



E - NEWS LETTER



Tuticorin Branch of Southern India Regional Council of The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

August 2009

Thoughts of Chairman



Dear Colleagues,

Greetings,

Every human wants to be in a job that involves less sweat but gives a steady income. Be it a matter of chance or choice, what we become of the job is the question. Whatever profession we are in, is secondary. The main focus should be on what skills we have acquired so far. Are we able to solve work-related issues better than before? What are the skills needed to handle future challenges and grab the opportunities that come our way?

It is not that we run from the issues or the pain in our careers. We should be able to confront, face and deal with the difficulties that come our way. Welcome the dual aspects of life with a warm smile and consciously focus on the positives in our lives, with others and most importantly towards ourselves.

We spend the biggest chunk of our day at work. If we are happy and contented with the work we do, the chances of being happy as a person as a whole are high. On the contrary, if we consider work to be a burden, it will tear us apart in the long run. There are great things happening in our lives all the time. At work we interact with amazing people each and every day and this becomes a reality only if we choose to recognize it, acknowledge it and live it through our thoughts, words and actions.

As the saying goes, "The best way to measure your progress is to see what you are becoming. The good news is where you are (or start), is not where you have to stay, and what you get, need not define what you can become."

Let us celebrate our 63rd Independence Day this month with great pride and honour. Jai Hind!

With warm regards

CA B. Francis Amal George



Students Conference on 09.08.2009

ACCOUNTING INFORMATION SYSTEMS

Accounting Information Systems (Accounting information systems) combine the study and practice of accounting with the design, implementation, and monitoring of information systems. Such systems use modern information technology resources together with traditional accounting controls and methods to provide users the financial information necessary to manage their organizations.

Accounting information systems TECHNOLOGY

Input The input devices commonly associated with Accounting information systems include: standard personal computers or workstations running applications; scanning devices for standardized data entry; electronic communication devices for electronic data interchange (EDI) and e-commerce. In addition, many financial systems come “Web-enabled” to allow devices to connect to the World Wide Web.

Process Basic processing is achieved through computer systems ranging from individual personal computers to large-scale enterprise servers. However, conceptually, the underlying processing model is still the “double-entry” accounting system initially introduced in the fifteenth century.

Output Output devices used include computer displays, impact and non impact printers, and electronic communication devices for EDI and e-commerce. The output content may encompass almost any type of financial reports from budgets and tax reports to multinational financial statements.

MANAGEMENT INFORMATION SYSTEMS (MIS)

MISs are interactive human/machine systems that support decision making for users both in and out of traditional organizational boundaries. These systems are used to support an organization’s daily operational activities; current and future tactical decisions; and overall strategic direction. MISs are made up of several major applications including, but not limited to, the financial and human resources systems.

Financial applications make up the heart of an Accounting information systems in practice. Modules commonly implemented include: general ledger, payables, procurement/ purchasing, receivables, billing, inventory, assets, projects, and budgeting. *Human resource applications* make up another major part of modern information systems. Modules commonly integrated with the Accounting information systems include: human resources, benefits administration, pension administration, payroll, and time and labor reporting.

Accounting information systems – INFORMATION SYSTEMS IN CONTEXT

Accounting information systems cover all business functions from backbone accounting transaction processing systems to sophisticated financial management planning and processing systems. *Financial reporting* starts at the operational levels of the organization, where the transaction processing systems capture important business events such as normal production, purchasing, and selling activities. These events (transactions) are classified and summarized for internal decision making and for external financial reporting. *Cost accounting systems* are used in manufacturing and service environments. These allow organizations to track the costs associated with the production of goods and/or performance of services. In addition, the Accounting information systems can provide advanced analyses for improved resource allocation and performance tracking. *Management accounting systems* are used to allow organizational planning, monitoring, and control for a variety of activities. This allows managerial-level employees to have access to advanced reporting and statistical analysis. The systems can be used to gather information, to develop various scenarios, and to choose an optimal answer among alternative scenarios.

DEVELOPMENT:

The development of an Accounting information systems includes five basic phases: planning, analysis, design, implementation, and support. The time period associated with each of these phases can be as short as a few weeks or as long as several years.

Planning—project management objectives and techniques The first phase of systems development is the planning of the project. This entails determination of the scope and objectives of the project, the definition of project responsibilities, control requirements, project phases, project budgets, and project deliverables.

Analysis The analysis phase is used to both determine and document the accounting and business processes used by the organization. Such processes are redesigned to take advantage of best practices or of the operating characteristics of modern system solutions.

Data analysis is a thorough review of the accounting information that is currently being collected by an organization. Current data are then compared to the data that the organization should be using for managerial purposes. This method is used primarily when designing accounting transaction processing systems.

Decision analysis is a thorough review of the decisions a manager is responsible for making. The primary decisions that managers are responsible for are identified on an individual basis. Then models are created to support the manager in gathering financial and related information to develop and design alternatives, and to make actionable choices. This method is valuable when decision support is the system's primary objective.

Process analysis is a thorough review of the organization's business processes. Organizational processes are identified and segmented into a series of events that either add or change data. These processes can then be modified or reengineered to improve the organization's operations in terms of lowering cost, improving service, improving quality, or improving management information. This method is appropriate when automation or reengineering is the system's primary objective.

Design The design phase takes the conceptual results of the analysis phase and develops detailed, specific designs that can be implemented in subsequent phases. It involves the detailed design of all inputs, processing, storage, and outputs of the proposed accounting system. Inputs may be defined using screen layout tools and application generators. Processing can be shown through the use of flowcharts or business process maps that define the system logic, operations, and work flow. Logical data storage designs are identified by modeling the relationships among the organization's resources, events, and agents through diagrams. Also, entity relationship diagram (ERD) modeling is used to document large scale database relationships. Output designs are documented through the use of a variety of reporting tools such as report writers, data extraction tools, query tools, and on-line analytical processing tools. In addition, all aspects of the design phase can be performed with software tool sets provided by specific software manufacturers.

Reporting is the driving force behind an Accounting information systems development. If the system analysis and design are successful, the reporting process provides the information that helps drive management decision making. Accounting systems make use of a variety of scheduled and on-demand reports. The reports can be tabular, showing data in a table or tables; graphic, using images to convey information in a picture format; or matrices, to show complex relationships in multiple dimensions. There are numerous characteristics to consider when defining reporting requirements. The reports must be accessible through the system's interface. They should convey information in a proactive manner. They must be relevant. Accuracy must be maintained. Lastly, reports must meet the information processing (cognitive) style of the audience they are to inform.

Reports are of three basic types: A *filter report* that separates select data from a database, such as a monthly check register; a *responsibility report* to meet the needs of a specific user, such as a weekly sales report for a

regional sales manager; a *comparative report* to show period differences, percentage breakdowns and variances between actual and budgeted expenditures. An example would be the financial statement analytics showing the expenses from the current year and prior year as a percentage of sales.

Screen designs and system interfaces are the primary *data capture devices* of Accounting information systems and are developed through a variety of tools. *Storage* is achieved through the use of normalized databases that assure functionality and flexibility.

Business process maps and *flowcharts* are used to document the operations of the systems. Modern Accounting information systems use specialized databases and processing designed specifically for accounting operations. This means that much of the base processing capabilities come delivered with the accounting or enterprise software.

Implementation The implementation phase consists of two primary parts: construction and delivery. Construction includes the selection of hardware, software and vendors for the implementation; building and testing the network communication systems; building and testing the databases; writing and testing the new program modifications; and installing and testing the total system from a technical standpoint. Delivery is the process of conducting final system and user acceptance testing; preparing the conversion plan; installing the production database; training the users; and converting all operations to the new system.

Tool sets are a variety of application development aids that are vendor-specific and used for customization of delivered systems. They allow the addition of fields and tables to the database, along with ability to create screen and other interfaces for data capture. In addition, they help set accessibility and security levels for adequate internal control within the accounting applications.

Security exists in several forms. Physical security of the system must be addressed. In typical Accounting information systems the equipment is located in a locked room with access granted only to technicians. Software access controls are set at several levels, depending on the size of the Accounting information systems. The first level of security occurs at the network level, which protects the organization's communication systems. Next is the operating system level security, which protects the computing environment. Then, database security is enabled to protect organizational data from theft, corruption, or other forms of damage. Lastly, application security is used to keep unauthorized persons from performing operations within the Accounting information systems.

Testing is performed at four levels. Stub or unit testing is used to insure the proper operation of individual modifications. Program testing involves the interaction between the individual modification and the program it enhances. System testing is used to determine that the program modifications work within the Accounting information systems as a whole. Acceptance testing ensures that the modifications meet user expectations and that the entire Accounting information systems performs as designed.

Conversion entails the method used to change from an old Accounting information systems to a new Accounting information systems. There are several methods for achieving this goal. One is to run the new and old systems in parallel for a specified period. A second method is to directly cut over to the new system at a specified point. A third is to phase in the system, either by location or system function. A fourth is to pilot the new system at a specific site before converting the rest of the organization.

Support The *support* phase has two objectives. The first is to update and maintain the Accounting information systems. This includes fixing problems and updating the system for business and environmental changes. For example, changes in generally accepted accounting principles (GAAP) or tax laws might necessitate changes to conversion or reference tables used for financial reporting. The second objective of support is to continue development by continuously improving the business through adjustments to the Accounting information systems

caused by business and environmental changes. These changes might result in future problems, new opportunities, or management or governmental directives requiring additional system modifications.

ATTESTATION

Accounting information systems change the way internal controls are implemented and the type of audit trails that exist within a modern organization. The lack of traditional forensic evidence, such as paper, necessitates the involvement of accounting professionals in the design of such systems. Periodic involvement of public auditing firms can be used to make sure the Accounting information systems is in compliance with current internal control and financial reporting standards. After implementation, the focus of attestation is the review and verification of system operation. This requires adherence to standards such as ISO 9000-3 for software design and development as well as standards for control of information technology.

Periodic functional business reviews should be conducted to be sure the Accounting information systems remains in compliance with the intended business functions. Quality standards dictate that this review should be done according to a periodic schedule.

ENTERPRISE RESOURCE PLANNING (ERP)

ERP systems are large-scale information systems that impact an organization's Accounting information systems. These systems permeate all aspects of the organization and require technologies such as client/server and relational databases. Other system types that currently impact Accounting information systems are supply chain management (SCM) and customer relationship management (CRM).

Traditional Accounting information systems recorded financial information and produced financial statements on a periodic basis according to GAAP pronouncements. Modern ERP systems provide a broader view of organizational information, enabling the use of advanced accounting techniques, such as activity-based costing (ABC) and improved managerial reporting using a variety of analytical techniques.

Activity Report of August 2009

| <u>Date</u> | <u>Venue</u> | <u>Subject</u> |
|-------------------------------|---------------|--|
| 01/08/2009 | ICAI BHAWAN3. | CPT Coaching Class |
| 02/08/2009 | ICAI BHAWAN | CPT Coaching Class |
| 03/08/2009 to 08/08/200 | ICAI BHAWAN | Orientation Programme Commencement - 1 st Batch |
| 05/08/2009 | ICAI BHAWAN | CPT Coaching Class |
| 08/08/2009 | ICAI BHAWAN | Study Circle Meeting for Members - Exposure Draft on Accounting Standard (AS) 16 Revised Led by CA.A.C.G Venantius |
| 08/08/2009 | ICAI BHAWAN | CPT Coaching Class |

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|-------------------------------|---|--|
| 09/08/2009 | ICAI BHAWAN | Students Conference on "Induction to CA Course" |
| 11/08/2009 | ICAI BHAWAN | CPE Teleconference on "Practical Approach to compliance of Accounting Standards" & "Professional Opportunities for Chartered Accountants in Capital & Financial Markets" |
| 15/08/2009 | ICAI BHAWAN | Independence Day Flag Hoisting |
| 15/08/2009 & 16/08/2009 | ICAI BHAWAN | CPT Coaching Class |
| 16/08/2009 | ICAI BHAWAN | IPCC Coaching Class Commencement – 1 st Batch |
| 16/08/2009 | ICAI BHAWAN | ITT Online Exam – 15 th Batch |
| 18/08/2009 | ICAI BHAWAN | Study Circle Meeting on "Road Map to GST & Important issues in Service Tax Led by CA.P.Rajendra Kumar, Ex-Office of our Branch (Past Chairman, SIRC of ICAI) |
| 18/08/2009 | ICAI BHAWAN | Managing Committee Meeting |
| 22/08/2009 & 23/08/2009 | ICAI BHAWAN | CPT Coaching Class |
| 22/08/2009 & 23/08/2009 | ICAI BHAWAN | IPCC Coaching Class |
| 24/08/2009 | ICAI BHAWAN | CPE Teleconference on "Direct Taxes Code Bill, 2009 – An In Depth Analysis and its Impact on Tax Practice" |
| 25/08/2009 | ICAI BHAWAN | CPE Seminar on Limited Liability Partnership |
| 25/08/2009 | ICAI BHAWAN | CA.S.Karunagaran Memorial Lecture on 'Harmony in Life' |
| 26/08/2009 | Income TAX Office, Tuticorin | Meeting with Joint Commissioner of Income TAX |
| 26/08/2009 | ICAI BHAWAN | Study Circle Meeting for Members – Exposure Draft on Standard on Internal Audit (SIA) Consideration of Laws & Regulations in an Internal Audit |
| 27/08/2009 | Govindhammal Adithanar College for Women, Tiruchendur | CA Awareness Programme to College Students |

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