

NCERT SOLUTIONS

CLASS - 11th



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Class : 11th

Subject : Accountancy

Chapter : 13

Chapter Name : Computerised Accounting System

Q1 State the four basic requirements of a database application.

Answer. Four basic requirements of a database application are :

Front-end interface : it is an interactive link or a dialog between the user and database-oriented software through which the user communicates to the back-end database.

Back-end database : it is the data storage system that is hidden from the user and responds to the requirements of the user to the extent the user is authorized to access.

Data processing : It is a sequence of actions that are taken to transform the data into decision useful information.

Reporting system : It is an integrated set of objects that includes all the information that constitute the report.

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Q2 Name the various categories of accounting package.

Answer. The various categories of accounting package are :

- Ready to use
- Customised
- Tailored

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Q3 Give examples of two types of operating systems.

Answer. The examples of the two types of operating systems are :

- Single-user operating system like windows
- Multi-user operating system like linux.

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Q4 List the various advantages of computerized accounting systems.

Answer. The various advantages of computerized accounting systems are :

- Speed
- Accuracy
- Reliability
- Up-to-date information
- Real time user interface
- Automated document production
- Scalability
- Legibility
- Efficiency
- Quality reports
- MIS reports
- Storage and retrieval
- Motivation and employees interests

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Q5 Give two examples each of the organisations where 'ready-to-use', 'customised' and 'tailored' accounting packages respectively suitable to perform the accounting activity.

Answer.

- Ready-to-use accounting software is used by small/conventional businesses like grocery stores, medical stores, etc.
- Customized accounting software is customized to meet the special requirements of the user like shopping malls, hospitals, etc.
- Tailored accounting software is generally used in large business organisations with multi users and geographically scattered locations like multinational corporations, large industries, etc.

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Q6 Distinguish between a 'ready-to-use' and 'tailored' accounting software.

Answer.

- Ready-to-use accounting is suited to organisations running small/conventional business where the frequency or volume of accounting transactions is very low, whereas accounting software is generally tailored in large business organisations with multi users and geographically scattered locations.
- Tailored software requires specialized training to users while ready-to-use software is relatively easier to learn and people adaptability is very high.

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Q1 Define a computerized accounting system. Distinguish between a manual and computerized accounting system.

Answer. A computerized accounting system is an accounting information system that processes the final transactions and events as per Generally Accepted Accounting Principles (GAAP) to produce reports as per user requirements. It has two aspects, first, it has to work under a set of

well-defined concepts called accounting principles and another, that there is a user-defined framework for maintenance of records and generation of reports.

Comparison between manual and computerized accounting system :

Identifying : the identification of transactions, based on application of accounting principles is, common to both manual and computerized accounting system.

Recording : the recording of financial transactions, in manual accounting system is through books of original entries while the data content of such transactions is stored in a well-designed accounting database in computerized accounting system.

Classification : In a manual accounting system, transactions recorded in the books of original entry are further classified by posting into ledger accounts. This results in transaction data duplicity. In computerized accounting, no such data duplication is made to cause classification of transactions.

Summarizing : The transactions are summarized to produce trial balance in manual accounting system by ascertaining the balances of various accounts, this is why preparation of ledger accounts becomes a pre-requisite for preparing trial balance. In computerized accounting, the originally stored transactions data are processed to churn out the list of balances of various accounts to be finally shown in the trial balance report.

Adjusting entries : In a manual accounting system, these entries are made to adhere to the principle of cost matching revenue. These entries are recorded to match the expenses of the accounting period with the revenues generated by them. In computerized accounting, Journal vouchers are prepared and stored to follow the principle of cost matching revenue.

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Q2 Discuss the advantages of computerized accounting system over manual accounting system.

Answer. Advantages of computerized accounting system over manual accounting system are :

Speed : Accounting data is processed faster by using a computerized accounting system than it is achieved through manual efforts. This is because computers require far less time than human beings in performing a task.

Accuracy : The possibility of error is eliminated in a computerized accounting system because the primary accounting data is entered once and for all the subsequent usage and processes in preparing the accounting reports. Normally, accounting errors in a manual accounting system occur because of repeated posting of the same set of original data by several times while preparing different types of accounting reports.

Reliability : The computer system is well-adapted to performing repetitive operations. They are immune to tiredness, boredom or fatigue. As a result, computers are highly reliable compared to human beings. Since computerized accounting system relies heavily on computers, they are relatively more reliable than manual accounting systems.

Up-to-Date Information : The accounting records, in a computerized accounting system are updated automatically as and when accounting data is entered and stored. Therefore, the latest information pertaining to accounts get reflected when accounting reports are produced and printed.

Real time user interface : most of the automated accounting systems are inter-linked through a network of computers. This facilitates the availability of information to various users at the same time on a real time basis.

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Q3 Describe the various types of accounting software along with their advantages and limitations.

Answer. The various types of accounting software are :

Ready-to-use : Ready-to-Use accounting software is suited to organisations running small/ conventional business where the frequency or volume of accounting transactions is very low. This is because the cost of installation is generally low and number of users is limited.

Ready-to-use software is relatively easier to learn and people (accountant) adaptability is very high. This also implies that level of secrecy is relatively low and the software is prone to data frauds. The training needs are simple and sometimes the vendor (supplier of software) offers the training on the software free. However, these software offer little scope of linking to other information systems.

Customised : Accounting software may be customised to meet the special requirement of the user. Standardised accounting software available in the market may not suit or fulfil the user

requirements. Customised software is suited for large and medium businesses and can be linked to other information systems. The cost of installation and maintenance is relatively high because the high cost is to be paid to the vendor for customisation. The customisation includes modification and addition to the software contents, provision for a specified number of users and their authentication, etc. Secrecy of data and software can be better maintained in customised software. Since the need to train the software users is important, the training costs are therefore high.

Tailored : The accounting software is generally tailored in large business organisations with multi users and geographically scattered locations. These software requires specialised training to the users. The tailored software is designed to meet the specific requirements of the users and form an important part of the organizational MIS. The secrecy and authenticity checks are robust in such software and they offer high flexibility in terms of number of users.

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Q4 'Accounting software is an integral part of the computerized accounting system'. Explain. Briefly list the generic considerations before sourcing an accounting software.

Answer. Accounting software is an integral part of the computerized accounting system. An important factor to be considered before acquiring accounting software is the accounting expertise of people responsible in the organization for accounting work. People, not computers, are responsible for accounting. The need for accounting software arises in two situations : (a) when the computerised accounting system is implemented to replace the manual system or (b) when the current computerised system needs to be replaced with a new one in view of changing needs.

Generic considerations before sourcing an accounting software are :

- Flexibility
- Cost of installation and maintenance
- Size of organization
- Ease of adaptation and training needs
- Utilities/MIS reports
- Expected level of secrecy (software and data)
- Exporting/importing data facility
- Vendors reputation and capacity

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Q5 'Computerised Accounting System are best form of accounting system'. Do you agree?
Comment.

Answer. Advantages of computerized accounting system over manual accounting system are :

Speed : Accounting data is processed faster by using a computerized accounting system than it is achieved through manual efforts. This is because computers require far less time than human beings in performing a task.

Accuracy : The possibility of error is eliminated in a computerized accounting system because the primary accounting data is entered once and for all the subsequent usage and processes in preparing the accounting reports. Normally, accounting errors in a manual accounting system occur because of repeated posting of same set of original data by several times while preparing different types of accounting reports.

Reliability : The computer system is well-adapted to performing repetitive operations. They are immune to tiredness, boredom or fatigue. As a result, computers are highly reliable compared to human beings. Since computerized accounting system relies heavily on computers, they are relatively more reliable than manual accounting systems.

The limitations of computerized accounting system are :

Cost of Training : The sophisticated computerised accounting packages generally require specialised staff personnel. As a result, a huge training costs are incurred to understand the use of hardware and software on a continuous basis because newer types of hardware and software are acquired to ensure efficient and effective use of computerised accounting systems.

Staff Opposition : Whenever the accounting system is computerised, there is a significant degree of resistance from the existing accounting staff, partly because of the fear that they shall be made redundant and largely because of the perception that they shall be less important to the organisation.

Disruption : The accounting processes suffer a significant loss of work time when an organisation switches over to the computerised accounting system. This is due to changes in the working environment that requires accounting staff to adapt to new systems and procedures.

Computerised accounting system has a number of advantages as well as limitations, so it cannot be completely relied upon. A combination of both manual and computerized accounting system is suitable.

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