ISSN: 2277-9310

RJCBSS

II, Issue 11 (IV), February 2014

ernational Research Journal of
mmerce, Business and Social Sciences

ISSN: 2277 – 9310

International Research Journal of Commerce, Business and Social Sciences (IRJCBSS)

Vol. II, Issue 11 (IV), February 2014

The editors and editorial board with great pleasure place before the readers the eleventh issue of second volume of *International Journal of Commerce Business & Social Sciences (IRJCBSS).*

The research contributions by the participants have made the journal enrich with resources. The timely publication of journal was the collective efforts of our editors, editorial board and the technical staff.

The journal has diversified areas covered under its ambit giving maximum option for the research scholars. We thank all the authors and editors for their contribution. We expect continued contribution from everyone.

Published by:
Jai Hind Education Society, Pune

Printed by:
AKT Soft, Pune

Cost: Rs. 475/-

INDEX

INDIAN ACCOUNTING STANDARDS AND IFRS

Dr. Balvant N. Dhimmar
Assistant professor
J.Z.Shah Arts & H.P.Desai Commerce College Amroli, Surat.

Introduction

In recent times, it has increasingly become difficult for the companies to raise funds and get them listed on stock exchanges because of non-following of the standard in accordance with International Financial Reporting Standards (IFRS). Individual or institutional investors find difficulty in comparing financial results of different companies and making investment decisions because of differences in accounting practice. Therefore, the adoption of IFRS by most of the major economies in the world is well under way. Convergence of accounting standards will have the effect of attracting investment through greater transparency and a lower cost of capital for potential investors. Convergence to IFRS offers a number of vital prospective benefits. Convergence to IFRS will greatly enhance an Indian entities' ability to raise and attract foreign capital at a low cost. A universal accounting language, such as IFRS, will help Indian companies benchmark their performance with global counterparts. There will be escape from multiple reports for global Indian companies that have to prepare their financial statements under multiple GAAPs. It will help the entities to streamline reporting and reduce related costs by developing common reporting systems and consistency in statutory reporting. It will also make possible to compare their financial reporting to that of not only national as well as international competitors. With the knowledge of IFRS, the Indian Chartered Accountant would be globally acceptable.

Benefits of adopting ifrs for Indian companies:

The decision to converge with IFRS is a milestone decision and is likely to provide significant benefits to Indian corporate. Some of them are listed below:

Improved access to international capital markets:

Many Indian entries are expanding or making significant acquisitions in the globalarena, for which large amounts of capital is required .The majority of stock exchanges require financial information prepared under IFRS .Migration to IFRS will enable Indian entities to have international capital markets, removing the risk premium that is added to those reporting under Indian GAAP.

Lower Cost of Capital:

Migration to IFRS will lower the cost of raising funds, as it will eliminate the need for preparing a dual set of financial statements. It will also reduce accountants' fees, abolish risk premiums and will enable access to all major capital markets as IFRS is globally acceptable.

Enable benchmarking with global peers and improve brand value:

Adoption of IFRS will enable companies to gain a broader and deeper understanding of the entity's relative standing by looking beyond country and regional milestones. Further, adoption of IFRS will facilitate companies to set targets and milestones based on global business environment, rather than merely local ones.

Escape multiple reporting:

Convergence to IFRS, by all group entities, will enable company managements to view all components of the groups on one financial reporting platform. This will eliminate the need for multiple reports and significant adjustment for preparing consolidated financial statements in different stock exchanges.

Reflects true value of acquisitions:

In Indian GAAP, business combinations, with few exceptions, are recorded at carrying values rather than fair values of net assets acquired. Purchase consideration paid for intangible assets not recorded in the acquirer's books is usually not recorded in the financial statements; instead the amount gets added to goodwill. Hence, the true value of the business combination is not reflected in the financial statements. IFRS will overcome this flaw, as it mandates accounting for net assets taken over in a business combination at fair value. It also requires recognition of intangible assets, even if they have not been recorded in the acquirer's financial statements.

APPLICATION OF INFORMATION TECHNOLOGY IN GLOBAL ACCOUNTING

Prof. Kruti Patel
Assistant Professor, Women's Afternoon Additional Class
C/o J. Z. Shah Arts & H. P. Desai Commerce College, Amroli

Introduction

Accounting is the system a company uses to measure its financial performance by noting and classifying all the transactions like sales, purchases, assets, and liabilities in a manner that adheres to certain accepted standard formats. It helps to evaluate a Company's past performance, present condition, and future prospects. A more formal definition of accounting is the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof. Advances in information technology (IT) have transformed many firms in professional services industries, but perhaps none as much as those in the public accounting industry. Once a slow-paced and conservative industry, public accounting underwent tremendous changes at the turn of the millennium, sparked largely by the rapid changes in its environment (Elliott 1998). Audit software and knowledge-sharing applications are two crucial components of these changes. Automation of audit tasks and use of specialized audit software has substituted IT for labor and changed the structure of audit teams. Equally important is the use of advanced systems to share knowledge bases across different parts of the organization that has enabled professional services firms to leverage their human resources more effectively.

History

IT and accounting come from different background and history. Accounting has been practiced since 8500 BC till today and there are not many changes to the way accounts are maintained. However, IT is changing fast and changing every day. New technologies, launched today, become obsolete within couple of months. The influence of IT is inescapable in today's world, as it would result in competitive advantage and growth in business. Application of IT in management accounting has been popular recently, as organizations found the importance of global accounting to their benefit which helps to accesses the organizations' potentials.

Research Problem

Application of IT in accounting is to provide some IT relevance in accounting to improve the efficiency of decision-makers and to facilitate the accounting information accurate and error-free. Application of IT in accounting depends on individual organizations' vision and appropriate system or technology acquired. If the need for strong and structured technology is not installed, an organization can waste its capital investment on technology. As such, application of IT in accounting would result in benefits to the organization depending on the technology applied. Essentially, the research problems are summarized as below:

1. Lack of awareness and understanding of technology available and suitable based on organization to be adapted in accounting.
2. Lack of availability of internal expertise and consultant to suggest, evaluate and implement IT in accounting.
3. The effect of IT in accounting may not be realized in the increased profits because of hidden and indirect costs incurred.
4. The impact of application of IT in accounting may not be realized in a shorter time due to different nature of business and chosen technology.

Objectives of the Research

The objectives of research are as follows:

1. To contrast and scrutinize the traditional accounting approach with IT.
2. To examine and review the potentials of application of IT in accounting.
3. To assess the benefits of adoption of IT in accounting to the organizations.
4. To review the impact of application of IT in accounting.

Scope of the Study

Application of IT in accounting is enormous growing. The introduction of IT in accounting especially financial and managerial accounting are irrefutable. IT is a large area to explore from home PCs to large systems, firewalls and internet. Thus, this study focuses on the relevant technology adapted to accounting such as multimedia technology and accounting using internet. Major focus is given to impacts and implications of application of IT in accounting.

Review of Literature

Burns, J., Scapens, R. and Turley, S. (1996) discussed the current and future role of management accountant such as the commercial orientation and impact of IT on management accounting, and decentering accounting knowledge.

Colette Steckel (2003) studied how the individual can use his/her accounting background to kick-start the IT career industry. Based on the case study, the author initially discussed the IT market in China country and noticed that the software market is not on par as the hardware market. The research found that the China market needs world class IT technology integrated with the business. The author describes how an accountant took the opportunity available in the China market to develop financial analysis software.

David Hurwitz (2003) discussed the challenges and opportunity of 21st century IT and the rise of portfolio management in the IT world. The author recommends that IT should adopt a structured, transparent and defensible investment planning methodology. The limitation of the article is discussing the IT organization only and lack of information on implementation of Enterprise Portfolio Management system to other organizations.

Guido Sacchi (2003) discussed the problem of effective management of IT that has moved from administering the technology to improving the business value of the technology. This article failed to identify the risks and drawbacks of the service-oriented technology such as high cost, high maintenance and high skilled workers requirement.

Kim Smith (2002) focused on the effect of e-business as a current development in the audit and the role of the auditor in tackling internet e-com. The author claims that the auditor should perform the internet e-com audit as per any other audit of financial statements. Auditors need to acquire appropriate level of IT and e-com skills and knowledge to understand the potential impact on the financial statements. The author has left out the discussion of potentials of e-auditing in the e-com environment, comparison and different skills required by auditors to perform e-com audit and also conventional audit.

Paul Philips and David Kirby (2002) examined the impact of electronic business on accountants. The authors suggested that the accountants should understand the organization changes that need to take place and reposition themselves in the organization hierarchy where they can produce useful information for the formulation and the implementation of e-business strategies. The limitation of this article is that the authors did not specify the roles and responsibilities played by the regulatory and standard-setting bodies to groom accountants to meet e-business challenges.

Scot M. Boggs (2003) believed that digital technology have been changing since a decade ago where the personal computers (PCs), streamlining manuals and Local Area Network (LAN) not only have reached small organizations but also individual home users. He reckons that digital technology will brace users to collect information from one place to another and manipulate data by filtering, sorting, compiling and analyzing to produce necessary reports for decision making. He strongly believes that with the digital technology, the companies will be able to achieve more value at strategic end of business and spend less time in processing transactions. But there is lack of argument pertaining to the mindset of the small organizations users towards the digital accounting.

Steve Skidmore (2002) discussed the involvement of IT in the accounting curriculum. There is brief explanation on IT and accounting, where IT plays vital role in supporting activities of both profit-oriented and non profit-oriented organizations. Accountants apart from comprehensively using various types of information and technologies, they often play important managerial, advisory and evaluative roles in connection with adoption and use various IT by organizations of all types and sizes. Accountants must possess core IT skills and the accounting bodies should ensure that the candidates have IT skills before obtaining the accounting qualifications.

Research Methodology

For this study the main source of information retrieval was from internet and search engines such as Google, Yahoo and Hotmail was used extensively to trace and refer online information and news. There were many articles, journals, vendor's white papers, analyst reports and various published materials gathered from the internet web sites such as knowledge storm, computer world, business today, Emerald-Library and Amazon. Journals and other printed materials such as Computer world, Information System Controls, Internet Magazine, Computer, Info Security Magazine, Business Week and Times was used for further reference.

Discussion, Analysis and Findings

Traditional Accounting vs. Accounting with IT. Traditional accounting focused on manual collection of information of the industry or the competitor for the use of developing and monitoring the business strategies. The accuracy and validity of the data was questionable and it took couple of weeks to produce the reports. The accountant should possess skills such as analytical skills to understand bookkeeping meticulously, statistical skills and report writing and presentation skills.

The introduction of IT in accounting has made accounting to be more prominent to organization's internal users and decision-maker for budgeting system, investment-planning system, standard costing system and stock control system packaged in one. The budgeting, planning and so on is created by the system itself and the depth of information provided depending on the capability of the technology adapted. The force of internet has pushed the organizations to compete globally and take advantage of global market. Accountants have to acquire following skills with their changing role and responsibilities,

- Computer skills,
- Data modeling,
- Making forecasting and projections,
- Developing assumptions and criteria,
- Strategic and looking forward,
- Technology-oriented,
- Creativity and adaptability

Application of IT in Accounting – The Potentials. Application of IT in accounting has created excellent potential to the accounting system and now it is not possible or practical to perform accounting either financial or managerial without the help of IT. The infrastructure of IT is widely available today and it is in open system mode. Shareholders and investors are insisted to view the information of the organization's accounting results before deciding further investment. Multi-national companies have optioned to IT to retrieve data from department and regional offices located worldwide. IT in accounting has its potentials in the future as current generations are exposed to IT and nowadays computers have been introduced during school days. IT skills are being possessed by younger generations and it will contribute and motivate the implementation of IT in every aspect of business. Small organizations can take advantage of evolution of accounting technology that is getting off-the-shelf accounting packages.

Application of IT in Management Accounting – The Benefits. There is evidence that technology adapted in accounting is able to revoke the traditional accounting limitations. IT and accounting has emerged as a system to provide essential information to organization's growth and smart investment.

Computerised accounting system. Paper ledgers, manual spreadsheets and hand-written financial statements have all been translated into computer systems that can quickly present individual transactions into financial reports accurate and real time.

Increased Functionality. The technology is capable of processing large number of data and also to perform multi-tasking to achieve the desired result. Accounting systems are also capable of producing 3D charts for presentations. IT can be designed to give recommendations and remedies to the management.

Faster Processing. The accounting system is capable of calculating the payback period, ROI or breakeven point within split of seconds and advises the management on the decision to be taken. The technology is very much useful to management when they are forecasting a long-term investment. The system is able to provide historical data and the market trends to the management to assist to make the correct and wise decisions.

Competitive advantage. IT in accounting allows immediate updates of the information in the Web site so that the customers, investors and creditors are able to see a clear picture of the organization's plans and goals.

Other benefits. Better External Reporting, Software Tools in the Accounting Process, Electronic funds transfer (EFT) etc. are the other benefits of implementing if IT in accounting.

Application of IT in Accounting – The Impact. Application of IT in accounting has major impact on the organization's profits. Implementation of new technologies may reduce company's income, as the implementation is costly depending on the technology adopted. There is a risk to the companies that if inappropriate technology is chosen, then the company is forced to incur unnecessary costs which lead to waste of resources. However, if the management and the accountants study the feasibility and the functionality of the systems before the implementation of IT in accounting, then the above risk can be avoided. The companies have to send their staff to IT related training to acquire and update their IT skills to use the system efficiently. The users of the system must be trained well. Selecting user-friendly system

is essential, as it require less IT skilled personnel to handle the system. Most of the systems available now are user-friendly and easy to use. Technology is changing fast and it is very difficult to keep track with the technology changes. The company's challenge is to adopt a technology that can be used for a long period. The new technology today will be obsolete within couple of months and will be replaced by more sophisticated technology. So the company has to select the technology that is upgradeable to meet the future technology requirement.

Limitations

One of the key weaknesses of this is that it failed to review the implementation of IT in individual accounting module such as budget, standard costing and responsibility center. This research paper only provides studies of general factors affecting IT in accounting. It also did not explore in detail on the cost of IT implementation in accounting. The various problems, confusions and drawback of using IT in management accounting stir up the question for additional research. The list and explanation on the technologies available in the market has been exempted and require further investigation. The relationship and understanding between the company and technology vendors have been unreciprocated. Other factors relating to selection of the appropriate technology and system by the management should be considered.

Conclusion

It is acceptable to companies that application of IT in management is inevitable and many companies already looking towards implementation of IT based accounting. Considering the paper-less environment, companies are tempted to exploit technology to reduce costs and overhead. However, the selection of appropriate system and technology is essential and vital, so that waste of money and resource do not arise and the accountants are able to produce accurate reports to make decisions and investments. The application of IT becoming essential part of accounting to cater to the current needs of immediate business analysis and performance measures. The current world is living on technology and no doubt, accounting needs technology to improve and enhance its functionality. Technology is vast changing and keeping track with the changes is a challenge to the company. The cost of implementation of the system is always a question. Overall, applying technology in accounting is in optimistic direction by the management in which they can benefit in terms of advantages provided by the technology. The close involvement by the management, accountant and users in implementing technology is much needed. At the end, it is to beneficial to everybody shareholders, management and workers.

References

1. Burns, J., Scapens, R. and Turley, S. (1996). Some further thoughts on the changing practice of management accounting. Management Accounting. Pg. 58-60.
2. Cik S.S., Gopalan M., Moorthy, M. K., Ong O. V., Yew K. T.,(2012). Application of Information Technology in Management Accounting Decision Making. International Journal of Academic Research in Business and Social Sciences March 2012, Vol. 2, (No. 3).
3. Hurwitz, D. (2003). Enterprise portfolio management: The backbone of IT management and governance. Retrieved June 30, 2011 from http://www.niku.com
4. Phillips, P. & Kirby, D. (2002). The impact of electronic business on accountants: A shareholder value perspective. Retrieved August 12, 2011 from http://www.accaglobal.com
5. Sacchi, G. (2003). Delivering business value through a service-oriented Architecture. Retrieved August 15, 2011 from http://softwareagusa.com
6. Skidmore, S. (2002). Information Technology in the accounting curriculum. Retrieved May 10, 2011 from http://www.accaglobal.com
7. Smith, K. (2002). E-Com, E-Saw, E-Audit. Retrieved June 28, 2011 from http://www.accaglobal.com
8. Steckel, C. (2003). Becoming a part of IT history. Retrieved July 30, 2011 from http://www.accaglobal.com

*****