PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

END OF SEMESTER EXAMINATION

DEPARTMENT:	**COMPUTING AND INFORMATION TECHNOLOGY**
COURSE CODE:	**BIT403**
COURSE TITLE:	**ACCOUNTING INFORMATION SYSTEMS**
CAMPUS:	**ROYSAMBU**
EXAM DATE:	**XXXXX XXXXX/DECEMBER,2021**
TIME:	**XXXXX**

INSTRUCTIONS

- This exam script has **TWO (2)** sections.
- Read all questions carefully before attempting.
- Answer All questions in Section **A** and any other Three questions in Section **B.**
- Write only your **student number** on the answer booklet provided.

SECTION A

(Answer ALL questions in this section)

Question 1:

a) Explain two ways how an Accounting Information System provides Management with information for better decision making. **[2 Marks]**

b) With respect to the data processing cycle, explain the phrase "garbage in, garbage out." **[2 Marks]**

c) Audit evidence must be *reliable and relevant*. Explain the meaning of these terms, assuming that you are addressing a group of people who have no accounting background. **[2 Marks]**

d)The management at XYZ, Inc., recognizes that a well-designed internal control system provides many benefits. Among the benefits are reliable financial records that facilitate decision making and a greater probability of preventing or detecting errors and fraud. XYZ's internal auditing department periodically reviews the company's accounting records to determine the effectiveness of internal controls. In its latest review, the internal audit staff found the following conditions:

1. Daily bank deposits do not always correspond with cash receipts.
2. There are occasional discrepancies between physical inventory counts and perpetual inventory records.
3. Alterations have been made to physical inventory counts and to perpetual inventory records.
4. Many original documents are missing or lost. However, there are substitute copies of all missing originals.

For each of the conditions detected by the XYZ internal audit staff, recommend actions to be taken and/or controls to be implemented that would correct the condition.

[4 Marks]

What internal control procedure(s) would best prevent or detect the following problems?

a. A production order was initiated for a product that was already overstocked in the
the
company’s warehouse

b. A production employee stole items of work-in-process inventory

c. The "rush-order" tag on a partially completed production job became detached from the materials and lost, resulting in a costly delay

d. A production employee entered a material

requisition form into the system in order to steal $300 worth of parts from the raw materials storeroom

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

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SECTION B

(Answer any THREE (3) questions in this section)

Question 2:

a) Describe the most appropriate document for the following:

i. Document that lists the components needed to manufacture a specific product. **[1 Mark]**

ii. Document that authorize the removal of raw materials inventory from the storeroom to a factory location where it will be put into production. **[1 Mark]**

iii. Document that specifies how much of a finished good is to be produced during a specific time period. **[1 Mark]**

b) 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. Identify two company pressures that would increase the likelihood of fraudulent financial reporting. **[2 Marks]**

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

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

Question 3:

Applying the Value Chain Model, describe how accounting information systems can be used to perform primary and support activities to increase firm's margin. **[10 Marks]**

Question 4:

"The six components of an AIS all work together to help key employees collect, store, manage, process, retrieve, and report their financial data. Having a welldeveloped and maintained accounting information system that is efficient and accurate is an indispensable component of a successful business."

Required:

i. State the meaning of the terms *efficient* and *accurate*. **[2 Marks]**

ii. Describe any four of these components. **[8 Marks]**

Question 5:

a) Classify each of the following items as belonging in the revenue, expenditure, human resources/payroll, or production cycle. **[4 Marks]**

i. Purchase raw materials

ii. Hire a new assistant controller

iii. Decide how many units to make next month

iv. Collect payment on customer accounts

b) Due to the abnormal inventory shrinkage in the audiovisual department at a retail chain store, internal auditors conducted an in-depth audit of the department. They learned that a customer frequently bought large numbers of small electronic components from a certain cashier. The auditors discovered that they had colluded to steal electronic components by not recording the sale of items the customer took from the store. Recommend three ways how to prevent similar problems in the future.

[6 Marks]

Question 6:

a) Explain any two business activities that are performed in the expenditure cycle.

[2 Marks]

b) Describe the information systems supporting the major business functions: sales and marketing, manufacturing and production, finance and accounting, and human resources. **[8 Marks]**

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