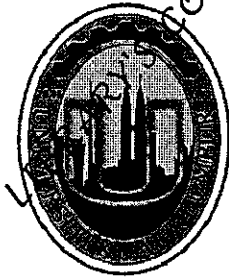


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UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION

JANUARY 2016 SEMESTER

SUBJECT CODE : EAB 21203
SUBJECT TITLE : ACCOUNTING INFORMATION SYSTEM 1
LEVEL : BACHELOR
TIME / DURATION : 2.00 PM - 5.00 PM / 3 HOURS
DATE : 30th MAY 2016

INSTRUCTIONS TO CANDIDATES

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

THERE ARE EIGHT (8) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

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(Total 100 marks)

INSTRUCTION: Answer ALL questions

Please use the answer booklet provided.

Question 1

- A. Accounting Information System (AIS) is a system that collects, records and stores data about events, resources, and agents; convert them into information, and communicate those information to the users for better decision making.

Required:

1. Differentiate between Accounting Information System (AIS) and Management Information System (MIS). Provide **TWO (2)** differences of each. (4 marks)
2. Define and distinguish between financial and non-financial transactions. Give **TWO (2)** examples of each. (4 marks)
3. Briefly explain **TWO (2)** roles of accountant in AIS. (5 marks)

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B. Transaction Processing System (TPS) is a system that supports daily business operation by converting economics into financial transaction, recording financial transaction in the accounting records and distributing essential financial information to users.

Required:

1. Define the components of TPS. (3 marks)

2. Explain **TWO (2)** activities performed by each of the following department:
 - a. Sales order department
 - b. Cash receipt department
 - c. Production department

(6 marks)

Total: 20 marks

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Question 2

A. For each of the following records, indicate the appropriate related file structure: master file, transaction file, reference file, or archive file.

1. Inventory receipts
2. List of authorized suppliers
3. Debtors subsidiary ledgers
4. Cash receipt for current period
5. Lists of authorized suppliers
6. Prior period payroll information

(6 marks)

B. For each of following items, indicate whether a sequential, block, group, alphabetic or mnemonic code would be most appropriate method to be implemented.

1. State codes
2. Chart of accounts
3. Inventory item number
4. Sales order number
5. Invoice number

(5 marks)

C. Briefly explain the **THREE (3)** types of documents used in manual processing system.

(3 marks)

D. With the aid of diagram, clearly explain the components of fraud triangle. Provide an example for each forces constitute the triangle components.

(6 marks)

Total: 20 marks

Question 3

- A. Muzica Sound, Inc is a manufacturer of stereo equipment with six sales offices nationwide and one manufacturing plant in Pennsylvania. Currently, employment is at approximately 200 employees. Muzica Sound focuses on the production of high quality stereo equipment for resale by retailers. Its larger competitors include Sony, Aiwa and Panasonic.

Payroll System

The payrolls of all six sales offices and the manufacturing plant are processed centrally from the main office. On Thursday, every two weeks, employees enter their hour-worked data from their personally maintained time cards into computer terminals located in each sales office and work area. The computer system validates the employee by checking his or her identification number against the employee history file, which is located in the main plant IT department. This task must be completed by noon on the designated day. At the end of the validation process, the work area (sales office or manufacturing) supervisor prints a personnel action form from the validation terminal without reviewing it, straightaway forwards it, along with the employee time cards, to the payroll in the main office payroll department.

Upon receipt of the time cards and personnel action forms, the payroll clerk manually updates the employee records and then prepares the payroll register. A copy of the payroll register, along with the time cards, and the personnel action form are filed in the payroll department. A second copy of the payroll register is sent to general ledger clerk, who posts to the general cash account and wages expenses for the full amount of the payroll. Next, the payroll clerk prepares the pay cheques and sends them to the cash disbursement department. These are signed by the cash disbursement clerk, who then distributes the cheques to the employees.

Fixed Assets System

Asset acquisition begins when the user department manager recognizes the need to obtain new or replace an existing fixed asset. User can request for the fixed asset from the management either verbally or written depending on them. The manager manually prepares two copies of a purchase requisition; one is filed temporarily in the department, and one is sent to the purchasing department. From

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the purchase requisition, the purchasing department clerk manually prepares three copies of purchase orders. One copy is sent to the supplier, another copy is sent to the accounts payable department, and the third copy is filed in the purchasing department. When the assets arrive, the user department receives it along with the packing slip. The packing slip and goods are reconciled with the purchase requisition on file, and then the packing slip and requisition are filed permanently in the user department. However, no receiving report is prepared upon receiving of the particular asset.

The accounts payables clerk receives the purchase order from the purchasing department and files it temporarily. Upon receipt of the invoice from the vendor, the accounts payables clerk reconciles it with purchase order on file. Using the department computer, the accounts payables clerk then sets up account payables and records the asset in the fixed assets inventory ledger. The clerk then prints the cash disbursement voucher and sends it to the cash disbursement department. At the end of the day, the clerk prints account summaries from account payable and fixed asset inventory, which she sends to the general ledger department. The purchase order and invoice are permanently filed in the department.

The cash disbursement clerk receives the cash disbursement voucher from account payable and manually prepares a cheque, which he sends to the vendor. The clerk then manually records the cheques in the cheque register. At the end of the day, the clerk sends a hard-copy journal voucher to the general ledger department.

When an asset has reached the end of its useful life, the user department manager prepares a disposal report and sends it to the account payable clerk, who adjusts fixed asset inventory records. No approval is required upon disposal of fixed asset item in the organization. The general ledger department clerk reconciles the journal voucher, the accounts payable summary, and the inventory summary that it has received from accounts payables and cash disbursement. These figures are then posted to the general ledger and the account summaries and journal vouchers are file in the documents.

Required:

1. Identify **FIVE (5)** internal control weaknesses in the system. Use the six categories of physical control activities specified in SAS 78/COSO for your analysis.

(10 marks)

2. Provide **TWO (2)** specific recommendations for improving control stated above.

(4 marks)

- B. A purchasing agent for a home improvement centre is also part owner in a wholesale wood company. The agent has sole discretion in selecting vendors for the wood sold through the centre. The agent directs a disproportionate number of purchase orders to his company, which charges above-market prices for its products. The agent's financial interest in the supplier is unknown to his employer.

Required:

Explain the type of fraud and give **TWO (2)** controls that can be implemented to prevent or detect the fraud?

(6 marks)

Total: 20 marks

Question 4

A. Distinguish between continuous, batch and made to order processing.

(3 marks)

Write in sequence in which the following source documents are prepared:

1. Bill of material
2. Work order
3. Material requisition
4. Move ticket
5. Production schedule
6. Route sheet

(4 marks)

C. Lean manufacturing is based on the just in time (JIT) production model. Describe **FOUR (4)** principles of lean manufacturing company.

(8 marks)

D. Briefly explain the **THREE (3)** information systems software commonly associated with lean manufacturing and world class companies.

(6 marks)

Total: 20 marks

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Question 5

A. Discuss what is meant by Database Management System (DBMS) and provide **ONE (1)** example of DBMS.

(6 marks)

B. Explain **TWO (2)** primary users of the Financial Reporting Systems (FRS), and discuss their information needs.

(4 marks)

C. Explain **THREE (3)** elements that distinguish structured and unstructured problems? Give an example of each type of problem.

(6 marks)

Classify the following reports as being either scheduled or on-demand reports:

1. Cash disbursement listing
2. Overtime report
3. Customer account history
4. Machine maintenance report

(4 marks)

Total: 20 marks

END OF QUESTION PAPER

