

ch01

Student: _____

1. An accounting information system is a set of interrelated:
 - A. Activities and documents only.
 - B. Activities and technologies only.
 - C. Documents and technologies only.
 - D. Activities, documents and technologies.
2. The components of an accounting information system are designed to collect ____ and report ____.
 - A. Data, information
 - B. Data, data
 - C. Information, information
 - D. Information, data
3. An accounting information system is defined by the text as a set of three interrelated elements. Which of the following choices best gives an example of **each** element?
 - A. Buying inventory, selling inventory, balance sheet
 - B. Buying inventory, sales invoice, general ledger software
 - C. Selling inventory, sales invoice, balance sheet
 - D. Selling inventory, writing a check, general ledger software
4. An accounting information system transforms inputs into outputs via processes such as:
 - A. Journalizing transactions and posting them to the ledger
 - B. Identifying the elements of the FASB Conceptual Framework
 - C. Always utilizing information technology
 - D. Recognizing and adapting to the cost-benefit constraint
5. Which of the following best fits the definition of an accounting information system explained in the text?
 - A. A checkbook register
 - B. A publicly-traded corporation's financial statements
 - C. Processed source documents leading to the general purpose financial statements
 - D. An Excel spreadsheet of financial statement ratios
6. April compiled checks, receipts and invoices, then entered them into Quickbooks. She printed out her financial statements and took them to the bank as documentation for a loan application. In that scenario, checks, receipts and invoices could be referred to as:
 - A. Documents and data
 - B. Data and information
 - C. Documents and information
 - D. Documents, data and information
7. Claudia borrowed money from her bank, signing a five-year note payable. She then calculated the monthly payment needed to pay off the loan within three years. Which of the following statements is / are most true?
 - A The required monthly payment is an example of "information," as the term is used in the definition of an accounting information system.
 - B. The five-year note payable would be considered a "technology" if it were prepared with computer software.
 - C. Both A and B are true.
 - D. Neither A nor B is true.

8. Claudia borrowed money from her bank, signing a five-year note payable. She then calculated the monthly payment needed to pay off the loan within three years. Based on the definition of an accounting information system provided in the text, the five-year note payable could be considered: (i) an input, (ii) an output, (iii) a document.
- I and II only
 - I and III only
 - II and III only
 - I, II and III
9. Eugene is a self-employed business owner. In February 2011, he gathered together his income and expense records for 2010. He used them, along with appropriate software, to prepare his tax return, which he then transmitted to the Internal Revenue Service. Has Eugene used an accounting information system based on the definition provided in the text?
- Yes, because he used software to prepare his tax return.
 - Yes, because all elements of the definition are present.
 - No, because all accounting information systems must produce general purpose financial statements
 - No, because no internal decision maker is mentioned.
10. The vice president for customer service of First United Bank determined that Lee had overpaid his mortgage. The bank sent Lee a letter asking him if he wanted a refund of the overpayment or if he wanted to apply it to future mortgage payments. Has the vice president for customer service used an accounting information system based on the definition provided in the text?
- No, because no mention is made of software.
 - No, because the letter does not constitute an output.
 - No, because no mention is made of general purpose financial statements.
 - Yes, because all elements of the definition are present or implied.
11. Accounting information systems is an important area of study for future accountants because:
- All organizations use information technology in their AIS.
 - All organizations need an AIS.
 - Both A and B.
 - Neither A nor B.
12. Accounting information systems is an important area of study for future accountants because a well-designed AIS can respond to many elements of the FASB Conceptual Framework. All of the following are parts of the conceptual framework except:
- Principles of debit and credit
 - Objective of financial reporting
 - Elements of financial statements
 - Qualitative characteristics of accounting information
13. Which of the following best explains why AIS is an important area of study for future accountants?
- AIS is the only area of accounting where students learn about information technology.
 - AIS is the only area of accounting where students learn about the FASB Conceptual Framework.
 - Both A and B
 - Neither A nor B
14. AIS is an important area of study for future accountants because a well-designed AIS can recognize and adapt to the cost-benefit constraint. Which of the following statements is most true?
- Nonfinancial costs and benefits are less important than financial costs and benefits in designing an AIS.
 - Resistance to change is a potential cost when making changes to the AIS.
 - Financial statement users benefit from more information when it comes from the AIS.
 - Source documents should be electronic, rather than paper-based, because electronic documents are more cost effective.

15. AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following best pairs an element of the conceptual framework with a specific example of that element?
- A. Relevance, land reported at historical cost
 - B. Consistency, land reported at historical cost
 - C. Matching, land is not depreciated
 - D. Gain, difference between historical cost and current market value for land used in operations
16. AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following statements is most true?
- A. Land is reported as an asset on the balance sheet; assets are one element of financial statements in the conceptual framework.
 - B. The difference between land's current market value and its historical cost is reported as a gain on the income statement; gains are one element of financial statements in the conceptual framework.
 - C. Because of the secondary qualitative characteristic of consistency, publicly traded corporations cannot change their accounting methods.
 - D. Because of the primary qualitative characteristic of reliability, publicly traded corporations cannot change their accounting methods.
17. AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the conceptual framework. Which of the following statements about qualitative characteristics of accounting information is most true?
- A. Reliability is more important than relevance.
 - B. Relevance is more important than reliability.
 - C. Reliability must sometimes be sacrificed to attain relevance.
 - D. Tradeoffs between relevance and reliability violate the cost-benefit constraint.
18. VTR Corporation's accounting information system recently reported the following information: Cost of goods sold, \$1,500. Inventory, \$15,000. Unearned service fees, \$3,000. Service fees earned, \$8,000. Which element of financial statements is **not** included in the preceding data?
- A. Assets
 - B. Equity
 - C. Expense
 - D. Liabilities
19. Which of the following elements of the conceptual framework fit within the same category?
- A. Economic entity, historical cost
 - B. Conservatism, historical cost
 - C. Economic entity, conservatism
 - D. Conservatism, materiality
20. Which of the following exemplifies "materiality" as the term is used in the FASB conceptual framework?
- A. BCC Corporation purchased a \$30 wastebasket with an expected useful life of 10 years. BCC charged the entire cost to expense in the period incurred.
 - B. Reported account balances in DPT Corporation's financial statements are rounded to the nearest whole dollar.
 - C. Both A and B
 - D. Neither A nor B
21. Which of the following statements about AIS is most true?
- A. Compared to introductory accounting, AIS is more likely to have problems with nondeterministic answers.
 - B. Compared to introductory accounting, AIS is less likely to have problems with nondeterministic answers.
 - C. Introductory accounting and AIS are equally likely to have problems with nondeterministic answers.
 - D. All problems in AIS have nondeterministic answers.

22. Which of the following statements about AIS is most true?
- A. The topics studied in an AIS course are unrelated to those in other accounting courses.
 - B. AIS is the only area of accounting that involves questions with nondeterministic answers.
 - C. The five generic elements of an AIS can be discussed in other areas of accounting.
 - D. All of the above statements are true.
23. AIS study sometimes involves questions with deterministic answers. Which of the following questions is most likely to have a deterministic answer?
- A. How should a company record the purchase of supplies on account in its AIS?
 - B. In a corporation with sales of \$100,000 annually, what dollar amount should be considered material?
 - C. Which processing tools should the AIS use?
 - D. Has the conceptual framework achieved the FASB's original objective for developing it?
24. Joe has completed all his accounting coursework and is ready to graduate. In his education, he has learned how to: analyze source documents, use Excel, make journal entries and prepare tax returns. Which generic element of the AIS is missing from that list?
- A. Inputs
 - B. Outputs
 - C. Storage
 - D. Processes
25. Which of the following statements best demonstrates a similarity between AIS and other areas of study in accounting?
- A. AIS is primarily concerned with numbers.
 - B. Communication skills are important in AIS.
 - C. Both A and B
 - D. Neither A nor B
26. Which of the following statements best demonstrates a difference between AIS and other areas of study in accounting?
- A. General ledger software can only be used in AIS.
 - B. The matching principle is less important in AIS than in other areas of accounting.
 - C. AIS often looks at the "big picture" of accounting.
 - D. Topics studied in AIS courses are not typically included on accounting professional exams.
27. AIS can be linked to other areas of study in accounting by focusing on the five generic elements of the AIS. Which of the following is a **process** that might be studied in management or cost accounting?
- A. Components of the master budget
 - B. How to prepare the master budget
 - C. Both A and B
 - D. Neither A nor B
28. AIS can be linked to other areas of study in accounting by focusing on the five generic elements of the AIS. Which of the following pairs a generic element of the AIS with a specific example from financial accounting?
- A. Bank reconciliation, internal control
 - B. Adjusting entries, output
 - C. Financial statements, storage
 - D. FASB Conceptual Framework, input
29. In an auditing course, students develop their professional judgment, learn how to conduct a financial statement audit and learn the various types of audit opinions. Which of the following therefore links AIS with auditing?
- A. Communication skills
 - B. Generic elements of the AIS
 - C. Both A and B
 - D. Neither A nor B

30. In management accounting, students learn to prepare budgets, calculate cost variances and interpret those variances. Which of the following best links those topics with AIS study?
- A. Use of professional judgment
 - B. Required use of information technology
 - C. Both A and B
 - D. Neither A nor B
31. The generic structure of most accounting information systems comprises ___ elements.
- A. Three
 - B. Four
 - C. Five
 - D. More than five
32. Which generic element of the AIS is focused on master files, transaction files and junction files?
- A. Inputs
 - B. Processes
 - C. Outputs
 - D. Storage
33. Which of the following is an example of an AIS output?
- A. Journal entries
 - B. Statement of cash flows
 - C. Sales transaction file
 - D. General ledger software
34. Ethan is an accountant for a small startup business. He is trying to decide if the business should use paper-based journals and ledgers or a spreadsheet to record transactions. He is therefore making a decision about which generic element of the AIS?
- A. Inputs
 - B. Processes
 - C. Outputs
 - D. Technology
35. Sienna used a stack of sales invoices to record journal entries in the AIS. She used those entries and others to prepare an income statement that was later reviewed by her supervisor. All the generic elements of the AIS are represented in Sienna's actions **except**:
- A. Internal controls
 - B. Outputs
 - C. Storage
 - D. Inputs
36. Sienna used a stack of sales invoices to record journal entries in the AIS. She used those entries and others to prepare an income statement that was later reviewed by her supervisor. The supervisor's review could best be described as which generic element of the AIS?
- A. Input
 - B. Output
 - C. Process
 - D. Internal control
37. The generic elements of an AIS include inputs and outputs. Which of the following statements about them is most true?
- A. Inputs should be paper-based; outputs should be electronic.
 - B. Outputs should be paper-based; inputs should be electronic.
 - C. If inputs are paper-based, outputs should also be paper-based.
 - D. If inputs are electronic, outputs could be either paper-based or electronic.

38. The generic elements of an AIS include processes and storage. Which of the following statements about them is most true?
- A. Both require internal controls, but the specific controls may be different.
 - B. Both require identical internal controls.
 - C. Storage is not subject to internal controls, but processes are.
 - D. Processes are not subject to internal controls, but storage is.
39. Storage is one generic element of the AIS; the text explains that data stored electronically often are grouped into three types of files. Which of the following includes three examples of the same file type?
- A. Purchases, cash receipts, sales
 - B. Inventory, cash receipts, sales
 - C. Purchases, cash, sales
 - D. Inventory, cash, sales
40. Storage is one generic element of the AIS; the text explains that data stored electronically often are grouped into three types of files. Which of the following includes one example of each file type?
- A. Purchases, sales, inventory
 - B. Purchases, inventory, purchases / inventory
 - C. Cash receipts, cash payments, cash on hand
 - D. Sales, cost of goods sold, inventory
41. Information literacy is the ability to find, evaluate, use and communicate information in all of its various formats. Information can be classified as: (i) sponsored / commercial, (ii) popular/practitioner, (iii) scholarly.
- A. I and II only
 - B. II and III only
 - C. I and III only
 - D. I, II and III
42. According to the University of Maryland's University College, information should be evaluated based on ___ criteria.
- A. Two
 - B. Three
 - C. Four
 - D. Five
 - E. More than five
43. Which of the following best summarizes "authority," as the term is used in information evaluation?
- A. Only people with college degrees have true authority to publish.
 - B. An author cannot evaluate information.
 - C. The author's credentials should be described as clearly and completely as possible.
 - D. The more authors a paper has, the more authoritative it is.
44. Which of the following best explains the idea of "currency," as the term is used in evaluating information?
- A. Information more than five years old should never be used.
 - B. Financial information is always more accurate than nonfinancial information.
 - C. Authors without a current college degree have no authority to publish.
 - D. Users should consider the relationship between the subject and the publication date.
45. Bumble Beasley, a recent accounting graduate from a private, for-profit university, started his own accounting consulting firm. His web page discussed internal controls, inputs, processes and outputs in relation to the design and implementation of accounting information systems. Should his web page be considered a good source of information about the generic structure of AIS?
- A. Yes. Because he has a college degree, he has authority.
 - B. Yes. Because he is a recent graduate, the information is current.
 - C. No. Since his degree is from a private, for-profit university, he cannot be objective.
 - D. No. He is in violation of at least one of the UMUC criteria for evaluating information.

46. A consulting company summarized the key provisions of the Sarbanes-Oxley Act in a half-page flyer, which was then mailed to prospective clients. The flyer contained the name of the consulting company, but did not identify any of its employees by name. In addition to objectivity, the flyer is most likely in violation of which UMUC criterion for information evaluation?
- A. Authority
 - B. Accuracy
 - C. Currency
 - D. Coverage
47. Fraud Magazine is published six times a year by the Association of Certified Fraud Examiners; its articles are primarily directed to professionals employed in the fraud examination field. Fraud Magazine is likely to be considered practitioner information because:
- A. It is published six times a year.
 - B. It is published by an association of practitioners.
 - C. Both A and B
 - D. Neither A nor B
48. An accounting professor published two articles. The first described one company's internal controls, while the second reported the results of a study which compared perceptions of internal control effectiveness by financial statement auditors and chief financial officers. The second paper concluded that auditors were more likely than chief financial officers to question the effectiveness of a control. Which of the following statements is most true?
- A. Both articles would be considered scholarly information.
 - B. Both articles would be considered practitioner information.
 - C. The first article would be considered scholarly information; the second, practitioner.
 - D. The first article would be considered practitioner information; the second, scholarly.
49. Ahmed recently completed a ten-week internship at a local CPA firm; as part of his internship, he did a public records search to assist in a fraud investigation. He wrote about the experience in his internship journal. Should Ahmed's internship journal be used as a source of information for a class research paper on fraud investigation?
- A. No. It was not published in a practitioner or scholarly journal.
 - B. No. Ahmed does not have sufficient authority.
 - C. Yes. Since the internship was recent, the journal provides current information.
 - D. Only if Ahmed accurately and objectively describes exactly how he completed the public records search.
50. Gloria wrote a paper on the purposes of internal control for her accounting information systems class; she received a very good grade on the paper, and later uploaded excerpts from it to Wikipedia. The excerpts should not be used as a reliable information source because:
- A. They were not published in a scholarly journal.
 - B. Gloria's credentials are insufficient.
 - C. They are probably not accurate.
 - D. Information found on the Internet is never reliable or objective.

51.

Which generic element of the AIS is most closely associated with each of the following questions?

a. Beyond the general-purpose financial statements, what other reports will managers and system users need?

b. How many copies of each source document will be required?

c. How should the AIS be designed to facilitate the production of other reports?

d. If computer-based tools are used in the AIS, which software and hardware packages should be implemented?

e. Should AIS tools be manual, computer-based or both?

f. Under what conditions can / should data be destroyed?

g. What behavioral effects are controls likely to have?

h. What controls are necessary to promote information integrity in the AIS?

i. What kinds of source documents will system users need?

j. Where should data be stored?

52.

Which UMUC evaluation criterion is indicated by each of the following questions?

- a. Can you establish the writer's credentials?
- b. Can you tell when the source was created / written?
- c. Can you tell who created the information?
- d. Does the information contain advertising?
- e. Does the information contain any obvious errors of fact?
- f. Does the source cover the subject with sufficient depth?
- g. Does the source tell you where the information came from?
- h. Is the information available freely?
- i. Is the source still under construction?
- j. When was the last time the source was updated?

53.

Which generic AIS element is exemplified by each item below?

- a. Balance sheet
- b. Customer's check
- c. General ledger software
- d. Requiring two signatures on checks over \$500
- e. Sales invoice
- f. Sales transaction file
- g. Spreadsheet software
- h. Statement of cash flows
- i. Storing accounting records in a locked filing cabinet

Vendor master file

54.

AIS is an important area of study for future accountants, since a well-designed AIS can respond to many elements of the FASB Conceptual Framework. Indicate which element of financial statements from the FASB Conceptual Framework best describes each item below.

a. Accounts payable

b. Cash

c. Common stock

d. Cost of goods sold

e. Depreciation expense

f. Interest earned

g. Inventory

h. Loss on sale of land

i. Retained earnings

j. Sales

55.

Thuy is an accountant at RPA Corporation. When RPA sells inventory, Thuy receives a sales invoice indicating the number of units sold, the sales price, sales tax assessed and the total amount paid by the customer. Thuy makes a journal entry using general ledger software. At the end of each quarter, Thuy prepares RPA's general-purpose financial statements, as well as a comparison of budgeted sales to actual sales. The general-purpose financial statements are sent to the SEC, while the budgeted-to-actual comparison is reviewed by RPA's management. From the preceding paragraph, give one example of each of the following elements from the definition of AIS presented in the text:

a. Activity

b. Data

c. Document

d. External decision maker

e. Information

f. Internal decision maker

g. Processing

h. Technology

56.

In contrast with other areas of accounting, AIS more frequently involves problems with non-deterministic answers. Which questions in the list below have non-deterministic answers?

- a. How do you calculate depreciation using the straight-line method?
- b. How many accountants should ITI Corporation hire?
- c. Should ITI Corporation expand its operations to other countries?
- d. Should ITI Corporation reconcile its bank statement at least once a month?
- e. Should ITI Corporation use Quickbooks or Peachtree for transaction processing?
- f. Should Thai use sponsored / commercial information as one source in a paper for her AIS course?
- g. What is the journal entry to record a cash sale?
- h. Which inventory cost flow assumption (FIFO, LIFO) does ITI Corporation use?
- i. Which local bank should ITI Corporation do business with?
- j. With respect to financial reporting, is relevance more important than reliability?

57.

For each independent case below: (1) indicate which source better fulfills the indicated UMUC criterion for information evaluation AND (2) circle the phrase that led you to your decision.

a. Objectivity:

i. A Wall Street Journal article about financial statement fraud cases, written by an investigative reporter whose contact information is provided

ii. A presentation on financial statement fraud cases, given by an experienced independent consultant to prospective clients

b. Accuracy:

i. A web site that correctly defines six elements of financial statements from the FASB Conceptual Framework

ii. An article that accurately gives examples of four constraints from the FASB Conceptual Framework

c. Authority:

i. A presentation delivered by a retired IRS agent on tax fraud

ii. An attorney's web site recommending strategies for avoiding tax audits

d. Currency:

i. A web site last modified in 2010 that gives examples of internal controls for international companies

ii. A 2009 article in a practitioner journal that gives examples of how companies are implementing international financial reporting standards

e. Coverage:

i. A scholarly article discussing the results of a preliminary study of two companies on uses of

information technology in accounting

ii. A practitioner article explaining how ten companies use information technology in their accounting departments

A well-designed AIS can respond to many parts of the FASB Conceptual Framework. Descriptions of the assumptions, principles and constraints of the framework are listed below in alphabetic order. Group them as they are found in the conceptual framework, indicating the relevant term from the conceptual framework.

- a. A company will continue in business long enough to satisfy its current obligations.
- b. A company's accounting records should be kept separate from those of its owner.
- c. Absent other information, assets are recorded and reported at their purchase price.
- d. Companies in the same industry should follow similar accounting practices.
- e. Financial statements should include complete information for making decisions.
- f. For financial reporting purposes, we divide the life of a business into quarters, years or some other measurement of time.
- g. Revenue should be recorded in the AIS when goods and services are exchanged.
- h. The benefits of obtaining information should outweigh the cost of obtaining it.
- i. The costs of earning revenue should be put on the same income statement with the revenue they generate.
- j. The value of a dollar is constant over time.
- k. When a dollar amount is too small to make a significant difference in decision making, other accounting rules may be ignored.
- l. When faced with a choice of methods, make the choice that puts the business in the worst possible financial light.

59.

Indicate whether each of the following statements is: (a) always true, (b) sometimes true or (c) never true.

1. AIS outputs are important only in AIS and financial accounting.
2. An accounting information system can determine materiality without human intervention.
3. Financial accounting can involve unstructured problems.
4. Internal controls cut across many areas of accounting study.
5. The objective of an accounting information system is to report true financial data.

60.

Match each term from the definition of AIS with the single most appropriate generic element of the AIS. Some generic AIS elements may be used more than once; other generic AIS elements may not be used at all.

1. Activity
2. Data
3. Document
4. Information
5. Technology

- a. Input
- b. Internal control
- c. Output
- d. Process
- e. Storage

61. In your own words, define “accounting information system.”

62. AIS is an important area of study for future accountants because a well-designed AIS can respond to many elements of the FASB Conceptual Framework. List the six parts of the FASB Conceptual Framework. (You do not need to list the items in each part.)

63. You have been hired as a consultant to design and implement a new accounting information system for PRI Corporation. Explain how you would structure the AIS. Give two examples of each structural element; also indicate one question you would ask PRI's management to assist in your work. (Do not use examples and questions listed in the text.)
64. List and discuss two similarities and two differences between AIS and other areas of accounting.

The accounting staff at NSR Corporation have compiled a list of risks the company needs to address for its information technology; they plan to prepare a report recommending internal controls that address each risk. They have located the five sources of information listed below, but want to use no more than three in their report. Use the UMUC criteria to explain which sources they should use.

a. A software documentation manual for the general ledger system used at NSR Corporation. The manual contains a section on troubleshooting the software, which briefly discusses common risks and problems associated with its installation. The manual's title page lists the software company as its author.

b. A web site, first published in 2009 and last updated in 2011, for a information technology consulting firm. The web site lists and discusses twenty common internal controls for information technology based on the firm's past clients.

c. An article published in Information Security, a practitioner journal. The article, published in 2008, was co-authored by a university professor and the chief information officer of a Fortune 100 corporation. It analyzes five common internal controls for information technology, including a description of each control, the costs of implementing it and the benefits of implementing it.

d. The American Institute of CPAs list of "top ten technologies" for 2011, published on the AICPA web site. The list was developed via a survey of practicing CPAs throughout the United States; it includes several items related to information technology control, and also provides suggestions about where to find additional information.

e. The third edition of a management information systems textbook. It was published in 1999 and includes two chapters on information technology security. The textbook was written by a team of three authors: one information systems auditor with three years' experience, and two university professors with advanced degrees but little experience.

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1. D
2. A
3. B
4. A
5. C
6. A
7. A
8. D
9. B
10. D
11. B
12. A
13. D
14. B
15. C
16. A
17. C
18. B
19. D
20. C
21. A
22. C
23. A
24. C
25. B
26. C
27. B
28. A
29. C
30. A
31. C
32. D
33. B
34. B
35. C
36. D

37. D

38. A

39. A

40. B

41. D

42. D

43. C

44. D

45. D

46. D

47. D

48. D

49. B

50. B

- j. storage
- i. inputs
- h. internal control
- g. internal control
- f. storage
- e. process
- d. process
- c. outputs
- b. inputs
- 51. a. outputs

- j. currency
- i. coverage
- h. objectivity
- g. accuracy
- f. coverage
- e. accuracy
- d. objectivity
- c. authority
- b. currency
- 52. a. authority

53.

- j. revenue
- i. equity
- h. loss
- g. asset
- f. revenue
- e. expense
- d. expense
- c. equity
- b. asset
- 54. a. liability

- h. general ledger software
- g. makes a journal entry
- f. RPA's management
- e. budgeted-to-actual comparison
- d. SEC
- c. sales invoice
- b. number of units sold
- 55. a. sells inventory

56.

- e. The better source is (ii), the practitioner article. The relevant phrase is "ten companies." The first source is weaker because it is a preliminary study of only two companies.
- d. The better source is (i), the web site about internal controls. The relevant phrase is "last modified in 2010." Note that the second source is weaker because of the developments with IFRS since 2009.
- c. The better source is (i), the presentation. The relevant phrase is "retired IRS agent." Note that the second source is primarily intended to attract new clients; also, knowing nothing more about the attorney calls into question his/her authority.
- b. The better source is (ii), the article. The relevant phrase is "four constraints." Note that the first source defines only six elements of financial statements--not all ten.
- 57. a. The better source is (i), the Wall Street Journal article. The relevant phrase is "an investigative reporter whose contact information is provided." Note that the second source is primarily marketing.

58.

Assumptions

- a. going concern
- b. economic entity
- f. periodicity
- j. monetary unit

Principles

- c. historical cost
- g. realization
- i. matching
- e. full disclosure

Constraints

- d. industry practices
- h. cost effectiveness
- k. materiality
- l. conservatism

- 5. never true
- 4. always true
- 3. always true
- 2. never true
- 59. 1. never true

- 5. b or e
- 4. c
- 3. a or c
- 2. e
- 60. 1. d

61. An accounting information system, like all systems, is a collection of interrelated parts designed to achieve a common purpose. In the case of AIS, the common purpose is to provide information for making decisions. The information is both financial and non-financial; the interrelated parts are the five generic elements of the AIS.

62.

The six parts of the conceptual framework are:

- 1. objective of financial reporting
- 2. elements of financial statements
- 3. qualitative characteristics
- 4. assumptions
- 5. principles
- 6. constraints

63.

64.

AIS is similar to other areas of accounting in that much of its information is financial in nature, although non-financial information is important in AIS and other areas of accounting as well. A second similarity between AIS and other areas of accounting is the emphasis on fair and reliable data.

On the other hand, AIS may be a student's first exposure to the idea that problems in accounting have non-deterministic answers; only rarely does a question in AIS have "one right answer." Additionally, AIS provides a "big picture" look at accounting, while other areas (financial, taxation, audit) are more focused.

65.

Note that the instructions say they want to use **no more** than three; they could, therefore, potentially use **fewer** than three. I would use two of the five sources: (c) and (d). C is fairly current and provides a balanced analysis (costs and benefits). The practitioner article is well suited to the decision context at hand, and the two authors have plenty of knowledge and expertise. D is also very current, and also has a practitioner emphasis. It also provides suggestions about where to find additional information.

I would not use the other three sources. Source A is far too focused for a project of this nature; in addition, the authorship is questionable. Source B is likely directed toward attracting new clients, which calls into question its objectivity. Finally, Source E is too general and too dated to be practical.

ch01 Summary

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