

# **THE IMPACT OF USING ACCOUNTING INFORMATION SYSTEMS ON THE QUALITY OF FINANCIAL STATEMENTS SUBMITTED TO THE INCOME AND SALES TAX DEPARTMENT IN JORDAN**

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## **Abstract**

This study aim to demonstrate the use of the accounting information systems' impact on the quality of financial statements submitted to the Income Tax and Sales department in Jordan and the impact of such use, where Income Tax and Sales department works to collect tax money and auditing on tax payers in order to supply the state treasury with public revenues, a questionnaire consists of fourteen questions was designed by the researcher to measure the impact of the use of accounting information systems on the quality of financial statements submitted to the department, this questionnaire was distributed on 50 accountants who work in the department, all distributed questionnaires were retrieved, arithmetic mean and standard deviation have been extracted to describe the answers of the study sample, Cronbach's alpha test was used to measure the stability of measurement tool and also simple linear regression test was also used to test the hypothesis of the study. The study found that there is a presence of an impact when using the accounting information systems on the quality of financial statements submitted to the Income Tax and sales Department in Jordan, the study recommends to focus on the development of the devices used in the department, train and development of the staff on an ongoing basis to enable them to continue to perform their jobs and improve the quality of financial statements in the department.

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**Keywords:** Accounting information systems, the quality of financial statements, income tax and sales department in Jordan.

## **1. Introduction:**

All organizations are seeking to increase their profit ability and revenues through the utilization of available resources and make quick decisions based on correct and accurate information in a timely manner, which in this matter has increased the importance of management information systems, this is not limited to the private sector companies only, but also the governmental organizations are seeking to achieve the same previous goals and to contribute in the balance of payments of these organizations. Accounting information systems- as part of the management information systems- represent one of the most important systems in the economic unity and these organizations are vary among each other in terms of the application of accounting information systems and the consciousness of their importance. This study is to identify the impact of using accounting information systems on the quality of financial statements that are submitted to the income tax and sales department in Jordan and whether they have an impact on decision-making and accelerate the completion of the work of the department.

## **2. Previous studies:**

### **2.1.Kennedy D. (2013) (an Empirical Investigation of the Security of Computerized Accounting Information Systems (CAIS) in the Selected Listed Companies in Sri Lanka)**

The study examines the existence and adequacy of implemented computerized accounting information systems (CAIS) security controls to prevent, detect and correct security breaches in the selected listed companies in Sri Lanka. An empirical survey using a self-administered questionnaire has been carried out to achieve the objective. 41 out of 118 usable questionnaires have been collected to different types of companies representing 13 out of 20 sectors from 4<sup>th</sup> November to 10<sup>th</sup> December 2008. The results of the study spotlight a number of inadequately implemented CAIS security controls and significant differences among listed companies regarding the adequacy of implemented CAIS security controls. Based on the findings, some recommendations are given to strengthen the breaches in the present CAIS security controls in the listed companies. Findings of this study help accountants, auditors, managers, and IT users to better understand and secure their CAIS in order to achieve success of their visions.

### **2.2.Kaoud study (2007) with the title of (Studying and Assessing the Electronic Accounting Information System in Palestinian Companies)**

The study aimed to look in the assessing of electronic accounting information systems in shareholding companies in Palestine, in order to identify their reality in terms of the availability of quality specifications and the availability of capacity and capabilities necessary to meet the needs and desires of the users and the extent of their keeping pace with technological development. The study sample consisted of 150 joint stock public company; the study found out that we should provide quality properties in electronic accounting information systems in addition to the existence of a strong correlation between these characteristics and the need to develop the necessary controls on the powers of using accounting software.

### **2.3.Ismail & King (2007) in title of (The factor influencing the alignment of accounting information system in small and medium sized Malaysian manufacturing firms)**

The study aimed to identify the factors that affect the use of accounting information systems in factories, small and medium-sized Malaysian manufacturing firms, the study sample consisted of 214 companies that have accounting systems. The study also found out that the information systems of accounting work smoothly as they connect information from the top and bottom that help workers in companies to achieve their goals, in addition using these systems will enable companies to give accurate information to the relevant government agencies.

## **3. Study Hypothesis:**

**H1:** There is no statistically significant impact at the level of statistical significance of ( $\alpha \leq 0.05$ ) to use accounting information systems on the quality of financial statements submitted to the Income Tax and Sales Department in Jordan.

## **4. Study Variables:**

Study variables consist of: Independent variable, which is represented in using accounting information systems, while the dependent variable is the quality of data submitted to the Income and Sales Tax Department.

## **5. Search Scope:**

This research aims to indicate the importance of using accounting systems on the financial statements submitted to the Income Tax and Sales Department in Jordan, where the

companies seek to pay their due for this department, which requires from them to use the latest methods in accounting systems so as to provide accurate data to the department, on the other hand, the study aimed at using Income Tax and Sales Department of the accounting systems, in order to cope with the nature of the information submitted to it, this study has a relevant importance for the public sector companies that may suffer from the process of technological development approach, as well as this study identify the income tax and sales department staff realization of the importance of using accounting systems.

## **6. Population and the Study Sample:**

The study population consists of accountants working in the Income Tax and the main Sales Department, income tax departments and sales in the capital Amman, where the department's activity in Amman is more than 85% of the total activity of the department, 50 questionnaires were distributed to those accountants and they have been fully retrieved.

## **7. Data Collection Sources:**

In preparing this study, two types of data were relied that are: Secondary data represented in books and scientific references and previous studies on the subject of the study and preliminary data by preparing questionnaire which was designed by the researcher to distribute it to the members of the study sample.

## **8. Theoretical Side:**

### **8.1.the Concept of Information System:**

The system can be defined as "A group of associated components, which are together consist of one entity" (Al-Kurdi and Al-Abed, 2002, p 21),the components of the main system includes four components: Inputs, Processors, Output, Feedback and finally System Boundaries (Morsi, 2005, p 13), (Idris, 2005, p217) defined the information system as "A system which includes a set of elements and reactants components of the relevant reciprocity that work together to collect, operate, store, distribute necessary information for the decision-making process in the organization" and from the researcher's point of view, the information system can be defined as" A system which consists of a set of parts and procedures that interact with each other in order to collect the appropriate data, process it, store it and deliver the appropriate information in the appropriate time and place and accuracy suitable for the process of decision-making in the organization and in a form which contributes to achieve its objectives".

### **8.2. Accounting Information Systems:**

The financial job is responsible for managing financial assets, such as: feedback, inventory and other assets to organize the return on investment and the total value of the shares, it is also responsible for testing bank assets and cash flow; and from here the importance of accessing the external information has appeared. Accounting and financial information systems are the ones that keep up financial assets of the company and provide long term forecasts. (Al-Najjar, Fayez, 2005, pp. 87-88).

Others had defined accounting information systems as: a system that collects, records, stores and handles data to provide information to decision-makers through using advanced technology or simple system or in between of the two. (Romney & steinbart-2012, p 26), (Gill, 2010) defined it as a collection of parts and sub systems that are connected with each other and with the surrounding environment and operate as a single overlap relationship between each other and between the system that combine it where each part depends on the other in achieving the goals sought by the comprehensive system of accounting, in order to provide data and information to decision makers.

### **8.3. Characteristics of Accounting Information:**

In order for accounting information to achieve its desired goals, it should have the following basic properties (Ahmad, 2006):

**8.3.1.Appropriateness:** In order for accounting information to give the desired benefit, it should be appropriate for its purpose, in addition that the appropriateness is an essential requirement for the information to be used in assessing the company's administrative policies and develop planning control over it, information is appropriate and important whether its disclosed or not or have an influence on the decision of information users.

**8.3.2Credibility:** Accounting information must contain a degree of possibility of verification or objectivity based on sufficient evidence prove and to be free from bias.

**8.3.3.Accuracy:** Failure to provide accurate accounting information which causes a lack of verification of this information, because there are mistakes that result in a discrepancy between the information processed for administrative team, which leads to an error in the transfer of information to the decision maker.

**8.3.4. Timing:** Timing is an important component to success in decision-making, as accounting information does not give benefit, if the decision maker doesn't have the right time or the delay in delivering information.

**8.3.5Understanding and Absorption:** The impact of accounting information in the administrative decisions stands on the extent of absorption of the management team of this information, in order to be understandable, simplified and meaningful without resorting to detailed data.

**8.3.6.Importance:** Accounting information performs its role, if it has the important characteristic, that to be a source of important information for intervention in the formulation and decision-making and neglect it will lead to create a problem for it.

**8.3.7Fulfillment:** Fulfillment standard depends on the quantity and quality of information and the extent of absorption of members of the management team in the accounting information, in order to satisfy their needs of information and give benefits that are greater than the cost of its preparation.

### **8.4. Financial Data Quality:**

The concept of accounting information systems introduce new model that achieve tremendous benefits, which force managers to change their policies in the report related to the accounting information to the beneficiaries, the quality of financial statements indicate the need of administration to communicate with shareholders to understand their needs and serve them fast and in the best possible way, also the concept of data quality defines the characteristics as the useful accounting information must be characterized. These characteristics aim to help administrators when developing accounting standards and assist accountants in the preparation of financial statements in assessing the accounting information that results from the application of alternative accounting methods and distinguish between what is a necessary clarification and what is not according to the users of accounting information (Miller, 2002).

### 8.5. The Significance of Financial Statements Quality

The significance of the financial statements can be explained through its role in decision-making, the general goal of the financial reports is to provide information for decision-making. There is a clear relationship between the entrance to the decision-making and quality standards of financial statements, where the entrance to the decision-making aimed at producing the information needed to make decisions based on that goal of accounting is to provide useful information with beneficial properties, also working through this portal requires to identify different brands of users of accounting information and determine the quality of information for each category of those different categories and this leads to increase the effectiveness of accounting information in the field of rational decisions.

The increase of the accounting information quality lead to reduce the degree of the decision maker and thus enable it to take the optimum decision that achieves the desired goal, this effect achieved in the case of the availability of cognitive science and previous experience to the decision-maker to enable it to absorb and use the information in decision-making, but when this understanding and absorb it are not available for the decision-maker's information with the availability of a high degree of financial statements quality, it increases the case of the decision maker's hesitation, in other words, making optimum decision does not only require to improve the quality of financial statements, but also requires attention for decisions makers and improve their scientific and practical level and strengthen the degree of their confidence in the quality of accounting information (Rifai , 2008, p 64 -65).

### 9. Study Sample Characteristics:

Table (1): The demographic characteristics of the study sample

Variable	Type	Repetition	Percentage
Gender	Male	45	90%
	Female	5	10%
<b>Total</b>		50	100%
Age	Less than 25 years old	5	10%
	25-34 years	38	76%
	35-44	7	14%
	More than 45 years	0	0
	<b>Total</b>		50
Practical Qualification	Diploma	0	00
	Bachelor	42	84%
	Master	8	16%
	Doctorate	0	0
	<b>Total</b>		50
Experience	Less than 5 years	19	38%
	5-10 years	31	62%
	11-15 years	0	0
	16 years and over	0	0
	<b>Total</b>		50

We note that 90% of the study sample are male, in contrast the female ratio was 10% and that 76% of respondents were between the ages of 25-34 years, while 14% of respondents were between the ages of 35-44 years, while the qualifications, the percentage is 84% of the sample were bachelor's degree holders and the rest were Master's degree holders by 16% and there is not any responder from the holders of diploma or doctoral, finally, we note that 38% were less than 5 years of experience and that 62% of respondents experience ranging from 5-10 years and none of them have more than 10 years of experience.

## 10. Stability Test:

Cronbach's alpha test was used to measure the stability of the measuring tool as the value of  $\alpha = 73\%$  which is an excellent rate being higher than the acceptable 60%, as illustrated in Table (2)

**Table (2): Test Persistence  
Reliability Statistics**

Cronbach's Alpha	N of Items
0.713	14

## 11. Analysis of Data Related to the Study

In order to describe the impact of accounting information systems on the quality of financial statements submitted to the Income Tax and Sales Department, the researcher extracted the arithmetic mean and standard deviation to describe the study sample answers as illustrated in the following table:

**Table (3): The arithmetic mean and the standard deviation of the sample answers**

No.	Paragraph	Arithmetic Mean	Standard Deviation	Ranking
1	The hardware and software used in the accounting information system is the best and the latest currently available.	4.32	0.97	10
2	The hardware and software used in the accounting information system characterized by enough speed in the process of enter and retrieve information.	4.68	0.55	5
3	Dealing with the hardware is easy and does not require a high degree of complexity.	4.84	0.37	1
4	The used equipment provides the desired goals of the accounting information system in its best form.	4.61	0.60	6
5	Workers of information system enjoy a level that commensurate with the tasks required of them.	4.22	0.78	11
6	Workers' qualifications in the information system commensurate with the nature of the work assigned to them.	4.48	0.73	8
7	Working individuals in the information system enjoy a high efficiency in dealing with the available devices.	4.74	0.48	3
8	New employees in the information system receive necessary training, so that they can deal with existing hardware and software.	4.44	0.73	9
9	Hold training courses for workers in the information for new information system when needed.	4.76	0.51	2
10	Information system members are keen to gather the information that recognizes the external environment and competitors.	4.60	0.88	7
11	Automated accounting information systems contribute to make its information outputs more capable for understanding by decision makers.	4.72	0.60	4
12	Automated accounting information systems contribute to make the information outputs of more capable for comparison.	4.00	1.12	13
13	Automated accounting information systems contribute to make the information outputs more credible.	3.86	0.75	14
14	Automated accounting information systems contribute to make the information outputs more suitable for decision-makers.	4.18	0.71	12
Total		4.46	0.37	High / Important

We note that the degree of measurement for all paragraphs is high and the arithmetic mean ranges between (3.86-4.84), paragraph no. (2) came in the first place with a value of

(4.84), paragraph (13) came last with a value of (3.86), the sum of the arithmetic mean of all the paragraphs came with a value of (4.46) and with a high value.

## 12. Study Hypothesis Test Results Using Simple Regression:

**Table (4): The results of a simple regression test of the impact of using accounting information systems on the quality of financial statements submitted to the Income Tax and Sales Department**

Independent Variable	Sig.	R <sup>2</sup>	Calculated F	Indexed F	Statistical Decision
Accounting Information Systems	0.000	0.221	3.686	2.0096	Rejection of null hypothesis

It is clear from the data included in the previous table (3) that the value of calculated (T) is (3.686) while its indexed value is (2.0096), and comparing the values that have been reached in the test of this hypothesis, it is clear that the calculated value is greater than the indexed value, so the null hypothesis is being rejected and accept the alternative one which states that "There is an impact of using accounting information systems on the quality of financial statements submitted to the income and sales tax department in Jordan" and this is confirmed by the value of significance (Sig.) amounting to zero, as it is less than 5%.

## 13. Conclusions and Recommendations:

### 13.1. Conclusion:

1. The researcher found out that there is an impact for the use of accounting information systems on the quality of the data submitted to the Income Tax Department in Jordan.
2. Based on the previous result, they suggest that the Income Tax Department in Jordan is using accounting information systems in the performance of its business and which reflected positively.

### 13.2. Recommendation:

1. The researcher recommends the development of software and hardware used in the information systems and the training of personnel in the harmonization of accounting information systems.
2. Interest to participate in the preparation of accounting systems and programs that help in the fast performance of the work in the department.

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