

**ACCOUNTING INFORMATION SYSTEM AND FINANCIAL REPORTING IN NGO's:
A case of Katugo children's home NGO in Nakasongola District**

JACINTA AIDAH NALUJJA

S20B33/014

**A RESEARCH PROPOSAL SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD
OF BACHELORS DEGREE OF SCIENCE IN ACCOUNTING AND
FINANCE AT UGANDA CHRISTIAN UNIVERSITY, MUKONO**

August, 2023

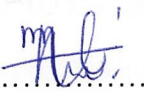


**UGANDA CHRISTIAN
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

DECLARATION

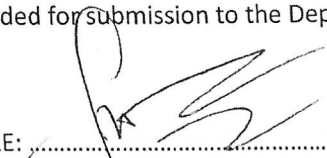
I, NALUJJA JACINTA AIDAH, declare that this report is based on the experience and knowledge acquired throughout my research. Therefore, it is not a duplication of any other report. I have personally carried out the research as required and information contained in this report is based on my experience during the research engagement and has been presented to any university or institution of institution of learning for any academic award.

SIGNATURE: 

DATE: 07th / 09 / 2023
.....

APPROVAL

This is to certify that this research report has been written under my supervision and is hereby approved for submission for the award of Bachelors' Degree in Science Accounting and Finance and he has been recommended for submission to the Department of business at Uganda Christian University in Uganda.

SIGNATURE:  DATE: 6th Sept, 2023

MR KASOZI GEOFFREY
(UNIVERSITY SUPERVISOR)

DEDICATION

I dedicate this work to the almighty God who gave me power, wisdom and knowledge to do this. I also dedicate this work to my beloved parents MR. KIYINGI PATRICK and MRS. NABUULE JOSEPHINE, and the entire Uganda Christian University who recognized the value of my education from the start and have devoted a lot of effort and resources to see that I have achieved my goal.

ACKNOWLEDGMENT

I acknowledge the power of God, the maker, and the provider of knowledge for enabling me to complete my Bachelors' Degree. Most importantly, I sincerely wish to acknowledge the support from my supervisor MR. KASOZI GEOFFREY, without whom I could not have gone this far with my Research project work. You have been my inspiration as I hurdled all the obstacles in the completion of this research work, I could not have imagined having better advisor and mentor for my Bachelors' Degree Science in Accounting and Finance. To Uganda Christian University for offering me the opportunity to do this study and all my lecturers who contributed in one way or another in quenching my thirst for knowledge

Finally, my deepest thanks and appreciation to our family, most especially my Mother and Father for being understanding, kind, and supportive throughout the period of my study. Thanks for your continuous encouragement and believing in me. I offer my regards and blessings to all that have always been there for me for this cause though I may not name each one of you individually, your contribution is recognized and appreciated immensely. I owe you my gratitude. To you all, God bless

Content

DECLARATION	ii
APPROVAL	iii
DEDICATION	iv
ACKNOWLEDGMENT	v
LIST OF FIGURES	ix
LIST OF TABLES	x
LIST OF ABBREVIATIONS	xi
ABSTRACT	xii
CHAPTER ONE	1
1.0 INTRODUCTION.....	1
1.1 Background of the study.....	1
1.2 Problem statement	3
1.3 Purpose of the study.....	4
1.4 Specific objectives of the study.	4
1.5 Research questions.....	4
1.6 Justification of the study.....	4
1.7 Scope of the study.....	5
1.7.1 Area scope.....	5
1.7.2 Subject scope.	5
1.7.3 Time scope.	5
1.8 Conceptual frame work	6
1.9 Limitations of the study.....	6
CHAPTER TWO	7
2.0 Introduction	7
2.1 Meanings of the key terms.....	7
2.1.1 Accounting Information system.....	7
2.1.2 Financial reporting	8
2.1.3 Non-Government Organization	10
2.2 Theoretical literature.....	11
2.2.1 Meta Theory Model	11
2.3 The efficiency of financial reporting in NGO's	12
2.4 Impact of AIS system on the financial reporting performance of NGO'S.....	14

2.5 The challenge faced by the NGO’s in using the AIS system and their effect on financial reporting performance.	15
2.6 The relationship between financial information system and financial reporting	17
2.6. Conclusion of Literature Review.	17
CHAPTER THREE	18
3.0 INTRODUCTION.....	18
3.1 Research design.....	18
3.2 Study population.....	18
3.3 Sample size.....	19
3.4 Sampling size and sampling selection.....	19
3.5 Data Source.....	19
3.5.1 Primary Sources:.....	20
3.5.2 Secondary Data	20
3.6 Data collection methods and instruments	20
3.6.1 Questionnaire	20
3.6.2 Interviewing.....	21
3.7 Data analysis and Data processing	21
3.7.1 Data Analysis.....	21
3.7.2 Data processing.....	22
3.8 Data validity and Reliability	22
3.8.1 Data validity	22
3.8.2 Data reliability.....	22
3.9 limitations of the study.	23
CHAPTER FOUR	24
4.0 Introduction	24
4.1 Response rate.....	24
4.2 Findings on the background information	24
4.3 The efficiency of financial reporting in Katugo Childrens Home NGO	28
4.4 Impact of the AIS system on the financial reporting of NGOs; Katugo Childrens Home ...	30
4.5 The Accounting information system and financial reporting performance of NGO’s.....	31
Table 10: Regression between Accounting information system and Financial reporting of NGOs – Model	33
CHAPTER FIVE	36
5.0 Introduction	36

5.1 Discussion of research findings	36
5.1.1 The efficiency of financial reporting in Katugo Childrens Home NGO	36
5.1.2 The impact of AIS system on the financial reporting performance of NGO's	37
5.1.3 The relationship between accounting information system and financial reporting in NGO's	38
5.2 Conclusions	38
5.3 Recommendations	39
5.4 Recommendations for further studies	40
REFERENCES	41

LIST OF FIGURES

Figure 1 graph that shows the Gender respondents.....	25
Figure 2 Bar graph showing responses for the age.....	26
Figure 3 Pie-chart showing responses of the level of education.....	27

LIST OF TABLES

Table 1: Showing sample size	19
Table 2 showing sample size	19
Table 3 showing gender of Respondents	24
Table 4 Showing Age of the Respondents	25
Table 5 Showing Education Level	26
Table 6 Showing Marital Status of the Respondent	27
Table 7 Shows the efficiency of financial reporting in Katugo Childrens Home NGO	29
Table 8 Shows the Impact of AIS system financial reporting of NGO’s Katugo Childrens Home	31
Table 9 Shows the level of agreement with the statements on Financial information system and Financial Reporting of NGO’s	Error! Bookmark not defined.
Table 12 showing questionnaire	44
Table 13 showing evaluation accounting system	45
Table 14 showing relation between AIS and financial reporting	46
Table 15 showing the budget for the research	47
Table 16 showing schedule of the research	47

LIST OF ABBREVIATIONS

AIS	Accounting Information System
SPSS	Statistical Package for the Social Science
NGO	Non-Government Organization
IS	Information System
CVI	Content Validity Index
UCU	Uganda Christian University

ABSTRACT

The study sought to find out the relationship between accounting information system and financial reporting of NGO's in Nakasongola; a case study of Katugo Childrens Home NGO. The study specifically looked at the efficiency of financial reporting in katugo Children's Home, impact of the AIS on the financial reporting of Katugo Children's Home NGO and the Challenges faced by the NGO in using the AIS system and their effect on financial reporting.

A cross-sectional study design for quantitative and qualitative analysis was used on 44 respondents that brought back the questionnaires. Data was collected by use of a self-administered questionnaire, and interview guide. Quantitative data was analyzed at uni-variate level basing on the mean and frequencies, percentages, bi variate level using correlation coefficient with the help of Statistical Package for Social Sciences 17.0 (SPSS). Qualitative data were analyzed by content analysis by composing explanations and substantiating them using the respondents' open responses.

The researcher found out that accounting information system provides information financial performance measuring ratios, provides useful information about the performance of debt in the capital structure that the general manager must try to influence in order to improve and manage the overall organizational performance. The researcher further found out that AIS provides information about assets in an organization which helps to do investment planning within pride microfinance limited. The study also recognized that accounting information system enables the users to make informed judgments. Since every decision involves several alternatives, it assists the user to decide his course of action. Accounting is a process which with the help of accounting records produces financial statements. It also helps management in their important duties of planning, organizing, leading, supervising, controlling and decision making.

The researcher concluded that AIS affects the overall financial reporting in Katugo Childrens Home Nakasongola where it highly influences decisions made, the nature of communication and efficiency in performance at the financial institution. In other words a lot of sensitization needs to be done to the users and all stakeholders for it to be successful at Katugo Childrens Home.

CHAPTER ONE

1.0 INTRODUCTION

This Chapter looks into the background of the study, framing of the statement problem and provides expectations of the research and study of the objective.

1.1 Background of the study

Accounting plays a very important role in the management and success or failure of contemporary business institutions. Accounting information systems (AIS) are responsible for recording, analyzing, monitoring and evaluating the financial condition of companies, processing of documents necessary for tax purposes and providing information support to many other organizational functions. Traditional legacy AISs were mainly paper-based systems and seem inappropriate for today's rapidly changing business environment. Information technology (IT) revolution has transformed the nature⁶ of business operation, including accounting, to be led by IT and information systems (IS) applications (Khan, 2017)

Accounting information system (AIS) just like any other information system is perceived to play a great role in the management of day-to-day operations in corporate organizations. Accounting information systems are regarded as one of the supporting information systems used in carrying out managerial functions such as planning, organizing, controlling and decision-making, for the better exploitation of the available resources (Samer, 2016). According to Borhan and Bader (2018) accounting information system (AIS) is a formal system for identifying, measuring, accumulating, analyzing, preparing, interpreting and communicating accounting information about a particular entity to a particular group. Accounting information system represents a range of sources (persons and equipment), which are designed to collect financial data to reach the information needed for different decision-makers at a particular period of time (Bodnar and Hopwood, 2010).

Non-Government Organizations (NGOs) are not-for-profit civil society organizations created with the mission of addressing the under-served aspects of national life and development. Over the last decade there has been a tremendous growth of NGOs in the developing world. Many

donors view the NGOs as a better alternative to governmental agencies in getting services and assistance to those in need, especially in countries that are burdened by political favoritism and corruption (Cook, 2003).

However, NGOs have also been involved in scandals that are a result of having less than credible governance structures. In the Far Eastern Economic Review (21 August 2003), the watchdog organization called Sustainability reported that accountability and transparency are issues on which several NGOs are found wanting (Annon, 2003)

Katugo children's home NGO firmly believes in the transformative power of education to break the cycle of poverty and create a bright future for children and their families. With the aim of providing access to quality education for children in need, our ministry has established a primary boarding school, currently serving 110 pupils.

In addition, we are dedicated to supporting orphans and other disadvantaged children in Uganda, many of whom have been affected by war and HIV. By sponsoring a child, your generous gift will provide shelter, healthcare, education, and food, offering them a renewed sense of hope for a better future. Currently, we are mobilizing funds to construct homes for these vulnerable children. Each home will provide a nurturing environment for 10 orphans and needy children, with a trained single mother placed in each home to raise them with godly principles. The children will receive parental love, discipline, healthcare, and education.

To qualify for the grants, eligible NGOs were required to be duly registered, with an office, have a personnel and management structure and have systems in place that ensure adequate accountability of donor funds. The eligible NGO was required to prepare proposals and through their district committee. This was to ensure that the NGO exists in the district, that it has the required management structures and that the funds would be put into use to fill the priority needs gaps of the district. The committee was also required to certify that the NGO had sufficient past experience to account for donor funds. NGO had to comply with. These requirements included ensuring that the NGO had acceptable governance structures and provided regular, timely and accurate programme and financial reports.

Financial reporting is a subjective measure of how well a firm can use assets from its primary mode of business and generates revenues. It can also be used as a general measure of a firm's overall financial health over a given period of time as well as for comparative purposes across sectors or industries. There are many ways through which financial performance can be measured, either taken singly or in aggregation. Line items such as revenue operations, operating income or cash flows from operations can be used. One might also dig deeper into the financial statements to seek out for growth rates in revenues, profits or declining debts.

Drury and Tayles (1995) found that the same rules and procedures established for external reporting (financial accounting) are likely to be applied to internal reporting and controls. For performance measurement and evaluation, most companies base their measurement on different functions and product groups, to somewhat lesser extent on client groups and sales region (Haldma and Laats, 2000). Net profit, rather than controllable profit, is widely used to evaluate the performance of divisional managers (Drury and Tayles, 1995), since it could be apparently measured in monetary value and, sometimes, it is not possible to allocate and designate which cost are controllable or uncontrollable for particular managers. In summary, Accounting Systems play a critical role in the success of a business firm, as they provide information necessary in supporting the firm to achieve the expected goals. It has been emphasized that AIS produces useful information which serve as a basis for the management strategic decision making and in exercise control of firm's activities in order to achieve their goals (Naranjo, 2004)

1.2 Problem statement

Despite the implementation of an Accounting Information System (AIS) in many NGOs, there is still a challenge in achieving accurate and timely financial reporting performance. In Nakasongola, the Katugo children's home NGO under study faces several challenges in its AIS, which affects the financial reporting performance. Some of the problems are, Most NGO's managed and hence most of them may not have the relevant skills in accounting and financial management thus the appetite to have strong accounting information systems may be lacking due to Inadequate training and capacity building for staff on how to use the AIS system.

Maurine K, Jian Z.(2014) revealed that accounting information plays an important role in our economy and social systems especially in its management and a great works it does in facilitating management decision making process but despite all these benefits, many

organizations in Uganda have failed to efficiently use Accounting Information System due to limited computer knowledge and lack of a streamlined channel of communication.

Limited resources to acquire and maintain the AIS system, Weak internal controls that lead to errors and inaccuracies in financial reporting, Lack of integration of the AIS system with other organizational systems, such as procurement and inventory management and Limited access to real-time financial information, which affects decision-making processes.

These challenges ultimately affect the financial reporting performance of the NGO, leading to delayed financial reporting and poor decision-making processes. Therefore, there is a need to evaluate the AIS system and its impact on financial reporting performance in the NGO under study, and identify areas for improvement to enhance financial performance.

1.3 Purpose of the study

The general objective of the study was to examine the relationship between accounting information systems and financial reporting of NGO's; a case of Katugo Childrens home Nakasongola district.

1.4 Specific objectives of the study.

- i. To examine the efficiency of financial reporting in NGO's in the study context.
- ii. To assess the impact of the AIS on the financial reporting of the NGO's in the study context.
- iii. To identify the challenges faced by the NGO in using the AIS system and their effect on financial reporting in the study context.

1.5 Research questions

- i. How efficient is the financial reporting in NGO's in the study context?
- ii. What is the impact of the AIS on the financial reporting of the NGO's in the study context?
- iii. What are the challenges faced by the NGO in using the AIS system and their effect on financial reporting in the study context?

1.6 Justification of the study

The accomplishment of the study enabled the researcher to acquire hands on skills about processing of research work and data analysis. This proficiency will enable the researcher to

handle their related work with a lot of precision and proficiency, also seeking to improve their financial management practices and to maximize their profitability and long term success.

The findings of the study were guidelines for NGO to provide essential data and information that enable the monitor and control financial operations.

The study was of importance to the scholars and other academicians for reference concerning implementing and designing effective accounting systems and for creating informative accounting reporting performance reports.

The study was intended to guide the NGO's and the firm the relationships between the accounting system and reports and other factors that impact organizational performance such as corporate governance, internal control and financial regulations.

1.7 Scope of the study.

This highlights the boundaries where the study was conducted and was subdivided into three boundaries, that's area scope, subject scope and time scope.

1.7.1 Area scope.

The research was conducted in Nakasongola district which is located in the central region of Uganda.

1.7.2 Subject scope.

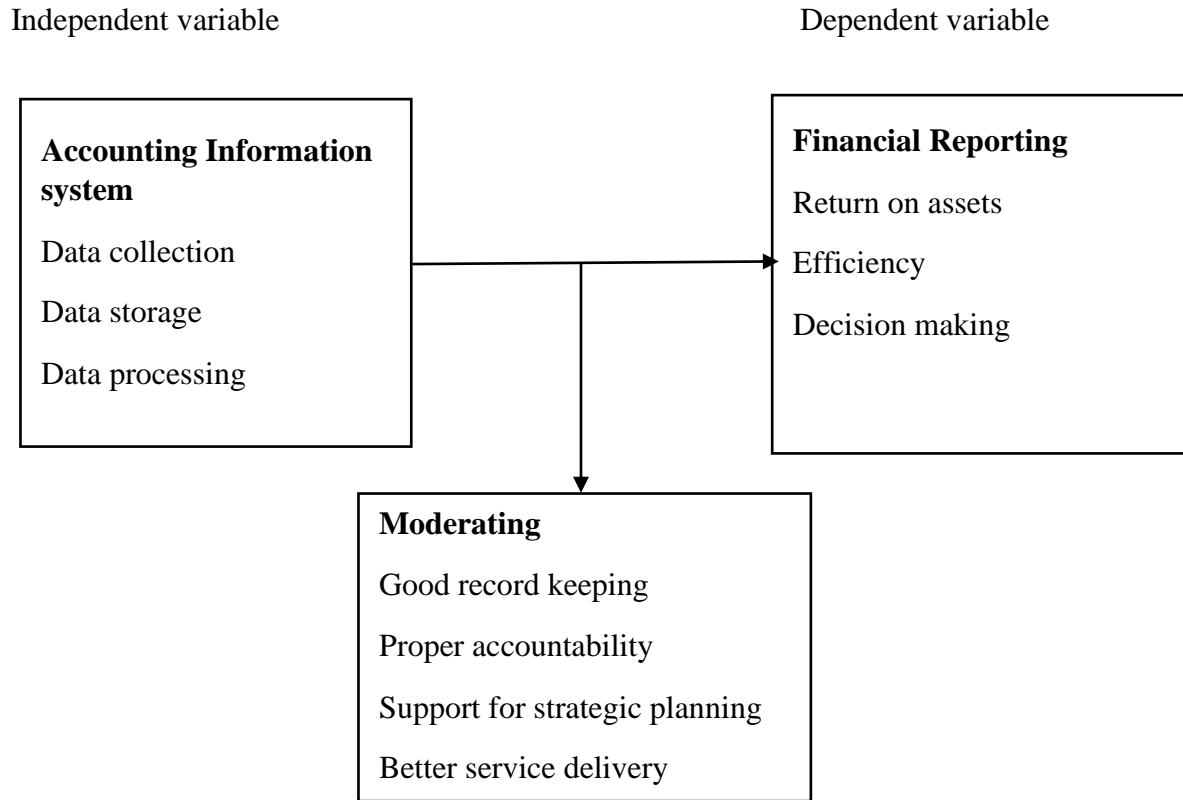
The study sought to investigate to assess the impact of the AIS system on the financial reporting performance of the Katugo Children's home NGO, to identify the challenges faced by the NGO in using the AIS system and their effect on financial reporting performance and examine the efficiency of financial reporting in Katugo Children's Home NGO's in Nakasongola.

1.7.3 Time scope.

The study was carried out in a period of four months from May to August 2023 because it's the time allocated by the university to all students in third year second semester to carry out their research study. During this period, I concentrated on interacting with the respondents so as to get the required data for analysis and come up with conclusions.

1.8 Conceptual frame work

Figure 2: Illustration of the relationship between Accounting information system and accounting reporting Katugo Children’s Home NGO.



Source; adopted and modified from Mango (2012) and Institutional and Organisational Assessment Model/Framework-IOA Model, propounded by Lusthaus et al. (2002).

1.9 Limitations of the study.

Inadequate funds to cater for the different costs like; transport, meals, printing and photocopying of the research questionnaires.

Unforeseen circumstance like falling sick.

Accessing relevant information since it didn’t disclose such accounting to the outside due to its sensitivity.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the literature to examine the relationship between accounting information system and financial reporting for Katugo Children's Home NGO. It will consist the benefits and challenges that are being faced by the NGOs in both enterprises. Different studies will be made from magazines textbooks, journals, newspapers and online information.

2.1 Meanings of the key terms

2.1.1 Accounting Information system

According to Romney and Steinbart (2017), an accounting information system (AIS) is a system that collects, records, stores, and processes accounting data to produce information that is used by decision-makers to make financial decisions. The AIS includes both manual and computerized components, and it plays a critical role in the financial management of an organization.

According to Hassan et al. (2019), an accounting information system (AIS) is a system that captures, processes, and reports financial and non-financial information to support decision-making within an organization. For NGOs (non-governmental organizations), an AIS is important to manage their financial information effectively, including donor contributions, grants, and expenses.

Moreover, Siahaan and Manurung (2020) highlight the role of the AIS in improving financial performance. They argue that an effective AIS can improve financial performance by providing accurate and timely financial information, facilitating better decision-making, and reducing errors and fraud. They also suggest that the AIS should be integrated with other business processes to enhance its effectiveness

Variables for financial information system

- i. **Data Collection:** The collection of financial data is a critical component of any financial information system. The literature emphasizes the importance of accurate and relevant

data collection to ensure the quality of financial reporting and decision-making. Authors often discuss the methods, sources, and technology used to gather financial data.

An influential work related to data collection is "Accounting Information Systems" by Marshall B. Romney and Paul John Steinbart. The book provides insights into the process of collecting financial data within the context of accounting information systems. While the book may not focus exclusively on data collection, it offers a comprehensive view of how data flows through accounting systems.

- ii. **Data Storage:** Data storage refers to the management and organization of financial data within information systems. Efficient data storage ensures that information is readily accessible, secure, and can be used for analysis and reporting purposes.

Authors like Thomas P. Davenport and Jeanne G. Harris have explored the concept of data storage and management in their book "Competing on Analytics: The New Science of Winning" (2007). While this book isn't focused solely on financial information systems, it discusses the importance of managing data effectively for gaining a competitive advantage, which applies to financial data as well.

- iii. **Data Processing:** Data processing involves the transformation of raw financial data into meaningful insights. This step includes activities such as data cleansing, validation, analysis, and reporting. Literature in this area often discusses the integration of technology and analytical methods to process financial data efficiently.

"Data Science for Business" by Foster Provost and Tom Fawcett provides insights into data processing techniques applicable to financial information systems. While the book is more broadly focused on data science, it covers concepts and methods relevant to processing financial data for decision-making.

2.1.2 Financial reporting

According to Mokhtar and Karbhari (2015), reporting can be evaluated using a variety of financial ratios, such as profitability ratios, liquidity ratios, and solvency ratios. Financial performance can also be evaluated by comparing an organization's actual financial results to its budgeted or forecasted results.

Financial reporting for NGOs can be defined as the ability to achieve their mission and objectives while maintaining financial sustainability. According to Almogbel et al. (2019), financial performance for NGOs can be measured using various financial ratios, such as liquidity ratios, efficiency ratios, and solvency ratios. Additionally, the financial performance of NGOs can also be evaluated based on their ability to attract and retain donors, achieve program goals, and demonstrate impact.

According to Collins and Collins (1978), a financial report is a means of portraying financial accountability. In order for an organization to review the financial activities of the past year and make plans for the future it prepares and publishes annual accounts or financial reports. According to Samuel (1991), these are outputs of an accounting system and they are prepared at the end of the year, hence the name final accounts.

Variables of financial reporting

- i. **Efficiency:** Erlendsson (2002) defines efficiency as: performing tasks with reasonable effort ('doing things the right way') The UNESCO definition is: Efficiency (educational): An ability to perform well or to achieve a result without wasted resources, effort, time, or money (using the smallest quantity of resources possible). Johnson, R. W. (2015). "Efficiency Measures in Management Accounting: A Comprehensive Review." *Journal of Management Accounting Research*. Efficiency measures the level of performance achieved against a standard in terms of time, accuracy and transparency.
- ii. **Return of an Asset:** Richard A. Brealey and Stewart C. Myers, in their widely used textbook "Principles of Corporate Finance" (first published in 1981), discuss how financial reporting influences the valuation of assets. They emphasize the importance of accurate financial information in estimating a company's cash flows and risk. The valuation models presented in the book highlight how asset prices are directly influenced by the quality of financial reporting.
- iii. **Decision Making:** Charles T. Horngren, Gary L. Sundem, and John A. Elliott, authors of "Introduction to Financial Accounting" (first published in 1998), emphasize the role of financial reporting in decision-making. They highlight that financial statements provide the basis for evaluating a company's profitability, liquidity, and solvency. The

information presented in financial reports is crucial for investors, creditors, and other stakeholders in making decisions about investments, lending, and strategic partnerships.

Stephen H. Penman, in his book "Financial Statement Analysis and Security Valuation" (first published in 1999), provides a detailed framework for analyzing financial statements to make investment decisions. Penman argues that financial reports offer insights into a company's financial health, earning power, and risk profile. He presents various tools and techniques for translating financial statement information into valuable insights for decision-makers.

2.1.3 Non-Government Organization

A Non-Governmental Organization (NGO) is an organization that operates like a business but does not seek financial gain (Gray, et al., 2006; Unerman & O'Dwyer, 2006). According to Ginsburg (1998), NGOs range in size, nature and scope and it can be argued that such a heterogeneous set of institutions can not be treated as one group. However, Stromquist (1998), states that the three major functions of NGOs are to provide services (welfare), to provide education and to assist in public policy and advocacy

According to David Lewis (2005), NGOs are "private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development." John Clark (2000) describes NGOs as "private organizations that operate independently from government, engage in non-profit activities, and are organized around specific issues or causes."

In the words of Michael Edwards (1999), NGOs are "independent organizations that work for the public good, operating outside of government and seeking to influence policy or deliver services." According to Salamon and Anheier (1998), NGOs are "private organizations that operate for the public good, independent of government, and whose primary purpose is not commercial." The United Nations Development Programme (UNDP) defines NGOs as "non-profit, citizen-based groups that function independently of government, and are often concerned with social or political issues."

2.2 Theoretical literature

The researcher is going to carry out the research basing on some of the theories cited, The theoretical framework of a research project relates to the philosophical basis on which the research takes place, and forms the link between the theoretical aspects and practical components of the investigations undertaken.

2.2.1 Meta Theory Model

According to RP Bostrom (2014), research on accounting information systems has been sourced from various disciplines, basically computer science, cognitive psychology and organizational theory, In this regard, it has been asserted that previous applications of information technology in accounting systems were mainly processes of transactions that would reciprocate the manual processes. This has led to the need of incorporating various accounting sub disciplines into more research on accounting information systems. With increased focus on the design of these systems, practicing professionals will add more value to the field and thus redefine the scope of accounting information system. The changing nature of the information systems has brought about the need for an organized way of doing things. Meta theory is the integration and the synthesis of technical orientations, cognitive as well as the overarching model into the research on AIS.

The meta theory has helped in addressing the IT limitations that are imminent and addressed in previous researches such as the failure to recognize the task to which IT is being applied, the failure to recognize the adaptive nature of the artificial phenomena, the failure to account for the design science in the actual field research and the failure to direct the act of making or choosing the necessary decisions and treating all the transactions in an equal manner (Gorry and Scott-Morton, 2010).

According to Reneau and Grabski (2015) information systems in accounting are used by accountants and other key decision makers that employ the accounting information or make use of the accounting data. The meta theory model is built on past frameworks on the management information systems. The meta theory model in accounting information systems can be simplified in a diagram as below;

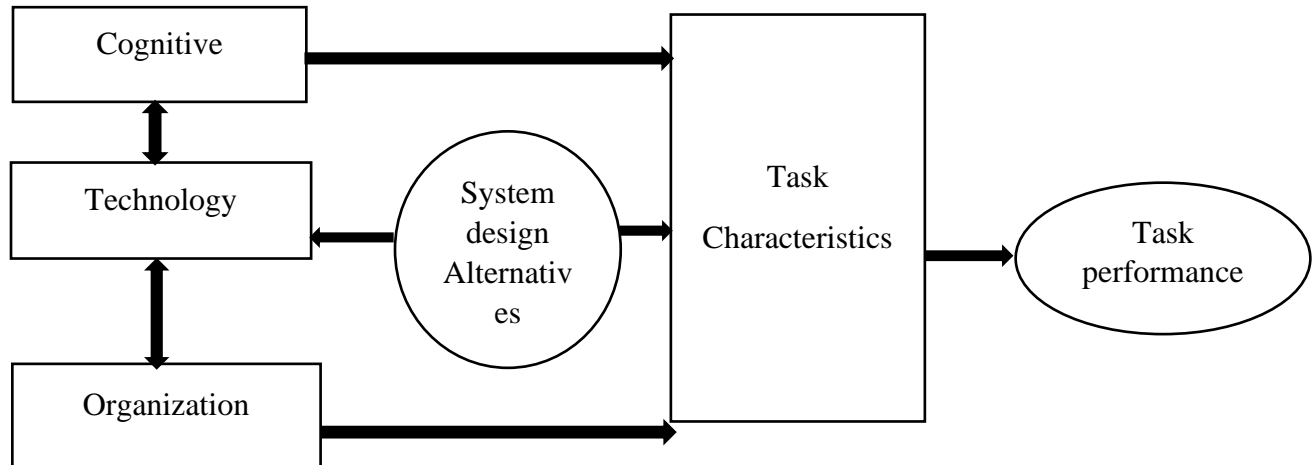


Figure1: The Meta theory model by Elaine G. Mauldin, Linda V. Ruchala

Technology is very pervasive and an essential component in accounting tasks and changes work processes very efficiently. This is well recognized in the accounting theory. There are many research methods that are being employed to look into the problems inherent in accounting information systems and accounting problems. This is evident in managerial accounting where field work, experimental work and analytical works address the relationships that exist between management information systems and accounting. The meta theory model starts with a task focus and also suggests a process that matches between task and the alternatives for system design and various levels of analysis. It also suggests contingency factors, organizational factors and technological factors have an influence on the aspect of task performance.

2.3 The efficiency of financial reporting in NGO's .

According to Kabonesa, C., & Kimbugwe, R. (2019). The effect of financial reporting on the performance of non-governmental organizations in Uganda. *Journal of Finance and Accounting Research*, 1(2), 31-43. This study investigated the effect of financial reporting on the performance of NGOs in Uganda. The results showed that accurate and timely financial reporting had a positive impact on the financial performance of NGOs. The study also found that financial reporting helped Katugo Childrens' Home NGO to attract funding and other resources, which improved their financial performance. Enhancing transparency and accountability: Accurate and timely financial reporting is essential in enhancing the transparency and accountability of NGO. This is particularly important in Nakasongola, where NGOs operate in

an environment where stakeholders demand accountability and transparency. By providing timely and accurate financial reports, NGOs can build trust and credibility with stakeholders, which can improve their financial performance

Mulindwa, I. M. (2018). The relationship between financial reporting and performance of NGOs in Uganda: A case of Kasese district. *Journal of Finance and Accounting Research*, 1(1), 1-15. This study examined the relationship between financial reporting and performance of NGOs in Uganda, with a focus on Kasese district. The study found efficient financial reporting had a positive impact on the financial performance of NGOs in terms of attracting funding, improving resource allocation, and enhancing transparency and accountability. Improving resource allocation: Efficient financial reporting provides NGOs with information on their financial position and performance, which helps in making informed decisions about resource allocation. This helps NGOs to direct resources towards activities that are most effective in achieving their mission, which can lead to improved financial performance.

According to Oketch, E. A., Oloko, M. A., & Ombati, G. O. (2021). The influence of financial reporting on the financial performance of non-governmental organizations in Kenya: A case study of Kakamega County. *International Journal of Business and Management*, 16(6), 1-14. This study investigated the influence of financial reporting on the financial performance of NGOs in Kenya, with a focus on Kakamega County. The study found that efficient financial reporting had a positive impact on the financial performance of NGOs in terms of attracting funding, improving decision-making, and enhancing accountability and transparency. Attracting funding: NGOs depend on funding from donors, governments, and other sources to carry out their operations. Efficient financial reporting is essential in demonstrating to these stakeholders that the organization is well-managed and accountable. Without accurate and timely financial reporting, NGOs may struggle to attract funding, which can negatively affect their financial performance.

Kariuki, J. W., K'Obonyo, P. O., & Ombati, G. O. (2020). Effect of financial reporting on the financial performance of non-governmental organizations in Kenya: A case of Nairobi County. *International Journal of Accounting and Financial Reporting*, 10(2), 132-144. This study examined the effect of financial reporting on the financial performance of NGOs in Kenya, with a focus on Nairobi County. The study found that efficient financial reporting had a positive

impact on the financial performance of NGOs in terms of attracting funding, enhancing transparency and accountability, and improving resource allocation. Compliance with regulations: NGOs are subject to various regulatory requirements that mandate accurate and timely financial reporting. Failure to comply with these requirements can result in penalties and fines, which can negatively affect the financial performance of NGOs.

2.4 Impact of AIS system on the financial reporting performance of NGO'S

According to Khan, I., & Islam, M. (2015). The Impact of Accounting Information System (AIS) on Non-Governmental Organizations (NGOs) Financial Reporting in Bangladesh. *Journal of Business and Management*, 17(1), 62-72. The study examined the impact of AIS on financial reporting performance of NGOs in Bangladesh. The results showed that AIS has a positive impact on financial reporting performance, specifically in terms of accuracy, completeness, timeliness, and reliability. An AIS can improve the accuracy of financial reporting by automating data entry and reducing the risk of human error. This can help to ensure that financial reports are free from errors and provide an accurate picture of an NGO's financial position.

According to Alzoubi, E. S. (2017). The Impact of Accounting Information Systems on the Financial Performance of Jordanian Non-Governmental Organizations. *Journal of Accounting and Finance*, 17(4), 119-128. The study investigated the impact of AIS on the financial performance of NGOs in Jordan. The results indicated that the adoption of AIS positively affected financial performance, specifically in terms of efficiency and effectiveness of financial reporting and decision-making. An AIS can improve the reliability of financial reporting by providing a consistent framework for financial reporting and ensuring that financial reports are prepared in accordance with generally accepted accounting principles (GAAP). This can help to ensure that financial reports are reliable and can be used for decision-making purposes.

According to Khamis, M., & Almarashdeh, I. (2019). The Impact of Accounting Information Systems on the Quality of Financial Reporting in Non-Governmental Organizations: Evidence from Jordan. *International Journal of Accounting, Auditing and Performance Evaluation*, 15(4), 371-389. The study investigated the impact of AIS on the quality of financial reporting of NGOs in Jordan. The results indicated that the adoption of AIS positively affected financial reporting quality, specifically in terms of accuracy, completeness, timeliness, and reliability. An AIS can improve the timeliness of financial reporting by automating the preparation of financial reports

and reducing the time required for manual data entry and processing. This can help to ensure that financial reports are prepared and submitted on a timely basis.

According to Yawson, A., & Amponsah-Tawiah, K. (2021). The Effect of Accounting Information System on the Financial Performance of Non-Profit Organizations in Ghana. *Journal of Finance and Accounting Research*, 3(1), 1-10. The study investigated the effect of AIS on the financial performance of non-profit organizations (NPOs) in Ghana. The results indicated that the adoption of AIS had a positive impact on financial performance, specifically in terms of accuracy and completeness of financial reporting. An AIS can improve the completeness of financial reporting by ensuring that all financial transactions are recorded and included in financial reports. This can help to ensure that financial reports provide a comprehensive view of an NGO's financial activities.

According to Ndwiga, J. W., & Njagi, L. W. (2018). The Effect of Accounting Information Systems on the Financial Performance of Non-Governmental Organizations in Kenya. *International Journal of Accounting and Financial Reporting*, 8(1), 133-147. The study investigated the effect of AIS on the financial performance of NGOs in Kenya. The results indicated that the adoption of AIS had a positive impact on financial performance, specifically in terms of accuracy, transparency and completeness of financial reporting. An AIS can improve the transparency of financial reporting by providing stakeholders with access to financial information in a timely and accurate manner. This can help to enhance stakeholder trust and confidence in an NGO's financial reporting.

2.5 The challenge faced by the NGO's in using the AIS system and their effect on financial reporting performance.

According to Agyei-Mensah, B. K., & Agyeiwaah, E. (2019). Factors influencing the adoption of accounting information systems in non-governmental organizations in Ghana. *Journal of Accounting and Taxation*, 11(2), 16-28. This study examined the factors influencing the adoption of AIS in NGOs in Ghana. The results showed that lack of financial resources, lack of technical skills and knowledge, and resistance to change were the main challenges faced by NGOs in adopting AIS. Implementing an AIS can be costly for NGOs, especially those with limited financial resources. The cost of purchasing, installing, and maintaining the system can be prohibitive, and this can limit the adoption of AIS by NGOs. This challenge can affect financial

reporting performance as it limits the ability to invest in technology that can improve financial reporting accuracy, completeness, and timeliness.

According to Mwaura, M. K. (2020). The challenges of adopting accounting information systems in non-governmental organizations in Kenya. *Journal of Finance and Accounting Research*, 2(2), 68-81. This study investigated the challenges faced by NGOs in Kenya in adopting AIS. The results showed that lack of financial resources, lack of technical expertise, and lack of support from management were the main challenges faced by NGOs in adopting AIS. NGOs may not have personnel with the required technical expertise to operate and maintain an AIS. This can lead to poor utilization of the system and poor financial reporting performance. The lack of technical expertise can result in data entry errors, poor data management, and poor report generation. The study also found that the adoption of AIS had a positive impact on financial reporting performance in terms of accuracy, completeness, and timeliness.

According to Alhamed, M. S. (2017). Challenges Facing the Implementation of Accounting Information Systems in Non-Governmental Organizations in Yemen. *European Journal of Business and Management*, 9(1), 1-10. This study examined the challenges faced by NGOs in Yemen in implementing AIS. The results showed that lack of financial resources, lack of technical expertise, and resistance to change were the main challenges faced by NGOs in implementing AIS. NGOs may be resistant to change, especially when it comes to adopting new technologies. This can result in a reluctance to implement AIS, which can lead to poor financial reporting performance. The reluctance to change can be due to fear of job loss, fear of new responsibilities, and a general lack of knowledge about the benefits of AIS.

According to Nwosu, E. E., & Abah, S. O. (2018). Accounting information systems and non-governmental organizations financial reporting in Nigeria. *International Journal of Accounting and Financial Reporting*, 8(4), 64-75. This study investigated the impact of AIS on financial reporting performance in Nigerian NGOs. The results showed that the adoption of AIS had a positive impact on financial reporting performance in terms of accuracy, completeness, and timeliness. However, the study also identified challenges such as lack of financial resources, lack of technical expertise, and resistance to change as hindering factors to the adoption and effective use of AIS in Nigerian NGOs. Incompatibility with existing systems: In some cases, an AIS may be incompatible with the existing systems used by NGOs. This can make it difficult to integrate

the new system with the existing ones, leading to data discrepancies and poor financial reporting performance.

2.6 The relationship between financial information system and financial reporting

According to Smith (2018) highlighted how accounting information is a crucial component of accounting reports, serving as the foundation for financial statements and decision-making. Johnson et al. (2020) delved into the role of accounting reports in conveying relevant information to stakeholders, emphasizing the accuracy and transparency of the data.

Additionally, Chen and Lee (2019) discussed the impact of accounting information quality on the credibility of accounting reports, stressing the importance of reliable data sources. In contrast, Brown and Davis (2017) argued that the interpretation of accounting information within reports is influenced by contextual factors, which can lead to varying perceptions among users.

Mulindwa, I. M. (2018). The relationship between financial reporting and performance of NGOs in Uganda: A case of Kasese district. *Journal of Finance and Accounting Research*, 1(1), 1-15. This study examined the relationship between financial reporting and performance of NGOs in Uganda, with a focus on Kasese district. The study found that accurate and timely financial reporting had a positive impact on the financial performance of NGOs in terms of attracting funding, improving resource allocation, and enhancing transparency and accountability.

2.6. Conclusion of Literature Review.

In summary, there is a lot evidence of studies that have been done in the past that shows a positive relationship between adoption of accounting information system and financial reporting performance of NGO's. Efficient financial reporting is essential for the financial performance of Katugo Children Home NGO in Nakasongola. It helps NGOs to attract funding, improve resource allocation, enhance transparency and accountability, and comply with regulatory requirements. NGOs that prioritize accurate and timely financial reporting are more likely to succeed financially than those that do not.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

In this chapter the researcher describes how the study was conducted. This chapter analyzed how the study was designed, the area where the study was conducted and the population that was studied, sampling procedures that were employed, the sampling size and composition, the data collection methods and how data was processed.

3.1 Research design

Research design is a conceptual framework within which research is conducted. A descriptive research design was used in this study. The object of descriptive research was to portray an accurate profile of persons, events or situations' (Sauders, Lewis and ThornHili, 2007), Descriptive research design gave a description of phenomenon's characteristics and association of variables, in this case, the relationship between Accounting Information System and financial performance of NGO'S. Descriptive research was appropriate since it enables high level of analysis such as correlation and regression analysis between the variables and reduces data to a manageable form. The dependent variable which was financial performance was represented by profitability, return on assets and decision making.

The research design is both quantitative and qualitative with the aim of determining the relationship between accounting information system and financial performance of NGOS. The research design will be used because it makes an in-depth analysis of each variable under study before making conclusions.

3.2 Study population.

According to Saran and Bounge (2010), population refers to the entire group of people, events or things of interest on which the researcher wishes to investigate. The population can have the observable characteristics from which the researcher intends to draw generalizations. The target population for the study will comprise of 50 elements from different units which constitutes the branch manager, cahiers, accounts officers, credit officers and clients of NGO, where quantitative method is will be used to determine the sample size.

3.3 Sample size.

According to (Kothari, 2014), at least 50% of the total population is adequate sample size for descriptive studies. A sample size of 44 will be used, the selected sample size represents the population and is distributed to different categories as below;1 finance manager, 3 accountants, 4 cashiers, 2 credit officers and 34 clients. Hence a total sample of 44 was used

From a total population of 50, a sample size of 44 respondents is selected using **Krejcie and Morgan table, 1970**.

Table 1: Showing sample size

Category	Number
Director	01
Administrative Assistants	03
Finance Assistants	04
Public Relations Assistants	03
Membership Coordinators	34
Total	44

Table 2 showing sample size

3.4 Sampling size and sampling selection

According to Polit and Beck, 2017, the sample size is the number of individuals or objects included in a study. Bryman 2016, sample size refers to the number of participants or observation included in the study as for Sampling selection refers to the process of selecting a subset of individuals from a larger population to participate in the study. Sekaran (2003) argues that due to costs in terms of money, time and human resources, samples have to be considered. Sampling is the process of selecting elements from a population in such a way that the sample elements selected represent the population (Amin, 2005). In order to acquire the necessary information about accounting, the respondents were chosen at random basing on the fact that they are normally distributed and these included various members in the NGO.

3.5 Data Source

While carrying out the research study, both primary and secondary data will be employed by the researcher for data collection.

3.5.1 Primary Sources:

Primary sources are sources of original information that have not existed before. Primary data is going to be collected from the events through observations, interviewing and questionnaire. Primary sources include first hand data collected from the respondents in the field for example, people and other naturally occurring events in the environment. Primary data will be obtained directly from the field with the help of questionnaires.

3.5.2 Secondary Data

Secondary sources, these are published, documented sources of information that aided in providing answers to the research problem and they included: journals, magazines, periodicals, previous research reports, newsletters, receipt books, accounting ledgers, and text books. These will be obtained from libraries and the Internet. The researcher hopes to visit public libraries for literature as well as written and published material to supplement on the primary data while generating the information.

3.6 Data collection methods and instruments

The researcher used both primary and secondary data collection methods. During secondary data collection, the researcher used already existing information provided by other researchers in text books, journals, reports, magazines, newspapers, and other dissertations to obtain information necessary for the study and also to study the trend of the problem thus ensuring consistency. The researcher used different data collection instruments to collect data which included questionnaires, observation and an interview guide.

3.6.1 Questionnaire

Bryman (2016) defines questionnaires as a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. This definition emphasizes that a questionnaire is a tool used to gather information from respondents through a series of questions and prompts. This will be the main data collection tool. Questionnaires will be designed with both closed and open-ended questions. The Questions will cover all aspects of the study objectives and they will be short and precise.

A questionnaire is a standardized instrument used to gather information from a sample of respondents" (Polit & Beck, 2017). This definition highlights that a questionnaire is standardized, meaning that all respondents are asked the same questions in the same order.

Additionally, it emphasizes that questionnaires are typically used to gather information from a sample of respondents, rather than an entire population. The reason for using this method of data collection is because the responses were gathered in a standardized form. The questionnaires were also more objective, relatively quick and time saving.

3.6.2 Interviewing

Interviewing is a kind of verbal technique for obtaining data. According to Bryman (2016), An interview is a method of data collection in which the researcher asks questions to elicit information from the participant. For this study, a face-to-face interaction was adopted during data collection. "An interview is a face-to-face or telephone conversation between the researcher and the participant, during which the researcher asks questions to elicit information about the research topic" (Polit & Beck, 2017).

3.7 Data analysis and Data processing

This will involve the use of statistics which will be presented in form of pie charts, calculations and tabulation of data.

3.7.1 Data Analysis.

Bryman, (2016). Data analysis is the systematic examination of data with the goal of identifying patterns or relationships, testing hypotheses, and drawing conclusions. This definition highlights that data analysis is a systematic process of examining data with the goal of identifying patterns or relationships, testing hypotheses, and drawing conclusions. Data analysis involved actions and methods performed on the data that helped to describe facts, detect patterns, and develop explanations and test hypothesis about a set data (Berkowitz, 2018). Descriptive statistics was used to analyze the data and examine the relationships between the variables under investigation.

The data collected was coded, classified and systematically analyzed by a thematic approach by using themes and sub themes. Descriptive statistics such as mean, mode, standard deviation and frequency distribution with the help of Microsoft excel computer package were used to analyze the data. Data was coded and entered into the Statistical Package for Social Sciences (SPSS) for analysis. Descriptive statistics was used because it considers comparisons and analysis of historical data and key performance indicators and takes into account past trends and how they affect future performance. Qualitative data was analyzed by use of content analysis to establish

the relationship between financial information system and Financial reporting Performance NGOS.

3.7.2 Data processing.

According to Wang (2017), Data processing refers to the manipulation of data by a computer or other electronic device in order to perform a desired function or produce useful information. "Data processing is the collection, transformation, and organization of data in order to produce useful information for decision-making" (Bryman, 2016). "Data processing is the conversion of raw data into a usable and understandable format, using various tools and techniques to analyze, organize, and present the data" (Creswell, 2014). Data processing will involve editing in order to check for errors and omissions, coding will also be employed to reduce the data to a meaningful pattern of responses and tabulation of the findings will be done in order to prepare data, analyze and compile the research report.

3.8 Data validity and Reliability

3.8.1 Data validity

Validity is the extent to which an instrument is capable of yielding the response on which it is supposed to (al, 2018). Content related validity was considered in this study. This was achieved through consultation with the supervisor and fellow students reading through the questionnaire helping validate the instruments. Validity is established by correlating the scores of the same instrument measured at different times (test- retest) for critical assessment of each item to state the relevance (R) or non-relevance (NR) of each item. There computation of CVI (Content Validity Index) using inter-judge method. This was done by summing up the judges ratings and dividing by two to get the average. The CVI was generated from the formula below;

$$CVI = \frac{\text{Itemsratedrelevant}}{\text{Totalnumberofitemsonthequestionnaire}}$$

For the instruments to be valid, the CVI as to be within the acceptable statistical range of 0.5 to 1

3.8.2 Data reliability

Reliability means the extent to which results are consistent over time, Bryman (2016) also defines reliability as the consistency, stability and repeatability of data overtime across observers and under different conditions. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered reliable (Joppe, 2000). The strategies that were used to obtain reliability was prolonged engagement and audit trails for qualitative

data. Data was systematically checked, focus, maintained and identification and correcting of errors (Tashakkori&Teddlie, 2010). This ensured accuracy of data collected. Reliability for qualitative data was obtained by calculating Alpha — coefficient (α) using the statistical package for social sciences (SPSS 17.0). This helped to show the adequacy of research instruments and enable the researcher to predict the level of consistency of the instruments and whether research protocol is realistic and workable (Saleemi, 2019; Gupta, 2017).

3.9 limitations of the study.

The researcher anticipates facing some hardships while gathering some necessary information for the research study and these may include; The challenge of inadequate/limited funds during the research, the researcher hopes to spend much on things like stationary material, printing out, among others. To work on this, the researcher will solicit for money from different relatives and also look possible ways raising money to cater for some research needs.

The researcher may further face a challenge of scarcity of resources like text books, and journals for literature review. To solve this, the researcher will visit different libraries and information centers for information and literatures related.

The researcher further anticipates facing a challenge of not being exposed to some sensitive or confidential information about NUSAF The researcher will address this through the NUSAF beneficiary (respondents) kindly and keeping their information confidential as well as presenting an introductory letter for easy identification.

Some people were not willing to give information concerning their tax issues therefore not all the necessary information and data was easily accessible, therefore the researcher had to present an introductory letter before to the traders to gain their trust and convince them that it was for academic purposes and that information given would be kept confidential.

Poor record keeping made it very difficult to carryout proper analysis. Not all the information was available hence the researcher had to base on estimates making it hard to have first-hand information.

The research also required a lot of money as there was need to make print outs the researcher met the supervisor, there were transport costs incurred to go and collect data from different respondents, and visiting the café on regular basis.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION.

4.0 Introduction

This chapter presents analyses and interprets the findings based on the study objectives and questions. It also presents, analyses and interprets findings on accounting information system and financial performance for NGO's.

4.1 Response rate

Out of the 50 questionnaires distributed, the researcher was able to collect 44 questionnaires making a response rate of 80% which was deemed sufficient according to Mugenda and (Mugenda, 2003) who stated that the questionnaires response rate of at least 50% is sufficient.

4.2 Findings on the background information

This section presents the background information of respondents who participated in the research study. The information contained in this category includes gender, education background, age, marital status and religion of the respondents of Nakasongola NGO'S.

Table 2: Showing Gender of Respondents

Gender	Frequency	Percent (%)
Male	21	47
Female	23	53
Total	44	100

Table 3 showing gender of Respondents

Source: Primary data, 2023

Below is the graph that shows the Gender respondents.

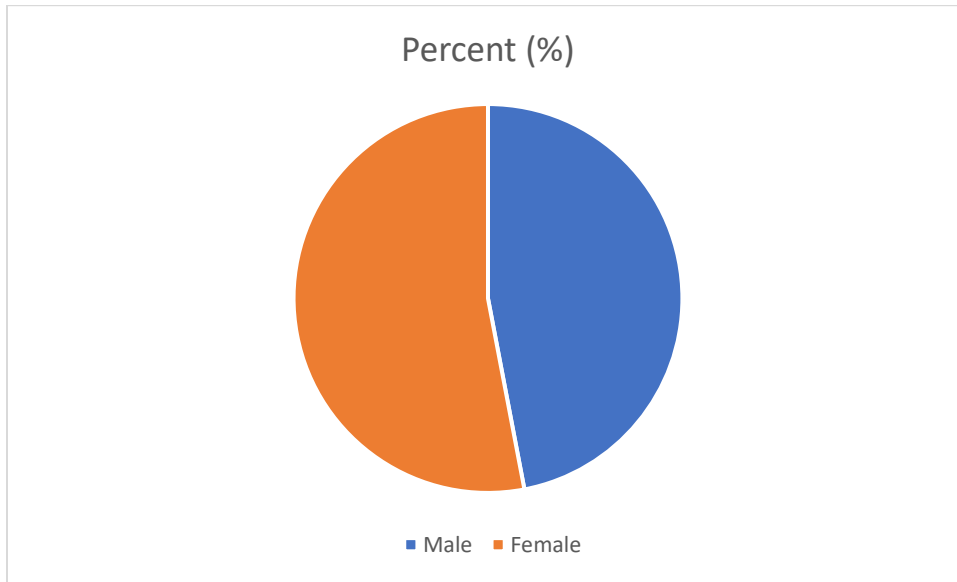


Figure 1 graph that shows the Gender respondents.

Table 2 above indicates the responses for gender, where the majority of them were females with 53% compared to their counterparts the males who had 47%. Therefore, it was concluded that the male respondents participated more in the study compared to the female respondents.

Table 3: Showing Age of the Respondents.

Age	Frequency	Percent (%)
21-40	28	64
41-50	10	23
50 and above	06	14
Total	44	100

Table 4 Showing Age of the Respondents.

Source: Primary data, 2023

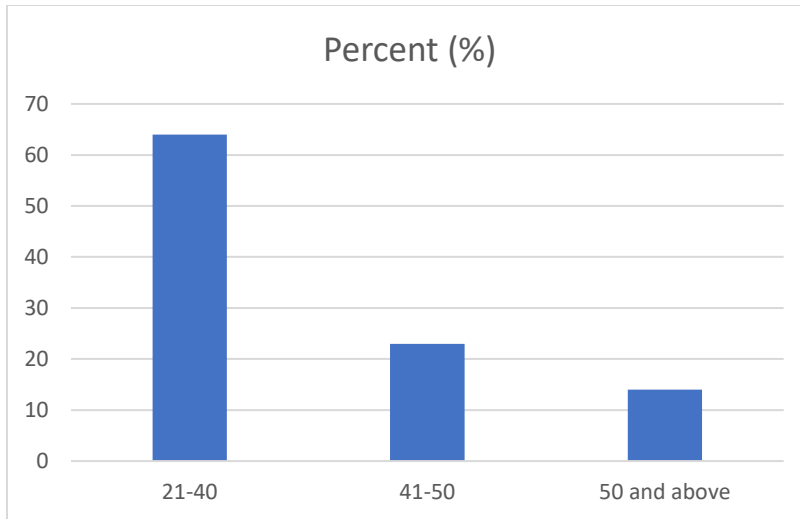


Figure 2 Bar graph showing responses for the age

Table 3 above indicates the responses for the age, where the highest percentage was for those in age bracket of 31-40 years with 64% and respondents in the was forage bracket of 41-50 years with 23% and then the lowest percentage was 50 and above with 14%. Therefore, it was concluded that most of the respondents were in the lower ages thus being energetic and still strong to carry out different activities and different times.

Table 4: Showing Education Level.

Education level	Frequency	Percent (%)
Degree	10	23
Diploma	04	9
A' level	05	11
O' level	25	57
Total	44	100

Table 5 Showing Education Level.

Source: Primary data, 2023

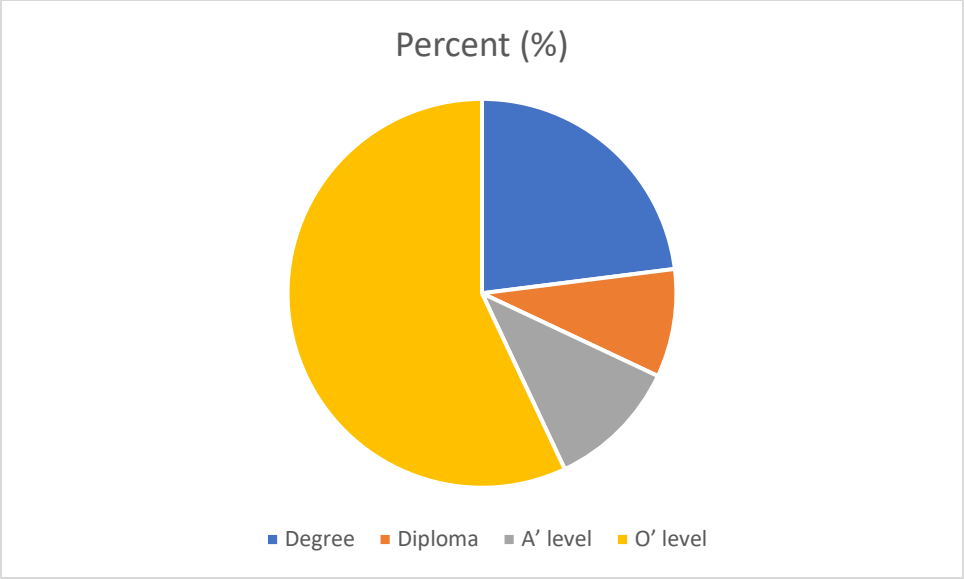


Figure 3 Pie-chart showing responses of the level of education

Table 4 above shows the responses of the level of education to respondents and it was found out that most of the respondents had O’level Certificates with 57%, those who had completed degree had 23%, those with diplomas had 9% and those who had finished A’ level had 11%. Therefore, it meant that most of the respondents who participated in the study were literates.

Table 5: Showing Marital Status of the Respondent

Marital status	Frequency	Percent (%)
Single	21	48
Married	23	52
Total	44	100

Table 6 Showing Marital Status of the Respondent

Source: Primary data, 2023

Table 5 above shows the responses for the marital status to the respondents, Majority of them were married with 52% compared to those who were still single with 48%. Therefore, it was concluded that most of the respondents who participated in the study were married as most of them were parents.

4.3 The efficiency of financial reporting in Katugo Childrens Home NGO

The first objective was examining the efficiency of financial reporting in NGO, Katugo Childrens Home. The respondents were further required to indicate their level of agreement with the statements given in table 6 (using: Strongly agree-1, agree-2, Uncertain -3, disagree-4, Stronglydisagree-5).

Table 6: Shows the efficiency of financial reporting in Katugo Childrens Home NGO.

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree	Total		
	Response					$\sum f_i$	$\sum f_i x_i$	$\sum f_i x_i / \sum f_i$
This NGO prepares regular financial reports for the benefit of stakeholders	2	7	9	13	13	44	175	3.98
The management of this NGO periodically prepares income and expenditure statements	-	5	7	17	13	44	219	4.98
The annual financial statements of this NGO show a clear picture of the resources entrusted to them and how they have been used during the year	13	7	2	13	9	44	87	1.98
This NGO's annual financial reports demonstrate financial transparency and stewardship	7	10	-	11	16	44	175	3.98

The management of this NGO produces balance sheets to show the financial position of the NGO	01	03	03	18	19	44	131	2.98
The management of this NGO regularly produces cash flow statements to show the organization's projected cash inflows and outflows	1	2	-	11	30	44	265	6.02
In this organization, the financial report is always supported by the narrative report.	29	12	1	1	1	44	175	3.98
The staff of the NGO submit reports for business advances in a timely manner	-	-	-	14	30	44	219	4.98
There have not been many queries about the financial reports prepared by this NGO	20	17	5	3	2	44	87	1.98
Total Average								34.86

Table 7 Shows the efficiency of financial reporting in Katugo Childrens Home NGO.

Source: primary , 2023

It was observed that all the means ranged between 1.98 and 6.02 This was an indication of smaller variations in responses implying a greater degree of agreement. This is because the smaller the variation the better the results. As table 6 shows, the most influential reason for the

Financial information system and financial reporting of NGO's is because high management of this NGO regularly produces cash flow statements to show the organization's projected cash inflows and outflows was associated with lower profitability (mean 6.02 on a five point-Likert scale) besides and there have not been many queries about the financial reports prepared by this NGOs associated with lower profitability (mean 1.98 on a five point-Likert scale) implying that

the poor financial reporting of the NGO is as a result of regular produce cash flow statements to show the organization's projected cash inflows and outflows which resulted into defaulting by the clients.

As noted in my literature review, efficiency was construed in relation to time. Time is of significance to the financial reporting of NGOs. This may involve regular reporting such as monthly reporting to board meetings, periodic reporting such as quarterly reports or even annual reports. The table below shows how the respondents understood efficient financial reporting. Time was considered as a sub theme periodically, regularly and annually

4.4 Impact of the AIS system on the financial reporting of NGOs; Katugo Childrens Home

The second objective for this study was to assess the impact of the AIS system on the financial reporting performance. The respondents were further required to indicate their level of agreement with the statements given in table 9 (using: Strongly disagree-5, Disagree-4, Uncertain-3, Agree-2, Stronglyagree-1).

Table 7: Shows the Impact of AIS system financial reporting of NGO's Katugo Childrens Home.

Statements	SD=5	D=4	NS=3	A=2	SA=1	$\sum f_i$	$\sum f_i x_i$	$\sum f_i x_i / \sum f_i$
It performs work very fast and easy.	02	10	05	03	14	44	265	6.02
It helps the management to take timely decisions	01	02	-	11	30	44	44	1.00
It brings simplification in work	-	05	05	20	14	44	131	2.98
It coordinates various business activities	-	09	06	14	15	44	87	1.98

It brings high efficiency in storage, classification and analyses	01	03	05	17	18	44	175	3.98
It provides accurate and valid information at right time.	08	05	05	13	13	44	175	3.98
It makes the information more credible and understandable	01	04	01	18	20	44	219	4.98
Total Average								24.92

Table 8 Shows the Impact of AIS system financial reporting of NGO's Katugo Childrens Home.

Source: primary, 2023

It was observed that all the means ranged between 1.00 and 6.02 This was an indication of smaller variations in responses implying a greater degree of agreement. This is because the smaller the variation the better the results. As table 7 shows, the most influential reason for Impact of AIS on financial reporting of NGOs is because it performs very fast. (mean 6.02 on a five point liker scale) besides the management to take timely decisions (mean 1.00 on a five point liker scale) as well as It coordinates various business activities (mean 1.98 on a five point liker scale), implying that there is a relationship between Accounting Information System and financial reporting of NGOs. The poor performance of NGOs' management is as a result of AIS performance on how fast it is as shown in the table 8 above.

4.5 The Accounting information system and financial reporting performance of NGO's

The main objective for this study was to examine relationship between Accounting information system and Financial reporting Performance of NGO's.

4.5.1 Pearson's Correlation.

Table 9: Pearson's Correlation between Accounting information system and financial reporting of NGOs

Correlations

		AIS	Financial reporting
	Pearson Correlation	1	.566**
AIS	Sig. (2-tailed)		.000
	N	44	44
	Pearson Correlation	.566**	1
Financial reporting	Sig. (2-tailed)	.000	
	N	44	44

Table 9. shows results of the Pearson's correlation between accounting information system and financial reporting of NGOs. A correlation of 0.566 shows that there is a moderate positive relationship between AIS and financial reporting of NGOs which implies that, a variation in financial planning has a positive effect on performance of NGOs. Since the P-value of 0.000 is less than the level of significance of the above results which is 0.05 (P-value < 0.05) the variable type, financial planning, is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial planning and performance of NGOs is rejected. The alternative hypothesis that there is a significant relationship between financial planning and performance of NGOs in upheld.

4.5.2 Regression analysis

Table 10: Regression between Accounting information system and Financial reporting of NGOs – Model

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics Sig. F Change
1	.566 ^a	.313	.296	.37511	.000

a. Predictors: (Constant), Accounting information system

b. Dependent Variable: financial reporting

Source: *Primary Data*

Table 10 shows results of a univariate regression between AIS and financial reporting of NGOs. The R² result of 0.313 shows that AIS accounts for 31.3% of the variations in financial reporting of NGOs and the remaining 68.7% arises from other factors. The adjusted R Square of 0.296 implies that the independent variable financial planning accounts for 29.6% of the variations

in the dependent variable which is performance of NGOs. The remaining 70.4% is accounted for by all other factors that affect reporting of NGOs. Since the significance value of 0.000 is less than the level of significance of the above results which is 0.05 (Sig. < 0.05) the variable financial planning is significant at 5% level of significance. Therefore, the null hypothesis that there is no relationship between financial planning and performance of NGOs is rejected and the alternative hypothesis that there is a significant relationship between accounting information system and financial of NGOs is upheld.

4.5.3 Analysis of Variance

Table 11: Regression between Accounting information system and Financial reporting of NGOs – ANOVA

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2.540	1	2.540	18.055	.000 ^b
Residual	5.487	39	.141		
Total	8.027	40			

a. Dependent Variable: Financial reporting

b. Predictors: (Constant), Accounting information system

Source: *Primary Data*

The results in Table 11 show that the estimates of variability are 2.540 and 0.141 as indicated under the mean square column and the ratio is 18.055 indicated in column F(F-ratio). Since the mean square of 2.540 is closer to 1, the relationship between financial planning and performance of NGOs is significant. From the Sig. column, it shows that the probability of obtaining the F-ratio of 18.055 is 0.000 (P-value), which is less than the level of significance of 0.05. This implies that the Probability value (P-value) $0.000 < 0.05$ therefore, the null hypothesis that there is no relationship between AIS and financial reporting of NGOs is rejected and a conclusion is made that there is a relationship between AIS and financial reporting of NGOs.

4.5.4 Coefficients

Table 4.16: Regression between AIS and Financial Reporting of NGOs – Coefficients

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(constant)	1.227	.540	1.227	2.272	.029
Accounting information system	.581	.137	.563	4.249	.000

a. Dependent variable: financial reporting of NGOs

b. Predictors: (constant), Accounting information system.

Source: *Primary Data*

Data analysis was run on the following model;

Equation 4.1: Model

$$Y = a_0 + a_1FP + C \dots \dots \dots \text{Equation 4.1}$$

Where C is the error term of the equation, representing other factors that affect the dependent variable (financial reporting of NGOs)

Y is the dependent variable (financial reporting of NGOs)

a_0 is the constant value of the dependent variable

a_1 is the coefficient of the independent variable (Accounting information system)

The above results show the constant value of 1.227 and the standardized coefficient value of 0.563 therefore the fitted model is

Equation 4.2: Fitted Model

$$Y = 1.227 + 0.563FP + C.....Equation$$

4.2 The standardized coefficient of 0.563 implies that a unit increase in will lead to a 0.563 increase in performance of NGOs. If the NGO does not conduct financial planning, its performance will be at 1.227 if other factors remain constant

CHAPTER FIVE

DISCUSSION OF RESULTS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion, conclusion and recommendations drawn from the study findings of chapter four. In this chapter the study objectives are discussed, conclusions and recommendations are made. Areas for further study are also suggested.

5.1 Discussion of research findings

The discussions of research findings of the study were based on the objectives of the study as discussed below; -

5.1.1 The efficiency of financial reporting in Katugo Childrens Home NGO

Based on the study findings, there is a significant efficiency of financial reporting of NGOs. The study findings revealed that International Alert prepares financial reports and statements to support effective decision making, time transparency and good performance. Comparison of actual and planned budgets are monitored and analyzed for decision making and members of the Senior Management Team are involved in financial monitoring.

According to Lusthaus et al. (2002), financial monitoring involves timely preparation of reports to facilitate timely financial decisions and reports are prepared for managers to review their performance against pre-set benchmarks. In a related study on internal controls and performance

in NGOs, the findings revealed that NGOs do not use budgetary control as an internal control method which affects their performance Ayom (2013).

From the study findings, it is evident that International Alert has an adequate accounting system that generates monitoring information, financial reports are prepared on a timely basis at least quarterly and Alert prepares adequate reports for control of organisation assets. International Alert has established systems for financial monitoring that lead to better performance.

In a related study, findings revealed that internal controls affect the performance of an organisation positively or negatively depending on how it has been done, Ayom (2013). The study findings revealed that Auditors are satisfied with Alert's controls on cash and assets. According to Lusthaus et al. (2002), financial accountability calls for transparent rule based procedures that can be verified using monitoring systems such as audits. The affirmation of International Alert's systems by Auditors confirms the presence of internal control and financial monitoring systems.

5.1.2 The impact of AIS system on the financial reporting performance of NGO's.

It was observed that according to AIS system and financial reporting of NGO's Katugo Childrens Home, the most influential reason for the poor financial reporting is because the management to take timely decisions as well as It coordinates various business activities associated with lower profitability.

The researcher found out that accounting information system enables the users to make informed judgments. Since every decision involves several alternatives. It assists the user to decide his course of action. Accounting is a process which with the help of accounting records produces financial statements. It also helps management in their important duties of planning, organizing, leading, supervising, controlling and decision making. Further, the researcher found out that accounting information system can also be maintained if there is sound internal control system in an organization. Internal controls are procedures set up to protect assets, ensure reliable accounting reports, promote efficiency and encourage adherence to company policies. Accounting information system is essential to achieve some objectives like efficient and orderly conduct of accounting transactions, safeguarding the assets in adherence to management policy, prevention of error and detection of error, prevention of fraud and detection of fraud and ensuring accuracy, completeness, reliability and timely preparation of accounting data therefore these significantly reduces losses in an NGO.

5.1.3 The relationship between accounting information system and financial reporting in NGO's.

The study findings revealed that there is a significant relationship between financial planning and performance of NGOs. The study established that financial planning accounts for 31.3% of the variations in performance of NGOs and the remaining 68.7% is accounted for by all other factors that According to Mango (2012), financial planning is a strategic process linked to the achievement of objectives. Lusthaus et al. (2002) state that financial planning enables the organization to predict its future financial requirements necessary for the achievement of objectives.

In a related study on integrating financial management and performance management systems, the findings revealed that strategic planning is a pre-requisite for good resource management and it facilitates better performance (Pollit 2001).

The study revealed that a unit increase in financial planning leads to a 0.563 increase in performance of NGOs and if the NGO does not conduct financial planning, its performance will be at 1.227 if other factors remain constant. This implies that performance of NGOs does not depend solely on financial planning. From the findings, its noted that financial planning is not the only factor contributing to the performance of international Alert. Lusthaus et al. (2002) held that organizational performance is a result of an interplay between the external environment, organisational capacity and organisational motivation which confirms that performance of NGOs does not result from a single factor

This implies that for an NGO to present high quality of financial reports it must have a good accounting system. Schnelder (1989), argues that the heart of fiscal management in any organization is a good accounting system that is appropriate to that organization. In order to present high quality financial reports, it is necessary to establish standards and a system for accounting practices

5.2 Conclusions

Findings from spearman's rank correlation imply that there is a positive weak relationship between Accounting Information system and financial performance of financial institutions $r=0.425$ which implies that accounting information system affects financial performance at NGO's. The findings imply that the quality of financial reports of an NGO can be

greatly improved if leadership, transparency and accounting systems are strengthened. However, in order to yield positive results, the process of strengthening these variables should be continuous.

5.3 Recommendations

In light of the findings, discussions and the conclusions, the following recommendations are hereby stated;

- i. NGO management and staff should establish and adhere to financial monitoring systems. NGOs should prepare timely reports to facilitate timely financial decisions.
- ii. Reports should be utilized by managers to check whether their performance is on track and in line with predetermined benchmarks. NGO finance staff should be held accountable for timely preparation, objectivity and integrity of financial reports.
- iii. The study findings revealed that financial monitoring is one out of various factors affecting performance of NGOs. Based on empirical evidence that shows that financial monitoring has a significant effect on performance of NGOs, it is recommended that NGOs should focus on all factors that affect performance but give priority to financial monitoring.
- iv. From the study findings, the success of financial information systems depends on the organization culture and attitude towards accountability. Accordingly, it is recommended that NGOs should assess their internal environment before implementing financial monitoring systems. It's important to confirm that such practices will be acceptable and productive before adopting them. For NGOs where interpersonal relations are highly valued, the implementation of financial monitoring systems should be cautiously done to ensure that the systems are not counterproductive.
- v. The researcher recommended NGOs to undertake more awareness programs to create positive stance towards AIS amongst stakeholders. In other words, a lot of sensitizations needs to be done to the users and all stakeholders for it to be successful at NGO's limited in Nakasongola

5.4 Recommendations for further studies

- I. The study set out to establish the effect of financial management on performance of NGOs having observed the problem of low budgetary performance at International Alert. Future research should focus on the following areas;
 1. Financial Management and Performance of Government Agencies.
 2. External Environment and Performance of NGOs in Nakasongola.
 3. Human Resources and Performance of Private Companies in Nakasongola.
 4. Organisational Motivation and Performance of NGOs in Nakasongola.
 5. Financial Monitoring and Performance of Private Companies in Nakasongola.

REFERENCES

- Khan, I., & Islam, M. (2015). The Impact of Accounting Information System (AIS) on Non-Governmental Organizations (NGOs) *Journal of Business and Management*, 17(1), 62-72
- Mwaura, M. K. (2020). The challenges of adopting accounting information systems in non-governmental organizations in Kenya. *Journal of Finance and Accounting Research*, 2(2), 68-81
- Kabonesa, C., & Kimbugwe, R. (2019). The effect of financial reporting on the performance of non-governmental organizations in Uganda. *Journal of Finance and Accounting Research*, 1(2), 31-43
- al, C. L. (2018). Validity and reliability of measurement instruments used in research.
- Khan, A. (2017). Impact of Accounting Information System on The Organizational Performance: A Case Study of Procter And Gamble. *Star Research Journal*, Vol. 5, Issue 12 (6) 26-30.
- Onaolapo, A. A., & Odetayo, T. (2012). Effect of Accounting Information System on Organisational Effectiveness: A Case Study of Selected Construction Companies in Ibadan, Nigeria. *American Journal of Business and Management*, Vol. 1, No. 4, 183-189. URL: <http://www.worldscholars.org/index.php/ajbm/article/viewFile/ajbm1235/119>
- Johnson, R. W. (2015). "Efficiency Measures in Management Accounting: A Comprehensive Review." *Journal of Management Accounting Research*.
- Smith, A. M., & Williams, J. R. (2019). "Performance Metrics for Assessing Efficiency in Financial Accounting Processes." *International Journal of Accounting*

QUESTIONNAIRE FOR RESPONDENTS

Dear respondents

RE: ASSISTANCE IN FILLING THE QUESTIONNAIRE

I am carrying out a research proposal to assess the relationship between financial information system and financial reporting in Katugo Childrens Home NGO. This is academic research to be carried out as a requirement for the award of a bachelor's degree of Science in Accounting and Finance of Uganda Christian University. The information received from you will be confidential and for the purpose of this research.

Your kindness and participation in this project is highly appreciated and I acknowledge in advance.

Yours faithfully,

NALUJJA JACINTA AIDAH S20B33/014.

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of the NGO-----
2. Type of the NGO-----
3. Location of the NGO-----
4. Gender of the respondent

Male

female

5. Age bracket of the respondents in years

20-39

40-49

50 and above

6. Highest level of education attained by the respondent

O level A level

Certificate/Diploma Degree/Professional Course

Postgraduate

7. For how long have you had a working relationship with this NGO?

Less than 1 Year

1-3 Years

4 Years and above

SECTION B – FINANCIAL REPORTING

Please indicate the extent to which you agree or disagree with the following statements:

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
This NGO prepares regular financial reports for the benefit of stakeholders					
This NGO's annual financial reports demonstrate financial transparency and stewardship					
The annual financial statements of this NGO show a clear picture of the resources entrusted to them and how they have been used during the year					
The management of this NGO periodically prepares income and expenditure statements					
The management of this NGO produces balance sheets to					

show the financial position of the NGO					
The management of this NGO regularly produces cash flow statements to show the organization’s projected cash inflows and outflows					
In this organization, the financial report is always supported by the narrative report.					
The staff of the NGO submit reports for business advances in a timely manner					
There have not been many queries about the financial reports prepared by this NGO					

Table 12 showing questionnaire

SECTION C: EVALUATION ACCOUNTING INFORMATION SYSTEM (AIS)

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly agree
	5	4	3	2	1
It performs work very fast					
It made an integration and consistency among branches faster					
It helps the management to take timely decisions					

It brings simplification in work					
It retrieves information easily					
It coordinates various business activities					
It brings high efficiency in storage, classification and analyses					
It provides accurate and valid information at right time.					
It makes the information more credible and understandable					

Table 13 showing evaluation accounting system

SECTION D: RELATION BETWEEN AIS AND FINANCIAL REPORTING

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	5	4	3	2	1
Accounting information system minimizes the cost of recording and interpretation of data					
It contributes in quality control					
It helps in reducing costs of production					
It contributes in better supply chain management					
It supports planning and execution in the organization					

It aids in better inventory management					
--	--	--	--	--	--

Table 14 showing relation between AIS and financial reporting

Thank you for your time.

INTERVIEW QUESTIONS/ GUIDE FOR THE MANAGEMENT OF KATUGO CHILDREN HOME.

1. In your opinion, how important is the role of an efficient Accounting Information System in enhancing financial reporting for NGOs like yours?
2. Do you provide any training or professional development opportunities to staff involved in financial reporting?
3. Does your organization have a designated IT or accounting professional responsible for managing the AIS?
4. How often is the AIS updated and maintained?
5. What security measures are in place to protect financial data and prevent unauthorized access?
6. How do you assess the overall impact of your current AIS on the organization's financial reporting performance?
7. What are the major challenges your NGO faces concerning its Accounting Information System and financial reporting?
8. What improvements do you think are necessary for your NGO's AIS and financial reporting?

APPENDIX I: THE BUDGET FOR THE RESEARCH

Part of the revenues of this research was from my parents that is 300,000 shillings which was budgeted as follows seen below; -

ITEMS	COSTS (SHS)
Transport	60,000

Lunch	50,000
Questionnaire (Typing and Printing)	40,000
Telephone bills (internet and call tariffs)	30,000
Data collection	50,000
Report (Typing, binding and Printing)	60,000
Total costs	290,000

Table 15 showing the budget for the research

APPENDIX II: SCHEDULE OF THE RESEARCH

Activity	PERIOD IN MONTHS			
	MAY	JUNE	JULY	AUGUST
Proposal Preparations				
Data collections				
Data processing, Editing and summarizing				
Data analysis				
Compiling final report				
Consultations				
Final report handing in				

Table 16 showing schedule of the research

APENDEX III: DETERMINING SAMPLE SIZE USING KREJCIE MORGAN TABLE.

Table 1: Table for Determining Sample Size for a Finite Population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

The Table is constructed using the following formula for determining sample size:

Formula for determining sample size

$$s = \frac{X^2 NP(1 - P) + d^2(N - 1) + X^2 P(1 - P)}{d^2}$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed sample size)

Leave a message ×



UGANDA CHRISTIAN UNIVERSITY

A Centre of Excellence in the Heart of Africa

SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

Name: NALUJJA JACINTA AIDAH Reg. No. S20B331014

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

"ACCOUNTING INFORMATION SYSTEM AND FINANCIAL REPORTING IN NGO'S"

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator