


› accounting ›  
« INFORMATION  
systems ›››››  
understanding  
business processes ›

Chapter 1  
**Introduction**

Prepared by  
Kent Wilson  
University of South Australia

3rd edition  
◀◀◀◀◀◀◀◀◀◀



---

---

---

---

---

---

---


---

**Accounting**

☐ The language of business

The accounting cycle

1	2	3	4	5	6	7	8	9
1. Transaction occurs	2. Analyse transaction	3. Journalise transaction	4. Post journal to ledger	5. Prepare trial balance	6. Adjust entries	7. Adjust trial balance	8. Close entries	9. Prepare financial reports



---

---

---

---

---


---

---

---

**Information**

- ☐ **Data** are the raw facts relating to or describing an event
- ☐ Data becomes useful when the application of rules or knowledge enable a **conversion** into information
- ☐ **Information** is used in decision making
- ☐ Too much information is referred to as **information overload**



---

---

---

---

---



---

---

---

### System

- Defined as something that takes inputs, applies a set of rules or processes and generates outputs



---

---

---

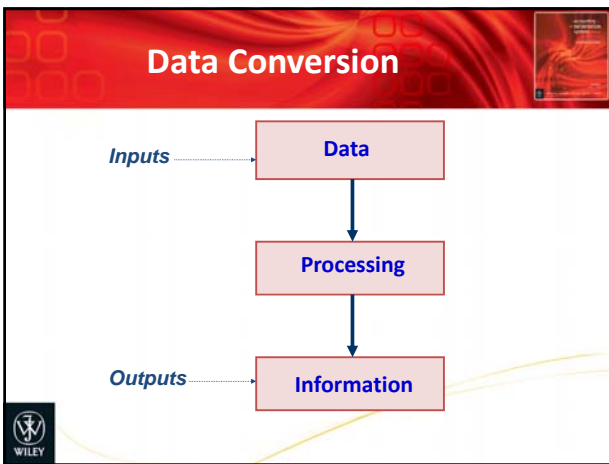
---

---

---

---

---



---

---

---

---

---


---

---

---

### Capturing Inputs

- Manual keying
- Scanning through barcode technology
- Scanning through image scanners
- Magnetic ink character recognition [MICR]
- Voice recognition
- Optical mark readers



---

---

---

---

---

---

---


---

### Processes

- ❑ Processes are the sets of activities that are performed on the inputs into the system

**Examples:**

- Format checks on data
- Validity checks on data



---

---

---

---

---

---

---

---


### Outputs

- ❑ Outputs refer to what is obtained from a system, or the result of what the system does

**Examples:**

- Receipts
- Invoices

- ❑ Outputs are normally the starting point when designing a system



---

---

---

---

---


---

---

---

### System Elements

- ❑ **Feedback** is the method for ensuring that the system is running as normal
- ❑ A system will have a defined task or domain – **system scope**
- ❑ The factors or pressures outside a system that influence its design and operation are referred to as the **external environment**



---

---

---

---

---



---

---

---

### Definition of Accounting Information Systems

□ The application of technology to the capturing, verifying, storing, sorting and reporting of data relating to an organisation's activities



---

---

---

---

---


---

---

---

### Evolution of Accounting Information Systems

Pre 15th century:	—	recording economic activities
15th century:	—	<i>Pacioli's development of double-entry accounting</i>
19th century:	—	adding machines and cash registers >> batch totals
20th century:	—	<i>punch cards &gt;&gt; fully integrated computerised systems</i>
21st century:	—	accounting information systems



---

---

---

---

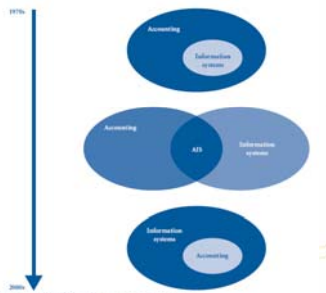
---

---


---

---

### Accounting and IS – a Changing Relationship



2000s  
FIGURE 1.5 Accounting and IS — a changing relationship  
SOURCE: Sutton & Arnold (2002)."



---

---

---

---

---


---

---

---

## The Role of Accounting and Accounting Information

- Traditional financial statements are not the only source of information available through the AIS
- Accounting information is required by many different users (internal & external)
- Uses of Accounting information include:**
  - Assessing customers and bad debts
  - Assessing inventory requirements
  - Evaluating staff performance




---

---

---

---

---

---

---


---

## Data Mining

**TABLE 1.1** Examples of data mining

Business	Application of data mining
Tax office	Analysing tax returns
Banks	Identifying credit card fraud Customer profiling
Law enforcement	Identifying money laundering activities
Retail stores	Analysing sales patterns and levels
Australian Securities and Investments Commission	Detecting insider trading activities
AC Milan soccer club	Analysing players' injury patterns

SOURCE Based on Braue 2003.<sup>16</sup>




---

---

---

---

---


---

---

---

## Where to From Here?

- Chapter 2 - Business Processes:** the activities that, when combined, deliver something of value to the customer, whether internal or external
- Chapters 3 & 4 – Database Concepts:** storage of data and design of databases will be investigated
- Chapter 5 – System Mapping & Documentation:** explores the use of techniques to map and document the system




---

---

---

---

---


---

---

---

### Where to From Here?

- Chapter 6** – Provides a framework for making appropriate technology choices for organisations
- Chapters 7 & 8** – address the issues of internal controls, corporate governance and internal control frameworks
- Chapters 9 – 13:** Provide a comprehensive overview of the major business cycles – revenue, payment, production, HR and the general ledger & financial reporting cycle



---

---

---

---

---


---

---

---

### Where to From Here?

- Chapter 14 – Systems development:** introduces the principles and concepts as to how systems are developed and managed
- Chapter 15 – Auditing of accounting information systems:** Overviews the audit function, legislative requirements and the stages involved in performing an AIS audit
- Chapter 16 – Ethics, fraud and computer crime:** considers different perspectives of ethical behaviour



---

---

---

---

---


---

---

---

### Review of Chapter 1

- Introduction to accounting information systems
- Evolution of accounting information systems
- Role of accounting and accounting information
- Course content in context



---

---

---

---

---


---

---

---

### Key Terms

- Accounting information system
- Data
- External environment
- Feedback
- Information overload
- Inputs
- Outputs
- Processes
- System
- System scope



---

---

---


---

---

---

---

---



**WILEY**

END SHOW

---

---

---

---

---

---

---

---