

16. ACCOUNTS IN COMPUTERISED ENVIRONMENT

MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC

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| Accounts in Computerised Environment | 06 | 04 | 04 | 04 | 04 | - | 04 | 04 | 04 | 04 | 04 |

THEORY

1. *“In business today, the accounts which were earlier maintained in a manual form are replaced with computerized accounts”. Explain the significance of computerized accounting system in modern time. (PM)*

Ans:

In modern time, computerized accounting systems are used in various areas. The significance of the computerized accounting system is as follows:

1. Increase speed, accuracy and security - In computerized accounting system, the speed with which accounts can be maintained is several fold higher. Besides speed, level of accuracy is also high in computerized accounting system.
 2. Reduce errors - In computerized accounting, the possibilities of errors are also very less unless some mistake is made while recording the data.
 3. Immediate information - In this system, with an entry of a transaction, corresponding ledger posting is done automatically. Hence, trial balance will also be automatically tallied and the user will get the information immediately.
 4. Avoid duplication of work - Computerized accounting systems also remove the duplication of the work.
2. *Explain the factors to be considered before selecting the pre-packaged accounting software? Or market is full of readymade accounting soft wares. What factors will you consider to choose one of the for your enterprises? (M - 08, N - 09, 2011)*

Ans: It is very difficult task for an organisation is choose appropriate accounting software from the bundle of software available in the market. Some basic criteria should be considered while selecting the software.

- a. **Fulfillment of business needs:** Buyers try to match his own requirement with the available soft wares.
- b. **Easy to use:-** Such software which is easily operative should be selected.
- c. **Provides maximum reports:** Some software packages are available in the market which might provide extra reports or such report as they wants.
- d. **Goodwill of the Vendor:** A stable vendor with good past records will always be preferred because their continuous support is essential for any software.
- e. **Cost comparison:** First analyse various software the select most economic software.
- f. **Regular update:** Vendor normally provides regular updates to take care of the changes of law as well as add new feature to the existing software. So, select the vendor whose past record in this context is good.

3. *What are the advantages and disadvantages of a pre package accounting software?* (M - 09)

Ans:

Advantages:

1. Easy to install
2. Relatively in expensive
3. Easy to use
4. Back-up procedure is simple
5. Certain flexibility of report formats provided by some of the soft wares
6. Very effective for small and medium sizes businesses

Disadvantages:

1. Does not cover peculiarities of specific businesses
2. Does not cover all functional area.
3. Computerization may not be possible in most such software
4. Lack of security
5. Bugs in the software

4. *What do you mean by customized accounting software?* (Nov-2009)

Ans:

What the software is developed on basis of customer's needs and requirements or specifications provided by the client soft wares is know as customized accounting software.

Such soft wares are generally required by those organizations whose businesses are of typical natures or such requirements are not fulfilled by the pre packaged software.

5. *What are the advantages and disadvantages of customized accounting packages?* (N - 08)

Ans:

a. **Advantages are:**

- i. Such software's suitable match with the organizational structures.
- ii. It covers all functional areas of the organizations.
- iii. The input screens can be tailor made so that is matches with the input documents for data entry.
- iv. Reports are available as per the specification of the organisation.
- v. Various tools such as Barcode can used as input devices.

b. **Disadvantages are:**

- i. Development of such software is a time taking process.
- ii. Of input specifications are incomplete or improper resulting in a defecting or inappropriate system.
- iii. Lack of documentation.
- iv. Inadequate control measures.
- v. Regular updates are not possible.
- vi. It is costlier than pre-packaged accounting.
- vii. Less reliability.
- viii. Gestation period is very high.

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6. **What is Enterprise Resource Planning (ERP) software? What are the factors which you will take into consideration while choosing an ERP software? (PM)**

Ans:

An Enterprise Resource Planning (ERP) is an integrated software package that manages the business process across the entire enterprise by integrating informations created by different functional groups of the organisation.

Choice of ERP software depends upon the following factors:

1. Functional requirement of the organisation: The ERP that matches most of the requirements of an organisation is preferred over the others.
2. Reports available in the ERP: The organisation visualises the reporting requirements and chooses a vendor which fulfils its reporting requirements.
3. Background of the vendors: The service and deliverable record of a vendor is extremely important in choosing the vendor.

Cost comparisons: The budget constraints and fund position of an enterprise often becomes the deciding factor for choosing a particular package

7. **What are the advantages and disadvantages of an ERP package? (May-2007)**

Ans:

a. Advantages are:

- i. Large volume of information are available through such package.
- ii. It is an integrated package so it reduces the possibility of duplication of data entry.
- iii. It is a generalised package which covers most of the common functionalities of any specific module.
- iv. Reports or ERP are standardized across industry and are generally acceptable to the user.
- v. Various reports are available in such package. These reports are standardized and generally acceptable to the user.

b. Disadvantages are:

- i. **It is less flexible:** In which user may have to modify their business procedure at times to be able to effectively use the ERP.
- ii. **Implementation is very difficult:** Many of the consultants doing the implementation of the ERP may not be able to fully appreciate the business procedure to be able to do a good implementation of an ERP.
- iii. **It is very expensive:** ERP are normally priced at an amount which is often beyond the reach of small and medium sized organisation. However, there are some ERP coming into the market which are moderately priced and may be useful to the small businesses.
- iv. **It is a very complex software:** Generally an ERP package has large number of options to choose from. Further the parameter settings and configuration market it a little complex for the common users.

8. **What are the advantages and disadvantages of outsourcing the accounting functions? (Nov-2007)**

Ans:

a. Advantages are:

- i. Organisation can concentrate on their core area Less number of human resource is required.

- ii. Organisation is able to utilize the expertise knowledge and experience of the outsourcing agency.
- iii. It is economical for the organisation.
- iv. Labour turnover does not effects the functioning of accounts department.
- v. Accounts are maintain and stored in the hand of professionals.

b. Disadvantages are:

- i. Outsourcing agency is unable to meet the standard desirable.
- ii. Various hidden costs are involved, which was not initially envisaged.
- iii. There is a fear of confidentiality loss and security of accounts.
- iv. Delay in obtaining services from third party.
- v. Organisation Looses their control from various financial activities.

9. What factors are to be considered at the time of choosing appropriate accounting software? (May 15)

Ans:

- a. **Size of business operation:** If the size of the operation is small or medium the organisation can opt for a prepackaged accounting package. However, if the size is big, the organisation may decide upon a customised software or an ERP package.
- b. **Complexity of operation:** If the operation is complex with several functional areas which needs to be computerised the choice is usually a customised software or an ERP package.
- c. **Business requirement:** If the organisation has several non-standard requirements then the customised software could be the solution.
- d. **Budgetary constraints:** Cost consideration could also be a deciding factor for the choice of a particular alternative. Normally the spread sheet and the prepackaged accounting software works out to be the cheapest. The customised software and the ERP are of higher cost considerations.

10. What are spread sheets? What are the advantages and disadvantages of spread sheets?

Ans: Account can be maintained in a computerised environment even by using a spread sheet package. User will have to use his knowledge and skills of spread sheet software to keep control of the figures. Special spreadsheet controls including physical spreadsheet controls like spreadsheets locked on a protected shared drive with restricted access and read/write access controls and password-protected cells and formulas with passwords should be used.

Advantages of spreadsheet software as an accounting tool are:

- a. It is simple to use and easy to understand
- b. Most of the common functions like doing calculations, setting formulas, macros, replication of cell contents, etc can be easily done in a spreadsheet.
- c. Grouping and regrouping of accounts can be done.
- d. Presentation can be made in various forms including graphical presentations like bar diagram, histogram, pie-chart, etc.
- e. Basic protection like restricted access and password protection of cell can be used to give security to the spread sheet data.

Disadvantages of a spreadsheet as an accounting tool are: (May-16)

- a. It has data limitations. Depending upon the package they can accept data only up to a specified limit.

- b. Simultaneous access on a network may not be possible. Many of the modern softwares allow locking of the table when updation is taking place. This is not possible in a spread sheet.
- c. Double entry is not automatically completed. Formulas or other means have to be adopted to complete the double entry.
- d. Reports are not automatically formatted and generated but have to be user controlled. Each time a report has to be printed, settings have to be checked and data range has to be set. In many accounting software this is automatically taken care of by the program.

ALL QUESTIONS ARE IMPORTANT

Verified by: Hari Narayana Sir,
Executed by: Rajasekhar Sir

THE END