

The Effect of Information Technology Innovation on Accounting Systems in Listed Companies of Iran Stock Exchange

Mohammad Hossien Rakhshani¹, Keyaninejad .Z² and Ali Ahani Mahini³

^{1,2}Islamic Azad University- Birjand Branch

³University of Pune

E-mail: ¹rakhshani.79@gmail.com, ²zaliahani@ymail.com

1. INTRODUCTION

Today, organizations, companies, government agencies, investors, creditors, stock exchange, and public have need information and without information; they can't make planning, control, decision-making and etc in their organization. Also we live in the age of information: Information Technology, Information Superhighway, E-mail, Fax, Telephone, Management Information System, Accounting Information System and etc that indicate important of information in the business world.

The development of Information Technology, Information Superhighway, E-mail impacted significantly on various fields and activities. Activates of organizations get bigger and branch locations become more distributed, computerized information systems are extremely important as one of the facilities managers in control companies. To cope with these changes, the fields and the world of education need to be re-actualized.¹

One of these fields is accounting profession that need to these changes (IT) and use in their systems. This paper investigates effect of Information Technology Innovation on financial systems in Iran.

2. INFORMATION TECHNOLOGY INNOVATION (ITI) IN ACCOUNTING

There are vrious researches that show historical of IT in Accounting in the world. IT has created significant advantages for accounting. IT networks and computer systems have shortened the lead time needed by accountants to prepare and present financial information to management and stakeholders. Not only IT has shortened the lead time required to present

financial information, but it also has improved the overall efficiency, accuracy of the information.²

Innovation in IT can increase profound impact on organization systems and also increase efficiency, effectiveness and productivity in companies because innovation refers to the creation of better or more effective designing, processes, technologies, ideas that affect companies, markets, and goverments.

There are various aspects of IIT that help accounting systems such as Increased Functionality, Faster Processing, Improved Accuracy and Better External Reporting.³

Increased Functionality -Computerized accounting systems have improved the functionality of accounting by increasing the timeliness of accounting information. By improving, accountants can prepare useful financial information that give uses an accurate picture of current operations. The financial information has also been improved by computerized accounting systems such as cash flow statements and departmental profit and loss are that more accessible with computerized systems.

Faster Processing -Computerized accounting systems allow accountants to process large amounts of financial information and process it quickly through the accounting system. Quicker processing times for individual transactions has lessened the amount of time needed to close out each accounting period. Month- or year-end closing periods can be especially taxing on accounting departments, resulting in longer hours and higher labor expense. Shortening this time period aids companies in cost control, which increases overall company efficiency.

¹ - BINUS UNIVERSITY.mht

² -eHow.com/impact of ICT on accounting

³ - eHow.com/impact of ICT on accounting

Improved Accuracy- Most computerized accounting systems have internal check and balance measures to ensure that all transactions and accounts are properly balanced before financial statements are prepared. Computerized systems will also not allow journal entries to be out of balance when posting, ensuring that individual transactions are properly recorded. Accuracy is also improved by limiting the number of accountants that have access to financial information. Less access by accountants ensures that financial information is adjusted only by qualified supervisors.

Better External Reporting- Reports provided to users such as investors have been improved by computerized accounting systems. Improved reporting allows investors to determine if a company is a good investment for growth opportunities and has the potential to be a high-value company. Companies can utilize these investors for equity financing, which they use for expanding business operations.

3. IMPACT ITI ON ACCOUNTING INFORMATION SESTEMS

Today, Innovation is topic that more employs by designers of IT and increase efficiency systems. Some researches have investigated it in accounting information systems (AIS) include:

Hyvönen, Johanna, 2008, examined relation between IT with management accounting information. Their dissertation consists of four essays. The first essay focuses on the adoption and benefits of management accounting practices, whereas the second essay studies the relations between customer-focused strategy, performance measurement techniques, information technology and their link to customer performance. The third essay studies the relations between manufacturing technology, information technology, strategy and organizational performance. The fourth essay, in turn, studies the management accounting systems and their relations to strategy and information technology. The first three essays employ the survey method while the last essay employs the case method. The framework used in this dissertation is the contingency theory. The results showed that there is a significant association between customer performance and the three-way interaction involving customer-focused strategy, contemporary performance measures and advanced information technology.⁴

JOHN H. GIBBONS, 1984, stated the effects of Information Technology on the internal operations, the structure and the types of services offered by the financial service industry have been profound. IT been and continues to be both a motivator and facilitator of change in the financial service industry. The structure of the industry has changed significantly in recent years as firms not traditionally viewed as financial service

providers have taken advantage of opportunities created by technology to enter the market. New technology-based services have emerged. These changes are the result of the interaction of technology with other forces such as overall economic conditions, societal pressures, and the legal/regulatory environment in which the financial service industry operates. This report describes the technologies now and likely to be available to providers and users of financial services. It analyzes the present structure of the financial service industry, its service offerings, its relationships with users of financial services, and observable trends. Implications of possible future trends for industry structure, markets for financial services, and relationships between the industry and the legal/regulatory environment are explored.⁵

This paper investigates effect of ITI on accounting information systems in Iran and determinate changes in this system.

4. OBJECTIVES OF STUDY

The objectives of this paper include:

- To determinate impact ITI on preparing of financial statements.
- To determinate impact ITI on providing of timely financial information.

5. HYPOTHESES OF STUDY

This pare have two hypotheses that are including:

1. To what extend ITI affect on preparing of financial statements?
2. To what extend ITI affect on providing of timely financial information?

6. METHODOLOGY OF STUDY

Methodology of study comprises various factors that describe to done method of this study and are including:

7. TIME PERIOD OF STUDY

Time period is two periods of three years that are as follow:

-From 2002 to 2005

-From 2005 to 2009

⁴ - Hyvönen, Johanna, 2008, Faculty of Economics and Business Administration, Department of Accounting and Finance, University of Oulu.

⁵ - JOHN H. GIBBONS, 1984, Effects of Information Technology on Financial Services Systems Washington, D. C.: U.S, Congress, Office of Technology Assessment, OTA-CIT-202, Library of Congress Catalog Card Number 84-601102.

8. STATISTICAL SOCIETY AND SAMPLING

Statistical society of study is listed companies in Iran Stock Exchange Markets (ISEM). There are 431 companies in ISEM that is active. We selected five companies of ISEM as statistical sampling on the base of SAS software.

9. STATISTICAL TESTS OF STUDY

After providing data and comparable two time periods, we have used various tests in SAS software such as: P-Value, T-Student, Correlation tests and etc.

10. RESULTS ANALYSIS OF STUDY

Companies of ISE have more used ITI In their financial information system in 2005 to 2009 than 2002 to 2005. That is:

- According to first hypothesis, Companies of statistical sample have been success around 35% in preparing of financial statements in time period of 2005-2009 than 2002-2005. It meaning that use more ITI in prepares Balance Sheet, Income (Loss) Statement, Cash flows Statement, Retained Earning Statement and supplement of financial statements.
- According to second hypothesis, companies of statistical sample have been success around 38% in providing of timely financial information in time period of 2005-2009 than 2002-2005. It meaning that use more ITI in provides timely accounting information for users of financial statements.

11. CONCLUSION AND RECOMMENDATION

Results of study show that listed companies of ISEM have used ITI in providing of their financial information in 2005 to 2009 than 2002 to 2005. This also indicates that ITI have significant role in AIS and also when Innovation in IT is higher AIS is more efficiency and effectiveness.

Future research could employ ITI in; other information systems such as MIS (Management Information System), designing AIS, Accounting Education and so on.

REFERENCE

- [1] WWW.BINUS UNIVERSITY.mht
- [2] History of information technology auditing - Wikipedia, the free encyclopedia.mht
- [3] Hyvönen, Johanna, 2008, Faculty of Economics and Business Administration, Department of Accounting and Finance, University of Oulu.
- [4] John H. Gibbons, 1984, Effects of Information Technology on Financial Services Systems Washington, D. C.: U.S, Congress, Office of Technology Assessment, OTA-CIT-202, Library of Congress Catalog Card Number 84-601102.
- [5] eHow.com/impact of ICT on accounting