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E-Accounting in the Current Scenario: Impact of Information Technology

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Abstract:
In the present era of Globalisation and Technology Advancement, change is indispensable. Information technology (IT) has completely transformed the way accounting is being done. Accounting though has not altered, but the way to do it has. Manual accounting is a passé. This review examines how IT has led to a transformation of the accounting practices. It also sheds light on E-accounting and its pros and cons to business undertakings around the globe. Finally, some accounting soft-wares are discussed.

Keywords: *Information technology, Accounting, Information system, Accounting software.*

1. Introduction

1.1. Accounting
Accounting is an art of recording, classifying, presenting and summarising the monetary transactions of a business.
According to AICPA:
"Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part at least, of a financial character, and interpreting the results thereof".

1.2. Accounting & IT
Luca Pacioli (1494) evolved the field of accounting. Being the "Father of Accounting", he was the first to describe the systems of debits, credits, journals and ledgers. Information technology (IT) has completely transformed the way accounting is being done. In the present era of globalization and internet, manual accounting is a passé. These days simply making an entry into your desktop serves the purpose of accounting. IT has turned accounting from a laborious task into a fast-paced and dynamic profession.
Emergence of simple spreadsheet programs served as the foundation stone to the building of latest accounting techniques. Since accounting has emerged as a profession, the tasks associated with the accounting have not changed, but the tools certainly have. Undoubtedly, we owe that change to technology. These days firms rely more on E-accounting to handle & manage their operations. Accounts can be managed anywhere, anytime through cloud enabled technology.
Technology will increasingly be woven into the fabric of the accounting industry in the next decade. The accounting profession will be reshaped as accounting firms use Cloud computing platforms and applications, combined with advanced analytical tools, large data sets along with social and mobile computing. "To best serve their clients, accounting professionals need to embrace new technologies quickly, understand the best way to incorporate those technologies into their business process and proactively guide their clients through to full adoption".
Modern technology allows accounting professionals to handle their work with more flexibility and mobility. The biggest advantage IT has provided the companies is the use of computerized systems to record financial transactions which can later be tracked anytime anywhere. Accounting firms can now avail benefits like easy and efficient data collection, improved data quality, speedy data validation and many more.
Accordingly to Crescenzi and Kocher (1984) with emergence of IT both an opportunity and a potential risk for the accountant arise. Although risk due to IT is a challenge for accountants but by avoiding the potential risk the accountants can use the new IT for development in this field. In 1960s the accountant primary responsibility was of bookkeeper & to reports on the business activities. But as the time changes, Computers provided a more efficient means of keeping the books.

2. Information System
The information system is the set of formal procedures by which data are collected, stored, processed into information and distributed to users. It comprises the accounting information system (AIS) and the management information system (MIS). The information system accepts input, called transactions, which are converted through various processes into output information that goes to users.

2.1. Information System: Framework

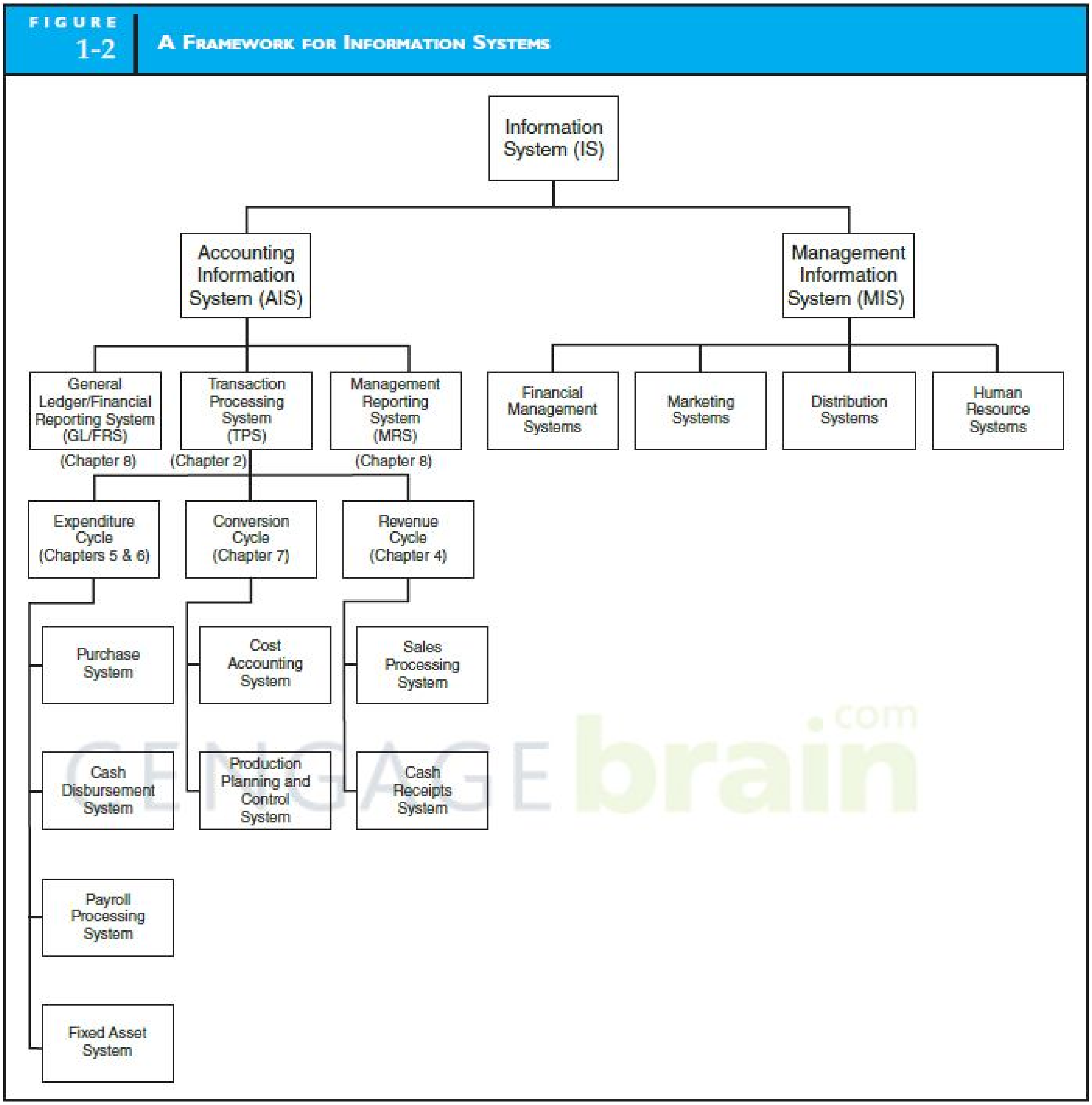

Figure 1

Source: Accounting information systems, Hall James A. (2012), 8th edition.

2.2. Accounting information system:

An accounting information system (AIS) is a computer-based system for tracking accounting activity in conjunction with IT. Under AIS, accounting data are collected, stored and processed to be used by decision makers in an organisation. AIS has three major subsystems: (1) the transaction processing system (TPS), which supports daily business operations with numerous reports, documents, and messages for users throughout the organization;

(2) the general ledger/financial reporting system (GL/FRS), which produces the financial statements such as the income statement, balance sheet, statement of cash flows, tax returns, and other reports required by law; and

(3) the management reporting system (MRS), which provides internal management with special-purpose financial reports and information needed for decision making such as budgets, variance reports and responsibility reports.

2.3. Management Information System:

Management Information System (MIS) refers to a computer-based system that provides managers with the tools to organize, to evaluate and to efficiently manage the departments within an organization. The MIS processes nonfinancial transactions that are not normally processed by traditional AIS. The main purpose of the MIS is to give managers feedback about their own performance & top

management can also monitor the company as a whole. MIS acts as a measure to check progress against the set goals by displaying the comparative information.
MIS often requires information that goes beyond the capability of AIS. As organizations grow in size and complexity, specialized functional areas emerge, requiring additional information for production planning and control, sales forecasting, inventory warehouse planning, market research, and so on. The MIS manager typically analyzes business problems and then designs and maintains computer applications to solve the organization's problems.

3. E-accounting

E-accounting incorporates performing regular accounting functions through various computer based accounting tools such as digital tool kits, various internet resources, international web-based materials, institute and company databases, web links, internet based accounting software etc. to provide efficient decision making.
E-accounting does not have a standard definition but merely refers to the changes in accounting due to computing and networking technologies. Under E-accounting, opening or making accounts requires login ID and password provided by accounting service provider. Accountants can make, check, edit and audit records stored in Web-servers connected with internet. Firms may use them as per their needs and availability of time.

4. Pros of E-accounting

E accounting provides firms with multiple benefits:

- Faster Processing: With the advent of IT, recording of transactions becomes faster & simplified. Transactions can be quickly posted to the appropriate accounts. In order to be effective as far as speed is concerned; the accounting system should work seamlessly with proper hardware and backup systems.
- Accuracy & Better external reporting: Online accounting eliminated calculators & paper work. It has had a positive effect in accounting applications because calculations done by a computer generally reduces error rates and are more accurate. For example, an invoice may have several line items and sales taxes associated with it. If the invoice is to be developed manually, the likelihood for errors is high, but that is not the case if software is used with a proper setup.
- 24 /7 access: E accounting allows flexibility to access transactions anytime & anywhere. There is no need to manage troublesome files and paperwork. With e-accounting accountants by just log in to their firm’s accounts can get data easily available & can edit or save it anytime & anywhere.
- Quick Decisions: E accounting also helps management of an organisation in taking quick and better decisions. Handling accounts on computers with advanced tools not only ensure hassle free work but also helps accountants in performing their job expeditiously.
- Competitive Advantage: Utilization of IT allows companies to maintain a competitive edge over their rivals. IT can helps in making new and improved products, reduction in cost of product & increase in productivity to cope up with its rivals in market. Businesses can also build-in IT to their products that makes it difficult for customers to switch brands or products.
- Cost Savings: IT resources can significantly reduce accounting costs. Redundant tasks can be centralized in one location through the use of IT infrastructure. Economic efficiencies can be realized by migrating high-cost functions into an online environment. Companies can also offer email support for customers that may have a lower cost than a live customer support call.

5. Cons

Everything in the world comes with bane & boon. It is similar with IT. It is not perfect. Some of the cons are as below:

- Updating technology with changes:
  Accounting department requires change in technology in line with new processes & systems. Moreover to get better results, a business needs to update its technology with time, otherwise businesses will carry on with the obsolete technology. So, the adoption of technology must be in line with the changes.
- Expensive source:
  No doubt e-accounting is costlier as it requires huge investment in computer hardware, software. Also there is a need of expensive consultants who can guide the accountants in handling accounting software & perform their work in line with change in technology.
- User resistance:
  Employees and accountants in an organisation usually resist change. It is not a surety that accountants will give their consent to perform e-accounting. Their resistance in adopting the change can cause a serious problem for the firm.
- Electrical problems:
  There can be electrical problems in e-accounting like problems with connections, compatibility and other technical issues, which can affect in performing accounting processes. In order to make technology effective in accounting with minimum down-time, businesses should have a plan to deal with it.
- Viruses & hacking:
  Internet connection malfunctions and computer viruses are big risk while handling online accounts. Viruses and hackers will continue to permeate the environment. So far, viruses have been primarily inflicted directed by a small number of hackers as proofs of technical proficiency.

- Unauthorized invasions:
  This will be among the top security concerns. The opening of corporate systems to the Internet and file sharing along the value chain creates major weaknesses in the structure of corporate information systems Exposures are exploding due to the natural desire to open systems to the clients, to decrease costs, and increase service.
- Shortage of quality & experienced staff:
  No doubt there is a need of quality staff in times of stiff competition in market. Every firm prefers competent staff to handle its e-accounting operations. These operations can only be performed by a trained & experienced candidate in the field of accounting.

6. Softwares available

Variety of accounting softwares is available online. Few are enlisted here:

- Cloud: Cloud is very popular software for accounting applications. It is also known as cloud computing, cloud accounting or Web hosting off-site, SaaS; 'software as a service'. Instead of installing a program onto your computer and saving data there, the program resides on a server in a different location; the saved information is accessed via the Internet. That's also called "working in the cloud." Its advantages are as below:
  a. Cost efficient: Businesses can save money in software and hardware purchases by just signing up with a cloud provider and using its programs and space for saving data. Through this, there is no need to get a bigger hard-drive or worry about program versions.
  b. Flexibility: The other advantage of the cloud is that it provides flexibility as the user can access the information anywhere provided the person is connected to internet.
  c. Security: This technology also incorporates improved security of accounting information. Information is not open to all net users; the administrator can restrict access to the information.
- Tally: Tally is a complete business accounting software for small and medium businesses used by millions. It is fully integrated, affordable & highly reliable software. It is a software with no accounting codes, easy to buy, easy to install, flexible & is a complete business solution. Its latest version is Tally.ERP 9.
- Sage: Sage by Peachtree is easy to use business management software that provides small & medium firms with tools need to manage their bookkeeping, payroll and business needs. This feature-packed and easy-to-use accounting software enables you to:
  - → Manage your cash flow,
  - → Customized invoice and billing,
  - → Easily rein inside your costs,
  - → Track inventory,
  - Reduce errors and deter fraud with screen-level security and a clear audit trail.
- Xero: Xero is cloud-based accounting software that offers a ton of integrations with third-party business solutions one likely already use (it's particularly useful for online stores, as it integrates with 26 e-commerce apps). Otherwise excellent accounting software, Xero lacks phone customer support, so one can't immediately reach a person when one needs help.
- QuickBooks: QuickBooks is definitely simple to utilize accounting system for small and medium size businesses, from 'Intuit'. With quickbooks, one can transfer data file between types except online, manage inventory, customers and vendors data without needing to publish custom functions or designing tables. Quickbooks outsourcing can provide tremendous advantages of record keeping inside a variety of businesses. It is available in many versions; the major one is Quickbooks enterprise solution. Quickbooks is widely recognized and accepted by many organizations for legally financial reporting. The beauty with this really is, quickbooks changes its versions and keeps the momentum of company growth.

7. Conclusion

With new innovations in technology, accounting sector gained a lot as the accounting work can easily be performed now with less tedious calculations. Accounting will have to face some challenges to cope up with the changes in technology.
Business organisations must choose compatible systems and software for business growth. Although in present era of information technology computers have improved the accounting processes but computers can't substitute man role in accounting.

8. Abbreviations

i. AICPA (American Institute of Certified Public Accountant),
ii. MIS (Management information system),
iii. AIS (Accounting information system),
iv. IT (Information technology).

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