

A Result on Study of Computerized Accounting System in Small and Medium Scale Business

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ABSTRACT

Its need arises from the benefits of speed, accuracy and lower cost of handling the business transactions. Also, it has the capability to record a large number of transactions with speed and accuracy. It allows quick and quality reporting because of its speed and accuracy. Manual accounting system requires large storage to keep accounting records, and vouchers. The requirement of books and stationery and books of accounts along with vouchers and documents is dependent on the volume of transactions. There is a need to reduce the paperwork and dispense with a large volume of books of account. This can be achieved working with the help of computerized accounting system. Computerized accounting system is software that helps businesses to manage the big financial transactions, data, reports, and statements with high efficiency, speed, and better accuracy. Better quality work, lower operating costs, better efficiency, and greater accuracy, minimum errors are some of the advantages of Computerized Accounting. Let us learn more about Computerized accounting environment. This Accounting System and its awareness among entities have become a necessity in the present environment. Businesses of whatever field and size are shifting from the practice of maintaining accounts manually. The manual process is more time-consuming and exposed to human error.

Keyword Small & Medium Scale Business, Computerized Accounting System, Cash Control, Business Organization

1. Introduction

Computerized accounting system is software that helps businesses to manage the big financial transactions, data, reports, and statements with high efficiency, speed, and better accuracy. Better quality work, lower operating costs, better efficiency, and greater accuracy, minimum errors are some of the advantages of Computerized Accounting. Let us learn more about Computerized accounting environment. This Accounting System and its awareness among entities have become a necessity in the present environment. Businesses of whatever field and size are shifting from the practice of maintaining accounts manually. The manual process is more time-consuming and exposed to human error. Storage and retrieval of data and generation of a report cannot be ensured in real time in the traditional system. There is a need to shift to computerized accounting systems. They have empowered business to project accurate information of financial performance. Accounting may be the key to success of SMEs. The accounting problems are categorized into record keeping, use of accounting information, cash control and cost control. Wichmann (1983) reported the results of an analysis of small business institute (SBI) cases. Accounting was found to be the most frequent problem and the number one in this category was record keeping. In other words, many of the problems of SMEs are either in the areas of accounting or accounting – related and CAS is the modern innovative technique help to overcome accounting problems. Therefore an attempt is made in the present study to measure, identify and assess the extent of CAS adoption in SMEs based on primary data. CAS is the application of the computer based software used to input, process, store and output accounting information. This application is a support of the ever advancing technology that enables firms to use computer programs to perform tasks that were previously done manually. A CAS therefore involves the computerization of accounting information systems which is established in order to facilitate decision making. These are associated with a number of benefits like speed of carrying out routine transactions, timeliness, quick analysis, accuracy and reporting.

2. Computerization of Accounting System:

Computerization of accounting system (CAS) implies that the only thing that employees do is record transactions into the computer which processes the other steps of accounting cycle automatically or by a request. But this is a very simplified view on the CAS because transactions is a complex category which includes not only sales or acquisitions, but depreciation, premiums and wages calculation, assets and liabilities recording, dividend etc. Hence concept of CAS cannot be restricted to recording of transactions of business and opening computer for it. It is wider than this. Hence Ury (2011) defines CAS as accounting done with the aid of a computer that trends to involve dedicated accounting software and digital spread sheets to keep track of a business or client's financial transactions. A computerized accounting system therefore involves the computerization of accounting information systems which is established in order to facilitate decision making. These are associated with a number of benefits like speed of carrying out routine transactions, timeliness, quick analysis, accuracy and reporting. Computerized accounting system are software programs that are stored on a company's computer, network server, or remotely or access via the internet. CAS broadly means a software tool for processing financial information of business. It is a computer based system that processes financial information and supports decision tasks in the context of coordination and control of organisational activities. Thus computerization of accounting system referred to use of computers in chart of accounts, in journals and subsidiary journals, in preparing of ledgers, in maintaining the integrity of accounting system, in types of accounting system and in preparing of other essential documents. It is a vast concept starting from purchasing computer and software and entering of data in software and ending at getting various reports based on accounting for different users.

3. Small and Medium Business Enterprises: An Overview:

Meaning and Importance of SMEs in Global Economy:

Small and medium business enterprises are the backbone of an economy as they are a major contributor of job creation and play an important role as efficient providers of intermediate goods and services to large firms. SMEs are recognized as engine of economic growth and employment generation for sustainable industrialization and globalization in both developed and developing countries of the world. The term SMEs has been severally defined by institutions, regions and based on number of people employed, sales or assets. The importance of SMEs is well recognized world over from its significant contribution in gratifying various socio-economic objectives, such as higher growth of employment, output, promotion of exports and fostering entrepreneurship even in liberalization, privatization and globalization era. Developed and emerging economies of the world both recognized the enormous contribution to growth and developments by SME's studies have shown that SMEs provide the keystone on which most economies of the places reliance.

4. Result

The increasing competition and the highly demands of globalization, Government of India attempt to revolutionized the way of SMEs business is conducted. The new approach of Government of India – make in India, startup India, stand up India, 100% FDI in various sector, digital India, etc. intensified investment in computer- processing and data preparation appliance in the manufacturing and service sector. Hence computerized accounting system (CAS) adoption may be decisive factor for an organization to be success and also to service and then to expand. The traditional view of SMEs business record keeping suggest that it is a paper based and hand of to the accountant firm or accountant itself to prepare the annual tax return, ledgers and final accounts.

4.1 Gender Wise Distribution of the Sample Respondents

Sr. No.	Gender	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	Female	13	86.7	4	80	17	85

2.	Male	2	13.3	1	20	3	15
Total		15	100.0	5	100	20	100

4.2 Age Wise Distribution of Sample Respondents

Sr. No.	Age In Years	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	20 - 30	1	6.7	0	0	1	5
2.	30 - 40	2	13.3	1	20	3	15
3.	40 - 50	9	60.0	2	40	11	55
4.	50 and above	3	20.0	2	40	5	25
Total		15	100.0	5	100	20	100

4.3 Religion of the Sample Respondents

Sr. No.	Religion	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	Hindu	11	73.3	3	60	14	70
2.	Muslim	2	13.3	1	20	3	15
3.	Christian	1	6.7	1	20	2	10
4.	Buddhist	1	6.7	0	0	1	5
Total		15	100.0	5	100	20	100

4.4 Marital Status of the Sample Respondents

Sr. No.	Marital Status	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	Married	13	86.7	4	80	17	85
2.	Single	2	13.3	1	20	3	15
Total		15	100.0	5	100	20	100

4.5 Education Level of the Sample Respondents

Sr. No.	Education level	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	Primary	1	6.7	0	0	1	5
2.	Secondary	3	20.0	0	0	3	15
3.	Diploma	4	26.7	2	40	6	30
4.	Degree	6	40.0	3	60	9	45
5.	Masters	1	6.7	0	0	1	5
Total		15	100.0	5	100	20	100

4.6 Owners' Computer Knowledge

Sr. No.	Owners' Computer knowledge	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	Yes	11	73.3	4	80	15	75

2.	No	4	26.7	1	20	5	25
Total		15	100.0	5	100	20	100

4.7 Computer Experience of SMEs Owners

Sr. No.	Computer Experience of Owner	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	Yes	10	66.7	4	80	14	70
2.	No	5	33.3	1	20	6	30
Total		15	100.0	5	100	20	100

4.8 Ownership Structure of SMEs

Sr. No.	Ownership Structure	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	Sole Trading	13	86.7	3	60	16	80
2.	Partnership	2	13.3	2	40	4	20
3.	Private Ltd. Co.	0	0.0	0	0	0	0
Total		15	100.0	5	100	20	100

4.9 Business Size or the Number of Units/ Enterprises

Sr. No.	Size of the business	Number of units	% (%)
1.	Small business enterprises	15	75
2.	Medium business enterprises	5	25

3.	Small and medium business enterprises	20	100
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4.10 Pattern of Business Activities Undertaken by SMEs

Sr. No.	Business Activities	Small Business Enterprises		Medium Business Enterprises		Total Enterprises	
		No.	%	No.	%	No.	%
1.	Manufacturing	11	73.3	3	60	14	70
2.	Service	4	26.7	2	40	6	30
Total		15	100.0	5	100	20	100

5. Conclusion

- 95% of total sample respondent business enterprises have employed less than 20 employees for their core day-to-day activities.
- 95% sample respondents business enterprises' annual turnover is below Rs. 25 lakhs.
- The majority respondents of small business enterprises (33.3%), medium business enterprises (100%) and overall (50%) adopt computerised accounting system.
- Majority 53.3% of small business enterprises, 80% of medium business enterprises, and 60% of overall small and medium business enterprises are writing their accounts quarterly.
- 55% of overall small and medium business enterprises have partial knowledge on keeping and maintaining accounting system.
- Majority of small business enterprises checking on accounting system operations as per accounting system norms is on half yearly basis (53.3%), medium business enterprises checking on accounting operation as per accounting norms is half yearly (45%) and SMEs checking on accounting system operations as per accounting norms on half yearly basis.
- 60% of overall small and medium business enterprises owners are controlling the keeping and maintaining accounting system Self plus employee.
- The revolution in information technology has changed the nature of business of small and medium business enterprises.
- The emergence of e-commerce has made possible cross-border transactions being carried out. These developments in business force to change accounting system of the enterprises to fulfill the demands of current global requirements in timely manner.
- With proper accounting system only the businessmen could be able to take decisions for their business in this changing environment.

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