

Chapter Eleven Financial Accounting in Computerized Environment

Summary

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So far we have moved through entire gamut of accounting process.

We studied how to

- prepare a voucher
- make an accounting entry
- post entries in the ledger
- prepare a trial balance
- pass and post adjusting entries
- prepare adjusted trial balance
- prepare Income Statement & Balance Sheet
- prepare Cash Flow Statement.

We also recognized that while conducting these activities on a large scale, we are exposed to several types of errors and inaccuracies. These errors of commission and omission are articulated as

Posting a debit - without corresponding credit
- for a corresponding debit

Posting a credit - without corresponding debit
- for a corresponding credit

Transposing figures, posting Rs 123/- for Rs 132/-

Wrong totals of numbers

Posting to a wrong a/c

Mistakes in compiling trial balance

One need not bother about these errors under accounting in computerized environment

There are several software packages available in the markets, which offer variety of results. Suitability of particular software is dependent on

1. Volume of transactions
2. Their frequency
3. Repetitive nature.

Most of the well known software available seek to integrate the inventory with financial accounting. They incorporate the principles of inventory valuation covered by the GAAP. Further accountants stand to benefit from

- ability to handle bulky data processing in real time
- across different office locations
- integration of cross functional inputs
- provision of cohesive data for decision making

The accountants, through these software avail of additional facilities and utilities like:

- ability to generate vouchers
- cheque writing facility
- interest calculations
- aging analysis of debtors & creditors
- cost center analysis
- TDS and other reports for taxation purposes
- audit trail for control & fraud detection

More popular among standard software available are :

Tally
Ex-NGn
Trio
ModAct

Plus tailor made industry specific packages for Banking, Travel, Financial Portals, Stock Brokers, Hotels, Insurance and other industries are developed.

The current trend is to offer computerized environment to Accountants as a part of software packages that span over entire value chain of the business. These are generally known as Enterprise Resource Planning (ERP).

The objective of implementing ERP is to increase revenues and to improve business efficiencies.

Some of these systems are from

Sap
Avalon
JD Edwards
MFG-Pro
Baan
Oracle
Ramco Marshall

The cost of implementing the package is substantial and includes the cost of the software besides expenses for setting up the intranet and other hardware.

Many companies have reaped significant benefits from implementation. They have successfully reduced the lead time for producing accurate and meaningful information for use by management for timely decisions.

Hey! Just one more chapter to go!