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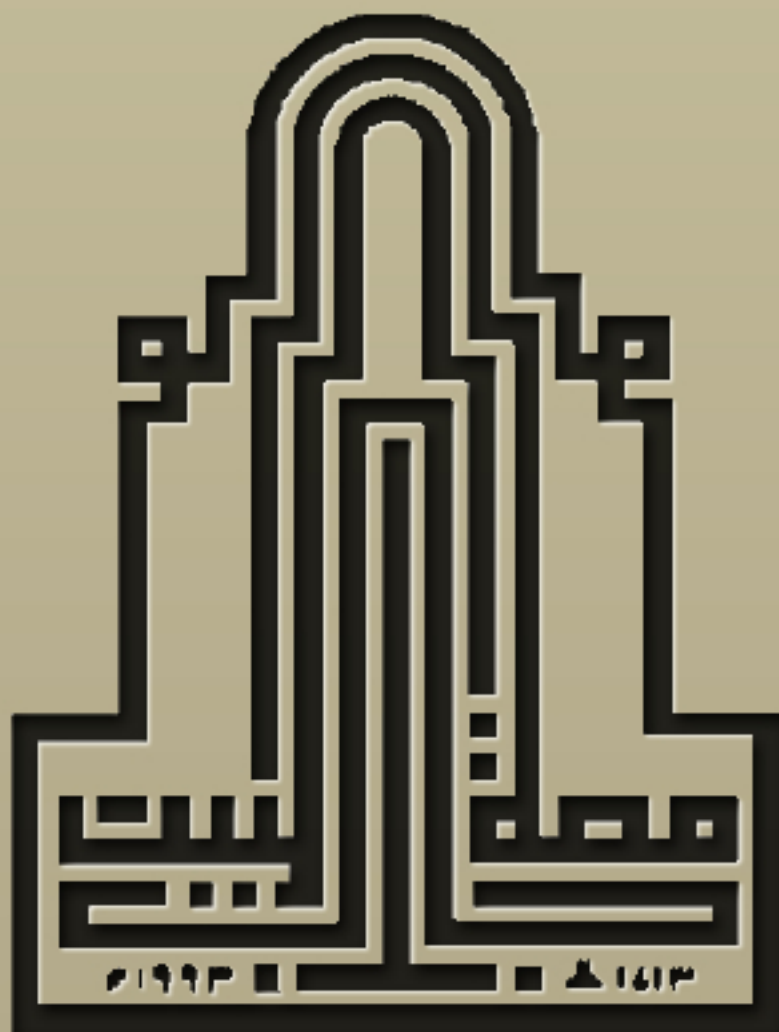
جامعة آل البيت " كلية الإقتصاد "

مجموعة طلابية تسعى لتوفير كل ما يلزم طلاب
كلية إدارة المال والاعمال من مواد وشروحات واسئلة بصورة الكترونية

م١٩٩٣   هـ١٤١٣

Chapter 1 (new version)

MULTIPLE CHOICE

1. A set of two or more interrelated components that interact to achieve a goal is:
   a) A system
   b) An accounting information system
   c) Data
   d) Mandatory information

2. This results when a subsystem achieves its goals while contributing to the organization's overall goal.
   a) Goal conflict
   b) Goal congruence
   c) Value of information
   d) Systems congruence

3. Goal conflict may result when
   a) A decision or action of a subsystem is inconsistent with the system as a whole.
   b) A subsystem achieves its goals while contributing to the organization's overall goal.
   c) Duplicate recording, storage and processes are eliminated.
   d) The data exceeds the amount the human mind can absorb and process.

4. Facts that are collected, recorded, stored and processed by an information system
   a) Information
   b) Data
   c) Systems
   d) Mandatory information

5. Information is
   a) What happens when the data exceeds the amount the human mind can absorb.
   b) The benefit produced by the information minus the cost of producing it.
   c) Facts that are collected, recorded, stored, and processed by an information system.
   d) Data that have been organized and processed to provide meaning to a user.

6. Data are
   a) facts entered, stored, and processed by an information system.
   b) processed output that is useful to decision makers.
   c) another word for information.
   d) quantitative facts that are not qualitative by nature.

7. Which of the following statements below shows the contrast between data and information?
   a) Data is the output of an AIS.

b) Information is the primary output of an AIS.
c) Data is more useful in decision-making than information.
d) Data and information are the same.

8. Information is
    a) basically the same as data.
    b) raw facts about transactions.
    c) potentially useful facts when processed in a timely manner.
    d) data that has been organized and processed so that it's meaningful.

9. Humans can absorb and process only so much information. Information _____ occurs when those limits are passed.
    a) overload
    b) excess
    c) anxiety
    d) discretion

10. The value of information can best be defined as
    a) how useful it is to decision makers.
    b) the benefits produced by possessing and using the information minus the cost of producing it.
    c) how relevant it is.
    d) the extent to which it maximizes the value chain.

11. The benefit produced by the information minus the cost of producing it.
    a) Goal congruence
    b) Information
    c) Information overload
    d) Value of information

12. An accounting information system (AIS) processes _____ to provide users with _____.
    a) data; information
    b) data; transactions
    c) information; data
    d) data; benefits

13. How many components are found in an AIS?
    a) three
    b) four
    c) five
    d) six

14. An accounting information system in part consists of

a) People, hardware and programs.
b) Information, programs and computers.
c) People, procedures, data, software and information technology infrastructure.
d) Internal controls and accounting records.

15. Information that reduces uncertainty, improves decision makers' ability to make predictions, or confirms or corrects their prior expectations, is said to be
a) Complete
b) Relevant
c) Reliable
d) Timely

16. Information that is free from error or bias and accurately represents the events or activities of the organization is
a) Relevant
b) Reliable
c) Verifiable
d) Timely

17. Information that does not omit important aspects of the underlying events or activities that it measures is
a) Complete
b) Accessible
c) Relevant
d) Timely

18. When two knowledgeable people acting independently each produce the same information, this information is said to be
a) Complete
b) Relevant
c) Reliable
d) Verifiable

19. Data must be converted into information to be considered useful and meaningful for decision-making. There are six characteristics that make information both useful and meaningful. If information is free from error or bias and accurately represents the events or activities of the organization, it is representative of the characteristic of
a) Relevancy
b) Timeliness.
c) Understandability
d) Reliability

20. The primary consideration when producing this type of information is that its benefits exceeds its costs.
a) Discretionary information
b) Essential information

c) Mandatory information
d) Value of information

21. An AIS is a system of six interrelated components that interact to achieve a goal. One of these components, which includes both manual and automated activities that involve collecting, processing, and storing data, is known as
    a) Information or data
    b) Procedures and instructions
    c) Software
    d) Information technology infrastructure

22. An accounting information system must be able to perform which of the following tasks?
    a) collect transaction data
    b) process transaction data
    c) provide adequate controls
    d) all of the above

23. Which of the following is *not* an example of a common activity in an AIS?
    a) buy and pay for goods and services
    b) sell goods and services and collect cash
    c) summarize and report results to interested parties
    d) recording of sales calls for marketing purposes

24. Which of the following is *not* one of the components of an AIS?
    a) Internal controls and security measures
    b) People
    c) Procedures and instructions
    d) Software and hardware

25. An AIS must be able to fulfill three important functions in any organization. One such function is the collecting and storing of data about activities performed by the organization. One group that relies on both the adequate collection and transformation of data for decision-making purposes for an organization is
    a) management.
    b) interested outsiders.
    c) competitors.
    d) the government.

26. The primary objective of accounting is to
    a) implement strong internal controls.
    b) provide useful information to decision makers.
    c) prepare financial statements.
    d) ensure the profitability of an organization.

27. The Financial Accounting Standards Board (FASB), in its Statement of Financial Accounting Concepts No. 2, has defined accounting as
    a) an information identification, development, measurement, and communication process.
    b) a way to provide adequate controls to safeguard an organization's assets.
    c) being an information system.
    d) a way to collect and transform data into useful information.

28. Which activity below would *not* be considered to be a "top" accountant work activity?
    a) process improvement
    b) input into future product marketing initiatives
    c) long-term strategic planning
    d) computer systems and operations

29. The American Institute of Certified Public Accountants (AICPA) has recognized the importance of AIS and the major impact information technology has on the area of accounting. To recognize individual CPAs who have met educational and experiential requirements in this area, the group formally created the designation known as
    a) the Certified Management Accountant.
    b) the Certified Information Technology Professional.
    c) the Certified Internal Auditor.
    d) the Certified Data Processing Professional.

30. An analysis conducted by the Institute of Management Accountants shows that the most important activities performed by corporate accountants relate to
    a) customer and product profitability.
    b) internal consulting.
    c) process improvement.
    d) accounting systems and financial reporting.

31. The primary focus of an AIS course, as opposed to other IS courses, is on
    a) application of information technology.
    b) use of accounting software.
    c) understanding how information technology can be used to improve AIS processes.
    d) preparation of financial statements.

32. The AIS must include controls to ensure
    a) safety and availability of data.
    b) marketing initiatives match corporate goals.
    c) information produced from data is accurate.

d) both A and C

33. A change in the AIS that makes information more easily accessible and widely available within an organization is most likely to first influence the
    a) organizational culture.
    b) customer base.
    c) external financial statement users.
    d) production activity.

34. The process of creating value for customers is the result of nine activities (five primary and four support) that taken together form a
    a) value chain.
    b) profitable operation.
    c) successful business.
    d) support system.

35. The value chain concept is composed of two types of activities known as
    a) primary and support.
    b) primary and secondary.
    c) support and value.
    d) technology and support.

36. Which of the following is a primary activity in the value chain?
    a) infrastructure
    b) technology
    c) purchasing
    d) marketing and sales

37. In value chain analysis, what is the activity of arranging the delivery of products to customers called?
    a) outbound logistics
    b) inbound logistics
    c) shipping
    d) delivery

38. An AIS provides value by
    a) improving products or services through information that increases quality and reduces costs.
    b) providing timely and reliable information to decision makers.
    c) creating new products.
    d) both A and B

39. In Chapter 1, Figure 1-2 shows the factors that influence the design of AIS. The diagram shows a bi-directional arrow between the organizational culture and the AIS. The reason for this two-way interchange between organizational culture and AIS is
    a) that the AIS should not influence the values of the organizational culture.
    b) because the organization's culture influences the AIS, and likewise the AIS influences the organization's culture by controlling the flow of information within the organization.
    c) due to the transfer of managers between the two corporate elements.
    d) the AIS impacts the organization's key strategies.

40. The objective of the majority of organizations is to provide value to their customers. The activities that support such an objective can be conceptualized as forming a value chain. Within this value chain, logistics plays an important role. Logistics is both inbound and outbound in nature. An example of inbound logistics would consist of
    a) the activities that transform inputs into final products or services.
    b) the activities that help customers to buy the organization's products or services.
    c) the activities that provide post-sale support to customers.
    d) the activities that consist of receiving, storing, and distributing the materials used as inputs by the organization to create goods and/or services it sells.

41. A good example of how an AIS is used to share knowledge within an organization is
    a) the use of an expert system to help staff identify the relevant experts who can help with a particular client.
    b) the use of laptop computers to access a network for messaging worldwide.
    c) the monitoring of production equipment to watch for defects.
    d) the use of point-of-sale data to determine hot-selling items.

42. Within the value chain conceptual framework, organizations also perform a number of other support activities that enable the five primary value chain activities to be performed efficiently and effectively. One such support activity is research and development. This activity can be identified as a
    a) firm infrastructure activity.
    b) human resources activity.
    c) technology activity.
    d) purchasing activity.

43. Within the value chain conceptual framework, AIS is shown as a support activity. The AIS is of value to an organization when it provides accurate and timely information to help support the five primary value chain activities. When the AIS provides information in a timely and accurate manner, it stands as an example of
    a) improved decision making.
    b) improving the quality and reducing the costs of products or services.
    c) improving efficiency.
    d) All of the above

44. A decision situation that is non-routine and for which no established framework exists for making the decision is called a(n) _____ decision.
   a) structured
   b) semistructured
   c) unstructured
   d) strategic

45. A decision that is repetitive, routine and well understood is
   a) structured
   b) semistructured
   c) unstructured
   d) strategic

46. Which of the following is an example of a strategic planning decision?
   a) setting financial and accounting policies
   b) conducting a performance evaluation
   c) budgeting
   d) developing human resource practices

47. Decisions about the effective and efficient execution of specific tasks are concerned with
   a) operational control.
   b) management control.
   c) strategic planning.
   d) tactical planning.

48. Budgeting and human resource practices are examples of
   a) operational control
   b) management control
   c) strategic planning
   d) tactical planning

49. Accounting information plays major roles in managerial decision making by
   a) identifying situations requiring management action.
   b) reducing uncertainty.
   c) providing a basis for choosing among alternative actions.
   d) all of the above

50. Business activities that pertain to product pricing, discount and credit terms, and identifying the most and least profitable items are part of the _____ activity in the organization's value chain.
   a) service
   b) marketing and sales

c) operations
d) inbound logistics

51. A principal focus of AIS is to assist with the decision-making function of an organization. The degree of support AIS can provide depends on the type of decision being made. Decisions are categorized in terms of the degree of existing structure or the effect of their scope. From the items below, select the description that is an example of a semi-structured decision.
    a) selecting basic research projects to undertake
    b) setting a marketing budget for a new product
    c) extending credit to an established customer
    d) hiring a senior manager

52. Regarding decision scope, which statement below is true?
    a) Operational control is concerned with the effective and efficient use of resources for accomplishing organizational objectives.
    b) Management control is concerned with the effective and efficient performance of specific tasks.
    c) Strategic planning is concerned with establishing organizational objectives and policies for accomplishing those objectives.
    d) There is no real correlation between a manager's level in an organization and his or her decision-making responsibilities.

53. A well-designed AIS can improve the decision-making function within the organization. Which statement below would describe a limitation, rather than a benefit, of an efficient AIS?
    a) An AIS reduces uncertainty, and therefore accounting information can provide a basis for choosing among alternative courses of action.
    b) An AIS identifies situations requiring management action.
    c) An AIS provides to its users an abundance of information without any filtering or condensing of such information.
    d) An AIS provides information about the results of previous decisions which provides decision makers with feedback that can be used in future decision making.

54. A strategic position is important to the success and growth of any organization. Harvard professor Michael Porter has identified three basic strategic positions. Which statement below is *false* regarding these basic strategic positions?
    a) The three basic strategic positions are mutually exclusive of each other.
    b) Part of a needs-based strategic position is to identify a target market.
    c) An access-based strategic position involves serving a subset of customers who differ from other customers in terms of geographic location or size.
    d) A variety-based strategic position involves producing or providing a subset of the industry's products or services.

55. A strategic position is important to the success and growth of any organization. Harvard professor Michael Porter has identified two basic business strategies. Which statement below is *false* regarding these basic strategies?
   a) A product differentiation strategy entails adding features or services not provided by competitors to a product so customers can be charged a premium price.
   b) A low-cost strategy entails striving to be the most efficient producer of a product or service.
   c) Sometimes a company can succeed in both producing a better product and achieving low costs.
   d) The two basic strategic positions are mutually exclusive.

56. According to Michael Porter, to be successful in the long run, a company must
   a) deliver greater value to customers and/or create comparable value at a lower cost.
   b) maximize profits.
   c) maximize shareholder value.
   d) both B and C

57. A variety-based strategic position involves
   a) trying to serve most or all of the needs of a particular group of customers.
   b) serving a subset of customers who differ from other customers.
   c) providing a subset of the industry's products or services.
   d) serving all needs of all customers.

58. A needs-based strategic position involves
   a) trying to serve most or all of the needs of a particular group of customers.
   b) serving a subset of customers who differ from other customers.
   c) providing a subset of the industry's products or services.
   d) serving all needs of all customers.

59. An access-based strategic position involves
   a) trying to serve most or all of the needs of a particular group of customers.
   b) serving a subset of customers who differ from other customers.
   c) providing a subset of the industry's products or services.
   d) serving all needs of all customers.

60. The Internet has changed the way many processes are performed in business today. The Internet has had a material effect on the five primary characteristics in the value chain and on the strategy adopted by businesses that incorporate use of the Web into their business systems. Which statement below is true regarding the Internet relative to a strategic position that a business may adopt?
   a) Use of the Internet has reduced the power of buyers.
   b) The Internet has increased the barriers to entry in many industries.
   c) Use of the Internet reduces pressure to compete on price.
   d) The most important effect of the development of the Internet in business is the increased importance of adopting a viable business strategy.

SHORT ANSWER

61. Define the concept of a system.

62. Define data, information, and how the value of information is determined.

63. Define an accounting information system.

64. Identify the components of an accounting information system.

65. What is the CITP designation and why is it important to AIS?

66. Differentiate between an AIS course and other accounting courses.

67. Harvard professor Michael Porter contends that for a company to be successful in the long run it "must deliver greater value to customers or create comparable value at a lower cost, or do both" and suggests three strategic positions. Describe these strategic positions. How do these strategic positions relate to financial and managerial accounting information given?

68. What is the purpose behind the five primary activities in the value chain?

69. Name the primary activities of a firm's value chain.

70. How can an AIS add value to the organization?

71. How can a well-designed AIS improve the efficiency and effectiveness of a company's value chain?

ESSAY

72. Discuss the concept of a system and the issues of goal conflict and goal congruence.

73. Discuss the seven characteristics of useful information.

74. Explain what an AIS is, describe the basic tasks it performs in an organization, and give some examples of the types of accounting transactions it processes.

75. Discuss the steps in the supply chain.

76. How can an AIS become part of the firm's value chain and add value to the business?

77. How can the value of the information produced by an accounting information system be determined? What would a measurement and verification expert think about quantification and verification of such information?

ANSWER KEY

1. A
2. B
3. A
4. B
5. D
6. A
7. B
8. D
9. A
10. B
11. D
12. A
13. D
14. C
15. B
16. B
17. A
18. D
19. D
20. A
21. B
22. D
23. D
24. D
25. A
26. B
27. C
28. B
29. B
30. D
31. C

32. D
33. A
34. A
35. A
36. D
37. A
38. D
39. B
40. D
41. A
42. C
43. D
44. C
45. A
46. A
47. A
48. B
49. D
50. B
51. B
52. C
53. C
54. A
55. D
56. A
57. C
58. A
59. B
60. D

61. A system is a set of two or more components that are somehow interrelated and interact together to achieve a specific goal.

62. Data: facts that are collected, entered, recorded, stored, and processed by an AIS. Information: data that has been organized and processed and is meaningful to its users. Such information is relevant, timely, reliable, verifiable, complete, and understandable. Information is of value when the benefits received from using or acting upon it outweighs the cost to produce the information.

63. An AIS is a system that collects, records, stores, and processes data to produce information for decision makers. An AIS is a valuable tool when integrated with the strategic planning initiatives of an organization.

64. A well-designed AIS consists of people, procedures and instructions, data, software, information technology infrastructure, and internal controls and security measures.

65. The CITP designation stands for "Certified Information Technology Professional." It is awarded to CPAs who have demonstrated a broad range of knowledge and skill sets in the areas of accounting and information systems and technology. The AICPA (American Institute of CPAs) has acknowledged the importance and close relationship that accounting and information systems share in creating this specialty designation for accounting information system professionals.

66. Other accounting courses assume the preparation or reporting of accounting information is for external or internal users. However, the AIS course focuses on the flow of accounting information in the organization from a systems perspective. The AIS course traces the origin, processing, storing, and ultimate disposal of information. An AIS course also focuses on business processes, organization structure, information systems, and corporate planning and goals.

67. The three strategic positions described are: a) a variety-based strategic position that involves producing or providing a subset of the industry's products or services; b) a needs-based strategic position that involves trying to serve most or all of the needs of a particular group of customers; and c) an access-based strategic position that involves serving a subset of customers who differ from other customers in terms of factors such as geographic location or size which create different requirements for serving those customers. AIS that has been properly designed can support an organization in attaining and maintaining a strategic position. Such an information system can be a valuable asset in helping the organization to maintain a competitive position in the marketplace.

68. The goal of the five primary activities in the value chain is to facilitate the business in providing value to its customers. The five primary activities allow the business to create, market, and deliver its products and services to its customers, as well as providing postsale support.

69. Inbound logistics, operations, outbound logistics, marketing and sales, and service.

70. An AIS can increase the efficiency and effectiveness of the value chain by improving the quality and lowering costs of products or services, improving efficiency of operations, improving decision making, enhancing the sharing of knowledge,

improving the efficiency and effectiveness of its supply chain and improving the internal control structure.

71. The AIS can be designed to allow customers direct access to a company's inventory and sales order entry systems. This allows the customer to do more of the work that traditionally has been done by sales, marketing, and administration personnel. This allows for faster ordering, and cuts the company's labor costs. It may also have the effect of allowing the customer more control in a purchase transaction that may bring more satisfaction and value to the customer.

72. A system is a set of two or more components that are somehow interrelated and interact together to achieve a specific goal. A system usually consists of smaller components called subsystems. These subsystems have specific and defined functions, which interact with and support the larger system. The concept of systems is key to information technology and AIS. All systems, including the AIS, must work to achieve one or more organizational goals. Goal conflict results when a decision or action of a subsystem is inconsistent with another subsystem or the system (organization) as a whole. Goal congruence results when a subsystem achieves its goals while contributing to the organization's overall goal. Subsystems should maximize organizational goals.

73. The seven characteristics of useful information are: relevant, reliable, complete, timely, understandable, verifiable and accessible. These characteristics are qualities that information should possess to be useful in a business environment. Briefly stated, in order for information to be useful it must be: 1) relevant, meaning that it reduces uncertainty and adds to the decision-making process; 2) reliable information is information that is free from error, and is accurate in its nature; 3) complete information is information that does not omit any important data, facts, or aspects about events or activities; 4) information is timely when it is fully available to enable the decision-making process to proceed; 5) understandable information must be both in an intelligible and useful format; 6) information is considered verifiable if two people, acting independently of each other, produce the same information or the same results. Information is accessible if it is available to users when they need it and in a format they can use.

74. An AIS consists of six components: people, procedures, instructions, data, software, and information technology infrastructure and internal controls and security measures. The AIS performs three major functions: 1) it collects and stores data about activities and transactions so that the organization's management, employees, and interested outsiders can review what has happened; 2) the AIS processes data (that is, facts that have been collected and stored) into information that is useful for making decisions, and is of value to the organization; and 3) the AIS provides adequate controls designed to safeguard the organization's assets, including its data and information. Common examples of accounting transactions that an AIS helps to process and track are the sales of products to customers, cash collections, cash payments, and the recording and payment of the employees' payroll.

75. The supply chain shows how an organization interacts with suppliers, distributors, and customers to provide value in the products it sells. The supply chain depicts the creation and sale of a product-the chain is somewhat different when a service is involved. The supply chain has five components: raw materials; manufacturer; distributor; retailer; and the consumer. Raw materials come from any number of suppliers, which in turn become part of a manufacturing process, which produces a product. The business then provides the product to distributors, who in turn sell the product to retail businesses. The product is ultimately purchased and used by consumers (who may be individuals or businesses). It is important to realize that AIS can greatly impact the traditional supply chain by creating a more efficient and timely environment in which a business can operate. More efficient operations are more effective, which in turn lowers costs, and add greater value and create improved customer satisfaction.

76. The AIS can add value by: helping to improve products and services an organization offers for sale; increasing the quality of products and services; creating greater efficiency by reducing costs and saving time; and improving the overall efficiency of the organization. Decision making is enhanced by the better availability of timely, complete, reliable, verifiable, and relevant information. A firm can enjoy a competitive advantage with better customer ordering, billing, and customer service made possible by an improved AIS. The AIS can also enhance overall communication and use of knowledge in a business by making the knowledge readily available to interested parties.

77. A well-designed AIS improves the efficiency and effectiveness of the value chain by improving the quality and lowering the overall cost of products or services, improving efficiency of operations, improving decision making, and enhancing the sharing of knowledge. These are the benefits of possessing and using information. Drawbacks to possessing and using such information are the costs of obtaining and maintaining such information. These costs include investments in people, processes, and computing and networking hardware and software on an ongoing basis. Costs of the information are quantifiable to some extent. However, some of the benefits of using the information involve numerous estimates and assumptions. As such, the quantification of the benefits of utilizing such information depends on the accuracy of the assumptions.