

What Are Differences Between Manual & Computerized Accounting?

Manual accounting requires that all journal entries, invoices and other financial documents be created by hand. Computerized accounting allows users to input information into accounting software programs.

- **Speed**

Computerized accounting produces information much faster than manual accounting. Accounting software packages, such as QuickBooks and Peachtree, come with built-in databases that allow users to input data.

- **Accuracy**

Manual accounting systems are prone to mathematical errors and misplaced numbers. With a computerized accounting system, your company data is automatically calculated based on numbers you input.

- **Financial Statements**

In a manual accounting system, you have to prepare your company's income statement, balance sheet and statement of owner's equity by hand. Information from your journal entries helps formulate your company's financial statements. Computerized accounting systems allow financial statements to be created from information stored in the database.

- **Cost**

The cost of computerized accounting systems can range from hundreds to thousands of dollars for large businesses. A computerized accounting system may save on man hours used for creating financial statements and other reports. For this reason, many small and mid-sized businesses use computerized accounting software.

- **Reports**

Reports are created in a timely manner when using a computerized accounting system. Reports generated from computerized accounting software allow managers to run the company in a more efficient manner. Creating reports in a manual accounting system may lead to more staff frustration and result in having to work with outdated information.

- **Safety**

Accounting records kept on the manual system can be lost or damaged easily, such as by coffee spills. On the other hand, records kept by a computer are likely to be safer because many systems are backed up often. If you lose pages in a paper pad, you may have to recreate the transactions by conducting research and writing them in again. In a computerized system, you simply restore the latest backup and add a few transactions that were not saved. In this area, accounting software is obviously superior to manual systems.

- **Organization**

Data processed through software is organized and easy to find. That's not the case with manual systems, where you may have to review several pages to find what you need. Accounting programs organize the information in one place, classified by type. For instance, if you want to find certain data about a vendor, you can go to the accounts payable section of the software, usually by clicking a link or tab, and conduct a search for the vendor. If you conduct the same process on a manual system, you may have to go through several pages and take your time to find what you're looking for.

- **Significance**

Information technology plays an important role in accounting processes because it improves financial reporting procedures and prevents errors in financial statements.

- **Time Frame**

Computerized accounting activities help an accountant perform month-end close procedures. These activities also help a company report profit information over a period, such as a month or quarter.

Accounting :

The systematic recording, reporting, and analysis of financial transactions of a business. Accounting allows a company to analyze the financial performance of the business, and look at statistics such as net profit.

ADVANTAGES:

- >Provides financial information about the business
- >Provides assistance to management
- >Helps in comparison of financial results
 - comparison of its own results of different years
 - comparison of financial results with other firms in the industry
- >Helps in decision making
- >Accounting information can be used as an evidence in legal matters
- >Helps in valuation of the business

DISADVANTAGES:

- >Accounting ignores non monetary transactions
- >Accounting information is sometimes based on estimates which may be unrealistic
- >Window dressing may lead to faulty results
- > Accounting information can be manipulated and thus can no be considered as the true test of performance