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**UNIVERSITY OF ESWATINI  
FACULTY OF COMMERCE  
DEPARTMENT OF ACCOUNTING  
MAIN EXAMINATION PAPER MAY/JUNE 2019**

**TITLE OF PAPER : ACCOUNTING INFORMATION SYSTEMS**

**COURSE CODE : ACF 302(FT)/COM 301(IDE)/COM 401(IDE) (M)  
MAY/JUNE 2019**

**TOTAL MARKS : 100 MARKS**

**TIME ALLOWED : THREE (3) HOURS**

**INSTRUCTIONS**

- 1 There are two sections A and B.
- 2 Section A is compulsory.
- 3 Answer any three questions from section B
- 4 Begin the solution to each question on a new page.
- 5 The marks awarded for a question are indicated at the end of each question.

**Note:** You are reminded that in assessing your work, account will be taken of accuracy of the language and general quality of expression, together with layout and presentation of your answer.

**THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED  
BY THE INVIGILATOR OR SUPERVISOR**

## Section A: Case Study

### Question 1

Euro Industrial Chemicals Ltd has hired you on a short term contract to evaluate its internal controls for the purchase, storage, and issuance of raw materials. You noticed the following:

Raw materials, which consist mainly of expensive chemicals, are kept in a locked storeroom. Storeroom employees include a supervisor and four clerks that are well trained, competent, and adequately bonded. Raw materials can be transferred from the storeroom production department only upon written or oral authorization by a production supervisor.

There is no perpetual stock records maintained; hence, the storeroom clerks do not keep records for items received or issued. To compensate, the storeroom clerks perform a physical inventory count each month.

After the physical count, the storeroom supervisor matches the quantities on hand against a predetermined reorder level. If the count is below the reorder level, the supervisor enters the item number on a materials requisition list that is sent to the accounts payable clerk. The accounts payable clerk prepares a purchase order for each item on the list and mails it to the supplier from whom the part was last purchased.

The storeroom clerks receive the ordered materials upon their arrival. The clerks count all items and verify that the counts agree with the quantities on the bill of lading. The bill of lading is then initialed, dated, and filed in the storeroom to serve as a receiving report.

### Required

- a. Identify and explain the weaknesses that exist in Euro Industrial Chemicals' expenditure cycle. (10 marks)
- b. Describe the control procedures to overcome the weaknesses observed in (a) above. (15marks)  
[25marks]

## Section B

### Question 1

- a. Describe the difference between Accounting Information Systems and Management Information Systems. (6 marks)
  - b. How does employee fraud differ from management fraud? (4 marks)
  - c. Explain how fraud can occur at the following stages of information processing:
    - i. Data Collection (4 marks)
    - ii. Data Processing (4 marks)
    - iii. Database Management (3 marks)
    - iv. Information generation (4 marks)
- [25marks]

## Question 2

Assume that you own a small accounting consulting firm and you have applied for a bank loan to expand your business. In order for the bank to evaluate the loan application it requires an audit of the firm's financial statements. Discuss the five internal control structure components that will be evaluated by the firm conducting the audit. (25marks)

## Question 3

The general ledger is exposed to a variety of risks which can lead to inaccurate financial statements and related reports.

- a. Discuss the risks to which the general ledger can be exposed to. (20 marks)
  - b. Explain any suitable general controls that can be used to counteract the risk exposures to the general ledger. (5 marks)
- [25marks]**

## Question 4

- a. What is an account receivable aging report used for in normal company operations? (5 marks)
  - b. Specify what data you think should be collected on each of the following documents.
    - i. Sales invoice (4marks)
    - ii. Employee time card (4marks)
  - c. Describe six fraud symptoms, or red-flags, that would indicate the possibility of fraud. (12marks)
- [25marks]**

END