

Accounting Information Systems, 13e (Romney/Steinbart)
Chapter 2 Overview of Transaction Processing and Enterprise Resource Planning Systems

2.1 Describe the four parts of the data processing cycle and the major activities in each.

1) Which of the following commonly initiates the data input process?

- A) a business activity
- B) automatic batch processing
- C) an accounting department source document
- D) a trial balance query

Answer: A

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytic

2) A typical source document could be

- A) some type of paper document.
- B) a computer data entry screen.
- C) the company's financial statements.
- D) both A and B

Answer: D

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytic

3) Which step below is *not* considered to be part of the data processing cycle?

- A) data input
- B) feedback from external sources
- C) data storage
- D) data processing

Answer: B

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytic

4) John Pablo works in the accounting department of a multinational manufacturing company. His job includes updating accounts receivable based on sales orders and remittance advices. His responsibilities are part of the company's

- A) revenue cycle.
- B) expenditure cycle.
- C) financing cycle.
- D) production cycle.

Answer: A

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Reflective Thinking

5) John Pablo works in the accounting department of a multinational manufacturing company. His job includes updating accounts payable based on purchase orders and checks. His responsibilities are part of the company's

- A) revenue cycle.
- B) expenditure cycle.
- C) financing cycle.
- D) production cycle.

Answer: B

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Reflective Thinking

6) Many small businesses choose to outsource their payroll activities to firms that specialize in providing payroll services. Dolores Yu operates a payroll processing business in Calabasas, California. When she sends bills out to her clients, her work is part of her firm's

- A) revenue cycle.
- B) expenditure cycle.
- C) financing cycle.
- D) production cycle.

Answer: A

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Reflective Thinking

7) A delivery of inventory from a vendor, with whom a credit line is already established, would be initially recorded in which type of accounting record and as part of what transaction cycle?

- A) purchases journal; expenditure cycle
- B) general journal; expenditure cycle
- C) general ledger; expenditure cycle
- D) cash disbursements journal; production cycle

Answer: A

Objective: Learning Objective 1

Difficulty: Difficult

AACSB: Reflective Thinking

8) Describe the basic cycles and business activities for a typical merchandising company.

Answer: Revenue cycle — deliver inventory to customers and collect cash. Expenditure cycle — receive goods and services from vendors and pay cash. Human resources cycle — track hours worked by employees and record withholding data.

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytic

- 9) Identify the four parts of the transaction processing cycle.
A) data input, data storage, data processing, information output
B) data input, data recall, data processing, information output
C) data input, data recall, data transmission, information output
D) data input, data recall, data transmission, data storage

Answer: A

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytic

- 10) What is the most frequent revenue cycle transaction?

- A) purchase of inventory
B) receipt of cash
C) sale to customer
D) billing

Answer: C

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytic

- 11) True or False: The existence of relevant data guarantees the data are useful.

Answer: FALSE

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytic

- 12) Identify the item below that is *not* one of the four different types of data processing activities.

- A) creating
B) reading
C) using
D) deleting

Answer: C

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytic

- 13) What is the final step in the data processing cycle?

- A) output
B) storage
C) processing
D) input

Answer: A

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytic

2.2 Describe documents and procedures used to collect and process transaction data.

1) The general ledger

A) is the initial place to record general expenses.

B) is posted in total to the general journal.

C) only includes balance sheet accounts.

D) summarizes the transactions in journals.

Answer: D

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Reflective Thinking

2) For a retail business, a delivery of inventory, from a vendor (with whom there is an established credit relationship) would be initially recorded in which type of accounting record as part of which transaction cycle?

A) purchases journal; expenditure cycle

B) general journal; expenditure cycle

C) general ledger; expenditure cycle

D) cash disbursements journal; production cycle

Answer: A

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Reflective Thinking

3) Data must be collected about three facets of each business activity. What are they?

A) the business activity, the resources it affects, the people who participate

B) the business activity, the transactions it creates, the impact on the financial statements

C) the inputs, outputs and processes used

D) who is involved, what was sold, how much was paid

Answer: A

Objective: Learning Objective 2

Difficulty: Easy

AACSB: Analytic

4) Issuing a purchase order is part of which transaction cycle?

A) the revenue cycle

B) the expenditure cycle

C) the human resources cycle

D) the production cycle

Answer: B

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Analytic

5) The collection of employee time sheets is part of which transaction cycle?

- A) the revenue cycle
- B) the production cycle
- C) the human resources cycle
- D) the expenditure cycle

Answer: C

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Analytic

6) Common source documents for the revenue cycle include all of the following *except*

- A) sales order.
- B) receiving report.
- C) delivery ticket.
- D) credit memo.

Answer: B

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Analytic

7) Which of the following documents would be found in the expenditure cycle?

- A) delivery ticket
- B) time card
- C) credit memo
- D) purchase order

Answer: D

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Analytic

8) Documents that are sent to customers or suppliers and then sent back to the company in the course of a business transaction are known as

- A) turnaround documents.
- B) source documents.
- C) input documents.
- D) transaction documents.

Answer: A

Objective: Learning Objective 2

Difficulty: Easy

AACSB: Analytic

9) Which of the following is an example of source data automation?

- A) a utility bill
- B) POS (point-of-sale) scanners in retail stores
- C) a bill of lading
- D) a subsidiary ledger

Answer: B

Objective: Learning Objective 2

Difficulty: Easy

AACSB: Analytic

10) Pre-numbering of source documents helps to verify that

- A) documents have been used in order.
- B) company policies were followed.
- C) all transactions have been recorded.
- D) source data automation was used to capture data.

Answer: C

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Analytic

11) Source documents generally help to improve accuracy in transaction processing because

- A) they specify which information to collect.
- B) logically related data can be grouped in the same area of the document.
- C) they provide directions and steps for completing the form.
- D) All of the above are correct.

Answer: D

Objective: Learning Objective 2

Difficulty: Easy

AACSB: Analytic

12) In transaction processing, generally which activity comes first?

- A) recording data in a journal
- B) posting items to special journals
- C) capturing data on source documents
- D) recording data in a general ledger

Answer: C

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Analytic

13) Which of the following statements is *true*?

- A) Batch processing ensures that stored information is always current.
- B) Batch input is more accurate than on-line data entry.
- C) On-line batch processing is a combination of real-time and batch processing.
- D) Batch processing is not frequently used.

Answer: C

Objective: Learning Objective 2

Difficulty: Easy

AACSB: Analytic

14) The data processing method used by FedEx to track packages is an example of

- A) real-time processing.
- B) batch processing.
- C) online batch processing.
- D) real-time batch processing.

Answer: A

Objective: Learning Objective 2

Difficulty: Easy

AACSB: Analytic

15) Street Smarts (SS) is a retailer located in Naperville, Illinois. During the peak tourist season, it has average daily cash and credit card sales in excess of \$7,000. What is the *best* way for SS to ensure that sales data entry is efficient and accurate?

- A) well-designed paper forms
- B) source data automation
- C) turnaround documents
- D) sequentially numbered sales invoices

Answer: B

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Reflective Thinking

16) In Petaluma, California, electric power is provided to consumers by Pacific Power. Each month Pacific Power mails bills to 86,000 households and then processes payments as they are received. What is the *best* way for this business to ensure that payment data entry is efficient and accurate?

- A) well-designed paper forms
- B) source data automation
- C) turnaround documents
- D) sequentially numbered bills

Answer: C

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Reflective Thinking

17) Data processing includes all of the following *except*

- A) verifying subsidiary ledger balances.
- B) changing customer addresses.
- C) removing inventory items no longer offered.
- D) adding the name of a new vendor.

Answer: A

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Reflective Thinking

18) The Cape Fear Rocket Club heads out to the dunes of Cape Fear, Oregon every August to pierce the sky with their fiery projectiles. An enterprising seller of t-shirts has devised a series of designs that capture the spirit of the event in silk-screened splendor. His employees can be found on many of the major intersections selling his products out of the backs of pickup trucks. What is the best way for this business to ensure that sales data entry is efficient and accurate?

- A) well-designed paper forms
- B) source data automation
- C) turnaround documents
- D) sequentially numbered forms

Answer: D

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Reflective Thinking

19) Which of the following statements about data processing methods is *true*?

- A) Online real-time processing does not store data in a temporary file.
- B) Batch processing cannot be used to update a master file.
- C) Control totals are used to verify accurate processing in both batch and online batch processing.
- D) Online real-time processing is only possible with source data automation.

Answer: A

Objective: Learning Objective 2

Difficulty: Difficult

AACSB: Reflective Thinking

20) What is the purpose of source documents? What controls are embedded in source documents? Give two examples of source documents.

Answer: The primary purpose of source documents is to record data about business activities. Source documents standardize data collection procedures for an organization and provide better control and accuracy. Source documents are generally pre-numbered, which helps to verify that all transactions have been recorded and there is no missing document; if a document is missing, then which one(s) can be determined. Proper design of source documents ensures which information to collect, preprints standard information such as addresses, and provides directions for completing the form. Examples include: invoices, timecards, sales orders, and purchase orders.

Objective: Learning Objective 2

Difficulty: Easy

AACSB: Reflective Thinking

21) Describe the methods used to collect data about business activities. Describe design and control considerations for each of the data collection methods.

Answer: Data about business activities can be collected with source documents, either on paper or electronic, turnaround documents, and source data automation.

Source documents define what data to collect about an activity, group logically related data close together, provide instructions on how to complete the document, include fields for approvals, and use preprinted standard data. Paper documents should be sequentially prenumbered to allow verification that all documents have been recorded. Electronic source documents should also utilize pull-down menus, drop-down boxes, default values, preformatting, auto sequential numbering, and prompting for complete data entry.

Turnaround documents often begin as output documents that are then sent to external users for further completion. Turnaround documents should utilize most of the same design and control considerations as source documents, but should include data in machine-readable form, such as bar codes or optical character recognition.

Source data automation utilizes technology to capture data in machine-readable form at the time and place the business activity occurs. Source data automation technology includes point-of-sale terminals, bar codes, RFID tags, and electronic data interchange. An especially important control consideration for source data automation is a way to indicate authorization of the activity.

Objective: Learning Objective 2

Difficulty: Difficult

AACSB: Reflective Thinking

22) Source data automation refers to

- A) using devices to capture transaction data in machine-readable form at the time the transaction is initiated.
- B) using the internet as the operating platform of an accounting information system.
- C) using an accounting information system to electronically bill customers.
- D) using an accounting information system to automate a previously manual transaction process.

Answer: A

Objective: Learning Objective 2

Difficulty: Moderate

AACSB: Analytic

23) What is the first step in the data processing cycle?

- A) input
- B) output
- C) storage
- D) purchasing

Answer: A

Objective: Learning Objective 2

Difficulty: Easy

AACSB: Analytic

24) A purchase requisition is a common source document used to facilitate which business activity?

- A) customer sale
- B) receipt of goods
- C) inventory purchase
- D) purchase request

Answer: D

Objective: Learning Objective 2

Difficulty: Difficult

AACSB: Analytic

2.3 Describe the ways information is stored in computer-based information systems.

1) Identify the statement below that is *not* true with regards to the accounts receivable subsidiary ledger.

- A) Every credit sale is entered individually into the subsidiary ledger.
- B) Debits and credits in the subsidiary ledger must always equal.
- C) The subsidiary ledgers play an important role in maintaining the accuracy of the data stored in the AIS.
- D) The total of the subsidiary ledgers must equal the control account.

Answer: B

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

2) Which of the following is *not* usually a consideration when designing a coding system?

- A) government coding regulations
- B) standardization
- C) future expansion needs
- D) ease of reporting

Answer: A

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

3) Which of the following statements regarding special journals is *not* true?

- A) The balances in a special journal must always reconcile to the general ledger.
- B) Special journals are used to record large numbers of repetitive transactions.
- C) Special journals are periodically summarized and posted to the general ledger.
- D) Special journals provide a specialized format for recording similar transactions.

Answer: A

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

4) A change in an employee's hourly pay would be recorded in

- A) the payroll master file.
- B) a payroll transaction file.
- C) the employee master file.
- D) the employee transaction file.

Answer: C

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

5) When the sum of all entries in the subsidiary ledger equals the balance in the corresponding general ledger account, it is assumed that

- A) the recording processes were accurate.
- B) all source documents were recorded.
- C) adjusting entries are not required.
- D) no errors exist in the subsidiary ledger.

Answer: A

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Analytic

- 6) The general ledger account that corresponds to a subsidiary ledger account is known as a(n)
- A) dependent account.
 - B) control account.
 - C) credit account.
 - D) attribute account.

Answer: B

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

- 7) Pre-numbered invoices and pre-numbered purchase orders are examples of
- A) sequence codes.
 - B) block codes.
 - C) group codes.
 - D) mnemonic codes.

Answer: A

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

- 8) A chart of accounts is an example of (select all that apply)
- A) sequence codes.
 - B) block codes.
 - C) group codes.
 - D) mnemonic codes.

Answer: B, C

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

- 9) Product items are often coded with (select all that apply)
- A) sequence codes.
 - B) block codes.
 - C) group codes.
 - D) mnemonic codes.

Answer: C, D

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

10) Identify the statement below that is *false* with regards to effective coding practices.

- A) Codes should allow for growth.
- B) Codes should be consistent with intended use.
- C) Codes should be customized for each division of an organization.
- D) Codes should be as simple as possible.

Answer: C

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

11) To be effective, the chart of accounts must

- A) not use alpha-numeric characters.
- B) contain sufficient detail.
- C) utilize only one coding technique.
- D) begin with account 001.

Answer: B

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

12) The chart of accounts of a movie theater would probably include

- A) retained earnings.
- B) a drawing account.
- C) work-in-process.
- D) both A and C

Answer: A

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

13) The efficiency of recording numerous business transactions can be best improved by the use of

- A) prenumbered source documents.
- B) specialized journals.
- C) posting references.
- D) subsidiary ledgers.

Answer: B

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

14) A general journal

- A) would be used to record monthly depreciation entries.
- B) simplifies the process of recording large numbers of repetitive transactions.
- C) records all detailed data for any general ledger account that has individual sub-accounts.
- D) contains summary-level data for every account of the organization.

Answer: A

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

15) The general ledger

- A) is used to record infrequent or non-routine transactions.
- B) simplifies the process of recording large numbers of repetitive transactions.
- C) records all detailed data for any general ledger account that has individual sub-accounts.
- D) contains summary-level data for every account of the organization.

Answer: D

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Analytic

16) A subsidiary ledger

- A) is used to record infrequent or non-routine transactions.
- B) simplifies the process of recording large numbers of repetitive transactions.
- C) records all detailed data for any general ledger account that has individual sub-accounts.
- D) contains summary-level data for every account of the organization.

Answer: C

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Analytic

17) A specialized journal

- A) is used to record infrequent or non-routine transactions.
- B) simplifies the process of recording large numbers of repetitive transactions.
- C) records all detailed data for any general ledger account that has individual sub-accounts.
- D) contains summary-level data for every account of the organization.

Answer: B

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Analytic

18) Which statement below is *true* with regards to an audit trail?

- A) An audit trail begins with the general journal.
- B) An audit trail provides the means to check the accuracy and validity of ledger postings.
- C) An audit trail is a summary of recorded transactions.
- D) An audit trail is automatically created in every computer-based information system.

Answer: B

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

19) Which of the following statements about a master file is *false*?

- A) A master file is conceptually similar to a ledger in a manual AIS.
- B) A master file's individual records are rarely, if ever, changed.
- C) A master file exists across fiscal periods.
- D) A master file stores cumulative information.

Answer: B

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Analytic

20) Which of the following is conceptually similar to a journal in a manual AIS?

- A) database
- B) master file
- C) record
- D) transaction file

Answer: D

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

21) Catarina Boards is a skateboard retailer located in Pueblo, New Mexico. Catarina Boards is a sole proprietorship that stocks an inventory of between 30 and 50 different skateboards.

Inventory is updated in real time by the AIS. If Catarina wishes to keep detailed information about the purchase price of each skateboard in a place outside of the general ledger, it might use a

- A) relational ledger.
- B) transaction file.
- C) master file.
- D) specific ledger.

Answer: B

Objective: Learning Objective 3

Difficulty: Difficult

AACSB: Reflective Thinking

22) Antia Carmie is the largest collector and retailer of Japanese fans in the St. Louis area. Antia uses computer technology to provide superior customer service. The store's database system was designed to make detailed information about each Japanese fan easily accessible to her customers. Accordingly, the fan price and condition are provided for each fan, along with many pictures of each fan. In Antia's database, the price of the Japanese fans is a(n)

- A) entity.
- B) attribute.
- C) field.
- D) record.

Answer: B

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

23) Antia Carmie is the largest collector and retailer of Japanese fans in the St. Louis area. Antia uses computer technology to provide superior customer service. The store's database system was designed to make detailed information about each Japanese fan easily accessible to her customers. Accordingly, the fan price and condition are provided for each fan, along with many pictures of each fan. In Antia's database, the data about each Japanese fan represents a(n)

- A) entity.
- B) attribute.
- C) field.
- D) record.

Answer: D

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

24) Antia Carmie is the largest collector and retailer of Japanese fans in the St. Louis area. Antia uses computer technology to provide superior customer service. The store's database system was designed to make detailed information about each Japanese fan easily accessible to her customers. Accordingly, the fan price and condition are provided for each fan, along with many pictures of each fan. In Antia's database, the Japanese fans (as a whole) represent a(n)

- A) entity.
- B) attribute.
- C) field.
- D) record.

Answer: A

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

25) Antia Carmie is the largest collector and retailer of Japanese fans in the St. Louis area. Antia uses computer technology to provide superior customer service. The store's database system was designed to make detailed information about each Japanese fan easily accessible to her customers. Accordingly, the fan price and condition are provided for each fan, along with many pictures of each fan. In Antia's database, the data about each Japanese fan's price is stored in a(n)

- A) entity.
- B) attribute.
- C) field.
- D) record.

Answer: C

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

26) The coding technique most likely used for sales orders is

- A) block code.
- B) group code.
- C) sequence code.
- D) data code.

Answer: C

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

27) A specialized journal would be *most* likely to be used to enter

- A) sales transactions.
- B) monthly depreciation adjustments.
- C) annual closing entries.
- D) stock issuance transactions.

Answer: A

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

28) Changing an employee's hourly wage rate would be recorded where?

- A) employee master file
- B) employee transaction file
- C) special journal
- D) employee update file

Answer: A

Objective: Learning Objective 3

Difficulty: Difficult

AACSB: Reflective Thinking

29) Which of the following statements is *not* correct?

- A) The audit trail is intended to verify the validity and accuracy of transaction recording.
- B) The audit trail consists of records stored sequentially in an audit file.
- C) The audit trail provides the means for locating and examining source documents.
- D) The audit trail is created with document numbers and posting references.

Answer: B

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

30) Data about which of the following facets of a business activity is most likely to be recorded in a transaction file?

- A) business activity
- B) resources affected by the business activity
- C) people who participate in the business activity
- D) place the business activity occurs

Answer: A

Objective: Learning Objective 3

Difficulty: Difficult

AACSB: Reflective Thinking

31) Data about all of the following facets of a business activity are most likely to be recorded in a master file *except* the

- A) business activity.
- B) resources affected by the business activity.
- C) people who participate in the business activity.
- D) place the business activity occurs.

Answer: A

Objective: Learning Objective 3

Difficulty: Difficult

AACSB: Reflective Thinking

32) Describe an audit trail.

Answer: An audit trail provides a means to check the accuracy and validity of postings to the ledger. The posting references and document numbers help provide the audit trail. An audit trail exists when company transactions can be traced through the AIS from where it originated to where they end up on the financial statements

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

33) Explain how data is organized and stored in an AIS.

Answer: The smallest unit of data is known as a data value. A data value is physically stored in a space called a field. Any number of fields can be grouped together to form a record. Related records are grouped together to form a file. Files are then combined to form a database.

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

34) Describe guidelines to follow for a well-designed coding system.

Answer: First, the code should be consistent with its intended use. Second, the code should allow for growth in the number of items to be coded. The coding system should be as simple as possible. The coding system should be consistent with the company's organizational structure and it should be consistent across the different divisions of an organization.

Objective: Learning Objective 3

Difficulty: Easy

AACSB: Analytic

35) Describe the relationship between the general and subsidiary ledgers.

Answer: The general ledger contains summary-level information about every asset, liability, equity, revenue, and expense account in an organization. The balances in general ledger accounts form the starting point for preparation of financial statements and various other financial reports. A subsidiary ledger account provides support for any general ledger account for which individual subaccounts (for example, accounts receivable, accounts payable, inventory, and fixed assets) are required. The subsidiary ledger records and maintains the detail-level information by having a separate record for each customer, vendor, inventory item, or fixed asset. The sum of the subsidiary ledger balances should equal the balance in the general ledger account. A general ledger account that corresponds to a subsidiary ledger account is known as a control account.

Objective: Learning Objective 3

Difficulty: Moderate

AACSB: Reflective Thinking

2.4 Discuss the types of information that an AIS can provide.

1) Which statement below regarding the AIS is *false*?

A) The AIS must be able to provide managers with detailed and operational information about the organization's performance.

B) Both traditional financial measures and operational data are required for proper and complete evaluation of performance.

C) The AIS was often just one of the information systems used by an organization to collect and process financial and nonfinancial data.

D) Traditionally, most AIS have been designed so that both financial and operational data are stored in a manner that facilitates their integration in reports.

Answer: D

Objective: Learning Objective 4

Difficulty: Moderate

AACSB: Reflective Thinking

2) The quality assurance department at a large manufacturing business enters data into the AIS that is used to produce a weekly report that summarizes the proportion of defective units in each product line. This is an example of

- A) internal financial information.
- B) internal nonfinancial information.
- C) external financial information.
- D) external nonfinancial information.

Answer: B

Objective: Learning Objective 4

Difficulty: Moderate

AACSB: Reflective Thinking

3) Which of the following information would *most* likely be reviewed by management on an exception report?

- A) monthly cash budget
- B) quality control system failures
- C) unit sales by territory and salesperson
- D) income statement

Answer: B

Objective: Learning Objective 4

Difficulty: Moderate

AACSB: Reflective Thinking

4) All of the following situations would likely be communicated in an exception report *except*

- A) production stoppages.
- B) weekly credit and cash sales comparison.
- C) low inventory level.
- D) expense variances outside acceptable range.

Answer: B

Objective: Learning Objective 4

Difficulty: Easy

AACSB: Reflective Thinking

5) Which statement below regarding the AIS and managerial reports is *false*?

- A) The AIS is best utilized for financial data while the management information system is best utilized for operational data.
- B) The AIS must be able to provide managers with detailed operational information about the organization's performance.
- C) Both financial and nonfinancial data are required for proper and complete evaluation of organizational performance.
- D) Most source documents capture both financial and nonfinancial data about business transactions.

Answer: A

Objective: Learning Objective 4

Difficulty: Moderate

AACSB: Reflective Thinking

6) True or False: Traditionally, accounting information systems have been used to collect, process, store and report non-financial information.

Answer: FALSE

Objective: Learning Objective 4

Difficulty: Easy

AACSB: Analytic

7) The existence of multiple systems which provide information can result in all of the following *except*

A) redundancies.

B) discrepancies.

C) integration issues.

D) efficiency.

Answer: D

Objective: Learning Objective 4

Difficulty: Difficult

AACSB: Analytic

8) When printed on paper, data output is referred to as

A) reports.

B) hard copy.

C) soft copy.

D) financials.

Answer: B

Objective: Learning Objective 4

Difficulty: Moderate

AACSB: Analytic

9) When displayed on a monitor, data output is referred to as

A) reports.

B) hard copy.

C) soft copy.

D) financials.

Answer: C

Objective: Learning Objective 4

Difficulty: Moderate

AACSB: Analytic

10) Identify the output below that an accounting information system can provide.

A) income statement

B) list of sales returns

C) exception reports

D) all of the above

Answer: D

Objective: Learning Objective 4

Difficulty: Easy

AACSB: Analytic

2.5 Discuss how organizations use enterprise resource planning (ERP) systems to process transactions and provide information.

1) Which of the following is an example of an ERP system?

- A) Alexis uses a computerized information system to keep track of all the financial data generated by her bakery. She is considering opening a new bakery on the east side of town.
- B) Betty has a system that keeps track of the accounts payable and receivable for her plumbing business. At the end of the year, the system helps her to prepare her taxes in just two hours.
- C) Charlie keeps records of all his business records in a shoe box. Each week he enters all of the data into spreadsheets that automatically generate purchase orders, based on predetermined inventory reorder points. Production quotas for the coming week are also automatically generated based on customer orders.
- D) Doug is a freelance photographer. He keeps records of all expenses and revenues on his cell phone and then e-mails them to himself every month. The files are stored on his personal computer and backed up to CD quarterly.

Answer: C

Objective: Learning Objective 5

Difficulty: Moderate

AACSB: Reflective Thinking

2) In an ERP system, the module used to record data about transactions in the revenue cycle is called

- A) order to cash.
- B) purchase to pay.
- C) financial.
- D) customer relationship management.

Answer: A

Objective: Learning Objective 5

Difficulty: Moderate

AACSB: Analytic

3) Implementation of an ERP system requires increased focus on all *except* which of the following controls?

- A) segregation of duties between custody, authorization, and recording
- B) data entry controls on validity and accuracy
- C) controls over access to data
- D) appropriate disposal of hard copy reports

Answer: D

Objective: Learning Objective 5

Difficulty: Moderate

AACSB: Analytic

4) Describe four advantages and four disadvantages of implementing an ERP system at a multinational corporation.

Answer:

Advantages

Integrating information breaks down barriers between departments and streamlines the flow of information.

Data input is captured or keyed only once.

Management gains greater visibility into every area of the enterprise and has improved monitoring capabilities.

Better access control is established by consolidating multiple permissions and security models into a single data access structure.

Standardization of procedures and reports across business units.

Customer service improves as employees can quickly access data.

Increased productivity of employees.

Disadvantages

ERP systems are very costly.

Implementation is time consuming.

Changes to business processes are sometimes required, in order to minimize the customization needed.

Complexity of the system.

Employees may be resistant to implement and use an ERP system and change business processes.

Objective: Learning Objective 5

Difficulty: Easy

AACSB: Analytic

5) ERP stands for

A) enterprise resource planning.

B) enterprise resource program.

C) enterprise reporting program.

D) none of the above

Answer: A

Objective: Learning Objective 5

Difficulty: Easy

AACSB: Analytic

6) In an ERP system, the module used to record data about transactions in the disbursement cycle is called

A) order to cash.

B) purchase to pay.

C) financial.

D) customer relationship management.

Answer: B

Objective: Learning Objective 5

Difficulty: Moderate

AACSB: Analytic

7) In an ERP system, the module used to record data about transactions in the production cycle is called

- A) order to cash.
- B) purchase to pay.
- C) manufacturing.
- D) logistics.

Answer: C

Objective: Learning Objective 5

Difficulty: Easy

AACSB: Analytic

8) In an ERP system, the module used to record marketing data is called

- A) marketing.
- B) advertising.
- C) customer relationship management.
- D) customer service.

Answer: C

Objective: Learning Objective 5

Difficulty: Moderate

AACSB: Analytic

9) All of the following are disadvantages of an ERP system *except*

- A) an ERP provides an integrated view of the organization's data.
- B) ERP software and hardware can cost midsized companies between \$10 million and \$20 million dollars.
- C) ERPs frequently cause organizations to change their business processes to standardized ones.
- D) ERPs are relatively complex.

Answer: A

Objective: Learning Objective 5

Difficulty: Moderate

AACSB: Analytic

10) All of the following are advantages of an ERP system *except*

- A) in an ERP, data input is captured or keyed once.
- B) ERPs permit management to gain greater visibility into every area of the enterprise.
- C) it takes considerable experience and training to use an ERP system effectively.
- D) ERPs permit manufacturing plants to receive new orders in real time.

Answer: C

Objective: Learning Objective 5

Difficulty: Moderate

AACSB: Analytic

- 11) All of the following are reasons that implementing a new ERP may fail *except*
- A) employees may resist using the ERP system.
 - B) ERPs can take years to fully implement.
 - C) employees may refuse to share sensitive information with different departments.
 - D) ERPs may require procedures and reports to be standardized across business units.

Answer: D

Objective: Learning Objective 5

Difficulty: Difficult

AACSB: Analytic

- 12) All of the following are ERP vendors *except*

- A) Dell.
- B) SAP.
- C) Oracle.
- D) Microsoft.

Answer: A

Objective: Learning Objective 5

Difficulty: Difficult

AACSB: Analytic

- 13) An ERP system might facilitate the purchase of direct materials by all of the following *except*

- A) selecting the best supplier by comparing bids.
- B) preparing a purchase order when inventory falls to reorder point.
- C) routing a purchase order to a purchasing agent for approval.
- D) communicating a purchase order to a supplier.

Answer: A

Objective: Learning Objective 5

Difficulty: Moderate

AACSB: Reflective Thinking