

Chapter – 13

Computerised Accounting System



Computerized Accounting System

Computerized accounting system is based on the concept of database



Computerized Accounting System

Database Concepts

1. Data



Facts and figures about any entity like people, places, entities, events etc.

Usually expressed in monetary units like number of units produced, number of hours worked etc.

Computerized Accounting System

Database Concepts

2. Database



A collection of data that can be shared or used for multiple purpose

E.g., Telephone directory, List of students etc.

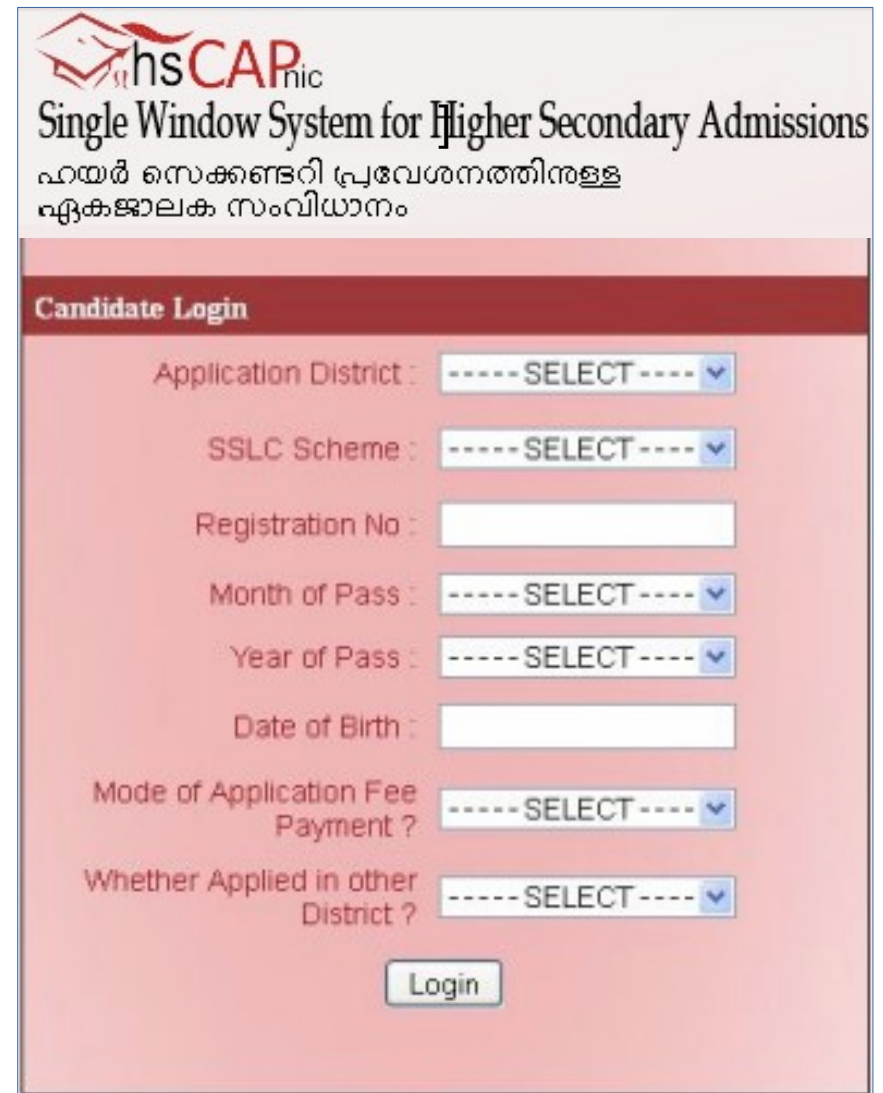
Basic requirements of a database

Basic requirements of a database

1. Front-end interface

Interactive link between user and database, through which the user communicates with the back end

E.g., A purchase transaction entered through purchase voucher in Computer Accounting Software



The screenshot displays the 'Candidate Login' interface of the 'hsCAPnic' system. The header includes the logo and text: 'hsCAPnic Single Window System for Higher Secondary Admissions' and its Malayalam equivalent. The form contains several input fields: 'Application District' (dropdown), 'SSLC Scheme' (dropdown), 'Registration No' (text), 'Month of Pass' (dropdown), 'Year of Pass' (dropdown), 'Date of Birth' (text), 'Mode of Application Fee Payment?' (dropdown), and 'Whether Applied in other District?' (dropdown). A 'Login' button is positioned at the bottom right of the form area.

Basic requirements of a database

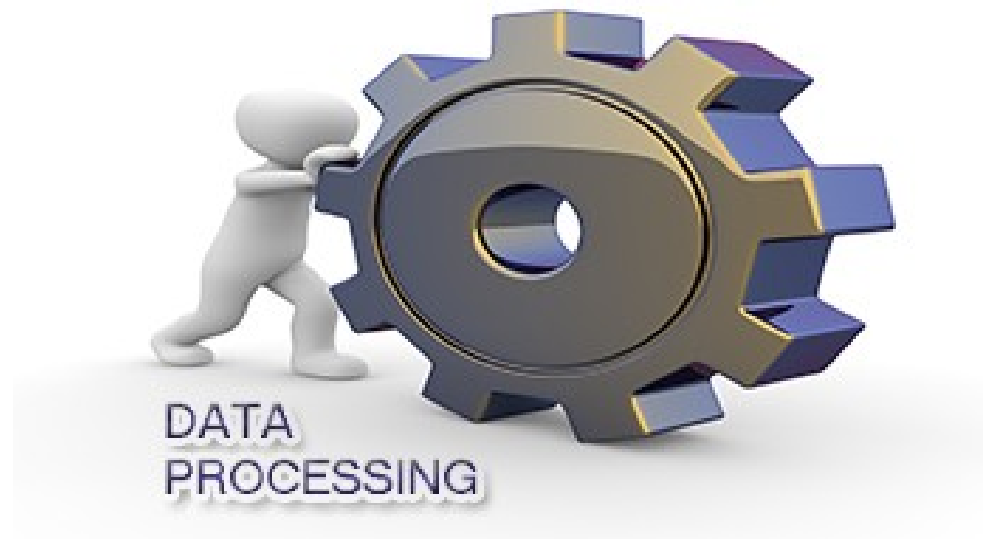
2. Back-end database



A data storage system hidden from the user

Basic requirements of a database

3. Data Processing



A series of actions to transform the data into useful information for decision making

Basic requirements of a database

4. Reporting System



It provides meaningful information to the users

Differences

Computerized Accounting

Vs

Manual Accounting

Differences



Basis	Computerized Accounting	Manual Accounting
1. Availability of results	Any time	Usually at the end of year
2. Speed and Accuracy	Great speed and accuracy	It will take lot of time
3. Storage and retrieval of data	Large data in a little space and retrieval is very easy	A large number of books are required and retrieval is not an easy task

Differences



Basis	Computerized Accounting	Manual Accounting
4. Account specification	Only in the beginning (Accounts are specified as Assets, Liabilities etc.)	Not specified
5. Coding	Essential	Not needed
6. Closing entries	Not required – it is automatic	Necessary
7. Errors	Less chance	More chance

Advantages of Computerized Accounting System

Advantages of Computerized Accounting

1. Speed



Data processing in a lightning speed

Advantages of Computerized Accounting

2. Accuracy



Greater accuracy – same data need not be entered repeatedly

Advantages of Computerized Accounting

3. Reliability



More reliable than human beings
Free from tiredness, boredom etc.

Advantages of Computerized Accounting

4. Up-to-date information



As and when the data is entered it will be reflected in all the reports on a real time basis

Advantages of Computerized Accounting

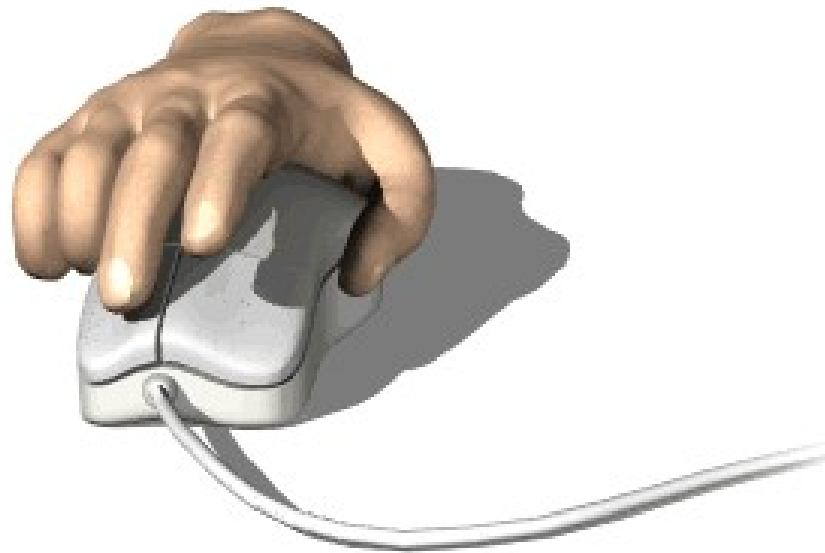
5. Real time user interface



Information is available to the users at the same time as it is linked with the network

Advantages of Computerized Accounting

6. Automated document production



All documents or reports are readily available on a mouse click

Advantages of Computerized Accounting

7. Legibility



The reports are more legible than handwritten words

Advantages of Computerized Accounting

8. Efficiency



Better use of resource and time ensures efficiency

Advantages of Computerized Accounting

9. Quality reports



Error free reports are generated

Advantages of Computerized Accounting

10. MIS reports



MIS reports / instructions can be integrated with accounting
E.g., Credit limit to a customer can be set

Advantages of Computerized Accounting

11. Storage and retrieval



Less space for storage
Retrieval of data is very easy

Advantages of Computerized Accounting

12. Motivation and employee interest

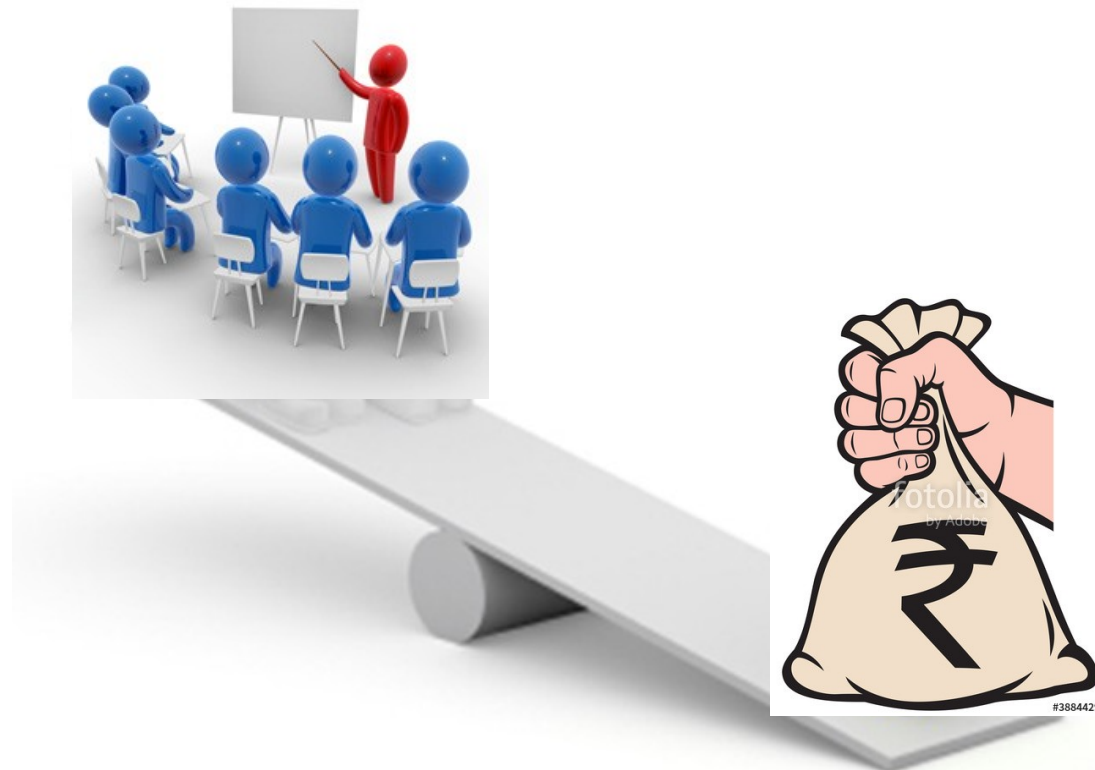


Through proper training programs employees will be empowered and they will be motivated

Limitations of Computerized Accounting System

Limitations of Computerized Accounting

1. Cost of training



A huge of amount may be spent for training purpose to acquaint the employees with the system

Limitations of Computerized Accounting

2. Staff opposition



Fear of employees that they shall be less importance in the organisation

Limitations of Computerized Accounting

3. Disruption



It will suffer loss of time in the beginning stage

Limitations of Computerized Accounting

4. System failure



Software damage, data loss, virus attacks etc.

Limitations of Computerized Accounting

5. Unexpected errors



Computer system cannot check unanticipated errors committed by human beings

Limitations of Computerized Accounting

6. Breaches of security



Access by unauthorised persons (hacking) will mislead the accounting information

Popular Accounting Software

Popular Accounting Software



Types of Accounting Packages

Types of Accounting Packages

1. Ready to use



More suitable to small scale business where the number of transactions are very low

Types of Accounting Packages

2. Customised



Altered for individual requirements

Types of Accounting Packages

3. Tailored



Specially designed to meet customer requirements
Usually applicable to large scale organisations

Differences in Accounting Packages

Basis	Ready to Use	Customized	Tailored
1. Nature of Business	Small scale	Medium and Large scale	Large scale and typical business
2. Cost of Installation and maintenance	Low	Medium	High
3. Secrecy	Low	Medium	High
4. Number of users and their interface	Limited	As per specifications	Unlimited

Differences in Accounting Packages

Basis	Ready to Use	Customized	Tailored
5. Linkage to other information system	Restricted	Possible	Possible
6. Adaptability	High	Relatively high	Specific
7. Training	Low	Medium	High

Factors to Choose an Accounting Software

Factors to choose Accounting Software

1. Flexibility



It must be suitable to the organisations of varied nature

It must be suitable to different operating systems like Windows 98 / 2000 / 2010, Linux etc.

Factors to choose Accounting Software

2. Cost of installation and maintenance

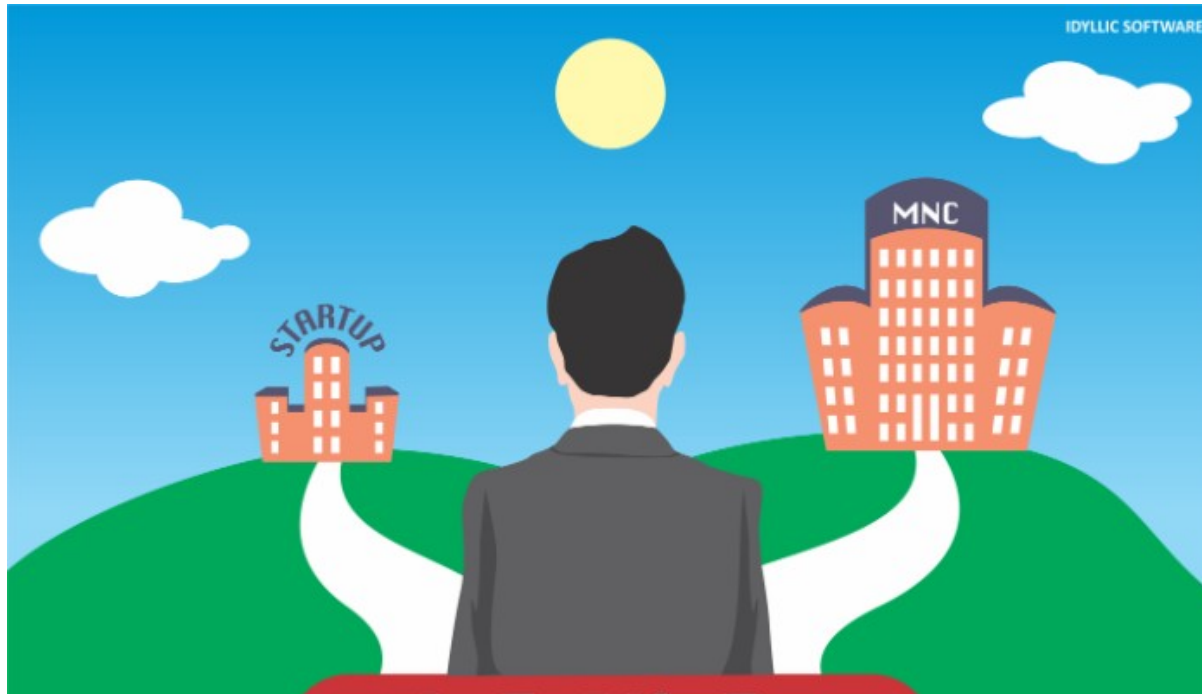


Cost – benefit analysis must be done before sourcing

Some are very cheaply available but heavy maintenance cost, training cost etc.

Factors to choose Accounting Software

3. Size of organisation



Small and Not-for-profit organisations may choose simple and single user packages

Factors to choose Accounting Software

4. Ease of adaptation and training needs



Better to select simple, user friendly packages requiring less training to users

Factors to choose Accounting Software

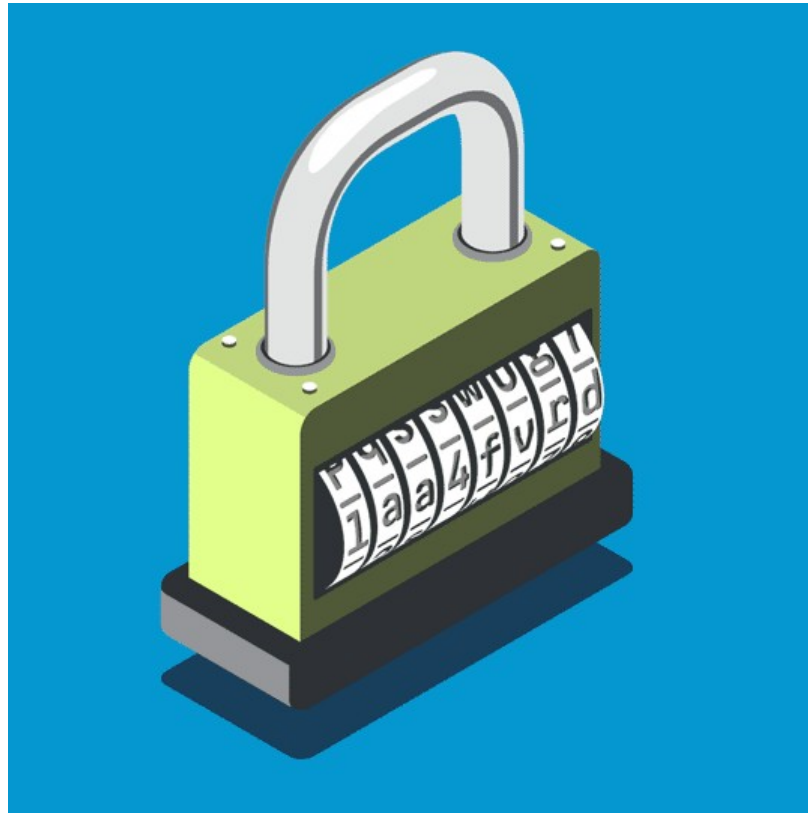
5. Utilities / MIS reports



If we want to generate only the final accounts, may depend on a ready to use software

Factors to choose Accounting Software

6. Level of Secrecy



Secrecy should be maintained by protecting the software by password

Factors to choose Accounting Software

7. Exporting / Importing data facility



In order to make reporting more flexible importing and exporting data or reports to spreadsheet is essential

Factors to choose Accounting Software

8. Vendor's reputation and capability



Consider the reputation and capability of software suppliers before choosing one

The End



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