BASIC COMPUTERIZED ACCOUNTING SYSTEM

DIT: 0304

Nathan Kiplel Kimutai Olando

SCT121-C002-0009/2018

Question 1

2. It may be impractical for small businesses that cannot afford to meet the one-off cost of a computer and software
3. They require on to be computer literate
4. The data is vulnerable to malicious software such as malware and ransomware
5. The data is not entirely secure as it is vulnerable cyber-attacks and authorized access to files from individuals or groups with malicious intent.
6. They are dependent on electricity.

Computerized accounting system are software programs that are stored on a company's computer, network server, or remotely accessed through the Internet.

1. It is necessary to have a properly designed and conceived operating procedure to work with the computerized accounting system as it is a database-oriented application where transaction data is stored.
2. It should have a good accounting framework, which is the application environment of the computerized accounting system, in terms of pre-conditions such as accounting principles and grouping structures.
3. Accounting principles are rules of action or conduct which are adopted by the accountants universally while recording accounting transactions.
4. Must be used in the preparation of accounting records and financial statements.
5. Must be complied with in order to obtain an unqualified opinion from independent auditor.
6. Must be complied with for securities to be listed on a stock exchange and to issue new securities.
7. Revenue accounts are equity accounts with a credit balance whereas expense accounts are equity accounts with a debit balance.
9. Hardware
10. Software
11. Ledger
12. Cashbook
13. Firmware
14. Accounting is the process of identifying, measuring and communicating economic information to permit information to permit informed judgements and decisions by the users.
15. To ascertain the financial position of the business.
16. To protect business properties.

Question 2

1. Trial Balance is a list of closing balances of ledger accounts on a certain date and is the first step towards the preparation of financial statements.
2. Trail balance assists in the identification and rectification of errors.
3. Trial Balance acts as the first step in the preparation of financial statements as it is the used as a basis while preparing financial statements.
4. Trial balance ensures that the account balances are accurately extracted from accounting ledgers.
6. Income Statement, it is also known as a profit and loss statement, information on sales revenue and expenses from both the accounting journals and the general ledger are used to prepare the income statement.
7. Balance Sheet, Entries on a balance sheet come from the general ledger, and the format mirrors the accounting equation. Assets, liabilities and owners' equity on the last day of the accounting cycle are stated.

Computers are useful in the following ways in relation to the preparation of the financial statements mentioned above it is easier to review record using a computer as the records are well organized and easily available through search queries thus as well saving time, computers can also be used to aid in calculations in the basic arithmetic involved and they make it easier to balance accounts.

1. Cash basis, revenue is recorded when cash is received from customers, and expenses are recorded when cash is paid to suppliers and employees whereas in accrual basis, Revenue is recorded when earned and expenses are recorded when consumed.

Question 4

2. Real time processing, is the execution of data in a short time period, providing near-instantaneous output. This means that the data input into the computerized accounting system is processed instantaneously.
3. Group of accounts, an account group is the segregation or grouping of similar accounts in to a single group.
4. Accounts payable, this is money owed by a business to its suppliers shown as a liability on a company's balance sheet.
5. Auditing is an objective and unbiased examination and evaluation of the financial statements of an organization.
6. The security of the data being audited.
7. The authenticity of the data that has been provided and sent.
8. The type accounting software to be used in the auditing process.
9. The amount of time one has to perform the audit can vary depending on the performance of the computer hence the quality and overall efficiency of the device used for to perform the audit.
10. Analyze business transactions, Journalize the transactions, post to ledger accounts, prepare trial balance sheet, journalize post adjusting entries, prepare an adjusted trail balance, prepare financial statements, Journalize and post-closing entries, prepare post-closing trail balance.