

**RUTGERS**

Rutgers Business School  
Newark and New Brunswick

**33:010:458**

**Accounting Information  
Systems**

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## **A.I.S. Class 23: Outline**

- **A.I.S. and Financial Accounting**
- **Sheldon Shirts**

## **A.I.S. and Financial Accounting**

- Imagine you are an accounting professor. A prospective student who is considering majoring in accounting has asked you to explain the relationship between the material studied in A.I.S. and that studied in Intermediate Accounting. Explain how the material in each class complements the other, why both are needed, and the nature of the challenges currently facing the accounting profession with regard to the provision of valuable business information. *Be challenging!*

## **A.I.S. and Financial Accounting**

### ■ An Accounting View

- \* Accounting methods were developed and and have been working for over 500 years
- \* Financial reporting is crucial to our capital markets and the successful functioning of our economy
- \* Financial reporting is controlled by legislation, regulation, and professional (accounting) standards
- \* The system of ledgers, accounts, debits and credits has been continuously refined
- \* All that really matters is the data needed to produce financial statements
- \* Information systems are simply an efficient tool for providing the required reports

## **A.I.S. and Financial Accounting**

### ■ A Systems View

- \* Traditional accounting has focused only on certain events, on a limited amount of data regarding them, and on summary information
- \* Database Accounting Information Systems allow for capturing a fuller set of events and a richer base of data regarding them
- \* Detail is maintained and summaries can be materialized from it
- \* All that really matters is the actual events that have taken place
- \* Financial reports are just one possible output that can be produced from the rich data set maintained

## Sheldon Shirts

- Stage 1
  - \* Flowcharting existing system
- Stage 2
  - \* Steps 1 – 6: Logical data modeling
- Stage 3
  - \* Step 7: Logical process modeling: DFDs
  - \* Step 8: Physical design: Data Repository Structure
- Stage 4
  - \* Internal Controls
- Stage 5
  - \* Step 9: Implement the design – tables and forms

## Sheldon Shirts

### ■ Stage 6

#### \* Step 9: Implement the design – queries & reports

- Some queries were already needed for Forms
- Still some issues relating to Switchboards
- Reports are our main topic for today, and are typically the main weakness of projects . . .
- . . . though Switchboards are also usually a problem . . .
- . . . and currently, despite our shared efforts, many groups still do not have the right tables

## Sheldon Shirts

### ■ ACCESS

#### \* Tools

##### ● Database Utilities

- Compact and Repair Database
- Switchboard manager

##### ● Startup

### ■ PEACHTREE

- \* Take a look at the reports available

## **Sheldon Shirts**

- What kind of Sales reports do we need?
  - \* Sales Orders
  - \* Packing Slips
  - \* Shipping Notices
  - \* Bills of Lading
  - \* Invoices
  - \* Remittance Advices
  - \* Receipts
  - \* Returned Good Slips
  - \* Credit Notes

## Sheldon Shirts

- What kind of Sales reports do we need?
  - \* Sales Revenue
  - \* Sales Tax ? (No)
  - \* Unearned Revenue ? (No)
  - \* Accounts Receivable
  - \* Credit balances ? (Yes)
  - \* Aged Debts
  - \* Prior Revenue written off by credits
  - \* Back Orders by Customer
  - \* Sales Analyses
    - Month
    - Product
    - Type of customer
      - Department Store Customer#'s begin with a 'D'
      - Menswear Store Customer#'s begin with a 'M'
      - Other Customer#'s begin with a 'X'
  - \* Returns Report
    - Show, by month & overall, total value shipped, value and % of resulting returns, value and & of credit notes issued

## Sheldon Shirts

- Report these specific amounts and reconcile:

Accounts Receivable 3/31/2007	XXXXXXX	
Less: Credit Balances 3/31/07	<u>XXXXXXX</u>	
		XXXXXXX
Account Receivable 12/31/2006	XXXXXXX	
Less: Credit Balances 12/31/2006	<u>XXXXXXX</u>	
		(XXXXXXX)
		XXXXXXX
Cash Receipts 1 <sup>st</sup> Quarter 2007		<u>XXXXXXX</u>
		<u>XXXXXXX</u>
Sales Revenue 1 <sup>st</sup> Quarter 2007	XXXXXXX	
Less: Reversal of prior year Revenue	<u>(XXXXXXX)</u>	
		<u>XXXXXXX</u>

## Sheldon Shirts

### ■ Back Orders

- \* By Item would require Production data that I am not supplying
- \* As at 3/31/2007, by Customer
  - List any order not yet fully shipped
    - Item, Description, Date Ordered, Price
    - Qty & Value Ordered
    - Qty & Value Shipped
    - Qty & Value backordered
    - % backordered
  - Show Customer totals & Grand totals

## Sheldon Shirts

- What kind of reports do we need?
  - \* E.g. Materials Acquisition – don't all have to produce these!
    - Requisitions
    - Purchase Orders
    - Receiving & Storage Notices
    - Payments
    - Checks
    - Purchases
    - Accounts Payable
    - Schedule of Payments Due
    - Purchases Analyses
      - Month
      - Product
      - Vendor
    - Approved Vendor List

## Sheldon Shirts

- What kind of reports do we need – allocated reports
  - \* **Fixed Assets – Groups 5, 12, 15, 20**
    - Fixed Assets Note
  - \* **Materials Acquisition – Groups 4, 11, 14, 19**
    - Payment Checks
  - \* **Services – Groups 1, 6, 8, 16, 21**
    - Analysis of Expenses by type – showing dollar value and percentage of total
  - \* **Production – Groups 2, 7, 9, 17, 22**
    - Detailed Job Cost Report – for each Job: Estimated Cost, RM, Labor, Overhead, Actual Cost, Selling Price, Planned and Actual Profit (dollar amount and %)
  - \* **Human Resources Management – Groups 3, 10, 13, 18, 23**
    - Payroll Register for Machinists
  - \* **Finance – Groups 1, 6, 8, 16, 21**
    - Schedule of Payments due showing Loan, Principal, Interest & Total
  - \* **Cash Transfers?**
    - ...

## Sheldon Shirts

### ■ Financial Reporting

#### \* *Simplifying Assumptions if we were producing:*

- No manufacturing overhead
- No variances
- No ending WIP
- No accruals other than as stated
- No employer taxes
- Payroll taxes withheld paid immediately
- Sales taxes paid immediately
- No cash discounts

## Sheldon Shirts

- Financial Reporting
  - \* Chart of Accounts
    - Cash
    - Accounts Receivable
    - Allowance for Doubtful Accounts
    - Inventory
      - Raw Materials
      - Finished Goods
    - Prepaid Insurance
    - Property, Plant & Equipment
    - Accounts Payable
    - Interest Payable

## Sheldon Shirts

### ■ Financial Reporting

#### \* Chart of Accounts

- Salaries Payable
- Long-Term Debt
- Common Stock
- Additional Paid-In Capital
- Retained Earnings
  
- Net Sales
- Cost of Goods Sold
- Selling, General and Administrative Expenses
- Interest Expense

## Sheldon Shirts

- Stage 6 Reporting
  - \* Some ACCESS features
    - Update Queries
    - Append Queries
      - P&S pp. 87 – 90
  - \* Materializing data and reports
  - \* Storing historical views of data
    - A practical compromise . . .
  - \* Produce all reports based on *parameters* for period
    - Start Date and End Date

## Sheldon Shirts

### ■ Sales Tax

#### \* NJ

- Delivery – generally taxable in NJ (Sheldon Shirts N/A)
- Customer pick-up – generally taxable in NJ (Sheldon Shirts N/A)
- Shipping to NJ address – generally taxable in NJ
- Sales Tax (NJ)
  - Computers etc. 7%
  - Clothing 0%
- Delivery charge taxable (Sheldon Shirts N/A)
- Shipping charge not taxable
- Sheldon Shirts in any case does not pass on Shipping Charges
- Sheldon Shirts customers all have NJ Sales Tax Resale Certificates

#### \* Out of State

- Sheldon Shirts has no nexus – no Sales Tax

## **Sheldon Shirts**

