

Comparison of Computerised Accounting to Manual.

In the modern business world it is still common to find some smaller business still functioning on paper-based accounting systems, but this is fading out more and more as businesses are starting to come to the warmth of computer accounting. The general reason being that it automates the manual, long and boring processes of constantly switching from ledger to ledger and journal to journal.

There are many more advantages of computerised accounting, in particular the:

- Facilities
- Reports
- Networking
- Backups and Storage
- Payroll Processing
- Security

The main similarity between paper-based and computerised accounts is that they both work on the same process, with credits, debits, ledgers, journals, cashbooks, etc, all being in the same language.

In computer accounting there is no more switching between books, everything is on the computer itself, and a lot can be stored at that. So for the mass amount of room that journal after journal would take up in the office, it would take up almost no room at all, in comparison, on the computer. Calculations are sped up drastically as they are all done automatically rather than entering loads of figures into a calculator. The main editing of the accounts is easier also as you just have to delete figures on a screen rather than erase numbers that are wrote down on a page.

One huge part of computerised accounts is that there is a part to the system that allows you to plan out finances for the future in ‘what if?’ scenarios. This can then be integrated in larger business with an MIS. This in turn can produce constant reports on cash flows, valuations and financial analysis. Information can also be shared all over the business if need be.

In larger multi-national companies, accounts can be networked worldwide to the rest of the business and can also be made available on the Internet for stakeholders and shareholders alike to check up on how the company is doing.

A huge benefit of having the accounts computerised is that taxes can be calculated easier.

Managers and Personnel departments can also use the computer accounting to their benefit with processing the company’s payroll. Wages and salaries are

worked out with simplicity. There are several steps then integrated with the payroll processing. Employee's gross pay is calculated first and then they calculate the deductions from taxes and contributions. If it is a larger company with a pension scheme, then pension payments are calculated. The employee's net pay is then calculated, which is the gross pay minus the taxes, contributions and payments. The payroll system then processes the printing of payslips, cheques and prepares the details on transferring the salaries. Finally all the paperwork is processed and payments are sent of to the Inland Revenue.

Finally the most notable advantage of computerising the accounts is the security. Fraud is narrowed down to a minute amount and accounts are backed up at a different location to the main system just in case the main system gets damaged. Systems can also be encrypted and/or have a password for main access.

Unfortunately with all the advantages, there has to be some downfalls where manual systems come out on top.

If a problem does occur in an account, it is not always as easy to read into it and investigate it. In a paper-based system it is easier as you can dive into all the books and trace back to where the error could have started as on computers you cant. Depending on how you word it, computers can still make mistakes. Either the user has entered wrong data or there is a fault in the system, but either way, a computer can still make mistakes.

If a system has not been protected sufficiently, it can be quite easy to steal. There is also then the case if it has not been backed up either, as computers can be venerable to crashing.

Basically all in all, the main advantage is that computerised accountancy methods are faster but there is the factor that problems aren't as easy to investigate.