

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN 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:

This section is compulsory.

CASE STUDY

Timele Corporation is a medium sized privately owned industrial instrument manufacturer supplying precision equipment manufacturers in the central region of the country. The corporation is 10 years old and operates a centralised accounting information system. The administration offices are located in a building in Manzini; the production dispatch and receiving departments are housed in another building in the same city (Manzini) a few blocks away from the administrative building. The shipping (dispatch) and receiving areas share one end of the warehouse.

The corporation has grown rapidly. Sales have increased by 25% each year for the last three years and the firm is now shipping approximately E 80,000 of its products each week. Sicelo, the controller, purchased and installed a computer last year to process the payroll and inventory. Sicelo plans to integrate the accounting information system fully within the next five years.

The marketing department consists of four sales persons. On obtaining an order, usually over the telephone, a salesperson manually prepares pre-numbered, two-part sales order. One copy of the order is filed by date and the second copy is sent to the shipping department. All sales are on credit, F.O.B. destination. Because of the recent increase in sales, the four sales persons have not had time to check credit histories. As a result 15% of credit sales are either late collections or uncollectible.

The shipping department receives the orders and packages the goods from the warehouse, noting any items that are out of stock. The terminal in the shipping department is used to update the perpetual inventory of each item as it is moved from the shelf. The packages are placed near the loading dock door in alphabetical order by customer name. The sales order is signed by a shipping clerk when the order is filled and ready to send. The sales order is forwarded to the billing department where a two-part sales invoice is prepared. The sales invoice is prepared only on receipt of a sales order from the shipping department, so that the customer is billed just for the items that were sent, not for back orders. Billing sends the customer's copy of the invoice back to shipping. The customer's copy of the invoice serves as a billing copy, and shipping inserts it into a special envelope on the package in order to save postage. The carrier of the customer's choice is then contacted to pick the goods. In the past goods were shipped within two working days on receipt of the customer's order; however shipping dates now average six working days after receipt of the customer's order. One reason is that there are two new shipping clerks whoa are still undergoing training. Because the two shipping clerks have fallen behind, the two clerks in the receiving department who are experienced have been assisting the shipping clerks. The receiving department is adjacent to the shipping dock, and merchandise is received daily bay many different carriers. The clerks share the computer terminal with the shipping department. The date, vendor and number of items received are entered on receipt in order to keep the perpetual inventory records current.

Hard copy of the changes in inventory (additions and shipments) is printed once a month. The receiving supervisor makes sure the additions are reasonable and forwards the printout to the shipping supervisor, who is responsible for checking the reasonableness of the deductions from inventory (shipments). The inventory printout is stored in the shipping department by date. A complete inventory list is printed only once a year when the physical inventory is taken. Also refer to the attached diagram for the document flows employed by the corporation.

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

Required:

The corporation's marketing, shipping, billing and receiving information systems have some weaknesses. For each weakness in the systems:

- a. Identify the weakness and describe the potential problems it caused. (30)
- b. Recommend controls or changes in the system to correct each weakness (20)

SECTION B

Answer any two questions from this section.

Question 1

- a. What types of analyses are needed in order to review the general ledger activity during an accounting period? Describe the purpose of these analyses? (12)
- b. What features of responsibility accounting provide useful financial performance results to the managers of a firm. (13)

Question 2.

You are employed as an auditor of a large manufacturing firm. In your assessment of the combination of controls within the internal control structure (ICS) including general controls, is judged to be effective. Thus the probability of material misstatements is likely to be low. To what extent can this be true and how would this affect the auditor's decision to audit around- or through- the computer? (25)

Question 3.

With reference to the processes mentioned below, pertaining to the revenue cycle, highlight the threats that an organisation would be exposed to and the appropriate controls to be adopted to ensure adequate revenue collection and minimised fraud.

- a. Sales order entry (7)
- b. Shipping/dispatch (6)
- c. Billing and accounts receivable (6)
- d. Cash collections (6)

