

A Study on Drawbacks of Online Accounting in India

Namit Kumar
Research Scholar,
Deptt. of Applied Economics & Commerce, Patna University, Patna.

Abstract

Every organization needs to maintain their books of account for every accounting year to estimate their profit during the financial year. Traditionally book keeping were made by trained accountant with sound knowledge of accountancy and book keeping. But now due to electronic revolution, maintenance of account is possible with accounting software. In this research paper we will discuss about some of the softwares used in Online Business Accounting as well as the analysis of the factors which affects these softwares. There will be a comparison between traditional accounting and Online Business Accounting. Although online accounting saves our time and energy but it also have certain drawbacks that we will discuss in our research paper and will suggest certain solutions for the drawbacks of Online Business Accounting in India.

Index Terms: - *Net Suite, Multiview, Sage Fixed Assets, Odoo, Tally, Profit books, Busy Accounting Software, Zoho Books, M Profit, Quick books.*

INTRODUCTION

Online accounting is the application of online and internet technology to the business accounting functions. Online accounting is done through a web application that is typically based on simple monthly charges to help business concentrate on their core activities and avoid the hidden cost that are associated with traditional accounting software.

Online accounting software is an accounting software that is hosted on a remote servers. It provides accounting capabilities to business in a fashion similar to SaaS (Software as a Service) business model. Data is sent into the cloud, where it is processed and returned to the users.

Problems with traditional accounting practices have been increased day by day due to which Online Business Accounting came into existence. The earliest and arguably the first visible step in the development of cloud accounting took place in 1998 with the introduction of Net Suite. Net Suite is reported as being the first web-hosted accounting software system.

However, due to their nature, online accounting software system pose certain risks like data protection, portability of your data , business continuity options, service level agreements around service provisions, reliance on internet access and connectivity.

In this Research Paper we are analyzing the Drawbacks of Online Business Accounting in India and what are the solutions of these drawbacks.

LITERATURE REVIEW

Tavakolian (1995) noted that an accounting package is usually one of the first major computer packages that a company purchases and it is one of the two business applications often used, with word processing being the other. It should not be a surprise because Accounting plays a very significant role in the performance of organizations.

Daniel (1999) defines electronic banking as the delivery of banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television.

Gupta (2000) pointed out that electronic commerce is revolutionizing business in developed and developing countries. In fact, EC may change the economic status of some nations as they become active in electronic commerce. However, countries and individuals face severe obstacles as they struggle against high technology costs, poverty, lack of education, primitive infrastructure, and restrictive government regulations.

A survey conducted by Ghosh (2000) found that majority of the companies using ecommerce in India considered e-commerce a substantial part of corporate strategy. However, lack of electronic payment facilities and limited technologies used by trading partners hampered the adoption of e-commerce across the entire supply chain. Indian Market Research Bureau (2000) conducted a survey on the status of ecommerce in India covering 360 decision makers in business and 2000 households. It found that organizations expected that 12 per cent of their turnover would be contributed through ecommerce in next two years. The market size of B2B ecommerce would touch Rs. 50,000 crore by 2001. According to NASSCOM, ecommerce was expected to touch Rs. 10,000 crore by 2002.

RESEARCH OBJECTIVES

- To study the drawbacks of online accounting system
- To study the solutions for the drawbacks of online accounting system
- Comparison between Traditional accounting vs. online accounting
- Analyzing the factors affecting Online Business Accounting system.
- Some of the software used in Online Business Accounting
- To know that in which way Tata Trust corporate social responsibility activities work towards the Data Driven Governance.

RESEARCH METHODOLOGY

Research Design

The method of our methodological approach was qualitative method. Qualitative method are best for describing, interpreting, contextualizing, and gaining in depth insight into specific concepts or phenomena.

Sample Technique & Sample Size

In this research we have used convenience sampling technique because in this method participants are selected based on availability and willingness to take part. We have selected the participants on the basis of their qualifications, professional backgrounds as well as their real time experiences. The interview was in unstructured form and was done through audiovisual recordings and real time interviews.

The sampling size taken for the research was 11.

Method of Data Collection

We have collected secondary data while extracted the information about the research from first-hand experience, textbooks as well as through the certified internet websites which gave us trusted information about Online Business Accounting. The primary data was collected by the subject experts of online business accounting with the help of Interviews.

SOME OF THE SOFTWARES USED IN ONLINE BUSINESS ACCOUNTING SYSTEM

1. Net Suite-

It is a business management software suite offered as a service that performs enterprise resource planning (ERP) and customers relationship management (CRM) functions. The Net Suite Financial system can integrate with a company's back office, sales and service process.

2. Multiview-

It offers a suite of financials solutions with multiview, companies gain visibility over corporate data. Multiview also offers a reporting and analytics environment with the viewpoint tool.

3. Sage Fixed Assets-

It is a hybrid asset management solution that helps business track and manage the fixed assets through different steps of assets lifecycle.

4. Odoo-

It is open source software and offers security features to business technology and software development communities around the world. The odoo market offers numerous modules and apps that are simple for a variety of business needs.

5. Tally-

It is a software that stores all the business transaction of each account in detail. Tally ERP 9 follows double entry accounting system and hence eliminates rectifies possible errors. Tally ERP 9 is one of the best accounting software that can integrate with other business applications.

6. Profit books-

It is a cloud accounting software specifically designed for small businesses. It is a cloud based accounting solution that lets you create invoices, track expenses and manage inventory, helping you save time and manage finances efficiently.

7. Busy Accounting Software-

It is developed by Busy Infotech Pvt. Ltd. It is an integrated business software helping SMEs manage accounting, sales, purchase, VAT, currency, payroll and multi-location inventory.

8. Zoho Books-

It is a user friendly online accounting software designed for SMEs. Using this accounting software, you can send professional invoices to client and ensure that you are receiving online payments really quick.

9. M Profit-

M Profit accounting software is a leading portfolio management and accounting software for Indian Investors, traders, family offices, advisors, CAs and corporate.

10. QuickBooks-

It is designed by Intuit Inc. for various types of small businesses. It is an online accounting software with an easy to use interface and tools. You can directly connect your bank account to QuickBooks to import and categorize transactions automatically.

ANALYZING THE FACTORS AFFECTING ONLINE BUSINESS ACCOUNT

1. User-friendly Software- The ease of use is a prime factor to consider when buying accounting system. The user-friendly software provides you with a dashboard that shows charts giving the financial status of your company.
2. Multi-Currency Transactions- The internet has reduced the distance between and the businesses. Today, even small enterprise serve overseas clients. If you have such clients, make sure that accounting software that you are investigating facilitates multi-currency transactions.
3. Secure Data- With the online accounting software, you can save business' financial data on the external servers. It is safe there from any physical hazard at your end. You should know when the data is backed up and make sure the frequency is as per your needs.
4. Customer Support- The level of customer support offered by the manufacturer of accounting software is one of the vital factors to consider when selecting a software package. If your staff is not happy with the software, it is going to delay the transactions from the old systems to new one.
5. Price of Accounting Software- The pricing, for small business owners, has always been one of the things to consider when buying accounting software. They are not in a position to pay high license fees for it.

CONCLUSION

Comparison between Traditional accounting vs. online accounting

1. Back Up-

Traditional accounting is dependent on storing the data manually which can be misplaced or can be lost due to fire or theft, due to this we will not be able to access the data anymore

Whereas online accounting is stored off site on someone else's system that perform regular backups to ensure your data is safe and secure.

2. Cost-

Traditional accounting can be very expensive as it requires a lot of manual labour number calculation. It might sound easy but somebody has to sit there and go through all of the accounts which obviously costs money.

Online accounting on the other hand is considerably cheaper. No longer are you required to calculate huge sums of money for expensive accountancy software or licenses.

3. Transparency-

When you enter your receipts, invoices and expenditure online through the software not only does this give you a look into the numbers but allows you to communicate with your accountant easier.

With traditional accounting there is normally less communication with the client as the accountant receives all the receipts and invoices and just works through them.

4. Calculation-

As the online accounting provides automatic calculation feature it is easy for the user to calculate the data. Whereas the traditional accounting uses manual calculation which requires large amount of time as well as effort.

5. Flexibility Test-

In online accounting we can take the key data of finance wherever and whenever we want to and this can be very useful. But in traditional accounting it is restrictive as we need to wait for the figures from accountant and we cannot get it as soon as we want.

6. Communication-

Traditional Business accounting generally depends on telephone, e-mail, and face to face communication.

But then the online accounting software offers same communication channels and can take part in a live chat conversation. They also provide a quick turnaround when answering some queries.

7. Consideration-

Using online accounting system it keeps all of the data organized at one place that is computer hard drive. Finding and accessing information on an accounting software program is much easier than traditional method. Specific data can be found using system functions usually by 'find' or 'search' key.

But in traditional accounting this is not possible as the accountant does Book-Keeping and all the data are recorded in books of account and if the data is lost or misplaced then it is gone forever, there is no chance of recovering it in traditional accounting.

8. Financial Statement-

In traditional accounting financial statement are prepare at the end of the accounting period or quarter. But in online accounting financial statement gets prepared at one click button only.

9. Getting Financial Data-

Nowadays we want everything instantly and we don't like to wait for it so for that online accounting is a way we can access our data from laptop, desk computer, tablets or even from our mobile phone.

But with traditional method we have to wait until our accountant prepare our accounts.

10. Adjustment Entries-

In traditional accounting if there occurs an error while entering and posting the transactions in books of accounts, then adjustment entry can be passed to rectify it or get accurate results. Moreover adjustment entries are made to comply with matching principle. But in online business accounting, matching principles journal and vouchers are prepared but adjustment entries are not passed to rectify it.

To Study the Drawbacks of Online Accounting System

1. Accessibility-

Online Business Accounting cannot be executed without the medium of internet connection. Web based accounting software makes your business dependent on the reliability of the internet connection.

2. Rigidity-

Business today are becoming more and more complex. A standard package may not be able to take care of these complexities. For an instance in most of the accounting software production process may not be covered by that particular software.

3. Privacy-

The data of the organization is handed over to a third party. This raises two issues, one securing and other is confidentiality. There have been instance of information leading out of the third party data centers of particular software providers.

4. Priority Concern-

In the process of outsourcing online accounting software priority is always a concern because the third party is unable to meet the standards, desirables and the cost may ultimately be higher than the initially envisaged.

5. Complexity of the Software-

Generally an accounting software has large number of option to choose from. Further the parameters setting and configuration makes it a little complex for the common users.

SUGGESTIONS

To study the solutions for the drawbacks of online accounting system

1. Data connection should be improved.
2. Complexity of the software should be reduced.
3. The level of the confidentiality should be increased.
4. Multi-currency transactions should be improved.
5. The data of all the companies should be backed up individually so that the data could not be leaked.

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