

Report



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Running any business requires maintaining financial details and having control over the operations. This is possible when regular account is maintained. For small businesses this is a challenge but bookkeeping records are essential to ascertain how the business has fared during the year. Most small businessmen have the capability of maintaining manual accounts but the disadvantage is that papers/details get lost or misplaced (Articlebase, 2011). This may result in profits and taxes being over declared. Inaccuracies may also result in fines and penalties being imposed. Moreover, when accounts are manually maintained it is usually kept pending until the last minute and that too for the purpose of filing tax returns. Accounting is not used as a business tool to keep track of where the business is heading and results is loss of control during the financial period. Bookkeeping software is also a manual system but within the defined parameters it is possible to produce essential information. The first advantage of using software is that small business would tend to maintain regular accounts than those which do not use software for bookkeeping (Articlebase, 2011). The bookkeeping software has a set of disciplines due to which it is able to produce data and records that are essential to exercise control over the business. It also helps in preparing the financial statement at the end of the year including for filing of tax returns. Records are less likely to lost or misplaced when maintained through software. Moreover financial performance can be improved through better financial control. In effect, book keeping software automates the manual maintaining of accounting and financial records. Accounting software saves time as it eliminates manual account calculations and record-keeping (Highland, 2011). The software handles chores in minutes which would take up a good number of man hours and hence can save on fixed salaries. It also

helps in analyzing business practices and enables identification of how money flows through the operations. It also helps in identifying which business unit is profitable and which needs to be shut down. The software package has other advantages like automatic generation of accounting documents such as receipts, invoices, cheques and statement of accounts. Moreover, now plenty of software packages are available and hence it has become as cheap as maintaining manual accounts. Reports can be generated as and when desired. However, software packages come with certain disadvantages. Power failures, data corruption and hacking of computers are inherent problems that come with the usage of technology (Answers. com, 2011). Data entry errors may occur which would result in wrong data output. Using software package also requires a thorough evaluation of the reports to be generated and the information required so that the package can be set up to meet the right requirements. Occurrence of computer fraud is also an inherent risk if internal and external security measures are not proper. Despite the inherent risks and possible problems, software packages save the small business time and money. It also helps to obtain real time information and the accounts can be maintained by the small business owner himself without having to engage a separate person to maintain account. The micro business stands to benefit more by using accounting software. References Answers. com, 2011, 'What are the Advantages and disadvantages of manual vs computerised accounting? Retrieved 15 March 2011 from http://wiki.answers.com/Q/What_are_the_Advantages_and_disadvantages_of_manual_vs_computerised_accounting Articlebase, 2011, 'Bookkeeping Software or Services?', retrieved 15 March 2011 from <http://www.articlesbase.com/outsourcing-https://assignbuster.com/report-essay-samples-12/>

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