

Abstract

Accounting is the information system business activity, processes the data into reports, and communicates the results into the decision makers, which could be Individuals, Business, Investors, Creditors, or Taxing Authorities (Horngren, Harrison, 2007). The primary purpose of the accounting information system is the collection and recording of data and information regarding events that have an economic impact upon organisations and maintenance, processing and communication of such information to external and internal stakeholders (Stefanou, 2006). There has been constant growth in the use of the information and communication in business to support the exchange of data and information within and between organisations. New technologies, like the Internet and Mobile solutions, have provided new business opportunities and operations.

E-Accounting refers to electronic accounting, a term used to describe an accounting system that relies on computer technology for capturing and processing financial data in organisations. When organisations adopt e-accounting, they usually discover that even though computerised accounting systems handle financial data efficiently, their value will then they are able to generate immediate report regarding the organisation (Hotch, 1992).

Replacing accounting paper records with computer records surely have many advantages. The advantages include: easier access to accounting information, increased accuracy of accounting information and improved quality of accounting information (Pincus 1999). Ramirez and Cosme (2008) have discussed the importance of technology in their article, "It is certainly no secret that technology has evolved to the point that no modern business enterprise can survive without it." It is shown by the fast increasing number of paperless solution provider companies in the recent years. Tuunainen (1999) explained the age of information technology provides possibilities for an effective coordination of business process. By electronic commerce, economic transaction between different partners and parties will be facilitated in value chain.

Technology is the solution to overcome the challenges of an accounting profession. Standardization and automation are achieved via integrated product suites, paperless system and virtual office outsourcing, and leadership approach (Teresa 2008). Sutton (2000) described that the accounting change towards the use of Information Technology has enabled the companies to focus on their key competencies and shift other activities in the value chain to business partners with more competencies in these areas and the financial reporting model must eventually shift to something closer to a continuous reporting model and assurance on this information can only be provided in a timely manner by focussing on the reliability of the systems that generate the information.

The Emerging Issues Task Force (EITF) of the Federal Accounting Standards Board (FASB) addressed various issues in e-commerce accounting. In India, the Institute of Chartered Accountant of India (ICAI) issued a Guidance Note on accounting by dot.com companies and other entities engaged in the electronic commerce in the year 2001. The Institute notes that whereas some of the accounting issues are particular to the new business models atypical of e-

commerce, there also are some issues that may be addressed to viz-a-viz traditional commerce. No doubt, a few guidelines exist for meeting some of the new challenges, sheer magnitude and diversity of problems renders these guidelines grossly inadequate to comprehend their intricacies. An attempt has been made to identify critical issues related to e-accounting that the professional community is presently confronted with.

Review of Literature

Challenges facing the financial accounting and the accounting profession have been discussed among researchers (Alles et al 2000; Olivier 2000; Sutton 2000; Vasarhelyi & Greenstein 2003). There seems, however, to be number of concepts used in the literature relating to the use of technology in financial accounting. Razaee et al. (2000 and 2001) wrote: "Many economies events are now being captured, measured, recognised and reported electronically, without any paper documentation; and online, real time accounting (RTA) is emerging as the system of choice."

Bodnar and Hopwood (2001:411, 426-427) used concepts like online input system, online real time processing and online reporting and stated: "In paperless input system, transactions are input directly into the computer network and the need for keying in source document is eliminated." The idea of "paperless accounting" has been brought forward mainly by authorised auditors during the last decade (Vahtera & Salmi 1998; Makinen & Vourio 2002).

Carr conducted a study of 24 organisation in UK based on the response of 344 certified accountants, the survey suggested that benefits which might arise by giving technological supports to the accountants will be mainly in the form of time saving and improved work quality. This technology will help the accountant to carry out practice of accountancy more effectively rather than change the nature of accountancy.

PRTM, Washington (1999), in a e-business survey found that for 66 percent companies, customer service was the main e-business goal. 85 percent companies regarded the e-business strategy as important to their success. Pricewaterhouse Cooper (2001) conducted a study of 78 large manufacturing

corporations in US. It found that only 40 percent of them could receive orders online and 28 percent could accept payment online. A survey conducted by Ghosh (2000) found that majority of the companies using ecommerce in India considered e-commerce a substantial part of the corporate strategy. However, lack of electronic payment facilities limited technologies used by trading partners hampered the adoption of ecommerce across the entire supply chain. Indian Market Research Bureau (2000) conducted a survey on the status of e-commerce in India covering 360 decision makers in business and 2000 households. It found that organisations expected that 12 percent of their turnover to be contributed through ecommerce in next two years.

Research Methodology

A structure questionnaire was given to 40 practising chartered accountants who are members of the Institute of Chartered Accountant of India to know their views on certain accounting issues arising out of e-commerce. Out of the 40 questionnaire sent out, 30 were received representing 75 % of the respondents. The survey instruments included open ended and close ended questions. The chartered accountants were contacted personally. The tools used for the analysis were weighted average score and percentage. The findings are presented by the use of descriptive statistics.

Objective of the Study

The main objective of the study is to know the views of the accounting professionals on certain accounting issues relating to e-accounting.

Need of the Study

Most of the studies on ecommerce have examined the extent of its activities in the advanced countries. However, no attempts seem to have been made to examine the accounting aspects of e-commerce in India. A number of authors in various countries share similar views on the lack of research in the area of AIS. (Stefanou 2006). This study therefore contribute to the filling this gap by exploring the adoption and the use of E-Accounting in India. The present study attempts to identify some of the critical issues relating to the e-accounting that the professional community is presently confronted with.

Analysis of the Problem

Accounting professionals have to face a number of new situations and problems while conducting the accounting and audit of companies in an electronic environment. Emergence of e-commerce has raised several issues demanding accountants' attention, viz., treatment of the website development cost, depreciation of the computer hardware and software, etc. The responding CAs are from diverse backgrounds. Diversification of the sample ensures that findings are broad based and it also enables an understanding of the diversity of e-accounting issues across different situations of which the backgrounds of the CAs are an important aspect.

Table I depicts that out of 30 respondents, seven were females, representing 23% while 77% were males.

The **Table II** reveals that majority (30%) of the respondents belong to the age group above 50 years followed by 27% between 30-40 years.

Table III shows 33% of the respondents had professional experience of more than 20 years followed by respondents who had professional experience of less than 5 years.

Table IV depicts 80% of the respondents possessed only CA degree while 7% has a CA and CS degree while 13% of the respondents were not only CA but also had other degree in either law management or cost accounting.

Table V reveals that majority (37%) of the respondents specialised in all the three areas of specialisation i.e. Accountancy, Tax, and Auditing.

Table VI depicts 43% of the respondents used less than 40% E-Accounting. It was found that lack of knowledge about the real advantages of E-Accounting and resistance to change are the main reasons for companies not adopting e-accounting.

The **Table VII** indicates that all the clients who use e-accounting use Tally but some of them in addition to Tally also used other software such as finncle, bonny, etc.

Table VIII shows in business activities, sensitive data and information must be protected. Some of the

security challenges in e-environment are manipulating information, disclosing information to unauthorised people, stealing of information and network resources, disrupting network services, wrongful claiming of services administered/not administered. Majority of the respondents felt that sufficient security is available for E-Accounting while few respondents felt that sufficient security is not available. Use of password and proper authorisation together with good internal controls and periodic checks of records, can be help in an environment.

E-environment has made it imperative for the accounting professionals to be multi-skilled in the use of IT, apart from proficiency in their domain areas of expertise. Chartered Accountant will be able to concentrate on core management issues rather than routine functioning of scrutinising various financial documents. The responding CAs were asked to rank their certain activities related to e-commerce, which according to them were important in helping their clients. The first rank was given to the accounting policies followed by cost benefit analysis while the third and fourth rank was given to risk analysis and better practice control. This indicates that accounting policies, risk benefit analysis and risk assessment are the three main activities related to e-accounting, where the respondents can help their clients. **Table IX & X.**

According to AS-26 (corresponding to SIC Interpretation 32) an entity may incur internal expenditure on the development of its own website for internal or external access. A website designed for external access may be used for various purposes such as promote and advertise an entity's own products and services, provide electronic services, and sell products and services. A website designed for internal access may be used to store company policies and customer details and search relevant information. The CAs were asked whether the cost of website development be expensed within the year like revenue expenditure, or be treated as deferred revenue expense or be taken as capital expenditure. The Standards Interpretation Committee of International Accounting Standards Board (IASB) rules that "...a website developed by an enterprise using internal expenditure, whether for internal or external access, is an internally generated intangible asset that is

subject to the requirements of IAS 38, Intangible Assets.” The IAS 38 requirements that intangible assets initially be measured at cost and the amortisation method for an intangible asset should reflect the pattern of its future economic benefits, and if the pattern cannot be determined reliably, the straight line method be chosen, makes it clear that such expenditure is to be regarded as capital expenditure. In fact, IAS 38 is categorical when it states that, when acquired externally, the expenditure on the intangible assets must be capitalised. 50% of the respondents were of the opinion that the cost of website development should be treated as deferred expense and be amortised over a period of two years. **Table XI**

Cost of operating website includes personal training, data backup, creating linkages, continuous updating, etc. 67% of the CAs were of then opinion that it should be considered as a revenue expenditure. **Table XII**

Seventy percent of the respondents were of the opinions that depreciation of the hardware and software should be treated under the written down value method. **Table XIII**

According to AS-26, the useful life of an intangible asset should be finite and included a rebuttable presumption that the useful life cannot exceed ten years from the date the asset is available for the use. It also states that the best estimate of the website’s useful life should be short. 57% of the respondents were of the opinions that depreciation for hardware and software for long term use should be written off within 3-5 years. **Table XIV**

87% of the respondents were of the opinion that there should be separate disclosure of revenues earned on services. **Table XV**

The Human Resource Management section within an organisation is responsible for hiring of personnel. It involves all the decisions that in some way affect or influence the people who work for an organisation. The respondents were asked whether E-Commerce should compulsory use human resource accounting. All the respondents’ views were affirmative. Effective

Human Resource Management increases organisational productivity, increases quality of work, improves quality of work life, and leads to Statutory and legal compliance. (Aseervatham and Anandarajah 2003) **Table XVI**

Conclusion

E-Commerce environment has also opened up new vistas of opportunities for accounting professionals. Lack of knowledge about the real advantages of E-Accounting and resistance to change are the reasons for companies’ not adopting e-accounting. There is need of standards related to measurement, recording and disclosure of certain e-transactions.

References

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Table I : Gender Wise Classification of Respondents

Gender	No.	(%)
Male	23	77
Female	7	23
Total	30	100

Table II : Age Wise Classification of Respondents

Age	No.	Percentage (%)
Below 30 years	6	20
30 – 40 years	8	27
40 – 50 years	7	23
Above 50 years	9	30

Table III : Professional Experience

Age	No.	Percentage (%)
Below 5 years	9	30
5 – 10 years	3	10
10 – 15 years	5	17
15 – 20 years	3	10
Above 20 years	10	33
Total	30	100

Table IV : Respondents' Qualifications

Qualification	No.	Percentage (%)
CA	24	80
CA and CS	2	7
CA and any other	4	13
Total	20	100

Table V : Respondents' Specialisation

Specialisation	No.	Percentage (%)
Accountancy	4	24
Accountancy and Tax	8	20
Accountancy and Auditing	7	13
All of the above	11	43
Total	30	100

Table VI : Client Using e-Accounting

Clients	No.	Percentage (%)
Above 80 %	7	24
60-80 %	6	20
40-60 %	4	13
< 40 %	13	43
Total	30	100

Table VII : Software Used by Clients for e-Accounting

Software	No.	Percentage (%)
Tally	30	100
Any other	11	37

Table VIII : Sufficient Security Available for e-Accounting

Yes	No.	Percentage (%)
Yes	23	77
No	7	23

Table IX : Changing Role of CAs in e-Environment

E-Accounting Activities/ Rank	1	2	3	4	5	6	7	8	9	Total
Accounting Policies	17	6	4	-	-	-	-	2	1	30
Risk Assessment	4	6	5	5	4	3	3	-	-	30
Better Practice Control	3	4	3	8	4	4	-	3	1	30
Organisational Restructuring	2	1	1	3	5	3	9	4	2	30
Financial feasibility of e-Commerce	-		3	4	2	5	7	7	2	30
Integration with business processes	1	3	3	3	8	1	7	-	4	30
Liaison with legal department	-	1	2	2	3	6	3	4	9	30
New procedures to account for varying tax resources	-	1	2	4	3	3	6	5	6	30
Cost Benefit Analysis	3	7	7	4	1	3	2	3	-	30

Table X : Weighted Average Score (WAS)

E-Accounting Activities	WAS	Rank
Accounting Policies	66	1
Risk Assessment	142	3
Better Practice Control	147	4
Organisational Restructuring	175	6
Financial feasibility of e-Commerce	188	7
Integration with business processes	159	5
Liaison with legal department	201	9
New procedures to account for varying tax resources	193	8
Cost Benefit Analysis	115	2

Table XI : Costs of Website Development

Costs of Website Development	No.	Percentage (%)
Revenue Expenditure	7	23
Capital Expenditure	8	27
Deferred Revenue Expenditure (2 Years)	15	50
Total	30	100

Table XII : Depreciation of Hardware and Software

Method of Depreciation	No.	Percentage (%)
Straight Line Method	9	30
Written Down Value Method	21	70

Table XIII : Depreciation of Hardware and Software for Long Term Use

Time Period	No.	Percentage (%)
Less than 3 Years	13	43
3 – 5 Years	17	57

Table XIV : Depreciation of Hardware and Software for Short Term Use

Time Period	No.	Percentage (%)
Estimated Useful Life	17	57
Within a year	13	43
Total	30	100

Table XV : Separate Disclosure Revenues Earned on Services

Disclosure	No.	Percentage (%)
No	4	13
Yes	26	87
Total	30	100

Table XVI : Human Resource Accounting for e-Commerce

	No.	Percentage (%)
Yes	30	100