RAMAPO COLLEGE OF NEW JERSEY

Technology in Accounting

Angelo Petillo
Ramapo College of New Jersey, Mahwah, NJ, 07430

Timeline:

1913 - United States ratified the 16th Amendment legalizing income tax

1957 - Start to see the use of magnetic tape in accounting systems

-Greatly reduces the amount of space previouslt taken by physical files

1969 - IRS begins to use magnetic tape to process returns

-Increases efficiency and allows for more errors to be caught

1969 - Bank of America uses a legal loophole to file Form 941 on magnetic tape instead of paper

-Obtained Power of Attorney from 5000 employers instead of needing to submit signatures from each

1986 - Implementation of Enterprise Resource Planning systems results in the combination of financial and cost accounting systems

-Sharing information between the two systems will reduce redundancies and improve accuracy of information

1994 - IRS allows for electronic filing of returns

2000 - Release of QuickBooks

-Allows business owners to easily complete double-entry accounting without requiring a full understanding

2008- 58% of tax returns filed electronically

2015 - 86% of tax returns filed electronically

2020 - Audit of the Pentagon reveals their accounting system is extremely outdated and severely lacks proper documentation

2020 - Data analytics is being implemented into audits

-This cuts down on time and allows for entire sets of data to be checked instead of sampling

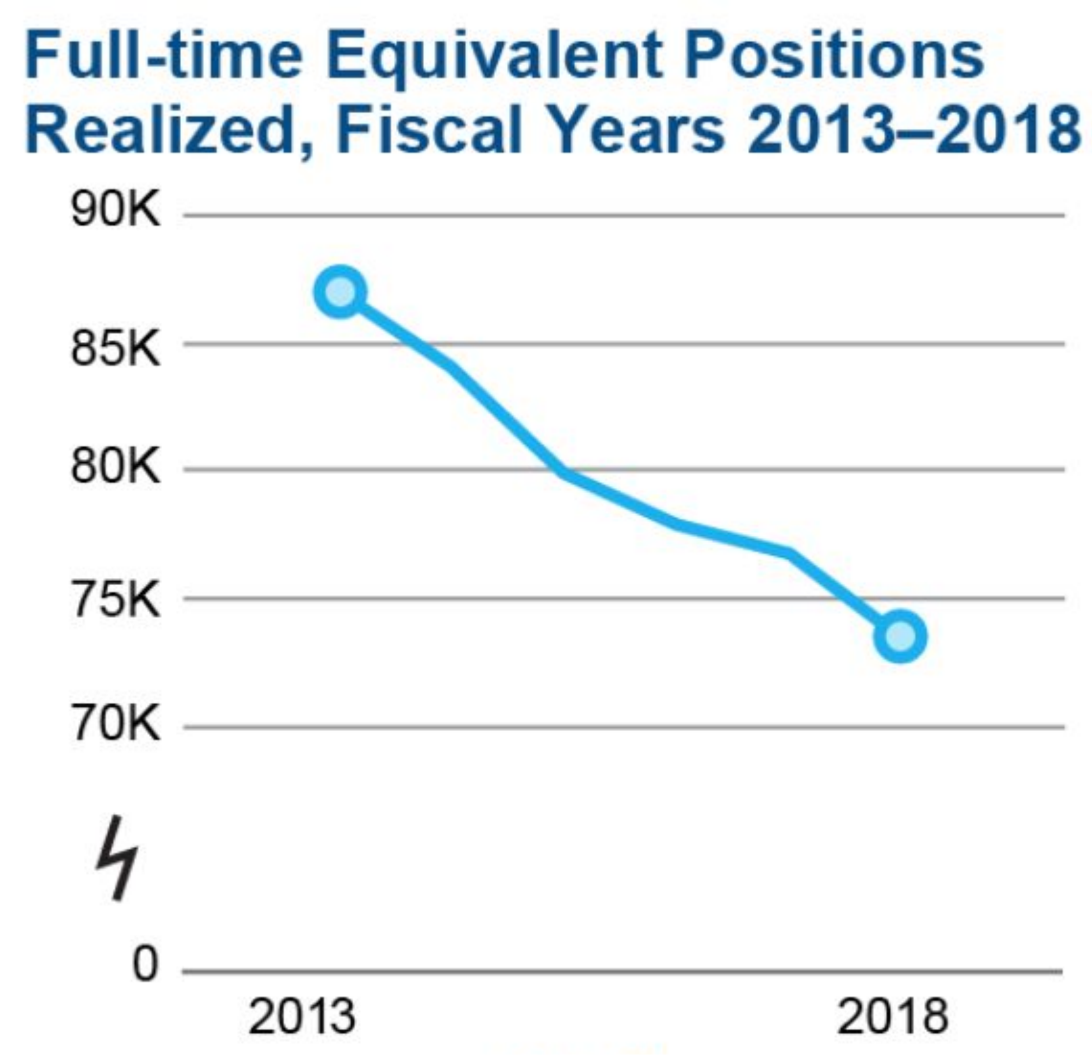

Figure 1, Internal Revenue Service, *IRS Budget and Workforce*, 2020.

While this graph that came directly from the Internal Revenue Service only displays data from 2013 to 2018 it can be assumed that the decrease in the amount of employees is due to the growth of electronic filing seen from 2008 to 2015 which has presumably continued. It appears that approximately twelve thousand jobs have been eliminated as a result. Being that in 2015 86% of returns were electronically filed it appears the decline in jobs is slowing down. The results of electronic filing on Internal Revenue Service jobs would not translate to the private area of the accounting profession as that would be affected by automated filing programs.

Conclusion:

The evolution of technology in accounting over time is remarkable for two main reasons, the amount of progress made and the amount of time this progress was made in. It seems unlikely that accounting will be fully automated in the near future because even programs that claim human verification is not needed still say that the best practice is to verify information anyway. Until verification is no longer needed automation is not a reality. Regardless, the constantly evolving state of technology has greatly reduced the amount of time needed to complete accounting functions. A benefit of all of these advances is that accountants now have more time to spend on higher value tasks.

Works Cited

Hur, Johnson. “What Is QuickBooks & How Does Small Businesses Use QuickBooks.” Bebusinessed.com, 12 July 2017, bebusinessed.com/online-payroll/what-is-quickbooks/. Accessed 27 Mar. 2020.

“IRS Budget and Workforce.” Internal Revenue Service, 19 Mar. 2020, www.irs.gov/statistics/irs-budget-and-workforce. Accessed 31 Mar. 2020.

Lewis, Peter H. “I.R.S. Tries On-Line Tax Filing.” The New York Times, 19 Feb. 1994,www.nytimes.com/1994/02/19/business/irs-tries-on-line-tax-filing.html. Accessed 27 Mar. 2020.

Moos, S. “The Scope of Automation.” The Economic Journal, vol. 67, no. 265, 1957, pp. 26–39. JSTOR, www.jstor.org/stable/2227629. Accessed 23 Mar. 2020.

Richardson, Alan J. “Professional Dominance: The Relationship Between Financial Accounting And Managerial Accounting, 1926-1986.” The Accounting Historians Journal, vol. 29, no. 2, 2002, pp. 91–121. JSTOR, www.jstor.org/stable/40698270. Accessed 23 Mar. 2020.

Smith, William H. “Automation in Tax Administration.” Law and Contemporary Problems, vol. 34, no. 4, 1969, pp. 751–768. JSTOR, www.jstor.org/stable/1190909. Accessed 23 Mar. 2020.

Tysiac, Ken. “How Firms Are Delivering Value with Audit Data Analytics.” Journal of Accountancy, Journal of Accountancy, 21 Jan. 2020, www.journalofaccountancy.com/news/2020/jan/cpa-firm-value-audit-data-analytics-22751.html. Accessed 27 Mar. 2020.