

## **Chapter 10** **Computerised Accounting**

### **Computerised Business Accounts**

**Computerized accounting systems** are software programs that are stored on a company's computer, network server, or remotely accessed via the Internet.

Computerized accounting systems allow you to set up **income and expense accounts**, such as rental or sales income, salaries, advertising expenses, and material costs. They also can be used to manage bank accounts, pay bills, and prepare budgets. Depending upon the program, some accounting systems also allow you to prepare tax documents, handle payroll, and manage project costing.

You can generally customize the software to meet the needs of your business. It's important to make sure that your staff are trained and understand how to use the system correctly so that your company can successfully

### **Process of computerising business accounts**

The steps to implement an accounting information system are as follows:

- System analysis
- System design
- Programming
- Testing
- Launch

### **Advantages of computerised accounting system**

The main advantages of a computerized accounting system are listed below:

- Speed
- Fast processing
- Accuracy
- Up-to-date information
- Storage
- Efficiency
- Staff motivation
- Cost savings

### **Limitations of Computerized Accounting Systems:**

- Heavy Cost of Installation:
- Cost of Training:
- Fear of Unemployment:
- Disruption in Work:

- System Failure:
- Unanticipated Errors not Known:
- Health Dangers:

### **Data Integrity**

**Data integrity** refers to maintaining and assuring the accuracy and consistency of data over its entire life-cycle and is a critical aspect to the design, implementation and usage of any system which stores, processes, or retrieves data.

### **Ways in which the integrity of the accounting data can be ensured during the transfer to a computerized accounting system**

Database security professionals employ any number of practices to assure data integrity, including:

- Data encryption, which locks data by cipher
- Data backup, which stores a copy of data in an alternate location
- Access controls, including assignment of read/write privileges
- Input validation, to prevent incorrect data entry
- Data validation, to certify uncorrupted transmission

### **Past Paper Questions**

**Q # 1** H Limited operates a manual accounting system. The directors are keen to introduce a computerized accounting system.

(a) Identify four control procedures which must be carried out when changing from a manual accounting system to a computerized accounting system. [4]

(b) State four precautions that should be taken to ensure the security of the computerized accounting data. [4]

(c) Explain three possible benefits to the directors of introducing a computerized accounting system. [6]

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**Q # 2** The partners are considering computerising their accounting system.

State two advantages and two disadvantages to a business of using a computerized accounting system [4]

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