



**Accounting Department**

**Accounting Information Systems: Basic Concepts and  
Current Issues**

**ACCT434**

**Accounting Information System " AIS " In Kit wood  
Furniture Company**

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## **About company :**

Kit wood Furniture Company , it was established in 2018 to manufacture and sell home furniture, kitchens, seating sets and bedrooms, and offers a wide range of products with outstanding design and appropriate prices while ensuring the quality and efficiency of furniture to meet the needs of individual customers as well as commercial companies while providing innovative solutions to improve the quality of living.

The company purchases supplies from local distributing companies and companies inside the occupied territories and also imports from Jordan, Turkey to be able to design furniture based on customer request and gain their loyalty and to provide them with the best services and goods as much as possible .

## **The main transactions :**

The main accounting entries used for this company are account receivables which are recorded as liabilities from customers, and payables that the company must pay to suppliers in addition to cash entries when paying cash to suppliers or paying from customers in cash to the company.

## **Accounting Information System " AIS "**

The main purpose of the accounting information system is to manage the whole transactions regarding the owner , customers and suppliers in addition to control of the physical stock and maintain Salaries Records .

According to purchasing process, the company sends the purchases order to supplier (from inside or outside country), the purchases order contains number of types of inventory, and the required number for each type, the inventory control department which control the amount of needed inventory . Then , the goods reach to the company from supplier with the receiving reports, and then the cash disbursement department compares the supplier invoices with their purchases order all together with receiving reports. At the end of the process, the management department receives the purchasing analysis from purchasing department.

## **Defining the internal control :**

Committee of Sponsoring Organization " COSO " defined internal control as a process affected by an entity board of director, management and others, designed to provide reasonable assurance regarding the achievements of objective relating to operation, reporting and compliance

## **Examples of internal control in Kit wood :**

1. Don't leave a large amount of money in the company's fund where the cashier makes the daily deposit to safeguarding asset .
2. Conduct periodic meetings with employees to evaluate their performance and give them appropriate directions to encouraging compliance with management's directive .
3. Distribute cash receipt books to sales staff that containing serial numbers for the ability to monitor cash flows , where is auditing the sequence of the papers inside it, by this process he can detect embezzlement if there is any payment has received from customers and not recorded.

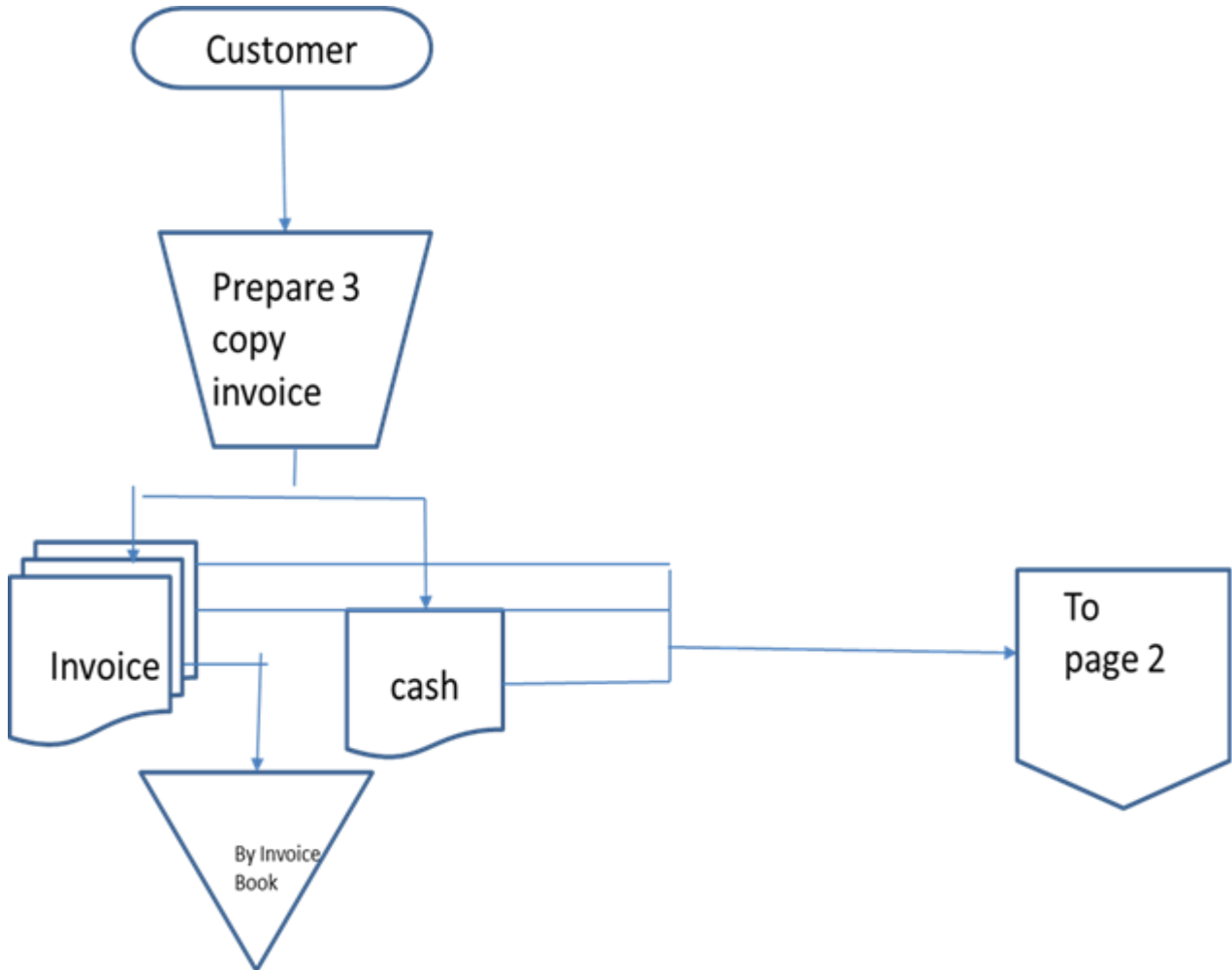
## **Cash sale procedures :**

The sales employee prepares a pre-numbered sales invoices in triplicate , then the sales clerk takes the cash with the two copies and present them to the cashier who will validate the original copy and gives it to the customer. The third copy of the sales invoice should be kept in the invoice book, therefore when the invoice book has been depleted, the book stay of the sales office.

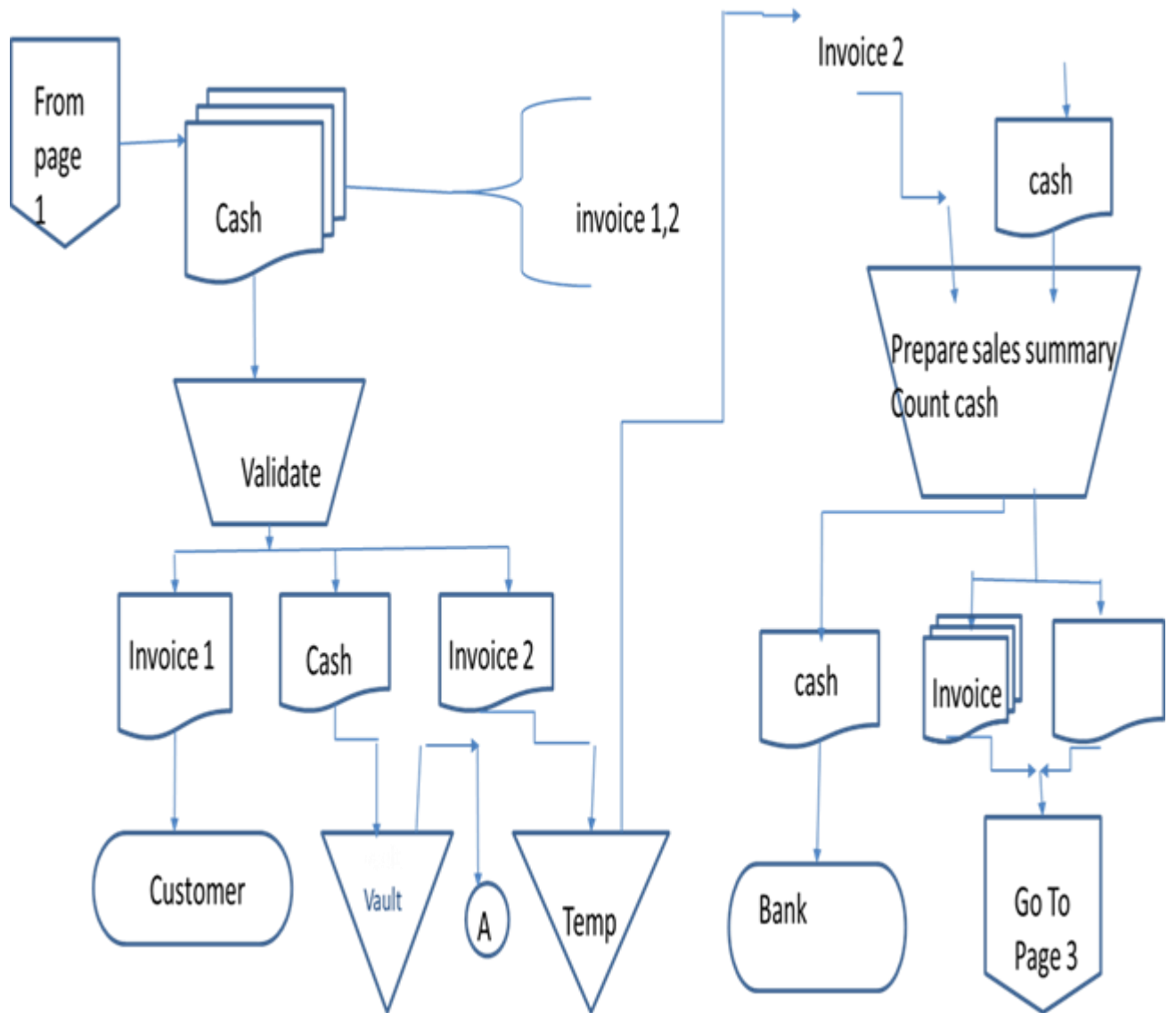
After preparing the Sales summary by the cashier, each day he takes the money to the bank and comes back with the deposit slip . The sales summary with the 2nd copy of the invoices and validated deposit slip is given to the accountant to audit all numbers .Then he prepares the journal entry and start filing the followed:

- i. Documents as follows
- ii. Sales summaries by date
- iii. invoices by number
- iv. deposit slip by date
- v. Journal vouchers by number

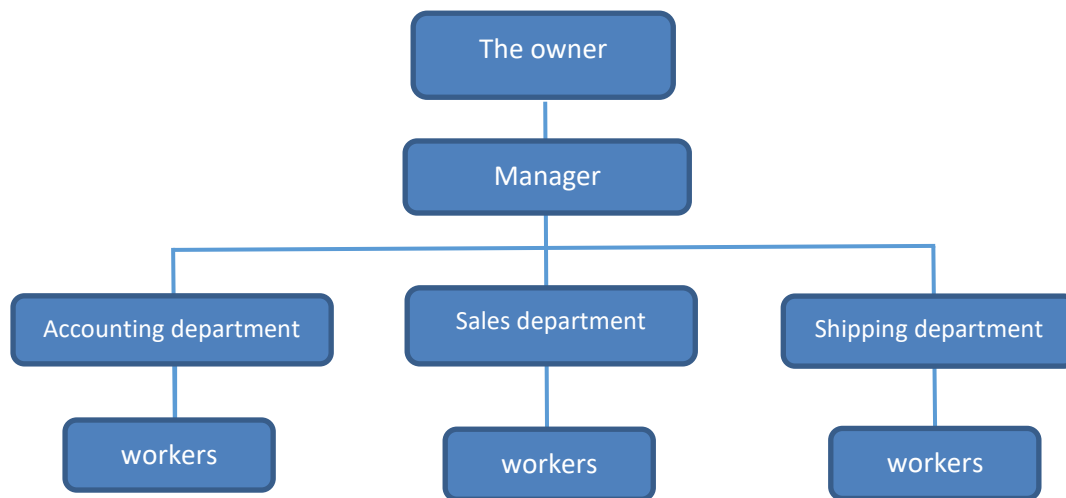
## Sales flowchart



# Cashier



## The company's organizational structure:



The business cycle continues during this financial period periodically until the financial period ends. The accountant and the financial department prepare the closing entries and financial statements and present them to the general management of the company.

### **A lot of reports could be achieved from AIS system , such as :**

- i. The profit reports .
- ii. Reports of our receivables and liabilities .
- iii. Trial Balance " unadjusted / adjusted " : it is an important report includes all the accounts related to the company.
- iv. Some of Financial, Fundamentals and Technical analysis " such as liquidity ratio, quick ratio, inventory turnover ratio, accounts receivables/payables turnover ratio and other " .

## **Some recommendations that can increase the effectiveness of management in the company:**

- ❖ Since the company doesn't use specified communication process with customer it can enhance communication through using Customer relationship management " CRM ". In order to enhance and facilitate the communication process inside and outside the company, it should employ one of the specialized programs which increase the customer relation management " CRM " in the organization where it can control and run the administrative issues smoothly by keeping all the necessary information available to all employees who are responsible of taking decisions in their positions
  
- ❖ Switch the accounting system that the company uses to a better system.
  
- ❖ Hiring a marketing specialist.