

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

SUPPLEMENTARY EXAMINATION 2008

TITLE OF PAPER: ACCOUNTING INFORMATION SYSTEMS

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

COURSE NUMBER: COM 401/IDE COM 401/ IDE AC 507

TIME ALLOWED: THREE (3) 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

This section is compulsory

The D & D Manufacturing Company of Hlathikulu, recently installed an on-line computer system, primarily to monitor its production operations. Your public accounting firm performs the annual financial audit, and you have been assigned to audit the direct labour and materials collection and processing system.

In meeting with the production manager during your visit, you learn that the computer hardware used in this production system consists of a mainframe processor, terminals at the various production floor workstations and in the materials storeroom, magnetic disk drives, and a high-speed printer. The data collection and processing procedure is as follows: Data concerning labour hours worked on production jobs are entered via the production floor terminals by the production employees themselves. Data concerning direct materials charged into production are entered via the storeroom terminal by the storekeeper. Labour and materials data are edited when entered and then stored temporarily. Late each afternoon the data are processed by a job costing program, and the relevant files (i.e. materials inventory, labour costs, and work-in-process inventory) are updated. Outputs from this processing include job cost reports, labour distribution reports, materials usage reports, cost variance reports, and exception and summary reports. Standard costs maintained in an on-line file are used to convert the labour times and materials quantities to dollar values and to apply overhead.

Source: Adapted from Wilkinson et. Al. (2000) *Accounting Information Systems* 4th ed John Wiley and Sons

Questions

- a. Outline the auditing process that you plan to follow, assuming that you discover that the internal control structure relating to the production labour and materials system is sufficiently adequate to be relied on. (16)
- b. Describe audit techniques that will be useful in tests of controls. Assume that special audit instructions have been incorporated into the job costing program during its development. (15)
- c. List several specific audit objectives to be achieved during substantive testing. (9)
- d. Discuss specific functions that your firm's GAS package can perform during substantive testing. (10)

SECTION B

Answer any two questions from this section.

Question 1

Discuss the major principles that a developer of AIS applications would have to adhere to in order to ensure the development of a system that meets user requirements. (25)

Question 2

Discuss the benefits of employing electronic data interchange networks to link with major suppliers. How are cash disbursements handled under such arrangements? (25)

Question 3

- a. Discuss the factors that could account for complexity of control in computerised accounting information systems, that could not be that prevalent in manual systems. (15)
- b. To what extent can an effective internal control structure deter persons from committing acts of fraud? (10)