



“Investing in Africa’s future”

COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NMAC302/MCIS 305: ACCOUNTING INFORMATION SYSTEMS

END OF SEMESTER EXAMINATIONS

JANUARY 2021

MS I.CHIBANDA

DURATION: 24 HOURS

Question 1

Tera is a company that manufactures and sells several different lines of small electric components. 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 assts. 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 4 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 7 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 25 of each month and all cash discounts are taken regardless of the terms.
7. 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.
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.

REQUIRED:

Review the 8 items listed above and decide whether they represent an internal control strength or weakness.

(a) For each internal control strength identified explain how the procedure helps achieve good authorization, accounting or asset protection control. **(30 marks)**

(b) For each internal control weakness identified explain why it is a weakness and recommend a way to correct the weakness. **(30 marks)**

Question 2.

Moon Electrical Suppliers is a small store that deals in electrical products and it employs a total of four people excluding the owner of the business. Ella Reason is one of the employees who has been with this entity for 12 years. Ella is a very diligent employee who rarely misses work due to illness and does not take her leave/vacation at once to avoid others spending time on her tasks. In other words she takes a few days at a time throughout the year.

The owner and one of the employees help customers with their electrical needs. The second employee handles all receiving, stocking and shipping of merchandise. Another employee (the third one) handles the purchasing, payroll, general ledger, inventory management and accounts payable functions. Ella the fourth employee handles all point of sale cash receipts and prepares daily deposits for the business. In addition to handling cash transactions, Ella opens the mail and deposits all cash receipts which constitutes about 40% of the total daily cash receipts. Ella also maintains the records for accounts receivables (debtors) and bills the customers who purchase on credit.

REQUIRED

Point out any control weaknesses you see in Moon Electrical Suppliers. List recommendations to remedy/correct any weaknesses you have found working under the constraint that no additional employees can be hired. **(10 marks)**

Question 3

Allied University with a student enrollment of 20 000 students is implementing a major accounting information system project and which is at a very advanced stage. As a student intern you joined the university on a one year internship programme to fulfill the requirements of your own university. As you were perusing documents on the implementation of this project you came across the following information:-

“ It is our understanding that the following functions are relevant as part of information system procedures.

1. Systems administration – System administrator makes sure all information system components operate smoothly and efficiently.
2. Network management – ensure that devices are linked to the university's internal and external networks and that the networks operate properly.
3. Security management – ensures that systems are secure and protected from internal and external threats.
4. Change management – the process of making sure changes are made smoothly and efficiently so that systems reliability, security, integrity, confidentiality and availability are not compromised.
5. Users – record transactions, authorize data to be processed and use system output.
6. Systems analysis – help users determine their information needs and design systems to meet those needs.
7. Programming – take the analysts design and develop, code and test computer programs.

8. Computer operations – operators run the software on the university's computers. They ensure that the data are input properly, processed correctly and that the needed output is produced.
9. Information system library – maintain custody of university databases, files and programs in a separate storage area.
10. Data control - ensures that source data have been properly approved, monitors the flow of work through the computer, reconciles input and output, maintains a record of input errors to ensure their correction.

This segregation of duties is too much, it will only create many positions that are not necessary. It is our considered view that besides users, we only need 3 other employees to cover the listed areas. That way it will be cost effective for a university of our size.”

REQUIRED:-

To assess and give advice to Allied University on whether they are on the right path or not. Provide the reasons behind your conclusions so that they have no doubt about your capabilities in the area that you are specializing in. **(20 marks)**

END OF PAPER
