

Instructor's Solutions Manual

Accounting Information Systems *15th Edition*

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CHAPTER 1

ACCOUNTING INFORMATION SYSTEMS: AN OVERVIEW

SUGGESTED ANSWERS TO DISCUSSION QUESTIONS

- 1.1 The value of information is the difference between the benefits realized from using that information and the costs of producing it. Would you, or any organization, ever produce information if its expected costs exceeded its benefits? If so, provide some examples. If not, why?**

Most organizations produce information only if its value exceeds its cost. However, there are two situations where information may be produced even if its cost exceeds its value.

- a. It is often difficult to estimate accurately the value of information and the cost of producing it. Therefore, organizations may produce information that they expect will produce benefits in excess of its costs, only to be disappointed after the fact.
- b. Production of the information may be mandated by either a government agency or a private organization. Examples include the tax reports required by the IRS and disclosure requirements for financial reporting.

- 1.2 Can the characteristics of useful information listed in Table 1-1 be met simultaneously? Or does achieving one mean sacrificing another?**

Several of the criteria in Table 1.1 can be met simultaneously. For example, more timely information is also likely to be more relevant. Verifiable information is likely to be more accurate.

However, achieving one objective may require sacrificing another. For example, ensuring that information is more complete may reduce its timeliness. Similarly, increased verifiability and accuracy may reduce its timeliness.

The decision maker must decide which trade-offs are warranted in each situation.

1.3 You and a few of your classmates decided to become entrepreneurs. You came up with a great idea for a new mobile phone application that you think will make lots of money. Your business plan won second place in a local competition, and you are using the \$10,000 prize to support yourselves as you start your company.

- a. Identify the key decisions you need to make to be successful entrepreneurs, the information you need to make them, and the business processes you will need to engage in.**
- b. Your company will need to exchange information with various external parties. Identify the external parties, and specify the information received from and sent to each of them.**

The author turns this question into an in-class group activity. Students are divided up in groups, told to close their books, and given 15 minutes to:

- a. Think through the business processes, key decisions, and information needs issues in their group.
- b. Identify the external users of information and specify the information received from and sent to each of them.

One group is selected to present their answers to the class. The other groups are told to challenge the group's answers, provide alternative answers, and chip in with additional answers not provided by the selected group. Since the group that presents is not selected until after the time has expired, students are motivated to do a good job, as they will be presenting to their peers.

The value of this activity is not in arriving at a "right answer" as there are many right answers and student answers will vary. Instead, it is in thinking through the issues presented in Table 1-2 (business processes, key decisions, and information needs) and Figure 1-1 (interactions with external parties). Student answers should contain many of the things in Table 1-2 and Figure 1-1 as well as others not shown, as a retail operation differs from an application development enterprise.

The author concludes the exercise by having the students turn to Table 1-2 and Figure 1-1 while he emphasizes the need for owners, managers, and employees of organizations to identify the information needed to make key decisions in the company's business processes and the key information interchanges with external parties. All the data needed to produce this information must be entered into the AIS, processed, stored, protected, and made available to the appropriate users.

While this active learning activity takes more time than a lecture does, it drives the point home much better than a lecture would. It also keeps the students more engaged in the material.