

**Case 1:**

William Good is a mid-sized manufacturing company. William Good produces several brands of food products; such as, cereals, chocolates, and cookies. Each of these product groups has separate manufacturing facilities located Saint John. The marketing and finance departments are located in Fredericton. Corporate accounting is also done from Fredericton. Each factory maintains its own factory accounting system and reports to the corporate head office in Fredericton.

Recently, you have assumed the position of the controller of the company. You think it is high time to integrate all information systems of William Good to improve management control and external financial reporting.

- a. What arguments would you make for and against the integrating existing disparate systems into a single information system?
- b. Would you recommend integration of any management level?
- c. What reactions would you anticipate from your counter parts in manufacturing and marketing divisions if you propose a plan to integrate the corporate information systems?

**Case 2:**

A request for purchase is initiated by the user department on a purchase requisition form. The purchasing department, after receiving the purchase requisition (PR), checks the PR for (a) authorization, (b) budget allocation, (c) correctness, and (d) store's approval. If it meets all the requirements the PR is approved; otherwise it is rejected. The rejected PR is sent back to the requesting department with the reasons for rejection. The approved PR is sent to the purchase order clerk, who selects the vendor from pre-approved vendor lists, and prepares a five-part purchase order on a standard and pre-numbered purchase order. The PO copies are distributed as follows: (1) Copy 1 to the vendor, (2) Copy 2 to accounting, (3) Copy 3 filed with the PR, (4) Copy 4 to the store clerk, and (5) Copy 5 to the requesting department.

Evaluate the above purchase order procedure, taking the following into consideration:

1. Does it meet any or all of these major categories of broad objectives: (1) assets safeguard, (2) authorization, and (3) accounting?
2. Identify the broad objectives, operational objectives, and specific control objectives included in the procedure.

**Case 3:**

The Vane Corporation is a manufacturing concern that has been in business for 18 years. During this period, the company has grown from a very small family-owned operation to a medium-sized manufacturing concern with several departments. Despite this growth, a substantial number of the procedures employed by Vane have been in effect since the business was started. Just recently, Vane computerized its payroll function.

The payroll operates in the following manner. Each worker picks up a weekly time card on Monday morning and writes in his or her name and identification number. These blank cards are kept near the factory entrance. The workers write on the time card the time of their daily arrival and departure. On the following Monday, the factory foremen collect the

completed time cards for the previous week and send them to data processing.

In data processing, the time cards are used to prepare the weekly time file. This file is processed with the master payroll file, which is maintained on magnetic tape according to worker identification number. The checks are written by the computer on the regular checking account and imprinted with the treasurer's signature. After the payroll file is updated and the checks are prepared, the checks are sent to the factory foremen, who distribute them to the workers or hold them for the workers to pick up later if they are absent. The foremen notify data processing of new employees and terminations. Any changes in hourly pay rate or any other changes affecting payroll are usually communicated to data processing by the foremen. The workers also complete a job time ticket for each individual job they work on each day. The job time tickets are collected daily and sent to cost accounting, where they are used to prepare a cost distribution analysis.

Further analysis of the payroll function reveals the following: (1) A worker's gross wages never exceed \$300 per week. (2) Raises never exceed \$0.55 per hour for the factory workers. (3) No more than 20 hours of overtime is allowed each week. (4) The factory employs 150 workers in 10 departments.

The payroll function has not been operating smoothly for some time, but even more problems have surfaced since the payroll was computerized. The foremen have indicated that they would like a weekly report indicating worker tardiness, absenteeism, and idle time, so they can determine the amount of productive time lost and the reason for the lost time. The following errors and inconsistencies have been encountered the past few pay periods:

1. A worker's paycheck was not processed properly, because he had transposed two numbers in his identification number when he filled out his time card.
2. A worker was issued a check for \$1,531.80 when it should have been \$153.81.
3. One worker's paycheck was not written, and this error was not detected until the paychecks for that department were distributed by the foreman.
4. Part of the master payroll file was destroyed when the tape reel was inadvertently mounted on the wrong tape drive and used as a scratch tape. Data processing attempted to reestablish the destroyed portion from original source documents and other records.
5. One worker received a paycheck for an amount considerably larger than he should have. Further investigation revealed that 84 had been punched instead of 48 for hours worked.
6. Several records on the master payroll file were skipped and not included on the updated master payroll file. This was not detected for several pay periods.
7. In processing non-routine changes a computer operator included a pay rate increase for one of his friends in the factory. This was discovered by chance by another employee.

**Required:**

Identify the control weaknesses in the payroll procedure and in the computer processing as it is now conducted by the Vane Corp. Recommend the changes necessary to correct the system. Arrange your answer in the following columnar format:

Control Weaknesses	Recommendations

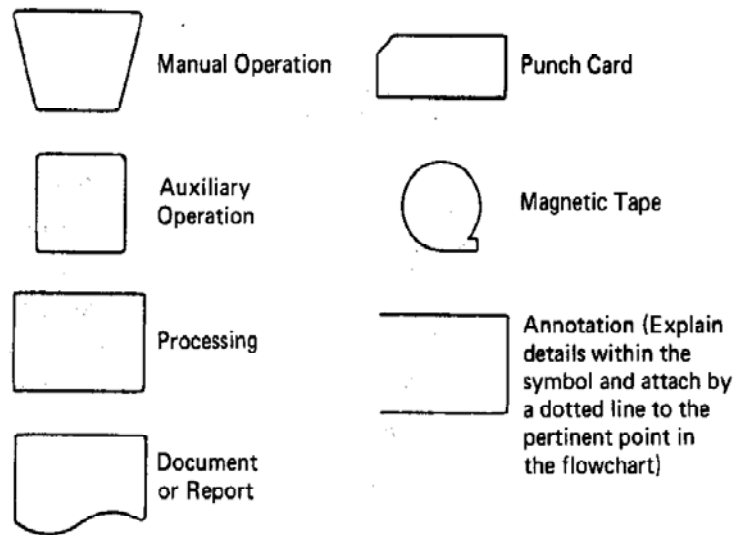
**Case 4:**

Rashid Co. manufactures and sells eight major product lines with 15 to 25 items in each product line. All sales are on credit, and orders are received by mail or telephone. Rashid has a computer-based system that employs magnetic tape as a file medium.

All sales orders received during regular working hours are typed on Rashid's own sales order form immediately. This typed form is the source document for the keypunching of a shipment or backorder card for each item ordered. These cards are employed in the after-hours processing at night to complete all necessary recordkeeping for the current day and to facilitate the shipment of goods the following day. An order received one day is to be processed that day and night and shipped the next day.

The daily processing which has to be accomplished at night includes the following activities: (1) Preparing the invoice to be sent to the customer at the time of shipment. (2) Updating the accounts receivable file. (3) Updating the finished goods inventory. (4) Listing of all items backordered and short. Each month the sales department would like to have a sales summary and analysis. At the end of each month, the monthly statements should be prepared and mailed to customers. Management also wants an aging of accounts receivable each month.

- a) Identify the master files Rashid should maintain in this system to provide for the daily processing. Indicate the data content that should be included in each file and the order in which each file should be maintained.
- b) Using the symbols shown below, prepare a systems flowchart of the daily processing required to update the finished goods inventory records and to produce the necessary inventory reports (assume that the necessary magnetic tape devices are available). Use the annotation symbol to describe or explain any facts that cannot be detailed in the individual symbols.



- c) Describe (1) the items that should appear in the monthly sales analysis report(s) the sales department should have, and (2) the input data and master files that would have to be maintained to prepare these reports.

**Reference:**

Global Accounting Information Systems  
– Prof. Mawdudur Rahman