

Study on Development of Accounting Information Systems and its Necessity

Madhavi Neman¹, Pawar Sairaj², Saroj Vipin³

Asst. Professor¹ and TYBCOM^{2,3}

Uttar Bhartiya Sangh's Mahendra Pratap Sharda Prasad Singh College of Commerce & Science, Mumbai, Maharashtra

Abstract: *The major goal of this article is to demonstrate the importance of accounting information systems in modernisation. This paper provides an overview of the primary goal of an accounting information system (AIS), a user-oriented system; it is the collection, recording, and maintenance of data and information about events that have an economic impact on organisations, as well as the maintenance, processing, and communication of information to internal and external stakeholders. Accounting information systems have the ability to significantly impact corporate performance. Following a review of the theoretical backdrop, I describe the key objectives of Accounting Information System, its applications, relevance, and role in modernization.*

The paper's findings demonstrate that accounting information systems play a vital role in our economic and social systems, particularly in management decision making by giving information to make right and effective decisions choice for the modern world's commercial success and prosperity.

Keywords: Accounting; Information system; Accounting Information system; Subsystems of Accounting Information System; Research model of AIS

I. INTRODUCTION

Accounting's objective is to offer a method for recording, reporting, summarising, and evaluating economic data. To do this, an accounting system must be built to meet the demands of accounting information consumers. Once a system has been built, reports may be generated and choices made based on these findings. numerous departments. Because accounting is utilised by everyone in some way or another, having a strong knowledge of accounting concepts is advantageous to everyone.

1.1 INTRODUCTION TO INFORMATION SYSTEM:

An information system (IS) is a group of people and computers that processes or interprets data. The phrase is sometimes used in more limited contexts to refer to merely the software needed to run a computer. To refer solely to a computer system or a computerised database. It is the study of complementary networks of hardware and software used by individuals and organisations to gather, filter, analyse, produce, and disseminate data. Every information system is created with one or more aims or objectives in mind. For example, an information system may be developed to gather and process data on employees, assisting managers in the preparation of payroll reports, and so on.

1.2 ACCOUNTING INFORMATION SYSTEM:

Accounting information systems (AIS) are systems that gather, store, and process financial and accounting data for decision makers. It is a computer-based system for tracking accounting processes in tandem. with information technology resources. It mixes accounting theory and practise with the design, implementation, and management of information systems. Such systems give users with the financial information they need to govern their businesses by combining contemporary information technology resources with conventional accounting controls and processes. The introduction of the computer and the World Wide Web has altered financial management and accounting. Workstations with apps may now provide standardised data entry, inventory accounting, and financial worksheet inputs in real time. Accounting information systems give a wealth of data. as well as a real-time control environment. They are now altering the manner in which internal controls are established as well as the types of audit trails that exist within a

modern firm. The absence of conventional forensic evidence, such as paper and journal entries, has been replaced with a more precise and up-to-date accounting system. Some systems, for example, enable direct journal publishing to the multiple ledgers, whereas others do not.

ACCOUNTING INFORMATION SYSTEM OBJECTIVES

It offers accurate and timely information to a business's management, as well as internal and external users. It provides information on the financial position and performance while also providing the information It has the qualities of dependability, relevance, understandability, and comparability to help management make decisions. As a result, a well-designed and well-managed accounting information system may boost job performance and lead to better results. to increase efficiency and effectiveness of a company operation.

ACCOUNTING INFORMATION SYSTEM APPLICATIONS

Companies and corporate organisations who wish to make the accounting process easier by adopting a computer software or other system that will conduct payroll and other duties might benefit from AIS. These systems, which frequently include accounting, Software simplifies the collection of financial data for use in taxes, payroll, and other bookkeeping requirements.

Creating external reports

Supporting normal activity and fasting

Budgeting Decision Support Financial Control Implementing Internal Control

RESEARCH METHODOLOGY

The current investigation was done entirely utilising secondary data. The information is gathered from a variety of sources connected to the topic of study, including books, research articles, scientific journals, websites, and certain accounting and e-accounting books. The secondary data were gathered mostly through a survey of related literature in order to develop a theoretical framework. backdrop for the study.

RESEARCH OBJECTIVES

The primary goal of this work is to offer a conceptual understanding of Accounting Information System.

1. To create a structural foundation of Accounting Information System.
2. Research the function of the Accounting Information System in modernization.
3. To investigate and investigate the key subsystems, significance, and function of accounting information systems in modernization.

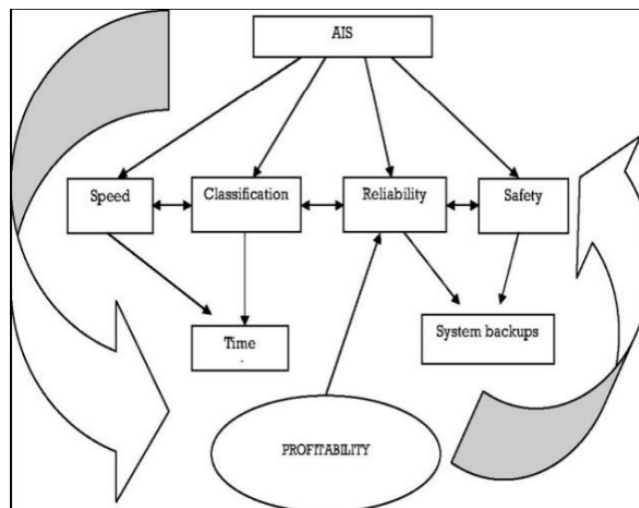


Figure 1: Research model of accounting information system

ACCOUNTING INFORMATION SYSTEMS' MAJOR SUBSYSTEMS

Transaction Processing System (TPS) that helps with day-to-day business activities.

GLS/FRS stands for General Ledger System

Financial Reporting System.

The Management Reporting System (MRS).

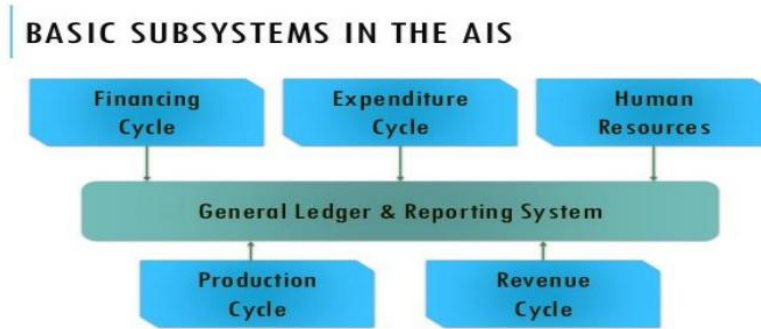


Figure 2: Basic Subsystem in the AIS

TPS is in charge of assisting with daily company activities or transactions. These transactions may be classified into three types of transaction cycles: income cycles, spending cycles, and conversion cycles. The term "automated" refers to the process of converting data into a usable form that can be used by other people. First, information systems will be used to assist its activities. Indeed, the Era of Computer Accounting began with the introduction of the first computers, specifically the IBM 702, which became accessible for accounting application in 1953. The GLS/FRS are two closely connected systems, with the one dedicated to summarising transaction cycle activity and the second to measuring and reporting the status of financial resources to external organisations, often in the form of financial statements or tax returns. MRS, which is often included in the scope of Management Information Systems (MIS), provides internal management with particular purpose financial reports and decision-making information.

The term "reporting" refers to the process of determining whether or not a report is necessary. For practically all accounting experts, the basic notion about a company's information system, particularly AIS, is absorbed by Enterprise Resource Planning (ERP), which incorporates all the key activities to support an organisation and is applied in almost all big businesses.

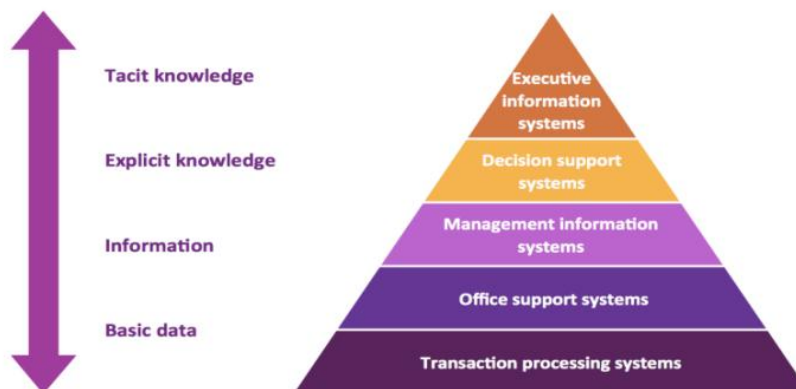


Figure 3: Five level pyramid models of types of information systems:

DEVELOPMENT OF ACCOUNTING INFORMATION SYSTEM

Accounting Information Systems (AIS) development consists of five key phases, which are outlined below:

1. Planning - project management objectives and techniques: Planning is the very first part of an Accounting Information System Development. This includes determining the project's scope and objectives, as well as defining project roles, control needs, project stages, budgets, and end output.
2. Analysis: The analysis phase is used to determine and document the company's accounting and business procedures. These accounting processes are typically updated to take advantage of new system solutions' operational features.
3. Data Analysis: This is an examination of the accounting information that a corporation is currently collecting. The organization's current data is then compared to the data that it should be using for management goals. This strategy is commonly utilised in the construction of accounting transaction processing systems.
4. Decision Analysis: A review of the decisions for which a management is responsible. Individually, the major decisions for which managers are responsible are identified. The models are then developed to assist the management in acquiring financial and associated information in order to generate and design alternatives and make meaningful decisions. This strategy is useful when the system's primary goal is decision assistance.
5. Process Analysis: This is an evaluation of the business processes of the organisation. Organizational processes are recognised and split into a series of events capable of adding or changing data. These processes can then be updated or reengineered to improve the organization's operations by cutting costs, enhancing service, quality, or efficiency. management information. This accounting approach is employed when the primary goal of the system is automation or reengineering.

IN AN ORGANIZATION, THE IMPORTANCE OF AN ACCOUNTING INFORMATION SYSTEM

In general, an information system is defined as the collection, storage, and dissemination of data for the purposes of planning, control, coordination, analysis, and decision making. An AIS, on the other hand, is the collection of all linked components used to collect information, whether raw data or conventional data.

They must be converted into financial data in order to be reported to decision makers. The Management Information System is unquestionably the most essential and oldest of today's business systems. "Management" and "information" are interdependent ideas that demonstrate the difficulty of rationally carrying out management operations without information. The accounting information system developed in a firm is closely tied to its organisational culture, level of strategic planning, and information technology. It is feasible to receive more accurate information about the financial structures of businesses that have implemented an effective accounting information system.

Accounting data is critical in the process of managing an enterprise's operations. Over the last 10 years, there has been a worldwide effort to instal AIS. These systems have been applied in both big industrial and small commercial organisations. Later, AIS installation began in additional businesses and government agencies.

According to a poll done by the Institute of Management Accountants (IMA), accounting system work was the single most significant task undertaken by corporate accountants. The usage of information technology is critical in recording critical financial data for future use. Major businesses, particularly in the retail business will save information such as sales, earnings, costs, and a variety of other factors for future use in financial reports. With increasingly advanced and thorough accounting software, recording will be done on a daily basis, if not on a minute-by-minute basis. This is especially critical since it will be utilised not only for everyday routines, but also for tax considerations for the rest of the year. Furthermore, most of this data must be maintained on file for several years in case of an audit or other financial difficulties that may develop. Legal concerns can generate serious complications and possibly lead to the death penalty.

The demise of a business. Companies have a significantly higher chance of survival and success if they use computerised accounting information systems to organise and maintain this data. Following the process of capturing information using software, the next stage is processing. Most accounting software or applications allow you to save records in several folders and categories. The person or group of employees who deal with accounting information systems can accomplish this filing or storing manually. Programs are available.

Set the system to do this automatically when information is input. Certain criteria may be put up in the application to allow it to place files and data in the correct locations or regions. Accounts payable, accounts receivable, and other data will normally be separated into several categories. Payroll, buying, and other data that must be recorded and stored. In a

nutshell, it accelerates the bookkeeping process and improves accuracy, lowering personnel expenses. A computerised accounting system is a strong instrument that allows you to rapidly extract data for report preparation.

Reviewing and acting on a well-designed, comprehensive set of reports (in addition to the Financial Statements) would assist keep the organisation on the proper financial track. Accounting information is required by a company entity in order to manage and control its finances and resources.

II. CONCLUSION

1. Based on the implications of this study, it is determined that accounting information systems are concerned with the recording, summarization, and validation of data pertaining to firm financial transactions. These duties were carried out for the various groups inside the corporation that were interested about the respective financial decisions. Accounting, managerial accounting, and tax compliance difficulties are all addressed.

2. The findings of this study also revealed the adoption of AIS in the firm, which enhances financial statements and reporting accuracy.

3. Managerial decision making is generally based on an effective information system, which was done by the managers through Accounting Reports assisted by finance, cost, and management accounting departments, which is referred to as Accounting Information System.

4. In the modern period, AIS has metamorphosed into MIS, with higher enhancement of several parts. As a result, AIS is an ideal information tool that provides a decision-making environment while simultaneously eliminating paper effort and drastically lowering costs. However, it can be argued that AIS may assist global corporate organisations in making sensible judgements in a timely way for the prosperity of the company.

5. The goal of an accounting information system is inextricably related to the goal of accounting itself. At its most basic level, accounting's objective is to offer information for economic decision making. The accounting information system collects and stores data on all elements of company activities, notably the financial aspects, as they occur.

6. Data should be kept at the most basic level possible, leaving all aggregation and summarising to individual users. Given current computer systems' nearly infinite storage capacities, the data saved in the "accounting" information system should not be confined to financial data. Customer feedback and product quality are examples of non-financial data. Ratings, as well as photographs, music, and video clips, may be saved. Above all, all data should be housed in a single integrated enterprise-wide repository.

The study also suggests that accounting information systems may play an important role in modern firms if adequate resources and a well-functioning system are available. The adaptation of information systems in the business is the only reason for an accounting department to be current in the organisation. Accounting's Function The purpose of information systems is to suit the demands of the accounting department while being aligned with current organisational needs. Modern organisations will fail to make decisions if appropriate accounting information systems are not in place.

REFERENCES

- [1]. Mahdi Salehi, Vahab Rostami, Abdelkarim Moghadam "Usefulness of Accounting Information System in Emerging Economy: Empirical Evidence of Iran", International Journal of Economics and Finance, Vol. 2, No. 2; May 2010.
- [2]. Rama Rani, Ruchi Singhal" Need of Accounting Information System in Present Market Scenario", International Journal of Management and Social Sciences Research (IJMSSR) Volume 3, No. 6, June 2014.
- [3]. Augustine Muhindo, Maureen kaput Mudanjiang Zhou, "Impact of accounting information system on profitability of small-scale business: a case of Kampala city in Uganda "International Journal of Academic Research and Management, (IJARM)Vol.3, No.2,2014.
- [4]. ZSUZSANNA TÓTH "The Current Role of Accounting Information Systems" Club of Economics in Miskolc' TMP Vol. 8, Nr. 1. pp. 91-95. 2012.
- [5]. <http://www.accountinginformationsystems.org/development-of-accounting-information-systems>
- [6]. <http://www.scribd.com/doc/82026653/Role-of-the-Accounting-Information-Systems-in-Modern-Organizations>
- [7]. [F:\RPAPERS\AIS\Accounting information system - Wikipedia, the free encyclopedia.html]