



ISSUES/CHALLENGES FACED BY SOLE TRADERS WHILE USING ACCOUNTING SOFTWARE

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Abstract:

Today's world is a world of Business and Accounting is a language of Business. Accounting is a process of recording, analyzing and reporting of all financial information systematically. Accounting can give clear picture of profit, loss, incomes, expenses, assets and liabilities of a concern. Initially Accounting function was performed manually by Accountants, by preparing Journal, Ledger, Trial Balance and Final Accounts, in order to calculate profit or loss. But Manual accounting was a tedious task and time consuming, as the number of transactions in a business are many, so to pass each and every entry again and again and store the records of same was becoming difficult for a concern. To overcome the difficulties of Manual accounting, the concept of Accounting Software was introduced. Accounting software is a computer program which helps accountants in recording, analyzing and generating reports of financial transactions of the business. Accounting software makes accounting easy and quick and less office space is required as all details are stored in computer. But it has been observed that many Sole Traders are still not using accounting software, they are continuing traditional manual accounting. In this Article, the study is conducted to find out the issues and challenges that are faced by sole traders when they tried to use accounting software. And to provide suggestions for the betterment and growth of sole traders.

Keywords: Manual Accounting, Accounting Software, Sole Traders, Challenges, Suggestions.

Introduction:

Today's world is a world of Business and Accounting is a language of Business. Accounting is a process of recording, analyzing and reporting of all financial information systematically. Accounting is one of the important functions of any business. Accounting helps to calculate the profit or loss of the business and also to calculate the amount of tax to be paid to government. Accounting is also important in order to know the actual financial position of the business i.e Assets and Liabilities and for submission of financial statements and other reports to the Government, Share holders, Investors, Creditors, etc.

Initially Accounting function was performed manually by Accountants, by preparing Journal, Ledger, Trial Balance and Final Accounts, in order to calculate profit or loss. Manual accounting was a tedious task as it was difficult to find out a particular voucher from bundle of vouchers and other records. A lot of place and care was required to preserve all past records of the business. Manual Accounting was a time consuming system of accounting. So there were many issues and problems in manual accounting.

With Technology, it was made possible to do accounting with the help of accounting software. Initially accounting software was not welcomed because there was a doubt regarding manipulation of accounts. But after a period of time, when reliability and simplicity of accounting software were realized by the people, then they started using accounting software.

Accounting Software:

Accounting software is a computer program which helps accountants recording, analyzing and generating reports of financial transactions of the business. Accounting software makes accounting easy and quick and less office space is required as all details are stored in computer. With the help of accounting software, retrieving of old accounting data is possible. So business people can divert their time on important decisions of business rather than preparing accounts, as accounting software do various accounting and book keeping tasks and also offers useful tools like invoicing, bill payment, payroll and financial reporting, etc.



Accounting software can create a variety of Reports and Financial Statements, which includes Profit and Loss Account and Balance Sheet, which are used by Management, Investors, Market Analyst, Government and Suppliers to evaluate Financial condition of a business and its earning potential. There are various Accounting Software available in the Market. An Organization can choose the Accounting Software as per their requirements and needs of Business.

Hypothesis:

Many Sole Traders are still not using Accounting Software.

Scope of Research:

Even after various advantages of accounting software, still there are some Business Organisations which do not use accounting software even today, specially Sole Traders. In this research, study will be conducted on, why they are still not using accounting software? Why they are still doing Manual Accounting? What issues and problems they face in accounting software?

Research Methodology:

In this regard, few sole traders were selected for study on random basis and data was collected. Out of 100 sole traders selected from a particular market area, 80 of them are not using accounting software. This study covers the issues, challenges/problems faced by sole traders in using accounting software and also the reasons for still doing manual accounting.

Issues, challenges/problems faced by Sole Traders in using accounting software:

1. Accounting software are costly:

Business of a Sole Trader is at a small scale, his income or revenue is also limited, so he can not afford to spend much amount on this accounting software. If he buys any accounting software then his expense will increase but he cannot increase selling price of his product because of competition, if he increases selling price then customers will switch to other supplier, so he has to keep same price which prevails in market. So one of the reason behind not using accounting software is its Cost.

2. Complicated to understand:

Sole Traders are practicing manual accounting since ages, though it is time consuming but easy to understand and work, so when they were asked to use accounting software, they denied as they found it difficult to understand. As a small mistake can or error will take a lot of time to be rectified unless detected on time.

3. Fear of choosing wrong accounting software:

Selecting a proper accounting software is very important, selection depends upon the type and nature of business, what reports you need from your software and many other things. Sole traders face difficulty when it comes to select a proper software for their business, so they avoid and continue with their traditional way of accounting i.e manual accounting.

4. Do not have complex accounting needs:

Basically accounting transactions of a small traders are not so complicated, they are regular and recurring one, so they can record theses transactions easily with manual accounting, and secondly they need not to take any big decisions like companies so they can manage their business even without accounting software.

5. Needs Accountant to operate accounting software:

Operating accounting software is difficult for Sole Traders to understand, as they spend more time on business rather than accounting. They their self handle each and everything, so they don't have much time to understand these accounting software, so they need accountant, which will again increase the expense, so as result, they avoid accounting software and continue with manual accounting.

6. Fear of losing records:

In Manual accounting, all records are kept physically in a form of papers like, bills, vouchers, supporting documents etc. but in computerized accounting, all records are saved in computer i.e. in accounting software, so sole traders have fear that if by mistake they select some wrong key or click on some wrong button then they may lose all their records, so because of that fear they stick to manual accounting.

So in this study, above reasons were mentioned by sole traders for not using accounting software. By looking at the above points, some steps can be taken for the betterment of sole traders, so that they also can start using accounting software and can take advantages of that.

Suggestions for betterment of Sole Traders:

1. Accounting software should be available for sole traders at lower price:

The main reason behind not using accounting software by sole traders is that these software are costly and they can not afford this, so if some software are made available at lower price then many of sole traders can afford and will start using it. So lowering the price of some selected accounting software can help sole traders.

2. Training should be given to sole traders for using accounting software:

Sole traders are afraid whether they will be able to operate accounting software or not, so because of this fear they don't install any accounting software, as they think it will be very complicated and they will face difficulties in understanding and operating, so if proper training is given to them regarding the working of accounting software then only they can overcome their fear and will start using software.

3. Make sole traders understand the benefits of using accounting software:

As of now, sole traders are not properly aware about the advantages of using accounting software, so they think manual accounting is better. Once they'll come to know that accounting software will be of so much use in their business then they will surely do accounting with software. Accounting software can help business person to generate variety of reports, which can help them in taking accurate business decisions and it will save a lot of their time.

4. Sole Traders can diversify their time more on business than accounting:

When accounting is done manually, it takes a lot of time to first record entry in the Journal, then do the posting in ledger Accounts, then prepare a Trial Balance and finally prepare Final Accounts. After this only they will come to know whether the business is earning profit or suffering from loss. But if they accounting is done with accounting software then chances of mistakes are less and work will be more accurate, so it will save the time of sole traders from repeating the same process again and again, hence they can use their time for better work.

5. Reports generated from accounting software can help sole traders to take business decisions in better way:

Depending upon the nature of business, sole trader can select the accounting software, which can help them to generate different types of reports which are useful for future plans of business. Inventory management is also possible with accounting software, so they can take decisions accordingly like which stock is in short and which one is already available.

6. Suitable accounting software should be created, as per needs of sole traders:

Accounting software which are currently available in the market are prepared considering the needs of large organizations, hence sole traders are finding difficulties in understanding these software and they go for manual accounting. So if some accounting software are prepared only for as per the needs of sole

traders then that will be a great form of help for them. Then they will surely install those special accounting software which are created as per the requirement of their business.

Conclusion:

Above study was done for the betterment of sole traders, as many of them are still doing the old traditional accounting i.e. manual accounting, which makes their work difficult and time consuming and it takes a lot of space to keep the business records in a physical form, so to overcome these issues computerized accounting is the solution for them, but they face many problems in that which are mentioned above and accordingly some recommendations or suggestions are also provided which can help sole traders to grow in today's business world.

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