

Accounting Information Systems, 16e (Romney)

Chapter 1 Conceptual Foundations of Accounting Information Systems

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 primary output of an accounting information system.
- B) Information is the primary output of an accounting information system.
- C) Data is more useful in decision making than information.
- D) Data and information are the same.

Answer: B

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

2) When a subsystem's goals are inconsistent with the goals of another subsystem or with the system as a whole, it creates

- A) system inconsistency.
- B) system conflict.
- C) goal inconsistency.
- D) goal conflict.

Answer: D

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

3) When a subsystem achieves its goals while contributing to the organization's overall goal, it is called

- A) system match.
- B) system congruence.
- C) goal congruence.
- D) goal match.

Answer: C

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

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4) 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

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

5) 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

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

6) An accounting information system (AIS) processes _____ to provide users with _____.

- A) data; information
- B) data; transactions
- C) information; data
- D) data; benefits

Answer: A

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

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

- A) Timely
- B) Accurate
- C) Relevant
- D) Complete

Answer: C

Concept: Information needs and business processes

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

8) Information that is free from error or bias and faithfully represents the events or activities of the organization is

- A) relevant.
- B) accurate.
- C) verifiable.
- D) timely.

Answer: B

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

9) Information that does not omit important aspects of the underlying events or activities that it measures is

- A) complete.
- B) available.
- C) relevant.
- D) timely.

Answer: A

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

10) Information is _____ when two knowledgeable people independently produce the same information.

- A) verifiable
- B) relevant
- C) accurate
- D) complete

Answer: A

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

11) Data must be converted into information to be considered useful and meaningful for decision making. There are 14 characteristics that make information both useful and meaningful. If information is free from error or bias and faithfully represents the events or activities of the organization, it is representative of the characteristic of

- A) relevancy.
- B) timeliness.
- C) understandability.
- D) accuracy.

Answer: D

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

12) Data must be converted into information to be considered useful and meaningful for decision making. There are 14 characteristics that make information both useful and meaningful. If information can help reduce uncertainty, improves decision making, or confirms or corrects prior expectations, it is representative of the characteristic of

- A) objectivity.
- B) relevance.
- C) completeness.
- D) truthfulness.

Answer: B

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

13) Data must be converted into information to be considered useful and meaningful for decision making. There are 14 characteristics that make information both useful and meaningful. If the same information can be reproduced by two independent and knowledgeable people, it is representative of the characteristic of

- A) accuracy.
- B) relevance.
- C) verifiability.
- D) truthfulness.

Answer: C

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

14) Data must be converted into information to be considered useful and meaningful for decision making. There are 14 characteristics that make information both useful and meaningful. If the information is free from bias or prejudice, it is representative of the characteristic of

- A) objectivity.
- B) relevance.
- C) verifiability.
- D) truthful.

Answer: A

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

15) Inventory information for Sun Corp. is provided in real time by a firm's accounting information system. However, the accuracy of this information is questionable. Many store managers often report stock outs of components that the system erroneously indicates are in stock. Which of the following characteristics of useful information is absent in the situation described above?

- A) relevant
- B) accurate
- C) complete
- D) timely
- E) understandable
- F) verifiable
- G) available

Answer: B

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

16) Sam Jones 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 auditors have been unable to reproduce financial reports that were prepared by Sam. While there is no evidence of wrongdoing, the auditors cannot determine why they cannot produce the same information. 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) available

Answer: F

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

17) Sam Jones 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 auditors have been unable to obtain the firm's financial statements that were prepared by Sam. While there is no evidence of wrongdoing, the auditors are not able to complete the audit. 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) available

Answer: G

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

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18) In 2022, NeuTech Industries introduced a new project management software to improve collaboration and efficiency. Elena Jentz, a project manager, initially welcomed the digitization but soon encountered issues. She noted to a coworker that the software failed to display critical project details like budget limits and skill requirements, complicating resource allocation. Which of the following characteristics of useful information is absent in the situation described above?

- A) relevant
- B) accurate
- C) complete
- D) timely
- E) understandable
- F) verifiable
- G) accessible

Answer: C

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

19) In 2022, NeuTech Industries introduced a new project management software to improve collaboration and efficiency. Sam Schmidt, a software developer, initially welcomed the digitization but soon encountered issues. He complained to his boss Elena that the software's interface was not intuitive, making information retrieval and interpretation more time-consuming for their team. Which of the following characteristics of useful information is absent in the situation described above?

- A) relevant
- B) accurate
- C) complete
- D) timely
- E) understandable
- F) verifiable
- G) available

Answer: E

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

20) 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) accurate
- C) complete
- D) timely
- E) understandable
- F) verifiable
- G) available

Answer: D

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

21) 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 often contains errors, which makes it difficult for him to make necessary adjustments. Which of the following characteristics of useful information is absent in the situation described above?

- A) relevant
- B) accurate
- C) complete
- D) timely
- E) understandable
- F) verifiable
- G) available

Answer: B

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

22) 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. He later learned that the system was being upgraded at the time of his attempted sale. Which of the following characteristics of useful information is absent in the situation described above?

- A) relevant
- B) accurate
- C) complete
- D) timely
- E) understandable
- F) verifiable
- G) available

Answer: G

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

23) Alex, a project manager at a construction firm, receives an email update from a supplier stating only that the delivery of essential materials will be "slightly delayed" due to unforeseen circumstances. Alex needs to adjust the project timeline and communicate effectively with stakeholders. Which of the following characteristics of useful information is absent in the situation described above?

- A) relevant
- B) accurate
- C) complete
- D) timely
- E) understandable
- F) verifiable
- G) available

Answer: C

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

24) 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 12%, the product innovation is expected to generate ROI of only 10%. 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

Concept: Information needs and business processes

Objective: Learning Objective 1

Difficulty: Challenging

AACSB: Application of Knowledge

25) 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 10%, the product innovation is expected to generate ROI of 15%. 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: C

Concept: Information needs and business processes

Objective: Learning Objective 1

Difficulty: Challenging

AACSB: Application of Knowledge

26) 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

Concept: Information needs and business processes

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

27) Which of the following tradeoffs between characteristics of useful information is *most* objectionable?

- A) accurate information that is not timely
- B) complete information that is not easily accessible
- C) relevant information presented in a complex format
- D) unreliable information presented in an understandable format

Answer: D

Concept: Information needs and business processes

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

28) 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

Concept: Information needs and business processes

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

29) Define the concept of a system.

Answer: A system is a set of two or more components that are somehow interrelated and interact together to achieve a specific goal.

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

30) Define data, information, and how the value of information is determined.

Answer: Data: facts that are collected, entered, recorded, stored, and processed by an AIS.

Information: data that has been organized and processed and is meaningful to its users. Such information is accessible, relevant, timely, reliable, verifiable, complete, and understandable.

Information is of value when the benefits received from using or acting upon it outweigh the cost to produce the information.

Concept: Information needs and business processes

Objective: Learning Objective 1

Difficulty: Easy

AACSB: Analytical Thinking

31) Discuss the concept of a system and the issues of goal conflict and goal congruence.

Answer: A system is a set of two or more components that are somehow interrelated and interact together to achieve a specific goal. A system usually consists of smaller components called subsystems. These subsystems have specific and defined functions, which interact with and support the larger system. The concept of systems is key to information technology and AIS. All systems, including the AIS, must work to achieve one or more organizational goals. Goal conflict results when a decision or action of a subsystem is inconsistent with another subsystem or the system (organization) as a whole. Goal congruence results when a subsystem achieves its goals while contributing to the organization's overall goal. Subsystems should maximize organizational goals.

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

AACSB: Analytical Thinking

32) Discuss the fourteen characteristics of useful information.

Answer: The 14 characteristics of useful information are:

- 1) Access restricted: Able to limit access to authorized parties
- 2) Accurate: Correct; free of error; accurately represents events and activities
- 3) Available: Available to users when needed; in a format that can be easily and quickly used
- 4) Complete: Does not omit aspects of events or activities; of enough breadth and depth
- 5) Concise: Clear, succinct; appropriate volume presented briefly but comprehensively
- 6) Consistent: Presented in same format over time
- 7) Current: Includes event and activity data up to the present date and time
- 8) Objective: Unbiased; unprejudiced; impartial
- 9) Relevant: Reduces uncertainty; improves decision making; applicable and helpful
- 10) Reputable: Perceived as true and credible due to highly regarded source or content
- 11) Timely: Provided in time for decision makers to make decisions
- 12) Useable: Easy to use for different tasks; human and machine readable
- 13) Understandable: Presented in a useful and intelligible format; easily comprehended and interpreted
- 14) Verifiable: Same information produced by two independent, knowledgeable people

Concept: The concept of information

Objective: Learning Objective 1

Difficulty: Moderate

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