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# Qualitative Characteristics of an Accounting Information System inside a Financial Corporation: A Case Study on Multi-Method Information at Haines Watts Corporation

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**Abstract:- With the vast amount of data, and databases across the globe being used in all facets of human life, we can say this century is known as the information era. The qualitative features of accounting information systems are important because they make it easier for both company management and local investors to utilize a company's financial recitals to make well-informed choices. This study attempts to elucidate the information quality in accounting systems, specifically with Haines Watts financial corporation in London, the United Kingdom, as a case study. This article presents real-life data regarding the role of accounting information in making economic decisions at different levels by its users at Haines Watts via analyses of its accounting standards, the current level of implementation, and overall accounting practices. Indeed, the necessity for a well-organized information system is imperative with today's economic and technological advances. Therefore, information quality is becoming more prominent in providing data to enterprises while undertaking planning and controlling tasks. The aim of this study is to address the qualitative characteristics and attributes, as well as their limitations. The focused area is accounting and management information systems. Poor quality information inevitably comes from errors made with computer software programs and human errors, and this poor-quality information affects companies' decision-making processes which is crucial for the future outlook and reputation of the company. The purpose of this article is also to review the impact of qualitative characteristics of accounting information on the decision-making processes with real-life examples; furthermore, this study has no direct implications for legal accounting practices, but it may offer several guidelines as a basis for prospective scholarly studies on accounting information accuracy inside the international financial domain.**

***Keywords:-** Information Quality; Accounting System; Parameters; Decision- Making; Management.*

## I. INTRODUCTION

Information is data that has been arranged and processed to provide meaning and assist decision-making. Thus, the significance of information is very high and it is stated that data is now widely known as an organization's cornerstone, and without it, any modern business would end up failing [1]. The advancement of data is vital for enhancing or creating new contexts to support management, strategy, and decision-making [9]. In today's business environment, information quality is becoming increasingly imperative for companies that want to have superior performance, gain competitive advantages, or simply survive. Arif, et al. [5] show that customers demand high-quality information that is fundamental to the needs of business activity and leads to high-quality work performance in the supplier-consumer partnership. In general, accounting information is used for a variety of purposes, including investment decisions, reporting practices, and regulatory compliance [8]. Although the financial accounting standards board emphasizes the importance of high-quality accounting information as past studies have shown, implementing and measuring 'quality' remains a major challenge [14].

An accounting information system (AIS) is a process that a business uses to collect, store, manage, process, and report its financial data so it can be used by accountants, consultants, analysts, managers, and tax agencies. The specialized accountants have huge experience with accounting information to ensure the highest level of accuracy in the company's financial transactions and record-keeping for availability to those who legitimately as described in Figure 1-1. An accounting information system is a way of tracking all accounting and business activity for a company. Accounting information systems generally consist of six primary components: people, procedures and instructions, data, software, information technology infrastructure, and internal controls. A well-designed information system allows a business to run smoothly on a daily basis; while a deprived system might hamper some problems. The prime aim of this article is to highlight the Haines Watts financial corporation`s accounting information quality and observe culminative quality accounting reports. Moreover, this study highlights the effect of accounting information problems on the decision-making process [1].

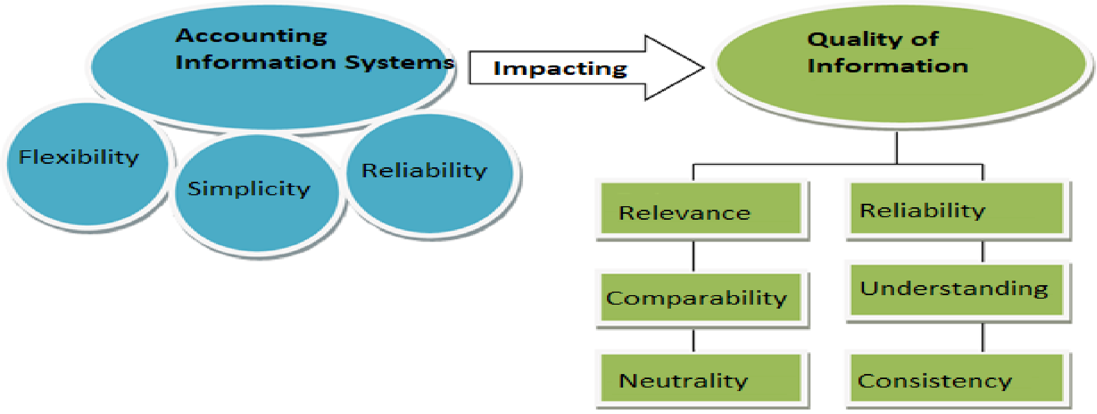


Fig. 1: Accounting systems and the impact of the quality of information [10]

## II. BACKGROUND THEORY

### A. *IMPORTANCE OF ACCOUNTING INFORMATION*

Information is an important part of most advanced post-industrial economies, and information and communication technologies hold them together [10]. As a result, the higher the quality of data shared, the more likely it is that certain communities and their participants would succeed [7]. But there are some required questions for this study, such as what is information quality, and what is the importance of information quality? Information is facts and data which are organized for specific tasks while information quality is a significant parameter for evaluating a data system's performance. Decision quality is a feature of information quality [3]. Inevitably, costly mistakes, uncertainty, dilemma, risky dangers, and missing opportunities result from a lack of a straightforward and correct interpretation of information quality [19]. Quality data is the foundation of sound organization decision-making, and it helps law enforcement agencies to utilize it. With increased gathering and storing of data in an enterprise, as well as the extraction of that data for business purposes, the accuracy of the information generated becomes exceedingly critical [12]. The better-quality data, the more possibility to gain. Otherwise, a business may fail. Maintaining a competitive position and maximizing resources require effective data processing. Businesses can achieve various types of concrete benefits with the help of high-quality information. Due to various regulation concerns, data quality is also vital and if privacy laws continue to increase, it is becoming more necessary for businesses to handle their data accordingly. If the data is undisciplined or badly managed, it would be more difficult for a financial corporation to keep data integrity [12].

### B. *DECISION MAKING WITH ACCOUNTING INFORMATION*

Quality accounting information systems incorporate different elements that work together, such as hardware, software, brain ware, telecommunication networks, and database quality to make ensure that the user's satisfaction was achieved. Also, AIS should have flexibility, efficiency, ease of access and timeliness to make decisions correctly [2]. AIS is the total associated components that are working together to collect, store and summarize, and distribute data to be helpful in planning, controlling, directing, coordinating, analyzing, and decision making. Thus, AIS impacts on all portions of companies such as managerial activities, sociality activities, marketing activities, and financial activities. Accounting information systems aim to integrate many subsystems to work together in harmony to achieve a company's goal and produce useful information [4, The accounting information system provides information which is useful for decision making as well as other company operations [11]. However, sometimes accounting information systems fail to produce high quality information. Making a decision is a part of our daily lives. When it comes to organizational life, it is becoming the main mission and feature of management [16]. Decision-making is one of the most essential tools to build the future image of today's modern companies. It helps to do business comfortably and easily. *"The study of defining and selecting options based on the decision maker's beliefs and desires is known as decision-making and it means that there are options to consider, and in this situation, we choose to not only find as many as possible but also to pick the one that best suits our priorities, interests, preferences and beliefs"* [6]. When managing a small or large company, the success of someone or the success of the company is mostly up to making the right decisions and learning from wrong decisions. The company decision-making process is a step-by-step procedure that allows experts to solve challenges by weighing facts, evaluating solutions, and then deciding on a course of action [13].

Accounting information is data derived from sales of the financial world. Once the material has been found, it is classified and registered before being included in different studies. Accounting information collects and reports data using structured categories, resulting in a common language that all members of the company can understand. Accounting data can help managers better comprehend their responsibilities and reduce confusion before making decisions [15]. Accounting data is used by a range of people both within and outside the organization to make decisions as explained in Table 2-1 [17]. Accounting information can show a company's concrete condition in terms of the financial side and it is one of the main units of a company to make a profit. The decision-maker can see the exact state of the company with the help of accounting information while exact information increases the possibility of making an exact decision [15].

| No. | Course of action | Possible benefits |
|---|---|---|
| 1 | Identify the decision | Identify the potential goal |
| 2 | Gather relevant information | Information collection |
| 3 | Identify the alternatives | Better audience targeting |
| 4 | Weigh the evidence | Effective content and marketing campaigns |
| 5 | Choose the alternative solution | Addresses the initial hurdles |
| 6 | Take precise actions | Implementation of financial data |
| 7 | Review the decision | Monitor the success rate of decision |

Table 1: Stages of decision making in Haines Watts

## III. QUALITATIVE CHARACTERISTICS (QC) OF ACCOUNTING INFORMATION SYSTEMS

Indeed, accounting and its processes are very crucial for a company's brand value. It shows the company's vision, its goals, and whether the company is achieving those goals or not. At this stage, demand for quality accounting information will be visible. Moreover, good quality information makes it possible to clearly understand the business and helps in proper decision-making. As illustrated in Figure 3-1, the quality features of data that make it a valuable resource can be described as a hierarchy of qualities, with the quality being its utility for decision-making. Accounting information has two primary sorts of qualitative features. They are the primary characteristics and the secondary characteristics of accounting information quality. The key attributes that make accounting knowledge useful for decision-making are relevance and transparency. Improved relevance and increased efficiency, due to cost and materiality restrictions, are the features that make information a more valuable resource is, one useful in making decisions. If one of those attributes is absent, the knowledge would be useless.

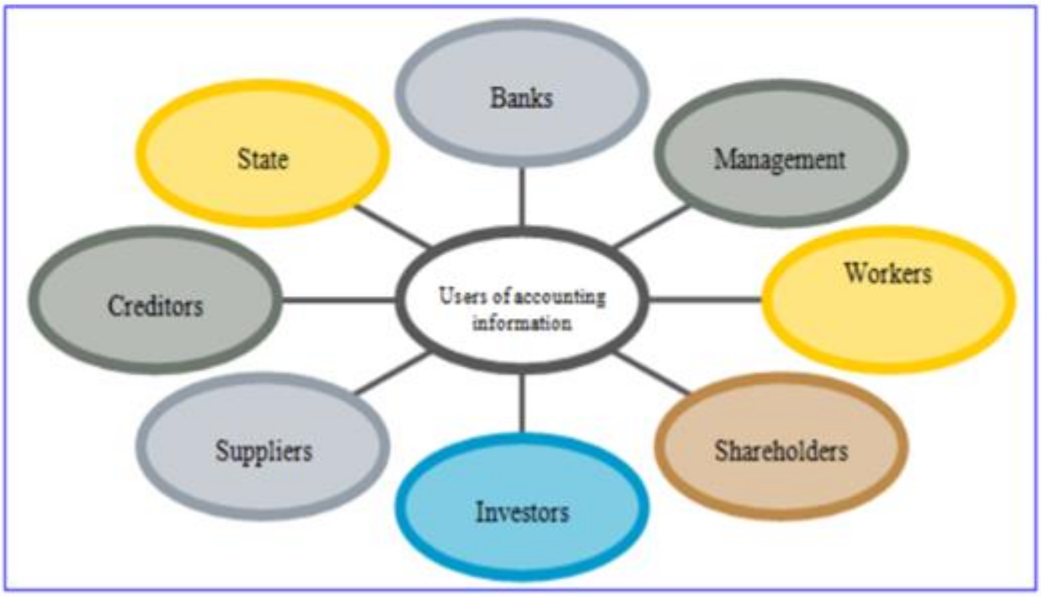


Fig. 2: Characteristics of information for brand value in Haines Watts

From the above in Fig. 2, we know that accounting information systems and their processes are crucial for determining a company's qualitative characteristics for brand value, Fig. 2 expands the model to include qualitative attributes within the same company – Haines Watts.

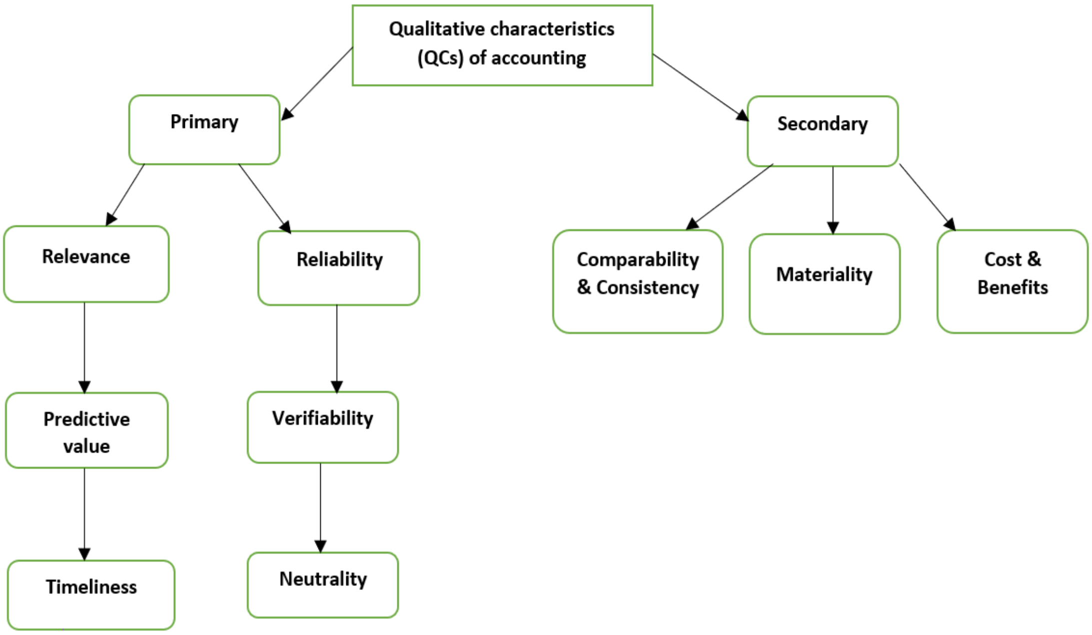


Fig. 3: Qualitative attributes of information in Haines Watts

### A. RELEVANCE AND TIMELINE OF A SYSTEM

Relevant financial information can influence a decision by assisting consumers in making forecasts about the results of earlier, current, and upcoming situations, as well as confirming or correcting earlier assumptions. Information can influence decisions by enhancing decision makers' predictive abilities or offering guidance on previously held expectations [18], [19]. A reason of interest is timeliness, or making information accessible to policymakers until it loses the ability to affect decisions. It loses significance and is of little or no benefit if it is not present as it is required or becomes accessible too long after the recorded incidents that it has little meaning for potential intervention. Timeliness is how quickly information is available to users of accounting information. The less time, the less useful information is for decision-making. Timeliness matters for accounting information because it competes with other information (e.g., if a company issues its financial statements a year after its accounting period, users of financial statements would find it difficult to determine how well the company is doing in the present) [19].

### B. RELIABILITY AND VERIFIABILITY OF SYSTEM

A metric should reflect what it maintains to represent, as well as a guarantee for the consumer that it has representational consistency [22]. The level of verifiability and representational faithfulness of an accounting description or calculation determines its reliability. Verifiability is "*a quality that can be shown by achieving a high level of acceptance among different measures that use the same method it is the extent to which information is reproducible given the same data & assumptions*" (e.g., if a company owns equipment worth $1,000 and told an accountant the purchase cost, salvage value, depreciation method, and useful life, the accountant should be able to reproduce the same result and if they cannot, the information is considered not verifiable) [24].

### C. COMPARABILITY AND CONSISTENCY OF A SYSTEM

The main consideration in developing or enforcing standards should be the relevance and reliability of the knowledge that results, not the impact that the new regulation might have on a specific interest. Comparability is *"a degree to which accounting standards and policies are consistently applied from one period to another"* [23]. Comparable financial statements, with consistent accounting standards and each accounting period, enable users to draw insightful conclusions about the trends and performance of the company over time [25]. In addition, comparability also refers to when information about a single enterprise can be contrasted to similar information about other businesses and to similar information about the same enterprise over a different timeframe, it becomes even more valuable [26]. The informational importance of observations of relative economic opportunities or results is enhanced by business comparability and accuracy in the implementation of approaches over time [11].

### D. BENEFITS AND PREDICTIVE VALUE OF A SYSTEM

Each recipient of accounting data would have a particular perception of the relative importance that can be assigned to each standard of data. If a standard-setting entity promulgates a policy that substitutes one of those values for another, it must ultimately do its utmost to satisfy the needs of society; and it must be consistently mindful of the cost-benefit equation [21]. Predictive value means that the information can be used to predict future outcomes. The financial information itself does not need to be a prediction or a forecast but can be interpreted by users to allow them to make their predictions (e.g., current year revenue information could be used as the basis to predict revenue in future years) [20].

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## IV. THE IMPACT OF ACCOUNTING QUALITY OVER DECISION- MAKING

The accounting information's qualitative features are the properties and qualities that make it more valuable and efficient. The features and values of accounting information that improve its utility and efficacy are known as qualitative characteristics of accounting information [4] It is inevitable that without quality the need for information will become less. Relevant accounting information ensures that it can have a solid and logical foundation for users' decisions. Relevance can be described as the ability of accounting data to affect user decisions. Past events have had an impact, and the results of present and future events are expected to affirm or change earlier expectations [14]. The quality of the accounting information system depends on what resulted from the AIS, if the output improves the efficiency and effectiveness of the company which will enhance achieving the company's goal. In the study by Al-Hiyari, et al. [11], it is mentioned that to achieve the company goals effectively and efficiently, a high-quality accounting information system is required. Also Salaün and Flores [16] explain the significant variables that strongly affected the quality of the accounting system are system quality, information quality, and users' satisfaction.

Accounting information is essential at all levels of the business internally and externally for decision making. Every decision in the company, whether it is getting a loan, hiring more staff, budgeting, pricing goods, investing, expanding, or downsizing needs sound financial information [3]. Relevant information should give information about the past performance of the company as a predicted future of the company to make any decisions (e.g., an investor needs to put money into some ABC financial corporation). This ensures that a decision-maker must have access to facts before it loses the ability to control decisions. Information that isn't used when it's needed or that is only available after it's too late to be useful for a potential intervention is useless [10]. For example, users of financial reporting would find it impossible to decide how well a corporation is performing in the current if financial statements are issued a year after the accounting period. It is considered reliable if a person may rely on information to be materially factual and faithfully show the information it purports to portray. Let's assume a company got a machine as leasing. Although this company is not the legal owner of the machine, it should be classified as an asset on the balance sheet since the company retains leverage of the economic gains that can be gained from using the asset. This is an example of the accounting principle of value over type, of which the economic substance of a contract takes priority over its legal aspects. Neutrality means that the relevance and usefulness of the information should be the main consideration when developing or enforcing requirements, and the information cannot be chosen to favor one group of policymakers over another [22]. This article focuses on the actual situation regarding the part of accounting information in making financial choices and basic analyses of accounting standards, their current level of implementation, accounting practices, etc.

The degree of standardization of accounting data that allows financial statements from different entities to be compared is the comparability and is a basic provision in financial reports that recipients of financial statements demand [26]. If a variety of oil and gas companies use the same sector-specific accounting principles to prepare financial reports, (e.g., there may be a high degree of standardization within that field. The effect of an absence or misrepresentation of facts in a company's financial records on the purchaser of such statements is referred to as materiality in accounting). Most decision-makers believe that information is a free resource, while vendors are well aware that it is not. The costs of delivering the data should be measured against the advantages of using it. Both costs and advantages are often subjective and difficult or impossible to compute accurately, making cost-benefit decisions exceedingly difficult [20]. For example, a corporation's financial controller learns that an employee has participated in low-level petty cash fraud from the company for several years, with a total value of $5,000. It would cost $20,000 to conduct the audit needed to decide the exact number. Since the risk of the audit phase outweighs the value, the controller decides to miss it [7].

## V. RECOMMENDATIONS

This study provides an opportunity for basic accounting users to be aware of an accounting information system's usefulness and take into consideration how to rationalize the decisions, which in turn leads to increased benefits and attract new customers. Companies should strive to speed up the implementation of their accounting information system which in turn can increase the company's profitability by decreasing expenses. Furthermore, companies must rely on sophisticated accounting information systems to obtain more beneficial information, through applied modern financial and accounting policies especially in the field of information communication technology and accounting systems [12]. This study provides suggestions to companies that have the similar problem in terms of the qualitative characteristics of accounting information (i.e., paying more attention to internal audit systems). The auditor is considered more knowledgeable than an accountant, so hiring an experienced auditor as an internal auditor may cost more but it will help to increase the quality of accounting information [9]. Additionally, more focus should be on the accountant's working time, working conditions, and the accountant must have sufficient practical and professional experience to be able to give an effective analysis of accounting information systems through a training procedure.

## VI. CONCLUSION

Without a question, a complete collection of qualitative characteristics is required for decision-making to be successful. Even though consumers of accounting information have varying degrees of experience and interpretation, as well as varying levels of application of financial information, the findings showed that the understandability of accounting information affects management decision-making. As decision making is the most necessary process for a company's future image, managers and investors should pay more attention to the accounting system, which shows the company's current financial situation and has a significant impact on the decision-making process. This study addressed some possible characteristic examples that may cause some changes in accounting information quality. When it comes to the influence of qualitative characteristics of accounting information on decision-making, the most effective was relevance and reliability. From examples in the study, it is obvious that the relevance of accounting information has a strong effect on decision-making with predictive value and timeliness. The predictive value refers to the most required features for decision-makers. Because decision-making is based on the future image of the company, there is a need for accurate and reliable information. To conclude, from this study results show that accounting data that is structured influences making the best economic judgments. Moreover, this work did not consider some well-known statistical analyses and, thus, there is room for further research in this domain. Decision-making is a vital step for every business. It is a natural mental process to select a course of action from several alternative options and each decision-making process produces final choices. In business, the decision-making process plays a significant role, and any decision related to finance is of utmost importance. The finance department of an organization uses tools, methods, techniques, and processes to generate financial information, all of which assists in the decision-making process.

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