

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

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ABSTRACT

A computerized accounting system saves a great deal of time and effort, considerably reduces mathematical errors, and allows for much more timely information than does a manual system. In a real-time environment, accounts are accessed and updated immediately to reflect activity, thus combining steps 2 and 3 as discussed in the preceding section. The need to test for equality of debits and credits through trial balances is usually not required in a computerized system accounting since most systems test for equality of debit and credit amounts as they are entered. If someone were to attempt to input data containing an inequality, the system would not accept the input. Since the computer is programmed to post amounts to the various accounts and calculate the new balances as new entries are made, the possibility of mathematical error is reduced. Computers may also be programmed to record some adjustments automatically at the end of the period. Most software programs are also able to prepare the financial statement once it has been determined the account balances are correct. The closing process at the end of the period can also be done automatically by the computer. Human judgment is still required to analyze the data for entry into the computer system correctly. Additionally, the accountant's knowledge and judgment are frequently required to determine the adjustments that are needed at the end of the reporting period. The mechanics of the system, however, can easily be handled by the computer.

Keyword 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. Problem Statement

The importance of SMEs in economic development is a subject that has received great attention in the literature. SMEs play a vital role as they contribute significantly in terms of employment and income distribution in many countries and India is not an exception for it. Small and Medium Enterprises (SMEs) play an important role in the growth of Indian Economy. SMEs provide numerous opportunities for employment and are believed to alleviate poverty. Small and Medium Enterprises as vehicles for growth and development of a nation thus require attention and policies to facilitate the growth of these enterprises. With expansion of business, the number of financial transactions has increased. A number of new tax regimes and regulations have come into effect. Cash transactions are being replaced by credit / debit card usage, wire transfers and payments through mobile phone. Banking institutions have adopted computerization and automation since long (so a document like transaction statement can be viewed online, received on email and can be imported into an accounting system) and they also discourage any use of paper. Accounting was one of the first functional areas to benefit from computerization when computers were initially introduced organizations. With the arrival of first computers, industry started moving towards computerized accounting system. This system is able to handle financial data effectively but the true value of an accounting system was that it was able to generate immediate reports regarding the company. Due to high demand of globalization and increasing competition, SMEs have to develop innovative, competitive strategies using latest technology. Computerized accounting system is such tool that is necessary to be successful and also to survive. The statement of problem In order to investigate above questions, the researcher has taken up the study on CAS adoption in small and medium business enterprises. Hence the statement of problem is as under:

“A Study on Computerization of Accounting System in Small and Medium Business Enterprises in Narayangaon City”

3. Need of Study

- 1.The studies undertaken in the field of CAS behaviour need to be updated time to time as per changing business environment, and technological up gradation. Therefore, the present study is an extension of the existing research on CAS and its related issues.
- 2.In India, studies on CAS, its usage , extent , factor affecting, pattern and practices level and performance among SMEs have received little attention as compared to large – scale industries and multinational industries. The present study is an attempt to understand and examine (i) the perceptions of SMEs on accounting system and computerised accounting system (ii) the extent of CAS adopted based on various dimensions. This aspect with reference to SME in Narayangaon zone is remained unaddressed.
- 3.Majority studies are on cross- borders (globalized studies) and review of literature show that the majority domestic studies fail to capture the CAS in SMEs in Maharashtra and particularly in Mumbai. Therefore for filling up, some research gap in existing studies, the present study is needed and hence undertaken.

4. Objectives of Study

1. To study and assess owners' and organisational characteristics of small and medium business enterprisers.
- 2.To study and assess the perception of businessmen towards pattern of keeping and maintaining accounting system in small and medium business enterprises.
3. To know and understand the highest and lowest CAS adoption indicator within the dimension.
4. To study and assess the difference in CAS adoption between small and medium business enterprises and its relationship.
5. To measure and identify extent of computerization of accounting system adoption in small and medium business enterprises.

5. Hypothesis of Study

1. There is no significant difference between small business enterprises and medium business enterprises on CAS adoption in preparing journal and subsidiary journal dimension.

2. There is no significant difference between small business enterprises and medium business enterprises on CAS adoption in preparing types of accounting system dimension.

6. Limitation of Research Work

1. The Study based on only 10 small and medium enterprises. The survey was conducted only in the area of Narayangaon city.
2. The survey was based on convenience, random sampling. Moreover sample size is comparatively small just 10.
3. Impact of CAS on job performance, profitability etc. is not assessed.
4. Random error is inevitable while using sampling techniques.
5. Type of industrial sectors is not considered in this study.

7. Summary

1. Out of total sample respondents majority 85% are male. The involvement of female in small and medium business is negligible.
2. Majority 55% of sample respondents belong to 40 - 50 years age group.
3. Out of total sample respondents, majority 70% are Hindu.
4. Majority 85% sample respondents are married.
5. Education level indicates that majority 45% of sample respondents are degree holders.
6. Majority of owner respondents 75% have computer knowledge.
7. 70% sample respondents have computer experience, they learned computer at work place.
8. Partnership is the majority (80%) SMEs ownership, followed by sole trading ownership (86.7 %) in small business structure.
9. The majority business enterprises of study are from small business enterprises (75%).
10. 70% and 30% of total sample business enterprises are running manufacturing and service activities.

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