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**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING**

**AN EVALUATION OF THE IMPACT OF E-COMMERCE ON THE  
QUALITY OF FINANCIAL REPORTS.**

**A CASE OF SOLEDD FINANCE**

**BY**

**KUDZAI SACHIKONYE**

**R141744M**

*This dissertation is submitted in partial fulfilment of the requirements of the Bachelor of  
Commerce Accounting Honours Degree in the Department of Accounting, Faculty of  
commerce at Midlands State University.*

**GWERU**

**ZIMBABWE: 2017**

**Approval form**

The undersigned certify that they have supervised the student Kudzai Sachikonye's in the dissertation entitled: **An evaluation of the impact of e-commerce on the quality of financial reports; A case of Soledd Finance**, submitted in partial fulfillment of the requirements of the Bachelor of Commerce Honors Degree in Accounting at Midlands State University.

.....

.....

**Supervisor**

**Date**

.....

.....

**Chairperson**

**Date**

.....

.....

**External examiner**

**Date**

**Release Form**

Name of student Kudzai Sachikonye

Dissertation title An evaluation of the impact of e-commerce on the quality of financial reports (A case of Soledd Finance).

Degree title Bachelors of Commerce Honors Degree in Accounting

Year the degree is granted 2017

Email address [kaysachies@gmail.com](mailto:kaysachies@gmail.com)

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Signed: -----

Date -----

Permanent address 4802 Kirkman Road  
Dzivarasekwa Extension  
Harare  
Zimbabwe

## **Dedication**

This research project is a special dedication to my loving and caring parents who have been with me through the struggle and above all to the Almighty for the guidance he provided over me.

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My sincere gratitude goes to Almighty Jehovah for his blessings. I would also like to acknowledge all those who helped me make this project a success, many thanks to my supervisor Mr. A. Ngirazi, thank you very much for your invaluable guidance and your hard work, I wouldn't have produced this master piece without your support, Thank You!!!!

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## **Abstract**

We are living in a dynamic world characterized by spontaneous changes happening in the twinkling of the eye brought about mainly by advances in technology. This research was set out to evaluate the impact of e-commerce on the quality of financial reporting (A case of Soledd Finance). The research was mainly prompted by the observations that the researcher witnessed during industrial attachment experiences within an e-commerce firm. The choice to focus on this study was due to the challenges being faced by the firm in financial reporting which were prompted by a shift from the traditional business to electronic one. The firm is failing to meet reporting deadlines, and experiences longer audit periods, reconciliation difficulties and also material variances in financial statements. A review of literature with information pertaining to changes that have occurred to the financial reporting process under e-commerce was carried out extensively. The findings highlighted that financial reporting in e-commerce is mainly affected by information technology risks and the non-integration of modules. Data was gathered using questionnaires and interviews; both primary and secondary sources were used and analyzed in order to give the researcher a better understanding. The study recommended that Soledd Finance must introduce an accounting system which can easily integrate modules while not altering the activities of the firm and also invest in risk management strategies.

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## List of Abbreviations and Acronyms

<b>FR</b>	Financial Reporting
<b>FS</b>	Financial Statements
<b>B2C</b>	Business to customer
<b>IT</b>	Information Technology
<b>IS</b>	Information Systems
<b>AIS</b>	Accounting Information Systems
<b>IFRS</b>	International Financial Reporting Standards
<b>IFAC</b>	International Federation of Accountants
<b>IFR</b>	Internet Financial Reporting

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# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

This document envisages to evaluate the effects E-commerce on the quality of financial reports of Soledd Financial Services (pvt) ltd. An entity's performance and position is usually determined by financial reports. The evolution of computer technology has completely transformed accounting systems. Studies has revealed that, the financial outcome of a firm will always depend on how much one invests and improves on financial accounting and reporting, (Imeokparia 2013). In broad-spectrum, IT is expected to assist in producing quality financial statements. This seems to be a different scenario at Soledd financial services as the financial reports of the company has failed to meet certain standards as per auditors' opinion. Not only has the Financial statements failed to meet certain standards, there are also challenges which rose during operations like late submission of financial reports to the regulatory framework due to difficulties in integrating the loan management system with the accounting systems.

### 1.1 Background of the study

E-commerce has become one of the easiest, convenient and mostly used way of conducting business as the world is now centered on the use of the internet. These has stemmed in captivating much consideration on the influence it has to the preparation of financial statements. Today E-commerce has emerged as a mainstream to facilitate business transactions around the world. Even with the Zimbabwe's economy in downturn, e-commerce has continued to grow. When e-commerce has spread in the world, the business world change as well including the preparation of financial data requirement.

Stallings (2012) eluded that financial reports assists investors, creditors, lenders and any other users of financial statements in decision making. It is therefore of much significance to make sure that financial reports are prepared in a way that is easily understood by its users. It is difficult to measure or determine the quality of financial statements produced by a certain

entity as reporting differs from one firm to another and even from one industry to the other. There are different guidelines and regulatory requirements which results in differences in presentation and reporting of financial data. However, the main guide to the quality of financial statements are the Enhancing and Fundamental Qualitative characteristics (Framework 2010).

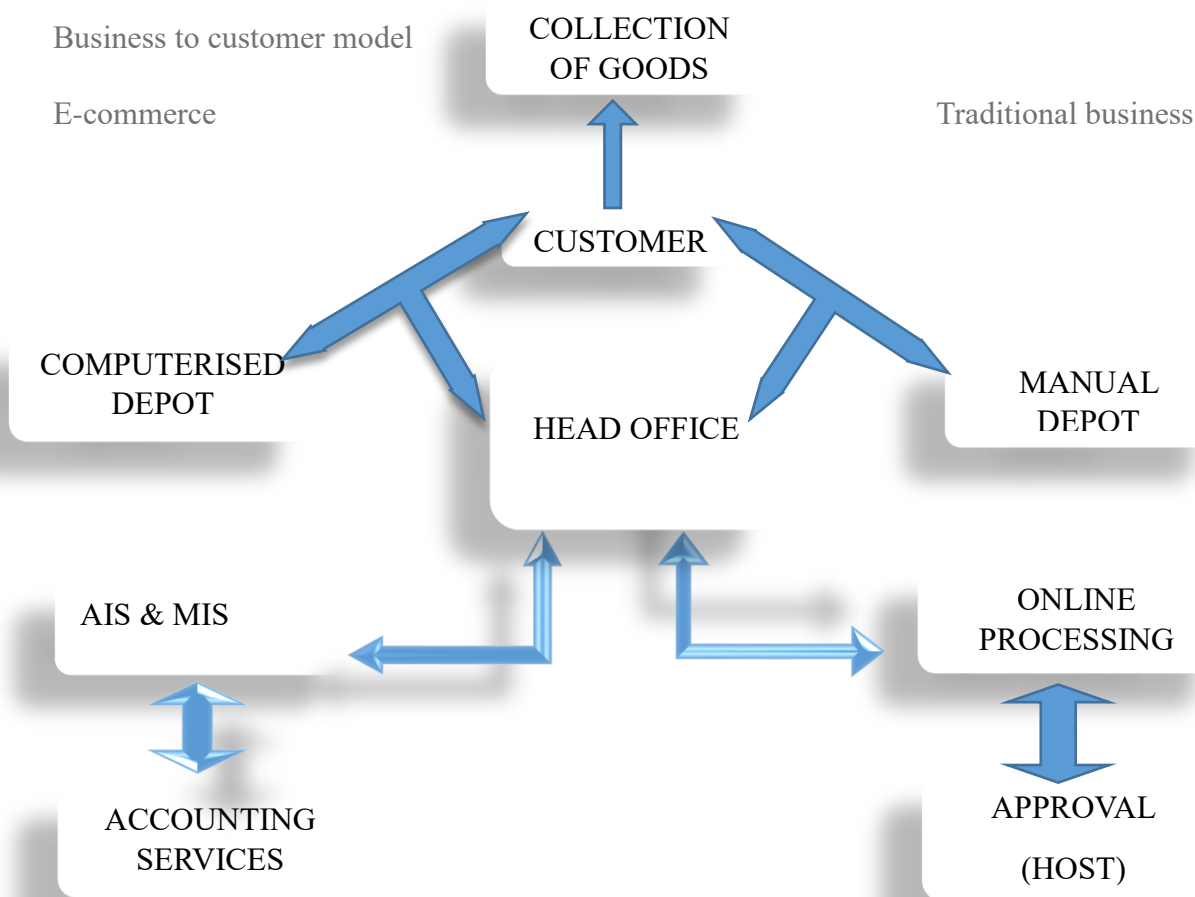
Beyond borders we have some typical companies also acknowledging and successfully enjoyed the benefits that is brought up with e-commerce. A micro-finance company in Nigeria (Grant Success) changed all its operational systems from the manual way to electronic. As a result of the change, their financial reports were now being produced in time and costs saved in auditing as the audit period reduced. According to Surwahwen (2015), he concluded that for the first period after changing their operations, the company underwent through difficulties in producing relevant financial reports. The company later invested in IT controls and introduced systems that integrate the business operations hence enjoyed the benefits that comes with e-commerce. The company's financial reporting therefore improved through embracing e-commerce.

As the world is changing on a daily business where new technology is escalating hence there will always need to come up with a well-designed way on financial accounting and reporting which suit the business. Soledd Finance is integrating and bracing the changes in the business world as it is embracing and adopting to e-commerce and the benefits which comes with it. However experiencing hick-ups in terms of financial reporting

The late submission of financial reports to regulatory authorities due to lateness in preparation of financial reports and increased audit costs has raised a question on what is affecting the process of the preparation of financial reports of the company. Through the business model being used at Soledd finance (Business to Customer), the core elements of the business are mainly focused on computerized Information systems and information Technology as they are the key drivers to financial reporting in e-commerce business. Soledd Finance has not yet fully appreciated the improvements in IT as some of its branches are not yet fully computerized. This has affected the financial reporting as issues arise in transferring manual information to the automated system. Below is a typical Soledd Business activity.



**Fig 1.1 Agricultural Input Finance at Soledd Finance**



**Source: Primary source**

the above Fig 1.1 shows how the business has integrated e-commerce from the traditional way of conducting business. The movement of information is also depicted by the above diagram up to the preparation of financial statements. The most weakness link shown by the diagram is of different information systems being used at different stages while they will be requires to integrate with the AIS which lastly produces financial reports.

Below is a table that shows an extract of the differences between the financial statements before and after audit. The table is to assist on the financial differences that occurred for the period of 2014 to 2016. The variances have mostly been affected with the IT systems being used by the company not completely integrating with the requirements of the activities or daily operations of the company.

**Table 1.1 An extract of statement of financial position for each year ending 31 December 2014, 2015 and 2016.**

**Table 1.1**

<b>Year</b>	<b>Unaudited statements \$000</b>	<b>Audited statements \$000</b>	<b>Evaluation of misstatements \$000</b>	<b>Audited Opinion</b>
2014	531	622	91	Qualified
2015	612	528	(84)	Qualified
2016	730	605	(125)	Qualified

*Source: Soledd Financial Services pvt ltd ((2014-2016))*

The above variations have been greatly caused with the problems being mostly elevated to IT risks and hence affecting the financial statements as a whole.

**Table 1.2 audit period**

<b>Year</b>	<b>Estimated audit period</b>	<b>Actual audit period</b>	<b>e-commerce</b>	<b>Traditional business</b>
2014	2 Weeks	6 weeks	20%	80%
2015	3 Weeks	8 weeks	60%	40%
2016	4 Weeks	6 weeks	80%	20%

**Source: Soledd Finance**

The above table shows that the audit period has always stretched above the estimated period as expected of the firm especially considering its size and the non-complexity of its core business. This was as a result of the IT risks that makes it difficult to produce adequate information required for reporting. The percentages above depict the operational activities where in prior years, the company has not yet largely shifted to e-commerce. Year 2016 shows that the larger activities of the firm are occupied with e-commerce (80%). With the

small size of the firm, it is expected that, the more encirclement to technology the easier the process of financial reporting, the results above do show different results.

E-commerce also raise some burning issues to the accountant on when to recognise revenue and also an issue of inventory recording especially when goods are returned by a customer (most of the e-commerce business inventory is held by the manufacturer). This has increased difficulties in terms of the overall reconciliation aspect of the company. E-commerce have largely impacted the Accounting profession since accountant works at the heart of the business. With these technology advancement, accountants' role has extended beyond maintain the books of business to being the information management that assure management, the reliability of information system and being the business measurement professional. E-commerce in general provides efficiency and flexibility not only to business but primarily on the work of accountant through ICT providing timely, accurate and reliable information. Hunton (2005) and Okeye (2013), submit that there is a gap between the traditional economy and the new economy in terms of the public expectation on the quality of financial statements. Hence, this research has prompted the researcher to evaluate the trends of the quality of financial reports for Soledd Finance. The study can enhance an improved quality of reporting, save audit costs, preparation of financial reports in ample time and ensure information systems that integrate the whole business processes.

## **1.2 Statement of Problem**

As business move towards paperless system and electronic commerce, the number and types of electronic transactions and documents are expected to explode dramatically. However, electronic transactions and documents can be easily altered, deleted and duplicated. This attribute may cause the integrity of electronic transactions and documents to be later questioned, Alfred (2001). The start of electronic commerce impacts the core elements of accounting and auditing hence resulting to a continuously changing way of financial reporting in order to maintain the purpose of reporting and provide reasonable assurance to the users of financial reports.

### **1.3 Objective of the study**

The overall objective of this study is aimed to bring out the problems that are being experienced in financial reporting through the change from traditional business to e-commerce and how e-commerce affects the financial reporting of a firm (A case of Soled Finance).

### **1.4 Research objectives**

1. To establish the risks and Information Technology risks that are brought about with E-commerce.
2. To determine how Information Technology risk affect the process of producing adequate financial information.
3. To determine the relationship between accounting information systems and e-commerce as aid to quality financial reporting.
4. To describe the quality of financial reports generated with the use of information systems in an e-commerce business.

### **1.5 Research Questions**

1. What are the information technology risks that arise from e-commerce?
2. How can Information Technology risks affect the process of producing adequate financial information?
3. What is the relationship between E-commerce and accounting information systems as aid to financial accounting and reporting?
4. What is the quality of financial reports generated with information systems in an e-commerce environment.

### **1.6 Significance of the study**

The emergence of E-commerce plays an important role in activating the movement and activity of most of the global economic events exceeding the limits of its producers even arrived to improve the welfare of the consumers. Its timing was strategic. The period over

which data were collected coincided with an increase in the growth of opportunities for online business. Developing countries such as Zimbabwe are not yet well clenchd with E-commerce hence, the importance of this research lies in that it explains e-commerce and its impact on of the quality financial reporting (FR), thus equipping users of financial information with relevant knowledge about the subject fraternity.

The research aid as a contribution to Soledd Finance to have a clearer view of the effects of e-commerce to the quality of financial reporting and how-to carter to the challenges being faced and reduce risks that arose with e-commerce. It is also an attempt to explain the challenge faces accountants on financial accounting and reporting under e-commerce and its requirements needed for reporting. The study also assists as an encouragement to business owners and accountants to embrace e-commerce especially in Zimbabwe where e-commerce is still in its infancy. The study does furthermore serve as a guide to student and independent researches who may have interest in the subject matter. Findings and recommendation from this study aid as a guide in carrying out other research studies in e-commerce and financial reporting.

### **1.7 Delimitation of the study**

The researcher focuses on the effects of E-commerce on financial accounting and reporting basing on the developing countries referring to Zimbabwe where E-commerce has not been greatly achieved. The study focused on a micro-finance company (Soledd Finance) which is exploiting the advantages that are brought about with e-commerce. The latitude of the study, therefore is mostly concentrated in Zimbabwe specifically to a small firm. Only Soledd Finance personnel involved in the preparation of financial reports were targeted for the purpose of the study. The research covers the period January 2014 to December 2016 basing on the firm's statistics.

### **1.8 Limitation of the study**

The concept of E-commerce varies from one company to another since they adopt different business models with it. One of the limitations of the study was the derivation of exact variables to measure as an indicator of e-commerce implications on the quality of financial reporting. Various studies and researches have been exploited on the subject matter of e-

commerce but less on its implications to quality of financial statements. Lack of information pertaining to such issues can be seen as a setback to subject matter. Organizations are indifferent about disclosing their financial information, hence, possible limited access to confidential information, which might be useful for the purposes of the research.

## **1.8 Definition of key terms**

**Financial reporting-** is ‘the process of identifying, measuring and communicating economic information to others so that they may make decisions on the basis of that information and assess the stewardship of the entity's management.’ (Liebermann 2003). It can also be defined as a procedure of generating reports that reveal an organisational financial position to investors, government and the management.

**E-commerce-** can be defined as the application of information and communication technologies (ICT) in support of all the business activities, (Barret 2005). In the modern-day context, e-commerce is used to signify an array of commercial activities done using computers, including electronic funds transfers, online trading of goods and services, electronic data exchanges between and within the company, (Hellerstein, 2002). From the two definitions above it is apparent that e-commerce deals with the trading of goods and services via the internet or digital technology.

**Accounting information systems** - refers to the system of collecting and processing data and disseminating financial information to interested parties, (Beard et al, 2007).

**Information Systems-** is the technology infrastructure and applications combined with the data and information that may be recorded, processed, stored, shared, retrieved or transmitted to them (Bradbard 2007).

**Information technology-** it refers to the procurement, processing, storage and dissemination of vocal pictorial, textural and numeric information, (Hunton 2002). It also refers to the application of computers to store, study, retrieve, transmit, and manipulate data, or information, often in the context of business or other enterprise.

**Business to customer model-** refers to transactions or sale of goods or services conducted directly between a company and customer. It can also be defined as an internet or electronic model that denotes a financial transaction or online sale between a business and consumer.

### **1.10 Summary**

The economic developments in the world have awakened players in business to affectively cuddle to the new economy (E-commerce). These have roused an urgent need to, put in place effective and efficient accounting standards and also accounting information systems to ensure reasonable assurance in financial accounting and reporting. The researcher strongly believes that the quality of financial statements has been strongly affected with the advances in technology which bring about E-commerce at large. Hence, the key drive of the research will scrutinize the influence of e-commerce on the quality of financial reports. The next chapter focusses on literature review.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

Taylor (2000,58) characterized IT as the procurement, handling, stockpiling and conveyance of vocal, pictorial, printed and numeric data by micro-electronics based figuring and broadcasting communications. Planning for IT needs will empower organizations to better accomplish their financial reporting information. The accounting procedures has changed due to IT brought with e-commerce, hence the presentation and disclosure of financial data. E-commerce has affected financial reporting in organizations to prepare financial records such that they consolidate the progressions brought by IT. The part looks to blacksmith's iron the ramifications of e-commerce on the quality of financial statements. The key determination of conducting a review is to sample current opinions in textbooks and professional journals thereby acquiring insights into the aspects of the research questions and objectives to make clear the implications of E-commerce on the quality of financial statements. Furthermore, the past must be scrutinized, trends established and predictions made of innumerable influencing factors.



## **Theoretical literature review**

### **2.1 IT risks in e-commerce**

Chen (2012) further explained that, since e-commerce consistently embroils the use of internet through IT, the most imperative hitches associated with e-commerce are IT risks. Threats can occur from direct or indirect source, from natural (environment) or human causes (either accidental or deliberate). Threats may also arise within the organisation or from outside. IFAC (2003) furthermore explained that, the effect triggered by the unsolicited incident may be of provisional nature or it may be permanent. Vulnerabilities of the asset may be exploited and may lead to detrimental consequences affecting the confidentiality, integrity, availability, reliability, accountability and authenticity of information. Technology risk is considered a large enough source of risk to often merit separate departments and activities of e-commerce core business. IT risks can be notable into the subsequent characteristics; IT application, IT business process risks and IT infrastructure.

#### **2.1.1 Information Technology application risks analysis**

Through the progression of e-commerce, most firms now use accounting information systems to execute their operations. As much as IT makes business operations simpler to process, there is much prerequisite to focus on IT controls to diminish the IT application risks. IT application risks effects from various aspects such as bugs, spams errors, malware and viruses. Elky (2013) referred application risk as a combination of robustness, performance efficiency, security and transactional risk promulgated throughout the system. These type of IT risks results in data corruption.

Renkas (2016) defined data corruption as the deterioration of computer data caused by human, hardware and software error. Most organisations do encounter such problems in the process of providing financial reports. Malware infection attributes to the second most common causes. Malware generally refers to any software program that is designed to inflict damage to a system. Some virus replicates themselves and overwrites areas of raw disk with garbage. The malicious ones execute undesirable operations such as deleting files, modifying data, stimulating typos and in the process of doing so, destroying relevant information and probably the operating system files. Therefore, the choice of application systems enhances the quality of financial data to be produced.

### **2.1.2 IT infrastructure risks analysis**

IFAC (2003), referred it to transmit to the sufficiency of the hardware and software for data processing, such as hardware being unable to support the version of the software provided. Security notion administered to the provisions of the body and by organisational and technical controls demarcated on this foundation directs the IT infrastructure risks. The following presents some of the IT infrastructure risks;

- Susceptibility to, fire, liquids, overheating and some further physical dangers
- Absence of adequate back-up procedures
- Inadequate or improper emergency plans and procedures
- Inadequate configuration and monitoring of firewalls against intrusion attempts and encryption
- Unsuitable corporal security actions that do not avoid theft, unsanctioned entrée or inappropriate disclosure of data.

### **2.1.3 IT business process risks analysis**

According to IFAC (2003) IT business process risks ascend where analyses of security and information handling do not encompass to the entire business processes, but simply to some parts of them. Such risks may ascend from: lack of data flow transparency, inadequate integration of systems or poor reconciliation and control measures in interfaces between sub-processes arising from the altercation of data between two subsystems within commercial processes for instance, the danger that entree privileges or information back-up measures being only operative for the sub-process while it is ineffective on the entire process. The following are some of the IT business process risks:

- Operational data from e-commerce subsystem to accounting software not being conveyed accurately, efficiently or completely.
- Safety measures allowing one of the IT subsystems to be modified while protecting another subsystem.
- Inadequate access control mechanism resulting in impossibilities to effectively manage IT systems integrated into the e-commerce process.
- Manipulation of It applications integrated into the business process.

## **2.2 Risks and financial reporting**

### **2.2.1 IT risks in preparation of Financial Statements**

Financial statements reflect the position of an entity and the general purpose of financial reporting is to provide information on the financial effects of transactions, operations and financial occurrences that have an effect on the financial status. According to the conceptual framework (2010), the provided information can help investors and creditors and other users outside the organization to get a picture on the performance of an economic unit. Brand (2001) Investors are concerned with the enterprises' capability to generate cash flows to them and with their own capability to equate, assess and forecast the amount, timing and related uncertainty of the future cash flows. They should be able to rely on the information provided, but they are also responsible for using the information that is available hence financial statements must reflect a true and fair view of what they portray for decision making purposes.

As depicted above about IT risks, they affect the preparation of financial statements in different ways such as corruption of data hence difficult to comprehend or read the data. Goncharenko (2016) explained that if IT risks are not well accomplished, they may not only result in information or data loss but failure of an organization as a whole. Stashevsky (2004) ,furthermore highlighted the effect of garbage in garbage out (GIGO) as a major point to take note of in using IT applications as this scenario occasionally happens in e-commerce organisations.

#### **2.2.1.1 Network errors and the internet**

As e-commerce takes a lot of forms, the main aspect of it is centred on the use of the computer, website and a network. Error and network hick-ups affect the process of e-commerce transactions. Dzoma (2014) highlighted that the major problem being experienced by firms with the use of plastic money is duplicate transactions or double deduction whereby transaction seem to have failed due to network problems whilst it has already been processed, therefore, in the financial statements, the organisation's profits will either be overstated or understated due to the fact that wrong amounts has been used. These tend to affect the books of accounts of a firm in return.

### **2.2.1.2 Fraud and embezzlement of funds**

These are usually committed on a computerised system or network by alteration of data or programmes through use of creative accounting system which makes the firm financial statements look good and powerful on the ground. Moscovice (2007), noted that hacking of passwords for instance through use of androddumper application results in financial data being altered so that the firm looks as if it is making huge profits on the ground yet the firm is incurring huge losses. This is achieved by tapping telecommunication lines, wire-tapping or decoding of programmes. However, the individuals responsible for tampering of data cannot be easily located which in a manual system is relatively easier to detect.

### **2.2.1.3 IT system failure**

There is need to keep regular, updated and secure back-ups in a case of system failure, Bradbard (2007). It is difficult to retrieve data lost without proper backup, recapturing data lost usually results in many errors hence affecting the information quality.

### **2.2.1.4 Breaches of security**

Mackeil (2004), referred security breaches, as the danger of people hacking into the networks of an e-commerce channel from outside, and the danger of viruses and incidence of staff fraud. Computer related crimes are difficult to detect as any alteration of data may go undetected hence affects the financial data of an organisation leading to distorted financial reports.

### **2.2.1.5 Capital cost of upgrading or updating the system**

It can cost up to at least US\$10K to upgrade an accounting information system of a small firm (Mia L and Clarke B 2002). E-commerce systems usually require upgrades and updates as the system are technologically adaptive. Failure to update and upgrade the system might result in the system not serving its proper purpose hence difficulties in reading its outputs, also even results in complications during the input process.

### **2.2.1.6 Cost of training**

The staff will need to be trained in the use of hardware and software in an e-commerce environment. Though e-commerce usually results in reduced labour cost, it is associated with

staff training cost as it requires expertise in the use of computer related programmes. Careful planning is essential otherwise the effectiveness of e-commerce will be complicated with untrained personnel. Calderon, T et al (2002) pointed that, e-commerce requires personnel which is very adaptive to the technological world for business to recognize its benefits in financial reporting.

## **2.2.2 Other factors**

### **2.2.2.1 Auditing**

A longer audit period assists in delaying the preparation of financial reports. To a large extent, audit delay can affect the timeliness of financial information, (Lehtinen 2014). Alterations by auditors at the end or during the reporting date trigger audit delay hence subsequently resulting in reporting delays. The audit period is also lapsed through the auditors relating to the company operations and information systems.

### **2.2.2.2 Content of financial Statements**

Various authors such as Dogan (2011) and Graham et al (2013) noted that information contained in the financial statements can give rise to poor financial reporting. Furthermore, (Lehtinen, 2014) echoed unfavourable information or news does also results in delays of the issuing of financial reports. Management can delay the reporting of adverse financial statements for scrutinizing the bad news and coming up with a welcomed conclusion. They also delay presentation of financial information to avoid reporting bad news to directors of the entity hence results timeliness of financial reports is compromised.

### **2.2.2.3 Data Loss**

Accounting division can miscue company's submission dates or proper filing of documents because of data loss which can probably results in delaying the financial reporting date (Son and Grabtree, 2013). This can be time consuming and cause negative or poor financial reporting.

### **2.2.2.4 Taxation**

Son and Grabtree (2013) highlighted that, taxation plays a role of influencing financial reporting process. The tax man wants tax forms from enterprises at a given deadline, taxation

submission requirements do not integrate or are completely different from those essential for filing hence it usually affects financial reporting as their reporting is completed when tax reporting is accomplished. Khasharmeh and Aljiri (2012) pointed out that the parent company can also be affected negatively on year-end financial reporting by tax reporting of its subsidiaries.

#### **2.2.2.5 Low liquidity**

Financial reporting lagging issues may ascend to the end of an accounting date when a company is in low liquidity position. Shortfalls in salaries may result in personnel to go on strike or go-slow leading to deficiencies in financial reporting (Lehtinen, 2014). Motivation of employees hence aid to the quality of information they do produce.

#### **2.2.2.6 Small Firm Size**

Lehtinen, (2014) quality of financial reporting can also be affected by small size of firm. Information preparation and audit process is longer because small businesses usually have poor or inefficient information systems. Furthermore, alluded that small size firms have little pressure on meeting financial reporting dates due to low demand of their financial information. However, Khasharmeh and Aljiri (2012) argued that, the small firm size has no strong influence against the quality of financial reporting. Moreover, they said that sector type, profitability and debt ratio have great consequence on timing of financial data.

#### **2.2.2.7 Sector type, Debt ratio and Profitability**

Khasharmeh and Aljiri (2012) noted that, for the banking sector, the delay in financial reporting is smaller because it is the most organised sector of all, hence the sector type affects the timing of financial reporting. Son and Grabtree (2012) propounded that companies with a large amount of debt are audited at a lower level of materiality causing lagging in financial reporting. This type of auditing usually takes a longer period since there is a possibility of failure resulting in higher legal costs. Lehtinen (2014) highlighted that the profitability of a company represents favourable or unfavourable news meaning that favourable information is published first.

## **2.3 E-commerce and Accounting information systems (AIS)**

Trites (2008) propounded that integration of modules or business systems is one of the pivotal element of the progression of e-commerce. Customers' needs and wants are customized with integration and it enhance the delivering of goods and services conveniently to client's demands. These needs are met if data flows swiftly from a certain supply chain to another. E-commerce has now allowed entities to make data accessible all over an organisation by efficiently eradicating the impression of the flowing of data and substituting it by the impression of the availability of data throughout the entity. This is enhanced with the use of information systems in e-commerce as they are designed to suit the activities of the entire enterprise.

### **2.3.1 E-commerce**

E-commerce refers to doing business via the internet and it is fast becoming a necessity in most organisations. Lin (2005) and Chan et al (2003) explains that, e-commerce is about the trading of goods and services electronically, particularly over the internet and has proved to be a more preferable way of doing business with minimal paperwork and less effort. Lin (2005) also highlighted that the major advantages of using e-commerce are that evaluating and executing anytime, and there is reduction of costs and enhancements of profits as a result of elimination of paperwork and manpower.

Furthermore, Stashevsky (2004) defined e-commerce as the process of buying, selling, transferring, or exchanging products, services, and or information via computer networks, mostly the internet and intranets. They also indicated that e-commerce is part of a broader definition which is referred to as e-business; it includes handling electronic operations, and servicing clients cooperating with corporate associates within the entity. Accounting information systems is referred to as the system of collecting and processing data and disseminating financial information to interested parties such as stakeholders, the government agencies and other creditors. Accounting is referred to as the verbal of the business while AIS are referred as the intelligence of that philological (Romney and Steinbart, 2013).

### **2.3.2 Modular integration in e-commerce**

If an organisation is involved in e-commerce, the e-commerce modules need to be fully integrated into the main accounting and management system so that it supports the purpose of

an efficient system and to expedite the transfer of accounting transactions that are carried out over the internet to be manually transferred into the main accounting system. There is a risk of errors and manipulation of data during the transfer process. There is however, measures that need to be taken into account when integrating modules in e-commerce. Chan (2003) alluded that, integration of systems in e-commerce needs to address the following, integration of systems between two or more corporations carrying out e-commerce and inter-company integration, integration of systems within an organisation, particularly front-end systems carrying out internet functions and commerce with backend systems, and integration of systems that address different solutions within a company. Among the systems that need to be integrated within an organisation are order statements, order fulfilment, inventory, accounting entries and financial systems, human resources including payrolls.

### **2.3.3 E-commerce and financial disclosure**

With the emergent of e-commerce, companies are changing the way of disclosing information to financial users. Kronfost (2014) on international conference meeting of Auditors in Washington D.C said that e-commerce has changed the way and aspects of doing business hence financial reporting. Kronfost, furthermore explained that, e-commerce has largely contributed to the new way of reporting known as Internet financial reporting. Though internet financial reporting (IFR) is being adopted by many organisations especially those listed on the stock market, it has raised question on the aspect of financial disclosure.

### **2.3.4 E-commerce and Internet financial reporting (IFR)**

E-commerce has brought the evolution of internet financial reporting at large. It is through e-commerce that companies are now adopting to IFR. IFR has affected the quality of financial statements produced by firms especially in terms of disclosure and compliance with the generally accepted accounting practice. Brand (2017), eluded that companies no longer provide true information regarding their financial statements to avoid competitors to take note of what's happening to its rivals. Hence the firms are disclosing poor financial reports therefore, the relevancy and purpose of financial reports is compromised. According to the Conceptual Framework 2010, financial statements represent the true and fair view of a business and it is relevant to users of financial information such as creditors and other stakeholders.



Trites (2008) defined internet financial reporting as the distribution of cooperate financial and performance information using internet technologies such as world wide web. If individual companies are left in charge of choosing what to disclose, the information can suffer from inconsiderable company bias. Corporate comparison would become increasingly difficult as a result, yet the other extreme is the enforcement of rigid prescriptive rules and a rule of thumb.

### **2.3.5 AIS and quality financial information**

Financial reporting must meet numerous criteria to be viewed of relevant use on the grounds that, it is the nature of date that decides the viability of key decisions. Suryawanshi (2014) defined AIS as a system that provides information as indicated by specific sources of information that goes under the system to create data required for specific gatherings for instance internal parties like Top management, internal auditors or external parties such as shareholders, government, lenders or external auditors.

Qatawneh (2012) elucidated that, an organisation under e-commerce must invest more in AIS so as to well integrate all the activities of the organisation in a simpler manner. Liebermann (2003) defined financial reporting as the process of identifying, measuring and communicating economic information to others so that they may make decisions on the basis of that information and assess the stewardship of the entity's management. The quality of financial reports is distinguished from one organisation to another and also one industry to the other. AISs are designed to suit or assists in organisational operations hence firms use different AISs in executing their operations.

### **2.4 Quality of financial reports produced by information systems in e-commerce**

E-commerce through Information technology alters the nature of practices of business and accounting essentially (Hunton, 2005). Elky (2014) said that, there is need for regulatory structures that result in high quality performance of all those involved in financial reporting. Several challenges have been identified by those involved in adopting and implementing IFRSs and ISAs. Unless these issues are resolved, the existence of a wide variation in reporting practices among counties is likely to remain a feebleness. Saheli and Torabi (2016) said that, accounting information systems are associated with mechanisms that are put

together to organise accounting unprocessed facts and converting them into financial reporting information that enable users to base their decisions.

Financial reporting is a procedure of generating reports that reveal an organisational financial position to investors, government and the management (Elliot and Elliot, 2013). Conference calls and press release are some of the components of financial reporting with regards to related information and quarterly earnings. Magdalene, (2013) alluded that various authors have indicated that IT performs a pivotal role in the presentation of FS. Hurt (2014) and the Conceptual Framework (2010), also highlighted that improved decision making of a company can be enhanced by its Information systems.

**Data input.** Accounting information systems have changed the traditional way of input of data referred to as the debit/credit format. Hurt (2014) propounded that regardless of Information systems utilised, financial information changes due to elements of financial statements. Input of data is mostly done by mouse and keyboard in AIS. Hurt further said that data can be captured as a single entry or in batches. Romney et al (2014) said that, capturing of single transaction is usually done online (real time). Sofal and Hiro (2012) noted that, IS do not only capture elements of financial statements but also captures customer behaviour and transactions history, vendor quality and demand for inventory item. Investors and other stakeholders' decision making can hence be improved by the use of AIS.

**Data processing to information.** Hurt (2014) revealed that well-integrated IS are capable of converting primary data into relevant and reliable information. Eierle and Schultze, (2015), noted that IS are designed with programmes that convert data into useful information for enriched decision making. The scholars further alluded that, data has to be processed into meaningful information for it to be useful for decision making.

**Output and reporting.** After data is processed into meaningful information, reports and meaningful information is produced. Trigoa et al (2015), said that management prefers to spring out information to potential investors on real time basis. A well-implemented IS can save time and money of the organisation.

Soudani (2014) highlighted that, IS design, organizational quality financial reporting and strategy are strongly related. Recent scholars have been backing-up the view that IS and financial reporting are interrelated. Shareholders make investment decision using financial

reporting information generated by IS, (Nkuhi, 2016). AIS produces better quality financial reports than manual systems, (Deusidedit 2015).

#### **2.4.1 Determination of Financial Reporting**

The main purpose of financial reporting is to assist management in improved decision making so as to whether provide resources to the reporting entity. The overall financial health of a company is depicted by the information presented in financial statements. Financial statements also spring out a vibrant interpretation of whether the entity has interesting returns or not. Financial reporting also works as a way of providing how the organisation is being operated (IFRS Foundation 2010).

#### **2.4.2 Qualitative Characteristics of Accounting Information**

Management has been encouraged to engage in various activities to enhance the quality of financial reporting, this is exacerbated with the need for virtuous quality and reliable information requirements, (Soudani 2012). Virtuous information improves the competitive advantage of a firm hence IS are characterized of producing such quality information. IFRS Foundation through the Framework (2010) highlighted the two measurements of quality financial reporting which are: Fundamental and Enhancing qualitative characteristics.

##### **2.4.2.1 Fundamental Qualitative Characteristics**

The two fundamental qualitative characteristics are relevance and faithful representation Conceptual Framework (2010):

**Relevance**-The Framework noted that financial information must be relevant to the users of such information and must be able of enhancing decision making. The accounting information must have a predictive, confirmatory value or both to be of relevancy.

**Faithful representation**- For financial information to be faithfully represented, the following characteristics should be recognised; free from error, neutrality and completeness. Kronfost (2014) highlighted that well-designed IS and e-commerce mostly produce relevant and faithfully represented accounting information.

#### **2.4.2.2 Enhancing Qualitative Characteristics**

**Timeliness-** Conceptual Framework (2010), for accounting information to be useful, it should be provided to its users in ample time so as to enhance or influence decision making. Various authors such as Brand (2001), Taylor (2000) and Stashevsky (2004) agrees that the use AIS in an e-commerce firm has improved the timeliness, speed and accuracy in financial reporting process.

**Comparability-** financial information must be comparable with the information of prior years or previous reporting periods. Trends and similarities must be identifiable in such statements. Entities should utilise the use of effective accounting information systems as they do produce information which can be easily compared.

**Understandable-** A layman in the accounting arena must be able to understand the financial information provided using the AIS. Users must be able to deduce a decision basing on the fact that the information provided has been well-understood.

**Verifiability-** Information is said to be verifiable if two or more individuals who are knowledgeable and independent agree on a similar notion that is the faithfulness of presentation.

### **2.5 Empirical literature review**

Ahmad et al (2013) noted that the existence of e-commerce has been significantly affected the development of accounting information systems. The study estimated the effects of e-commerce to the progression of AIS design which has evidenced the association between reliability, information security, efficiency of information systems and e-commerce to be very strong. Furthermore, the study reviewed that improved performance and reduction of costs can be significantly enhanced with the solicitation of e-commerce using accounting information systems. The authors gathered primary data through questionnaires and the study was based on a survey of a medium scale organisations in Jordan market. They concluded that e-commerce alters the preparation of financial statements through its dependence to accounting information systems for the reporting to be successful.

In addition, Al-jabali (2014), undertook a study to determine the relationship between auditing and the accounting information systems and how to give dependable information. The author used a deductive approach in the preparation of the theoretical framework for the

study and research hypothesis. The researcher wanted to pay attention in aspects that assist the auditor to understand the automatic and manual accounting systems, to deal with it and provide credible and real information. The following were recommendations provided:

- Using technical new methods applied on computers
- Putting complete control on data entry and the person who has the authority of the software to modify, update and delete.
- Not to deal with the automatic system in absolute, dispensing the manual system, but we should document each automatic operation in manual one to proof it.
- Study the accounting system completely, to specify the weak points.

Another study was undertaken by Imeokparia (2013) on Information Technology and Financial Reporting evaluating to what extent can information technology enhance financial reports of a firm. The researcher focused on Money Deposit Bank in Nigeria by using a sample size which was determined by applying Yaro Yamani.  $Yaro\ Yamani = n = \frac{N}{1+(Ne^2)}$ . In the study, survey method was used to collect data, in the form of questionnaires and subsequently analysed. Imeokparia promulgated that IT enhances the accuracy, reliability, relevance and completeness of financial reports to a sufficient and ample time. The researcher then concluded that with the aid of strong IT controls, information technology enhances the quality of financial reporting.

In another study, Kotb and Roberts (2012) concluded that the business environment has been transformed by the technological-centric nature of e-commerce and formed the need for variations of numerous features of the accounting processes. The specific features that are found in e-commerce which are uncertainty, access of real time information systems, IT controls and security affect the technical work of accountants and auditors. These results were obtained from financial and IT auditors who responded to the study. The scholars used interviews and questionnaires to collect primary data. They scheduled or shepherded the interviews with seven United Kingdom IT and financial experts. Furthermore, five more interviews were conducted in Egypt to enhance the validity of their findings. In their findings, there were very few significant differences from the IT auditors and financial auditors' responses from both mentioned regions.

Furthermore, Wimmer and Rada (2013) used the null and hypothesis testing to establish the relationship between Information technology and quality of financial statements. The dataset

used was selected from Compustat's global database. Only companies in Great Britain were chosen in the dataset to circumvent anomalies arising from local variations. The study concluded that there is a direct and close relationship between the information technology and the quality of financial reports.

On a similar study by Kasom et al (2011), e-commerce has proven to have a pertinent consequence on the quality of accounting information systems. The sample size used in the study was selected from an e-commerce firm in Thailand using a mailed survey in collection of data. The study further focused on the competence of e-commerce in influencing the quality of accounting information. The research further designated that accounting information quality is directly controlled by the attributes that exist in e-commerce which are optimizing inventory, sufficient financial supervision and effective data management. The study concluded that the implications of e-commerce proficiency is somehow directly interrelated to the quality of financial information. They further provided contributions and suggestions for more researches.

In support of the revelations from Iranian Scenario, Salehi and Torabi (2016) conducted a study on the role of information technology on financial reporting quality. The study sought to identify the impact of IT on quality of financial reporting, a questionnaire was designed and developed. In testing the hypothesis, T-test, ANOVA and Duncan's Test were employed. The results indicated that IT enhances the relevance and reduces the reliability of accounting information. It also increases comparability, albeit in a small amount, and diminishes the negative impact of dominant limitations on qualitative characteristics of accounting information. The authors therefore concluded that, the use of IT has considerably changed financial reporting, especially as regards to the relevance of accounting information. It is mainly because the use of IT, that has resulted in online financial reporting in which IT can help users make better economic and managerial decisions.

In another study by Suryawanshi and Mueedh (2014) on determining the influence of e-commerce on accounting information system in state bank of India in Nanded city, the researchers studied the relationship between e-commerce and AIS and also the components of information systems in an e-commerce. The population of the study consists of 24 branches of state bank of India and the study is based on random sampling. The researcher used both primary and secondary data for the study. Mueedh concluded that the relationship between e-commerce and accounting information system is linearity and strongly close.

On a similar study in Jordan, Qatawneh (2012) noted that e-commerce statistically has an impact on the development of accounting information systems and quality of financial reporting. The study focused on Jordanian banks. Furthermore, the author added that reliability of information is enhanced by e-commerce, and reliability signifies one of the qualitative characteristics of financial data. For the successfulness of this study, all banks located in Jordan were included and data was gathered using a questionnaire analysis distributed to 32 financial managers.

In addition, Moqbel (2014) conducted a study on e-commerce and its effects to AIS for companies listed on the Amman Stock exchange. Insurance companies in Jordan which are in the service sector were considered for the study population. 75 questionnaires were distributed to those accountable for the development of software and financial managers. The results of the questionnaire were interpreted using the Likert scale model. Moqbel there concluded that the effects of AIS in an e-commerce environment influences the elements of financial information.

However, a study by Khalil (2013) indicated that accounting information systems and e-commerce may exist in an organisation but there is recognized relationship that exist between the two. The study focused on a large bank located in Kenya and the author used a case study approach for the research. The study however, indicated that accounting information systems are influenced by e-commerce. The author further focused on the security matters and authorised control safeguards of AIS and e-commerce.

Lastly, Price (2013) analysed the effectiveness of accounting information systems in an e-commerce environment. The author's research focused on a firm in Australia called Spearman Internationals. In carrying out this study, Price used a survey. Surveys were in the form of questionnaires which were sent through e-mails to respondents. The major finding of the study indicated that the AIS used at Spearman International was not integrated and as a result there are delays in preparation of final accounts. Furthermore, noted that the accounting information system was not flexible and effective. The author concluded that the company needs a software that had to address specific functionality requirements such as the ability to communicate with the external partners for instance the use of electronic data interchange(EDI). In addition, the system need to be flexible enough to cope up with the changing business environment and also need to meet several key requirements which includes the provision of a single integrated business management solution.

## **2.6 Research gap**

In Zimbabwe many large firms have enjoyed the benefits that is brought about with e-commerce, with the shortages of hard cash which is the recent crisis being experienced by the economy, both small to medium enterprises are adopting to the e-commerce business where plastic money, e-banking and mobile banking are now used from every corner of the world. A ration of research has focused on the performance of firms under e-commerce and the relationship of e-commerce and accounting information systems. Khalil (2012), Moqbel (2014), Ahmad (2013) among other scholars has mainly focused on the relationship of e-commerce and the accounting systems, to add on Al-jabali (2014) explored the effects of e-commerce on the accounting and auditing procedures. It is beckoned for by predominant philosophies that assumptions on e-commerce are so far not verified especially because it takes several forms and its world is changing everyday bringing up newfangled ways of business. Dzoma (2014) highlighted that, e-commerce is going to grow with about 92% in SMEs in Zimbabwe. No definite research has however tackled the effect of e-commerce on the quality of financial statements for SMEs in Zimbabwe, thus the knowledge gap that the study strives to seal.

## **2.7 Summary**

The studies above uncovered the effects of e-commerce on financial statements and its relationship with accounting information systems. It also depicts how the accounting procedures have changed due to e-commerce hence also affect the audit process. The literature review clearly reveals that e-commerce does create an impact on the quality of financial reports of an organisation. The following chapter presents the research methodology.



## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the relevant issues in the collection of data, it strives to discover the means and techniques that were used in carrying out the study. Having reviewed the significant literature, the chapter focuses on research plan, research tools, targeted population, sample size and the procedures in which gathered data would be presented and analyzed. It outlines the drivers that were used to pilot the research objectives as underlined in the aforementioned chapter, thus the basis in which this study was conducted. The ultimate objective of this chapter is to discuss the approach to the research project and how it is directed.

#### **3.1 Research Design**

Research design was well-defined by Creswell (2003) as ways that enabled the researcher to organize the collection and analysis of data to postulate information sought. It is also a procedure used in combining instruments of various nature of the study in a systematized manner pointing to solve the research problem and anticipating that the problem will be

addressed, (Jerome 2011). Vigilant forecasting and planning was accomplished to guarantee that the objectives were achieved. The researcher utilized a descriptive research design in this study.

### **3.1.1 Descriptive research design**

Descriptive research design focuses on the conditions and surroundings of organisations (Moon et al 2014). The data obtained through this process can be utilized in the analysis of variables and situations unfolding to research questions of the study. This design, enables the researcher in the collection and generation of data that offers a meaning for a targeted population.

### **3.1.2 Merits of descriptive research**

Creswell (2015) defined descriptive design creates additional understanding of the elements of the research. It clearly depicts the movements, validity of research instruments, adjustments of instantly accessible information and the validity and reliability of information (Tichapondwa, 2013).

### **3.1.3 Demerits of descriptive research design**

Tichapondwa (2013) said that this design takes new information and streamlines reports. Moreover, said that this design has no enough evidences which enthuse. This type of research is somehow time consuming and costly.

### **3.1.3 Reasons for using descriptive research**

This type of research is effective when comprehending human practices. A descriptive research uses various instruments in the collection of data, these include; use of questionnaires and interviews. It does not have control over variables which renders it to be suitable for the study. This research design has assisted the researcher in evaluating the impact of e-commerce on the quality of financial information understudy.

### **3.1.4 Review of a case study research**

It is intended to provide a vibrant understanding of actual time situations which cannot be clarified with the implementation of a survey approach, (Jackson 2012). Jackson, (2012) and

Yin, (2013) stresses that this method provides a reasonable picture of a research situation in an ordinary manner. Goodwin (2013) is of the opinion that it is a detailed study of infrequent real-time events. Woodside (2011) alluded that it is also a method that outlines, examines, explains and assesses an enterprise delicately.

### 3.1.5 Justification for using a case study approach

The researcher favoured a case study approach because it is an effective way of enormously studying and studying an organisation (Soledd Finance). Yin (2013) echoed that, the approach enables the researcher to be well equipped with the organisational way of operating and also aid an understanding of actual life situations. It also helps the researcher to easily conduct the study.

### 3.2 Research population

Kumar (2013), referred research population as the total number or quantity of personnel or individuals reachable for a scholar to carry out the research. The researcher can streamline the research collections through studying the population. Studying population enables the researcher to be a able to distinguish the two categories of population which were cited by Tichapondwa (2013) which are targeted population and accessible population. The population under study are Soledd employees who mainly have an input to the process of producing financial reports. Target population includes; IT control, Accountants, auditors, depot Managers and general employees.

**Table 3.1 Target population**

<b>Participants</b>	<b>Population</b>	<b>Sample size</b>
Accountants	2	2
Auditors	2	2
Finance manager	1	1
IT Managers	2	2
Depot Managers	11	11
Other employees	6	6
<b>Total</b>	<b>24</b>	<b>24</b>

**Source: Primary Source**

### **3.3 Census**

Sigdel (2013) noted that a census takes account of the entire population to bring out accurate results. A census is conducted by asking the total population of the study to respond to questionnaires provided the number is insignificant. For instance, the employees involved in the preparation of financial reports for Soledd are 24. Therefore, a census can be carried out since coming up with a sample from 24 people would yield results which are not convincing. The researcher therefore disseminated 24 questionnaires and scheduled 4 interviews.

### **3.5 Types of Data**

#### **3.5.1 Primary Data**

Goodwin (2013), defined primary data as that information which the researcher was able to access directly throughout the study. The scholar was able to collect primary data for this study using interviews and administering questionnaires to individuals to the accessible population.

##### **3.5.1.1 Advantages of Primary Data**

Primary data assist the researcher in analysing the research problem and directly addresses the type of study by bestowing the researcher with definite data of the questions understudy. Primary data also results in accurate and convenient information because the researcher personally collects the data for the research understudy.

##### **3.5.1.2 Demerits of Primary Data**

Primary data in a large population can be time consuming and very expensive to obtain. Furthermore, it is highly probable that the feedback given by the targeted population when the research considers feedback is incorrect. Moreover, primary data is usually collected through guided questions therefore hindering the accessing of more information which might be relevant or significant for the research.

#### **3.5.2 Secondary Data**

Aggrawal (2013) viewed secondary data as information which relates to other resolutions and not those of the research and this information is readily accessible. Additionally, it can be

considered by the scholar to examine facts and try to come up with relevant meaning which support the study. Company's website, minutes of board meetings and financial reports are some of the documents where secondary data can be obtained

### **3.5.2.1 Secondary Data Merits**

Since secondary data is already in existence, it is easy to access. Furthermore, secondary data is frequently free from error and the researcher can be able to relate facts or compare findings of the previously conducted researches basing on the similar facts. It can be used as a basis of citation to previously explored studies and assist in reducing plagiarism. It also assist the researcher in formulating and understanding the topic better and broaden the basis for which assumptions are drawn. The researcher made reference to Soledd Finance's financial statements, minutes of board meetings and Soledd Finance website.

### **3.5.2.2 Secondary Data Demerits**

Data from secondary sources can be outdated and irrelevant to the current study. Furthermore, secondary data can be challenging for the researcher to relate to the subject understudy. Measurements units and definitions included in secondary data may be problematic to use as it poses outdated formats that do not counterpart the requirements of the research.

## **3.6 Research Instruments**

The researcher chose to use the triangulation method for this study. Moon et al (2016) propounded that triangulation can enhance data validity and reliability as it accommodates the application of various methods. The researcher therefore, used questionnaires, interviews and secondary data in obtaining conclusions of the study.

### **3.6.1 Questionnaires**

Creswell (2015), defined questionnaires to the research instruments applied by the researcher to administer questions to target population to respond to certain objectives structured in the form of various questions. The type of these questions must be easily understood by the respondents for them to be very effective. It can be in the form of open or close questions. It is mostly appropriate for small population as it has proven to be time saving and cheap.

Kumar (2013) noted that, questionnaires significantly provides confidentiality since it does not require direct interaction with the author. However, sometimes questionnaires have a little response rate through some questionnaires being partially completed or answered incorrectly moreover being not returned

### **3.6.1.1 Justification for use of Questionnaires**

The scholar chose this instrument as it quickly helps in gathering data and also very cheap. The researcher, however, had to do follow ups to ensure that the targeted population complete their questionnaires. This made the collection of data possible as the researcher was able to collect the questionnaires equivalent to the sample size.

### **3.6.2 Open and Closed Ended Question**

Babbie, (2014) said that open ended questions allow one to be able to answer freely by and has the freedom to respond whilst a closed question is usually centric on the yes or no responses. Closed questions are also known as guided questions meaning the respondents will opt from the provided answers. Alrazeeni (2014) noted that open ended questions give free will of responses hence usually requires responses which are usually in sentences or over a word. They provide more information when applied in interviews. They also enhance the participation and determination of the respondents. However, because respondents will not be guided, some questions are not responded to or some information is lost. There is also high level of uncertainty in these types of questions.

Closed questions are mostly answered with a one-word response. The response, either agrees or disagrees and a design of responding with ticks is mostly common. In these questions, there is uniformity of response and the questions are easy to come up with hence easy to respond to. However, there is no room for one to support his or her own answer. Furthermore, it can result in biased data as some respondents deliberately responds negatively to the known questions or browse the closed-ended questions devoid of reading the question appropriately.

### **3.6.3 Interviews**

Interview is a platform created for asking questions between two or more people by allowing a two-way communication with the intention of obtaining pertinent information, (Kumar 2011). Interviews assist the researcher in gaining more information from the respondents'

experience. Direct communication interviews were conducted in this research. The questions that are asked are linked to the research objectives.

Yin (2013) viewed that an interview assists the researcher in obtaining more information which the administered questionnaires were not able to cover or fully exploit. The information was obtained by the researcher from face to face conversation. The interviewer takes into consideration the verbal and non-verbal expressions since there is direct communication. However, interviews are sometimes time consuming and also there is a risk that some structured questions will not be answered correctly.

### **3.7 Likert Scale**

Nyomu (2016) propounded that Likert scale is a basis that is used to respond to questionnaires with are guided response of feeling. It is easy to understand, comprehend and user friendly. However, comparing it to other scales, it proves to be time consuming to complete. Additionally, strong background knowledge is required for easy decision making,

### **3.8 Data collection Procedures**

The researcher distributed questionnaires to the targeted population and ensure that the respondents reach the sample size. Appointments to conduct interviews with the management and those with highest knowledge about the structure and preparation of financial reports were arranged.

#### **3.8.1 Administration of questionnaires**

24 questionnaires were distributed to the targeted population by the researcher, these include accountants, finance manager, auditors, deport managers and other Soledd members of staff. The researcher made follow ups to ensure the successfulness of the study.

#### **3.8.2 Administration of interviews**

The researcher arranged interviews with the top management and asked for conducting face to face interviews in their convenient periods or free time. Interview questions were selected from areas of interest of the research. The principle used for conducting interviews was reliant on time availability, the research expectations, level of involvement in the procedure

and research limitations as outlined in the first chapter. The researcher had an opportunity to interview the Finance director, Chief accountant and the IT manager.

### **3.9 Triangulation**

Triangulation is one of the recognized methodologies used by scholars to enrich validity of data. Triangulation is a process of authenticating that increase validity by integrating several perspectives and methods, it is used to conglomerate the benefits of both the quantitative and qualitative approaches, (Yeasmin 2014 and Rahman 2015). Maxwell (2008) alluded that data triangulation diminishes the chances of regular biases from a particular method and permits an enhanced assessment of simplifying the justification that an individual articulate.

### **3.10 Reliability and Validity of Research Instruments**

Babbie (2014) gave a view that, validity conveys how an instrument can rationalise and agree to what it purports to present to a certain point. The questionnaires, interviews and literature review were adapted from various studies which are similar to this study to enable validity assurance (Plonsky and Gass, 2013).

Yeasmin and Rahman (2015) regarded that dependable instrument gives reliable results. The scholar obtained reliable outcomes because of uniformity in data acquired hence, presented outcomes achieved the determination of the research. Reliability presence how precise is the measuring tool of assessing the agreement between two or more distinct objectives. It also targets to ratify the best measuring tool of matters understudy.

### **3.11 Data Presentation and Analysis**

The researcher tries to deduce an understanding from the collected data by presenting data (Tichapondwa, 2013). The data obtained from questionnaires and interviews was presented in the form of tables, pie charts and other various charts. The author was also able to scrutinize the skewness to data using facts of the features of the responses in contradiction of each variable. The researcher was also able to use percentages, statistical mode and mean in analysing data which are some of the elements mentioned by Kumar (2013).



researcher presented the data obtained from questionnaires through the use of pie charts, tables and various graphs. Descriptive analysis was utilised by the author to give further details about the characteristics of responses against every variable and also to examine skewness of data. Kumar (2013) propounded that analysing data consist of the use of percentages and statistical mean which the researcher was able to attain.

## **Summary**

The chapter provided prominence on the methodology utilised in the study and the composition of the study population. Secondary and primary sources of data were discussed including the research instruments and their suitability to the study. Lastly, the methods of data presentation and analysis procedures were described which are presented in the subsequent chapter.

## **CHAPTER 4**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.0 Introduction**

The chapter aims at the key research findings with the aim of drawing conclusions on the influence of e-commerce on the quality of financial reporting. The chapter presented and analyzed the findings of the research, and focused on the responses from the questionnaires and interviews. To support the analysis, charts like tables, pie charts, and stacked bar and column graphs were used. The findings obtained were linked to research questions and objectives of this research study.

#### **4.1 Response rate**

Response rate is obtained by dividing the number of respondents over the total population which was considered to take part in the research study. A higher response rate eliminates the probability of a significant bias. The rate can be viewed as an indicator of the declaration of the research outcomes. Twenty-four questionnaires were disseminated to all employees responsible for the successfulness of financial reports. To aid validity of the research, the researcher scheduled four interviews with the top management.

##### **4.1.1 Questionnaire responds rate**

**Table 4.1: Questionnaire responds rate**

Targeted respondents	Disseminated	Responded to	Response rate
Accountants	2	1	50%
Auditors	2	2	100%
Finance managers	1	0	0%
IT Managers	2	1	50%
Depot Managers	11	10	90%
Other employees	6	6	100%
<b>Total</b>	<b>24</b>	<b>20</b>	<b>83%</b>

**Source: Primary source**

24 questionnaires were disseminated to all those who have an input in the financial cycle of Soledd Finance. As depicted by the table above, the researcher was able to return 20 of the 24 questionnaires. The participants to which the questionnaires were not obtained was because some did not have ample time to respond because of tight work schedules. Basing on Creswell (2016), view that response rate of more than 70% is justified as a presentation of the sample. The outcomes that were presented and discussed in the chapter were based on 83% response rate. It is considered significant enough to justify the study and give credibility to the findings. The researcher strongly guaranteed anonymity to the respondents and also applied an appropriate sampling technique hence fruitful response rate of 83%.

#### 4.1.2 Interviews Responds rate

The researcher had arranged four interviews and only three were successful. The accountant, Finance director and one of the IT managers were successfully interviewed.

**Table 4.2: Interview responds rate**

Participants	Arranged	Interviewed	Response rate
Accountant	1	1	100%
Finance Director	1	1	100%
IT Manager	2	1	50%
<b>Total</b>	<b>4</b>	<b>3</b>	<b>75%</b>

**Source: Primary Source**

To obtain enough clarity and sufficient information on other issues which questionnaires cannot cover, the top management were regarded for the interviews. The total responds rate

was 75%. Only one interview with the IT manager was unsuccessful because the interviewee has constricted commitments elsewhere during the period of the research.

## 4.2 Findings from questionnaires and interviews

### Question 1: Background Information

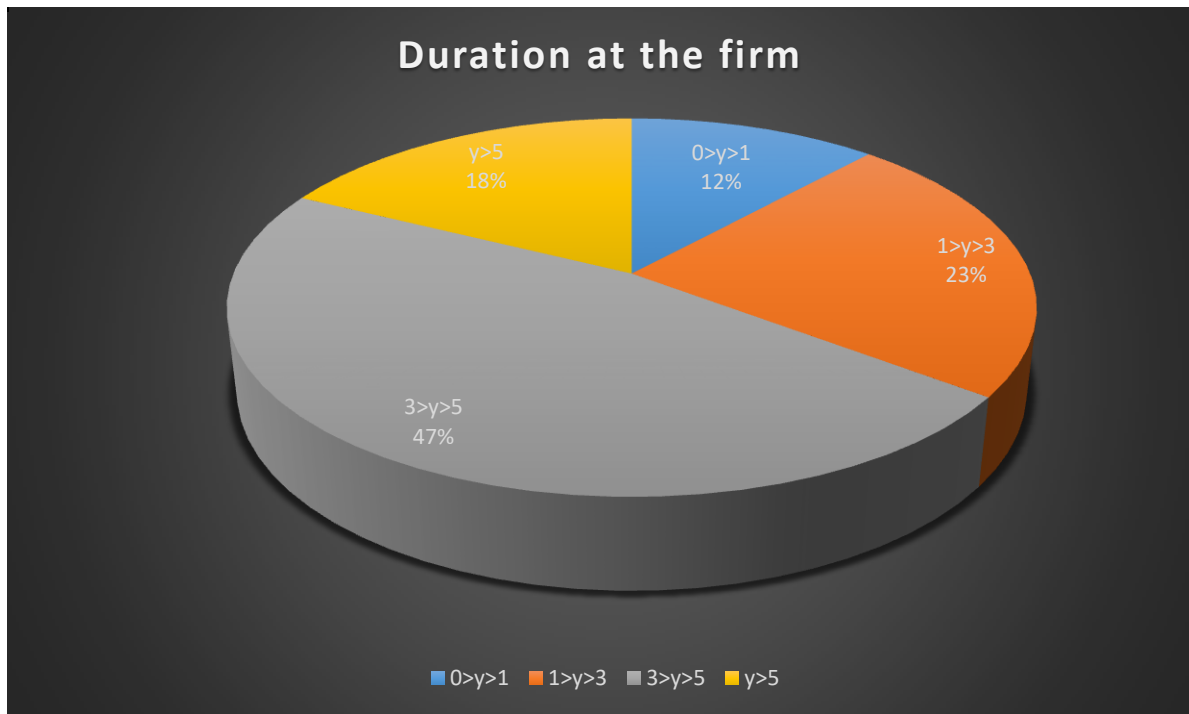
#### 4.2.1 Duration at the company

**Table 4.3: Work experience at the firm**

<b>Years of service (y)</b>	<b>Respondents</b>
0<y≤1	2
1<y≤3	4
3<y≤5	11
5>y	3
<b>Total</b>	<b>20</b>

Source: Primary source

**Fig 4.1: Percentage of respondents per working period**



**Source: Primary source**

The table 4.3 and pie chart above assist in illustrating how the process of financial reporting is inputted by working experience. 10% of the respondents have worked on the firm for almost a year. These employees usually represent the unexperienced personal and assist the research in the fact that, it is where most of errors do exist. 35% of the respondents represent employees who have worked for the firm for a period of 1 to 3 years. A large percentage of the firm has worked for at least 3 to 5 years. Respondents who have been with the firm for more than 5 years mostly represent the management, (18%). These respondents are vital for the study as they mostly use FS for executing operational and strategic activities and also as the basis for decision making. Implementing the clarification of the mode by Ahmad (2013), in a small to medium enterprise a huge number respondents rest between 3 to 5 years. The data that highlights the mountainous number of respondents (3 to 5 years). These respondents have experienced the shift from the traditional economy to e-commerce of the firm, therefore, they have the required data for research.

#### 4.2.2 Highest level of academic or professional qualification

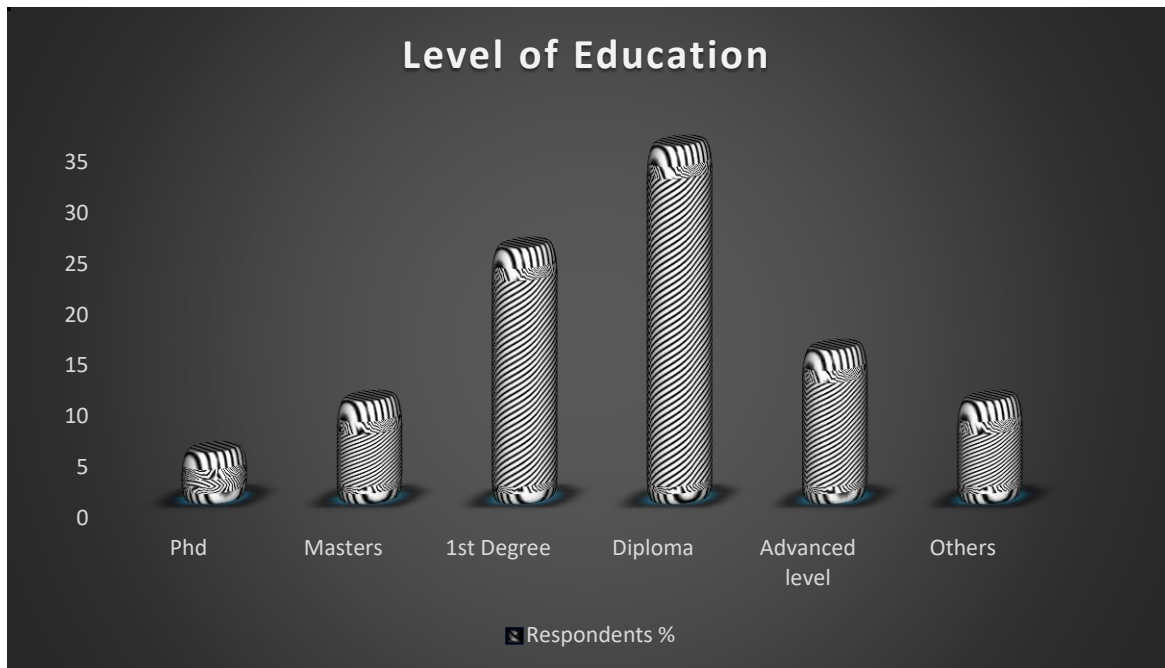
**Table 4.4: Academic qualifications**

Qualification	respondents	Respondents %
PHD	1	5

Masters	2	10
1 <sup>st</sup> Degree	5	25
Diploma	7	35
Advanced level	3	15
Others	2	10
<b>Total</b>	<b>20</b>	<b>100</b>

**Source: Primary source**

**Fig 4.2: Academic Qualifications**



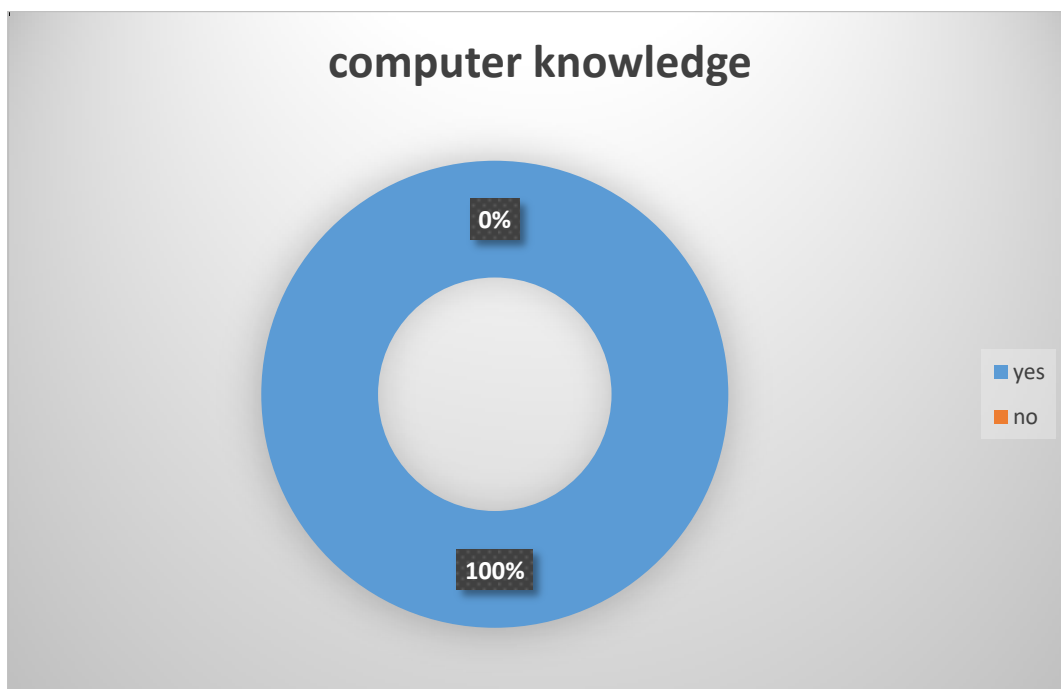
**Source: Primary source**

The bar graph above shows the level of education attained by the respondents. Most of the respondents have reflects that they have diplomas in whatever field they attained. Of the selected sample, only a few haven't achieved Advanced level. All those that reflect qualifications above Advanced level have also acquired computer knowledge in their career.

A small sample that reflects **others**, some have just attained Ordinary level and aided with some short courses. The level of education has a contribution to the research as their responses seem to fall along with their level of qualifications.

#### 4.2.3 Number of respondents with computer knowledge

**Fig 4.3 Computer literate**



**Source: Primary source**

The doughnut pie chart above represents the number of respondents who are computer literacy. All the respondents are computer literate, which therefore assist in obtaining better, essential and relevant information relating to the topic under study. Plonsky and Gass, (2014) support the verdict as they said that, valid data can be collected from respondents with the

knowledge of the subject matter. All the respondents in this study are computer literate hence well relate to the business model which is centered in the use of computers and the internet.

#### 4.2.4 Risks of Business to customer model

**Question 2: The following are risks associated with business to customer model through the use of information technology.**

**Table 4.5: Analysis of risks in e-commerce.**

Risks	Rating	Strongly agree	Agree	Neither A/D	Disagree	Strongly disagree	Mean
	Rating	5	4	3	2	1	
<b>a) Errors</b>	Frequency	16	3	1	0	0	<b>4.75</b>
		64%	15%	5%	0%	0%	
<b>b) Data manipulation</b>	Frequency	1	12	4	3	0	<b>3.55</b>
		5%	60%	20%	15%	0%	
<b>c) Computer viruses</b>	Frequency	11	7	2	1	0	<b>4.55</b>
		55%	35%	10%	5%	0%	
<b>d) Disasters</b>		0	2	5	3	10	<b>1.95</b>
		0%	10%	25%	15%	50%	
<b>e) Fraud</b>	Frequency	7	7	3	2	1	<b>3.85</b>
		35%	35%	15%	10%	5%	
<b>f) Security breaches</b>	Frequency	10	6	1	2	1	<b>4.1</b>
		50%	30%	5%	10%	5%	

**Source: Primary source**



From the table above, most of the respondents has acknowledged that they are aware of the risks that are brought about in an e-commerce environment. Salehi and Torabi (2016) alluded that, errors, data manipulation, viruses etc. are some of the risks that are associated with e-commerce.

The highest mean is depicted by the results of the respondents on the risks of errors in the e-commerce environment with a mean of 4.75. Kotb and Roberts (2011) alluded that errors can never be completely eradicated in any business environment but can be minimized to give a reasonable assurance on business processes. Furthermore, Soudani (2013) echoed that errors are expected to be minimized in an e-commerce environment as most of the activities are processed automatically but they can never be completely shunned. The results show that errors have a great impact to financial statements in e-commerce.

Computer viruses show a mean of 4.55 and the responses confirms that e-commerce transactions and data are prone to viruses. The risks of computer viruses also lead to crashes, losing data and even manipulation of data, (Elky 2013).

Due to the non-integration of modules that exist, data is easily manipulated in numerous ways through the organisation. Customers tend to give fictitious information; employees enter or post wrong data to the system due to errors that commonly exist. Though everything is mostly done online and through the computer, the machines need manual labour for operating and for data input. Chan et al (2003), echoed that data is usually manipulated during the input process and less by information systems, usually as a result of errors and system crashes. The results above show a mean of 3.55 hence illustrate that data can be easily manipulated.

A mean of 3.97 shows that respondents do agree that with the use of computers fraudulent activities are bound to exist. Fraud tend to affect the financial information of the company as distorted figures are deceiving hence resulting in poor decisions made through cooked books. The introduction of information technology has resulted in a loophole in many organisations which can be used to perform fraudulent activities by employees. Employees become familiar with the system and understand how it operates thereby identify methods of manipulating the system for their own benefit, (Moscove 2007).

The responds rate on security breaches reflect a mean of 4.1 which does show that there are substantial security breaches in e-commerce. The verdict is in-line with the view of Mackeil (2004) who alluded that, computer related crimes are difficult to detect. It is also supported by Ahmad et al (2012) who said that, enormous segments of companies are risk averse and

shun e-commerce due to its considered insecurities. However, a small portion of the respondents disagrees and the notion is supported by Khalil (2012) who viewed that e-commerce has brought strong security measures in safeguarding data. Perkins (2016) also noted that security is one of the significant attribute of e-commerce.

The least mean of 1.95 was recorded on disasters as another setback of e-commerce. Elky (2013) supported this verdict by saying that disasters such as fire theft and natural disasters are not extravagantly experienced in an e-commerce environment as most of the information is kept on servers and clouds.

The major risk highlighted from the interviews was based on IT risks. IT risks purports the higher percentage of risks that can be experienced in an e-commerce environment, based on the questionnaire responses, moreover, the interviewees also mentioned that IT risks usually affect the major decisions of the firm as they significantly distort the financial data of the entity. This is supported by Qatawneh (2012) by noting that if IT risks affects the decision making of an e-commerce firm.

Back-up facilities were also noted with the respondents. They viewed that many of the employees keep some of the company documents on their personal computers rather than the servers. If the data is manipulated or affected somehow, then the company documents can be lost immediately. This view is supported by Moqbel (2014) who alluded that within small companies, employees tend to keep company data in their personal computers.

Client authenticity was also an area of concern by the respondents particularly basing on, on-line service where one is asked to fill in certain forms. Many of the candidates never fill in the forms fully and turn out to be fictitious clients. Kasom et al (2011) further support the concern by echoing that with the limited interaction between trading parties, companies have experienced deterrents relating to customer dishonesty. Kasom added that, many companies that use e-commerce have at one time experienced some inconveniences which include failure to obtain payments clients, roughly filed and incomplete forms and also attempts to affect entire system by viruses.

#### 4.2.5 Attributes of an effective e-commerce model

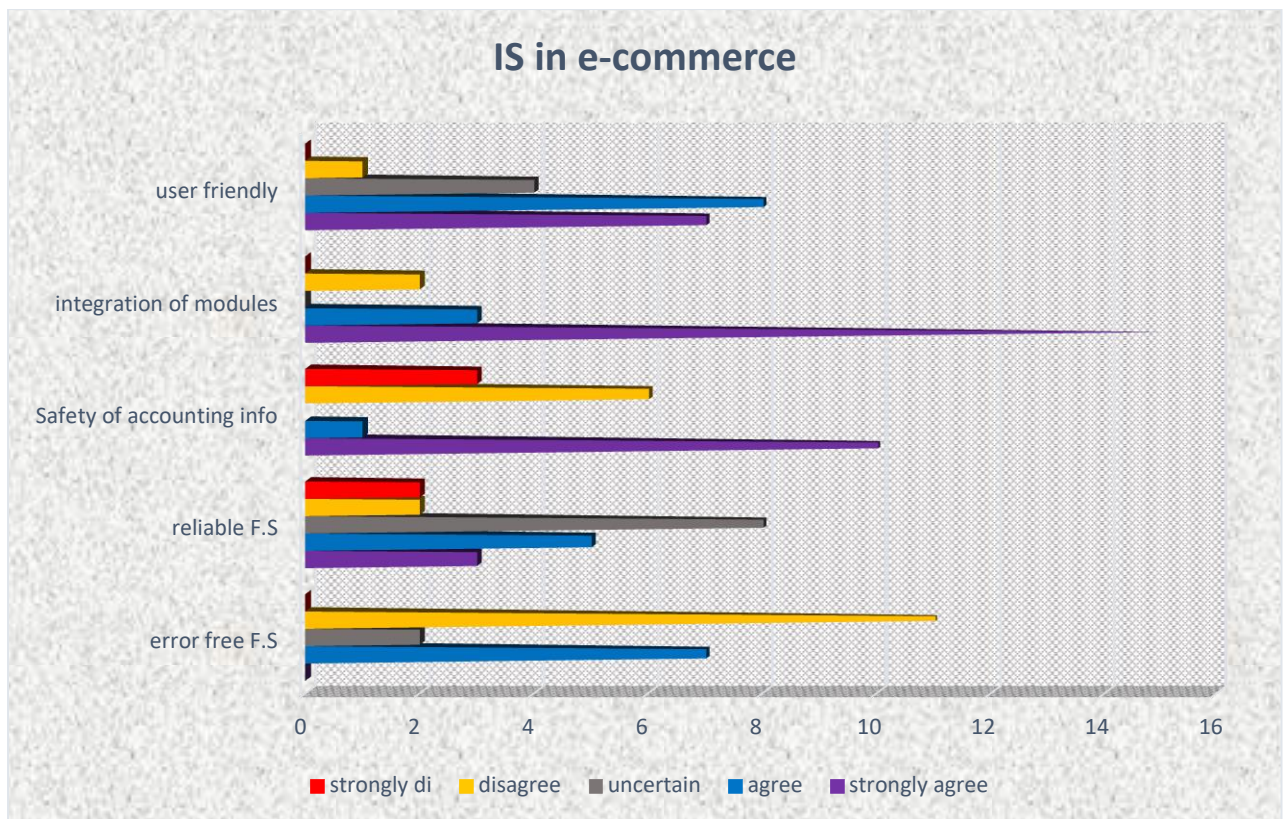
**Question 3: The following are some of the attributes of an effective Business to customer model.**

**Table 4.6: Evaluation of e-commerce and Financial output.**

Attribute	Strongly agree	Agree	Neither Agree/D	Disagree	Strongly Disagree	Total
a) Produces an error free financial statements	0	7	2	11	0	20
b) Produces reliable financial statements	3	3	8	2	2	20
c) Safety of accounting information	10	3		6	1	20
d) Integration of modules	15	3	0	2		20
e) User friendly(easy to use)	7	8	4	1	0	20

**Source: Primary source**

**Fig 4.4**



**Source: Primary source**

The above findings show that integration of modules was an important attribute of effective information systems in e-commerce with the highest number of respondents strongly agreeing. The findings confirm with what Lin (2005) noted, it is very risky that transactions carried over the internet be manually transferred into the main accounting system. There are risks of errors and data manipulation during the transfer process. There are however, measures need to be taken into account when integrating modules in e-commerce, hence the reason that integration of modules is reflected by a mode of respondents strongly agreeing.

Support of the findings is further illustrated by Chan (2003), integrating of systems in e-commerce needs to address the following; integration of systems between two or more corporations carrying out e-commerce and inter-company integration, integration of systems within an organisation, particularly front-end systems carrying out internet functions and commerce with backend systems, and integration of systems that address different solutions within the company.

The results also have a great portion of the respondents agreeing that a well-designed channel is user friendly and have high safety of information. The findings are in line with Ahmad et al (2013) who notes that, if enough control measures are undertaken on securing information, e-

commerce has brought about sound security systems hence high control of safety of information.

There is a huge percentage of respondents who are uncertain on the reliability of financial statements produced through the business channel that is brought with e-commerce. E-commerce is supposed to bring up reliable FS but due to IT risks, this cannot be attained without investing in risk management, (Wimmer and Rada 2013).

Produces error free financial statements was the least attribute as most of the respondents disagree about it. This is because the targeted population has well acknowledged that errors are part of the resultant in producing poor financial statements. The findings support Rushinek (2009), who found out that information systems in –commerce cannot completely eliminate errors when preparing financial statements.

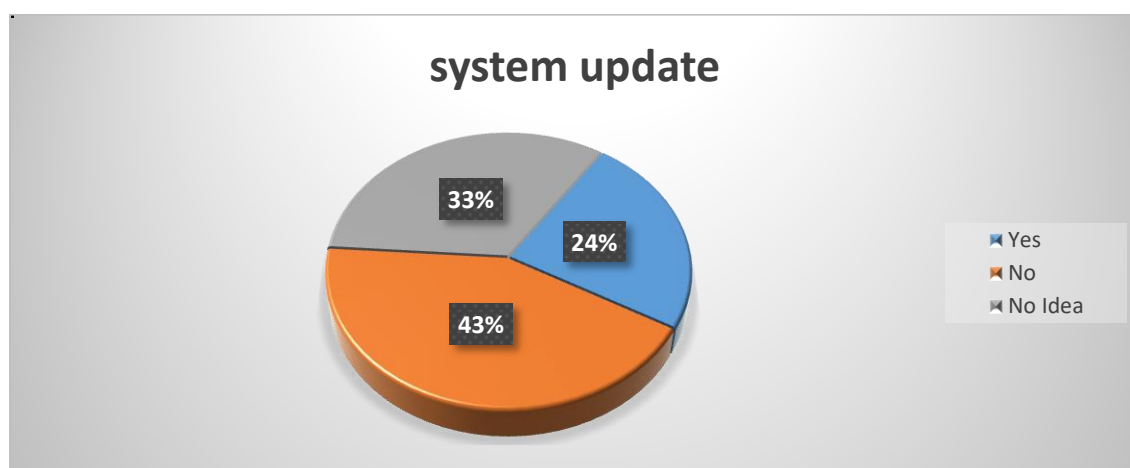
#### 4.2.6 Weaknesses of business to customer model

##### Question 4: Weaknesses of business to customer model

###### 4.2.6.1 Management Support of IS

- i. In your own assessment, does management give enough support like updating Information Systems?

Fig 4.5

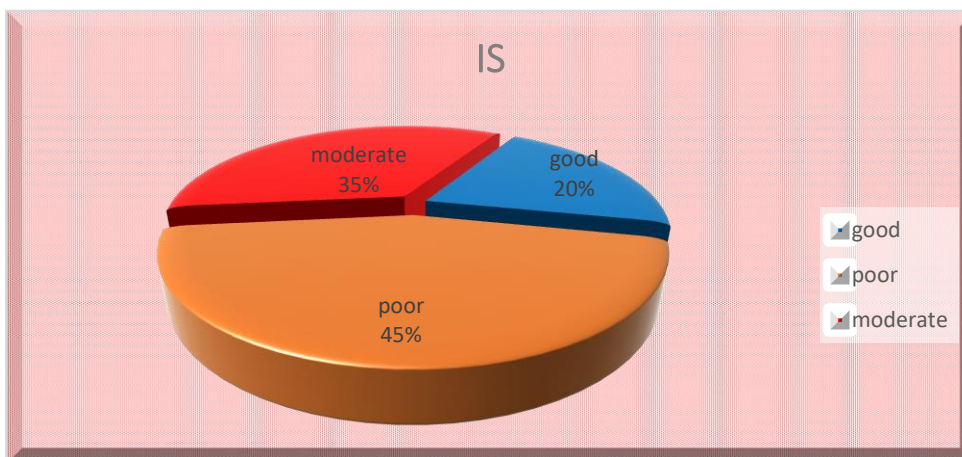


**Source: Primary source**

The question wanted to determine whether management gives enough support to the information systems they use. From **fig 4.7**, 43% of the respondents disagreed that management give enough support to IS, while the 33% has no idea about the issue. 24% admitted that management support, hence the responses obtained show that management is not more concerned about giving adequate support to the IS they use.

**4.2.6.2 Rating of IS**

**ii. How do you rate information systems like (LP and Ndasenda)?**



**Fig 4.6**

From the above assessment, it was renowned that respondents were not happy with the performance of the IS in use at Soledd Finance as it had 45% which highlighted this. 45% of the respondents agreed that the information systems are poor when rated and 35% rated

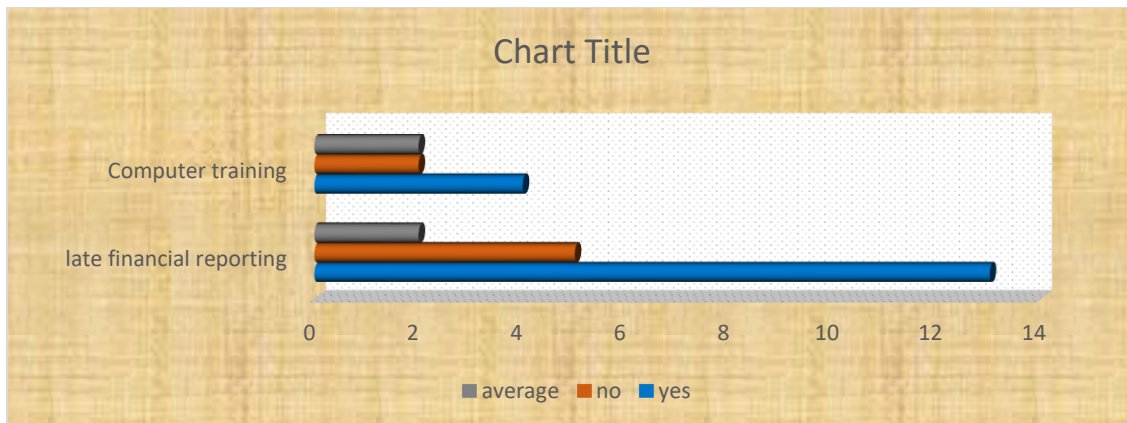
average. The lesser percentage rated the systems as good, however this confirms that the systems are not much affective as expected by employees.

#### 4.2.6.3 Computer training programs

##### iii. Computer training

The bar graph below shows that 70% of the respondents have received not enough training on using the information systems of the company. 20% indicated that they have received training while 2 employees (10%) never received any. The results below express that employees did not get enough training on the use of accounting packages hence it diminishes the usefulness of IS used by the company in information asymmetry. Furthermore, lack of training also results in delays in financial reporting. Calderon (2014) confirms that management has to consider investing in training of personnel as to increase efficiency and effectiveness in the financial cycle.

**Fig 4.7**



**Source: Primary source**

#### 4.2.6.4 Financial reporting lag

##### iv. Delay in financial reporting

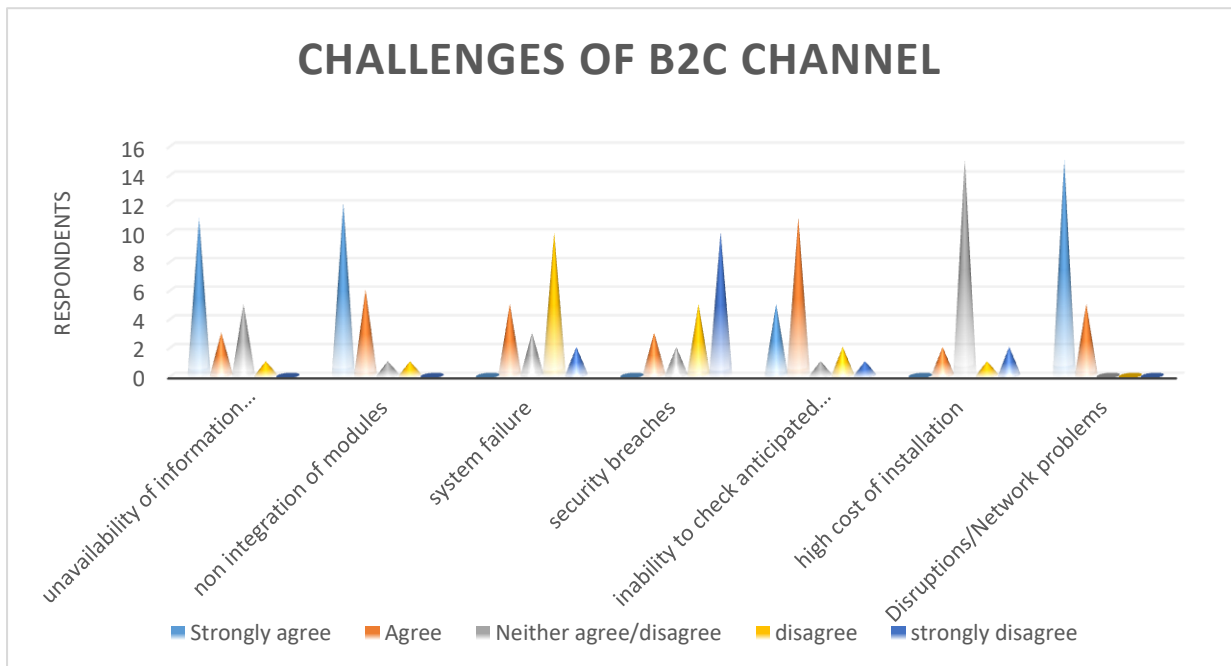
Fig 4.8 indicate that there has been delays in financial reporting for the prior years. 65% of the respondents are in agreement of the delays in financial reporting while 25% have no idea

of the delays and 10% is disagreeing. The results above reveal that there is truly a problem in the preparation of financial reports.

#### 4.2.7 Challenges in E-commerce

**Question 5: The following statements refer to some of the challenges identified on the Business to Customer Channel.**

**Fig 4.8**





### **Source: Primary source**

The researcher wanted to identify the challenges that were faced when using the information systems introduced by the company when it changed its course of operating to mainly e-commerce. From the judgements above, non-integration of modules has shown to be the main encounter faced by employees in the financial cycle. Non-integration of modules tends to be the major causes of late financial reporting and errors experienced in the financial cycle. Suryawanshi (2014) also noted that an effective system has to be well integrated and accessible throughout the whole organisation for different workers to be able to access same information at the same time.

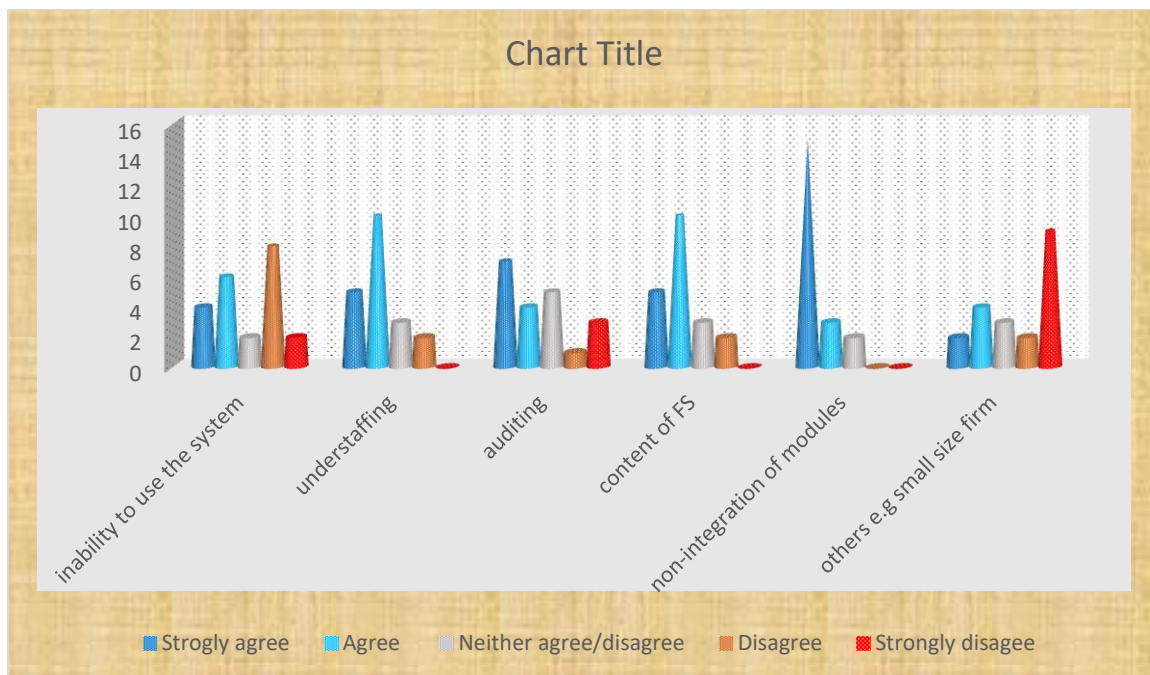
There are a few respondents who strongly agrees with the disruptions of the system and network related problems as a main challenge for users of information systems. This also confirms with Thompson (2011) alluding that, most information systems have disruptions but primarily it is caused by the crushing of the server.

Additionally, the respondents were also presented with a question that meant to probe some of the challenges they experience in the model. 80% of the responses mentioned lack of commitment and dedication. Some of the intermittently mentioned reasons include support of the management (45% responses) and lack of incentives (30% responses). From the above results it clearly shows that e-commerce alters the preparation of financial statements though the challenges are exacerbated by lack of incentives and management support. If information systems are not given much support, they will automatically fail to serve their purpose. Thompson (2011) resonated the same views by echoing that attention and support is the key to accomplishment of any information system.

#### **4.2.8 Causes of late financial reporting**

**Question 6: The following are some of the causes to the late financial reporting other than IT risks?**

**Fig 4.9**



**Source: Primary source**

From the data above, it is clearly shown that non-integration of modules is the major cause of late financial reporting exacerbated with other factors such as auditing. Preparers of financial statements are affected by the audit process as they have to begin the process using audited statements and recommendations from the audit, (Hurt 2014).

The respondents have also highlighted that understaffing and content of financial statements are some of the causes for late financial reporting. They have all responded in a similar way on these 2 issues hence the graph above shows that they are the same. This is therefore clearly showing that these two are aid to late financial reporting. This confirms with Mueedh (2016) who mentioned that if information systems are to be effective, there must be adequate operators. This is also echoed by Combs (2002) who propounded that computers cannot execute all the tasks as some, must be completed manually by individuals.

There is a huge percentage that is disagreeing to inability to use the system however, the strongly agreeing and agreeing respondents together show that inability to use the system by employees also contribute to the challenge. **Others**, have a small percentage on the agreeing and a huge percentage responded on the no idea side hence it depicts that employees are not sure if factors like small size firm and liquidity issues affect the financial statements of the company.

The interviewees however pointed on some issues such as audit delays which are also caused by non-integrating modules. They also highlighted the problem of work load to those responsible in the financial cycle as the company still operates traditionally in some of its branches. Manual data has to be computerized and this tend to be a complicate and hectic process. The system does not completely eliminate the manual way of doing business hence some manual activities like filing has to be thoroughly done before financial reporting and auditing. Lehtinen (2014), explained that the old way of filing data in an e-commerce is considered the most imperative one as it also works as backup, however, the process consumes time and energy to execute.

The interviewees clarified that the major cause of late production of quarterly and yearend financial statements was mostly because of non-integration of modules. These findings confirm the study done by Price (2013) on Spearman International, the accounting system that was used was not integrated therefore resulting in delays in the preparation of final accounts and also delays in order processing.

It was also highlighted that non-integrating modules usually leads to data manipulation as users sometimes are not able to view same information on the user interface at the same time. The issue of decision making was also noted as the modules might purport duplicate transaction and thereby affecting the decisions made using that available information.

The company is considering developing a system or investing in a system that can integrate most of the activities of the financial cycle. The company is also slowly in the process of computerizing the manual branches though the major hindrance is that of changing the information systems hence avoiding costs of installing obsolete systems. The interviews highlighted that the company uses a number of information systems like Loan performer, Ndasenda and Excel which at one-point data has to be entered manually from one system to the other (non-integration of modules).

#### **4.2.9 The relationship between e-commerce and AIS**

**Question 7: To determine the relationship between E-commerce and accounting information systems as aid to quality financial accounting and reporting**

**Table 4.7**

<b>Attribute</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
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Responses	10	4	1	3	2
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Source: Primary source

Fig 4.10 Regression Analysis

reg ecommerce ais

Source	SS	df	MS			
Model	25.8704478	1	25.8704478	Number of obs =	20	
Residual	7.07955215	18	.393308453	F( 1, 18) =	65.78	
Total	32.95	19	1.73421053	Prob > F =	0.0000	
				R-squared =	0.7851	
				Adj R-squared =	0.7732	
				Root MSE =	.62714	

ecommerce	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ais	.3187979	.0393079	8.11	0.000	.236215	.4013808
_cons	1.866235	.3035885	6.15	0.000	1.228419	2.50405

Source: Primary source

Fig 4.10 interprets the regression analysis on the relationship between e-commerce and accounting information systems on the quality of financial reports using the data in table 4.8. A positive coefficient indicates a positive relationship between the variables and a t-statistic value above 6 shows that the relationship is significant, similarly with a probability value of less than 5%. **Fig 4.10** shows a positive coefficient of 0.3187979 indicating that the relationship is positive and significant.

The t-statistic value is 8.11 which is a higher of 6 and the probability value is 0.00 which is also less than 5% representing that the relationship is significant. The calculation of the coefficient correlation of 0.79 shows that there is strong positive relationship between the two variables. This agrees with the findings of Suryawanshi and Mueedh (2014) and Suryawanshi and Mueedh (2014) who also concluded that there is a linear relationship between e-commerce and accounting information systems. However, Moqbel (2014) was neutral about the relationship between the two as the conclusions purports that e-commerce will relate to influence the components of AIS. Basing on **Fig 4.10**, the researcher managed to conclude that there is a strong positive relationship between e-commerce and accounting information system of the organisation.

### **4.3 Summary**

The chapter presented and analyzed data collected from the field through questionnaires and interviews. From the above findings it can be said that the data collection was successful with an overwhelming response of 80% and 75%. The responses were indicative of the deficiencies of e-commerce on financial reporting of Soledd Finance. The next chapter presents summaries, conclusions and recommendations.

## CHAPTER 5

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter summarizes the conclusions and findings of the research based on the extent to which research findings confirm to the empirical findings. The conclusions were drawn up after having analyzed the research objectives. Recommendations if correctly implemented would lead to an increase in the quality of financial statements produced by the firm. The increase in quality will satisfy the needs of customers, employees as well as concerned stakeholders who are usually the users of financial statements. This will also enhance the reliability and credibility of financial statements in the eyes of the general public or stakeholders who entrust their stewardship to the management of firms.

#### 5.1 Summary of the study

The researcher evaluated the impact of e-commerce on the quality of financial reporting (case of Soled finance). Chapter one presented the statement of the problem, background of the study and the research questions prominent to the research objectives and significance of the study. Limitations and delimitations of the study were as well renowned in this chapter.

Research objectives of the study were evidently elucidated in chapter two to spring further understanding. A podium was formed in this chapter reviewing the literature related to the study, focusing to address all the objectives aforesaid. Analysis were made on each objective and views of authors like Ahmad et al (2013), Moqbel (2014), Imeokparia (2013) and Kasom et al (2011) were cited on increasing the quality of financial reporting using information systems in e-commerce.

The research methodologies used to gather data were evaluated in chapter three of the study. The findings collected through the use of interviews, questionnaires and observations were presented and analyzed in the preceding chapter. A concise summary of the research findings is outlined below.

## **5.2 Summary of major research findings**

### **5.2.1 To establish the IT risks that are brought about with E-commerce.**

The study revealed that IT risks are the major risks that are found in an e-commerce environment. This has been greatly supported by the respondents as they highlighted the poor status of information systems that exist at Soledd Finance. Fraud, data manipulation, computer viruses and security breaches were found to be one of the major IT risks that affects the financial reporting of the firm.

Findings from the interviews also identified that management is aware of the IT risks that exist through the shift from the traditional way of doing business to e-commerce. It was revealed that the distortions and problems being experienced in the financial cycle, like late financial reporting, longer audit period is mostly caused by the IT risks. However, the study also picked some other causes which do affect financial reporting of the firm which are not brought with e-commerce such as small size firm and firm's liquidity.

### **5.2.2 To determine how Information Technology risks, affect the process of producing adequate financial information.**

According to the findings of the study, it was noted that e-commerce has brought much use of the IT applications and information system hence the risks are centered on IT risks. It was noted that risks like fraud greatly exist and it is difficult to trace the act. It was also noted that IT risks pose a major distortion to the financial statements as all the IT risks mentioned in the questionnaires gave a mean which was close to the rating of 5. This clearly illustrated how IT risks affect the preparation of financial statements in an e-commerce environment.

### **5.2.3 To determine the relationship between E-commerce and accounting information systems as aid to quality financial reporting.**

The relationship is significantly positive. The research proven that accounting information systems if well implemented in an e-commerce business, it enhances the quality of financial reporting. It also revealed that weak accounting information systems or non-integrating systems in e-commerce will result in problems in financial reporting of a firm.

#### **5.2.4 To describe the quality of financial reports generated with the use of information systems in e-commerce business.**

It was noted that information systems assist in producing relevant and faithful financial statements. Fundamental and enhancing qualitative characteristics are the two attributes that easily describe a good quality of financial reports. These qualities can be found in well-structured information systems. The study revealed that these attributes can exist if the e-commerce structure is organized to curb the risks that affect the process of producing financial reports.

### **5.3 Conclusions**

The risks that are commonly found in an e-commerce business were clearly presented. Information technology risk such as; IT application risk, IT infrastructure risk and IT business process risk were scrutinized on how they affect the financial reporting of an entity. Some other risks posed by non-integration of modules were identified. The modules within the organisation are not fully integrated, manual operations of some transactions is still imminent and the financial reports according to respondents do not reflect a true picture of the real events as there are significant errors during the financial cycle. The relationship between e-commerce and accounting information systems was clearly established, there is a strong positive relationship between the two variables. Furthermore, with acknowledging e-commerce, the quality of financial information is improved through the use of Accounting information systems which are capable of enhancing the fundamental and enhancing qualitative characteristics of accounting information. The research was therefore, successful as it was able to identify how e-commerce affect the quality of financial reporting through the research questions and objectives.

### **5.4 Recommendations**

In view of the research findings, the following recommendations are made:

- There is need to find an accounting system that is compatible with the type of transactions of the organisation and moves along with the technological advancements that are rapidly improving. The system must be able to integrate modules. These



systems allow for the enhanced quality financial reports and also assists inefficient service delivery.

- Soledd should also reintroduce the training programs for the employees so that they well understand how to use information systems efficiently. It is very difficult for an individual to fully self-teach on how to use the systems of the company. the company can liaise with the software developer on the training requirements of the IS. Alternatively, the company can use locally developed software that suit the business model.
- The company must also consider investing in risk management. It should implement risk management strategies so as to alleviate the IT risks and other risk that exist throughout the organisation. In addition, Soledd must also consider recruiting more staff or completely shift to e-commerce as the branches which are still operating traditionally, requires their data to be recaptured into the computerized systems when preparing financial reports.

### **5.5 Areas of further study**

1. An evaluation on the impact on non-integrating modules to financial reporting.

The research findings show that non-integration of modules affect the financial reporting of an entity therefore there is need to exploit more on how it affects the reporting of an entity.

2. An evaluation of the effectiveness of automation and information technology in the collection of tax revenue.

The advances in technology has an effect on the collection of revenue as both firms and the tax authorities are being automated.

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## Appendix I



Midlands State University  
Faculty of Commerce  
Department of Accounting  
P Bag 9055  
Gweru  
15 August 2017  
The Manager  
Soledd Finance  
23 Baddow Court  
Livingstone Street  
Harare

Dear Sir/Madam

RE: Request to carry out a research with Soledd Finance Private Limited.

I am a final year student at Midlands State University studying Bachelor of Commerce Accounting Honors Degree. In partial fulfillment of my degree, I am required to carry out a research of my chose which I chose to be on “An evaluation of the impact of e-commerce on the quality of financial reports”.

I am kindly requesting for your assistance in the form of responses to the questions in the questionnaire and interview guide attached to this letter. Be guaranteed that all information provided will be treated with confidentiality and used strictly for academic purposes. Your assistance will be greatly appreciated.

Yours Faithfully

Kudzai Sachikonye

Student Registration #: R141744M

## Appendix II

### QUESTIONNAIRE

Dear respondent

I am **Kudzai Sachikonye**, a final year student at Midlands State University pursuing a Bachelor of Commerce Accounting Honours Degree. I am carrying out a research on the **impact of e-commerce on the quality of financial reporting (case of Soled Finance)**. It is a delight to involve you in this research and take heed to your views. Please feel free to answer the questions below to the best of your ability. Kindly note that the information you shall supply is only intended for academic purposes and confidentiality shall be upheld.

#### Instructions

- a. **Do not** write your name on the questionnaire.
- b. Kindly indicate your answer by use of a **tick** in the relevant answer box.
- c. Where applicable, fill in your answer on the **blank space** provided.
- d. If you are not certain about how to respond to any given question please skip the question and go to the next one.

#### 1. Background information

##### i. Position within the organisation

Finance Director	<input type="checkbox"/>	Managing Director	<input type="checkbox"/>	Accountant	<input type="checkbox"/>
Depot Manager	<input type="checkbox"/>	Loan Administrator	<input type="checkbox"/>	General Officer	<input type="checkbox"/>

##### ii. Duration in the entity

Less than 1year	<input type="checkbox"/>	1-3years	<input type="checkbox"/>	3-5years	<input type="checkbox"/>	above 5years	<input type="checkbox"/>
-----------------	--------------------------	----------	--------------------------	----------	--------------------------	--------------	--------------------------

**iii. State your highest academic or professional qualifications**

Qualifications	Advanced level	Diploma	Honors Degree	Masters	PHD

Other  Specify.....

**iv. Computer literate**

Yes

No

**Section A**

**Attributes of an effective accounting information system**

**2. The following are risks associated with business to customer model through the use of information technology.**

Risks	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
g) Errors					
h) Manipulation of data					
i) Computer viruses					
j) Disasters					
k) Fraud					
l) Disruptions/network problems					
m) Security breaches					

**3. The following are some of the attributes of an effective Business to customer model.**

Attribute	Strongly agree	Agree	Neither Agree/ disagree	Disagree	Strongly Disagree
f) Produces an error free financial statements					
g) Produces reliable financial statements					
h) Safety of accounting information from unauthorized users					
i) Integration of modules					
j) User friendly(easy to use)					

**Section B**

**4. Weaknesses of the Business to Customer Model**

**i. In your own assessment, does management give enough support like updating Information Systems?**

Yes  No  No idea

**ii. How do you rate information systems like (LP and Ndasenda)?**

Good  Moderate  Poor

iii. Did you receive any training of computerised systems when it was introduced or when you joined the company?

Yes

No

iv. There is a delay in financial reporting for the past periods

Yes

No

No idea

**5. Information systems and financial reporting**

i. The following statements refer to some of the challenges identified on the Business to Customer Channel.

Challenges	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
a) Unavailability of information to different users at the same time					
b) System failure					
c) Reconciliation difficulties					
d) Inability to check unanticipated errors					
e) High cost in installation					
f) Late financial reporting					

ii. Can you please list any other challenges you have faced in information dissemination?

a) .....

- b) .....
- c) .....
- d) .....
- e) .....
- f) .....

**6. Cause of late financial reporting**

**i. The following are some of the causes to the late production of financial statements other than IT risks?**

<b>Attribute</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
a) Non-integration of modules of the accounting information system					
b) Inability of employees to use the system					
c) Under staffing					
d) Auditing					
e) Content of Financial Statements					
f) Other factors e.g. low liquidity, small firm size					

**ii. Can you please list any other factors that lead to late production of financial statements?**

- .....
- .....
- .....
- .....

**7. Is there a relationship between E-commerce and accounting information systems as aid to quality financial accounting and reporting?**

Attribute	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
Responses					

**Recommendations on improving the quality of financial reporting**

.....

.....

.....

.....

.....

**THANK YOU FOR YOUR TIME.**

## **Appendix III**

### **Interview guide**

#### **Interview questions**

1. What are the impacts of using non-integrating modules in an e-commerce environment for Financial Reporting?
2. What are the risks in e-commerce (Business to Customer model) in terms of financial reporting?
3. What are the major causes of failure to present financial statements in time?
4. What measures can be done to alleviate the challenges that effects financial reporting.



