Chapter 2 – Financial & Accounting Systems

SYSTEM

- System is a set of detailed methods, procedures and routines created to carry out a specific activity.
- It is organized that consists of interrelated and interdependent elements .
- Within a larger system, there may be few sub-systems.

Systems constitute :

1. Inputs, outputs and feedback mechanisms,
2. Maintain an internal steady-state despite a changing external environment,
3. Have boundaries that are usually defined by the system observer.

PROCESS

- A process is defined as a sequence of events/ standard flow of activities that processes inputs for desired outputs or to to achieve a business objective.
- Process creates value for customers .
- Example of process – Order to cash cycle.

INTEGRATED AND NON INTEGRATED SYSTEMS

Integrated System

- Combines different functions together in order to work as one entity and maintaining data in a centralized manner.
- All the departments shall maintain the data in an integrated way.
- Here central database is the main characteristics of an integrated ERP system.

Non-Integrated System

- This system maintains data in a decentralized way.
- Each department shall maintain its own data separately and not in an integrated way.
- Here separate database is maintained by each department.

FINANCIAL AND ACCOUNTING SYSTEMS

- Financial and Accounting Systems does not necessarily mean Software or Computerized Systems only.
- It has to cater to needs of all the users simultaneously.

TYPES OF DATA

In every accounting system data is stored in two ways:

1) Master Data – Relatively permanent
2) Non Master Data - Expected to change frequently

DIFFERENCE BETWEEN MASTER DATA AND NON MASTER

Master Data	Non-master Data
As defined above, master data is relatively permanent data that is not expected to change again and again.	It is a data which is expected to change frequently, again and again and not a permanent data.
They are generally non-transaction related data.	They are generally transaction related data.
Master data is generally not typed by the user; it is selected from the available list.	Non-master data is typed by the user and not selected from available list. as it is a non-permanent and it keeps on changing again and again
Master data entry is usually done less frequently say once a year or when there is a need to update.	Non-master data entry is done on more frequent basis.
Example: Voucher Types i.e. Receipt Voucher/Payment Voucher etc.	Example: Transaction details like amount/date/voucher number/narration etc.

MASTER DATA

- It is a data which is not expected to change frequently.
- It is permanent data.
- Value recorded shall remain the same always.
- All business process modules must use common master data.
- Ex : Date of birth, parents name etc age.

TYPES OF MASTER DATA

Accounting Master Data:

- This includes names of various ledgers, voucher types, cost centres etc.
- E.g. various ledgers like capital account, sales, purchase, expenses and income ledgers are created once and not expected to change again and again.

Inventory Master Data:

- This includes inventory related master data like stock items, storage units, inventory vouchers type etc.
- For business of consumable goods stock items can be television, air-Conditioner, fridge etc.

Payroll Master Data:

- Master data in case of payroll can be names of employees, group of employees, salary structure, pay heads, etc.
- These data are not expected to change frequently. E.g. Employee created in the system will remain valid for relatively longer period of time.

Statutory Master Data:

- This includes master data related to various statute/law. This data shall be relatively permanent.

NON-MASTER DATA

- It is a data which is expected to change frequently, again and again .It is not a permanent data.
- Amounts recorded in each transaction shall be different every time.
- Ex : Date, age, weight etc

  Date recorded in each transaction is expected to change again and again and will not be constant in all the transactions.

TYPES OF VOUCHERS

- Voucher is a documentary evidence of a transaction.
- Voucher number must be unique.
- Every voucher type shall have a separate numbering series.
- All vouchers must be numbered serially and recorded in chronological order.
- In accounting, every transaction, before it is recorded in the accounting system, must be supported by a documentary proof/voucher.

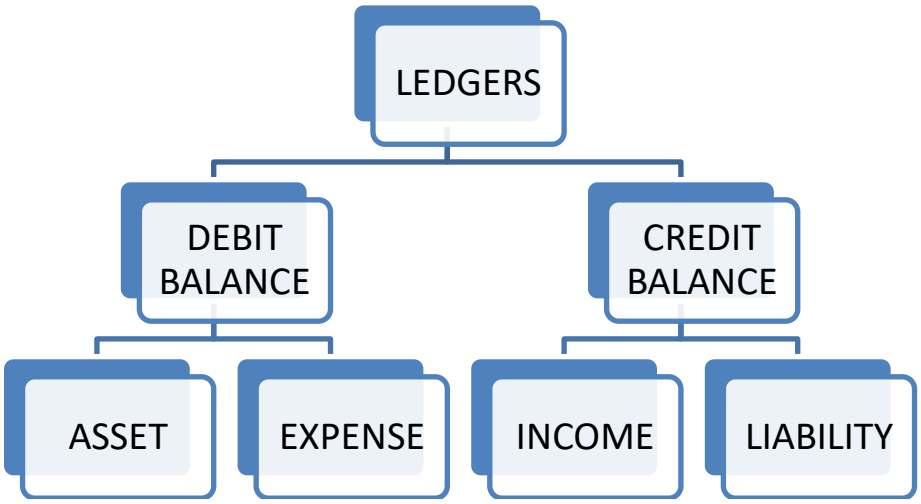
Module	Voucher Type	Purpose
Accounting	Payment	Recording of all types of payments.
	Receipt	Recording of all types of receipts.
	Sales	Recording all types of trading sales.
	Purchase	Recording all types of trading purchases.
	Journal	Recording of all non-cash/non-bank transactions. E.g. depreciation, write-off, discount given/received etc.
	Credit Note	Recording of changes/corrections in already entered sales/purchase transactions.
	Debit Note	Recording of changes/corrections in already entered sales/purchase transactions.
Inventory	Sales Order	Recording of a sales order received from a customer.
	Purchase Order	Recording of a purchase order raised by a vendor.
	Delivery Note	Recording of delivery of goods to a customer.
	Receipt Note	Recording of receipt of goods.
	Stock Journal	Recording of movement of stock from one location to another.
Payroll	Attendance	Recording of attendance of employees.
	Payroll	Recording of salary calculations.

ACCOUNTING FLOW PROCESS FLOW

Following diagram describes accounting flow process:

- Transactions and voucher entry mostly require human intervention while others are mechanical steps and can be performed by software with high speed and accuracy.

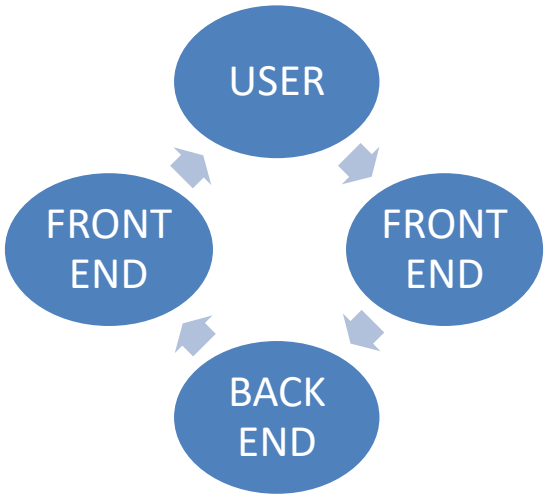
TYPES OF LEDGERS



GROUPING OF LEDGERS

- At the time of creation of any new ledger, it must be placed under a particular group.
- There are four basic groups in Accounting, i.e. **Income**, **Expense**, **Asset**, **Liability**.
- There may be any number of sub groups under these four basic groups.
- Grouping is important as this is way to tell software what is the nature of the ledger and where it is to be shown at the time of reporting.

WORKING OF ANY SOFTWARE



It involves the following processes:

1. **Front End** – It is part of the overall software which actually interacts with the user who is using the software. User will interact with Front End part of the software and request front end to generate the report. Front End will receive the instruction from user and pass it on to the back end.
2. **Back End** – It is a part of the overall software which does not directly interact with the user, but interact with Front End only. Back End will process the data, generate the report and send it to the front end. Front end will now display the information to user.

APPLICATION SOFTWARE

- Application software performs many functions such as :
- Receiving the inputs from the user
- Interpreting the instructions and performing logical functions.
- To achieve a desired output.
- It has a three tier architecture consisting of **Application Layer**, an **Operating System Layer** and a **Database Layer**.
    - **Application Layer -** Receives the inputs from the users and performs certain validations like, if the user is authorized to request the transaction.
    - **Operating System Layer** - Carries these instructions and processes them using the data stored in the database and returns the results to the application layer.
    - **Database Layer** stores the data in a certain form.

Examples of application software would include SAP, Oracle Financials, MFG Pro etc.

FEATURES	INSTALLED	CLOUD BASED
INSTALLATION	Manual Installation. Hence time consuming	Installation not required
MAINTANENCE	Done manually . Lot of effort involved.	Responsibility of service provider
ACCESSIBILITY	Limited	Unlimited. 24*7 Usage
MOBILE APPLICATION	Difficult	Easy . Future oriented.
DATA STORAGE	Stored in the premises of user	Stored in the web server
DATA SECURITY	Highly secure. User has full control over the data by appropriate access controls.	Depends on terms of SLA
PERFORMANCE	High performance as data is picked from local server	Performance depends on internet speed.
FLEXIBILTY	Better flexibility but increased CAPEX	Better flexibility with CAPEX and OPEX and increased scalability.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

- ERP is an enterprise-wide information system designed to coordinate all the resources, information, and activities needed to complete business processes such as order fulfillment or billing.
- An ERP system supports most of the business system that maintains in a single database the data needed for a variety of business functions such as Manufacturing, Supply Chain Management, Financials, Projects, Human Resources and Customer Relationship Management and Financial & Accounting Systems.
- An ERP system is based on a common database and a modular software design.
- The modular software design should mean a business can select the modules they need, mix and match modules from different vendors, and add new modules of their own to improve business performance.
- The common database can allow every department of a business to store and retrieve information in real-time. The information should be reliable, accessible, and easily shared.
- In practice the ERP system may comprise a set of discrete applications, each maintaining a discrete data store within one physical database.
- Some of the well-known ERPs in the market today include SAP, Oracle, MFG Pro, MS Axapta etc.

ADVANTAGES OF ERP SYSTEM

- Cover a wide range of functions and integrate them into one unified database.
- Ability to customize an organization's requirements.
- Ability to integrate business operations with accounting and financial modules.
- Ability to automate manual processes thus reducing errors.
- Ability to process huge volumes of data within short time frames.
- Enhanced data security and application controls.
- Enhanced access controls and segregation of duties controls.
- Enhanced reporting capabilities for management.

FEATURES OF ERP SYSTEM

- An Ideal ERP System satisfies all types of needs of an organization and provides right data and right point of time to right users for their purpose.
- An ideal ERP system is that system where a single database is used and stores all data for various modules.
- Following are some of the modules used in an ideal ERP system:

Manufacturing	Module includes functions like manufacturing process, workflow management, engineering, capacity, quality control etc.
Financials	Module includes accounts and finance related functions like cash management, accounts payable, accounts receivable and fixed assets etc.
Human Resources	Module includes functions like payroll, attendance and training etc.
Supply Chain Management	Module includes functions like Inventory management, purchasing and other supply chain activities.
Projects	Module includes functions of specific projects like activity management, costing, billing and time and expense, etc.
Customer Relationship Management (CRM):	Purpose of CRM software is to improve services provided to customers and to use the information in the system for improving sales.
Data Warehouse	Data warehouse is a repository of an organization's electronically stored data. It facilitate reporting and analysis.

RISKS AND CONTROLS FOR AN ERP ENVIRONMENT

Aspect	Risk Associated	Control Required
Data Access	Risk of unauthorized data access. Data is stored centrally and all the departments access the central data. This creates a possibility of access to unauthorized data.	Access to be given on "Need to know" and Need to do" basis only.
Data Safety	Risk of data loss may impact business. In case data is lost, whole business may come to stand still.	Strong Back up arrangement is required. Also strict physical control is needed for data.
Speed of Operation	Due to huge data base, speed of operation may be reduced.	This can be controlled by using techniques like data warehousing, updating hardware and removing redundant data.
Change in process	Due to integration, even a small change in process requires lot of efforts and money.	Appropriate documentation to avoid any discomfort.
Staff Turnover	In case of staff turnover, it becomes difficult to maintain the system. Integrated systems may be difficult to understand for new employees.	This can be controlled and minimized with help of proper staff training system, having help manuals, having backup plans for staff turnover, etc.
System failure	Risk of system failure may impact whole organization as everything will be centralized in an ERP environment.	Appropriate system and data back-up and alternate hardware/internet provisions are required to ensure functioning of system. In case of failure of primary system, secondary system may be used.

AUDITING ERP SYSTEMS

The auditor should enquire about whether the system

- Process according to generally accepted accounting principles and auditing standards.
- Ensure **confidentiality** of information
- Ensure **integrity** of information
- Ensure **availability** of information
- Ensure regulatory requirements
- Has problem-escalation process

In any ERP system, following auditing aspects to be considered:

(i) Auditing of Data:

Physical Safety

- To ensure appropriate physical control over data.

Access Control

- To ensure that system access is given on **"need to know"** and **"need to do basis".**

(i) Auditing of Processes:

Functional Audit

- To ensure that different functions / features in the system are working properly and testing of the overall process .E.g. Purchase Process, Sales Process etc.

Input Validations

- This stands for checking of rules for input of data into the system.
- E.g. Amount field must not be zero, stock item field shall not be empty, etc.

TYPES OF ACCESS IN AN ERP SYSTEM

The following t type of access can be allowed / disallowed for Master Data, Transaction Data, Reports

- Create – Allows to create data
- Alter – Allows to alter data
- View – Allows only to view data
- Print – Allows to print data

ROLE-BASED ACCESS CONTROL (RBAC)

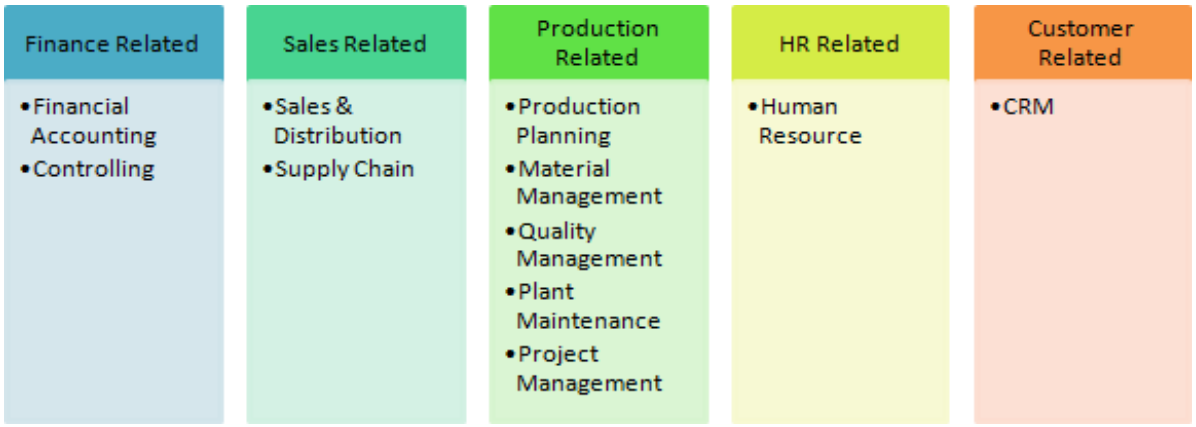
- In Role-based access control (RBAC) or Role-Based Security, access is given to only authorized users.
- The components of RBAC such as role-permissions, user-role and role-role relationships make it simple to perform user assignments.
- RBAC can be used in large organizations with hundreds of users and thousands of permissions and helps in security administration.
- Access to the system can be given according to the role assigned.

It is used by most enterprises and can implement **Mandatory Access Control (MAC)** or **Discretionary Access Control (DAC)**.

- MAC criteria are defined by the system administrator, strictly enforced by the Operating System and are unable to be altered by end users.
- Only users or devices with the required information security clearance can access protected resources.
- A central authority regulates access rights based on multiple levels of security.
- Organizations with varying levels of data classification, like government and military institutions, typically use MAC to classify all end users.
- DAC involves physical or digital measures and is less restrictive than other access control systems as it offers individuals complete control over the resources they own.
- The owner of a protected system or resource sets policies defining who can access it.

BUSINESS PROCESS MODULE AND THEIR INTEGRATION

Different modules are possible in an integrated system. Following are some of the modules that may be part of ERP system:



(1) Financial Accounting Module:

- This module is the most significant module of entire ERP System. Every module is somehow connected with this module.
- This module tracks the flow of financial data across the organization in a controlled manner and integrates all the information for effective strategic decision making.

- This module facilitates Integration with Sales and Distribution and Materials Management.

(2) Controlling Module:

- This module helps in analyzing the actual figures with the planned data and in planning business strategies.
- Cost Elements and Revenue Elements are managed in Controlling.
- Key features of this module are as under.
  - (i) Cost Element Accounting
  - (ii) Cost Center Accounting;
  - (iii) Activity-Based-Accounting
  - (iv) Internal Orders;
  - (v) Product Cost Controlling
  - (vi) Profitability Analysis
  - (vii) Profit Center Accounting

(3) Sales & Distribution Module:

- Sales and Distribution is one of the most important module.

- Sales and Distribution can monitor number of activities that take place in an organization such as sales enquires, quotation, placing order, pricing, scheduling deliveries etc.
- Following are some of the Key features of Sales and Distribution Module:
  - (i) Updating Organization Structure
  - (ii) Assigning Organizational Units
  - (iii) Updating Pricing Components
  - (iv) Setting up sales document types, billing types, and tax-related components
  - (v) Pre - Sales Activities like identifying prospective customers, contacting them and fixing appointments, showing demo, submission of quotations, etc.
  - (vi) Inventory management before delivery of goods to ensure that goods are ready and available for delivery.
  - (vii) Billing – This is a transaction of raising an invoice against the delivery of material to customer.
  - (viii) Receipt from Customer – Transaction involving receipt of money from customers against sales invoice. This shall have a linking with sales invoice.

(4) Supply Chain Module:

- This module provides functionality for logistics, manufacturing, planning, and analytics.
- Organisation can optimize their supply chain in advance and streamline processes such as supply network, demand, and material requirement planning.
- This module helps to create complete scheduling; improve production integration, and maximize transportation scheduling.

(5) Production Planning Module:

- Production Planning aids in planning and management of production.
- This module contains master data, system configuration and transactions in order to achieve plan procedure for production.

(6) Material Management Module:

- This module manages materials required, processed and produced in enterprises.
- Some of the popular sub-components in this module are vendor master data, consumption data, purchase data, inventory data and so on.
- Material Management module also interacts with other module such as logistics, Supply Chain and warehouse management for movement of materials.
- It must be noted that Purchase Order and Material Receipt does not affect trial balance. But these transactions are part of overall Financial and Accounting System.

(7) Quality Management Module:

- Quality Management Module helps in management of quality in productions and other processes in an organization.
- This module aids in improving business performance by adopting a structured and functional way of managing quality in different processes.
- Quality Management module collaborates with other modules such as procurement and sales, inspection, control, audit management, production, planning and so on.

(8) Plant Maintenance Module:

- This module handles maintaining of various equipment and helps in efficient planning of production and generation schedules.
- Plant Maintenance module provides solution for all maintenance activities that are performed within a company.
- It aids in cost-efficient maintenance methods like risk-based maintenance or preventive maintenance.
- It also provides comprehensive outage planning and powerful work order management.

(9) Project Management Module:

- This is an integrated project management tool used for planning and managing projects.
- It has several tools to support project management process such as cost and planning budget, scheduling, requisitioning of materials and services.

(10) Human Resource Module:

Single Module for all HR functions	This module takes care of various HR related task such as recruitment, performance evaluation, managing promotions, compensations, handling payroll and other related activities.
Employee Database	This module maintains total employee database.
No integration with other modules	This module exchanges very few information with other modules.

Capturing Attendance	(i) Important function of this module is to capture attendance of every employee. (ii) Usage of magnetic card or finger print recognition devices will help to improve the attendance system and discard proxy attendance.
Holiday list	From Holiday master provided with the module the user could feed all possible holidays at the beginning of a year, so leave related information can be automated.
Employee Advances	Financial entries like advance or loan to employees are also captured in this module.
Authorized Access	Details in the module will be password protected. Only authorized person will be eligible to access information from this module.

(11) CRM Module:

- Objective of CRM (Customer Relationship Management) is to improve relationship with existing customers, to find new prospective customers, and to win back former customers.
- CRM stores information about customers which includes determining the requirements of high- value customers.
- The CRM module uses the existing ERP tables as the source of its data. This is primarily the Contact, Customer, and Sales tables. CRM does not exchange transactions with other modules as CRM does not have transactions. Generally, a large ERP system have inbuilt CRM module.
- Implementing a CRM strategy is advantageous to both small-scale and large-scale business ventures.

Benefits of CRM module

(1) Better customer relations:

- By using CRM, all dealings with customer for servicing, marketing, and selling can be carried out in an organized and systematic way.
- This in turn helps in increasing customer loyalty and decreasing customer agitation.

(2) Better internal relations & communication:

- CRM helps in building up better communication within the company.
- The sharing of customer data between different departments will enable them to work as a team. And thus help in increasing the company's profitability and enabling better service to customers.

(3) Optimize marketing:

- CRM helps to understand most profitable customer groups, ideal marketing timing and correct product.
- In this way, marketing resources can be optimized efficiently and time is not wasted on less profitable customer groups.

(4) Maximize up-selling and cross-selling:

- Up-selling and cross-selling can be improved by interacting with the customers and getting an idea about their wants, needs, and patterns of purchase.
- Up-selling is the practice of giving customers premium products that fall in the same category of their purchase.
- Cross selling is the practice of offering complementary products to customers, based on their previous purchases.

(5) Increase in revenues:

- By using a CRM strategy for any business, the revenue of the company can be increased.
- Using the data collected, marketing campaigns can be popularized in a more effective way.

REPORTING SYSTEM & MANAGEMENT INFORMATION SYSTEMS (MIS)

These criteria need to be followed for making information most useful:

(1) Relevant:

- Information should be relevant to the business area they address.
- This is important because a report that includes unnecessary information might be ignored.

(2) Timely:

- Many times old information may not be relevant in current time.
- Managers need to know what's happening now or in the recent past to make decisions about the future.

(3) Accurate:

- Accuracy of the information is of utmost importance.
- Managers and others who rely on MIS reports can't make sound decisions with information that is

  wrong.

(4) Structured:

- Structured Information helps management understand what the report is saying.
- Try to break long passages of information into more readable blocks or paragraphs and give theme meaningful headings.

DATA ANALYTICS & BUSINESS INTELLIGENCE

- Data Analytics is the process of examining data sets to draw conclusions about the information they contain.
- Data Analytics is done with the aid of specialized systems and software.
- Data analytics technologies and techniques are widely used in commercial industries to enable organizations to make more-informed business decisions.

ADVANTAGES

- Increased revenues.
- Improved operational efficiency.
- Optimize marketing campaigns .
- Better customer service .
- Quicker response to emerging market trends .
- Competitive edge over rivals.
- Boosting business performance.

BUSINESS INTELLIGENCE

- Business Intelligence (BI) is a technology-driven process for analyzing data and presenting meaningful information to help users make more informed business decisions.
  Its main objective is to
    - Improve the timeliness and quality of information.
    - Informed decision making through better analysis.

- BI comprises of various tools, applications and methodologies to:
    - collect data from internal and external sources,
    - prepare it for analysis,
    - design and run queries against the data,
    - create reports, dashboards and data visualizations for users.
    -

Business intelligence reveals to us

- The position of the firm in comparison to its competitors
- Changes in customer behavior and spending patterns
- The capabilities of the firm , opportunities , threats.
- Market conditions future trends, demographic and economic information
- The social, regulatory and political environment

- What the other firms in the market are doing
-

BENEFITS OF BI

- BI improves the overall performance of the company using it.
- Accelerating and improving decision making;
- Optimizing internal business processes;
- Enhanced communication among departments while coordinating activities;
- Increasing operational efficiency;
- Increased new revenues; and
- Gaining competitive advantages over business rivals.
- Identify market trends.
- Enhancing customer experience
- BI data supports both strategic and tactical decision-making processes.

- Business Intelligence combines a broad set of data analysis applications which includes:

  - Online analytical processing (OLAP)
  - Mobile BI
  - Ad hoc analysis and querying
  - Enterprise reporting
  - Real-time BI
  - Operational BI

BUSINESS REPORTING & FUNDAMENTALS OF XBRL

- Business Reporting includes
  (i) public reporting of operating and financial data by a business enterprise including its stakeholders.
  (ii) Periodic input of information to decision-makers within an organization to help them for their work.

- Reporting helps in improved business intelligence and knowledge management.
- Implementation involves Extract, Transform, and Load (ETL) procedures in coordination with a data warehouse and then using one or more reporting tools.

XBRL AND ITS FEATURES

- XBRL (eXtensible Business Reporting Language) is a freely available and global standard for exchanging business information.
- XBRL is used in more than 50 countries. XBRL helps in creating more useful, more effective and more accurate digital versions replacing older, paper-based reports.
- XBRL ensures information move between organizations rapidly, accurately and digitally. XBRL is a standards-based way to communicate and exchange business information between business systems.
- These interactions are defined by metadata set out in taxonomies.
- The language is XML-based and uses the XML syntax and related XML technologies such as XML Schema, XLink, XPath, and Namespaces.

FEATURES OF XBLR

- **Clear Definition:** XBRL allows the creation of reusable, authoritative definitions, called taxonomies. Taxonomies are developed by regulators, accounting bodies, government agencies and other groups that need to clearly define information that needs to be reported upon.
- **Testable Business Rules:** XBRL allows the creation of business rules. Business rules can be logical or mathematical, or both. It includes review , flagging , highlighting ,ratio creation.
- **Multi-lingual Support:** XBRL allows concept definitions to be made available in different languages. Translations of definitions can also be added by third parties. These automatically open up reports to different communities.
- **Strong Software Support:** XBRL is supported by a very wide range of software and thus can be acceptable by all size of the organization.

XBRL TAXONOMY

- Digital dictionary of reporting concepts.
- It contains comprehensive definitions.
- It is reusable, authoritative definitions that capture the meaning contained in all the reporting terms used in a business report, as well as the relationships between all the terms.

XBRL TAGGING

- XBRL Tagging is the process by which any financial data is tagged with the most relevant element in an accounting taxonomy .
- As all XBRL reports use the same taxonomy, information is comparable irrespective of how they are described by those releasing the financial statements.
- Due to same taxonomy, information in reports prepared using the XBRL standard is interchangeable between different information systems. This allows for the exchange of business information in entirely different organizations.
- XBRL has the capability to allow the tagging of transactions that can themselves be consolidated into XBRL reports.

USERS OF XBRL

- XBRL is used for different purpose and by different entities including by:
  1) **Regulators:**
     - Financial regulators that manage complex performance and maintains risk information about the institutions that they regulate.
     - Securities regulators and stock exchanges that need to monitor the compliance of listed companies and securities.
     - Business registrars that need to maintain and publish a range of corporate data to general public.
     - Tax authorities that need financial and other compliance information from companies to monitor their corporate tax affairs.
     - Statistical and monetary policy authorities that analyze financial performance information from many different organizations.
  2) **Companies:**
     - Companies that need to provide information to one or more of the regulators.
     - Enterprises that need to accurately move information in a complex structure.
     - Supply chains that need to exchange information within group for risk management.
  3) **Governments:**
     Government agencies that are simplifying and improving reporting process by either harmonizing data definitions or consolidating reporting obligations.
  4) **Data Providers:**
     Entities involved in providing data, create comparisons, ratings and other value-added information products for other market participants.
  5) **Analysts and Investors:**
     - Analysts that need to understand market performance and risk.
     - Investors that need to evaluate various investments and understand the performance of existing investments.
  6) **Accountants:**
     Accountants use XBRL to support various reporting obligations of the clients and are often involved in the preparation of XBRL reports.

REGULATORY & COMPLIANCE REQUIREMENTS

- **Compliance** means conforming to a rule, such as a specification, policy, standard or law.
- **Regulatory Compliance** describes the goal that organizations aspire to achieve in their efforts to ensure that they are aware of and take steps to comply with relevant laws, policies, and regulations

By and large we can classify the compliance and regulatory requirements in two types as under.

a. **General –** Applicable to all irrespective of anything.

b. **Specific –** Applicable to specific type of businesses only.

c.

Pros and Cons of having single software for Accounting and Tax Compliance

Particulars	Combined Accounting & Tax Software	Only Tax Compliance Software
Ease of software operation	Relatively less ease due to integration of two different module.	More ease of operation.
Time & Efforts	Less time and efforts are required for transfer of information due to integration.	More time and efforts are required for transfer of information from accounting system to tax system.
Accuracy	More accurate information as systems are integrated.	Comparatively less accurate as possibility of mismatch between accounting and tax system is always there.
Cost	More costly as two different systems are integrated.	Comparatively less costly is required.
System features	Tax module will have relatively less system features as this is not exclusive system for tax compliance.	More system features will be there as this will exclusive and specifically designed system for tax compliance.