Chapter 10

The Accounting Function and Its Relationship with the Information System of Organizations in Nigeria.

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The Accounting Function

The accounting function is the process of identifying, measuring, and communicating financial information about an organization to interested parties, such as shareholders, managers, and government agencies. This information is used to make informed decisions about the organization and to assess its financial health (Oluyombo & Onafowokan, 2014)). The basis of producing financial reports in contemporary business lies in the accounting information system which automates accounting information. The field of accounting information systems is influenced by management information systems, economics, psychology, computer science, and organizational behavior (Jat, R.B. and Jugu, G.Y, 2008). Information Technology is essential in a contemporary competitive and dynamic business environment with consideration of its impact on qualitative information systems. It constitutes hardware, network, software, database, and other essential tools that are useful for corporate organizations accounting information systems (Olaoye, Olaofe-Obasesin, & Akanni 2019). The accounting function is a key component of an organization's financial management system and is responsible for recording, classifying, and summarizing financial transactions. The information generated by the accounting function is used by management to make informed decisions about the financial performance of the organization.

The relationship between the accounting function and the information system of an organization is close and interdependent (Oluyombo & Onafowokan, 2016). The information system provides the technology and infrastructure to support the accounting function, while the accounting function provides the data that drives the information system. An effective information system provides real-time access to accurate financial information and helps to streamline the accounting process by automating many of the manual tasks involved in data entry and reconciliation (Shaukat & Zafarullah 2009). This, in turn, improves the accuracy and timeliness of financial information, which is essential for effective decision-making. The accounting function and the information system also interact to ensure that financial information is properly controlled and secure. This involves the implementation of internal controls, such as access controls, data validation checks, and audit trails, to ensure the integrity and accuracy of financial information. All companies use accounting to report, track, execute, and predict financial transactions according to Accounting Technicians Scheme West Africa (2009).
The main functions of accounting according to The Institute of Chartered Accountants of Nigeria, (2006) are to store and analyze financial information and oversee monetary transactions. Accounting is used to prepare financial statements for a company's employees, leaders, and investors. Accounting also functions to ensure the payment of funds into and out of a company. Accounting creates a fiscal history for any company (Vitez, O. 2015). It

is used to track expenditures from business operations as well as a company's profits. It can also be utilized to predict financial success and the future needs of a company to create budgets and take advantage of new growth opportunities (Igben, R. O. 2014). Accountants use this information to prepare financial statements used by business professionals and government officials.

The Accounting Function is classified into 5 types:

Financial accounting:

This is one of the main functions of accounting. Financial accounting is important for businesses because it helps them keep track of their financial transactions. In turn, they can make sound decisions on how to allocate their resources. In addition, financial accounting helps you communicate your business finances to outside parties such as creditors and investors. The financial statements generated provide all the necessary information to other parties, which will either encourage or discourage them from partnering with your business.

Cost accounting:

All types of businesses, whether manufacturing, trading, or producing services, require cost accounting to track their activities. Cost accounting has long been used to help managers understand the costs of running a business. Modern cost accounting originated during the Industrial Revolution when the complexities of running large-scale businesses led to the development of systems for recording and tracking costs to help business owners and managers make decisions.

Management accounting:

As the name implies, a management accounting system provides the necessary information for the management to make strategic business decisions. Management accounting is a type of accounting that requires financial expertise, commercial awareness, and analytical ability. It involves identifying, analyzing, and communicating financial information to managers to help them meet their business goals. In the course of their work, management accountants interpret financial and operational data, analyze a company's cost and revenues, report on the company's financial position, and provide insight into the business' performance.

Tax accounting:

Tax accounting is a structure of accounting methods focused on taxes rather than the appearance of public financial statements. In short, tax accounting is the means of accounting for tax purposes. Tax accounting is governed by the Internal Revenue Code, which dictates the specific rules that companies and individuals must follow when preparing their tax returns. Tax accounting applies to everyone—individuals, businesses, corporations, and other entities. Even those who are exempt from paying taxes must participate in tax accounting. The purpose of tax accounting is to be able to track funds (funds coming in as well as funds going out) associated with individuals and entities.

Social accounting:

Social Accounting, also known as Social Responsibility Accounting, is a part of an evolving corporate reporting system that assesses and takes responsibility for the company’s effects on the environment and its impact on social welfare. It is a concept that has been introduced to better articulate the measures that contribute to long-term value and the role organizations play in society. It is also a subset of the Triple Bottom Line accounting framework which emphasizes three dimensions of performance: Social, environmental, and financial.

The functions of accounting in a business include the following:
Fraud prevention:
Money mismanagement or wastage is curbed by the financial accounting function. The company's assets are safeguarded from internal and external fraud by incorporating cyber security measures. Accountants need to be aware of ways to ensure the security and safety of digital financial data. They also need to track financial data to ensure that employees are not mismanaging or wasting the company's resources for personal gain or profit.

Financial budgeting:
Setting the company's financial budget is the responsibility of the accounting function. Preparing the organizational budget is based on financial data from the past and projections for future growth. Accountants are also in charge of preparing department-wise budgets and for special projects across the organization.

Determining profitability, liquidity, and solvency:
Documents prepared by the financial accounting function provide a clear view of the financial position of the company. The main aim is to ascertain the financial performance and position of the enterprise and convey the information to all the stakeholders.
In conclusion, the accounting function and the information system of an organization are closely related and work together to support the financial management of the organization. A well-designed information system can greatly enhance the effectiveness of the accounting function by improving the accuracy, timeliness, and security of financial information. A high degree of accuracy, consistency, and security is required to handle financial and accounting functions.

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