

## E-Accounting: A key of modern business

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### Abstract

Information technology has changed the way business is conducted. An effective accounting system must support the management in making strategic business quickly. Thus, as the process of decision-making changes, the accounting system must also change and evolve to meet both internal and external needs. Accounting is called the language of the business. Every business maintains accounts because it has to reveal certain information to the stakeholder which includes shareholder, creditors, investors, debtors and government etc. As an organization grows, maintaining accounts manually, becomes a times consuming and costly process. Several people must be employed to maintain accounts, possibly at different locations. There may not be consistency in the quality of Accounting. The generation of consolidated reports is long drawn out and expensive. Compare to computerize accounting practices we can get results on one click to computers. We can get any information at any time with a one click. Through this paper, I want to highlight the requirement, need, advantages and disadvantages of E-Accounting in modern business.

**Keywords:** E-Accounting, uses of accounting, financial software, advantages and disadvantages and difference between computerized accounting and manual accounting

### 1. Introduction

E-Accounting or Online Accounting is still a new development in field of accounting. It means all business transactions are recorded online. But for opening or creating accounts requires login ID and password provided by accounting service provider. There is large number of companies who observed E-Accounting. Accounting is called the language of the business. Every business maintains accounts because it has to reveal certain information to the stakeholder which includes shareholder, creditors, investors, debtors and government etc. In E-Accounting the accountants and employer both feel satisfaction because, this is very easy to use and without software defaults or failure. Several people must be employed to maintain accounts, possibly at different locations. The accounting programs carry out functions such as invoicing, paying wages, stock valuation, payrolls, purchase and sales analysis.

“A computerized accounting system is the accounting information system that helps in processing the financial transaction and events as per Generally Accepted Accounting Principles and leads to generation of reports as per the requirements of the user with minimum human intervention.”

### Objectives of the Study

- To find the advantages and disadvantages of Computerized accounting
- To evaluate the need of computerized accounting.
- To investigate the difference between computerized accounting and manual accounting.

### Advantages of E-Accounting

1. **Faster Processing:** Computers require far less time than human beings in performing a particular task. Therefore, accounting data is processed faster using a computerized accounting system.
2. **Cost-effective:** Computerized accounting is more efficient than paper-work accounting, than naturally, work will be done faster and time will be saved. It is cheaper than manually accounting.
3. **Accuracy:** This accounting system is designed to be accurate to the minutest detail. Once the data is entered into the system, all the calculations, including additions and subtractions, are done automatically by software.
4. **Data Access:** Using accounting software it becomes much easier for different individuals to access accounting data outside of the office, securely. This is particularly true if an online accounting solution is being used.
5. **Up-to-date information:** With the help of computerized accounting we can get the up to date information at any time. Like, about the transaction, ledger, trial balance and so on.
6. **Reliability:** Because the calculations are so accurate, the financial statements prepared by computers are highly reliable.
7. **Automating reports and analysis:** with the help of computerized accounting system automatically creates reports, such as, profit and loss, debtors and creditors, customer accounts, inventory counts, sales, forecasting, etc.
8. **Speeding up processes:** computerized accounting reducing delays between making a sale and generating an invoice.
9. **Scalable:** Computerized accounting system is very useful when scale of business is very large and the number of transaction is very complex.
10. **Speed:** Using accounting software, the whole process of preparing accounts becomes faster.
11. **Security:** The latest data can be saved and stored in offsite sites so it is safe from natural and man-made disasters like earthquakes, fires and floods. In case of a disasters, the

- system can be quickly restored on other computers.
12. Simplifying data entry: Inputting data is fast, straightforward and only needs to be carried out once.
  13. Reduce paper work: It reduced the paper work because all the transaction stored in computer software.
  14. Reducing errors: by computerizing calculations that would have historically been done manually
  15. Supporting other functions, such as online banking and e-filing.
  16. Backing Up Facility & Easy Error Correction. Backing up all your data is easier with computerized accounting. You can maintain a hard copy of all your yearly accounting in the form of printouts, along with a parallel software backup. Another advantage is easy error correction, which can be difficult in manual accounting.
  17. They are portable in nature and you can access your documents from almost any computer with a broadband connection.
  18. It provides the ability to share a document with several users without your own server.
  19. Transactions that affect your bank account can be sent automatically to the online accounting application.
  20. Send sales invoices and other documents directly to another business's accounts for the recipient to approve without having to re-enter the information.

**Disadvantages of computerized accounting**

1. Data security: The data entered by the user resides on a remote server: however, a back-up can be taken regularly.
2. Speed: Most of the currently available online office suites require a high broadband Internet connection which is not

- possible in remote areas or rural areas.
3. A network connection i.e. Internet access is required to send and receive changes. That is, internet dependence makes it more difficult to work offline. Along with the name of the user, who has altered the entry, and the date and time of the alteration.
4. Reduction of Manpower: The introduction of computers in accounting work reduces the number of employees in an organization. Thus, it leads to greater amount of unemployment.
5. High Cost: A small firm cannot install a computer accounting system because of its high installation and maintenance cost. To be more economical there should be large volume of work. If the system is not used to its full capacity, then it would be highly uneconomical.
6. Require Special Skills: Computer system calls for highly specialized operators. The availability of such skilled personnel is very scarce and very costly.
7. Trained computer person: A computer operator must learn the basic of computer, concepts of software, working with the operating system software and the accounting software.
8. Accounting system not properly set up to meet the requirement of the business due to badly programmed or inappropriate software or hardware or personnel problems can cause more destruction.
9. Effect on Health: Extensive use of computers may lead to many health problems such as eyestrain, muscular complaints, backache etc. resulting reducing working efficiency as well as increasing medical expenditure.

**Difference between computerized accounting and manual accounting**

Basis of difference	Manual Accounting	Computerized Accounting
Definition	In which we keep physical register of journal and ledger for keeping the records of each transaction.	In this system of accounting, we use computer and different accounting software for digital record of each transaction.
Speed	It produce information slower than computerized accounting	It produced information much faster than manual accounting
Accuracy	Manual accounting systems are prone to mathematical errors.	On this system there is no chance of such type of errors.
Backup	There is no backup.	The ease of backup of a computerized system
Financial Statement	Financial statements prepared manually with carefully	Financial statements prepared automatically.
Chances of Error	Chances of error is vast	Chances of error is less
Chances of fraud	Chances of fraud is more than computerized Auditing	Here is less chance of fraud
Internal control System	There is a need of constant review of internal control system	Here is no need of review of the system
Calculation	All transaction of adding and subtracting are done manually.	All transaction are done by computer.
Adjustment Entries records	Both adjustment journal entries and posting in the ledgers accounts will be done manually one by one.	Only adjustment entries will pass in the computerized system, posting in the ledger will be done automatically.
Reports	It takes more time than computerized accounting	Reports are created in timely manner.
Suitability	It is more suitable for small scale concerns.	It is more suitable for large scale concerns.

**Conclusion**

Computerized accounting system is need for any type of business. A computerized accounting system is the accounting information system that helps in processing the financial transaction and events as per Generally Accepted Accounting Principles and leads to generation of reports as per the

requirements of the user with minimum human intervention. In E-Accounting the accountants and employer both feel satisfaction because, this is very easy to use and without software defaults or failure. Several people must be employed to maintain accounts, possibly at different locations. The accounting programs carry out functions such as invoicing,

paying wages, stock valuation, payrolls, purchase and sales analysis. So we can say that the E-Accounting or computerized accounting is the key of modern business.

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