

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION 2009

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: TWO (2) 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: CASE STUDY

This section is compulsory

The Swazi Printing Company of Matsapha, accounts for the services it performs on a job cost basis. Most jobs require a week or less to complete and involve two or more of Swazi Printing's five operating departments. Actual costs are accumulated by job. To ensure timely billing, however, the firm prepares sales invoices based on cost estimates.

Recently, several printing jobs have incurred losses. To avoid future losses, management has decided to focus on cost control at the department level. Since labour is the major cost element, one proposal is to develop a departmental labour cost report. This report is to be issued by the payroll department as one of the biweekly payroll outputs. The report is to be sent to an accounting clerk for comparison with the labour cost estimates of each department. If the actual total department labour cost in a payroll period is not significantly more than the estimated amount, the accounting clerk is to send the report to the department supervisor. However if the accounting clerk concludes that a significant variance exists, the report will be sent to the assistant controller, who will investigate the cause, if time is available and will recommend corrective action to the production manager.

Questions:

- a) Identify the features of the described procedures for controlling labour costs that are in accord with the concepts of responsibility accounting. (15)
- b) Identify the violations of sound management control principles in the case under consideration. (15)
- c) To ensure accuracy of financial reports, the controller requires that a general ledger change report be prepared at the end of each month. Discuss the matters of concern for the accountants who review this report with respect to these accounts
 - i. Sales (5)
 - ii. Direct labour cost (5)
 - iii. Indirect labour cost (5)
 - iv. Work-in-process inventory (5)

SECTION B

Answer any two questions from this section

Question 1

- a. You have recently been employed to conduct an audit of a small firm. How would you decide whether the firm is auditable? (12)
- b. If you were also required to conduct an operational audit of the firm's information systems department, what would this process entail and what importance would it serve? (13)

Question 2

Should organisations put more emphasis on ensuring a sound internal control environment or strong general and application controls for ensuring accuracy and reliability of financial statements? (25)

Question 3

Suggest the internal controls to be put in place to curb the following errors or fraudulent practices.

- a. A customer is billed for all 110 units, though only 80 units are shipped because of an insufficient quantity on hand to fill the order. (5)
- b. A customer is not billed for ordered merchandise shipped. (5)
- c. Certain goods are never returned to the firm, in spite of the fact that a credit memo is issued and approved. (5)
- d. A cash receipt is stolen by the cashier (5)
- e. A computer prepared sales analysis is mistakenly sent to the personnel manager rather than the sales manager. (5)