



# BSA 2206 – Accounting Information Systems II

## BSA 2: SEM TWO

### AY 2023/2024

## Topic 2.0: Accounting systems

**Dr. Brendah Akankunda**

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Tuesday / Friday: 01:00pm -03:00pm

Tuesday/Friday : 05:30 pm - 07:30 pm



- Why an accounting software,
- Choosing an accounting software- factors to consider
- Types of accounting software,
- Benefits of using computers, Disadvantages of using computers, defenses to demerits.






















## 2.1 Why an accounting software



- ❖ Accounting software is capable of recording and categorizing financial transactions; (Managing bills, sending customer invoices, managing payroll), and running standard reports directly in the platform, for operational and financial controls.

# 2.1 Why an accounting software



 Automation	▼	 Bank reconciliation	▼	 Cost saving	▼
 Security	▼	 Tax compliance	▼	 Expense tracking	▼
 Inventory management	▼	 Payroll management	▼	 Cash flow projections	▼
 Making payments	▼	 Accuracy and precision	▼	 Business reports	▼
 Forecasting	▼	 General ledger	▼	 Minimise errors	▼
 Productivity	▼	 Reporting	▼	 Routine savings	▼
 Scalability	▼	 Invoicing	▼	 Accounting software ma...	▼

## 2.2 Factors to consider for choosing an accounting software:



Factor	Description
<ul style="list-style-type: none"> <li>• <b>Customer service reputation:</b></li> <li>✓ (Support hours, Time zone, Average wait time, Communication channels (e.g., email, phone call, chat, Customer service location (e.g., USA-based)).</li> </ul>	<p>Customer service is a critical component of the reliability of the accounting software. An accounting software that provides excellent customer service and support is an option.</p>
<ul style="list-style-type: none"> <li>• <b>Stability</b></li> <li>✓ How long the accounting software company has been in business</li> <li>✓ If the company is agile enough to handle unplanned situations easily (COVID-19)</li> <li>✓ The company's reputation (reviews)</li> <li>✓ How often they're releasing new features and enhancements</li> </ul>	<p>The more stable a company is, the better. And, the more comfortable you may feel trusting them with your and your clients' accounting and financial information.</p>
<ul style="list-style-type: none"> <li>• <b>Software type</b></li> <li>✓ (e.g., cloud-based or computer-based)</li> </ul>	<p>While choosing accounting software, determine if a desktop or cloud-based software would better fit your and your clients' needs. Cloud accounting can also make it easy for you to access your client's books and reports whenever you need them. With desktop accounting software, the software has to be installed and stored on your computer, and can only access it on the device you install it on</p>
<ul style="list-style-type: none"> <li>• <b>Features</b></li> <li>✓ Vendor payments and reports, Ability to track expenses and income, Credit card payments, Ability to invoice customers, Bank reconciliation, Bank deposit and withdrawal tracking, Estimates Recurring invoices, Invoice payment reminders, Multiple login capability, Bank transaction import</li> </ul>	<p>Find one that fits your or your clients' needs.</p>
<ul style="list-style-type: none"> <li>• <b>Cost</b></li> <li>✓ Consider hidden costs, such as fees or additional costs for add-ons. Whether or not the software has month-to-month pricing or if you need to pay an annual fee.</li> </ul>	<p>The more features you have, the more the accounting software will cost you. And in some cases, you may be limited on how much you can use a certain feature.</p>

## 2.2 Factors to consider for choosing an accounting software:



Factor	Description
<ul style="list-style-type: none"> <li>• <b>Reports: General ledger</b> <ul style="list-style-type: none"> <li>✓ Trial balance, Accounts receivable aging, Accounts payable aging; Balance sheet; Profit and loss statement; Unpaid customer invoices</li> </ul> </li> </ul>	<p>Reporting is a huge part of accounting, take a look-see at what kind of reporting they offer. And, find out how easy the reports are to access, print, share with others</p>
<ul style="list-style-type: none"> <li>• <b>Accessibility</b> <ul style="list-style-type: none"> <li>✓ If the software is cloud-based vs. desktop</li> <li>✓ How you can access the software (e.g., on your phone)</li> <li>✓ If the software has an app or responsive design for mobile</li> <li>✓ How easy it is for your clients to access</li> </ul> </li> </ul>	<p>Is the software accessible while you're on the go? From multiple devices? determine how accessible the accounting software will be.</p> <p>As an accountant (and an advisor to busy business owners), get software that is flexible and can be easily accessed anytime, anywhere.</p>
<ul style="list-style-type: none"> <li>• <b>Security</b> <ul style="list-style-type: none"> <li>✓ Depending on which type of software (e.g., cloud or desktop)</li> <li>✓ Take security precautions to protect data.</li> <li>✓ For example, for desktop software, use protections, such as firewalls, strong passwords, and security software.</li> </ul> </li> </ul>	<p>Keeping your clients' information secure should be one of your biggest priorities. To keep vital information safe, look for software that is transparent and serious about security.</p> <p>When choosing software, find out what security measures the provider takes to protect your and your clients' information. And, ask if they've had any security breaches or issues in the past.</p>



- **Discuss the Benefits of using Cloud-based and computer-based accounting systems, the Disadvantages, and defenses to demerits.**

## 2.4 Types of accounting software



- An accounting system can be designed for manual or computerized operations.
- Most Accounting systems are computerized, and some have hybrid.
- Important subsystems are computerized.
- The total system can be manual e.g. payroll. Point of sale, cash receipts, and disbursements.
- Some large companies use customized accounting software or enterprise resource planning (ERP) software, while small businesses and startups may use off-the-shelf solutions such as Quick books, Pastel, Tally, Sage, Wave, or Xero, with modern finance services like Zeni to keep their accounting processes running smoothly.



# 2.4.1 Manual systems



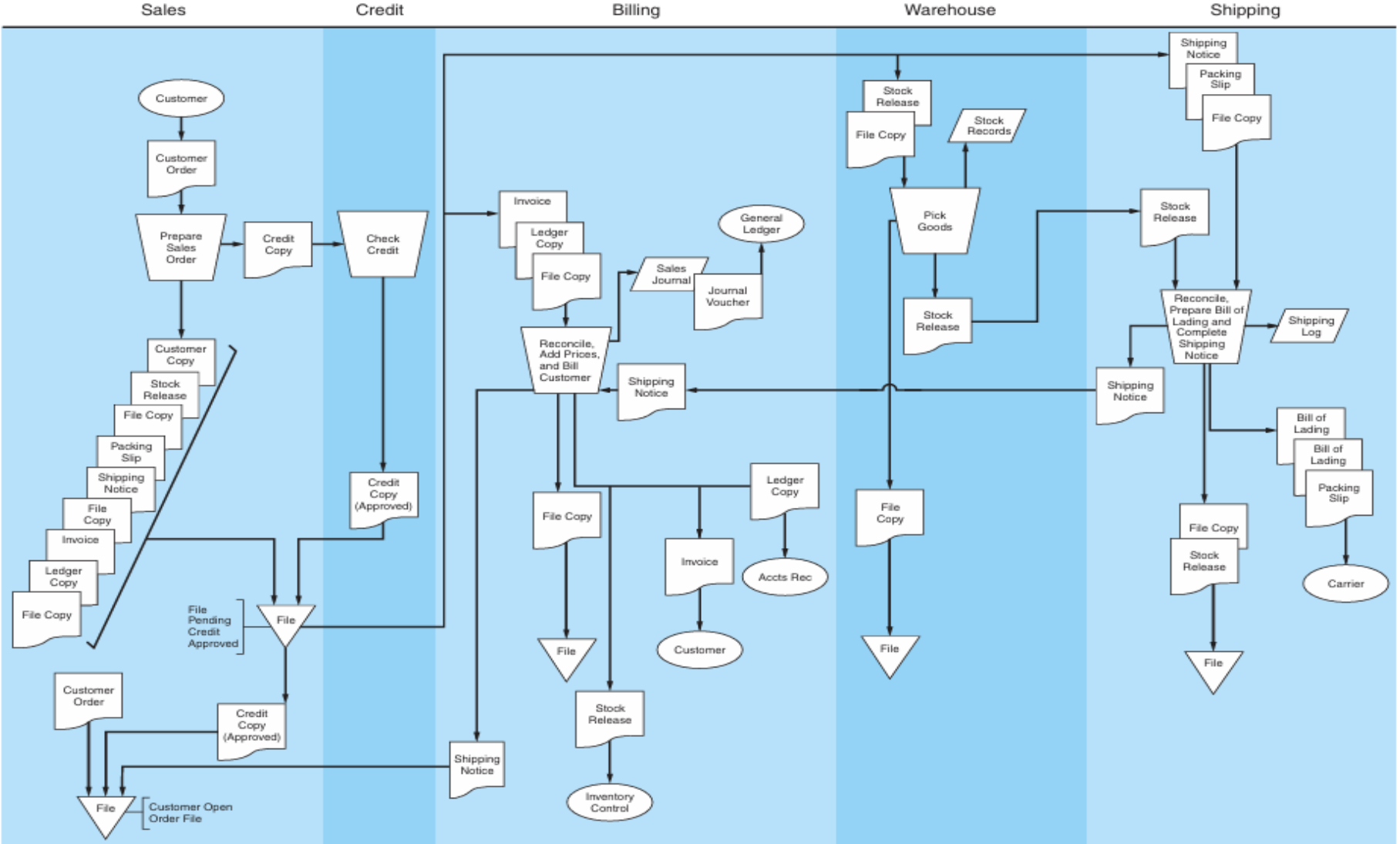
- The manual systems serve as a visual training aid to promote a better understanding of key concepts.
- Manual (document) flowcharts depict information as the flow of physical documents.
- Their source, routing, destination, and sequence of events are visually discernable from the flowchart.
- Manual system flowcharts reinforce the importance of segregation of duties through clearly defined departmental boundaries.
- Segregation of duties and independent verifications are essential to effective internal control regardless of the technology in place.
- Manual systems are a fundamental component of the framework for viewing technology innovations.

# Accounts Receivable, Inventory Control, and General Ledger Departments

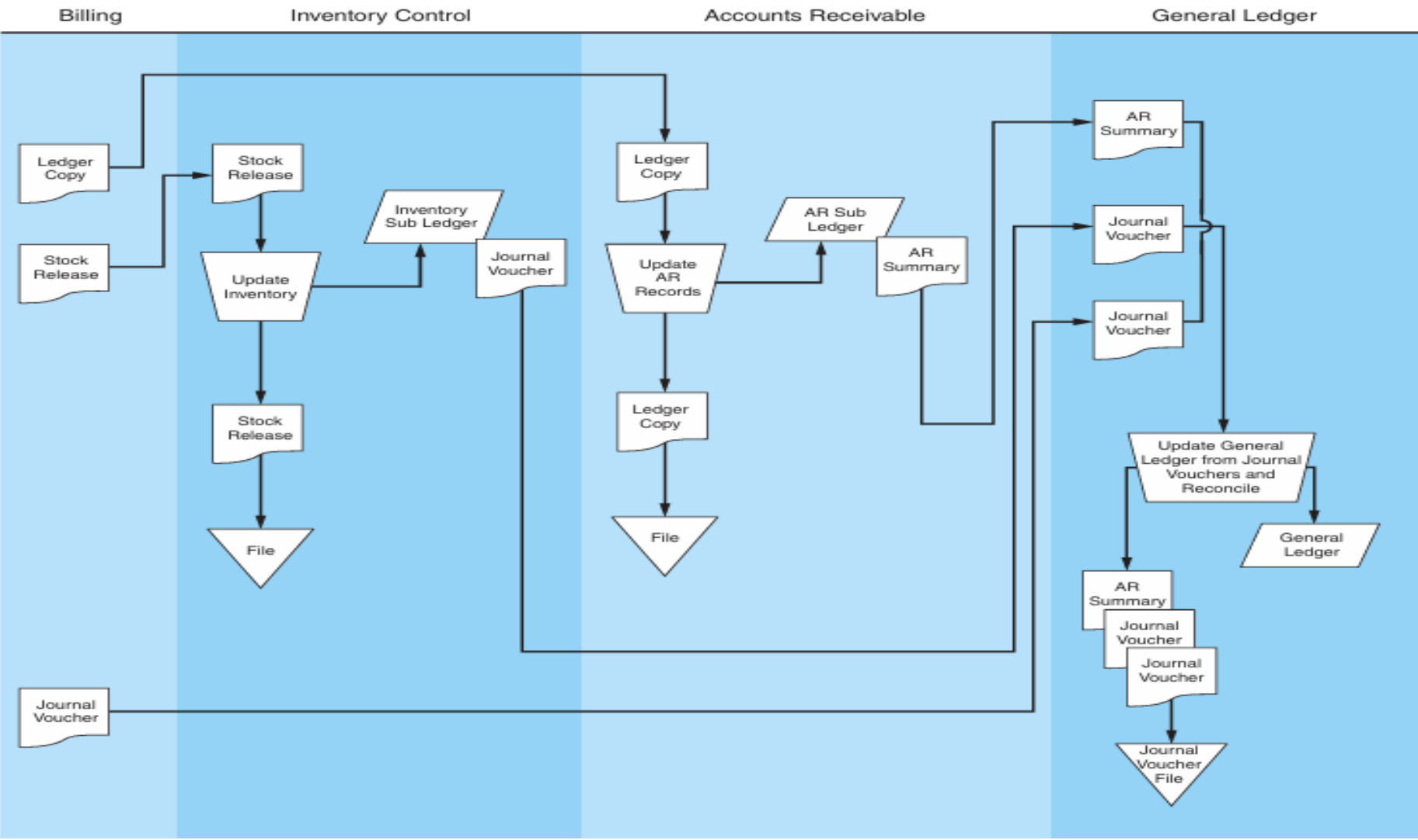


- Upon receipt of sales order copies from the billing department, the AR and inventory control clerks update their respective subsidiary ledgers.
- Periodically they prepare journal vouchers and account summaries, which they send to the general ledger department for reconciliation and posting to the control accounts.

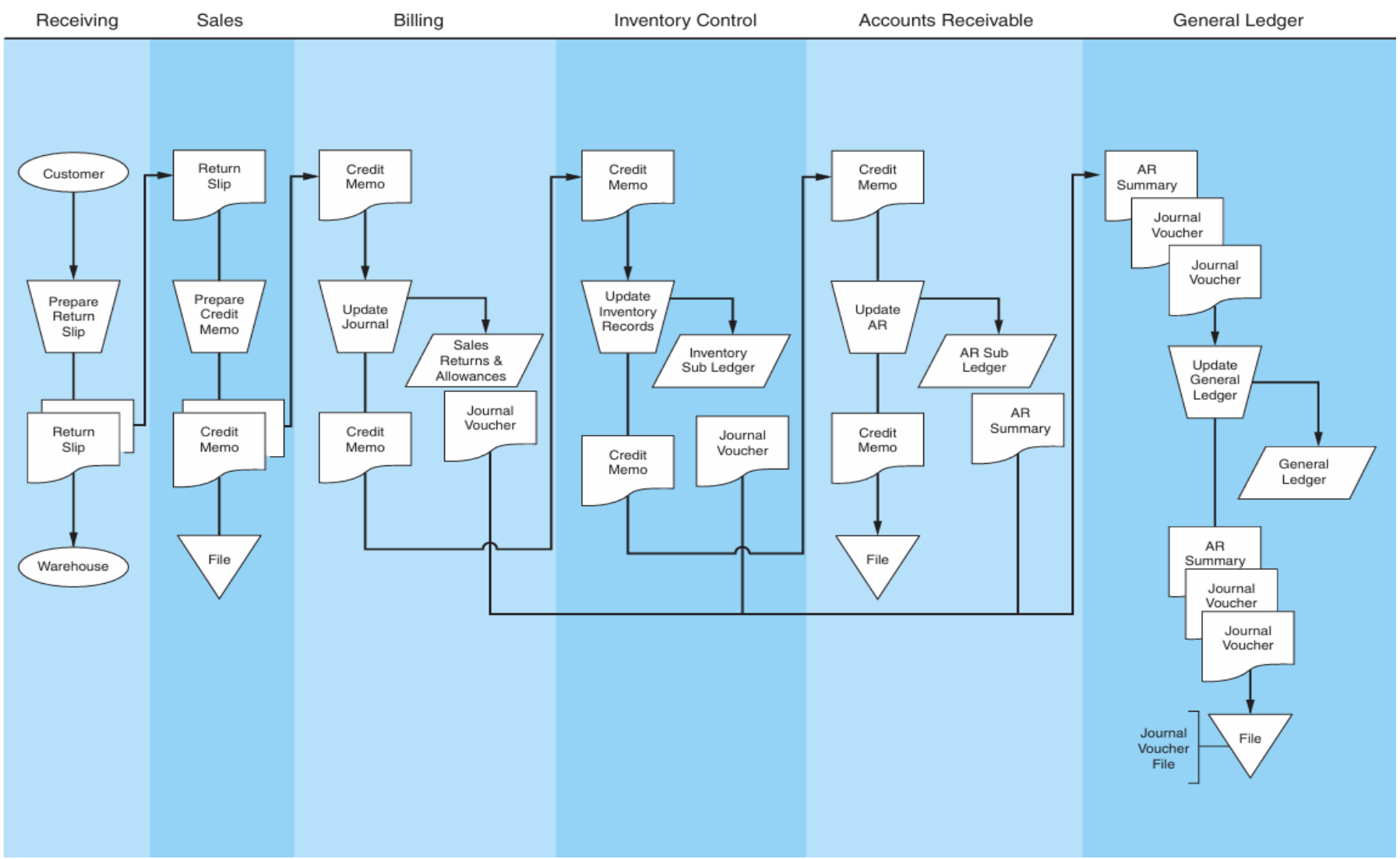
# Manual Sales Order Processing Systems



# Manual Sales Order Processing Systems-Cont



# Sales Returns Procedure



# Manual systems



- Inefficiencies intrinsic to manual systems gave rise to modern systems using improved technologies.
- For purposes of internal control, many functions such as billing, accounts receivable, inventory control, cash receipts, and the general ledger are located in physically separate departments.
- These are labor-intensive and thus error-prone activities that add greatly to the cost of system operation.

## 2.4.2 Computerized Accounting systems



- Uses general ledger as a master file. GL is a cluster of ledger accounts stored in internal or external computer storages.
- CAS uses software programs to manipulate data entry, editing, updating records and files, and periodic closing electronically.
- **Advantages:**
  - ❖ Online data entry and inquiry
  - ❖ Faster manipulation
  - ❖ Timely reporting preparations
  - ❖ Analytical ability

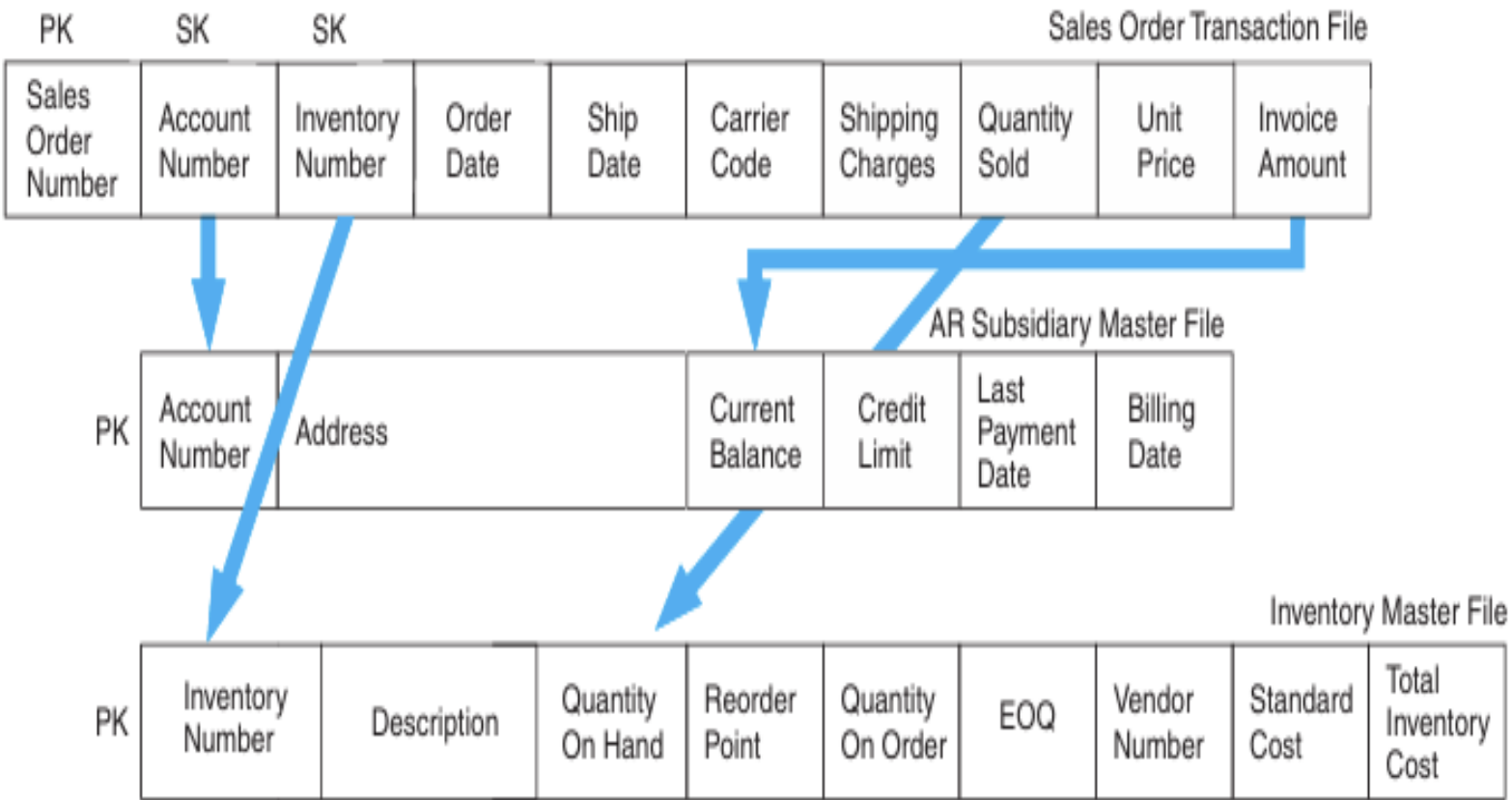


# Computerized Accounting systems

- Technological innovation in AIS is a continuum with automation at one end and reengineering at the other.
- Automation involves using technology to improve the efficiency and effectiveness of a task.
- The automated system simply replicates the traditional (manual) process that it replaces.
- Reengineering, involves radically rethinking the business process and the workflow.
- The objective of reengineering is to improve operational performance and reduce costs by identifying and eliminating nonvalue-added tasks.
- This involves replacing traditional procedures with procedures that are innovative and often very different from those that previously existed.
- Thus automation and reengineering techniques are applied to both sales order processing and cash receipts systems.



# File Structures for Sales, Inventory, and Accounts Receivable Files





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## Topic 3.0: Introduction to QuickBooks

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# Setting up QuickBooks



- ❖ Setting up QuickBooks
- ❖ Working with Customers

# Key Terms



## ITEMS and ACCOUNTS:

- Items: products and services for sell /offer. They are used on transactions such as invoices and purchase orders. All items must point to an account.
- Accounts: categories in which financial transactions are organized into reports, such as profit & loss and balance sheet.
  - Some accounts carry balances such as accounts receivable and accounts payable; some accounts report information over a period of time, such as income and expenses.

# Key terms



- Accrual and cash basis:
- Accrual represents financial transactions and activities as they occur, such as rent expenses that always exists every month and are recorded whether they are paid or not.
  - Only in Accrual basis, accounts payable, accounts receivable, prepaid expense asset and customer deposit liabilities when there is a difference the time the transaction happens and the time that the actual payment is made.
- Cash basis will only report income and expenses as they are paid.

# Key terms



- Entering a Bill (and Bill Payment) and writing a check:
- *Entering a bill is to incur an expense the moment it exists and it's paid in the future (Accounts Payable).*
- *Write Check is to record an expense at the same time it is being paid, no time difference between date of the expense and date of payment.*
- *You must use the Pay Bills feature to mark the Bill (Accounts Payable) paid, using the write check feature would potentially duplicate the expense and overstate your liabilities.*

# Customer Payments



## Undeposited Funds Account

- Used when a payment is received from a client but not deposited in the bank.

## Accept a customer's payment and record it in the bank

- Receive payments and select client and invoice to apply payment.
- Record Deposit after it is taken to the bank and record all payments that are being deposited together in a single transaction to match the bank.

# Customer Summary Reports



- Custom Summary Report and a Custom Transaction Detail Report?
- Summary: Contains totals for a customer / totals for a particular account
- Detail: Line by line, transaction by transaction, Itemized transaction.
- Sales order record a sale approved by client but not affect inventory or accounting, Invoice is to finalize sales once the product/service has been delivered.
- A Sales Order can create a “backorder” which lets you sell what you do not have, but commits that inventory to that customer when it arrives instead of showing as “available for sale”



# Key Tips



- **1. Creating a QuickBooks Company:**
  - Open QuickBooks and create a new company profile for " Vista Retail."
- **2. Company Information:** Location details, contacts.
- **3. Company Preferences:**
  - Go to "Edit" on the menu, then select "**Preferences.**" Customize preferences, including currency, time format, and reporting options.
- **4. Choosing a Start Date:**
  - During the setup, choose a start date for financial records, e.g., January 1, 2024.
- **5. Setting Up Income and Expense Accounts:**
  - Under the "Lists" menu, select "Chart of Accounts." Add accounts like Sales, Rent Expense, and Utilities Expense, Meeting expenses, Transport, cost of goods sold.
- **6. Providing income Details:** Go to "Customers" and select "Customer Center." Manage the Customer List by adding a few customers:

# Key Tips



## 7. Retail Products Sold and Their Prices:

- Under the "Lists" menu, select "Item List." Add retail products:

## 8. Generate Invoices:

- Click on "Create Invoices" under the "Customers" menu.
- Create an invoice for the customer on January 15, 2024, with: Item: Liquid soap (Quantity: 2 liters, Rate: 12,000 each); Item: Tooth paste (Quantity: 1, Rate: 10,000)

## 9. Receive Payments and Credits:

- Use the "Receive Payments" option under the "Customers" menu.
- Record a payment from the customer (Grants) on January 20, 2024, for the invoice total amount.

**10. Understand the Process of Making Deposits:** - Record a deposit in the "Banking" menu by selecting "Make Deposits." - Associate the deposit with the customer's payment.

**11. Generate Customer Statements:** - Navigate to the "Customers" menu and select "Create Statements."

**12. Account Receivable Reports on Customer Balances :** - Access "Reports" and select "Customers & Receivables" to view reports on customer balances.

**13. Manage Open Balances:** - Regularly review and manage open balances through the "Aging of Receivables" report.

# Practice question



1. Vista Retail U Ltd is a sole proprietor company a retail business. Vista Retail Ltd is located on the 5<sup>th</sup> street Industrial area, P. Box 122; Kampala Uganda; Contacts: +256 773456789; Email:vista@retail.ac.ug. The company operates in UGX, Start date June 1 2023. ABS Bank bal , account number 33224455666 as at Dec 2 2023 was 2,000,000.

## – Details for the retail products:

Category	Product names	Sales price (Ugx)
1. Mineral water (Cartons)	Rwenzori	20,000
	Spice	15,000
	Nivana	22,000
1. Stationary (Rims)	Rim of papers	20,000
1. Detergents	Liquid soap (litters)	12000
	Box of soap (Boxes)	8500
	Sanitizers	16000
	Washing powder (kgs)	12000

# Practice question



- **Additional Transactions:**

- ✓ Customer 1: On 12 November: John Blick from Roys Ltd located in Ntinda Complex bought 10 reams of paper and paid by cash.
- ✓ Customer 2: Liloy from ABBA pharmacy ordered for 50 cartons of Nivana water and paid for 45 cartons.
- ✓ Customer 3: Denniz bought 2 kgs of washing powder and and 2 liters of sanitizer (Saraya) and paid with cash.

***You are required to enter the above information in Quick books and use to:***

- (i) Item price list
- (ii) Generate a customer report
- (iii)Accounts Receivable Aging (AG) summary

# Practice question; GRP B



1. Royz Retail U Ltd is a sole proprietor company a retail business. Vista Retail Ltd is located on the 4<sup>th</sup> street Industrial area, P. Box 120; Kampala Uganda; Contacts: +256 773456789; Email:royz@retail.ac.ug. The company operates in UGX, Start date June 1 2023. ABS Bank bal , account number 33224455666 as at Dec 2 2023 was 1500,000.

## – Details for the retail products:

Category	Product names	Sales price (Ugx)
1. Mineral water (Cartons)	Rwenzori had 100 boxes	18,000
	Spice 80 boxes	12,000
	Nivana 20 boxes	22,000
1. Stationary (Rims)	Box of pens had 50 boxes	16,000
1. Detergents	Liquid soap (litters) had 10 ltrs	12000
	Box of soap (Boxes) has 4 boxes	8500
	Sanitizers were 80	16000

# Practice question



- **Additional Transactions:**

- ✓ Customer 1: On 12 November: Rodney from Elite Ltd located in Nakawa Complex bought 20 reams of paper and paid by cash.
- ✓ Customer 2: Abby from Rix pharmacy ordered for 50 cartons of sanitizers and paid for 40 liters.

***You are required to enter the above information in Quick books and use to:***

- (i) Item price list
- (ii) Generate a customer report
- (iii)Accounts Receivable Aging (AG) summary