



Kasarani Campus  
Off Thika Road  
Tel. 2042692 / 3  
P. O. Box 49274, 00100  
NAIROBI  
Westlands Campus  
Pamstech House  
Woodvale Grove  
Tel. 4442212  
Fax: 4444175

**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR**  
**FIRST YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DEGREE OF ECONOMICS AND FINANCE**

Date: 15<sup>th</sup> August, 2024  
Time: 11.30am – 1.30pm

**KFC 2101 ACCOUNTING INFORMATION SYSTEMS**

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

ABC Corporation, a mid-sized manufacturing company specializing in household appliances, has been grappling with significant financial discrepancies that have alarmed its stakeholders. Despite over two decades of steady growth and operational success, recent financial reports have revealed troubling inconsistencies. For instance, there were discrepancies between the reported inventory levels and the actual physical counts, as well as unexplained variances in the accounts receivable and payable balances. The issues came to light when the newly appointed Chief Finance Officer, Jane Doe, conducted a comprehensive audit of the company's financial statements. Her investigation uncovered a series of problems: inaccurate inventory records, which led to an overstated asset base; unreconciled bank statements; missing or incorrect entries in the general ledger; and discrepancies between the amounts recorded in the Accounting Information System (AIS) and the actual physical inventory counts. Furthermore, the audit revealed delays and inaccuracies in processing accounts receivable, which adversely impacted the company's cash flow.

Jane Doe suspected that the root causes of these discrepancies were embedded within the company's AIS and its related processes. A closer examination revealed several critical issues. The AIS lacked proper user access controls, which allowed unauthorized personnel to alter financial records. Additionally, there were inadequate data validation checks that led to erroneous data entries. The integration between various modules of the AIS was poor, causing data mismatches. Lastly, the system had insufficient audit trails, making it challenging to trace changes and identify errors effectively. These shortcomings in the AIS were central to the financial discrepancies that ABC Corporation was facing.

***Required:***

- Discuss how could ABC Corporation's AIS have contributed to these discrepancies? (6 Marks)
- Identify and explain the types of internal controls that ABC Corporation should implement within its AIS to prevent such discrepancies in the future. (10 Marks)
- What measures should ABC Corporation take to ensure security and privacy in its AIS, especially considering the sensitive nature of financial data? (8 Marks)
- Discuss the role of the AIS in preparing financial statements and ensuring their accuracy at ABC corporation. (6 Marks)

### **QUESTION TWO (20 MARKS)**

- a) Define Accounting Information Systems (AIS) and describe the accounting process (8 Marks)
- b) Explain accounting information system key components. (8 Marks)
- c) Suggest 4 measures that employers could put in place to deal with internet abuse at workplace (4 Marks)

### **QUESTION THREE (20 MARKS)**

The finance department at Kalasha Company relies heavily on Microsoft Excel for financial analysis and reporting. Analyze:

- a) The basic formulas and functions in Excel that are essential for accountants at Kalasha Company. (5 Marks)
- b) Explain the differences between absolute referencing and relative referencing in Excel, with examples relevant to financial analysis. (7 Marks)
- c) Discuss the role of Microsoft Excel in the preparation of financial statements. (8 Marks)

### **QUESTION FOUR (20 MARKS)**

- a) Describe the types of accounting information systems (10 Marks)
- b) Define a business process and explain its significance in organizational operations. (10 Marks)

### **QUESTION FIVE (20 MARKS)**

- a) Mafuko Ltd. is restructuring its business processes and aims to implement effective business process management (BPM) practices. Evaluate:
- i) The importance of documenting business processes in Mafuko Ltd. (7 Marks)
- ii) How documenting business processes contributes to efficient operations (7 Marks)
- b) Explain three reasons for the growth in the adoption of ERP systems. (6 Marks)