

ST. MARY'S UNIVERSITY
BUSINESS FACULTY
DEPARTMENT OF ACCOUNTING

TAX ASSESSMENT AND COLLECTION PROBLEMS OF
CATEGORY "A" MEDIUM TAXPAYERS
A CASE OF ADDIS ABAB MEDIUM TAXPAYERS No. 2 BRANCH
OFFICE

BY

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JUNE 2014

ADDIS ABABA

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**A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT OF
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**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF BACHELOR OF ARTS IN ACCOUNTING**

BY

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DECLARATION

We, the undersigned, declare that this study is our original work, prepared under the guidance of Belayneh. All sources of materials used for the study have been dully acknowledged.

Name

Signature

Place of Submission: _____

Date of Submission: _____

Abstract

Ethiopia, like any other developing countries, faces difficulty in raising revenue to the level required for the promotion of economic growth. Taxation has increased in importance not only as a tool of raising revenue for the traditional roles but also for accelerating the economic growth and ensuring social justice.

The goal of this research is to study tax assessment and collection problems of category “A” medium taxpayers found in Addis Ababa medium taxpayers No. 2 branch office. To achieve this objective, the researchers used both primary and secondary sources to collect data. And also the researchers used probability and non probability sampling techniques.

The information gathered witnessed that there exist inefficiency and insufficient number of tax office employees in Addis Ababa medium taxpayers’ No. 2 branch office. There is a big problem for system connection due to this many taxpayers does not get the service as they came to the tax office.

Moreover, there is lack of tax knowledge by taxpayers. Due to this, delay in tax payment, do not pay the proper amount they should pay and negligence are taken by taxpayers as solution to escape from payment of taxes.

To create effective and efficient employees, the tax office should offer continuous training for their employees by allocating enough money to training center.

The tax office should employ or recruit sufficient number of employees to avoid work influences by one employee.

For better tax administration, the authority should be put better technology which is the network system is fast, huge capability of storage and perform the work without any obstacle. To have effective tax collection the tax office should be solve the administration problems.

List of Abbreviations

VAT: Value Added Tax.

TOT: Turnover Tax.

TIN: Tax Identification Number.

FDRE: Federal Democratic Republic of Ethiopia

ERCA: Ethiopia revenue and custom authority.

SIRM: Standard Integrated Revenue Management.

SIGATS: Standard Integrated Government Tax Administration System.

APPENDIX

CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Banks are financial institutions set up to provide customers with some specific function such as receiving deposits from customers for savings, onward money transfer as well as a credit services. Banks as defined by business dictionary is an establishment authorized by a government to accept deposits, pay interest, clearchecks, make loans, act as intermediary in financial transactions, and provide other financial services to its customers. More so, Banks are into safekeeping transaction and group management purposes with the intention of making profits and delivering best but affordable services to their customers. Either these customers may be individuals or institutional and serving them in the more convenient, efficient and fastest possible way is the aim of all banks to derive utmost benefit from them.

An Accounting Information System may be either manual or electronic. In a manual accounting system, each of the steps in the accounting cycle is performed by hand. For example, each accounting transaction is entered manually in the Journal and Posted manually to ledger. To obtain ledger account balance and to prepare a trial balance and financial statement, additional manual computations must be made.

On the other hand, an electronic Accounting Information System uses computer for processing transaction data and producing accounting information to interested parties.

To be an efficient and effective an accounting system must follow certain basic principles. These principles are (1) cost Awareness (2) usefulness, and (3) Flexibility. (Donald E.Kieso, p.10, 2001)

Accounting Information System provides information about the organization's activities there by add value by enabling accurate and timely decision. Information produced by a well-designed Accounting Information System can improve decision making first by identifying situation requiring management action and second by reducing uncertainty. (Rommey and Steinbort, p. 213, 2000)

Accounting Information System helps to understand where the data come from and what steps are involved in processing the data to generate the needed information. In general, Accounting Information System helps to discover what sources are needed to produce information that is timely, accreted, and cost-effective and in a form that is more appropriate for the users. (Wilkinson and Cerullo, p. 34, 1997)

This paper aims to answer general question concerning the Accounting Information System in Awash International Bank S.C. furthermore, it analyzes the possible factors and benefits of this subject matter. It also presents how bank Accounting Information System has help eradicate many problems in the banking as well as boost profit through delivering best customers services.

Therefore, this study aims to assess the Accounting Information System of Awash International Bank S.C.

1.2. BACKGROUND OF THE ORGANIZATION

Awash International Bank S.C is an institution that provides Financial Services. Accepting deposits and lending money are the two major activities of commercial Banks. This action of taking deposits and making loans is called financial intermediation. The role of financial intermediary is collecting money from depositors and creating a pool, which can be lent to investors who are short of financial resources to spend.

Hence, Awash International Bank S.C. (AIB) was established by 486 founding shareholder on November 10, 1994 with a paid up capital of birr 24.2 million. It was the first private commercial Bank in Ethiopia following the downfall of the military regime and the declaration of market oriented economic policies. It started banking operations on February 13, 1995. By the end of June 2013, the number of shareholder and its paid up capital increased to over 4,000.00 and 2.2 billion respectively. The total number of employee rose to 4,100.00. The Bank has a vision to be the strongest and the most preferred Bank of the people. Its mission was to provide modern, efficient, competitive, diversified, and profitable banking services at domestic and international banking levels, to a continually growing number of customers in a socially responsible manner. Its objectives are to meet the needs of the emerging private sector for quality and dependable domestic as well as international banking services and to contribute toward the economic and social development of country in response to the growing demand of customers. Furthermore, it seeks to operate profitably in a sustainable manner in accordance with the Article of Association of the Bank. The Board of Directors the Banks appoints the President of the Bank. The Board up on recommendation of the president appoints Vice Presidents. Vice Presidents and Senior Managers are directly answerable to the President.

Executive management consists of the President and Vice Presidents, middle management position consists of third line management position such as Directors, Department manager, or equivalent Lower Level Managements are Branch Manager, Division Manager or equivalent.

The major business activities in the organization are:-

Deposit Mobilization: - Demand deposit, saving deposit, fixed time deposit and foreign currency deposit.

Credit Facilities: - Short, medium and long-term loans and advances, merchandise loan, advance on export.

International Banking Services:-Export and import Letter of Credit, documentary collection, advance payment, buying and selling of foreign currency and travelers cheque, handling incoming money transfer from abroad via international money transfer agents working with the bank , provision of safe deposit Boxes or Locker.

At last the total number of Awash International Bank's branches has reached 124 as at the end of November 2013 indicating the fact that the bank continuous to hold its leading position from among private Banks in terms of branch network. This research work is therefore, an attempt to identify the major practice of the Awash International Bank S.C. in relation to Accounting Information System.

1.3. STATEMENT OF THE PROBLEM

Various studies conducted by most scholars established that Accounting Information System has considerable positive effects on Banks productivity, teller/cashier's duties, banking transaction, Bank patronage, Bank services delivery, and customers' services. They concluded that, those have positive effects on the growth and profitability of banking industry. As mentioned in the background section of the organization, Awash International Bank S.C. has been growing since its establishment. Along with this rapid change, there will be increase in business transactions and some other changes. Awash International Bank S.C. has been pioneered as the first private commercial Bank in Ethiopia now the Bank has problems related with its Accounting Information System, the problem has been manifested through; long transaction process, weak internal control system , lack of on-spot auditing on daily transactions, dalliance of reports ,and the like. The student research team obtained this information from its members, who are working in this bank.

Now days there is more competition in banking industry, if Awash International Bank S.C. want more profit this problem should be solved by using sophisticated Accounting Information System.

Therefore, this study aims to assess the Accounting Information System practice of Awash International Bank S.C.

1.4. RESEARCH QUESTION

In light of the problems discussed above the research specifically aims to answer the following research questions, which are expected to be the possible causes of the main problem.

This study will try to answer the following questions:-

1. What policies and procedures are followed to complete the Accounting Information System in Awash International Bank S.C?
2. To what extent is the bank's data flow system convenient to produce accurate and reliable information?
3. How is the Bank's Accounting Information System operating in compliance with the principles, concepts, and assumptions in which what it is based?
4. AIB staff awareness;
5. Customer service delivery length;

1.5. OBJECTIVE OF THE STUDY

General objective

Generally, the aim of this study was to assess the Accounting Information System practice of Awash International Bank S.C. to identify the real causes of its current problems and to recommend some possible solutions.

Specific Objective

To achieve the above general objective the research team has planned the following specific activities, which have objectives of answering each research question to identify the real cause of the main problem.

1. To examine the bank's policies and procedures related with processing information in its Accounting Information System.
2. To evaluate the conveniences of the bank's data flow system to produce accurate and reliable information.
3. To determine to what extent Awash International Bank S.C. Accounting Information System is processing data and producing information in compliant with financial accounting guidelines.
4. Staff awareness on Accounting Information System.
5. Customer service delivery length.

1.6. SIGNIFICANCE OF THE STUDY

The study provides information whether Awash International Bank S.C. use effective and efficient Accounting Information System. In addition, the study identifies the disadvantages, which faced the organization while using Accounting Information System.

Moreover, the findings of the study will benefit those who want to conduct further research on the subject in the future.

1.7. SCOPE OF THE STUDY

More specifically, the scope of this research was only limited to assessment of Accounting Information System in Finance Department, Department of

Management Information System and some branchesAwash International Bank S.C.

1.8. RESEARCH DESIGN AND METHODOLOGY

The research design and methodology are elaborated in detail as mentioned below.

1.8.1. Research Design

The research design for this study was descriptive. The design focuses on the bank's Accounting Information System, describes, and explains the findings.

1.9. THE POPULATION AND SAMPLING DESIGN OF THE STUDY

The study has a total population of 63 target group personnel of the bank working in different position. Sample size and technique Convenience sampling technique were used to determine the sample and select respondents.

1.10. SOURCES AND METHODS OF DATA COLLECTION

The data required for this study was collected from both primary and secondary data. Primary data were obtained from questionnaire, while secondary data wereobtained from documents and recorded related assumed variables.

1.11. METHODS OF DATA ANALYSIS

The research findingsregarding the Accounting Information System practice of Awash International Bank S.C. arethe result ofthe data analysis and interpretation of the data collectedafter begin edited and classified in a more meaningful ways. The interpreted data aresummarized into a meaningful to reach into conclusionthat could be understood by any concerned body. Finally,

the study report is presented in a descriptive way of using narrative sentences and tables to support by.

1.12. ORGANIZATION OF THE STUDY

This paper is organized in four chapters. The first chapter is introduction, background of Awash Internal Bank S.C, research problem, research objective, and significance of the study, scope of the study, and organization of the study while the second chapter is literature review. The third chapter comprises of findings and analysis of the study, presentation and the last chapter deals with conclusion and recommendations.

CHAPTER TWO

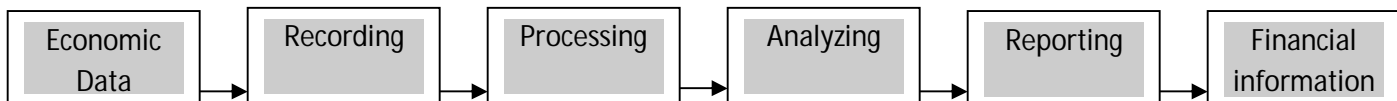
2. REVIEW OF RELATED LITERATURE

2.1. What is an Accounting Information System?

The study begins by looking separately at the terms "Accounting", "Information", and "System." Then we can compile a definition and set of purposes for the AIS.

Accounting

Accounting has several facets. First, it is an information system in its own right. That is, it employs various systemic operations to generate relevant data, (2) processing and analyzing these data, and (3) presenting quantitative information in financial terms. (Wilkinson and Cerullo, p.6, 1977)



(Wilkinson and Cerullo, p.6, 1977)

Second, accounting is the "Language of business", it provides the means by which the key affairs of a business firm are expressed and summarized. Finally, accounting may be viewed as financial information need for the overall functioning of an entity (such as a business firm). Certain key financial information, for instance, reflects the results of operations during accounting periods and the status of assets and equities at the ends of accounting periods. Various users, of whom some are within the entity and some reside outside the entity, employ this information for various purposes. (Wilkinson and Cerullo, P.6, 1977)

Information

In the broadest sense, information is intelligence that is meaningful and useful to persons for whom it is intended. Information has value to firms and their managers, desired actions. Much of the information needed by firms is accounting information, since it is particularly useful in meeting these needs. Accounting information is the output of Accounting Information Systems and is financially oriented. (Wilkinson and Cerullo, P.6, 1977)

Usually information is derived from the processing of data. Data are raw facts and figures and even symbols that together form the inputs to an information system. (Wilkinson and Cerullo, P.6, 1977)

System

A system is a unified group of interacting parts that function together to achieve objectives and purposes. (Wilkinson and Cerullo, P.6, 1977)

System is defined as a set of two or more interrelated components that interact to achieve a good. Systems are usually composed of smaller sub-systems, each performing a specific function important to and supportive of the larger system of which it is a part. (Romney and Stainbart, P.2, 2000)

The composite Nature of an Accounting Information System

The preceding descriptions of accounting, information, and system enable us to develop a workable definition of an Accounting Information System. An Accounting Information System is a unified structure within an entity, such as a business firm, that employs physical resources and other components to transform economic data into accounting information, with the objective of satisfying the information needs of a variety of users. (Wilkinson and Cerullo, P.7-8, 1977)

Functions in transforming Data in to Information

An effective Accounting Information System performs several key functions throughout three stages (input, process, and output). (Wilkinson and Cerullo, P.10, 1977)

Input

Accounting Information System makes use of common input devices such as the standard personal computers, scanning devices, and electronic communication devices. These devices enable a high quality performance in workstations running applications, standardized data entry and electronic data interchange and e-commerce respectively. In addition, Accounting Information Systems do come as "web-enabled" in order to let devices if connect to the World Wide Web. (Wilkinson and Cerullo, P.10, 1977)

Process

The processing of financial activities is carried by the use of computer systems ranging from individual personal computers to large-scale enterprise servers. Yet, theoretically, the original processing model continues to be the "double-entry accounting system introduced at the start of the fifteen century. (Wilkinson and Cerullo, P.10, 1977)

Output

The system uses output devices such as computer displays, impact and non-impact printers, and electronic communication devices for electronic data interchange (EDI) and e-commerce. However, the devices are used for any type of output content including financial reports, budgets and tax reports to multinational financial statements. (www.ask.com/)

Through the above-mentioned three stages, Accounting Information System performs several key functions as mentioned below: -

Data collection: - The data collection function (performed during the input stage) involves steps such as capturing the transaction data, recording the data on to forms, and validating and editing the data to assure their accuracy and completeness. (Wilkinson and Cerullo, P.11-13, 1977)

- **Data processing:** - The data processing function (performing during the processing stage) involves steps like the following.
 - Classifying, or assigning collected data to pre-established categories ;
 - Transcribing, or copying/reproducing the data onto another document or medium;
 - Sorting or arranging data elements according to one or more characteristics ;
 - Batching, or gathering together groups of transactions of a similar nature ;
 - Merging, or combining two or more batches or files of data
 - Calculating, or performing addition, subtraction, multiplication, and division operation ;
 - Summarizing, or aggregating quantitative data elements;
 - Comparing, or examining items from separates batches or files to find those that match or to determine how they differ.

Wilkinson and Cerullo, P.11-13, 1977)

Data Management: - the data management function consists of three steps storing updating, and retrieving. Storing involves placing data in repositories called files or data base updating involves adjusting stored data to reflect newly occurring events, operations or decisions retrieving consists of accessing and extracting data, either for further processing or for reporting to users. (Wilkinson and Cerullo, P.11-13, 1977)

- **Data Control:** - The data control function has two basic aims: - (1) to safeguard and secure the firm's assets, including data and (2) to ensure that the captured data are accurate, complete, and processed correctly. A variety of techniques and procedures are employed in an effective Accounting Information System to maintain adequate control and security. (Wilkinson and Cerullo, P.11-13,1977)
- **Information Generation:** - The information generation function includes such steps as interpreting, reporting, and communication information. It supports the outputs from both transaction processing and information processing (Wilkinson and Cerullo, P.11-13, 2000).

2.2. Characteristics of Useful Information

There are six characteristics that make information useful and meaningful for decision-making

Relevance → information is relevant if it reduces uncertainty, improves Decision makers; ability to make predictions, or confirms or Corrects their prior expectations.

Reliable → Information is reliable if it is free from error or bias and accurately represents the events or activities of the organization.

Complete → Information is complete if it does not omit importance of the underlying events or activities that it measures.

Timely → Information is timely if it is provided in time to enable decision makers to use it to make decisions.

- **Understandable:** - Information is understandable if presented in a useful and intelligible format.

- **Verifiable:** -Information is verifiable if two knowledgeable people acting independently would each produce the same information.(Romney Stainbart, P. 9-10,2000)

2.3 The study of AIS Fundamental to Accounting

In statement of financial accounting concepts No. 2, the financial accounting standards board defined accounting as being an information system. It also stated that the primary objective of accounting is to provide information useful to decision makers. Therefore, it is not surprising that the accounting education change commission recommended that the accounting curriculum should education change commission recommended that the accounting curriculum should emphasize that accounting is an information identification, development, measurement, and communication process. The commission suggested that the accounting curriculum should be designed to provide three essential concepts. (Romney and Stainbart, p.3, 2000)

1. The use of information in decision making
2. The nature, design, use and implementation of an AIS
3. Financial information reporting

The AIS course focuses on understanding how the accounting system works how to collect data about an organization's activities and transactions how to transform that data into information that management can use to run the organization and how to ensure the availability, reliability, and accuracy of that information. (Romney Steinbart, P.3, 2000)

2.4 Components of AIS

Accounting Information System must have completed the following basic components:

A) Hardware

Computer hardware is the physical equipment that performs the electronic data processing tasks of computer system. It includes the central processing unit and the peripherals the input, output, storage and telecommunication devices (Bhaita, P. 283, 2003).

The principal hardware component of a digital computer is the Central Processing Unit (CPU). The CPU consists of a control unit, which processes a program of instructions for manipulating data a storage unit for storing the program of instructions and the data to be manipulated, and an arithmetic unit capable of addition, subtraction, multiplication, division, and comparison of data at speeds measured in nanoseconds (Ibid, 22).

B) Software

Software is the detailed instructions that control the functions of hardware devices. A set of instructions that tell a computer how to accomplish a particular task is called a computer program. The process of writing software programs to accomplish these tasks is called computer programming. Software programs are written in a programming language (Ibid P. 25)

Computer systems use two major types of software: - system software and application software. System software consists of programs that control and coordinate hardware components and provide other support to application software. Important components of system software are utility programs for recurring tasks of data processing. Such as sorting, sequencing, and merging of data. The system software known as the operating system is important to the control of computer operations because it may be programmed to control access to programs and stored data and maintain a log of all system activities (Whittington and Pany, P.234, 1995).

C) Data Base

Data base organized collection of data used by application system some database like relational database, e.g. oracle has the facility to implement access controls (Bhatia, P.8, 2003)

D) Communication Network

Communication network: - local area Network, metropolitan area network, and wide area network (Ibid, P 12)

E) Human Resources and Procedures

Human resources are computer specialists, users, Auditors and security personnel procedures are specification for use, operation, and maintenance of information systems. These includes various polices, manuals and documents (Ibid, P.9)

2.5. What does an AIS functions for an organization.

Accounting Information System fulfills three important functions in an organization

1. Collecting and storing data about the activities performed by the organization, the resources affected by those events, and agents who participate in the various activities so that management, employees, and interested outsiders can review what has happened.
2. Transforming data into information that is useful for making decisions that enable management to plan, execute, and control activities.
3. Providing adequate controls to safeguard the organization's assets, including its data, to ensure that the data are available when needed and are accurate and reliable. (Romney and Stainbart, P. 2,2003)

2.6. Organizational Structures

The organizational structures is the means by which the managers of a firm direct and coordinate the set of activities and operations;- It specifies the relationships among the tasks to be performed it also distributes the degrees of authority and responsibility assigned to the various managers. In effect, the organizational structure can be viewed as a management system, since it encompasses the managers who perform the planning and control for the firm. An organization chart is a diagram that depicts and organizational structure. It contains boxes, or nodes, representing responsibility centers where the responsible managers reside, plus the lines that relate the responsibility centers to each other.

Lastly, this study also takes in to account internal control system of a company in order to study toe accounting system of a company. An internal control structure would consist of policies and procedure established to provide reasonable assurance that the enterprises goals and objectives will be achieved. The internal Control can be divided in to three elements:

1. The control Environment
2. The control procedure, and
3. The accounting system

In conclusion, the accounting system should be in line with abovementioned accounting concepts in order to provide adequate information to interested parties. (Jerry I. Weygant, P.14, 1999)

CHAPTER THREE

3. DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

This chapter presents the data, the analysis and the interpretation obtained from primary data source. The primary data is obtained by distributing questionnaires the finance and management information system managers.

The presentation and analysis of data is done on the collected data from questionnaires and observations. The raw data was collected from structured questionnaires distributed to 63 individuals. Out of the total questionnaires, 54 are returned. The data collected is then presented and analyzed using descriptive techniques endeavored in tables. Finally, the analysis and interpretation made in order to pinpoint basic research.

Table 3.1: Response on Demographic Information

S.NO.	DESCRIPTION	RESPONDENT	%
1	Age group		
	18-25 year	19	35.19%
	<25-33 year	26	48.15%
	<33-41 year	6	11.11%
	Above 41	3	5.55%
	Total	54	100%
2	Gender		
	Male	30	55.56%
	Female	24	44.44%
	Total	54	100 %
3	Marital status		
	Single	29	53.70%
	Married	25	46.30%
	Total	54	100 %
4	High-level education		
	Diploma	10	18.52%
	BA	41	75.92%
	MA/MSC/PHD	3	5.56%
	Total	54	100%
5	Work experience		
	1-3 years	10	18.52%
	4-7 years	18	33.33%
	8-12 years	20	37.04%
	12-20 years	6	11.11%
	Above 20 years	0	0
	Total	54	100%

The data shows, 35.18% of the respondents age are from 18-25 year, 48.15 % of the respondents age are from 26-33 year, 11.11% of the respondents age are from 34-41 year and 5.56% of the respondents age are above 41 year.

As indicated on the above table, 55.56% of the respondents are male and the rest of 44.44% respondents are female. Based on the above-mentioned fact male and female respondents 53.70% are single and 46.30% are married.

The above table also indicated, 10% of respondents graduated by diploma, 75.92% of the respondents are BA degree holders and 5.56% of the respondents are MA/MSC/PHD graduates. Their work experience shows ,18.52% of the respondents work experience are from 1-3 years, 33,33% are from 4-7 years , 37.04% respondents experience are from 8-12 years and the rest 11.11% work experience are from 12-20 years.

In general, the above table illustrated, in Awash International Bank S.C.,there are young, and energetic, highly educated employees with long year of work experience.

Table 3.2: Response on Policies and Procedures

S.No	Question	Respondent	%
1.	Is segregation of duties included in the manual is the most effective control procedure for reducing theft?		
	Yes	42	77.78%
	No	12	22.22%
	Total	54	100%

The above table indicated that 77.78% of the respondents believed the segregation of duties in Awash International Bank S.C is the most effective control procedure for reducing theft, while the 22.22% of the respondents do not believe in it. From the table we concluded the company's segregation of duties is effective control mechanism for reducing theft/risk.

Table 3.3: Response on Integrate and Incorporate Adequate Control

S.No	Question	Respondent	%
1	Does the bank AIS integrate and incorporate adequate control procedures?		
	Yes	27	50%
	No	27	50%
	Total	54	100%

The table indicates that 50% of the respondents agreed that bank's AIS integrate and incorporate adequate control, while the rest half does not agree with it. From this, we understand that, there is some irregularities on bank's AIS integrate and incorporate adequate control.

Table 3.4: Response on Accounting Policies and Procedures

S.No.	Question	Respondent	%
1	Does your organization have clearly set an accounting policies and procedures?		
	Yes	50	92.59%
	No	4	7.41%
	Total	54	100%

The data shows, 92.59% of the respondents answered "yes" and 7.41% of the respondents answered "No". This shows majorities of the respondents believed there are a clearly set accounting policies and procedures in Awash International Bank S.C.

Table 3.5:Response on Manually Checked Auditing Procedures

S.No.	Question	Respondent	%
1	Do you think the manually checked auditing procedures at AIB are reducing risk effectively and efficiently?		
	Yes	25	46.30%
	No	29	53.70%
	Total	54	100%

The data shows that, 46.30% of the respondents replied that there are effective and efficient manually auditing procedures, while 53.70% of the respondents answered there are no effective and efficient auditing procedures that reduce risk in Awash International Bank S.C. Based on the above table, we concluded that the manually checked auditing procedures in AIB not effective and efficient in terms of reducing risk.

Table 3.6:Response on Bank's Data Flow System

S.No	Question	Respondent	%
1	How do you think about your bank's inter-departmental communication related to data flow system?		
	It is very good	3	5.56%
	It is moderate	14	25.92%
	It is no good	37	68.52%
	Total	54	100%

The data shows, 5.56% respondent believed that the bank's inter-departmental communication related to data flow system is very good, 25.92% of the

respondents believed that its moderate and 68.52% of the respondents feel it is no good. Based on the table above, we concluded that the bank's inter-departmental communication related to data flow system is not good.

Table 3.7:Response on Financial Report

S.No	Question	Respondent	%
1	Is financial report produced accurate and reliable?		
	Yes	45	83.33%
	No	9	16.67
	total	54	100%

The above table indicated, 83.33% of respondents replied in affirmative, while 16.67% of the respondents replied negative. From the above data, majority of the respondents believed financial report produced at Awash International Bank Sh.C is accurate and reliable information.

Table 3.8:Response on Bank's Revenue Cycle Documentation System

S.No	Question	Respondent	%
1	What is your opinion related to the bank's revenue cycle documentation system?		
	It is very good	38	70.37%
	It is good	10	18.52%
	It is bad	6	11.11%
	total	54	100%

The above table illustrates that 70.37% and 18.52% of the respondents replied their bank's revenue cycle documentation system is very good and good respectively, while the 11.11% of the respondents believed it is bad. Based on

the above table, we concluded that Revenue Cycle Documentation System of Awash International Bank S.C is very satisfactory.

Table 3.9: Response on Accounting Principles

S.No	Question	Respondent	%
1	Do you think the AIS at AIB is in line with accounting principles?		
	Yes	49	90.74%
	No	5	9.26%
	total	54	100%

The above data shows that 90.74% of the respondents answered as “yes” and 9.26% of the respondent replied as “no”. Based on the above table, we concluded Accounting Information System at Awash International Bank S.C is in line with accounting principles.

Table 3.10: Response on Deviation of Accounting Concepts

S.No	Question	Respondent	%
1	Is there any deviation of accounting concepts while using AIS at AIB?		
	Yes	8	14.81%
	No	46	85.19%
	Total	54	100%

The above table indicates that 14.81% of the respondents replied as “yes” and 85.19% of the respondents answered as “NO”. Based on the above data, we concluded that there is no any deviation of accounting concepts at Awash International Bank S.C while using Accounting Information System.

Table 3.11:Response on Accounting Assumption

S.No	Question	Respondent	%
1	Does accounting assumption strictly followed at your organization while using AIS?		
	Yes	47	87.04%
	No	7	12.96%
	Total	54	100%

The above data shows that 87.04% of the respondents replied "yes" and 12.96% of the respondents answered "no". Based on the above table we concluded Awash International Bank S.C. followed strictly the accounting assumption while using Accounting Information System.

Table 3.12:Response on Staff Awareness, Skill, and Knowledge

S.No	Question	Respondent	%
1	Do you think the finance staff members in AIB have good knowledge and skill of AIS?		
	Yes	26	48.15%
	No	28	51.85%
	total	54	100%

The above data indicated, 48.15% of the respondents replied "yes", while 51.85% respondents answered "no". Based on this we concluded that the above-mentioned data shows that Accounting Information System is not a necessary skill and knowledge in Awash International Bank employees.

Table 3.13:Response on Availability of Training

S.No	Question	Respondent	%
1	Do you think staffs at AIB have taken training on AIS at regular base?		
	Yes	20	37.04%
	No	34	62.96%
	Total	54	100%

The above data shows, 37.04% of the respondents replied "yes", while 62.96% of the respondents responded "no". Based on the above table, we concluded that there is no training given to Awash International Bank S.C. employees on regular base regarding Accounting Information System.

Table 3.14: Response on Customer Service Delivery Time

S.No	Question	Respondent	%
1	Do you think that the service delivery time at AIB satisfied you personally?		
	Yes	20	37.04%
	No	34	62.96%
	total	54	100%

The above table indicated, 37.04% of the respondents answered "yes" and 62.96% of the respondents replied "no". Based on the above responses, we concluded that majorities of the employees of Awash International Bank S.C. are not satisfied by service delivery time (length).

Table 3.15:Response on Customers Satisfaction

S.No	Question	Respondent	%
1	Are really most of AIB's customers satisfied by service rendered to them?		
	Yes	23	42.59%
	No	31	57.41%
	total	54	100%

The above table indicated, 42.59% of the respondents answered "yes" and 57.41% of the respondents replied "no". As the above responses showed, most of the Awash International Bank S.C. staffs did not believe their customers are satisfied by the services rendered to them.

CHAPTER FOUR

4. SUMMARY, CONCLUSION AND RECOMMENDATION

This study examined how Accounting Information System of Awash International Bank S.C and evaluated its performance and efficiency.

Therefore, this Chapter presents the major findings, conclusion reached, and the possible recommendation. The purpose of this chapter is to present a brief overview of the findings, to draw conclusion based upon the findings and then to report the specific recommendation for action to be taken by the company and further researches.

4.1 Summary of Major Findings

Based on the collected data from questionnaires and observations and its analysis made in Chapter Three, the following are major findings of our research study.

- ✓ In Awash International Bank S.C. there are integrate and incorporate adequate control related to Accounting Information System. There are a clearly set policies and procedures and segregation of duties is the most effective control procedure for reducing theft. However, there is lack of on spot auditing procedures.
- ✓ The data flow system in Awash International Bank S.C. related to financial report producing and bank's revenues cycle documentation is very satisfactory. While the bank inter-departmental communication is not good.
- ✓ As it presented in analysis chapter the accounting principles, concepts, and assumptions are strictly followed while using

Accounting Information System at Awash International Bank S.C.

- ✓ There is lack of staff's awareness, skills, and knowledge related to the Accounting Information System and lack of training in the regular base.
- ✓ Since customer Excellency is the most important concepts, service delivery time is not satisfactory in Awash International Bank S.C.

4.2. Conclusion

The following necessary conclusions are drawn based on the major findings from the data presented and its analysis.

There are clearly set policies and procedures in Awash International Bank S.C. However, some manually applied procedures make internal control system weak.

- As indicated in the analysis part, there is a very good data flow system in Awash International Bank S.C. However, inter-departmental communication, which contributes a lot to the bank's productivity, is unsatisfactory.
- There are no deviation from accounting principles, concepts, and assumptions in the Bank.
- As data shows, staff Accounting Information System awareness, skill and knowledge was the main problem in Awash International Bank S.C.
- Customer Service Delivery Time Length that affects the goodwill of the entire bank is the burning issues.

4.3 Recommendations

Based on the findings of the study, the following recommendations are put forward for considerations of the bank and other interested parties.

- ❖ We concluded that there are clearly set policies and procedures in Awash International Bank S.C. However, having policies and procedures by itself may not make the organization effective and efficient. Since Internal Control System in each activity is the product of policies and procedures of the Bank, there should be periodical amendment of the policies and procedures by considering the cost-benefit analysis.
- ❖ There are many software applications now days that make strong internal control over each bank activities. We recommend to the bank to use on spot auditing software application instead of manually auditing.
- ❖ Furthermore, we strongly recommend the Checker and Maker application software tool to make strong control over cash, cheque, CPO, money transfer, and draft.
- ❖ As bank data flow system play an important role in producing accurate and reliable information, we recommend mutual respect inter-departmental communication system that is dedicated and committed for bank's productivity. These will make the data flow system more accurate and reliable.
- ❖ Since the deviation from accounting principles, concepts and assumptions will cost the bank extremely; the bank should keep following accounting principles, concepts, and assumptions.
- ❖ Since human resource is the most valuable asset for the entire bank, the staff should be given training on regular base. Visible lack of knowledge of the staff will damage the bank's productivity and goodwill. We recommend that there should be on the job training for long-serving

staff and to newly hired staff on regular bases. Human Resource Department Training Section should prepare trainings by evaluating staff performance. Therefore, the problem with service Excellency should not be tolerable.

- ❖ Since the entire activities of the bank is service rendering, the bank should give more attention to service rendering time length. Therefore, the bank must give trainings on customer handling service and boost the entire staff awareness. Furthermore, the bank should seek to shorten transaction time by using up-to-date technologies

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Appendix

Annex

St Mary's University
Faculty of Business
Department of Accounting

Questioners

Questionnaires prepared for office employees

This Questionnaire is designed only for academic purpose for partial fulfillment of the requirements for the degree of Arts in accounting at St. Mary's University. This research title is the assessment of Accounting Information System in Awash International Bank S.C. The purpose of the questionnaire is to obtain our opinions and view of the Bank Accounting Information System. Please every question is very important for our findings therefore try to attain each. We thank you in advance for your cooperation.

General Instruction

You can answer the question by putting a tick () in the box, corresponding to your response for the appropriate answer and feel free to answer any question is applicable for you.

Confidentiality: any information collected through this form is strictly confidential, is only accessible to the researchers and the researcher's advisor, and is used only for the purpose of education. No information, which can identify the respondent in any way, is reflected on report.

Part 1. Demographic Information

1. Age Group (Please choose one)
- | | |
|--------------------|-------------------|
| (1) 18 to 25 | (3) above 33 to 1 |
| (2) above 25 to 33 | (4) above 41 |

- | | | |
|-------------------------------|------------------|--------------------|
| 2. Gender | (1) Male | (2) Female |
| 3. Marital Status | (1) Single | (3) Separated |
| | (2) Married | (4) Widowed |
| 4. Highest level of education | (1) High School | (3) BA |
| | (2) Diploma | (4) MA/MSc/PHD |
| 5. Total work experience | (1) 1 to 3 years | (4) 12 to 20 years |
| | (2) 4 to 7 years | (5) >20 years |
| | (3) 8 to 12 | |

Part 2: Policy and Procedures related questions

The following questions evaluate on the policies and procedures. Please tick () your answer on the "Yes" or "no" column.

1. Is segregation of duties included in the manual is the most effective control procedure for reducing theft?
 - i. Yes
 - ii. (a) No
 - (b) if "No", please specify your reason?

2. Does the bank Accounting Information System integrate and incorporate adequate control procedures?
 - i. Yes
 - ii. (a) No
 - (b) if "No", please specify your reason?

3. Does your organization have clearly set and accounting policies and Procedures?
 - i. Yes
 - ii. (a) No
 - (b) if "No", please specify your reason?

-
4. Do you think the manually checked auditing procedures at Awash International Bank are reducing risk effectively and efficiently?
- i. Yes
 - ii. (a) No
(b) if "No", please specify your reason?
-

Part 3: Bank's data flow system accuracy and reliability.

The following questions indicate Bank's data flow system accuracy and reliability, please circle your answer.

1. How do you think about your Bank's inter-departmental communication related to data flow system?
 - i. It is very good
 - ii. It is moderate
 - iii. It is no good
2. Is all financial report produced accurate and reliable information?
 - i. Yes
 - ii. (a) No
(b) if "No", please specify your reason?
3. What are your opinions related to the Bank's revenues cycle documentation system?
 - i. It is very good
 - ii. It is good
 - iii. It is bad
 - iv. If any_____

Part 4 : Question related with accounting Principles, concepts and assumptions.

For the following questions please provide your answers.

1. Do you think the Accounting Information System at Awash International Bank S.C is in line with accounting principles?
 - i. Yes
 - ii. No
 - iii. If any _____
2. Is there any deviation of accounting concepts while using Accounting Information System at AIB S.C
 - i. Yes
 - ii. No
 - iii. If any _____
3. Does accounting assumptions strictly followed at your organization while using Accounting Information System ?
 - i. Yes
 - ii. No
 - iii. If any _____

Part 5: Staff Awareness Related Questions

The following questions, indicate the Bank's finance staff organized by sufficient and efficient members, please circle your answers.

- (1) Do you think finance staff at AIB has the necessary skills for their daily activities?

- i. Yes
- ii. No

If "No", please specify your reason

- (2) Do you think staff at AIB has taken training on Accounting Information System at regular base?

- i. Yes

ii. No

If "No", please specify your reason

Part 6. Customer service delivery related questions

1. Do you think that the service delivery time at AIB satisfied you personally?

i. Yes

ii. No

If "No", please specify your reason

2. Is really most of AIB's customers satisfied by service rendered to them?

i. Yes

ii. No

If "No", please specify your reason

Declaration

We, the undersigned, hereby declare that this senior essay entitled "An Assessment of Accounting Information Systemthe case of Awash International Bank S.C." is our original work prepared under the guidance of W/roYeserash Alemu. All sources of materials used for the manuscript have been duly acknowledged.

AbdulkerimMohammednurSignature _____

Firehiwot Tulu Signature _____

Nuri Mohammed Signature _____

Place of Submission: SMU

Date of Submission _____

Advisur'sDeclaratation

This paper has been submitted for examination with my appropriate approval as university advisor.

Name:Yeserash Alemu

Signature _____

Date _____

