

## A STUDY ON COMPUTERISED ACCOUNTING SYSTEMS USE IN BUSINESS ORGANISATION

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### ABSTRACT

The numerous transactions in the business organisation have to be arranged or classified on some basis for identifying the surplus or deficits. Accounting provides various financial report and information to the management, businessmen, shareholders, creditors, government and others. In modern world is moving faster in the technology such that even accounting is now, facilitated with the use of computerised accounting systems in business organisations. The use of computerised accounting systems is unavoidable for business organisations operating in the today's world. Both managers and accountants need to appreciate that the use of manual accounting systems is inadequate when it comes to producing timely reports, accurate and reliable accounting information.

### 1. Introduction

Computerised accounting involves making use of computers and accounting software to record, store and analyse financial data. A good accounting structure in terms of accounting principles, coding and grouping structure is a pre-condition. It is the application environment of the computerised accounting system. A well conceived and designed operating procedure blended with suitable operating environment is necessary to work with the computerised accounting system. The computer accounting is one of the database-oriented applications, wherein the transaction data is stored in well-organised database.

The user operates on such database using the required interface. User takes the required reports by suitable transformations of stored data into information. Hence, it includes all the basic requirements of any database-oriented application in computers.

### 2. Need for computerised accounting system

It arises from advantages of speed, accuracy and lower cost of handling the business transactions. In reason day's computerised accounting system is needed number of purposes

for each and every business organisation. The following purposes are needed to every business enterprises:

### **2.1 Numeroustransactions**

The computerised accounting system is capable of large number of transaction with speed and accuracy.

### **2.2 Instant reporting**

It is capable of offering quick and quality reporting because of its speed and accuracy.

### **2.3 Reduction in paper work**

Manual accounting system requires large storage space to keep accounting records or books and vouchers or documents. The requirement of books of accounts along with vouchers and documents is directly dependent on the volume of transactions beyond certain point.

There is a need to reduce the paper work and dispense with large volume of books of accounts. This can be achieved with the help of computerised accounting system.

### **2.4 Flexible reporting**

The reporting is flexible in computerised accounting system. It is capable of generating reports of any balance as when required and for any duration which is within the accounting period.

### **2.5 Accounting Queries**

There are accounting queries, which are based on some external parameters. For example, a query relating to overdue customer's accounts can be easily answered by using the structured query language (SQL) support of database technology in the computerised accounting system. Such an exercise would be quite difficult and expensive in manual accounting system.

### **2.6 Online facility**

Computerised accounting system offers online facility to store and process transaction data so as to retrieve information to generate and view financial reports.

### **2.7 Accuracy**

The information and reports generated are accurate and quite reliable for decision-making. In manual accounting system, as many people do the job and the volume of transactions is quite large, such information and reports are likely to be distorted and unreliable and inaccurate.

## 2.8 Security

Computerised accounting system is highly secured and the data and information can be kept confidential, when compared to manual accounting system.

## 2.9 Scalability

Computerised accounting system can cope easily with the increase in the volume of business. It requires only additional data operators for storing additional vouchers. Its help to adapt the current and future needs of the business, irrespective of its size or style.

## 2.10 Complete visibility

Computerised accounting systems giving the business organisation sufficient time to plan, increase the customer base, and enhance customer satisfaction. With Computerised accounting systems helps the business organisation will have greater visibility into the day-to-day business operations and access to vital information.

## 2.11 Improved business performance

Computerised accounting systems are highly integrated application that transforms the business processes with its performance enhancing features which encompass accounting, inventory, reporting and statutory processes. This helps the business organisation access information faster and takes quicker decisions. Computerised accounting systems also guarantees real time optimisation of operations and enhanced communication.

## **OBJECTIVE OF COMPUTERISED ACCOUNTING SYSTEM**

### **Labour saving**

Labour saving is the main aim of introduction of computerised accounting system in business organisation. It refers to annual savings in labour cost or increase in the volume of work handled by the employee.

### **Time saving**

It is another objective of computerised accounting system. Computers should be used whenever it is important to save time. It is important that jobs should be completed in a specified time.

### **Minimisation of frauds**

Computer is mainly installed to minimise the chance of frauds committed by the employees, especially in maintaining the books of accounts and handling cash.

### **Effect on personnel**

Computer relieves the manual drudgery, reduces the hardness of work and fatigue and to that extent improves the morale of the employees.

### **Accuracy**

Accuracy in accounting statements and books of accounts is the most important in business organisation. This can be done without any errors or mistakes with the help of computerised accounting systems. It also helps to locate the errors and frauds very easily.

### **Advantages of Computerised accounting systems**

- Faster and efficient in processing of information.
- Automatic generation of accounting documents like invoices and statement of account.
- With the larger reductions in the cost of hardware and software and availability of user friendly accounting software package, it is relatively cheaper like maintaining a manual accounting system.
- More timely information can be produced.
- No more manual processing of the data all automatically been posted to the various statement of accounts.

### **Disadvantages of Computerised accounting systems**

- Power failure, computer viruses and hackers are the inherent problems of using computerised accounting systems.
- Once data been input into the system, automatically the output are obtained hence the data being input needs to be validated for accuracy and completeness.
- Accounting system not properly set up to meet the requirement of the business due to badly programmed or inappropriate software or hardware or personnel problems can cause more havoc.
- Danger of computer fraud if proper level of control and security whether internal and external are not.

### **Controls in computerised accounting systems**

For any accounting system to function properly it must have the control systems. The control systems under computerised accounting environment are not so different from the control systems under the manual accounting system. The control systems include the following:

#### **Data entry control mechanisms**

It is important to control the data input at entry stage. There are a number of issues which should be considered. These can include: proper transaction authorisation, verification

for accuracy and completeness by a person different from the one who is keying in the data. Use of password and control of access to data is another control instrument.

### **Processing controls**

Besides the above input control, there should be processing control to ensure integrity of the transaction data is intact. There should be no unauthorised access to computer files, data, etc. All data must be kept in secured place and people who should access the data must use passwords to access data.

### **Output controls**

There should be proper controls to the access of information and reports produced by the systems. The dissemination of information should also be controlled to avoid information getting into the wrong hands.

### **Independent reconciliations**

Independent reconciliations of external data like using bank statement to reconcile to the company's bank account could be useful. The use of external supplier statements of account to reconcile with company individual creditors accounts. Using control or total account and review of the trial balance to ensure debit totals are equal to credit totals can help to find some errors inputted into the computer.

### **Factors to consider when selecting accounting software**

When buying an account software or changing the existing software, there is a need for serious considerations on a number of factors that need be taken so that the business organisation obtains value for the money invested in buying the package.

The good reasons for computerising our accounting systems should be based on cost benefit analysis. If the benefits of computerisation are high the costs then we should consider computerisation as the best option. Even though the benefits are expected to be higher than the costs we should consider the following factors before we select any accounting software.

### **Scalability**

The ability of the package to meet future accounting needs of the organisation as the growth. When an organisation is in its early years it is likely to grow big in the future. Buying a package that will only address the business organisation present accounting needs will cost more to the organisation in future when accounting needs will have increased. A typical example here is a situation whereby you buy a package which can accommodate only nine digits at the moment while the volume of the company business is likely to grow. The company products or services are expected to grow and at the same time the number of employees is likely to increase as well as the volume of transactions.

In order to be on the safe side, it is good for the company to anticipate the future needs of company as it grows and ensure that these needs are accommodated. It is therefore important to be ready to spend some money to buy a package that can accommodate the anticipated future needs. Wherever possible, when we choose our accounting package we should try to visualise our business in 3 or 5 years time. It may well be better to pay a little more now for the software knowing that it can be easily upgraded when needed with minimum disruption and cost to our business.

### **Support from software suppliers**

It is good to consider the possibility of obtaining technical support from the suppliers of the accounting software. It is advisable to procure software from local vendors who are licensed by the suppliers of the accounting packages. Licensed vendors do normally provide support in terms of training staff how to use the package and solving technical problems which might arise when using the package.

### **Easy to use**

The accounting package sought by the organisation should be easy to use. It is important that a demo package is tried and tested before buying the package. Now-a-days it is also important to consider if the package can interact/integrate with other software's that you are using.

### **Software features needed by the organisation**

Most accounting software packages come with several different features. Organisations don't need certain feature in software package but a need for them in future. Some accounting packages include modules for foreign exchange modules, inventory, consolidations and many others. Organisations buying a accounting software must need to consider the features of the package will address all the current and foreseeable accounting needs.

### **Accountant interface**

Since the responsibility of handling the company accounts belongs to the organisation itself it is important that accountants are involved in the whole process of procuring the package as well as their training on how to use it. Therefore we interact with accountants when we are thinking of buying the accounting software.

### **Problems faced by computerised accounting system**

#### **User need training**

The user never easy to use computerised accounting software. First, accountant should need to understand the concept of the accounting software. Hence, accountant should

undergo proper training of the accounting software. So, accountant must learn the basics of computer, concepts of software, working with the operating system software and accounting software.

### **System dependency**

Using computerised accounting system in business organisation always depends on the computer at all times. In any technical problems in computers like due to hardware failure or power cut situation it would be more difficult to verify the accounts. It is major problem faced by the every business organisation in current scenario.

### **More expensive**

Use of computerised accounting system in any business organisation is requiring more fund to buy accounting package and require hardware. So, it is more expensive and create burden to the small business organisation.

### **System failure**

Use of computerised accounting system in organisation there is possible to system crash (hard disk crash). It is high risk of losing the data available on the hard disk drive at any point of time. It would be highly painful, if the problem occurs at end of the financial year, when the financial statements should be ready.

### **Backups and prints**

It is another major problem faced by the entire business organisation. Backups of the data should be done regularly so that, when the data is lost. It can be restored form floppies or other backups. Regular print outs of the system information would be useful as manual records.

### **Voucher management**

Accounting software allows easy alteration of data. If a voucher is wrongly placed in a wrong head, it would be very difficult to sort out and bring back the voucher. A good voucher management is very essential but it is not easy task.

### **Security**

Additional security has to be provided because improper handling of the system could be very dangerous. Passwords, locks and other have to be set so that no unauthorised person can handle the system.

### **Limitations of computerised accounting system**

The main limitations of computerised accounting system are being dependent upon the operating environment they work in.

- **Heavy cost of installation**

Computer hardware needs replacing and software needs to be updated from time to time with the availability of newer versions.

- **Cost of training**

To ensure effective and efficient use of computerised system of accounting, newer versions of hardware and software are introduced. This requires special training and cost is incurred to train the staff personnel as specialists.

- **Fear of unemployment**

The introduction of computerised accounting system in business organisation creates fear to employee for unemployment. The employee fears redundancy and show less interest in computers.

- **Disruption in work**

When computerised accounting system is introduced in the organisation, there might be loss in the work time and certain changes in the working environment.

- **System failure**

The danger of a system crashing due to some failure in hardware can lead to subsequent loss of work. This occurs when no back up is retained.

- **Time consuming**

In order to avoid loss of work at the time of system failure, there is a need for providing backup arrangements which is a time consuming process.

- **Unanticipated errors not known**

Unlike human beings computers do not have the capability to judge or detect unanticipated errors in the system.

- **Breaches of security**

The danger of viruses and hacking into the system from outside creates a strong need for security of system. Similarly, the person who has created the specific program can easily defraud by tempering with the original records.

- **Health dangers**

Extensive use of computers may lead to many health problems such as eyestrain, muscular complaints, backache etc. resultantly reducing working efficiency as well as increasing medical expenditure.

## Conclusion

Initially the attitude of the accountants towards computer was one of fear and mistrust they developed apprehension that without the knowledge of programming they would be redundant in the organization and eventually lose their job. With the advent of user-friendly application software such fears have receded in to the background .while programming may help the accountant, it is not that essential. What he should know is a thorough understanding of software packages used for accounting and familiarity with computerized accounting report. Even statutory auditors should have a sound grasp of the computerized accounting system in order to discharge their statutory duty of certifying the accounts. Therefore it has become imperative to have a sound grasp of the use of computers in accounting. Accounting profession has by and large responded to the challenge and computer literacy is fact spreading among them. The professional bodies have done a lot of spade work in this regard. This is supplement by special programmers organized by it industry, management consultants an even academic bodies to familiarize the profession with computerized accounting methods.

Computers can play a greater part in the accounting function only if the accountants interact with the software specialist without any inhibition. An accountant who is thorough with the manual accounting system can play a great part in the adoption of computers for a sophisticated and smart computerized accounting system. Such accountants would readily recognize inter-relationship within accounting data and reports. They will be able to appreciate the impact of decisions on operations, financial statement and other reports of an enterprise.

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