizational effectiveness.

Ho: Accounting information system has no significant effect on organizational effectiveness.

The following specific hypothesis were tested

H1: Accounting information system has significant impact on Inventory Management.

H2: Accounting information system has significant impact on Financial Statement.

H3: Accounting information system has significant impact on Customer Welfare.

H4: Accounting information system has significant impact on Operating Cost.

1.4. Significance of the Study and Scope

The study has generate the following benefits.

- The research paper will provide an insight to the management and staffs of PFSA on the effect of AIS on the organization overall effectiveness of PFSA in Ethiopia.
- It provide an input for those organizations who would like to start using AIS to improve their organization effectiveness.
- This study can also be used as a foundation for other researchers who would like to undertake research on similar and related area of study.

Scope of the Study

Due to time constraint the scope of the research is limited to one organization Pharmaceutical Fund and Supply Agency (PFSA) which the central office is located in Addis Ababa and the seventeen branches are located in Addis Ababa, Adama, Arbaminch, Hawassa, Jimma, Gonder, Dessie, BahirDare, Mekelle, Jimma, Nekemte, Semera, Gamebella, Jigjiga, Negele Borena, Shire and Assosa and the topic is impact of accounting information systems on organizational performance in the company.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter explains past relevant literature from other researchers who have conducted research in the same field. It contains opinions, attributes, research outcomes and conclusions thereon from previous research work done by other people and organizations. Section 2.1 discusses the theoretical literature. Section 2.2 presents the empirical literature. Section 2.3 looks at the local studies of the case study. Section 2.4 presents the frame work of the study and 2.5 summarizes the literature review.

2.1 Theoretical Literature

2.1.1 Accounting Information System

Accounting information system is a computer based system that increases the control and enhances the corporation in an organization. In managing an organization and implementing an internal control system, the role of accounting information system is very crucial (Nicoloaou, 2000). The qualitative characteristic of any Accounting Information System can be maintained if there is a sound internal control system. In any AIS environment, the qualities of internal controls adaptation affect operations and management and in turn influence internal control system. Internal control is run to ensure the achievement of operational goals and performance. According to Wilkinson etal (2000), the main function of accounting information system is to assign quantitative value of the past, present, and future economics events. AIS through its computerized accounting system produces the financial statement namely, income statement, the balance sheet, and cash flow statement. Normally, the system will process the data and transform them into accounting information during input, processing and output stages that can be used by a variety of users like the internal and external users. Therefore, if companies are able to adjust their computerized techniques of internal control mechanism according to AIS, they will be able to ensure the reliability of financial information processing and boost the control measures of effectiveness of the financial information reliability (Wilkinson etal, 2000). When the controls are used properly there will be better operating effectiveness and efficiency which will result in

better financial information reliability. Managers at various levels need AIS to make decisions in internal controls (U.Hoitash and Bedard 2009).

There are many factors that affects the efficiency and effectiveness of accounting information systems such as qualified human resources, software and hardware and data bases .Thus, the accounting information systems combined from these three factors, if any system has to be effective it should include a combination of well qualified human resources, the best software, and hardware and databases. (Ramly, 2011).

Hafnawi (2001) stated that the accounting information system has to possess the following characteristics to be effective and efficient:

1. Accurate
2. Timely.
3. Provide administration by necessary information to achieve control and evaluation of the economic activities.
4. Provide administration by necessary information that helps them in planning.
5. Provide administration by feedback
6. Flexible to suit the environmental changes.

2.1.2 Accounting Information System and Data Quality

Accounting information system (AIS) output depend on the quality of data, garbage in garbage out is the result of poor data quality, and therefore data quality is important to AIS. All data production processes (data collection, data storage, and data utilization) must work properly in order to achieve high data quality (Lee and strong 2003). According to Lee and strong (2003), inaccurate and incomplete data may damage competitiveness of firms. They also found out that input control and competent employees are important to data quality of accounting information system.

Poor information quality may have adverse effect on decision making (Huang, Lee, and Wang 1999). Quality of accounting information can be evaluated by four attribute, Accuracy, timeliness, completeness, and consistency (Xu 2003) they examined critical success factors for accounting information quality , they identified and interviewed four groups namely (information producers ,information custodians, information consumers and information managers and they

found and suggested that organizational issue , system and human issue, are very much important to accounting information quality.

(Rahayu 2012) examined the influence of management commitment on data quality and AIS. He finds out that management commitment and quality of data together have adequate effect on the accounting information system, although he suggested that contribution of management commitment need to be improved and also to management adequacy training and funding of resource development need to be considered by organizations.

2.1.3 Organizational Effectiveness

Organizational effectiveness (OE) has been one of the most extensively researched issues since the early development of organizational theory (Rojas 2000). Despite some consensus, there is still significant lack of agreement on the definition and operationalization of this concept (Cameron 1986). Generally speaking, the term of organizational effectiveness describes the degree to which an organization realizes its goals (ETZIONI 1964).As a newer field of research, management accounting relies on these unstable foundations to build performance measurement models. Organizational effectiveness (or performance) mainly reflects a construct perspective in which the focus is on the definition of the concept in terms of assessment and conceptualization (Goodman, Pennings and Associates 1977). The aim is to determine properties and dimensions encompassed by the concept (Scott 1977).

Previous Research on Organizational Effectiveness The research on and the measurement of organizational effectiveness focuses on different parts of the organization.

1. System Resource Approach

The system resource approach assesses effectiveness by observing the beginning of the process and evaluating whether the organization effectively obtains resources necessary for high performance. The system resource approach is valuable when other indicators of performance are difficult to obtain. In many not-for-profit and social welfare organizations, for example, it is hard to measure output goals or internal efficiency Although the system resource approach is valuable when other measures of effectiveness are not available, it does have shortcomings. Often the ability to acquire resources seems less important than the utilization of those resources. (DAFT 1983).

2. Internal Process Approach

The internal process approach looks at internal activities and assesses effectiveness by indicators of internal health and efficiency. The internal process approach is important because the efficient use of resources and harmonious internal functioning are ways to measure effectiveness. A significant recent trend in management is the empowerment of human resources as a source of competitive advantage. Most managers believe participative management approaches and positive corporate culture are important components of effectiveness. The internal process approach does have shortcomings. Total output and the organization's relationship with the external environment are not evaluated. Also, evaluations of internal health and functioning are often subjective, because many aspects of inputs and internal processes are not quantifiable. Leaders should be aware that efficiency alone represents a limited view of organizational effectiveness.

3. Goal Approach

The goal approach to organizational effectiveness is concerned with the output side and whether the organization achieves its goals in terms of desired levels of output. The goal approach is mostly used in business organizations because output goals can be readily measured. Business firms typically evaluate performance in terms of profitability, growth, market share, and return on investment. However, identifying operative goals and measuring performance of an organization are not always easy. Two problems that must be resolved are the issues of multiple goals and subjective indicators of goal attainment. (DAFT 1983). The three approaches – system resource, internal process, and goal approach – to organizational effectiveness described here all have something to offer, but each one tells only one part of the story (DAFT 1983).

2.1.4 Determining Criteria of Effectiveness

There are many ways to measure the effectiveness of an organization. Campbell (1977) lists over 30 different criteria from productivity, profits, growth, turnover, stability and cohesion (Scott W.R 1977). Different theoretical perspectives can account for the diversity in usage of effectiveness measurements.

Rational perspectives emphasize goal attainment and focus on output variables such as quality, productivity, and efficiency. Natural system perspectives focus on the support goals of the organization such as participant satisfaction, morale, interpersonal skills, etc. Open system perspectives focus on the exchanges with the environment this includes information processing,

profitability, flexibility, adaptability (Downs,1957). Effectiveness criteria also vary with time, and often subgroups have different effectiveness criteria. Also often there are different evaluation criteria applied by those who assign tasks and those who evaluate performance (Scott p. 346). Often effectiveness criteria involve self-interest, are stated as universalistic and objective, and cause conflict and disagreement among subgroups.

2.1.5 Accounting Information System and Organizational Effectiveness

The AIS design can be defined in terms of the information characteristics that it provides (Chenhall and Morris, 1986). Chenhall and Morris (1986) described AIS according to the perceived usefulness of four information attributes, namely scope, timeliness, level of aggregation, and integration. Scope refers to the measures being used and to the extension of AIS in time and space. Then information could focus on future vs. historical events or external vs. internal events. Also the information could be quantified in monetary or non-monetary terms. Timeliness refers to the frequency, speed of reporting and the orientation of the information (e.g. short or long run). Aggregation refers to the way data is aggregated in time periods, functions or in accordance with decision models. Finally, integration refers to the need of providing information to reflect the interaction and coordination effects of several functions in the organization. These four attributes have been analyzed for comparing AIS and organizational strategies and performance (Gordon & Miller, 1976).

Toposh K. (2014) asserted that other qualitative characteristics of accounting information can also be maintained if there is sound internal control system in an organization. Internal controls are procedures set up to protect assets, ensure reliable accounting reports, promote efficiency and encourage adherence to company policies. Internal controls are essential to achieve some objectives like efficient and orderly conduct of accounting transactions, safeguarding the assets in adherence to management policy, prevention of error and detection of error, prevention of fraud and detection of fraud and ensuring accuracy, completeness, reliability and timely preparation of accounting data. If good internal control exists in any organization, management can use information with greater reliance to maintain their business activities properly which provide AIS. But if internal control is not strong, management cannot achieve its goal. The study by Topash (2014) also found that the following criteria or indicators are supposed to be present in any accounting information system for it to be efficient in any organization which is, cost effectiveness, good documentation, existence of proper security measures, independent internal

and external audit, separation of other operation from accounting, and effective internal control. Marshal and Romney (2015) alleged that developing an internal control system requires a thorough understanding of information technology (IT) capabilities and risks as well as how to use IT to achieve an organizational control objectives. Accountant and systems developers help management achieve their control objectives by (1) designing effective control systems that take a proactive approach to eliminating systems and detect , correct , and recover from threats when they occur .(2) making it easier to build controls into systems at the initial design stage than to add them after the facts. They also alleged that internal control perform the following important functions;

- **Preventive controls:** which deter problems before they arise. Examples include hiring qualified personnel, segregating employee duties, and controlling physical access to assets and information.
- **Detective control:** which discovers problems that are not prevented .Example, duplicate checking of calculations and preparing bank reconciliations and monthly trial balances.
- **Corrective control:** which identifies and correct problems as well as correct and recover from the resulting errors. Examples include maintaining backup's copies of files, correcting data entry errors and resubmitting transactions for subsequent processing.
- **General control:** controls designed to make sure an organization's information system is stable and well managed. Example, includes security infrastructure, software acquisition, development and maintenance control.
- **Application controls:** Controls that prevent, detect, and correct transaction error and fraud in application programs. They are concern with accuracy and authorization of data captured, entered, processed, stored, transmitted to other system and reported.

Accounting information system is considered as important organizational mechanism that is critical for effectiveness of decision management and control in organizations. Daft (1983) defined organizational effectiveness as the degree to which organization realized it goals. Oguntimehin (2001) said that organizational effectiveness is the ability to produce desired result. Wilkinson (2000) noted that an effective accounting information system performs several key functions such as data collection , data maintenance, data information accounting systems and knowledge management, data control (including security) and information generation. (Avolio,

Gilder, and Shleifer 2001) defined efficiency as the optimal use of available resources in order to achieve value added in the organization, value chain. Thus the efficiency means the achievement of the goals at the lowest possible cost (Abdullah and Qattani 2007). While other researchers such as Hassani and Kharabsheh (2000) defined effectiveness as the relationship between achieved goals and planned goals. In other words, it could be quantified as a ratio to show the effectiveness of an entity.

The AIS design can be defined in terms of the information characteristics that it provides (Chenhall and Morris, 1986). Chenhall and Morris (1986) described AIS according to the perceived usefulness of four information attributes, namely scope, timeliness, level of aggregation, and integration. Scope refers to the measures being used and to the extension of AIS in time and space. Then information could focus on future vs. historical events or external vs. internal events. Also the information could be quantified in monetary or non-monetary terms. Timeliness refers to the frequency, speed of reporting and the orientation of the information (e.g. short or long run). Aggregation refers to the way data is aggregated in time periods, functions or in accordance with decision models. Finally, integration refers to the need of providing information to reflect the interaction and coordination effects of several functions in the organization. These four attributes have been analyzed for comparing AIS and organizational strategies and performance (Gordon & Miller, 1976).

In managing an organization and implementing an internal control system the role of accounting information system (AIS) is crucial. An important question in the field of accounting and management decision-making concerns the fit of AIS with organizational requirements for information communication and control. Although the information generated from an accounting information system can be effective in decision-making process, purchase, installation and usage of such a system are beneficial when the benefits exceed its costs. Huber, (1990) agrees that automated accounting information system aids decision making for management of organizations. Benefits of accounting information system can be evaluated by its impacts on improvement of decision making process, quality of accounting information, performance evaluation, internal controls and facilitating companies transactions. Regarding the above five characteristics, the effectiveness of AIS is highly important for all the firms.

Appropriate review between designing of AIS and performance of commercial units by analyzing strategies explains that high performance of commercial units depends on a wide range

of accounting information systems (Boulianne, 2007). So many studies begun to examine whether organizations systematically vary the AIS design to support their chosen strategy, recognizing that AIS have the potential to facilitate strategy management and enhance organizational performance (Gordon & Miller, 1976).

Accounting information systems is an important mechanism of an organization that is vital for effective management decision-making in controlling organization (Zimmerman, 1995). Generally, AIS is classified in two categories: a: effective decision-making for information that is largely for control of organization and b: to facilitate information that is mainly used for coordination of organization in decision-making are used (Kern, 1992).

Effectiveness of Accounting Information 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. Some research indicate that the effectiveness of Accounting Information Systems depend on the quality of output information that satisfy the users (Cameron, 1986; Lewin and Minton, 1986; Quinn and Rohrbaugh, 1983; Delone and Mclean, 1992 and Kim, 1989).

Existing literature offers scant evidence of the relationship between these AIS and financial performance; though it is important to highlight the study made by Elena Urquia Grande, Raquel Perez Estebanez and Clara Munoz Colomina (2010) which discovered a positive association between AIS design and organizational strategy and performance. The successful implementation of AIS could save shareholder's money and time.

In managing an organization and implementing an internal control system the role of accounting information system (AIS) is crucial. An important question in the field of accounting and management decision-making concerns the fit of AIS with organizational requirements for information communication and control. Although the information generated from an accounting information system can be effective in decision-making process, purchase, installation and usage of such a system are beneficial when the benefits exceed its costs. Huber, (1990) agrees that automated accounting information system aids decision making for management of organizations. Benefits of accounting information system can be evaluated by its impacts on improvement of decision- making process, quality of accounting information, performance evaluation, internal controls and facilitating company's transactions. Regarding the above five characteristics, the effectiveness of AIS is highly important for all the firms.

2.2 Empirical Literature

There are studies that were conducted in the area of accounting information system and its impact on decision making, financial performance and organizational effectiveness. According to Hunton (2002) study, which investigated the relationship between automated accounting information system and organizational effectiveness; showed that there was strong relationship between accounting information system and organizational effectiveness, which means access to accounting information will lead to organizational effectiveness. Several recent studies on value of accounting information for equity valuation, share price and earnings prediction have queried current financial reporting model in the developed world.

Azize (2016) studied the impact of accounting information system on firms performance on relationship small and medium sized enterprises in Kayseri, Turkey. In order to conduct his research he obtained the data by interviewing 60 firms in organized industrial zone and analyzed the data by using least squares method. The find of this study was that there was positive and statistical relation between the use of AIS and educational status of managers. Furthermore, a positive relation was found between the use of AIS and growth(sale, customer and revenue).

Al Qatananeh (2004) aimed to identify and analyze the role of accounting information system to provide quality accounting information to meet the managerial requirements in Jordanian manufacturing companies. The research done on a sample of 45 which constituted 60% of the population showed that there exist relationship between accounting information system component and quality of information received.

The empirical research which was done by Kabiru and Abdullahi (2014), asserted that the use of accounting information is relevant in simplifying issues and in the provision of quality information in the Nigerian banking industry, the use of AIS has also led to the timely and accurate preparations of reports, as customers have limitless access to banking service through the aid of internet banking. Their study intended to find out the impact of information system on the Nigeria banking sector in which both primary and secondary data were used and analysis of variance (ANOVA) was used to test the hypothesis. Judgmental sampling method was used to obtain a representative sample of the population. It was found that accounting information

technology can improve banks performance by reducing operational cost and by facilitating transactions among customers within the same or different network.

In another research conducted by sajady et al. (2008) the effectiveness of accounting information systems for finance managers of listed companies at Tehran stock exchange were studied. The result showed that implementation of accounting information system at these companies caused the improvement of managers decision making process, internal controls and quality of financial reports and facilitated the process of the company's transactions.

On the other hand, a study conducted by Onaolapo and Odetayo (2012) on effect of accounting information system on organizational effectiveness on selected construction companies in Ibadan, Nigeria showed that, accounting information system has a positive effect on organizational effectiveness. In addition, this study also found that accounting information system leads to good financial reports and also lead to better decision making. To reach to this finding, the researchers used purposive sampling technique to select ten personnel from each of the selected companies as a sample for the study. A hypothesis was also formulated and both descriptive and inferential statistical tools were employed to analyzed the data.

2.3 Review of Local Studies

Mesfine (2009) the study assessed the impact of accounting information in management decision making in both profit-oriented and not-for-profit organizations. Questionnaires were distributed to General Managers, Financial Managers, Marketing Managers, Production Managers and Accountants who are thought to be influenced by the information. All of them were selected by personal judgment of the research. The study showed that though accounting information impact differs in weight and result from organizations to organizations, it was found to have a relative impact in all types of organizations. And it also depicted that the impacts of accounting information is high in business organization in general, as compared to not for- profit organizations, and in manufacturing companies in particular.

Tewodros (2009) the study examined the use of management accounting information in decision making and management control in the case of some selected manufacturing companies in the city of Addis Ababa. It also assessed whether management accounting information help managers to be effective in their decisions and control. The data used in the study was obtained through questionnaire and interview. Questionnaire was prepared and distributed to finance

managers, marketing managers, production managers and accountants. Unstructured Interview was also made to collect data. The study finding showed that there was modest use of management accounting information in manufacturing companies in city of Addis Ababa and it also showed managers that use management accounting information are effective in their decision and control.

Taddesse (2015) assessed the impact of Investment made on Accounting Information System and its effect on Banks performance in the case of private commercial Banks in Ethiopia. In order to fulfill the stated objective an exploratory research design with a quantitative panel data was used. The researcher relied on consecutive ten years Annual Audited Financial Report of selected seven Private Commercial Banks in Ethiopia using a purposive sampling method for the period 2005 – 2014. The study employed a multivariate regression model using Return on Asset (ROA), Return on Equity (ROE) and Productivity (PROD) as a dependent variable for measuring the financial performance of the selected Banks and three independent explanatory variables were used as a component of Accounting Information Systems; Infrastructure, software and Services. The study found that Investment on AIS's services provided by IT personnel payroll, hiring, training, evaluating and related costs has a significant and positive impact followed by investment on AIS's software which was consistent with the researcher's expectation. While Investment on AIS's infrastructure was found to have a negative but insignificant impact. The remaining variable, size had positive but insignificant effect on their performance. The overall results revealed that Investment on AIS had a significant impact on the financial performance of Private commercial Banks in Ethiopia. Hence, based on the findings of the study the researcher concluded that, performance of infrastructure was not productive as expected and should have to consistent with the quality of AIS's service and appropriate implementation of AIS's software Taddesse (2015).

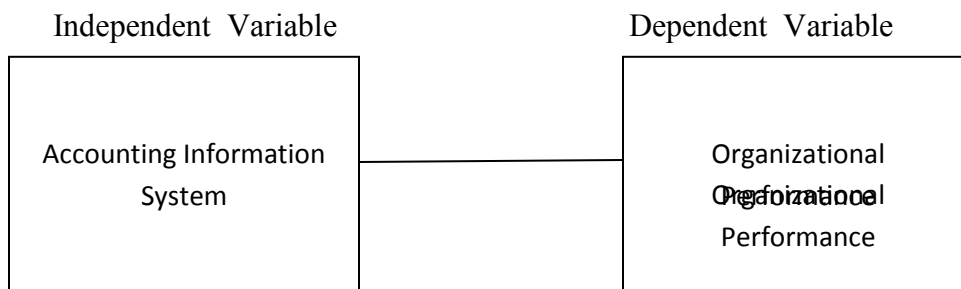
Getahun (2011) assess whether the accounting system of EEPCo of Jimma district was in line with some of the common accounting practices. Primary data was used to conduct the study through unstructured interview. For this study the researcher used a judgmental sampling of non probability techniques. And it was conclude that the organization accounting information system was not in a position to satisfy the informational needs of the interested users. Therefore, it was conclude that the organization has a lot of failure that should be resolved by corrective measure.

Yuvaraj and Kibret (2013) the study evaluated the design of AIS and its implementation by medium and large scale manufacturing firms in and around Addis Ababa. The research paper followed a survey design in order to evaluate the AIS design and implementation of medium and large scale manufacturing firms. From a survey of 555 medium and large-scale manufacturing firms in Addis Ababa Ethiopia, 105 sample manufactures were taken out of which 79 firms return the questionnaire.

Data were collected from primary sources while Z-Test statistics and multiple comparison tests were used for analysis of data. The results indicated that the accounting information system design and implementation of these firms was effective at the same time as it could enhance quality of financial reports, control and safeguard assets. The results did not indicate that the accounting information system design and implementation is effective, as it could not improve performance evaluation. It was concluded that for accounting information system design and implementation to be effective, firms' accounting information system stakeholders are supposed to focus on: enhanced AIS design and implementation criteria and increased attention towards professional and operational standard.

2.4 Framework of the Study

This research had mainly investigated the impact of accounting information system on organizational performance. In this research the dependent variable is organizational performance and the independent variable is accounting information system.



2.5 Summary and Literature Gap

Accounting information system is a computer based system that increases the control and enhances the corporation in an organization. In managing an organization and implementing an internal control system, the role of accounting information system is very crucial (Nicoloaou, 2000). Accounting information system is considered as important organizational mechanism that is critical for effectiveness of decision management and control in organizations. Daft (1983) defined organizational effectiveness as the degree to which organization realized its goals.

Existing literature offers scant evidence of the relationship between these AIS and organizational effectiveness; though it is important to highlight the study made by Elena Urquia Grande, Raquel Perez Estebanez and Clara Munoz Colomina (2010) which discovered a positive association between AIS design and organizational strategy and performance. The successful implementation of AIS could save shareholder's money and time.

Studies done so far in Ethiopia as mentioned earlier concentrate more on examining the design of AIS and its implementation, whether the accounting system in use is in line with the accounting principles, investment of AIS and its effect, the use of management accounting information in decision making and management control and impact of accounting information in management decision making. And those studies does not exhaustively show on the impact of accounting information system on organizational performance. Therefore, this study tries to narrow the research gap paying particular attention to the impact of accounting information system on organizational performance of Pharmaceutical Fund and Supply Agency in Ethiopia.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research design and methodology, including population, sampling, data collection method and data analysis.

3.2 Research Design

Burns and Grove (2003:195) defined a research design as a 'blue print for conducting a study with maximum control over factors that may interfere with the validity of the findings'. Parahoo (1997:142) described a research design as a 'plan that describes how, when and where data are to be collected and analyzed'. Polit et al (2001: 167) defined a research as 'the researchers overall for answering the research question or testing the research hypothesis'. This research design facilitates a better understanding of the impact of accounting information systems towards organizational performance.

The design of the study is explanatory research method. In addition both qualitative and quantitative methods were applied in data collection and analysis.

3.3 Population and Sample

A sample can be described as a sub-selection of the research population. According to Polit and Beck (2012: 275) samples characteristics should closely resemble those of the entire population, to be considered as representative of the population. PFSA currently has 17 branches (hubs) in Ethiopia which are Addis Ababa, Adama, Arbaminch, Hawassa, Jimma, Gonder, Dessie, BahirDare, Mekelle, Jimma, Nekemte, Semera, Gamebella, Jigjiga, shire, Negele Borena, Assosa and one central office in Addis Ababa. For the purpose of this study a sample was taken from each department of all the PFSA at the Sub National Level\regional level.

The data for this study were gathered from the central and branch staff of PFSA. The total population of the PFSA staff is 2,000. Based on Krejcie and Morgan's (1970) table for

determining sample size, for a given population of 2,000, a sample size of 215 would be needed to represent a cross section of the population so according to the Krejcie and Morgan's (1970) table the sample size of this study is 215 and used a random sampling technique.

3.4 Data Collection

Both primary and secondary data collection approaches was used to conduct this study. Primary data was collected by interviewing the PFSA staffs from selected samples and questionnaire were distributed for selected sample of PFSA staffs. Secondary data was collected through books, journals and desk research to clarify most of the issues.

Primary data enhances reliability since it's conducted by the investigator conducting the research. Respondents were selected randomly in each stratum; hence the researcher employed random sampling technique to obtain the desired number of respondents (Mugenda, 2003).

3.4.1 Reliability and Validity of Data

The reliability was ensured by testing the instruments for the reliability of values (Alpha values) as recommended by Cronbatch, (1946). Cronbatch recommends analysis for Alpha values for each variable under study. According to Sekaran 2001 Alpha values for each variable under study should not be less than 0.6 for the statements in the Instruments to be deemed reliable. Consequently, all the statements under each variable were subjected to this test and proven to be above 0.6. A measure is reliable when it is error free and consistent across time and across various items in the instrument.

The validity of the data collection instruments was done with the help of an Expert to edit the questionnaire and the interview guide. The researcher forwarded the structured questionnaire and the interview guide to supervisor who is an expert in the area covered by the research for editing and reviewing.

3.5 Data Analysis

After data collection, questions were coded and entered into Statistical Package for Social Sciences (SPSS version 20) then analysis run. Data was analyzed using explanatory statistics for quantitative data and content analysis for the qualitative data. Explanatory statistics involve the

use of frequencies and percentage. and Pearson correlation and simple linear regression was also used to check the relationship and effect between variables. Quantitative data was presented in tables, while explanations to the same were presented in prose (Mugenda & Mugenda, 1999).

3.5.1 Conceptual Model

The independent variable for this study is accounting information systems which are enforced by the human resources and enhanced by internal controls while organizational performance is the dependent variable. The relationship between the dependent variable and the independent variables has been expressed using the function below.

$$Y=f(x_1)..... (1)$$

Where;

Y = Organizational Performance

X₁ = Accounting Information Systems

Accounting information system is measured by data accuracy, providing timely data and information which is necessary to achieve evaluation and control, suiting environmental changes, improving decision making where as Organizational Performance is measured by improvement in distribution(service), market share, asset management and decision making.

3.5.2 Analytical Model

The algebraic expression of the regression model takes the following form

$$Y = \alpha + \beta_1 X_1 + \varepsilon_t (2)$$

Where;

Y = the dependent variable

α = a constant

β_1 = the slope of the regression

X_1 = the independent variable

ε_t = Model error

The statistical significance of the relationships between the dependent and the independent variables was measured at a confidence interval of 95%. Analysis of variance between the independent variables and dependent variables was measured at a significant level of 0.05. If the P value of the model is less than the level of significance (0.05) then the independent variables would be taken as having an impact of the dependent variable. If the efficiency of accounting information systems increases, then organizational performance would increase. The study would conclude that accounting information systems have a significant impact on organizational performance. If the p – value is greater than 0.05 then the model is insignificant and therefore the study cannot conclude that the independent variables have got a significant impact on the dependent variable.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter involves data analysis, results & discussions of findings. It is thus structured into several sections; Section 4.2 involves summary of the statistics, section 4.3 analysis the empirical model, section 4.4 involves chapter discussions and section 4.5 gives a conclusion on the chapter.

4.2 Summary Statistics

4.2.1 Response Rate

Questionnaires were administered to 215 respondents and 205 respondents returned the questionnaires. This translates to a response rate of 95.3%. The high response rate was attributed to the fact that most of the questions were semi-structured making it easy for the respondents to fill in the questionnaires. Furthermore, the questionnaires were delivered and collected by hand and hence there was a close contact and follow-up with the respondents. The high response rate is an indication that the results of this study are reliable.

4.2.2 General Information of the Study Population

The result of the general information of the study population is presented in Appendix I. The result shows that out of 205 respondents one-third of study participants (22.4%) were females and 77.6% males. Majority of the respondents (81 %) were in the age range of between 20-35 years. This table shows that data was collected from all branches and central office of PFSA which means the data represents overall the companies information. In addition, Ninety three (45.4%) were in Accounting, fifty respondents (24.4%) were in Store and Distribution, eleven (5.4%) were in Procurement department and the remaining fifty one (24.9%) were in Forecasting department. Table 4.5 below shows that majority of the respondents were in PFSA less than four years, 23.4% worked from five to ten years, 8.3% of the respondents were in PFSA from ten to fifteen years and the remaining 7.3% of the respondents have worked for PFSA above fifteen years.

4.2.3 Questions related to Organizational Performance

Appendix II shows respondents response regarding the organizational performance related questions in respective of inventory management, financial statement, customer welfare, operating cost.

Inventory Management

In respective of the inventory management questions, majority of the respondents strongly agree that the AIS that PFSA currently use supports annual inventory count and provide necessary report and 30.7% slightly disagreed on that. However, 17.1% and 15.1% of the respondents strongly disagree and slightly agreed that the currently used AIS support annual inventory and count and provide necessary report respectively while 2.9% were neutral. 22.9% and 2% of the respondents slightly agreed and strongly agreed respectively that the wastage of items has been improved after using AIS. However, 41.5% of the respondents slightly disagreed and the remaining 33.7% had a neutral response.

In addition to the responses, equal number of respondents gave opposite response which is 28.3% said they slightly disagree and the other 28.3% said they strongly agree that the currently used AIS provides information about received, issued and all movement of inventories. On the other hand 27.3% and 15.1% of the respondents responded strongly disagreed, slightly agreed on this area. And the remaining 1% are neutral. In general majority of the respondent agree that using of AIS has helped the staff to make the inventory counting better by providing the necessary information from the system. In addition to this the information the researcher got from interviewing the staffs is that the wastage of inventory has been decreased after they started using the AIS since they can easily track and control the stock information like expiry date and stock condition.

Financial Statement

From the financial statement respective questions from the total 205 respondents most of the respondents strongly agreed (45.4%) that AIS has provided periodic and regular financial reports. one-third of study participants (22.4%) were females and 77.6% males. Majority of the respondents (47.3%) strongly agreed and 23.4% slightly agreed that AIS provides accurate data

to prepare financial statements. On the other hand 4.9% and 13.7% of the respondents slightly and strongly disagreed respectively on the currently used AIS providing accurate data to prepare financial statement and 10.7% gave a neutral response.

In addition, 49.3% and 24.9 % of the respondents strongly and slightly disagreed respectively on the currently used AIS providing financial information to assist in the planning of the financial resources. Also Appendix II shows that majority of the respondents (59%) gave a neutral response on the AIS providing detail information about the services provided in terms of quantity, cost and price. While 21.5%, 5.4%, 7.8% and 6.3% strongly disagreed, slightly disagreed, slightly agreed and strongly agreed respectively.

Customer Welfare

As shown from the Appendix II, majority of the respondents strongly disagree on the AIS that PFSA currently use insures delivering of the product to customer by capturing and providing detail information of the receipt and 38.5% also slightly disagreed on that. And 8.8% and 0.5% of the respondents slightly agreed and strongly agreed respectively that the customer returns process time has reduced after using the currently implemented AIS. Also 9.3%, 2.4%, 4.4% slightly, strongly agreed and gave neutral response respectively on the AIS capturing and processing customer request information on time.

Operating Cost

Majority of the respondents slightly disagreed that the AIS has contribution in reducing distribution and additional cost and also 5.9% strongly disagreed on that. However, 19% of the respondents slightly agreed that the currently used AIS contributes in reducing distribution and additional cost while 13.7% were neutral. Regarding improving the adequacy and effectiveness of the supply chain 30.2% slightly agreed and 13.2% gave a neutral response but majority of the respondents strongly and slightly disagreed on this. . The data in Appendix II shows that majority of the respondents strongly and slightly disagreed about AIS contribution in improving efficiency by adopting system for procurement, distribution and other departments. On the other hand 29.3% of the respondents slightly agreed that AIS has contributed in improving efficiency by adopting efficient system for procurement, storage and other department.

Table 4.1 Questions respective to Organizational Performance

Question on Organizational Performance	Strongly Disagree		Slightly Disagree		Neutral		Slightly Agree		Strongly Agree	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
The company has been reporting increased in distribution	44	21.5	5	2.4	132	64.4	18	8.8	6	2.9
The company decision making has been improved	44	21.5	5	2.4	128	62.4	21	10.2	7	3.4
The company has been reporting improved procurement and asset management	44	21.5	5	2.4	109	53.2	39	19.0	8	3.9
The company has been reporting increased market share	52	25.4	-	-	129	62.9	17	8.3	7	3.4

Table 4.1 shows that from the total respondents 21.5% and 2.4% of the respondents strongly and slightly disagreed on their company reporting in increase of distribution respectively.. However, 8.8% and 2.9 % of the respondents slightly and strongly agreed on this. And the remaining and majority (64.4%) of the respondents response were neutral. Majority of the respondents had a neutral response on the company decision making improvement and on company reporting improvement regards to procurement and asset management.

As shown in the table 4.1, 8.3% and 3.4% of the respondents slightly and strongly agreed respectively that their company has been reporting increased market share and majority of the respondents (62.9%) had a neutral response. However, the remaining respondents which were 25.4% had strongly disagreed about their company reporting increased in market share. In addition, the staffs mentioned in the interview that the companies distribution capacity has increased after using the AIS the reason they mentioned for that is that since the information system allows them to see the available stock at the time of issue and the receive entering process is done easily they can process customers requests easy.

4.2.4 Questions respective of the Accounting Information System

Table 4.2 contains questions related to AIS which is used to evaluate the AIS that PFSA currently uses. Majority of the respondents gave a neutral response about the data generated by the AIS being accurate, timely, fast and the report generated from it satisfying their needs, being flexible to suit environment, influencing management decision and the firm organization and administration being improved after using the AIS. This shows the AIS is efficient and effective.

Table 4.2 Questions respective of the Accounting Information System

Question	Strongly Disagree		Slightly Disagree		Neutral		Slightly Agree		Strongly Agree	
	Frequenc y	Percen t	Frequenc y	Percen t	Frequenc y	Percen t	Frequenc y	Percen t	Frequenc y	Percen t
Is the data which is generated from AIS accurate?	44	21.5	5	2.4	128	62.4	15	7.3	13	6.3
Is the data which is generated from AIS timely ?	41	20	5	2.4	115	56.1	25	17.1	9	4.4
Does it provide necessary information to achieve evaluation and control?	-	-	85	41.5	69	33.7	47	22.9	4	2
Is the AIS flexible to suit environmental changes?	-	-	68	33.2	89	43.4	30	14.6	18	8.8
Is the response time fast	-	-	68	33.2	89	43.4	30	14.6	18	8.8
Is the reports generated by the system satisfy your needs?	44	21.5	5	2.4	128	62.4	15	7.3	13	6.3
Does the AIS improve decision making process.	-	-	85	41.5	69	33.7	47	22.9	4	2
To what extent the accounting information produced influences management's decision?	-	-	68	33.2	89	43.4	30	14.6	18	8.8
Do you think the AIS developed is convenient for management's decision?	101	49.3	51	24.9	13	6.3	13	6.3	27	13.2
Does the organization and administration of the firm improved since using AIS?	41	20	12	5.9	109	53.2	34	16.6	9	4.4

In addition to the data collected from questioner the researcher interviewed the management and different staffs of PFSA on this topic. All the respondents confirmed that their firm's organization and administration have improved since using AIS since they get accurate data

whenever they need it. This is an indication that AIS is not only used to produce the financial reports but also help the management in organizing and administering their firms.

During interview some of the interviewers cited lack of proper training and lack of proper system documentation as some of the challenges they face. Other respondents also noted that high staff turnover is one of the challenges of using the AIS. They indicated that when the staff turnover is high, some of super trained staff leave the organization and they happen to be having more information about the AIS than the normal users of the AIS.

4.3 Empirical Model :

4.3.1 Hypothesis Testing

The Kolmogorov-Smirnov test was performed to examine the normal distribution of the data. Kolmogorov-Smirnov-Test is used to compare two variables x and y or to compare one variable with a theoretical distribution, e.g. the normal distribution Valentin (2010). As the significance level of the test was greater than 0.05, the normal distribution of the data was accepted. And to look for the difference between the means of the variables one sample T- Test is used. One sample T-test is a statistical procedure often performed for testing the mean value of a distribution. It can be used under the assumption that sampled distribution is normal. It is also used to compare the mean of a sample to predefined value.

As can be seen from the Table 4.3, the t-test revealed that there is a significant mean difference between inventory management, financial statement, customer welfare and organizational performance and average value,3. So it can be concluded that the hypothesis implying high inventory management, financial statement, customer welfare and organizational performance by using AIS is accepted at 95%. The t- test result also shows that operating cost don't have a significant mean difference with AIS. There is a significant mean difference in Inventory Management ($M= 3.39$, $SD= 0.79$); $t(205) = 7.10$, $p=0.000$). Mean difference score for this variable showed that users have higher mean score reveal that companies who use AIS manage their inventory better.

As shown in the table below, some of the mean scores of the behavioral determinants were found to be significant. Financial Statement ($M= 3.72$, $SD= 0.14$); $t(205) = 9.05$, $p=0.000$), Customer Welfare ($M= 4.22$, $SD= 0.83$); $t(205) = 21.02$, $p=0.000$), Organizational Performance ($M= 3.28$,

SD= 0.00); $t(205) = 4.01, p=0.000$. Mean difference score for this variables showed that companies that use AIS will increase the accuracy and timely preparation of financial statements, customer welfare and efficiency of the organization.

In addition, the below table shows that the mean value is the same as the test value so we can conclude the sample is just like the population. Mean scores for item scales in the table are a score out of 5, where 1(strongly disagree) is the least desirable response and 5 (strongly agree) the most desirable.

Table 4.3 One sample T- Test

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
IM_Score	205	3.3951	.79656	.05563
FS_Score	205	3.7232	.14372	.07988
CW_Score	205	4.2211	.83162	.05808
OC_Score	205	3.0244	.05407	.07362
OP_Score	205	3.2829	.00815	.07041

One-Sample Test						
	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
IM_Score	7.102	204	.000	.39512	.2854	.5048
FS_Score	9.053	204	.000	.72317	.5657	.8807
CW_Score	21.024	204	.000	1.22114	1.1066	1.3357
OC_Score	.331	204	.741	.02439	.1208	.1695
OP_Score	4.018	204	.000	.28293	.1441	.4218

t(2014)

4.3.1. 1 Accounting Information System has significant impact on Inventory Management

The result of the correlation analysis presented in Table 4.4 showed that the P-value is 0.000 which is less than 0.05. Therefore, the null hypothesis will be rejected which means inventory management have significant relationship with AIS since it has positive association with inventory management ($r= .322, p=0.01$). Companies who have and use AIS have the higher the possibility to improve inventory management.

Table 4.4 AIS has significant impact on Inventory Management

Correlations			
	AIS_Score	IM_Score	
AIS_Score	Pearson Correlation	1	.322**
	Sig. (2-tailed)		.000
	N	205	205
IM_Score	Pearson Correlation	.322**	1
	Sig. (2-tailed)	.000	
	N	205	205

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

4.3.1. 2 Accounting Information System has significant impact on Financial Statement

AIS has significantly positive correlation with financial statement since the P-value is 0.000 which is less than 0.05. Therefore, Companies who have and use AIS have the higher possibility to prepare accurate financial statement.

Table 4.5 AIS has significant impact on Financial Statement

Correlations			
	AIS_Score	FS_Score	
AIS_Score	Pearson Correlation	1	.689**
	Sig. (2-tailed)		.000
	N	205	205
FS_Score	Pearson Correlation	.689**	1
	Sig. (2-tailed)	.000	
	N	205	205

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

4.3.1. 3 Accounting Information System has significant impact on Customer Welfare

Table 4.6 shows the correlation between customer welfare and AIS that the P-value is 0.000 which is less than 0.05. Therefore, the null hypothesis will be rejected, and that means AIS has a positive impact on customer welfare ($r = .302$, $p = 0.01$). If a company has well structured AIS there will be a possibility to increase customer welfare.

Table 4.6 AIS has significant impact on Customer Welfare

Correlations		
	AIS_Score	CW_Score
AIS_Score	Pearson Correlation	1
	Sig. (2-tailed)	.302**
	N	205
CW_Score	Pearson Correlation	.302**
	Sig. (2-tailed)	.000
	N	205

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

4.3.1. 4 Accounting Information System has no significant impact on Operating Cost

Table 4.7 shows that AIS has no significant relationship with operating cost since the P-value is 0.053 which is greater than 0.05. Therefore, the null hypothesis will be not be rejected, and that means AIS doesn't have a positive relationship with operating cost.

Table 4.7 AIS has no significant impact on Operating Cost

Correlations		
	AIS_Score	OC_Score
AIS_Score	Pearson Correlation	1
	Sig. (2-tailed)	.135
	N	205
OC_Score	Pearson Correlation	.135
	Sig. (2-tailed)	.053
	N	205

4.3.1. 5 AIS has significant effect on Organizational Performance

Table 4.8 shows that the P-value of 0.000 which is less than the significance value of 0.05 which means the null hypothesis will be rejected. Therefore, the independent variables (Accounting information system) have a significant relationship with the dependent variable (Organizational Performance). This implies that companies which use AIS have a higher possibility to increases their organizational performance.

Table 4.8 AIS has significant effect on Organizational Performance

Correlations			
	AIS_Score	OP_Score	
AIS_Score	Pearson Correlation	1	.736**
	Sig. (2-tailed)		.000
	N	205	205
OP_Score	Pearson Correlation	.736**	1
	Sig. (2-tailed)	.000	
	N	205	205

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

4.3.1. 6 Regression Analysis - Organizational Performance * AIS

This study also done simple linear regression analysis to establish the relationship between organizational performance and AIS. Simple linear regression is used to analyze the effect one independent explanatory covariate on a dependent response variable Valentin (2010).

According to the findings from the data, the following results which are shown in Table 4.9 were established by use of SPSS version 20. The results of linear regression shows that $R = 0.736$ and $R^2 = 0.542$ which indicates that the independent variables explain 54% of the variability of the dependent variable and the rest 46% are not explained by the model.

The below table also shows Statistics of Anova that the P- value is 0.00 which is less than 5% that indicates our model is a better predictor of the outcome than the mean and it also shows that the independent variable (AIS) have an impact on the dependent variable (organizational performance). This implies that AIS increases organizational performance (efficiency). The accounting information systems were measured based on dimensions such as data accuracy, providing timely data and information which is necessary to achieve evaluation and control, suiting environmental changes, improving decision making. The study shows that accounting information systems have a significant impact on organizational performance.

Table 4.9 Organizational Performance * AIS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.736 ^a	.542	.540	.68367

a. Predictors: (Constant), AIS_Score

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.456	1	112.456	240.595	.000 ^b
	Residual	94.884	203	.467		
	Total	207.340	204			

a. Dependent Variable: OP_Score

b. Predictors: (Constant), AIS_Score

4.4 Discussion

This study was mainly conducted to identify the impact of AIS on Organizational Performance in Pharmaceutical Fund and Supply Agency in Ethiopia and also to check whether AIS has effect on inventory management, financial statement, customer welfare and operating cost.

Correlation analysis is used to identify the degree of linear association between variables. Values of the correlation coefficient are always ranged between +1 and -1. A correlation coefficient of +1 indicates that the existence of a perfect positive association between the two variables; while a correlation coefficient of -1 indicates perfect negative association. A correlation of zero, on the other hand, indicates the absence of relationship (association) between two variables (Brook, 2008). In this study, the researcher employed Pearson correlation method in order to find the association of the independent variable with the performance of Pharmaceutical Fund and Supply Agency in Ethiopia.

The result found is that there is a positive association between inventory management, financial statement, customer welfare and organizational performance with AIS which means the higher

the use of AIS the higher possibility of managing inventory which will improve wastage of items. Also using AIS has a positive impact on financial statement regards to providing fast and accurate financial statements regularly which will help in the planning process. The other result found is that the higher the usage of AIS the higher customer welfare and higher organization efficiency. The result found is in-line with the finding of the earlier researches done (Azize e, 2016; Ahmad. 2013; Hadi S, 2014; Siamak, 2012; Mehadi, Mahmoud, Mostafa, Ebadollah, 2015; Elena, Raquel, Clara, 2011).

Azize (2016) has done a research on small and medium sized enterprises in Turkey and found out that there is a positive relationship between the use of AIS with Customer welfare. Ahmad (2013) has done a research on income and sales tax of the department of Jordan and found out that using AIS has a significant impact on the financial statement. In addition the research which was done by Siamak (2012) also found that AIS has an positive impact on inventory management, customer relations and financial performance.

In addition, Hadi (2014) has done a research on the impact of AIS on Financial statements in India company and he found out that AIS has a positive relationship between financial performance, decision making and organizational resource. Furthermore, the research which was done by Ahmad (2013) found that AIS has a positive impact on the quality of financial statements prepared and summated to the Income Tax and sales department in Jordan. This shows that the results found in table 4.4, 4.5, 4.6 and 4.8 are acceptable since the finding of this research is in-line with the earlier researches finding which was done by the above researchers.

Moreover, studies conducted in different countries confirmed that, AIS has significant impact on organizational performance. This study confirms that the results of previously conducted studies by Alnajjar in UAE, Azize in Turkey, Elena, Raquel, Clara in Spain and Simak in UAE. Those researches stated that AIS has improved the efficiency of the organization performance. This shows that the results found in table 4.9 is in- line with the analyzed literatures which makes the result acceptable.

4.5 Summary

The chapter gathered information about the respondents such as their age, gender, how many years they worked in PFSA, in which department and branch they work at and the key elements of the study, organizational effectiveness and the accounting information systems. Discussions about the findings were analyzed for each table. The research used explanatory statistics. Pearson correlation coefficient and linear regression were used to check the relationship and effect between variables. This study found that AIS has a positive relationship and significant impact on organizational performance respective of inventory management, financial statement, customer welfare. However, this study showed that AIS doesn't have positive and significant impact with operating expense. The findings of this study concluded that Accounting information systems has a significant impact on organizational performance. The study was faced with limitations such as slow response rate and lack of full cooperation from some respondents.

CHAPTER FIVE

SUMMARY AND CONCLUSION

5.1 Introduction

This chapter consists of a brief summary of findings that were obtained. It also contains conclusions and offers recommendations on how to improve the present situation. The research implications are discussed and suggestions of opportunities for further research presented. Section 5.2 is the summary of the study, section 5.3 gives the conclusion, 5.4 outlines the limitations of the study & section 5.5 outlines recommendations for further research.

5.2 Summary of the Study

The main aim of the study was to find out the impact of Accounting Information Systems on the organizational performance. The study measured the effectiveness of the Accounting Information Systems based on the various dimensions including data accuracy, providing timely data and information which is necessary to achieve evaluation and control, suiting environmental changes and improving decision making.

The findings of the study indicated that the AIS which is used in the Pharmaceutical Fund and Supply Agency (PFSA) is quality system. The researcher evaluated various characteristics of an information system. These characteristics included ease to suite environmental changes, satisfying needs, improve and influence decision making. The findings further indicated that the quality of information was guaranteed. The results indicated that the outputs from AIS were fast, accurate, and timely.

The findings of this study also indicated that AIS is an important mechanism of an organization that is vital for effective management decision-making and controlling organization. The results are consistent with empirical reviews which indicated that AIS has a positive impact on inventory management, financial statement and customer welfare. However this study showed that there was no significant relationship between AIS and operating cost. In addition to the

above mentioned once the study also showed that there exist a positive relationship between AIS and organizational performance. AIS is an effective decision-making tool for controlling and coordinating the activities of an organization. The findings further indicated that AIS contribute to the success of organizations. Some of the benefits included improved decision-making, improved service, increased sales or improved distribution, market efficiency and customer welfare.

The study sought the challenges faced when using the AIS. The other findings which was indicated during interview was that the major challenges were lack of proper training and lack of proper system documentation as some of the challenges they face. Further, the mentioned that high staff turnover is a major challenge of using the AIS. When the staff turnover is high, some of super trained staff leaves the organization and they happen to be having more information about the AIS than the normal users of the AIS.

5.3 Conclusion

Accounting information system is critical to the production of quality accounting information on a timely basis and the communication of that information to the decision makers. Existing literature offers evidence of the relationship between these AIS and organizational performance; though it is important to highlight that an in-depth study is required to examine other factors that may influence this relationship. The information value generated by AIS to shareholders and stakeholders in making investment decisions is invaluable. Financial managers need the financial and accounting data provided by AIS to evaluate the firm's past performance and to map future plans.

This study showed that there is strong relationship between accounting information system and organizational performance, which means access to accounting information, will lead to better organizational performance. Therefore, it can be concluded that accounting information system has an impact on organizational performance.

5.4 Limitation of the Study

This study was not without limitations. First, due to time constraint this study was limited to one organization Pharmaceutical Fund and Supply Agency (PFSA) and it was difficult to measure the level of the organizational effectiveness of the firms in PFSA with limited subjectivity.

5.5 Recommendations for Further Study

Based upon the results, this study recommends companies to use Accounting Information System for better inventory management, financial statement, customer welfare and for increasing organizational performance.

Throughout working on this study, some suggestions concerning the expansion of the present study have arisen. First, I would suggest similar studies to be done in more companies in order to compare the findings with the findings of this study. A survey would shed more light than just a case of selected company. Finally, a similar study could also be carried out focusing on factors influencing implementation of accounting information systems or even challenges faced during implementation of accounting information systems in the organization.

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Appendix I : General Information of the Study of Population

General Information of the Study Population

<u>Category</u>	<u>Frequency</u>	<u>Percentage (%)</u>
Gender of the Respondents		
Female	46	22.4%
Male	159	77.6%
Total	205	100%
Age of the Respondents		
20 - 35	166	81.0%
36 - 40	28	13.7%
41 - 45	11	5.4%
Total	205	100%
Branch you Work in		
Center	16	7.8%
Adama	14	6.8%
Gonder	16	7.8%
Mekelle	23	11.2%
Bahirdare	11	5.4%
Assosa	5	2.4%
Dessie	7	3.4%

Gambella	5	2.4%
Shire	6	2.9%
Nekempt	11	5.4%
Addis Ababa	14	6.8%
Arbaminch	9	4.4%
Negele Borena	5	2.4%
Jimma	15	7.3%
Jigiga	9	4.4%
Semera	11	5.4%
Hawassa	9	4.4%
Dire Dawa	19	9.3%
Total	205	100%

Department

Accounting	93	45.4%
Finance & Distribution	50	24.4%
Procurement	11	5.4%
Forecasting	51	24.9%
Total	205	100%

Year of Experience

Up to 4	125	61.0%
5 - 10	48	23.4%
10 - 15	17	8.3%
Above 15	15	7.3%
Total	205	100%

Appendix II : Questions respective to IM, CW and OC

Questions respective to IM, FS, CW and OC

Question	Strongly Disagree		Slightly Disagree		Neutral		Slightly Agree		Strongly Agree	
	Frequenc y	Percen t	Frequenc y	Percen t	Frequenc y	Percen t	Frequenc y	Percen t	Frequenc y	Percen t
Inventory Management										
Support annual inventory count & provide necessary report	35	17.1	63	30.7	6	2.9	31	15.1	70	34.1
Provide information about all movement of inventories	56	27.3	58	28.3	2	1.0	31	15.1	58	28.3
The wastage of items have been improved	-	-	85	41.5	69	33.7	47	22.9	4	2
Financial Statement										
Provide periodic and regular financial report	93	45.4	52	25.4	22	10.7	12	5.9	26	12.7
Provide accurate data to prepare financial statement	97	47.3	48	23.4	22	10.7	10	4.9	28	13.7
Provide financial information assisting in the planning of financial resources.	101	49.3	51	24.9	13	6.3	13	6.3	27	13.2
Provide detail information about the service provided	44	21.5	11	5.4	121	59.0	16	7.8	13	6.3
Customer Welfare										
Insure delivering of the right product to customer by capturing and providing detail information of the receipt	104	50.7	79	38.5	3	1.5	14	6.8	5	2.4
Reduce customer returns processing time by providing previous issue data	91	44.4	89	43.4	6	2.9	18	8.8	1	0.5
Customer request information is captured and processed on time	94	45.9	78	38.0	9	4.4	19	9.3	5	2.4
Operating Cost										

Has contribution in reducing distribution and additional costs	12	5.9	126	61.5	28	13.7	39	19	-	-
Has contribution in improving the adequacy and effectiveness of the supply chain by reducing cost of sales and sales expenses	9	4.4	107	52.2	27	13.2	62	30.2	-	-
Has contribution in improving efficiency by adopting efficient systems for procurement, storage etc.	11	5.4	107	52.2	27	13.2	60	29.3	-	-

SECTION B: Information of AIS impact on organizational effectiveness in case of PFSA. Please indicate the significance of each factor by ticking the appropriate boxes. Add any remarks on the space provided for others.

1. From your experience, how do you rate each of the following questions respective of organizational effectiveness?

Key: 1=Strongly Disagree; 2=Slightly Disagree; 3=Neutral; 4=Slightly Agree; 5=Strongly Agree

Statement	1	2	3	4	5
Inventory Management					
Support annual inventory count and provide necessary report					
Provides information about the received, issued and all movement of inventories.					
The wastage of items have been improved					
Financial Statement					
Provides periodic and regular financial reports					
Provides accurate data to prepare financial statement					
Provides financial information assisting in the planning of financial resources					
Provides detail information about the services provided in terms of quantity, cost and price.					
Customer Welfare					
Insure delivering of the right product to customer by capturing and provide detail information of the receipt					
Reduced customer returns process time by providing previous issue data					
Customer request information is captured and processed on time					
Operating Cost					
Has contribution in reducing distribution and additional costs					
Has contribution in improving the adequacy and effectiveness of the supply chain by reducing cost of sales and sales expenses					

Has contribution in improving efficiency by adopting efficient systems for procurement, storage and other department					
Organizational Performance					
The company has been reporting increased in distribution					
The company decision making has been improved					
The company has been reporting improved procurement and asset management					
The company has been reporting increased market share					

2. From your experience, how do you rate each of the following questions respective of Accounting Information System?

No.	Accounting Information System	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree
1	Is the data which is generated from AIS accurate?					
2	Is the data which is generated from AIS timely ?					
3	Does it provide necessary information to achieve evaluation and control?					
4	Is the AIS flexible to suit environmental changes?					
5	Is the response time fast?					
6	Is the reports generated by the system satisfy your needs?					
7	Does the AIS improve decision making process.					
8	To what extent the accounting information produced influences management's decision?					
9	Do you think the AIS developed is convenient for management's decision?					
10	Does the organization and administration of the firm improved since using AIS?					

Thank you!!!