Need of Accounting Information System in Present Market Scenario

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ABSTRACT

The present study mainly focuses a light on Accounting Information System (AIS), its importance in Business entities and various available software in present time. The Accounting Information System is a subset of an organization’s Management information system that provides accounting, financial & other information obtained in the routine processing of accounting transactions of business enterprise. Managerial and financial decisions are normally relies upon the effective information system. At present many firms are using accounting software to prepare accounting reports quickly, accurately and in time. Accounting Information Systems are most common information systems utilized in business, while it was previously paper-based process; hence, there is a greater scope for AIS in the present context as it plays a pivotal role in business as the management of such businesses takes decisions relying upon Accounting and financial reports. AIS provides perfect tool of information provisioning the environment for decision making and also eliminates the paper work as well as reduces the cost very significantly.

Keywords
Data, Information, Information System, Accounting, AIS

INTRODUCTION

An accounting information system (AIS) is the system of records a business keeps maintaining its accounting system. While this was previously a paper-based process, most businesses now use accounting software. In an electronic financial accounting system, the steps in the accounting cycle are dependent upon the system itself. For example, some systems allow direct journal posting to the various ledgers and others do not. Accounting Information Systems combine the study and practice of accounting with the design, implementation, and monitoring of information systems. Such systems use modern information technology resources together with traditional accounting controls and methods to provide users the financial information necessary to manage their organizations.

"Accounting information systems in the new era of business have changed all aspects of accounting and reporting. Since the advent of the computer and the Worldwide Web technological changes have reshaped financial management and accounting. Workstations running applications can now instantly provide standardized data entry, inventory accounting, and financial worksheet inputs. We find the new accounting information systems provide a great deal of information and a real time control environment. They now change the way internal controls are implemented and the type of audit trails that exist within a modern organization. The lack of traditional forensic evidence, such as paper and journal entries is now replaced with a more accurate and updated form of accounting."

OBJECTIVE OF THE PAPER

The main purpose of the study is to provide a conceptual view about Accounting Information System. For the operational purpose the sub objectives are:

1. To provide a structural framework of Accounting Information System.
2. To study the role of Accounting Information System in corporate functioning.

AIS TECHNOLOGY

It is very clear from that the diagram that in the input stage, the system collects and records data such as sales orders, shipping data and vendor payments into the system. In processing stage, accounting system classifying the business transactions. In output stage, an accounting system produces documents that describe financial transactions that have been processed.

AIS-INFORMATION SYSTEMS IN CONTEXT

AISs cover all business functions from backbone accounting transaction processing systems to sophisticated financial management planning and processing systems.

Financial reporting starts at the operational levels of the organization, where the transaction processing systems capture important business events such as normal production, purchasing, and selling activities. These events
(transactions) are classified and summarized for internal decision making and for external financial reporting.

Cost accounting systems are used in manufacturing and service environments. These allow organizations to track the costs associated with the production of goods and/or performance of services. In addition, the AIS can provide advanced analyses for improved resource allocation and performance tracking.

Management accounting systems are used to allow organizational planning, monitoring, and control for a variety of activities. This allows managerial-level employees to have access to advanced reporting and statistical analysis. The systems can be used to gather information, to develop various scenarios, and to choose an optimal answer among alternative scenarios.

DEVELOPMENT OF AIS

The development of AIS includes five basic phases: planning, analysis, design, implementation, and support. The time period associated with each of these phases can be as short as a few weeks or as long as several years.

1. Planning: Project management objectives and techniques. The first phase of systems development is the planning of the project. This entails determination of the scope and objectives of the project, the definition of project responsibilities, control requirements, project phases, project budgets, and project deliverables.

2. Analysis: - The analysis phase is used to both determine and document the accounting and business processes used by the organization. Such processes are redesigned to take advantage of best practices or of the operating characteristics of modern system solutions. Data analysis is a thorough review of the accounting information that is currently being collected by an organization. Current data are then compared to the data that the organization should be using for managerial purposes. This method is used primarily when designing accounting transaction processing systems. Decision analysis is a thorough review of the decisions a manager is responsible for making. The primary decisions that managers are responsible for are identified on an individual basis. Then models are created to support the manager in gathering financial and related information to develop and design alternatives, and to make actionable choices. This method is valuable when decision support is the system's primary objective. Process analysis is a thorough review of the organization's business processes. Organizational processes are identified and segmented into a series of events that either add or change data. These processes can then be modified or reengineered to improve the organization's operations in terms of lowering cost, improving service, improving quality, or improving management information.

3. Implementation: - It consists of two primary parts: construction and delivery. Construction includes the selection of hardware, software and vendors for the implementation; building and testing the network communication systems; building and testing the databases; writing and testing the new program modifications; and installing and testing the total system from a technical standpoint. Delivery is the process of conducting final system and user acceptance testing; preparing the conversion plan; installing the production database; training the users; and converting all operations to the new system. Tool sets are a variety of application development aids that are vendor-specific and used for customization of delivered systems. They allow the addition of fields and tables to the database, along with ability to create screen and other interfaces for data capture. In addition, they help set accessibility and security levels for adequate internal control within the accounting applications.

4. Design: - The design phase takes the conceptual results of the analysis phase and develops detailed, specific designs that can be implemented in subsequent phases. It involves the detailed design of all inputs, processing, storage, and outputs of the proposed accounting system. Inputs may be defined using screen layout tools and application generators. Processing can be shown through the use of flowcharts or business process maps that define the system logic, operations, and work flow. Logical data storage designs are identified by
modeling the relationships among the organization's resources, events, and agents through diagrams.

5. **Support**: The support phase has two objectives. The first is to update and maintain the AIS. This includes fixing problems and updating the system for business and environmental changes. For example, changes in generally accepted accounting principles (GAAP) or tax laws might necessitate changes to conversion or reference tables used for financial reporting. The second objective of support is to continue development by continuously improving the business through adjustments to the AIS caused by business and environmental changes. These changes might result in future problems, new opportunities, or management or governmental directives requiring additional system modifications.

**ATTESTATION**

AISs change the way internal controls are implemented and the type of audit trails that exist within a modern organization. The lack of traditional forensic evidence, such as paper, necessitates the involvement of accounting professionals in the design of such systems. Periodic involvement of public auditing firms can be used to make sure the AIS are in compliance with current internal control and financial reporting standards.

After implementation, the focus of attestation is the review and verification of system operation. This requires adherence to standards such as ISO 9000-3 for software design and development as well as standards for control of information technology.

Periodic functional business reviews should be conducted to be sure the AIS remains in compliance with the intended business functions. Quality standards dictate that this review should be done according to a periodic schedule.

**IMPORTANCE OF AIS IN AN ORGANIZATION**

A survey conducted by the Institute of Management Accountant (IMA) indicates that work relating to accounting system was the single most important activity performed by corporate accountant.

The use of information systems is very important in recording vital financial data that will be used in the future. Major corporations, especially in the retail industry, will keep such data as sales, profits, expenses, and many other items for future use in financial reports. Recording will be done often on a daily basis, if not on a minute-by-minute basis with more complex and detailed accounting software. This is very important also because it will not only be used for daily practices, but will be necessary for tax purposes for the remainder of the year. Also, much of this data has to be kept on file for a number of years, in the event of an audit or other financial issues that may arise. Legal issues can cause severe problems and even end in the destruction of a company. By using computerized accounting information systems to organize and retain this data, companies have a much better chance to survive and succeed.

After the process of recording information with software, the next step that is taken is processing. With most accounting software or programs, there are different files and categories where records can be stored. This filing or storage can be done manually by the individual or group of people who works with the accounting information systems. Programs can also be set to do this automatically as information is entered into the system. Certain criteria can be set up in the program to allow the program to place files and data in the places or areas where it is supposed to go. There will usually be different categories for different data and some of the categories may include accounts payable, accounts receivable, payroll, purchasing, and other information that needs to be recorded and retained.

In short we can understand that

- It speeds the bookkeeping process and increases accuracy thereby reducing labor costs
- A computerized accounting system is a powerful tool, allowing you easily extract data in order to prepare reports and analyze the information.
- Reviewing and acting upon a well designed, comprehensive set of reports (in addition to the Financial Statements) will help keep the company on the right financial path.
- A business entity will require accounting information so as to enable it manage and control its finances and resources.

**USES OF ACCOUNTING INFORMATION SYSTEM**

AIS are useful for companies and businesses entities want to make the accounting process easier by utilizing a computer program or other system that will perform payroll and other functions. These systems, commonly including accounting software, make it easier to compile financial data for use in taxes, payroll, and other bookkeeping requirements.

- Producing external reports
- Supporting and fastening routine activities
- Decision support
- Budgeting
- Financial Control
- Implementing internal control
PRESENT SCENARIO

There are six common, but important accounting information system which are presently used by business entity.

1. **Order processing system**: It is an important transaction processing system that captures and processes customer orders and produces data needed for sale analysis. In many firms, it also keeps track of the status of customer orders until goods are delivered.

2. **Inventory control system**: It processes data reflecting changes to items in inventory. Once data about customer orders are received from an order processing system, a computer based inventory control system records changes to inventory levels and prepares appropriate shipping documents.

3. **Accounting receivables System**: It keeps records of amounts owed by customers purchase and payments. They produce invoices to customers, monthly customer statement, and credit management reports. It helps to maximize profitable credit sales while minimizing losses from bad debts.

4. **Accounts payable System**: It keeps track of data concerning purchases from and payment to suppliers. It prepares checks in payment of outstanding invoices and produce cash management reports. It provides tight financial control over all cash disbursements of the business.

5. **Payroll System**: It receives and maintains data from employee time cards and other works records. It produces paychecks and other documents such as earning statements, payroll reports, and labor analysis reports.

6. **General ledger System**: It consolidates data received from accounts payable, payroll and other accounting information systems. At the end of each accounting period, it closes the books of a business and produces the general ledger trial balance, the income statement and balance sheet of the firm, and various income and expenses reports for management. It typically provides better financial controls and management reports and involves fewer personnel and lower costs than manual accounting method.

IMPACT OF AIS ON EMPLOYEES

The impact of information technology in accounting cannot be overemphasized because of its significant in accounting. There are three major things IT does to accounting sector-

1. It simplifies the rigorous procedures of accounting work.
2. It makes the job easier.
3. It increases the speed of solving accounting problems.

INTERNAL CONTROLS ON AN ACCOUNTING INFORMATION SYSTEM

In accounting systems, certain controls are needed to ensure that employees are doing their jobs properly and ensure that the system runs properly. These checks are in the best interest of the organization. These controls come in the form of internal and external controls for the system. The internal controls are the checks that are placed in the system by the company's own management and directors. Today more and more companies are moving from the manual accounting systems to computerized accounting information systems. The advantages of a computerized system are increases in the speed and accuracy of processing accounting information.

However, as systems become computerized, the internal controls for that system have to be adapted accordingly. This is because computerized systems bring with them certain unique problems that can only be removed or minimized by adapting the present controls and adding new controls. These problems are

- In a manual system there is a paper trail for the internal auditor to follow. All records and transactions are kept on paper and so an auditor has clear and documented proof of what has transpired. Computerized systems rarely have a clear paper trail to follow. Since computers do all of the sorting of the information the company rarely sorts the source documents. Also the computer does most of the calculations and processing so there would not be the amount of documentation that there would be in a manual system.
Another problem of computer systems is the fact that there can be difficulty in determining who entered the data. In a manual system the identity of the person entering the data can be identified possibly by the person's handwriting. This cannot be done in a computerized system. This makes it very difficult to determine who is responsible for errors or fraud.

Since the computers do all calculations and processing errors can occur due to bad design of the program? This can be difficult to detect especially if the error does not occur frequently and only does so under particular conditions.

Computer systems also offer new opportunities for fraud. If a computerized system is not set up properly and certain checks not put in then the computer system can be used to defraud the company. The fact that it is difficult to trace who enters the data only adds to the magnitude of this.

In order to minimize the risks of errors or fraud occurring in the computer system certain controls have to be put into place. These controls can be broken up into three different categories. They are:

**Administrative Controls:** Administrative controls are those controls that are placed on the system to ensure the proper organization and processing of data. These administrative controls are Division of duties. Duties are assigned to different individuals in the organization. This is done in such a way that no one person can have full control over a transaction. This ensures that an individual cannot have full control over the creation and operating of the system. One reason for this division is having one person controlling the system can result in fraud if that person is not completely trustworthy. Another reason for the division of duties is to prevent the organization from becoming totally dependent on the person controlling the computer system. If this person were to leave then the organization would have no one to run the system. The division of duties ensures that employees can leave without having any major effect on the system.

**Operation Controls:** Operation controls are necessary controls since they determine what the computer systems and the employees using the system have been doing. These controls can come in the form of:

- rotation of shifts
- duty logs
- a manual of operating instructions
- attendance controls
- computer logs

These controls can allow an auditor to track the exact actions of the computer systems and employees. This documentation allows the to easily spot any errors or improper actions that have occurred.

**Files Controls:** These controls are put in place to minimize the number of errors and omission that occur in the file system. Good file controls are:

- availability of a skilled technician
- proper procedures for issuing and returning files
- proper labeling and indexing of files
- protection of storage media from dust, humidity, fire etc.
- procedures for returning files for certain minimum periods
- facilities for recovering files that have been damaged or corrupted.
- facilities for creating backup copies of files.

**AIS SOFTWARE**

In present days many firms are using accounting software to prepare accounting reports very quickly, perfectly and in mean time. Some of the important Accounting packages are introduced in the following lines:-

(1) **Busy:** It is developed by Busy InfoTech Pvt. Ltd. It is an Integrated business accounting software for small and medium business.

Features of Busy
1. Financial Accounting (Multi-Currency)
2. Multi-Location Inventory Management
3. Production/Bill of Material
4. Sales/Purchase order processing
5. Fully user-configurable Invoicing

(2) **Wings:** Wings is developed by Wings InfoTech Ltd. It performs the following functions

1. Financial Accounting
2. Inventory Accounting
3. Sales/Purchase Orders
4. Budgeting
5. Taxes
6. Analysis
7. Work flow statement
8. Dash board
9. Report Designer

10. Form Designer
11. Bulk Import and Export
12. Printer friendly

(3) **Tally:** Tally is a Concurrent Multi-Lingual Integrated Business Accounting Software. It is developed by Tally Software Solutions. Tally is dominant accounting software due to its unique features.
Features of Tally
1. Multi Company Accounts
2. Multi Financial Year
3. Multi Currency Accountancy
4. Codeless Accounting and Finance Management
5. Bill wise details
6. Batch wise details
7. TDS, VAT, Service Tax, Excise duty
8. Multi Languages.
9. Payrolls

(4) Focus: Focus is a Multi company accounting software. Focus has played a very important role in accounting life. Focus helps to maintain accounts with complete solutions & customizing etc.

Features of focus
1. Financial Accounting
2. Inventory Accounting
3. Payrolls
4. TDS, VAT, Service Tax, etc
5. Producing report with customizing the screen
6. Production accounting
7. Bill wise details
8. Batch wise Details

(5) RFID: It is a type of inventory accounting system. It is a new technology that will see expanded use. This type of system, has a device on each inventory item that emits a signal. Readers can detect the signal and track the inventory. Unlike bar coding, this system can track the actual movement of inventory in real time as it moves around a warehouse.

CONCLUSION
Managerial decision making normally relies upon an effective information system. During 19th and first part of 20th century this was being done by managers through Accounting Reports facilitated by financial, Cost and Management Accounting Departments, which is considered in terms of Accounting Information System. In present era this AIS is metamorphically changed as MIS with greater improvement of different elements. Hence, AIS is a perfect tool of information provisioning the environment for decision making and also eliminates the paper work as well as reduces the cost very significantly. How ever it can be asserted that AIS can help the business enterprises in the global context to make rational decisions in a swift manner for the betterment of the businesses.

Being an information system, an accounting information system must have a target system. It should be obvious that the target system for accounting information systems consists of certain aspects of the business operations in an enterprise. Other (non-accounting) aspects of business operations are covered by various other information systems such as Human Resources Information System, Production Planning/Scheduling System, Strategic Planning System, and so on. The target system for an accounting information system therefore has to do with the aspects of business operations that have to do with accountability for the assets/liabilities of the enterprise, the determination of the results of operations that ultimately leads to the computation of comprehensive income, and the financial reporting aspects of business operations.

The purpose of an accounting information system is closely linked to the purpose of accounting itself. At the most fundamental level, the purpose of accounting is to provide information for economic decision making. As business events transpire, the accounting information system should collect and store data about all aspects of those events, particularly the financial aspects. Data should be stored at the most elemental level, with all aggregation and summarization being left to individual users. Given the virtually unlimited storage capabilities of modern day computer systems, the data stored in the "accounting" information system should not be limited to financial data. Non-financial data such as customer feedback, product quality ratings, and even images, audio, and video clips could potentially be stored. Most importantly, however, all data should be stored in a single integrated enterprise-wide repository. Such an enterprise-wide information system spanning departmental and functional lines is exactly what contemporary enterprise resource planning (ERP) systems such as SAP and Oracle provide.

REFERENCES