
Computerized Accounts Receivable Accounting and Financial Performance of Supermarkets in Port Harcourt

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ABSTRACT

The paper examined Computerized Accounts Receivable Accounting and Financial Performance of Supermarkets in Port Harcourt. Computers are machines or electronic devices that can do billions of computations at very high speed, analyze business and do a lot of office duties when programmed. Computer systems can shorten the lead time needed by accountants to prepare and present financial information to management and stakeholders. The need for supermarkets to be reliable and efficient in service delivery is very important. Hence, computerized accounting system can boost efficient performance in supermarkets and enable them to compete favourably in the business environment. The paper concludes that a computerized accounts receivable accounting is the application of computers in the management of credit involving accounts receivable that is entered into by retail firms and their customers. Retail firms have routine accounts receivable issues with their numerous clients. Thus, the use of computers makes it easy and efficient for the firms to manage their accounts receivable. Therefore, the paper recommends that supermarkets should use computerized accounts receivable system in order to have easy and efficient business transactions with their teeming customers.

Keywords: Computerized Accounts Receivable Accounting, Financial Performance of Retail Firms

Introduction

Background of the Study

In the Accounting Information Systems literature, a lot of studies have indicated that in the 21st Century because of the advent of Information and Communication Technology (ICT), accounting system is aided with the use of computers (Ofurum and Ogbonna, 2008). This is due to the fact that a computerized accounting system has great potential to increase productivity, streamline workflow, reduce data redundancy and error reconciliation, and help with financial management for large and small businesses (The Resource Group, 2013). In the 21st century, Information Technology (IT) has created significant benefits for accounting departments. IT networks and computer systems have shortened the lead time needed by accountants to prepare and present financial information to management and stakeholders. Not only has IT

shortened the lead time required to present financial information, but it also has improved the overall efficiency and accuracy of the information (Vitez, 2013). According to the Resource Group (2013), a good computerized accounting system or CAS has a clean, easy-to-use interface. From this interface, accountants and auditors can enter data, export data into other formats, and perform data validation operations. Typically, CAS can be performed on Accounts Payable; Accounts Receivable; Payroll; Benefits Management; Budgeting; Assets; Reporting; Project Reporting; and Supply Chain Management (The Resource Group, 2013). The essence of using computerized accounting is to improve performance and attract financial gains (Joseph, 2013). Consequently, organizations are applying computerized accounting in order to save time, cost and money (Joseph, 2013; Magloff, 2013). Over the years, studies have identified that there are many different ways to measure financial performance (Richard *et al.*, 1999). The business dictionary identified some measures of financial performance to include; return on investment, return on assets, and value added. In this 21st century, it has been noted by scholars that computerized accounting has the capacity to enhance the performance of large or small firms (Cook, 1989). Specifically, supermarkets operate as retail firms. They carry out their operations by applying credit management systems, which include Accounts Receivable (Lewis, 2013). Accounts receivable are accounts of customers who owe a company for a service rendered or product received. Each entry in the accounts receivable system includes the name of the customer, the date the customer purchased the product or service, the amount the customer owes, and the date the payment is due. When the customer makes a payment, an employee of the company will update the entry to reflect the new balance (Lewis, 2013; McMullen, 2013). Retail firms usually give out their items on credit (McMullen, 2013). The process of recording items on credit requires opening separate accounts for different customers, which may involve individuals, corporate bodies or the government. The use of manual accounting system to manage the credit system may waste a lot of time and resources in the firm. Hence, this paper intends to examine computerized accounts receivable accounting and financial performance of supermarkets in Port Harcourt.

Purpose and Objectives of the Study

The aim of the study was to examine computerized accounts receivable accounting and financial performance of supermarkets in Port Harcourt. The specific objectives of the study are:

- i. To ascertain how computerized accounts receivable affect the profitability of supermarkets.

- ii. To ascertain how computerized accounts receivable affect the return on investment of supermarkets.

Research Questions

The key questions in this study are:

- i. To what extent does computerized accounts receivable affect the profitability of supermarkets?
- ii. To what extent does computerized accounts receivable affect the return on investment of supermarkets?

Research Hypotheses

Using the review of related literature, the following hypotheses were developed.

H0₁: There is no significant relationship between computerized accounts receivable and the profitability of supermarkets.

H0₂: There is no significant relationship between computerized accounts receivable and the return on investment of supermarkets.

REVIEW OF RELATED LITERATURE

Introduction and Theoretical Framework

Computerized accounts receivable accounting allows the firm to have daily cash control and improve their financial performance and quest to make monetary gains (McMullen, 2013). Financial performance of is a means of assessing how well a firm can use assets from its primary mode of business and generate revenues. The further advantage of computerized accounts receivable accounting is that debits and credits are posted automatically to the general ledger, to provide reliable and efficient credit management system for the firm (McMullen, 2013). Computer is any device or system that is capable of accepting data automatically, applying a sequence of processing operations which are frequently numerical computations and supplying the results of these processes in the form of information (Ofurum and Ogbonna, 2008). Typically, computers can perform data processing functions at great speed, store information, provide correct and accurate outcomes or results of business operations, and provide managerial aids (Ihunda, 2001). Thus, business entities are using computers to help them solve problem of accounting, auditing, inventory management and control, supply chain management and so on.

Computerized Accounts Receivable Accounting and Financial Performance of Retail Firms

In organizations, in order to manage credit, specific systems are put in place to track accounts receivables. This system often includes balance forwards, listing of all open invoices, and generation of monthly statements to customers. In the world of business, the way accounting data is entered, stored and processed has changed considerably (McMullen, 2013). A lot of small business retail shop owners have gone to accepting credit cards to get away from having to track and collect these amounts, but many manufacturing and service businesses sell on credit, as their customers are other small businesses, not individuals. While many companies require customers to pay for products and services immediately upon receiving them, other companies allow customers to sign a contract and pay later. Most companies depend on their accounts receivable systems to keep their customers' unpaid bills organized (McMullen, 2013). Computerized accounts receivable systems may be easier to organize than accounts receivable systems that employees manage by hand. Companies that use non-computerized accounts receivable systems must typically organize their documents in file cabinets, and finding a specific account can be time-consuming and difficult (Cook, 1989; McMullen, 2013). However, computerized systems usually include a searchable database and tools to remind the company to bill customers (McMullen, 2013). Thus, retail firms such as supermarkets can perform better when they switch to computerized accounting system (CAS) in organizing their accounts receivable (The Resource Group, 2013).

According to Lewis (2007), accounts receivable are monies received from credit worthy-customers who are given credits on goods. The basic accounts receivable relationship that exists between the business owner and the lender occurs when the business owner extends credit to the debtor to help the debtor finance existing operations. These types of loans increase the current assets of the company and are accounted for in the general ledger and in the accounts receivable account for the borrower. Financial performance is termed to be a means of assessing how firms can realize monetary gains in their operations. The measures of performance in financial terms are numerous. The business dictionary and Richard et al (1999) view the measures of financial performance in terms of market share, sales volume, shareholders value, customers' satisfaction; profits, return on assets, return on investment and value added. Essentially, the performance of a firm consists of all the information that were gathered and analyzed concerning the economic events in the organization.

According to Richard et al. (2009), financial performance comprises of profits, return on assets, return on investment, etc. In this paper, profitability and return on investment are adopted as the measures of firm financial performance. Tatum and Harris (2013) assert that corporate profit is the net income earned by a business within a specific period on the economic calendar. Calculating this type of profit is essential not only to individual businesses, but also to economists who pay close attention to the economic growth of a nation's economy. Return on assets is a useful measure of profitability, and measures how well a company is using its assets to generate earnings. However, values can vary substantially between companies and between sectors and therefore for wider benchmarking purposes, profit per employee may be more effective. Profit is the financial return or reward that entrepreneurs aim to achieve to reflect the risk that they take. Given that most entrepreneurs invest in order to make a return, the profit earned by a business can be used to measure the success of that investment (Riley, 2012). Without profitability, the business will not survive in the long run. Profitability reflects the overall performance of for-profit organization. According to Parker (2013), return on investment, or ROI, is a useful measure of profitability. Using ROI, the investor can compare different investments against each other. While ROI is not the only statistic to consider when investing, it is a useful starting place. Return on investment is a measure of the amount gained or lost on an investment expressed as a percentage of the initial investment. ROI serves as a tool to help investors gauge the profitability of an investment.

More specifically, it reveals the earnings the investor receives for each monetary value invested. This is useful because it allows the investor to easily compare multiple investments. ROI provides an objective measurement of profitability (Parker, 2013). Computerized accounting is an accounting system done with the aid of a computer. It tends to involve dedicated accounting software and digital spreadsheets to keep track of a business or client's financial transactions so as to improve the performance of accounting operations (Ury, 2011).

METHODOLOGY

Research Design, Population, Sample Size, Sampling Procedure and Response Rate

The study adopted the quasi-experimental research design to survey ten (10) supermarkets in the retail sector of the economy in Port Harcourt, Rivers State of Nigeria. The purposive sampling technique was used to select the retail firms. They were; Next Time Supermarket; Everyday Emporium; Everyday Supermarket, Saagan Supermarket; Quick-Save Supermarket; Well-done Supermarket; Park 'N' Shop; Success Super

Stores; Super Food Mart; and Hollison Stores. These retail firms are registered with the Corporate Affairs Commission. They also have 3 senior managers each. Using convenience sampling, the questionnaires were handed to 30 respondents in the selected firms. The respondents were financial controllers, accountants and managers. Out of the number of questionnaires distributed, a total of 27 were retrieved, and of this amount, 24 were properly completed and useful, and this gave a response rate of 80% for the study. Furthermore, more than 70% per cent of the respondents indicated that they were aware of what constitutes computerized accounts receivable accounting and financial performance of supermarkets. This level of knowledge and experience among the respondents is considered as veritable factors that can add credibility to the findings of the study.

Data Collection and Questionnaire Design

The primary and secondary data are used for the study. The secondary data included information cited from publications and the Internet; while, the primary data was based on the administration of a well-designed questionnaire to elicit information from the respondents. The questionnaire had 12 questions covering computerized accounts receivable accounting and financial performance of supermarkets. The questionnaire was measured based on the use of five-point likert-type scale of "to a great extent = 5; to a considerable extent = 4; to a moderate extent = 3; to a slight extent = 2; and not at all = 1".

Data Analysis Technique

The researchers tested the hypotheses for this study using the Spearman's rank order correlation coefficient. The spearman's rank order correlation co-efficient was adopted by the use of the Statistical Package for Social Sciences (SPSS) version 17.0. The spearman's rank order correlation co-efficient was chosen because all the variables in the study are measured in ordinal scale. The Spearman's rank order correlation coefficient is usually designated as Rho, r_s or p . It measures the degree of relationship between two sets of ranked observations (Baridam, 2001). Rho assumes any value from -1 to +1 indicating perfect correlation, and 0 no relationship.

DATA PRESENTATION AND ANALYSIS

Analysis of Research Questions

The research questions asked in this study were analyzed based on the responses provided by the respondents, and they are presented in the tables below as thus:

Research Question 1: To what extent does computerized accounts receivable affect the profitability of supermarkets?

Table 4.1.1: Effect of Computerized Accounts Receivable on the Profitability of supermarkets

Item	Frequency	Percentage
To a great extent	14	58.33
To a considerable extent	6	25.00
To a moderate extent	3	12.50
To a slight extent	1	4.17
Not at all	0	0.00
Total	24	100

Source: Survey Data, 2013

Table 4.1.1 shows the responses gathered in relation to the issue concerning the effect of computerized accounts receivable and the profitability of supermarkets. Out of the 24 respondents, 14 or 58.33% provided to a great extent response to show that computerized accounts receivable affects the profitability of supermarkets. Also, 6 (25.00%) and 3 (12.50%) of the respondents supported this view by respectively providing to a considerable extent and to a moderate extent responses. This is because computerized accounts receivable efficiently provide a systematic process of computing the credit management system of the firm without too much load of work. The time used for providing the account is minimal because of the level of speed and accuracy which the computer provides. This process enables the firm to save cost and time for other business in order to make financial gains (Cook, 1989). However, one of the respondents representing 4.17% gave to a slight extent response; while the response for not at all recorded a zero response. This category of respondent is of the opinion that computerized accounts receivable can only be used to notify management about the cash that can be paid to the firm by the debtors, but it is humans that can still communicate to the debtors on the need to payback what they purchased on credit. On the all, the high response rate of those who indicated that the degree of effect of computerized accounts receivable are high reveals that the system is adequately good for the enhancement of the profit of firms.

Research Question 2: To what extent does computerized accounts receivable affect the return on investment of supermarkets?

Table 4.1.2: Effect of Computerized Accounts Receivable on the Return on Investment of supermarkets

Item	Frequency	Percentage
To a great extent	12	50.00
To a considerable extent	5	20.83
To a moderate extent	4	16.67
To a slight extent	2	8.33
Not at all	1	4.17
Total	24	100

Source: Survey Data, 2013

Table 4.1.2 reveals the responses gathered regarding the effect of computerized accounts receivable on the return on investment of supermarkets. From the total of 24 respondents, 12 (50%) indicated to a great extent response to exhibit that computerized accounts receivable affects the return on investment of supermarkets. In addition, 5 (20.83%) and 4 (16.67%) of the respondents supported this notion by respectively providing to a considerable extent and to a moderate extent responses. The essence of these responses were due to the fact that a computerized account receivable system ensures that firms are able to hold all their vendor information, so they do not have to enter that information when writing checks; enable them to pay bills and print out checks right on the computer; enable them to post their check to the correct account in their chart of accounts; enable them to track all payments to each vendor, so they can pull this information up at any time; and enable them to know the bills that are due on any given day (McMullen, 2013). Nevertheless, some of the respondents that makes up a total of 2 (8.33%) and 1 (4.17%) respectively gave contrary views of to a slight extent and not at all responses. To them, computerized accounts receivable can only be useful when the debtors pay up their debts. Apart from the use of computers, the customers owing the firm are contacted physically for the collection of debts.

Statistical Testing of Hypotheses

The hypotheses testing were done by the use of the Spearman Rank Order Correlation Coefficient statistical tool with the application of the SPSS package version 17.0. The researchers adopted this test because data collected for the study were measured in ordinal scale. The analysis and interpretation of the results were guided by the correlation decision scale frame of Dana (2001) based on the following criteria: (i) $\pm 0.00 - 0.19$ (very weak); (ii) $\pm 0.20 - 0.39$ (weak); (iii) $\pm 0.40 - 0.59$

(moderate); (iv) $\pm 0.60 - 0.79$ (strong); (v) $\pm 0.80 - 0.99$ (very strong); and (vi) ± 1 (perfect).

Hypothesis One: Relationship Between Computerized Accounts Receivable and the Profitability of Supermarkets

H0₁: There is no significant relationship between computerized accounts receivable and the profitability of supermarkets.

The aim of this hypothesis is to determine the relationship between computerized accounts receivable and the profitability of supermarkets. The result of the test shows a spearman correlation ($\rho = 0.706$, $p < 0.05$) (see appendix 2). This indicates a strong and significant relationship between computerized accounts receivable and the profitability of supermarkets. The null hypothesis is thereby rejected, while the alternative hypothesis is accepted. The result supports the views of Cook (1989), which reveals that there is a positive relationship between computerized accounts receivable and the profitability of supermarkets. The computerization of accounts receivable enables firms to get their bills out the same day when they have performed their service. An accounts receivable module prepares invoices and customer accounts, adds credit charges where appropriate, handles incoming payments, flags the attention to customers to the firm that are delinquent, and produces dunning notices. This system saves cost and time and enhances the performance and operations of the firm towards the realization of monetary gains.

Hypothesis Two: Relationship Between Computerized Accounts Receivable and the Return on Investment of Supermarkets

H0₂: There is no significant relationship between computerized accounts receivable and the return on investment of supermarkets.

The hypothesis was formulated to determine the relationship between computerized accounts receivable and the return on investment of supermarkets. The result of the test shows a spearman correlation coefficient ($\rho = 0.722$, $p < 0.05$) (see appendix 2). This means that there is a strong and significant relationship between computerized accounts receivable and the return on investment of supermarkets. As a result, the null hypothesis was rejected; while, the alternative hypothesis was accepted. The implication of the finding is that computerized accounts receivable contributes significantly to the enhancement of return on investment as it enables them to easily assess those owing the firm, provide a reminder on the specific time the business was transacted and the debt collection period. The result corroborates the notion of (McMullen

(2013), which suggested that there is a positive relationship between computerized accounts receivable and return on investment of supermarkets.

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

Discussion of Findings

The discussion of finding is based on the hypotheses tested on the relationship between Computerized Accounts Receivable Accounting and the Financial Performance of Supermarkets as explained below:

Relationship between Computerized Accounts Receivable and the Profitability of Supermarkets

The statistical result shows that there is a significant relationship between computerized accounts receivable and the profitability of supermarkets ($\rho = 0.706$). In other words, Computerized Accounts Receivable enables the management, the accountant or auditor to manage payments, billing, and income in an efficient and effective manner that will enable the firm to achieve its set goals. This is because the computerization of the accounting system in organizations is a mechanism which is used to improve productivity and the process of business operations (Cook, 1989). The application of computerized systems has great potential to increase productivity, streamline workflow, reduce data redundancy and reduce error and help with financial management for small businesses. The computerized accounts receivable will provide the supermarket easy access to information concerning business transactions done on credit.

Relationship between Computerized Accounts Receivable and the Return on Investment of supermarkets

The statistical analysis indicates that there is a significant relationship between computerized accounts receivable and the return on investment of supermarkets. This implies that supermarkets sell their products on credit to credit-worthy customers in line with the credit policy of the firm. The supermarkets ensure notes receivable documents are completed by the customers and stored in the computers, which serves as reminder to the supermarket and the debtor. The recovery of the debt in the near future serves as an asset to the supermarket in the business transaction. Debts are assets to the firm and whenever they are recovered, they increase the financial and revenue base of the firm. The statistical result of $\rho = 0.722$ shows that computerized accounts receivable significantly influences the return on investment of supermarkets. In other words, there is a positive significant relationship between computerized accounts receivable and the return on investment of supermarkets.

CONCLUSION

The finding of the study shows that Computerized Accounts Receivable Accounting is strongly related to Financial Performance of Supermarkets. Typically, to save cost and time in accounts receivable accounting, it is proper for firms to use programmed computers. This is because accounts receivable involves the process of qualifying the extension of credit to a customer, monitoring the reception and logging of payments on outstanding invoices, the initiation of collection procedures, and the resolution of disputes or queries regarding charges on a customer invoice. Hence, the use of computers to manage accounts receivable will efficiently control all the cumbersome processes involved. Essentially, computers are very useful machines that can guarantee the financial success and survival rate of organizations. The financial performance of firms consists of the approaches by which monetary gains are achieved for owners of business. Financial performance implies the degree to which goals and objectives achieved in business operations are linked with monetary gains. Thus, we could conclude that a computerized accounts receivable accounting is the application of computers in the management of credit involving accounts receivable that is entered into by retail firms and their customers. Retail firms have routine accounts receivable issues with their numerous clients. Thus, the use of computers makes it easy and efficient for the firms to manage their accounts receivable.

RECOMMENDATIONS

In the light of our findings, the following recommendations were made.

1. Supermarkets should use computerized accounting system in order to compete favourably in the retail sector of the economy.
2. Supermarkets should use computerized accounts receivable system in order to have easy and efficient business transactions with their teeming customers.
3. Supermarkets should use computerized accounting to save cost, time and reduce errors in their operations.
4. Supermarkets should employ computer literate accountants to help them carry out their account receivable systems in order to achieve set objectives.

ACCOUNTING IMPLICATIONS OF THE STUDY

Accountant that are Information and Communication Technology (ICT) compliant have the skills, competencies and knowledge to effectively and efficient carry out Computerized Accounts Receivable Accounting for the enhancement of the Financial Performance of organizations. Computer systems can shorten the lead time needed by accountants to prepare and

present financial information to management and stakeholders. The computerized accounting system can boost efficient performance in supermarkets and enable them to compete favourably in the business environment. Computerized accounting has many advantages over traditional manual accounting. Computerized accounting tends to be more accurate, is faster to use, and is less subject to error than its manual counterpart. The computerized accounting system is one that evolves with the changes in technology. With the advent of the Information and Communication Technology, many accounting system are now computerized. Manual accounting processes are discarded. The use of papers, pens and abacuses have undergone drastic changes in the business world by the introduction of computerized accounting. Computerized accounting systems allow accountants to evaluate the financial position of firms in "real-time" and make adjustments to the business strategy as needed by the firm.

Computers serve as very efficient tools that can increase people's capacity for intelligent work and handle masses of information. These processes are capable of improving the financial performance of the firms as their goals and objectives are easily achieved. Thus, the need to computerize the accounting system of firms is very necessary as will help them to achieve monetary gains in their operations. Lastly, a lot of computerized accounting processes are very fast, flexible, and have the capacity to save time, save cost, produce accurate results, effectively analyze accounting reports and business operations. Thus, firms should apply computerized accounting system in their business transactions.

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APPENDIX 1

Instruction: Please, kindly complete the blank spaces, and also tick (✓) in the appropriate boxes that applies to you by using the followings:

To a great extent 5; To a considerable extent 4; To a moderate extent 3;
To a slight extent 2; Not at all 1

Computerized Accounts Receivable Accounting and Financial Performance of Supermarkets

S/No.	Computerized Accounts Receivable	5	4	3	2	1
1	To what extent has computer aided your firm's credit management system?					
2	To what extent has the use of computers enhanced your firm's accounts receivable system?					
3.	To what extent has computers aided in the preparation of invoices for your firm?					
4.	To what extent has computerized accounting influenced the evaluation of the credit policy of your firm?					
	Financial Performance of Supermarkets					
	Profitability	5	4	3	2	1
5.	To what extent has the need for monetary gains improved firm's profit level in the last five years?					
6.	To what extent has the revenue base enhanced your firm's profit in the last one year?					
7.	To what extent has the introduction of computers boosted your firm's profit level in the past one year?					
8.	To what extent has the computerization of your accounting system yielded success in your firm's operations?					
	Return on Investment	5	4	3	2	1
9.	To what extent has the need for monetary gains improved firm's return on investment in the last five years?					
10.	To what extent has the revenue base enhanced your firm's return on investment in the last one year?					
11.	To what extent has the introduction of computers boosted your firm's return on investment in the past one year?					
12.	To what extent has the computerization of your accounting system influenced your firm's growth?					

Source: Survey Data, 2013

APPENDIX 2

Correlation Matrix and SPSS Output Table for Spearman Rank Order Correlation Coefficient Analysis on the Relationship between Computerized Accounts Receivable Accounting and Financial Performance of Supermarkets.

		Computerized Accounts Receivable	Profitability	Return on Investment
Computerized Accounts Receivable	Correlation co-efficient	1.000		
Profitability	Correlation co-efficient	*.706	1.000	
Return on Investment	Correlation co-efficient	*.722	*.689	1.000

Source: Survey Data, 2013

N = 24

* = Correlation significant at 0.05 level (2-tailed)

Summary of Hypotheses Tested (H₀₁-H₀₂)

Variable	Profitability	Return on Investment	Accept	Reject
Computerized Accounts Receivable	H ₀₁ : *0.706	H ₀₂ : *0.722		H ₀₁ H ₀₂

Source: Survey Data, 2013 and SPSS Output

* = Correlation significant at 0.05 level (2-tailed)

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