

LESSON-36 USE OF SPREADSHEET IN BUSINESS APPLICATIONS

SUMMARY

The spreadsheet lends support to a number of areas of accounting. This section describes its applications in two areas: Pay roll and Depreciation accounting to illustrate the capability of spreadsheet to enable computer based accounting.

PAYROLL

Use of Computers for maintaining the records Salary of employees is known as Payroll accounting

Payroll Components

Earnings

- Any Other Deduction
- Basic Pay (BP)
- Grade Pay (GP)
- Dearness Pay (DP)
- Dearness Allowance (DA)
- House Rent Allowance (HRA)
- Transport Allowance (TRA)
- Any Other Earning

Deductions

- Professional Tax (Applicable in some states) (PT)
- Provident Fund (PF)

- Tax Deduction at Source (TDS)
- Recovery of Loan Instalment (LOAN)

DEPRECIATION

Depreciation is an allocation of the depreciable cost of a non-current (fixed) asset over its useful life. It is a way of matching the amount of a fixed cost consumed in an accounting period with the revenue it generates. Depreciation is a process of cost allocation. This is based on factors such as useful life, scrap value and cost of asset put to use. Depreciation expense is the amount of cost allocation within an accounting period. Only items that lose useful value over time can be depreciated except freehold land whose value generally does not decrease.

Depreciation is calculated according to the policy of the organization. The Companies Act 1956 in Schedule XIV lists the rate of depreciation to be used for different types of assets under Straight line and Written down Value method.

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Excel worksheet supports the functions of SLN (Straight line), DB (Diminishing Balance), DDB (Double Declining Balance), SYD (Sum of Years Digit) to compute depreciation on Assets.

In this section, are concentrating only on Straight line and Written down Value method of depreciation.

COMPUTERISED ASSET ACCOUNTING

Assets are classified into the following categories 

- Goodwill
- Land: Free-hold land and Lease-hold land
- Building: Factory building, Office building, and Residential building. Plant and Machinery
- Furniture and Fixtures
- Vehicles
- Capital work in progress
- Others