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Solapur (Maharashtra)
A STUDY OF EXISTING ACCOUNTING PRACTICES FOLLOWED BY MANAGEMENT INSTITUTES - PROBLEMS AND PROSPECTS: KBPIMSR, SATARA.

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Introduction -

Accounting is the method which has been used to gather process financial information and summarize into financial statements and reports. The accounting practices consists the Business Transactions, Journal Entries, General Ledger, Trial Balance and financial statements i.e. Income and Expenditure a/c and Balance Sheet.

The purpose of accounting is to provide information which has been used in decision making. Accounting may be viewed as a system that converts data into useful information. Information process includes recording, maintaining, reporting. There are two bases of accounting: i) cash basis ii) accrual basis. In cash basis accounting entries are made on the basis of actual receipt or payment of cash. In cash basis receivable incomes or unpaid expenses are not recorded. In accrual basis accounting receivable incomes or unpaid expenses are recorded. Every business has numerous processes. Some are simple and some are complex. But as the business grows, acquires new customers, enters new markets, organization has needed to maintain highly accurate and up-to-date accounting records. This is where computerized accounting helps to simplify, integrate and streamline all business processes, cost-effectively and easily.

Review of Literature -

Jacob Budrick (1997) has compared manual accounting system and computerized accounting system in research titled 'Manual vs Computerized Accounting systems'. The study has focused on what has been manual accounting system and what has been computerized accounting system? Researcher has also given the benefits of the both manual and computerized accounting systems. At the end he compared both methods and gave which has been the best method for accounting.

Prof. Vishwanathan Bharathan, Gulbarga (2005), focused on Indian accounting under title Indian and international accounting standards & practices. Objectives of the study were to understand the various Accounting standards that exit as of now, and the governing bodies of such accounting standards, to understand the significance of harmonizing global accounting standards, to understand the issues in globalizing the accounting standards. Researcher focused on the current status of Indian Accounting Standards (IAS). From 1973 to 2000 the International Accounting Standards Committee (IASC) has issued 32 accounting standards. One of the conclusions from this research was, India is slowly entering the arena of accounting standards. But the progress of formulation of accounting standards has been very slow compared with the developments at international levels.

Management Problem -

There are some limitations of this existing accounting system. Handling bulky books of account become inconvenient. Secrecy is not possible in the existing system. All the books of account, source or original documents are accessible to any person. It has been not possible in the current system that any new account automatically adds to the accounting system. In manual accounting system every time it has been necessary to post amounts to the various accounts and calculate new balances as new entries are made. In some cases accounting staff forget to post the amount to the particular account after some transactions. They have realized this error after the balance calculation of that account. Many times there has been possibility of mathematical errors in various calculations. Accounting staff have to spend much of their time filling out spreadsheets...
manually. Every time they have to give the formula for any type of calculation. Accounting staff need to round the fractional figures automatically without using any formula. Manually it has been very difficult to maintain various types of financial statements on a monthly, quarterly, and/or annual basis correctly and timely i.e. they have to refer all the records which they kept for the previous period. E.g. if they want six monthly balance sheet, they should refer all the records of previous six months. This has been very tedious and time consuming task. It takes lot of time in getting any desired information in the existing accounting system. To take proper decisions management institute needs to have accurate, consistent, and timely data in a variety of reporting formats. Organization cannot use readymade accounting softwares viz. tally, wings as they have been not compatible with the existing accounting system.

Objectives of the Study - The study put forth following objectives,

1. To study an existing accounting practices in the organization.
2. To analyze an existing accounting practices with Generally Accepted Accounting Principles (GAAP).
3. To design and develop computerized accounting system to overcome the problems.

Scope of the Study:

Present research has been confined to the management institute named 'Rayat Shikshan Sansths Karmaveer Bhauroo Patil Institute of Management Studies and Research (KBPIMSR), Satara' in Maharashtra state in India. The study focuses on the analysis of present manual accounting system of the institute and problems of the present accounting system. The data would be analyzed using comparison with standard accounting system. The study manifests a computerized accounting system.

Research Methodology -

This is a case study research. The research methodology which has been used for research work is as follows.

A. Data Required -

Transactions and events related to financial resources have been the important data for respected research study. Some accounting system statements such as book of original entry which has been called as 'Journal', 'Ledger' where journal entries have been posted, Trial Balance, Income and Expenditure a/c and Balance Sheet have also needed for studying the problem.

B. 1. Data Sources -

Both primary and secondary sources have been used to collect the data for the research. Primary data sources The primary data has been collected from the staff of the accounting department of the institute by observation and schedule.

B. 2. Secondary data Sources -

Secondary data for the research has been collected by using sources like Journal entry books, Ledger, Trial balance or it has also called as Receipt and Payment statement, Income and Expenditure statement, Balance Sheet etc. Some information about the accounting has also taken from books of accounting and book keeping.

C. System analysis and design -

System analysis has been done by using following techniques of system analysis and design.

1. Context Level Diagram (CLD) CLD has given overview of the system. It has been also called as zero level DFD.
2. Entity Relation Diagram (ERD) Each system has entities such as people, places, things etc. These entities in the system interact with each other in various ways and those interactions have been shown by ERD.
3. Data Flow Diagram (DFD) DFD is a graphical aid for defining systems inputs, processes and outputs. Visual Basic 6.0 has been used as a front end and SQL 2005 has been used as backend for the system development.

Theoretical and historical details about the existing accounting system are collected by referring different accounting books of Karmaveer Bhaurao Patil Institute of Management Study and Research. Primary data has been collected from account department of KBIMSR, Satara. Problems faced by the end users of existing accounting system are found out by discussions with the accounting department staff and with the help of schedule. To eliminate those problems, tailor-made software is developed which is compatible with existing system and validity is tested using real data of institute's accounting department.

VII. Difference between Manual and Computerized Accounting -

In manual accounting systems, all entries are handwritten and all records are prepared by hand, although admittedly with the aid of a calculator. Initial transactions such as sales and payables are recorded in specialized journals and then posted manually to the subsidiary journals and/or to the appropriate general ledger accounts. At the end of an accounting cycle, whether monthly, quarterly or annually, worksheets are set up, adjusting entries are made, and financial statements and reports are prepared.

In a computerized accounting system, the same basic components must exist. There will be receivables, payables, inventory, payroll and depreciation, all of which must be recorded and properly processed to give the same end product-reliable financial statements and reports. An individual must make the initial entry whether it is handwritten or keyed into a computer. So just what is the difference, and what are the advantages? A major and very significant difference is "integration." When a transaction is entered in the computer, it is then carried to all parts of the system. For example, to record a sale, the invoice amount is posted to a sales journal, to a subsidiary accounts receivable ledger and to the general ledger. This information will be used to update sales reports, accounts receivable reports and client billing statements as well as the financial statement. In a manual system, this figure would have to be entered several times. In a computerized system, only one entry is needed and the computer would carry the figure to all the necessary components of the system. The second major advantage of a computerized accounting system is one of time and accessibility of information.

Financial statements and reports can be obtained with more frequency and are therefore more useful to the client. Another key advantage to using a computer is flexibility. Information can be handled by computers in a very simple and straightforward manner, or the computers can be used to produce very sophisticated reports. The use depends totally on management and its needs.

1) Speed -

Computer accounting is faster and efficient in processing of information where manual accounting is a slower and time consuming process. Documents and reports can be generated automatically, at the press of a button.

2) Accuracy -

There is less room for errors as only one accounting entry is needed for each transaction rather than two (or three) for a manual system. Computerized accounting considerably reduces (if not eliminated) mathematical errors.

3) Efficiency -

In computerized accounting system better use is made of resources and time. Comparatively manual accounting is less efficient than computerized accounting system.

4) Integration

Computerized accounting is designed to automate and integrate all the business operations, such as sales, finance, purchase, inventory and manufacturing. When a transaction is entered in the computer, it is then carried to all parts of the system. In a manual system, this figure would have to be entered several times. In a computerized system, only one entry is needed and the computer would carry the figure to all the necessary components of the system.
5) Machine dependence

Computer accounting is completely depending upon machines. Manual accounting is not depending upon machines for any work.

6) Decision making

Using computerized accounting system management can access complete and critical information, instantly. So they can take decisions quickly. On other hand manual system it takes more time to access information and take decisions.

7) Cost

High cost is required for developing computerized accounting system, training forepersonnel, purchasing computers etc. Comparatively manual accounting system can be implemented in low cost.

8) Flexibility

Another key advantage to using a computerized accounting is flexibility. Information can be handled by computers in a very simple and straightforward manner, or the computers can be used to produce very sophisticated reports. The use depends totally on management and its needs.

9) Data storage

Computerized accounting has the ability to handle huge volumes of transactions without compromising on speed or efficiency. Manual accounting can not handle large volume of data with speed and efficiency.

10) Generation of accounting documents

Computerized accounting system automatically and fast generates accurate accounting documents like invoices, cheques, credit notes, purchase orders, payroll documents and statement of account. In manual system, to generate these documents, accounting staff must perform a series of steps, which is known as accounting cycle.

11) Stacks of paper ledger

In manual system accountants construct stacks of paper ledgers to store several years of financial information. But in computerized system they can store several years of financial information with relative ease, in computer files.

Obviously both computerized and manual accountings have advantages and disadvantages but they perform the same task, and the final result is the same. The main differences between them are the costs, speed and mobility. Most companies will use a computerized accounting system for recording and presenting financial information. This system allows companies to record business transactions accurately and generate financial reports quickly for management review. While the functions of manual accounting have changed, it will never go away completely. Accountants must review the information presented on financial reports from the accounting system and ensure that it is accurate and valid. Accountants must also ensure that all financial information follows the Generally Accepted Accounting Principles (GAAP) and any other guidelines from organizations.

VIII. Data Analysis and Interpretation:

Table 1: Work Carried Out with Help of Computers in Existing System

<table>
<thead>
<tr>
<th>Percentage Of work</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nil</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>0-25</td>
<td>19</td>
<td>47.5</td>
</tr>
<tr>
<td>25-50</td>
<td>13</td>
<td>32.5</td>
</tr>
<tr>
<td>50-75</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>75-100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total -</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data
Table 2: Softwares Used while Maintaining Accounting in Existing System

```
<table>
<thead>
<tr>
<th>Softwares Used</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excel</td>
<td>30</td>
<td>75</td>
</tr>
<tr>
<td>Word</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>Access</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tally</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total -</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>
```

(Source: Primary Data)

Table 3: Opinion of End Users Regarding Problem Solving Capacity of Fully Computerized System

```
<table>
<thead>
<tr>
<th>Opinion</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completely Solve</td>
<td>18</td>
<td>45</td>
</tr>
<tr>
<td>Solve to Some Extent</td>
<td>14</td>
<td>35</td>
</tr>
<tr>
<td>Not Solve</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Can't Say</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Total -</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>
```

(Source: Primary Data)
Table 4: Satisfaction of End Users about User Friendliness of the Candidate System

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Satisfied</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>Satisfied</td>
<td>26</td>
<td>65</td>
</tr>
<tr>
<td>Can’t Say</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Not Satisfied</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source: Primary Data)

Table 5: Understanding Levels of Components of Candidate System

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Components</th>
<th>Levels of Understanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Respondents</td>
<td>Very Easy</td>
</tr>
<tr>
<td>1</td>
<td>Data Input</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>40</td>
</tr>
<tr>
<td>2</td>
<td>Database Design</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>22.5</td>
</tr>
<tr>
<td>3</td>
<td>Screen Design</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>37.5</td>
</tr>
<tr>
<td>4</td>
<td>Process Design</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>22.5</td>
</tr>
<tr>
<td>5</td>
<td>Reports Generated</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>40</td>
</tr>
</tbody>
</table>

(Source: Table 5)
Table 6: Opinion of End Users about Real/Live Data Accepted Properly by Computerized System

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Accepted</td>
<td>16</td>
<td>40</td>
</tr>
<tr>
<td>Partially Accepted</td>
<td>18</td>
<td>45</td>
</tr>
<tr>
<td>Can't Say</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Partially Rejected</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Fully Rejected</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total -</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Primary Data)

IX. Findings: On the basis of data and onsite observations researcher has following findings.

- It has been observed that, majority of the respondents said that little work (0% to 25%) is performed with the help of computers in the accounts department.
- It is found that, majority of the respondents (75%) said that they use MS-Excel spreadsheets to prepare
Income and Expenditure account, Trial Balance, Receipt and Payment account and Balance Sheets. Around 25% respondents said that they use MS-Word to maintain various types of accounting work.

- It has been observed that existing accounting system is different from double entry system based on Generally Accepted Accounting Principles (GAAP).
- Accounting department prepares financial books like general ledger and trial balance. Further financial statements viz. Receipt and Payment, Income and Expenditure, Balance Sheet are prepared by internal auditors of santha.
- It is found from discussions with accounting department staff, that in the existing system every time it is necessary to post amounts to the various accounts and calculate new balances as new entries are made.
- It has been observed that institute maintains 9 different ledger books as MBA, BCA, BBA, MPHIL, DBM, PGDCA, santha, scholarship and building.
- It is found that 45% of the respondents said that by using fully computerized system, all the problems faced by end users, can be solve completely.
- While testing of fully computerized system, it is found that majority of the respondents (65%) said they are satisfied on user friendliness of the candidate system.
- It is found that 45% of the respondents said that real/live is partially accepted properly by the computerized system.

X. Conclusions -

- It is concluded that less than 75% work is carried out with the help of computer in the existing accounting system i.e. it is not fully computerized.

- Accounting department uses MS-Excel spreadsheets to prepare Income and Expenditure account, Trial Balance, Receipt and Payment account and Balance Sheets in the existing system.

- The institute does not use any readymade software like Tally, to maintain accounting work because those softwares are not compatible with existing accounting system.

- There was a need to develop the new fully computerized system to eliminate the problems of partially computerized system and which is well-suited to the existing system.

- It has been not possible in the current system that any new account automatically adds to the accounting system.

- In semi-computerized system every time it has been necessary to post amounts to the various accounts and calculate new balances as new entries are made.

- In some cases accounting staff forget to post the amount to the particular account after some transactions. They realize this error after the balance calculations.

- Accounting staff have to spend much of their time filling out spreadsheets manually. Every time they have to give the formula for any type of calculation.

- Secrecy may not be possible in manual process of accounting. All the books of account, source or original documents are accessible to accounting personnel. The financial statements are also known to them. This data can be supplied to unauthorized parties.

- It is concluded that different problems faced by accounting department staff, while working
with the existing system, can be solve completely by using fully computerized system.

- Accounting department staff is interested in implementing of fully computerized system to maintain accounting.

- Overall understanding level of all the components of the candidate system is easy that means fully computerized system is very easy to understand.

- Majority of the respondents are satisfied with the user friendliness of the fully computerized system that is candidate system can be easily operated by any new user.

- While testing of fully computerized system real or live data of the management institute is properly accepted by the system i.e. candidate system is suitable for the existing system.

XI. Suggestions

Existing accounting system has been suffering from many limitations viz. more possibility of accounting errors, secrecy is not be possible, handling bulky books of account become inconvenient, delay in getting any desired information, delay in preparing final accounts at the end of year, daily reporting of financial status not possible etc. To eliminate these limitations management institute has been suggested to use the fully computerized accounting system which is designed and developed as per accounts department requirements and it caters all the needs of existing system.

Institute will get revolutionary advantages of computerized accounting system as compared to existing system viz. less accounting errors, bulletproof secrecy possible, no problem of handling bulky books, get any information any time, final accounts are always available, cheaper storage, less manpower is required, better decisions are possible.

The benefits of computerized accounting are so strong that institute has been suggested to go for computerization. Reports generated by computerized system can be sent to concerned peoples using e-mail facility. This helps in quick communication and thereby adds to the efficiency.

XII. Scope for Further Study

In this research, existing accounting practices in the organization are studied. Accounting practices are analyzed with Generally Accepted Accounting Principles (GAAPs). After studying the system it is found that it has many limitations. To get rid of the problems, fully computerized accounting system is designed and developed, which is well-suited with existing accounting system and fulfill all the requirements of the user.

1) Security level can be increased

In the developed computerized system there is scope to increase the security by assigning different passwords to various levels of computer users such as separate passwords for data-entry operators, accountant, and director. Also the editing, deleting, or inserting voucher etc. can be permitted only to persons having appropriate passwords. Such arrangement prohibits unauthorized persons to access the data or reports.

2) Further financial statements can be generated

In the computerized system reports are generated up to trial balance only, as per their requirement. But in the computerized system there is scope to generate the further financial statements like Receipt and Payment a/c, Income and Expenditure a/c and Balance Sheet.

3) Proper data backup system

The data can be now stored using a space on internet hired from internet service providers, i.e. a memory space in cyber space. The data stored in such cyber space will remain intact even if the premises of the organization destroyed due any reason.

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