Cambridge AS & A Level · Accounting 9706 · Notes

Computerised accounting systems A2

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Last checked 5 October 2026

Read first: **The accounting system**, **Reconciliation and verification**

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What you need to know

This is a short A Level topic that builds on the AS work on computerised accounting in "The accounting system" (read that first: it covers what the software does, the advantages and disadvantages of introducing it, and keeping data secure). Here you add two things:

1. **The process of transferring a business's accounts to a computerised system**: the steps, in order, from getting the manual books ready to switching the manual system off.
2. **How to keep the accounting data's integrity during the transfer**: making sure every balance reaches the new system **completely** (nothing missed), **accurately** (the right amounts in the right accounts) and **securely** (nobody can change, lose or see data they shouldn't).

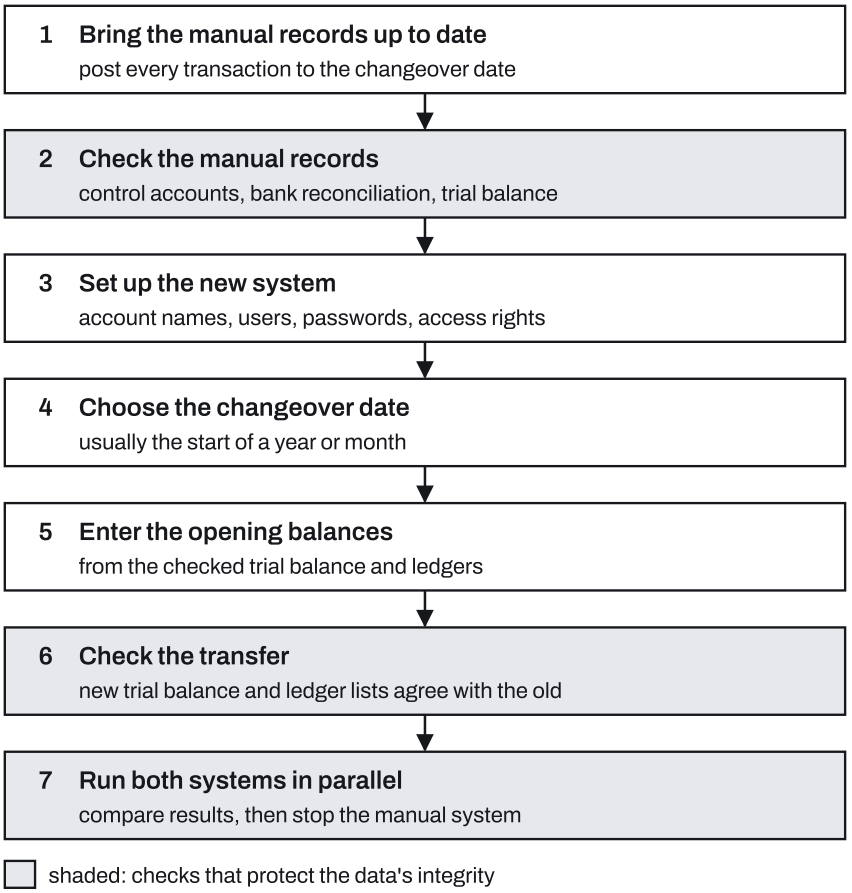
No particular software or package is needed. The exam evidence is thin: the topic has only been asked in **2021** (Paper 3), so far always as one part of a longer question.

Understand it

Why the changeover is risky

A business keeping manual books has years of balances in its ledgers: every customer and supplier, every asset, the bank, capital. On the day it switches to software, all of those balances must be typed into the new system as **opening balances**. Software posts every later entry with perfect arithmetic, but it can only work with what it is given. If a customer's balance is typed in wrongly at the changeover, every statement, aged receivables report and set of financial statements after that carries the error. The transfer is the moment when most damage can be done, so it needs a plan and checks.

The steps of the transfer



1. **Bring the manual records up to date.** Post every transaction up to the changeover date, so no invoice, payment or journal entry is left in a pile.
2. **Check the manual records.** Balance the accounts, reconcile the sales and purchases ledger control accounts with the individual ledgers, prepare a bank reconciliation, and extract a trial balance that agrees. Any error found now is corrected in the manual books, so it is not carried into the new system.
3. **Set up the new system.** Create the account names and codes (the chart of accounts) to match the ledgers, set up each user with a password and access limited to the parts they need, and protect the equipment: anti-virus and firewall software, and computers kept somewhere secure.
4. **Choose the changeover date.** Usually the start of a financial year (or at least a month), when the books have just been balanced and the opening figures are known.
5. **Enter the opening balances** from the checked trial balance at that date, and each customer's and supplier's balance from the ledgers.
6. **Check the transfer.** The new system's opening trial balance must have the same totals as the manual one, account by account; the list of customers' balances must add up to the sales ledger control account, and the suppliers' balances to the purchases ledger control account. Another person can check the input against the manual records.
7. **Run both systems in parallel** for a period (often a month or a quarter): record every transaction in both, then compare the results. Once they agree and staff are confident, **discontinue the manual system**, keeping its records and a back-up of the new data.

Integrity: complete, accurate and secure

Aim	How it is achieved during the transfer
Complete: nothing left out	records posted up to date before the transfer; a list of every account ticked off as it is entered; totals compared (trial balance, control accounts, number of accounts)
Accurate: right amounts, right accounts	errors corrected in the manual books first; a second person checks each balance entered; new trial balance agrees with the manual one; parallel running gives the same results
Secure: data protected	passwords and limited access for each user; anti-virus and firewall; equipment physically secure; regular back-ups kept away from the computer; old manual records kept until the new system is proven

What a computer can and cannot get right

Software processes data without arithmetic mistakes: it posts both sides of every entry, adds up correctly and always balances the trial balance. It cannot judge whether what was typed in is right. A figure keyed in wrongly, an item posted to the wrong account, or a wrong **accounting treatment** (capitalising a cost that should be an expense, missing an impairment, ignoring a revaluation) are all **input errors**, made by people. So when a question asks why errors in a set of statements were not caused by the computerised system, the answer is that they came from the data or decisions put in, not from the system's processing.

Why businesses make the change (AS recap)

The 2021 questions also asked for **benefits**. The usual points: faster processing; accurate arithmetic; records updated automatically and available at any time; reports (aged receivables, statements, budgets) produced quickly; large amounts of data handled easily; fewer staff hours; less storage space than paper; better security through passwords and back-ups.

Key facts and formulas

There is no formula list in the 9706 exam. These checks are what "transferred completely and accurately" means in numbers.

Formula	Status
Opening trial balance in the new system: debit total = credit total = the manual trial balance totals at the changeover date	Learn it
Total of the customers' balances entered = sales ledger control account balance at the changeover date	Learn it
Total of the suppliers' balances entered = purchases ledger control account balance at the changeover date	Learn it

Formula	Status
Difference found = amount that should have been entered − amount actually entered	Learn it

A difference that divides exactly by 9 often means two digits were swapped when typing (a transposition), for example 3960 keyed as 3690 gives $270 = 9 \times 30$.

How to do it

This topic has 3 tagged questions, all from 2021 Paper 3 (9706/31/M/J/21 Q3 is the same question as 9706/33/M/J/21 Q3). One of them asks two types, so the counts add up to 4.

Question type	Questions
Benefits of a computerised accounting system	2
Steps to transfer to and implement a computerised system, with accuracy and security	1
Why errors were not caused by the computerised system	1

1. Benefits of a computerised accounting system (2 questions)

Usually "State four benefits ..." for 4 marks, as the first part of a longer question (in 2021 it opened a merger question).

1. Give **one short, different benefit per mark**: faster; more accurate (arithmetic); updated automatically; information easy to find and up to date; lower staff costs; handles large or complex volumes; reports produced easily; saves space; better security.
2. Don't write two versions of the same point ("quicker" and "saves time"), and don't give a disadvantage.

2. Steps to transfer and implement the system (1 question)

An 8-mark "Outline the next steps ..." in a scenario: the business has already bought the hardware and software and trained staff. One mark per relevant step, so aim for **eight or more different points** that cover the **transfer**, **accuracy** and **security**.

1. Read what the scenario says has already been done and don't repeat it (buying equipment, training).
2. Write the steps **in order**, one sentence each: up-to-date records → check them (control accounts, trial balance) → set up account names → passwords and access → virus and firewall protection, secure location → choose the changeover date → enter opening balances → check the new trial balance against the old → parallel running → back-ups → discontinue the manual system.
3. Make sure both **accuracy** points (checking, agreeing totals, parallel running) and **security** points (passwords, protection, location, back-ups) appear, because the question asks for both.

3. Why errors were not caused by the computerised system (1 question)

A 2-mark "Explain why ..." after a part that corrects errors in a draft statement.

1. Say the errors came from **input**: the wrong data or the wrong accounting treatment was entered by staff (**1**).
2. Contrast it with **processing**: the software processes what it is given correctly, so these were not processing errors (**1**).

Worked examples

Example 1

Lumen Traders keeps its books by hand and is thinking of buying accounting software. Give **four** reasons why the owner might decide to make the change. **[4]**

- Transactions are recorded and posted faster. **(1)**
- The arithmetic is always accurate, so ledgers and the trial balance balance. **(1)**
- Up-to-date information, such as how much each customer owes, is available at any time. **(1)**
- Reports such as aged receivables and customer statements are produced quickly. **(1)**

Other acceptable points: lower staff costs, handles large volumes of data, saves storage space, better security with passwords and back-ups.

Example 2

Pell Ltd transferred its accounts to a computerised system on 1 April. The manual trial balance at 31 March had totals of $486 250 on each side. The opening trial balance printed from the new system shows debit total $485 790 and credit total $486 250.

The sales ledger control account balance at 31 March was $38 640. The customer balances in the manual sales ledger and as entered in the new system were:

Customer	Manual ($)	Entered ($)
Arno	12 400	12 400
Bela	9 850	9 850
Cato	7 230	7 230
Dima	6 400	6 400
Esko	2 760	2 300

(a) Calculate the difference between the two opening trial balance totals in the new system. **[1]**

(b) Identify the error that has caused it, and explain how the business could have found it before using the new system. **[3]**

(a) $486\,250 - 485\,790 = 460$: the debit side is \$460 short. **(1)**

(b) The customer balances entered total $12\,400 + 9850 + 7230 + 6400 + 2300 = 38\,180$, which is \$460 less than the control account of \$38 640. **(1)** Esko's balance of \$2760 was entered as \$2300, an input error of \$460. **(1)** Checking the list of balances entered against the control account, or having a second person check each balance against the manual ledger, would have found it before the system was used. **(1)**

Example 3

Hana runs a florist's shop as a sole trader and keeps manual books. She plans to move them to accounting software at her year end, 30 June, and will key in the balances herself.

Explain how Hana can make sure the balances are transferred to the new system completely and accurately. **[6]**

- Before 30 June she should post every transaction in the manual books, so that no balance is out of date when it is transferred. **(1)**
- She should check the manual books first: reconcile the bank and the control accounts and make sure the trial balance agrees, so that no error is carried into the new system. **(1)**
- Transferring at the year end means the balances have just been checked for the financial statements, so the opening figures are reliable. **(1)**
- She should tick off each account on the manual trial balance as she enters it, so that none is missed. **(1)**
- Someone else (her accountant, for example) should check each balance entered against the manual ledgers, because she may not spot her own keying errors. **(1)**
- The opening trial balance in the new system should have the same totals as the manual one, and the customers' and suppliers' balances should add up to the control accounts. **(1)**
- She should keep the manual books running alongside the software for the first month and compare the results before relying on the new system. **(1)**
- She should keep the manual records and a back-up of the new data, so that anything lost or wrongly entered can be recovered and corrected. **(1)**

Eight points are given for 6 marks, so one or two weaker ones can be rejected without losing marks. Each point says what to do **and** why it protects completeness or accuracy, because the command word is "explain".

Common mistakes

- **Writing only about security.** Examiners reported that most answers to the 8-mark steps question mentioned passwords and back-ups, but few dealt with moving the data from the manual system, so few earned more than six marks. Include up-to-date records, checking, opening balances, agreeing totals and parallel running.

- **Repeating what the scenario says was done.** If the business has already bought the software and trained staff, those steps earn nothing again.
- **Saying a computer makes records error-free.** It only guarantees the arithmetic. Wrong input, the wrong account or the wrong accounting treatment still produce errors; a Paper 1 multiple-choice question in 2025 caught many candidates on this.
- **Half an explanation.** In the 2-mark "why not caused by the computer" question, most candidates earned only one of the two marks. Say the errors came from what was input, and then add the contrast: the software's processing was not at fault.
- **Benefits that repeat each other**, or a disadvantage listed as a benefit. One distinct point per mark.

How to get the marks

- **"State"**: a short phrase per mark is enough; no explanation needed.
- **"Outline"**: one clear sentence per point. Marks are one per valid step, up to the maximum, so the number of different, relevant points decides the mark. Order them as the changeover happens, so you don't miss a stage.
- **"Explain"**: give the reason and why it leads to the conclusion; for 2 marks, two linked points (input error, not a processing error).
- **"Consider accuracy and security"** means both words need points under them. A quick check before you finish: have I said how the data is checked, and how it is protected?
- Use the scenario's details where they fit (the date, what has already been done), but the marks are for the steps themselves.

Quick check

1. Give **three** ways of making sure the opening balances in a new computerised system are accurate.
2. A business's purchases ledger control account at the changeover date is $24 315. The supplier balances entered in the new system are $5420, $8135, $3690 and $6800. The manual ledger shows the third supplier's balance as $3960. Find the difference and say what kind of error it is likely to be.
3. What is **parallel running**, and why does it help during a changeover?
4. A shop's first income statement from its new accounting software includes a $15 000 upward revaluation of its premises as income, so profit is overstated. The owner says the software has made a mistake. Explain why she is wrong.

Answers

1. Any three: check and correct the manual records before the transfer; agree the new opening trial balance totals with the manual trial balance; agree the total of customers' and suppliers' balances with the control accounts; have a second person check each balance entered against the manual ledgers; run both systems in parallel and compare the results.
2. Entered total $= 5420 + 8135 + 3690 + 6800 = 24\,045$. Difference $= 24\,315 - 24\,045 = 270$ dollars, which is 9×30. The digits of 3960 were swapped to 3690: a **transposition error** made when keying in.
3. Keeping the manual system and the new system running side by side for a period, recording every transaction in both and comparing the results. If they agree, the transfer and the new system are working; if not, the error is found while the manual records still exist as a back-up.
4. A revaluation gain should go to a revaluation reserve, not to profit. Posting it as income was a wrong accounting treatment chosen by whoever entered it, so it is an input error. The software processed the entry it was given correctly, so the fault lies with the data entered, not with the system's processing.

Past questions to try

- **9706/31/O/N/21 Q2**: part (a), the steps to implement a computerised system with accuracy and security; part (c), why the errors were not caused by it.
- **9706/33/M/J/21 Q3**: part (a), four benefits of a computerised accounting system.