

**UNIVERSITI TEKNOLOGI MARA**

**AIS ALIGNMENT AND FIRM PERFORMANCE  
AMONG AUDIT FIRMS IN EAST MALAYSIA**

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Dissertation submitted in partial fulfillment of the requirements

for the degree of

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## Candidate's Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

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## **Abstract**

Investment in information technology systems involved huge sums of money. The situations face by number of firms is that, the investment may not be able to generate the benefits of using this information technology in terms of profitability. Thus, in order to ensure a return on the investment of this information technology system, it is a concern that the capacity shall be balance with the requirements. Meaning, too much capacity will be redundant and costly, but too little capacity (that did not meet the requirements) will not get the work done.

By employing Information Processing Theory, the results obtained are consistent with the prediction that when the AIS capacity and AIS requirements have high alignment, it will give positive effect to the firm's performance. This study also reveals that different AIS characteristics have different level of AIS alignment. Among AIS characteristics that having high AIS alignment scores are speed of reporting, summary report sections, and immediate reporting had high alignment scores, whereas precise target, sub unit interactions, and market information had low alignment scores.

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# CHAPTER 1

## INTRODUCTION

### 1.1 Preamble

Accounting Information System (AIS) have attracted significant attention in recent years where AIS have played important role to the organization as a whole, including in the audit firms. Audit firms needs AIS to enable them to produce finer information to their clients, produce reports or information at shorter time frame, produce information with higher accuracy, updated reports for their clients to make decisions, and reliable information.

In addition, Chang et al (2003) suggest that AIS should reflect its operational activities accurately. They found that reliable and accurate accounting information was considered very important in facilitating decision making and was therefore given top priority by most managers. They believe that AIS play a major role in providing decision makers with appropriate information concerning management, auditing, and control functionality. They also suggest that effective information processing helps information flows more smoothly to decision makers, who can make more informed decision more quickly, thereby giving the organization a substantial competitive advantage.

Hence, it can be seen that sufficient amount of AIS capacities are needed in order for the firm achieve the benefits of using the said system. Though, there were some situations whereby the small amounts of AIS are sufficient, for example, in the form of fixed standards, formal operating procedures, or rules. Hence, little new AIS or AIS processing are required during task performance.