



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION

JANUARY 2016 SEMESTER

SUBJECT CODE : EAB41103
SUBJECT TITLE : ACCOUNTING INFORMATION SYSTEM 2
LEVEL : BACHELOR
TIME / DURATION : 2:00PM – 5:00PM / 3 HOURS
DATE : 24TH 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. 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 SEVEN (7) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

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INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

- A. Define what seal of assurance is and give **TWO (2)** examples of seal of assurance.

(4 marks)

- B. Explain the **FIVE (5)** stages of the systems development life cycle.

(10 marks)

- C. In the past, software development consisted of one lone programmer writing code to meet the needs of a small group or department. Today's systems are much more complex, in that system might be used by different branches located in different areas of the world or accessed by users through the Internet. Many more legal regulations and requirements, such as Safe Harbour or Sarbanes – Oxley, also must be satisfied. This means that coding must be performed by teams of programmers with the help of architects, analysts, testers, auditors, and end users that must all work together. To manage such a large endeavour, the system, development life cycle (SDLC) was created.

Required:

- i. Elaborate **THREE (3)** reasons to highlight the importance of IS auditors' involvement in SDLC.

(6 marks)

[Total: 20 marks]

Question 2

SepsiCo Sdn Bhd is manufacturer of bottled soft drink. In line with its growing business, there has been an increase on the company's information needs. The existing systems, which were independently maintained by each division were unable to support such requests. Therefore, Kevin Lou, Head of Information Technology (IT) division was given full authority by top management perceive that the project as highly technical. As the CEO states, "Let the technical team handle such project as long as it is within our budget and time frame".

Kevin then initiated the project by identifying seven team members which consisted of there IT officer and four representative from other major divisions. Although most of the division representative were Management Information System graduates, they were relatively new and were not fully understand the manufacturing environment and their respective division's operation. Meanwhile, the senior division staff were not included as they were not having IT related background.

After a quick review, Kevin decided to embark on STAR ERP solution to integrate inventory, production, order processing, financial; accounting and costing functions. The project team also appointed n independent consultant, TVR Consulting to facilitate the project implementation. It was the first time for TVR Consulting to handle ERP Project for beverage manufacturer. Moreover, three out of four consultant were foreigners, of which, in many cases had created communication barriers with staff in various divisions during the system review stage.

Only Kevin and selected division representatives work closely with an independent consultant. In most cases, Kevin made his own decision and sometimes ignores concern raised by the consultant and other team members. Moreover, consultants did not conduct business process analysis to align STAR ERP functionalities with SepsiCo's business requirement. Rushing for the project deadline, Kevin made most of the decisions when there was any misalignment found. Moreover, most of the division representatives were not fully understand the implication on business operation. Where possible, the misalignment identified was resolved by modifying the existing business processes without first consulted staff in affected divisions. Kevin believed that this would help firm to reduce the cost and time to customise the ERP system.

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Within six months, all the staff involved had been assigned highly time consuming and highly technical tasks on the ERP project despite lack of experience in handling ERP related projects. At the same time, the appointed staffs also have to deal with their daily jobs. Top management simply silent when this issue was raised by the staff involved. Even so, no incentive and relief were provided to ease their burden. During the implementation stage, the consultant team suggested a phased approach in view of the number of modules to be implemented. Kevin, however, disagreed with the consultant team's recommendation and insisted on a Big Bang approach. Kevin had set the implementation date which was several weeks before the festive season. The consultant team also conducted a short training session only for those staff affected by the new system. Very brief training material and user documentation provided by the consultant team were found to be unhelpful by the end user. Consequently, the users are afraid of not acquiring sufficient knowledge and skills to use, maintain and support the ERP system due to limited exposure on the new system.

During its implementation, several divisions suffer serious problems in managing their daily operations. Only then the project team realised that many parts of the system modules did not really fit with the current business processes, particularly on the cost calculation and reporting requirements of various divisions. Due to numerous errors, the production also had to be temporarily shut down which affects the fulfilment of customers' orders for the festive season. In another respect, managers and staff in many divisions voiced out their dissatisfaction over the system and refused to adopt the new ERP system.

Required:

- i. Describe **TWO (2)** characteristics of Enterprise Resources Planning (ERP) system that may improve SepsiCo's current information systems.
(4 marks)
- ii. Explain to Kevin **FOUR (4)** internal control issues in the implementation of ERP system.
(4 marks)
- iii. Identify **FOUR (4)** factors that potentially lead to the ERP implementation failure in SepsiCo Sdn Bhd. Provide your justification on each of the factors identified.
(12 marks)

Total: 20 marks

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Question 3

- A. There are **FOUR (4)** installation strategies during system implementation. Describe each of the following installation strategies during system development.
- i. Direct
 - ii. Parallel
 - iii. Single location
 - iv. Phased installation

(8 marks)

- B. Software implementations involve several professionals that are relatively new to the knowledge based economy such as Business Analysts, Technical Analysts, Solutions Architect and Project Managers. To implement a system successfully, a large number of inter – related tasks need to be carried out in an appropriate sequence.

Required:

- i. Discuss **TWO (2)** system implementation success factors.

(4 marks)

- C. Fires, floods, typhoon, sabotage, earthquake or even power outages can deprive an organization of its data processing facilities and bring harm to the computer. Therefore, weaknesses in computer centre security have a potential impact on the function of application controls related to the financial reporting process. Briefly explain **FOUR (4)** computer control features that contribute directly to computer security.

(8 marks)

[Total: 20 marks]

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Question 4

- A. Seri Computers sells desktop computer system that it manufactures from parts and software that third-party vendor provide. Customers are both private consumers and small businesses. Consumers pay cash or by credit card, but business customers buy on credit. A credit check is made of all new business customers before approving a line of credit. Sales are made online or by a hard copy order documents that customer's mail or fax to the company. When a credit order is received, the sales clerk verifies inventory availability, prepares a sales order, and sends the stock release copy to Madiha, a warehouse employee who picks the goods and arranges shipment. Madiha then prepares the bills of lading and shipping notices. Nasuha in the billing department receives the shipping notice from Madina and updates the inventory subsidiary ledger to account for the reduction in inventory. Nasuha files the stock release, prepares the invoice, and mails a copy of it to the customers. Nasuha then updates the sales journal and then sends the invoice, sales order, stock release and shipping notice to the account receivable department.

Adam in AR department files the documents that Nasuha sends him and updates the AR subsidiary ledger. Nani in the mail room receives remittance advices and customers checks sent in payment of accounts. He sends the remittance advice to Adam for posting to the AR ledger and sends the checks to Carol, the cash receipts clerk. At the end of the day, Carol prepares a deposit slip and deposits the checks into the company's bank account, files the bank receipt, and updates the cash receipts journal. Cash sales to consumer customers are handled in a manner similar to the process described here except that checks or credit card account numbers are submitted with the original order. At the end of each week, Johan, an accounting clerk, reconciles all transactions and posts them to the general ledger.

Required:

- i. Prepare the REA model of the sales/collection process. Show the cardinalities for all associations.

(12 marks)

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- B. Contrary to the most popular argument, e-business is viewed as distinct concept from E-commerce. E-business generally covers a much wider scope than e-commerce although both rely upon Internet technology. The following diagram depicts nine categories of e-commerce business model on how the Internet could transform today's business.

		SUPPLY		
		Business originating from		
DEMAND And selling to		Business	Consumer	Government
	Business	B2B	C2B	G2B
	Consumer	B2C	C2C	G2B
	Government	B2G	C2G	G2G

(Adapted from Haag and Cummings, 2013 p. 129)

Required:

- i. Explain briefly the meaning of e-commerce.

(2 marks)

- ii. Explain the following e-commerce business models and provide an example of each model:

- a. Business to Consumer (B2C)
- b. Consumer to Consumer (C2C)
- c. Government to Business (G2B)

(6 marks)

[Total: 20 marks]

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Question 5

- A. Distinguish between a digital signature and a digital certificate. (4 marks)
- B. Define what firewall is and distinguish between network-level and application-level firewalls. (4 marks)
- C. You have started the process of selecting a new system for your company and you are weighing all of the various issues that need to be considered and the resources you have at your disposal. In making this important decision, Dato' Hafiz, the company's managing director has asked you to help him in presenting to the board on outsourcing issue at the board's meeting next week.

Required:

- i. Discuss **THREE (3)** issues related to outsourcing and give **THREE (3)** advantages of outsourcing. (6 marks)
- ii. Beside outsource the system development project, discuss **THREE (3)** reasons for in-house development to justify your suggestion. (6 marks)

[Total: 20 marks]

END OF QUESTION PAPER