

Module 2

Computerized Accounting System: Features, Advantages and Other Details

Need for Computerized Accounting:

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

Numerous Transactions:

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

Instant Reporting:

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

Reduction in Paper Work:

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

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

Flexible Reporting:

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

Online Facility:

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

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.

Security:

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

Scalability:

The system can cope easily with the increase in the volume of business. It requires only additional data operators for storing additional vouchers.

Special Features of Computerized Accounting System:

1. It leads to quick preparation of accounts and makes available the accounting statements and records on time.
2. It ensures control over accounting work and records.
3. Errors and mistakes would be at minimum in computerized accounting.
4. Maintenance of uniform accounting statements and records is possible.
5. Easy access and reference of accounting information is possible.
6. Flexibility in maintaining accounts is possible.
7. It involves less clerical work and is very neat and more accurate.

8. It adapts to the current and future needs of the business.
9. It generates real-time comprehensive MIS reports and ensures access to complete and critical information instantly.

Requirements of the Computerized Accounting System:

Accounting Framework:

A good accounting framework in terms of accounting principles, coding and grouping structure is a pre-condition. It is the application environment of the computerized accounting system.

Operating Procedure:

A well-conceived and designed operating procedure blended with suitable operating environment is necessary to work with the computerized accounting system. The computer accounting is one of the database-oriented applications, wherein the transaction data is stored in well-organized database.

The user operates on such database using the required interface. And he 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.

Advantages of Computerized Accounting:

1. Better Quality Work:

The accounts prepared with the use of computers are usually uniform, neat, accurate, and more legible than manual job.

2. Lower Operating Costs:

Computer is a labor and time saving device. Hence, the volume of job handled with the help of computers results in economy and lower operating costs.

3. Improved Efficiency:

Computer brings speed and accuracy in preparing the records and accounts and thus, increases the efficiency of employees.

4. Facilitates Better Control:

From the management point of view, greater control is possible and more information may be available with the use of computer in accounting. It ensures efficient performance in accounting work.

5. Greater Accuracy:

Computerized accounting ensures accuracy in accounting records and statements. It prevents clerical errors and omissions.

6. Relieve Monotony:

Computerized accounting reduces the monotony of doing repetitive accounting jobs, which are tiresome and time consuming.

7. Facilitates Standardization:

Computerized accounting facilitates standardization of accounting routines and procedures. Therefore, standardization in accounting is ensured.

8. Minimizing Mathematical Errors:

While doing mathematics with computers, errors are virtually eliminated unless the data is entered improperly in the first instance.

Disadvantages of Computerized Accounting:

1. Reduction of Manpower:

The introduction of computers in accounting work reduces the number of employees in an organization. Thus, it leads to greater amount of unemployment.

2. High Cost:

A small firm cannot install a computer accounting system because of its high installation and maintenance cost. To be more economical there should be large volume of work. If the system is not used to its full capacity, then it would be highly uneconomical.

3. Require Special Skills:

Computer system calls for highly specialized operators. The availability of such skilled personnel is very scarce and very costly.

4. Other Problems:

Frequent repair and power failure may affect the accounting work very much. Computers are prone to viruses. Often time's people will assume the computer is doing things

correctly and problems will go unchecked for long period of time.

What is Accounting Software? Analysis of Features, Types, Benefits

An accounting software solution is one that cultivates under the same roof all systems and applications dedicated to managing and processing financial data. Professional accountants and bookkeeping teams use these programs to govern accounts and automate systematic operations, while certain systems are also enabled to record accounting data, measure indicators, and report on the company's financial activity.

2. Types of Accounting Software

Generally accounting software's are classified based on the types of operations the business handles, and accordingly they are classified under the following four different categories

- **Billing/ Invoicing Software** : - This accounting software India in operational field of invoicing/billing takes care of companies basic billing activities. And these also serve the day-to-day tasks which a business undertakes including cheque writing and informing customers on their due payments etc.,
- **Payroll management system** : - This category of accounting software India manages the companies payroll registers performs an array of different tasks, including calculating employees' salaries, cutting deductions, depositing the salary directly into staff members' bank accounts, producing tax forms and pay slips and more.
- **ERP Systems** : -This category of accounting software solution India here handles the operational portfolio that combines

all systems used for product planning, material purchasing, inventory management and control, distribution, accounting, marketing, finance, and Human resource.

Why use accounting software?

we discussed what is accounting software, but what are its main benefits? Why use accounting software at all? The tool with its deep financial information shows you where to cut costs and drive productivity. With an appropriate system in hand, companies automate bookkeeping tasks and draft in-time tax-friendly reports, but what is most important, they can forecast expenses and develop a smarter investment strategy with this system.

These are the key benefits of accounting software:

1. **Simplification.** Accounting systems put finance control in the hands of a non-accounting audience, designed to give numbers a meaning while performing automated calculations. With little to no training at all, the business owner can complete all accounting operations and comply

with legal standards from a desktop computer or a mobile device, and without paying an external party to keep budget in the loop.

2. **Cost savings.** Accounting and finances systems automate core calculations and administrative procedures and take control of your revenue framework so that you won't have to outsource finance management to an external expert. In parallel, they also reduce costs related to printing and distributing documentation and store sensitive data in secure and monitored locations.
3. **Full financial transparency.** From an accountant's or an auditor's point of view, the highlight of good accounting systems is that they prevent costly and recurring human errors. Calculating inaccurate sums or failing to report data in time can easily lead to a business crisis, and that's where automating calculations is most useful.
4. **Accurate forecasting.** It's one of the main advantages of accounting software. Understanding in detail the patterns and trends of your financial performance is something that would take ages to complete without a solid system.

Accounting software gives numbers a meaning, helping you understand where to cut expenses or where to invest more. With a clear overview of your current financial status, you will find it easier to develop smart strategies and allocate resources the right way.

5. **Productivity.** Should a business owner have to choose a single suite of digitized services to improve performance, his first option should definitely be accounting software. These systems drill deep inside the most cumbersome, day-to-day tasks of companies, collect, organize, and analyze their most sensitive data, and what is most important, make smarter use of their money.

Introduction to Tally Software and Its Features

Tally is powerful accounting software, which is driven by a technology called concurrent multi-lingual accelerated technology engine. It is easy to use software and is designed to simply complex day to day activities associated in an

enterprise. Tally provides comprehensive solution around accounting principles, inventory and data integrity. Tally also has feature encompassing global business. Tally software comes with easy to use interface thus making it operationally simple.

Tally accounting software provides a solution around inventory management, stock management, invoicing, purchase order management, discounting, stock valuation methodology, etc.

Tally accounting software also comes with drill down options, which can track every detail of transaction. It helps in maintaining simple classification of accounts, general ledger, accounts receivable and payable, bank reconciliation, etc.

The technology employed by tally makes data reliable and secure. Tally software supports all the major types of file transfer protocols. This helps in connecting files across multiple office locations.

Tally accounting software is capable of undertaking financial analysis and financial management. It provides information around receivables turnover, cash flow statement, activity consolidation and even branch accounting.

Tally accounting software is east to set up and simple to use. A single connection can support multiple users. It can be easily used in conjunction with the Internet making possible to publish global financial reports.

Benefits of Tally Accounting Software

Any business owner understands the importance of maintaining proper books of account. This practice ensures that finance for the company is always in order and are correct at all given points of time. Company should always be aware of its financial positions.

Earlier, most of the businesses were employing manual practice in maintaining books of account. However, with the

advent of modern information technology, this task can be performed by accounting software. Tally is one such all powerful accounting software.

Tally accounting software provides a solution to all the problems real businesses have to encounter. Single software takes care of all tasks required for enterprise management. Accounting task such as records keeping, accounts receivable and payable management and bank reconciliation are made simple through tally.