Chapter 13

Acquisition/Payment Process

Outline

- Expected outcomes

- Process role & purpose

- Process steps

- AIS components

- Systems documentation

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Expected outcomes

With respect to the acquisition / payment process:

– Explain its role and purpose.

– List and discuss, in order, the steps in the process.

– Explain how the generic structure of most AIS applies to the process.

– Process common transactions.

– Design & critique internal controls based on common risk exposures.

– Develop & interpret process-related systems documentation.

Process role and purpose

- Purchase inventory & other assets
  - On account
  - For cash
- Pay for purchases
- Value chain relationships
  - Procurement
  - Inbound logistics

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Process steps

- Request goods & services based on monitored need.
  - Forms: purchase requisition
  - Agents: department managers, purchasing dept.

- Authorize a purchase.
  - Forms: purchase order
  - Agents: purchasing department

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Process steps

- Purchase goods & services.
  - Forms: purchase order
  - Agents: purchasing department, vendor
- Receive goods & services.
  - Forms: purchase order (blind copy), receiving report
  - Agents: receiving clerks, common carrier

Process steps

- Disburse cash.
  - Forms: purchase order, receiving report, check
  - Agents: cash payments clerk, vendor
- Process purchase returns as necessary.

Process steps

- **Lecture break 13-1**
  - Which steps in the acquisition / payment process could be made more efficient / effective with information technology?
  - How is human judgment involved in the acquisition / payment process?

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AIS components

- Inputs & outputs

  Forms listed on previous slides

- Processes
  - Process steps
  - Accounting cycle
  - Common transactions
    - Purchase of inventory on account
    - Purchase of inventory for cash
    - Cash payments for purchases on account
    - Inventory returns

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AIS components

- Storage
  - Master files
    - Employee
    - Inventory
    - Vendor
  - Transaction files
    - Purchases
    - Cash payments
  - Junction files
    - Purchases / inventory

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AIS components

- Internal controls
  - Purchase authorizations
  - Conflict of interest policy
  - Supplier qualifications
  - Strategic alliances
  - Employee monitoring
 - Internal audit

Safeguard assets.

Promote operating efficiency.

Ensure reliable financial reporting.

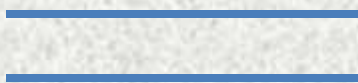Encourage compliance with management directives.

13-11

AIS components

- **Lecture break 13-2**

  Which internal controls from the sales /
  collection process could also apply to the
  acquisition / payment process? How would
  they be applied?

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Systems documentation

- Systems flowchart

- Data flow diagrams

- REA models

(1,*)

13-13
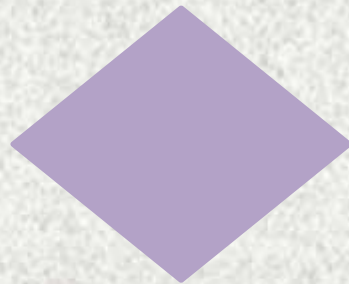
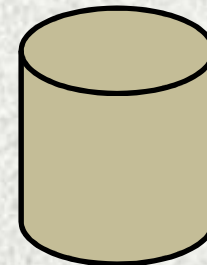# Systems documentation

- **Lecture break 13-3**

  In a format specified by

  your instructor,

  document the short case

  on the next slide.

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Systems documentation

A bookstore purchasing agent is notified by the information system that inventory of Shakespeare's plays is low. The purchasing agent prepares a purchase order & sends it to a publisher; the publisher, after verifying the bookstore's credit, ships the goods via common carrier. The bookstore receives the goods & pays the invoice within 30 days.

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Classroom assessment

- This chapter has focused on the acquisition / payment process:
  – Role and purpose
  – Steps
  – AIS components
  – Systems documentation

- Consider the process you used to purchase your AIS textbook this term.
  – How did the transaction apply the steps in the acquisition / payment process?
  – Which AIS components did you observe as part of the transaction?
  – Document the transaction in a format specified by your instructor.