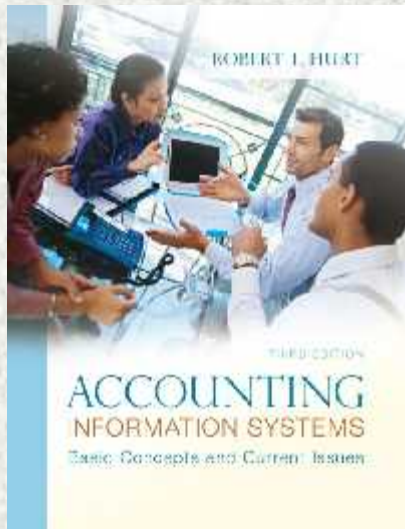


PowerPoint Presentation Materials

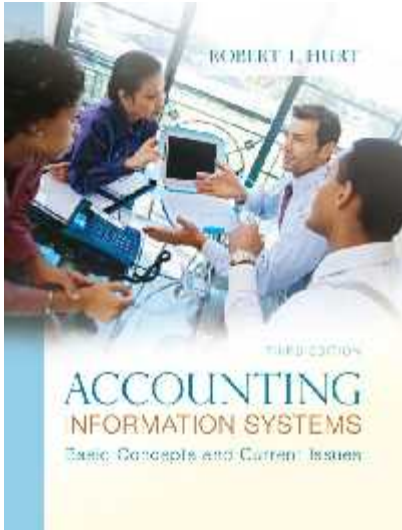
Accounting Information Systems: Basic Concepts and Current Issues

3rd edition

Robert L. Hurt



McGraw-Hill
Irwin



Chapter 1

Role and Purpose of Accounting Information Systems

Outline

- Expected outcomes
- Definition and importance of AIS
- AIS and the rest of accounting
- Generic AIS structure
- Critical thinking
- Information literacy

Expected outcomes

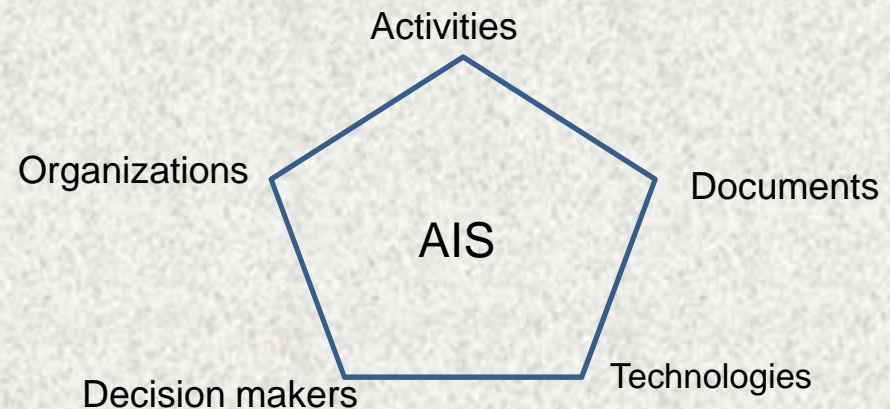
- Define “accounting information systems.”
- Discuss why AIS is an important area of study for future accountants.
- Compare and contrast AIS with other areas of study in accounting.
- Explain the structure of most AIS.
- Locate and evaluate information sources on AIS.
- Describe the structure and content of the remainder of this text.

Definition and importance of AIS

- An accounting information system is a set of interrelated:
 - Activities
 - Documents
 - Technologies
- Designed to:
 - Collect data
 - Process it
 - Report information
- To a diverse group of:
 - Internal decision makers
 - External decision makers
- In all kinds of organizations

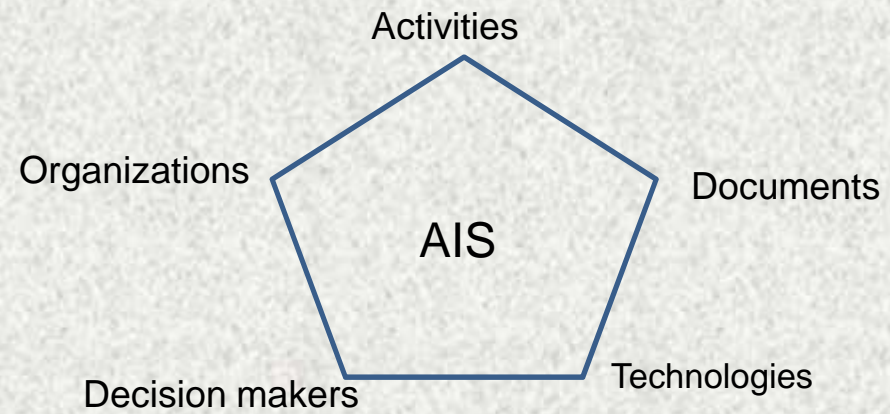
Definition and importance of AIS

- Examples of activities
 - Selling goods and services
 - Collecting cash
- Examples of documents
 - Invoices
 - Purchase orders
- Examples of technologies
 - General ledger software
 - Relational database software



Definition and importance of AIS

- Examples of decision makers
 - Managers
 - Stockholders
- Examples of organizations
 - Microsoft Corp.
 - City of Los Angeles
- **Lecture break 1-1**
 - Form a group of three to five students.
 - As a group, give one additional example of each element.



Definition and importance of AIS

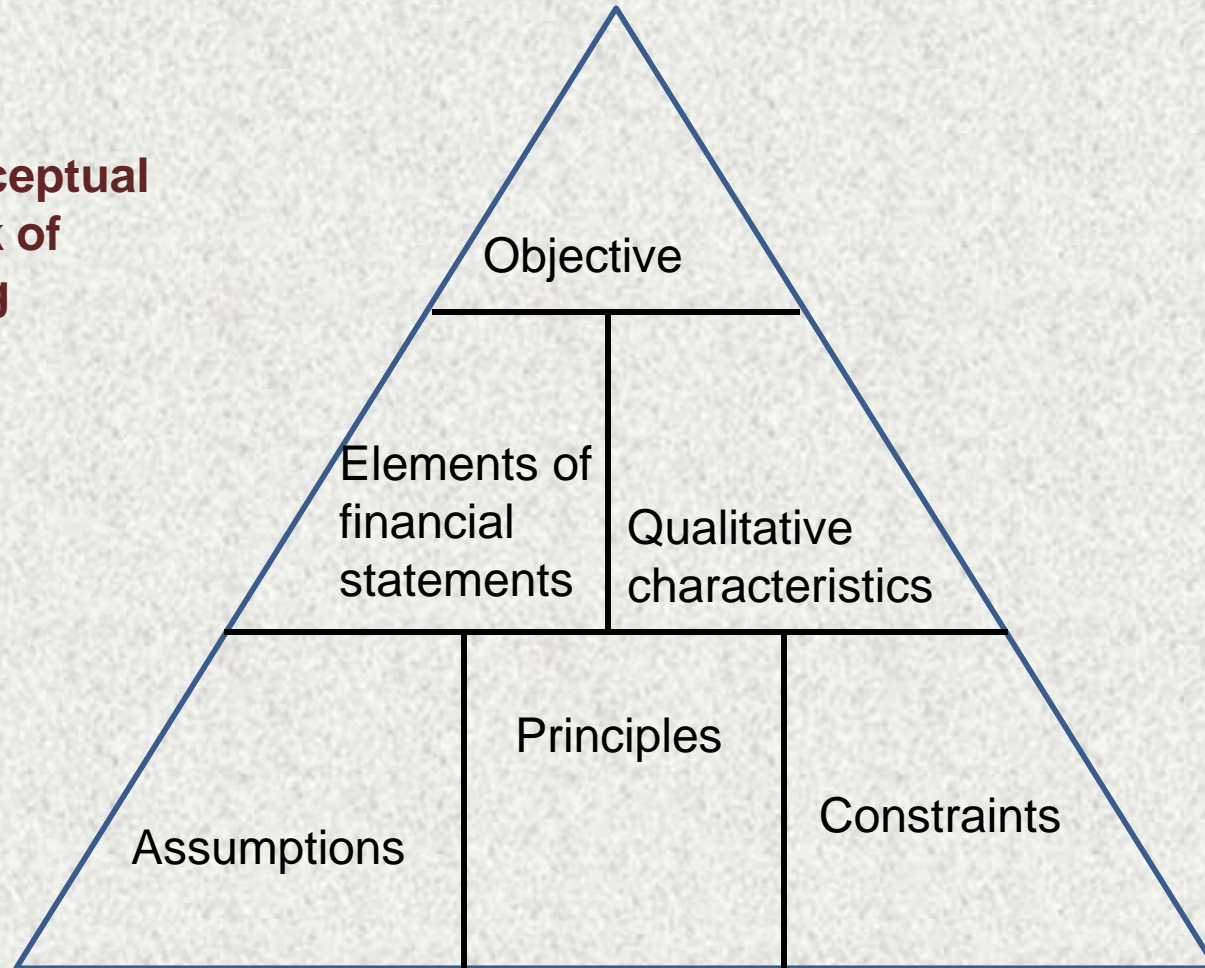
- AIS importance
 - Needed in all organizations
 - Gives a “big picture” view of accounting
 - Touches virtually every other area of accounting
 - Offers opportunity for developing critical thinking skills

AIS and the rest of accounting

- Links between AIS and other accounting courses
 - FASB Conceptual Framework (financial)
 - Structure of AIS (auditing)
 - Transaction processing (financial)
 - Business processes (financial, cost, tax, audit)
 - Information technology (financial, cost, tax, audit)

AIS and the rest of accounting

FASB Conceptual Framework of Accounting

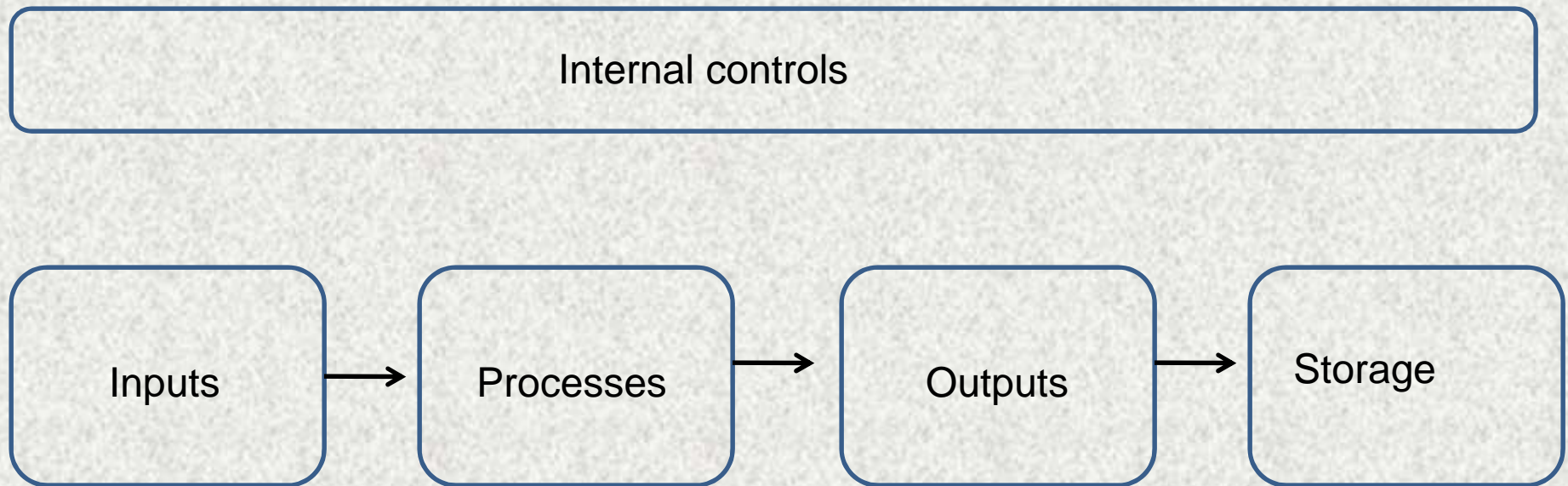


AIS and the rest of accounting

- **Lecture break 1-2**

Check out the description of the conceptual framework in Chapter 1. Which terms and ideas do you recognize from your prior study of accounting? Which are unfamiliar?

Generic AIS structure



Generic AIS structure

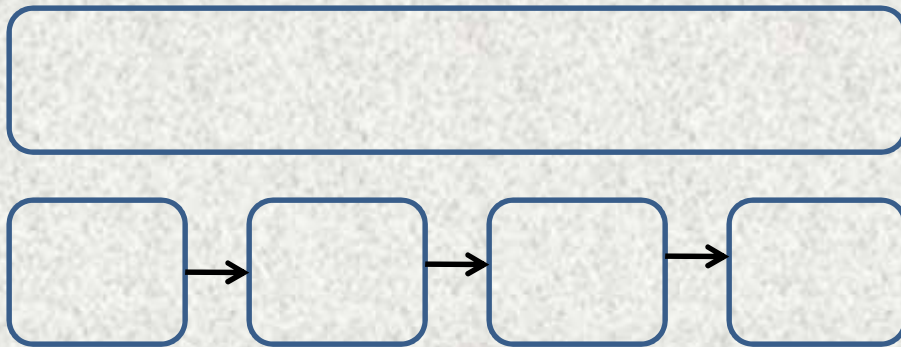
- Inputs

- Raw data that enters the AIS
- Source documents
 - Checks
 - Sales invoices

- Processes

- Steps in the accounting cycle
- Business processes

The things organizations do to create value for stakeholders



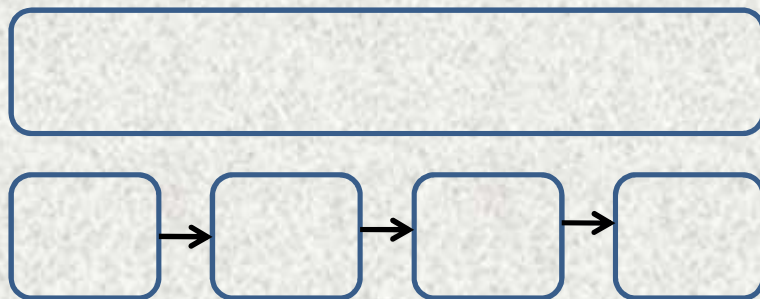
Generic AIS structure

- Outputs

- Information used for making decisions
 - General purpose financial statements
 - Tax returns
 - Other reports
- May be paper-based or electronic

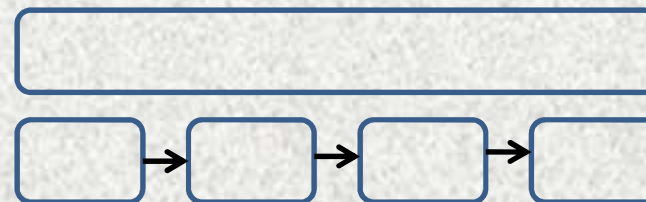
- Storage

- Master files
 - Customers
 - Inventory
- Transaction files
 - Sales
 - Purchases
- Junction files
 - Sales / inventory
 - Purchases / inventory



Generic AIS structure

- Internal control purposes
 - Safeguard assets.
 - Ensure reliable financial reporting.
 - Promote operating efficiency.
 - Encourage compliance with management directives.
- Internal control examples
 - Adequate documentation
 - Separation of duties
 - IT passwords
 - Physical controls



Generic AIS structure

- **Lecture break 1-3**

How are the AIS
elements demonstrated
at your university?

Form a group of three to
five students to
complete this exercise.
Be ready to discuss
your thoughts with the
class.

Critical thinking

- Two types of questions in AIS
 - Deterministic
 - One right answer
 - Example: what is the journal entry to record a cash sale of services?
 - Non-deterministic
 - Multiple right answers
 - Example: what internal controls are needed?
- “Multiple right answers” is not the same as “all answers are correct.”

Critical thinking

- Bloom's taxonomy
 - One good tool for thinking about critical thinking
 - Six levels, each requiring more critical thinking than the one before it
- Levels of Bloom's taxonomy
 - Knowledge
 - Comprehension
 - Application
 - Analysis
 - Synthesis
 - Evaluation

Critical thinking

- Knowledge
 - Recalling memorized facts
- Comprehension
 - Stating ideas in your own words
- Application
 - Applying ideas in a new setting
- Analysis
 - Breaking a “big chunk” into smaller pieces
- Synthesis
 - Aggregating smaller pieces into a whole
- Evaluation
 - Judging the worth of ideas

Information literacy

- One important component of critical thinking
- Ability to:
 - Recognize when information is needed
 - Find needed information
 - Use it for decisions
- Importance in AIS
 - Non-deterministic questions and issues
 - “Cutting edge” problems
 - Nuances of words and ideas

Information literacy

- Three broad types of information
 - Sponsored / commercial
 - Popular / practitioner
 - Scholarly
- Five criteria for evaluating information
 - Authority
 - Accuracy
 - Objectivity
 - Currency
 - Coverage

These five criteria come from the University of Maryland University College (UMUC).

Information literacy

- **Authority**
Who created the information? With what goal in mind?
- **Accuracy**
Where did the information originate?
Does it contain errors of fact?
- **Objectivity**
Is the information primarily advertising?
- **Currency**
When was it created?
- **Coverage**
Does it provide sufficient depth?

Information literacy

- **Lecture break 1-4**

Check out any article of your choosing in one of the following online journals:

- [Journal of Forensic and Investigative Accounting](#)
- [Accounting Today](#)
- [Journal of Accountancy](#)

- For the article you choose:

- Prepare a brief summary.
- Determine the kind of information presented.
- Evaluate it using the UMUC criteria.

Classroom assessment

- We've considered the following topics in this lecture:
 - Definition & importance of AIS
 - Relationship of AIS to the rest of accounting
 - Generic AIS structure
 - Critical thinking
 - Information literacy
- In a manner specified by your instructor:
 - Summarize the main points of one or more topics **in your own words**.
 - Raise at least one question about something that seems unclear about one or more of the topics.

