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**ST. MARY UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**“ASSESSMENT OF ACCOUNTING SYSTEM IN PUBLIC  
ENTERPRISES: A CASE OF ETHIOPIAN ELECTRIC UTILITY”**

**BY  
YIRGU HAILU BUTTA**

**JANUARY 2017**

**SMU**

**ADDIS ABABA**



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**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE  
STUDIES OF ST. MARY'S UNIVERSITY IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE  
OF MASTER OF BUSINESS ADMINISTRATION IN  
ACCOUNTING AND FINANCE**

**JANUARY 2017**

**SMU**

**ADDIS ABABA**

## STATEMENT OF DECLARATION

I Yirgu Hailu have carried out independently a research work entitled “Assessment of accounting system in public enterprises a case of Ethiopian Electric Utility”. A thesis submitted to the school of graduate studies of St. Mary’s university in partial fulfillment of the requirements for the degree of master of business administration in accounting and finance with the guidance and support of the research advisor. I do here by declare that this thesis is my original work and that it has not been submitted by any other person for an award of degree in this or any other university/institution.

Submitted by:

Full Name Yirgu Hailu                      Signature-----Date-----

Approved by:

This thesis had been submitted for examination with my approval as advisor.

Name of Advisor Asmamaw Getie (Asst. prof.)    Signature-----Date-----

## APPROVAL

The undersigned certify that they have read and hereby recommend to St. Mary's university to accept the thesis submitted by Yirgu Hailu entitled "Assessment of accounting system in public enterprises a case of Ethiopian Electric Utility", in partial fulfillment of the requirements for the award of a Master's Degree in Accounting and Finance.

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Name of Head of Department-----Signature----- Date-----

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## ABSTRACT

*This study aims to assess the accounting system in public enterprises in the case of Ethiopian electric utility by studying the financial recording and reporting of accounting systems in the company. The study has employed a descriptive survey design. In order to gather the required data, questionnaire, Focus Group Discussion (FGD) and key informant interview have been used. A sample size of 86 were used from a population of 110 staff of finance department Ethiopian electric utility in Addis Ababa head office. To ensure the representativeness of the direct users of the accounting system, simple random sampling technique was adopted. Data for this study was collected using self-administered questionnaires to the direct users of the accounting system in finance department of Ethiopian Electric utility questioners and interviews to heads of finance department and staffs of financial analyst/experts in Ethiopian Electric Utility. Responses of survey data were analyzed using SPSS software (V. 16) and the findings were presented using tables and figures. The study has found that the characteristics of accounting systems influence the presentation of financial report in planning, controlling and administrative decision making of Ethiopian electric utility. Therefore the purpose of this study is to examine the efficiency of Accounting System on financial report presentation measures using the primary and secondary data in which it was found that accounting system is a great importance to the company in which it helps in facilitating management decision making, internal controls, quality of the financial report, and it facilitates the company's transaction. It's also plays an important role in economic system, and the study recommends that businesses, firms and organization should adopt the use of accounting system because adequate accounting information is essential for every effective decision making process and adequate information is possible if accounting information systems are run efficiently also, efficient Accounting Systems ensures that all levels of management get sufficient, adequate, relevant and true information for planning and controlling activities of the Ethiopian electric utility at head of Addis Ababa.*

**Key Words:** EEU, Accounting system, financial report, Human resource, policy and procedures.

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## **List of Acronyms and Abbreviations**

EELPA Ethiopian Electric Light and Power Authority

EPECO Ethiopian Electric Power Corporation

ICS Interconnected System

SCS Self Contained system

GWH Giga watt hour

MW Megawatt

KV Kilo volt

Km Kilo meter

EC Ethiopian calendar

EEU Ethiopian Electric Utility

EEP Ethiopian Electric power

MIS Management information system

CRM Customer relationship management

ERPs Enterprises Resources planning

KII key informative interview

FGD Focus Group Discussion

ROA Return on asset

EDP Electronics Data Processing

IBM international Business Machine

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# CHAPTER ONE

## 1. INTRODUCTION

The nature of this study focused on accounting system in public enterprises a case of Ethiopian Electric Utility and this chapter sets the scene for the study by discussing in broad terms that is background of the study, background of the organization, statement of the problem, basic research question and objective of the study. It also defines the scope of study, significance and its organizations of the study.

### 1.1 Background of the study

Public enterprises occupy an important place in the national economies of most countries of the world irrespective of their political orientation. The causes leading to the emergence and popularity of these enterprises were, however, not the same everywhere. In Ethiopia public enterprise are established by regulation No 25/1992 which enterprise of industrial, commercial or financial nature of special service in public interest and possessing. A large measure of public administrative and financial autonomous helps in the rapid economic growth and industrialization of the country and creates the necessary infrastructure for economic development (Public Enterprise Law Proclamation No. 25/1992).

Accounting system has been recognized in most countries of the world as a means of meeting economic growth. For a business to survive, grow and achieve prestige, it should have a dynamic purposeful and efficient accounting system. Accounting system is an essential part of any business, large or small owners, profit making or not for profit organizations. Many small enterprises do their accounting manually and they are satisfied. Others may be considering using a computerized system, since accounting software is much affordable. Manual and computerized accounting systems perform basically the same processes, the accounting principles and concepts are the same with differences lying in the technicalities of the process. Although computerized accounting system is expensive, its advantages lie on speed and being able to store information (Platt and Platt, 2012).

Today's business environment is very dynamic and undergoes rapid changes as a result of technological innovation, increased awareness and demands from customers in a global world. Business organizations, especially the public enterprises of the 21st century operates in a complex and competitive environment characterized by these changing conditions and highly unpredictable

economic climate in the worldwide. Any organization, public or private, uses appropriate accounting system in manual or computerized forms (Laudon and Laudon, 2000).

According to Omolehinwe (2009) accounting system as the collection and recording of financial data about an organization. Accounting system provides financial information about a business or a not-for-profit organization. Owners, managers, investors and other interested parties need financial information for decision making. Financial accounting is the art of systematically identifying, measuring, recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial nature, and communicating, analyzing and interpreting the results there of (Woode & Sangster, 2008).

In addition to this, an accounting system is the system used to manage the business transaction of any company records of income, expenses, and other financial activities of a business and it allows a business to keep track of all types of financial transactions, including purchases (expenses), sales (invoices and income), liabilities (funding, accounts payable), etc. and is capable of generating comprehensive statistical reports that provide management or interested parties with a clear set of data to aid in the decision-making process (sunder,2002).Any organization whether in the private or in the public sector and analyzing the data so collected to suit the decision that needs to be taken and reporting the relevant information in a summary form to the user in a form that is meaningful to interested parties.

Furthermore, French and deSantis (2010) the primary objective of an accounting system function in an organization is to process financial information about the activities of the organization and prepare financial statements at the end of the accounting period. The modern method of accounting system is based on the system created by all public companies to keep proper books of accounts with respect to their financial positions and changes therein. These books shall be kept in respect of all sums of money received and expended by, or on behalf of the public company and the matters in respect of which the receipt and expenditure takes place; all sales and purchases by the company of property, goods and services; the assets and liabilities of the public company and the interests of the members therein.

The main use of accounting system produce financial reports to provide information about the financial position, financial performance and changes in financial position of a company that is useful to a wide range of users in making economic decisions. These financial statements are usually directed towards

the common information needs of these users and as a result, it serves as their major source of financial information. Users of these financial statements include shareholders, prospective investors, employees, customers and government. The act of communicating financial information to these users is known as financial reporting. Financial Reporting can be defined as the process of presenting financial data about a company's financial position, the company's operating performance, and its flow of funds (Rose & Hudgins, 2008).

According to, Sharma (2012) accounting system and Human resources are truly the most valuable resources of an organization. Effective utilization of physical and financial resources depends upon the quality of system and human resources that an organization can possess. To confirm that organization's performance depends on the quality of human resources with system by stating that, the success of any organization depends on the quality of its human resources whether it belongs to industry, service or a retail outlet.

Accounting system is a high degree of uncertainty surrounds in the organizations operation in any company, largely or small due to the problem of keeping and maintaining proper books of accounts and standard accounting system, the problem of recruiting unqualified accountant to head accounting departments and how to face the problem of meeting the goal of profitability. Recruiting unqualified accountants can bring about inaccurate posting of cash in the books of all transactions and thereby hindering the goal of profitability (Essien, 2001).

In addition to, Laudon and Laudon (2001) The accounting system application with the help of information and communication technology concepts, techniques, policies and implementation strategies to electric services has become a subject of fundamental importance and concerns to all properly used accounting system in the utility and indeed a prerequisite for local and global competitiveness. Accounting system directly and indirectly affects how managers decide, how they plan and what products and services are offered in the utility. It has continued to change the way how to handle utilities and their corporate relationships are organized and the variety of services available to enhance the speed and quality of service delivery.

Therefore, several studies had been published on the implementation system and their importance for the use of companies benefit in the financial records and produce financial report from the given data. The recruiting unqualified professionals can bring about inaccurate posting of account in the books of



all transactions and thereby hindering the goal. Accounting system is the system designed to record the accounting transactions and events of a business and account for them in a way that complies with its policies and procedures otherwise it is meaningless (sunder, 2009)

There were two controversial ideas in the above studies. On one hand, accounting system considers the transaction of company's financial recording and financial report on the other hand, accounting system considering not only financial recording and financial report but also police and procedure, recruiting qualified accountants to support the requirement of the company's accounting systems. From the above two ideas, there was a gap in the implementation of accounting system in the preparation and presentation of financial recording and financial report. This study necessitates assessing the accounting system preparation and presentation of financial reports, recording of financial transaction and maintains chart of account for the help of qualified professional and related policies and procedure to apply maintain good accounting system in Ethiopian Electric Utility in head office Addis Ababa.

## **1.2 Background of the organization**

Ethiopian Electric Industry was introduced to Ethiopian during Manlike in the late 19th Century. Around the year 1898 the first power generator was installed to provide electric power to the palace. In addition to the diesel power generator, the first water power generation plant namely Aba Samuel was constructed on the Akaki River in the year 1912 by Minilik to supply electric power to major roads & the public around the palace and small factories ([www.eepco.gov.et](http://www.eepco.gov.et) public relation).

The effort of the government to expand the electric power supply to the public was hindered /delayed because of the Italian invasion of our country in the year 1936. The Italian company called Coneil overtook the diesel generator and distribution system that was owned by the government. In the year 1941 a public organization called Energy property Administration was established and retook all the generation and distribution system of the electric power in the country. Shewa Electric Power was replace the former company in the year 1948 and managed to increase power supply to other administrative regions in addition to Shewa. In order to represent the country as a whole, Shewa electric was replaced by in the year 1955 and Board of Directors was appointed by the government to supervise the company. Then after the Ethiopian Electric Light and Power Authority (EELPA) was established after eight months age in the year 1956 of the Ethiopian Electric Light and Power with ten thousand dollars capital divided in to one thousand share of par value.

The purpose of the change in name was the new company to engage in the business of generation /production, transmitting, disturbing and selling of electric energy (which was also the major thematic areas the Ethiopian Electric Power Corporation up to last year) to the public of Ethiopia and carry on any other lawful business. Board of Directors was assigned by the government and its electric power production capacity was 35 GWH with 12,500 customers. The purpose of Ethiopian Electric Power Corporation (EEPCo) was to reorganize the former authority on the principles of commercialization and decentralization. ([www.eepco.gov.et](http://www.eepco.gov.et) public relation)

Ethiopian Electric light and Power Authority was transformed to the Ethiopian Electric Power Corporation (EEPCo) by reorganizing its functions in order to accommodate new environmental changes. The Ethiopian Electric Power Corporation (EEPCo) was named in by regulation No. 18/1997 after serving previously in the name of the Ethiopian Electric Light and Power Authority, which was established in 1956. EEPCo is a government owned industry responsible for the generation, transmission, distribution and sales service of electric energy throughout Ethiopia. The corporation has two electric power supply systems: the Interconnected System (ICS) and the Self Contained System (SCS). The main energy source of ICS is hydropower plants, and for the SCS mini-hydro and diesel power generators allocated in various areas of the country. The ICS consists of 13 hydro, 6 diesels standby, 3 winds farm power and one geothermal with installed capacity of 3,807.60MW, 99.17 MW, 324 MW and 7.30 MW respectively which brought a total of 4,238.07 MW and ICS capacity share by source 89.60%, 2.81%, 7.60% and 0.17% respectively ([www.eepco.gov.et](http://www.eepco.gov.et) public relation)

The electric energy generated from the main hydropower plants is transported through high voltage transmission lines rated 45, 66, 132, 230, 400 and 500 KV. The total length of the existing transmission lines is about 17,058 Km and supply of distribution network of the country is provided by step down substations connected to the respective transmission and sub-transmission voltages of Ethiopian electric power in total there are 163 transmission substations. Regional interconnections with neighboring countries including Djibouti, Sudan and Kenya are under the construction and procurement phases. 80,000Kms of power distribution in both ICS and SCS is achieved at primary voltage of 33k volts and 15kVolts lines, and step down to 380 and 220 volts to customer's level. The total number of customers connected by EEPCo at present is around 2.5 million. EEPCo increased the number of electrified towns and villages reached to a total of 5,163, which brought electric energy access to 41%. At present EEPCo is undertaking investment projects of six billion dollars per annum ([www.eepco.gov.et](http://www.eepco.gov.et) public relation)

After serving for year, in 2014, the Ethiopian Electric Power Corporation is divided in to two separate companies namely; The Ethiopian Electric Utility (EEU) by proclamation no 303/2006 E.C by paid up capital of Br 16,178,955,673.30 and the Ethiopian Electric Power (EEP) by proclamation no 302/2006 E.C by paid up capital of Br 34,268,691,141.83 on dated 30/05/2006 and the two company total paid up capital of Br 50,447,646,815.13 which is more of now from the company running of business and the company running capital is Br 46,433,340,257 and a difference of Br 4,014,306,558.13 hence, this difference is occurred that can be amended by the proclamation as per 381/2008 This study focuses on the Ethiopian Electric utility because all the customers were getting service from the utility. The two company's new management of the industry has set standards for new customers to supply power.

The standard to serve new customer of single phase is one month and high voltage six months. Even though there was standard for resupplying of power for those customers who faced power Interruption due to different reason, the new Indian management didn't mentioned in the new Procedure? In addition to these the two company doesn't mentioned to adjust the computerized accounting system which means that there is disclaimer audit report as mention in it continues as it is. Even though the two splitting company's management continues using one computerized accounting systems as it is. ([www.eepco.gov.et](http://www.eepco.gov.et) public relation, management and audit reports)

### **1.3 Statement of the problem**

According to Otieno and Oima (2013), companies use accounting system to facilitate generation of quality, quick and accurate financial reports. Along with resulting change there would be an increase in business transaction and some other areas. To handle the increased business transaction change, the accounting system must be changed with the specific requirement of the organization needs.

Accounting system has been recognized in most countries of the world as a means of meeting economic growth. For a business to survive, grow and achieve prestige, it should have a dynamic purposeful and efficient accounting system. Most business organizations in any country have collapsed or at the brink of collapse due to their inability to keep adequate accounting record or records of their operations improper use of accounting system. The failure to produce accurate and timely information through the use of accounting process has brought about wrong decisions and thus, failure in organization (Olumba, 2009).

Accounting system and Human resources are truly the most valuable resources of an organization. Effective utilization of physical and financial resources depends upon the quality of system and human resources that an organization can possess. A high degree of uncertainty surrounds organizations operation in business largely or small due to the problem of keeping and maintaining proper books of accounts and standard accounting system, the problem of recruiting unqualified professionals to head accounting departments and how to face the problem of meeting the goal of profitability. Recruiting unqualified professionals can bring about inaccurate posting of account in the books of all transactions and thereby hindering the goal of profitability. The weak recruitment and selection procedure that is not quality bias may result into wrong employment of staff that does not have what it takes to deliver and this may contribute negatively to overall corporate performance (Salako, 2004).

In the current business world, failure to use well designing accounting system almost implies that financial information may not be accurate, delays in financial reporting, and that financial information may not be stored for a long time. Imeokparia (2013), if there is a security breach and data is stolen, management can be held personally liable for the loss of data. It also needs to make sure that the data have been correctly entered into the system, as a mistake in data entry can throw off a whole set of data. Accounting system were a financial information system which includes accounting terms, records instruction manuals flow charts of account, and reports to fit the particular needs of the business. Accounting system failure to make wrong decision and poor audit report based on incorrect financial reports. The Ethiopian electric utility has exercising inefficient accounting system due to poor implementation of the International Accounting Standards and it also recruiting unqualified professional accountants contributed to the problem. These indicate maintain financial records without the fit of accounting system with organizational requirements for information communication and control the transaction need fittest financial and non-financial information such as financial statements, price changes, market trends, and customer behaviors to survive and grow without which it is extremely difficult to make good decisions in the organization (Chenhall & Morris,2006).

Managers of any company need proper accounting system to plan, control and make both short and long term decisions. Accounting system had been a useful tool in presentation assess of financial report of the organizations (electric utility) so as to increase stakeholder's confidence in the organization and encourage them in investing more in the organization. In order to an organization to appraise its performance, it needs some important information that must be timely, accurate and useful financial reports to the users. The report must allow for quick comparison between current and previous years

data, offer financial statement for use by both managers and stakeholders etc. Hence, the needs for any accounting system are accuracy, speed and low cost of running the organization. The problem here was whether the accounting system in the electric utility is useful in assessing the financial report of its operation and also whether accounting system enhances qualified professional to support with the related policies and procedure to apply in maintaining good accounting system. Also, a problem to be reviewed in this research is to determine whether the use of accounting system to keep accounting records in organizations had been good use by the company.

In the study of accounting system to the area of accounting and finance, the use of hand in financial reporting has been replaced by the use of computer software's system to enable/facilitate quick reporting and easy processing and storage of financial information, hence due to facilitation of accounting system, preparation and access of financial statements and use of accounting policy and procedures has been made easy by the company. In the current business world, failure to use accounting system software system almost implies that financial information may not be accurate, delays in financial reporting, and that financial information may not be stored for a long time. The studies on accounting systems and financial reporting have been conducted in Ethiopian electric utility to investigate the importance of accounting system on preparation and presentation of financial reports for the existence of computer-based accounting systems in reporting in the Ethiopian electric utility company in head office Addis Ababa.

## **1.4 Basic research question**

In order to achieve the stated problem and objectives, the following research questions were advanced:

- i. Does access to accounting systems profile to enable users for desired use?
- ii. Do financial recordings were accomplished with in a given accounting period?
- iii. Does the accounting system enable internal users to extract the required financial reports timely?
- iv. Is the relationship between the manual accounting system and the computerized accounting system is different in the Ethiopian electric utility?
- v. Is the company's chart of accounts properly maintained with related accounting system?
- vi. Do the available financial policies and procedures support the accounting system of the company?
- vii. Has the Ethiopian Electric Utility qualified professional to support the accounting system properly?

## **1.5 Objectives of the study**

### **1.5.1 General objectives**

The main purpose of this study was to assess the accounting system in Ethiopian Electric utility.

### **1.5.2 Specific objectives**

The study aims to the following:

1. To assess the access to accounting systems profile to enable users for desired use in Ethiopian electric utility.
2. To assess the role of transaction recording on accounting system of Ethiopian Electric Utility.
3. To evaluate the role of reporting on accounting system of Ethiopian Electric Utility.
4. To assess the relationship between the manual accounting system and the computerized accounting system is different in the Ethiopian electric utility?
5. To assess the company's chart of accounts properly maintained with related accounting system in Ethiopian electric utility?
6. To evaluate whether Ethiopian Electric Utility accounting system was in line with the financial policies and procedures
7. To assess whether the Ethiopian Electric Utility has qualified professional to support the accounting system or not.

## **1.6 Significance of the Study**

The research study as it had assess accounting system has facilitate accounting transaction records and produce financial report in the Ethiopian electric utility, It provides an approaches on the existing performance of accounting system and the position of system facilitation, to concerned parties and in identifying better and poor area of performance of the accounting system. The study gives a clue of measurements to be taken in order to improve the accounting system financial records, financial reports, policy and procedure uses and qualified accountant participation and in addition to this, the study also provides some information regarding the gap exists in the field to be studied.

## **1.7 Scope of the Study**

The research focuses on assessing on head office and so that won't show the existence of the accounting system in regional offices it was limited to in Addis Ababa area and the role of accounting

system integration and controlling management in the financial transaction process and preparation of financial reports in the Ethiopian electric utility.

This study would not go to cover all aspects of the Ethiopian electric utility. Therefore the findings would not be generalized to the operations as a whole because operation includes power generation, transmission, distribution and electricity sales. The study won't cover other factors that contribute to power interruption and customer dissatisfaction. The study is limited to the role of accounting system of the Ethiopian electric utility company.

### **1.8 Limitations of the study:**

This study was face to the Limitation of the availability of reliable information in the areas of Literatures from independent parties in Ethiopian context whether internal or external literatures. To the best of the knowledge of this researches based on his examination of papers on the same or similar subject matters, no paper so far had identified and addressed the gaps of the current accounting system practices in Ethiopian by different institutions as standards as a benchmark. This limited the possibilities of looking in to no other papers done on the same subject matter.

### **1.9 Organization of the Study**

This study is organized into five distinct chapters. Chapter one deals with introduction, background of the study, background of the organization, statement of the problem, basic research question, objectives, significance, scope and limitation of the study.

The second chapter contains review of related literature; Chapter three deals with research design and methodology of the study.

Chapter four also focuses on analysis and interpretation of the data collection through questionnaire, focus group discussion and interview, and finally chapter five summaries, concludes and recommendations of the study.

# **CHAPTER TWO**

## **REVIEW OF RELATED LITERATURE**

This chapter presents a review of the related literatures concerning the definitions of accounting system and with the related theoretical review of previous studies is presented in the literature review part.

### **2.1 Definition of accounting system**

A system is a set of things working together as parts of a mechanism or an interconnecting network; a complex whole and a set of principles or procedures according to which something is done; an organized scheme or method. A system is a collection of elements or components that are organized for a common purpose. A system is a set of interacting or interdependent component parts forming a complex or complicated whole. Every system is delineated by its spatial and temporal boundaries, surrounded and influenced by its environment, described by its structure and purpose and expressed in its functioning.

According to, Sunder (2009) Accounting system is not only the oldest but also the most stable of the management disciplines. In spite of its stability and continuity, accounting system has seen major changes during the past century. It would be surprising if a century from now, the accounting system is the same as today. Accounting system is a set of records, procedures and equipment that routinely deals with the events affecting the financial performance and position of the organization.

Although we cannot look so far ahead, we can analyze the current conditions for clues about what to expect in the advancements in information technology have eventually led to the introduction of Computerized Accounting Systems in corporate reporting to help produce relevant and faithful representative financial reports for both management and external users for decision making (Greuning, 2006).

The many advantages from the use of these systems have led many to conclude that Computerized Accounting Systems in Corporate Reporting is the “engine of growth” in business organizations (Frenzel, 2006).



Hussey (2005) defines accounting system as the system designed to record the accounting transaction and events of a business and account for them in a way that complies with its policies and procedures. Moreover according to Hartzell (2006), accounting system is a consistent way of organizing, recording, summarizing and reporting financial transactions. The minimum requirements for an accounting system must provide financial information for management to make policy decisions, prepare budgets and grant proposals and provide other. Useful financial reports and, similar transitions must receive consistent accounting treatment.

Ama (2004), defines the accounting system as “a formal system for identifying, measuring, accumulating, analyzing, preparing, interpreting and communicating accounting information about a particular entity to a particular group”. By formal system, we mean that the accounting system carries out its functions with laid down rules, regulations, methods, procedures and techniques. It is also a routine and an automatic system. An accounting system as opined by Ama (2003) is a formal mechanism for gathering, organizing and communicating information about organization’s activities.

Chionye (2003) defines accounting system as the art of identifying, recording, classifying, measuring and interpreting in a significant manner the financial transaction of an organization for decision making. Summarizing from time to time the information contained in the record, for its significant presentation and interpretation to interested parties as an aid to decision making. Accounting system is also as a consistent way of organizing, recording, summarizing and reporting financial transactions.

In general to the above definition an accounting system can be summarized as mechanism for gathering and communicating data for the ends of assisting and co-coordinating collective decision in view of the overall objective of a firm or an organization. Accounting system by its definition is a financial information system which includes accounting terms, records instruction manuals flow charts programs, and reports to fit the particular needs of the business. Accounting system is a set of records, procedures and equipment that routinely deals with the events affecting the financial performance and position of the organization. Finally, a system is an organized set of manual and computerized accounting methods rules, procedures and controlling ways of established together, record, classify, analyze, summarized interpret and present accurate and timely financial data for management decisions.

## **2.2 Accounting system maintaining financial records**

The World Bank (2005), Accounting system created accounting record for each financial transaction. Some are created by the company (e.g. orders for payment or for goods); others are created by entities with which the companies deal (e.g. suppliers' invoices, bank statements). Records must be preserved and classified for easy access because they provide the paper trail on which the accounting system is based. A good record-keeping system facilitates financial accounting and reporting, internal control management and subsequent auditing. Records represent a particularly valuable type of information because they can provide verification and are therefore suitable as legal evidence.

When financial management systems are being designed, the maintenance of records, and their computerization are also considered. Finance and audit laws generally require ministries to ensure that financial and accounting records are adequately kept.

## **2.3 Purpose of the Accounting System**

The accounting system gathers processes and organizes accounting data in order to produce useful financial information. It should reflect companies needs and be designed to provide the financial information required by all interested parties and fulfill all the legal and regulatory requirements of the borrower country. The accounting system is a critical part of the company's financial management system and its design and operation are therefore of great importance. It should: provide information compatible with the agreed accounting standards and be simple and user friendly; be capable of installation and maintenance by industry staff, and be easily understandable by users; provide adequate documentation and audit trails; provide reliable and timely information, including financial management and other reports; and maintain integrity (World Bank, 2012).

## **2.4 Chart of Accounts**

The World Bank (2005) to make sense of financial data it is essential to be able to classify it. A chart of accounts is a means of classifying an entity's accounting data in a way that will promote its use, lead to better management and achieve more meaningful accountability. Major classifications of accounting data are income, expenditure, assets, liabilities and capital. Within each major classification, further classification occurs (e.g. expenditure may be sub-divided into accounts for salaries and wages, other operating expenditure, interest payable, etc.). The necessary level of detailed classification depends on the nature of the accounting entity and the needs of users of accounting information. A chart of accounts provides a logical structure according to which accounting transactions will be sorted. It

determines the limits for reporting financial information (because data cannot easily be reported unless the relevant category has been created in the chart of accounts).

## **2.5 Role/Functions of accounting system**

According to Pameley, (2007) a business organization can be seen as a set of contracts among various participants: employees, shareholders, customers, vendors, managers, creditors, auditors, government, among others. Each party in the contract agrees to contribute resources. For example, employees and managers contribute skills, shareholders and creditors contribute capital, vendors provide machinery and materials, and customers provide cash. Each participant demands an inducement at least as large as the opportunity value of his contribution to the organization. For an organization to succeed, its production technology and set of contracts must satisfy each one of its participants. If he can get more elsewhere, he will quit the organization. If enough people quit, the organization collapses. They therefore argued that, accounting system is necessary to assemble, implement, enforce, modify, and maintain the contract set of organization. Accounting system therefore plays five main functions in an organization.

The first requirement of control is to devise a system of measuring the contributions made by each agent. It should also determine the amount of incentive due them, and monitor the distribution of inducements so that each agent receives his due, no more and no less.

In addition, accounting system helps compare the contributions made and the incentives received by each participant and distributing this information. Furthermore, accounting distributes information to various factor markets to keep them liquid and find replacements for participants who leave. Finally, accounting makes some information available in the form of common knowledge or public disclosure to help reduce conflict among participants at the time they re-negotiate their contracts (Hartzell, 2006).

In its second function, the accounting system measures, records, and controls the outflow of resources from the organization. Payroll and benefit accounts for employees, shipping to customers, accounts payable to suppliers, and tax accounts measure the out flow of resources to the government (Rao, 2006).

In its third function, the accounting system compares the data on resource inflows and outflows to determine who has fulfilled his contract and to what degree. The accounting system prepares

comparative reports on resource inflows and outflows related to various individuals in the organization. These statements are used to evaluate and adjust the contracts of these individuals (Hartzell, 2006). In a fourth function, accounting helps assemble and maintain the contract set by finding the appropriate participants in the factor markets for labor, managers, customers, suppliers, and investors among others. All these people must be convinced that participating in such an enterprise is in their own best interests. Proforma financial statements, business plans, and budgets prepared by the organization before the enterprise starts functioning help agents assess the costs and benefits of participating in the proposed enterprise in various roles. When contractual slots fall vacant, they must be filled from the factor markets (Sajady and Dastgir, 2008).

Finally, when contract terms expire, they are often re-negotiated under changed circumstances. Agents are tempted to issue threats, to quit their position in the organization if their terms were not revised in their favor. Such bluff and threats sometimes lead to deadlock in negotiations, strikes, and therefore dead weight losses to society. Accounting performs its fifth function by sharing at least a minimal set of information among the negotiating parties to make it common knowledge, and help reduce the chances of breakdown. This is the primary purpose of public disclosure in larger organizations (Sunder, 2002).

Conclusively, an organization can be seen as a set of contracts or alliances among many people who join them with the expectation of gain. Accounting, therefore, is the mechanism that defines implements, enforces, modifies, and maintains this system of contract.

## **2.6 Policy and procedure**

Louis (2006) Policies and procedures provide the framework within which an organization operates. They define what your organization does and how you do it. Clear policies and procedures support effective decision making and delegation because they provide guidelines on what people can and cannot do what decisions they can make and what activities are appropriate. The policies and procedures your organization needs will depend on a number of factors such as the type of work you do and the size of your organization.

Policies consist of high-level statements of intent about the things a business either wants to do or plans to avoid doing .Policies are statements of principle that guide decision-making and service delivery. In the community and disability services sector, policies are often based on legislation.

Procedures are more detailed instructions about how policies should be carried out by employees. They provide a link between the organization's plans and strategies and day-to-day operations. Protocols are similar to procedures but deal specifically with the agreed ways in which organizations interact on a specific matter. However, it is possible to write procedures that focus on the expected outcome of a task without specifying the means of achieving it if staff members are expected to use their own initiative. Accounting system is "the system designed to record the accounting transactions and events of a business and account for them in a way that complies with its policies and procedures (Owuala, 2001).

## **2.7 Importance of human resource in accounting system**

According to, Sharma (2012) Human resources are truly the most valuable resources of an organization. Effective utilization of physical and financial resources depends upon the quality of human resources that an organization can possess. To confirm that organization's performance depends on the quality of human resources by stating that, the success of any organization depends on the quality of its human resources whether it belongs to industry, service or a retail outlet. She further buttressed this fact by stating that organizations' human resources are important assets that are used to increase productivity, earning capacity, increasing wealth and profit, market value and economic valued addition.

This shows that organization must also check their recruitment process to ensure that their employee's recruitment process and procedures are such that will produce quality workers that will enhance the corporate performance. This is because a weak recruitment and selection procedure that is not quality bias may result into wrong employment of staff that does not have what it takes to deliver and this may contribute negatively to overall corporate performance.

Accounting system is a high degree of uncertainty surrounds in the organizations operation in any company, largely or small due to the problem of keeping and maintaining proper books of accounts and standard accounting system, the problem of recruiting unqualified accountant to head accounting departments and how to face the problem of meeting the goal of profitability. Recruiting unqualified accountants can bring about inaccurate posting of cash in the books of all transactions and thereby hindering the goal of profitability (Essien, 2001).

Human resource accounting involves measuring the cost incurred by the organizations to recruit, select, hire, train and develop the human assets. It also involves measuring the economic value of the people to

the organization. Human resource accounting provides monetary data regarding the human resources of the organization which is considered to be important not only for the management in taking various decisions but also for the analyst and the employees. It can be useful for the management in areas of recruitment, planning, selection, allocation of financial resources, conservation of human resources, utilization of human resources, creation of good organizational climate and better employer employee relations (Gupta, (2003)

The study of Micha, Ofurum and Ihendinihu (2012), suggests that an inverse relationship exists between the performance of a firm and its level of human resources accounting disclosure. According to them this nature of relationship is not surprising because return on asset (ROA) indicated a company's level of overall profitability. When investment in human capital development is expensed, the result will be that both assets and earnings will be understated.

According to Kumar (2012) to meet the competition in the global market, firms need to balance their available resources (human and capital) to achieve the desired profitability and survival. It is believed that management of human resources is the most important function for every organization that wants to have a competitive edge over its competitors because systems in organizations are formed and ran by humans.

## **2.8 Types of Accounting System**

Generally, there are two major types of Accounting System: Manual Accounting system and Computerized Accounting System.

### **2.8.1 Manual Accounting System**

According to Ama (2004), this is a system, which uses special journals to stream line the journalizing and posting procedures. To handle a large volume of transaction rapidly and effectively, it is helpful to group the transactions into classes and to use a specialized journal for each. Recording and posting are made for these journals using the double entry record keeping.

Also according to free online Marrian, manual system is a system in which the accountant or the book-keeper is required to post business transactions to the general journal, general ledger and worksheet by hand. This process can be computed by either using actual paper journal and ledger sheets or by creating these sheets in a computer program such as excel it is considered manual because each transactions is entered into the systems individually.

## 2.8.2 Computerized Accounting System

Ama (2004) defines this system as a system that uses specialized machines called calculators and computer in gathering information. It is technically known as Electronic Data Processing (EDP) Accounting System.

A computer – based accounting system processes data in basically the same manner as does a manual system. Transactions are initially recorded manually on source documents, the data from these source documents are then key – punched into punched cards, which can be read by the computer. The computer process the information and performs such routine tasks as printing journals, posting to ledger accounts, determining account balances and printing financial statements and other reports. A computerized accounting system according free online Merriam is system which allows the user to enter the transaction into the program once and all accounts are updates as necessary.

## 2.9 Difference between Computerized and Manual Accounting System

According to the free online Merriam it has the following differences.

**Speed:** The main difference between manual and computerized system is speed. Accounting software processes data and creates reports much faster than manual system. Calculations are done automatically in software programs, minimizing errors and increasing efficiency. Once data is input you can create reports literally by pressing a button in a computerized system.

**Cost:** Another difference between manual and computerized system is cost. Manual accounting with paper and pencil is much cheaper than a computerized system, which requires a machine and software include training and program maintenance. Expenses can add up fast with cost for printers, paper, ink and other suppliers.

**Back-up:** A third difference between manual and computerized system is the easy of backup of a computerized system. All transactions can be saved and backed up in case of fire or other mishap. You cannot do this with paper records, unless you make copies of all pages – long and inefficient process.

## 2.10 Methods for Computerization in Accounting

The two main methods of computerization in accounting which dictate how a company's transactions are recorded in the company's financial books are cash basic accounting and accrual basis accounting.

### 2.10.1 Cash – Basis Accounting

Ama (2003), states that cash basis of accounting revenue is recognized and recorded only when the cash is received. Expenses are recognized in the period when payment is made. Recording of revenue and expenses during an accounting period is based on an inflow and outflow of cash. A matching of cash receipts and cash disbursement is done to determine operating results during the period. This method is simple in application.

Rao (2006) defines cash basis as a basis of accounting by which a transaction is recognized only if cash is received or paid. Cash basis of accounting is suitable for such business organizations which operate for a short-term duration.

### 2.10.2 Accrual – Basis Accounting

The accrual basis of accounting is based on the principle that all revenue earned during a period and the related incurred expenses of earnings that revenue assignable to the period must be determined. These then are matched against each other to determine net income or net loss.

Revenue is recognized at a time of sales of services or merchandise and expenses are usually recognized at the time the service are received and used in the production of revenue.

Rao (2006) defines accrual basis as a system of classifying and summarizing transactions into assets, liabilities, capital, cost and resources and recording thereof. A transaction is recognized when either a liability or asset is created or impaired. Whether payment is made or received is immaterial in accrued basis accounting.

The following are the essential features of accrual basis:

- i. Revenue is recognized as it is earned.
- ii. Costs are matched either against revenues so recognized or against the relevant time period to determine periodic income.

Costs which are not charged to income are carried forward and are kept under continuous review. Any cost that appears to have lost its utility or its power to generate future revenue is written off as a loss.



## 2.11 Principles of Computerized Accounting Systems

In the course of recording, classifying and summarizing financial data, there may arise cases where the exercise of discretion becomes very essential. Hartzell (2006) some practical principles have been developed to help accountants in the exercise of such judgments, the four basic principles of accounting are important because they provide the conceptual guidelines for application of the basic accounting system. Also they give the measurement, recording and reporting phases of the accounting information processing cycle. They include:

- i. Historical Cost Principles
- ii. Revenue Recognition Principles
- iii. Matching principles
- iv. Full-disclosure principles

### 2.11.1 Historical Cost principles

According to GAAP, this principle requires companies to account and report based on acquisition cost rather than fair market value for most assets and liabilities. This principle provides information that is reliable (removing opportunity biased market values) but not very relevant. Bhorka (2005), states that historical cost principle in account usually past happenings is recorded. This is based on assumption of realizations. Accounting involves recording of business transactions which have taken place. The business transactions are recorded as and when they take place i.e. date-wise. This leads to the preparation of the historical records of all transactions

Ama (2004) states that the principle defines the conceptual basis for measuring the assets, liabilities and owner's equity (including revenues and expenses) of a business, the cost principle states that the cash equivalent cost should be used for recognizing (i.e., recording) all financial statement elements, Cost is measured as the cash paid plus the current value of all non-cash consideration.

### 2.11.2 Revenue Recognition Principles

Ama (2004) states that the revenue principle relates to the income statement model (Revenue minus – Expenses = Income). This principle specifies when revenue should be recognized (i.e. recorded) and how it should be measured. Revenue should be recognized when there is an inflow of net assets from

the sale of goods or services. Revenue is measured as the cash received plus the current market value of all non-cash considerations received.

This principle requires companies to record when revenue is:

- i. realized or realizable and
- ii. Earned not when cash is received

This way of accounting is called accrual basis accounting.

### **2.11.3 Matching Principles**

In this principle, expenses have to be matched with revenues as long as it is reasonable to do so. Expenses are recognized not when the work is performed or when a product actually makes its contribution to revenue. Bhorkar (2005) states that matching principles explains that we have to match the income of a certain period with expenses of that period only. The term matching refers to close relationship that exists between certain expired cost and revenues realized as result of incurring those costs.

Ama (2004) states that this principle relates directly to the income statement ( $\text{Revenue} - \text{Expenses} = \text{income}$ ). Resources that are used to earn revenues are called expenses. The matching principle holds that when the accounting period revenues are properly recognized in conformity with the revenue principle, all of the expenses incurred in earning those revenues must be matched with the revenue of that period.

### **2.11.4 Full-Disclosure Principles**

Bhorkar (2005) states that entries are made in such a way so that they provide honestly all information relating to the activities of the business, the records should not conceal anything from outsiders this implies that accounts must be honestly prepared and all material information must be disclosed there in. Information disclosed should also be enough to make a judgment while keeping costs reasonable.

Ama (2004) states that the periodic financial statements of a business must clearly report (i.e. disclose) every relevant information about the economic affairs of a business. This principle requires: Complete Financial Statement, Notes on the financial statements to elaborate on the “numbers”.

## 2.12 Uses of Computers

According to Hussey (2005) computers are now being used extensively in office administration to perform the routine clerical work. Today, most large and medium sized organizations are almost totally dependent on their computers. Routine uses of computers are given below:

- i. Accounting, billing, inventory control system with Management information system (MIS), Customer relationship management (CRM).
- ii. Computers are extensively used in accounting and there are multitude of computer software for accounting MIS, CRM, HITECH (High Information Technology) financial accounting is one such software which has been customized for users in many segments in business and services.
- iii. Payroll and Personnel records: Payroll according was the first commercial area to become widely computerized. The calculation of wages or salaries involves a number of variables which relates to the personal details of each employee such as gross pay or rate for the job, individual deductions tax liabilities of the employees and so on.
- iv. Stock control: The computer helps to exercise the type of stock control needed by the organization. It up to dates the sales and purchases records determines optimum reorder levels for different items and prints out stock list when desired.
- v. Sales Accounts Records: Programming can be done for any sales accounting system. The computer will pin point defaulting debtors, determines the right limit for each debtors and maintain stores ledger.
- vi. Costing and Budgetary Control: Costing and Budgetary control can be affected through the computer, the computer will pin point out the variations from the planned performance.
- vii. Production Control: The computers also help greatly in planning and control. It is possible that scheduling of the work may become necessary due to break downs etc a new critical path may have to be worked out. The computer helps the lay down this new critical path.

## 2.13 Accounting Packages

According to Griffith and Neely (2009) accounting software programmes have greatly increased the productivity of back offices for the past several decades. The type of accounting software packages used in businesses depends on the size of company operations, members of users and different segments or departments in a company. Several options are available and may be customized for

business depending on how much they are willing to spend on the accounting software. Some of the accounting packages are:

### **1. Quick Book:**

Small businesses and sole proprietorship may use simple accounting software programs like Quick Books or basic computers programs like Microsoft word or Excel. These programs are in expensive and often basis solutions for billing, paying vendors and recording sales Quick Books is an easy – To – use load – and – click style of software that allows individuals to quickly set up their business by answering of few, ledgers and invoicing modules are provided for business owners to use in their daily operations.

### **2. Peach tree Accounting sage's software packages**

Mid-size software programs of more functionality for multiple users of business software. Companies can select different models based on business size and the number of users accessing the software. While they are more expensive, the customization options help limit purchasing unnecessary modules. Sage's software packages can be server – or – web – based allowing users to access company information from multiple locations.

### **3. ERPs (Enterprise Resources planning system)**

Large companies with several operational department or multiple locations may use ERPs as their preferred accounting software packages ERPs, are fully. Customizable packages that can take several weeks to fully implement in a company oracle, people soft, sage and SAP AG are the most common ERPs vendors.

## **2.14 Application of Computer in Accounting System**

According to Vermatt and Shelly (2011) some applications of computer in accounting system are:

**1. Word processor:** Word processing is a software used in the preparation of types scripts, using computing facilities for the storage and manipulation of text for e.g. word processor has ability to merge names and addresses with standard text so as to give impression that the letter is personalized even in case of circular letter.

**2. Data Base:** It is simple collections of information (data) on a particular subject. Data base file allows you to manipulate the data in desired form. So database allows us to work on facts and figures to store

and manipulates data in any desired way for e.g. from the same basic information trial balance is prepared, trading and profit and loss accounts may be prepared; list of debtors creditors may be prepared, purchase and sales forecast may be made etc.

**3. Spread sheet:** This is one of the software programs which have increased the utility of computers for accounting purposes. Spreadsheet programs help you to draw vertical as well as horizontal columns on a large sized paper. Each column's length and breadth can be adjusted according to suitability.

## **2.15 Problems and Controls of Computerized Accounting System**

According to Kharuddin, Zariyaati and Annuar (2010) the problems of computerized accounting system comes with its own set of problems such as the need to protect against data loss through power failure or virus and the danger of hackers stealing data. Computer fraud is also a concern for who has access to the information particularly customer information. If there a security breach and data is stolen management can be held personally liable for the loss of data has been correctly entered into the system as a mistake in data entry can throw off a whole set of data.

Green computing involves reducing the electricity consumed and environmental waste generated when using a computer. Strategies that support green computing include recycling, regulating manufacturing process, extending the life of computers, and immediately donating or properly disposing of replaced computers.

## **2.16 The Effect of Computerized Accounting System on the Performance of Electric utility**

Tanenbaum (2010) states that manual processing of accounting data is too slow and labor intensive in the electric industry. The speed at which computers can get according to data processed cannot be matched. Computerized accounting system provides a means for those industry to record, very high volume of transaction with great speed and financial and prepare a wide range of detailed financial reports. Computerized accounting system affects strongly on the accounting work and on the performance of electric industry the computers can handle the recording process able to spend more time analyzing, planning and controlling financial operations for management, this can provide a greater amount of analytical information for use in decision making. Pandey (2007) adds that management is also in a better position to monitor the financial performance of all segments of the organization because a computerized accounting system can produce a broad range of detailed reports at short interval.

This was highly important for the selected branches of the electric industry used as a population in this research because of their separate location. Thus, computerized systems avoid the time lost in correcting common errors. Computerized accounting system provides management with current accounting balance information since balance was posted as the transaction occur. This computerized accounting system provides management with current information to support decision making.

In general an accounting system by itself cannot usually be fully comprehended without expert knowledge (accountant) and great deal of time and the manual system can be understood in a matter of hand work of all accounting processes and on the other hand computerizes accounting is often generated automatically to computer system based on data instructions previously entered, without further human involvement.

However, an accounting system can also be as mechanism for gathering and communicating data for the ends of assisting and co-ordination collective decision in view of the overall objective of a company or an organization and accounting system is a financial information system which includes accounting terms, records instruction manuals flow charts programs, and reports to fit the particular needs of the business.

In addition, accounting system had been recognized in most countries of the world as a means of meeting economic growth and decision making in the organization. For a business to survive, grow and achieve standing, it should have a dynamic purposeful and efficient accounting system. For centuries, accounting had been generally confined to the financial record keeping functions of the accountant. Accounting system to be handling the economy had changed such that competition has become strong and there was a great change in consumers taste due to technological developments in the business world. The role of an accountant has gradually changed from that of the mere recorder of transactions to that of the member providing relevant information to the decision making team. Accounting is now regarded as an information system and forms integral part of management information system. As an information system, it collects data and communicates economic information about a business organization or other entity to a wide variety of persons whose decisions and actions are related to the activity.

Accounting system was as “the system designed to record the accounting transactions and events of a business and account for them in a way that complies with its policies and procedures. The basic

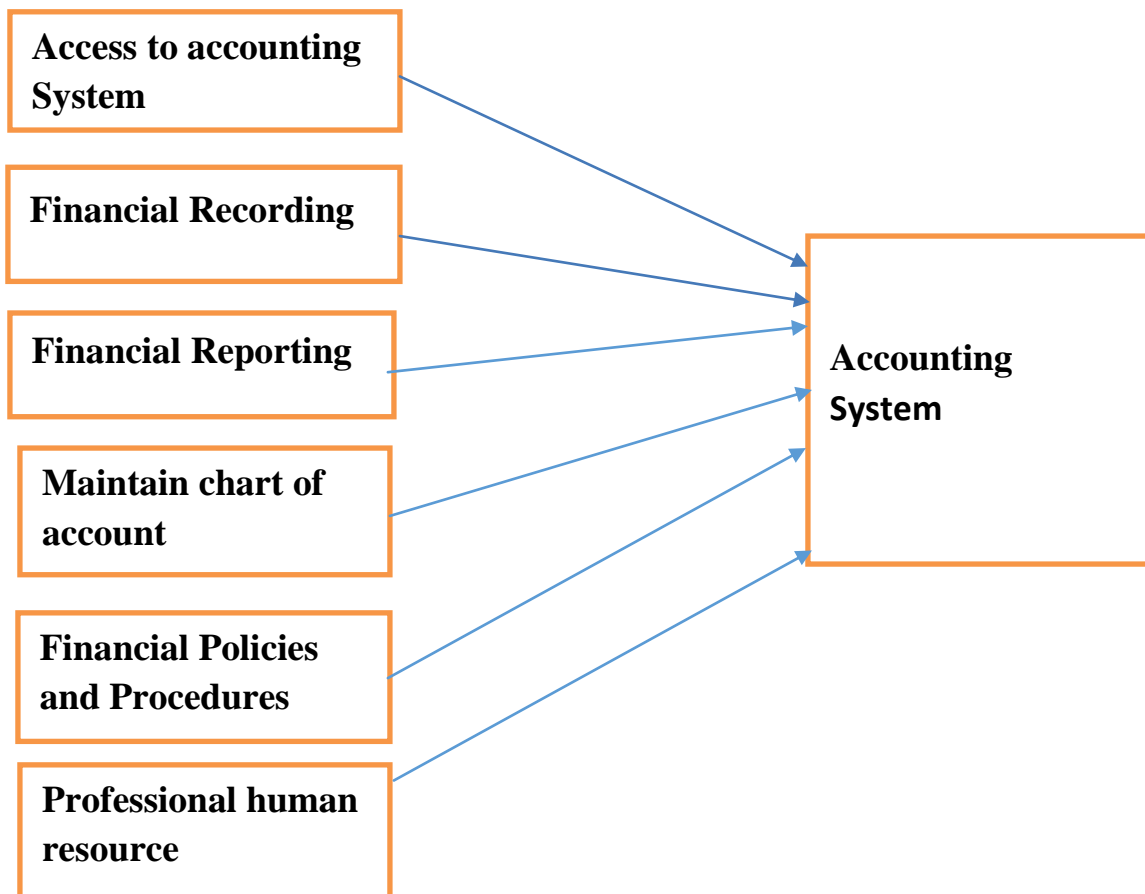
elements of the accounting system are concerned with collecting, recording, evaluation, and reporting transactions and events with related policies and procedure and qualified accountants”. The economic activity in most nations is based upon the existence of any organization growth potentials, earning ability, liquidity and stability. A high degree of uncertainty surrounds organization operation in companies are large or small due to the problem of keeping and maintaining proper books of accounts and standard accounting system, the problem of recruiting unqualified accountant to head accounting departments and how to face the problem of meeting the goal of profitability. Recruiting unqualified accountants can bring about inaccurate posting of account in the books of all transactions and thereby hindering the goal of profitability.

There is insufficient on the accounting system of an organization in accompany and thus, the enthusiasm to protect them and float their expansion to the benefit of not only the investors but also for the economic growth and development of company remains a task that must be fulfilled. Most business organizations has collapsed or at the brink of collapse due to their inability to keep adequate accounting record or records of their operations. The failure to produce accurate and timely information through the accounting process has brought about wrong decisions and thus, failure in organization. It is, therefore, against this background that this study tries to examine the impact of proper accounting system on the performance of organization with particular reference to the study in Ethiopian electric utility. To achieve this objective, the researcher gives clue for proper accounting system will bring about better service, high profitability, financial strength and growth and survival of any organization

## Conceptual Framework

Accounting system was a system that organized set of manual and computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret, and present accurate, reliable and timely financial data for management decisions in the organization. According to the literature reviewed, accounting system was likely to be affected by a number of factors including access to accounting system, financial recording, financial reporting, Maintaining chart of accounts and its purpose and financial policies and procedures which related to the system and also qualified human resource/accountant and its constitute the independent variables causes whereas, the accounting system constitutes occur the dependent variable. A variable is anything that has a quantity or quality that varies. The dependent variable is the variable a researcher is interested in. An independent variable is a variable believed to affect the dependent variable. Confounding variables are defined as interference caused by another variable

The independent variable causes the dependent variable to occur so there is different factor that affects dependent variable some are:





# CHAPTER THREE

## Research Design and Methodology

### 3.1 Research Methodology

The methodology of research is a conceptual field work on which the whole /conduct of research was based. Research was the systematic and scientific method of finding solutions to a problem and a planned and systematic process of collecting, presenting, analyzing and interpreting data for purpose of arriving at dependable solution to human problem. The methodology for users on the various method and technique employed by the research in the course of collecting and analyzing data with the view of obtaining solutions to the problems.

The research methodology includes the collection of data both from primary and secondary sources. The sources include questionnaire, the review of written reference materials, brochures and policy & procedures. The collected quantitative data analyzed using simple descriptive statistics like percentages and graphs. The qualitative data that gathered from interview and Focus Group Discussion (FGD) interpreted qualitatively. The interpretation and discussion would make together. Finally, based on the outcome of the analysis, there had been a summary, conclusion and recommendation.

### 3.2 Research Design

According to, Saunders and Philip (2012), Research design was general plan of how you would go about answering your research questions it would contain clear objectives derived from your research questions specify the sources from which you intend to collect data, how you propose to collect and analyze them. It composes of series of prior decisions that take together provide a master plan for executing a research project. Research design was the specification of procedures for collecting and analyzing the data necessary to help solve the problem at hand the researcher uses research survey design for the study, which had been employed because of the research topic for this study. The study used a descriptive survey design. Descriptive research had been used to obtain information concerning the current status of the accounting system in the Ethiopian electric utility and describe "what exists" with respect to the accounting software system technique; this was considered to be appropriate as it involved a careful in study and analysis on the accounting system of the financial performance of the electric utility

### 3.3 Target Population, Sample and Sampling Procedure

#### 3.3.1 Target population

Population was the totality of people or object being considered in the use of accounting system in the Ethiopian electric utility. For the purpose of this study, the population size was restricted to the staffs of the head office of Ethiopian electric utility in accounting department which directly use the accounting system in the organization. It includes all employees and management members who were users of the accounting system in the accounting department of electric utility in Addis Ababa head office. They are the accounting department of permanent management and non-management staff who were working in the Ethiopian Electric utility in head office Addis Ababa.

After which the researcher was systematically selected the staff of accounting department depending on the position of such staff in their accounting department. The total number of staff in working in accounting system in the department is 110 (one hundred ten) and they form the population size.

The Population Distribution was based on the number of workers in the accounting system of each section in the accounting department of company head office i.e. 110 (one hundred ten) in Ethiopian Electric Utility.

#### 3.2.2 Sample size and Sampling Procedures

Sample here refers to operation of the universe or population which reasonably reflects to opinions attitude or behaviors of the entire group. Sampling/sample size was a process of selecting a proportion of the population considered adequate to represent all the existing characteristics within the target population for the purpose of generating the finding from the sample itself. The sample was obtained using the formula-Taro Yamene's formula below:

$$n = \frac{N}{1 + N(e)^2} \quad \text{Where;}$$

n = Sample size,

N = Population Size

e = Significant level of error (0.05) or 5%     Where;

N = and e = 0.05 or 5%

$$n = \frac{110}{1 + N(e)^2}$$

$$n = \frac{110}{1 + 110(0.05)^2}$$

$$n = \frac{100}{1 + 110(0.0025)}$$

$$n = \frac{110}{1 + 0.275}$$

$$n = \frac{110}{1.275}$$

n = 86.275,

Therefore n = 86 sample size

The sample size of the population was 86 (eighty six) and the researcher issued the same number of questionnaires to the staff of all employees in Ethiopian electric utility company. The simple random sampling technique allows for generalization to take place.

### **3.2.3 Method and Instruments of data collection**

Primary and Secondary Sources had been employed in collecting data for the study.

#### **Primary Sources**

This area of data collection was first hand i.e. by the user and these referred to the data gathered as a result of direct interaction with the accounting system were the respondents. Primary data were usually obtained from the field through interviews, questionnaires surveys, planned experimental observations or recording of official transactions.

#### **(a) Interview**

Management and non-management concerned to the use of accounting system that was directly involved and it was a mechanism through which oral information were collected from an individual. It was a verbal interaction between the person seeking information (interviewer) and the person supplying the information (Interviewee). Therefore five members are interviewed that are three management members and two financial analysts not included in the distributed questioner's part.

#### **(b) Questionnaire**

A questionnaire was a "formalized set of questions for eliciting information". This is the main instrument of measurement was used for the collection of primary data. It contains series of written questions on the effect of accounting system on the performance measurement of electric utility.

#### **(C) Focus group discussion**

The focus group discussion (FGD) was a rapid assessment, semi-structured data gathering method in which a purposively selected set of participants gather to discuss issues and concerns based on a list of key themes drawn up by the researcher/facilitator. The main purpose of focus group was to draw upon respondents' attitudes, feelings, beliefs, experiences and reactions in a way in which shouldn't be feasible using other methods, for example observation, one-to-one interviewing, or questionnaire

surveys. There would be discussed with different groups that are seven members two IT experts, three financial analyst and two management members which is develop more information about the accounting system.

#### **(d) Key informant interviews**

Key informant interviews are qualitative in-depth interviews with financial analyst/experts who know what is going on in the company accounting system. The purpose of key informant interviews is to collect information from a wide range of accountants or team leaders, professionals, who have firsthand knowledge about the accounting system. There are four analyst/experts are involved in this regard that help to cross validation of the research.

#### **Secondary Sources**

These are data that obtained second hand from published or recorded sources on the utility company and should be uses for a purpose of different from that of the utility that initially collected and published data which was related to the accounting system. These were data going to gotten from reports, financial statements, account and budget plans, magazines etc. In this case, the information was gotten from official documents of the electric utility, varies research work on accounting software system, accounting journals, textbooks and websites.

#### **Research Instrument**

The data collections instruments were questionnaire, interview guide, Focus group discussion (FGD) guide, Key informant interviews and document analysis.

Since each instrument had its own exclusive importance, questionnaire and Focus group discussion were selected to be filled and discussed respectively by the sample employees of the Ethiopian electric utility. Questionnaires were distributed to all 86 (eighty six) employees in the sampled of the electric utility head office in Addis Ababa in order to assess their view as to how accounting system affected the operations of the electric utility. In addition to the questionnaires, the interview was held to cross validate findings. Witten document review was also used to enrich both the qualitative and quantitative data collect through other instruments.

### **3.2.4 Methods of Data analysis**

The presentation of the study was in the form of tables, charts, and texts. The data analysis was done from both qualitative and quantitative stand point for the purpose of achieving the objectives of the study. For the quantitative and qualitative data, SPSS software was applied and simple descriptive statistics such as percentage, charts, graphs etc. were too used to analyze such data.

# CHAPTER FOUR

## Data presentation and analysis

### 4.1 Data Presentation and Analysis

Data presentation means the various ways of carrying the different forms of data obtained through various data collecting techniques to enable the researches perform analysis and extract new meaning from it. This research is targeted at understanding in a comparative analysis the effect of accounting system on the financial recording and financial reporting presentations of Ethiopian electric utility company, data analyzed and derived by way of questionnaire administration are presented and analyze and so is done by statistical calculations / computations as tool is analysis of variance (SPSS version 16.00) are used and presented with percentages. At the end inferences and conclusions are arrived at based on the statistical calculations.

### 4.2 Background of respondents

The study is the effect of accounting system on the financial recording and financial reporting presentation of electric utility company with primary focus on selected head office in Addis Ababa. A cross section of the sections in the electric utility and staffs occupying various positions of accounting department in the electric utility were covered. As can be seen below a total of 86 questionnaires were administered, responded to and returned.

The background information of respondents was deemed necessary because the ability of the respondents to give satisfactory information on the study greatly depends on their background. Thus, the background information of respondents was categorized into work experience/ length of service year and education levels in the organization were presented as follow.

#### 4.2.1 Work Experience of Employees

The study has investigated that the work experience of employees in the electric utility of accounting department and the findings were presented in the table below. As we all know, the nature of the work needs carefulness and commitment to serve customers. On top of this, silly mistake may incorrect report take place in the financial report of the company punishment or result in accounting system at the same time unnecessary cost to the utility. To minimize this, employees of the utility need to have

sufficient work experience who can proactively understand the nature of the accounting system and their effect with technology use friendly.

**Table 1: work experience of respondents**

	Frequency	Valid Percent
0-5	13	15.1
6-10	28	32.6
11-20	24	27.9
21-30	18	20.9
>30	3	3.5
Total	86	100.0

*Source: Primary data*

The above data in the table shows that a significant number of employees served the utility for more than 11 years (45), followed by 0-5 years (13), 6-10 years (28), 11-20 (24) and up to 40 years (21) This information represent 15.1%, 32.6%, 27.9%, and 20.9% respectively. This could also show that even though the utility is in service for decades, 75.6% representing of respondent (65) of the employees served less than 20 years. This indicates that even if the utility is in service for decades, the employee turnover is high. This resulted in losing of employees who know the accounting system of the utility

#### 4.2.2 Educational level of respondents

Details about the education levels of respondents were obtained and the results were revealed in table 2 below that is very important to understand the accounting system with relate to the new technology and produce financial report;

**Table 2: Educational background of respondents**

	Frequency	Valid Percent
Certificate	1	1.2
Diploma	12	14.0
1st degree	68	79.1
master degree	2	2.3
Other	3	3.5
Total	86	100.0

*Source: Primary data*

The above table shows majority of the employees of the utility in accounting department were first degree holders followed by diplomas, others/grade 10/12 complete, masters and certificates in the order 79.1%, 14%, 3.5, 2.3% and 1.2%. This means that the respondents were adequately qualified professional persons to manage the accounting system operations of the electric utility system properly.

From this point of views most of the accounting department employees were first degree holders and the company did not give room to participate/work in system and not utilize their capacity properly with take as an opportunities that is why employee's turnover is very high and company financial statement preparation delayed and audit qualifications are happened/created (KII)

### 4.3 What types of accounting system your company uses?

**Table 3 types of accounting system used the company**

	Frequency	Valid Percent
computerized	61	70.9
manual	9	10.5
mixed	16	18.6
Total	86	100.0

*Source: Primary data*

The above table 3 shows that the company accounting system is computerized on because 70.9% representing of respondent (61) were said that a company uses computerized accounting system and 18.6 % representing of respondent (16) were used mixed and 10.5% are manual accounting systems are used by the utility company from the data in the accounting department employees are not clearly known the company use what types of accounting system are used in general.

If a company uses computerized accounting system Access control is also the main problems of the company that access is give to the selective restriction of access to a place or other resource. The act of accessing may consuming, entering, or using data to process given permission to access a resource is called authorization that can be limited to user number but number of work and users id to access is not much each other and also one user use other user id these crate lack of responsibility that is why people said that company uses different types of accounting systems are used (KII)



#### 4.4 How often are financial reports prepared?

**Table 4 accounting system with financial report preparation**

	Frequency	Valid Percent
monthly	15	17.4
quarterly	15	17.4
annually	47	54.7
not prepared	1	1.2
other	8	9.3
Total	86	100.0

*Source: Primary data*

The above table shows that the preparation of the financial statements is the summarizing stage of accounting (final process of accounting transaction recording) and must be prepared in sequence because the information is needed for the next accounting period in decision making. Accordingly 54.7% representing of respondent(47) said that financial statement is prepared annually , 34.80% representing of respondents (30) said that preparation of financial statement is monthly and quarterly, 1.2% of the respondent said that no preparation of financial statement is made and others 9.3% of the respondent responded doesn't know about the preparation of the report.

“As the accounting department employee knows, there is repeated delays of financial report in the company and the employee without accounting department guess different reasons for delays because employees are eager for salary increment and other benefits for the end of the fiscal period. The interview agree think that the major factor for the delays of financial report is shortage of well design accounting system to support by the employee to understand easily to produce quality financial report. Even if the accounting systems has a facility to process transaction fixed asset are still records in the excel formant this also another problem to delays for the statement and the data entering in to the system is limited number of users access are another problem to the report delays. The key factors are accounting system for service facility was known but the utility management fails to support them”.

(KII)

#### 4.5. Accounting system related with accounting system rules and procedures

**Does the company use an adequate accounting system and does it have clear and written accounting policies and procedure with related of the system?**

**Table 5 Accounting systems related with accounting system rules and procedures**

	Frequency	Valid Percent
No	65	75.6
yes	21	24.4
Total	86	100.0

*Source: Primary data*

The above table indicated that the company doesn't have passable accounting system with related clear and written accounting policies and procedure with the system because 75.6% representing of respondent (65) said that company doesn't have accounting system used with related written polices and procedure to give the employees work in the system and others 24.4% representing of respondent (21) responded company use accounting system with related written policy and procedures.

In the quoted information :The company has some written policy and procedures that how to use the accounting system related to the computerized accounting system but it is not more clear and enough to use and it is not distributed to the employees at all levels. Why because it is not contain all of them that necessary to the system related issues and not much enough to use (FGD)

#### 4.6 Does the company apply appropriate rules and procedures for providing good accounting system implementation?

**Table 6 accounting system implementation with company's financial rules and procedures**

	Frequency	Valid Percent
No	63	73.3
Yes	23	26.7
Total	86	100.0

*Source: Primary data*

The above data from the table shows that the company doesn't use suitable rules and procedures with implementation of accounting system to clear and written understandable by the employees because 73.3% representing of respondent (63) said that the company doesn't use accounting system implementation with related polices and procedure and 26.7% representing of respondent (23) shows company have system implementation rules and procedures.

The following quotation from the key informat interview reinforce the observation

“The utility has standards to provide computerizes accounting system but not support with efficient accounting system and related rules and regulations of company clear and understand by employees which works in the accounting department in the electric utility. Due to the gap of understanding we have the utility is not adhering to standards and the reports of the accounting systems show that here financial reports are delayed up to next fiscal period of the years”. (KII)

#### 4.7 Are accounting transactions recorded in timely manner in order to accurately reflect the company's financial position at any point in timely?

**Table 7 Financial reports are prepared by the system**

	Frequency	Valid Percent
Valid No	76	88.4
Yes	10	11.6
Total	86	100.0

*Source: Primary data*

The above table clearly explained that the company accounting system doesn't produce financial report timely and accurately because the respondent shows that 88.4 % doesn't produce financial report timely and accurately at any point by the system properly this shows that the accounting department employees are the owner of the report but it is not clearly understand what is happening in the company or the management of the company not transparency on the system of financial report preparation.

The following narratives from the Focus Group Discussion and Key Informative Interview support this idea.

“Accounting system was the main causes for the current repeated financial report preparation delaines and the management transparency shortage of problem solving also have their contribution to financial

report preparation delay. To provide quality financial report the operation of the accounting system should be addressed unless and otherwise not produce timely and accurately financial reports are produced and poor accounting system operation was never solved in the Ethiopian electric utility company in the near future. Company implements any other system or updates the existing system first it must be participated the employees and produces the related policy and procedures about the system to understandable by the users“(FDG)

“As the entire employee knows, there is repeated delaines of financial report in the company and the employee without accounting department guess different reasons for delaines because employees are sensitive for salary increment and other benefits for the end of the fiscal period. I strongly think that the major factor for the delaines of financial report is shortage of well design accounting system to support to produce quality financial report and data entering in the system is more delayed because of limited number of access users. The key factors are accounting system for service facility was known but the utility management fails to support them”. (KII)

#### 4.8 Does the Company deploy effective and efficient accounting records in the system to control activities in the accounting system?

**Table 8 Financial records with accounting system**

	Frequency	Valid Percent
no	64	74.4
yes	22	25.6
Total	86	100.0

*Source: Primary data*

The above table shows that the electric utility company accounting system doesn't deploy effectively and efficiently transaction records system with accounting system in a control activities because 74.40% representing of respondent (64)said that accounting transaction recording in the system is not control and 25.60% representing of respondent (22) responded accounting transactions recording are controlled by the system..

#### **The following quote**

“There were obsolete computerized accounting system that is inventory management and payroll administration due to technology change or other reason held as stock and payroll recording are mixed that S400 which is international Business Machine (IBM) with the new computerized accounting

system that is solizona which is processing billing and financial recording agresso. The company use different types of computerized accounting system and these systems are not well integration between each other the systems itself and create problems for balancing of accounts transfer from one to others. This situation misleads quality financial reports presentation in the company. The accounting system of the utility is not clearly supporting the recording of inventory management, payroll administration and billing transaction process integration with the financial recording that is agresso of the utility in this regard the accounting system is not support properly. (KII)

#### 4.9 Is there any relationship between the accounting system and your organization chart of account the computerized accounting system in the electric utility?

**Table 9 accounting system with chart of account relationship**

	Frequency	Percent	Valid Percent	Cumulative Percent
no	65	75.6	75.6	75.6
yes	21	24.4	24.4	100.0
Total	86	100.0	100.0	

*Source: Primary data*

The above table shows that the company accounting system doesn't relationship with the company's chart of account because 75.60% representing of the respondent (65) said that accounting system doesn't related with the existing company's chart of accounts The chart of account is a financial key skeleton of any organizational tool that provides a complete listing of every account in an accounting system but the company doesn't use properly it create its own problems.

The following narrative show the management is not transparent to the accounting system

“The challenging issue that the utility faced is lack of management transparency to the employees and customers regarding the accounting system with related chart of account is not much why because the existing chart of account doesn't contain recently open accounts that is not exist before and the chart of account logo/Book are not completed enough so transaction are posted to the system by some other accounts this gives wrong information for decision making”. (Key Informative Interview, KII)

“Our sense of ownership to the electric utility company is decreasing from time to time because of the absence of transparency from the management of the utility that decreasing ownership. We receive employees request but we couldn't provide answer/service and we force to be disappeared from the employee because we have no concrete reason to tell them for answer the system delayed

quality operation and system related with its appropriate chart of account which process data to the system. The goodwill the utility company had been degrading due to the current poor quality operation of the accounting system and its relate chart of account in the utility”. (Focus Group Discussion, FGD)

#### 4.10 Does the company apply appropriate rules and procedures for providing good accounting system implementation in the human aspect?

**Table 10 accounting system with human resource**

	Frequency	Valid Percent
no	57	66.3
yes	29	33.7
Total	86	100.0

*Source: Primary data*

The above table shows that the company accounting system doesn't strong relationship with the professional human resources because the respondent of the responds are 66.3% doesn't show relationship between the accounting system implementation and professional human resources but the above shows company have more professional are indicated in the accounting department that is shown in the educational background of the status implies.

The following quote are supports the reflection of respondents in Focus Group Discussion (FGD) and Key informative interviews. (KII)

“I believe that the self-sufficiency strategy in the use of a computerized accounting system comes along with unrelated accounting system its own set of problems. The computerized accounting software system is run on a computer and apart from the probability of the software itself failing, the computer as an electronic device may also have its own limitations. One major problem is computer failure and unrelated accounting system” this is shows that inventory management and payroll administration computerized accounting system are facing a problem and also professional aren't participate in the system properly. (KII)

“Computerized accounting Software system failure usually occurs when there are mistakes in the program coding or specification of accounting software and outdated software create a problem and also unrelated accounting system. This may lead to the data being corrupted or financial losses. These

mistakes are referred to as bugs. For instance, the electric utility usually outsources its accounting software system development and so if the vendor is not able to develop the accounting software as required by the utility for its operations, it leads to the software being a failure. The extent to which the software has been damaged would determine whether the software has to be changed or not in addition to this company doesn't utilize professional properly in the company's operation". (FGD)

#### 4.11 The company has a procedure to analyze account balances to ensure transactions have been properly recorded

**Table 11 account balance with procedure**

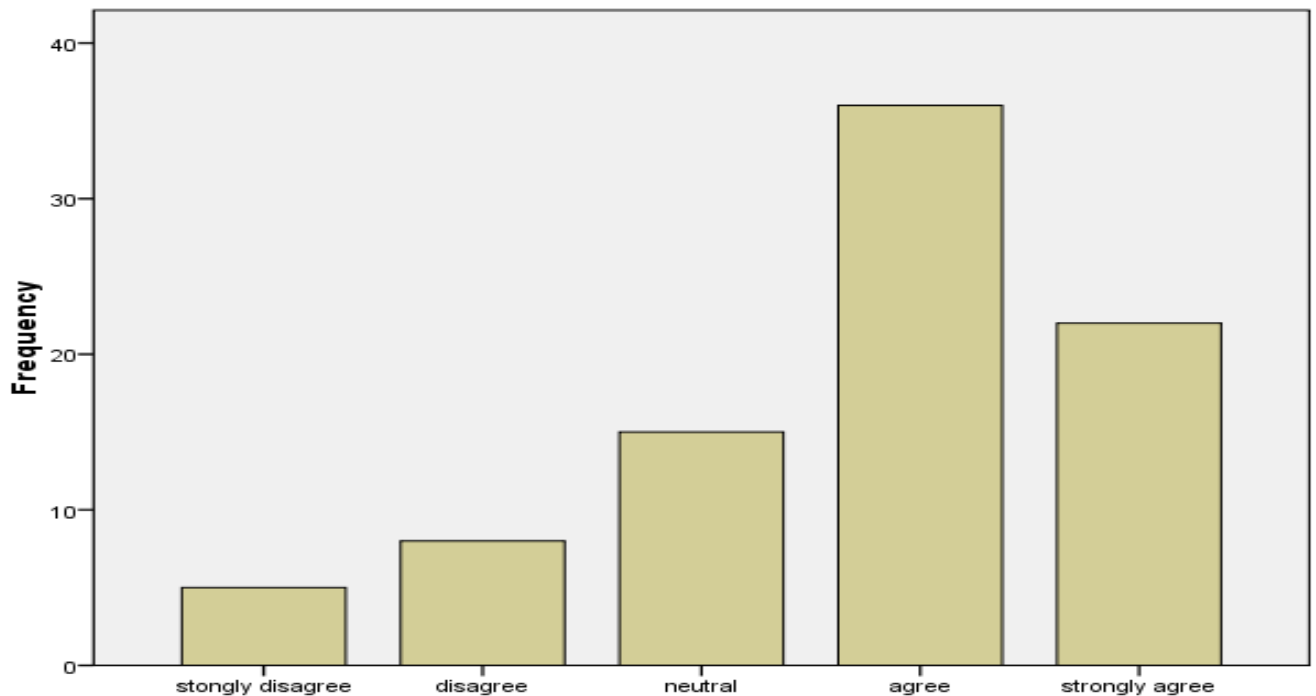
	Frequency	Valid Percent
strongly disagree	5	5.8
Disagree	8	9.3
Neutral	15	17.4
Agree	36	41.9
strongly agree	22	25.6
Total	86	100.0

*Source: Primary data*

Accounting system has a procedure to analyze account balances to ensure transactions have been properly recorded that is indicates agree with records are given by respondent 41.9% almost there is records with the procedures and strongly agree gives by respondent are 25.6% and strongly disagree and disagree are 5.8% and 9.3% respectively. These shows that accompany have rules and procedures but are not properly utilize the procedures.

As the statement illustrates in the group discussion the chain of command of the utility is convenient to accounting system management. The respondents think that the problem is not related to the chain of command but to its implementation. As displayed in the group discussion respondents believe that the chain of command and procedures are good in the utility regarding to system management is appropriate to the utility but there were other problems. The ideas were provided by respondents as supplementary information to the aforementioned impression assignment of unskilled (unrelated) personnel, are assigned on time & mislead the management and employees need relationship and create problem because they were account balanced with the new ones, and less attention given by higher level supervisors (FGD).

**Figure 1 Transaction records with procedures**



The figure illustrated above strongly disagree and disagree which is total indicates to 15.1% less than that of agree which indicates 25.6% but is adjust the 15.1 % which is more reasonable to correct it.

“Computerized accounting Software system failure usually occurs when there are mistakes in the program coding or specification of accounting software and outdated software create a problem and also unrelated accounting system. This may lead to the data being corrupted or financial losses. These mistakes are referred to as bugs. For instance, the electric utility usually outsources its accounting software system development and so if the vendor is not able to develop the accounting software as required by the utility for its operations, it leads to the software being a failure. The extent to which the software has been damaged would determine whether the software has to be changed or not in these regarded the government of Ethiopia give attention for the private information technology company to develop the information technology infrastructure and software and hard ware development industry to help company gap in the needs of the industry”(FGD).



## 4.12 The company maintains an accounting system which is accessible to all appropriate employees used in computerized accounting system

**Table 12 maintains an accounting system with accessible with employees**

	Frequency	Valid Percent
strongly disagree	6	7.0
Disagree	12	14.0
Neutral	22	25.6
Agree	32	37.2
strongly agree	14	16.3
Total	86	100.0

*Source: Primary data*

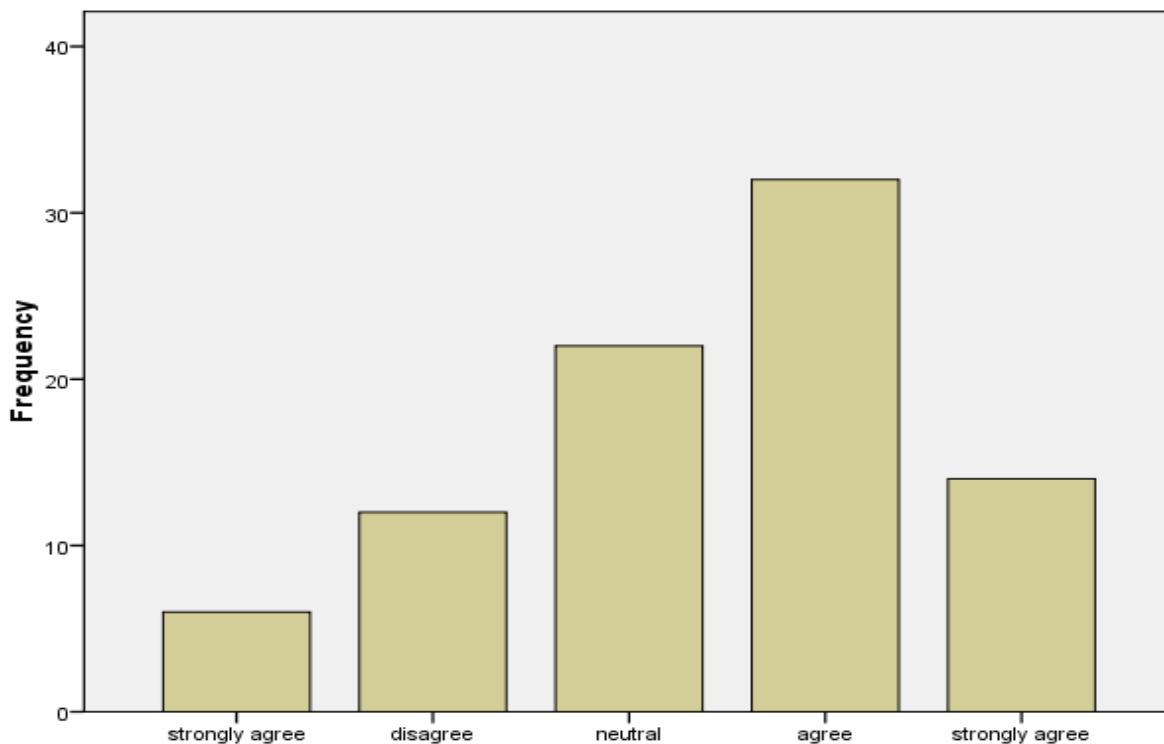
As shown on the table, 37.2% representing of respondent (32) responds accounting system accessible agree and 16.3% of responses are strongly agree and the rest 46.60% of the respondents are neutral, disagree and strongly disagree are 22,12 and 6 number of employees respectively. to understand from the given statement. The company maintains an accounting system which is accessible to all appropriate employees used in computerized accounting system that the respondent are might few of them are still strongly disagree and disagree that activities of the utility company accountant professional aren't deal the accounting system. The utility company has suitable accounting system maintenance but there is not properly utilized it by the professionals.

The record keeping to the accounting system in a maintaining an accounting system orderly and restricted practice of storing transaction records and record keeping is one of your most important responsibilities in the utility company. Access database is primarily a Windows file. It must have a location, also called a path, which indicates how the file can be retrieved and made available. Access suggests that the database be created in the documents folder which the users are access is limited in the programmed. If you want it located in another folder in the accessible location and this limited number of access to give the employees are problem to financial transaction records and produce financial report timely. (FGD)

The success of your company depends on creating and maintaining an effective accounting system record, Maintain accounting system record keeping ranges from simple folder filing systems to complex on-line electronic systems. Whether simple or complex, an accounting system record keeping

system must be easy to use and provide adequate storage and retrieval of records. Most importantly, the record keeping system you choose must be suited to your particular company needs by assessing different ways. The type, size, and complexity of your company, as well as your company's available resources, will help to determine the accounting system record keeping system best suited to you and your company this help company's financial transaction records and produce financial statement timely and accurately with decision makers and other interested stockholders (KII).

**Figure 2 Maintain accounting system with accessible to employees**



As shown on the figures 37.20% representing of responses (32) and 25.6% of respondents (22) said that accessibility are given to the employee agree and neutral respectively. From the given statement to understand the rest of the employees are no accesses to the system properly. This revealed that few employees of the utility might consider the company maintains accounting system which is accessible with employees in computerized accounting system

#### 4.13 The updates/changes to the accounting system has distributed timely to appropriate employee

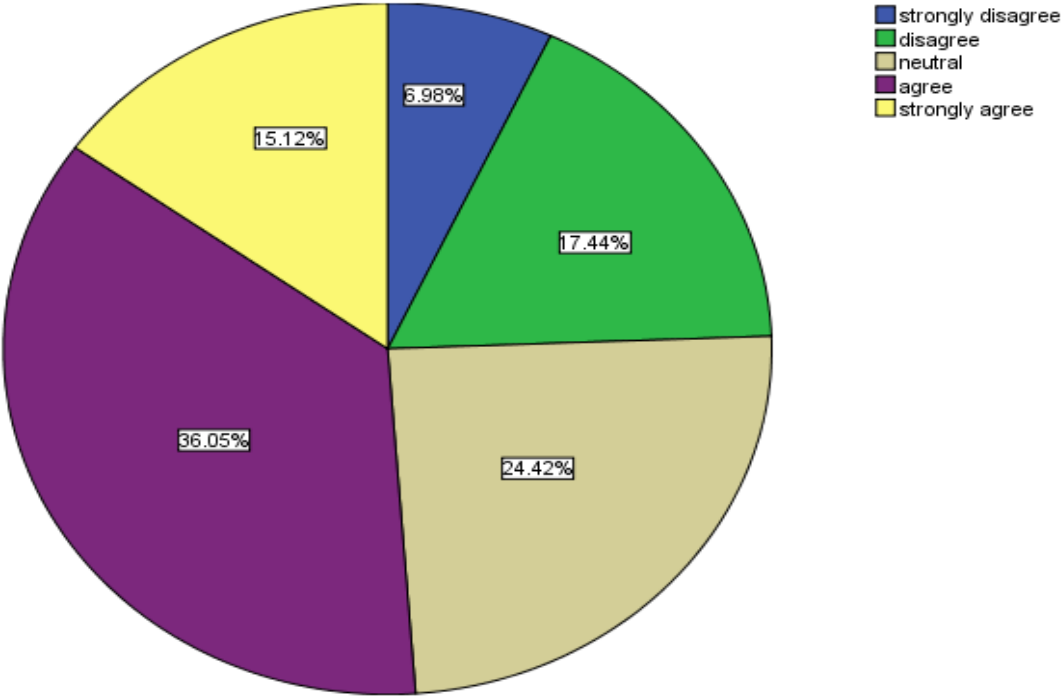
**Table 13 Accounting system change and distributed timely**

	Frequency	Valid Percent
strongly disagree	6	7.0
Disagree	15	17.4
Neutral	21	24.4
Agree	31	36.0
strongly agree	13	15.1
Total	86	100.0

*Source: Primary data*

As illustrated in the table above, 36% of the respondents (31) and 24.4% of responses (21) said that accounting system changes are distributed timely are agree and neutral this implies most of the employees aren't clear understanding about the company's what is going on. This mean agreed or strongly agreed that the management of the utility prefers updated accounting system in the operation of financial reports system of the company but employees are not agreed with this so that for the management were transparent to understand the point from the benefit of the company. The other respondents disagree or strongly disagree to the given statement. The rest 24.4% (21) of the respondents revealed that they were neither of the above. The management could get more room to deal with the accounting system operation regarding their personal and company's benefit. During the discussion of, employees and stakeholders could get more space and therefore the system may be more transparent than ignorance.

Figure 3 accounting system changes and distributed timely



As illustrated in the figure above, 51.1% (44) of the respondents had agreed and strongly agreed that the management of the utility update the accounting manual system and distributed to the employees with the appropriate ones for the related works and the other 24.4%(21) of the respondents disagree and strongly disagree to the given statement that the management of the utility doesn't distributed the up dated accounting manual which are not good as the work done with the appropriates one. The rest 24.4% representing of (21) of the respondents revealed that they were neither of the above. The management could give more room to deal with the employees which are important for the updated manuals are necessary to distribute timely for the company's benefit.

#### 4.14 The company's accounting system apply appropriate rules and procedures for providing report by the integrate systems

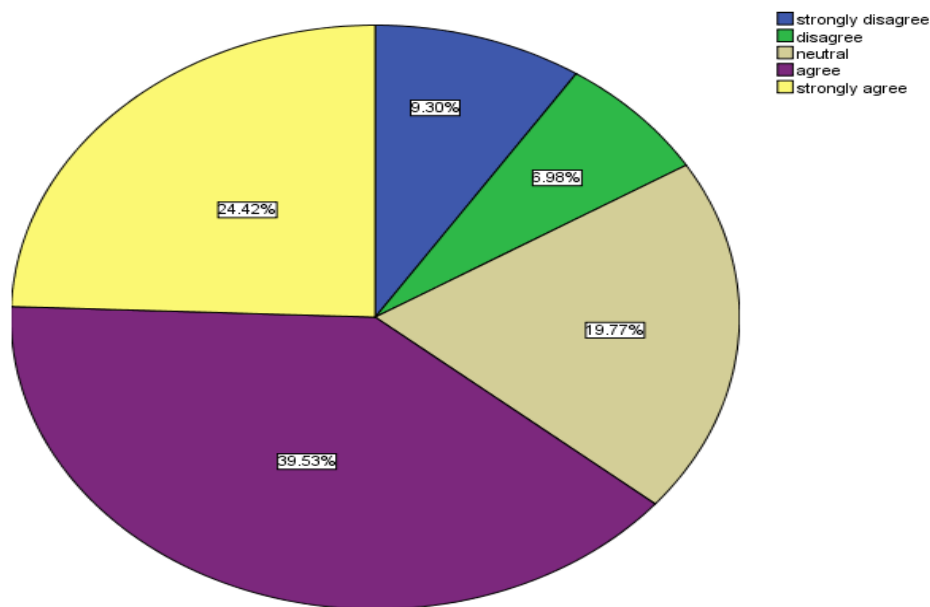
**Table 14 accounting system with appropriate integrating system**

	Frequency	Valid Percent
strongly disagree	8	9.3
Disagree	6	7.0
Neutral	17	19.8
Agree	34	39.5
strongly agree	21	24.4
Total	86	100.0

*Source: Primary data*

From the above table indicates that company uses different computerized accounting system which is inventory management, payroll administration, billing recording transaction and financial recording that are mentioned above the integration of each other's use friendly is not well designed some of respondents are agree and others strongly agree others said neutral and also disagree and strongly disagree this indicate that employees in the accounting department is not understand what the company's doing.

**Figure 4 accounting system apply appropriate rules**



The above figure shows that 39.5% representig of the respondent (34) and 24.4% response (21) said that appropriate rule are applied agreed or strongly agreed respectively that the company's accounting system apply with integrated procedures that could be necessary to the works of the utility show balance but not the computer system or vice versa. In principle the accounting system, different reports and computer system balance should be reconciled. If not, it is difficult to rely on either the computer system or the rules are integrated. Work units could plan to perform different accounting operation activities based on the accounting system or computer system. The respondents were given a statement read 'I observe the regions/head office provides report in the system in a way that service delivery time standards were met' and their level of agreement were summarized in the table above.

In a public enterprises responsibility to utilize appropriate and suitable accounting system with the most effective and efficient way possible while was adhering to laws and regulations governing those processes. Internal controls over the accounting systems are necessary to ensure timely and accurate produce financial reporting so managers can make appropriate decisions and annual financial reports addresses to the concerned body are correctly stated. But the utility management faces the problem to managing the accounting system and their needs (FGD).

## CHAPTER FIVE

### 5. Summary of Findings, conclusion and Recommendation

#### 5.1 Summary of Findings

The consequence of accounting system on the financial recording, financial report and financial presentation of Ethiopian electric utility was the study carried out in the researches. Head office of the Ethiopian electric utility formed the focus of this study.

The researches study in consideration of its objectives had made some useful findings from the data collected through personal interviews, questionnaire administration and document reviewed research and also from the focus group discussions formulated and accomplished.

Based on the outcome of the investigation, a summary of the findings made are as follows:-

- i. There is a relationship between the application of the computerized accounting system and manual accounting system in the accounting system of the Ethiopian electric utility. This was found to be true because the application of a computerized accounting system in Ethiopian electric utility operations aids quick customer services decision making process and produce financial recording, financial report and financial presentation any report than in manual accounting system of the company. Also, the installation of accounting software in the computer, processes data and creates reports much faster than manual system which is slow.
- ii. It is understandable that the impact of accounting system enhances higher transaction process and financial records to produce financial report in Ethiopian electric utility. The accounting system Through this was confirmed/ corroborated by the examination carried out, it was observed that some electric utility accounting departments are yet to take advantage of the excellent benefits provided by it transaction process and it gives more attention the reports from electric utility operations carried out have remained interested and reliable.
- iii. It is comprehensible that the accounting system, chart of account connected with computerized accounting system is an effective means of keeping accounting records. Because computerized accounting system provides a means for them to record; very high volume of transactions with the great speed and financial and prepare a wide range of detailed financial report. It also provides information to management with current account balance information since balance is posted as the transactions occur and produce financial reports.
- iv. The application of computerized accounting system related with a good accounting system is effective in strengthening the control system and accountability in Ethiopian electric utility.

- v. There was needs co-ordination in accounting system with the entire electric utility operations through the use of computerized accounting system and other departments.

## **5.2 Conclusions**

Accounting system has been recognized in most important part of any company as a means of meeting economic growth. For a business to survive, grow and achieve status, it should have a dynamic purposeful and efficient accounting system with integrated to computerized accounting system which accounting system is an integrated, computer-based used machine system which allows the user to enter the transaction into the program once and all accounts are updated as necessary. It is also a specialized machine system use in gathering information. It also provides information for decision making functions and has been of wonderful benefits not only in electric utility also to all manner of firms and organizations. Accounting system has good integration with Computerized accounting system and good posting system it has helped in facilitating the provision of timely, quick customer service delivery, accurate and reliable information, required by them i.e. (not only electric utility but also other firms and organizations).

It has also brought about quality financial report and good financial presentation in electric utility operations by abiding the accounting instructions and guidelines which help them to minimize risk/challenges that are likely to be encountered in the course of their duties as well as evolves adequate measures to combat such challenges and achieve success.

Though the company cost of maintenance and designing an effective accounting system with the integration of computerized accounting system and the purchase of the associated facilities needed for it is high, if the electric utility are well committed to improving their financial report and financial presentation and enhancing higher quality of work performed for higher financial position of the company, they should go for it as well as ensure that the recommendations are rigidly followed in the use of qualified human resources which is related to the accounting systems of the organization.

## **5.3 Recommendations**

From the findings of this study the following recommendations are therefore made to enhance the financial recording, financial report and financial presentation by the selected company in the financial accounting system operations.



The recommendations are:-

- i. Ethiopian electric utility doesn't use properly its computerized accounting system but it must be use computerized accounting system as take advantage of the exceptional benefits derived from the adoption of the designed accounting system with relate to computerized accounting system. This will help it to achieve a high and acceptable standard of quality in the financial recording, financial report and the financial report presentation of the electric utility company operations.
- ii. Ethiopian electric utility can't utilize the resource properly but it must use resources reasonable proportion of their efforts and resources to the use of computer. Accounting system so as to promote efficiency in electric utility financial system operations and in their statement of financial position ensure accurate, timely and much easier and reliable for use of decision making for stakeholders and other benefited parties from the utility company.
- iii. Ethiopian electric utility accounting system hasn't a good integration. But Accounting system with good integrated dynamic nature of computerized Accounting system and in line with the present global trends of events which is now widespread and mostly known computer accounting system. It is recommended than electric utility and other firms and organizations that are still in the operations of manual system of accounting to adopt specifically the computer based accounting system and this will in no small way aid in quick customer services delivery, produce a wide range of detailed report at short interval and provide management with current information to support decision making and aids collection storage, retrieval, communication and adequate security of information from unauthorized persons or fraudulent purpose and for the purpose of efficient financial report and management and the achievement of the relationships of their objectives.
- iv. The cost of maintenance and designing an effective accounting system with the integration of computerized accounting system and the purchase of the associated facilities needed for it is high, if the electric utility are well committed to improving their financial report and financial presentation and enhancing higher quality of work performed for higher financial position of the company, they should go for it as well as ensure that the recommendations are rigidly followed in the use of qualified human resources which is related to the accounting systems of the organization.
- v. Ethiopian electric utility should as a matter of necessity and responsibility of struggle to incorporate the qualities of a well-developed and effective accounting system with the connection of computerized accounting system in the implementation of this quality financial report that are

stated in form of accounting principles which are important because they provide the conceptual guidelines for application of the basic accounting system. Also they give the measurement, recording and reporting phases of their accounting information processing cycle at the end of the period.

- vi. The company's management didn't take more attention in there accounting system. But the company management should accelerate actions that will create an enabling environment in order to stimulate growth in the electric utility company as a good customer service delivery by the help of accounting system integration to the computerized accounting system management of the utility company must be transparent and aware of the employees demand in the system.
- vi. Good accounting system give financial information for decision making in electric utility should utilize information technologies to render services (internal and external customer) of the company that meet the genuine needs of the customers and if there's change in the customer lifestyle, the electric utility should change along rapidly growth of the economy.
- vii. The company didn't give attention to rules and regulation with related accounting system and professional. Nonetheless the accounting rules and regulation should aligning with accounting system of the current situation and it should upgrade their information technologies constantly so as to align with the rapidly developing computerized accounting system in the company's need and participation of qualified professionals which operate the system in the near futures benefit of the company.
- viii. In the near future utility management take attention for any accounting system implementation must be give to participation of professionals with related rules and procedures to avoided non compliance and future benefits of the utility company
- ix. Accounting system help to utility companies by giving reliable updated information for decision making Ethiopian government should support by encouraging local information technology firms towards meeting up the 21st century state of the art information technology requirement of the utility company or any company in the country.

### **Direction for Future Research**

Future researcher should aim to improve impact of, Accounting system by examining whether its usage or adoption is important. The study neglects the likely impact of respondents' characteristics on perception of Computerized accounting system adoption. Future researcher should seek informed answers to such characteristic-related questions.

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# APPENDIXES:

## APPENDIX I: Questionnaire

St. Mary's University

School of graduate study

Questionnaire on “assessment of accounting system in public enterprise a case of Ethiopian electric utility”

### Introduction

I am a student in postgraduate studies Master of Business Administration in Accounting and Finance and presently conducting a research in the area of “accounting system in public enterprises a case of Ethiopian electric Utility”. As a part of my thesis I would like to gather information from you which will help me in assessment of accounting system research in the Ethiopian electric utility.

You are kindly requested to complete the attached questionnaire as honestly as possible. The information being solicited from you is purely for only academic purposes. All information provide by you will be treated confidentially, hence, your name and that of your signature are not require. Your honest completion of this questionnaire will assist in generating information that will help electric utility to improve their accounting system with the integration of the computerized accounting software system to develop financial report of the Ethiopian electric utility.

### Instructions

There are two sets of questionnaire will be prepared which comprised both closed-ended questions and open-ended questions. Closed-ended questions are multiple choice questions. You will put X in the box that is given in each of the choice cells. For the other multiple questions you will choose answers as per the questions and label them according to your priorities, open-ended questions that blanks will be left to be filled by respondents.

### SECTION “A”

1. Sex Male  Female
2. Marital status Single  Married  other
3. Age 20-30  31-40  41-50  51 and above
4. What is your level of education?  
Certificate  Diploma  1<sup>st</sup> Degree  Master Degree  other (specify) -----

5. How long have you been working with the industry?  
 0-5 years       6-10 years     11-20 years     21-30 years     30 years and above
  
6. What is your position-----  
 -----
  
7. How many years have you worked in this position-----  
 -----
  
8. Please specify your department  
 Controller Finance manager  Treasury finance manager  Administrative finance manager   
 other
  
9. What types of accounting system your Company uses? Computerized  Manual  mixed
  
10. How often are financial reports prepared?  
 Monthly:  Quarterly:  Annually:  Not prepared:  other (specify) -----
  
11. Is all financial report prepared by the system accurate and timely    Yes     No
  
12. If your answer is no what is the reason specify -----  
 -----
  
13. Is there any relationship between the accounting system and your organization chart of account  
 the computerized accounting system in the electric utility (state)-----  
 -----
  
14. The company's accounting system apply appropriate rules and procedures for providing report  
 by the integrate systems Yes       No
  
15. Are accounting transactions recorded in a timely manner in order to accurately reflect the  
 company's financial position at any point in time?    Yes     .0    No
  
16. Does a complete and current chart of accounts exist that includes descriptions of items posted to  
 each account? Yes       No
  
17. When discrepancies are identified in reconciliation of sub-systems, does the company document  
 and resolve the differences in a timely manner?    Yes       No
  
18. Does the company use an adequate accounting system and does it have clear and written  
 accounting policies and procedure with related of the system? Yes       No
  
19. Does the company apply appropriate rules and procedures for providing good accounting system  
 implementation in human aspect?      Yes       No
  
20. Does the company have a clear legal and regulatory framework for the use and implementation  
 of financial instruments in the accounting system?    Yes       No

21. Does the user an accounting system that provides in all material respect accurate, complete and reliable information in a timely manner and in accordance with the company rule and regulation criteria? Yes  No
22. Does the company have Segregation of duties or mitigating controls exists between transaction processing, authorization, safekeeping, and the recording functions. Yes  No
23. Is there the relationship between the application of the manual accounting system and the computerized accounting system in the Ethiopian electric utility? Yes  No

Answer the following questions and put “X” in the box that is given in each of the cell below

A. strongly agree=5

D. Disagree=2

B. Agree=4

E. strongly disagree=1

C. Neutral=3

	<b>questions</b>	1	2	3	4	5
1	The company has a procedure to analyze account balances to ensure transactions have been properly recorded					
2	The accounting procedures are followed properly in the recording of transaction					
3	The company maintain an accounting system which is accessible to all appropriate employees used in computerized accounting system					
4	The updates/changes to the accounting system has distributed timely to appropriate employee					
5	The company has accounting recording processes for all significant account balances and group of transactions					
6	The company has controls procedures for internal and external users applicable requirements and standards					
7	The company has monitor internal controls regularly in the accounting system					
8	The journal entries include identification of the accounts in which they are to be recorded correctly					
9	The company has financial records in a system an impact on preparation of financial report effective and efficient internal control system					



## APPENDIX II: Focus Group Discussion Tool

**St. Mary's University**

**School of graduate study**

### **Focus Group Discussion (FGD) guide**

The main objective of FGD was to validate the information collected through questionnaires. The discussion was held mainly with employees of the head office employees. For FGDs are held about management problems in accounting system

1. What are the main challenges and opportunities for your accounting system?
2. Is the company subject to appropriate external audit procedures with related to the accounting system?
3. Has accounting software system helped to reduce errors in preparing financial report?
4. In what ways has accounting software system affected the financial reporting system?
5. To what extent transactions and events have been recorded in the correct accounting period?
6. Does your company accounting system records are protected from theft, obsolescence, or destruction

## APPENDIX III: Key informative interview Tool

**St. Mary's University**

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### **Key informative interview guideline**

Using semi structured interview guide interview is held with one purposely selected key informant to collect in-depth information about commitment of the management and senior employees to accounting system.

### **Interview questions for senior employee and management**

1. What are the main challenges and opportunities for your company accounting system integration?
2. Who will be responsible for the day-to-day management and oversight of accounting system control?
3. Does accounting system affect users in preparing financial report of the electric utility?
4. Do user mindsets influence accounting software system feature adoption? For example, do users with certain mindsets adopt more advanced system features, or adopt them more quickly?
5. What are the main objectives of your accounting software system in your company's?