

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION 2013

TITLE OF PAPER: ACCOUNTING INFORMATION SYSTEMS

PROGRAM: BCOM 4 (FULL TIME)
BCOM 3 (FULL TIME)
BCOM 5 (IDE)

COURSE CODE: COM401/COM301/ IDE COM 401

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 THREE 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.***

An internal auditor for Swazi Freight has determined that an end-user has implemented a major application on a spreadsheet. The spreadsheet takes input regarding projected freight deliveries from the mainframe computer and develops an optimal freight dispatching plan. When first used two years ago, the spreadsheet application helped reduce costs dramatically. However, freight costs have been increasing, and no one, other than the developer, has reviewed the spreadsheet application.

The freight-dispatching algorithm is complicated, but the internal auditor has researched the area and understands the algorithm and its correct computation. The internal auditor is considering three options to gain assurance on whether the spreadsheet application has properly implemented the freight dispatching algorithm. These options are (1) develop an independent spreadsheet, run test data through it and through the user's spreadsheet, and compare the results; (2) print out the logic of the freight-dispatching algorithm and examine the logic line by line to determine if it has been correctly incorporated into the spreadsheet application; and (3) develop a set of test data, manually calculate the expected results, run the test data through the user application, and compare the results.

Required

- a. Discuss the merits and limitations of each one of the three options in verifying whether the freight-dispatching algorithm has been properly implemented. (35)
- b. Assume the audit testing indicates that the spreadsheet application has correctly implemented the freight dispatching algorithm. What conclusion is justified from the audit evidence? (5)

SECTION B

Answer any three questions from this section.

Question 1

- a. How does the general ledger system of a non-profit making entity differ from that of a profit-making organization? (10)
- b. Discuss the implications of and the controls that can be put in place to curb the following threats:
 - i. Theft of inventory (5)
 - ii. Failure to bill customers (5)

Question 2

Discuss the implications of an auditor deciding to use the auditing around the computer technique (ie using only samples of the inputs and outputs) when conducting an audit of a company whose operations are as that of Swaziland Electricity Company in terms of complexity and size. (20)

Question 3

Discuss the major risk exposures from the following threats and suggest the controls that can be employed to eliminate the risks.

- a. Ordering unnecessary goods (5)
- b. Purchasing goods of inferior quality (5)
- c. Having the same person who approves write-offs of uncollectible accounts also carrying cash receipts to the bank (5)
- d. Having the person who maintains accounts receivables also receive cash payments from customers. (5)

Question 4

Discuss the importance of the control environment component of the internal control structure in maintaining a sound control framework for an organization. (20)