

Accounting Information Systems Systems Understanding Aid (SUA) Project 100 points

Benefits of Studying a Manual System

Even though most accounting systems are computerized, studying a manual system has several benefits. It is easier in a manual system to picture and understand business documents, document flows, recording functions, and internal control procedures. Once these concepts are clear, you should be able to make the transition to a computerized system with little difficulty.

The Systems Understanding Aid (SUA) project will help you become knowledgeable about the form and function of many documents and records used by businesses in their accounting systems. It will help you learn about internal controls. You will increase your understanding of the documentation, flow, and control of financial information from initiating transactions and source documents through the preparation of financial statements.

Many of you will someday perform audit work. Auditing typically involves (1) collecting evidence regarding the fairness of financial statements that have been prepared from an accounting system and (2) assessing internal controls. Much of the evidence comes directly from the underlying accounting system or from procedures applied to components of the accounting system. It is important that you understand the elements of an accounting system and how they relate to each other to produce and support the financial statements. After completing the SUA project, your enhanced understanding of accounting systems and internal controls will result in increased comprehension of audit tests and procedures.

For the project to accomplish its purpose, it is important that you study the SUA Reference book. Do not just do the project to get it done. Do the project as a means of increasing your understanding of accounting systems and internal control concepts, which will help you in your accounting courses and career.

Project Overview

The project is built around a small wholesaling business, Waren Sports Supply, whose accounting records are complete through December 15, 2009. You are required to prepare various documents, process the business transactions for the last two weeks of the year, perform month-end procedures, make year-end adjusting and closing entries, and prepare financial statements and other reports. You get to see how the system functions for each type of transaction without getting bogged down with the repetition that would exist in processing the volume of activity that you would face in the real world.

Ink and Pencil

1. In the Journals book, print your name in ink at the top of each page for all journals (General, Sales, Cash Receipts, Purchases, Cash Disbursements, and Payroll).
2. When recording transactions and preparing documents, use a pencil to make error corrections easier.

Transactions List and Recording Option

Use the **BLUE** Transactions List (Document No. 1). You may want to throw away the green Transactions List to avoid confusion. Follow Option 2 on page 11 of the Instructions book (i.e., record each transaction in chronological date sequence).

Work Schedule

Date	Day	Assignment
Jan 31	T	<ul style="list-style-type: none"> Read Instructions book, pages 3-11 Review Reference book, chapters 1 and 2
Feb 2	Th	<ul style="list-style-type: none"> Read Reference book, chapters 3 and 4 Work on December 16-31 transactions
Feb 7	T	<ul style="list-style-type: none"> Read Reference book, chapter 5 Work on December 16-31 transactions
Feb 9	Th	<ul style="list-style-type: none"> Turn in first set of deliverables (due at beginning of class) Work on month-end procedures in Instructions book, pages 12-13
Feb 14	T	<ul style="list-style-type: none"> Read Reference book, chapter 6 Work on year-end procedures in Instructions book, pages 13-15
Feb 16	Th	<ul style="list-style-type: none"> Turn in completed project (due at beginning of class)

Deliverables

Due February 9 (50 points)	Due February 16 (50 points)
<ul style="list-style-type: none"> Photocopies of all journals (General, Sales, Cash Receipts, Purchases, Cash Disbursements, and Payroll) with the December 16-31 transactions recorded Photocopies of the A/P, A/R, Employee, and Fixed Asset subsidiary ledgers with the December 16-31 transactions posted <ul style="list-style-type: none"> Do cumulative annual totals on Employee subsidiary ledger Photocopy of document 9 Completed documents (not photocopies): 5 (2x), 6, 7, 8 (4x), 10 (3x), 12, 13, 16 (#328 only), 17 (4x), 18 (Velocity only), 19, 20 (6x), 21 (2x) 	<ul style="list-style-type: none"> Journals book Instructions/Flowcharts/Ledgers book Bank reconciliation Monthly statement (Doc. No. 15) Year-end worksheet (Doc. No. 25) (or Excel spreadsheet) Statement of income and retained earnings Comparative balance sheet Aged accounts receivable trial balance Accounts payable trial balance Fixed asset trial balance Post-closing trial balance (Doc. No. 26) Do not prepare a cash flow statement Do not turn in the Reference book.

Deliverables (continued)

First Set:

1. Arrange the photocopies of the journals and subsidiary ledgers in the order listed in the table above.
2. Arrange the documents in numerical order.
3. Put your materials in a manila envelope (do **not** use the SUA envelope). Put your name on the envelope.
4. Turn in only the required deliverables.

Second Set:

1. The bank reconciliation, statement of income and retained earnings, comparative balance sheet, and three supplementary trial balances **must** be prepared using a word processor or spreadsheet. There are no sheets or documents for these items in the SUA packet. You must create your own based on the suggested formats in the Reference book.
2. Put your materials in the SUA envelope. Put your name on the envelope.
3. Turn in only the required deliverables.

Late Penalty

Late deliverables will not be accepted and will receive a score of zero points.

Document Guidelines

1. When preparing documents, skip any input field for which there is no information in the transaction description.
2. Do **not** tear apart any of the documents.
3. Ignore all instructions about where to file documents in the file tabs.
4. Most of the documents are described in the Reference book. Use the cross-reference list on the front of the Documents Folder to determine the Reference book page number.

SUA Spreadsheet

1. Some of you may prefer using a spreadsheet instead of preparing a hand-written year-end worksheet, but this is not required.
2. I will post a spreadsheet template on the course website for those of you who prefer this option.
3. Do **not** number the year-end adjusting entries on the spreadsheet; there is no column for this.

General Guidelines

1. Budget around 20 hours for this project (approximately 10 hours each half).
2. Follow the flowcharts closely.
3. Look at earlier entries in journals, ledgers, and subsidiary ledgers for guidance on how to post current transactions.
4. Sales Journal is for charge sales only. Cash sales are recorded in Cash Receipt Journal.
5. Purchases Journal is for purchases on account only.
6. Purchases Journal includes the “Purchases” account (periodic inventory method). Office supplies and fixed assets are also run through the Purchases Journal.
7. Understand the “Yes” and “No” symbols on the Transactions List (Document No. 1) as explained on page 11 of the Instructions book.
8. Throughout this project, you will be playing the roles of three people. Sometimes you are Nancy Ford, sometimes you are Ray Kramer, and sometimes you are Jim Adams. Please observe how the various authorization, recording, and custody duties of these three people are separated for internal control purposes.

Specific Transaction Guidelines

1. First December 16 transaction—No document is modified; just initial the Cash Receipts journal.
2. Second December 20 transaction—You will need the withholding amounts when calculating payroll later.
3. First December 22 transaction—Ignore the freight bill at this time. You will pay this by check on December 23.
4. Third December 22 transaction—Follow the Bad Debt Write-Off flowchart on p. 19.
5. Third December 23 transaction—You must manually correct the invoice (85 basketball pole pads received; billed for 120).
6. December 26 transaction—Debit the “Office Supplies Expense” account (not an asset account) in the Purchases Journal.

Posting to General Ledger

Do **not** post anything to the General Ledger until the second half of the project. This is a month-end procedure.