AN EVALUATION OF EFFECTIVENESS OF FINANCIAL ACCOUNTING INFORMATION SYSTEMS:
THE CASE OF KENYATTA UNIVERSITY

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE COURSE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE
KENYATTA UNIVERSITY, NAIROBI, KENYA

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DECLARATION

This research project is my original work and has not been presented elsewhere for examinations or for any other purpose.

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DEDICATION

This Research project is dedicated to my wife Esther who encouraged me to pursue further studies, my daughter, Maureen and sons Humphrey and Kevin who patiently waited for me in the odd hours to arrive home before they would retire to bed and finally to my parents who understood my commitments and left me free until I would finish my studies. May Almighty God bless them all.
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ABSTRACT

The study was aimed at evaluating the effectiveness of financial accounting information systems of public universities in Kenya with specific reference to Kenyatta University. Financial accounting information systems are pertinent in the financial management practices. Specifically the study was to investigate the procedures used for processing financial accounting information by Kenyatta University.

The population of the study comprised of a sample of 29 finance staff of Kenyatta University. The study employed the case study method utilizing a proportional representative sample of 25 finance staff who were selected from each of the 11 sections of finance department of the University using random sampling. In addition 4 senior finance staff of the University were selected and interviewed.

It is hoped that the findings of the study will be helpful to a number of stakeholders including finance staff, internal audit staff, and management of Kenyatta University, other public universities in Kenya, the Government of Kenya and in particular the Ministry of Education Science and Technology, the Commission for Higher Education, the Directorate of State Corporations, Donors and other Public institutions of higher learning to gain understanding of the role of accounting information systems.

Data was collected through a questionnaire, observation and personal interview. The information gathered, were critically studied and analyzed by way of descriptive statistics of measures of central tendency (frequency) and comparatives. Data presentation was by way of tables, line graphs, and pie charts and bar charts.
The study confirmed that lack of efficient financial accounting information systems was a factor among others that hinder the University’s finance department from processing and preparing accurate financial statements in accordance to International Financial Reporting standards.

The conclusion reached after the investigation and analysis was that Kenyatta University management requires to put in place efficient financial accounting information system and financial controls for better management of the University financial resources.
DEFINITION OF SIGNIFICANT TERMS

(1).  **Accounting** – This is the art of recording, classifying, and summarising, in a significant manner and in terms of money, transactions and events which are in part at least, of financial character, and interpreting the results thereof.

(2).  **Ledger** - This is an accounting record used to record in one place all financial activities relating to an asset, a liability, revenue or expense.

(3).  **Journal** - This is special record used to correct and adjust opening and closing entries. It is also used for transfer from one account to another.

(4).  **The cashbook** - This is a special record besides the journal and the ledger which records all receipts and payments by cash or cheques.

(5).  **The petty cash book** - This is a subsidiary book which records small payments of cash transactions which otherwise will cloud the main cashbook. The summary of which will then be transferred to the main cashbook.

(6).  **Depreciation** - This is the loss in value of a fixed asset due to wear and tear.

(7).  **Book-keeping** - This is the art of recording all money transactions so that the financial position of an undertaking and its relationship to both its properties and to outside persons can be readily ascertained.

(8).  **Effectiveness** - This is the extent to which a programme achieves its established goals or intended effects.

(9).  **Financial year** - This is normally a period of twelve months after the operations of the organization whereby final financial statements are prepared for the purpose of measuring performance and the financial position for that period.
## ABBREVIATIONS

1. FASB - Financial Accounting Standard Board  
2. PIC - Public Investment Committee  
3. FWA - Fraud, Waste, and Abuse  
4. KATC - Kenya Accounting Technician Certificate  
5. CPA - Certified Public Accountants  
6. ACCA - Association of Chartered Certified Accountants  
7. CIMA - Institute of chartered Management Accountants  
8. ABE - Association of Business Executives  
9. SCR - Social Corporate Responsibility  
10. USA - United States of America  
11. CAR - Corporate Accounts Report  
12. IFASs - International Financial Reporting Standards  
13. DBMS - Database Management System  
14. DMS - Data Management System
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1.1. **Background**

Accounting provides the means for prudent financial management and is so pervasive that an understanding of its usefulness and its limitations is desirable for all managers in all types of organizations. Managers can perform their duties effectively when they have a reasonable understanding of accounting data produced by the accounting system. The more the managers know about accounting, the better able they are to plan and control the operations of their organizations. Therefore, accounting is a major information tool in every organization. It provides information for internal reporting for use by management in planning and controlling routine operations of the organization and for external reporting for use by government authorities for regulatory matters, and investors for making investment decisions.

An accounting system is a continuous process. A system which is proved adequate at one level of activity may have to be completely revised on expansion. It identifies and gathers financial data which can fulfil three main purposes namely; accumulation of information, measurement of information and communication of information. The process of data accumulation involves recording and analysis of economic events. This is a formal mechanism for gathering and communicating data for the aim of aiding and co-ordinating corrective decisions in the light of the overall goals or objectives of an organization (Horngren et al, 1990).

Information has been defined as the cues or guidelines which have the potential to influence managerial decisions. Managers are decision makers and they require information for decision making. Information is therefore, any fact or set of facts which is of value in specificic decisions among alternative courses of action. Information provides the means by which problems are recognized, defined, and eventually solved. The term data is used to represent values of parameters...
which are merely facts and figures. Data is obtained from historical records, operational experiences, special surveys, interpersonal interactions and/or subjective judgement. Whereas information is an analysis of aggregated and disaggregated data that is retrieved and processed for use in decision-making situations. It is the processed data that is required to perform planning, decision-making and controlling functions for operations (Sherlekar and Sharlekar 1985).

1.2. Statement of the Problem

Organizations are formed to perform specific functions in order to achieve some envisaged mission, corporate strategies, goals and objectives. Over the years Kenyatta University financial statements have been queried by the controller and auditor general for various shortcomings. Most of these shortcomings are of accounting nature, which can otherwise be avoided. Therefore, the University management have been appearing in the Public Investment Committee (PIC) to answer these queries. PIC is a standing committee of parliament comprising of selected members of parliament who are charged with the responsibilities of reviewing matters of state corporations. This is in line with the constitutional requirement that all financial matters of state corporations are subject to consideration, approval and review by the legislature as stated in the State Corporations Act Chapter 412 of the laws of Kenya (Kenya Government, 1986).

Stewardship encompasses how well the financial resources are managed and safeguarded and how well the mission is accomplished and the faithfulness with which the university’s financial plan is implemented. The inadequate financial accounting information systems emanating from poor bookkeeping of financial records by Kenyatta University has contributed to the mismanagement of the University’s financial resources. Queries raised by the controller and auditor general between the financial years 1991/1992 and 1998/1999 are shown in appendix I. The researcher investigated the
effectiveness of the financial accounting information systems used to generate financial data for the purpose of preparing financial statements for the University.

1.3. **Objective of the Study**

The overall objective of the study was to evaluate the effectiveness of the financial accounting information systems of public universities in Kenya.

1.4. **Specific Objectives of the Study**

The specific objectives of the study were: -

(i) To investigate the procedures used for processing financial accounting information by Kenyatta University.

(ii) To assess the effectiveness of the financial accounting systems over the production of accurate and timely financial statements by Kenyatta University.

(iii) To assess the effectiveness of the internal controls over financial accounting information systems by Kenyatta University.

(iv) To investigate the steps being taken by Kenyatta University management to correct the problems identified by the controller and auditor general.

1.5. **Research Questions**

In carrying out this research project, the following research questions formed the guidelines:

(i) How do Kenyan public universities maintain books of account?

(ii) To what extent are the books of account utilized in the preparation of financial statements?

(iii) What measures could be undertaken by management to improve the financial accounting information systems?
1.5. **Scope of the Study**

The study examined the financial accounting information processing systems and controls for Kenyatta University. The University was used as a sample of the six public universities since they have relatively similar policies, structures and characteristics.

1.7. **Significance of the study**

The significance of the study lies in streamlined financial accounting information systems for Kenyatta University. This is in recognition of the fact that for the University to achieve its corporate goals, it is imperative that its financial accounting information systems are sound in order to produce quality financial statements, which can be used by the University management to make informed judgement on financial matters. Therefore, despite the important role played by financial accounting information systems, no study has been carried out to assess the effectiveness of the financial accounting information systems for management of Kenyatta University management.

The findings of the study therefore, will be helpful to a number of stakeholders including finance staff, internal audit staff and management, of Kenyatta University, the Kenya Government and in particular the Ministry of Education Science and Technology, the Commission for Higher Education, the Directorate of State Corporations, donors and other public institutions of higher learning to gain understanding of the role of accounting information systems in decision-making process for efficient financial management.

The Universities will:

(i) Gain access of such information that will enhance reasonable and appropriate decision-making for improved performance of operations.

(ii) Explore the areas of weakness hindering efficiency and effectiveness hence improve on decision- making.
(iii) Identify and improve on the organizational financial accounting information system.

(iv) Evaluate the importance of an effective management of financial accounting information systems on the discharge of financial management responsibilities at the university.

The Government, Regulatory Bodies and Donors will:

(i) Gain understanding on how funds provided to the university are being controlled and utilized.

(ii) Gain understanding on the accounting procedures and controls in financial management by the University in order to gain confidence that the funds provided are being used for the intended purposes.

Other Public Universities will:

Gain understanding on the problems being experienced by the Kenyatta University and the steps to be taken to correct the situation.

Researchers will:

Use the findings of the study to understand issues raised and use them as reference materials or as a basis for further research.

1.8. Conclusion

This research comprises of five chapters, chapter one - introduction, chapter two- literature review, chapter three - research methodology, chapter four - data analysis and presentation and chapter five - findings and recommendations and conclusion.
CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

This research covers various sub-topics with a view to understanding what constitutes financial accounting information systems and how the information can be used to measure the organization's performance and the financial position at any one given time.

The basic purpose of accounting is to provide data and information useful to those making decisions on the basis of such data. But what makes economic and information useful depends on the generality of purpose, relevance, objective, comparability, clarity and timeliness (Stein, 1982).

In public organizations, accounting has served as a major mechanism of management control. The structure of financial analysis is dependent predominantly on accounting information. It is therefore, by means of accounting information that the consequences of the various options available to management are revealed. Management can use accounting information as a control and monitoring tool to assess performance and take corrective action. Decision makers should therefore, have an understanding of the accounting process as well as its strengths and weaknesses. While it is not required that decision makers be accountants, an understanding of the functions and structure of financial accounting systems is necessary for effective planning and management (McKinney, 1986).

The Public Investment Committee, a committee of parliament of Kenya deliberates on the reports on funds and accounts of state corporations by the controller and auditor general. Matters deliberated upon include serious concerns about losses on a large scale, cases of thefts and misappropriations, failure to observe regulations to ensure propriety of expenditure, cases of waste and other administrative inefficiencies, which lead to wastage of public funds and failure to obtain value for money.
2.2. The Financial Controls

The public concern about Fraud, Waste and Abuse (FWA) is the major factor in creating a crisis of confidence in both public and private institutions. Though the problem of FWA has always existed in varying degrees in public and non-profit making agencies, public attention and concern was not focused on it until the latter part of the 1970s. A Daniel Yankelovich poll in 1977, United States of America (USA) registered a significant rise of public mistrust in national institutions. A number of developments helped to raise the consciousness and concern about FWA. Inflation kept spiralling upwards, the cost of conducting business of government kept rising, causing an increase in complaints about the quality and quantity of goods and services delivered, wide reports of kickbacks, collusion and corruption among public officials. Trust in public institutions declined from 80 percent approval rating in 1950s to about 33 percent in 1976. In the business sector approval fell from a level of approximately 70 percent in the late 1950s to 15 percent in 1970. Three out of four people felt that too much power was concentrated in the hands of too few people, that public officials could not generally be believed and that too many people were taking payoffs in exchange for favours (Seymour Lipet Report, 1983).

If FWA are to be minimized over the long run the establishment of control systems that provides information about the accuracy and reliability of an organization's assets is required. The internal control system must assure that the agency's accounting transactions are accurate and complete and that procedures for detecting malfunctions are effective. Internal control system should comprise a set of procedures and actions, which are designed by management of an organization to facilitate policy execution that will eliminate or permit minimum amount of FWA.

Internal Controls should have two basic elements, that of the administrative controls, consisting of procedures and records to ensure the implementation of the organization's decisions as intended and the accounting controls, consisting of procedures concerned with the safeguarding of
assets and reliability of financial records. To ensure reliability, internal control system requires the establishment of a regular audit program to monitor the system, evaluate its performance and at the same time provide management with the required feedback.

An effective system of internal controls needs more of administrative, internal accounting controls and a continuous feedback of information to management indicating how well the organizational policies and financial information activities are being executed. The internal controls system aids management in monitoring policy implementation, maintaining the accuracy of financial records, and reporting on weaknesses and corrective actions that are needed. The internal audit function, which is one of the internal controls, serves to deter FWA in public institutions and periodically independent auditors must audit the organization’s overall system of internal controls. Of all the internal controls, the internal accounting controls are the most critical. The emphasize should be placed on the authorization to ensure that transactions are executed in accordance with an organisation’s specific guidelines and recording by ensuring that transactions are recorded to permit preparation of reports in accordance with generally accepted accounting principles. The maintenance of accountability over assets requires that access to assets be restricted to only authorized personnel. Assets records should be compared with existing assets from time to time so as to take appropriate corrective action when relevant differences occur.

Internal accounting controls, when properly established, become a network of checks and procedures that act as an important barrier and deterrent to improper conduct. Breach or violation will only occur when management is negligent and fails to effectively monitor and maintain the system. Internal accounting controls should be both preventive and detective in nature (New York State Legislative Commission, 1982).

A system of financial control is defined as the procedures established by an organization to ensure that its assets are properly protected and fully utilised that its transactions are recorded
accurately and that its financial position is correctly presented at appropriate intervals (Pidgeon, 1971). Internal controls are relevant to accounting functions, activities and reporting. The accounting systems embody the principles, standards and policies for the planning, development, maintenance, operations and functionality of the organization's accounting system. Controls are designed to protect the organization's financial resources against waste, fraud, loss and misuse while ensuring that timely and reliable data are obtained, recorded, maintained and fairly disclosed in reports. Internal controls are safeguards built into a process or work-flow to provide reasonable assurance to management that the organization's financial accounting systems are working as intended and that resources are used in the most effective and efficient manner possible.

Internal controls system is intended to provide reasonable assurance that the objectives of the financial accounting information systems will be accomplished. Reasonable assurance equates to a satisfactory level of confidence under given conditions of costs, benefits and risks. Managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal controls at all times. This requires the organization's managers and employees to be attentive to internal control matters and to take steps to promote the effectiveness of such controls.

Good internal controls should have, a clear lines of authority and responsibility, appropriate reporting relationships and separation of authority. Managers and employees should have personal and professional integrity and at the same time maintain a level of competence that allows them to accomplish their assigned duties. All transactions and other significant events are to be clearly documented and such documentation is to be readily available for examination. Logical, applicable and reasonably complete controls are to be identified and developed for each activity. Transactions are to be promptly recorded and properly classified.

The above standards should apply to entire process or life cycle of a transaction. This includes the initiation, authorization and its final classification in summary records. Transactions are
to be authorized and executed only by persons acting within the scope of their authority which deals with management’s decisions to exchange, transfer, use or commit resources for specified purposes under specific conditions. This is the principal means of assuring that only valid transactions and other events are entered into. Key duties and responsibilities shall be separated among individuals whereby duties and responsibilities such as authorizing approving, recording transactions, issuing and receiving assets, making payments and reviewing transactions shall be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Qualified and continuous supervision is to be provided to ensure that internal controls objectives are achieved. The supervisors should continuously review and approve the assigned work of their staff and provide them with the necessary guidance and training to help ensure that errors, waste and wrongful acts are minimized.

Specific management directives should be followed, access to resources and records is to be limited to authorized individuals and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparisons shall be made of the resources with the recorded accountability to determine whether the two agree. Management is to promptly evaluate findings and recommendations reported by auditors and determine proper actions in response to audit findings and recommendations. The corrective action should be completed within established time frames. The audit resolution process begins when the results of an audit are reported to management and is completed only after actions have been taken that correct the identified deficiencies and produce improvements and/or demonstrate that audit findings and recommendations are invalid and do not warrant management actions (Department of Interior, 1995).
2.3. The Power of Accounting

British Government Privatisation Programme introduced with much fanfare in the 1980s in the face of enormous public opposition has been emulated throughout the world in the 1990s. It was justified on the basis of greater efficiency and benefits to all that would follow from private ownership (Moore, 1985). If a firm’s outcomes are to be predictable enough at least with the benefit of hindsight given, the rules of the game suggests that an accounting model combined with *ex-post facto* financial information can describe and explain how and why those outcomes occurred and their likely implications. Accounting provides the framework for the profit and loss game. Accounting numbers were employed for the crucial task of restructuring the nationalized industries in Britain as commercially viable enterprises in private sector (Nao, 1992).

Critical accounting research emerging in the 1970s has opposed the technical approach of the mainstream from several different standpoints. Some have revisited the theoretical underpinning of the discipline critically analysing the basic concepts of profit, value and efficiency. Others have traced the genealogies of accounting disclosures and their pliability according to the social context in question. Another stand has explored accounting’s role as an ideological weapon in the distributional conflict over wealth, while others have analysed accounting as rhetoric examining its epistemic and logical basis.

Despite its diversity much of this research has led to the conclusion that it is impossible to use empirical accounting and financial data or social experiences to explain the world. The end result is that much critical accounting research is characterised by an analysis of accounting processes to determine the meaning behind the practices and numbers. But this has come at a cost. Instead of alternative uses of published accounts as evidence to inform about events of social, economic, and political relations, this alternative is focused entirely on developing a perspective on accounting informed by social theory. Thus critical accounting research has found a way from analysing
contemporary events or outcomes of public policy decisions in ways that are useful to the broader public at the very time when the public sector has faced interventions in which accounting was to play a crucial role. The accounting data in annual reports and accounts permits not only a financial analysis but also an economic, political and social analysis of a firm or business enterprise since the focus on how the value created by the firm is distributed to different social groups all of whom have claims on it (Shaoul, 1996).

Relatively few academic researchers have examined contemporary corporate events or scandals or made use of the primary data, the accounts to unmask undesirable irrational or social irresponsible corporate behaviour. There are few accounting studies of corporate performance using primary sources (Edwards and Shaoul, 1996). The analysis of corporate reporting has been left to journalists and investment analysis writing to inform potential investors and trade unionists (Griffins, 1996).

While their work was concerned with accounting and auditing failures rather than any broader social analysis, it nonetheless raised social issues of broader corporate accountability. But by way of contrast, these same financial accounts are seen as valid source material for historical accounting research (Stamp et al, 1980).

Corporate Social Responsibility (CSR) is concerned to limit what are seen as excesses of corporate behaviour at the expense of other social groups, ethics and the environment. The general solutions of the academics is to limit corporate power by including other social groups in management, improving social responsibility via regulation, making charges in formal accounting systems and requiring the disclosure of other types of information. The requirement for more disclosure does not make good the failure of accounting reserachers systematically to use and interpret the accounting information that is currently available (Gray et al 1996).
The accounting model working with available corporate data can be used to make an objective social analysis and critique of economic life. It can moreover, assume a constructive and emancipatory role by challenging existing problem definitions and by posing alternative questions and solutions. This is possible because the concepts and practices of conventional accounting and finance are the reflections of the social relations of capitalism. They are the mirrors in which those relations are revealed for the kind of analysis and critique which surely are the prime functions of research scholars. It signifies that accounting can be used to say something about the social world we live in. However, whether or not it is emancipatory depends on the stakeholders perspectives and programs of those who use it (Bryer, 1994).

2.4. The Financial Accounting Information Systems

In developing an information system, two points should be taken into account at the outset in determining information needs: existing processing problems should be identified and the new types of information need should be developed to enhance management decision-making. Early in the design of the financial information system, all major operating officials with financial responsibilities should be substantively involved. In the need determination phase the type of software to be installed to aid in retrieving information from the system should be carefully thought of. The debate centres on the choice between the data base management system (DBMS) and the data management system (DMS) (Litechy and Wilson, 1981).

DBMS contains data and procedures, which permit a process to be added or subtracted. Such processes can be manipulated to modify or change/convert the raw data to produce desired information. The internal management operations of DBMS, minimizes users' efforts to make the system responsive to their needs. The data base approach minimizes data redundancy by maintaining centrally stored data that can be collectively shared by a number of users and utilized for
Whereas DMS has a broader or more comprehensive scope than DBMS, it consists of a combination of software programs that automatically generate and update files. It selects, sorts, and retrieves data. From these data it has the capability to generate different kinds of reports (Schubert, 1972).

A corporation can be viewed as a lexicon of contracts designed to minimize contracting costs. Parties contracting with the firm desire information both about the firm's ability to satisfy the terms of contracts and the ultimate compliance with its contractual obligations. Financial accounting information systems supply a key quantitative representation of individual corporations that supports a wide range of contractual relationships. Financial accounting information systems enhance the information environment more generally by disciplining the un-audited disclosures of managers and supplying input into the information processing activities of outsiders. The quality of financial disclosure can impact firm's cash flows directly, in addition to influencing the cost of capital at which the cash flows are discounted.

Financial accounting information of firms and their competitors aid managers and investors in identifying and evaluating investment opportunities. In the absence of reliable and accessible information in an economy impedes the flow of human and financial capital toward sectors that are expected to have high returns and away from sectors with poor prospects. Financial accounting systems clearly supply direct information about investment opportunities. For example managers or potential entrants can identify promising new investment opportunities on the basis of the profit margins reported by other firms. Financial accounting information systems are the product of corporate accounting and external reporting systems that measure and routinely disclose audited, quantitative data concerning the financial position and performance of publicly held firms. Audited balance sheet, income statements, and cash flow statements along with supporting disclosures, form
the foundation of the firm's specific information set available to investors and regulators (Coase, 1937).

The accounting department, like the personnel department, operates in an advisory capacity, providing information for managers to make decisions. In practice, however, the financial elements controlled by the accounting functions and the information it generates are so central to the operation of the enterprise that the influence of accounting is often all pervasive. The importance of accounting within a business should therefore not be underestimated. It provides the basic information by which managers and owners can judge whether the business is meeting its objectives (Berry and Jarvis, 1994).

Corporate governance exploits the role of accounting information as a source of credible information variables that support the existence of enforceable contracts, such as compensation contracts with payoffs to managers' contingent on realized measures of performance, the monitoring of managers by boards of directors and outside investors and regulators (Berle and Means, 1932). The extensive use of accounting information in top executive compensation plans at publicly traded firms in the United States is well documented. A survey conducted by Towers Perrin in 1996 to 1997, 161 of the 177 sample firms explicitly used at least one measure of accounting profits in their annual bonus plans. Of the 68 companies in the survey that used a single performance measure in their annual bonus plans, 65 used a measure of accounting profits (Murphy, 1999).
The users objective and the decision makers backgrounds set the context for all other accounting characteristics. The two broadest constraints are materiality and cost/benefit. Materiality is the level of detail and amount below which there is no impact on decisions or on the overall presentation of the reporting entity in financial statements. While the cost/benefit is the cost to provide the information compared to the benefit of the information to the users. In general the benefit must be greater than the cost.

The User-Specific Qualities- defined in terms of the decision makers who will rely on the information, include understandabilty and decision usefulness. These qualities can only be evaluated in terms of specific user's ability to understand the information presented and to apply the information to the user's decision making processes.
Decision Specific Qualities- defined in terms of particular decisions include relevance and reliability. Relevance is the capacity of information to influence decisions. It is composed of three qualities:

- **Timeliness-** being available when decisions need to be made and reflecting current financial conditions and activities.
- **Predictive Value-** having a known consistent relationship to the course of future events.
- **Feedback Value-** providing information of the expected effect of prior action or events on current performance.

Reliability- is the extent to which information is known to reflect actual performance and events. It is dependent on three characteristics of the accounting systems, sources and processes.

- **Verifiability-** the degree to which information can and is found to agree with independent measures.
- **Representational/faithfulness/(validity)-** the extent to which accounting information and the external resources or events agree.
- **Neutrality-** the extent to which information is free from bias towards any predetermined outcome or decision.

The Interactive Qualities- defined in terms of how information can be presented in reports and other outputs include, comparability and consistency. Comparability is measured between reporting entities of the same organizational level and departmental level (FASB, 1980).
2.5. The Financial Management Functions

The Financial management of higher education institutions operates within constraints determined by the mission, the organizational structure, the sources and mechanisms of finance and the changing external environment. The mission may influence the public funds received. The financial resources ought to be applied within mission statement. However, to allow for future flexibility, mission statements tend to be stated in very general terms.

A university as an organization consists of a complex network of interdependent academic staff, support staff, students, offices, departments, and research centres. The appropriate allocation of financial resources will ensure smooth interaction of the various components. Depending on the organizational structure, the central function of financial management covers a number of activities, routinely following elaborate procedures to protect public funds against misuse.

Financial management is concerned with "principal-agent problem". This is how the person who controls resources persuades those using them to act in ways that are consistent with the objectives of the principal. The larger and more complex an organization is, the more difficult it is to do this. In bureaucratic management structures, decision-making is hierarchical, the administration is dominant and professional managers and administrators manage academic staff. In entrepreneurial organizations, individuals and departments are best able to generate income and they are the dominant partners and the most important function of financial managers is to ensure that there are adequate incentives to encourage them to do so (Gareth and Sanyal, 1996).

The main functions of financial management of any organization is to protect its financial resources against improper use, proper management of cash reserves, the production of financial indicators that assist planning and the effective general management ensuring that resources are allocated and used efficiently in accordance with the objectives of the organization (Hayes and Fridrick, 1982).
2.6. The Financial Reports

The major objectives of Financial accounting is the preparation of financial statements. The financial statements offers a measurement of past and current financial status to internal and external users such as bond holders, taxpayers, the press, creditors, bond rates, the general public and other interested groups. Financial accounting focuses on the recording of financial transactions in conformity with generally accepted accounting principles (GAAP). By means of a predetermined code or chart of accounts, financial transactions are systematically recorded in accounting ledgers (books containing the summary of accounts). The data from this ledgers are used periodically to produce required fiscal statements. (Herbert and Leo, 1982).

The Conceptual Framework

Figure 2: Conceptual Framework
Source: Researcher (2005)
The accounting process is a series of activities that begins with a transaction and ends with the closing of the books. Since this process is repeated each reporting period, it can be referred to as the accounting cycle and it includes the following major steps:

(i) Identification of the transaction

This entails the preparation of source documents. Source documents are the original records of transactions such as cash receipts, customer invoices, suppliers’ invoices, purchase orders, time cards and deposit slips. During an audit, source document is used as evidence that a particular business transaction occurred. Each source document should include the date, the amount, and a description of the transaction. It should also contain the name and address of the other party of the transaction. When a source document is misplaced, a document should be generated as soon as possible after the transaction, using other documents such as bank statements to support the information on the generated source document. Once the transaction has been journalised, the source document should be filled and made retrievable so that the transaction can be verified, should, need arise at a later date. The appropriate retention of information is vital consideration for any organization wishing to ensure its legal compliance.

(ii) Analysing and classification of the transactions

Transactions are quantified in monetary terms, identifying the accounts that are affected and whether those accounts are to be debited or credited. Recording transactions entail making entries in the appropriate journal such as sales journal, purchases journal, cash receipts and disbursement journal and general journal. The general ledger is a collection of the firm’s accounts and is organized by accounts as opposed to general journal, which is a chronological record of transactions as they occur. The posting of journalised transactions in the general ledger at first may appear to be redundant since the transactions are already recorded in the general journal. The general ledger serves an important function by allowing one to view the activity and balance of each account at a
glance. The posting into the general ledger is simply a re-arrangement of information requiring no additional decisions. It is easily performed by accounting software either when the journal entry is made or as a batch process.

(iii) Preparation of the trial balance.

In order to make sure that accounts in debits equals accounts in credits, a trial balance has to be prepared. A trial balance is a listing of all the ledger accounts, with debits in the left column and credits in the right column. At this point no adjusting entries have been made. The actual sum of each column is not meaningful; what is important is that the sums be equal. The balanced columns do not guarantee that there are no errors. Omission of a transaction or recording it in the wrong account would not cause an imbalance.

(iv) Correction of any discrepancies in the trial balance

This occurs if the trial balance columns are not in balance. To make the trial balance agree, one has to look for the mathematical errors, posting errors, and recording errors. Posting errors include, posting of the wrong amount, omitting a posting, posting in the wrong column or posting more than once. Preparation of adjusting entries to record accrued, deferred, and estimated amounts are usually made at the end of the accounting period and the adjusting entries are posted to the ledger accounts. Adjusting entries also involve journal entries made at the end of the accounting period to allocate revenue and expenses to the period in which they actually are applicable. Adjusting entries are required because normal journal entries are based on actual transactions, and the date on which the transactions occur may not be the date required to fulfill the matching principle of accrual accounting.

(iv) Preparation of the adjusted trial balance

This is similar to the preparation of the unadjusted trial balance, but this time the adjusting entries are included. The Preparation of financial statements; income statement, the balance sheet, the cash
flow statement and notes to the accounts are then prepared from the adjusted trial balance. Income statement is prepared from the revenue, expenses, gains, and losses while balance sheet is prepared from the assets, liabilities, and equity (capital) accounts. Cash flow statement is derived from the income statements and balance sheets for comparing previous year and the current year statements. It may be derived using either direct or indirect method (Bushman and Smith 2003).

After the accounts have been classified into categories, which reflect the type of asset or liability, the real accounts are posted to the balance sheet and nominal accounts are posted to the income and expenditure statement. In practice, comprehensive adjustments and detailed reporting to external users of financial information takes place once every year. The detailed information is contained in the financial statements classified into profit and loss (income and expenditure), balance sheet and cash flow statement with supporting explanatory notes for each classification. The procedure used to produce financial statements should comply with International Accounting Standards (IFRS, 2005).

Income and Expenditure is prepared from the adjusted trial balance in order to ascertain the surplus or deficit made during the period under review, where books are kept by double entry system, it is necessary on the final date of the financial year to transfer the balances of the nominal accounts to an income and expenditure account in which income and gains are set against expenses, and losses to show the net surplus or deficit. The income statement is a financial statement showing revenues earned by the organization, the expenses incurred in earning the revenues and the resulting net income/surplus or net loss/deficit for the period under review.

All operating income whether earned or donated, should be reflected in the income and expenditure statement. Capital assets whether earned or donated, should be depreciated on an annual basis, which charge should be included as an operating expense in the income and expenditure Statement or reduced from capital fund (Larson, 1989).
The Balance Sheet is a classified summary opened in the ledger after the balances of the nominal accounts have been transferred to the income and expenditure account but including the balance of the income and expenditure account. The balance sheet does not relate to a period but it sets out the book values of the assets, liabilities and capital as at a particular date. The balance sheet is therefore a statement showing on the one hand the amount of capital sunk or employed in the organization and sources from which it is derived. In the balance sheet the fixed assets are normally valued at cost less provision for depreciation. Current assets are shown at cost or net realizable value whichever is the lower. A balance sheet is a financial report showing the assets, liabilities and equity of an organization on a specific date (Robinson, 2001).

Cash flow Statement is a concept of value added shows how the firm has created the surplus, a cash flow analysis based on the cash flow statement produced as part of the statutory accounts, shows the distribution of the surplus and demonstrates whether the business is:

- increasing net cash inflow from operating activities.
- able to fund comfortably its level of dividends, payments and service it debt.
- maintaining its expenditure on fixed assets.
- making acquisitions and generating funds by buying and selling business.
- raising new share capital and/or debt.

The cash flow statement shows what level of funding is needed and how the business’s cash position has changed (Ellis and Williams, 1993).

The Cash flow statement compares the balance sheet at the beginning of an accounting period with the balance sheet at the end of the period under review. The findings are expressed in a statement, which discloses the movements that have taken place during the period in respect of each assets and liabilities. Usually the findings are employed for budgetary purposes to indicate the
pattern of changes expected during a forthcoming period. It may also be used to explain the change in any assets or liabilities. It is normally used for reconciling the opening and closing bank and cash balances (White et al, 1994).

2.7. Conclusion

This chapter has looked into the importance of the financial accounting information systems in an organizations and how management can make informed financial decisions out of the financial statements. The financial information systems capture and process financial data used for the preparation of financial statements. The effectiveness of sound financial management decisions depends on the quality of financial statements produced by the organization.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlines the research design for the study, population of the study, sampling framework, data collection and data analysis and presentation.

3.2. Research Design

This was a case study. A case study is a strategy which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence (Robson, 2002). A case study uses a mixture of methods such as personal observation, which for some periods or events may develop into participation, the use of informants for current and historical data, straightforward interviewing and the tracing and studying of relevant documents (Casley and Lury, 1987). The case study was suitable because it facilitated an in-depth investigation of the problem.

The case study is, in many ways ideally suited to the needs and resources of the small-scale research. It allows a focus on just one example, or perhaps just two or three. This might be the researcher's place of work, or another institution or organization with which they have a connection (Blaxter et al, 1999). This case study examined and evaluated the effectiveness of financial accounting information systems of Kenyatta University.

3.3. Population of the Study

The population of the study was from finance staff at Kenyatta University in various cadres as shown in the tables below:
Table 1: Kenyatta University Staff Distribution by Cadre-Senior Officers

<table>
<thead>
<tr>
<th>Staff Cadre</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Officer</td>
<td>1</td>
</tr>
<tr>
<td>Deputy Finance Officers</td>
<td>3</td>
</tr>
<tr>
<td>Purchasing Officer</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

Source: Kenyatta University -Finance Department Organizational Chart

Table 2: Kenyatta University Staff Distribution by Cadre-Other Officers

<table>
<thead>
<tr>
<th>Staff Cadre</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Accountants</td>
<td>12</td>
</tr>
<tr>
<td>Accountants</td>
<td>13</td>
</tr>
<tr>
<td>Assistant Accountants</td>
<td>20</td>
</tr>
<tr>
<td>Senior Accounts Assistant</td>
<td>16</td>
</tr>
<tr>
<td>Accounts Assistants</td>
<td>10</td>
</tr>
<tr>
<td>Accounts Clerks</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
</tr>
</tbody>
</table>

Source: Kenyatta University -Finance Department Organizational Chart

3.4. Sampling Framework

3.4.1 Sampling Method

The study used simple random sampling. Finance department of Kenyatta University is divided into 11 sections and each section was considered a stratum. From each stratum, simple random sampling was used to determine the particular respondents. A further proportional sampling was used to determine the number of respondents for each stratum. In addition 4 senior finance staff of the University were selected. The staff distribution is as shown in tables below:
Table 3: Kenyatta University Staff Distribution by Cadre -Senior Officers

<table>
<thead>
<tr>
<th>Staff Cadre</th>
<th>Population</th>
<th>Percentage Distribution</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Officer</td>
<td>1</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>Deputy Finance Officers</td>
<td>3</td>
<td>60</td>
<td>2</td>
</tr>
<tr>
<td>Purchasing Officer</td>
<td>1</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>100</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Kenyatta University –Finance Department Organizational Chart

Table 4: Kenyatta University Staff Distribution by Section -Other Officers

<table>
<thead>
<tr>
<th>Staff Cadre</th>
<th>Population</th>
<th>Percentage Distribution</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>6</td>
<td>7.22</td>
<td>2</td>
</tr>
<tr>
<td>Revenue</td>
<td>16</td>
<td>19.27</td>
<td>5</td>
</tr>
<tr>
<td>Payments</td>
<td>12</td>
<td>14.45</td>
<td>4</td>
</tr>
<tr>
<td>Purchasing</td>
<td>6</td>
<td>7.22</td>
<td>2</td>
</tr>
<tr>
<td>Students Finance</td>
<td>8</td>
<td>9.67</td>
<td>2</td>
</tr>
<tr>
<td>Budgetary</td>
<td>3</td>
<td>3.61</td>
<td>1</td>
</tr>
<tr>
<td>Inventory</td>
<td>5</td>
<td>6.02</td>
<td>1</td>
</tr>
<tr>
<td>General Services</td>
<td>4</td>
<td>4.81</td>
<td>1</td>
</tr>
<tr>
<td>Income Generating Units</td>
<td>10</td>
<td>12.04</td>
<td>3</td>
</tr>
<tr>
<td>Accounts</td>
<td>5</td>
<td>6.02</td>
<td>2</td>
</tr>
<tr>
<td>Stores</td>
<td>8</td>
<td>9.67</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>100</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Kenyatta University -Finance Organizational Chart

3.4.2 Sample Size

A stratified random sampling was used to select a sample of 25 respondents from 11 section from finance department of Kenyatta University. In addition 4 senior finance staff of the University were selected. This represented 32 percent of the target population. Each of the 11 sections within finance department of the University were proportionally represented within the sampling frame.
3.4. Data Collection

Both primary and secondary data were used in the study. Secondary data were obtained through documentary analysis. Relevant institutional documents such as payment vouchers, journals, management reports, budgets and financial statements were gathered, critically studied and analysed. On the other hand, primary data were collected using a questionnaire. A questionnaire is one of the most widely used social research techniques for data collection. The questionnaire contained open-ended and closed-ended questions and were administered using drop-and-pick later method.

3.6. Data Analysis and Presentation

Qualitative data collected were organized, carefully studied and analyzed by way of descriptive statistics, frequency and comparatives. Data presentation were by way of tables, line graphs and pie charts and bar charts.
CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1. Introduction and Response Rate

This chapter contains the analysis of data and its interpretation as it was collected from the sampled population of 29. Out of the 29 questionnaires given out to members of finance staff, 22 were responded to and returned. This accounted for 76 percent response rate. The table below gives the summary of the questionnaires distributed and returned:

Table 5: Questionnaires Distributed and Returned

<table>
<thead>
<tr>
<th>Type of Respondent</th>
<th>No. of Questionnaires Distributed</th>
<th>No. of Questionnaires Returned</th>
<th>Response Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Officer</td>
<td>1</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Deputy Finance Officer</td>
<td>2</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Purchasing Officer</td>
<td>1</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Senior Accountants</td>
<td>4</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>Accountants</td>
<td>4</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Assistant Accountants</td>
<td>5</td>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td>Senior Accounts Assistants</td>
<td>5</td>
<td>4</td>
<td>80</td>
</tr>
<tr>
<td>Accounts Assistants</td>
<td>3</td>
<td>2</td>
<td>67</td>
</tr>
<tr>
<td>Accounts Clerks</td>
<td>4</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29</strong></td>
<td><strong>22</strong></td>
<td><strong>76</strong></td>
</tr>
</tbody>
</table>

From the above table, 22 or 76% of the respondents completed and returned their questionnaires, while 7 or 24% failed to return their questionnaires despite several reminders given to them to do so. The original sample of 29 could therefore not achieved.
4.2. Distribution of Period of Employment of the Finance Department staff

The respondents were required to indicate the number of years they have worked in finance department by selecting from one of the descriptions given in years as “1-5”, “6-10”, “11-15”, “16-20” and over 21. The responses are analysed in the table below:

Table 6: Distribution of Period of Employment of Finance Staff

<table>
<thead>
<tr>
<th>Years</th>
<th>Responses</th>
<th>% Response</th>
<th>Cumulative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>3</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>6-10</td>
<td>11</td>
<td>50</td>
<td>14</td>
</tr>
<tr>
<td>11-15</td>
<td>2</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>16-20</td>
<td>4</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>21 and Above</td>
<td>2</td>
<td>9</td>
<td>22</td>
</tr>
</tbody>
</table>

The responses are presented in the bar chart below:

![Distribution of period of employment of the finance department staff](image)

Figure 3

From table 12 and bar chart in figure 3 above 50% of the respondents have worked for between 6 to 10 years. This is explained by the fact that the University offers its employees perishable terms of service. One qualifies for 100% employer’s contribution of 27.5% of the basic
pay after serving for at least 5 years. For the last 7 years the University has reduced the number of new recruits of finance staff and the level of staff turnover has gone down.

4.3. Number of Finance Staff Trained on Relevant Courses

The respondents were required to indicate if they have been trained in the relevant courses.

The responses are analysed in the table below:

<table>
<thead>
<tr>
<th>Cadre of Employees</th>
<th>No. of Employees</th>
<th>No. of Staff Trained</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Officer</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Deputy Finance Officer</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Purchasing Officer</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Senior Accountants</td>
<td>2</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Accountants</td>
<td>4</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Assistant Accountants</td>
<td>4</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Senior Accounts Assistants</td>
<td>4</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>Accounts Assistants</td>
<td>2</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>Accounts Clerks</td>
<td>2</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>19</strong></td>
<td></td>
</tr>
</tbody>
</table>

As shown in table 7 above, 19 out of 22 respondents have had training in the relevant fields. Of this figure, vast majority are in the various stages in their professional training in accountancy (CPA). Those who have completed and obtained full professional qualifications of Certified Public Accountants of Kenya (CPA) are 4. 2 are Deputy Finance Officers, 1 is Senior Accountant and the remaining 1 is Assistant Accountant. 8 members of staff are pursuing the Certified Public Accountants course and they are in their final part to completion. The remaining 7 have abandoned the course due to lack of motivation for promotion or because of financial difficulties. The University does not offer sponsorship to non teaching staff.
4.4. Effectiveness of Financial Accounting Information Systems

Data was collected on all variables that were investigated. All members of finance staff of Kenyatta University were given the same questionnaire to evaluate the degree of effectiveness of the financial accounting information systems by selecting from one of the descriptions given as "Very effective", "Fairly effective", "Effective", "Ineffective" and "Very ineffective". The responses are analysed in the table below:

Table 8: Effectiveness of Financial Accounting Information Systems

<table>
<thead>
<tr>
<th>Scale</th>
<th>Responses</th>
<th>% Response</th>
<th>Cumulative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Effective</td>
<td>3</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Fairly Effective</td>
<td>6</td>
<td>27</td>
<td>9</td>
</tr>
<tr>
<td>Effective</td>
<td>9</td>
<td>41</td>
<td>18</td>
</tr>
<tr>
<td>Ineffective</td>
<td>2</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Highly Ineffective</td>
<td>2</td>
<td>9</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The responses are presented in the pie chart below:

![Pie Chart](image)

Figure 4
From table 6 and the pie chart in figure 4 above, 41% of the respondents considered the financial accounting information systems as effective. 9% of the respondents felt that the financial accounting information system was either ineffective or highly ineffective. The financial accounting information systems therefore, need to be improved in order to provide necessary information to assist management in the formulation of long-range policy plans and strategies. Financial accounting focuses on the recording of financial transactions by means of predetermined code or chart of accounts in the ledgers. The data from these ledgers are used periodically to produce required fiscal statements. The statements can be used for budget preparation, internal controls, and adherence to legal and other external reporting requirements.

4.5. Effectiveness of Management of the General Ledger

The respondents were required to evaluate the degree of effectiveness by selecting from one of the descriptions given as “Very effective”, “Fairly effective”, “Effective”, “Ineffective” and “Very ineffective”. The responses are analysed in the table below:

Table 9: Effectiveness of Management of the General Ledger

<table>
<thead>
<tr>
<th>Scale</th>
<th>Responses</th>
<th>% Response</th>
<th>Cumulative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Effective</td>
<td>2</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Fairly Effective</td>
<td>5</td>
<td>23</td>
<td>7</td>
</tr>
<tr>
<td>Effective</td>
<td>3</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Ineffective</td>
<td>11</td>
<td>49</td>
<td>21</td>
</tr>
<tr>
<td>Highly Ineffective</td>
<td>1</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The responses are presented in the pie chart below:
From table 9 and pie chart in figure 5 above, 49% of respondents considered the management of the general ledger as ineffective. 5% of the respondents felt that management of the general ledger was highly ineffective. The management of the general ledger therefore needs to be strengthened with the right number of staff and posting controls. Book-keeping recognizes that every transaction which can be recorded in terms of money involves the receiving of value by one and the giving of equivalent value by another. The double entry system requires entries to be made in the books of account to give effect to both aspects of the transactions. The general ledger should be divided into various accounts each being devoted solely to transactions with particular kind.

4.6. Effectiveness of the Processing of Financial Statements

The respondents were required to evaluate the degree of effectiveness by selecting from one of the descriptions given as "Very effective", "Fairly effective", "Effective", "Ineffective" and "Very ineffective". The responses are analysed in the table below.
Table 10: Effectiveness of the Processing of Financial Statements

<table>
<thead>
<tr>
<th>Scale</th>
<th>Responses</th>
<th>% Response</th>
<th>Cumulative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Effective</td>
<td>1</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Fairly Effective</td>
<td>3</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>Effective</td>
<td>10</td>
<td>44</td>
<td>14</td>
</tr>
<tr>
<td>Ineffective</td>
<td>5</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td>Highly Ineffective</td>
<td>3</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The responses are presented in the pie chart below:

![Pie Chart]

Figure 6

From table 10 and pie chart in figure 6 above, 44% considered the processing of financial statements as effective. 23% and 14% of the respondents felt that the processing of financial statements as ineffective and highly ineffective respectively. The process of financial statements therefore, needs to be improved further in order to prepare financial statements which complies with the international accounting standards. All accounting transactions are summarized in three principal statements: the balance sheet, the income and expenditure statement and the changes in financial position (cash flow statement). The balance sheet is the most basic accounting reports indicating the
resources controlled by the University and the ways they are financed. The income and expenditure statement shows revenues, expenses and net surplus/deficit. The cash flow is devoted exclusively to reporting changes in fiscal position for a specified period of time.

4.7. Effectiveness of Co-ordination of Financial Operations by top University Management

The respondents were required to evaluate the degree of effectiveness by selecting from one of the descriptions given as “Very effective”, “Fairly effective”, “Effective”, “Ineffective” and “Very ineffective”. The responses are analysed in the table below:

Table 11: Effectiveness of Co-ordination of Financial Operations by top University Management

<table>
<thead>
<tr>
<th>Scale</th>
<th>Responses</th>
<th>% Response</th>
<th>Cumulative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Effective</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fairly Effective</td>
<td>2</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Effective</td>
<td>3</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Ineffective</td>
<td>11</td>
<td>50</td>
<td>16</td>
</tr>
<tr>
<td>Highly Ineffective</td>
<td>6</td>
<td>27</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The responses are presented in the pie chart below:

Figure 7
From table 11 and pie chart in figure 7 above, 50% of the respondents considered the co-ordination of financial operations by University top management as ineffective. 27% of the respondents felt that co-ordination of financial operations by University top management as highly ineffective. Therefore, co-ordination needs to be improved in all the three divisions of finance, planning and development, administration and academic for optimal utilization of financial resources. There is need for integration and synchronisation of the various activities of the University in order that all its functions can work harmoniously towards its common objectives. Lack of financial information at the right time when it is required, may delay essential operations or lead to inefficient use of financial resources. The University can operate successfully when management receives promptly all the information necessary for proper planning and control. The financial reports to management need to be streamlined as far as possible so as to be receiving from finance department monthly summaries of financial reports showing comparison of revenue, expenditure and cash position with budget together with a brief report on any problems and confirmation that certain specified control requirements are being complied with.

4.8. Co-operation of top University Management with Finance Staff

The respondents were required to evaluate the degree of effectiveness by selecting from one of the descriptions given as “Very good”, “Fairly good”, “good”, “Bad” and “Very bad”. The responses are analysed in the table below:
Table 12: Co-operation of top University Management with Finance Staff

<table>
<thead>
<tr>
<th>Scale</th>
<th>Responses</th>
<th>% Response</th>
<th>Cumulative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Good</td>
<td>3</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Fairly Good</td>
<td>13</td>
<td>58</td>
<td>16</td>
</tr>
<tr>
<td>Good</td>
<td>5</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Bad</td>
<td>1</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Very Bad</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The responses are presented in the bar chart below:

![Co-operation of top University management with finance staff](image)

Figure 8

From table 12 and bar chart in figure 8 above, 58% of the respondents considered the co-operation of top University management with finance staff to be fairly good. Whatever principles and rules are laid down for co-ordination, they will not be effective unless co-operation exists between members of top University management and finance staff. Co-operation comes about through the evolution of good management-staff relations, a feeling of personal involvement and the generation of an atmosphere of management respect for staff. Co-operation depends to a very large extent on the existence of goodwill to finance staff by top University management. Management should take
steps to promote further the good relations existing with finance staff for effective delivery of financial services.

4.9. Extent of the Desirability of Internal Controls in Enabling Accurate Financial Statements

The respondents were required to evaluate the extent of the desirability of the internal controls in enabling accurate financial statements by selecting from one of the descriptions given as “Strongly agree”, “Agree”, “Disagree” and “Strongly disagree”. The responses are analysed in the table below:

<table>
<thead>
<tr>
<th>Scale</th>
<th>Responses</th>
<th>% Response</th>
<th>Cumulative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>14</td>
<td>63</td>
<td>14</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>9</td>
<td>22</td>
</tr>
</tbody>
</table>

The responses are presented in the bar chart below:

---

**Table 13: Extent of the Desirability of Internal Controls in Enabling Accurate Financial Statements**

---

**Figure 9**
From table 13 and bar chart in figure 9 above, 63% of the respondents strongly agreed that internal controls are necessary for accurate financial statements. The responsibility for the application of internal controls must rest with those in authority. A strong internal audit unit will assist management by detecting by means of continuous review the weaknesses in the internal control system and recommend improvement. Financial controls are the structures, policies and procedures that apply to an entity’s overall financial operations. They provide the framework within which many different applications are processed. Therefore, weaknesses in financial controls can adversely affect the financial statements.

4.0.1 Desirable Features in Processing and Managing Financial Accounting Information Systems

The respondents were required to indicate the degree of the desirable features in processing and managing financial accounting information systems by selecting from one of the descriptions given as “Most important”, “Fairly important”, “Important”, “Irrelevant”. The responses are analysed in the table below:

Table 14: Desirable Features in Processing and Managing Financial Accounting Information Systems

<table>
<thead>
<tr>
<th>Scale</th>
<th>A Fully Computerized Operations</th>
<th>Good Filling System</th>
<th>Highly Qualified Personnel</th>
<th>Good Office Lay Out</th>
<th>Centralized and Integrated Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most Important</td>
<td>15</td>
<td>11</td>
<td>9</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Fairly Important</td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Important</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Irrelevant</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
</tbody>
</table>

The responses are presented in the bar chart below:
From table 14 and the line graph in figure 10 above, the respondents felt as follows:

15 most important to have a fully computerized operations, 12 most important to have centralized and integrated operations, 11 most important to have good filling system, 9 most important to have highly qualified staff and 8 most important to have good office lay out. A fully computerized operations and integrated financial operations increase uniformity of accounting practices where these are under common direct control.

4.0.2. Desirable Controls for Effective Provision of Financial Accounting Information

The respondents were required to indicate the degree of the desirable controls for Effective Provision of financial accounting information systems by selecting from one of the descriptions given as “Most important”, “Fairly important”, “Important”, “Irrelevant”. The responses are analysed in the table below:
Table 15: The desirable Controls for Effective Provision of Financial Accounting Information

<table>
<thead>
<tr>
<th>Scale</th>
<th>Segregation of Duties</th>
<th>Staff Rotation</th>
<th>Supervision</th>
<th>Authorization</th>
<th>Coding of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most Important</td>
<td>16</td>
<td>13</td>
<td>17</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Fairly Important</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Important</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Not Important</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Irrelevant</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
</tbody>
</table>

The responses are presented in the bar chart below:

Figure 11

From table 15 and line graph figure 11 above, the respondents felt as follows:

17 most important for supervision, 16 most important for segregation of duties, 13 most important for staff rotation, most important for authorization and 9 most important for coding of data. It is therefore most important to have the above controls in order to carry on the business of the University in an orderly manner, safeguard its assets and secure as far as possible the accuracy and
reliability of its financial records. In any efficiently controlled organization there must be clear lines of
demarcation between the responsibilities and duties of the staff and these can only be operated in
conjunction with properly compiled records of the various activities of the business and by the
circulation of written information as to the duties of the staff.

The chapter contains the summary of the main points discussed in earlier
chapters. The introduction presented in previous chapters has been adequately
summarized in the present chapter.

The effectiveness and efficiency of any financial and accounting system
require the assurance of the highest level of internal control. This control is
required for ensuring the integrity of the financial statements. The management
must be able to ensure that the financial statements are prepared in accordance
with the requirements of the financial reporting framework and are free from
material misstatement. The accounting information is used by the management for
planning, control, and decision-making. The accounting information is also
utilized by external stakeholders for investment and lending decisions.

3.2. Summary

The results from the study revealed that the accountability of the financial
department and the accuracy of the financial statements are critical for the
success of the organization. The management must ensure that the financial
information is accurate and reliable. The management must also ensure that the
financial statements are prepared in accordance with the legal requirements and
are free from material misstatement. The management must also ensure that the
information is used by the stakeholders for investment and lending decisions.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter discusses the summary of the research findings. Conclusions are drawn thereafter. The researcher then makes recommendations, limitations of the study and lastly suggested areas of further research.

The effective and efficient management of financial accounting information systems is required for successful discharge of financial management functions of the University. In situations where the accounting information systems are poorly managed, the capacity of the finance staff to discharge their financial functions will be seriously hampered. Kenyatta University has a large number of finance staff, the majority of whom have not completed their professional training in accountancy. The accounting information operating system (Sun Accounting system) is partially utilized. As a result of this state of affairs in the University, the accounting information systems are inadequate.

5.2. Summary

The results from the study revealed that the accounting records in some sections of the finance department are manually processed and maintained. Due to this fact it takes long on the part of staff in the affected sections to produce in good time up-to-date accounting information which can be used by University management in decision making. The accounting records are not reconciled frequently thus rendering the financial statements unreliable and misleading.
The study further, revealed that the finance filing registry suffers from serious shortages of space, good filing cabinets and shelves for storing documents for future reference. Payment vouchers and other documents are congested in the few available cabinets and shelves. Some documents take long to be filed thus rendering tracing of documents by internal and external auditors cumbersome. Misplacement of documents was identified as one of the most common problems in the finance filing registry. This was largely attributed to lack of space and training of registry staff on record management. No restrictions are imposed on staff other than registry staff from getting access into the filing registry, hence documents can be removed from the files and destroyed by fraudulent staff. In some of the payment vouchers examined source documents were not attached.

It was observed that the working morale of most of the finance staff is low due to delays in rewarding them with promotion once they have passed examinations on relevant courses. The majority of employees have served the University in one grade for more than ten (10) years continuously without being promoted. The University does not sponsor non-teaching staff for further training in accountancy and/or other financial management courses. This factor has hampered their career development.

The study observed that there is poor co-ordination of financial operations by University management. This was attributed to lack of financial management skills. As such suggestions and recommendation made by some finance staff, internal auditors and external auditors to management on how to improve the management of accounting information systems are not given due attention. Most of finance staff who were interviewed revealed that they receive contradictory and unprofessional instructions from management on how to process and maintain accounting records. In addition users of the accounting information are inconvinenced because they are not given correct information on the balances on the votes under their control. This is due to the bad records and mispostings of departmental transactions into wrong accounts.
The study revealed that the University has not established a comprehensive financial accounting information system. A comprehensive financial accounting information systems should include detailed policies and procedures for safeguarding all the financial information.

The study further revealed that the University has no restricted access to computer room and data to only authorized users and no proper separation of duties in the general ledger section. Data entry clerks also post the final data into the general ledger in the computer system. The separation would help ensure proper controls over data integrity. It was also observed that the University does not have a program for bank reconciliation process and bank reconciliation is managed manually.

5.3. Conclusions

The main objective of this study was to evaluate the effectiveness of the financial accounting information systems of public universities in Kenya in particular reference to Kenyatta University. From the findings of the study presented in chapter 4, most of the queries raised by the Controller and Auditor General in appendix I can be confirmed. There are no clear financial policies and internal controls put in place by the University management to guide the processing of financial information.

The University does not prepare the annual financial statements in compliance with the International Financial Reporting Standards (IFRSs). The financial statement do not therefore present a true and fair view of the state of affairs, particularly for debtors and creditors. Because of the manual nature of processing financial information and preparing financial statements delays are experienced as evidenced by late submission of the annual accounts to the Controller and Auditor General for verification.

The University has not taken corrective measures for solving the problems highlighted by auditors, hence similar queries are being raised year after year. The University management appears every year before the Public Investment Committee (PIC) to answer these same queries.
In the absence of a fully computerised and integrated operations, the University is at risk in losing and misappropriating the financial resources. It has been identified that some of the students study and complete their studies without paying full fees. This is attributed to lack of proper manitanance of student records and poor co-ordination between academic division (student admission section) and finance department (student finance section). Some of the prospective students who are admitted never report at all. They are being billed every year, hence a reflection of huge exaggerated outstanding fees balances in the University books of account which will never be collected.

5.4. Recommendations

Due to the findings of the study the following recommendations are made:

(i) The University management should undertake urgent steps to make sure that only professionally trained and qualified finance staff are appointed heads of sections/department. This will increase morale to those who feel qualified but are not recognized.

(ii) Finance staff who have not been trained in accountancy/ financial management courses should be sponsored for training.

(iii) The finance filing registry staff need to be sponsored for courses in record management and the section to be allocated adequate space and filing facilities.

(iv) There should be put in place attractive terms and conditions of service to cater for proper remuneration and career advancement of finance staff and promotions should not be delayed where vacancies arise.

(v) The processing of financial accounting information in all sections of finance department should be computerized and networked and adequate number of
computers and printers should be bought for each section. All modules in the operation system (sun accounting) should be activated in order to process accurate and timely the necessary data required by the University management for decision making. The manual ways of processing accounting information should be discarded as this delays the production of management reports and financial statements. All payments and receipts should be online so that the ledger accounts are updated automatically and minimize posting errors.

(vi) The University should undertake a comprehensive periodic risk assessment and allocate resources for monitoring the financial accounting information systems activity. Risk assessment help identify systems risks and failures. Without periodic risk assessment, incorrect financial data may go undetected and uncorrected which will ultimately affect the accuracy of the financial statements.

(vii) The University should establish effective access controls for the general ledger and computer room. Unauthorized personnel should not be allowed to alter data in the general ledger. This will put the integrity of the financial data at risk.

(viii) The University should establish controls such as monitoring and audit trail. Financial statements should always be prepared from the adjusted trial balance which captures all the prepayments and accruals.

(ix) The University should have system documentation for all financial activities. Systems documentation provides an understanding of processed data and control. It defines the system objectives and provides a means to ensure that the system operates as intended. The system documentation should describe how the system operates and how the users interacts with the system. The University should also have a complete system narratives and flow charts for accounting process.
(x) The University should put in place the financial and internal control systems to provide all data processing procedures including bank reconciliation process. The policies and procedures should be communicated to staff to the extent of their responsibilities.

(xi) The University should acquire a software such as RECON-Plus system which can be used for bank reconciliation process. ReCON-Plus is a software package designed for automatically reconciling bank and cash book transactions.

(xii) Fixed Assets

- The gross and net book values of fixed assets should be correctly stated in the books.
- Fixed assets register should be maintained in sections corresponding with the control accounts in the general ledger showing the following features:

<table>
<thead>
<tr>
<th>Register reference number</th>
<th>Description of the asset</th>
<th>Identification number</th>
<th>Date of acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of disposal</td>
<td>Cost or valuation</td>
<td>Posting reference</td>
<td>Rate of depreciation</td>
</tr>
<tr>
<td>Annual depreciation charges using straight line method</td>
<td>On disposal, gross and net book values and sale proceeds</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(xiii) Stocks

- The value of closing stock should be correctly stated in the annual accounts
- Separate control accounts should be opened for each store which should be under separate physical control.
- Stores ledger should be maintained in sections corresponding to the control accounts in the general ledger showing the following features:
### Table 17: Features of Stock Account

<table>
<thead>
<tr>
<th>Account reference number</th>
<th>Description</th>
<th>Manufacturers reference</th>
<th>Bin number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum, minimum stock levels and re-order levels</td>
<td>Columns for receipts and issues and balance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A confirmation should be made of the existence of all stocks included in the annual accounts by means of physical count which should be witnessed by internal and external auditors.

(xiv) Purchasing Procedures

- A designated officer should approve all purchases
- Pre-numbered order forms should be used and cross-referenced to invoices and stores received notes.
- The person receiving items from the store should sign for issues at the time of issue.

(xv) Debtors and Prepayments

- All amounts due to the University or paid in advance should be correctly stated in the balance sheet
- Amounts charged out to debtors should be credited to the correct asset or revenue account.
- Supplies should be recorded promptly and charges made to the debtors accounts.
- The control accounts should be maintained and reconciled monthly with the totals of balances extracted from the debtors’ ledger.
- Separate ledger accounts should be opened for each debtor showing the following features:
### Table 18: Features of Debtor Account

<table>
<thead>
<tr>
<th>Account reference</th>
<th>Name and address,</th>
<th>Credit limit and payment terms,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date and description posting reference</td>
<td>Amount of each transaction,</td>
<td>The balance at the end of each month.</td>
</tr>
</tbody>
</table>

Students should be billed in accordance to the degree programmes they undertake and the student ledger posted using billing journals (invoices). The analysis giving the breakdown between schools, type of the degree programmes and the amount outstanding from each student should be provided to management on a monthly basis. Debtors balances should be confirmed by internal audit on a test basis.

(xvi) Cash and bank Balances

- Cash and bank balances should be correctly stated in the balance sheet
- Receipts and payments allocated to the correct capital and revenue accounts
- Cash book totals should be posted to the general ledger each month or at such lesser intervals and reconciled monthly for each cash book.
- Independent officers should conduct a cash counts at the close of business at the end of the financial year and the amount counted reflected in the balance sheet
- Internal audit unit should carry out supplementary checks and procedures to ensure that receipts are entered and banked immediately
- Before any payment is made for purchases of goods and services, invoices should be approved by a designated officer. Payments for salaries, wages, staff expenses and rent should also be subjected to same approval.
Creditors and Accrued Charges

- Outstanding liabilities should be correctly stated in the balance sheet and balances.
- Control accounts should be agreed on a monthly basis with the total of balances extracted from the creditors ledger.
- Entries in the creditors ledger should be made using purchases invoices properly checked and approved.
- All purchases invoices should be entered in a register and allocation of the code numbers to invoices made by a senior officer.
- Liabilities not taken up in the purchases records as at end of the financial year should be brought into accounts as accruals.
- Separate creditors ledger account should be opened for each credit supplier showing the following features:

Table 19: Features of Creditor Account

<table>
<thead>
<tr>
<th>Account reference</th>
<th>Name and address</th>
<th>Any special discount and credit terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date and description posting reference</td>
<td>Amount of each transaction</td>
<td></td>
</tr>
</tbody>
</table>

Finally the University management should put urgent measures in place to ensure:

- Proper co-ordination of financial activities in the three divisions.
- Full co-operation between the University top management, finance staff and the auditors for efficient financial management.
- The top managers who have acquired financial management skills should undertake financial management courses for a better understanding and interpretations of financial statements and reports.
5.5. Limitations of the Study

The researcher encountered the following limitations:

- Lack of co-operation by some of the respondents who did not return their questionnaires for analysis. This they did not see how the research will benefit them.
- Time and financial resources were inadequate. The researcher would have administered the questionnaire to finance staff in all other public universities in Kenya in order to get their views on the problems being experienced by each university in financial management.
- Data collected was based on historical data hence it may not represent the current situation.

Despite the above limitations, the responses were sufficient enough to make valid conclusions for Kenyatta University. Therefore, data collected and the observations made by the researcher are believed to be a representative of the real situation for the University.

5.6. Suggested Areas of Further Research

From the finding of the study, it is clear that more research should be done in the following areas:

- Since this research was conducted in Kenyatta University, it is better if a study can be carried out for all public universities in Kenya.
- This research concentrated on the financial controls, it could be better if all entire control systems covering the whole of the University operation is undertaken.
- Since finance department has a huge staff a further study should be undertaken to establish the rational size for effective delivery of financial services.
• A further study should be undertaken to evaluate the effectiveness of the entire University financial regulations, procedures and policies in comparison with the requirements of the International Financial Reporting Standards (IFRSs).
REFERENCES


Department of Interior, United States of America (1995), "Accounting Manual" Internet Center for Management and Business Administration, Inc.


APPENDIX I

QUERIES RAISED BY THE CONTROLLER AND AUDITOR GENERAL ON KENYATTA UNIVERSITY ACCOUNTS

Since 1992, Kenyatta University annual accounts have had quarries by the Controller and Auditor General. Here below are some common queries raised:

Failure to submit final accounts on time: In the financial years, 1991/1992, 1992/1993, 1993/1994, 1994/1995, 1995/1996, and 1996/1997, the University did not submit its accounts on time. The government ministries and state corporations are required by law to submit to the Controller and Auditor General the annual accounts for audit on or before 31st October following the end of the financial year on 30th June of every year. The late submission of the accounts outside the statutory period adversely affected the auditor’s audit programme. Where the accounts could be delay because of some reasons, the approval of the National Assembly must be sought before the due date.

Failure to produce authority for the variation of contracts: In the financial year, 1991/1992, the University awarded five contracts for the construction of additional buildings within the campus in 1988, 1989 and 1990. According to the final claims, the contracts were varied upwards. The University did not produce to the auditors, the authority for the variations. Consequently, the Auditor was unable to confirm the authenticity of the additional expenditure.

Failure to provide for contingent loss: In the financial year, 1991/1992, the University held fixed deposits in some banks and building societies. Some of the fixed deposits were however, not confirmed by some banks as requested. This was because these banks were under-receivership. No provision was made in the accounts for the possible loss.

the auditor was unable to confirm the authenticity of the amounts shown in the balance sheet as debtors and creditors.

**Failure to distinguish capital expenditure from revenue expenditure:** In the financial Year, 1991/1992, the University included in the central services an expenditure amount used to purchase furniture for staff houses. The expenditure should have been capitalised and form part of the fixed assets according to International Accounting Standard No. 16.

**Failure to provide Supporting documents:** In the financial year, 1991/1992, the University failed to provide supporting documents in respect of some payments. Documents were not attached to the payment vouchers. The auditor therefore, was unable to confirm the correctness of the amounts paid.

**Failure to detect fraud:** In the financial year, 1991/1992, the bank reconciliation statements revealed that some cheques issued in February 1992, for payment of salaries to some university staff were altered and cleared by the bank. However, it was established that persons other than the payees cashed the cheques. The University did not provide explanation as to how these fraudulent actions took place and the steps it was taking to recover the loss.

**Failure to reconcile the manual records with computerized records:** In the financial year, 1999/2000, the University maintained both manual and computerized cashbooks. Figures from the two sets of records did not agree. In addition the University’s bank reconciliation statements revealed huge unexplained figures brought forward from previous years that have been outstanding for over one year. Consequently, the auditor was unable to confirm the correctness of the cash-book balances.

**Failure to reflect actual cash in hand in the final accounts:** In the financial year, 1996/1997, cash in hand as reflected in the balance sheet shows a different figure from what was reflected in the in cash survey sheets.

**Failure to reconcile physical stock with stock records:** In the financial year,
1995/1996, the Balance Sheet reflected a stock figure whose physical stock taking sheets were not
produced for audit verification. Consequently, the auditor was unable to ascertain the correctness of
the stocks figure reflected in the balance sheet.

Failure to maintain proper Fixed Assets Register: In the financial year, 1996/1997, and
1998/1999, the University did not maintain a proper and up to date fixed assets register. The
University instead maintained an inventory record that only contains descriptions of its assets. In
addition fixed assets reflected a prior year adjustment figure that was explained as being correction
of errors without giving particulars of the corrected errors. Consequently the auditor was unable to
confirm the balance sheet fixed assets figure.
APPENDIX II

QUESTIONNAIRE

RESPONDENT NUMBER [ ]

Part I: General Information

Q1. (i) Gender: Male [ ] Female [ ]
(ii) Age: 20-25 [ ] 26-30 [ ] 31-35 [ ] 36-40 [ ]
40 and above [ ]
(iii) Highest level of academic education: Primary [ ] Secondary [ ]
University [ ] College [ ]
(iv) Any other (Please specify)..............................................................

Q2. How long have you worked in finance department? Please state [ ]

Q3. Which position do you hold in finance department? Please specify..............................................................

Q4. In the following professional training levels, please indicate your level of training.
(a) Certificate - KATC Level 1 [ ] KATC Level 2 [ ]
(b) CPA Part I [ ] CPA Part II [ ] CPA Part III [ ]
(c) ACCA Level 1 [ ] ACCA Level 2 [ ] ACCA Level 3 [ ]
(d) CIMA Level 1 [ ] CIMA Level 2 [ ] CIMA Level 3 [ ]
(e) HND Diploma [ ] Diploma [ ]
(f) Degree: Bachalors Level [ ] Masters Level [ ]
(g) Any other (please specify)..............................................................

Q5. If you have not had any training as in 4 above, what kind of training would you prefer?
(a) KATC [ ]
(b) CPA [ ]
Q6. In your opinion is finance department adequately staffed with the right calibre of employees capable of processing and managing financial and accounting information systems? Please tick one.

(a) Yes [ ]  (b) No [ ]

If your answer above is No, what skills do you think are missing?

Please specify.................................................................

Part II: Specific Information

Management of Source documents

Q7. Before any payment is made, are source documents checked and authorized by responsible officials? Please tick one.

(a) Yes [ ]  (b) No [ ]

If your answer above is No, why?

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Q8. Are source documents attached to the payment/credit vouchers whenever a payment/receipt is made/received? Please tick one.

(a) Yes [ ]  (b) No [ ]

If your answer above is No, why?

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Q9. Does the management of filing records affect performance of finance department? Please tick one.

(a) Yes [ ]  (b) No [ ]

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General Journal Entries and General ledger

Q10. Are you satisfied with the manner in which the accounting information and records are managed and kept in finance department? Please tick one.

(a) Yes [ ] (b) No [ ]

If your answer above is No, why?

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Q11. Do you utilize the operational accounting software in processing and managing of financial accounting data?

(a) Yes [ ] (b) No [ ]

If your answer above is No, why?

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Q12. How often do you reconcile your books of account? Please tick one of the following:

(a) monthly [ ]
(b) Quarterly [ ]
(c) Half yearly [ ]
(d) Yearly [ ]

Other (Please specify) ...................................................................................................................

Q13. The following features are desirable in processing and managing financial accounting system? Please rank them in the scale of 1-5 where:

1- Most Important 2 - Fairly Important 3 - Important 4 - Not Important 5 - Irrelevant
(a) A fully computerized operations,
(b) Good filling system
(c) Highly qualified personnel
(d) Good office lay out
(e) Centralized and integrated operations

Q14. Do you have a fully computerized accounting information systems which can facilitate general journal entries?

(a) Yes [ ] (b) No [ ]

If your answer above is No, why? ..................................................................................................................
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Q15. What is the most important role of computerized accounting information systems? Please tick one of the following:

(a) Timely information
(b) Ease of retrieval of information
(c) Accurate data
(d) Security of information

Q16. How would you rate the provision of financial accounting information systems in your section? Please tick one of the following:

(a) Very Effective [ ]
(b) Fairly Effective [ ]
(c) Effective [ ]
(d) Ineffective [ ]
(e) Highly ineffective [ ]

Why do you think so?
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Q17. How do you rate the management of the general ledger? Please tick one of the following:

(a) Very Effective [ ]
(b) Fairly Effective [ ]
(c) Effective [ ]
(d) Ineffective [ ]
Trial Balance and financial statements

Q18 How do you rate the processing of financial statements by finance department? Please tick one of the following:

(a) Very Effective [ ]
(b) Fairly Effective [ ]
(c) Effective [ ]
(d) Ineffective [ ]
(e) Highly ineffective [ ]

Why do you think so?
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Q19 To what extent do you agree that internal controls are desirable in enable accurate preparation of annual financial statements? Please tick one of the following:

(a) Strongly agree [ ]
(b) Agree [ ]
(c) Disagree [ ]
(d) Strongly disagree [ ]

Q20 In your opinion does internal audit unit assist in detecting any serious weaknesses in the nature of internal control procedures?

a) Yes [ ] b) No [ ]

If your answer above is No, why?
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Q21. The following controls are desirable for effective provision of financial accounting information. Please rank them in the scale of 1-5 where:

1- Most Important  2 - Fairly Important  3 - Important  4 - Not Important  5 - Irrelevant

(a) Segregation of duties
(b) Staff rotation
(c) Supervision
(d) Authorization
(e) Coding of data

Q22. Do you use the adjusted trial balance to prepare financial statements?

(a) Yes [ ]  (b) No [ ]

If your answer above is No, how do you capture accruals and prepayments?

Q23. How do you rate the co-ordination of financial operations by University management?

i. Very Effective
ii. Effective
iii. Ineffective
iv. Highly Ineffective

Why do you say so?

Q23. How do you rate the co-operation of top University management with finance staff in regard to financial management?

(a) Very good
(b) Fairly good
(c) Good
(d) Bad
(e) Very bad

Why do you say so?
## APPENDIX III

### PROJECT TIME SCALE

<table>
<thead>
<tr>
<th>Activity No.</th>
<th>Activity Description</th>
<th>Estimated Time Scale in Weeks</th>
</tr>
</thead>
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<tr>
<td>1</td>
<td>Literature Review</td>
<td>4</td>
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<tr>
<td>2</td>
<td>Proposal Writing</td>
<td>3</td>
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<tr>
<td>3</td>
<td>Data Collection</td>
<td>2</td>
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<tr>
<td>4</td>
<td>Data Analysis</td>
<td>2</td>
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<tr>
<td>5</td>
<td>Report Writing</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Proof Reading and Report compilation</td>
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### PROJECT EXECUTION PLAN

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<th>1</th>
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<th>3</th>
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### PROJECT BUDGET

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<td>Traveling</td>
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<td>5</td>
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<td></td>
<td><strong>Total</strong></td>
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