

MEDIATING ROLE OF CUSTOMIZATION IN THE RELATIONSHIP BETWEEN SUNPLUS FINANCIAL CONTROL, FINANCIAL ANALYSIS, AND FINANCIAL REPORTING QUALITY

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Abstract

The article investigated the Mediating role of the accounting systems (SunPlus) customization in providing quality financial reports. Accounting systems have been developed to make expenses tracking, budgeting and income activities easy. The study aimed to determine how the SunPlus accounting system's capabilities of Financial control, Financial analysis as mediated by SunPlus customization can be used in providing financial reports that are faithful, relevant, understandable, comparable and timely. A conceptual framework was constructed to support the proposed relations. The study was based on Agency theory, system theory and resource dependency theory. A research hypothesis was examined using 18 institutions within Seventh day Adventist Organization and Institutions within West Kenya Union Conference. This paper used descriptive research design and correlation analysis. A random selection of 70 respondents from a target population of 84 accountants were selected for this study and data analysed using partial least squares structural equation modelling (Smart PLS 4). The data used was derived from a study conducted by Boit (2021). The findings revealed a positive and significant relationship between SunPlus financial analysis and quality of financial reports ($P \text{ value} = 0.00 < 0.05$). Subsequently, there was a positive and significant association between the SunPlus customization and quality of financial reports ($P \text{ value} = 0.00 < 0.05$). However, there was no significant relationship between SunPlus financial control and customization ($P \text{ value} = 0.2 > 0.05$). The findings indicated that SunPlus customization mediates the relationship between SunPlus Financial Analysis and Financial Reporting Quality while SunPlus customization does not mediate the relationship between SunPlus financial control and Financial Reporting Quality. Further, the study's findings imply that financial control has a positive and significant impact on financial reporting, contributing 13.8%, with a p-value of 0.047. Additionally, financial analysis plays an even more substantial role, contributing 58.1% to financial reporting, with a highly significant p-value of 0.000. Since both p-values are below 0.05, the null hypothesis is rejected, supporting the alternative hypothesis that financial control and analysis positively influence financial reporting.

Key Words: SunPlus financial control, SunPlus financial analysis, SunPlus customization, Financial reporting quality.

Introduction

The development of information technology (IT) has resulted to among other things, new accounting methods, strong economic models, better online corporate transactions and creation of new accounting Information Systems. Accounting Information Systems (AIS) plays a critical role in organizations by streamlining financial processes, enhancing accuracy, and supporting strategic decision-making (Li, Wang & Hardjawana, 2020). These systems enable businesses to efficiently manage transactions, ensure regulatory compliance, and improve financial transparency, ultimately contributing to operational efficiency and sustainable growth. Technological improvements have reduced the amount of time, expenses, and financial resources required by facilitating more efficient and enhanced transactions and communication in business transactions (Lee, 2020). Accounting systems are utilized by organizations to enhance and optimize the efficiency of company transactions by automating current procedures to enhance operational performance as it plays a vital role to the management as an internal control measure (Lee, 2020). The primary goal of an accounting systems is to collect and document information and data that is relevant to business matters that can have an economic impact on companies. It also aims to ensure that financial data is reliable and that operational efficiency and effectiveness are maintained (Teru et al., 2017).

The Seventh-day Adventist Church (SDA) is a Protestant Christian denomination that stands out for its practice of observing Saturday as the Sabbath, the seventh day of the week according to the Christian and Hebrew calendars (Ayiemba, 1992). It also places great emphasis on the imminent Second Coming of Jesus Christ. The denomination originated from the Millerite movement in the United States in the mid-19th century and was officially founded in 1863. One

of the co-founders of the church was Ellen G. White, whose numerous publications are still highly respected by the church (Ayiemba, 1992). The global governance of the Seventh-day Adventist Church is overseen by the General Conference, while divisions, unions, local conferences, local missions, and fields are in charge of smaller geographic areas (Činčala, Drumm, Sahlin & Saucedo, 2021). Additionally, the SDA church is in charge of a global network of over 7,500 schools, including more than 100 post-secondary educational establishments, as well as a number of hospitals and publishing houses. Similarly, it oversees the Adventist Development and Relief Agency (ADRA), a humanitarian aid organization. To improve financial and accounting transparency within the worldwide Seventh-day Adventist Church, the Treasury Department developed an accounting software known as SunPlus (Seventh-day Adventist Accounting Software). This software is designed for commercial purposes and is periodically updated and used by Church organization and institutions worldwide (Boit et al., 2021). The West Kenya Union Conference (WKUC) constitutes of 4 conferences, 7 fields, 1 Publishing house, 2 Universities, 2 colleges and 2 media houses. This study therefore, uses the case study of (WKUC) in analyzing mediating role of customization in the relationship between SunPlus financial control and financial analysis in providing financial reports that are faithful, relevant, comparable, understandable and timely.

Statement of the problem

In an increasingly challenging and dynamic financial environment, organizations strive to improve the quality of their financial reporting for informed decision-making, regulatory compliance, and stakeholder confidence. Financial control and financial analysis are widely recognized as key drivers of financial reporting quality. However, despite implementing strong control mechanisms and analytical tools, many organizations still

struggle produce accurate, high quality and transparent financial reports. Lack of system or process customizing is one possible element causing this disparity. Without enough customizing, even well-crafted analytical tools and financial controls could not be able to translate into better reporting quality (Mesioye & Bakare, 2024)

The SDA church conducts yearly audits to all its entities through the General Conference Auditing Services (GCAS) (Činčala et al., 2021). The audit reports published by GCAS during their annual audits for the year 2022, indicated varied audit opinions. 26% Received a qualified report, 2% received an adverse report while 9% were disclaimed meaning they not given a report completely (Marajang & Hamra, 2023). According to Marajang and Hamra (2023), a poorly maintained accounting system may result in inaccurate financial records, noncompliance with accounting standards, and inefficient internal controls. These weaknesses often lead to modified audit opinions that often result from material misstatements or scope limitations. Negative audit report not only reflects deficiencies in the accounting system but also signals potential operational and reputational risks for the organization

The SDA church has different organization under its care like schools, churches, Hospitals, publishing houses mainly categorized as tithe based and non tithe based. Although these institutions use the same accounting system (SunPlus), they operate differently from one another; hence the need to customize the accounting system to accommodate the unique requirements and environments of each organization (Boit et al., 2021). This research therefore, aims at exploring whether and how customization mediates the relationship between Sunplus financial control, financial analysis, and quality of financial reporting in the different contexts of the church in WKUC. Understanding

this mediating role could offer valuable insights for both practitioners and researchers seeking to enhance financial reporting practices in diverse organizational settings.

Hypotheses

H₀₁: There is no significant association between SunPlus Financial Control and Financial Reporting Quality

H₀₂: There is no significant association between SunPlus Financial Analysis and Financial Reporting Quality

H₀₃: There is no significant association between SunPlus Customization and Financial Reporting Quality

H₀₄: SunPlus Customization does not mediate the association between SunPlus Financial Control with Financial Reporting Quality

H₀₅: SunPlus Customization does not mediate the association between SunPlus Financial Analysis with Financial Reporting Quality

Theoretical Framework

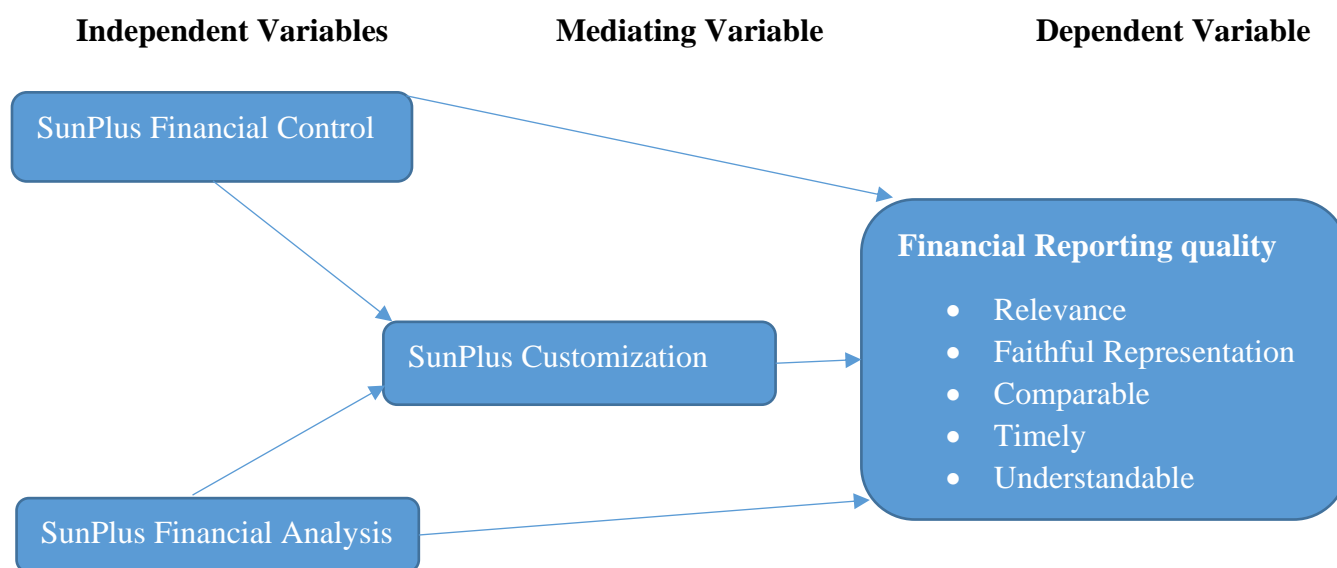
This paper is guided by Agency theory, Resource dependency theory (RDT) and system theory. In the Agency theory, Meckling and Jensen in 1976 points out that the agent will not always act in the best interests of the principal. This theory is relevant to this study as it points out the financial manager's relationship with the church management. The accounting systems are put in place so that they can act a control in reducing information asymmetry between the financial managers and the owners (church). Agency theory emphasizes the importance of monitoring and control mechanisms to ensure that agents act in the best interests of principals (Panda & Leepsa, 2017). SunPlus Accounting system implements robust internal controls within its accounting system to detect and prevent errors, fraud, and misstatements in financial reporting. This includes segregation of

duties, regular audits, and review procedures to verify the accuracy and reliability of financial information RDT points out a need of companies to outsource for resources (Biermann & Harsch, 2017). The resources could be in form of finances, human or technology. In relation to this study, the church outsourced human resource to develop, train and continually update the SunPlus accounting system that is used globally within the SDA entities. System theory suggests that the system itself is more significant than all of the individual parts that comprise it (Lai & Lin, 2017). System Theory emphasizes viewing the accounting system as a complex, interconnected system with various components, including people, processes, technology, and information flows (Lai & Lin, 2017). By applying principles from System theory, SunPlus software can design, implement, and continuously improve its accounting system to enhance financial

reporting quality by incorporating feedback loops, fostering adaptability and flexibility, recognizing the interdependency of system components, and leveraging emergent properties can all contribute to the effectiveness of the accounting system in producing accurate and reliable financial reports. These theories collectively form a holistic framework for managing financial reporting and accounting systems. Agency Theory promotes accountability, Resource Dependency Theory (RDT) facilitates access to essential resources for system development, and System Theory ensures the accounting system operates as a cohesive, interconnected structure. Their combined application strengthens financial transparency, reliability, and adaptability, making SunPlus an effective financial management tool within SDA entities.

Conceptual Framework

Figure 1: Conceptual Framework



Literature review

Seventh-day Adventist (SDA) owned entities have greatly influenced society by making substantial contributions to healthcare, education, community service, the promotion of healthy lifestyles, disaster relief, humanitarian help, and the advocacy for social justice. An accounting system is therefore essential for SDA entities to manage their financial resources effectively, comply with regulatory requirements, promote transparency and accountability, allocate resources efficiently, support decision-making processes, and communicate financial information to stakeholders. This led to the development of a software called SunPlus (Seventh-day Adventist Accounting Software) that was developed to enhance financial and accounting transparency within the global Seventh-day Adventist church. This solution is tailored to specifically address the financial reporting requirements of the church, as a non-profit institution.

According to Vysochan et al., (2021) the properties of accounting software are crucial for optimizing the efficiency and effectiveness of financial management in enterprises. When selecting accounting software, it is essential to take into account elements such as overall characteristics, compatibility, flexibility, control, reporting capabilities, and training to ensure that it fulfills the unique requirements of the organization. This paper therefore analyses the ability of the SunPlus accounting software's ability in financial control, financial analysis and customization in relation to providing quality financial reports.

Financial controlling, a key aspect of financial management, is crucial for preserving the stability and sustainability of enterprises (Yordanova-Dinova, 2018). Financial control involves budgeting, monitoring, evaluating, and regulating the financial activities of an organization to achieve financial goals and objectives. The main goal of financial

controlling is to maximize profit and owner's capital while minimizing risk and maintaining liquidity, solvency, and financial stability (Vinnytska, 2023). A paper by Pourghaffar et al., (2022) analyzed performance based budgeting model with a real time financial reporting. The researchers concluded that enhancing the budgeting process, along with allocating human and financial resources, necessitates substantial investment in information technology and management information systems thus supporting the budgetary aspect of financial control in providing quality financial reports.

Financial Statement Analysis is a systematic approach to examining and evaluating a company's financial statements to assess its historical, current, or anticipated future performance (Fatihudin, 2018). This process includes assessing financial statements, ratios, and other indicators to make informed decisions (Mahyudin et al., 2021). Financial analysis can be done using horizontal analysis, vertical analysis, and ratio analysis. Horizontal analysis is a method of comparing data by examining the values of line items throughout multiple years. Vertical analysis examines the impact of individual line items on other aspects of the business and the overall proportions of the firm. Ratio analysis utilizes key ratio measures to compute statistical correlations.

A research by Dalnial et al., (2014) examined the relationship between financial statement analysis and fraudulent financial reporting. The research conducted in Malaysia used data obtained from Malaysian Public Listed firms between 2000 and 2011. The findings indicated that several financial ratios such as total debt to total asset and receivables to revenue were found to be significant predictors to detect fraudulent financial reporting. However, Kaminski et al., (2004) in the study of whether financial ratios in financial analysis can be used to detect financial reporting concluded that financial ratios could

not be used to detect fraudulent financial reporting. In his findings a total of 16 ratios were determined to be statistically significant. However, out of these, only three ratios were found to be statistically significant for three specific time periods. Subsequently, out of the 16 ratios that showed statistical significance, only five ratios were significant before the year in which the fraud occurred. In conclusion by employing discriminant analysis, the rate of misclassifications for fraudulent companies varied from 58 percent to 98 percent indicating ratios are not effective indicators of fraudulent financial reporting.

The ability of an accounting systems to be easily customized to suit particular organizational requirements and guaranteeing precise financial reporting are crucial for both enterprises and government agencies. A research by Olaofe-Obasesin, (2020) indicated that the implementation of accounting information systems has been shown to have a favourable correlation with the quality of financial statements, highlighting the significance of technical improvements in improving financial reporting. Furthermore, the harmonization of accounting systems, both domestically and internationally, can lead to improved financial reporting practices by aligning with global standards and best practices (Lyzunova et al., 2022; Benito & Bastida, 2008). The use of accounting information systems not only enhances decision-making processes but also accelerates reporting timelines, enabling timely and informed decision-making by organizational leaders (Natalia et al., 2021).

The IFRS conceptual framework (2010) states that the qualitative aspects of financial information consist of essential qualities, such as relevance and faithful representation of a phenomena, as well as enhancing qualities, such as comparability, understandability, and timeliness. The collective presence of all qualitative qualities of financial information contributes to the overall quality of financial reporting.

Literature indicates that accounting systems positively associates with Financial Reporting Quality as highlighted by Dalnial et al., (2014), Vysochan et al., (2021), Pourghaffar et al., (2022) Olaofe-Obasesin, (2020), Lyzunova et al., 2022, Boit (2021). However, this study aims at analysing the effect of the two key characteristics (SunPlus Financial Control, SunPlus Financial Analysis) and Financial Reporting Quality; mediated by SunPlus Customization.

Research Methodology

The study used correlational research design based on quantitative approaches using secondary data from a study by Boit, (2021). The unit of analysis was the seventh day Adventist entities within West Kenya Union Conference and he unit of inquiry for the study was 70 accountants.

Smart Pls4 was used to test for reliability, construct validity and discriminant reliability. P values were used to test the association between SunPlus Financial Control, Financial Analysis, SunPlus Customization and Financial Reporting Quality.

Data analysis and presentation**Table 1: Reliability and construct validity**

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Customization	0.82	0.832	0.893	0.736
Financial analysis	0.834	0.835	0.889	0.668
Financial control	0.856	0.861	0.912	0.775
Financial reporting quality	0.91	0.915	0.933	0.738

Table shows the composite reliability to be above the minimum threshold 0.7, AVE is above 0.5 minimum thresholds and Cronbach alpha is above 0.7 minimum

thresholds. Therefore, it can be said that the measurement instrument is acceptable and reliable for further tests.

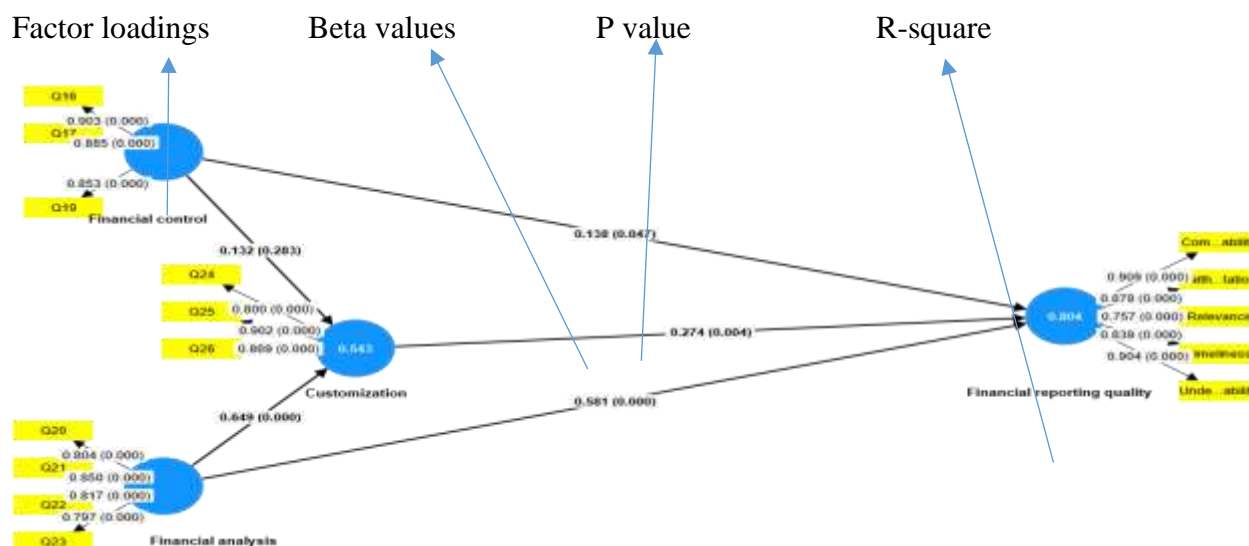
Fornell & Larcker criterion**Table 2: Fornell & Larcker criterion**

	Financial Reporting Quality	Sunsystem Customization	Sunsystem Financial Analysis	Sunsystem Financial control
Financial Reporting Quality	0.859			
Sunsystem Customization	0.819	0.768		
Sunsystem Financial Analysis	0.807	0.744	0.817	
Sunsystem Financial control	0.632	0.53	0.618	0.859

Discriminant reliability that measures the extent to which a construct is distinct from the other was conducted using the Fornell & Larcker

criterion where the rule of thumb here is that the square root of AVE must be greater than other correlation values.

Figure 1: Factor Loadings



The factor loadings represent how well an item represents the underlying construct. The thumb rule is that loading values should be over 0.70. The above table indicate that the constructs in this article are well represented as the factor loadings are all above 0.7

The R-Square indicates that 80.4% change in the Financial Reporting Quality-DV is explained by

Discussion on Findings

Table 1: Hypothesis Testing

	Beta Value	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values	Alternative
H ₀₁ SunPlus Financial control -> Financial reporting quality	0.138	0.138	0.07	1.989	0.047	SUPPORTED
H ₀₂ SunPlus Financial analysis -> Financial reporting quality	0.581	0.589	0.088	6.594	0	SUPPORTED
H ₀₃ SunPlus Customization -> Financial reporting quality	0.274	0.262	0.095	2.901	0.004	SUPPORTED
H ₀₄ SunPlus Financial control -> Customization	0.132	0.131	0.123	1.074	0.283	NOT SUPPORTED
H ₀₅ Sun plus Financial analysis -> Customization	0.649	0.656	0.093	6.979	0	SUPPORTED

Beta value explains the degree of change in the Financial Reporting Quality (outcome variable) for every unit change in the predictor variable.

The study established that SunPlus customization mediates the relationship between SunPlus Financial Analysis and Financial Reporting Quality since there is a positive and significantly association between financial control and SunPlus customization. However, the study established that SunPlus customization does not mediate the relationship between SunPlus Financial Analysis and Financial Reporting Quality since there was no significantly association between financial analysis and SunPlus customization.

The findings of this study indicate that for every unit change in financial control will positively and significantly contribute to 13.8% of financial reporting with a p value of 0.047. The study also established that every unit change in financial analysis will positively and significantly contribute to 58.1% of financial reporting with a p value of 0.000. Therefore, based on the above findings, the null hypothesis is rejected and alternative is supported because the P values of 0.047 and 0.000 are way below 0.05.

Conclusions and Recommendations

The findings indicate that SunPlus customization mediates the relationship between SunPlus Financial Analysis and Financial Reporting Quality. SunPlus customization acts as a mediator by enhancing the effectiveness of financial analysis tools, which then leads to improved financial reporting quality. The customization ensures that the tools are well-suited to the organization's needs, improving the accuracy and relevance of the financial analysis and the resulting reports.

However, SunPlus Customization does not mediate the relationship between SunPlus Financial control and Financial Reporting Quality. This implies that the quality of financial reporting is directly influenced by the effectiveness of financial control practices, independent of how the SunPlus system is customized. This suggests that improvements in financial control will directly enhance reporting quality, and the customization of the system does not significantly alter this effect. To address this, it may be useful to explore whether different types of customizations could impact the relationship or if the focus should remain on enhancing financial control practices themselves.

SunPlus Financial Control and SunPlus Financial Analysis are key in determining the quality of Financial Reports. This implies that SunPlus Financial Control ensures that financial data is accurate and compliant with standards, while SunPlus Financial Analysis uses this data to provide meaningful insights into an organization's financial performance. Both are crucial for producing high-quality financial reports and maintaining overall financial health.

Further, accounting system customization requires a deep understanding of the organization's needs, the capabilities of the accounting software, and relevant regulations. By customizing the chart of accounts, user permissions, financial reports, system integration, and compliance features, organizations can optimize their accounting systems to support informed decision-making, streamline financial processes, and ensure efficient financial reports.

Further research should be conducted to explore effectiveness of other elements of the SunPlus Accounting systems in providing quality financial reports.

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