



“Investing in Africa’s future”

**COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND
GOVERNANCE**

NMAC 302: ACCOUNTING INFORMATION SYSTEMS

NCIS 305: COMPUTERISED ACCOUNTING SYSTEMS

END OF SECOND SEMESTER EXAMINATIONS

MAY 2021

LECTURER: MS I.CHIBANDA

TIME: 7 HOURS

INSTRUCTIONS

Answer **TWO** questions from this paper

Question **ONE** is compulsory and choose any ONE question from Section B

All questions, are essay questions.

The marks allocated to **each** question are shown at the end of the section.

Marks will be awarded for giving logical examples.

Section A

Question 1

Tried and Tested Corporation has been in existence for more than ten years and it manufactures and sells several different lines of small electric components. It has an accounting information system that has the general ledger and inventory management modules. It has been postponing acquisition of the accounts payable and accounts receivables modules. Its payroll function is outsourced. Its internal audit department just completed an audit of its expenditure processes. Part of the audit involved review of the internal accounting controls for accounts payables, including controls over authorization of transactions, accounting for transactions and the protection of assets. In their report the internal auditors noted the following items:

1. Routine purchases are initiated by inventory control by notifying the purchasing department of the need to buy goods. The purchasing department fills out a pre-numbered purchase order and gets it approved by the purchasing manager. The original of the five part purchase order goes to the vendor/supplier. The remaining **four** copies are for purchasing, the user department, receiving for use as a receiving report and accounts payable.
2. To ensure efficiency and effectiveness, purchases of specialized goods and services are negotiated directly between the user department and vendor/supplier. Company procedures require that the user department approve invoices for any specialized goods and services before making payment.
3. Accounts payable maintains a list of employees who have purchase order approval authority. The list was updated two years ago and is rarely used by accounts payable staff.
4. Pre-numbered vendor/supplier invoices are recorded in an invoice register that indicates the receipt date, whether it is a special order, when a special order is sent to the requesting department for approval, and when it is returned. A review of the register indicated that there were **seven** open invoices for special purchases, which had been forwarded to operating departments for approval over 30 days previously and had not yet been returned.
5. Prior to making entry in accounting records, the accounts payable staff checks the mathematical accuracy of the transaction, makes sure that all transactions are properly documented (the purchase order matches the signed receiving report or good received voucher and the vendor's/supplier's invoice), and obtains the respective departmental approval for special invoices.
6. All approved invoices are filed alphabetically. Invoices are paid on 7th and 25th of each month and all cash discounts are taken regardless of the terms.
7. Tried and Tested uses a computerized accounting information system but does not have an accounts payable module. Invoices are only recognized in the ledger after payment has been processed.
8. Pre-numbered blank cheques are kept in a locked safe accessible only to the cash disbursement department. Other documents and records maintained by the accounts payable section are readily accessible to all persons assigned to the section and to others in the accounting function.
9. The Director of Finance signs all the cheques and endorses all supporting documents **"PAID"**. An original document is required for a payment to be processed.

10. The organization does not have an accounts payables control account.

REQUIRED:

- i. Review the 10 items listed above and decide whether they represent an internal control strength or weakness. **(5 marks)**
- ii. For each internal control strength identified in (i), explain how the procedure helps achieve good authorization, accounting or asset protection control. **(20 marks)**
- iii. For each internal control weakness identified in (i), explain why it is a weakness and recommend a way to correct the weakness. **(20 marks)**

Section B

Question 2

After graduation you are employed as a graduate trainee in Renewed (Private) Limited, a small organisation using a manual accounting information system. Your new employer is aware that you had training in a computerised accounting information system but had not utilised the knowledge in a work environment. Your performance during the interviews held clearly indicated you were a cut above others who were interviewed for the same position. Your employer is confident that you will assist them to move towards computerisation in addition to being an Information Technology (IT) person who is engaged on a part time basis. Based on the foregoing you have been requested to assist in making decisions towards acquisition of an off the shelf package for Renewed (Private) Limited.

One of your major roles is to test drive two of the off-the-shelf packages that have been identified. You are also required to provide comments on the package that you think would be suitable for your organisation. Here are some of the initial comments that were made about the prospective software package.

- The software package has a facility for several users.
- While it does not have multi- currency, I do not think it's a big deal since our transactions are in local currency.
- It can produce standard reports (financial statements) but has no report writing facilities.
- If an account code is created in error, it has facilities of deleting such account codes.
- It does not allow editing of account names.
- It has a lot of graphics that we could utilise in preparing reports.
- Its coding structure allows for alphanumeric codes.
- It allows processing journals that do not balance. Since we will be taking on figures from the manual system this is a good idea to avoid wasting time with some figures that are not in balance in the manual system.
- The size of critical fields is quite good.
- In order for us to minimise the amount work we can create one account code for the two bank accounts since they are maintained at the same bank.
- The plan is to give the same access rights to the four persons working in the accounts department.

REQUIRED

Review each of the comments given above and indicate whether the comment is positive or negative. Give reasons for your observations. **(15 marks)**

Question 3

The following is a recent case relating to an entity D Limited whose main objective is to sell motor vehicles including tractors, motor spare parts, and accessories. It also offers maintenance services of such vehicles. The facts of the case are as follows:-

David was employed as motor parts supervisor since 2015. His duties among others included ordering parts, receiving parts, inputting the ordered parts in the parts computer system, invoicing customers for parts sold on cash, issuing parts to technicians for repair of vehicles and charging issued parts for the job.

After the company undertook an audit from December 2020, they discovered that David manipulated the parts computer system. He amended/ edited motor vehicle parts descriptions and part numbers to effect sales. He altered the description of a selected part in stock which would have a higher value and renamed it with the name of a selected part in the system that has a lower value. He would later resale the parts for his benefit. As a result of David's activities, D Limited lost spare parts valued at USD80 000.

The losses identified were for a period of 3 years. D Limited did not think it was prudent to extend the audit to a period longer than 3 years. After a fraud investigation David is now facing prosecution.

REQUIRED

Assess the facts of the above case. Explain the internal control weaknesses in D Limited and justify your observations. If you were to give advice to D limited what should they do to improve their control environment? (15 marks)

END OF EXAMINATION
