

**UNIVERSITY OF SWAZILAND**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF ACCOUNTING**  
**MAIN EXAMINATION 2007**

**TITLE OF PAPER:** ACCOUNTING INFORMATION SYSTEMS

**DEGREE AND YEAR:** BCOM IV & BCOM V (FULL TIME)  
BCOM LEVEL V & LEVEL VII (IDE)

**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

### Lifeguard Pharmaceuticals

Lifeguard Pharmaceuticals based in Manzini is a drug manufacturer. Its several divisions are served by corporate headquarters and staff functions that are centralised and located in the home office. Information Systems Services (ISS) is one of these staff functions. Its services range from data processing of routine transactions to the development of information systems of the department, division or functional level. ISS provides its services on request to the various departments and functions within the several divisions, as well as to other corporate staff functions. The system manager assigns priorities to the various requests, usually on a first-come first-served basis.

The systems manager tries to give due considerations to rush requests, however. The users are not charged for these services; instead, all costs related to the system are absorbed as overhead.

Despite the simplicity of this approach, many managers have complained about it. They say, for instance, that often they must wait for quite a while before their requests are filled. They also complain that other managers seem to receive service before they do, even though they (complaining managers) had entered their requests earlier.

Because such complaints have been increasing, the president of the firm has decided to change the approach. Henceforth he states, the recipients of services from ISS will be charged for services they receive. At the end of each month, the systems manager will compute a charge out rate based on actual costs for the past month and the actual number of hours the central processor was in use. This charge out rate will then be multiplied by the number of hours required by each user's job; the resulting amounts will be charged against each user's budget. If the services requested by a user are quite sizeable or are expected to be of long duration, however, the system manager will have authority to negotiate a lower charge out rate for that user. On the other hand, if any user is dissatisfied with the services provided by ISS, or with the rates, that user has permission to utilise outside commercial processing services.

The systems manager's performance will be evaluated according to the extent that the charges to the users "cover" his budgeted costs. Thus he is expected to be energetic in stimulating usage for the services provided by ISS. Currently the systems manager is evaluated according to the extent that actual costs compare with budgeted costs. He prepares his budget semi-annually on the basis of his estimate of user demand and this budgetary procedure will remain unchanged under the new approach.

### **QUESTIONS:**

- a. Discuss the weaknesses of the current approach for accounting for system related costs. (15)
- b. Discuss the advantages of the proposed accounting approach over the current approach. (15)
- c. Discuss the problems that the proposed approach will likely create and describe the means of overcoming these problems. (20)

**SECTION B: ANSWER ANY TWO QUESTIONS FROM THIS SECTION****QUESTION 1**

- a. Discuss the major benefits that would accrue from adequate control of an organisation's general ledger and financial reporting system. (10)
- b. Discuss the major factors that account for the complexity of control in computerised accounting information systems. (15)

**QUESTION 2**

A large manufacturing organisation with several product divisions has recently appointed you as its auditor. One of the major issues to consider is the organisation's internal control structure as it plays a major role in determining the way an audit has to be carried out. Discuss the components of the internal control structure, stating clearly how these would assist you in the audit process. (25)

**QUESTION 3**

- a. Discuss the major factors that would cause a manufacturing company to outsource its accounting information systems function. (10)
- b. Discuss the major precautions that the organisation should take into account when structuring the IT outsourcing contract. (15)