GOVERNMENT ARTS COLLEGE(AUTONOMOUS)

COIMBATORE-641018

STUDY MATERIAL

CLASS **:** II MCA

SEMESTER **:** III

SUBJECT **:** FINANCIAL AND MANAGEMENTACCOUNTING

SUBJECT CODE **:** 18MCA35C

FACULTY **:** Dr. P.KANCHANA DEVI

UNIT **:** V

Computerized Accounting System: Features, Advantages and Other Details

Computerized accounting software is used for evaluating the profitability and financial performance of different organizations. Manual accounting has become redundant nowadays, as they are prone to human error. Thus, businesses of all sizes rely on the best accounting software in India to make the complex accounting task more manageable and error-free.

Computerized accounting software is a software solution that can be installed on your computer for seamlessly managing your company's financial dealings, reports, data, and statements. The software can also be accessed remotely via your mobile device with the help of mobile data or a strong Wi-Fi connection.

Computerized accounting solutions acts as the primary tool for recording, tracking, and generating accounting transaction reports of small and medium-sized enterprises. It comes with a host of modules such as bookkeeping for tracking and managing payments and collections; invoicing for generating invoices for your customers; general ledger for summarizing all the transactions taking place in your organization; inventory module for tracking products from purchase to sale; accounts payable for processing vendor invoices; accounts receivable for generating customer invoices; purchase order module for tracking and managing all inventory orders; and debt collection module for collecting late invoices. Some computerized billing apps also come with additional modules like electronic payment processing to help you make transactions via electronic medium. These modules help you control the different aspects of accounting processes efficiently.

Need for Computerized Accounting:

The need for computerized accounting arises from advantages of speed, accuracy and lower cost of handling the business transactions.

Numerous Transactions:

The computerized accounting system is capable of large number of transactions with speed and accuracy.

Instant Reporting:

It is capable of offering quick and quality reporting because of its speed and accuracy.

Reduction in Paper Work:

Manual accounting system requires large storage space to keep accounting records/books, and vouchers/documents. The requirement of books and stationery and books of accounts along with vouchers and documents is directly dependent on the volume of transactions beyond certain point.

There is a dire need to reduce the paper work and dispense with large volume of books of account. This can be achieved with the help of computerized accounting system.

Flexible Reporting:

The reporting is flexible in computerized accounting system. It is capable of generating reports of any balance as when required and for any duration which is within the accounting period.

Accounting Queries:

There are accounting queries, which are based on some external parameters. For example, a query relating to overdue customers' accounts can be easily answered by using the structured query language [SQL] support of database technology in the computerized accounting system. Such an exercise would be quite difficult and expensive in manual accounting system.

Online Facility:

Computerized accounting system offers online facility to store and process transaction data so as to retrieve information to generate and view financial reports.

Accuracy:

The information and reports generated are accurate and quite reliable for decision-making. In manual accounting system, as many people do the job and the volume of transactions is quite large, such information and reports are likely to be distorted and unreliable and inaccurate.

Security:

This system is highly secured and the data and information can be kept confidential, when compared to manual accounting system.

Scalability:

The system can cope easily with the increase in the volume of business. It requires only additional data operators for storing additional vouchers.

Special Features of Computerized Accounting System:

1. It leads to quick preparation of accounts and makes available the accounting statements and records on time.
2. It ensures control over accounting work and records.
3. Errors and mistakes would be at minimum in computerized accounting.
4. Maintenance of uniform accounting statements and records is possible.
5. Easy access and reference of accounting information is possible.
6. Flexibility in maintaining accounts is possible.

ADVERTISEMENTS:

7. It involves less clerical work and is very neat and more accurate.
8. It adapts to the current and future needs of the business.

9. It generates real-time comprehensive MIS reports and ensures access to complete and critical information instantly.

Requirements of the Computerized Accounting System:

Accounting Framework:

A good accounting framework in terms of accounting principles, coding and grouping structure is a pre-condition. It is the application environment of the computerized accounting system.

Operating Procedure:

A well-conceived and designed operating procedure blended with suitable operating environment is necessary to work with the computerized accounting system. The computer accounting is one of the database-oriented applications, wherein the transaction data is stored in well-organized database.

The user operates on such database using the required interface. And he takes the required reports by suitable transformations of stored data into information. Hence, it includes all the basic requirements of any database-oriented application in computers.

Advantages of Computerized Accounting:

1. Better Quality Work:

The accounts prepared with the use of computers are usually uniform, neat, accurate, and more legible than manual job.

2. Lower Operating Costs:

Computer is a labor and time saving devise. Hence, the volume of job handled with the help of computers results in economy and lower operating costs.

3. Improved Efficiency:

Computer brings speed and accuracy in preparing the records and accounts and thus, increases the efficiency of employees.

4. Facilitates Better Control:

From the management point of view, greater control is possible and more information may be available with the use of computer in accounting. It ensures efficient performance in accounting work.

5. Greater Accuracy:

Computerized accounting ensures accuracy in accounting records and statements. It prevents clerical errors and omissions.

6. Relieve Monotony:

Computerized accounting reduces the monotony of doing repetitive accounting jobs, which are tiresome and time consuming.

7. Facilitates Standardization:

Computerized accounting facilitates standardization of accounting routines and procedures. Therefore, standardization in accounting is ensured.

8. Minimizing Mathematical Errors:

While doing mathematics with computers, errors are virtually eliminated unless the data is entered improperly in the first instance.

Disadvantages of Computerized Accounting:

1. Reduction of Manpower:

The introduction of computers in accounting work reduces the number of employees in an organization. Thus, it leads to greater amount of unemployment.

2. High Cost:

A small firm cannot install a computer accounting system because of its high installation and maintenance cost. To be more economical there should be large volume of work. If the system is not used to its full capacity, then it would be highly uneconomical.

3. Require Special Skills:

Computer system calls for highly specialized operators. The availability of such skilled personnel is very scarce and very costly.

4. Other Problems:

Frequent repair and power failure may affect the accounting work very much. Computers are prone to viruses. Often time's people will assume the computer is doing things correctly and problems will go unchecked for long period of time.

Problems Faced In Computerized Accounting System:

1. User Training:

The user, for using computer accounting software, needs to understand the concepts of the software. Hence, he should undergo proper training. A computer operator must learn the basics of computer, concepts of software, working with the operating system software [such as Windows/DOS] and the accounting software.

2. System Dependency:

Using a computer solution makes the user to depend fully on the computer system and necessitates the availability of computer at all times. If the system is not available [due to hardware failure or power cut], it would be difficult to verify the accounts.

3. Hardware Requirements:

A full-fledged computer system with a printer is required to operate the computerized accounting system. Most small organizations may not afford to have such facility with necessary software.

4. System Failure:

When there is a system crash [hard disk crash], there is high risk of losing the data available on the hard disk drive at any point of time. It would be highly painful, if the problem occurs at end of the financial year, when the financial statements should be ready.

5. Backups and Prints:

Backups of the data should be done regularly so that, when the data is lost, it can be restored from floppies [backups]. Regular print outs of the system information would be useful as manual records.

6. Voucher Management:

Accounting software allows easy alteration of data. If a voucher is wrongly placed in a wrong head, it would be very difficult to sort out and bring back the voucher. A good voucher management is very essential.

7. Security:

Additional security has to be provided because improper handling of the system [hardware/software] could be dangerous. Passwords, locks, etc., have to be set so that no unauthorized person can handle the system.

1.4.1 CODIFICATION OF ACCOUNTS

According to Concise Oxford Dictionary, the term code means "a system of letter or figure with arbitrary meaning for brevity and for machine processing of information". Thus, code is an identification mark.

Method of Codification

The coding scheme of Account-heads should be such that it leads to grouping of accounts at various levels so as to generate Position Statement (Balance Sheet) and Statement of Profit and Loss (Profit-Loss Account). For example, we may allot the codes for top-level grouping of accounts (forming the 1st digit of the Account Code) as follows:

	1 Equity and Liabilities
	2 Assets
	3 Revenues
	4 Expenses
Under Equity and:	11 Shareholder's funds
Liabilities	13 Non-Current Liabilities
	14 Current Liabilities
Under Assets:	21 Non-Current Assets

23 Current Assets

The above codification scheme utilizes the hierarchy present (used) in grouping of accounts. Major advantage of such coding is that if the account codes are listed in ascending (i.e. increasing) order, these will be automatically listed as per the desired hierarchy.

Sequential Codes

In Sequential Code, numbers and/or letters are assigned in consecutive order. These codes are applied primarily to source documents such as cheques, invoices, etc. A sequential code can facilitate document searches. This process enables in either identification of missing codes (numbers) relating to a particular document or a relevant document can be traced on the basis of code.

For examples:

CODES ACCOUNTS

CL001 GCERT LTD

CL002 XYZ LTD

CL003 ARIL CORPORATION OF INDIA

Block Codes

In a block code, a range of numbers is partitioned into a desired number of sub-ranges and each sub-range is allotted to a specific group. In most of the uses of block codes, numbers within a sub-range follow sequential coding scheme, i.e. the numbers increase consecutively.

As an example, dealer codes for a trading firm could be as follows:

CODES DEALER-TYPE

100 - 199 Small Pumps

200 - 299 Medium Pumps

300 - 399 Pipes

400 - 499 Motors

Mnemonic Codes

A mnemonic code consists of alphabets or abbreviations as symbols to codify a piece of information. SJ for “Sales Journals”, HQ for “Head Quarters” are examples of mnemonic codes. Another common example is the use of alphabetic codes in Railways in identifying railway stations such as DLH for Delhi, NDLS for New Delhi, BRC for Baroda, etc.

METHODOLOGY TO DEVELOP CODING STRUCTURE AND CODING

Let us assume that we have to do coding for students in one of seven schools run by a trust. The first step is to develop a coding structure (scheme), which will be used to develop individual codes for each student. Development of coding structure requires identification (finalisation) of hierarchy of schooling system and that of various attributes (parameters) associated with a student. A hierarchy in such a situation could be as follows:

Trust _ School _ Entry-year _ Stream _ Class _ Section _ Student

The "Stream" could be science stream, commerce stream or general Stream. A class may be divided into more than one section when the number of admitted students increases the class capacity. We can decide the coding structure after the following considerations:

- As there is only one Trust, no provision is required in the coding structure to accommodate for Trust. Had there been multiple trusts under one organisation running a number of schools, the provision of Trust code would have been necessary in the coding structure.

• Assuming that the maximum number of Schools is not likely to exceed 99, we can allocate 2 digits for School.

• Two digits can be allocated for the Entry-year. Entry-year is necessary to maintain records of old students.

• For Stream, 1 digit is sufficient. If Stream is not relevant (applicable) as is the case for primary and secondary classes, the value 0 will be considered for Stream.

• To accommodate Classes, 2 digits are sufficient.

TRANSACTION FILES

Transaction files: These contain records pertaining to events currently being processed, such as sales, receipts of goods, etc.Transaction files capture detailed transaction data. They are counterparts to general and special journals in manual systems. Transaction data are periodically posted to related master file(s) and are then either purged or archived.

Accounting related transaction files include:

- General/Special journal file (General ledger)
- Sales/Cash receipts file (Accounts receivable)
- Receiving/Purchases file, Cash disbursements file (Inventory, Accounts payable)
- Inventory issuance file/shipment file/sales file/adjustments file (Inventory)
- Payroll/Cash disbursements (Payroll).

Documents Used in Data Collection

1. Cash Memo:

Sales and purchases are the main features of any business enterprise. For recording cash sales and cash purchases, cash memos serve as source documents. Cash memo is a source document in which all transactions pertaining to cash sales or purchases are to be recorded.

When goods are purchased by a business enterprise on cash basis then the firm receives cash memo and when a business enterprise sells goods, it gives cash memo, in which all details of the transaction relating to the purchase or sales viz. number or quantity purchased/sold, price, discount received or allowed and sales tax collected or deposited are provided. On the basis of cash memos, these transactions are then recorded in the book of accounts. In audit, the foremost duty of the auditor is to verify the cash book with reference to the cash vouchers.

The specimen of cash memo is as follows:

CASH MEMO
RAM MOHAN & SONS
Music Corner
South Extension, Part-I
New Delhi

No. 1541 **Dated:** 10-10-2011

Qty	*Description*	*Rate*	*Amount*	
		₹	₹	P
5	Audio Sets	10,000	50,000	-
8	Televisions	25,000	2,00,000	-
	Total		2,50,000	-

For Ram Mohan & Sons

Goods once sold will not be taken back- E. & O.E.

2.Invoice and Bill:

Invoice or bill records the credit transactions related to sale or purchase. This is prepared when a firm purchases or sells the goods on credit. At the time, when the goods are sold by the business enterprise on credit, sales invoice is prepared in which all details of the credit sales viz. the quantity, rate and total amount etc. are mentioned.

Usually, invoices are made in duplicate, the main copy (original) is sent to the purchaser and the another is kept by the business enterprise for record and future reference. Similarly, when goods are purchased on credit, the supplier prepares the invoice in duplicate. When the main copy is received by the purchaser, it becomes a bill.

A specimen of an invoice or a bill is given below:

INVOICE / BILL
JOHN PAINTS
121, B-8, Sector 12, Chandigarh

No: 27101 Date:

Harjit and Sons
23, Mahesh Nagar,
Ambala, Haryana..................

Quantity	*Particulars*	*Rate (₹)*	*Amount (₹)*
4 Litres	Paint (Best Quality)	200	800
10Kg.	Distemper (Medium Quality)	25	250
	Total:		1,050

In Words: Rupees One thousand and fifty only.
E. & O.E. **For JOHN PAINTS**

3. Receipt:

Receipt is an evidence of making the payment on account of any business transaction. This source document is prepared for showing the proof of giving any cash to the party (who receives the cash) on account of any business transaction. At least two copies are made of any receipt.

The original copy is prepared for giving it to the party who makes the payment and another copy is kept for record. The details about the business transaction on account of which the cash is received viz. date, amount, name of the party and the nature of payment etc. are given in this source document.

A specimen of the receipt is given below:

RECEIPT
NANAK & COMPANY
231, Chhota Bazar, Kolkata

No: Date:

Received with thanks from Mr. /Ms...
on account of ....

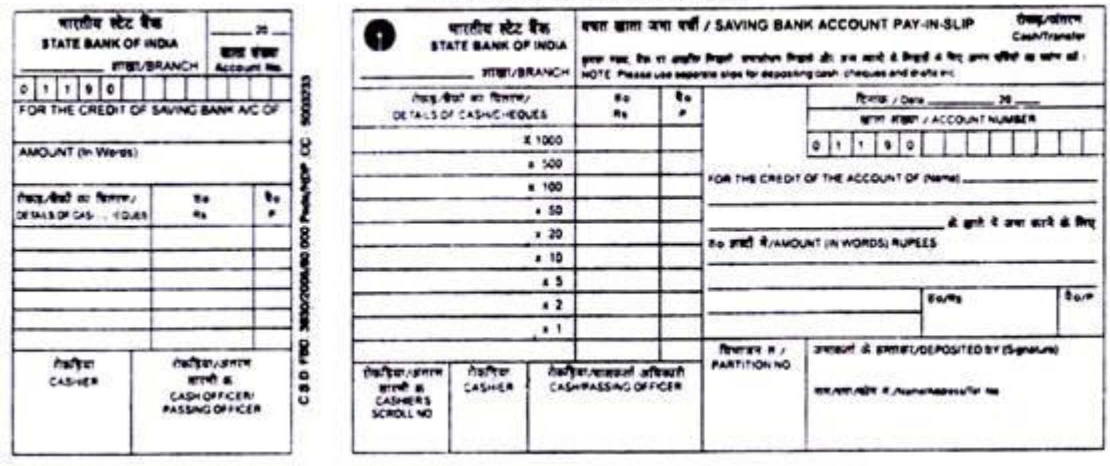
Authorised Signatory

4. Pay in Slip:

This document serves the purpose of providing an evidence that on particular date, a specific amount has been deposited in the bank. When a depositor deposits money in the bank account, he fills up a form provided by the bank containing the information about the date, amount to be deposited and the name of the depositor etc.

The bank clerk signs, stamps the counterfoil of the pay in slip and returns it to the depositor. Usually, the large business enterprises obtain the complete bunch of pay-in-slips and get them all bound in a book. The counterfoil of the pay in slip becomes a source document, which acts as an evidence for the customer to record this transaction in the books of accounts.

FORMAT OF PAY IN SLIP


STATE BANK OF INDIA
BRANCH
Account No.
0 1 1 9 0
FOR THE CREDIT OF SAVING BANK A/C OF
AMOUNT (In Words)
DETAILS OF CASH/CHEQUES
Rs.
P.
CASHIER
CASH OFFICER/ PASSING OFFICER

STATE BANK OF INDIA
BRANCH
SAVING BANK ACCOUNT PAY-IN-SLIP
Cash/Transfer
NOTE: Please use separate slips for depositing cash, cheques and drafts etc.
DETAILS OF CASH/CHEQUES
Rs.
P.
x 1000
x 500
x 100
x 50
x 20
x 10
x 5
x 2
x 1
Date ______ 20 ____
ACCOUNT NUMBER
0 1 1 9 0
FOR THE CREDIT OF THE ACCOUNT OF (Name)
AMOUNT (IN WORDS) RUPEES
Rs.
P.
PARTITION NO.
DEPOSITED BY (Signature)
CASHIERS SCROLL NO.
CASHIER
CASH/PASSING OFFICER

5. Cheque:

A cheque in an unconditional order, drawn upon a specified hanker, signed by the maker, directing the banker to pay on demand a certain sum of money only to the order of a person or the bearer of the instrument. -Negotiable Instruments Act, 1881

A cheque is an instrument drawn upon a banker and payable on demand. The bank issues a booklet containing cheque forms to its account holders. Digits mentioned on the bottom of the cheques denote code of 'State', 'Bank', 'Branch', 'Cheque' and 'Type of Account' respectively.

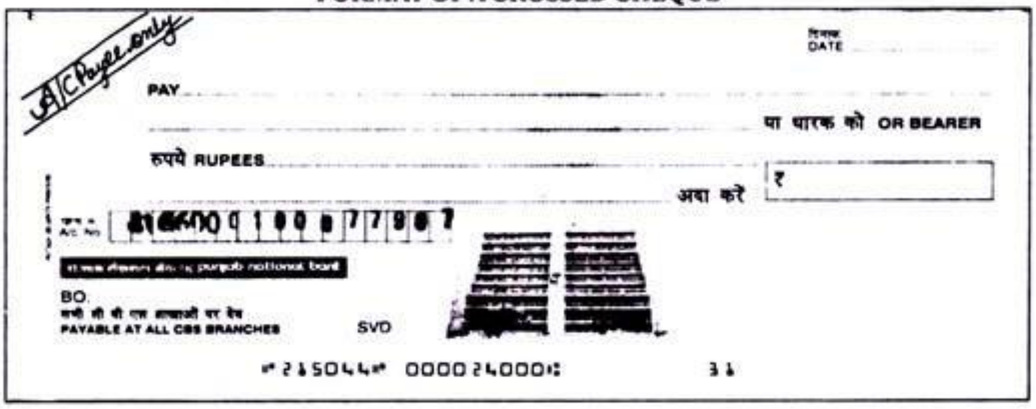
Through cheques, payment can be made to a specific person by writing the name of the party after the words 'Pay' and by striking off the word 'bearer' with a line printed on the cheque. In this case cheque is called an order cheque. To avoid any fraud, cheques are crossed by drawing two parallel transverse lines across the cheque. Sometimes the words '& Co', 'A/C Payee Only', 'Not Negotiable' or 'Name of the Bank' is written within these lines.

In that case, cheque becomes a crossed cheque. Payment against crossed cheque cannot be received simply by producing the cheque. Crossed cheque has to be first deposited in the bank account of the account-holder in whose favour cheque is drawn and only through his account, payment can be withdrawn.

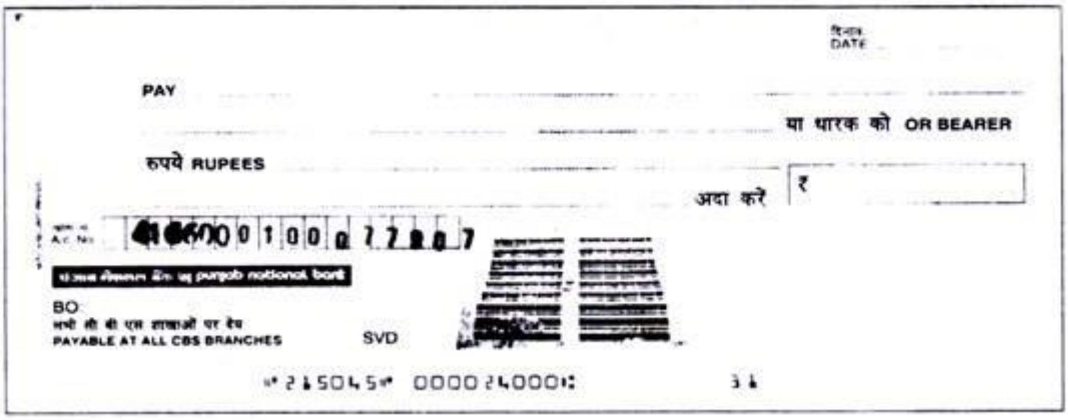
Payment can also be made to any person who bears and presents the cheque. In that case, cheque is called a bearer cheque. A cheque is signed by the drawer mentioning the amount and name of the party to whom payment is to be made. Concerned person can get it encashed directly. The account-holder can also withdraw the money from his account-by writing the word 'Self'.

Specimen of a bearer cheque and crossed cheque are given below:

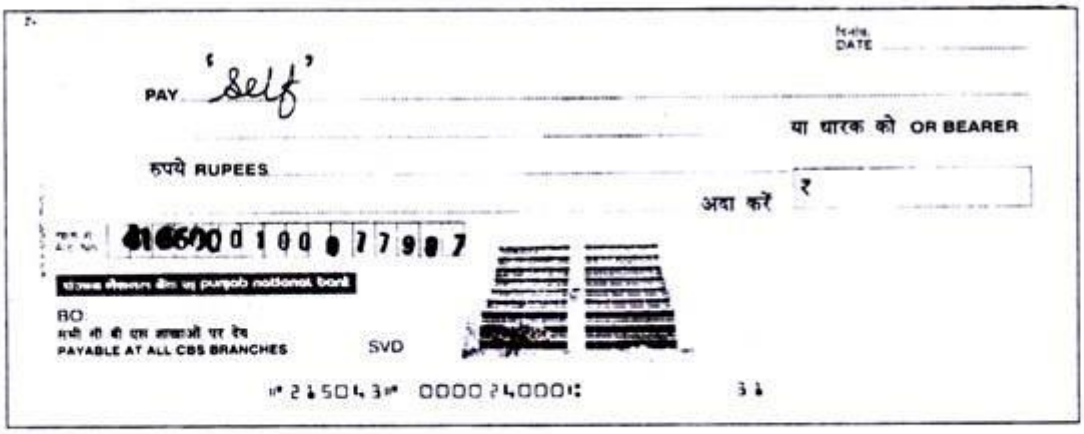
FORMAT OF A CROSSED CHEQUE



FORMAT OF A BEARER CHEQUE



FORMAT OF A SELF CHEQUE



6. Debit Note:

A debit note is a document which shows that the business enterprise has raised debit against the party to whom this document is sent in respect of any business transaction other than the credit sale. Business enterprise may make a debit note against the supplier for an amount which is to be recovered from him, when the business enterprise returns some goods which are defective in nature or not as per specifications.

A debit note can also be prepared in case of overpayment to any party. In this document, all details about the date and amount of transaction, the name of the party whose account is debited along with reason for debiting his account are mentioned.

The specimen of debit note is as follows:

M/S AKBAR & CO.

1218, Ram Nagar, Nagpur,
29th August, 2011

No. 2318

DEBIT NOTE

Against : M/s Kabir and Sons , New Delhi
Goods returned as per delivery
Challan No.
(Details of goods returned)

(Rupees Ten thousand only) ₹ 10,000/-

M. Karuna Sagar
Manager

7. Credit Note:

A credit note is a document which shows that the business enterprise has given the credit to the party to whom this document is sent in respect of any business transaction other than credit purchase. When a business enterprise receives back the goods sold earlier then it makes a credit note in favour of the purchaser showing that his account has been credited in the books of business enterprise.

A credit note can also be prepared in case of less payment to any party. In this document, all details about the date and amount of transaction, the name of the party whose account is credited along with reason for crediting his account are mentioned. To distinguish it from a debit note, it is commonly prepared in red ink.

The specimen of credit note is as follows:

M/S SMITH & CO.

1/2218, White House
Walchand Hirachand Marg,
Mumbai-400001
19th September, 2011

No. 18

CREDIT NOTE

In Favour of : M/s Amrik Singh & Sons, New Delhi
Goods received as per delivery
Challan No.
(Details of goods received)

(Rupees Twelve thousand only) ₹ 12,000/-

Madho Kumar
Manager

8. Vouchers:

The documents prepared for the purpose of recording business transactions in the books of accounts are known as vouchers. Voucher is prepared on the basis of source documents. For recording business transactions in the books of accounts, source documents are further analyzed and conclusion is drawn as to which account is to be debited and which account is to be credited. The document on which this conclusion is written is known as voucher or accounting voucher.

Features of Voucher:

(i) It is a document.

(ii) It is prepared by analyzing the source documents.

(iii) It contains decision regarding the accounts to be debited and credited.

(iv) It helps in recording an accounting entry in the books of accounts.

(v) It is prepared and signed by the accountant and is also countersigned by the authorized signatory of the business enterprise.

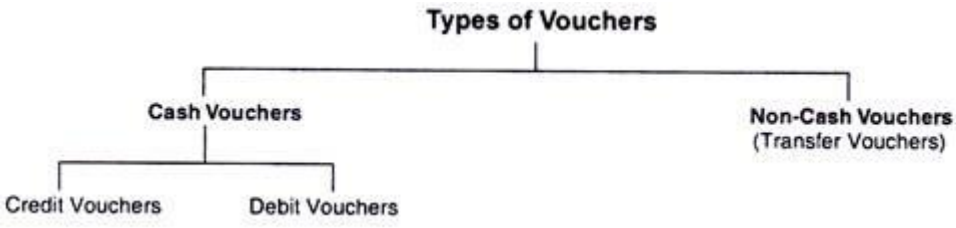
Preparation of Vouchers:

Business transactions in the books of accounts are available in the source documents. These documents are further analysed and conclusion is to be drawn about which account is to be debited and which account is to be credited. After deciding the head of accounts to be debited and credited, vouchers are prepared. Usually, blank forms are readily available in the printed form in the market.

Accounting Vouchers are of two types viz:

(i) Cash Voucher and

(ii) Non Cash Voucher.



1. Cash Vouchers:

Cash Vouchers are vouchers that are prepared at the time of receipt or payment of cash. It also includes receipt and payment through cheque.

Cash Vouchers are of two types:

(i) Credit Vouchers and

(ii) Debit Vouchers.

(i) Credit Vouchers:

Credit Vouchers are vouchers that are prepared at the time when cash is received.

Cash may be received when:

(i) Goods are sold

(ii) Sale of assets or investments etc.

Format of credit voucher:

CREDIT VOUCHER

ABC & Co. Ltd. 108, Nai Sarak, Delhi Voucher No. 909	Date 25.3.2011
Credit : Sales A/c (Being goods sold for cash vide Bill No. 306)	50,000
Total	50,000
Sd/ Manager	Sd/ Accountant

Content of Credit Vouchers:

1. Name and address of entity
2. Date of Preparing Voucher
3. Accounting Voucher Number
4. Title of Accounting Credited
5. Net amount of transaction.
6. Narration (a brief description about the transaction).
7. Signature of the person who has prepared the voucher.

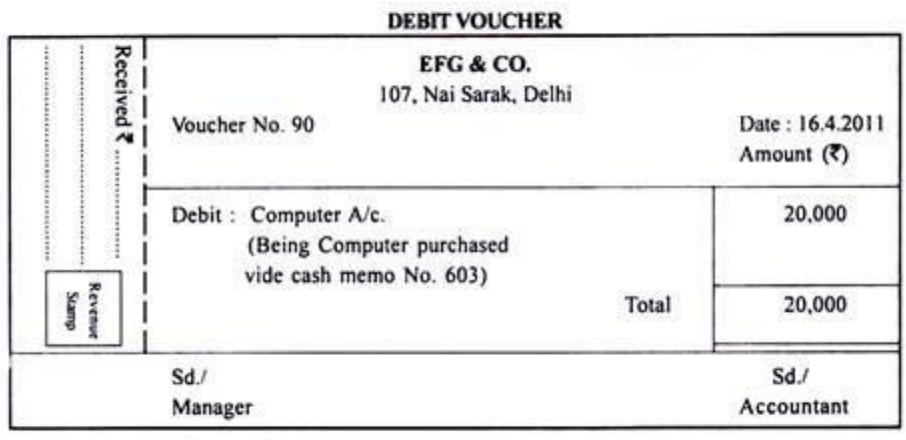
8. Signature of authorized signatory.

9. Supporting voucher number.

(ii) Debit Vouchers:

Debit Vouchers are vouchers that are prepared when payment is made. Payment may be on account of expenses, purchases, drawing of the proprietor, payment to creditor etc.

Format of Debit Voucher:



DEBIT VOUCHER

Received ₹ ....

Revenue Stamp

EFG & CO.

107, Nai Sarak, Delhi

Voucher No. 90

Date : 16.4.2011

	Amount (₹)
Debit : Computer A/c. (Being Computer purchased vide cash memo No. 603)	20,000
Total	20,000

Sd./ Manager

Sd./ Accountant

Contents of debit Voucher:

1. Name and adders of the entity
2. Date of Preparing Voucher.
3. Accounting Voucher Number.
4. Title of the Account Debited.
5. Net Transaction Amount.
6. Narration (i.e., a brief description of the transaction).
7. Signature of the person who prepared it.
8. Signature of the authorised signatory of the organisation.
9. Supporting voucher number.
10. A document in new of supporting voucher.

2. Non-Cash Vouchers (Transfer Vouchers):

Non-cash Vouchers are vouchers prepared for the transitions that do not involve in flow or out flow of cash. For example, Debit Note, Credit Note, Bills etc. These are prepares when transitions such as credit sales, credit purchase etc are to be recorded.

TRANSFER VOUCHER

PQR & Co. Ltd. 81, Nai Sarak, Delhi	
Voucher No. 801	Date 30.1.2011 Amount (₹)
Debit : Furniture A/c	52,000
	52,000
Credit : Ram (Being furniture purchased vide memo No. 909)	52,000
Total	52,000
Sd/- Manager	Sd/- Accountant

Contents of Non-Cash Vouchers:

1. Name and address of entity.
2. Date of Preparing Voucher
3. Accounting Voucher no.
4. Title of Account debited/Credited
5. Net Transaction Amount
6. Narration (i.e. a brief description about the transaction)
7. Signature of person preparing it.
8. Signature of authorised signatory.
9. Supporting Voucher Number.

ILLUSTRATION 1. (Preparation debit Vouchers) The following transactions took place in M/s Ramlal and Co. Prepare the debit Voucher.

2011		₹
Jan. 18	Bought goods for cash vide cash Memo No. 112	9,800
Feb. 25	Salaries paid to the workers, vide salary sheet No. 18	50,000

SOLUTION :

(i)

Recived ₹ .... (Ravenue Stamp)	M/s. RAM LAL & CO.	
	Voucher No. 207	Date : 18.1.2011 Amount (₹)
	Debit : Furniture A/c. (Being goods purchase vide cash memo No. 112)	9,800
	Total	9,800
	Sd./ Manager	Sd./ Accountant

(ii)

Recived ₹ .... (Ravenue Stamp)	M/s. RAM LAL & CO.	
	Voucher No. 504	Date : 25.2.2011 Amount (₹)
	Debit : Salaries A/c. (Being Salaries paid vide salary sheet No. 18)	50,000
	Total	50,000
	Sd./ Manager	Sd./ Accountant

ILLUSTRATION 2. (Preparation of credit Vouchers) The following transaction took place in M/s. Ghanshyam Das Traders. Prepare credit voucher.

2011		₹
Mar. 6	Sold goods for cash vide Cash Memo No. 19	25,000
Mar. 15	Sold Machinery for cash vide Cash Memo No. 84	19,000
Mar. 25	Withdrew cash from Bank for office use vide Cheque No. 99999	5,000

SOLUTION :

(i)

M/s. GHANSHYAM DAS TRADERS

....

....

New Delhi

Voucher No.	Date : 6.3.2011 Amount (₹)
Credit : Sales A/c. (Being the amount of cash sales vide cash memo No. 19)	25,000
Total	25,000
Sd./ Manager	Sd./ Accountant

(ii)

M/s. GHANSHYAM DAS TRADERS

....

....

New Delhi

Voucher No.	Date : 15.3.2011 Amount (₹)
Credit : Machinery A/c. (Being machinery sold for cash vide cash memo No. 84)	19,000
Total	19,000
Sd./ Manager	Sd./ Accountant

(iii)

M/s. GHANSHYAM DAS TRADERS

....

....

New Delhi

Voucher No.	Date : 25.3.2011 Amount (₹)
Credit : Bank A/c. (Being cash with drawn from Bank vide cheque No. 99999)	5,000
Total	5,000
Sd./ Manager	Sd./ Accountant

ILLUSTRATION 3. (Preparation of transfer Vouchers) Prepare the Transfer Vouchers of ABC & Co. from the souce vouchers based on the following transactions :

2011		₹
June 15	Purchased goods from Ankita vide Bill No. 988	5,500
June 25	Sold goods to Shubhangi vide Bill No. 999	8,930

SOLUTION :

(i)

ABC & CO.	
Voucher No.	Date : 15.6.2011 Amount (₹)
Debit : Purchases A/c	5,500
Credit : Ankita (Being goods purchased from Ankita vide Bill No. 988)	5,500
Total	5,500
Sd./ Manager	Sd./ Accountant

(ii)

ABC & CO.	
Voucher No.	Date : 25.6.2011 Amount (₹)
Debit : Shubhangi	8,930 8,930
Credit : Sales A/c (Being goods sold to Shubhangi vide Bill No. 999)	8,930
Total	8,930
Sd./ Manager	Sd./ Accountant

Processing of Different files and Output Obtained

1. Work File:

Any other file which is required to enable the processing of business data to be carried out is a work file (excluding files required for security or audit purposes).

The designer may or may not have to design such files himself.

Examples where he would not be involved in the design would be:

1. Work files used by system software or utilities such as sort/merge processers.
2. Work files used as intermediate or inter-process files in computer programs at a low level. The design of these files would be better left to the programming team.

If a file is needed to store Data created by one business process before being used by another business process, then the designer would have to be involved. These files are sometimes referred to as transfer files. The temporary files which hold information for printing also fall into this category. Here the designer needs to specify the record definitions required to produce the correctly formatted to output.

2. Master File:

Master files are files of a fairly permanent nature, e.g., customer ledger, purchase ledger, inventory pay roll etc. They include some information which is continuously updated by recent transactions. For example, a sales ledger might contain the customer’s names and addresses as well as their current position which is updated periodically.

The description information in a master file may include such items as product code, description, specifications etc. The normal means of updating a master file is by adding, deleting or amending records in the file.

Master files can be further subdivided into two types of files:

(i) Static master file/Reference files

(ii) Dynamic master files/table files

(i) Static master files (or reference files):

The business entities that these files describe are at a permanent or semi-permanent nature (e.g., products, suppliers, customers, employees etc.). These are subject to occasional relation.

(ii) Dynamic master files (or table files):

The business entities these files describes are of transitory importance to the business (e.g., customer orders, work orders, job tickets, projects, price lists, wage rates) etc.

3. Audit File:

Audit files are a particular the of transaction file. They play the same role in computerised information systems as the postings in a traditional manual ledger. They enable the auditor to check the correct functioning of the computer procedures, by storing copies of all the transactions which cause the permanent system file to be altered.

For example, in a sales ledger system, the transactions to be recorded might be:

1. Invoice number, data, cash amount for each invoice raised.
2. Date and amount of cash received.
3. Credit note number, date amount of money credit.

4. Account adjustment, amount of money, cross reference to authorisation, adjustment code.
These files will normally be serial, the records being created at the time of the master file update and accumulated in the sequence of the update, on the audit file.

4. Transaction File:

Transaction files are files in which the data relating to business events is recorded, prior to a further stage of processing and are created from source documents used for recording events or transactions. This further processing may be the use of the transaction data to update master files, or the achieving of the transaction for audit purposes.

After the transaction file is processed, it is usually reinitialised, and further transactions are then recorded in it.

Examples of transaction files are:

1. Customer's orders for products (to update an order file)
2. Details of price changes for products (to update a product file)
3. Details of cash postings in customer accounts (to be held for audit purposes)
4. Purchase orders, job cards, invoice dispatch notes etc.

5. Back Up or Security File:

These files are taken in order to provide back copies, in case of loss or damage to current versions, and arc copies of currently used master files kept in the computer library as a measure of security.

In practice, the designer is unlikely to be involved in the detail design of such files, as he would rely either on system security software (e.g., dump/restore utilities; the transaction logging and recovery routines in teleprocessing monitors); or in batch up date system, in holding superseded versions of master files with back copies of transaction files.

6. History Files:

History files are often stored on magnetic tape and are kept in case past information is ever required. For example, an employee who was dismissed three years back may wish to apply for unemployment insurance. The past employee's record must be retrieved by personnel to complete the necessary paper work.

VARIOUS TYPES OF ACCOUNTING SOFTWARE PACKAGES.

Accounting software is used to collect information about and report on the financial viability of a business. This software is critical to the proper administration of an organization. Before deciding upon which software package to use, it is important to understand the different types of accounting software, and under what circumstances each one should be used. The following list itemizes the general classifications of accounting software:

- *Spreadsheets*. Quite a small business can be run just using an electronic spreadsheet for its accounting software. The spreadsheet software is inexpensive and the system can be configured in any way at all. However, spreadsheets are prone to error, since information may be entered in the wrong place, incorrectly, or not entered at all, resulting in inaccurate financial statements. Consequently, spreadsheets are typically only used by organizations that have very low transaction volumes.
- *Commercially-available software*. Commercial off-the-shelf (COTS) software is the predominant accounting software used throughout the world. It is moderately configurable to the needs of a business, contains multiple layers of error detection to prevent the entry of incorrect information, and produces standard reports that can usually be configured to the needs of the user. There are COTS packages that are specific to certain industries, with extra features to address the needs of their target markets. COTS software may require the services of consultants to install, and can require a lengthy installation process, as well as on-site staff to maintain the software. A variation on this concept is accounting software that is available as an online service, which requires users to log into the vendor's site to access the software. The latter approach requires the payment of a per-user fee each month, rather than an up-front purchase of the software.
- *Enterprise resource planning software (ERP)*. ERP software integrates information from all parts of a business into a single database. This approach eliminates the problems associated with having independent department-specific software that does not share information. However, it is also painfully expensive and may require more than a year to install. This software is usually only needed by the largest and most complex organizations.
- *Custom accounting software*. This software is custom developed for an organization. This approach is usually only taken when an entity's needs are so specific that they cannot be met by a COTS or ERP package. However, this approach is rarely taken, since custom software tends to be buggy and requires more maintenance than commercially-available packages.