

The Impact of Information Technology on Modern Accounting Systems With reference to Pune Region

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Keyword

**Information Technology,
Accounting System**

Abstract

Information technology had carved across all the aspects of modern day activities ranging from small to medium and medium to large applications and operations. The trends of human centric systems which are more common and popular at times are now slowly and gradually diminishing from our public and private corporate establishments. The new , most versatile, popular, advent, efficient technique wherein the basic approach is computer centric modus operandi have overridden almost all the modern day industrial practices from very basic step of requirement elicitation to final product outcome. Information and Communication technology is this computer centric system. ICT has increased efficiency, reliability, effectiveness, performance and other characteristics of modern day commercial operations. ICT has increased and renovated financial structure both in quality and quantity. ICT has sophisticated the way transactions are catered in any financial system with optimal levels of performance and efficiency. Now it is the time to think beyond the curtains and ensure proper implantation and maintenance of information and communication technology.

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Introduction:

Accounting is the system a company uses to measure its financial performance by noting and classifying all the transactions like sales, purchases, assets, and liabilities in a manner that adheres to certain accepted standard formats. It helps to evaluate a Company's past performance, present condition, and future prospects. A more formal definition of accounting is the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof. Advances in information technology (IT) have transformed many firms in professional services industries, but perhaps none as much as those in the public accounting industry. Once a slow-paced and conservative industry, public accounting underwent tremendous changes at the turn of the millennium, sparked largely by the rapid changes in its if environment (Elliott 1998). Audit software and knowledge-sharing applications are two crucial components of these changes. Automation of audit tasks and use of specialized

audit software has substituted IT for labor and changed the structure of audit teams. Equally important is the use of advanced systems to share knowledge bases across different parts of the organization that has enabled professional services firms to leverage their human resources more effectively.

Computers, servers, the Internet, wireless and personal digital devices have forever transformed the way companies conduct business. Software packages have also improved traditional operations and production processes. Accounting has seen tremendous advancements thanks to the growth of information technology. Accounting software automates the traditional paper ledgers and accounting books. These software packages may come with a variety of specialized features or a generic program that can be customized to current business operations. Companies usually choose accounting programs based on the size of their operations and the number of users accessing the system. Large companies may choose system-wide software packages, such as an enterprise resource planning system. Information technology (IT) has created significant benefits for accounting departments. IT networks and computer systems have shortened the lead time needed by accountants to prepare and present financial information to management and stakeholders. Not only has IT shortened the lead time required to present financial information, but it also has improved the overall efficiency and accuracy of the information.

The biggest impact IT has made on accounting is the ability of companies to develop and use computerized systems to track and record financial transactions. Paper ledgers, manual spreadsheets and hand-written financial statements have all been translated into computer systems that can quickly present individual transactions into financial reports. Most of the popular accounting systems can also be tailored to specific industries or companies. This allows companies to create individual reports quickly and easily for management decision making.

Objectives of the Study:

1. To study the present IT software solutions for accounting system.
2. To study the present impact of information technology on modern accounting systems.

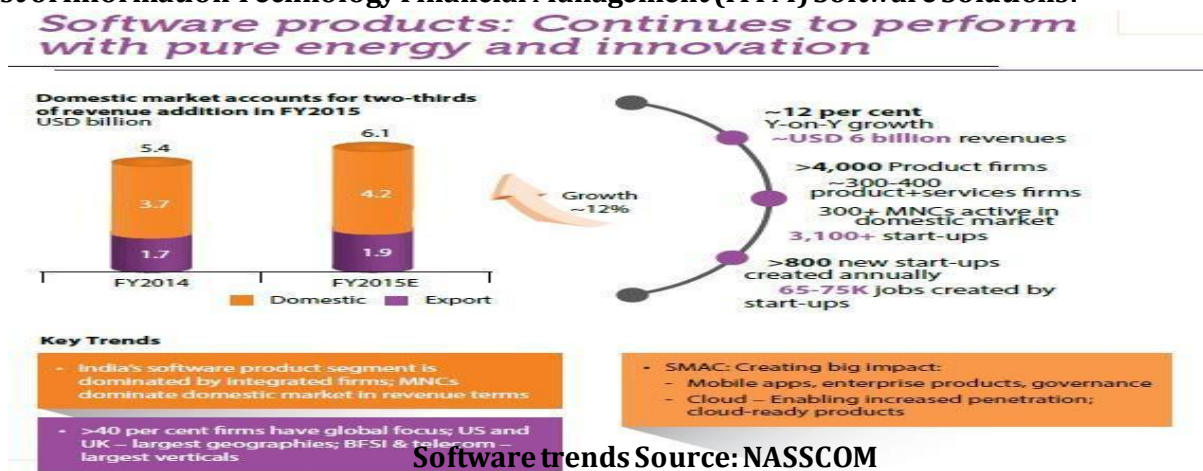
Sources of Data Collection:

This paper is an outcome of secondary data. It includes books, research journals, internet, research articles and government reports.

Limitation of the Study:

The period for this study is from the year 2001- 2002 to 2013 - 2014.

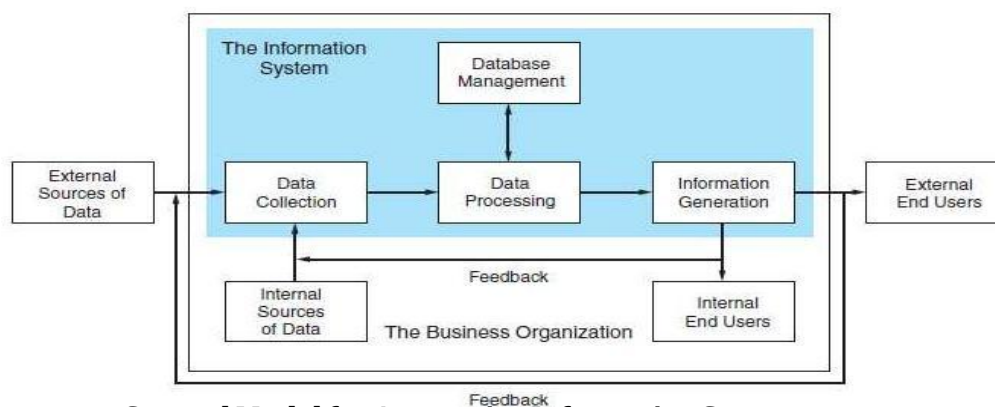
List of Information Technology Financial Management (ITFM) Software Solutions:



- **ACCIOD**, software as a service IT Operational and Financial Management
- **VMware**, software as a service IT Financial Management
- **ClearCost** Software, Integrated Service Financial Management
- **ComSci**, Software as a Service IT Financial Management
- **Costnomics**, Software as a Service IT Financial Management
- **Cube Billing**, Software as a Service Cost Allocation and Chargeback Software
- **EcoSys Epc**, web based IT Financial Management and Project control Software
- **HP**, Software as a Service or on-premise Financial Management, Asset Management and Project Financial Management
- **KEDARit**, Software as a Service IT Financial Management
- **Net insight**, IT Financial Management Software
- **TCSF**, Software as a Service IT Financial Management and Governance
- **USU AG**, Integrated Business Service Management and Financial Management Suite
- **Apptio**, Software as a Service IT Business Management and Financial Management
- **Zuna InfoTech**, Software as a Service IT Financial Management, Cost Allocation, Asset/Demand Management, Technology Business Management
- **Tringford CMS**, Cost management Software, Service and Analytics.

General Model of Accounting Information System:

The general model for Accounting Information System. It is considered as a general model because it is applicable to all information systems, regardless of the technological architecture. The elements include end users, data sources, data collection, data processing, database management, information generation and feedback.



General Model for Accounting Information System

The first operational stage in AIS is the data collection. Its objective is to ensure that the data entering are valid, complete and free from material error. This stage promotes relevance and efficiency. The system must only capture relevant data and collects them only once. Data sources can either be from Internal or external sources. After the data have been collected it will then be stored in the database management and will be processed into tasks which pertain to

data processing varies from complex. This information simple to includes algorithms, statistical techniques, sales forecasting and summarizing procedures used in accounting. The gathered will then be forwarded to the external end the internal end information users and users. External end users include creditors, stockholders, investors, regulatory agencies, suppliers and customers. On the other hand, the internal end user is the management at every level of the organization. Feedbacks are then sent back to the entity so that they would know what things to retain and what things to improve.

Impact of IT on Modern Accounting Systems:

1. Money Saving:

The application doesn't need to travel to the consulate two times, first time for collecting the application form and for physical presentation. He needs to go to the consulate only once the application form would have been filled online. The cost for travelling the first time is saved. Also the potential wastage of paper is removed. Reducing paper consumption helps improve the quality of environment, reduce forest destruction since paper is produced from wood and reduce of waste processing.

2. Time Saving:

The main time saving factor is the flexibility of scheduling when to engage on a process. For example a visa application form can be filled when the applicant has a free time and not necessary during the opening hours of the consulate. The data filled are verified immediately for validity. Acknowledge is sent immediately as prove of application. Payment is made online with credit card thereby saving the time of passing through the cashier.

3. Communication:

Communication by email is faster and costs less than sending a paper letter by post. The business communication in various commercial organizations has widely accepted email as main medium for information dissemination across platforms. Email systems not only carry out information in textual formats rather provides the way to transmit multimedia information from customer to client and vice versa.

4. Global Financing:

Information technology allows finance to function on a global level. Financial markets can be thought of as the first organized, global information markets operating through network computers. Without information technology, financial markets could not react to global development and finance companies couldn't consistently acquire information at the same time as their competitors. For example, the internet allows continuous access to credit scores and credit rating to all lenders, insurance companies and businesses that need financially responsible customers.

5. Economic Efficiencies:

Information technology resources can significantly reduce accounting costs. Redundant tasks can be centralized in one location through the use of information technology infrastructure. Economic efficiencies can be realized by migrating high-cost functions into an online environment. Companies can also offer email support for customers that may have a lower cost than a live customer support call. Cost savings could also be found through outsourcing

opportunities, remote work options and lower-cost communication options.

6. Accuracy:

Information technology assists in the computations. Since accounting work is very detailed, accuracy in recording and reporting is greatly valued. One of the positive effects of this system is the fact that it lessens the possibility of incurring mathematical errors which is one of the problems experienced in the manual system.

7. Improved Internal and External Reporting:

Because of the improved speed and accuracy in the processing of information, financial reports can be easily generated and reported to internal and external users. External users can use these reports to assess the condition of the entity. Internal user which is the management benefits from this development for they need to know the details first in making economic decisions.

On the impact of computer technology on accounting, Nickelset al. observed that most companies have found that computers greatly simplify the task, enabling managers and other employees to get financial reports exactly when they want them.

8. Flexibility:

Flexible technology is severely needed in accounting departments. The accounting system must have the capability to adapt with changes in business practices. Information technology associated with accounting creates flexibility to accommodate the changes. Some systems are capable for upgrade when the entity's volume of transaction increases.

9. Reduction of Paper Usage:

The utilization of electronic envelopes and documents reduce the usage of papers in accounting processes. Thus, it reduces costs and of course it draws the entity away from the environmental issues regarding trees and paper usage.

10. Graphics Software:

This software creates photos, graphs and charts from data input in order to facilitate better understanding of the topic. This is usually used in financial reporting.

11. Increased Functionality:

Computerized accounting systems have also improved the functionality of accounting departments by increasing the timeliness of accounting information. By improving the timeliness of financial information, accountants can prepare reports and operations analyses that give management an accurate picture of current operations. The number of financial reports has also been improved by computerized systems; cash flow statements, departmental profit and loss, and market share reports are now more accessible with computerized systems.

12. Faster Processing:

Computerized accounting systems allow accountants to process large amounts of financial information and process it quickly through the accounting system. Quicker processing times for individual transactions has also lessened the amount of time needed to close out each accounting period. Month- or year-end closing periods can be especially taxing on accounting

departments, resulting in longer hours and higher labor expense. Shortening this time period aids companies in cost control, which increases overall company efficiency.

13. Storing and Protecting Information:

Information technology creates electronic storage system to protect company's valuable records. According to Graziadio Business Report, Published by Pepperdine University, secure maintenance of customer and patients files is vital to business integrity, storage systems, such as vital vaults, keep information safe by only allowing certain users within the company to access, withdraw, add or change the documents and protect from being hacked, or wiped out during a technological disaster. Electronic security means your valuable records will remain safe. You may already use computer for data storage for business, inventory, sales, receivables' and payable stored in excel, and open office or a similar program keeps these figure at your fingertips. Accounting software stores your payroll information, tax records and specialized data for your business.

14. Reliability:

Computer systems are immune to boredom, tiredness or fatigue. Therefore, these can perform repetitive functions effectively and are highly reliable as compared to human beings.

Limitations:

1. Heavy Cost of Installation:

Computer hardware needs replacing and software needs to be updated from time to time with the availability of newer versions.

2. Cost of Training:

To ensure effective and efficient use of computerized system of accounting, newer versions of hardware and software are introduced. This requires special training and cost is incurred to train the staff personnel as specialists.

3. Fear of Unemployment:

Reflects the feelings of the staff on the introduction of computerized accounting system. The staff fears redundancy and show less interest in computers.

4. Disruption in Work:

When computerized system is introduced, there might be loss in the work time and certain changes in the working environment.

5. System Failure:

The danger of a system crashing due to some failure in hardware can lead to subsequent loss of work. This occurs when no back-up is retained.

6. Time Consuming:

In order to avoid loss of work at the time of system failure, there is a need for providing backup arrangements which is a time consuming process.

7. Unanticipated Errors not Known:

Unlike human beings, computers do not have the capability to judge or detect unanticipated errors in the system.

8. Breaches of Security:

The danger of viruses and hacking into the system from outside creates a strong need for security of system. Similarly, the person who has created the specific program can easily defraud by tempering with the original records.

9. Health Dangers:

Extensive use of computers may lead to many health problems such as eyestrain, muscular complaints, backache etc. resultantly reducing working efficiency as well as increasing medical expenditure.

Conclusions:

Information technology advancements have greatly helped the accounting systems of business entities. Because of today's computerized accounting information systems, business performance seems to improve. Many transaction processes were simplified thus creating efficient operations. The affordability of computer technology for small business entities creates great opportunities for these entities to improve their business. Information technology advancements made effective and efficient information flow that enhances managerial decision-making, thereby increasing the firm's ability to achieve corporate and business strategy objectives. Business entities much choose compatible systems and software for them to be effective. In these advanced days in information technology, computers have improved the accounting processes but computers can't replace the role of man in the accounting systems.

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