Chapter 15
Strategy of Accounting Automation: The Case of the Egyptian International Motors Company (EIM)

Khaled Dahawy
The American University in Cairo, USA

ABSTRACT

Decisions relating to choice and implementation of computerized accounting systems differ dramatically between developed and developing nations in respect to the cultural, political, economic, and environmental factors. This study aims to assess the implementation of accounting information system in a company in a developing nation; Egypt. The case indicates the importance of the integration of accounting and technology. However, in a developing nation like Egypt, characterized with over population and high unemployment, automation becomes a very sensitive issue. Therefore, there is a need for strong management support and commitment to insure successful implementation. Developing countries, especially Egypt, should direct its companies to increase its dependence on Information Communication Technology (ICT). As the case shows there are many benefits that ICT can offer to the individual companies. If each individual company can become more efficient and effective the whole economy will be better and will be able to utilize scare resources more efficiently and effectively.

INTRODUCTION

In today’s world information is power (Porter and Millar 1998). Management Information System (MIS) is a man made system that usually consists of integrated sets of components established to collect, store, and manage data and to provide output information to users. MIS facilitates the operational functions of a business and supports the management decision making processes by providing information to managers. Managers use information to plan and control the activities of their companies (Laudon and Laudon 2003). Accounting information system (AIS) is an integral specialized subsystem of MIS. The main purpose of AIS is to collect, process, and report information related to the financial aspects of business activities (Gelinas et al. 2005). AIS is compromised of:
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(1) People operating and performing the various function of the system; (2) Procedures in terms of both manual and automated; (3) Data about the organization’s business processes; (4) Software used to process the organization’s data and (5) the information technology infrastructure which includes computers, peripheral devices and network communication devices. The main goals of AIS are the collation and processing data about the organization’s business activities efficiently and effectively; converting data into accurate, timely and useful information for management to make decisions and establish adequate controls to ensure that data about business activities are recorded and processed accurately and safeguard both data and other organizational assets. The presence of a well designed AIS in a company should lead to improving efficiency of operations by providing more timely information, improve organization profit by improving the efficiency and effectiveness of its supply chain, improve decision making by providing accurate information in a timely manner, and facilitate or make easier sharing of knowledge and expertise. AIS can stand for a manual or an automated system.

The developments in both accounting and Information and Communication Technology (ICT) have made it easier for companies to migrate to computerized accounting systems. Accounting, in Egypt, has dramatically changed in the past few years by the adoption of the International Accounting Standards (IAS) in 1992 followed by translation of some international accounting standards in 1996 and using them as Egyptian standards (World Bank, 2002). In 2006, the Ministry of Investment introduced a newly developed comprehensive Egyptian Accounting Standards (EAS) that are based on the International Financial Reporting Standards (IFRS) (Hassan 2008, HassabElnaby 2003). The new EAS were issued by ministerial decree number 243 in 2006 to be applied for the financial year starting from January, 1st, 2007. The new EAS differ from IFRS in four major areas; (a) Profit distribution to employees and board members are not included as expenses as required by the IFRS but are reported as profit distributions, (b) Reevaluation of assets is not allowed except in very specific and rare cases that are represented in the Egyptian company’s law (e.g. mergers and acquisitions), (c) Egyptian banks, as prescribed by the Egyptian Central Bank, are required to accumulate a general provision through deductions from the income statement, in conflict with the IFRS requirements, and (d)
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