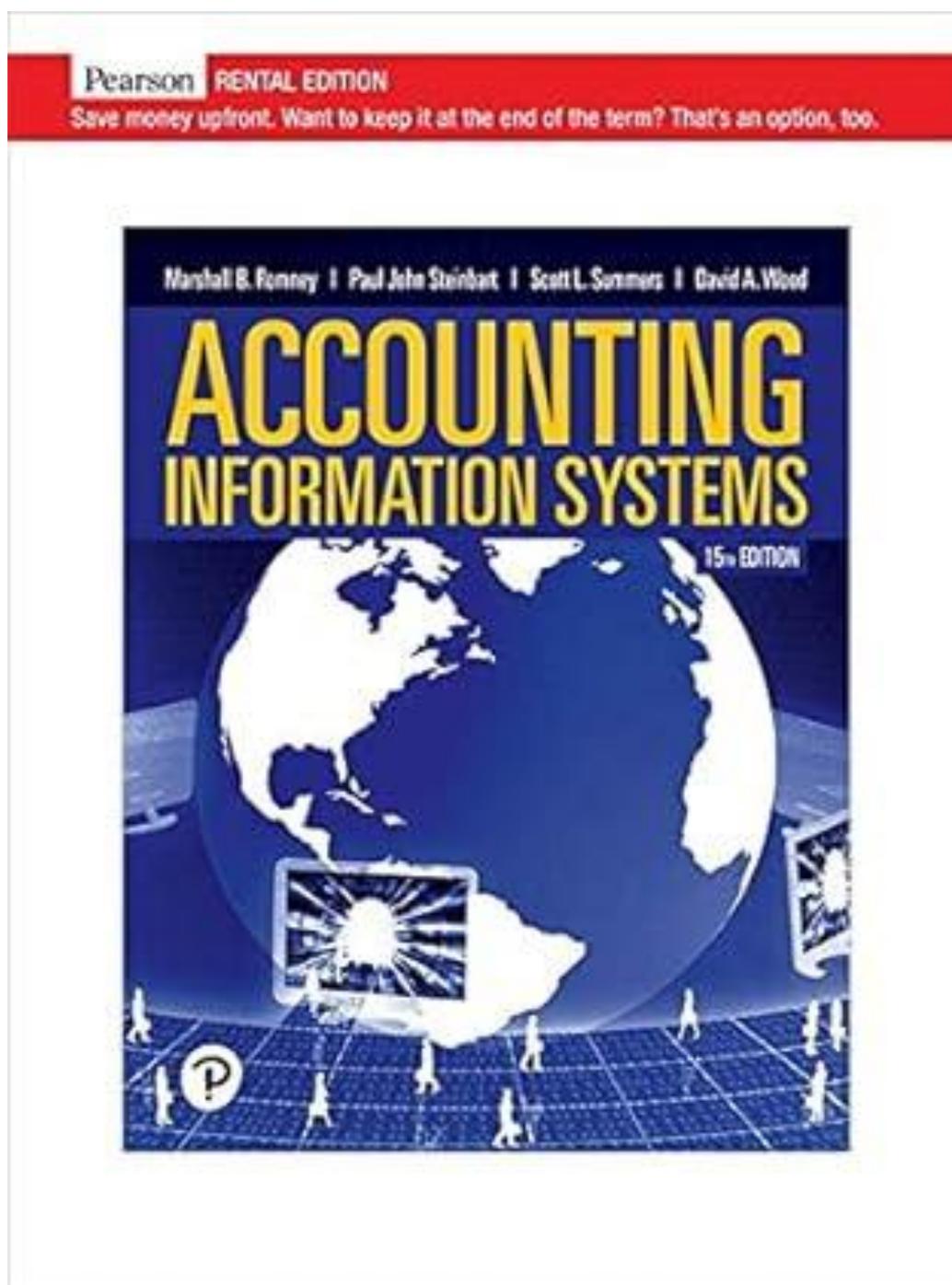# TEST BANK

Accounting Information Systems

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15th Edition

Chapter 1   Accounting Information Systems: An Overview

1.1   Distinguish data from information, discuss the characteristics of useful information, and explain how to determine the value of information.

1) Which of the following statements below shows the contrast between data and information?
A) Data is the output of an AIS.
B) Information is the primary output of an AIS.
C) Data is more useful in decision making than information.
D) Data and information are the same.

Answer: B

2) Information is best described as
A) raw facts about transactions.
B) data that has been organized and processed so that it is meaningful to the user.
C) facts that are useful when processed in a timely manner.
D) the same thing as data.

Answer: B

3) The value of information can best be determined by
A) its usefulness to decision makers.
B) its relevance to decision makers.
C) the benefits associated with obtaining the information minus the cost of producing it.
D) the extent to which it optimizes the value chain.

Answer: C

4) An accounting information system (AIS) processes _____ to provide users with _____.
A) data; information
B) data; transactions
C) information; data
D) data; benefits

Answer: A

5) _____ information reduces uncertainty, improves decision makers' ability to make predictions, or confirms expectations.
A) Timely

B) Reliable
C) Relevant
D) Complete

Answer: C

6) Information that is free from error or bias and accurately represents the events or activities of the organization is
A) relevant.
B) reliable / Faithful Representation.
C) verifiable.
D) timely.

Answer: B

7) Information that does not omit important aspects of the underlying events or activities that it measures is
A) complete.
B) accessible.
C) relevant.
D) timely.

Answer: A

8) Information is _____ when two knowledgeable people independently produce the same information.
A) verifiable
B) relevant
C) reliable
D) complete

Answer: A

9) Data must be converted into information to be considered useful and meaningful for decision making. There are six characteristics that make information both useful and meaningful. If information is free from error or bias and accurately represents the events or activities of the organization, it is representative of the characteristic of
A) relevancy.
B) timeliness.
C) understandability.
D) reliability.

Answer: D

10) Inventory information is provided in real time by a firm's accounting information system. The accuracy of this information is questionable, however, since the production manager often reports stock outs of components that the system indicates are in stock. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) reliable
C) complete
D) timely
E) understandable
F) verifiable
G) accessible

Answer: B

11) Cheryl Metrejean has been the controller of Downtown Tires for 25 years. Ownership of the firm recently changed hands and the new owners are conducting an audit of the financial records. The audit has been unable to reproduce financial reports that were prepared by Ms. Metrejean. While there is no evidence of wrongdoing, the auditors are concerned that the discrepancies might contribute to poor decisions. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) reliable
C) complete
D) timely
E) understandable
F) verifiable
G) accessible

Answer: F

12) In 2003, Singh Manufacturing implemented a Web-based information system that allows all employees to access mission-critical information. The intention was to increase production eficiency. Unfortunately, it had the opposite effect, as deliveries fell behind schedule and costs increased. Shaman Gupta, the director of information technology services, asked Ashlee Wells to come in and talk with him about the system. Ashlee is a long-time employee of Singh, and her opinion is valued by her peers and by her supervisor.
"So Ashlee, how's it going down there in the shop?"
"Not so good, Shaman. Used to be we got a weekly pick list so we knew how to plan production. Now, we got that computer system. Most of us can't figure out how to use it to do our jobs. Is there some way to print out a pick list?"

Shaman thought for a while before responding. "Well, Ashlee, to tell you the truth, I'm not so sure how to do it myself, but there must be a way. We'll bring in the consultants that helped us build the system. Maybe they can help."
Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) reliable
C) complete
D) timely
E) understandable
F) verifiable
G) accessible

Answer: E

13) Wisconsin Dells, Wisconsin, is a popular tourist destination. During the winter months, the population dwindles to a meager few, but when summer comes, the size of the town surges. Hunter Jackson is the town sanitation engineer. When the size of the town surges, so do his responsibilities. Among them is management of the sewage processing volume.
In an interview with the local paper, Hunter complained that a report on tourist population that he uses to adjust processing volume refers to data that was collected four days ago and it takes him a week to make adjustments. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) reliable
C) complete
D) timely
E) understandable
F) verifiable
G) accessible

Answer: D

14) A frantic Barney Rubble lost a large sale because he could not access the system to verify the inventory was in stock and ready to be shipped. Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) reliable
C) complete
D) timely
E) understandable
F) verifiable

G) accessible

Answer: G

15) Message left on voicemail: "Hi Nikki! Just landed at the airport. How about dinner this evening if you're available. Call me!" Which of the following characteristics of useful information is absent in the situation described above?
A) relevant
B) reliable
C) complete
D) timely
E) understandable
F) verifiable
G) accessible

Answer: C

16) Chopra, Limited, is an Indian company operating in New York state. It offers stylized, boutique public relations services to upscale retailers in quaint New England towns. A major source of revenue is a weekly newsletter that reports on current and projected tourist travel and spending patterns. Preparation of the newsletter requires study and analysis of weather conditions, economic activity, and travel costs. It is available at an annual subscription rate of $299.99. There are currently 190 subscribers. Preparation and distribution of the newsletter costs $12,000 annually. The value of information to subscribers is
A) $236.83.
B) $44,998.10.
C) less than $63.16.
D) at least $300.00.

Answer: D

17) Baggins Incorporated identifies new product development and product improvement as the top corporate goals. An employee developed an innovation that will correct a shortcoming in one of the company's products. Although Baggins current Return on Investment (ROI) is 15%, the product innovation is expected to generate ROI of only 12%. As a result, the employee fails to follow up. As a result, awarding bonuses to employees based on ROI resulted in
A) goal conflict.
B) information overload.
C) goal congruence.
D) decreased value of information.

Answer: A

18) Which of the following tradeoffs between characteristics of useful information is *least* objectionable?
A) incomplete information received on a timely basis
B) irrelevant information received in an understandable format
C) unreliable information easily accessible
D) verifiable information received in unreadable format

Answer: A

19) Which of the following is *not* one of the three basic types of data about a specific sales transaction that should be captured by an Accounting Information System?
A) name of the employee who completed the sale
B) daily sales quota
C) product sold
D) date

Answer: B

1.2 Explain the decisions an organization makes and the information needed to make them.

1) Paid time-off policies, job descriptions, and procedures manuals are examples of information needed to support key decisions in what business process?
A) hire and train employees
B) acquire inventory
C) sell merchandise
D) collect payment from customers

Answer: A

2) Before a firm can identify the information needed to effectively manage a process, the firm must
A) understand the process .
B) hire programmers.
C) purchase computers and/or workstations.
D) obtain internet access.

Answer: A

3) Identify the piece of information below that is typically needed to acquire a building.
A) job descriptions

B) vendor performance
C) market coverage
D) capacity needs

Answer: D

4) Identify the piece of information below that is typically needed to acquire inventory.
A) job descriptions
B) vendor performance
C) market coverage
D) capacity needs

Answer: B

5) Identify the piece of information below that is typically needed to hire and train employees.
A) job descriptions
B) vendor performance
C) market coverage
D) capacity needs

Answer: A

6) How can query languages be used to help make better decisions?
A) They can suggest a course of action.
B) They can gather relevant data for decision making.
C) They can help the decision maker to interpret results.
D) They can model choose among alternative courses of action.

Answer: B

7) What is a key decision that needs to be made with regards to selling merchandise?
A) which credit cards to accept
B) which employees to hire
C) which public accounting firm to employ
D) how much capital to acquire

Answer: A

8) What is a key decision that needs to be made with regards to acquiring inventory?
A) which credit cards to accept
B) which employees to hire

C) which vendors to use
D) how much capital to acquire

Answer: C

9) What is a key decision that needs to be made with regards to acquiring equipment?
A) the location
B) pro forma income statement
C) how much capital to acquire
D) job descriptions

Answer: A

1.3 Identify the information that passes between internal and external parties and an AIS.

1) One group that relies on both the adequate collection and transformation of data for decision-making purposes for an organization is
A) management.
B) interested outsiders.
C) competitors.
D) the government.

Answer: A

2) Who of the following is *not* a stakeholder with whom an accounting information system typically communicates directly?
A) Wall Street industry analyst
B) venture capitalist
C) company that supplies raw materials
D) company that purchases finished goods for resale to consumers

Answer: A

3) In which transaction cycle would customer sales transaction information be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle

Answer: A

4) In which transaction cycle would information for inventory purchases be most likely to pass

between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle

Answer: B

5) In which transaction cycle would information for paying employees be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle

Answer: C

6) In which transaction cycle would information for paying interest be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle

Answer: D

7) In which transaction cycle would information for borrowing money be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle

Answer: D

8) In which transaction cycle would information for hiring employees be most likely to pass between internal and external accounting information systems?
A) the revenue cycle
B) the expenditure cycle
C) the human resources / payroll cycle
D) the financing cycle