

E–Accounting: Problems and Prospects

Dr. G. Tirumalaiah

Lecturer in Commerce, Government Degree College, Puttur, Tirupati (Dist), A.P

Abstract

There has been a constant growth in the use of information and communication technology in business to support the exchange of data and information within and between organizations. New technologies, like the Internet and mobile solutions, have provided new business & employment opportunities and operations. According to IFAC, E-business is believed to have a significant impact also on accounting systems. The perceived impact is felt in the areas of storage of data, both with respect of medium of storage & volume of storage. Transfer & transmission of data with refer to speed, accuracy & availability of technology use to newer perceptions, concurrent availability of data which hither to was not so easy, more control over the affairs and so, quick & scientific decision making has become possible.

E - accounting is a new chapter added in the domain of Commerce, in this century. E - accounting is about maintenance of the accounting information in an electronic form. But one may wonder, if this is a new system of accounting. There is no change in the process of accounting but the change is in the way it is recorded-the storage and retrieval for use and re-use.

Accounting plays a critical and crucial role in the success or failure of contemporary business institutions. Accounting, as system, is responsible for recording, analysing, monitoring and evaluating the financial aspects of companies, preparation of documents necessary for tax purposes, providing information support to many other organizational functions, and so on. Prior to the advent of personal computers, businesses were limited to manual methods for keeping track of financial data. Prior to the advent of computers, the maintenance of accounts was done manually. Latter the innovations, inventions in technology favoured migration to what it is now, popularly called, “mechanization of accounting”. Latter there was a metamorphosis is and now universally this is being called as ‘computerization’.But computerization is a broad term and e-accounting is a sub-set or a subsystem.

Now because of this mechanization, by whatever name it is called after the financial data, is fed into the system, processed information is available at the press/ touch of a button.

E-Accounting refers to Electronic Accounting, a term used to describe an accounting system that relies on computer technology for capturing and processing financial data in organizations. In literature, two more terms have been used to describe E- accounting: computer-based Accounting System and Accounting Information System (AIS). Stefanou (2006) observed that although accounting information system does not require a computer to function, the computerisation of the accounting function, the term AIS, is used

primarily to denote the computer-based AIS. In this study the terms E-Accounting and financial information system are used to refer to any accounting system that depends on Information and Communication Technology (ICT) for performing its information system functions. Unlike other information systems, Accounting was one of the first functional areas to benefit from computerization when computers were initially introduced to organizations (Doost, 1999). Furthermore, Tavakolian

(1995) noted that an accounting package is usually one of the first major computer packages that a company purchases and it is one of the two business applications often used, with word processing being the other. It should not be a surprise because Accounting plays a very significant role in the performance of organizations. According to Stefanou (2006), the primary purpose of an accounting information system (AIS) is the collection and recording of data and information regarding events that have an economic impact on organisations and the maintenance, processing and communication of such information to help internal and external stakeholders. The information is used for the evaluation of the financial position of the organization and for decision-making purposes.

Concept of E-Accounting

The concepts of electronic accounting (e-accounting) system could be thought of from a much broader perspective, because of its capability to integrate both with in and with other systems, whether in relation to the same organization or in relation to others. In many operational applications the accounting entries can be generated as a by-product of the underlying transactions. The other advantage with e-accounting is that information can be fed into the system from plural modes i.e. to mean that, apart from physical data entry, data can be captured and fed into the system through other modes like infra Red, Barcode, Scanning of data with MICR, OMR etc. Thus, briefly stated, the procedures for data entry in e-accounting environment can be augmented by the adoption of the available technology and electronic capabilities.

In general, it is said that the first step towards an e-accounting system in Finland was taken with the development of electronic bank statements in the 1990s, and the recent approval of electronic invoicing. The idea of “paperless accounting” has been brought forward mainly by authorized auditors during the last decade. The revised Accounting Act in 1997 makes it possible to use technical data media in transferring, maintaining, and storing accounting data in every aspect except for the Balance Book, which should be kept in printed form. In 2000 the Accounting Board issued more detailed guidelines for the use of electronic and technical capabilities in financial accounting. Hence, a paperless financial accounting system is legally permitted in Finland, but there is no obligation to use an e-accounting system.

Definition of E-Accounting

“Many economic events are now being captured, measured, recognized, and reported electronically, without any paper documentation; and online, real-time accounting (RTA) is emerging as the system of choice.”

“Under real-time accounting (RTA) systems, much of the financial information and audit evidence are available only in electronic form. Traditional source documents such as purchase orders, invoices, and checks are replaced with electronic messages, and underlying accounting data (e.g. journals, ledgers, and schedules) are in electronic forms or files.”

“In paperless input systems transactions are inputs directly fed into the computer network, and the need for keying in source documents is eliminated.”

Advantages of E-Accounting

Every innovation comes with certain opportunities and threats. The advent of computers at an affordable price has paved the way for extensive use of computers in the realm of commerce in general and particularly in the areas of accounting. The computers have come to stay. Now we have no choice but to

get adopted to these electronic machines. The main reason for adoption of computers in the area of accounting is twofold- “speed and accuracy”. Rather we can say absence of monotony.

To recall and state at the cost of repetition, in the initial days we called these computers as electronic accounting machines and latter, public preferred to call this movement as “Mechanization of Accounts” and finally we called it as “Computerization”. Because of computerization, it is professed that most of the work is in paper less format and has speed and accessibility, besides the special feature of back up data that permits retrieval of precious data in the event of loss of data due to virus etc.

It is pertinent to mention here that, the advent of computers in the accounting realm, has altered the scope of the meaning of some words, like “redundant” “data” etc. Because of the speed with which these computers work, a novice gets a feeling that the information is ready-made. In fact it is only the data that is being recorded and the rest is report generation in computers. For example, take the case of a simple business unit in SME sector and assume that they have mechanized their accounting department. Now let us look at the situation from a distance. Traditionally, Cash Book, General ledger, stock registers, purchase and sales registers were independently maintained and Manually maintained, but today what we enter is Data and what is generated is called a report. A cash book is a report, a ledger account is a report, a trial balance is a report, why-even a balance sheet is a report, but the power of computers is such that we can scale up and adopt to any situation. But the problem is that the younger generation is unable to comprehend the change.

Problems of E-Accounting

1. Perception Predominance of theoretical knowledge among the work force than practical orientation: Commerce education in India is more focused on theoretical base than application oriented/practical oriented, and is not in tune with the requirements of the Industry. The focus of imparting commerce education should include developing an application-oriented mind amongst the students. Except those who pursue the professional course like CA, CWA or CS, the rest are denied the practical orientation which is very much needed. The implication of this systemic error is that, we are unable to nurture and train the right kind of skills required and expect the industry to train the student.

2. Dearth of manpower with employable skills – driven or the system to drive the system

The need of the hour is the employability of the skills. There is an imbalance between the pace of technological changes and the updation which the human resource is gearing up to accept the Change, constant up-gradation in knowledge is the mantra.

3. Resistance to change

Resistance to change- one of the attributes humans have is to exhibit a resistance when ever there is a change, be it environment or otherwise. We forget the fact that one thing constant in life is CHANGE. This imbalance is creating two sets of human resources - one who know about computers but do not know about accounting and second set having accounting or domain knowledge but lack the exact knowledge about computers or its programming. i.e. have’s and have not’s.

4. Cost of upgradation and its frequency

Cost of frequent Up gradation and lack of funds especially in case of institutions like Universities and Government departments, for hardware, software and training is present every where therefore one is obviously behind the actual state of affairs.

Further, if one were to review the computer products that are available in the market, a majority of them you do not require. Take for example the capacity of the hard disk in computer from MEGA BITES TO

GIGA BYTES TO TERA BYTES , the speed of the RAM ..We are forced to buy those things which we do not require at all. It is simple case of avoidable up-gradation.

Take another example, the Windows software, slowly but surely the support to the earlier versions of the software would be withdrawn thereby forcing you to update on a regular basis. But the problem is that before you actually get a grip over the software, it gets changed, bordering the breach of confidence levels with which one can work. Hence a degree of un-explained frustration in the working class sets in.

5. Heterogeneity in the level of computerization

The variation in the degree of computerization among various segments of the society, both intra and inter, is posing a problem of comparability of data generated.

Prospects of e-Accounting

A new generation of knowledge based accounting community sprang up-throwing a new generation of accountants leading to creation of employment opportunities to the middle class. Further there is a very wide scope to get employed. It is our experience that people do not hesitate to pay more for quality goods. Manpower is no exception to this rule.

- A new generation of qualified and professional trainers could surface to shoulder the mentorship responsibilities.
- The volume of that section or business population, which has the need & necessity and can effectively put these aids (tools) to various business advantage
- The day is very near when the Universities and the industry would come closer and work in tandem to produce the synergistic effect. In other words there would be goal congruence among all the parties involved.
- Newer employment opportunities for the commerce graduates can be contemplated in view of the e-filling of returns, be it monthly or annual returns, under various revenue laws like C law, VAT, EST, IT, Sales Tax.
- Specialists would contemplate and focus on providing data mining –data retrieval - analysis and speedy decision making, to save valuable time.
- Business intelligence- the new in thing in the computer related commerce World is a gift and a new crop awaiting to be harvested by the Young professionals in India.
- Because of the dexterity and availability of internet now there is very wide scope for commerce students in particular to go in for opening Satellite accounting offices and they can operate and organize their activities on the move/ mobile.
- The e accounting has also opened new areas of accounting like forensic accounting, information systems auditors, fraud examiners etc. However these courses are yet to get popularized in India, but the scope of these new fields is yet to be fathomed

CONCLUSION

There has been a constant growth in the use of information and communication technology in business to support the exchange of data and information within and between organizations. New technologies, like the Internet and mobile solutions, have provided new business & employment opportunities and operations. According to IFAC, E-business is believed to have a significant impact also on accounting systems. The perceived impact is felt in the areas of storage of data, both with respect of medium of storage & volume of storage. Transfer & transmission of data with refer to speed, accuracy & availability

of technology use to newer perceptions, concurrent availability of data which hitherto was not so easy, more control over the affairs and so, quick & scientific decision making has become possible. To conclude e-accounting is the eighth sea of knowledge, which is waiting to be fathomed.