

Plus One Accountancy Notes Chapter 10

Applications of Computers in Accounting

Summary:

Meaning of a Computer:

The computer is an electronic device capable of performing a variety of operations as desired by a set of instructions.

Elements of a Computer System:

1. Hardware
2. People
3. Data Connectivity
4. Software
5. Procedure

Capabilities of a Computer:

1. Speed
2. Reliability
3. Storage
4. Accuracy
5. Versatility

Need for Computers in Accounting:

The advent of globalisation has resulted in a rise in business operations. Consequently, every medium and large-sized organisations require well-established information system in order to generate information required for decision making and achieving the

organisational objectives. This made Information technology to play a vital role in supporting business operations.

MIS and Accounting Information System:

A management information system provides information necessary to take decisions and manage an organisation effectively. Accounting information system on the other hand identifies, collects, processes and communicates economic information about an entity to a wide variety of users.

Accounting Reports:

Information supplied to meet a particular need is called a report. An accounting report must fulfil the following conditions:

- Relevance
- Timeliness
- Accuracy
- Completeness
- Summarisation

Computerised Accounting System:

A computerised accounting system is an accounting information system that processes the financial transactions and events to produce reports as per user requirements. It is based on the concept of database and has two basic requirements:

- 1.Accounting framework and
- 2.Operating Procedure.

Advantages of Computerised Accounting System:

- 1.Speed
- 2.Reliability
- 3.Scalability
- 4.Efficiency

5.MIS Reports

6.Storage and Retrieval

7.Accuracy

8.Up-to-date

9.Legibility

10.Quality Report

11.Real-time user interface

12.Motivation and Employees interest

13.Automated document production

Limitations of Computerised Accounting System:

- Cost of training
- Disruption
- Breach of security
- Inability to check unanticipated errors
- Staff Opposition
- System failure
- Ill-effects on health

Categories of Accounting Packages:

- Ready-to-Use
- Tailored

- Customised

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