

ACCOUNTANCY

COMPUTERISED ACCOUNTING SYSTEM

Textbook for Class XII

NBCampus



राष्ट्रीय शैक्षिक अनुसंधान और प्रशिक्षण परिषद्
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FOREWORD

The *National Curriculum Framework* (NCF), 2005, recommends that children's life at school must be linked to their life outside the school. This principle marks a departure from the legacy of bookish learning which continues to shape our system and causes a gap between the school, home and community. The syllabi and textbooks developed on the basis of NCF signify an attempt to implement this basic idea. They also attempt to discourage rote learning and the maintenance of sharp boundaries between different subject areas. We hope these measures will take us significantly further in the direction of a child-centred system of education outlined in the *National Policy on Education* (1986).

The success of this effort depends on the steps that school principals and teachers will take to encourage children to reflect on their own learning and to pursue imaginative activities and questions. We must recognise that, given space, time and freedom, children generate new knowledge by engaging with the information passed on to them by adults. Treating the prescribed textbook as the sole basis of examination is one of the key reasons why other resources and sites of learning are ignored. Inculcating creativity and initiative is possible if we perceive and treat children as participants in learning, not as receivers of a fixed body of knowledge.

These aims imply considerable change in school routines and mode of functioning. Flexibility in the daily time-table is as necessary as rigour in implementing the annual calendar so that the required number of teaching days are actually devoted to teaching. The methods used for teaching and evaluation will also determine how effective this textbook proves for making children's life at school a happy experience, rather than a source of stress or boredom. Syllabus designers have tried to address the problem of curricular burden by restructuring and reorienting knowledge at different stages with greater consideration for child psychology and the time available for teaching. The textbook attempts to enhance this endeavour by giving higher priority and space to opportunities for contemplation and wondering, discussion in small groups, and activities requiring hands-on experience.

The National Council of Educational Research and Training (NCERT) appreciates the hard work done by the textbook development committee responsible for this book. We wish to thank the Chairperson of the advisory group in Social Sciences Professor Hari Vasudevan and the Chief Advisor for this book, Professor G.C. Maheshwari, Dean, Institute of Management Studies, M.S. University Baroda for guiding the work of this committee. Several teachers contributed to the development of this textbook; we are grateful to their principals for making this possible.

We are indebted to the institutions and organisations which have generously permitted us to draw upon their resources, material and personnel. We are especially grateful to the members of the National Monitoring Committee, appointed by the Department of Secondary and Higher Education, Ministry of Human Resource Development under the Chairpersonship of Professor Mrinal Miri and Professor G.P. Deshpande, for their valuable time and contribution. As an organisation is committed to the systemic reform and continuous improvement in the quality of its products, NCERT welcomes comments and suggestions which will enable us to undertake further revision and refinement.

New Delhi
December 2009

Director
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OVERVIEW OF COMPUTERISED ACCOUNTING SYSTEM

1



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Learning Objectives

After studying this chapter you will be able to:

- Understand the need of Computerised Accounting System.
- Appreciate the impact of Information Technology on Financial Accounting System.
- Describe the major functions of Accounting Information System (AIS).

Introduction

In modern business accounting transactions are processed through computers. Usage of computers and Information Technology (IT) enables a business to quickly, accurately and timely access the information that helps in decision-making. This sharpens the competitive edge and enhances profitability. The computer systems (Figure 1.1) works with the data which is processed by the hardware commanded by the user through software. The Computerised Accounting System (CAS) has the following components:

Procedure : A logical sequence of actions to perform a task.

Data : The raw fact (as input) for any business application.

People : Users.

Hardware : Computer, associated peripherals, and their network.

Software : System software and Application software.

These are the five pillars on which Computerised Accounting System rests. This chapter discusses the concept and components of CAS alongwith its advantages and disadvantages. It is followed by the discussion of software packages on CAS. In this chapter we will also discuss the concept about grouping of accounts and codification methods to be used for CAS.

1.1 COMPUTERISED ACCOUNTING SYSTEM

Computerised Accounting System refers to the processing of accounting transaction through the use of hardware and software in order to produce accounting records and reports. CAS takes accounting

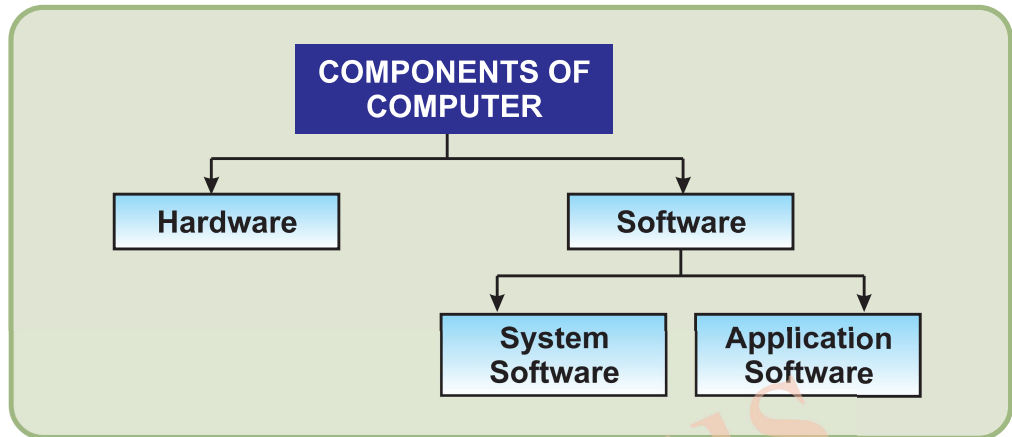


Figure 1.1 : Components of Computer

transactions as inputs that are processed through Accounting Software to generate the following reports:

- Day books/Journals
- Ledger
- Trial Balance
- Position Statement (Balance Sheet)
- Statement of Profit and Loss (Profit and Loss Account)

Basic flow of Accounting Transaction

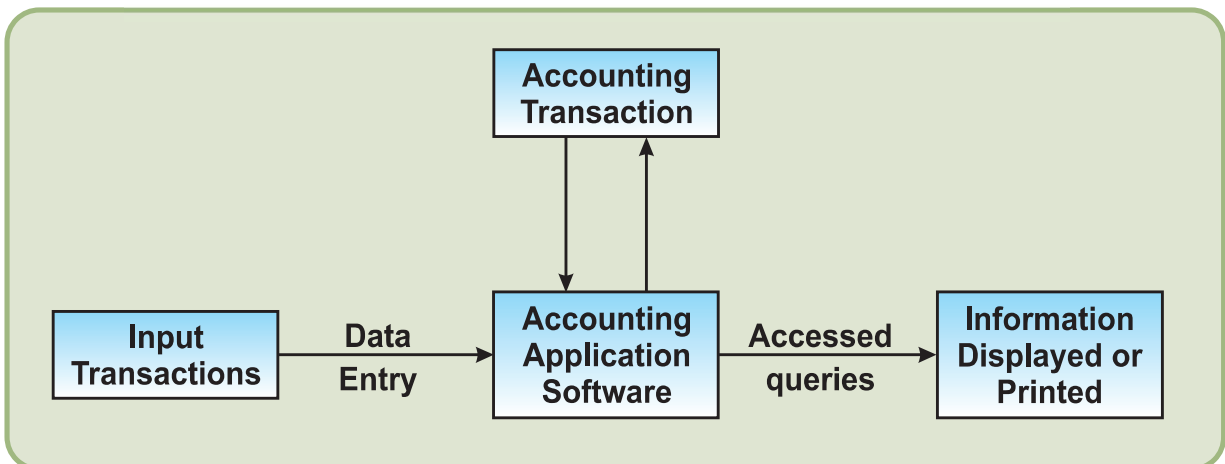


Figure 1.2 : Data to Information by Business Application Software

Data and Information

Various elements (items) of accounting transactions are essentially the data items, which are processed through an accounting software to generate different sets of information in the form of accounting reports such as journals, ledger, etc.

A data-item (data element) is the smallest named unit of data in the *information system*. In accounting, a transaction consists of four data elements, such as name of account, accounting code, date of transaction and amount.

*The **transaction** is a record of inflow and outflow of resources.*

We may observe (Figure 1.3) how *data* (days worked and rate per day) is being (multiplied together) converted into *information* (amount to pay). The information may be viewed as data at one level; and when it is processed keeping in view the requirements of decision maker, it becomes the information at another level.

1.2 COMPONENTS OF CAS

The manual system of accounting is traditionally most popular method of keeping records of financial transactions of an organisation. Financial statements are the end products of the accounting process, which are prepared in accordance with **Generally Accepted Accounting Principles (GAAP)**. The accounting cycle means the processes involved in identifying, measuring and communicating the information. The basic phases of the cycle are as follows:

- Business transactions are analysed.
- The transactions are recorded in the journal.
- Journal entries are posted to the ledger accounts.
- A trial balance is prepared from balances of accounts.
- Accounts are reviewed and the necessary adjustments made.
- Adjustments are posted in the ledger to prepare adjusted trial balance.
- Adjusted trial balance is used to prepare the balance sheet and profit and loss account.
- Financial Statements are prepared from the finally adjusted ledger and balancing the accounts.

The above accounting cycle can be processed through the use of computers.

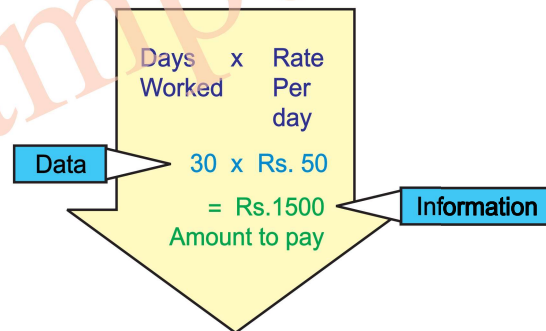


Figure 1.3