



Where Leaders are Made

PAN AFRICA CHRISTIAN UNIVERSITY

UNIVERSITY EXAMINATIONS: 2025/2026

END OF SEMESTER EXAMINATION

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

BIT403: ACCOUNTING INFORMATION SYSTEMS

DATE: MONDAY 8th DECEMBER, 2025

DURATION: 2 HOURS

TIME: 2:00PM-4:00PM

INSTRUCTIONS: Question One is Compulsory, Choose Three Other Questions

SECTION A (COMPULSORY)

QUESTION ONE (15 Marks) Compulsory

a) Define the following terms as applied in Accounting Information Systems:

[3]

Marks]

- i. Information System
- ii. Business process
- iii. Auditing

b) Explain four components of an Accounting Information Systems.

[4]

Marks]

c) Describe the most appropriate document for the following:

- i. Document that lists the components needed to manufacture a specific product.

[2]

Marks]

- ii. Document that authorize the removal of raw materials inventory from the storeroom to a factory location where it will be put into production.

[2]

Marks]

d) Outline four basic activities in the production cycle. [4
Marks]

SECTION B: (ANSWER ANY THREE (3) QUESTIONS IN THIS SECTION)

QUESTION TWO (15 marks)

a) Recommend two controls that must be put in place to overcome each of the following weaknesses.

i. A clerical employee obtains a blank check and writes a large amount payable to fictitious company. The employee then cashes the check.

[2 Marks]

ii. A production worker entering job-time data on an online terminal mistakenly entered 3,000 instead of 300 in the "quantity-completed" field.

[2 Marks]

iii. Overproduction of a slow-moving product resulted in excessive inventory that had to eventually be marked down and sold as a loss. [2
Marks]

Marks]

b) The following categories of people are recognized as users of the information contained in financial statements of a business enterprise. For each user, identify the kind of information they may require and the decisions they make from that information.

i. Financial analysts [3
Marks]

Marks]

ii. Accountants [3
Marks]

Marks]

iii. Auditors [3
Marks]

Marks]

QUESTION THREE (15 marks)

a) The objective of accounts payable is to authorize payment for goods and services that were ordered and actually received. Highlight two key decisions that need to be made in expenditure cycle. [2
Marks]

Marks]

b) Read the passage below and answer the questions that follow;

As part of General Motors (GM) market strategy on Isuzu vehicles market the GM automaker established an agriculture outfit to engage in agricultural equipment market. They developed smaller Isuzu automobiles that have relatively small diesel engines that fit precisely into the scale of operations of small scale farmers and their prices are friendly. GM will have to compete with avid competitors such as Tata Africa FMD East Africa as well as CMC holdings that have been in this market niche for a while now

- i. Using examples from the passage, discuss three competitive forces as alluded to by Michael Porter. **[9 Marks]**

- ii. The passage pointed out some mechanisms or strategies that General Motors is using to counter the competition and revamp their motor vehicle production business. Explain any such two strategies. **[4 Marks]**

QUESTION FOUR (15 marks)

- a) ERP is system that has a centralized approach towards business problems. Discuss. **[3 Marks]**

Marks]

- b) Explain three activities of expenditure cycles. **[6 Marks]**

Marks]

- c) Accounting information systems must try as much as possible to militate against various risks. One of such risk normally experienced by business is fraud.

- i. Define the term fraud. **[2 Marks]**

Marks]

- ii. Explain two types of occupational fraud. **[4 Marks]**

Marks]

QUESTION FIVE (15 marks)

- a) Environmental, institutional, or individual pressures and opportune situations, which are present to some degree in all companies motivate individuals and companies to engage in fraudulent financial reporting. Fraud prevention and detection require that pressures and opportunities be identified and evaluated in terms of the risks they pose to a company.

- i. State two company pressures that would increase the likelihood of fraudulent financial reporting. **[2 Marks]**

Marks]

- ii. Identify two corporate opportunities that make fraud easier to commit and detection less likely. **[2 Marks]**

Marks]

- iii. Explain three measures top management can do to reduce the possibility of fraudulent financial reporting. **[3 Marks]**

Marks]

- b) Kenya Macadamia Ltd (KML) uses internet and an electronic commerce website to connect to its customers and suppliers, and to capture data and share information about sales orders, purchases and collection centers. Videoconferencing and electronic mail services are also used. Data generated by KML processes are captured by sensors and processed by a computer that also suggests answers to complex KML machine problems experienced during macadamia grinding and packaging at the macadamia oils processing centers. Managers and business

professionals access reports on a periodic, exception, and demand basis and use computers to interactively assess the possible results of alternative decisions

Explain four types of information systems being used at the Kenya macadamia ltd. Justifying your choice using the case above. **[8 Marks]**

QUESTION SIX (15 marks)

a) "A well-designed Accounting Information System can add value to an organization". Justify this statement. **[3 Marks]**

b) Explain any three benefits and any three challenges of using computerized accounting systems. **[6 Marks]**

c) Consider the case below and answer the question

For the past 11 years, Wafula has been an employee of the Star-Bright Electrical Supply store. Wafula is a very diligent employee who rarely calls in sick and staggers his vacation days throughout the year so that no one else gets bogged down with his tasks for more than one day. Star-Bright is a small store that employs only four people other than the owner. The owner and one of the employees help customers with their electrical needs. One of the employees handles all receiving, stocking, and shipping of merchandise. Another employee handles the purchasing, payroll, general ledger, inventory, and AP functions. Wafula handles all of the point-of-sale cash receipts and prepares the daily deposits for the business. Furthermore, Wafula opens the mail and deposits all cash receipts (about 30 percent of the total daily cash receipts). Wafula also keeps the AR records and bills the customers who purchase on credit all records are manual.

Required

i. Outline any three control weaknesses you see in the scenario. **[3 Marks]**

ii. Highlight three recommendations to remedy any weaknesses you have found working under the constraint that no additional employees can be hired. **[3 Marks]**

Marks]

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