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What is computerized accounting system pdf

The difference between Manual and Computerized Accounting is that manual accounting is where all the financial transactions are maintained in a register or in an accounting book and in computerized accounting all the financial transactions are recorded in accounting software. Manual accounting is slow on the other hand computerized accounting is comparatively faster. Calculation error might occur in manual accounting but not in computerized accounting. Comparison Table Between Manual and Computerized Accounting

Parameter of Comparison	Manual Accounting	Computerized Accounting			
Definition	It uses books and physical registers to record financial data. It uses a computer with financial software to collect financial data electronically.	Documenting/Documenting is attainable via book of original entry. A customized database is used to record data content.			
Calculation	One performs all the calculations by hand.	The computer system carries out the calculations after one feeds it with the data.			
Accuracy	Prone to mistakes	The software confirms transactions making it unlikely to record a mistake			
Financial Statements	Accountants develop it at the end of every fiscal year or quarter. It is always ready.	Trial balance			
It is prepared when required	It provides a trial balance every day	Speed			
Slow	Relatively faster	Backup			
It is hard to backup data	You can save entries of transactions and back them up easily.	What Is Manual Accounting?			
Before the introduction of the computerized financial system, accountants executed all accounting processes by hand using paper-based accounting systems like vouchers, journals, and account books to store and analyze financial transactions. Some small organizations and businesses still use this method. A manual system is more cost-effective because it is not necessary to buy computers and software or train employees. A manual system can also be more secure because it is not required to use the internet to transfer data to the IRS or accountants. The manual accounting system has no inconvenience since it can work even when there is no electricity, unlike a computer system setup. However, human errors such as figure transposition, omitting a transaction, and so forth, can occur while using the manual accounting system. In manual accounting, you need a strategy for correcting errors efficiently. You can use a calculator tape on each page of the general ledger and journal to make sure the totals are correct.	What is Computerized Accounting?				
A computerized accounting system comprises of computer systems and software. The software is designed to track the company's accounting transactions, intending to produce monthly financial reports, tax return information, annual financial statements, and other financial report configurations that analyze a company's efficiency, profitability, and operations. The two primary essentials include:	Operating procedure: A proper method of operating the system to store and process the data.	Accounting framework: It consists of grouping structure and principles for records maintenance.			
Companies with computerized accounting software can customize the software to accommodate business entities in different areas, multiple currencies, and their branches that sell various products. The benefits of computerized accounting include minimum mistakes, better efficiency, lower operating expenses, and better quality work.	Main Differences Between Manual Accounting And Computerized Accounting	Speed			
Computerized accounting systems are much faster than manual accounting systems. The time required to enter data may almost be the same for both systems. However, a computerized system helps users when tallying the results. Computers generate reports quickly, and you can change parameters just by clicking and choosing options instead of adding whole columns of numbers. Computerized systems are susceptible to glitches and bugs that can slow you down. Even though manual systems generate data more slowly, you can easily predict how long it will take to perform different functions when using a manual system.	Reliability	To access the data in computerized systems, the computer's hardware should be reliable. If the system freezes or crashes, accessing the records may be impossible. You can mitigate this risk by updating your software and maintaining your computers well. However, you never know when your system can be back up and running. Manual accounting takes place in ledgers that are always available to view and use. Nonetheless, it is possible to damage or misplace physical records. You may photocopy manual records to back up the data, but the procedure of backing up digital files is much easier.	Simplicity	Business owners or accountants do all the calculations in a manual accounting system. They add and subtract the transactions manually. However, in computerized accounting, the software does the calculations automatically.	
In manual accounting, you prepare a trial balance when required, but in computerized accounting, the trial balance is available upon request.	Frequently Asked Questions (FAQ) About Manual Accounting And Computerized Accounting	Why is a Computerized system better than a manual?			
A computerized system is better compared to the manual system for the following reason:	Speed: The primary difference between hands-on and electronic systems is speed. The audit software program not only refines the information, as well as creates reports much faster than hands-on systems, but additionally allows much faster data entry.	Accuracy: Standard manual bookkeeping is tiresome. Computerized bookkeeping systems enable accounting professionals to process more info than in the past by creating precise financial records.	Automation: Manual accountancy is more tiresome compared to digital bookkeeping. You have to include columns accurately, double-check your work and literally write in numbers. Assimilation of bookkeeping with other company processes: Accounting is interlinked with other organizational processes, such as purchases, sales, banking, taxes, and so on. In electronic accounting, it takes to enter data just once, and all the incorporated processes are as necessary cared for.	Coverage: The digital audit enables quick data access. Yes, the computerized system is better than the manual system.	What is the difference between computer files and manual files?
In the event of a physical catastrophe in the workplace, making use of paper management software means all your documents can be recovered via a routine "restore from back-up" activity. The main benefits of digital document monitoring are:	Electronic file administration frees your team from the grind of bulk paper filing as well as intuitive added tools assist streamline work procedures.	Robust declaring adaptability, the very same document might be filed on several references, for example, Document Number, Name, as well as Day, which would not be possible using paper documents.	Integrating the declaring of other electronic data, as well as paper records, enables you to attain one consistent, as well as a logical declaring structure for all your files.	What are the features of computerized accounting?	Below are the features of computerized accounting:
Automation	Precision	Reliability	Information Accessibility	Scalable	Safety and security
Faster	Visuals	Cost-effective	What are the types of accounting software?	Relying on the kind of operations, accounting systems fall under four categories. Here is a short summary:	Invoicing and Billing systems
Payroll administration	systems	Business resource planning	systems	Time and Expense monitoring	systems
What are the components of the computerized accounting system?	The standard components of the computerized accounting system are:	Organization	transactions are evaluated. The transactions are recorded. Entries are published to the ledger	accounts	A test balance is prepared
the equilibrium of accounts	Accounts are reviewed, and the needed changes made. Modifications are uploaded in the ledger to prepare modified trial equilibrium.	Readjusted test equilibrium is utilized to prepare the annual report, as well as revenue and loss account.	Financial Statements are prepared from the lastly readjusted ledger and balancing the accounts.	Conclusion	Both manual and computerized systems have their merits and demerits. However, automated systems make work easier, which is welcome, especially for large organizations. It is hard to oversee accounts, using the manual accounting system because the number of financial transactions expands each day. More effort is required to update each transaction in the affected accounts. Manual systems are suitable for small businesses and do not work efficiently in companies that have many financial transactions.
References	The manual accounting system with general journal entry to general ledger has been in use for hundreds of years and is still used by some very small companies and is what you have learned so far. Gradually, some manual systems evolved to include multiple journals and ledgers for increased efficiency. The journals included in these systems include: a sales journal to record all credit sales a purchases journal to record all credit purchases a cash receipts journal to record all cash receipts a cash disbursements journal to record all cash payments; and a general journal to record adjusting and closing entries and any other entries that do not fit in one of the special journals. Besides the general ledger, such a system normally has subsidiary ledgers (think secondary) for accounts receivable, inventory and accounts payable showing how much each customer owes, how much of each inventory part we have and how much is owed to each supplier. The general ledger shows the total amount of accounts receivable, inventory and accounts payable, but the details in the subsidiary ledgers allow companies to send bills to customers, purchase additional inventory items and pay bills to suppliers. Currently, many businesses maintain all accounting functions using a computerized accounting system. However, some small business owners still use manual systems because they are familiar and meet their needs. Your knowledge of the basic manual accounting system described in these first chapters enables you to better understand a computerized accounting system. The computer automatically performs some of the steps in the accounting cycle, such as posting journal entries to the ledger accounts, closing the books, and preparing the financial statements. However, if you understand all of the steps in the accounting cycle, you will better understand how to use the resulting data in decision making. We need to understand the how to follow the accounting process manually so that in the event there is an error made from a computerized system, you can "unwind" what was done from software with our knowledge of how to do things manually. An accounting system is a set of records and the procedures and equipment used to perform the accounting functions. Manual systems consist of journals and ledgers on paper. Computerized accounting systems consist of accounting software, computer files, computers, and related peripheral equipment such as printers. Regardless of the system, the functions of accountants include: observing, identifying, and measuring economic events; recording, classifying, and summarizing measurements; and reporting economic events and interpreting financial statements. Both internal and external users tell accountants their information needs. The accounting system enables a company's accounting staff to supply relevant accounting information to meet those needs. As internal and external users make decisions that become economic events, the cycle of information, decisions, and economic events begins again. The primary focus of the first four chapters has been on how you can use an accounting system to prepare financial statements. However, we also discussed how to use that information in making decisions. Later chapters also show how to prepare information and how that information helps users to make informed decisions. We have not eliminated the preparation aspects because we believe that the most informed users are ones who also understand how the information was prepared. These users understand not only the limitations of the information but also its relevance for decision making. In this chapter we will look at how each special journal operates. In accounting, transactions are processed, recorded, and presented either manually or in a computerized manner. Traditionally, bookkeeping was done by hands that involved the use of registers, vouchers, and accounts books, etc. Trends have now changed. The premises of both systems are the same. However, their mechanisms, quality of results, etc. are drastically different. In this article, we tell you about the six main differences between manual and computerized accounting systems				
1. Mechanism	Manual accounting systems use pen and paper and require a lot of human effort to record transactions. On the contrary, computerized accounting uses accounting software to record transactions electronically.	2. Errors	Since manual accounting systems only involve human effort, there are more chances of errors. Besides this, identifying where the error lies is more difficult than fixing it.	3. Security	Your data needs to be secured and this is a huge priority for all businesses. Computerized accounting system offers you to keep your data on the cloud. Unlike manual accounting system, your data is recorded remotely and securely in a computerized system.
4. Speed	This is perhaps the most crucial difference between the two systems. In a day and age where people prefer speed and convenience, computerized accounting system offers that. It is much faster than a manual accounting system.	5. Back-Up	In a manual system, you cannot make a back up of all the transactions recorded. Computerized accounting system, on the other hand, automatically saves and backs up your entire data.	6. Financial statements	In a manual accounting system, financial systems are prepared at the end of the period. While in a computerized accounting system, your financial statements and trial balance are just a click away. In order to continue enjoying our site, we ask that you confirm your identity as a human. Thank you very much for your cooperation. The Computerized Accounting System is generally a system of maintaining accounts using computers. In this method of accounting system, the accounting transactions are processed through the use of hardware and software to generate the reports such as journals, ledgers, trial balance, trading account, P/L accounts, balance and other reports. This accounting system helps in maintaining accounting records using various accounting software without having to require large physical space as is required when records are maintained while doing manual accounting. It also helps in payroll preparation which facilitates the calculation of the due amount payable to an employee. It also facilitates the computation of various taxes with the help of accounting software. The taxes so calculated are deducted automatically using the software and the same is also deposited into the government account. The features of a computerized accounting system can be discussed under the following heads:
Simple and Integrated: This method of accounting system has been designed to automate and combine all the business operations such as sales, finance, purchases etc. thereby enabling the computerized accounting system to provide updated business information crisply and efficiently. The accounting system can also be integrated with the various multi-lingual system to simplify the business information and to process it cost-effectively.	Transparency and Control: The computerized accounting system helps in enhancing data accessibility and is user friendly. The management of the organization generally experiences greater transparency of the day-to-day business operations and processing of financial transactions with the use of a computerized accounting system in contrast to manual accounting.	Accuracy and Speed: The computerized accounting system provides users with certain templates which facilitate the recording of the transactions more accurately and in a faster manner. The complex documents and reports which are prepared under traditional accounting are also generalized under this accounting system.	Scalability: This system of accounting facilitates change in the volume of data processing with regards to the size of the business. The software used in computerized accounting can vary with the size and type of the organization.	Reliability: This accounting system being user-friendly is more reliable and ensures that the financial information which is critical in nature is more secured and accurately provided.	Cost-effectiveness: Under the traditional system of accounting, hiring a bookkeeper proved to be very costly, however in the case of computerized accounting the software program that is purchased and set only has an upfront cost and the owner does not have to buy anything beyond that. The software programs so installed become cost-effective very quickly which can run for years with an occasional inexpensive upgrade.
Ability to collaborate: This system of accounting enables the business owners to reconcile their accounts quickly by syncing the information with banks and outside bookkeepers which helps them to import the correct information that needs to be reviewed urgently with the click of a mouse. The software programs that are used help the management to set permissions for giving access of their data to outsiders, however maintaining utmost security and backup of the same.	Cost of training: The newer versions of hardware and software are installed to make sure that the accounting system can be used more effectively and efficiently by the management. However, such a newer version requires special training for the staff personnel on which costs are incurred regularly.	Fear of unemployment: The computerized work in accounting develops a sense of insecurity amongst employees about losing their jobs, as a result, their interest in computer-related work goes down.	Disruption of work: The introduction of the computerized accounting system leads to an interruption in the traditional way of doing accounting which leads to unwanted changes in the working environment and transmission of the necessary information.	System Failure: This is also one of the limitations faced by computerized accounting. In the case where there is a system failure and there is no backup of the required data or financial transactions, this method of accounting can lead to interruption in the work which can prove to be hazardous for the management.	Time-Consuming: In the case where there is a loss of work due to system failure, alternative accounting arrangements are required to be made for resuming the work which consumes both time and effort of staff personnel.
Breaches of security: The need for security arises due to fear of unwanted hacking and installation of viruses from outside into the system. Since the computerized accounting system helps in the reconciliation of accounts by syncing them with the bank and other outsiders, so there might be a possibility wherein unknown viruses may enter into the system which requires a high level of security from performing such breaches.	Hardware: It refers to the physical component involved in computerized accounting. It consists of input and output devices that form part of the computerized system. Input devices comprise the keyboard, mouse, joystick, etc. while output devices include monitor, printer, plotter, etc.	Software: It is generally defined as a set of programs that acts as an interface between hardware and the user. The two major categories of accounting software are system software and application software.	System software: It is a kind of accounting software that helps in controlling the internal operations of the organizations such as reading data from the input devices and giving results to output thereby ensuring smoother coordination. The system software can further be classified into the operating system, programming software.	Application software: This accounting software consists of programs that are usually designed to perform specific functions for an end-user such as creating documents, spreadsheets, sending emails. It is generally specific to the task for which it has been designed and its working can be as simple as a calculator.	Application software can be further classified into various accounting software depending on the purpose: seneral purpose software and specific purpose software. People: The most important component of an accounting system is its users who are also termed as the "live-ware of the computer system" and involves system analysts, programmers, and operators.
Procedure: This is another important component of the accounting system which involves step-by-step instructions following which a specific function can be performed more efficiently and diligently and desired output can be obtained.	Data: It can be defined as the facts and figures which are computerized for further processing. It is usually available in the raw form unless it is interpreted by the computer system using machine language. The interpreted data is then stored in the memory of the system and then this processed data which is classified as information is used in better decision making.	Connectivity: This component of a computerized accounting system helps in transmitting information between two or more computers when connected via wires, cables, satellites, Bluetooth, etc.	Care must be taken while using this method of accounting with regards to the theft of data, as in contrast to manual accounting in computerized accounting there is no original copy and duplicate copy. Moreover, the programs and the financial data may be manipulated. Since the transactions mostly take place online passwords are usually set at every level and can easily be hacked by intruders if not changed regularly.	This topic is significant in the professional exams for both undergraduate and post-graduate courses, especially for: B.com (Honors) M.com Chartered Accountants (CA) Company Secretary (CS) MBA (Master of Business Administration) (Finance) CMA (Certified Management Accountant) Accounting Software GAAP Customization of software We've got you covered with step-by-step solutions to millions of textbook problems, subject matter experts on standby 24/7 when you're stumped, and more. Check out a sample accounting Q&A solution here!	
*Response times may vary by subject and question complexity. Median response time is 34 minutes for paid subscribers and may be longer for promotional offers.					

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