
THE IMPACT OF IT ON MODERN ACCOUNTING

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Abstract

An added benefit of modern accounting is that multiple devices can access the financial reports from any location. Storing the data and systems in the cloud means that the information can be reviewed from any location, as long as the person has permissions and access to look at the reporting. A modern accounting system helps to keep up with financial responsibilities easier than earlier. Since business records and financial information are stored in one location that is easy to access and can view accounts with the touch of a button Advancements in information technology have enabled companies to computerize their information systems. The main impact IT has made on accounting is the ability of companies to develop and use computerized systems to track and record financial transactions. Computerized Accounting system allows companies to generate individual reports quickly. It is also easy for management to make decisions. The computerized accounting systems also Increase Functionality, Improve Accuracy, Faster Processing and Better External Reporting. This paper highlights the impacts of information technology (IT) on accounting systems and also sheds light on advantages and disadvantages of using information technology (IT) in accounting systems.

Key words: Modern Accounting, Innovative Accounting, Information Technology.

Introduction

Accounting is the system a company uses to determine its financial performance by classifying all the transactions like sales, purchases, assets, and liabilities in a manner that adheres to certain accepted standard formats. It helps to assess a Company's past performance, present condition, and future prospects. Accounting is defined as 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. Advances in information technology (IT) have transformed many firms in professional services industries, but perhaps none as much as those in the public accounting industry. Accounting information systems have also been computerized as a result of significant Improvements in the technology. Technology has improved the way business is done, making it possible to connect with customers and business contacts through the internet. As accounting information systems are being computerized, accountants must gain the skills to use computerized systems.

The use of computerized accounting information systems has brought abundant opportunities for companies to execute the accounting functions more effectively and efficiently. According to Accounting Today, "The accounting software market will have a global value of \$11.8 billion by 2026, according to new market research, at an expansion rate of 8.6 percent per year starting from 2018." This paper highlights the impacts of information technology (IT) on accounting systems and also shed light on advantages and disadvantages of using information technology (IT) in accounting systems.

Objectives

1. To study the impact of information technology (IT) on accounting systems
2. To highlight advantages and disadvantages of using information technology (IT) in accounting systems.

Research Methodology

This research paper is restrained to the study the impact of information technology on accounting systems. The study is based on secondary data collected through various journals, newspapers, internet web sites, books, business magazines, and research papers. Analysis of data and the information collected from the secondary sources were made keeping the objectives of the study in mind.

IT and Accounting

The advances in communication, especially the advent of Internet use which permits information monitoring and virtual transmission. Modern accounting uses technology and accounting software programs to systematize financial tracking. Every transaction that moves in and out of account needs to be recorded. The accounting systems use the most advanced technology available in the accounting industry which is designed with double-entry bookkeeping systems. A modern accounting system makes it easier to keep up with financial responsibilities. It is easy to access business records and financial information of accounts with a single touch of a button since it is stored in one location. Most business houses nowadays adapt accounting software which helps them in easy automation and time consuming tasks. The job became less tedious with less of a margin for error by adapting to these technologies. Nowadays, an accountant performs statistical accounting or forecasting analysis with greater efficiency and becomes more knowledgeable about financial systems. Accountants were also becoming the IT staff and trusted advisors and the role of an accountant in businesses has become more productive. Accountants were pushed towards acquiring new skills due to the advancements that information technology has made on the accounting industry. Computer and technical skills have become part of the knowledge, and abilities of the accounting professionals. In its report the American Institute of Certified Public Accounts (AICPA) states that, "The knowledge, skills and abilities necessary for the entry-level accountant now include the application and integration of information technology into the accounting process, as well as financial and managerial accounting principles".

Impact of IT on Accounting

The IT industry evolved from the mid-20th century, it encompasses transistors and integrated circuits. This technology has innovated many different aspects of our society, especially modern accounting which has seen many developments in recent years. Information technology such as computers, the Internet, wireless, software and hardware has changed business and management style generally. New practical software, improved obtained results in different sections of a company or factory such as production line, packaging, accounting and management. Improvement in performance and obtained results leads to promotion in quality level of products or services, more attractions of customers' satisfaction, and obtain more profit finally.

Accounting systems are one of the systems with the most changes due to the IT progress. These changes and developments help accountants to overcome the defects of traditional methods. In traditional methods of accounting, accountants will note down their calculations, statistics and data in papers, which problems of these method need to be investigated in other researches, but low accuracy and speed, information losses due to the different reasons and environmental problems are disadvantages of these methods, briefly. Problems faced in traditional methods of accounting, have been resolved in new methods by using automated software and computer, manual calculations and paper usage is not required anymore for accounting calculations. The strength of these applications is their flexibility in programming; so, accounting software can be used in different companies with different goals, or an application can be written for a company, exclusively.

One of the biggest impact of Information Technology on accounting is obviously the ability to develop and use of computerized systems to track and record financial transactions. Information Technology has given companies the opportunity to translate paper ledgers, manual spreadsheets, and handwritten financial statements into computer systems. This has expedited the accounting process exponentially. Accountants are able to quickly find, Process and analyze documents. Cloud computing keeps business information in a secured internet server. When an accountant uses cloud computing solutions, the business owner has immediate access via his computer to all accounting information.

Technology is a foundational aspect of supporting the needs of a company. Modern accounting uses technology and accounting software programs to systematize business accounting process. These tools have a great impact on business, as Modern accounting tools support for financial tracking and mainly used for systematized payment collection from customers. Modern accounting systems automate the math and calculations. Digital accounting also offers influential solution for data analysis. Accuracy is improved by limiting the number of accountants that have access to financial information. This ensures that there are fewer chances of mistakes or corruption.

Information technology has also computerized the auditing profession. Manual audit performance by auditors will take time but nowadays audit software packages are currently available for auditors which simplify their work. Tax preparation software is currently available for companies which also help to improve tax strategy. Graphics can be prepared using graphics software. Graphics can be printed on paper or displayed on slides, transparencies, and photos. Several auditors and managerial accountants use the graphics software to graph the data in financial statements and reports.

Advantages

- **Simplicity:** A wide variety of accounting software programs are consumer friendly, easy to install, learn and use. Once the system is established the business owner only needs to update information as it comes in. Accounts are balanced off automatically.
- **Reliability:** Most of the major software programs are simple. The calculation is accurate and reliable, so a business owner can accurately determine available funds at any time. It can also be connected to a Payroll processing procedure so that payments are made automatically.

- **Money Saving:** Software is easy to complete the formalities and upload the data. It is also easy to send reminders to customers who reduce the collection charges and travelling charges. Information technology resources can significantly reduce accounting costs.
- **Communication:** Communication is faster and costs less than sending a paper letter by post. It is also easy to access credit scores and credit ratings to all lenders, insurance companies and businesses that need financially responsible customers. It is easy to create different internal and external reports which are easy to communicate. Financial reports can be easily generated because of the improved speed and accuracy in the processing of information, and reported to internal and external users. It is easy to create photos, graphs and charts from data input in order to facilitate better understanding of the situation and helps in decision making. The preparation of financial reports has also been improved by computerized systems; cash flow statements, departmental profit and loss, and market share reports are now more accessible with computerized systems.
- **Customer Support:** Modern accounting helps in maintaining customer database. It also helps in accurate debt management system. It is easy to find the balance due, sending reminders and collecting the balance amount. It gives management an accurate picture of current operations.
- **Accuracy:** Information technology assists in the computations of accounting work in detail, so accuracy in recording and reporting is greatly valued. One of the positive effects of this system is the fact that it lessens the possibility of incurring mathematical errors which is one of the problems experienced in the manual system. These can all be backed up and be password protected.
- **Flexibility:** Information technology associated with accounting creates flexibility to accommodate the change based on the changes happening in the business. Some systems are capable of upgrading when the entity's volume of transaction increases.
- **Reduction of Paper Usage:** The utilization of electronic envelopes and documents reduce the usage of papers in accounting processes. Thus, it reduces costs and of course it draws the entity away from the environmental issues regarding trees and paper usage.
- **Faster Processing:** Computerized accounting systems allow accountants to process large amounts of financial information and process it quickly through the accounting system. It requires less time in processing a particular task. Quicker processing times for individual transactions has also lessened the amount of time needed to close out each accounting period. Month- or year-end closing periods can be especially taxing on accounting.

Disadvantages

- Replacing or Updating Computer hardware and software involves heavy Cost of Installation
- Staff personnel require special training to ensure effective and efficient use of computerized systems of accounting, newer versions of hardware and software. This involves high cost of training and loss of work time which is spent by the employees to learn and update.
- Introduction of a computerized accounting system reflects fear of Unemployment among employees. The staff fears redundancy and show less interest in computers.
- It causes certain changes in the working environment.
- Sometimes due to some failure in hardware which lead to subsequent loss of work System

- Unlike human beings, computers also make some Unanticipated Errors in the system.
- Need to Spend lot of money in the security process , but still there is a risk of hacking the system.
- Extensive use of computers may lead to many health problems such as eye strain, muscular complaints, backache etc. resultantly reducing working efficiency as well as increasing medical expenditure.

Conclusion

The accounting industry is using technology as a brand new language of business and it is also the language of future generations of accounting professionals. The evolution of accounting technology has been tremendous with strong growth potential for the future. The advancements have taken the industry to many new levels of opportunities irrespective of many advantages of IT in accounting. The biggest challenges faced by the accounting professionals need to continuously improve their tasks with a view to safe and objective information transmission. In comparing and contrasting the changes that have occurred with the use of technology in accounting throughout the ages, enterprise productivity has created career stability and many diverse opportunities in this successful industry of professional accountants.

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