FACTORS INFLUENCING INVESTMENT DECISION ON COMPUTERIZED ACCOUNTING SYSTEM- SPECIAL REFERENCE TO SMALL AND MEDIUM ENTERPRISES

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Abstract

The purpose of the study is to examine factors influencing on capital investment decision on computerized accounting systems by small and Medium Sector Enterprises (SMEs). Embracing technology is seen everywhere and it is argued that computerised accounting systems can improve the efficiency and quality of financial information for decision making. One of the failure factors in SMEs is lack of effective information systems. Manual information processing for accounting consumes lots of time and leaves a high probability for misstatements and errors as well. Computerised accounting systems are relative costly at the beginning and decisions on such an investment cannot be simply taken by SMEs as the decision is influenced by many financial and non financial factors.

The study is carried out based on four variables which are highly likely to influence such capital investment decisions by SMEs. Sample is selected from SMEs that have already implemented computerized accounting systems in Polonnaruwa District in Sri Lanka. Mainly quantitative analyses by using SPSS are carried out. Study finds that size of investment, influence from auditors and accountants, perceived benefits of use of information technology, past bad experiences of manual information processing, the need for submitting financial reports on time significantly influence capital investment decision on computer based accounting systems by SMEs.

Key Words: Computerized Accounting System, SMEs, Investment Decision, Information,