

**Unit :5**

**ACCOUNTING IN COMPUTERISED ENVIRONMENT**

**2 Mark Questions**

**1.What is computerized accounting system?**

A computerised accounting system is an accounting information system that processes the financial transactions and events as per Generally Accepted Accounting Principles (GAAP) to produce reports as per user requirements.

**2.What does Spread-sheet Software mean?**

Spread sheet package may be used to maintain accounts. In doing so, the user will have to keep a control of the figures also. Special spread sheet controls including physical spread sheet controls like spread sheets locked on a protected shared drive with restricted access and read / write access controls and password protected-cells and formulas with passwords may be used.

**3.What are the points to be considered before selecting a pre-packaged software?**

To select appropriate pre-packaged software from a number of them available in the market, the following points need to be considered:

- (i) An attempt should be made to match the requirements of the particular business with the available solutions. The one which fulfils the maximum requirements should be picked up.
- (ii) Costs of the different packages have also to be taken into account.
- (iii) It should not be very detailed or cumbersome to use.
- (iv) Reputation and track record of the vendor will also be considered. A vendor who is prepared to give updates has to be preferred.

**4. What do you mean by outsourcing accounting functions?**

The accounting function may be outsourced to an outside party for a fee. It is done to save cost and more importantly to take the advantage of expertise of the outside party. Accounting software is used by the outside party which processes the data given to it and which hands over different reports to the client from time to time.

**5. List out the advantages of outsourcing accounting functions**

- (i) It is more economical.
- (ii) It saves time thus enabling the concern to concentrate on the core area of business activity.
- (iii) It enables the organisation to take the advantage of expert knowledge of the outside party to whom the accounting function is outsourced.
- (iv) The organisation is not bothered about the people leaving the organisation in accounting department.

**6. High light the disadvantages of spread sheet**

- 1. It can accept data only up to a specified limit.
- 2. Simultaneous access on a network may not be possible.
- 3. Double entry is not automatically completed. Also, reports are not automatically generated.

**7. In case of computerized accounting spread sheet plays an important role –Why?**

- 1. It is simple to use and easy to understand. Accounts can be easily regulated.
- 2. Most of the common functions like doing calculations, setting formulas etc. can be easily done.
- 3. Presentation can be made in various form including graphical presentations like bar diagram, pie charts, histograms etc

**8. Write a note on Customised Accounting Software**

A customised accounting software is one where the software is developed on the basis of requirement specifications provided by the organisation. First of all, a feasibility study is made, If it is decided to go ahead, requirements of the business unit are noted. Based on these requirements, the system analyst prepares a requirement specification which is handed over to the top management for approval. After the requirement specification has been approved, the designing process is started.

**9. List out the importance of customized accounting software**

- i) All the functional areas are covered as per requirement.
- (ii) The input screens can be tailor-made to match the input documents for ease of data entry,
- (iii) The reports can be as per specifications of the organisation.
- (iv) Bar-code scanners can be used as input devices suitable for the specific needs of an organization

**10.What is accounting software ?**

Accounting software is a type of application software that records and processes transactions data within functional modules such as accounts payable, accounts receivable, journal, etc. It acts as an accounting information system. The software helps reduce expenses and report accurately on financial activities, and improves the quality of accounting decisions.

**11.What is prepackaged accounting software ?**

Pre-Packaged Software are those which are made earlier of the main package. These are not user specified softwares. That is why they are not easily available in the market. It records the details like VAT number PAN number etc.Pre package softwares are easy to use as they are menu driven.Also it is very cost effective.

**12What is four tier codification of accounts ?**

In computerised accounting also, there are many accounting software's available which support non-coded accounting system. But mostly a computerised accounting system uses a well-defined coding system. Proper codification requires a systematic classification of accounts.

The main unit of classification is the major heads which are divided into minor heads. Each of the minor head is further divided into subordinate heads generally known as sub-heads. The sub-heads are further divided into detailed heads. Thus, there may be a four tier arrangement of the classification structure of accounts.

Part :B

**1.. What are the features of computer or computerized accounting?**

**Computer and its characteristics**

Computer is an electronic device that can perform a variety of operations in accordance with a set of instructions called programme. It is a fast data processing electronic machine. It can provide solutions to all complicated situations. It accepts data from the user converts the data into information and gives the desired result.

**Characteristics of computer**

A Computer is better than human being. It possesses some characteristics.

These are as follows:

**Speed**

It can access and process data millions times faster than humans can. It can store data and information in its memory, process them and produce the desired results. It is used essentially as a data processor. All the computer operations are caused by electrical pulses and travels at the speed of light. Most of the modern computers are capable of performing 100 million calculations per second.

**Storage**

Computers have very large storage capacity. They have the capability of storing vast amount of data or information. Computers have huge capacity to store data in a very small physical space. Apart from storing information, today's computers are also capable of storing pictures and sound in digital form.

**Accuracy**

The accuracy of computer is very high and every calculation is performed with the same accuracy. Errors occur because of human beings rather than technological weakness; main sources of errors are wrong program by the user or inaccurate data.

**Diligence**

A computer is free from tiredness and lack of concentration. Even if it has to do 10 million calculations, it will do even the last one with the same accuracy and speed as the first.

Computer can perform wide range of jobs with speed, accuracy, and diligence. In any organization, often it is the same computer that is used for diverse purposes such as accounting, playing games, preparing electric bills, sending e-mail and so on.

**Communication**

Computers are being used as powerful communication tools. All the computers within an office are connected by cable and it is possible to communicate with others in the office through the network of computer.

**Processing Power**

Computer has come a long way today. They began as mere prototypes at research laboratories and went on to help the business organizations, and today, their reach is so extensive that they are used almost everywhere. In the course of this evolution, they have become faster, smaller, cheaper, more reliable and user friendly.

### 3. What are the limitations of computerized accounting system?

The limitations of computer are depending upon the operating environment they work in. These limitations are given below as:

#### 1. Cost of Installation

Computer hardware and software needs to be updated from time to time with availability of new versions. As a result heavy cost is incurred to purchase a new hardware and software from time to time.

#### 2. Cost of Training

To ensure efficient use of computer in accounting, new versions of hardware and software are introduced. This requires training and cost is incurred to train the staff personnel.

#### 3. Self Decision Making

The computer cannot make a decision like human beings. It is to be guided by the user.

#### 4. Maintenance

Computer requires to be maintained properly to help maintain its efficiency. It requires a neat, clean and controlled temperature to work efficiently.

#### 5. Dangers for Health

Extensive use of computer may lead to many health problems such as muscular pain, eyestrain, and backache, etc. This affects adversely the working efficiency and increasing medical expenditure.

### 4. What are the difference between manual accounting and computerized accounting?

Point of difference	Manual accounting	Computerized accounting
1. Recording	Recording of financial transactions is through books of original entry	Data content of these transactions is stored in well designed data base

2. Classification	Transactions recorded in the books of original entry are further classified by posting them into ledger accounts.	In order to produce ledger accounts the stored transaction data is processed to appear as classified so that same is presented in the form of report.
3. Summarizing	Transactions are summarized to produce trial balance by ascertaining the balances of various accounts.	The generation of ledger accounts is not necessary condition for trial balance.
4. Adjusting entries	Adjusting entries are made to adhere to the principle of matching.	There is nothing like making adjusting entries for errors and rectifications.
5. Financial statements	The preparation of financial statements assumes the availability of trial balance.	The preparation of financial statements is independent of producing the trial balance

**5. Enumerate the basic requirements of any computerized accounting system.**

Need and requirements of computerized accounting:

The need for computerized accounting arises from advantages of speed, accuracy and lower cost of handling the business transactions.

**1. Numerous Transactions**

The computerized accounting system is capable of handling large number of transactions with speed and accuracy.

**2. Instant Reporting**

The computerized accounting system is capable of offering quick and quality reporting because of its speed and accuracy.

### **3. Reduction**

A manual accounting system requires large physical storage space to keep accounting records/books and vouchers/ documents. . There is a dire need to reduce the paper work and dispense with large volumes of books of accounts. This can be achieved by introducing computerized accounting system.

### **4. Flexible reporting**

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

### **5. Accounting Queries**

There are accounting queries which are based on some external parameters. For example, a query to identify customers who have not made the payments within the permissible credit period can be easily answered by using the structured query language (SQL) support of database technology in the computerized accounting system. But such an exercise in a manual accounting system is quite difficult and expensive in terms of manpower used. It will still be worse in case the credit period is changed.

### **6. On-line facility**

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

### **7. Scalability**

Computerized accounting systems are fully equipped with handling the growing transactions of a fast growing business enterprise. The requirement of additional manpower in Accounts department is restricted to only the data operators for storing additional vouchers. There is absolutely no additional cost of processing additional transaction data.

### **8. Accuracy**

The information content of reports generated by the computerized accounting system is accurate and therefore quite reliable for decision-making. In a manual accounting system the reports and information are likely to be distorted, inaccurate and therefore cannot be relied upon. It is so because it is being processed by many people, especially when the number of transactions to be processed to produce such information and report is quite large.

## 9. Security

Under manual accounting system it is very difficult to secure such information because it is open to inspection by any eyes dealing with the books of accounts. However, in computerized accounting system only the authorized users are permitted to have access to accounting data. Security provided by the computerized accounting system is far superior compared to any security offered by the manual accounting system.

## 6. Explain in detail about the significance of computerized accounting system

Computer is an important part of an accounting system. Computerized accounting systems are important to business in various ways. Computers help businesses by making their staff efficient, productive and also save their valuable time. It helps to maintain business and all financial information for the business is well-organized.

### 1) Time and cost savings :

Using a computerized accounting system saves companies time and money. The use of computer makes inputting accounting information simple. Business transactions are entered into the system and the system posts transactions accordingly.

### 2) Organization :

A computerized accounting system helps business to stay organized. When information is entered into the system it makes finding the information easy. Employees can see any financial information whenever it is needed.

### 3) Storage :

Storing information is vital to a business. In a Computerized System data can be stored quickly, after information is entered into the system the information is stored indefinitely. Companies perform backups on the system regularly to avoid losing any information.

### 4) Distribution :

Computerized accounting systems allow companies to distribute financial information easily. Financial statements are printed directly from the system and are distributed internally and externally to those needing the information.



**5) Management reports :**

Data within the computerized accounting system is accurate and up-to-date. Management can request online report in real-time and that makes management decisions more reliable and timely.

**6) Regulatory Compliance:**

Reports are required on a regular basis from various government Agencies. A computer system can organize their data and reports to comply with this statutory requirements savings time.

**7. Highlight in detail about the advantages and dis advantages of pre-packaged accounting software?**

**Pre-packaged Accounting Software:**

There are several pre-packaged accounting software's which are available in the market. These software's are easy to use and relatively inexpensive. The installation of a pre-packaged software it very simple. An installation diskette or CD is provided with the software to install the software on a personal computer.

A network version of the software is also available which has to be installed in the server and then work can be performed from the various workstations or nodes connected to the server. User manual is also provided to guide the user of software. The vendor to the software normally provides regular updates to take care of the changes of law as well as to provide additional features.

**Advantages:**

**The following are the advantages of pre-packaged accounting software;**

- (i) It is easy to install.
- (ii) It is relatively inexpensive.
- (ii) It is easy to use.
- (iv) Backup procedure is simple.
- (v) It is specially effective for medium sized business houses.

**Disadvantages:**

**The following are the disadvantages of pre-packaged accounting software:-**

- (i) A standard package may not be able to take care of the complexities of the modern business house. There may be certain peculiarities of the particular business which may not be taken care of by the standard package. Many reports which are required may not be possible.
- (ii) It may not cover all the functional areas. For example, production process may not be covered.
- (iii) Customization may not be possible in most such software's.
- (iv) There is lack of security because any person can view data of all concerns with common access password. Customized accounting software does not suffer from this drawback.
- (v) Usually in the initial years, there are bugs which take long to be rectified by the vendor.

#### **8. Explain in detail about Enterprise Resource Planning (ERP) Software:**

Enterprise Resource Planning (ERP) Software is an integrated software package that manages the business across the entire organisation. Big organisations often adopt this package.

##### **Advantages:**

The following are the advantages of an ERP:-

- (i) An ERP is a generalized package which covers most of the common functions
- (ii) Most of the desired reports are available. Moreover, these reports are standardized across industry and acceptable to the users.
- (iii) As it is an integrated package, duplication of data entry is avoided.
- (iv) Much more information is made available by this package than what is available otherwise.

##### **Disadvantages:**

The following are the disadvantages of an ERP:-

- (i) At times, the user may have to modify his business procedure to use ERP effectively.
- (ii) ERP is often too expensive for the small and medium sized organisations.
- (iii) There may be implementation hurdles.
- (iv) It is a complex software.

##### **Factors determine the choice of an ERP:**

The following factors determine the choice of an ERP:

- (i) The ERP that matches most of the requirements of an organisation is preferred. It is evaluated whether all the reports required by the business will be available or not.
- (ii) The reputation and track record of vendor is considered
- (iii) Costs of different available ERPs are compared.

### 9.what are the pre- packaged accounting softwares?Explain

- **Best accounting software:** Accounting software reduces accounting expenses and offers precise financial reports that companies can use to make smart financial decisions. Small companies typically use basic off-the-shelf accounting software, while large enterprises customize programs to suit their accounting requirements.
- **Best Accounts Payable Software:** Accounts payable system is a general set of business solutions used to perform accounting and financial processes. Accounting platforms can vary from single-entry systems for bookkeeping or check writing to advanced double-entry applications that offer a general ledger, accounts payable, and accounts receivables.
- **Best Accounts Receivable Software:** Accounts receivable software is a basic group of business systems used to carry out accounting as well as financial functions. Sophisticated solutions offer added functionalities such as invoicing, fixed assets, inventory and more.
- **Best Billing and Invoicing Software:** Billing and invoicing software is designed to help users avoid financial errors and keep the accounting numbers precise. You can use it for tasks such as automating recurring jobs to save time, to get financial calendar notifications to avoid fines, etc.
- **Best Budgeting Software:** Budgeting software is used by enterprises for financial forecasting and planning. The solution helps companies to enhance their financial performance.
- **Best E-Signature Software:** An e-signature is an electronic process of indicating that an individual agrees to terms or contents of an electronic contract or terms of service or as a way to verify the identity of an individual. Digital signatures are used mainly in e-commerce and in regulatory filings because they are very secure.
- **Best ERP Software:** ERP (Enterprise Resource Planning) software helps companies to use integrated solutions to manage their business and automate the back office functions of units such as IT, Services, and HR. The software integrates the operational functions of manufacturing, development, product planning, marketing, and sales.

- **Best Expenses Management Software:** Expense management refers to the software solutions used by a company to process, pay, and audit employee-initiated expenses. These costs include, but are not limited to, expenses incurred for entertainment and travel.
- **Best Financial Reporting Software:** Financial reporting software helps companies automate the collection of financial data and accurately track trends that affect business goals. Financial reports offer business owners greater insights and visibility into the functioning of their business.
- **Best Payroll Software:** Payroll software is offered by HR technology vendors and is also available as part of an ERP package. Payroll software performs tasks such as check printing, generating payslips and tax forms, canceling payments, calculating salary and allowances, withholding deductions, and enabling direct deposits into employees' bank accounts.
- **Best Time Management Software:** Time management software is typically used to speed up billing cycles and the period close procedure. It offers handy timecard and expense entry functionalities that companies can customize for their needs.

#### 10. Enumerate the key features of accounting software

Accounting software can optimize the business in many different ways, it includes the following key features

#### Key Features of Accounting Software

- **Core accounting** – it's the basic component of all accounting software, Features include general ledger, accounts payable, accounts receivable, fixed assets, and bank reconciliation. Most vendors offer this as their basic plan, while a few vendor even give it away as a freemium to get you on board for future paid subscriptions.
- **Billing & Invoicing** – this module can be part of the basic module or as a separate component. It lets to automate routine collections. Billing & Invoicing can vary by industry based on payment methods, industry standards and practices, and scale of operations.
- **Budget & Forecasting** – often packaged as an add-on, this module lets estimate next year's budget based on historic data and sales targets. A standalone module can consolidate different departmental budgeting and forecasts for an overall company estimates, while a bundled feature usually only allows a single budget and forecast tool.
- **Fixed asset** – whether as an add-on or bundled with core accounting, fixed asset lets manage financial information on important company assets. Features include depreciation

calculation; audit history; and cost. This module is critical if the business has a lot of assets in different forms. Otherwise, a bundled fixed asset may suffice.

- **Payroll system** – lets process employee payrolls, print checks, automatically withhold and pay taxes and create legal and tax reports on schedule. The module is often packaged as an add-on or standalone product. A practical feature to look at is an automated reminder when to issue government payments to avoid penalties.
- **Project accounting** – it's usually packaged as a standalone product targeted at businesses with project-oriented operations like construction and software firms. This product is usually bundled with core accounting on top of costing and estimation of overheads, labor, materials, and equipment, among others. Project accounting solutions range from simple systems that can manage projects one at a time, or complex solutions for multiple and simultaneous but interrelated projects.
- **Fund accounting** – targeted at nonprofits and government agencies, which have a separate set of financial reporting requirements. Features include: tracking donation expenditures; grant management; and Governmental Accounting Standards Board (GASB) regulations.
- **Inventory management** – it's a specific module to manage inventory. The system allows to manage the movement of products to avoid over or under stocking. It features tools to track orders, sales, and deliveries. More specific inventory systems have a tool to

#### 11. Explain about Method of Codification of accopunts

The coding scheme of Account-heads should be such that it leads to grouping of accounts at various levels so as to generate Position Statement (Balance Sheet) and Statement of Profit and Loss (Profit-Loss Account). For example, we may allot the codes for top-level grouping of accounts as follows:

- 1 Equity and Liabilities
- 2 Assets
- 3 Revenues
- 4 Expenses
- 11 Shareholder's funds
- 13 Non-Current Liabilities
- 14 Current Liabilities
- 21 Non-Current Assets
- 23 Current Assets

The above codification scheme utilizes the hierarchy present (used) in grouping of accounts. Major advantage of such coding is that if the account codes are listed in ascending (i.e. increasing) order, these will be automatically listed as per the desired hierarchy.

#### 1 Sequential Codes

## Diploma, Anna Univ UG & PG Courses

*Notes, Syllabus, Question Papers, Question Banks @ [www.AllAbtEngg.com](http://www.AllAbtEngg.com)*

In Sequential Code, numbers and/or letters are assigned in consecutive order. These codes are applied primarily to source documents such as cheques, invoices, etc. A sequential code can facilitate document searches. This process enables in either identification of missing codes (numbers) relating to a particular document or a relevant document can be traced on the basis of code

### **.2 Block Codes**

In a block code, a range of numbers is partitioned into a desired number of sub-ranges and each sub-range is allotted to a specific group. In most of the uses of block codes, numbers within a sub-range follow sequential coding scheme, i.e. the numbers increase consecutively.

### **3.Mnemonic Codes**

A mnemonic code consists of alphabets or abbreviations as symbols to codify a piece of information. SJ for "Sales Journals", HQ for "Head Quarters" are examples of mnemonic codes. A

[www.binils.com](http://www.binils.com)