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ADVANTAGES AND DISADVANTAGES OF FUNCTIONS OF FINANCIAL AND ACCOUNTING SYSTEMS USED IN ACCOUNTANCY

Summary

The need of collecting information about business units grows together with economic progress. Accounting is the source of this data without which no company would be able to conduct business activity. The data is considered to be the business language home and abroad, because it represents all the financial results by means of figures. The financial and accounting systems are being progressively introduced together with regulations aimed at making an accountant's job easier. The systems available on the market vary from very simple ones built upon Excel spreadsheets, more advanced systems for small and medium sized enterprises developed by COMARCH-CDN (OPTIMA), Matrix.pl (Symfonia@) or InsERT (Rewior), to the most complex such as SAP, BAAN or IFS. As nowadays computers' hard drives are used for keeping, registering and evidencing financial record¹, tax declarations may be transferred directly to appropriate tax offices without the need for an accountant to leave his or her desk, and import and export of documents can be easily monitored. The electronic systems allow easy and fast access to archival information, easy correction of implemented data and offer a big amount of reminders and tips on how to deal with mistakes in accounting documents.

Key words: *financial accounting system, accounting records, data, financial reports*

Introduction

Application of modern methods of recording accounts implies significant advantages, which not only an accountancy department of an enterprise can benefit from, but also the financial market and generally the economy as a whole. Accounts are stored in computerised financial and accounting systems because then they are available for every entity

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¹M. Andrzejewski, K. Jonas, P. Młodkowski, *Computer financial and accounting systems*, Wydawnictwo PSB, Kraków 2000, p. 8.

including the budgetary institutions. Implementation of electronic bookkeeping solutions improves storage of accounting records and the registration process, it also offers an opportunity of significant savings. Talking about improvements, in case of an incorrectly completed financial document rewriting is necessary. Proof-reading takes a lot of time because the same activity needs to be performed twice and close attention must be paid not to make the same or other mistake. Electronic solutions when applied for this purpose not only give a possibility to correct the mistake immediately but also inform about occurrence of the mistake in the very process of filling in. The electronic system provides easier access to data, it searches through all accounting records and does so according to many different criteria. Making balance sheets for accounting reports is also more efficient. The system enables its users to put elements together to create a whole and the other way round, i.e. aggregation and disaggregation of the information creating reports such as balance sheet, profit and loss account, cash flow report in a traditional form requires long, precise and arduous work.

The aim of this paper is to present certain examples of advantages and disadvantages resulting from using financial and accounting programs, their possibilities, functions and usefulness.

1. Functions of financial and accounting systems

Financial and accounting system is designed to support work that is performed in accounting departments. As in accordance with legal regulations the enterprises are obliged to keep accounts, the application of an electronic accounting system allows the users to execute the following accountancy functions:

- informational,
- monitoring,
- analytical,
- stimulating,
- statistical.

The informational function is about providing information to a wide circle of target audience. These are people employed in the company as well as people from its surroundings. Thanks to computer systems providing essential information remotely with any frequency and any range of detail is possible. Electronic records enable the user to provide

information with fewer mistakes. When balance sheets, reports and statements are created by hand, they contain more mistakes. Small and middle-sized companies are guided, first of all, by functioning within the scope of tax reporting while choosing a suitable financial and accounting system². A monitoring function enables the user to protect the asset against the theft because it requires specifying a person responsible for particular elements of assets and liabilities and it monitors their circulation.

The analytical function means financial analysis modules which are needed to prepare business plans in order to submit the applications for bank loans. Elements of financial reports are the source of data, essential to make financial analysis. The system enables the individual to receive and process them quickly and easily.

The stimulating function, also the so called management function, directly concerns the process of allocation of resources which are in possession of a given company and the usage of these resources. All processes in a company can be monitored, revenues and expenses can be controlled on a daily basis. One of the greatest advantages is the possibility to receive management information without delays.

The last function which is dealt with is the statistical one. Accountancy is a source of statistical information and that is why there are certain requirements concerning data transferring to The Polish Central Statistical Office³. Thanks to information technology collecting such data does not take a long time and therefore data can be sent in a comfortable, electronic form via e-mail.

Financial accounting systems consist of:

- general ledger,
- registrars,
- transfers,
- VAT purchase register.

The general ledger allows servicing all the documents that are in a company. It allows servicing trade books. Thanks to this part of the system keeping and archiving records for many years is possible. It is also possible to work on a number of fiscal years simultaneously, without a necessity to disconnect the access to the current fiscal year in order to

² Tax returns PIT, CIT.

³ Reports F-01 and F-02.

work, e.g. on the previous one. The next element that allows for work in more than one fiscal year is entering in the books relevant documents in one or more periods at the same time. Those systems can be characterised by easiness in copying and shifting of accounting documents. The guidelines concerning the rules of automatic accounting for direct costs and opening new sub-ledger accounts with the names of contracting parties can be established. Such data is generated automatically after entering accounting documents while they are being registered. The function which is particularly appreciated by the users is correlation of payments with invoices. It enables the user to remind the contracting parties about the invoices which were not paid. Other capabilities are as follows:

- making ready juxtapositions specified in the Accounting Act as an essential requirement,
- pre-accounting of the documents, “to the buffer” and subsequently when everything is verified correctly there is a possibility of final accounting so called “to ledger” option.

Registrars combine registry with storing documents received by the company. In this scope the system enables the individual to control documents which are circulated, to record and to register them.

Transfers enable the user to create documents which are used e.g. for the costs settlement, defining the relevant activities e.g. cost-share programs and the function of generating documents automatically is also possible by prior introduction of relevant functions or logarithms.

Vat purchase register service allows full management of sales and purchase documents, import documents, intra-community acquisition and intra-community shipment; it allows introducing registers, viewing documents, checking the correction of the data entered. Thanks to this service it is possible to enter net sums at the time of accounting a given document, and the system will calculate the amount of VAT and gross amount. It is important to verify those amounts because there might be discrepancies resulting from rounding. It is also possible to create declarations e.g. VAT-7 declaration⁴.

According to the law in force, the most important changes concerning financial accounting systems are presented in Table 1.

⁴ <http://rabbit.unisoft.com.pl/page.php?id=118&PHPSESSID=b7a054889695176741de6d4dc764ccce>., date: 20 November 2015.

Table 1. Changes concerning IT systems

Specification	Legal basis
Specifying requirements concerning documentations of IT systems, their security and their credibility.	Act of 29 September 1994 on accounting (Journal of Laws 1994, No. 121, item 591, art. 71).
Abolishment of necessity of printing account ledgers and logbooks.	Act of 29 September 1994 on accounting (Journal of Laws 1994, No. 121, item 591, art. 13 point 5).
Recognition of entries from IT systems as accounting records.	Act of 29 September 1994 on accounting (Journal of Laws 1994, No. 121, item 591 ⁵ , art. 20 point 5).

Source: The author's own elaboration on the basis of: M. Andrzejewski, K. Jonas, P. Młodkowski, *Komputerowe systemy finansowo-księgowo*, Wydawnictwo PSB, Kraków 2000, p. 17.

According to the law, an entity should also possess documents which describe data processing system but if it keeps accounts electronically it should also possess description of software which contains a list of computer programs, procedures and functions depending on the structure of the software. It appears that it may cause some complications in practice because the Accounting Act does not provide technical specification of the documentation that is required. It specifies only the rules on the basis of which the system functions.

The legislator also claimed that if the accounts are kept with the use of computers the proper procedures must be used along with protective measures which are to prevent damage, modifications and hiding entries⁶. This is a tip for the computer programmers not to create systems which can be easily manipulated. The law also emphasises the need to make copies of the sets of data on regular basis. Those statements function in a general framework, allowing business entities freedom of choice. The legislator abolishes the necessity of printing out the account books at the end of each fiscal year, treating the record on data carrier as the same, on condition that it will ensure *durability of information storage for the*

⁵ Act of 29 September 1994 on accounting Journal of Laws 1994, No. 121, item 591, art. 10 paragraph 1 point 3c.

⁶ Act of 29 September 1994 on accounting (Journal of Laws 1994, No. 121, item 121, art. 23).

*period of time that is not shorter than the time required for storing account books*⁷.

The last change which was introduced is the recognition of entries and records in account books which were made by means of communication equipment or data carriers as source evidence.⁸

Using financial and accounting systems which are in compliance with legal requirements and act in accordance with them, can contribute to more efficient co-operation between market participants, e.g. bank supervisory authority, the Inland Revenue etc. The most important factor is the fact that all the software is legal⁹.

2. Advantages and disadvantages of financial and accounting systems

Storing data in an electronic form is durable, safe and the risk of damage is minimal. The data is easy to copy which can be both disadvantage and advantage because documents may get into unauthorised hands easily and quickly. This way of storing accounting records is definitely cheaper than the traditional one, in which paper, consumables, area, etc. are needed. The next aspect which is an advantage is the number of people needed to keep accounts in a computer system. Not many staff is necessary for this work. As a result, the salary expenses in companies are considerably decreased. On the other hand, to be able to take an advantage of such an option fully the following is necessary: a licence, computer hardware as well as trained staff. However, the investment in the above is a good investment for the future.

Keeping accounting documents and information safe generates extra costs. This is connected with protection of the data carrier where the backups are recorded and updating the system which results from the amendments of law. Incorporating the practices mentioned above is important and profitable also from the point of view of financial markets. Thanks to modern solutions, the creditors and investors receive information, concerning the company, its functioning, estate condition, achieved results and the risk, with just a small time delay. Such an action

⁷ Ibid. art. 13.

⁸ Ibid., art. 20 p. 5.

⁹ The author's own elaboration on the basis of: M. Andrzejewski, K. Jonas, P. Młodkowski, *Komputerowe systemy finansowo-księgowo*, Wydawnictwo PSB, Kraków 2000.

results in the possibility of effective action on financial markets and allocation of wealth resources possessed. Bank and tax inspection authorities administer and make an audit not only on the basis of information which reaches them but also via on site inspections in companies concerned. In enterprises that use computer systems for accounting, the representatives of the institutions mentioned above do not have to sacrifice a lot of time and effort. After the audit is completed the company is asked to make a printout of the ledger and relevant sub-ledgers and to present relevant accounting documents¹⁰.

Electronic systems supporting the work of accountants are becoming more and more popular. They are indispensable when there is a need to keep accounts in the form of revenue and expense ledger and/ or for VAT payers. The larger number of documents, the larger amounts of savings are generated. The contracting party data is entered only once and the system remembers it automatically. There is also a possibility of finding contracting parties via the Central Statistical Office. Such search takes place by entering Taxpayer Identification Number of a given company and subsequently filling all fields marked with the password generated by the system, which is searching for a given company. A mistake is out of the question because two identical Taxpayer Identification Numbers do not exist. What is more, the system itself does accounting in every possible record. The accounting staff is only responsible for verifying the information read by the application and possibly making corrections concerning e.g. dates of document issue, or amount of the invoice. The Internet accounting is becoming more and more popular also due to mobility. It can be used whenever it is convenient for the user. If the accounting office owner is obliged to contact the Inland Revenue, the accounting job may be done later. Unfortunately, reversing the order of the tasks executed is not possible because they depend on the time of serving petitioners e.g. by the Inland Revenue mentioned above.

The remaining functions of electronic accounting systems are as follows:

- recording income and expenses,
- issuing invoices,

¹⁰ M. Andrzejewski, K. Jonas, P. Młodkowski, *Zastosowanie technik komputerowych w rachunkowości*, Oficyna ekonomiczna, Oddział Polskich Wydawnictw Profesjonalnych Sp. z o.o., 2004, pp. 21-23.

- calculating insurance contributions, insurance declaration and transferring them by relevant tools to the relevant social insurance institution,
- generating documents which are ready to be printed out instantly,
- keeping database of contracting parties, services provided and goods that can be extended and changed,
- providing on-line assistance¹¹.

Apart from the benefits resulting from using financial accounting programs, the following disadvantages should also be mentioned:

- costs of purchasing and maintaining computer software and hardware,
- necessity of systematic records and tax regulation orientation – concerning e.g. revenue and expense lodger,
- unreliability of the system, breakdowns, lack of constant access to the Internet or cuts in electricity may disturb the work,
- trainings in computer programs, tracking novelties,
- not very clear entries may cause suspicion of the tax inspection authorities,
- some programs cannot make accounting patterns on the basis of descriptions, they cannot exchange information between spreadsheet programs e.g. Excel,
- accounting may sometimes be time consuming,
- in Human Resources and payroll systems there are some patterns which have to be done individually for particular employees.

Conclusion

The need of collecting information about business units grows together with economic progress. Accounting is the source of this data without which no company would be able to conduct business activity. The data is considered to be the business language home and abroad, because it represents all the financial results by means of figures. The financial and accounting systems were progressively introduced together with regulations aimed at making an accountant's job easier. Nowadays, it is the computers which are used for keeping, registering and evidencing

¹¹<https://www.mala-firma.pl/oferty-dla-firm/ksiegowosc-internetowa/148-korzysci-i-wady-ksiegowosci-internetowej>, date: 20 November 2015.

financial records. Tax declarations may be transferred directly to appropriate tax offices without the need to leave the work place. Users can monitor importing and exporting documents. There is no doubt that those systems make the accounting work easier. Thanks to them there is an easy and fast access to archival information, easy correction of implemented data and there is also a big amount of various reminders or tips on how to deal with mistakes in accounting documents.

Legal acts

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