Chapter 1

*Student: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

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| 1. | An accounting information system is a set of interrelated:      |  |  | | --- | --- | | A. | Activities and documents only. |  |  |  | | --- | --- | | B. | Activities and technologies only. |  |  |  | | --- | --- | | C. | Documents and technologies only. |  |  |  | | --- | --- | | D. | Activities, documents and technologies. | |

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| 2. | The components of an accounting information system are designed to collect \_\_\_ and report \_\_\_.      |  |  | | --- | --- | | A. | Data; information |  |  |  | | --- | --- | | B. | Data; data |  |  |  | | --- | --- | | C. | Information; information |  |  |  | | --- | --- | | D. | Information; data | |

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| 3. | An accounting information system is defined by the text as a set of three interrelated elements. Which of the following choices best gives an example of **each** element?      |  |  | | --- | --- | | A. | Buying inventory, selling inventory, balance sheet |  |  |  | | --- | --- | | B. | Buying inventory, sales invoice, general ledger software |  |  |  | | --- | --- | | C. | Selling inventory, sales invoice, balance sheet |  |  |  | | --- | --- | | D. | Selling inventory, writing a check, general ledger software | |

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| 4. | An accounting information system transforms inputs into outputs via processes such as:      |  |  | | --- | --- | | A. | Journalizing transactions and posting them to the ledger |  |  |  | | --- | --- | | B. | Identifying the elements of the FASB Conceptual Framework |  |  |  | | --- | --- | | C. | Always utilizing information technology |  |  |  | | --- | --- | | D. | Recognizing and adapting to the cost-benefit constraint | |

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| 5. | Which of the following best fits the definition of an accounting information system explained in the text?      |  |  | | --- | --- | | A. | A checkbook register |  |  |  | | --- | --- | | B. | A publicly-traded corporation's financial statements |  |  |  | | --- | --- | | C. | Processed source documents leading to the general purpose financial statements |  |  |  | | --- | --- | | D. | An Excel spreadsheet of financial statement ratios | |

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| 6. | April compiled checks, receipts and invoices, then entered them into Quickbooks. She printed out her financial statements and took them to the bank as documentation for a loan application. In that scenario, checks, receipts and invoices could be referred to as:      |  |  | | --- | --- | | A. | Documents and data |  |  |  | | --- | --- | | B. | Data and information |  |  |  | | --- | --- | | C. | Documents and information |  |  |  | | --- | --- | | D. | Documents, data and information | |

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| 7. | Claudia borrowed money from her bank, signing a five-year note payable. She then calculated the monthly payment needed to pay off the loan within three years. Which of the following statements is/are most true?      |  |  | | --- | --- | | A. | The required monthly payment is an example of "information," as the term is used in the definition of an accounting information system. |  |  |  | | --- | --- | | B. | The five-year note payable would be considered a "technology" if it were prepared with computer software. |  |  |  | | --- | --- | | C. | Both the required monthly payment is an example of "information," as the term is used in the definition of an accounting information system and the five-year note payable would be considered a "technology" if it were prepared with computer software are true. |  |  |  | | --- | --- | | D. | Neither the required monthly payment is an example of "information," as the term is used in the definition of an accounting information system nor the five-year note payable would be considered a "technology" if it were prepared with computer software is true. | |

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| 8. | Claudia borrowed money from her bank, signing a five-year note payable. She then calculated the monthly payment needed to pay off the loan within three years. Based on the definition of an accounting information system provided in the text, the five-year note payable could be considered: (i) an input, (ii) an output, (iii) a document.      |  |  | | --- | --- | | A. | I and II only |  |  |  | | --- | --- | | B. | I and III only |  |  |  | | --- | --- | | C. | II and III only |  |  |  | | --- | --- | | D. | I, II and III | |

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| 9. | Eugene is a self-employed business owner. In February 2011, he gathered together his income and expense records for 2010. He used them, along with appropriate software, to prepare his tax return, which he then transmitted to the Internal Revenue Service. Has Eugene used an accounting information system based on the definition provided in the text?      |  |  | | --- | --- | | A. | Yes, because he used software to prepare his tax return. |  |  |  | | --- | --- | | B. | Yes, because all elements of the definition are present. |  |  |  | | --- | --- | | C. | No, because all accounting information systems must produce general purpose financial statements. |  |  |  | | --- | --- | | D. | No, because no internal decision maker is mentioned. | |

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| 10. | The vice president for customer service of First United Bank determined that Lee had overpaid his mortgage. The bank sent Lee a letter asking him if he wanted a refund of the overpayment or if he wanted to apply it to future mortgage payments. Has the vice president for customer service used an accounting information system based on the definition provided in the text?      |  |  | | --- | --- | | A. | No, because no mention is made of software. |  |  |  | | --- | --- | | B. | No, because the letter does not constitute an output. |  |  |  | | --- | --- | | C. | No, because no mention is made of general purpose financial statements. |  |  |  | | --- | --- | | D. | Yes, because all elements of the definition are present or implied. | |

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| 11. | Accounting information systems is an important area of study for future accountants because: (i) Developing a strong accounting information system helps achieve some of the components of the FASB Conceptual Framework of Accounting, (ii) Studying AIS helps students develop many of the core competencies suggested by the AICPA, (iii) Acquiring knowledge about AIS helps students learn more about common business processes.      |  |  | | --- | --- | | A. | (i) and (ii) only |  |  |  | | --- | --- | | B. | (ii) and (iii) only |  |  |  | | --- | --- | | C. | (i) and (iii) only |  |  |  | | --- | --- | | D. | (i), (ii) and (iii) | |

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| 12. | Accounting information systems is an important area of study for future accountants because a well-designed AIS can respond to many elements of the FASB Conceptual Framework. All of the following are parts of the conceptual framework except:      |  |  | | --- | --- | | A. | Principles of debit and credit |  |  |  | | --- | --- | | B. | Objective of financial reporting |  |  |  | | --- | --- | | C. | Elements of financial statements |  |  |  | | --- | --- | | D. | Qualitative characteristics of accounting information | |

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| 13. | Which of the following best explains why AIS is an important area of study for future accountants?      |  |  | | --- | --- | | A. | AIS connects other areas of accounting, such as intermediate and cost accounting. |  |  |  | | --- | --- | | B. | AIS connects accounting with other subjects, such as finance and management. |  |  |  | | --- | --- | | C. | Both AIS connects other areas of accounting, such as intermediate and cost accounting and AIS connects accounting with other subjects, such as finance and management. |  |  |  | | --- | --- | | D. | Neither AIS connects other areas of accounting, such as intermediate and cost accounting nor AIS connects accounting with other subjects, such as finance and management. | |

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| 14. | AIS is an important area of study for future accountants because a well-designed AIS can recognize and adapt to the cost-benefit constraint. Which of the following statements is most true?      |  |  | | --- | --- | | A. | Nonfinancial costs and benefits are less important than financial costs and benefits in designing an AIS. |  |  |  | | --- | --- | | B. | Resistance to change is a potential cost when making changes to the AIS. |  |  |  | | --- | --- | | C. | Financial statement users benefit from more information when it comes from the AIS. |  |  |  | | --- | --- | | D. | Source documents should be electronic, rather than paper-based, because electronic documents are more cost effective. | |

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| 15. | AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following best pairs an element of the conceptual framework with a specific example of that element?      |  |  | | --- | --- | | A. | Relevance, land reported at historical cost |  |  |  | | --- | --- | | B. | Consistency, land reported at historical cost |  |  |  | | --- | --- | | C. | Matching, land is not depreciated |  |  |  | | --- | --- | | D. | Gain, difference between historical cost and current market value for land used in operations | |

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| 16. | AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following statements is most true?      |  |  | | --- | --- | | A. | Land is reported as an asset on the balance sheet; assets are one element of financial statements in the conceptual framework. |  |  |  | | --- | --- | | B. | The difference between land's current market value and its historical cost is reported as a gain on the income statement; gains are one element of financial statements in the conceptual framework. |  |  |  | | --- | --- | | C. | Because of the qualitative characteristic of consistency, publicly traded corporations cannot change their accounting methods. |  |  |  | | --- | --- | | D. | Because of the qualitative characteristic of reliability, publicly traded corporations cannot change their accounting methods. | |

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| 17. | AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following statements about qualitative characteristics of accounting information is most true?      |  |  | | --- | --- | | A. | Reliability is more important than relevance. |  |  |  | | --- | --- | | B. | Relevance is more important than reliability. |  |  |  | | --- | --- | | C. | Reliability must sometimes be sacrificed to attain relevance. |  |  |  | | --- | --- | | D. | Tradeoffs between relevance and reliability violate the cost-benefit constraint. | |

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| 18. | VTR Corporation's accounting information system recently reported the following information: Cost of goods sold, $1,500. Inventory, $15,000. Unearned service fees, $3,000. Service fees earned, $8,000. Which element of financial statements is **not** included in the preceding data?      |  |  | | --- | --- | | A. | Assets |  |  |  | | --- | --- | | B. | Equity |  |  |  | | --- | --- | | C. | Expense |  |  |  | | --- | --- | | D. | Liabilities | |

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| 19. | Which of the following elements of the conceptual framework fit within the same category?      |  |  | | --- | --- | | A. | Economic entity, historical cost |  |  |  | | --- | --- | | B. | Conservatism, historical cost |  |  |  | | --- | --- | | C. | Economic entity, conservatism |  |  |  | | --- | --- | | D. | Conservatism, materiality | |

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| 20. | Which of the following exemplifies "materiality" as the term is used in the FASB conceptual framework?      |  |  | | --- | --- | | A. | BCC Corporation purchased a $30 wastebasket with an expected useful life of 10 years. BCC charged the entire cost to expense in the period incurred. |  |  |  | | --- | --- | | B. | Reported account balances in DPT Corporation's financial statements are rounded to the nearest whole dollar. |  |  |  | | --- | --- | | C. | Both BCC Corporation purchased a $30 wastebasket with an expected useful life of 10 years. BCC charged the entire cost to expense in the period incurred and reported account balances in DPT Corporation's financial statements are rounded to the nearest whole dollar. |  |  |  | | --- | --- | | D. | Neither BCC Corporation purchased a $30 wastebasket with an expected useful life of 10 years. BCC charged the entire cost to expense in the period incurred nor reported account balances in DPT Corporation's financial statements are rounded to the nearest whole dollar. | |

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| 21. | Which of the following statements about AIS is most true?      |  |  | | --- | --- | | A. | Compared to introductory accounting, AIS is more likely to have problems with nondeterministic answers. |  |  |  | | --- | --- | | B. | Compared to introductory accounting, AIS is less likely to have problems with nondeterministic answers. |  |  |  | | --- | --- | | C. | Introductory accounting and AIS are equally likely to have problems with nondeterministic answers. |  |  |  | | --- | --- | | D. | All problems in AIS have nondeterministic answers. | |

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| 22. | Which of the following statements about AIS is most true?      |  |  | | --- | --- | | A. | The topics studied in an AIS course are unrelated to those in other accounting courses. |  |  |  | | --- | --- | | B. | AIS is the only area of accounting that involves questions with nondeterministic answers. |  |  |  | | --- | --- | | C. | The five generic elements of an AIS can be discussed in other areas of accounting. |  |  |  | | --- | --- | | D. | All of these statements are true. | |

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| 23. | AIS study sometimes involves questions with deterministic answers. Which of the following questions is most likely to have a deterministic answer?      |  |  | | --- | --- | | A. | How should a company record the purchase of supplies on account in its AIS? |  |  |  | | --- | --- | | B. | In a corporation with sales of $100,000 annually, what dollar amount should be considered material? |  |  |  | | --- | --- | | C. | Which processing tools should the AIS use? |  |  |  | | --- | --- | | D. | Has the conceptual framework achieved the FASB's original objective for developing it? | |

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| 24. | Joe has completed all his accounting coursework and is ready to graduate. In his education, he has learned how to: analyze source documents, use Excel, make journal entries and prepare tax returns. Which generic element of the AIS is missing from that list?      |  |  | | --- | --- | | A. | Inputs |  |  |  | | --- | --- | | B. | Outputs |  |  |  | | --- | --- | | C. | Storage |  |  |  | | --- | --- | | D. | Processes | |

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| 25. | Which of the following statements best demonstrates a similarity between AIS and other areas of study in accounting?      |  |  | | --- | --- | | A. | AIS is primarily concerned with numbers. |  |  |  | | --- | --- | | B. | Communication skills are important in AIS. |  |  |  | | --- | --- | | C. | Both AIS is primarily concerned with numbers and communication skills are important in AIS. |  |  |  | | --- | --- | | D. | Neither AIS is primarily concerned with numbers nor communication skills are important in AIS. | |

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| 26. | Which of the following statements best demonstrates a difference between AIS and other areas of study in accounting?      |  |  | | --- | --- | | A. | General ledger software can only be used in AIS. |  |  |  | | --- | --- | | B. | The matching principle is less important in AIS than in other areas of accounting. |  |  |  | | --- | --- | | C. | AIS often looks at the "big picture" of accounting. |  |  |  | | --- | --- | | D. | Topics studied in AIS courses are not typically included on accounting professional exams. | |

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| 27. | AIS can be linked to other areas of study in accounting by focusing on the five generic elements of the AIS. Which of the following is a **process** that might be studied in management or cost accounting?      |  |  | | --- | --- | | A. | Components of the master budget |  |  |  | | --- | --- | | B. | How to prepare the master budget |  |  |  | | --- | --- | | C. | Both components of the master budget and how to prepare the master budget |  |  |  | | --- | --- | | D. | Neither components of the master budget nor how to prepare the master budget | |

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| 28. | AIS can be linked to other areas of study in accounting by focusing on the five generic elements of the AIS. Which of the following pairs a generic element of the AIS with a specific example from financial accounting?      |  |  | | --- | --- | | A. | Bank reconciliation, internal control |  |  |  | | --- | --- | | B. | Adjusting entries, output |  |  |  | | --- | --- | | C. | Financial statements, storage |  |  |  | | --- | --- | | D. | FASB Conceptual Framework, input | |

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| 29. | In an auditing course, students develop their decision making skills, learn how to conduct a financial statement audit and learn the various types of audit reports. Which of the following therefore links AIS with auditing?      |  |  | | --- | --- | | A. | Communication skills |  |  |  | | --- | --- | | B. | Professional judgment |  |  |  | | --- | --- | | C. | Both communication skills and professional judgment |  |  |  | | --- | --- | | D. | Neither communication skills nor professional judgment | |

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| 30. | In management accounting, students learn to prepare budgets, calculate cost variances and interpret those variances. Which of the following best links those topics with AIS study?      |  |  | | --- | --- | | A. | Use of professional judgment |  |  |  | | --- | --- | | B. | Journal entry preparation |  |  |  | | --- | --- | | C. | Both use of professional judgment and journal entry preparation |  |  |  | | --- | --- | | D. | Neither use of professional judgment nor journal entry preparation | |

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| 31. | The generic structure of most accounting information systems comprises \_\_\_ elements.      |  |  | | --- | --- | | A. | Three |  |  |  | | --- | --- | | B. | Four |  |  |  | | --- | --- | | C. | Five |  |  |  | | --- | --- | | D. | More than five | |

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| 32. | Which generic element of the AIS is focused on master files, transaction files and junction files?      |  |  | | --- | --- | | A. | Inputs |  |  |  | | --- | --- | | B. | Processes |  |  |  | | --- | --- | | C. | Outputs |  |  |  | | --- | --- | | D. | Storage | |

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| 33. | Which of the following is an example of an AIS output?      |  |  | | --- | --- | | A. | Journal entries |  |  |  | | --- | --- | | B. | Statement of cash flows |  |  |  | | --- | --- | | C. | Sales transaction file |  |  |  | | --- | --- | | D. | General ledger software | |

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| 34. | Ethan is an accountant for a small startup business. He is trying to decide if the business should use paper-based journals and ledgers or a spreadsheet to record transactions. He is therefore making a decision about which generic element of the AIS?      |  |  | | --- | --- | | A. | Inputs |  |  |  | | --- | --- | | B. | Processes |  |  |  | | --- | --- | | C. | Outputs |  |  |  | | --- | --- | | D. | Technology | |

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| 35. | Sienna used a stack of sales invoices to record journal entries in the AIS. She used those entries and others to prepare an income statement that was later reviewed by her supervisor. All the generic elements of the AIS are represented in Sienna's actions **except**:      |  |  | | --- | --- | | A. | Internal controls |  |  |  | | --- | --- | | B. | Outputs |  |  |  | | --- | --- | | C. | Storage |  |  |  | | --- | --- | | D. | Inputs | |

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| 36. | Sienna used a stack of sales invoices to record journal entries in the AIS. She used those entries and others to prepare an income statement that was later reviewed by her supervisor. The supervisor's review could best be described as which generic element of the AIS?      |  |  | | --- | --- | | A. | Input |  |  |  | | --- | --- | | B. | Output |  |  |  | | --- | --- | | C. | Process |  |  |  | | --- | --- | | D. | Internal control | |

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| 37. | The generic elements of an AIS include inputs and outputs. Which of the following statements about them is most true?      |  |  | | --- | --- | | A. | Inputs should be paper-based; outputs should be electronic. |  |  |  | | --- | --- | | B. | Outputs should be paper-based; inputs should be electronic. |  |  |  | | --- | --- | | C. | If inputs are paper-based, outputs should also be paper-based. |  |  |  | | --- | --- | | D. | If inputs are electronic, outputs could be either paper-based or electronic. | |

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| 38. | The generic elements of an AIS include processes and storage. Which of the following statements about them is most true?      |  |  | | --- | --- | | A. | Both require internal controls, but the specific controls may be different. |  |  |  | | --- | --- | | B. | Both require identical internal controls. |  |  |  | | --- | --- | | C. | Storage is not subject to internal controls, but processes are. |  |  |  | | --- | --- | | D. | Processes are not subject to internal controls, but storage is. | |

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| 39. | Storage is one generic element of the AIS; the text explains that data stored electronically often are grouped into three types of files. Which of the following includes three examples of the same file type?      |  |  | | --- | --- | | A. | Purchases, cash receipts, sales |  |  |  | | --- | --- | | B. | Inventory, cash receipts, sales |  |  |  | | --- | --- | | C. | Purchases, cash, sales |  |  |  | | --- | --- | | D. | Inventory, cash, sales | |

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| 40. | Storage is one generic element of the AIS; the text explains that data stored electronically often are grouped into three types of files. Which of the following includes one example of each file type?      |  |  | | --- | --- | | A. | Purchases, sales, inventory |  |  |  | | --- | --- | | B. | Purchases, inventory, purchases/inventory |  |  |  | | --- | --- | | C. | Cash receipts, cash payments, cash on hand |  |  |  | | --- | --- | | D. | Sales, cost of goods sold, inventory | |

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| 41. | Information literacy is the ability to \_\_\_ information in all of its various formats.      |  |  | | --- | --- | | A. | Find and evaluate |  |  |  | | --- | --- | | B. | Use and communicate |  |  |  | | --- | --- | | C. | Find, evaluate, use and communicate |  |  |  | | --- | --- | | D. | Use and evaluate | |

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| 42. | According to the University of Maryland's University College, information should be evaluated based on \_\_\_ criteria.      |  |  | | --- | --- | | A. | Two |  |  |  | | --- | --- | | B. | Three |  |  |  | | --- | --- | | C. | Four |  |  |  | | --- | --- | | D. | Five |  |  |  | | --- | --- | | E. | More than five | |

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| 43. | Which of the following best summarizes "authority," as the term is used in information evaluation?      |  |  | | --- | --- | | A. | Only people with college degrees have true authority to publish. |  |  |  | | --- | --- | | B. | An author cannot evaluate information. |  |  |  | | --- | --- | | C. | The author's credentials should be described as clearly and completely as possible. |  |  |  | | --- | --- | | D. | The more authors a paper has, the more authoritative it is. | |

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| 44. | Which of the following best explains the idea of "currency," as the term is used in evaluating information?      |  |  | | --- | --- | | A. | Information more than five years old should never be used. |  |  |  | | --- | --- | | B. | Financial information is always more accurate than nonfinancial information. |  |  |  | | --- | --- | | C. | Authors without a current college degree have no authority to publish. |  |  |  | | --- | --- | | D. | Users should consider the relationship between the subject and the publication date. | |

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| 45. | Bumble Beasley, a recent accounting graduate from a private, for-profit university, started his own accounting consulting firm. His web page discussed internal controls, inputs, processes and outputs in relation to the design and implementation of accounting information systems. Should his web page be considered a good source of information about the generic structure of AIS?      |  |  | | --- | --- | | A. | Yes. Because he has a college degree, he has authority. |  |  |  | | --- | --- | | B. | Yes. Because he is a recent graduate, the information is current. |  |  |  | | --- | --- | | C. | No. Since his degree is from a private, for-profit university, he cannot be objective. |  |  |  | | --- | --- | | D. | No. He is in violation of at least one of the UMUC criteria for evaluating information. | |

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| 46. | A consulting company summarized the key provisions of the Sarbanes-Oxley Act in a half-page flyer, which was then mailed to prospective clients. The flyer contained the name of the consulting company, but did not identify any of its employees by name. In addition to objectivity, the flyer is most likely in violation of which UMUC criterion for information evaluation?      |  |  | | --- | --- | | A. | Authority |  |  |  | | --- | --- | | B. | Accuracy |  |  |  | | --- | --- | | C. | Currency |  |  |  | | --- | --- | | D. | Coverage | |

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| 47. | UMUC identified several criteria for evaluating information. Which of the following statements is most true?      |  |  | | --- | --- | | A. | Any piece of information that does not meet all five should be ignored. |  |  |  | | --- | --- | | B. | Meeting any three of the five criteria indicates that information must be considered. |  |  |  | | --- | --- | | C. | Authority and accuracy are more important than the other criteria. |  |  |  | | --- | --- | | D. | The importance of each category depends upon the source and intended use of the information. | |

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| 48. | Ahmed was writing a paper summarizing three processes common in most organizations; his specific focus was on for-profit manufacturing organizations. In terms of the UMUC criteria for information evaluation, Ahmed's paper is most likely to violate:      |  |  | | --- | --- | | A. | Coverage, because it discusses only three processes. |  |  |  | | --- | --- | | B. | Currency, because it does not focus on dollar amounts. |  |  |  | | --- | --- | | C. | Authority, because Ahmed has no authority to write such a paper. |  |  |  | | --- | --- | | D. | Relevance, because it focuses on for-profit manufacturing organizations. | |

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| 49. | As a requirement of his AIS course, Ahmed was preparing a short paper on why AIS is an important area of study for future accountants. In terms of the UMUC information literacy criteria, which of the following statements is most true?      |  |  | | --- | --- | | A. | Ahmed has sufficient authority to write the paper; he does not need to consult outside sources. |  |  |  | | --- | --- | | B. | To meet the accuracy criterion, he must discuss exactly three reasons. |  |  |  | | --- | --- | | C. | By consulting at least five sources, Ahmed will be sure to meet the objectivity criterion. |  |  |  | | --- | --- | | D. | His paper may have sufficient coverage if he discusses at least three reasons. | |

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| 50. | Gloria wrote a paper on the AICPA core competencies for her accounting information systems class. She organized the paper in three main parts: broad business perspective competencies, functional competencies, conceptual framework competencies. In terms of the UMUC criteria for information evaluation, which of the following statements is most true?      |  |  | | --- | --- | | A. | Gloria must add at least one section for the paper to have sufficient coverage. |  |  |  | | --- | --- | | B. | Gloria must add one section and delete one section for the paper to have sufficient coverage. |  |  |  | | --- | --- | | C. | Unless the paper is published within six months, it will not be current. |  |  |  | | --- | --- | | D. | The section on conceptual framework competencies must discuss all elements of the conceptual framework. | |

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| 51. | The AICPA Core Competency framework comprises three parts. Which of the following best pairs a specific competency with the correct part?      |  |  | | --- | --- | | A. | Resource management, broad business perspective |  |  |  | | --- | --- | | B. | Risk analysis, functional |  |  |  | | --- | --- | | C. | Both resource management, broad business perspective and risk analysis, functional |  |  |  | | --- | --- | | D. | Neither resource management, broad business perspective nor risk analysis, functional | |

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| 52. | The AICPA Core Competency framework comprises three parts. All of the following competencies belong to the same part **except**:      |  |  | | --- | --- | | A. | Problem solving |  |  |  | | --- | --- | | B. | Decision making |  |  |  | | --- | --- | | C. | Communication |  |  |  | | --- | --- | | D. | Research | |

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| 53. | Studying AIS helps students understand business processes from an accounting perspective. Which of the following activities would commonly be associated with the financing process?      |  |  | | --- | --- | | A. | Selling goods and services on credit |  |  |  | | --- | --- | | B. | Issuing equity securities |  |  |  | | --- | --- | | C. | Making payments to vendors |  |  |  | | --- | --- | | D. | Hiring employees to work in the finance department | |

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| 54. | Studying AIS helps students understand business processes from an accounting perspective. Which of the following general ledger accounts would be unique to a company with a conversion process?      |  |  | | --- | --- | | A. | Work in process |  |  |  | | --- | --- | | B. | Inventory |  |  |  | | --- | --- | | C. | Supplies |  |  |  | | --- | --- | | D. | Payroll expense | |

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| 55. | An accounting information system comprises five generic parts. Which of the following gives an example of an internal control associated with the sales/collection process?      |  |  | | --- | --- | | A. | Depositing cash in the bank daily |  |  |  | | --- | --- | | B. | Adequately supervising employees who handle inventory |  |  |  | | --- | --- | | C. | Both depositing cash in the bank daily and adequately supervising employees who handle inventory |  |  |  | | --- | --- | | D. | Neither depositing cash in the bank daily nor adequately supervising employees who handle inventory | |

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| 56. | An accounting information system comprises five generic parts. Which of the following gives an example of an internal control associated with the financing process?      |  |  | | --- | --- | | A. | Maintaining a good credit rating to facilitate the issuance of bonds and other debt securities. |  |  |  | | --- | --- | | B. | Evaluating employees in the finance department on a quarterly basis. |  |  |  | | --- | --- | | C. | Both maintaining a good credit rating to facilitate the issuance of bonds and other debt securities and evaluating employees in the finance department on a quarterly basis. |  |  |  | | --- | --- | | D. | Neither maintaining a good credit rating to facilitate the issuance of bonds and other debt securities nor evaluating employees in the finance department on a quarterly basis. | |

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| 57. | Most accounting information systems comprise five parts. Which of the following must be used as a processing tool in the AIS?      |  |  | | --- | --- | | A. | Spreadsheets |  |  |  | | --- | --- | | B. | Relational databases |  |  |  | | --- | --- | | C. | Both spreadsheets and relational databases |  |  |  | | --- | --- | | D. | Neither spreadsheets nor relational databases | |

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| 58. | JPS Corporation's accounting information system includes sales invoices, general ledger software, spreadsheets and customer files. JPS is careful to maintain adequate separation of duties as well. To provide one example of each generic element of the AIS, that list should replace \_\_\_ with \_\_\_.      |  |  | | --- | --- | | A. | Spreadsheets; operational budgets |  |  |  | | --- | --- | | B. | Customer files; sales transaction files |  |  |  | | --- | --- | | C. | General ledger software; satellites |  |  |  | | --- | --- | | D. | Adequate separation of duties; regular AIS data backup | |

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| 59. | Accounting information systems has links with other areas of accounting study, including financial accounting. Which of the following combines an example of an AIS output with information you would expect to find in the output?      |  |  | | --- | --- | | A. | Income statement, net sales broken down by product line |  |  |  | | --- | --- | | B. | Journal entries, accounts to debit and credit |  |  |  | | --- | --- | | C. | Balance sheet, listing of current asset accounts with their balances |  |  |  | | --- | --- | | D. | All of these | |

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| 60. | Accounting information systems has links with other areas of accounting study, including financial accounting. Which of the following combines an example of AIS storage with information you would expect to find in it?      |  |  | | --- | --- | | A. | Balance sheet, listing of current asset accounts with their balances |  |  |  | | --- | --- | | B. | Master file, customer address |  |  |  | | --- | --- | | C. | Both balance sheet, listing of current asset accounts with their balances and master file, customer address |  |  |  | | --- | --- | | D. | Neither balance sheet, listing of current asset accounts with their balances nor master file, customer address | |

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| 61. | Which generic element of the AIS is most closely associated with each of the following questions?  a. Beyond the general-purpose financial statements, what other reports will managers and system users need? b. How many copies of each source document will be required? c. How should the AIS be designed to facilitate the production of other reports? d. If computer-based tools are used in the AIS, which software and hardware packages should be implemented? e. Should AIS tools be manual, computer-based or both? f. Under what conditions can/should data be destroyed? g. What behavioral effects are controls likely to have? h. What controls are necessary to promote information integrity in the AIS? i. What kinds of source documents will system users need? j. Where should data be stored? |

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| 62. | Which UMUC evaluation criterion is indicated by each of the following questions?  a. Can you establish the writer's credentials? b. Can you tell when the source was created/written? c. Can you tell who created the information? d. Does the information contain advertising? e. Does the information contain any obvious errors of fact? f. Does the source cover the subject with sufficient depth? g. Does the source tell you where the information came from? h. Is the information available freely? i. Is the source still under construction? j. When was the last time the source was updated? |

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| 63. | Which generic AIS element is exemplified by each item below?  a. Balance sheet b. Customer's check c. General ledger software d. Requiring two signatures on checks over $500 e. Sales invoice f. Sales transaction file g. Spreadsheet software h. Statement of cash flows i. Storing accounting records in a locked filing cabinet j. Vendor master file |

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| 64. | AIS is an important area of study for future accountants, since a well-designed AIS can respond to many elements of the FASB Conceptual Framework. Indicate which element of financial statements from the FASB Conceptual Framework best describes each item below.  a. Accounts payable b. Cash c. Common stock d. Cost of goods sold e. Depreciation expense f. Interest earned g. Inventory h. Loss on sale of land i. Retained earnings j. Sales |

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| 65. | Thuy is an accountant at RPA Corporation. When RPA sells inventory, Thuy receives a sales invoice indicating the number of units sold, the sales price, sales tax assessed and the total amount paid by the customer. Thuy makes a journal entry using general ledger software. At the end of each quarter, Thuy prepares RPA's general-purpose financial statements, as well as a comparison of budgeted sales to actual sales. The general-purpose financial statements are sent to the SEC, while the budgeted-to-actual comparison is reviewed by RPA's management. From the preceding paragraph, give one example of each of the following elements from the definition of AIS presented in the text:  a. Activity b. Data c. Document d. External decision maker e. Information f. Internal decision maker g. Processing h. Technology |

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| 66. | In contrast with other areas of accounting, AIS more frequently involves problems with non-deterministic answers. Which questions in the list below have non-deterministic answers?  a. How do you calculate depreciation using the straight-line method? b. How many accountants should ITI Corporation hire? c. Should ITI Corporation expand its operations to other countries? d. Should ITI Corporation reconcile its bank statement at least once a month? e. Should ITI Corporation use Quickbooks or Peachtree for transaction processing? f. Should Thai use information from textbooks as one source in a paper for her AIS course? g. What is the journal entry to record a cash sale? h. Which inventory cost flow assumption (FIFO, LIFO) does ITI Corporation use? i. Which local bank should ITI Corporation do business with? j. With respect to financial reporting, is relevance more important than reliability? |

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| 67. | For each independent case below: (1) indicate which source better fulfills the indicated UMUC criterion for information evaluation AND (2) circle the phrase that led you to your decision.  a. Objectivity:  i. A Wall Street Journal article about financial statement fraud cases, written by an investigative reporter whose contact information is provided ii. A presentation on financial statement fraud cases, given by an experienced independent consultant to prospective clients  b. Accuracy:  i. A web site that correctly defines six elements of financial statements from the FASB Conceptual Framework ii. An article that accurately gives examples of four constraints from the FASB Conceptual Framework  c. Authority:  i. A presentation delivered by a retired IRS agent on tax fraud ii. An attorney's web site recommending strategies for avoiding tax audits  d. Currency:  i. A web site last modified in 2010 that gives examples of internal controls for international companies ii. A 2009 article in a practitioner journal that gives examples of how companies are implementing international financial reporting standards  e. Coverage:  i. An article titled "Elements of the Balance Sheet" that explains (only) the difference between current assets and plant assets ii. An article titled "Emerging Technologies in Accounting" that briefly discusses three new technologies used by a single company |

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| 68. | Bumble Beasley was preparing a paper for his AIS course that explained the connections between the definition of AIS and the generic elements of the AIS. He created the pairings listed in the table below:      Complete the table by suggesting one item that exemplifies both the definition component and the generic element. For example, "making journal entries" is both an activity (in terms of the definition) and a process (in terms of the generic elements). |

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| 69. | A well-designed AIS can respond to many parts of the FASB Conceptual Framework. Descriptions of the assumptions, principles and constraints of the framework are listed below in alphabetic order. Group them as they are found in the conceptual framework.  a. A company will continue in business long enough to satisfy its current obligations. b. A company's accounting records should be kept separate from those of its owner. c. Absent other information, assets are recorded and reported at their purchase price. d. Financial statements should include complete information for making decisions. e. For financial reporting purposes, we divide the life of a business into quarters, years or some other measurement of time. f. Revenue should be recorded in the AIS when goods and services are exchanged. g. The benefits of obtaining information should outweigh the cost of obtaining it. h. The costs of earning revenue should be put on the same income statement with the revenue they generate. i. The value of a dollar is constant over time. j. When a dollar amount is too small to make a significant difference in decision making, other accounting rules may be ignored. k. When faced with a choice of methods, make the choice that puts the business in the worst possible financial light. |

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| 70. | Indicate whether each of the following statements is: (a) always true, (b) sometimes true or (c) never true.  1. AIS outputs are important only in AIS and financial accounting. 2. An accounting information system can determine materiality without human intervention. 3. Financial accounting can involve unstructured problems. 4. Internal controls cut across many areas of accounting study. 5. The objective of an accounting information system is to report true financial data. |

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| 71. | In your own words, define "accounting information system." |

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| 72. | AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the FASB Conceptual Framework. List the parts of the FASB Conceptual Framework. (You do not need to list the items in each part.) |

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| 73. | You have been hired as a consultant to design and implement a new accounting information system for PRI Corporation. Explain how you would structure the AIS. Give two examples of each structural element; also indicate one question you would ask PRI's management to assist in your work. (Do not use examples and questions listed in the text.) |

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| 74. | List and discuss two similarities and two differences between AIS and other areas of accounting. |

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| 75. | The accounting staff at NSR Corporation have compiled a list of risks the company needs to address for its information technology; they plan to prepare a report recommending internal controls that address each risk. They have located the five sources of information listed below, but want to use no more than three in their report. Use the UMUC criteria to explain which sources they should use.  a. A software documentation manual for the general ledger system used at NSR Corporation. The manual contains a section on troubleshooting the software, which briefly discusses common risks and problems associated with its installation. The manual's title page lists the software company as its author. b. A web site, first published in 2009 and last updated in 2014, for an information technology consulting firm. The web site lists and discusses twenty common internal controls for information technology based on the firm's past clients. c. An article published in Information Security, a practitioner journal. The article, published in 2013, was co-authored by a university professor and the chief information officer of a Fortune 100 corporation. It analyzes five common internal controls for information technology, including a description of each control, the costs of implementing it and the benefits of implementing it. d. The American Institute of CPAs list of "top ten technologies" for 2014, published on the AICPA web site. The list was developed via a survey of practicing CPAs throughout the United States; it includes several items related to information technology control, and also provides suggestions about where to find additional information. e. The third edition of a management information systems textbook. It was published in 1999 and includes two chapters on information technology security. The textbook was written by a team of three authors: one information systems auditor with three years' experience, and two university professors with advanced degrees but little experience. |

Chapter 1 Key

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| 1. | An accounting information system is a set of interrelated:      |  |  | | --- | --- | | A. | Activities and documents only. |  |  |  | | --- | --- | | B. | Activities and technologies only. |  |  |  | | --- | --- | | C. | Documents and technologies only. |  |  |  | | --- | --- | | **D.** | Activities, documents and technologies. | |

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| *AACSB: Analytical Thinking AICPA: BB Leveraging Technology Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #1 Learning Objective: 01-01 Define "accounting information systems." Topic: Definition of AIS* |

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| 2. | The components of an accounting information system are designed to collect \_\_\_ and report \_\_\_.      |  |  | | --- | --- | | **A.** | Data; information |  |  |  | | --- | --- | | B. | Data; data |  |  |  | | --- | --- | | C. | Information; information |  |  |  | | --- | --- | | D. | Information; data | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #2 Learning Objective: 01-01 Define "accounting information systems." Topic: Components of AIS* |

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| 3. | An accounting information system is defined by the text as a set of three interrelated elements. Which of the following choices best gives an example of **each** element?      |  |  | | --- | --- | | A. | Buying inventory, selling inventory, balance sheet |  |  |  | | --- | --- | | **B.** | Buying inventory, sales invoice, general ledger software |  |  |  | | --- | --- | | C. | Selling inventory, sales invoice, balance sheet |  |  |  | | --- | --- | | D. | Selling inventory, writing a check, general ledger software | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #3 Learning Objective: 01-01 Define "accounting information systems." Topic: Definition of AIS* |

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| 4. | An accounting information system transforms inputs into outputs via processes such as:      |  |  | | --- | --- | | **A.** | Journalizing transactions and posting them to the ledger |  |  |  | | --- | --- | | B. | Identifying the elements of the FASB Conceptual Framework |  |  |  | | --- | --- | | C. | Always utilizing information technology |  |  |  | | --- | --- | | D. | Recognizing and adapting to the cost-benefit constraint | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #4 Learning Objective: 01-01 Define "accounting information systems." Topic: Components of AIS* |

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| 5. | Which of the following best fits the definition of an accounting information system explained in the text?      |  |  | | --- | --- | | A. | A checkbook register |  |  |  | | --- | --- | | B. | A publicly-traded corporation's financial statements |  |  |  | | --- | --- | | **C.** | Processed source documents leading to the general purpose financial statements |  |  |  | | --- | --- | | D. | An Excel spreadsheet of financial statement ratios | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #5 Learning Objective: 01-01 Define "accounting information systems." Topic: Definition of AIS* |

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| 6. | April compiled checks, receipts and invoices, then entered them into Quickbooks. She printed out her financial statements and took them to the bank as documentation for a loan application. In that scenario, checks, receipts and invoices could be referred to as:      |  |  | | --- | --- | | A. | Documents and data |  |  |  | | --- | --- | | B. | Data and information |  |  |  | | --- | --- | | C. | Documents and information |  |  |  | | --- | --- | | **D.** | Documents, data and information | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #6 Learning Objective: 01-01 Define "accounting information systems." Topic: Definition of AIS* |

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| 7. | Claudia borrowed money from her bank, signing a five-year note payable. She then calculated the monthly payment needed to pay off the loan within three years. Which of the following statements is/are most true?      |  |  | | --- | --- | | **A.** | The required monthly payment is an example of "information," as the term is used in the definition of an accounting information system. |  |  |  | | --- | --- | | B. | The five-year note payable would be considered a "technology" if it were prepared with computer software. |  |  |  | | --- | --- | | C. | Both the required monthly payment is an example of "information," as the term is used in the definition of an accounting information system and the five-year note payable would be considered a "technology" if it were prepared with computer software are true. |  |  |  | | --- | --- | | D. | Neither the required monthly payment is an example of "information," as the term is used in the definition of an accounting information system nor the five-year note payable would be considered a "technology" if it were prepared with computer software is true. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #7 Learning Objective: 01-01 Define "accounting information systems." Topic: Definition of AIS* |

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| 8. | Claudia borrowed money from her bank, signing a five-year note payable. She then calculated the monthly payment needed to pay off the loan within three years. Based on the definition of an accounting information system provided in the text, the five-year note payable could be considered: (i) an input, (ii) an output, (iii) a document.      |  |  | | --- | --- | | A. | I and II only |  |  |  | | --- | --- | | B. | I and III only |  |  |  | | --- | --- | | C. | II and III only |  |  |  | | --- | --- | | **D.** | I, II and III | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #8 Learning Objective: 01-01 Define "accounting information systems." Topic: Definition of AIS* |

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| 9. | Eugene is a self-employed business owner. In February 2011, he gathered together his income and expense records for 2010. He used them, along with appropriate software, to prepare his tax return, which he then transmitted to the Internal Revenue Service. Has Eugene used an accounting information system based on the definition provided in the text?      |  |  | | --- | --- | | A. | Yes, because he used software to prepare his tax return. |  |  |  | | --- | --- | | **B.** | Yes, because all elements of the definition are present. |  |  |  | | --- | --- | | C. | No, because all accounting information systems must produce general purpose financial statements. |  |  |  | | --- | --- | | D. | No, because no internal decision maker is mentioned. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #9 Learning Objective: 01-01 Define "accounting information systems." Topic: Definition of AIS* |

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| 10. | The vice president for customer service of First United Bank determined that Lee had overpaid his mortgage. The bank sent Lee a letter asking him if he wanted a refund of the overpayment or if he wanted to apply it to future mortgage payments. Has the vice president for customer service used an accounting information system based on the definition provided in the text?      |  |  | | --- | --- | | A. | No, because no mention is made of software. |  |  |  | | --- | --- | | B. | No, because the letter does not constitute an output. |  |  |  | | --- | --- | | C. | No, because no mention is made of general purpose financial statements. |  |  |  | | --- | --- | | **D.** | Yes, because all elements of the definition are present or implied. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #10 Learning Objective: 01-01 Define "accounting information systems." Topic: Definition of AIS* |

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| 11. | Accounting information systems is an important area of study for future accountants because: (i) Developing a strong accounting information system helps achieve some of the components of the FASB Conceptual Framework of Accounting, (ii) Studying AIS helps students develop many of the core competencies suggested by the AICPA, (iii) Acquiring knowledge about AIS helps students learn more about common business processes.      |  |  | | --- | --- | | **A.** | (i) and (ii) only |  |  |  | | --- | --- | | B. | (ii) and (iii) only |  |  |  | | --- | --- | | C. | (i) and (iii) only |  |  |  | | --- | --- | | D. | (i), (ii) and (iii) | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #11 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 12. | Accounting information systems is an important area of study for future accountants because a well-designed AIS can respond to many elements of the FASB Conceptual Framework. All of the following are parts of the conceptual framework except:      |  |  | | --- | --- | | **A.** | Principles of debit and credit |  |  |  | | --- | --- | | B. | Objective of financial reporting |  |  |  | | --- | --- | | C. | Elements of financial statements |  |  |  | | --- | --- | | D. | Qualitative characteristics of accounting information | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #12 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 13. | Which of the following best explains why AIS is an important area of study for future accountants?      |  |  | | --- | --- | | A. | AIS connects other areas of accounting, such as intermediate and cost accounting. |  |  |  | | --- | --- | | B. | AIS connects accounting with other subjects, such as finance and management. |  |  |  | | --- | --- | | **C.** | Both AIS connects other areas of accounting, such as intermediate and cost accounting and AIS connects accounting with other subjects, such as finance and management. |  |  |  | | --- | --- | | D. | Neither AIS connects other areas of accounting, such as intermediate and cost accounting nor AIS connects accounting with other subjects, such as finance and management. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #13 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 14. | AIS is an important area of study for future accountants because a well-designed AIS can recognize and adapt to the cost-benefit constraint. Which of the following statements is most true?      |  |  | | --- | --- | | A. | Nonfinancial costs and benefits are less important than financial costs and benefits in designing an AIS. |  |  |  | | --- | --- | | **B.** | Resistance to change is a potential cost when making changes to the AIS. |  |  |  | | --- | --- | | C. | Financial statement users benefit from more information when it comes from the AIS. |  |  |  | | --- | --- | | D. | Source documents should be electronic, rather than paper-based, because electronic documents are more cost effective. | |

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| *AACSB: Analytical Thinking AICPA: BB Industry Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #14 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 15. | AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following best pairs an element of the conceptual framework with a specific example of that element?      |  |  | | --- | --- | | A. | Relevance, land reported at historical cost |  |  |  | | --- | --- | | B. | Consistency, land reported at historical cost |  |  |  | | --- | --- | | **C.** | Matching, land is not depreciated |  |  |  | | --- | --- | | D. | Gain, difference between historical cost and current market value for land used in operations | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #15 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 16. | AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following statements is most true?      |  |  | | --- | --- | | **A.** | Land is reported as an asset on the balance sheet; assets are one element of financial statements in the conceptual framework. |  |  |  | | --- | --- | | B. | The difference between land's current market value and its historical cost is reported as a gain on the income statement; gains are one element of financial statements in the conceptual framework. |  |  |  | | --- | --- | | C. | Because of the qualitative characteristic of consistency, publicly traded corporations cannot change their accounting methods. |  |  |  | | --- | --- | | D. | Because of the qualitative characteristic of reliability, publicly traded corporations cannot change their accounting methods. | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #16 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 17. | AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following statements about qualitative characteristics of accounting information is most true?      |  |  | | --- | --- | | A. | Reliability is more important than relevance. |  |  |  | | --- | --- | | B. | Relevance is more important than reliability. |  |  |  | | --- | --- | | **C.** | Reliability must sometimes be sacrificed to attain relevance. |  |  |  | | --- | --- | | D. | Tradeoffs between relevance and reliability violate the cost-benefit constraint. | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #17 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 18. | VTR Corporation's accounting information system recently reported the following information: Cost of goods sold, $1,500. Inventory, $15,000. Unearned service fees, $3,000. Service fees earned, $8,000. Which element of financial statements is **not** included in the preceding data?      |  |  | | --- | --- | | A. | Assets |  |  |  | | --- | --- | | **B.** | Equity |  |  |  | | --- | --- | | C. | Expense |  |  |  | | --- | --- | | D. | Liabilities | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #18 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 19. | Which of the following elements of the conceptual framework fit within the same category?      |  |  | | --- | --- | | A. | Economic entity, historical cost |  |  |  | | --- | --- | | B. | Conservatism, historical cost |  |  |  | | --- | --- | | C. | Economic entity, conservatism |  |  |  | | --- | --- | | **D.** | Conservatism, materiality | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #19 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 20. | Which of the following exemplifies "materiality" as the term is used in the FASB conceptual framework?      |  |  | | --- | --- | | A. | BCC Corporation purchased a $30 wastebasket with an expected useful life of 10 years. BCC charged the entire cost to expense in the period incurred. |  |  |  | | --- | --- | | B. | Reported account balances in DPT Corporation's financial statements are rounded to the nearest whole dollar. |  |  |  | | --- | --- | | **C.** | Both BCC Corporation purchased a $30 wastebasket with an expected useful life of 10 years. BCC charged the entire cost to expense in the period incurred and reported account balances in DPT Corporation's financial statements are rounded to the nearest whole dollar. |  |  |  | | --- | --- | | D. | Neither BCC Corporation purchased a $30 wastebasket with an expected useful life of 10 years. BCC charged the entire cost to expense in the period incurred nor reported account balances in DPT Corporation's financial statements are rounded to the nearest whole dollar. | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #20 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Importance of AIS* |

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| 21. | Which of the following statements about AIS is most true?      |  |  | | --- | --- | | **A.** | Compared to introductory accounting, AIS is more likely to have problems with nondeterministic answers. |  |  |  | | --- | --- | | B. | Compared to introductory accounting, AIS is less likely to have problems with nondeterministic answers. |  |  |  | | --- | --- | | C. | Introductory accounting and AIS are equally likely to have problems with nondeterministic answers. |  |  |  | | --- | --- | | D. | All problems in AIS have nondeterministic answers. | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #21 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 22. | Which of the following statements about AIS is most true?      |  |  | | --- | --- | | A. | The topics studied in an AIS course are unrelated to those in other accounting courses. |  |  |  | | --- | --- | | B. | AIS is the only area of accounting that involves questions with nondeterministic answers. |  |  |  | | --- | --- | | **C.** | The five generic elements of an AIS can be discussed in other areas of accounting. |  |  |  | | --- | --- | | D. | All of these statements are true. | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #22 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 23. | AIS study sometimes involves questions with deterministic answers. Which of the following questions is most likely to have a deterministic answer?      |  |  | | --- | --- | | **A.** | How should a company record the purchase of supplies on account in its AIS? |  |  |  | | --- | --- | | B. | In a corporation with sales of $100,000 annually, what dollar amount should be considered material? |  |  |  | | --- | --- | | C. | Which processing tools should the AIS use? |  |  |  | | --- | --- | | D. | Has the conceptual framework achieved the FASB's original objective for developing it? | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #23 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 24. | Joe has completed all his accounting coursework and is ready to graduate. In his education, he has learned how to: analyze source documents, use Excel, make journal entries and prepare tax returns. Which generic element of the AIS is missing from that list?      |  |  | | --- | --- | | A. | Inputs |  |  |  | | --- | --- | | B. | Outputs |  |  |  | | --- | --- | | **C.** | Storage |  |  |  | | --- | --- | | D. | Processes | |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #24 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS structure* |

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| 25. | Which of the following statements best demonstrates a similarity between AIS and other areas of study in accounting?      |  |  | | --- | --- | | A. | AIS is primarily concerned with numbers. |  |  |  | | --- | --- | | **B.** | Communication skills are important in AIS. |  |  |  | | --- | --- | | C. | Both AIS is primarily concerned with numbers and communication skills are important in AIS. |  |  |  | | --- | --- | | D. | Neither AIS is primarily concerned with numbers nor communication skills are important in AIS. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #25 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 26. | Which of the following statements best demonstrates a difference between AIS and other areas of study in accounting?      |  |  | | --- | --- | | A. | General ledger software can only be used in AIS. |  |  |  | | --- | --- | | B. | The matching principle is less important in AIS than in other areas of accounting. |  |  |  | | --- | --- | | **C.** | AIS often looks at the "big picture" of accounting. |  |  |  | | --- | --- | | D. | Topics studied in AIS courses are not typically included on accounting professional exams. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #26 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 27. | AIS can be linked to other areas of study in accounting by focusing on the five generic elements of the AIS. Which of the following is a **process** that might be studied in management or cost accounting?      |  |  | | --- | --- | | A. | Components of the master budget |  |  |  | | --- | --- | | **B.** | How to prepare the master budget |  |  |  | | --- | --- | | C. | Both components of the master budget and how to prepare the master budget |  |  |  | | --- | --- | | D. | Neither components of the master budget nor how to prepare the master budget | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #27 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 28. | AIS can be linked to other areas of study in accounting by focusing on the five generic elements of the AIS. Which of the following pairs a generic element of the AIS with a specific example from financial accounting?      |  |  | | --- | --- | | **A.** | Bank reconciliation, internal control |  |  |  | | --- | --- | | B. | Adjusting entries, output |  |  |  | | --- | --- | | C. | Financial statements, storage |  |  |  | | --- | --- | | D. | FASB Conceptual Framework, input | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #28 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 29. | In an auditing course, students develop their decision making skills, learn how to conduct a financial statement audit and learn the various types of audit reports. Which of the following therefore links AIS with auditing?      |  |  | | --- | --- | | A. | Communication skills |  |  |  | | --- | --- | | B. | Professional judgment |  |  |  | | --- | --- | | **C.** | Both communication skills and professional judgment |  |  |  | | --- | --- | | D. | Neither communication skills nor professional judgment | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #29 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 30. | In management accounting, students learn to prepare budgets, calculate cost variances and interpret those variances. Which of the following best links those topics with AIS study?      |  |  | | --- | --- | | **A.** | Use of professional judgment |  |  |  | | --- | --- | | B. | Journal entry preparation |  |  |  | | --- | --- | | C. | Both use of professional judgment and journal entry preparation |  |  |  | | --- | --- | | D. | Neither use of professional judgment nor journal entry preparation | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #30 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 31. | The generic structure of most accounting information systems comprises \_\_\_ elements.      |  |  | | --- | --- | | A. | Three |  |  |  | | --- | --- | | B. | Four |  |  |  | | --- | --- | | **C.** | Five |  |  |  | | --- | --- | | D. | More than five | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #31 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 32. | Which generic element of the AIS is focused on master files, transaction files and junction files?      |  |  | | --- | --- | | A. | Inputs |  |  |  | | --- | --- | | B. | Processes |  |  |  | | --- | --- | | C. | Outputs |  |  |  | | --- | --- | | **D.** | Storage | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #32 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 33. | Which of the following is an example of an AIS output?      |  |  | | --- | --- | | A. | Journal entries |  |  |  | | --- | --- | | **B.** | Statement of cash flows |  |  |  | | --- | --- | | C. | Sales transaction file |  |  |  | | --- | --- | | D. | General ledger software | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #33 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 34. | Ethan is an accountant for a small startup business. He is trying to decide if the business should use paper-based journals and ledgers or a spreadsheet to record transactions. He is therefore making a decision about which generic element of the AIS?      |  |  | | --- | --- | | A. | Inputs |  |  |  | | --- | --- | | **B.** | Processes |  |  |  | | --- | --- | | C. | Outputs |  |  |  | | --- | --- | | D. | Technology | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #34 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 35. | Sienna used a stack of sales invoices to record journal entries in the AIS. She used those entries and others to prepare an income statement that was later reviewed by her supervisor. All the generic elements of the AIS are represented in Sienna's actions **except**:      |  |  | | --- | --- | | A. | Internal controls |  |  |  | | --- | --- | | B. | Outputs |  |  |  | | --- | --- | | **C.** | Storage |  |  |  | | --- | --- | | D. | Inputs | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #35 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 36. | Sienna used a stack of sales invoices to record journal entries in the AIS. She used those entries and others to prepare an income statement that was later reviewed by her supervisor. The supervisor's review could best be described as which generic element of the AIS?      |  |  | | --- | --- | | A. | Input |  |  |  | | --- | --- | | B. | Output |  |  |  | | --- | --- | | C. | Process |  |  |  | | --- | --- | | **D.** | Internal control | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #36 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 37. | The generic elements of an AIS include inputs and outputs. Which of the following statements about them is most true?      |  |  | | --- | --- | | A. | Inputs should be paper-based; outputs should be electronic. |  |  |  | | --- | --- | | B. | Outputs should be paper-based; inputs should be electronic. |  |  |  | | --- | --- | | C. | If inputs are paper-based, outputs should also be paper-based. |  |  |  | | --- | --- | | **D.** | If inputs are electronic, outputs could be either paper-based or electronic. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #37 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 38. | The generic elements of an AIS include processes and storage. Which of the following statements about them is most true?      |  |  | | --- | --- | | **A.** | Both require internal controls, but the specific controls may be different. |  |  |  | | --- | --- | | B. | Both require identical internal controls. |  |  |  | | --- | --- | | C. | Storage is not subject to internal controls, but processes are. |  |  |  | | --- | --- | | D. | Processes are not subject to internal controls, but storage is. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #38 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 39. | Storage is one generic element of the AIS; the text explains that data stored electronically often are grouped into three types of files. Which of the following includes three examples of the same file type?      |  |  | | --- | --- | | **A.** | Purchases, cash receipts, sales |  |  |  | | --- | --- | | B. | Inventory, cash receipts, sales |  |  |  | | --- | --- | | C. | Purchases, cash, sales |  |  |  | | --- | --- | | D. | Inventory, cash, sales | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #39 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 40. | Storage is one generic element of the AIS; the text explains that data stored electronically often are grouped into three types of files. Which of the following includes one example of each file type?      |  |  | | --- | --- | | A. | Purchases, sales, inventory |  |  |  | | --- | --- | | **B.** | Purchases, inventory, purchases/inventory |  |  |  | | --- | --- | | C. | Cash receipts, cash payments, cash on hand |  |  |  | | --- | --- | | D. | Sales, cost of goods sold, inventory | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #40 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS generic elements* |

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| 41. | Information literacy is the ability to \_\_\_ information in all of its various formats.      |  |  | | --- | --- | | A. | Find and evaluate |  |  |  | | --- | --- | | B. | Use and communicate |  |  |  | | --- | --- | | **C.** | Find, evaluate, use and communicate |  |  |  | | --- | --- | | D. | Use and evaluate | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #41 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 42. | According to the University of Maryland's University College, information should be evaluated based on \_\_\_ criteria.      |  |  | | --- | --- | | A. | Two |  |  |  | | --- | --- | | B. | Three |  |  |  | | --- | --- | | C. | Four |  |  |  | | --- | --- | | **D.** | Five |  |  |  | | --- | --- | | E. | More than five | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #42 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 43. | Which of the following best summarizes "authority," as the term is used in information evaluation?      |  |  | | --- | --- | | A. | Only people with college degrees have true authority to publish. |  |  |  | | --- | --- | | B. | An author cannot evaluate information. |  |  |  | | --- | --- | | **C.** | The author's credentials should be described as clearly and completely as possible. |  |  |  | | --- | --- | | D. | The more authors a paper has, the more authoritative it is. | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #43 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 44. | Which of the following best explains the idea of "currency," as the term is used in evaluating information?      |  |  | | --- | --- | | A. | Information more than five years old should never be used. |  |  |  | | --- | --- | | B. | Financial information is always more accurate than nonfinancial information. |  |  |  | | --- | --- | | C. | Authors without a current college degree have no authority to publish. |  |  |  | | --- | --- | | **D.** | Users should consider the relationship between the subject and the publication date. | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #44 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 45. | Bumble Beasley, a recent accounting graduate from a private, for-profit university, started his own accounting consulting firm. His web page discussed internal controls, inputs, processes and outputs in relation to the design and implementation of accounting information systems. Should his web page be considered a good source of information about the generic structure of AIS?      |  |  | | --- | --- | | A. | Yes. Because he has a college degree, he has authority. |  |  |  | | --- | --- | | B. | Yes. Because he is a recent graduate, the information is current. |  |  |  | | --- | --- | | C. | No. Since his degree is from a private, for-profit university, he cannot be objective. |  |  |  | | --- | --- | | **D.** | No. He is in violation of at least one of the UMUC criteria for evaluating information. | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #45 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 46. | A consulting company summarized the key provisions of the Sarbanes-Oxley Act in a half-page flyer, which was then mailed to prospective clients. The flyer contained the name of the consulting company, but did not identify any of its employees by name. In addition to objectivity, the flyer is most likely in violation of which UMUC criterion for information evaluation?      |  |  | | --- | --- | | A. | Authority |  |  |  | | --- | --- | | B. | Accuracy |  |  |  | | --- | --- | | C. | Currency |  |  |  | | --- | --- | | **D.** | Coverage | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #46 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 47. | UMUC identified several criteria for evaluating information. Which of the following statements is most true?      |  |  | | --- | --- | | A. | Any piece of information that does not meet all five should be ignored. |  |  |  | | --- | --- | | B. | Meeting any three of the five criteria indicates that information must be considered. |  |  |  | | --- | --- | | C. | Authority and accuracy are more important than the other criteria. |  |  |  | | --- | --- | | **D.** | The importance of each category depends upon the source and intended use of the information. | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #47 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 48. | Ahmed was writing a paper summarizing three processes common in most organizations; his specific focus was on for-profit manufacturing organizations. In terms of the UMUC criteria for information evaluation, Ahmed's paper is most likely to violate:      |  |  | | --- | --- | | **A.** | Coverage, because it discusses only three processes. |  |  |  | | --- | --- | | B. | Currency, because it does not focus on dollar amounts. |  |  |  | | --- | --- | | C. | Authority, because Ahmed has no authority to write such a paper. |  |  |  | | --- | --- | | D. | Relevance, because it focuses on for-profit manufacturing organizations. | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #48 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 49. | As a requirement of his AIS course, Ahmed was preparing a short paper on why AIS is an important area of study for future accountants. In terms of the UMUC information literacy criteria, which of the following statements is most true?      |  |  | | --- | --- | | A. | Ahmed has sufficient authority to write the paper; he does not need to consult outside sources. |  |  |  | | --- | --- | | B. | To meet the accuracy criterion, he must discuss exactly three reasons. |  |  |  | | --- | --- | | C. | By consulting at least five sources, Ahmed will be sure to meet the objectivity criterion. |  |  |  | | --- | --- | | **D.** | His paper may have sufficient coverage if he discusses at least three reasons. | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #49 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 50. | Gloria wrote a paper on the AICPA core competencies for her accounting information systems class. She organized the paper in three main parts: broad business perspective competencies, functional competencies, conceptual framework competencies. In terms of the UMUC criteria for information evaluation, which of the following statements is most true?      |  |  | | --- | --- | | A. | Gloria must add at least one section for the paper to have sufficient coverage. |  |  |  | | --- | --- | | **B.** | Gloria must add one section and delete one section for the paper to have sufficient coverage. |  |  |  | | --- | --- | | C. | Unless the paper is published within six months, it will not be current. |  |  |  | | --- | --- | | D. | The section on conceptual framework competencies must discuss all elements of the conceptual framework. | |

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| *AACSB: Communication AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #50 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 51. | The AICPA Core Competency framework comprises three parts. Which of the following best pairs a specific competency with the correct part?      |  |  | | --- | --- | | A. | Resource management, broad business perspective |  |  |  | | --- | --- | | B. | Risk analysis, functional |  |  |  | | --- | --- | | **C.** | Both resource management, broad business perspective and risk analysis, functional |  |  |  | | --- | --- | | D. | Neither resource management, broad business perspective nor risk analysis, functional | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #51 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: AICPA core competencies* |

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| 52. | The AICPA Core Competency framework comprises three parts. All of the following competencies belong to the same part **except**:      |  |  | | --- | --- | | A. | Problem solving |  |  |  | | --- | --- | | B. | Decision making |  |  |  | | --- | --- | | C. | Communication |  |  |  | | --- | --- | | **D.** | Research | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #52 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: AICPA core competencies* |

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| 53. | Studying AIS helps students understand business processes from an accounting perspective. Which of the following activities would commonly be associated with the financing process?      |  |  | | --- | --- | | A. | Selling goods and services on credit |  |  |  | | --- | --- | | **B.** | Issuing equity securities |  |  |  | | --- | --- | | C. | Making payments to vendors |  |  |  | | --- | --- | | D. | Hiring employees to work in the finance department | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #53 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Business processes* |

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| 54. | Studying AIS helps students understand business processes from an accounting perspective. Which of the following general ledger accounts would be unique to a company with a conversion process?      |  |  | | --- | --- | | **A.** | Work in process |  |  |  | | --- | --- | | B. | Inventory |  |  |  | | --- | --- | | C. | Supplies |  |  |  | | --- | --- | | D. | Payroll expense | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #54 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Business processes* |

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| 55. | An accounting information system comprises five generic parts. Which of the following gives an example of an internal control associated with the sales/collection process?      |  |  | | --- | --- | | A. | Depositing cash in the bank daily |  |  |  | | --- | --- | | B. | Adequately supervising employees who handle inventory |  |  |  | | --- | --- | | **C.** | Both depositing cash in the bank daily and adequately supervising employees who handle inventory |  |  |  | | --- | --- | | D. | Neither depositing cash in the bank daily nor adequately supervising employees who handle inventory | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #55 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Business processes* |

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| 56. | An accounting information system comprises five generic parts. Which of the following gives an example of an internal control associated with the financing process?      |  |  | | --- | --- | | **A.** | Maintaining a good credit rating to facilitate the issuance of bonds and other debt securities. |  |  |  | | --- | --- | | B. | Evaluating employees in the finance department on a quarterly basis. |  |  |  | | --- | --- | | C. | Both maintaining a good credit rating to facilitate the issuance of bonds and other debt securities and evaluating employees in the finance department on a quarterly basis. |  |  |  | | --- | --- | | D. | Neither maintaining a good credit rating to facilitate the issuance of bonds and other debt securities nor evaluating employees in the finance department on a quarterly basis. | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #56 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Business processes* |

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| 57. | Most accounting information systems comprise five parts. Which of the following must be used as a processing tool in the AIS?      |  |  | | --- | --- | | A. | Spreadsheets |  |  |  | | --- | --- | | B. | Relational databases |  |  |  | | --- | --- | | C. | Both spreadsheets and relational databases |  |  |  | | --- | --- | | **D.** | Neither spreadsheets nor relational databases | |

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| *AACSB: Technology AICPA: BB Leveraging Technology Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #57 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS structure* |

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| 58. | JPS Corporation's accounting information system includes sales invoices, general ledger software, spreadsheets and customer files. JPS is careful to maintain adequate separation of duties as well. To provide one example of each generic element of the AIS, that list should replace \_\_\_ with \_\_\_.      |  |  | | --- | --- | | **A.** | Spreadsheets; operational budgets |  |  |  | | --- | --- | | B. | Customer files; sales transaction files |  |  |  | | --- | --- | | C. | General ledger software; satellites |  |  |  | | --- | --- | | D. | Adequate separation of duties; regular AIS data backup | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #58 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS structure* |

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| 59. | Accounting information systems has links with other areas of accounting study, including financial accounting. Which of the following combines an example of an AIS output with information you would expect to find in the output?      |  |  | | --- | --- | | A. | Income statement, net sales broken down by product line |  |  |  | | --- | --- | | B. | Journal entries, accounts to debit and credit |  |  |  | | --- | --- | | **C.** | Balance sheet, listing of current asset accounts with their balances |  |  |  | | --- | --- | | D. | All of these | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #59 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS structure* |

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| 60. | Accounting information systems has links with other areas of accounting study, including financial accounting. Which of the following combines an example of AIS storage with information you would expect to find in it?      |  |  | | --- | --- | | A. | Balance sheet, listing of current asset accounts with their balances |  |  |  | | --- | --- | | **B.** | Master file, customer address |  |  |  | | --- | --- | | C. | Both balance sheet, listing of current asset accounts with their balances and master file, customer address |  |  |  | | --- | --- | | D. | Neither balance sheet, listing of current asset accounts with their balances nor master file, customer address | |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Accessibility: Keyboard Navigation Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #60 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS structure* |

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| 61. | Which generic element of the AIS is most closely associated with each of the following questions?  a. Beyond the general-purpose financial statements, what other reports will managers and system users need? b. How many copies of each source document will be required? c. How should the AIS be designed to facilitate the production of other reports? d. If computer-based tools are used in the AIS, which software and hardware packages should be implemented? e. Should AIS tools be manual, computer-based or both? f. Under what conditions can/should data be destroyed? g. What behavioral effects are controls likely to have? h. What controls are necessary to promote information integrity in the AIS? i. What kinds of source documents will system users need? j. Where should data be stored?     a. output b. input c. process d. process e. process f. storage g. internal control h. internal control i. input j. storage |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #61 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS structure* |

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| 62. | Which UMUC evaluation criterion is indicated by each of the following questions?  a. Can you establish the writer's credentials? b. Can you tell when the source was created/written? c. Can you tell who created the information? d. Does the information contain advertising? e. Does the information contain any obvious errors of fact? f. Does the source cover the subject with sufficient depth? g. Does the source tell you where the information came from? h. Is the information available freely? i. Is the source still under construction? j. When was the last time the source was updated?     a. authority b. currency c. authority d. objectivity e. accuracy f. coverage g. accuracy h. objectivity i. coverage j. currency |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #62 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 63. | Which generic AIS element is exemplified by each item below?  a. Balance sheet b. Customer's check c. General ledger software d. Requiring two signatures on checks over $500 e. Sales invoice f. Sales transaction file g. Spreadsheet software h. Statement of cash flows i. Storing accounting records in a locked filing cabinet j. Vendor master file     a. output b. input c. process d. internal control e. output f. storage g. process h. output i. internal control j. storage |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #63 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS structure* |

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| 64. | AIS is an important area of study for future accountants, since a well-designed AIS can respond to many elements of the FASB Conceptual Framework. Indicate which element of financial statements from the FASB Conceptual Framework best describes each item below.  a. Accounts payable b. Cash c. Common stock d. Cost of goods sold e. Depreciation expense f. Interest earned g. Inventory h. Loss on sale of land i. Retained earnings j. Sales     a. liability b. asset c. equity d. expense e. expense f. revenue g. asset h. loss i. equity j. revenue |

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| *AACSB: Analytical Thinking AICPA: FN Reporting Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #64 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: Elements of financial statements* |

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| 65. | Thuy is an accountant at RPA Corporation. When RPA sells inventory, Thuy receives a sales invoice indicating the number of units sold, the sales price, sales tax assessed and the total amount paid by the customer. Thuy makes a journal entry using general ledger software. At the end of each quarter, Thuy prepares RPA's general-purpose financial statements, as well as a comparison of budgeted sales to actual sales. The general-purpose financial statements are sent to the SEC, while the budgeted-to-actual comparison is reviewed by RPA's management. From the preceding paragraph, give one example of each of the following elements from the definition of AIS presented in the text:  a. Activity b. Data c. Document d. External decision maker e. Information f. Internal decision maker g. Processing h. Technology     a. sells inventory b. number of units sold c. sales invoice d. SEC e. comparison of budgeted sales to actual sales f. RPA management g. makes a journal entry h. general ledger software |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #65 Learning Objective: 01-01 Define "accounting information systems." Topic: AIS definition* |

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| 66. | In contrast with other areas of accounting, AIS more frequently involves problems with non-deterministic answers. Which questions in the list below have non-deterministic answers?  a. How do you calculate depreciation using the straight-line method? b. How many accountants should ITI Corporation hire? c. Should ITI Corporation expand its operations to other countries? d. Should ITI Corporation reconcile its bank statement at least once a month? e. Should ITI Corporation use Quickbooks or Peachtree for transaction processing? f. Should Thai use information from textbooks as one source in a paper for her AIS course? g. What is the journal entry to record a cash sale? h. Which inventory cost flow assumption (FIFO, LIFO) does ITI Corporation use? i. Which local bank should ITI Corporation do business with? j. With respect to financial reporting, is relevance more important than reliability?     B, C, E, F, I, J |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #66 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 67. | For each independent case below: (1) indicate which source better fulfills the indicated UMUC criterion for information evaluation AND (2) circle the phrase that led you to your decision.  a. Objectivity:  i. A Wall Street Journal article about financial statement fraud cases, written by an investigative reporter whose contact information is provided ii. A presentation on financial statement fraud cases, given by an experienced independent consultant to prospective clients  b. Accuracy:  i. A web site that correctly defines six elements of financial statements from the FASB Conceptual Framework ii. An article that accurately gives examples of four constraints from the FASB Conceptual Framework  c. Authority:  i. A presentation delivered by a retired IRS agent on tax fraud ii. An attorney's web site recommending strategies for avoiding tax audits  d. Currency:  i. A web site last modified in 2010 that gives examples of internal controls for international companies ii. A 2009 article in a practitioner journal that gives examples of how companies are implementing international financial reporting standards  e. Coverage:  i. An article titled "Elements of the Balance Sheet" that explains (only) the difference between current assets and plant assets ii. An article titled "Emerging Technologies in Accounting" that briefly discusses three new technologies used by a single company     a. I, investigative reporter b. ii, four examples of constraints c. I, retired IRS agent d. I, internal controls for international companies e. ii, three new technologies |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Analyze Difficulty: 3 Hard Hurt - Chapter 01 #67 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

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| 68. | Bumble Beasley was preparing a paper for his AIS course that explained the connections between the definition of AIS and the generic elements of the AIS. He created the pairings listed in the table below:      Complete the table by suggesting one item that exemplifies both the definition component and the generic element. For example, "making journal entries" is both an activity (in terms of the definition) and a process (in terms of the generic elements).     Activity/process: preparing adjusting entries Information/output: statement of cash flows Data/storage: customer name Technology/internal control: passwords Document/input: purchase order |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Analyze Difficulty: 3 Hard Hurt - Chapter 01 #68 Learning Objective: 01-01 Define "accounting information systems." Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: AIS structure and definition* |

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| 69. | A well-designed AIS can respond to many parts of the FASB Conceptual Framework. Descriptions of the assumptions, principles and constraints of the framework are listed below in alphabetic order. Group them as they are found in the conceptual framework.  a. A company will continue in business long enough to satisfy its current obligations. b. A company's accounting records should be kept separate from those of its owner. c. Absent other information, assets are recorded and reported at their purchase price. d. Financial statements should include complete information for making decisions. e. For financial reporting purposes, we divide the life of a business into quarters, years or some other measurement of time. f. Revenue should be recorded in the AIS when goods and services are exchanged. g. The benefits of obtaining information should outweigh the cost of obtaining it. h. The costs of earning revenue should be put on the same income statement with the revenue they generate. i. The value of a dollar is constant over time. j. When a dollar amount is too small to make a significant difference in decision making, other accounting rules may be ignored. k. When faced with a choice of methods, make the choice that puts the business in the worst possible financial light.     Assumptions: a, b, e, i Principles: c, d, f, h Constraints: g, j, k |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Analyze Difficulty: 3 Hard Hurt - Chapter 01 #69 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: AIS importance* |

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| 70. | Indicate whether each of the following statements is: (a) always true, (b) sometimes true or (c) never true.  1. AIS outputs are important only in AIS and financial accounting. 2. An accounting information system can determine materiality without human intervention. 3. Financial accounting can involve unstructured problems. 4. Internal controls cut across many areas of accounting study. 5. The objective of an accounting information system is to report true financial data.     1. never true 2. never true 3. always true 4. always true 5. never true |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Analyze Difficulty: 3 Hard Hurt - Chapter 01 #70 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 71. | In your own words, define "accounting information system."     An accounting information system comprises several parts with the common goal of producing information for making decisions. The parts include, for example, source documents, relational databases, tax returns, computer files and separation of duties. Examples of decision makers include management, employees, government agencies and customers. |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Analyze Difficulty: 3 Hard Hurt - Chapter 01 #71 Learning Objective: 01-01 Define "accounting information systems." Topic: AIS definition* |

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| 72. | AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the FASB Conceptual Framework. List the parts of the FASB Conceptual Framework. (You do not need to list the items in each part.)     Objective of financial reporting Elements of financial statements Qualitative characteristics of accounting information Assumptions, principles and constraints |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Remember Difficulty: 1 Easy Hurt - Chapter 01 #72 Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. Topic: AIS importance* |

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| 73. | You have been hired as a consultant to design and implement a new accounting information system for PRI Corporation. Explain how you would structure the AIS. Give two examples of each structural element; also indicate one question you would ask PRI's management to assist in your work. (Do not use examples and questions listed in the text.)     Inputs: customer checks, bank statements Processes: making journal entries, preparing financial statements Outputs: payroll register, depreciation schedule Storage: employee file, pay employees file Internal controls: adequate supervision, bank reconciliations |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Analyze Difficulty: 3 Hard Hurt - Chapter 01 #73 Learning Objective: 01-04 Explain the structure of most accounting information systems. Topic: AIS structure* |

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| 74. | List and discuss two similarities and two differences between AIS and other areas of accounting.     Similarities between AIS and other areas of accounting include the presence of non-deterministic problems and a focus on providing information for making decisions. Differences include the focus of AIS on the "big picture" and the incorporation in AIS of concepts and ideas from outside accounting. |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Understand Difficulty: 2 Medium Hurt - Chapter 01 #74 Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. Topic: Similarities and differences between AIS and other accounting areas* |

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| 75. | The accounting staff at NSR Corporation have compiled a list of risks the company needs to address for its information technology; they plan to prepare a report recommending internal controls that address each risk. They have located the five sources of information listed below, but want to use no more than three in their report. Use the UMUC criteria to explain which sources they should use.  a. A software documentation manual for the general ledger system used at NSR Corporation. The manual contains a section on troubleshooting the software, which briefly discusses common risks and problems associated with its installation. The manual's title page lists the software company as its author. b. A web site, first published in 2009 and last updated in 2014, for an information technology consulting firm. The web site lists and discusses twenty common internal controls for information technology based on the firm's past clients. c. An article published in Information Security, a practitioner journal. The article, published in 2013, was co-authored by a university professor and the chief information officer of a Fortune 100 corporation. It analyzes five common internal controls for information technology, including a description of each control, the costs of implementing it and the benefits of implementing it. d. The American Institute of CPAs list of "top ten technologies" for 2014, published on the AICPA web site. The list was developed via a survey of practicing CPAs throughout the United States; it includes several items related to information technology control, and also provides suggestions about where to find additional information. e. The third edition of a management information systems textbook. It was published in 1999 and includes two chapters on information technology security. The textbook was written by a team of three authors: one information systems auditor with three years' experience, and two university professors with advanced degrees but little experience.     The strongest sources are A and C. The particular strength of A is its authority, since it was written by the software company. C's greatest strengths are objectivity and currency. D may be an acceptable source as well. |

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| *AACSB: Analytical Thinking AICPA: BB Critical Thinking Blooms: Analyze Difficulty: 3 Hard Hurt - Chapter 01 #75 Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. Topic: Information literacy* |

Chapter 1 Summary

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| *Category* | *# of Questions* |
| AACSB: Analytical Thinking | 64 |
| AACSB: Communication | 10 |
| AACSB: Technology | 1 |
| Accessibility: Keyboard Navigation | 60 |
| AICPA: BB Critical Thinking | 59 |
| AICPA: BB Industry | 1 |
| AICPA: BB Leveraging Technology | 2 |
| AICPA: FN Reporting | 13 |
| Blooms: Analyze | 7 |
| Blooms: Remember | 16 |
| Blooms: Understand | 52 |
| Difficulty: 1 Easy | 16 |
| Difficulty: 2 Medium | 52 |
| Difficulty: 3 Hard | 7 |
| Hurt - Chapter 01 | 75 |
| Learning Objective: 01-01 Define "accounting information systems." | 13 |
| Learning Objective: 01-02 Discuss why AIS is an important area of study for future accountants. | 20 |
| Learning Objective: 01-03 Compare and contrast AIS with other areas of study in accounting. | 12 |
| Learning Objective: 01-04 Explain the structure of most accounting information systems. | 18 |
| Learning Objective: 01-05 Locate and evaluate information sources on accounting information systems. | 13 |
| Topic: AICPA core competencies | 2 |
| Topic: AIS definition | 2 |
| Topic: AIS generic elements | 10 |
| Topic: AIS importance | 2 |
| Topic: AIS structure | 8 |
| Topic: AIS structure and definition | 1 |
| Topic: Business processes | 4 |
| Topic: Components of AIS | 2 |
| Topic: Definition of AIS | 8 |
| Topic: Elements of financial statements | 1 |
| Topic: Importance of AIS | 10 |
| Topic: Information literacy | 13 |
| Topic: Similarities and differences between AIS and other accounting areas | 12 |