COMPUTERIZED ACCOUNTING SYSTEMS

Accounting Information Systems

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- Subsidiary Ledgers
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  - Advantages
- Special Journals
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The accounting information system (AIS) collects and processes transaction data and communicates financial information to decision makers.

Includes:

- All steps in the accounting cycle.
- Documents that provide evidence of transactions.
- Manual or computerized accounting system.

Illustration 7-1
Principles of an efficient and effective AIS.

Cost Effectiveness - Benefits must outweigh the costs.

Useful Output

Flexibility - The system should be sufficiently flexible to meet the resulting changes in the demands made upon it.
Computerized Accounting Systems

- Software programs (functions include sales, purchases, receivables, payables, cash receipts and disbursements, and payroll).
- Generate financial statements.
- Advantages:
  - Typically enter data only once.
  - Many human errors are eliminated.
  - More timely information.

Choosing a software package

Entry-Level Software

- Common features and benefits:
  - Easy data access and report preparation
  - Audit trail

Enterprise Resource Planning Systems
Basic Concepts of AIS

Manual Accounting Systems

- Perform each step in the accounting cycle by hand.
- Satisfactory in a company with a low volume of transactions.
- Must understand manual accounting systems to understand computerized accounting systems.

Subsidiary Ledgers

Used to keep track of individual balances.

Two common subsidiary ledgers are:

1. Accounts receivable (customers’)
2. Accounts payable (creditors’)

Each general ledger control account balance must equal the composite balance of the individual accounts in the related subsidiary ledger.
**Subsidiary Ledgers**

**Relationship of general ledger and subsidiary ledgers**

![Diagram showing the relationship between the general ledger and subsidiary ledgers.](Illustration 7-3)

**Advantages of Subsidiary Ledgers**

1. Show in a single account transactions affecting one customer or one creditor.
2. Free the general ledger of excessive details.
3. Help locate errors in individual accounts.
4. Make possible a division of labor.
### Special Journals

**Sales Journal**
- **Illustration 7-6**

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Debited</th>
<th>Invoice No.</th>
<th>Accts. Receivable Dr. Sales Cr.</th>
<th>Cost of Goods Sold Dr. Merchandise Inventory Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Abbot Sisters</td>
<td>101</td>
<td>10,600</td>
<td>6,360</td>
</tr>
<tr>
<td></td>
<td>Baboon Co.</td>
<td>102</td>
<td>11,350</td>
<td>7,370</td>
</tr>
<tr>
<td>14</td>
<td>Carson Bros.</td>
<td>103</td>
<td>7,000</td>
<td>5,070</td>
</tr>
<tr>
<td>19</td>
<td>Deli Co.</td>
<td>104</td>
<td>9,300</td>
<td>6,510</td>
</tr>
<tr>
<td>21</td>
<td>Abbot Sisters</td>
<td>105</td>
<td>15,400</td>
<td>10,780</td>
</tr>
<tr>
<td>24</td>
<td>Deli Co.</td>
<td>106</td>
<td>21,210</td>
<td>15,900</td>
</tr>
<tr>
<td>27</td>
<td>Baboon Co.</td>
<td>107</td>
<td>14,570</td>
<td>10,200</td>
</tr>
</tbody>
</table>

- **Illustration 7-5**

- If a transaction cannot be recorded in a special journal, the company records it in the general journal.

- **Sales Journal**

- Under a perpetual inventory system, one entry at selling price in Sales Journal results in a debit to Accounts Receivable and a credit to Sales.
- Another entry at cost results in a debit to Cost of Goods Sold and a credit to Merchandise Inventory.
Companies make daily postings from the sales journal to the individual accounts receivable in the subsidiary ledger.

Posting to the general ledger is done monthly.
Advantages of Sales Journal

- One-line entry for each sales transaction saves time.
- Only totals, rather than individual entries, are posted to the general ledger.
- A division of labor results.

In the cash receipts journal, companies record all receipts of cash. The posting of the cash receipts journal is similar to the posting of the sale journal. See complete Illustration 7-9 in the text.
Daily postings are made from the purchases journal to the accounts payable subsidiary ledger.

At the end of the accounting period, the company posts totals to the general ledger.
In a cash payments (cash disbursements) journal, companies record all disbursements of cash.

The procedures for posting the cash payments journal are similar to those for other journals.

Special journals substantially reduce the number of entries that companies make in the general journal.

Only transactions that cannot be entered in a special journal are recorded in the general journal.

Also, correcting, adjusting, and closing entries are made in the general journal.