



Chapter 14

Other Business Processes

Outline

- Expected outcomes
- Nature of other processes
- Conversion process
- Financing process
- Human resource process
- Process relationships

Expected outcomes

With respect to the conversion, financing and human resource processes, you should be able to:

- Explain the role & purpose of each process.
- Explain how the generic structure of most AIS applies.
- Identify & process common transactions.
- Design & critique internal controls based on common risk exposures.
- Develop & interpret process-related systems documentation.

Nature of other processes

- The sales / collection and acquisition / payment processes share significant similarities across a wide range of organizations.
- The processes in this chapter can (and do) vary significantly based on:
 - Products & services sold
 - Organization size
 - Form of ownership
 - Employee characteristics & benefits

Conversion process

- Role and purpose
 - To convert factors of production into a finished product
 - Factors of production
 - Direct material
 - Direct labor
 - Overhead



Conversion process

- AIS structure

- Inputs

- Materials requisition
 - Materials move ticket
 - Labor time ticket

- Process

- Job costing systems
 - Process costing systems
 - Hybrid systems

- Outputs

- Job cost sheet
 - Production cost report

- Storage

- Employee master file
 - Inventory master file
 - Manufacturing transactions file

Conversion process

- **Lecture break 14-1**

What transactions would be recorded in the manufacturing transactions file? How would its tables be structured?

Conversion process

- Internal controls
 - Raw material storage conditions
 - Backup power supplies for manufacturing
 - Workers' compensation insurance
 - Safety training
 - Protective clothing

Financing process

- Purpose and nature
 - To acquire external financial resources the organization needs to carry out its operations
 - Two principal sources
 - Debt financing
 - Equity financing

Lecture break 14-2

What do you recall about the advantages & disadvantages of debt & equity financing from introductory financial accounting?

Financing process

- AIS elements
 - Input & output documents
 - Shares of capital stock
 - Various forms of notes and bonds payable
 - Checks
 - SEC forms
 - 10-Q
 - 10-K
 - 8-K
 - And others

Financing process

- AIS elements
 - Processes
 - Common transactions
 - Issuance of capital stock
 - Purchase of treasury shares
 - Issuance of debt
 - Dividend payments
 - Interest & principal payments
 - Securities issuance processes
 - Such as an initial public offering

Financing process

- AIS elements
 - Storage
 - Stockholder master file
 - Debtholder master file
 - Transaction files
 - Internal controls
 - Proper authorizations
 - Controls over cash
 - Separation of duties
 - Adequate documentation



Human resource process

- Purpose & nature

To manage the “human asset” from initial recruitment to separation from the company

- **Lecture break 14-3**

Think about the last job you had or the one you currently have. How were the generic activities of the human resource process exemplified in that position?

Human resource process

- AIS components

- Input & output documents

- Payroll forms
 - Payroll register
 - Employee earnings record
 - Payroll tax forms
 - Forms W-2 and W-4
 - Forms 940 and 941
 - Checks

- Processes

- Interview & hire employees.
 - Pay employees.
 - Evaluate performance.
 - Manage separations / terminations.

Human resource process

- AIS elements
 - Storage
 - Employee master file
 - Payroll transaction file
 - Employee evaluation file
 - Internal controls
 - Detailed documentation
 - Controls over cash
 - Training & development

- **Lecture break 14-4**

How would you structure
an “employee
evaluation” file?

Process relationships

Processes for acquiring needed resources:

- Financing
- Human resource
- Acquisition / payment



Process for using those resources:

- Conversion



Process for selling goods & services:

- Sales / collection

In spite of their differences, all business processes have one major goal: creating value for organizational stakeholders.

Classroom assessment

- This chapter has discussed three business processes that can vary significantly across organizations:
 - Conversion
 - Financing
 - Human resource

We've now considered a total of five business processes. Work with a group of three to five students to suggest one additional business process beyond those five. Describe its purpose and apply the five generic AIS elements to it.

