

ACCOUNTING IN COMPUTERISED ENVIRONMENT

BASIC CONCEPTS

➤ Role of Computer in accountancy

- Controlling operations
- Deciding sequence of operations
- Accounting operations

➤ Consideration for Selection of Pre-Packaged Accounting Software

- Fulfilment of business requirements
- Completeness of reports
- Ease of use
- Cost
- Reputation of the vendor
- Regular updates

➤ Choice of an ERP

- Functional requirement of the organisation
- Reports available in the ERP
- Background of the vendors

Question 1

What are the advantages and disadvantages of ERP package?

(May, 2007)

Answer

Larger organisations often go for an ERP package where finance comes as a module. An ERP is an integrated software package that manages the business process across the entire enterprise.

Advantages of using an ERP

The advantages of using an ERP for maintaining accounts are as follows:

1. *Standardised processes and procedures* : An ERP is a generalised package which covers most of the common functionalities of any specific module.
2. *Standardised reporting* : Majority of the desired reports are available in an ERP package. These reports are standardised across industry and are generally acceptable to the users.
3. *Duplication of data entry* is avoided as it is an integrated package.
4. *Greater information* is available through the package.

Disadvantages of an ERP

The disadvantages of an ERP are the following:

1. *Lesser flexibility* : The user may have to modify their business procedure at times to be able to effectively use the ERP.
2. *Implementation hurdles* : Many of the consultants doing the implementation of the ERP may not be able to fully appreciate the business procedure to be able to do a good implementation of an ERP.
3. *Very expensive* : ERP are normally priced at an amount which is often beyond the reach of small and medium sized organisation. However, there are some ERP coming into the market which are moderately priced and may be useful to the small businesses.
4. *Complexity of the software* : Generally an ERP package has large number of options to choose from. Further the parameter settings and configuration makes it a little complex for the common users.

Question 2

What are the advantages of outsourcing the accounting functions?

(November, 2007)

Answer

Following are the advantages of outsourcing the accounting functions:

- (i) The organisation that outsources its accounting function is able to save time to concentrate on the core area of business activity.
- (ii) The organisation is able to utilise the expertise of the third party in undertaking the accounting work.
- (iii) Storage and maintenance of the data is in the hand of professional people.
- (iv) The organisation is not bothered about people leaving the organisation in key accounting positions.
- (v) The proposition is proving to be economically more sensible.

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Question 3

Explain the factors to be considered before selecting the pre-packaged accounting software.

(May, 2008)

Answer

There are many accounting softwares available in the market. To choose the accounting software appropriate to the need of the organization is a difficult task, some of the criteria for selection could be the following:

1. **Fulfillment of business requirements:** Some packages have few functionalities more than the others. The purchaser may try to match his requirement with the available solutions.
2. **Completeness of reports:** Some packages might provide extra reports or the reports match the requirements more than the others.
3. **Ease of Use:** Some packages could be very detailed and cumbersome compare to the others.
4. **Cost:** The budgetary constraints could be an important deciding factor. A package having more features cannot be opted because of the prohibitive costs.
5. **Reputation of vendor:** Vendor support is essential for any software. A stable vendor with good reputation and track records will always be preferred.
6. **Regular updates:** Law is changing frequently. A vendor who is prepared to give updates will be preferred to a vendor unwilling to give updates.

Question 4

What are the advantages of customised accounting packages?

(November, 2008)

Answer

Following are the advantages of the customised accounting packages:

1. The functional areas that would otherwise have not been covered gets computerised.
2. The input screens can be tailor made to match the input documents for ease of data entry.
3. The reports can be as per the specification of the organisation. Many additional MIS reports can be included in the list of reports.
4. Bar-code scanners can be used as input devices suitable for the specific needs of an individual organisation.
5. The system can suitably match with the organisational structure of the company.

Question 5

“Recently a growing trend has developed for outsourcing the accounting function”. Explain the advantages and disadvantages of outsourcing the accounting functions. (November, 2010)

Answer

Recently a growing trend has developed for outsourcing the accounting function to a third party. The consideration for doing this is to save cost and to utilise the expertise of the outsourced party.

Advantages

1. The organisation that outsources is able to save time to concentrate on the core area of business activity.
2. Storage and maintenance of the data is in the hands of professional people.
3. The organisation is able to utilise the expertise of the third party.
4. The organisation is not bothered about people leaving the organisation in key accounting positions.

Disadvantages

1. The third party may be unable to meet the standards desirable.
2. The cost may ultimately be higher.
3. The data of the organisation are handed over to the third party. This raises two issues of security and confidentiality.
4. Delays in obtaining services.