

# The Importance of Accounting Information Systems for Business

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*Abstract: Accounting information systems have an important role for the progress of a company. Accounting information systems produce financial information. Financial information is also referred to as financial statements. The accounting information system collects data in the form of transactions that occur in companies such as purchase transactions, sales transactions, cash disbursements transactions and cash receipt transactions. Information in company financial reports is needed by both internal and external parties. The financial statements must meet the requirements, that is, have quality characteristics. To run an Accounting Information System (AIS), elements are needed so that the system can run properly and correctly. namely: (1) Human resources (HR) who have been trained; (2) Financial Data Form; (3) Hardware; (4) Software; (5) Procedure; (6) communication technology network; (7) database. The quality characteristics of financial statements consist of comprehensiveness, relevance, materiality, reliability, honest presentation, substance outperforming form, neutrality, sound judgment, and completeness. The accounting information system functions to oversee all the company's financial activities and collect and store data on the company's financial activities or transaction.*

*Keywords: Accounting, Information, Systems, Business, Decision Making*

## 1. Introduction

Accounting information systems have an important role for business. The accounting information system here is a computerized information system for processing financial data related to transaction data in an accounting cycle and presenting it in the form of financial reports to company management. The system is a set of elements that come together to achieve certain goals where the system has the same relationship, integration and goal and has several sub-systems in it. Companies that run a business definitely need an accounting information system to support their business performance.

The purpose of an accounting information system is to collect, process and report information relating to the financial aspects of the company's business activities. Companies that run a business need to design and run properly related to accounting information systems including subsystems by paying attention to several components of the accounting information system. Such as human resources who are able to understand accounting and financial business processes in general, financial and accounting procedures, financial data forms used to record all financial activities, accounting software, and hardware that are supported by internet networks and other equipment. So that it will be able to build company business activities that can run effectively, efficiently, and have a positive impact on the company's business development because it is able to maximize the objectives and benefits of accounting.

Accounting is an information system that provide stakeholders with reports on the economy and state of the company. Financial transaction activities in a company are processed through accounting. Accounting includes the identification process, the measurement process, and the reporting process for producing financial reports.

Accounting has benefits both for internal parties and for external parties. Internal parties are parties that are directly related to company operations, for example, company leaders. As for external parties, namely parties that are not directly related to the company, for example, company owners, creditors, government agencies, and the community.

The government is a user of accounting information that is included in external parties. The government as an institution that manages state finances must monitor company performance. This control is mainly related to taxes and the use of labor.

Accounting information must be understandable. Therefore, the preparation of the report is adjusted to the understanding and knowledge of its users. Accounting information is said to be credible if it meets the criteria, which is testable, neutral, and presents actual data. Apart from that, the predictive value and feedback also need attention. This means that the data currently owned can be used to predict future conditions. Due to the large amount of benefits required for the benefit of various parties, the financial statements must be presented on time. Timeliness is important to avoid delay in decision making. For the government itself, the accuracy of companies in reporting finances is an assessment of whether their performance is good or bad. A good company will certainly maintain all of its activities by prioritizing quality.

The government as the decision maker of state finance must use accounting information correctly. Because all government policies will affect a country's economic growth. Prosperity can be achieved if the government takes the right policies. The role of the accounting information system for the company, in this case is clearly very important. Because accounting information systems together with other information systems provide information needed by management as a basis for decision making. For parties outside the company, the role of accounting information systems is equally important. As a producer of information in the form of financial reports that are useful as a basis for assessment and analysis of the condition of the company. From these reports, parties outside the company can make the right decisions.

The role of information systems is inseparable from the functions it performs. Not only data processing or processing, but accounting information systems also carry out functions ranging from data collection, data processing or processing, data management, data control and security, and of course the function of providing information. And the accounting information system is a structure that is one of the entities that uses hardware to convert financial /accounting transaction data into accounting information with the aim of meeting the information needs of its users. With this it can be concluded that AIS is very important for companies and organizations. AIS has many important roles in a company, such as improving quality and reducing costs in producing goods and services, improving decision making, and creating a competitive advantage.

Of the many AIS functions, there are 3 main functions established by SIA in companies, besides being used for decision making, they also consist of collecting and storing transaction data, processing data into information that can be, an controlling company assets.

There are 2 a information produced by SIA, namely Financial Accounting Information in the form of financial reports and Management Accounting Information which is used for decision making by companies. The SIA scope tracks a large amount of information regarding sales orders, sales in units and currency, cash collectors, purchase orders, receipt of goods, payments, salaries and hours worked.

## **2. Literature review**

The purpose of an accounting information system is to present accounting information to various parties who need this information, both internal and external parties. Hall (2001, p.18), the purpose of compiling information systems is as follows: objectives of Accounting Information Systems

- 1) To support the management function (stewardship) of the management of an organization/company, because management is responsible for informing the organization and use of organizational resources in order to achieve the organization's goals.
- 2) To support management decision making, because information systems provide information needed by management to carry out decision-making responsibilities.
- 3) To support the day by day operations of the company. Information systems help operational personnel to work more effectively and efficiently.

The following is a description of the objectives of the accounting information system

- 1) Collecting and storing data about activities and transactions
- 2) Process data into information that can be used in the decision-making process related to business planning and control.
- 3) Perform proper control over company assets.
- 4) Cost and time efficiency on financial performance.
- 5) Presentation of financial data in a systematic and accurate manner in the appropriate accounting period.

As for some of the objectives of the accounting information system stated by Setiawati (2011: 5), including:

- 1) Safeguarding company property/assets. The assets in question include the company's cash, merchandise inventory, including the company's fixed assets.
- 2) Produce a variety of information for decision making.
- 3) Produce information for external parties.
- 4) Produce information for employee or division performance appraisals.
- 5) Provide past data for audit purposes (inspection).
- 6) Produce information for the preparation and evaluation of company budgets.
- 7) Produce information needed in planning and control activities. Accounting information that is informed in the form of company financial reports is a medium of communication between the company's business activities and parties with an interest in the company's financial position and business development. Accounting information has uses that are very dependent on the user.

The following is the use of accounting information for:

- 1) Chairman of the company.
  - (a) As proof of accountability to the owner of the company for the trust given to him to manage the company;
  - (b) As a tool for assessing the implementation of the company's operational activities, both as a whole, in sections and individuals who are given authority and responsibility;
  - (c) As a tool to measure the level of costs of business activities carried out by the company;
  - (d) As a material for consideration in controlling company activities;
  - (e) As a material for consideration in preparing a program of activities in the coming period;
  - (f) As a consideration in making decisions; (g) This is to determine the condition of the company and the company's financial position
- 2) Company owner. In a company in the form of a limited liability company or a company whose leadership is transferred to someone else, financial reports are needed by the owner of the company. Financial statements for company owners function as:
  - (a) An assessment tool for the results that have been achieved by the company leadership;
  - (b) The basis for determining the estimated future profits and the estimated development of the share price it owns; (c) Creditors and potential creditors.
- 3) Creditors are people or entities that provide loans in the form of money or goods to companies. For creditors and potential creditors, the financial report serves as a material for consideration and decision in granting credit, because the results of the analysis of financial statements can be seen whether the company to be given a loan can repay the loan at maturity or not. From the financial report, it can also be seen whether the loan provided is sufficiently guaranteed or not.
- 4) Investors and potential investors. People or entities who invest in a company are called investors. Investment can be done in two ways, namely buying a portion of the company's share capital or providing a loan to the company concerned which is supported by bonds. For investors and potential investors, financial reports are useful as a material for consideration in investing in a company. In addition, financial reports are useful for assessing the company's ability to provide profits or pay dividends to investors.
- 5) Government agencies. Government agencies with an interest in financial reports include:
  - (a) tax office. For the Tax Office, the company's financial statements serve as the basis for determining the income tax that is borne by the company;
  - (b) Capital Market Development Agency (Bapepam). Bapepam uses financial reports as a financial monitoring tool for companies that sell their shares through the capital market;
  - (c) Department of Industry and Commerce. Financial reports are used for statistical data collection purposes.
- 6) Employees. Employees also have an interest in financial statements, because financial statements function as follows:
  - (a) this is to determine the level of ability of the company in paying salaries and other social security;
  - (b) to assess the development and prospects of the company in determining the choice of steps that must be taken in connection with the continuity of its work;
  - (c) as a basis for assessing the eligibility level of the bonus it receives compared to the company's profits in the period concerned.

### 3. Result and Discussion

Management in a company must depend on management accounting information made in accordance with the management accountant's code of ethics. This information is obtained from data in the management information system and accounting information system in the form of notes to financial reports. If all the theories that have been studied can be implemented properly according to the provisions, a company will be able to make efficiency and gain company progress to respond to the challenges of the global world and free markets. All of these things are of course inseparable from existing resources so that a management must be able to adjust it so that there is no waste.

*The functions formed by the Accounting Information System include:*

1. Collecting and storing data about activities and transactions.
2. Processing data into information that can be used in the decision making process.
3. Perform proper control over organizational assets. Various non-financial transactions that cannot be processed by an ordinary Accounting Information System are processed by the Management Information System.

*The benefits of accounting information for the business:*

- 1) Produce Flexible and Actual Information. Management provides flexible information because the management accounting information system is not bound by any formal criteria that define the nature of its processes, inputs, or outputs that are tailored to management's primary objectives. Actual or up-to-date information is better than old, complete information as long as it is in accordance with accounting principles.
- 2) Assisting the planning of corporate activities. The scope of management accounting provides financial information that can be used in the preparation of activity plans because this information serves as a reference for the allocation of resources owned by the company. Management accounting also provides information as feedback for management regarding the implementation of the activity plans that have been prepared. Management accounting information is also needed by management to plan company activities for the future such as the next 1 year. Planning activities consist of making decisions and selecting alternative actions from various options that may be implemented in the future. Decision-making actually includes the formulation of the problem, determining various alternatives for appropriate action to solve the problem, and analysis of the consequences of each alternative for these actions so that the best alternative choice that will be implemented in the future is the best choice.
- 3) Assisting Management in Decision Making. The benefits of management accounting for the company, especially for management, lie in the process of analyzing the consequences of every possible alternative action in the decision-making process. Management must make decisions to choose the best alternative action among the existing alternative actions. The decision of the best of good things must be considered in terms of various aspects including risks and other possible negatives.
- 4) Assisting the Management to Recognize the Ins and Outs of the Company. Management is the ranks that lead a company which is divided into several parts according to their respective competences. A good manager is a manager who knows the internal and external environment well. If the management cannot recognize or know in detail the ins and outs of the company including the document flow chart, then it can be ascertained that the performance is not optimal because it does not cover all parts.
- 5) Assisting Management in Performance Appraisal. Management must assess the employee so that they can provide certain compensation as a reward or punishment for their underperformance. With the type of financial report from each division, it will make it easier for management to make an assessment. If you feel that the overall performance is still lacking, it is possible that certain training should be held.

### 4. Conclusions

Accounting is a process of identifying, measuring, and reporting economic information, to enable clear and unequivocal judgments and decisions for those who use the information.

However, in the business world, accounting (accounting) can be defined as an information system that provides reports to stakeholders regarding economic activity and the condition of a company.

The use of information technology has enormous benefits, especially for companies.

By using information technology, companies can provide, manage, and report finances easily, quickly and accurately. These stakeholders are owners (shareholders), employees (workers), customers (customers), creditors (people who provide loans), government (government), community (community).

Accounting provides information for stakeholders in the company through the following processes:

- (1) Identify stakeholders;
- (2) Assess stakeholder needs;
- (3) Designing accounting information systems to meet stakeholder needs;
- (4) Recording economic data regarding company activities and events prepare accounting reports for stakeholders;
- (5) Stakeholders use accounting reports as the main information, although they are not the only ones to make decisions, they also use other information.

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