Accounting Information Systems 16th edition Romney Test Bank

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Accounting Information Systems, 16e (Romney)
Chapter 1 Conceptual Foundations of Accounting Information Systems

1 Distinguish data from information, discuss the characteristics of useful information, and explain how to determine the value of information.

1) Which of the following statements below shows the contrast between data and information?
A) Data is the primary output of an accounting information system.
B) Information is the primary output of an accounting information system.
C) Data is more useful in decision making than information.
D) Data and information are the same.
Answer: B
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

2) When a subsystem's goals are inconsistent with the goals of another subsystem or with the system as a whole, it creates
A) system inconsistence.
B) system conflict.
C) goal inconsistence.
D) goal conflict.
Answer: D
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

3) When a subsystem achieves its goals while contributing to the organization's overall goal, it is called
A) system match.
B) system congruence.
C) goal congruence.
D) goal match.
Answer: C
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

4) Information is best described as
A) raw facts about transactions.
B) data that has been organized and processed so that it is meaningful to the user.
C) facts that are useful when processed in a timely manner.
D) the same thing as data.
Answer: B
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

5) The value of information can best be determined by
A) its usefulness to decision makers.
B) its relevance to decision makers.
C) the benefits associated with obtaining the information minus the cost of producing it.
D) the extent to which it optimizes the value chain.
Answer: C
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

6) An accounting information system (AIS) processes ________ to provide users with ________.
A) data; information
B) data; transactions
C) information; data
D) data; benefits
Answer: A
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

7) ________ information reduces uncertainty, improves decision makers' ability to make predictions, or confirms expectations.
A) Timely
B) Accurate
C) Relevant
D) Complete
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

8) Information that is free from error or bias and faithfully represents the events or activities of the organization is
A) relevant.
B) accurate.
C) verifiable.
D) timely.
Answer: B
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

9) Information that does not omit important aspects of the underlying events or activities that it measures is
A) complete.
B) available.
C) relevant.
D) timely.
Answer: A
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

10) Information is ________ when two knowledgeable people independently produce the same information.
A) verifiable
B) relevant
C) accurate
D) complete
Answer: A
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

11) Data must be converted into information to be considered useful and meaningful for decision making. There are 14 characteristics that make information both useful and meaningful. If information is free from error or bias and faithfully represents the events or activities of the organization, it is representative of the characteristic of
A) relevancy.
B) timeliness.
C) understandability.
D) accuracy.
Answer: D
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

12) Data must be converted into information to be considered useful and meaningful for decision making. There are 14 characteristics that make information both useful and meaningful. If information can help reduce uncertainty, improves decision making, or confirms or corrects prior expectations, it is representative of the characteristic of
A) objectivity.
B) relevance.
C) completeness.
D) truthfulness.
Answer: B
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

13) Data must be converted into information to be considered useful and meaningful for decision making. There are 14 characteristics that make information both useful and meaningful. If the same information can be reproduced by two independent and knowledgeable people, it is representative of the characteristic of
A) accuracy.
B) relevance.
C) verifiability.
D) truthfulness.
Answer: C
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

14) Data must be converted into information to be considered useful and meaningful for decision making. There are 14 characteristics that make information both useful and meaningful. If the information is free from bias or prejudice, it is representative of the characteristic of
A) objectivity.
B) relevance.
C) verifiability.
D) truthful.
Answer: A
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

15) Inventory information for Sun Corp. is provided in real time by a firm's accounting information system. However, the accuracy of this information is questionable. Many store managers often report stock outs of components that the system erroneously indicates are in stock. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) accurate
C) complete
D) timely
E) understandable
F) verifiable
G) available
Answer: B
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

16) Sam Jones has been the controller of Downtown Tires for 25 years. Ownership of the firm recently changed hands and the new owners are conducting an audit of the financial records. The auditors have been unable to reproduce financial reports that were prepared by Sam. While there is no evidence of wrongdoing, the auditors cannot determine why they cannot produce the same information. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) reliable
C) complete
D) timely
E) understandable
F) verifiable
G) available
Answer: F
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

17) Sam Jones has been the controller of Downtown Tires for 25 years. Ownership of the firm recently changed hands and the new owners are conducting an audit of the financial records. The auditors have been unable to obtain the firm's financial statements that were prepared by Sam. While there is no evidence of wrongdoing, the auditors are not able to complete the audit. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) reliable
C) complete
D) timely
E) understandable
F) verifiable
G) available
Answer: G
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

18) In 2022, NeuTech Industries introduced a new project management software to improve collaboration and efficiency. Elena Jentz, a project manager, initially welcomed the digitization but soon encountered issues. She noted to a coworker that the software failed to display critical project details like budget limits and skill requirements, complicating resource allocation. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) accurate
C) complete
D) timely
E) understandable
F) verifiable
G) accessible
Answer: C
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

19) In 2022, NeuTech Industries introduced a new project management software to improve collaboration and efficiency. Sam Schmidt, a software developer, initially welcomed the digitization but soon encountered issues. He complained to his boss Elena that the software's interface was not intuitive, making information retrieval and interpretation more time-consuming for their team. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) accurate
C) complete
D) timely
E) understandable
F) verifiable
G) available
Answer: E
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

20) Wisconsin Dells, Wisconsin, is a popular tourist destination. During the winter months, the population dwindles to a meager few, but when summer comes, the size of the town surges. Hunter Jackson is the town sanitation engineer. When the size of the town surges, so do his responsibilities. Among them is management of the sewage processing volume.
In an interview with the local paper, Hunter complained that a report on tourist population that he uses to adjust processing volume refers to data that was collected four days ago and it takes him a week to make adjustments. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) accurate
C) complete
D) timely
E) understandable
F) verifiable
G) available
Answer: D
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

21) Wisconsin Dells, Wisconsin, is a popular tourist destination. During the winter months, the population dwindles to a meager few, but when summer comes, the size of the town surges. Hunter Jackson is the town sanitation engineer. When the size of the town surges, so do his responsibilities. Among them is management of the sewage processing volume.
In an interview with the local paper, Hunter complained that a report on tourist population that he uses to adjust processing volume often contains errors, which makes it difficult for him to make necessary adjustments. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) accurate
C) complete
D) timely
E) understandable
F) verifiable
G) available
Answer: B
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

22) A frantic Barney Rubble lost a large sale because he could not access the system to verify the inventory was in stock and ready to be shipped. He later learned that the system was being upgraded at the time of his attempted sale. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) accurate
C) complete
D) timely
E) understandable
F) verifiable
G) available
Answer: G
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

23) Alex, a project manager at a construction firm, receives an email update from a supplier stating only that the delivery of essential materials will be "slightly delayed" due to unforeseen circumstances. Alex needs to adjust the project timeline and communicate effectively with stakeholders. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) accurate
C) complete
D) timely
E) understandable
F) verifiable
G) available
Answer: C
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

24) Baggins Incorporated identifies new product development and product improvement as the top corporate goals. An employee developed an innovation that will correct a shortcoming in one of the company's products. Although Baggins current Return on Investment (ROI) is 12%, the product innovation is expected to generate ROI of only 10%. As a result, awarding bonuses to employees based on ROI resulted in
A) goal conflict.
B) information overload.
C) goal congruence.
D) decreased value of information.
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 1
Difficulty: Challenging
AACSB: Application of Knowledge

25) Baggins Incorporated identifies new product development and product improvement as the top corporate goals. An employee developed an innovation that will correct a shortcoming in one of the company's products. Although Baggins current Return on Investment (ROI) is 10%, the product innovation is expected to generate ROI of 15%. As a result, awarding bonuses to employees based on ROI resulted in
A) goal conflict.
B) information overload.
C) goal congruence.
D) decreased value of information.
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 1
Difficulty: Challenging
AACSB: Application of Knowledge

26) Which of the following tradeoffs between characteristics of useful information is *least* objectionable?
A) incomplete information received on a timely basis
B) irrelevant information received in an understandable format
C) unreliable information easily accessible
D) verifiable information received in unreadable format
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

27) Which of the following tradeoffs between characteristics of useful information is *most* objectionable?
A) accurate information that is not timely
B) complete information that is not easily accessible
C) relevant information presented in a complex format
D) unreliable information presented in an understandable format
Answer: D
Concept: Information needs and business processes
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

28) Which of the following is ***not*** one of the three basic types of data about a specific sales transaction that should be captured by an Accounting Information System?
A) name of the employee who completed the sale
B) daily sales quota
C) product sold
D) date
Answer: B
Concept: Information needs and business processes
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

29) Define the concept of a system.
Answer: A system is a set of two or more components that are somehow interrelated and interact together to achieve a specific goal.
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

30) Define data, information, and how the value of information is determined.
Answer: 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 accessible, relevant, timely, reliable, verifiable, complete, and understandable. Information is of value when the benefits received from using or acting upon it outweigh the cost to produce the information.
Concept: Information needs and business processes
Objective: Learning Objective 1
Difficulty: Easy
AACSB: Analytical Thinking

31) Discuss the concept of a system and the issues of goal conflict and goal congruence.
Answer: 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.
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

32) Discuss the fourteen characteristics of useful information.
Answer: The 14 characteristics of useful information are:
1) Access restricted: Able to limit access to authorized parties
2) Accurate: Correct; free of error; accurately represents events and activities
3) Available: Available to users when needed; in a format that can be easily and quickly used
4) Complete: Does not omit aspects of events or activities; of enough breadth and depth
5) Concise: Clear, succinct; appropriate volume presented briefly but comprehensively
6) Consistent: Presented in same format over time
7) Current: Includes event and activity data up to the present date and time
8) Objective: Unbiased; unprejudiced; impartial
9) Relevant: Reduces uncertainty; improves decision making; applicable and helpful
10) Reputable: Perceived as true and credible due to highly regarded source or content
11) Timely: Provided in time for decision makers to make decisions
12) Useable: Easy to use for different tasks; human and machine readable
13) Understandable: Presented in a useful and intelligible format; easily comprehended and interpreted
14) Verifiable: Same information produced by two independent, knowledgeable people
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

33) Discuss the concept of a system and the issues of goal conflict and goal congruence.
Answer: 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.
Concept: The concept of information
Objective: Learning Objective 1
Difficulty: Moderate
AACSB: Analytical Thinking

2 Explain the decisions an organization makes, the information needed to make them, and the major business processes present in most companies.

1) Paid time-off policies, job descriptions, and procedures manuals are examples of information needed to support key decisions in what business process?
A) hire and train employees
B) acquire inventory
C) sell merchandise
D) collect payment from customers
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

2) Before a firm can identify the information needed to effectively manage a process, the firm must
A) hire an outside consultant.
B) understand the process.
C) purchase computers and/or workstations.
D) obtain internet access.
Answer: B
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

3) Identify the piece of information below that is typically needed to acquire a building.
A) job descriptions
B) vendor performance
C) market coverage
D) capacity needs
Answer: D
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

4) Identify the piece of information below that is typically needed to acquire inventory.
A) job descriptions
B) vendor performance
C) market coverage
D) capacity needs
Answer: B
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

5) Identify the piece of information below that is typically needed to hire and train employees.
A) job descriptions
B) vendor performance
C) market coverage
D) capacity needs
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

6) What types of decisions require an organization to analyze both current and projected tourist travel and spending patterns, and which business process would most directly utilize this information?
A) Pricing and inventory management; Revenue cycle
B) Employee training; Human resources/payroll cycle
C) Loan application processing; Financing cycle
D) Raw materials procurement; Expenditure cycle
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

7) What is a key decision that needs to be made with regards to selling merchandise?
A) which banking institution to use
B) which employees to hire
C) which public accounting firm to employ
D) which credit cards to accept
Answer: D
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

8) What is a key decision that needs to be made with regards to paying vendors for goods and services?
A) which credit cards to accept
B) which employees to hire
C) when to pay vendors
D) how much capital to acquire
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

9) What is a key decision that needs to be made with regards to borrowing money from lenders?
A) the location
B) pro forma income statement
C) how much capital to acquire
D) job descriptions
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

10) In the context of a retail business, which type of information is crucial for determining the optimal product mix and inventory levels, and through which major business process is this information typically processed?
A) Customer demographic data; Production cycle
B) Sales and inventory turnover forecasts; Revenue cycle
C) Employee performance data; Human resources/payroll cycle
D) Vendor performance reports; Expenditure cycle
Answer: B
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

11) Who of the following is *not* a stakeholder with whom an accounting information system typically communicates directly?
A) the federal government
B) board of directors
C) company that supplies raw material
D) company that purchases finished goods for resale to consumers
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

12) In which transaction cycle would customer sales transaction information be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

13) In which transaction cycle would information for inventory purchases be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle
Answer: B
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

14) In which transaction cycle would information relating to employees benefit be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

15) In which transaction cycle would information for paying dividends be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle
Answer: D
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

16) In which transaction cycle would information for retiring long-term debt be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle
Answer: D
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

17) In which transaction cycle would information for initiating back orders for out of stock goods be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

18) Identify the party below that is *not* external to the firm.
A) customer
B) vendor
C) government agencies
D) CEO
Answer: D
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

19) Identify the party below that is *not* internal to the firm.
A) customer
B) management
C) employees
D) CEO
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

20) Receiving goods from vendors is part of which cycle?
A) the revenue cycle
B) the financing cycle
C) the expenditure cycle
D) the payroll cycle
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

21) The ________ is *not* a transaction cycle.
A) general ledger and reporting cycle
B) expenditure cycle
C) revenue cycle
D) human resources cycle
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

22) Identify the *false* statement below.
A) Retail stores do not have a production cycle.
B) Financial institutions have installment-loan cycles.
C) Every organization should implement every transaction cycle module.
D) A service company does not have an inventory system.
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

23) Transaction cycles can be summarized on a high level as "give-get" transactions. An example of "give-get" in the revenue cycle would be
A) give cash, get goods.
B) give goods, get cash.
C) give cash, get labor.
D) give cash, get cash.
Answer: B
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

24) Groups of related business activities such as the acquisition of merchandise and payment of vendors are called
A) transaction cycles.
B) economic cycles.
C) business events.
D) transactions.
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

25) The transaction cycle that includes product design is known as the
A) revenue cycle.
B) expenditure cycle.
C) production cycle.
D) financing cycle.
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

26) The transaction cycle approach yields efficiencies when processing of a large number of transactions because
A) a large number of transactions within a given cycle can be categorized into a relatively small number of distinct types.
B) transaction cycles are easier to computerize.
C) the transaction cycle approach represents the natural order of business.
D) transaction cycles are easy to understand.
Answer: A
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

27) Updating accounts receivable is part of which transaction cycle?
A) human resources/payroll
B) expenditure
C) financing
D) revenue
Answer: D
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Analytical Thinking

28) Who of the following would *not* be involved in the expenditure cycle?
A) accounts payable clerk
B) receiving clerk
C) cashier
D) requisition manager
Answer: C
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Easy
AACSB: Analytical Thinking

29) How are "Give and Take" transactions classified in business today and what impact does this have on AIS?
Answer: The concept of "Give and Take" transactions has been used to classify business transactions into "cycles" that have starting points, processes, and end points (or closure). The majority of business transactions can be classified as revenue, expenditure, human resources (payroll), production, and financing cycles. AIS has been modeled after these transaction cycles to achieve its basic functions of collecting and processing data, providing information useful for decision making, and establishing adequate controls.
Concept: Information needs and business processes
Objective: Learning Objective 2
Difficulty: Moderate
AACSB: Reflective Thinking

3 Explain how an accounting information system (AIS) adds value to an organization, how it affects and is affected by corporate strategy, and its role in a value chain.

1) 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
Answer: D
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

2) 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) record sales calls for marketing purposes
Answer: D
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

3) 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) hardware
Answer: D
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

4) 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.
Answer: B
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

5) Many modern accounting software packages offer separate transaction cycle modules. What is the reason for this?
A) Every organization does not need to implement all of the available transaction cycle modules.
B) Most businesses do not need the revenue cycle module as part of their AIS.
C) The nature of a given transaction cycle is the same irrespective of the type of organization.
D) A properly designed AIS does not use the concept of separate business transaction cycles to process transactions.
Answer: A
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

6) Define an accounting information system.
Answer: An AIS is a system that collects, records, stores, and processes data to produce information for decision makers.
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

7) Identify the components of an accounting information system.
Answer: A well-designed AIS consists of people, procedures and instructions, data, software, information technology infrastructures, and internal controls and security measures.
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

8) 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.
Answer: An AIS consists of six components: people, procedures and instructions, data, software, information technology infrastructures, 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.
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Reflective Thinking

9) Why have accounting software packages been designed with separate transaction modules?
Answer: Since every organization does not necessarily use all of the transaction cycles in its operations, it is to the advantage of the organization to be able to "pick and choose" from among various software modules that track and record different transaction cycles. For example, a law firm would have no need to implement a production cycle module. Also, the nature of a transaction cycle varies across the broad spectrum of business organizations. Again, a law firm would have a revenue cycle, but it would not involve the purchase, receipt, and payment for products or merchandise; likewise, a retail store chain may not sell any consulting services to its customers.
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

10) An accounting information system requires at least one computer.
Answer: FALSE
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

11) 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 Information Auditor.
B) the Certified Internal Auditor.
C) the Certified Information Technology Professional.
D) the Certified Data Processing Professional.
Answer: C
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

12) 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.
Answer: D
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

13) 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.
Answer: D
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

14) A good example of how an AIS is used to share knowledge within an organization is
A) the use of a corporate database to help staff identify the relevant experts who can help with a particular client.
B) the use of tablets 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.
Answer: A
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

15) 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.
Answer: D
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

16) 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.
Answer: D
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

17) A well-designed AIS can improve the decision making in an organization. Identify the statement below that describes a situation where an AIS may actually inhibit effective decision making.
A) An AIS provides to its users an abundance of information without any filtering or condensing of such information.
B) An AIS identifies situations requiring management action.
C) An AIS reduces uncertainty, and therefore accounting information can provide a basis for choosing among alternative courses of action.
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.
Answer: A
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

18) Which of the following is *not* an example of how an AIS adds value to an organization?
A) Employees at a company can access a shared drive to upload and download company-wide announcements.
B) A customer service representative can find a customer's account data, purchase history, payment history, and salesperson's name while on the phone with the customer, to resolve issues quickly.
C) Suppliers are able to access sales data directly from the point-of-sale system of a retailer and deliver inventory automatically when needed.
D) Client tax files are encrypted and made available on the CPA firm's network to any employee with an access code.
Answer: A
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Challenging
AACSB: Reflective Thinking

19) Which of the following is *not* an example of how an AIS adds value to an organization?
A) Patient information at a hospital is encrypted and made only available on the hospital's network to the patient with an access code.
B) Patient billing information at a hospital is encrypted and made only available on the hospital's network to insurance companies with an access code.
C) Patient information at a hospital is encrypted and made only available on the hospital's webpage to anyone with access to a search engine.
D) Patient information at a hospital is encrypted and made only available on the hospital's network to healthcare professional with an access code.
Answer: C
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Challenging
AACSB: Reflective Thinking

20) What is the CITP designation and why is it important to AIS?
Answer: 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.
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

21) Differentiate between an AIS course and other accounting courses.
Answer: 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.
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Challenging
AACSB: Reflective Thinking

22) How can an AIS add value to the organization?
Answer: 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.
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Reflective Thinking

23) How can an AIS become part of the firm's value chain and add value to the business?
Answer: 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.
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Reflective Thinking

24) 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: 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.
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Challenging
AACSB: Reflective Thinking

25) 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.
Answer: A
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

26) In Chapter 1, Figure 1-5 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.
Answer: B
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Application of Knowledge

27) Which of the following is a *true* statement?
A) Business strategy directly influences AIS, but not information technology.
B) Information technology directly influences organizational culture, but not business strategy.
C) Organizational culture directly influences business strategy, but not AIS.
D) AIS directly influences information technology, but not business strategy.
Answer: A
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Challenging
AACSB: Reflective Thinking

28) Corporate strategy should affect the way a firm deploys an accounting information system.
Answer: TRUE
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

29) Identify the primary reason that it is important for a firm to identify the AIS improvements likely to yield the greatest return.
A) because business strategy directly influences AIS, but not information technology
B) because most organizations have limited resources
C) because a firm never wants to waste time addressing issues that are not urgent
D) because it is expensive to improve accounting information systems
Answer: B
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

30) An AIS that makes information more easily accessible and more widely available is likely to increase pressure for
A) centralization and defined procedures.
B) centralization and autonomy.
C) decentralization and defined procedures.
D) decentralization and autonomy.
Answer: D
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Challenging
AACSB: Reflective Thinking

31) It is important that a firm's AIS collect and integrate financial and non-financial information about the organization's activities if the firm uses its AIS to gain a competitive advantage.
Answer: TRUE
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

32) When properly deployed, accounting information systems can provide firms with a competitive advantage.
Answer: TRUE
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

33) The process of creating value for customers is the result of nine activities that form a(n)
A) value chain.
B) capitalist operation.
C) profitable business.
D) information system.
Answer: A
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

34) 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.
Answer: A
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

35) Which of the following is a primary activity in the value chain?
A) infrastructure
B) technology
C) purchasing
D) marketing and sales
Answer: D
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

36) Arranging delivery of products to customers constitutes ________ in value chain analysis.
A) shipping
B) inbound logistics
C) outbound logistics
D) delivery
Answer: C
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

37) ________ are examples of activities that constitute inbound logistics.
A) Activities that transform inputs into final products or services
B) Activities that consist of receiving, storing, and distributing the materials used as inputs by the organization to create goods and/or services it sells
C) Activities that provide post-sale support to customers
D) Activities that help customers to buy the organization's products or services
Answer: B
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

38) A value chain typically consists of five primary activities that can directly provide value to customers. The activities that help customers buy the organization's products or services represent
A) inbound logistics.
B) outbound logistics.
C) marketing and sales.
D) operations.
Answer: C
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

39) A value chain typically consists of five primary activities that can directly provide value to customers. The activities that help distribute finished products or services to customers represent
A) inbound logistics.
B) outbound logistics.
C) marketing and sales.
D) operations.
Answer: B
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

40) A value chain typically consists of five primary activities that can directly provide value to customers. The activities that help to transform inputs into final products or services represent
A) inbound logistics.
B) outbound logistics.
C) marketing and sales.
D) operations.
Answer: D
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

41) A value chain typically consists of five primary activities that can directly provide value to customers. The activities that help to provide post-sale support to customers represent
A) service.
B) outbound logistics.
C) marketing and sales.
D) operations.
Answer: A
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

42) One activity within the value chain 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.
Answer: C
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

43) Clemente Santiago has formed a business that sells carved gourmet coconuts. He has hired five employees. The most senior is Mary, who manages the carving process. Jane is the newest employee. She collects the coconuts. Joe takes calls from unhappy customers. Tom tosses finished coconuts into the sea, sending them to the wholesaler. Annie sends letters to the wholesaler extolling the virtues of the latest production run of nuts that are drifting across the bay. Which of the following functions in the value chain is Jane performing?
A) inbound logistics
B) operations
C) outbound logistics
D) marketing and sales
E) service
Answer: A
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Application of Knowledge

44) Clemente Santiago has formed a business that sells carved gourmet coconuts. He has hired five employees. The most senior is Mary, who manages the carving process. Jane is the newest employee. She collects the coconuts. Joe takes calls from unhappy customers. Tom tosses finished coconuts into the sea, sending them to the wholesaler. Annie sends letters to the wholesaler extolling the virtues of the latest production run of nuts that are drifting across the bay. Which of the following functions in the value chain is Mary performing?
A) inbound logistics
B) operations
C) outbound logistics
D) marketing and sales
E) service
Answer: B
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Application of Knowledge

45) Clemente Santiago has formed a business that sells carved gourmet coconuts. He has hired five employees. The most senior is Mary, who manages the carving process. Jane is the newest employee. She collects the coconuts. Joe takes calls from unhappy customers. Tom tosses finished coconuts into the sea, sending them to the wholesaler. Annie sends letters to the wholesaler extolling the virtues of the latest production run of nuts that are drifting across the bay. Which of the following functions in the value chain is Tom performing?
A) inbound logistics
B) operations
C) outbound logistics
D) marketing and sales
E) service
Answer: C
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Application of Knowledge

46) Clemente Santiago has formed a business that sells carved gourmet coconuts. He has hired five employees. The most senior is Mary, who manages the carving process. Jane is the newest employee. She collects the coconuts. Joe takes calls from unhappy customers. Tom tosses finished coconuts into the sea, sending them to the wholesaler. Annie sends letters to the wholesaler extolling the virtues of the latest production run of nuts that are drifting across the bay. Which of the following functions in the value chain is Annie performing?
A) inbound logistics
B) operations
C) outbound logistics
D) marketing and sales
E) service
Answer: D
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Application of Knowledge

47) Clemente Santiago has formed a business that sells carved gourmet coconuts. He has hired five employees. The most senior is Mary, who manages the carving process. Jane is the newest employee. She collects the coconuts. Joe takes calls from unhappy customers. Tom tosses finished coconuts into the sea, sending them to the wholesaler. Annie sends letters to the wholesaler extolling the virtues of the latest production run of nuts that are drifting across the bay. Which of the following functions in the value chain is Joe performing?
A) inbound logistics
B) operations
C) outbound logistics
D) marketing and sales
E) service
Answer: E
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Application of Knowledge

48) What is the purpose behind the five primary activities in the value chain?
Answer: 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.
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking

49) How can a well-designed AIS improve the efficiency and effectiveness of a company's value chain?
Answer: 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.
Concept: The value of accounting information systems
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Reflective Thinking

50) Discuss the components of a supply chain.
Answer: 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.
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

51) ________ is a distributed ledger created using cryptography.
A) Blockchain
B) Virtualization
C) Cloud computing
D) Internet of things
Answer: A
Concept: Value chain
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

52) The use of computer systems to simulate human intelligence processes such as learning, reasoning, and self-improvement is called what?
A) artificial intelligence
B) data analytics
C) cloud computing
D) blockchain
Answer: A
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

53) Use of software and algorithms to find and solve problems and improve business performance is called what?
A) artificial intelligence
B) data analytics
C) cloud computing
D) blockchain
Answer: B
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

54) ________ is a display of important data points, metrics, and key performance indicators in easily understood line or bar charts, tables, or gauges.
A) Artificial intelligence
B) Data analytics
C) Cloud computing
D) Data dashboard
Answer: D
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

55) Running multiple systems simultaneously on one physical computer is called what?
A) artificial intelligence
B) virtualization
C) cloud computing
D) Internet of Things
Answer: B
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

56) ________ is using a browser to remotely access software, data storage, hardware, and applications.
A) Artificial intelligence
B) Virtualization
C) Cloud computing
D) Internet of Things
Answer: C
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Analytical Thinking

57) A grocery store wants to better understand its customers. In each shopping cart, the store installs a small GPS tracking device so they can analyze the patterns shoppers take to buy groceries. The small device would be best classified as which of the following?
A) artificial intelligence
B) virtualization
C) cloud computing
D) Internet of Things
Answer: D
Concept: Accounting information systems
Objective: Learning Objective 3
Difficulty: Easy
AACSB: Reflective Thinking

58) Discuss the benefits and drawbacks of using a blockchain rather than a decentralized database.
Answer: Student answers will vary, but they should touch on the following topics.
Positives:
- Accuracy
- Transparency
- Data consistency
- Trust
- No need for third parties
- Single set of books
- Cost
- Decentralization
- Efficiency
- Privacy
- Security
- Provenance

Negatives:
- Cost
- Loss of privacy and confidentiality
- Susceptibility

Concept: Value chain
Objective: Learning Objective 3
Difficulty: Moderate
AACSB: Analytical Thinking