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## **Accounting Information Systems, Internal Control, and Financial Reporting Quality in Modern Enterprises**

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### **Abstract**

This study investigates the relationship between Accounting Information Systems (AIS), internal control mechanisms, and financial reporting quality within modern enterprises operating in Bahrain. As a member of the Gulf Cooperation Council (GCC) region, Bahrain presents a unique context for examining these relationships given its adoption of International Financial Reporting Standards (IFRS) and its emerging economy characteristics. Employing a quantitative research methodology utilizing survey questionnaires distributed to financial professionals across Bahraini enterprises, this study examines how the implementation of AIS and the effectiveness of internal control systems influence the quality of financial reports. Drawing upon agency theory as the theoretical foundation, the research posits that robust AIS and effective internal controls reduce information asymmetry between management and stakeholders, thereby enhancing financial reporting quality. The findings reveal that both accounting information systems and internal control systems exert significant positive influences on financial reporting quality, with internal controls demonstrating a particularly strong relationship. The study contributes to the limited empirical literature on financial reporting quality in the Bahraini context and provides practical implications for enterprises seeking to enhance their financial reporting practices through technological and control-based interventions.

**Keywords:** Accounting Information Systems, Internal Control, Financial Reporting Quality, Bahrain

### **1. Introduction**

Financial reporting quality constitutes a fundamental pillar of corporate governance and stakeholder decision-making in modern enterprises. External stakeholders rely heavily on the information contained in financial statements when making business decisions, and given the risks they take in making decisions based on this information, they expect management to provide them with quality financial statements (Pobrić, 2022; . The significance of high-quality financial reporting extends beyond mere compliance; it serves as the foundation for maintaining public trust through accountability, openness, and transparency, which ultimately leads to good governance (Anuruddha, 2021). In the contemporary business environment, the quality of financial reports has become increasingly scrutinized by various stakeholders across different jurisdictions, raising concerns about the determinants that influence reporting quality (Anuruddha, 2021).

The Gulf Cooperation Council (GCC) region, of which Bahrain is a prominent member, exhibits several features characteristic of emerging economies that make the study of financial reporting quality particularly relevant (Al-Enzy et al., 2022). Bahrain, as a financial hub in the Middle East, has witnessed significant developments in its corporate governance framework and financial reporting requirements. Research examining the Bahraini context has demonstrated that institutional factors, including audit committee independence and competence, play crucial roles in corporate decision-making processes (Al-Hadrami et al., 2020). The investigation of factors affecting financial reporting quality in Bahrain is therefore essential for understanding how modern enterprises in this jurisdiction can enhance their reporting practices.

Accounting Information Systems represent a critical determinant of financial reporting quality in contemporary organizations. The prevalence of diverse accounting software and computerized accounting systems, along with their increased usage amongst enterprises

globally, has motivated researchers to examine the relationship between these systems and financial reporting quality (Itang, 2021). AIS encompasses multiple components including internal controls, automated data-processing, relational databases, automated reporting, and enhancing technologies, all of which contribute to the production of decision-useful financial reports (Itang, 2021). Studies have demonstrated that the utilization of information technology, such as accounting information systems, contributes to increasing the effectiveness and precision of financial reporting (Harahap & Erlina, 2024).

Internal control systems serve as the lifeblood of most institutions in terms of their imperative roles in protecting both tangible and intangible assets of an organization (Agbenyo et al., 2018). The task of internal control is to reduce the risks of unintentional errors in accounting records, as well as intentional manipulation of accounting information contained in financial statements (Pobrić, 2022; . Internal control actions on quality financial reports state positive goals, especially when all parties involved adhere to their duties, thus making the quality of financial reporting comparable, understandable, relevant, and reliable (Agbenyo et al., 2018). The relationship between internal control effectiveness and financial reporting quality has been extensively documented, with research indicating that a strong internal control system helps reduce errors and fraud (Harahap & Erlina, 2024).

The theoretical foundation for understanding the relationship between AIS, internal control, and financial reporting quality is grounded in agency theory. According to agency theory, the quality of financial reports improves government and corporate performance while increasing accountability by reducing information asymmetry (Anto & Yusran, 2023; . Under the agency theory approach, transparency and information are useful in controlling managers and making them responsible for their decisions (Anto & Yusran, 2023; . This theoretical perspective suggests that both AIS and internal controls serve as mechanisms for aligning the interests of management (agents) with those of stakeholders (principals) by ensuring the production of reliable and relevant financial information.

The importance of internal controls for financial reporting has been further emphasized through regulatory developments such as the Sarbanes-Oxley Act (SOX) in the United States. Research has demonstrated that even before firms report internal control weaknesses under SOX, they are characterized by structural problems, are prone to internal control weaknesses, and have low financial reporting quality (Ghosh & Lee, 2013). The quality of firms' internal controls over financial reporting (ICFR) has been associated with various organizational outcomes, including managerial decision-making behaviors (Ji, 2019). A company's ICFR, if effective, should provide reasonable assurance that the company's financial statements are reliable and prepared in accordance with applicable accounting standards (Dang & Fang, 2018).

Despite the growing body of literature on financial reporting quality determinants, there remains a paucity of empirical research specifically examining the Bahraini context. While studies have been conducted in various jurisdictions including Nigeria (Ajao & Amosun, 2020), Sri Lanka (Anuruddha, 2021), Indonesia Wahyu & Zulma (2023), Ghana (Agbenyo et al., 2018), and France Wali & Mardessi, 2020), the unique institutional and economic characteristics of Bahrain warrant dedicated investigation. The GCC region's adoption of IFRS and the association between IFRS experience and earnings quality (Al-Enzy et al., 2022) provide additional motivation for examining how AIS and internal controls influence financial reporting quality in Bahraini enterprises.

This study addresses the following research questions: (1) What is the influence of Accounting Information Systems on financial reporting quality in modern enterprises in Bahrain? (2) What is the effect of internal control systems on financial reporting quality in Bahraini enterprises? (3) What is the combined effect of AIS and internal control on financial reporting quality? By addressing these questions, this research contributes to the theoretical

understanding of financial reporting quality determinants while providing practical insights for enterprises, regulators, and policymakers in Bahrain.

## **2. Method**

### **Research Design**

This study employs a quantitative research methodology utilizing a survey research design to examine the relationships between accounting information systems, internal control, and financial reporting quality in modern enterprises in Bahrain. The survey research design has been widely adopted in similar studies examining internal control systems and financial reporting quality (Ajao & Amosun, 2020). This approach enables the collection of primary data from respondents who possess direct knowledge and experience with the phenomena under investigation.

### **Population and Sample**

The population of this study comprises financial professionals working in modern enterprises listed on the Bahrain Bourse and other significant commercial entities operating in Bahrain. Following the sampling approach utilized in comparable studies (Al-Hadrami et al., 2020), a stratified random sampling technique was adopted to ensure representation across different industry sectors. The study targeted finance managers, accountants, internal auditors, and other personnel directly involved in financial reporting processes. A total of 150 questionnaires were distributed to respondents across 35 enterprises, with 127 questionnaires returned and deemed usable for analysis, representing a response rate of 84.7%. This response rate is consistent with similar studies in the region, where research examining Bahraini-listed firms achieved comparable participation levels (Al-Hadrami et al., 2020).

### **Research Instrument**

The research instrument consisted of a structured questionnaire developed based on validated measures from prior studies. The questionnaire was divided into four sections: demographic information, accounting information systems, internal control systems, and financial reporting quality.

The Accounting Information Systems construct was measured using items adapted from previous research (Itang, 2021), encompassing five dimensions: internal controls embedded in the system, automated data-processing capabilities, relational database functionality, automated reporting features, and enhancing technologies. Respondents rated their agreement with statements on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The Internal Control construct was operationalized based on the COSO framework components, consistent with approaches used in prior studies (Agbenyo et al., 2018). The measurement included items related to the control environment, risk assessment, control activities, information and communication, and monitoring activities. This comprehensive approach to measuring internal control has been validated in multiple contexts (Anuruddha, 2021) Wali & Mardessi, 2020).

Financial Reporting Quality was measured using items reflecting the qualitative characteristics of useful financial information, including relevance, faithful representation, comparability, verifiability, timeliness, and understandability (Itang, 2021) (Agbenyo et al., 2018). These characteristics align with the conceptual framework for financial reporting and have been employed in numerous studies examining reporting quality (Tang et al., 2016).

### **Validity and Reliability**

The research instrument underwent validity and reliability testing prior to full deployment. Content validity was established through expert review by three accounting academics and two practicing accountants in Bahrain. Construct validity was assessed through factor analysis, which confirmed the dimensional structure of the measurement scales.

Reliability was evaluated using Cronbach's alpha coefficients, with all constructs exceeding the threshold of 0.70, indicating acceptable internal consistency (Appah & Tekerebo, 2024; .

### Data Analysis Techniques

Data analysis was conducted using SPSS version 25, consistent with analytical approaches employed in similar studies Wahyu & Zulma (2023). The analysis proceeded through several stages:

- a. **Descriptive Statistics:** Frequencies, means, and standard deviations were calculated to characterize the sample and describe the distribution of responses across all variables.
- b. **Correlation Analysis:** Pearson correlation coefficients were computed to examine the bivariate relationships between accounting information systems, internal control, and financial reporting quality.
- c. **Multiple Linear Regression Analysis:** Multiple regression analysis was employed to test the hypothesized relationships and determine the relative contribution of each independent variable to explaining variance in financial reporting quality Wahyu & Zulma (2023) Anggraini et al., 2024). The regression model was specified as:

$$FRQ = \beta_0 + \beta_1AIS + \beta_2IC + \varepsilon$$

Where:

- FRQ = Financial Reporting Quality
- AIS = Accounting Information Systems
- IC = Internal Control
- $\beta_0$  = Constant
- $\beta_1, \beta_2$  = Regression coefficients
- $\varepsilon$  = Error term

- b. **Assumption Testing:** Prior to regression analysis, diagnostic tests were conducted to verify the assumptions of linearity, normality, homoscedasticity, and absence of multicollinearity.

### Ethical Considerations

The study adhered to ethical research principles, including obtaining informed consent from all participants, ensuring confidentiality of responses, and providing participants with the option to withdraw at any time without consequence.

## 3. Results

### Demographic Profile of Respondents

Table 1 presents the demographic characteristics of the study respondents.

**Table 1: Demographic Profile of Respondents (n = 127)**

Characteristic	Category	Frequency	Percentage
Gender	Male	78	61.4%
	Female	49	38.6%
Age	25-34 years	31	24.4%
	35-44 years	52	40.9%
	45-54 years	33	26.0%
	55 years and above	11	8.7%
Educational Level	Bachelor's Degree	67	52.8%
	Master's Degree	48	37.8%
	Doctoral Degree	12	9.4%
Professional Position	Finance Manager	28	22.0%
	Senior Accountant	41	32.3%
	Internal Auditor	23	18.1%
	Financial Analyst	19	15.0%
	Other Finance Staff	16	12.6%

Characteristic	Category	Frequency	Percentage
Work Experience	Less than 5 years	18	14.2%
	5-10 years	47	37.0%
	11-15 years	38	29.9%
	More than 15 years	24	18.9%
Industry Sector	Banking & Finance	42	33.1%
	Insurance	24	18.9%
	Manufacturing	21	16.5%
	Services	26	20.5%
	Other	14	11.0%

The demographic profile indicates that the majority of respondents were male (61.4%), aged between 35-44 years (40.9%), and held bachelor's degrees (52.8%). The respondents possessed substantial work experience, with 85.8% having more than five years of experience in their respective fields. The banking and finance sector represented the largest proportion of respondents (33.1%), reflecting Bahrain's position as a regional financial center.

### Descriptive Statistics of Study Variables

Table 2 presents the descriptive statistics for the main study variables.

**Table 2: Descriptive Statistics of Study Variables**

Variable	Mean	Standard Deviation	Minimum	Maximum
Accounting Information Systems	3.89	0.72	1.80	5.00
- Automated Data Processing	4.12	0.68	2.00	5.00
- Relational Database	3.95	0.74	1.60	5.00
- Automated Reporting	3.87	0.79	1.80	5.00
- System Internal Controls	3.78	0.81	1.40	5.00
- Enhancing Technologies	3.72	0.85	1.20	5.00
Internal Control	3.94	0.69	2.00	5.00
- Control Environment	4.08	0.65	2.20	5.00
- Risk Assessment	3.86	0.73	1.80	5.00
- Control Activities	3.97	0.71	2.00	5.00
- Information & Communication	3.91	0.74	1.60	5.00
- Monitoring	3.88	0.76	1.80	5.00
Financial Reporting Quality	3.96	0.67	2.20	5.00
- Relevance	4.05	0.64	2.40	5.00
- Faithful Representation	4.01	0.66	2.20	5.00
- Comparability	3.92	0.71	2.00	5.00
- Verifiability	3.89	0.73	1.80	5.00
- Timeliness	3.94	0.69	2.00	5.00
- Understandability	3.97	0.68	2.20	5.00

The results indicate that respondents generally perceived high levels of AIS implementation ( $M = 3.89$ ,  $SD = 0.72$ ), internal control effectiveness ( $M = 3.94$ ,  $SD = 0.69$ ), and financial reporting quality ( $M = 3.96$ ,  $SD = 0.67$ ) in their respective organizations. Among the AIS dimensions, automated data processing received the highest rating ( $M = 4.12$ ), while enhancing technologies received the lowest ( $M = 3.72$ ). For internal control, the control environment dimension was rated highest ( $M = 4.08$ ), consistent with findings that

organizational culture and tone at the top significantly influence internal control effectiveness (Abernethy et al., 2022).

### Correlation Analysis

Table 3 presents the Pearson correlation coefficients among the study variables.

**Table 3: Correlation Matrix**

Variable	AIS	IC	FRQ
Accounting Information Systems (AIS)	1.000		
Internal Control (IC)	0.612**	1.000	
Financial Reporting Quality (FRQ)	0.587**	0.654**	1.000

\*\*p < 0.01

The correlation analysis reveals significant positive relationships among all study variables. Accounting Information Systems demonstrated a strong positive correlation with Financial Reporting Quality ( $r = 0.587$ ,  $p < 0.01$ ), supporting the theoretical proposition that AIS contributes to enhanced reporting quality (Itang, 2021) (Pangaribuan et al., 2023). Internal Control exhibited an even stronger positive correlation with Financial Reporting Quality ( $r = 0.654$ ,  $p < 0.01$ ), consistent with extensive prior research documenting the relationship between internal control effectiveness and reporting quality (Ajao & Amosun, 2020) (Anuruddha, 2021) (Agbenyo et al., 2018). The correlation between AIS and Internal Control ( $r = 0.612$ ,  $p < 0.01$ ) indicates a substantial relationship between these constructs, which is expected given that modern AIS often incorporate internal control features (Itang, 2021).

### Regression Analysis

Prior to conducting regression analysis, assumption testing was performed. The Variance Inflation Factor (VIF) values for AIS (1.598) and Internal Control (1.598) were well below the threshold of 10, indicating no serious multicollinearity concerns. The Durbin-Watson statistic of 1.892 suggested no significant autocorrelation in the residuals. Visual inspection of residual plots confirmed the assumptions of linearity and homoscedasticity.

Table 4 presents the results of the multiple regression analysis.

**Table 4: Multiple Regression Results**

Model Summary					
R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error	F-statistic	
0.721	0.520	0.512	0.468	67.125**	
Coefficients	B	Std. Error	Beta	t	Sig.
(Constant)	0.847	0.234		3.619	0.000
Accounting Information Systems	0.298	0.072	0.321	4.139	0.000
Internal Control	0.489	0.075	0.504	6.520	0.000

\*\*p < 0.01

The regression model was statistically significant ( $F = 67.125$ ,  $p < 0.01$ ), explaining 52.0% of the variance in Financial Reporting Quality ( $R^2 = 0.520$ ). Both independent variables made significant contributions to the model. Accounting Information Systems had a significant positive effect on Financial Reporting Quality ( $\beta = 0.321$ ,  $t = 4.139$ ,  $p < 0.01$ ), indicating that a one-unit increase in AIS implementation is associated with a 0.298-unit increase in Financial Reporting Quality, holding Internal Control constant. This finding aligns with prior research demonstrating that accounting information systems positively affect financial report quality (Anggraini et al., 2024) (Wahyu & Zulma (2023)).

Internal Control demonstrated a stronger positive effect on Financial Reporting Quality ( $\beta = 0.504$ ,  $t = 6.520$ ,  $p < 0.01$ ), suggesting that a one-unit increase in Internal Control effectiveness is associated with a 0.489-unit increase in Financial Reporting Quality. This result is consistent with extensive prior research documenting the significant positive

relationship between internal control systems and financial reporting quality (Ajao & Amosun, 2020) (Anuruddha, 2021) (Agbenyo et al., 2018) (Pangaribuan et al., 2023).

#### **Additional Analysis by Industry Sector**

To provide further insights, additional analysis was conducted to examine whether the relationships varied across industry sectors. Table 5 presents the regression results by sector.

**Table 5: Regression Results by Industry Sector**

Sector	n	R <sup>2</sup>	AIS (β)	IC (β)
Banking & Finance	42	0.561	0.287**	0.532**
Insurance	24	0.548	0.312**	0.498**
Manufacturing	21	0.489	0.345**	0.467**
Services	26	0.502	0.308**	0.489**
Other	14	0.478	0.294*	0.512**

*p* < 0.05, \**p* < 0.01

The sector-specific analysis reveals that the relationships between AIS, Internal Control, and Financial Reporting Quality are consistent across all industry sectors, though with some variation in magnitude. The banking and finance sector demonstrated the highest explanatory power ( $R^2 = 0.561$ ), which may reflect the more stringent regulatory requirements and sophisticated financial reporting practices in this sector. The insurance sector showed similar patterns, consistent with research examining internal control systems and financial reporting quality in the insurance industry (Ajao & Amosun, 2020).

#### **4. Discussion**

The findings of this study provide empirical evidence supporting the significant positive relationships between Accounting Information Systems, Internal Control, and Financial Reporting Quality in modern enterprises in Bahrain. These results contribute to the growing body of literature examining the determinants of financial reporting quality while offering specific insights relevant to the Bahraini and broader GCC context.

##### **Accounting Information Systems and Financial Reporting Quality**

The significant positive relationship between Accounting Information Systems and Financial Reporting Quality ( $\beta = 0.321$ ,  $p < 0.01$ ) confirms the theoretical proposition that technological infrastructure plays a crucial role in enhancing the quality of financial reports. This finding is consistent with prior research demonstrating that the application of accounting information systems positively affects financial report quality (Anggraini et al., 2024) Wahyu & Zulma (2023). The computerized accounting systems employed by modern enterprises facilitate the production of decision-useful financial reports through automated data processing, relational database management, and automated reporting capabilities (Itang, 2021).

The relatively high mean score for automated data processing ( $M = 4.12$ ) among the AIS dimensions suggests that Bahraini enterprises have made substantial investments in automating their accounting processes. This automation contributes to financial reporting quality by reducing manual errors, ensuring consistency in data processing, and enabling timely report generation (Itang, 2021). The utilization of information technology, such as accounting information systems, contributes to increasing the effectiveness and precision of financial reporting (Harahap & Erlina, 2024).

However, the finding that AIS had a weaker effect on Financial Reporting Quality compared to Internal Control warrants attention. Research has indicated that while accounting information systems are important, their impact on financial reporting quality may be contingent upon other factors (Pangaribuan et al., 2023). One study found that the application of accounting information systems did not significantly affect financial report quality when examined alongside accounting standards and internal control systems (Pangaribuan et al.,

2023). This suggests that AIS may function as a necessary but not sufficient condition for high-quality financial reporting, requiring complementary mechanisms such as effective internal controls to realize its full potential.

The integration of internal controls within accounting information systems represents an important consideration for modern enterprises. Computerized accounting systems incorporate internal control features that contribute to financial reporting quality (Itang, 2021). The moderate correlation between AIS and Internal Control ( $r = 0.612$ ) observed in this study reflects this integration, suggesting that enterprises implementing sophisticated AIS are also likely to have stronger internal control systems.

### **Internal Control and Financial Reporting Quality**

The strong positive relationship between Internal Control and Financial Reporting Quality ( $\beta = 0.504$ ,  $p < 0.01$ ) represents the most significant finding of this study. This result aligns with extensive prior research documenting the critical role of internal controls in ensuring reliable financial reporting (Ajao & Amosun, 2020) (Anuruddha, 2021) (Agbenyo et al., 2018) (Wali & Mardessi, 2020). Internal control systems serve to reduce the risks of unintentional errors in accounting records, as well as intentional manipulation of accounting information contained in financial statements (Pobrić, 2022; .

The finding that Internal Control had a stronger effect on Financial Reporting Quality than AIS is consistent with research indicating that internal control systems significantly affect the quality of financial reports (Pangaribuan et al., 2023). A strong internal control system helps reduce errors and fraud, thereby enhancing the reliability and integrity of financial information (Harahap & Erlina, 2024). The control environment dimension, which received the highest rating among internal control components ( $M = 4.08$ ), reflects the importance of organizational culture and management commitment to internal control effectiveness (Abernethy et al., 2022).

Research examining the relationship between firm culture and internal control systems has demonstrated that the corporate culture within firms significantly influences the decision to implement an effective internal control system (Abernethy et al., 2022). A conservative organizational ideology is associated with a more effective internal control system, and the internal control system plays a mediating role between organizational culture and financial reporting quality (Abernethy et al., 2022). This suggests that Bahraini enterprises seeking to enhance their financial reporting quality should focus not only on implementing control procedures but also on fostering a culture that values integrity and accountability.

The significance of internal controls for financial reporting quality has been further emphasized through regulatory developments globally. Research examining the impact of the Sarbanes-Oxley Act has demonstrated that firms reporting internal control weaknesses are characterized by structural problems and low financial reporting quality (Ghosh & Lee, 2013). Companies with material weaknesses in internal controls face progressively higher audit fees and longer audit report lags for each additional year of weakness disclosure (Tian et al., 2024). These findings underscore the importance of maintaining effective internal controls to avoid the negative consequences associated with control deficiencies.

The relationship between internal control and earnings management provides additional insight into the mechanisms through which internal controls influence financial reporting quality. Research has demonstrated that internal control system quality improves information quality by reducing real earnings management activities (Wali & Mardessi, 2020). Effective internal controls constrain management's ability to manipulate financial results through inventory overproduction, discretionary expense reduction, and sales manipulation (Wali & Mardessi, 2020). This suggests that internal controls enhance financial reporting quality not only by preventing errors but also by deterring opportunistic behavior by management.

## **Theoretical Implications**

The findings of this study support the agency theory perspective on financial reporting quality. According to agency theory, the quality of financial reports improves organizational performance and increases accountability by reducing information asymmetry between management and stakeholders (Anto & Yusran, 2023; . Both AIS and internal controls serve as mechanisms for aligning the interests of management with those of stakeholders by ensuring the production of reliable and relevant financial information.

The significant positive effects of both AIS and Internal Control on Financial Reporting Quality suggest that these mechanisms operate through complementary channels. AIS enhances reporting quality primarily through technological efficiency, data accuracy, and timely information processing (Itang, 2021). Internal controls enhance reporting quality through risk mitigation, error prevention, and deterrence of fraudulent activities (Pobrić, 2022; Wali & Mardessi, 2020). Together, these mechanisms provide a comprehensive framework for ensuring high-quality financial reporting.

The study also contributes to the understanding of financial reporting quality determinants in the GCC context. Research examining IFRS adoption experience in the GCC region has demonstrated associations between regulatory experience and earnings quality (Al-Enzy et al., 2022). The findings of this study suggest that beyond regulatory factors, organizational-level factors such as AIS implementation and internal control effectiveness play crucial roles in determining financial reporting quality in Bahraini enterprises.

## **Practical Implications**

The findings have several practical implications for enterprises, regulators, and policymakers in Bahrain. First, enterprises should prioritize investments in both accounting information systems and internal control mechanisms to enhance their financial reporting quality. The stronger effect of internal controls suggests that enterprises should not rely solely on technological solutions but should also focus on developing robust control environments, risk assessment processes, and monitoring activities.

Second, the significant relationship between AIS and Financial Reporting Quality highlights the importance of technological modernization in financial reporting processes. Enterprises should consider implementing comprehensive accounting information systems that incorporate automated data processing, relational databases, and automated reporting capabilities (Itang, 2021). The integration of internal control features within these systems can provide additional assurance regarding the reliability of financial information.

Third, regulators and policymakers in Bahrain should consider developing guidelines and standards for AIS implementation and internal control effectiveness in enterprises. The establishment of clear expectations regarding these mechanisms can promote consistency in financial reporting practices and enhance overall reporting quality across the business sector.

## **Comparison with Prior Research**

The findings of this study are largely consistent with prior research conducted in various jurisdictions. Research examining internal control systems and financial reporting quality in the Nigerian insurance industry found significant positive relationships between these constructs (Ajao & Amosun, 2020). Similarly, studies in Sri Lanka (Anuruddha, 2021), Ghana (Agbenyo et al., 2018), and Indonesia Wahyu & Zulma (2023) have documented the positive influence of internal controls on financial reporting quality.

The finding that internal control had a stronger effect than AIS on financial reporting quality is consistent with research indicating that while AIS is important, its impact may be contingent upon complementary mechanisms (Pangaribuan et al., 2023). However, some studies have found that AIS has a significant direct effect on financial reporting quality (Anggraini et al., 2024), suggesting that the relative importance of these factors may vary across contexts.

The sector-specific analysis revealed that the banking and finance sector demonstrated the highest explanatory power for the regression model. This finding is consistent with research examining audit committee quality and firm value, which has demonstrated that financial sector firms often exhibit stronger relationships between governance mechanisms and reporting quality due to heightened regulatory scrutiny (Almaqoushi & Powell, 2020).

### **Limitations and Future Research Directions**

This study has several limitations that should be acknowledged. First, the cross-sectional research design limits the ability to establish causal relationships between the variables. Future research could employ longitudinal designs to examine how changes in AIS and internal control over time affect financial reporting quality.

Second, the reliance on self-reported data may introduce response bias, as respondents may overstate the effectiveness of their organizations' systems and controls. Future research could incorporate objective measures of AIS implementation and internal control effectiveness, such as audit findings or regulatory assessments.

Third, the study focused on enterprises in Bahrain, which may limit the generalizability of findings to other contexts. Future research could conduct comparative studies across multiple GCC countries to examine whether the relationships observed in this study hold in different institutional environments.

Fourth, the study did not examine potential moderating or mediating variables that may influence the relationships between AIS, internal control, and financial reporting quality. Research has suggested that factors such as human resource competence (Anto & Yusran, 2023; Anggraini et al., 2024), leadership style (Anggraini et al., 2024), and audit committee characteristics (Appah & Tekerebo, 2024; Almaqoushi & Powell, 2020) may moderate these relationships. Future research could incorporate these variables to develop a more comprehensive understanding of financial reporting quality determinants.

## **5. Conclusion**

This study investigated the relationships between Accounting Information Systems, Internal Control, and Financial Reporting Quality in modern enterprises in Bahrain. The findings demonstrate that both AIS and internal control systems exert significant positive influences on financial reporting quality, with internal control showing a stronger effect. These results highlight the importance of both technological infrastructure and control mechanisms in ensuring high-quality financial reporting.

The study contributes to the limited empirical literature on financial reporting quality in the Bahraini context while providing practical insights for enterprises seeking to enhance their reporting practices. The findings suggest that enterprises should adopt a comprehensive approach to improving financial reporting quality, incorporating investments in both accounting information systems and internal control mechanisms.

The strong relationship between internal control and financial reporting quality underscores the critical importance of establishing robust control environments, implementing effective control activities, and maintaining ongoing monitoring processes. Enterprises that prioritize internal control effectiveness are better positioned to produce reliable, relevant, and decision-useful financial information for stakeholders.

The significant positive effect of accounting information systems on financial reporting quality highlights the role of technology in modern financial reporting. Enterprises should leverage automated data processing, relational databases, and automated reporting capabilities to enhance the efficiency and accuracy of their financial reporting processes.

For regulators and policymakers in Bahrain, the findings suggest the value of promoting both technological modernization and internal control effectiveness across the enterprise sector. The development of guidelines and standards in these areas can contribute to enhanced

financial reporting quality and greater stakeholder confidence in the reliability of financial information.

Future research should continue to examine the determinants of financial reporting quality in the GCC region, incorporating additional variables and employing diverse methodological approaches. Longitudinal studies examining the evolution of AIS and internal control effectiveness over time would provide valuable insights into the dynamic relationships between these factors and financial reporting quality. Comparative studies across multiple countries would enhance understanding of how institutional factors influence these relationships in different contexts.

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