

# Module 6: ACC 6000 Accounting Software Skills Pack

## Introduction

Modern accounting systems rely heavily on accounting software to record transactions, maintain financial records, and generate financial reports.

Accounting software allows businesses to:

- record transactions efficiently
- track account balances automatically
- generate financial statements quickly
- reduce manual errors

Students in accounting courses often use accounting software to complete assignments that simulate real-world accounting tasks.

Understanding the workflow used in accounting software will help students complete these assignments successfully.

## Basic Structure of Accounting Software

Most accounting software programs follow the same basic structure as the manual accounting cycle.

The software performs many calculations automatically, but the user must still understand:

- which accounts are affected
- whether each account increases or decreases
- how transactions impact financial statements

Even when using software, accounting principles must still be applied correctly.

## Setting Up a Company File

Before transactions can be recorded, a company file must be created.

The setup process typically includes:

- entering company name and information
- selecting the accounting period
- defining the chart of accounts
- setting beginning balances

The chart of accounts is the list of all accounts used by the company.

Common accounts include:

Assets

- Cash
- Accounts Receivable
- Inventory
- Equipment

#### Liabilities

- Accounts Payable
- Notes Payable

#### Equity

- Owner's Capital
- Retained Earnings

#### Revenue

- Sales Revenue
- Service Revenue

#### Expenses

- Rent Expense
- Salaries Expense
- Utilities Expense

### **Recording Transactions in Software**

Accounting software uses transaction forms to record accounting entries.

Common transaction forms include:

- sales invoices
- purchase orders
- cash receipts
- cash payments
- adjusting entries

Although the system records debits and credits automatically, students must understand how each transaction affects accounts.

#### **Example: Recording a Sales Transaction**

A company sells services for \$2,000 on account.

The transaction increases accounts receivable and increases revenue.

Accounting effect:

Debit: Accounts Receivable 2,000

Credit: Service Revenue 2,000

In software, this entry is recorded using a sales invoice form.

#### **Example: Recording a Cash Payment**

The company pays \$500 for office supplies.

Accounting effect:

Debit: Office Supplies Expense 500

Credit: Cash 500

In accounting software, this transaction is usually entered using a cash payment form.

### **Generating Financial Reports**

One of the main advantages of accounting software is the ability to generate financial reports automatically.

Common reports include:

- Trial Balance
- Income Statement
- Balance Sheet
- Statement of Cash Flows
- Accounts Receivable Aging Report

These reports summarize financial information and help managers evaluate the company's financial performance.

#### **Trial Balance Report**

The trial balance report lists all accounts and their balances.

The purpose of the trial balance is to verify that:

Total Debits = Total Credits

If the totals do not match, errors may exist in the recorded transactions.

#### **Income Statement Report**

The income statement shows the company's profitability during the accounting period.

Income Statement format:

Revenues

- Expenses

= Net Income or Net Loss

Accounting software calculates net income automatically based on recorded transactions.

#### **Balance Sheet Report**

The balance sheet presents the company's financial position at a specific point in time.

Balance Sheet format:

Assets

= Liabilities + Equity

Accounting software updates the balance sheet automatically as transactions are recorded.

## **Accounts Receivable Aging Report**

The accounts receivable aging report shows how long customer balances have been outstanding.

Accounts are typically grouped into categories:

- current
- 30 days past due
- 60 days past due
- 90 days past due

This report helps businesses monitor customer payments and identify overdue accounts.

## **Common Student Errors in Accounting Software**

Students often experience difficulty when completing accounting software assignments.

Common mistakes include:

- selecting the wrong account during transaction entry
- entering incorrect amounts
- forgetting to record adjusting entries
- misunderstanding the accounting effect of transactions

Because software performs calculations automatically, errors often occur when students do not understand the underlying accounting concepts.

## **Strategies for Avoiding Errors**

To avoid mistakes when using accounting software:

1. Identify the accounts affected before entering the transaction.
2. Determine whether each account increases or decreases.
3. Review transaction details before saving the entry.
4. Check financial reports after recording transactions.

These steps help ensure that accounting records remain accurate.

## Practice Problems

### Problem 1

A company provides consulting services for \$1,500 on account.

Identify the accounts affected and indicate whether they increase or decrease.

### Problem 2

The company pays \$900 cash for rent.

Record the accounting effect of the transaction.

### Problem 3

What report would you use to determine whether total debits equal total credits?

### Problem 4

Which financial report shows the company's financial position at a specific date?

## Practice Problem Answers

### Problem 1

Accounts affected:

Accounts Receivable increases

Service Revenue increases

Accounting entry:

Debit: Accounts Receivable 1,500

Credit: Service Revenue 1,500

### Problem 2

Debit: Rent Expense 900

Credit: Cash 900

### Problem 3

The trial balance report is used to verify that total debits equal total credits.

### Problem 4

The balance sheet shows the company's financial position at a specific date.