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Implementation of an Accounting Information System Improving the Quality of Financial Reporting

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ABSTRACT

Information systems play a crucial role in companies and businesses, particularly in accounting information systems. This study centers on the execution of accounting information systems to achieve enhanced quality of financial statements. The research methodology employed in this study is a comprehensive review of existing literature. The data utilized is classified as secondary data. The study findings demonstrate that the use of accounting information systems has a substantial influence on enhancing the accuracy and reliability of financial statements. Furthermore, the effective utilization of accounting information systems is contingent upon the backing of management, which plays a role in enhancing the accuracy and reliability of financial statements.

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1. INTRODUCTION

The growth and development of information technology have an impact on the progress of an entity in utilizing information systems, especially accounting information systems. The movement of computers as a vehicle for information and a place for automatic data processing. The development of accounting information systems has helped companies realize quality financial reports. This has the opportunity to make decisions and increase competitive advantage.

Financial reports are an important foundation of a business which aims to provide information to interested parties in the business. Financial reports help entities carry out policies and progress.

A company's progress can be assessed to what extent the company can utilize technology, especially accounting information systems. Financial information is designed by an accounting information system and this information includes the process of entering, processing, and releasing data to optimize effectiveness and efficiency in making quality decisions.

Based on the Bank Indonesia Survey in the 2022 MSME Empowerment Report, 69.5% of MSMEs have not received a loan. This is due to low financial literacy due to the use of manual transactions which generally do not have intensive recording, and incomplete financial reports, which have an impact on disorganized bookkeeping, thus hindering obtaining comprehensive financial services.

The success of this technology can provide relevant, accurate, reliable, fast, and precise information. So, it can prevent obstacles between systems, minimize the risk of errors speed up the financial reporting process, and obtain neat and significant bookkeeping. The existence of an accounting information system is also expected to create a business environment that is quality, effective, efficient, and responsive to changes in the business environment. Apart from that, quality financial reports become the capital of the trust to attract investors, regulators, business partners, and so on. Implementing an accounting information system is an initial solution to facing the challenges of increasingly rapid globalization to create quality financial reports to help make decisions.

Therefore, the topic of this research is the steps taken to implement an accounting information system, the impact on improving the quality of financial reports, as well as elements that support implementation. This research aims to provide an understanding of accounting information systems for stakeholders in a company or business, even MSMEs, and identify the impact of implementing accounting information systems in improving the quality of financial reports [1].

2. LITERATURE STUDY

Decision Usefulness Theory (Decision-Usefullness Theory) is a method of decision-making that is intended to obtain the information needed to make decisions. Decision usefulness theory is in the form of accounting objectives to obtain historical information in decision-making. This theory reflects the procedures that must be fulfilled by the financial reporting department which includes the quality of accounting information that is realized in the form of an accounting information system [2].

2.1 *Accounting information system*

A system is a component consisting of goals, living things, activities and so on that contribute to each other to achieve the achievement of one or more goals that have been set [3]. In addition, a system can be defined as a series of parts consisting of two or more that are interconnected to achieve certain goals [4].

Information is a container for data that has been processed. Information is also called data that has been processed in such a way that it is useful and meaningful for those who receive it [3].

An accounting information system is a system that includes lists, notes, and reports that are prepared in such a way as to provide the financial information that management needs to facilitate the management of a business or entity [5].

An Accounting Information System (AIS) Which designed as a means and vehicle for entities to manage information [6]. System Accounting information form of liability entity answers in providing information in the form of data transactions as reporting to internal and external parties of the entity.

The Accounting Information System is also a means of regulation in carrying out supervision related to incoming and outgoing cash so that the process is in accordance with the plans and missions that have been determined [7].

Accounting Information Systems are systems designed to provide managers with data and information with the tools necessary to carry out business operations and achieve common goals.

2.2 *Objectives of Accounting Information Systems*

The objectives of the accounting information system include the following [8]:

1. Fulfillment of all entity obligations in accordance with the rights granted to individuals.
2. Information is a valuable provision for management decision making.
3. To support the smooth operation of the company.

The existence of these three objectives of the Accounting Information System can be concluded that an accounting information system is needed both internally and externally for the entity.

2.3 *Financial statements*

Financial statements are a process, an information system that starts from the process of recording, classifying, summarizing, presenting preparing, and disclosing financial reports. The goal is that this information can be used as a basis for consideration in decision-making [9].

The types of financial reports include:

1. Financial position report
2. Statement of Changes in Equity
3. income statement
4. cash flow statement
5. notes to financial reports

3. RESEARCH METHODS

This research uses library research, especially data collection, to gain knowledge, and understand and analyze theories from various relevant literature sources. This research uses secondary data, which comes from previously published data sources [10]. Data collection techniques use the crowd-sourcing methodology and utilize various sources including books, journals, and previous research. The material collected from various sources is carefully assessed to ensure the suitability of the ideas and hypotheses proposed.

4. RESULTS AND DISCUSSION

4.1 *Implementation of an Accounting Information System to improve the quality of financial reports*

Implementing an effective accounting information system will make financial recording easier and speed up the search for necessary information. Computer information systems are more efficient than manual information systems based on several factors, such as data security, time, accuracy, relevance, and physical convenience [11].

Using this system efficiently can increase fund transparency, optimize operational processes, and increase the accuracy of business or company financial reporting. Training and mentoring to support business people with skills in utilizing accounting information systems (AIS). The effectiveness of accounting information systems as a form of collaboration between government, financial institutions, and the private sector is essential for creating an environment that supports the implementation of accounting information systems. This joint initiative includes providing access to technology, training, as well as financial allocations needed to implement AIS efficiently [12].

Increasing the accuracy of financial data is important for an entity to improve the quality of financial reports. This system not only automates traditional accounting processes but also introduces additional features for example, data integration, predictive analysis, and increased security. Implementation of this system helps improve operational efficiency and transparency of financial reporting and provides a competitive advantage to the company [13].

Accounting information systems serve two groups: external parties such as buyers, suppliers, shareholders, labor, and financial institutions, and internal parties including management, purchasing, stock control, production management, personnel management, and financial management [14].

Financial performance is greatly influenced by the implementation of AIS as shown by significant increases in ROI, profit margins, and data processing time, which results in higher-quality financial reports [15].

Based on the research above, it can be concluded that the implementation of an accounting information system has a significant effect on improving the quality of financial reports. This is because the better the implementation of the accounting information system in the company, the better it shows intensive financial recording, accurate data processing, and so on. This results in an increase in the quality of financial reports.

4.2 *Stages of Implementing an Accounting Information System*

The process of a successful Accounting Information system requires a careful and relevant approach. Each type of entity has a different business framework, activity processes, and mission, so the implementation stages need to be structured to describe the results to be achieved.

The first step is to design an accounting information system plan to carry out an overall audit according to the company's needs and objectives. Entity members can collaborate with internal stakeholders to analyze the occurrence of entity activities, assess deficiencies, and identify fulfillment of demands through the accounting information system. Based on this analysis, the entity can achieve the functional and non-functional requirements that the implemented solution must fulfill [12].

The next stage is to formulate the right decision. This work aims to select an accounting information system that meets the specified requirements. This process includes not only program selection, but also optimizing materials and aesthetics to suit the entity's tastes. Another option is to increase the utilization of existing applications or systems within the company. When creating a solution, it is important to consider the scalability of the system to ensure that the solution can accommodate the company's growth and changing needs. The ability to adapt to participate in upcoming modifications is critical to the continued prosperity of accounting information systems [16].

The next process is implementation. Implementation in a sustainable and coordinated manner to minimize negative impacts on business activities. Each member entity must join forces with other divisions to schedule relevant implementations in its normal business activities.

Apart from that, efficient change management construction planning is also needed to encourage entities to overcome cultural differences and the presence of new systems aimed at improving the quality of financial reports (Lestari et al., 2020). The stages of SIA implementation can also pay attention to and understand the concept and meaning of implementing policies, approaches, strategies, models, process stages, measurement criteria, and factors that influence the success of policies in the company [17]. This research concludes the stages of SIA implementation in the form of planning, solution design, and implementation.

4.3 *Management supporting factors as a form of AIS success*

Implementation of the necessary accounting information systems is very important to improve the accuracy and reliability of financial reports. Management support is an important aspect that greatly influences the effective implementation of information technology to improve the quality of financial reports. The effective implementation of an organization depends not only on the technical and functional features of its systems but also on the support and relationships built by management. Management support includes consensus, resource allocation, and active involvement of organizational leaders. Having a shared consensus among management is an important ethical guideline that serves to inspire and invigorate all employees within the company. When management actively participates and shows a strong commitment to the successful implementation of accounting information systems in the company, this shows that this activity is considered a top strategic priority. Therefore, personnel demonstrate greater flexibility in responding to changes and can contribute effectively to the successful implementation of accounting information systems [18].

In addition, a consistent resource allocation process is essential to ensure that the implementation of business activities receives the necessary financial support. Company management needs to realize that investment in accounting information systems is not merely an expense, but rather a strategic long-term investment that produces huge profits in improving the accuracy and reliability of financial reports. Ensuring a stable distribution of resources involves not only software and technology, but also staff training, change management, and effective management of business activities by human resources. Active participation from management is a very important aspect, in addition to unity of opinion and resource allocation. Direct and active involvement of senior management is essential to accurately incorporate the strategic perspective required for successful accounting information system design and implementation. Management must actively participate in the planning, design, and testing stages of the system to verify that the proposed solution meets the organization's vision and goals [19].

Effective leadership is critical in guiding management to implement transparent reforms. Implementation of an accounting information system often results in substantial changes to company procedures. Therefore, management must understand and analyze the impact of the modifications on employees and actively participate in ensuring the smooth integration of these adjustments into daily operations. Effective corporate management communication can facilitate the resolution of differing points of change view and foster an environment conducive to the successful implementation of such change. Management support is not only limited to the initial stages of implementation but continues throughout the system lifecycle. Successful companies enforce and improve accounting information systems by actively involving management, implementing ongoing adjustments as technology advances, and ensuring the systems are aligned with business goals. Management support can also promote effective communication among the many departments and people participating in the implementation. The management function in conflict management can effectively overcome obstacles that may arise during the implementation process. In addition, entity management serves as an intermediary between the demands of the organization and the individuals participating in system development, ensuring that business requirements are met effectively. Management support, in the context of improving the quality of financial reports, includes a comprehensive understanding of the entity's financial processes and information needs. Management must collaborate closely with finance and accounting personnel to ensure that the accounting information system being developed can provide highly accurate, relevant, and timely financial reports [20].

It can be concluded that the management assistance factor is very important for the successful implementation of an accounting information system. The management of any organization must have important characteristics such as consensus, resource allocation, proactive involvement, effective leadership, and understanding of business requirements. If management is well organized, companies can fully utilize accounting information systems to improve the accuracy of financial reports and achieve business goals.

5. CONCLUSION

Based on the research that has been carried out, it can be concluded that an accounting information system is a system that includes the organization of forms, records, and reports which are coordinated in such a way as to provide the financial information needed by management to facilitate company management.

The implementation of an accounting information system has a very significant effect on improving the quality of financial reports.

Management's supporting factors are the key to successful implementation, including unity of opinion, allocation of resources, active participation, management leadership, and understanding of business needs which are the basis that reflects effective management support to improve the quality of financial reports. The research method used in this research is the library research method, namely a method of collecting data by understanding and studying theories from various literature related to research.

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