

# Introducing Computerized Accounting Information Systems in a Developing Nation: Egyptian International Motors Company (EIM) Case Study

Khaled Dahawy, The American University in Cairo (Auc), Egypt; E-mail: dahawy@aucegypt.edu

Sherif Kamel, The American University in Cairo, Egypt

The use of computerized accounting information systems has become an integral part of accounting systems world wide. Most of the research and cases that examine issues related to choice and implementation of computerized accounting information systems have focused on developed nations. However, decisions relating to the choice and implementation of computerized accounting systems are very sensitive to cultural and environmental factors. Therefore, such decisions should be studied within the context of their own environments (Ismail and King, 2006). Environmental factors differ dramatically between developed and developing nations. In addition, within the context of developing nations, the cultural, political, and economic realities of each country are often very different. Therefore, it is better not to develop a standard prescription and make recommendations without first analyzing the specificities of each nation. Therefore, it is vital to improve our understanding of the process of choice and implementation of computerized accounting information systems in specific developing nations, such as Egypt.

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 ten years by the adoption of the international accounting standards (IAS) in 1992 followed by the dependence on the Egyptian accounting standards (EAS) in 1996 (World Bank, 2002). It is important to note that EAS were mainly a translated copy of the international accounting standards, with some differences<sup>1</sup>. This adoption increased the need for timely and accurate financial records, information, and statements. Integrating information communication technology (ICT) was described as one of the main tools to reach this end.

Egypt, as a developing nation faces many challenges in building an information society in order to bridge the digital divides. Egypt must overcome the barriers that constrain the use and spread of the new communications technologies and their applications. In Egypt efforts for ICT development are led by the government, in close partnership with the business community and the civil society (MCIT, 2006). The Egyptian government has focused on the development of ICT as a national priority to contribute to high and sustainable economic growth for the Egyptian economy. The government views the development of information and communications technology as a national priority. (American Chamber of Commerce in Egypt, 2002).

Egypt is trying to modernize itself technologically. There is a low PC penetration rate standing at 1.6 million stations although increasing at 50% growth rate annually (www.mcit.gov.eg). However, the investment and build-up of Egypt's information and communication technology infrastructure has taken massive steps since the early 1990s in different building blocks including human, systems, procedures, and hardware and information infrastructure (IDSC Annual Report, 2000).

The importance of the use of technology in accounting has been recognized by the Egyptian government. As part of a comprehensive e-government initiative, Egypt's Ministry of Communications and Information Technology (MCIT) has licensed a comprehensive range of Oracle technology to ultimately power and link up to 5000 financial units throughout the country. (MCIT, 2005).

This study aims to assess the implementation of accounting information system on a company in a developing nation. To answer this question this manuscript attempts to do the following: (1) identify the reasons for the shift to an automated system and the main goals that the company aim to achieve from this shift, (2) determine the company's strategic decisions like choices between outsourcing versus in-house development, and ready made packages versus tailor made software, (3) describe the steps of implementation, (4) understand the reaction of the employees to the new automated system, (5) study the required changes on the organizational chart and human resources qualifications that are required, (6) recognize the problems that the company met during the process, (6) point the advantages of the shift to the automated system.

The methodology of this case study will be through intensive interviews with the key players of the Egyptian International Motors Company (EIM), which started business in 1978 under the Egyptian corporate law (law 26/1954). EIM has five main sectors of operations: (1) General Equipment Division, (2) Logistic equipment Division, (3) Irrigation and Pumps Division, and (4) Renault Division, and (5) Yamaha Division.

The following table summarizes the financial position of the company on December 2004:

Balance sheet (EIM)  
On December 31, 2004

|                     |                           |   |                           |
|---------------------|---------------------------|---|---------------------------|
| <b>Assets:</b>      |                           | <b>Liabilities:</b>                         |                           |
| Current assets      | 288,000,000               | Current liabilities                         | 242,000,000               |
| Long term assets    | 15,000,000                | Long term liabilities                       | 52,000,000                |
|                     |                           | <b>Owner's equity</b>                       | 9,000,000                 |
| <b>Total assets</b> | <b><u>303,000,000</u></b> | <b>Total liabilities and owner's equity</b> | <b><u>303,000,000</u></b> |

EIM has represented diverse multinational names over the years. EIM has created a very special position for itself in the market, serving a large number of clients of various sizes, ranging from major local and international contractors to individuals. In order to achieve the company's vision and the mission, in 2001 the company decided to update its manual accounting system and to introduce an electronic accounting system.

The choice of this company as a subject for this research was because it is a large local firm that implements a computerized accounting information system. The fact that the firm is a local firm and does not have an affiliation with an international firm is important to control the effect of any foreign company that might influence the choice and implementation process. If the firm had an affiliation with a foreign company that had implemented a computerized accounting system, it would dramatically affect the choice and implementation process of the computerized accounting system of the company.

I think that the implementation of the computerized accounting system will show that the company has benefited from this implementation but at the same time it will show that there will be some resistance by the employees. At the same time there might be some problems with the choice of company to use a ready made software that may not be flexible enough to meet the demands of the company.

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#### ENDNOTE

- <sup>1</sup> For a detailed reference to the differences between the International Accounting Standards and the Egyptian Accounting Standards refer to Nobes 2001

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