UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2025 SEMESTER

COURSE CODE	:	EAB21203
COURSE NAME	:	ACCOUNTING INFORMATION SYSTEM 1
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	3 JULY 2025
TIME	:	9.00 AM – 12.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **FOUR (4)** questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE SIX (6) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided

Question 1

(a) The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a widely recognized framework to evaluate and enhance internal control systems within organizations.

Required:

Discuss the **FIVE (5)** key elements of COSO framework.

(5 marks)

(b) The Point-of-Sale (POS) transaction processing systems associated with unique risks that give rise to the need for additional physical control.
Based on the statement above, discuss **THREE (3)** physical control measures in POS.

(6 marks)

(c) Identify whether proper or improper segregation of duties in revenue cycle procedures been applied in the following situations:

i. The sales manager, who earns a commission based on gross sales, is responsible for approving customer credit and also holds the authority to write off uncollectible accounts.

ii. The warehouse clerk, who has custodial responsibility for inventory stored in the warehouse, is tasked with updating the inventory subsidiary ledger and preparing the inventory summary report for the general ledger department.

iii. The shop foreman is responsible for approving and submitting employee time cards to the timekeeping department and for distributing paycheques to employees.

iv. The accounting clerk is responsible for posting transactions to individual accounts within the accounts receivable subsidiary ledger and for reconciling the subsidiary ledger with the general ledger control account.

(4 marks)

(d) Mr. Raja is the warehouse manager for a large office supply wholesaler. He receives two copies of the customer sales order from the sales department. He picks the goods from the shelves and sends them along with one copy of the sales order to the shipping department. He then files the second copy in a temporary file. At the end of the day, Mr. Raja retrieves the sales orders from the temporary file and updates the inventory subsidiary ledger from a terminal in his office. At that time, he identifies items that have fallen to low levels, selects a supplier, and prepares three copies of a purchase order. One copy is sent to the supplier, one is sent to the accounts payable clerk, and one is filed in the warehouse. When the goods arrive from the supplier, Mr. Raja reviews the attached packing slip, counts and inspects the goods, places them on the shelves, and updates the inventory ledger to reflect the receipt. He then prepares a receiving report and sends it to the accounts payable department.

Required:

i. Identify **FIVE (5)** problems with the internal control system.

(5 marks)

ii. Identify **FIVE (5)** types of fraud are possible in this system.

(5 marks)

[25 marks]

Question 2

(a) A journal is a chronological record of transaction. Discuss **TWO (2)** primary types of journals and provide example for each.

(4 marks)

(b) A ledger is a book of accounts that reflects the financial effects of the firm's transactions after they are posted from the various journals. Discuss **TWO (2)** basic types of ledgers and provide example for each.

(4 marks)

(c) Every Friday, the timekeeping clerk sends employee time cards to the payroll department for processing. Based on the hours worked reflected on the time cards, the employee pay rate, withholding information in the employee file, and the tax rate reference file, the payroll clerk calculates gross pay, and net pay for each employee.

The clerk then manually prepares paycheques for each employee, files hard copies of the paycheques in the payroll department, and post the earnings to the hard copy employee records. Finally, the clerk manually prepares a payroll summary and sends it to the cash disbursement department.

The cash disbursement clerk reconciles the payroll summary with the paycheques and manually records the transaction in the hard copy cash disbursement journal. The clerk then files the payroll summary and sends the paycheques to the treasurer for signing. The signed cheques are then sent to the paymaster, who distributes them to the employees on Saturday morning.

Required:

Prepare a data flow diagram (DFD) for the above payroll processing.

(8 marks)

(d) Shaik worked in the factory of electronic goods manufacturing company. One day, he unexpectedly left for overseas and never returns back for unknown reason. His supervisor seized the opportunity to continue to submit time cards for Shaik to the payroll department. Each week, as part of his normal duties, the supervisor received the employee paycheques from payroll and distributed them to the workers on his shift. As for Shaik who was not present to collect his paycheque, the supervisor forged Shaik's signature and cashed it.

Required:

Discuss **THREE (3)** risks and control mechanism associated with payroll system transaction.

(9 marks)

[25 marks]

Question 3

The conversion cycle in an accounting information system refers to the series of activities involved in converting raw materials into finished goods and, ultimately into cash. The cycle includes the following steps:

1. Purchasing: The company purchases raw materials or inventory needed for production.
2. Production: The production process transforms raw materials into finished goods.
3. Sales: The finished goods are sold to customers.
4. Accounts receivable: The company records the sales revenue and creates an account receivable for the customer.
5. Collection: The company collects the payment from the customer and records it as cash received.
6. Accounts payable: The company pays the supplier for the raw materials purchased.
7. Cash disbursement: The company records the payment made to the supplier and reduces its cash balance.

The conversion cycle is important because it tracks the organisation's resources and cashflow. By monitoring the cycle, a company can identify areas of inefficiency or opportunities for improvement, which can lead to cost savings and increased profitability.

Required:

(a) Describe **FOUR (4)** basic processes involves in production sub-system under conversion cycle.

(10 marks)

(b) The conversion cycle in lean manufacturing is designed to create a more streamlined and efficient production process, whereas also reducing waste and improving quality. Explain **THREE (3)** characteristics of lean manufacturing.

(7.5 marks)

(c) Discuss **THREE (3)** information systems commonly associated with lean manufacturing and world class companies.

(7.5 marks)

[25 marks]

Question 4

(a) Differentiate between Financial Reporting System (FRS) and Management reporting System (MRS).

(4 marks)

(b) Management Reporting System (MRS) directs management's attention to problems on timely basis and promotes effective management in order to support the organisation's business objectives. Discuss any **THREE (3)** components of MRS in an organization.

(6 marks)

(c) XBRL (eXtensible Business Reporting Language) was developed from XML (eXtensible Markup Language) technology and was first introduced in the early 2000s. Define the term XBRL and discuss **THREE (3)** important roles of XBRL in financial reporting.

(7 marks)

(d) In the context of Accounting Information Systems (AIS), database is defined as physical repository of financial data. Explain **FOUR (4)** primary elements of the database environment.

(8 marks)

[25 marks]

END OF EXAMINATION PAPER