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Introduction to Computerised Accounting System

Computerised Accounting System (CAS) refers to the processing of accounting transactions through the use of hardware and software to produce accounting records and reports. It enables businesses to quickly, accurately, and timely access financial information, enhancing decision-making and profitability.

Components of CAS:

- **Procedure:** Logical sequence of actions to perform a task.
- **Data:** Raw facts input for business applications.
- **People:** Users of the system.
- **Hardware:** Computer and peripherals.
- **Software:** System software and application software.

CAS processes accounting transactions as inputs through accounting software to generate reports such as Day books, Ledger, Trial Balance, Balance Sheet, and Profit and Loss Account.

Data and Information: Data items are the smallest units of data in the system, such as account name, accounting code, date, and amount. Transactions record inflow and outflow of resources. Data is processed into information useful for decision-making.

Accounting Cycle: The process includes analysing transactions, recording in journals, posting to ledgers, preparing trial balance, making adjustments, and preparing financial statements. CAS automates this cycle.

Practice Set

- Level 1: Define Computerised Accounting System and list its components.
- Level 2: Explain the accounting cycle and how CAS automates it.
- Level 3: Discuss the difference between data and information in CAS with examples.

Answer Key

- CAS is the use of computers to process accounting transactions using hardware and software.
- Components include Procedure, Data, People, Hardware, and Software.
- Accounting cycle involves recording, posting, trial balance, adjustments, and financial statements preparation.
- Data are raw facts; information is processed data useful for decision-making.

Quick Reference

- CAS = Computerised Accounting System
- Data = Raw facts; Information = Processed data
- Accounting Cycle = Journal → Ledger → Trial Balance → Adjustments → Financial Statements

Glossary

- **Procedure:** Steps to perform a task.
- **Data:** Raw facts input.
- **Accounting Cycle:** Process of recording and reporting financial transactions.

Salient Features of Computerised Accounting System

CAS software is designed to automate and integrate business operations such as sales, finance, purchase, inventory, and manufacturing. Key features include:

- **Simple and Integrated:** Automates and integrates all business operations for accurate and up-to-date information.
- **Transparency and Control:** Enhances data accessibility and user satisfaction with greater transparency.
- **Accuracy and Speed:** Provides user-definable templates for fast and accurate data entry.
- **Scalability:** Adapts to changes in business size and data volume.
- **Reliability:** Ensures accuracy, control, and security of financial information.

Practice Set

- Level 1: List the salient features of CAS.
- Level 2: Explain how CAS improves transparency and control in business operations.
- Level 3: Discuss the importance of scalability in CAS for growing businesses.

Answer Key

- Features include integration, transparency, accuracy, scalability, and reliability.
- CAS provides timely access to data, enabling better planning and control.
- Scalability allows CAS to handle increased data volume as business grows.

Quick Reference

- CAS Features: Integration, Transparency, Accuracy, Scalability, Reliability

Glossary

- **Scalability:** Ability to handle increasing data volume.
- **Transparency:** Clear and accessible information flow.

Grouping and Codification of Accounts

As business transactions increase, proper classification of accounts is necessary. Grouping follows the accounting equation:

Accounting Equation:

Assets = Liabilities + Capital

Expanded as:

Assets = Liabilities + Capital + (Revenues – Expenses)

Groups of Accounts:

- **Equity and Liabilities:** Shareholder’s funds, Non-current liabilities, Current liabilities.
- **Assets:** Non-current assets (fixed, intangible), Current assets (inventory, cash).
- **Revenues:** Sales, other income.
- **Expenses:** Material consumed, salaries, depreciation, etc.

Codification of Accounts: Coding is assigning identification marks to accounts for classification and easy retrieval. Types of codes include:

- **Sequential Codes:** Consecutive numbers for documents like invoices.
- **Block Codes:** Number ranges assigned to groups, e.g., 100-199 for small pumps.
- **Mnemonic Codes:** Alphabets or abbreviations representing information, e.g., SJ for Sales Journal.

Developing Coding Structure: Example of coding students in schools using hierarchical attributes such as Trust, School, Entry-year, Stream, Class, Section, and Student number. This structure helps uniquely identify each student.

Practice Set

- Level 1: State the accounting equation and list the main groups of accounts.
- Level 2: Explain the purpose of codification in accounting.
- Level 3: Design a simple coding structure for a small business's accounts.

Answer Key

- Accounting equation: Assets = Liabilities + Capital + (Revenues – Expenses).
- Codification helps in classification, retrieval, and hierarchical organization of accounts.
- Coding structure should reflect account hierarchy and facilitate report generation.

Quick Reference

- Accounting Equation: Assets = Liabilities + Capital + (Revenues – Expenses)
- Codification Types: Sequential, Block, Mnemonic

Glossary

- **Codification:** Assigning codes to accounts for classification.
- **Sequential Code:** Consecutive numbering system.
- **Block Code:** Number ranges assigned to groups.
- **Mnemonic Code:** Alphabetic abbreviations as codes.

Using Software in Computerised Accounting System

CAS software activities are divided into:

- **One-time activities:** Creation of organisation details, accounting year, and master files like ledger types.
- **Recurring activities:** Entry of transactions and generation of reports.

Transactions are recorded using various vouchers such as Cash, Bank, Purchase, Sales, and Journal vouchers. Reports generated include Day books, Ledgers, Trial Balance, Profit and Loss Statement, Balance Sheet, and Cash Flow Statement.

Security Features of CAS Software

- **Password Security:** Controls user access and rights to data.
- **Data Audit:** Tracks changes and ensures data integrity by recording who made changes.
- **Data Vault:** Provides data encryption for additional security.

Encryption: Scrambles data to prevent unauthorized interpretation, ensuring data security even if accessed by unauthorized persons.

Practice Set

- Level 1: List the one-time and recurring activities in CAS software.
- Level 2: Explain the importance of password security and data audit in CAS.

- Level 3: Discuss how encryption enhances data security in CAS.

Answer Key

- One-time activities include organisation setup; recurring activities include transaction entry and report generation.
- Password security restricts access; data audit tracks changes to maintain integrity.
- Encryption protects data from unauthorized access by scrambling information.

Quick Reference

- CAS Software Activities: One-time (setup), Recurring (transactions, reports)
- Security Features: Password, Data Audit, Data Vault (Encryption)

Glossary

- **Password Security:** User access control mechanism.
- **Data Audit:** Tracking changes in data.
- **Encryption:** Data scrambling for security.

Accounting Information System and Its Subsystems

Accounting Information System (AIS) integrates various subsystems to manage financial data efficiently. Major subsystems include:

- **Cash and Bank Sub-system:** Manages receipt and payment of cash and electronic fund transfers.
- **Sales and Accounts Receivable Sub-system:** Records sales, maintains sales ledger, and tracks receivables.
- **Inventory Sub-system:** Records purchase and issue of inventory items with price, quantity, and date.

- **Purchase and Accounts Payable Sub-system:** Manages purchases and payments to creditors.
- **Payroll Accounting Sub-system:** Handles wages and salary payments with detailed reports.
- **Fixed Assets Accounting Sub-system:** Records purchases, usage, and depreciation of fixed assets.
- **Expense Accounting Sub-system:** Records expenses under various categories.
- **Tax Accounting Sub-system:** Manages compliance with VAT, excise, customs, and income tax.
- **Final Accounts Sub-system:** Prepares Profit and Loss Account, Balance Sheet, and Cash Flow Statement.
- **Costing Sub-system:** Determines cost of goods produced and links with other subsystems.
- **Budget Sub-system:** Prepares budgets and compares actual performance.
- **Management Information System (MIS):** Generates customised reports to support managerial functions like planning, organising, and control.

Practice Set

- Level 1: Name any five subsystems of AIS and their functions.
- Level 2: Explain the role of Payroll and Fixed Assets subsystems.
- Level 3: Discuss how MIS supports management decision-making.

Answer Key

- Subsystems include Cash and Bank, Sales and Receivables, Inventory, Purchase and Payables, Payroll, Fixed Assets, Expense, Tax, Final Accounts, Costing, Budget, and MIS.
- Payroll subsystem manages employee payments; Fixed Assets subsystem manages asset records and depreciation.
- MIS provides customised reports aiding planning, organising, staffing, and control.

Quick Reference

- AIS Subsystems: Cash, Sales, Inventory, Purchase, Payroll, Fixed Assets, Expense, Tax, Final Accounts, Costing, Budget, MIS

Glossary

- **Accounting Information System (AIS):** Integrated system managing financial data.
- **Management Information System (MIS):** System providing reports for management decisions.