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A Study on Impact of Computerised Accounting on Accounting Accuracy

Abstract : The customary procedure of documenting, categorizing, condensing, and disclosing financial operations has been altered by computerized accounting. With more accounting software being used, businesses have been able to automate routine accounting duties, reduce human computations, and produce financial reports at a quicker pace. The goal of this research study is to investigate the influence of computerized accounting systems on accounting accuracy, specifically focusing on data entry, computation, error reduction, internal controls, financial reporting, and decision-making. The study relies mainly on secondary data gathered from accounting standards and reports pertaining to accounting information systems, as well as from research articles, books, and profe-ssional publications. The results show that computerized accounting often enhances accounting accuracy by removing arithmetic errors, automating calculations, maintaining metho-dical records, and simplifying reconciliation and audit trails. Nevertheless, computerization does not completely remove accounting errors. Accounting data can still be inaccurate due to bad software constraints, insufficient training, cybersecurity concerns, poor internal controls, inappropriate settings, and incorrect data entry. The article concludes that the accuracy of accounting is determined by a number of factors, including the quality of the data, the expertise of the accounting staff, the implementation of appropriate internal controls, and the regularity with which the system is reviewed, in addition to the use of accounting software. Consequently, organisations ought to use a balanced strategy that integrates technology with effective human oversight.

Keywords : Computerised Accounting, Accounting Accuracy, Accounting Information System, Accounting Software, Internal Control, Financial Reporting, Automation.

Introduction : Every business organization needs accounting as an essential function since it provides information on financial transactions, profitability, financial position, and cash flows. Conventionally, accounting operations were done by hand using journals, ledgers, cash books, and other paper records. Although manual accounting systems may be effective for small-scale firms, they demand a lot of time and work and are more prone to specific categories of human mistake, especially arithmetic and repetitive-recording blunders. The accounting industry has undergone a significant transformation thanks to the growth of information technology. Recording, processing, storing, classifying, and reporting financial data using computers and accounting software is known as computerized accounting. Among the many functions that contemporary accounting systems can perform include creating management reports, preparing financial statements, managing receivables and payables, calculating taxes, preparing trial balances, posting entries to ledgers, and recording transactions. Currently, companies of varying sizes often use computerized accounting. Calculations can be done automatically and a number of accounting records may be changed concurrently by software programs. When a sales transaction is entered into an accounting system, for instance, the system may automatically update sales records, customer balances, inventory information, and applicable tax computations, depending on its setup. Since managers, investors, creditors, government agencies, and other stakeholders utilize financial data, accounting accuracy is crucial. Decisions, taxation, financial losses, and regulatory issues may all result from inaccurate accounting records. Therefore, determining if computerized accounting improves accounting accuracy is crucial for both academic research and business practice. This research investigates how automated accounting affects accounting accuracy and points out the main benefits, drawbacks, and variables that influence how well such systems work.

Concept of Computerised Accounting : Accounting functions are carried out using computer technology and accounting software in computerized accounting. Transactions are entered into a computerised system that processes the information in accordance with predetermined accounting rules rather than just keeping accounting records in physical books.

A computerised accounting system generally consists of:

Hardware – computers, servers, storage devices and related equipment.

Software – accounting applications and enterprise resource planning systems.

Database – electronic storage of accounting information.

People – accountants, managers, auditors and other users.

Procedures – rules governing transaction recording, authorisation and reporting.

Internal controls – mechanisms designed to protect information and ensure its reliability.

Examples of accounting functions that can be computerised include: Recording journal entries,

Meaning of Accounting Accuracy : The extent to which financial statements and records accurately reflect the real financial activities and adhere to relevant accounting principles, standards, and company rules is known as accounting accuracy. Accurate accounting information should be: Correct, Complete, Consistent, Timely, Verifiable, Relevant, Reliable.

Review of Literature : According to Romney and Steinbart, accounting information systems are made to gather, record, save, and process data to generate useful accounting data. By improving the quality and effectiveness of accounting processes, an effective accounting information system can help.

Hall highlights that accounting information systems provide organizations with the knowledge needed for management decision-making, operational control, and financial reporting. Internal controls and effective system architecture are crucial for preserving information reliability.

According to Laudon and Laudon, information systems are a crucial aspect of contemporary corporate management. Although system efficacy relies on proper implementation and management, computer-based systems can boost information availability and efficiency.

The literature therefore indicates that computerisation should not be considered an automatic guarantee of accounting accuracy. Instead, technology should operate within an effective control environment.

Objectives of the Study :

- To examine the concept and importance of computerised accounting.
- To analyse the impact of computerised accounting on accounting accuracy.
- To identify the major sources of accounting errors in computerised systems.
- To examine the role of internal controls in improving computerised accounting accuracy.
- To identify the advantages and limitations of computerised accounting.
- To suggest measures for improving accounting accuracy through computerised accounting systems.

Research Methodology : The present study is descriptive and analytical in nature. It is based primarily on secondary information. Information has been collected from: Accounting and auditing textbooks, Research papers and academic journals, Accounting information systems literature, Professional accounting publications, Government and regulatory publications, Reports and online academic resources.The study does not claim to establish a statistical causal relationship based on primary survey data. Instead, it provides a conceptual and analytical assessment based on existing literature.

Impact of Computerised Accounting on Accounting Accuracy :

1. Reduction in Mathematical Errors : The reduction of mathematical errors is one of the most important benefits of computerized accounting.
2. Reduction of Repetitive Recording Errors : Computerised systems can automatically transfer information between related accounting modules. This can reduce repetitive recording errors.
3. Automatic Ledger Posting : Computerised accounting software can automatically update relevant ledger accounts after a transaction is entered.
4. Improved Trial Balance Preparation : Based on current ledger information, computerized accounting systems may automatically generate trial balances.
5. Automatic Financial Statement Preparation : Accounting records can be used by computerized systems to produce financial statements like Trading Account, Profit and Loss Account, Balance Sheet, Cash Flow Statement, and Statement of Changes in Equity.
6. Improved Bank Reconciliation : Bank reconciliation is an important accounting control. Computerised accounting systems can assist accountants in comparing: Cash book balances, Bank statements, Deposits, Withdrawals, Bank charges, Outstanding cheques, Direct credits and debits. Automated reconciliation tools can identify differences and help accountants investigate discrepancies.

Impact on Data Integrity : Data integrity refers to the accuracy, completeness and consistency of data throughout its lifecycle. Computerised accounting systems can improve data integrity through: Validation rules, Mandatory fields, User authentication, Access controls, Automated calculations, Database controls, Duplicate-entry detection, Audit trails.

Role of Internal Controls : Computerised accounting can strengthen internal control when appropriately designed.

Important controls include :

1. User Access Controls: Different users can have different access levels. As an illustration, data entry workers could log transactions, accountants could examine them, managers could approve them, and administrators could control system settings. Unauthorized changes might be less likely as a result of this division.
2. Password and Authentication Controls: Passwords and multi-factor authentication can help prevent unauthorised access to accounting information.
3. Audit Trails: Numerous accounting systems keep records that indicate who entered a transaction, when was it input? , Was it changed? Who gave their approval? Auditors and management can identify unusual or unauthorized behavior with the aid of audit trails.
4. Backup Controls: Accounting records are protected from unanticipated deletion, hardware failure, and other disturbances by routine backups. By implementing stronger control systems and automation, automated accounting may therefore raise the bar for accounting precision.
5. Errors May Be Found and Fixed More Quickly: Computerized accounting systems can make it easier to spot differences in accounting errors.

Real-Time Accounting Information : Computerised systems can provide updated information on: Sales, Purchases, Expenses, Receivables, Payables, Cash balances, Inventory, Profitability. Timely information supports better managerial decisions and allows management to identify financial problems at an earlier stage.

Impact on Auditing : The availability of reasonably current accounting information is another significant benefit of computerized accounting. Management might have to wait for accountants to finish computations and create reports in a manual system like Sales, Purchases, Expenses, Receivables, Payables, Cash balances, Inventory, and Profitability may all be updated with current data by computerised systems. Management can make improved managerial decisions and identify financial issues at an earlier stage with the help of timely information.

Limitations and Risks of Computerised Accounting :

1. Incorrect Data Entry: The idea of “Garbage in, Garbage out” is the most crucial restriction. If inaccurate information is entered into a computerized system, the system may accurately process it yet produce an inaccurate outcome.
2. Incorrect Software Configuration: Inaccurate accounting data may be caused by incorrect setup of: Ledger classifications, Depreciation methods, Inventory settings, Tax rates, Reporting parameters, and User permissions. Therefore, a careful analysis of the software implementation and setup is required.
3. Lack of Employee Training: If staff members are unfamiliar with the accounting system, they may make mistakes. Therefore, regular practice is necessary.
4. Cybersecurity Threats: Mistakes might occur if personnel aren’t used to the accounting system. Data can be manipulate by cyber attack on Accounting software system.
5. Overdependence on Technology: Problems may arise if personnel rely too heavily on software without understanding the fundamental accounting principles.

Factors Determining Accounting Accuracy in Computerised Systems : Computerisation by itself cannot ensure accuracy. There are many things that affect how good accounting information is.

1. Data Entry Quality: It is imperative to have accurate and thorough source documents.
2. Employee skill: Employees should be conversant with the program they are utilizing as well as accounting standards.
3. Accounting software must be reliable and adequately maintained to be of good quality.

4. Internal control: Proper authorization, division of responsibilities, and access restrictions increase trustworthiness.
5. Frequent Reconciliation: Payables, receivables, bank statements, and inventories must be reconciled regularly.
6. Backup of Data: There is less chance of data loss if backups are done often.
7. Software Updates: Security, technical, and regulatory needs must be met by updating software.
8. Management Oversight: Financial reports should be regularly reviewed by management, and unusual transactions should be investigated.

Findings of the Study : The following important discoveries are made using the conceptual analysis:

1. Because computations are automated, computerised accounting considerably lowers arithmetical errors.
2. Automated ledger posting enhances the agreement between account balances and transaction data.
3. The timeliness of accounting information can be enhanced by producing financial reports more quickly.
4. Through authentication, access limits, and audit trails, computerized systems can improve internal controls.
5. Input quality determines how accurate the data is. Wrong accounting figures might result from inaccurate data input into a system.
6. Employee instruction is important for good use of accounting software.
7. Since unauthorized alteration or destruction of financial information may compromise accounting records, cybersecurity has grown into a crucial part of accounting accuracy.
8. Electronic records and transaction histories help auditors audit by using computerized accounting.
9. The need for expert judgement is not eliminated by automation. It is imperative for accountants to examine data generated by the system.
10. The biggest advantages are realized when human knowledge, internal control, and technology work together.

Suggestions and Recommendations : To maximise the positive impact of computerised accounting on accounting accuracy, organisations should consider the following measures:

1. Select Appropriate Accounting Software: Organisation should select software according to their size, industry, transaction volume and reporting requirements.
2. Provide Regular Training: Accounting personnel should receive periodic training in both accounting principles and software functionality.
3. Establish Strong Internal Controls: Organisation should implement Segregation of duties, Authorisation procedures, User access controls, Password policies, Transaction approval mechanisms.
4. Conduct Regular Reconciliation: Bank, cash, inventory, receivables and payable balances should be reconciled periodically.
5. Maintain Backup Systems: Accounting data should be backed up regularly, preferably using secure and appropriately protected storage arrangements.
6. Conduct Periodic System Audits: Organisation should periodically examine software configuration, access permissions and audit trails

7. Strengthen Cybersecurity: Businesses should use appropriate security measures such as strong authentication, software updates, access restrictions and employee awareness programmes.
8. Maintain Human Oversight: Computerised reports should be reviewed by qualified accounting personnel before important decisions or external reporting.

Conclusion : Computerised accounting has changed how accounting works by improving accuracy and reducing errors. It automates tasks, making it easier to manage many transactions and allowing accountants to focus on analysis and decision-making. However, success depends on quality data, good software, and skilled employees.

While it enhances accuracy, it shouldn't be seen as a complete fix for accounting issues. Businesses should not just use software but also build a reliable accounting system. Combining technology with human skills can lead to better financial information and improved decision-making.

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