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**RESEARCH ARTICLE**

**AN IMPACT OF ACCOUNTING AND ACCOUNTING SYSTEMS IN  
MANAGEMENT AND ORGANIZATIONAL DEVELOPMENT**

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**ABSTRACT**

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*An accounting system is the system used to manage the income, expenses, and other financial activities of a business. An accounting system allows a business to keep track of all types of financial transactions, including purchases (expenses), sales (invoices and income), liabilities (funding, accounts payable), etc. and is capable of generating comprehensive statistical reports that provide management or interested parties with a clear set of data to aid in the decision-making process. Today, the system used by a company is generally automated and computer-based, using specialized software and/or cloud-based services. However, historically, accounting systems were a complex series of manual calculations and balances.*

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**Introduction**

The earliest known accounting records were found in the Middle East and date back over 7,000 years. It was important for early rulers, businesses, and individuals to be able to keep track of income and expenditure, whether due to a desire to determine whether a particular activity was profitable, to tax citizens or to impose customs fees.

In the late 1400s, the Italian friar **Luca Pacioli** earned his accreditation as the 'Father of Accounting', for describing the structure of the double-entry bookkeeping system used by Venetian merchants during the Italian

An accounting system is an organized collection of computerized and manual accounting processes, procedures and controls created to collect, record, classify, summarize and interpret accurate and reliable financial data for decision making by management. The main purposes of an accounting system are to prevent and detect fraud, waste and theft and to generate financial statements for managers, creditors and lenders.

**a. Timeliness**

Time is a resource that should never be wasted, since it can never be recovered. An accounting system that is timely is an asset to any

organization, because it presents information to users as and when required. A timely accounting system is able to produce the required reports for decision making just in time to make major decisions.

**b. Cost-Effective**

Accounting systems have the goal of saving costs, especially when training staff. When implementing a new accounting system, the cost of operating it should not be greater than the benefits it provides. It is therefore essential to tailor the accounting system to the specific needs of the firm to avoid waste generated by a system with functions that the company will not need.

**c. Informative**

The primary goal of an accounting system is to ensure that management, the board of directors and other users of financial statements get sufficient information necessary to enable them to make informed decisions for the business. Information is power, and a firm with a highly informative accounting system is able to make effective plans to make the firm grow in its industry. In short, an informative accounting system should be able to satisfy the needs of various users like managers, creditors, owners and government.

**d. Reliability**

A reliable accounting system produces information that is free from bias. It faithfully represents what it seeks to represent. This information should be trustworthy and dependable so users can make decisions. For the information to be reliable, it must be neutral and faithful in representing the general condition of the firm.

**What is the purpose of accounting?**

The purpose of accounting is to accumulate and report on financial information about the performance, financial position, and cash flows of a business. This information is then used to reach decisions about how to manage the business, or invest in it, or lend money to it. This information is accumulated in accounting records with accounting transactions, which are recorded either through such standardized business transactions as customer invoicing or supplier

invoices, or through more specialized transactions, known as journal entries.

Once this financial information has been stored in the accounting records, it is usually compiled into financial statements, which include the following documents:

- a. Income statement
- b. Balance sheet
- c. Statement of cash flows
- d. Statement of retained earnings
- e. Disclosures that accompany the financial statements

Financial statements are assembled under certain sets of rules, known as accounting frameworks, of which the best known are Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). The results shown in financial statements can vary somewhat, depending on the framework used. The framework that a business uses depends upon which one the recipient of the financial statements wants. Thus, a European investor might want to see financial statements based on IFRS, while an American investor might want to see statements that comply with GAAP.

The accountant may generate additional reports for special purposes, such as determining the profit on sale of a product, or the revenues generated from a particular sales region. These are usually considered to be managerial reports, rather than the financial reports issued to outsiders.

Thus, the purpose of accounting centers on the collection and subsequent reporting of financial information.

**Accounting system**

**What is an accounting system?**

An accounting system is the system used to manage the income, expenses, and other financial activities of a business

There's never been an easier way to get started with an accounting system. Learn how Debtor makes it simple to manage your business finances and optimize growth:

An accounting system allows a business to keep track of all types of financial transactions, including purchases (expenses), sales (invoices and income), liabilities (funding, accounts

payable), etc. and is capable of generating comprehensive statistical reports that provide management or interested parties with a clear set of data to aid in the decision-making process.

Today, the system used by a company is generally automated and computer-based, using specialized software and/or cloud-based services. However, historically, accounting systems were a complex series of manual calculations and balances.

#### **What an accounting system manages**

1. **Expenses:** The amount of cash that flows out of the company in exchange for goods or services from another person or company are the expenses. In older accounting software or with a manual system such as Excel, it is necessary to manually enter, balance, and categories each expense. An automatic accounting system allows quick entry, categorization and automatic balance of expenses.
2. **Invoices:** Creating a professional looking invoice is an important part of developing a positive brand image and building confidence with customers. Today, some accounting systems such as Debitor allow for instant invoice creation with the ability to customize and automatically keep track of paid invoices and income.
3. **Funding:** All the business liabilities, whether accounts payable, bank loans taken to support the business, or mortgages, etc. An

accounting system keeps track of these liabilities as payable values and automatically updates the balances as soon a payment is made and accounts are settled.

#### **Modern Accounting Systems**

Jumping ahead to 1880, the first accounting machine was invented by a man named Herman Hollerith. Known as the tabulating machine, it used punch cards to add numbers to a card that could then use to determine the total. Hollerith also founded a company that later merged to become a component of IBM.

In the 20th century, developments in computer technology and especially the introduction of the PC meant that it was possible for "ordinary people" to gain access to a definite system. That is: an accounting system that does it all. From the first DOS-based accounting systems such as PcPlus to today's Internet-based accounting systems such as Debitoor, which uses SaaS (or cloud computing), all serve as models for the distribution of accounting systems.

#### **Three Golden Rules of Accounting**

One of the most famous and commonly used terms in the field of accounting and finance is "Three golden rules of accounting". The phrase itself shows that these rules form the very basis of accounting and act as a cornerstone for all record keeping. They are also called the *traditional rules of accounting or the rules of debit and credit*.

Type of Account	Debit	Credit
1.) Personal A/C	The Receiver	The Giver
2.) Real A/C	What comes in	What goes out
3.) Nominal A/C	Expenses and Losses	Incomes & Gains

The application of the above rules is only possible if you can correctly determine the kind of account you are dealing with

Examples – Three Golden Rules of Accounting (Traditional)

**Purchased furniture for 10,000 in cash**

Accounts Involved	Debit/Credit	Rule Applied
Furniture A/C	10,000	Furniture is real a/c so Dr. what comes in
To Cash A/C	10,000	Cash is a real a/c so Cr. what goes out

**Paid 15,000 cash to Unreal Pvt Ltd.**

Accounts Involved	Debit/Credit	Rule Applied
Unreal Pvt Ltd. A/C	15,000	Unreal Pvt Ltd. is a personal a/c so Dr. the receiver
To Cash A/C	15,000	Cash is a real a/c so Cr. what goes out

**Paid 18,000 from the bank as rent.**

Accounts Involved	Debit/Credit	Rule Applied
Rent A/C	18,000	Rent is a nominal a/c so Dr. the expenses
To Bank A/C	18,000	Bank is a personal a/c so Cr the giver

**Rules of Debit and Credit According to  
Modern Approach**

If you are passing an entry in the journal, you may use the Modern Accounting Approach instead of the usual Traditional Approach.

You should try to use the modern approach at least once to find out which one is easier to understand and apply. It is true that some people find the modern approach easier to apply than the traditional golden rules of accounting.

Type of Account	Debit	Credit
Asset A/C	Increase	Decrease
Liability A/C	Decrease	Increase
Capital A/C	Decrease	Increase
Revenue A/C	Decrease	Increase
Expenses A/C	Increase	Decrease
Drawings A/C	Increase	Decrease

#### Example – Modern Rules of Accounting

Received cash 3000 as rent from Unreal Pvt Ltd.

Accounts Involved	Debit/Credit	Modern Rule Applied
Cash A/C	3000	Cash is an asset a/c so Dr. increase
To Rent A/C	3000	Rent is revenue a/c so Cr. increase

#### **What are an Accountant's Roles and Responsibilities?**

An accountant has several roles and responsibilities to meet in their job, both in terms of their competence at carrying out accounting practices as well as their ethics and approach to the job.

##### **a. Ethics and Approach**

It is the responsibility of an accountant to ensure they're working within the law at all times. For example, an accountant might give advice on how a person could reduce their tax bill, but they shouldn't be advising a person to do something illegal, such as deliberately misinforming the relevant

authority about business revenues or earnings, for example.

An accountant should also notify the relevant authorities if they become aware of a person or business that is breaking the law within their financial affairs.

##### **b. Impartiality**

It is crucial that accountants maintain their impartiality; their role is to advise clients and act as they're instructed, not to try to sell services. Yes, accountants will naturally tell clients what

additional services they provide and how they might benefit from using them, but they shouldn't be pushy or insistent while doing so.

An Accountant's Job Role Accountancy is one of the most detailed and diverse roles in the finance industry and as such accountants are required to be competent in a number of areas.

##### **c. An Accountant's Job Role**

Accountancy is one of the most detailed and diverse roles in the finance industry and as such accountants are required to be competent in a number of areas.

#### **The role of an accountant might include the following:**

- Prepare profit and loss statements on behalf of a business.
- Set up accounting practices and procedures for new companies and advise on how to manage these.
- Analyse budgets and other financial information and advise where savings could be made.
- Help to produce budgets for businesses and implement strategies for cost savings.
- Ensure company accounts and tax returns are prepared and filed correctly and on time.

It is such a diverse role that these areas might not ever be explored by some within the industry, although this is a typical representation of what an accountant will do.

It is important that an accountant has impeccable standards when it comes to both competence and behaviour, as without them they'll be unable to do their job correctly and potentially harm their organization, certainly their own reputation, and perhaps even the whole industry.

### **Accounting in Management process**

Management accounting in simple terms is accounting for management which deals with internal users of accounting information. If considered in a broader sense, it's of great use in different managerial functions. It can help business to attain the expected results on the basis of timely information and reports relating to the internal operations. Since management accounting is primarily concerned with management needs, it plays an important role in the management process assisting the managers to lead the business in an efficient way executing any of these basic functions of management effectively, *Planning, Organizing, Coordinating, Motivating, Controlling and Communicating*.

**Planning:** Planning process may be short term or long term. Management is extremely concerned with planning process, as effective planning leads a business to reap desired results. By means of planning, a business management can identify where it stands and what it takes to grow and develop in a way as has been predetermined. Management accounting makes a valuable contribution in planning process of a business management by providing significant and relevant data, such as, budgetary controls, cash and profit and loss forecasts, pricing and evaluating proposals for capital budgeting etc. Management accounting aids greatly in centralizing the various plans into one plan to facilitate management in effective decision making process.

**Organizing:** Management accounting plays a vital role in this function. It involves identifying the elements of organizational structure in order that the functions of management accounting

may be executed in a desired way. The process involves the entire organization splitting in into various profits and cost centers in order to determine the results thereof, while it facilitates in controlling measures for various cost centers.

**Coordinating:** Management accounting seeks to achieve effective coordination between various departments. Focusing on the need of department budgets and reports, it provides necessary information that facilitates management in serving various purposes.

**Motivating:** The process of motivation reinforces an action. In this way, management accounting seeks to motivate the concerned employees of various departments toward the accomplishment of desired objectives, while allowing each and every employee to contribute in common goals of business. It involves preparing periodic profit and loss accounts, budgets and other necessary reports. It may be said that the budgets and target to be achieved are a good cause to motivate the employees in order to perform better.

**Controlling:** As regards controlling, so far as the budgets are useful in facilitating the planning process of a business, budgetary control is a good means of controlling as well. Other techniques, such as, standard costing and departmental operating statements are of great help in making controlling measures. They are also helpful to take remedial measures in case of deviations in the performance of business entity.

**Communicating:** It is through this process that the results are communicated to the owners, superiors and subordinates. It includes transmitting data highlighting necessary information, such as, progress of business, financial position - to the required users. This enables managers to highlight the issues that are worth and that they need proper analysis, so that the intended results may be attained.

### **What is the management accountant?**

**Management accountants** are key figures in determining the status and success of a company. Some choose to become a Certified Management



Accountant (CMA), a similar credential to **CPA**, but with a greater focus on cost accounting, financial planning, and management issues. Job responsibilities can range widely.

### **What is the system of management accounting?**

"Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy".

What is meant by the management process?

Management process is a process of setting goals, planning and/or controlling the organizing and leading the execution of any type of activity, such as: a project (project management process) or. a process (process management process, sometimes referred to as the process performance measurement and management system).

Managerial accounting involves collecting, analyzing, and reporting information about the operations and finances of a business. These reports are generally directed to the **managers** of a business, rather than to any external entities, such as shareholders or lenders.

### **What is the management report?**

A management report is a formal business document that discloses a company's profit and loss statements in one- to four-month periods

### **What is a CMA and what do they do?**

The AAMA **CMA** Certification Examination is a comprehensive test of the knowledge actually needed in today's medical office. The exam is given by the American Association of Medical Assistants (AAMA), the premier organization dedicated to serving the interests of Certified Medical Assistants.

### **What is internal accounting?**

Internal control, as defined in accounting and auditing, is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial

reporting, and compliance with laws, regulations and policies.

What is the strategic management accounting?

Strategic management accounting (SMA) is the merging of **strategic** business objectives with **management accounting** information to provide a forward looking model that assists **management** in making business decisions.

### **What are the strategic management processes?**

Strategic management is an ongoing process of managing an organization strategically. This involves a set of management decisions and actions that result in formulating and implementing strategies that determine the performance and success of the organization.

### **What is management in Wikipedia?**

The Simple English Wiktionary has a definition for: management. Management means directing and controlling a group of one or more people or an organization to reach a goal. Management often means the deployment and manipulation of human resources, financial resources, technological resources, and natural resources.

### **What do you mean by cost and management accounting?**

Cost management is the process of planning and controlling the budget of a business. Cost management is a form of management accounting that allows a business to predict impending expenditures to help reduce the chance of going over budget.

### **What are the functions of accounts?**

Accounting functions. Accounting involves the creation of financial records of business transactions, flows of finance, the process of creating wealth in an organization, and the financial position of a business at a particular moment in time

### **What is the financial report?**

Financial reporting includes the following: the external financial statements (balance sheet, income statement, statement of cash flows, and statement of stockholders' equity) the notes to

the financial statements, press releases and conference calls regarding quarterly earnings and related information.

### **What is the objective of financial reporting?**

The primary objective of financial reporting is to provide useful information for decision making. The importance to our **economy** of providing capital market participants with information was discussed previously, as were the specific cash flow information needs of investors and creditors.

What is the report?

A report or account is any informational work (usually of writing, speech, television, or film) made with the specific intention of relaying information or recounting certain events in a widely presentable form.

### **What do you mean by financial statements?**

A financial statement (or financial report) is a formal record of the financial activities and position of a business, person, or other entity. A balance sheet also referred to as a statement of financial position, reports on a company's assets, liabilities, and owner's equity at a given point in time.

### **Duties of an Accounting Systems Analyst**

Most organizations are quickly adopting modern technologies to enhance their efficiency in performing daily operations. Today, it is rare to find accounting staff recording transactions or storing financial information manually because accounting analysts have developed systems that help in the digitization of accounting activities. These professionals use their knowledge in financial technologies to design and maintain accounting systems and offer technical support to users. When hiring, most employers look for business administration or accounting graduates, often with expertise in information systems.

### **Automating Accounting Operations**

An organization develops an accounting system that is customized to meet the complexity of its operations, size and the management's informational needs. Before automating your

business' accounting section, it is wise to consult an accounting systems analyst. His task is to gather information on your organization's structure and accounting processes to design a flexible system that serves your needs. The accounting analyst ensures the system accommodates essential services such as information storage, data exchange and data management, all of which help maximize business efficiency.

### **Maintaining Systems**

Accounting systems require regular maintenance to keep them functional and up to date. Systems analysts know technology is dynamic and work toward making accounting software more adaptable to meet the changing accounting needs of an institution. In instances where improvements to an existing accounting system can't be implemented, the analyst designs alternative systems to replace the old ones. McGraw Hill Higher Education recommends that an updated accounting system should be able to relay information to investors, creditors, and managers and support decisions such as tax strategies, performance evaluations and investments.

### **Training Accounting Personnel**

Training of personnel is an integral part of an organization's planning. According to Inc.com, an automation system is only as good as the professionals who design and use it. The accounting systems analyst is charged with the responsibility to train all the company personnel who will use the software for accounting work processes and procedures. He demonstrates how to restart the system whenever necessary and shows them how to work their way around minor glitches. Accounting systems analysts can also evaluate the work performance of accounting staff.

### **Assisting Auditors**

Accountants collaborate with internal auditors to prepare financial reports and ensure taxes are paid. In the U.S., external auditors may inspect an organization's accounting department to ensure it is complying with government policies. Accounting systems analysts help auditors



retrieve financial information that is essential in preparing reports. If the system stores information in a technical language, the accounting systems analysts assist the auditors to interpret it or convert it into a normal format. At times, they oversee preparation of electronic payrolls.

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