

## COMPUTERIZED ACCOUNTING

### UNIT - I

#### Computerized Accounting:

Computerised accounting system refers to the system of maintaining accounts using computers. It involves the processing of accounting transactions through the use of hardware and software in order to keep and produce accounting records and reports.

#### Features of computerized accounting

##### Simple and integrated

**It** is designed to automate and integrate all the business operations such as purchase, sales, finance, inventory and manufacturing. The CAS may be integrated with enhanced Management Information System (MIS), multi-lingual and data organisation capabilities to simplify all the business processes of the organisation easily and cost-effectively.

##### ii) Speed

It can perform functions at much higher speed than doing the same manually.

##### iii) Accuracy

Computers perform functions with high degree of accuracy. If hardware, software and input by people are proper, the computerised accounting system can assure of accurate outcome.

##### iv) Reliability

Computers are used to process large volumes of data and hence, data provided by it are reliable.

##### v) Versatility

Computer and accounting software have the ability to perform diverse tasks. For example, by simply recording accounting entries through accounting software, one can get trial balance, trading account, profit and loss account, balance sheet and diverse reports.

##### vi) Transparency

With computerised accounting, the organisation will have greater transparency of day-to-day business operations and access to the vital information.

**vii) Scalability**

computerized accounting enables processing of any volume of data in tune with the change in the size of the business.

**viii) On-line facility**

computerized accounting offers online facility to store and process transaction and data so as to retrieve information to generate and view financial reports in any part of the world.

**ix) Security**

In computerized accounting, only the authorised users are permitted to have access to accounting data. Under manual accounting system, it is very difficult to secure such information as it is open to inspection by any person dealing with the books of accounts.

**Components of Computerised Accounting System**

Components of Computerised Accounting can be classified into six categories, namely,

i) Hardware ii) Software iii) People iv) Procedure v) Data and vi) Connectivity.

**i) Hardware**

The physical components of a computer constitute its hardware. Hardware consists of input devices and output devices that make a complete computer system. Examples of input devices are keyboard, optical scanner, mouse, joystick, touch screen and slylus which are used to feed data into the computer. Output devices such as monitor and printer are media to get the output from the computer.

**ii) Software**

A set of programs that form an interface between the hardware and the user of a computer system are referred to as software. The following are the various types of software:

a) **System software:** A set of programs to control the internal operations such as reading data from input devices, giving results to output devices and ensuring proper functioning of components is called system software. The system software includes the following:

(1) **Operating system:** A set of tools and programs to manage the overall working of a computer using a defined set of hardware components is called an operating system. It is the interface between the user and the computer system. Example: DOS, Windows, UBUNTU, imac, etc.

(2) **Programming software:** Special software to accept data and interpret them in the form of machine/assembly language understandable by a computer. Example: C, PASCAL, COBOL, etc.

(3) **Utility software:** These are designed specifically for managing the computer device and its resources. Example: File manager, Anti-virus software, etc.

b) **Application software:** Programs designed to perform a specific function for a user. An application software can be classified as follows:

(i) General purpose software: This type of application can be used for a variety of tasks and not limited to one particular function. Example: MS-Office.

(ii) Specific purpose software: This software is created to execute one specific task and they are customised to the needs of user. Example: Accounting software, payroll software, etc.

### iii) People

The most important element of a computer system is its users. They are also called live-ware of the computer system. The following types of people interact with a computer system.

a) System analysts: People who design the operation and processing of the system.

b) System programmers: People who write codes and programs to implement the working of the system.

c) System operators: People who operate the system and use it for different purposes.

### iv) Procedure

Procedure is a step by step series of instructions to perform a specific function and achieve desired output. In a computer system there are three types of procedures.

a) Hardware oriented procedure: It defines the working of a hardware component.

b) Software oriented procedure: It is a set of detailed instructions for using the software.

c) Internal procedure: It maintains the overall working of each part of a computer system by directing the flow of information.

## v) Data

The facts and figures that are fed into a computer for further processing are called data. Data are raw input until the computer system interprets them using machine language, stores them in memory, classifies them for processing and produces results in conformance with the instructions given to it. Processed and useful data are called information which is used for decision making.

## vi) Connectivity

When two or more computers are connected to each other, they can share information and resources such as sharing of files (data/music, etc), sharing of printer, sharing of facilities like the internet. This sharing is possible using wires, cables, satellite, infra-red, bluetooth, microwave transmission, etc.

## Advantages of Computerised Accounting

1. **Better Quality Work:** The accounts prepared with the use of computerized accounting system are usually uniform, neat, accurate, and more legible than a manual job.
2. **Lower Operating Costs:** Computer is a reliable and time-saving device. The [volume](#) of job handled with the help of computerized system results in economy and lower operating costs. The overall operating [cost](#) of this system is low in comparison to the traditional system.
3. **Improves Efficiency:** This system is more efficient in comparison to the traditional system. The computer makes sure 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, there is greater control possible and more information may be available with the use of the computer in accounting. It ensures efficient performance in accounting records.
5. **Greater Accuracy:** Computerized accounting make sure accuracy in accounting records and statements. It prevents clerical errors and omissions in records.
6. **Relieve Monotony:** Computerized accounting reduces the monotony of doing repetitive accounting jobs. Which are tiresome and time-consuming.

7. **Facilitates Standardization:** Computerised accounting provides standardization of [accounting](#) routines and procedures. Therefore, it ensures standardization in the accounting records.
8. **Minimizes Mathematical Errors:** While doing mathematical work with computers, errors are virtually eliminated unless the [data](#) is entered improperly in the system.
9. **Legibility :** The data displayed on computer monitor is legible. This is because the characters (alphabets, numerals, etc.) are type written using standard fonts. This helps in avoiding errors caused by untidy written figures in a manual accounting system.
10. **Efficiency :** The computer based accounting systems ensure better use of resources and time. This brings about efficiency in generating decisions, useful informations and reports.
11. **Quality Reports :** The inbuilt checks and untouchable features of data handling facilitate hygienic and true accounting reports that are highly objective and can be relied upon.
12. **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.

### **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.

#### **5. 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.

#### **6. 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.

#### **7. Disruption :**

The accounting processes suffer a significant loss of worktime 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

#### **8. System Failure :**

The danger of the system crashing due to hardware failures and the subsequent loss of work is a serious limitation of computerized accounting system. However, providing for back-up arrangements can obviate this limitation. Software damage and failure may occur due to attacks by viruses. This is of particular relevance to accounting systems that extensively use Internet facility for their online operations. No full-proof solutions are available as of now to tackle the menace of attacks on software by viruses.

## Difference Between Manual Accounting and Computerized Accounting

Basis for Comparison	Manual Accounting	Computerized Accounting
Meaning	Manual Accounting is a system of accounting that uses physical registers and account books, for keeping financial records.	Computerized Accounting is an accounting system that uses an accounting software, for recording financial transactions electronically.
Recording	Recording is possible through book of original entry.	Data content is recorded in customized database.
Calculation	All the calculation is performed manually.	Only data input is required, the calculations are performed by computer system.
Speed	Slow	Comparatively faster.
Adjusting entries	It is made for rectification of errors.	It cannot be made for rectification of errors.
Backup	Not possible	Entries of transactions can be saved and backed up
Trial Balance	Prepared when necessary.	Instant trial balance is provided on daily basis.
Financial Statement	It is prepared at the end of the period, or quarter.	It is provided at the click of button.

### Grouping

In any organisation, the main unit of classification is the major head which is further divided into minor heads. Each minor head may have number of sub-heads. After classification of accounts into various groups namely, major, minor and sub-heads and allotting codes to each account these are programmed into the computer system.

## VOUCHERS

### Meaning:

‘Voucher’ is the original documentary evidence in support of any payment or receipt of money by the business. It would be with the help of the voucher that the accuracy of entry can be checked. Voucher alone can tell us about the nature and sources of the transaction, its value and authority.

### Types of Accounting Vouchers

- Sales Voucher
- Purchase Voucher
- Payment Voucher
- Receipt Voucher
- Contra Voucher
- Journal Voucher
- Credit Note Voucher
- Debit Note Voucher

- **Sales Voucher in Tally**

Sales voucher is one of the most used accounting vouchers in Tally. Users can create this voucher in two different formats; as an invoice, or as a voucher. The invoice format enables users to print a copy of invoices for customers.

- **Purchase Voucher in Tally**

Like sales vouchers, purchase voucher belongs to the accounting category and is available in both invoice and voucher formats. Editing and modifying receipt entries in Tally are easy, as its voucher format helps accountants to do so quickly.

- **Payment Voucher in Tally**

The payment voucher is another accounting voucher in Tally that helps create and print cheques against the order. Once the payment voucher gets passed, the corresponding cheque can be printed by clicking on ‘banking’ and then on ‘cheque printing’.



- **Receipt Voucher in Tally**

When accountants make a receipt voucher in Tally, all the invoices which have pending payments pop up as a reminder. As soon as the client makes the payment through any mode, the receipt can be updated with the [payment method](#) details.

- **Contra Voucher in Tally**

Contra vouchers are used to withdraw or deposit money in banks with the help of instruments such as cheques/ATM/DD or e-transfer to another account through NEFT/IMPS. With the help of contra vouchers in Tally, accountants can also generate deposit slips for recordkeeping.

- **Journal Voucher in Tally**

Unlike other vouchers, a journal voucher in Tally can come under the roof of both accounting and inventory vouchers. There are multiple uses of a journal voucher in Tally depending on the type of business it is being used for.

- **Credit Note Voucher in Tally**

Credit note voucher in Tally has to be enabled manually. It is usually enabled by pressing F11 and they manually configuring its features. Credit note can also be passed by checking the original invoice. When a client is selected, Tally shows the transaction invoice history that have been raised.

- **Debit Note Voucher in Tally**

Debit note voucher is one of the most-used types of voucher in Tally ERP 9, that is used for managing purchase returns. With the help of this, accountants can generate a debit note for invoicing as well as a voucher.

## **How do you create, Edit and delete of voucher TYPE?**

### **Create Voucher Type**

- Gateway of Tally
- Inventory info
- Voucher Type
- Create
- Enter Voucher type
- press Yes to save

## Edit Voucher Type

- Gateway of Tally
- Inventory info
- Voucher Type
- Alter
- Enter Voucher type
- press Yes to save

## Delete Voucher Type

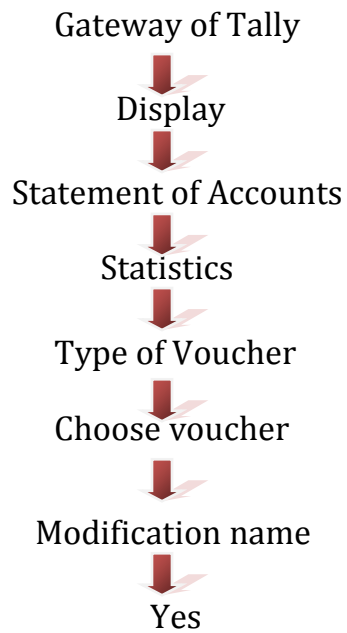
- Gateway of Tally
- Inventory info
- Voucher Type
- Alter
- Enter Voucher type
- Press Alt + D
- press Yes

## How do you create, Edit and delete of voucher?

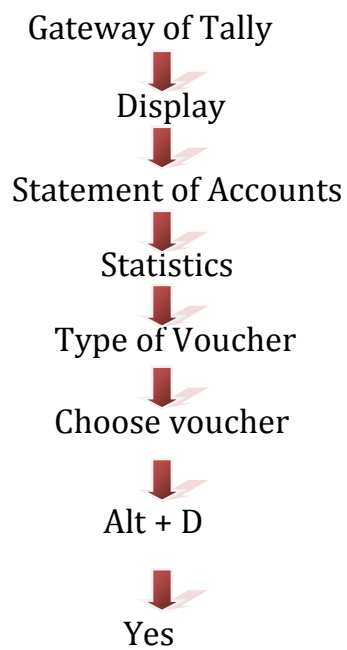
### Create Voucher



## Edit Voucher



## Delete Voucher



## UNIT - II

### 1. Computerised accounting system

Computerised accounting system refers to the system of maintaining accounts using computers. It involves the processing of accounting transactions through the use of hardware and software in order to keep and produce accounting records and reports. Computerised accounting system takes accounting transactions as inputs that are processed through accounting software to generate the following reports:

- Day books /Journals
- Ledger
- Trial balance
- Trading account
- Profit and loss account
- Balance sheet, etc.

In accounting, computer is commonly used in the following areas:

- a) Recording of business transactions
- b) Payroll accounting
- c) Stores accounting and
- d) Generation of accounting reports

It is to be noted that the fundamentals of accounting do not change whether books of accounts are maintained manually or computerised. The same principles of debit and credit are equally applicable in a computerised environment.

### 2. Accounting software

The main function of CAS is to perform the accounting activities in an organisation and generate reports as per the requirements of the users. To obtain the desired results optimally, need based software or packages are to be installed in the organisation. Depending upon the suitability of business requirements there are three types of software, namely,

- (i) Readymade software, (ii) Customised software and (iii) Tailormade software.

**(i) Readymade software**

These packages are standardised or readymade packages which can be used by the business enterprises immediately on procurement. These packages are used by small and conventional business enterprises. Cost of installation and maintenance is very low. Training cost is negligible and sometimes the vendor provides free of cost training. These softwares are used by those enterprises where financial transactions are simple, uniform and routine in nature. Few examples of such type of software are Tally, Busy, Marg, Profitbooks.

**(ii) Customised software**

Many a time, it is not possible that ready-to-use packages suit the requirements of the business enterprise. In such circumstances, customised packages may help the business enterprise for fulfilling their requirements. Customised packages can be modified according to the need of the enterprise. For example, software can record attendance of the employees and on the requirement of the customer it can also count the absence of employees in a month, etc.

These packages are used by medium or large business enterprises. Cost of installation, maintenance and training is relatively higher than that of ready-to-use packages. These softwares are used by those enterprises where financial transactions are somewhat peculiar in nature.

**(iii) Tailormade software**

Large enterprises have their own way of functioning. For effective management information system, varied and specific information is frequently required by many users which may not be needed in case of small or medium scale enterprises. In such enterprises, depending upon their functioning, need based softwares known as tailored packages are installed. The cost of these packages is very high and specific training for using these packages is also required.

**3. Preparing Trial Balance In Tally**

The trial balance is a worksheet on which you list all your general ledger accounts and their debit or credit balance. The total debits must equal the total credits. If they don't equal, you know you have an error that must be tracked down. When closing out your books at the end of an accounting period, you will prepare three trial balances:

1. A preliminary trial balance is prepared using your general ledger account balances before you make adjusting entries.

2. An adjusted trial balance is done after preparing adjusting entries and posting them to your general ledger. This will help ensure that the books used to prepare your financial statements are in balance.
3. A post-closing trial balance is done after preparing and posting your closing entries. This trial balance, which should contain only balance sheet accounts, will help guarantee that your books are in balance for the beginning of the new accounting period.

### ***Prepare Trial Balance***

Gateway of Tally → A/c information → ledger → create → Enter detail → Press yes

### **Show Trail Balance**

Gateway of Tally → Display → Trail Balance

## **4. How to create, Alter and Delete of Ledger account**

### **Create Ledger**

Gateway of Tally → A/c information → ledger → create → Enter detail → Press Yes

### **Alter Ledger**

Gateway of Tally → A/c information → ledger → Alter → Choose ledger → Alter ledger name → Press Yes

### **Delete Ledger**

Gateway of Tally → A/c information → ledger → Alter → Choose ledger → Alt + D → Press Yes

## 5. Maintaining Hierarchy of Ledgers

- ❖ Accounting master files are created with codes and description of account.
- ❖ In a hierarchical coded system reports can generated based on codes
- ❖ General ledger, Debtors ledger and creditors ledger are automatically created by any standard software.
- ❖ At the time of creation, some of the account heads are indicated to the system as cash, bank, debtors and creditors.
- ❖ The system then automatically posts sales to debtors a/c & purchases to creditors a/c

### Codification

A proper codification requires a systematic grouping of accounts. The major groups or heads could be Assets, Liabilities, Revenues and Expenses. The sub-groups or minor heads could be capital, non-current liabilities, current assets, sales and so on.

Codification refers to allotting code numbers to accounts in a hierarchical structure.

Accounts are first systematically grouped in Major Heads such as:

- ❖ Assets
  - ❖ Liabilities
  - ❖ Revenue Receipts
  - ❖ Capital Receipts
  - ❖ Revenue Expenditure
  - ❖ Capital Expenditure etc.
- The sub-groups or Minor Heads could be cash or receivables or payables so on.

- The detailed head is often termed as an object classification for control purposes Ex.
  - ❖ Salaries
  - ❖ Office Expenses
  - ❖ Salesman Expenses
  - ❖ Workshop Overhead, etc
- The classification system should be approved by the top management and auditor before coding and computerization

### Types of Reports



**List of Reports**  
Following reports are common to most s/w:

- Cash Book
- Cash Sales Book
- Sales Return register
- Credit Note Register
- Bank Book
- Cash Purchase Book
- Purchase Return register
- Stock movement register
- Journal Book
- Petty Cash Book
- General Ledger
- Stock Ledger
- Purchase Book
- Creditors Ledger
- Subsidiary Ledger
- Production register
- Sales Book
- Debit Note Register
- Debtors Ledger
- Consumption Register



## UNIT- III

### 3.1 Starting Tally

- Click start Button
- Choose Programs
- Click Tally or
- Double click Tally icon on Desktop
- Create company

### 3.2 Menu's of Gateway of Tally

- Accounts info
- Inventory info
- Import of Data
- Balance sheet
- Profit & Loss A/c
- Stock Summary
- Ratio Analysis
- Display
- Quit

### 3.3 Exit or Quit from Tally

Press Escape till it reaches the option quit and Press Y (yes) or Enter to quit(Ctrl+Q)

### 3.4 Select Company

Tally software by double clicking on Tally icon

- Press Alt + F3 key to Select the company,
- Choose Select Company option in the company information.

### 3.5 How to Create, Alter & Deleting Company?

#### 3.5.1 Company Creation

- Select Tally
- Press Alt + F3 Option from Gateway of Tally
- Press 'Create company' option
- Enter the Company Name, and use the enter key and / or Tab and / or the arrow keys.
- After entering all the details press enter.
- Select the Yes option from the accept Yes/NO

#### 3.5.2 Alteration of a company

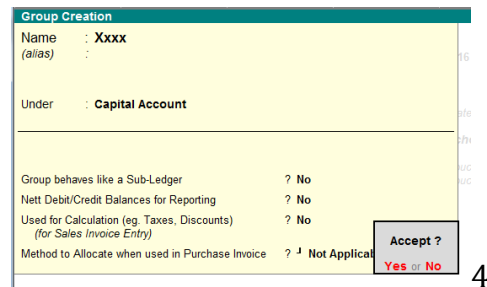
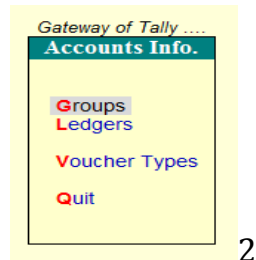
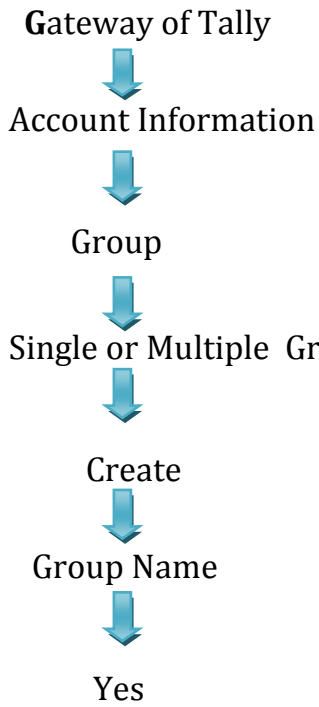
- **Company** information Press Alt + F3 key to Alter
- , Choose Select Company option in the company information.
- Change company name
- After entering all the details press enter.
- Select the Yes option from the accept Yes/NO

#### 3.5.3 Deleted of a company

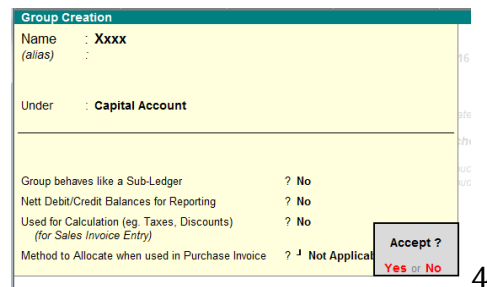
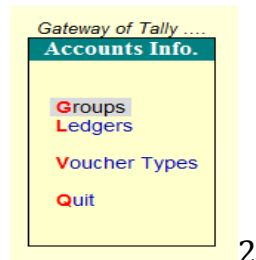
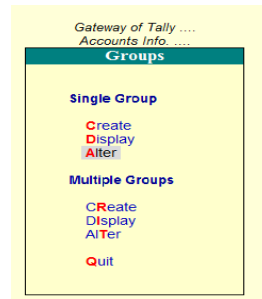
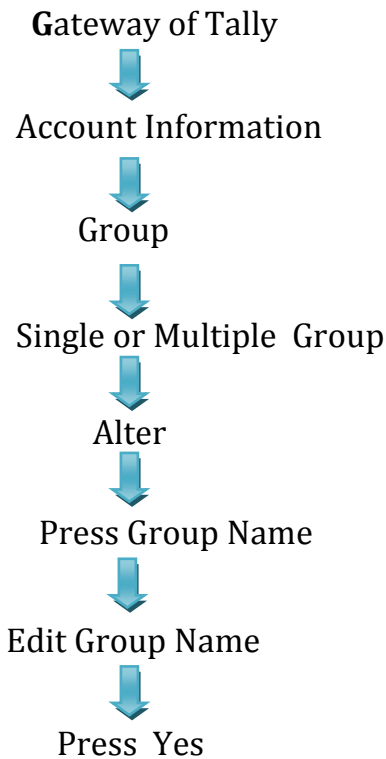
- **Company** information Press Alt + F3 key to Alter
- Choose Select Company option in the company information.
- Press select company name
- Press Alt + D select Yes
- Then Press Yes the company deleted.

### 3.6 How to create, Alter & Deleting of Group?

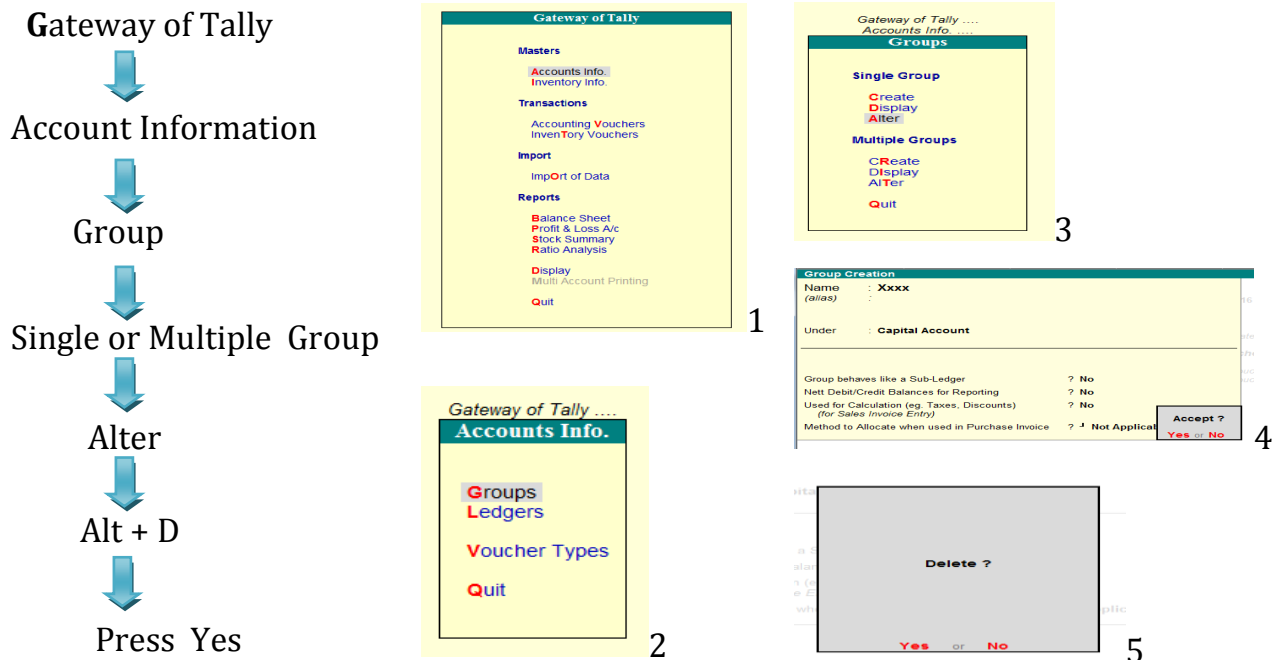
### 3.6.1 Creation of Group



### 3.6.2 Edit or Alter Group



### 3.6.3 Deleting Group



### 3.7 Show or Display Balance sheet, Profit & loss A/c, Ratio, Cash & Fund flow statement.

#### 3.7.1. Balance sheet

Gateway of Tally

Click **Balance sheet**

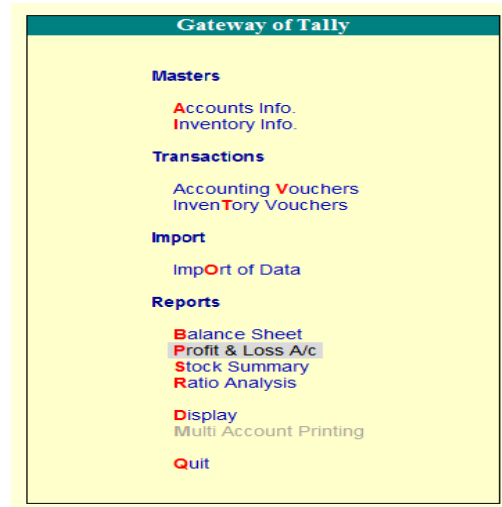
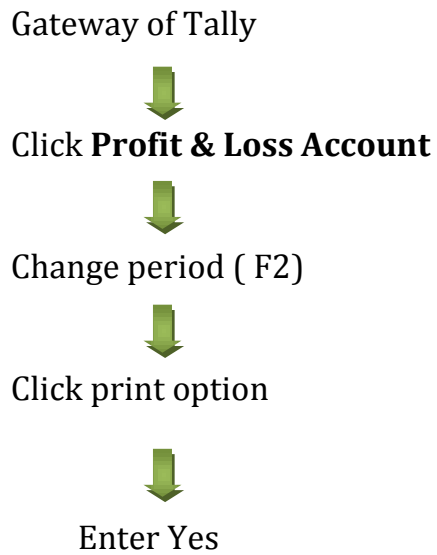
Change period (F2)

Click print option

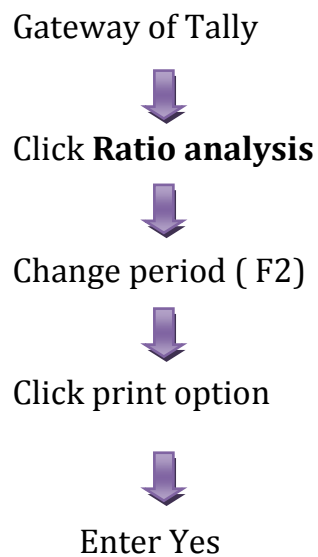
Enter Yes



### 3.7.2 Profit & Loss Account



### 3.7.3. Ratio Analysis



### 3.7.4 Cash flow statement

Gateway of Tally



Click Display



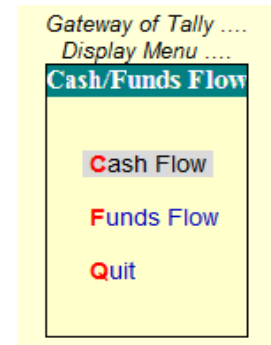
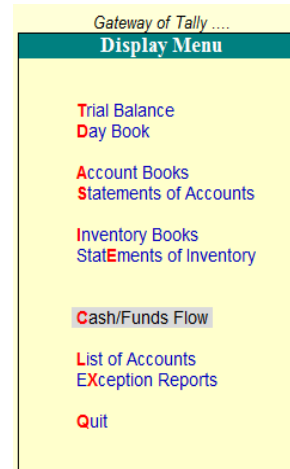
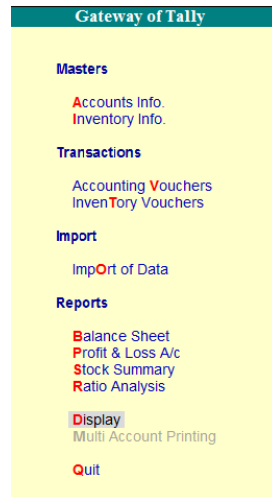
Click Cash/ Fund flow



Click Cash Flow



Enter Yes



### 3.7.5 Fund flow statement

Gateway of Tally



Click Display



Click Cash/ Fund flow



Click Fund Flow



Enter Yes

