

LESSON-13 COMPUTER AND COMPUTERISED ACCOUNTING SYSTEM

SUMMARY

With the introduction of computers in business, the manual method of accounting is being gradually replaced. And finally, the database technology has revolutionised the accounts department of the business organisations.

COMPUTER AND ITS CHARACTERISTICS

Computer is a device that accepts data, stores data, processes data as desired, retrieves the stored data as and when required and prints the result in desired format.

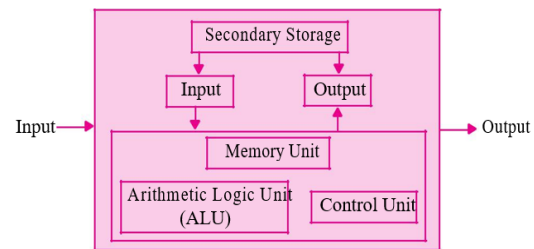
Characteristics of Computer

- Speed
- Storage
- Accuracy
- Diligence
- Versatility
- Communication
- Processing Power

COMPONENTS OF COMPUTER

A computer consists of the major components *i.e.*, Input Unit, Central Processing Unit and Output Unit.

Diagrammatically, these components may be presented as follows:



Components of Computer

LIMITATIONS OF A COMPUTER AND COMPUTERISED ACCOUNTING

- Cost of Installation
- Cost of Training
- Self Decision Making
- Maintenance
- Dangers for Health

ROLE OF COMPUTERS IN ACCOUNTING

- Preparation of Accounting Documents
- Recording of Transactions
- Preparation of Trial Balance and Financial Statements

SALIENT FEATURES OF CAS

- Simple and Integrated
- Transparency and Control
- Accuracy and Speed
- Scalability
- Reliability

- Performing various Functions with Accuracy

GROUPING OF ACCOUNTS

ACCOUNTING EQUATION

The modern accounting is based on double-entry system, which implies equality of assets and equities (liabilities and capital)

$$\text{Assets} = \text{Liabilities} + \text{Capital} + (\text{Revenues} - \text{Expenses})$$

SOFTWARES OF COMPUTERISED ACCOUNTING SYSTEM

Computers, with the help of Application Software, perform the same functions that are carried out when accounting is done

manually

- Payroll Processing
- Transaction Recording
- Ledger
- Trial Balance
- Financial Statements

ADVANTAGES OF COMPUTERISED ACCOUNTING SYSTEM

A computerised accounting system has many advantages, as discussed

below

- Large Volume of Transactions
- Scalability
- Security
- Timely Reporting
- Lower Cost
- Less Paper Work

- Flexible Reporting
- Queries
- Accurate
- Updating
- Financial Statements

LIMITATIONS OF COMPUTERISED ACCOUNTING SYSTEM

Computerised accounting suffers from the following limitations

- Controls
- Data Corruption
- Trained Computer Operators
- Limitations of Software

ACCOUNTING INFORMATION SYSTEM (AIS)

Accounting Information System (AIS) and its various sub-systems may be implemented through Computerised Accounting System.

