UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATION 2006

TITLE OF PAPER:	**ACCOUNTING INFORMATION SYSTEMS**
DEGREE AND YEAR:	BCOM IV & BCOM V
COURSE NUMBER:	COM 401/AC 507
TIME ALLOWED:	TWO (2) HOURS

INSTRUCTIONS: 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)

2. THE CASE STUDY SECTION (A) IS COMPULSORY

3. ANSWER ANY TWO QUESTIONS FROM SECTION B.

Note **MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION OF WORK**

THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

SECTION A: CASE STUDY

One unhappy government agency spent E 1 Million on a software development contract that produced no usable software, the General Accountant's office reported. The Million Emalangeni waste of public funds resulted from an agency contract to design an integrated personnel/payroll system originally contracted out for E 450,000 and 15 months. The agency terminated the contract after twenty eight months with nothing to show for an expenditure of E 970,000.

When it issued the request for proposals for the software, the agency was still in the initial stages of systems development. It had not fully developed the user requirements or systems specifications for any of the proposed software. The agency awarded a fixed price contract, requiring phased software development, but it did not require agency approval of a completed phase before work continued. The contract did not contain accepted testing procedures and did not identify quality criteria for documentation. Delivery dates, scope of work and costs were revised several times. The contractor complained of extensive changes requested and inexcusable delays caused by the agency. Agency officials acknowledged that some of the changes requested were not clearly identified in the contract and that others were clearly outside the scope of work.

The contractor further maintained that the agency took too much time to review products submitted for approval. The agency admitted the delays, but blamed those delays on the poor quality of the documentation under review. The contractor did not clearly understand the software systems the agency desired because the contract did not specify system requirements, or performance criteria. Both agency and contractor staff agreed that the contract was not specific, that the terminology was vague, and that many systems requirements were not clearly identified. The contractor did not wait for approval of completed phases before proceeding. When agency rejected the general system design, the contractor had to scrap work already done on detailed system work.

User requirements were never adequately done and frozen, and changes delayed completion schedules, increased contract costs, and caused the agency and the contractor to disagree about whether the new requirements were included in the original scope of work. The contract was amended thirteen times to provide for additional work to be done to add or delete requirements and to reimburse the contractor for extra costs resulting from agency-caused delays. The amendments increased the cost of the contract to E 1.2 Million.

The agency eventually became convinced that the contractor could not deliver at an acceptable time and cost, cancelled the contract and tried to withhold payment for poor performance. A negotiated settlement price of E 970,000 was agreed upon. None of the software was ever used by the agency.

Section A: Questions:

a) What went wrong in this particular case? Whose fault was it and why? (16)

b) How could the agency have done a better job of managing the systems development project? How could the contractor have done a better job? (16)

c) Can we generalise from this case that organizations and government agencies should not try to have custom software written for them? Why or why not? (18)

SECTION B
Answer any two questions from this section.

QUESTION 1

Identify a risk exposure that each of the following control procedures or practices is intended to prevent or detect. For each item give an example of what might occur if the control were not in place and list one or more factors that could cause the risk exposure to be relatively high.

a) Storing inventory within a fenced area that is kept locked.
b) Mailing the monthly statement to each customer showing the details of all transactions and the balance owed.
c) Preparing reconciliations of all bank accounts on receipt of the bank statement
d) Maintaining comprehensive manuals that show detailed steps of all the accounting procedures.
e) Having auditors examine the financial statements once a year.

(25)

QUESTION 2

a) To what extent would the auditing around the computer technique be useful for an organization such as the UNISWA bookshop? (10)

b) How is a data processing operational audit different from other types of audits and why would it be necessary for a manufacturing organization to undertake one?

(15)

QUESTION 3

a) When and why would it be useful to adopt the file oriented approach to data management? (10)
b) Discuss the major issues to consider when designing the internal control structure of an organization. (15)