

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING
SUPPLEMENTARY/RESIT EXAMINATION PAPER JULY/AUGUST 2019

TITLE OF PAPER : **ACCOUNTING INFORMATION SYSTEMS**

COURSE CODE : **ACF302 (FT)/COM 301(IDE)/COM 401(IDE) (S)**
JULY/AUGUST 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.

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Section A: Case study

Parktown Medical Center, Inc. is a small health care provider owned by a publicly held corporation. It employs seven salaried physicians, ten nurses, three support staff, and three clerical workers. The clerical workers perform such tasks as reception, correspondence, cash receipts, billing, and appointment scheduling. All are adequately bonded.

Most patients pay for services rendered by cash or cheque on the day of their visit. Sometimes, however, the physician who is to perform the respective services approves credit based on an interview. When credit is approved, the physician files a memo with one of the clerks to set up the receivable using data the physician generates.

The servicing physician prepares a charge slip that is given to one of the clerks for pricing and preparation of the patient's bill. At the end of the day, one of the clerks uses the bills to prepare a revenue summary and, in cases of credit sales, to update the accounts receivable subsidiary ledger.

The front office clerks receive cash and checks directly from patients and give each patient a pre-numbered receipt. The clerks take turns opening the mail. The clerk who opens that day's mail immediately stamps all checks "for deposit only." Each day, just before lunch, one of the clerks prepares a list of all cash and checks to be deposited in Parktown's bank account. The office is closed from 12 noon until 2:00 p.m. for lunch. During that time, the office manager takes the daily deposit to the bank. During the lunch hour, the clerk who opened the mail that day uses the list of cash receipts and checks to update patient accounts.

The clerks take turns preparing and mailing monthly statements to patients with unpaid balances. One of the clerks writes off uncollectible accounts only after the physician who performed the respective services believes the account will not pay and communicates that belief to the office manager. The office manager then issues a credit memo to write off the account, which the clerk processes.

The office manager supervises the clerks, issues write-off memos, schedules appointments for the doctors, makes bank deposits, reconciles bank statements, and performs general correspondence duties.

Additional services are performed monthly by a local accountant who posts summaries prepared by the clerks to the general ledger, prepares income statements, and files the appropriate payroll forms and tax returns.

Required

Identify at least five control weaknesses at Parktown. Describe the potential threat and exposure associated with each weakness, and suggest how to best correct them.

(25 marks)

Organize your work as follows:

Weakness	Threat	Suggested improvement
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Section B**Question 1**

- a. Using suitable examples explain the following terminologies:
- i. Financial transactions (2marks)
 - ii. Corruption (5marks)
- b. Discuss any six roles accountants can assume with respect to an Accounting Information Systems. (18marks)

Question 2

Thembele, a third year student argues that a firm with a weak Internal Control Structure can never succeed in achieving its financial and nonfinancial objectives. Do you agree or disagree with this position. Support your answer using ICS components.

(25 marks)

Question 3

- a. Explain the four steps of the risk-based audit approach, and hence discuss how they apply to the overall security of a company. (19marks)
- b. Without regard to any specific computer audit software, identify six general advantages of using computer audit software to assist with audits. (6marks)

Question 4

- a. Describe the processes involved in credit sales processing system in the revenue cycle. (10marks)
- b. Why would a firm choose to outsource some of its information system operations? (15 marks)

END