Lecture Guide

for

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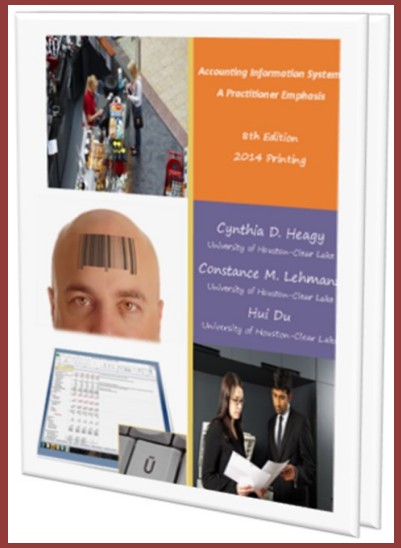
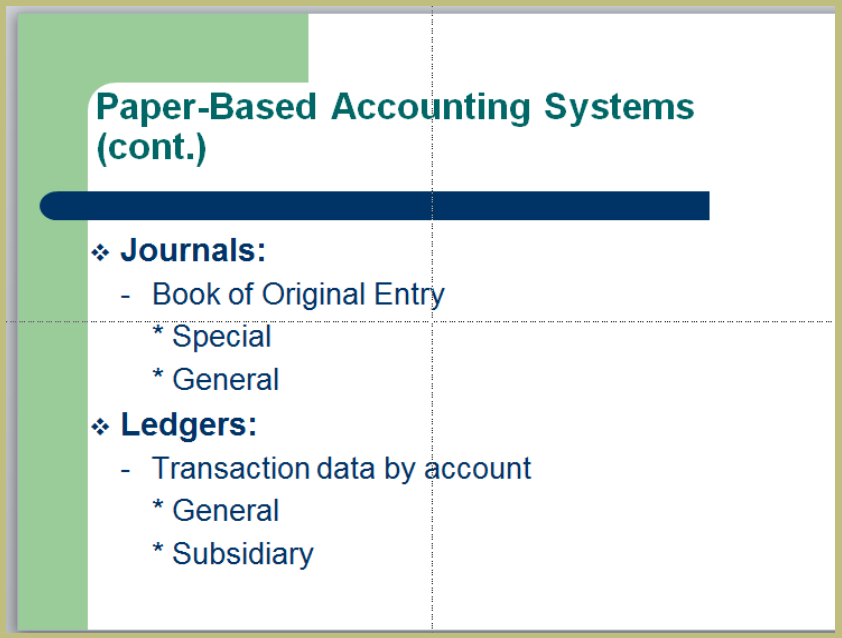
Accounting Information Systems 8e



- **394 Slides**
- **Written by the textbook authors**
- **Use as flash cards for terminology & concept review**
- **Includes key term and key concepts**
- **Use for notes during instructor lectures**
- **Affordable: $4.95**



Sample Pages Follow

Learning Objectives

- Explain the flow of transaction and other event data through an accounting system.
- Identify and explain the major activities of an accounting system: input, process, store, and output data.
- Divide the accounting system into four business processes and identify typical accounting subsystems, or modules, in each process.
- Understand how integration of the subsystems is achieved through the sharing of data files and the movement of data from one subsystem to another.

Structure of an Accounting Information System

- **Financial Process:**
  - Referred to as the general ledger
  - Three types of entries:
    - (1) Data captured in and transferred from other processes to the financial process
    - (2) Transactions originally recorded in the financial process
    - (3) End-of-period adjustments required in the financial process

SAS 70: Reporting on Controls at a Service Organization

- Statement of Auditing Standard No.70 **(SAS 70)**- establishes procedures for review of third party service providers (superseded by SSAE 16 discussed on next slide)

Two types of reports

Type I:

- Design of the service organization's internal control system (point in time, opinion on description of controls only)

Type II (only one acceptable for SOX compliance)

- Auditor opinion on items in Type I report AND includes testing of that system over audit period

Information Processing-Application Controls (cont.)

- **Processing controls:**
  - Written procedures
  - Pre-numbered documents (ensures authorized transactions posted once)
  - Batch controls (provides assurance that no records lost or added; examples: record count, control totals, hash totals)
  - Control-total analysis (checks accuracy of processing, comparison with previously-derived totals)
  - Visual checking (e.g., account with debit balance normally has a credit balance)
  - Comparisons (e.g., sales order price v. selling price on inventory master file)
  - Field and record locking (two people cannot overwrite each other)
  - Redundant processing (extended amounts recalculated at various stages of process)

Account Coding for the Financial Process (cont.)

- **Coding for the Cash Flow Statement:**
  - Conventional chart of accounts is not designed to support the creation of cash flow statement
  - Direct (internal reporting) vs. Indirect method (external reporting)
  - SFAS 95 states preference for the direct method
  - Advantage of using direct method:
    * Magnitude of cash flow through the entity is revealed

Data Entry in the Revenue Process

- **Recording Receipts:**
  - Pre-lists (manual systems) and Proof lists (cust. remit. entered into automated systems)
  - Recording Balance-forward Receipts
  - Recording Open Item Receipts:
    - * pre-identification: id invoices to be paid
    - * post-identification: enter customer ID and amount (not matching invoices)
    - * automatic-identification remit entered, AIS matches with open items