

Accounting Information Systems, 10e (Bodnar/Hopwood)
Chapter 1 Accounting Information Systems: An Overview

1) A system is a collection of related resources designed to help a company achieve specified objectives.

Answer: TRUE

Diff: 1 Page Ref: 1

2) Accounting information systems are designed to gather and utilize information which may cost more to provide than it is worth to the user.

Answer: FALSE

Diff: 2 Page Ref: 3

3) The basic goal of accounting information systems is to convert financial data into information.

Answer: TRUE

Diff: 1 Page Ref: 1

4) Examples of the information provided by a financial information system are cash flow summaries and payment information.

Answer: TRUE

Diff: 2 Page Ref: 4

5) All data processed and information stored in an accounting information system are mandatory for financial reporting purposes.

Answer: FALSE

Diff: 2 Page Ref: 3

6) A typical CRM contains one common database in which all departments with customer contact can access and update.

Answer: TRUE

Diff: 1 Page Ref: 4

7) A typical CRM contains one database for each department which has customer contact.

Answer: FALSE

Diff: 1 Page Ref: 4

8) An extended enterprise brings suppliers and customers together in order to meet customer demand while minimizing supplier costs.

Answer: FALSE

Diff: 1 Page Ref: 4

9) Procurement and firm infrastructure are examples of primary business processes.

Answer: FALSE

Diff: 3 Page Ref: 9

10) Good documentation means that records should be maintained by all parties involved in a transaction.

Answer: TRUE

Diff: 1 Page Ref: 13

11) Some organizations that use computers to process transactional data must have an information system function.

Answer: FALSE

Diff: 2 Page Ref: 15

12) The operations function allows specialization in areas such as operating systems and software and communications technology.

Answer: FALSE

Diff: 3 Page Ref: 16

13) Personal computers give end users their own processing power.

Answer: TRUE

Diff: 1 Page Ref: 17

14) Most batch processing environments are JIT environments.

Answer: FALSE

Diff: 2 Page Ref: 20

15) XBRL is a language that facilitates the exchange over the Internet of all kinds of business documents and financial statements.

Answer: TRUE

Diff: 2 Page Ref: 22

16) External users of accounting information include investors, customers, governmental agencies, and suppliers.

Answer: TRUE

Diff: 1 Page Ref: 2

17) The functional components of a management information system (such as marketing, manufacturing, human resources, and financial) are logically independent.

Answer: TRUE

Diff: 1 Page Ref: 3

18) A decision support system (DSS) is tailored to the strategic information needs of top-level management.

Answer: FALSE

Diff: 1 Page Ref: 4

19) The AIS benefits of information technology include automation, information organization, and communication.

Answer: TRUE

Diff: 1 Page Ref: 5

20) AIS application architecture currently focuses on automating the traditional accounting cycle.

Answer: FALSE

Diff: 2 Page Ref: 6

21) MRP and MRP II software was created to aid in Supply Chain Management (SCM).

Answer: TRUE

Diff: 2 Page Ref: 6

22) In CIM systems, computers control management designed parts of the manufacturing process.

Answer: FALSE

Diff: 2 Page Ref: 6

23) Flexible manufacturing systems can be reprogrammed to produce entirely different products.

Answer: TRUE

Diff: 1 Page Ref: 6

24) The process management approach aids in the management and improvement of a company's processes in order to increase customer satisfaction while ignoring the company's cost structure.

Answer: FALSE

Diff: 2 Page Ref: 6

25) ERPs should reduce data duplication, increase communication between functional areas, and reduce complications of software updates.

Answer: TRUE

Diff: 2 Page Ref: 7

26) ERPs can either be industry-specific or based around "best practices" of various sized companies.

Answer: TRUE

Diff: 1 Page Ref: 7

27) ERPs are inexpensive and relatively easy to implement.

Answer: FALSE

Diff: 1 Page Ref: 7

28) ERP II adds an Enterprise Application Suite (EAS) to aid in the communication between functional areas.

Answer: FALSE

Diff: 2 Page Ref: 8

29) Business processes are always triggered by some economic event, and all have clearly defined starting and ending points.

Answer: TRUE

Diff: 2 Page Ref: 8

30) A key characteristic and benefit of business processes is that they are always limited to one functional area of the information system.

Answer: FALSE

Diff: 2 Page Ref: 8

31) Analyzing a company's value chain aids in the identification of a company's competitive advantages.

Answer: TRUE

Diff: 2 Page Ref: 9

32) Operational transaction cycles have traditionally grouped activities of a business into six common operational processes.

Answer: FALSE

Diff: 2 Page Ref: 11

33) Transactions are used by auditors to verify account balances and internal controls.

Answer: TRUE

Diff: 2 Page Ref: 12

34) The accounting and finance functions should not be segregated in order to increase a company's internal control.

Answer: FALSE

Diff: 2 Page Ref: 13

35) The director of internal auditing should report directly to the controller of the company.

Answer: FALSE

Diff: 2 Page Ref: 14

36) The treasurer is responsible for the budgeting and tax planning aspects of a business.

Answer: FALSE

Diff: 2 Page Ref: 14

37) Systems programmers usually report to the Manager of Systems Analysis.

Answer: FALSE

Diff: 3 Page Ref: 16

38) A steering committee consists of high-level members of user functions such as manufacturing and marketing, as well as the head of the information system function and several of his or her staff.

Answer: TRUE

Diff: 2 Page Ref: 16

39) An information center is a support facility for end users in an organization.

Answer: TRUE

Diff: 1 Page Ref: 17

40) DBMS is the hands-on use of computers by end users.

Answer: FALSE

Diff: 2 Page Ref: 17

41) Information system specialists are used in the traditional approach to data processing for end users.

Answer: TRUE

Diff: 2 Page Ref: 17

42) EDI is a key component to quick-response technology system.

Answer: TRUE

Diff: 2 Page Ref: 19

43) The philosophy that one should do *the right thing the first time* is better known as TQM or TQP.

Answer: TRUE

Diff: 2 Page Ref: 18

44) RFID tags are used for tracking objects within a quick-response system.

Answer: TRUE

Diff: 1 Page Ref: 19

45) Only active RFID tags transmit signals containing digital information to receivers.

Answer: FALSE

Diff: 1 Page Ref: 20

46) Lean manufacturing focuses on eliminating waste from the entire value chain.

Answer: FALSE

Diff: 1 Page Ref: 20

47) A just-in-time manufacturing system is one form of lean manufacturing.

Answer: TRUE

Diff: 1 Page Ref: 20

48) Microsoft sponsors the Web TrustTM seal of approval to certain web sites that meet their security and integrity criteria.

Answer: FALSE

Diff: 2 Page Ref: 21

49) Electronic data interchange (EDI) is the direct computer-to-end-user exchange of business documents via a communications network.

Answer: FALSE

Diff: 1 Page Ref: 21

50) ANSI X.12 is a public EDI standard.

Answer: TRUE

Diff: 3 Page Ref: 22

51) The SEC requires that all companies must file their financial reports electronically using XBRL.

Answer: FALSE

Diff: 2 Page Ref: 22

52) FedWire is a retail EFT system used for telephone wire transfers and payments.

Answer: FALSE

Diff: 2 Page Ref: 22

53) E-waste refers to dollars spent on unsuccessful implementations and technologies.

Answer: FALSE

Diff: 2 Page Ref: 26

54) Green IT states system design should include a plan for recycling and reusing system components.

Answer: TRUE

Diff: 1 Page Ref: 26

55) A systems development project consists of _____ general phases.

Answer: three

Diff: 1 Page Ref: 23

56) The purpose of the _____ approach is to assist in the orderly development of effective systems.

Answer: systems

Diff: 2 Page Ref: 23

57) Many companies prefer business process _____ because they find it more cost-effective than designing their own system from the ground up.

Answer: blueprinting

Diff: 2 Page Ref: 24

58) A philosophy of _____ design fosters a set of attitudes and an approach to systems development that consciously considers the organizational context.

Answer: user-oriented

Diff: 2 Page Ref: 25

59) Middle management uses _____ information in an organization.

Answer: tactical

Diff: 2 Page Ref: 2

60) The source for most information used by lower-level managers is largely _____.

Answer: internal

Diff: 2 Page Ref: 2

61) There are _____ major categories of information systems within an organization.

Answer: seven

Diff: 2 Page Ref: 3

62) A(n) _____ information system is tailored to the strategic information needs of top-level management.

Answer: executive

Diff: 1 Page Ref: 5

63) A(n) _____ system manages all contact with customers.

Answer: customer relation management (CRM)

Diff: 1 Page Ref: 4

64) A(n) _____ system encompasses the planning and management of all activities involved in sourcing, procurement, conversion, and logistics management activities.

Answer: supply chain management (SCM)

Diff: 1 Page Ref: 4

65) A group of loosely-connected companies that work together to maximize the value of their economic outputs is a(n) _____.

Answer: extended enterprise

Diff: 2 Page Ref: 4

66) The IT benefits for AISs are _____, _____, and _____.

Answer: automation, information organization, and communication

Diff: 2 Page Ref: 5

67) Application _____ involves the process of ensuring the suite of organization's applications work together in order to meet organizational goals and objectives.

Answer: architecture

Diff: 2 Page Ref: 6

68) _____ software assists management in managing inventories and scheduling production.

Answer: MRP

Diff: 1 Page Ref: 6

69) In _____ computers take control of the entire production process (CIM) but also can be reprogrammed so the same processes can produce entirely different products.

Answer: flexible manufacturing systems (FMSs)

Diff: 2 Page Ref: 6

70) The _____ management approach involves the application of knowledge, skills, tools, techniques and systems to manage and improve organizational processes to better meet customers' needs and maximize profitability.

Answer: process

Diff: 2 Page Ref: 6

71) The ISO 9001 is a(n) _____-management standard published by the International Standards Organization.

Answer: quality

Diff: 2 Page Ref: 6

72) _____ combines functional information systems in a single software package and a single database.

Answer: enterprise resource planning (ERP)

Diff: 1 Page Ref: 7

73) ERP II adds collaborative _____ to ERP.

Answer: commerce

Diff: 2 Page Ref: 8

74) Enterprise _____ suite uses a group of individual packages that work with each other on a web browser as opposed to one large ERP software package.

Answer: application

Diff: 2 Page Ref: 8

75) The linking of applications in suite is facilitated through a _____.

Answer: service oriented architecture (SOA)

Diff: 2 Page Ref: 8

76) A business process is an interrelated set of tasks that involve data, _____ units, and a logical time sequence.

Answer: organizational

Diff: 3 Page Ref: 8

77) A simple way of viewing the company's activities in a manner suited to analyzing its competitive advantages is known as the _____.

Answer: value chain

Diff: 1 Page Ref: 9

78) The controller is the executive in charge of _____ activities of the organization, while the treasurer supervises the _____ activities.

Answer: accounting; financial

Diff: 1 Page Ref: 14

79) Events related to the acquisition of goods and services from other entities and the settlement of related obligations are in the _____ cycle; events related to the transformation of resources into goods and services are in the _____ cycle.

Answer: expenditure; production

Diff: 1 Page Ref: 11

80) A common violation of the _____ principle is the delegation of both accounting and financial responsibilities to the same individual or department.

Answer: segregation

Diff: 2 Page Ref: 13

81) The _____ is the head of the information systems function in an organization.

Answer: CIO (chief information officer)

Diff: 2 Page Ref: 15

82) A _____ committee is an advisory group who can influence the policies, budget, and planning of information services within an organization.

Answer: steering

Diff: 2 Page Ref: 16

83) Radio frequency identification tags (RFID) can be either _____, _____, or _____.

Answer: active, passive, or semi-passive

Diff: 3 Page Ref: 19

84) The main focus of _____ manufacturing is eliminating waste and improving production flow.

Answer: lean

Diff: 1 Page Ref: 20

85) The three major categories of waste under the original Toyota Production System (TPS) are _____, _____, and _____.

Answer: muda, muri, and mura

Diff: 3 Page Ref: 20

86) Green IT is concerned with reducing _____ through recycling and reusing electronic products rather than discarding these products.

Answer: e-waste

Diff: 1 Page Ref: 26

87) A just-in-time (JIT) environment is characterized by activities occurring in a _____ environment.

Answer: continuous flow

Diff: 1 Page Ref: 20

88) A(n) _____ is a type of information system that supports nonroutine needs for information, while _____ systems support routine, nonrecurring information needs.

Answer: decision support system; DP

Diff: 2 Page Ref: 4

89) _____ is an automated clearing house system used for the clearing of Eurodollar payments between U.S. and non-U.S. financial institutions.

Answer: CHIPS

Diff: 3 Page Ref: 22

90) The term that best describes an information system that is tailored to the strategic information needs of top-level management is a/an

- A) accounting information system.
- B) expert system.
- C) executive information system.
- D) EDP system.

Answer: C

Diff: 1 Page Ref: 5

91) Which of the following is **not** an example of a common functional MIS subsystem?

- A) Decision support system
- B) Marketing information system
- C) Manufacturing information system
- D) Human resources information system

Answer: A

Diff: 1 Page Ref: 4

92) Which of the following is **not** a common transaction processing cycle found in business organizations?

- A) Expenditure cycle
- B) Accounting cycle
- C) Production cycle
- D) Revenue cycle

Answer: B

Diff: 2 Page Ref: 11

93) Which of the following transaction processing cycles concerns events related to the distribution of goods and services to other organizations and the collection of related payments?

- A) Production
- B) Expenditure
- C) Financial reporting
- D) Revenue

Answer: D

Diff: 1 Page Ref: 11

94) The transaction processing cycle that is concerned with the events related to the transformation of resources into goods and services is

- A) production.
- B) revenue.
- C) financial reporting.
- D) expenditure.

Answer: A

Diff: 1 Page Ref: 11

95) A system that manages all contacts with customers is a _____ system.

- A) customer value chain
- B) customer relation management
- C) customer supply chain management
- D) customer requirements planning

Answer: B

Diff: 1 Page Ref: 4

96) A(n) _____ is a group of loosely-connected companies that work together to maximize the value of their economic outputs.

- A) extended enterprise
- B) enterprise resource planners
- C) enterprise suite
- D) value chain consortium

Answer: A

Diff: 2 Page Ref: 4

97) A(n) _____ system encompasses the planning and management of all activities involved in sourcing, procurement, conversion, and logistics management activities.

- A) CRM
- B) SCM
- C) DS
- D) ES

Answer: B

Diff: 2 Page Ref: 4

98) The fundamental benefits of information technology for AISs include the following **except**

- A) communication.
- B) information organization.
- C) systems development.
- D) automation.

Answer: C

Diff: 1 Page Ref: 5

99) _____ involves the process of ensuring the suite of organization's applications work together as a composite application according to the goals and objectives of the organization.

- A) Applications requirements planning
- B) Enterprise application structure
- C) Enterprise resource planning
- D) Applications architecture

Answer: D

Diff: 2 Page Ref: 6

100) Material requirements planning software assists management in managing

- A) inventories.
- B) overhead.
- C) scheduling production.
- D) both inventories and scheduling production.

Answer: D

Diff: 2 Page Ref: 6

101) The international quality-management standard credited for promoting the process management approach is the

- A) Six Sigma.
- B) ISA-95.
- C) ISO 9001.
- D) ISA-Y2K.

Answer: C

Diff: 2 Page Ref: 6

102) Which systems permit the reprogramming of computers to produce entirely different products in the same manufacturing facility with the same equipment?

- A) MRP and MRP II
- B) CIMs and FMSs
- C) ESs and FMSs
- D) ERPs and MRPs

Answer: B

Diff: 2 Page Ref: 6

103) A complete systems solution involving one software package and one database is referred to as

- A) ERP.
- B) MRP.
- C) SCM.
- D) DSS.

Answer: A

Diff: 1 Page Ref: 7

104) The following are benefits of an ERP except for the ability

- A) to eliminate data duplication and redundancy.
- B) to standardize data formats.
- C) to easily share data from various departments.
- D) to easily customize software to meet company needs.

Answer: D

Diff: 1 Page Ref: 7-8

105) Groups of organizations working together to create new products, new process methods, and/or human capital intelligence is referred to as a(n)

- A) ERP.
- B) e-commerce.
- C) collaborative commerce.
- D) application consortium.

Answer: C

Diff: 2 Page Ref: 8

106) A group of individual software applications designed to run in web browsers and facilitated through a service oriented architecture (SOA) is referred to as a(n)

- A) ERP II.
- B) application architecture.
- C) value chain application suite.
- D) enterprise application suite.

Answer: D

Diff: 2 Page Ref: 8

107) What language facilitates business to business commerce through the extended value chain, which includes both manufacturers and their suppliers?

- A) VCML
- B) XBRL
- C) HTML
- D) COBOL

Answer: A

Diff: 3 Page Ref: 10

108) The staff position which would generally report to the treasurer rather than to the controller is

- A) budgeting.
- B) accounts payable.
- C) credit manager.
- D) cost accounting.

Answer: C

Diff: 1 Page Ref: 14

109) The high-level executive who supervises accounting functions such as budgeting, billing, and payroll is known as the

- A) treasurer.
- B) controller.
- C) chief information officer.
- D) chief internal auditor.

Answer: B

Diff: 2 Page Ref: 14

110) The three general phases of systems development projects and the order in which they occur are

- A) systems design, systems implementation, and systems analysis.
- B) systems design, systems implementation, and systems auditing.
- C) systems design, systems analysis, and systems programming.
- D) systems analysis, systems design, and systems implementation.

Answer: D

Diff: 2 Page Ref: 23

111) The functional subsystem of a management information system that would likely obtain data on wage and payroll tax summaries, benefit information, and government regulations is called the

- A) human resources information system.
- B) manufacturing information system.
- C) financial information system.
- D) marketing information system.

Answer: A

Diff: 2 Page Ref: 4

112) When information levels within an organization are viewed as a pyramid, strategic information is used primarily by

- A) lower-level management.
- B) top-level management.
- C) middle management.
- D) lower-level and middle management.

Answer: B

Diff: 2 Page Ref: 2

113) From an organization's viewpoint, a distinction can be drawn between the following two broad classes of accounting information

- A) historical and future.
- B) strategic and operational.
- C) internal and external.
- D) mandatory and discretionary.

Answer: D

Diff: 2 Page Ref: 3

114) Which item listed below is **not** considered a primary business process?

- A) Marketing
- B) Outbound sales logistics
- C) Technology development
- D) Service

Answer: C

Diff: 2 Page Ref: 9

115) Which of the following is **not** an objective of internal control as a process?

- A) Reliability of financial reporting
- B) Accuracy of accounting information
- C) Compliance with applicable laws and regulations
- D) Effectiveness and efficiency of operations

Answer: B

Diff: 1 Page Ref: 13

116) The preparation of forecasts and analyses used by management in planning and controlling the operations of the organization is generally a(n)

- A) budgeting function.
- B) tax planning function.
- C) accounting manager function.
- D) treasurer function.

Answer: A

Diff: 2 Page Ref: 14

117) The internal audit function within an organization should be considered a(n)

- A) activity supervised by the controller.
- B) sub function of the treasurer.
- C) independent appraisal activity.
- D) optional service provided by the firm's external auditors.

Answer: C

Diff: 2 Page Ref: 15

118) The area of functional specialization which is responsible for the design, coding, testing, and debugging of computer programs is the

- A) technical support function.
- B) user function.
- C) operations function.
- D) programming function.

Answer: D

Diff: 1 Page Ref: 16

119) Information retrieval from the organization's database using the query language feature of DBMS is a common

- A) programming function.
- B) technical support function.
- C) EUC application.
- D) ES application.

Answer: C

Diff: 3 Page Ref: 17

120) The technological philosophy that emphasizes "customer satisfaction" to the point of "customer obsession" is known as

- A) TQP.
- B) EDI.
- C) TQM.
- D) TQP and TQM.

Answer: D

Diff: 1 Page Ref: 18

121) Which of the following is **not** a consumer benefit of Web commerce?

- A) There is no waiting for a salesperson or product information.
- B) There is automatic electronic encoding of transaction data.
- C) Web-based transactions are encrypted providing security.
- D) Intelligent Web-based software can provide answers to complicated questions.

Answer: B

Diff: 2 Page Ref: 21

122) Which of the following is **not** a benefit of electronic data interchange (EDI)?

- A) Electronic mail messages are interpreted by humans.
- B) EDI eliminates paper.
- C) EDI saves time.
- D) EDI may allow for EFT payments to vendor accounts.

Answer: A

Diff: 2 Page Ref: 22

123) Which of the statements below is **false** regarding extensible business reporting language (XBRL)?

- A) Many experts feel that XBRL will replace EDI.
- B) XBRL is in effect a narrower standard than the ANSI X.12 standard for EDI.
- C) The SEC allows use of the XBRL format.
- D) XBRL facilitates the exchange of business documents over the Internet.

Answer: B

Diff: 3 Page Ref: 22

124) The Clearing House Automated Payment System is also known as

- A) FedWire.
- B) CHIPS.
- C) CHAPS.
- D) EFT.

Answer: C

Diff: 1 Page Ref: 22

125) Which of the steps below is **not** part of the systems approach process?

- A) Creation of alternatives
- B) Statement of system objective(s)
- C) Systems evaluation
- D) All of the answers are steps in the systems approach process.

Answer: D

Diff: 1 Page Ref: 23

126) Which of the following is **not** one of the criteria of the design specification step of the systems approach to design?

- A) Using a team approach in many cases
- B) Sufficient detailed specifications for implementation process
- C) Identification of system inputs
- D) Strategies for producing system outputs

Answer: A

Diff: 3 Page Ref: 24

127) Which of the following is **not** an objective of a design group or project team charged with creating and implementing a new information system?

- A) Securing funding for a new information system
- B) Identifying needs to be satisfied by a new system
- C) Developing technical specifications for a new system
- D) Implementation of a new system

Answer: A

Diff: 2 Page Ref: 23

128) Which of the following is **not** an objective of internal control?

- A) Reliability of financial reporting
- B) Effectiveness and efficiency of operations
- C) Relevance of financial statements
- D) Compliance with applicable laws and regulations

Answer: C

Diff: 2 Page Ref: 13

129) An important quick response technology used to track objects using radio signals is called

- A) sonic tagging.
- B) radio frequency identification.
- C) object frequency tagging.
- D) frequency waves identification.

Answer: B

Diff: 2 Page Ref: 19

130) RFID tags include all of the following **except**

- A) active tags.
- B) passive tags.
- C) inactive tags.
- D) semi-passive tags.

Answer: C

Diff: 2 Page Ref: 19-20

131) Which of the following is **not** associated with lean manufacturing?

- A) CRM
- B) Toyota Production System
- C) Eliminating waste
- D) JIT

Answer: A

Diff: 2 Page Ref: 20

132) The following are EDI standards **except**

- A) ANSI X.12.
- B) AS2.
- C) eBXML.
- D) ISO-95.

Answer: D

Diff: 2 Page Ref: 22

133) Green IT is concerned with

- A) reducing e-waste by reusing and or refurbishing IT products.
- B) using less fuel in the creation of IT systems.
- C) designing more efficient systems in order to reduce necessary storage requirements.
- D) Green IT is concerned with all of the above.

Answer: A

Diff: 2 Page Ref: 25

134) The exchange of business documents such as purchase orders and invoices in an electronic format between the computers of separate organizations is known as:

- A) e-mail
- B) electronic data interchange
- C) computer-integrated information system
- D) electronic document exchange

Answer: B

Diff: 1 Page Ref: 21

135) Which of the following specialized information systems would be the most useful in providing information for routine decisions?

- A) Decision support system
- B) Expert system
- C) Executive information system
- D) Accounting information system

Answer: D

Diff: 2 Page Ref: 4

136) Which of the following is **not** an example of good internal control?

- A) Having adequate records
- B) Being sure that everyone clearly understands his or her own responsibilities
- C) Making sure that each department is responsible for keeping its own accounting records
- D) Having periodic physical checks (or counts) of the inventory

Answer: C

Diff: 2 Page Ref: 13

137) Which officer, department, or division within an organization is responsible for monitoring the other departments to ensure that the organization's policies and procedures are being carried out?

- A) Internal auditing
- B) Vice President for Administration
- C) Chief Information Officer
- D) A steering committee

Answer: A

Diff: 2 Page Ref: 14

138) Which of the following is used to ensure a high-degree of user involvement in the control of an information systems department?

- A) Maintenance programmers
- B) Operations manager
- C) Technical support committee
- D) Steering committee

Answer: D

Diff: 2 Page Ref: 16

139) Which of the following is **not** a merchant benefit of Web commerce?

- A) Cost savings through automated ordering
- B) Worldwide availability of the company's products
- C) No waiting in line for a salesperson or to obtain product information
- D) Low overhead

Answer: C

Diff: 1 Page Ref: 21

140) A company known for its use of blueprints in systems design for clients is:

- A) SAM
- B) SAP
- C) SAS
- D) SAR

Answer: B

Diff: 1 Page Ref: 24

141) When should the actual users of a system be involved when a new system is being developed?

- A) As soon as the new system is implemented
- B) After all unexpected bugs and glitches have been found and corrected
- C) Only after all employees have been thoroughly trained to use the new system
- D) Throughout the design of the new system

Answer: D

Diff: 2 Page Ref: 25

142) Which of the following information characteristics pertains to the situation when a lower-level manager receives a well-defined, narrowly focused report, while a top-level manager receives a report covering more general topics?

- A) level of aggregation
- B) time horizon
- C) scope
- D) required accuracy

Answer: C

Diff: 3 Page Ref: 2

143) When a management report is discretionary rather than mandatory, the primary consideration should be:

- A) that there are benefits to be obtained by producing the report
- B) that the benefits obtained by producing the report exceed the cost of its production
- C) to minimize the cost of producing the report while maintaining minimum standards of usefulness
- D) to minimize the cost of producing the report while maintaining minimum standards of reliability and accuracy

Answer: B

Diff: 3 Page Ref: 3

144) Which of the following groups would **not** be considered external users of the company's information?

- A) factory supervisors
- B) creditors
- C) investors
- D) labor unions

Answer: A

Diff: 2 Page Ref: 2

145) Internal users of reports from a company's information system might include all of the following except its:

- A) chief executive officer
- B) stockholders
- C) payroll department
- D) lower-level managers

Answer: B

Diff: 2 Page Ref: 2

146) A report prepared exclusively for use by this group is almost always mandatory:

- A) the company's labor union
- B) the Internal Revenue Service
- C) the company's main bank
- D) the company's main supplier of its raw materials

Answer: B

Diff: 2 Page Ref: 3

147) In the systems approach to administering a systems project, which of the following phases should be performed first?

- A) Creating alternatives
- B) Analyzing the system
- C) Implementing the system
- D) Stating the system's objectives

Answer: D

Diff: 2 Page Ref: 23

148) A way of viewing company activities that breaks the activities down into components that can be individually optimized in terms of goals and strategies is known as the:

- A) primary business process
- B) accounting information system
- C) value chain
- D) internal control process

Answer: C

Diff: 2 Page Ref: 9

149) Software that integrates business processes on a company-wide basis is called:

- A) Enterprise Resource Planning
- B) Executive information systems
- C) Expert systems
- D) Manufacturing information systems

Answer: A

Diff: 2 Page Ref: 7

150) An accounting information system plays a key role in the internal control process, thereby helping management with its major responsibility of:

- A) managing the internal audit function
- B) stewardship
- C) global-level marketing
- D) managing the production cycle

Answer: B

Diff: 2 Page Ref: 13

151) Which statement regarding internal control is **false**?

- A) Documentation is not a critical component of an internal control system.
- B) Ideally, a task can be divided to make job functions as natural checks on each other.
- C) A specific person should ideally be responsible for each task or job function.
- D) All records should allow cross-referencing from one area of responsibility to another.

Answer: A

Diff: 2 Page Ref: 13

152) An organization's internal control process consists of how many elements?

- A) Six
- B) Four
- C) Five
- D) Seven

Answer: C

Diff: 2 Page Ref: 13

153) When viewing a typical organization chart, the individual responsible for the finances of the business is the

- A) controller.
- B) president.
- C) vice president.
- D) treasurer.

Answer: D

Diff: 1 Page Ref: 14

154) Presented below is a list of terms relating to accounting information systems, followed by definitions of those terms.

Required: Match the letter next to each definition with the appropriate term. Each answer will be used only once.

- _____ 1. Chief Information Officer
- _____ 2. Treasurer
- _____ 3. Transaction processing cycle
- _____ 4. Technical support function
- _____ 5. Computer-integrated manufacturing
- _____ 6. End user
- _____ 7. Controller
- _____ 8. Expert system
- _____ 9. Systems analysis
- _____ 10. Segregation of duties

- A. A common division or section within the information systems department
- B. The individual who supervises accounting functions
- C. An example of an internal control
- D. Individual who has overall responsibility for the information system function
- E. The first step in the systems development approach
- F. The department which has supervision over cash and credit activities
- G. A type of information system which requires an inference engine to make a decision for the user
- H. One or more applications systems consisting of logically related transactions
- I. An integrated approach to the use of information technology in manufacturing systems
- J. A department or section of an organization that uses the organization's computer data processing other than the information systems department

Answer:

- 1. D 6. J
- 2. F 7. B
- 3. H 8. G
- 4. A 9. E
- 5. I 10. C

Diff: 2 Page Ref: 26-28

155) Presented below is a list of terms relating to accounting information systems, followed by definitions of those terms.

Required: Match the letter next to each definition with the appropriate term. Each answer will be used only once.

- _____ 1. XBRL
- _____ 2. Telecommuting
- _____ 3. JIT
- _____ 4. Total quality management
- _____ 5. OA
- _____ 6. Primary business processes
- _____ 7. Value chain
- _____ 8. Web Trust
- _____ 9. DSS
- _____ 10. Executive information system

- A. A way of viewing the company's activities in a manner suited to analyzing competitive advantages
- B. Allows employees to work at home and still have direct interaction with the organization's information systems
- C. An information system tailored to the information needs of top management
- D. A synonym for the acronym TQP
- E. A universal formatting language used for exchanging business documents via the Internet
- F. The use of electronic technology in the office or workplace
- G. Data are processed into a decision-making format for the end user
- H. A continuous flow environment that seeks to minimize or totally eliminate inventories
- I. Involves inbound and outbound logistics, operations, marketing, and service
- J. Seal of approval from the AICPA certifying that a Web site has met certain standards

Answer:

- 1. E 6. I
- 2. B 7. A
- 3. H 8. J
- 4. D 9. G
- 5. F 10. C

Diff: 2 Page Ref: 26-28

156) Explain what is meant by "internal control," and give two examples.

Answer: Suggested answer:

Internal control consists of the policies and procedures established to provide reasonable assurance that specific organizational objectives will be achieved.

Examples mentioned in the chapter include:

- segregation of duties
- establishment of responsibilities
- adequate records
- periodic inventory counts
- providing an internal audit function

Diff: 2 Page Ref: 12-15

157) Explain the three fundamental benefits of information technology to accounting information systems.

Answer: Suggested answer:

The student's response should explain the benefits of automation, information organization, and communication.

Automation includes replacing humans with machines; performing tasks impossible for humans without computers such as analyzing large quantities of data, producing complicated reports on demand, and moving towards real-time financial reporting.

Information organization includes automated transactions plus DASDs and DB technology making it possible to record, store, and organize larger amounts of data than would otherwise be humanly possible.

Communication technologies are a key component in the development of AISs. Communication technologies include developing Internet-based collaborative platforms, electronically coordinating business activities, and enhancing the effectiveness of extended enterprises.

Diff: 2 Page Ref: 5

158) Give four components that may be found in an organization's quick-response system and briefly describe each component.

Answer: Suggested answer:

Possible components of a quick-response system are:

- Electronic data interchange (EDI): the direct computer-to-computer exchange of business documents via a communications network.
- Just-in-time (JIT) inventory system: a continuous flow environment that seeks to minimize or totally eliminate inventories.
- Computer-integrated manufacturing (CIM): an integrated approach to the use of information technology in manufacturing enterprises.
- Electronic funds transfer (EFT): payment systems in which processing and communications are primarily or totally electronic.

Students might also mention:

- Universal product code (UPC) bar code identification
- Point-of-sale (POS) retail terminals
- Quick-response technology is essential to total quality management/performance systems.
- Radio Frequency Identification (RFID)
- Web commerce, e-mail communication, and use of the Internet makes quick-response technology accessible to both organizations and individuals.

Diff: 2 Page Ref: 18-19

159) Briefly describe and distinguish technical support and user support.

Answer: Suggested answer:

Technical support is one of the five main functions of an information systems department. It is directed toward operating systems and software, data management and database design, and communications technology. The technical support area includes systems programming and software development using the conceptual system design and user requirements as determined by the analysis function. Technical support coordinates data storage and usage. Communications technology is concerned with the means by which data are transferred among networks.

User support is another of the five main functions of an information systems department. It is dedicated to the needs of end-users. An information center is a support facility in the user support area. It may provide hardware, software, and consultation to end-users. It assists users in developing and using their own computer processing applications.

Diff: 2 Page Ref: 16-17

160) Discuss the internal audit function within an organization.

Answer: Suggested answer:

The internal audit function in an organization has evolved as a response to the need for and complexity of adequate internal control. The internal audit function is charged with monitoring and assessing compliance with organizational policies and procedures.

The internal audit function can only be effective if it is treated as an independent appraisal activity within the organization. It should be placed at an organization level where it can function independently of other departments and organizational functions. In many organizations the director of internal auditing is found at the level of vice-president. This placement attests to the importance of internal auditing, as well as the need for independence from other departments and functions. The internal audit function must be segregated from the accounting function, and it must not have responsibility or authority for any operating activities of the organization.

Diff: 2 Page Ref: 14-15

161) Discuss the nature of systems development.

Answer: Suggested answer:

Most systems development projects consist of three general phases:

- Systems analysis
- Systems design
- Systems implementation

In the first phase, systems analysis involves creating and evaluating solutions to systems problems. There are three general objectives to systems analysis, summarized below:

- Improvement of the quality of information
- Improvement of internal control
- Minimize costs when it is appropriate

Within this phase, trade-offs will most likely be made among the objectives when the factors of economics, simplicity, and usefulness are considered to create, implement, and maintain a system.

Systems design, as the second phase of systems development, specifies the details of the solution selected via the systems analysis process. In this phase, alternative system designs are evaluated for their effectiveness and efficiency, using the overall system requirements as a benchmark.

Systems implementation, the third phase, is a process where the revised or newly designed procedures and methods are placed into operation. This phase includes testing of the system prior to its implementation, documentation, and reviewing the actual system to verify that it is working according to design specifications.

Diff: 2 Page Ref: 23-24

162) Describe an enterprise resource planning system to include the pros and cons of this type of system.

Answer: Suggested answer:

ERP provide a complete solution by combining various functional information systems under one software package and one database. This eliminates data redundancy, aids a company in pursuing "best practices," and functional areas operating with the same data elements with the ability to share information seamlessly.

In an effort to implement an ERP, most companies will not pursue "best practices" as defined by the ERP software, therefore customization is typical. This dramatically increases costs, adds to implementation time, and increases the chance of failure.

Enterprise application suite may provide a solution for companies not ready to commit to implementing a complete ERP.

Diff: 2 Page Ref: 7-8