Accounting Information Systems (AIS) in SMEs: Towards an Integrated Framework

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ABSTRACT

Small-medium enterprises (SMEs) have always been considered to be the backbone of Brunei’s economy. As published by the OECD in 2006, SMEs constitute a high percentage of businesses, where they account for 98% of all active business enterprises, and contribute about 92% of the employment in the private sector, and at least 66% of the GDP within the non-oil sector of the economy. Since SMEs are considered to be significant for the economy, they are encouraged to improve their business performance in order to sustain their business development by enhancing their accounting information system. This article will focus on the current accounting practices in which Brunei SMEs have been implemented by MMA Cube Stores as a case study. As cube shop businesses have been growing all over the country, it is significant to carry out this research as it may apply to the other similar business in Brunei. Reasonable recommendations are included in this article for the augmentation of the accounting system among Brunei SMEs.

KEYWORDS

Accounting Information Systems, Brunei, Integrated Framework, SMEs

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) have played a key role in economic growth and equitable development in developing countries (OECD, 2006). In Brunei, SMEs account for 98 per cent of all active business enterprises and have contributed 58% of total employment and 22% of Gross Domestic Product (GDP) (Association of Southeast Asian Nations, 2011). Thus, small and medium enterprises (SMEs) are considered to be the one of main contributor to the economy of Brunei Darussalam. For almost a decade, His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam has been highlighting the importance of SMEs in his Titah as their contribution in providing secondary support and income to the country’s economic growth is important as ever (Anwar, 2007). While many small-medium enterprises (SMEs) have encountered new obstacles (Chan & Qi, 2003; Yunis et al., 2013), there are several success factors that may contribute to the success and failure of SMEs. The
critical of success factors (CSFs) for SMEs can be categorised into three main types: entrepreneurial, enterprise and business environment (Simpson et al., 2012; Rutherford et al., 2000; Gibb, 2000). In view of this chapter, accounting system practices and information systems are identified in the literature as contributing success factors under the proxy of Enterprise-Strategic Planning and Business Environment-Technological. Accounting system is the form of strategic planning of an organisation with technological of information systems that must go well to ensure the success. However, the article will focus on one of the factors which is the accounting system practices of small and medium enterprises (SMEs) in Brunei using one company as a case study.

Accounting Information Systems (AIS) is a vital resource for today’s SMEs as it has the ability to facilitate towards an effective decision making, planning and controlling activities of an organisation. SMEs are highly required to manage their accounting and finances efficiently in order to maintain and improve their business since one of the aims of running a business is “profitability”. Finance in general (but cash in particular) is critical issue for growing businesses (Carpenter & Peterson, 2002; Sexton et al., 1997). Hence, adequate and high-quality accounting information systems is crucial to achieve this goal. This is because the lack of access to information (Islam, Abdullah & Salleh, 2001) and proper accounting records may contribute to the failure of SMEs. Moreover, previous research discovered that poor information quality may lead to negative effects on the decision making (Huang, Lee & Wang, 1999; Clikeman, 1999).

It has been emphasised that entrepreneurs should be aware the importance of book keeping and accounting to keep their finances in-checked because maintaining efficient accounting records can help business growth. Obviously, some new entrepreneurs do not keep records of how much they spend and they are unsure if their business is making profits or losses (Zaili, 2015). In addition, the Brunei government has provided financial aids for the local SMEs to enhance their capabilities in providing good services and products through programs such as the 8th National Development Plan. This program is for the local entrepreneurs to participate further in the economic diversification of the country (Anwar, 2007). In view of this, Pehin Orang Kaya Laila Setia Dato Seri Setia Haji Awang Abdul Rahman bin Haji Ibrahim, the former Minister of Finance advised SME entrepreneurs to have a “high level of personal integrity and adopt a strong capacity towards business management, particularly on financial discipline. This is because a true understanding and strict demonstration of financial discipline would always underpin a successful business” (Anwar, 2007). Certainly, it shows that SMEs entrepreneurs should be aware of the importance of efficient business management and financial where good accounting record practices are essential.

For instance, an online accounting system called “Ikhas” has been introduced to SMEs for entrepreneurs to use. It shows the significant of Information Technology (IT) or Information System (IS) should not be neglected anymore by the SMEs as their implementation can be seen in various forms of business practices. Nevertheless, there is criticism that IT has become common in SMEs which is no longer seen as an advantage because almost every organisation is using it (Chen & Hamdan, 2014).

2. WHY ACCOUNTING INFORMATION SYSTEMS (AIS) IS SIGNIFICANT?

According to Gilantier and Underdown (1981), accounting is moving away from its traditional procedure base, encompassing record keeping and related work such as the preparation of budget and final accounts, towards the adoption of a role, which emphasizes its social importance. On the other hand, Information Technology (IT) and Information Systems (IS) are not new. They have always existed in organisations (Galliers et al, 1999) providing for the capture, storage, processing and transmission of information for communication, enhanced decision-making and for competitive gain or to be used as a competitive weapon. Basically, technology has dramatically changed the accounting profession (Fowzia & Nasrin, 2011). One response to this change is the development of accounting programs that emphasise AIS (Strong et al, 2006).
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