

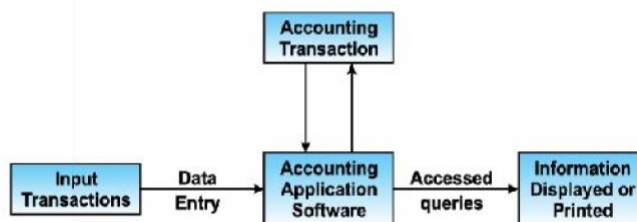
Overview of Computerised Accounting System

Computerised Accounting System

Computerised Accounting System refers to the process of accounting with the help of Computers and Accounting software. It receives the transactions as its inputs and processes it as per the Accounting Rules and generates various types of reports as we require.

Flow of Accounting Transaction

Basic flow of Accounting Transaction



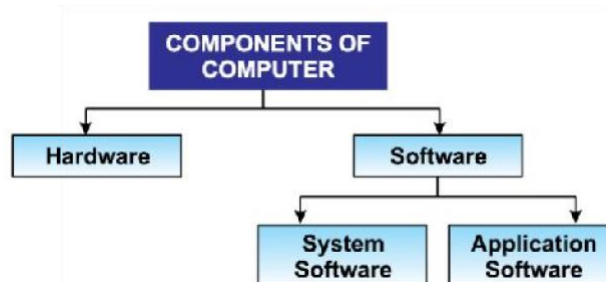
Components of CAS

- Procedure – A logical sequence of actions to perform a task.
- Data - The raw fact for any business application.
- People- Users.
- Hardware - Computer, associated peripherals and their network.
- Software - System software and application software.



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Components of Computer



Data and Information

Data is raw, unorganized facts that need to be processed. Data can be something simple and useless until it is organized.



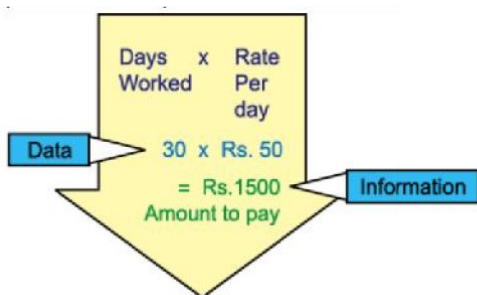
When data is processed, organized, structured or presented in a given context so as to make it useful, it is called information.

A computer is an information processing machine. Computers process data to produce information. In Computerised Accounting System, It receives data from the Accountant in the form of transactions, processes the data and generates reports which are useful to the user. See the example given below:-

Example : 1

Data	Processing	Information
Sold goods to Mahesh – 20,000	Mahesh's A/c Debited -.20,000	Balance payable by Mahesh Rs.8,000
Received Cash from Mahesh -12,000	Mahesh's A/c Credited - 12,000	

Example : 2



Data Element: Every data may have different Data Element (Data item). For example, if a transaction is considered as Data, its Date, Account Name, Account Code, Amount etc can be said as Data Element.

Features of Computerised Accounting System (CAS)

1. **Simple and Integrated** – Computerised accounting is quite simple and integrates all business operations such as sales, finance, purchase, inventory and manufacturing. With computerized accounting, accurate, up-to-date business information is available at the fingertips.
2. **Accuracy and Speed** – With the help of Computerized accounting, a large volume of data can be processed and reports can be generated with a high speed and accuracy.
3. **Scalability (Flexibility)** – CAS enables to process any volume of data in tune with the changes in the size of the business.
4. **Transparency and control** – CAS provides greater transparency for day to day business operations.
5. **Reliability** – CAS makes sure that the accounting information is accurate and secured.

Grouping of Accounts

Grouping of Accounts is the process of classifying the ledger accounts and organizing them under major heads of accounts. The group of account determines where to place a particular ledger account



under trading account, Profit and Loss A/c or Balance sheet. It helps in presenting summarized reports and information.

Basically, there are four groups of accounts viz. Assets, Liabilities, Income and Expenditure.

Reserved or Default Groups

All accounting packages have pre-defined accounting groups. They are called reserved groups. Reserve groups can be studied under three heads.

1. Accounting Groups of Trading Account
2. Accounting Groups of Profit and Loss Account
3. Accounting Groups of Balance Sheet

Accounting Groups of Trading Account

Sales Account
Direct Income
Purchase Account
Direct Expenses

Accounting Groups of Profit and Loss Account

Indirect income
Indirect expenses

Accounting Groups of Balance Sheet

Liabilities Side

Capital Account
Reserves and Surplus
Loans (Liability)
Bank O/D Accounts
Secured Loans

Unsecured Loans
Current Liabilities
Sundry Creditors
Duties and Taxes
Provisions

Assets Side

Fixed Assets
Investment
Current Asset
Cash in Hand
Bank Account
Sundry Debtors

Stock in hand
Deposits
Loans and Advances (Asset)
Miscellaneous Expenses
Suspense Account

Codification of Accounts

Code is an identification mark. Giving a numerical number or alphabet or both to a particular account for identification is known as Codification of Accounts. For example for the primary code '1' can be given to Asset, '2' to Liabilities, '3' to Income and '4' to Expenditure. Again for fixed assets the code can be given as 1.1 and the current assets can be coded as 1.3. Thus Building under Fixed Assets can be coded as 1.1.1 and Furniture can be coded as 1.1.2, Cash Account can be coded as 1.3.1 and so on...



Types of Codes

1. Sequential Codes

The code is sequential when each succeeding code is one number greater than the preceding code. These codes are primarily applied to source documents such as invoices, cheques etc

<u>Codes</u>	<u>Accounts</u>
AC001	Arun Traders
AC002	Goodluck Furniture Mart
AC003	Rajendra Kumar

2. Block Codes

In block code, a range of numbers is partitioned into a desired number of sub ranges and each sub range is allotted to a specific group.

<u>Codes</u>	<u>Account Group</u>
001 – 500	Direct Expense
501 – 1000	Indirect Expense
1001 – 1500	Direct Income
1501 – 2000	Indirect Income

Mnemonic Codes

The term Mnemonic means a technique for remembering anything more easily. A mnemonic code consists of alphabets or abbreviations as symbols to codify an Account. E.g. Salary Account can be coded as 'SLR', Building Account can be coded as 'BLD', etc.

Other Examples: Trivandrum – TVM, Delhi – DEL, Bangalore – BLR, Kalpetta - KPTA

Methodology to develop coding structure

Let us examine how to develop a coding structure for each of the students coming under Higher Secondary education department. First of all we have to design a hierarchy of the school system and attributes of the students. It can be as follows

School Code - Year of Admission - Combination Code - Admission No.

The coding for the students will be as follows based on the above consideration

School Code	5 Digits
Year of Admission	2 Digits
Combination Code	2 Digits
Admission No	4 Digits

Thus, if we allocate a 13 digit code to a student who is studying in the school 12020, who got admission in the year 2015 in the combination commerce (39) with Admission No.3456, the code will be as follows:
