

**NATIONAL UNIVERSITY OF LIFE AND ENVIRONMENTAL SCIENCES
OF UKRAINE**

FACULTY OF ECONOMICS

DEPARTMENT OF ACCOUNTING AND AUDIT

“APPROVED”

Dean of the Faculty of Economics

_____/Anatolii Dibrova/

“ ____ ” _____ 2015

REVIEWED AND APPROVED

At the meeting of the department
of Accounting And Audit

Minute # ___ from “ ____ ” ____ 2015

Head of the Department

_____/Tetiana Kaminska/

SYLLABUS

**Academic Discipline “ORGANISATION OF ACCOUNTING”
for ED “Master” 8.03050901**

Specialty- Accounting and Audit

Syllabus compiled by: Doctor in Economics, Associate Professor Kaminska Tetiana
Grygorivna

Assistant Professor Olga Ilchak

Kyiv, 2015

Curriculum of Academic Discipline “Organisation of accounting” for ED “Master” specialty 8.03050901 “Accounting and Audit” is reviewed and approved

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Compilers: Doctor in Economics, Associate Professor Kaminska Tetiana Grygorivna

(вказати авторів, їхні посади, наукові ступені та вчені звання)

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Curriculum of Academic Discipline “Organisation of accounting” for ED “Master” specialty 8.03050901 “Accounting and Audit” is reviewed and approved on meeting of Department of Accounting And Audit

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(T.G. Kaminska)

(last name and initials)

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Approved by Academic Council of Faculty of Economics

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CURRICULUM

**Academic Discipline “ORGANISATION OF ACCOUNTING”
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1.

Academic discipline description

«ORGANISATION OF ACCOUNTING»

Field of knowledge, direction, specialty, educational degree		
Educational degree	Master	
Specialty	“Accounting and Audit”	
Area of training	“Accounting and Audit”	
Characteristics of training programme		
Type		
The total number of academic hours	120	
Number of ECTS credits allocated	4	
Number of modules	2	
Forms of control	exam	
Indicators of academic discipline for full-time and part-time forms of training course		
	Full-time	Part-time
Year (course)	1	
Semester	2	
Number of lectures	30	
Number of seminars, practical classes	30	
Laboratory sessions (activities)	-	
Independent study	60	
Individual lessons	-	
Number of weekly in-class academic hours for full-time forms of training	4	

2.

Goal and objectives of academic

discipline

Goal is studying of theoretical knowledge and practical skilling in organisation of accounting at the enterprise.

Learning objectives are

- forming of knowledge and skills in organisation of accounting and development of accounting, controlling and analytical processes oriented to the management decision-making providing.

Learning outcomes :

Upon completion of this course, students should be:

competent in:

- essence and theoretical basis of organisation of accounting,

- regulatory support of organisational processes and accounting treatments,
- accountant's rights and obligations,
- order of organisation of accounting under IT using conditions,
- nomenclature accounting records,
- accounting specialists working organisation,
- methods of defining normative number of accounting staff,
- features of organisation of accounting at particular departments.

be skilled in:

- finding of objectives of organisation of accounting,
- defining normative number of accounting staff,
- forming of accounting departments, developing position for them, instructions for the staff,
- developing work schedule for accounting staff.

3. The structure of the curriculum of academic discipline for full-time form of training

Topic		Amount of hours			
		Lecture	Seminar	Independent study	Total
Theme module 1. Basis of organisation of accounting					
1.	Chapter 1. Principles of organisation of accounting at the enterprise	2	2	6	10
2.	Chapter 2. Regulatory support of accounting process and accounting policy at the enterprise	2	2	6	10
3.	Chapter 3. Forming and functioning of accounting departments	2	2	6	10
4.	Chapter 4. Accounting control and legal responsibility at the enterprise	2	2	6	10
5.	Chapter 5. Providing of effective functioning and development of accounting	2	2	6	10
6.	Chapter 6. Forming of documentation system for business transactions and flow of document	4	4	6	14
Total with theme module		14	14	36	64
Theme module 2. Advanced organisation of accounting					
7.	Chapter 7. Features of organisation of accounting for assets, equity and liabilities	4	4	4	12
8.	Chapter 8. Organisational basis of accounting for income, expenses and financial results of business activity	4	4	4	12
9.	Chapter 9. Organisation of management accounting and data generalisation for management	2	2	6	10
10.	Chapter 10. Forming and treating of financial, managerial and tax statement	2	2	6	10
11.	Chapter 11. Accounting information security system	4	4	4	12
Total with theme module		16	16	24	56
Total academic hours		30	30	60	120

4. Themes of seminar activities

#	Name of theme	Number of hours
1	Chapter 1.Principles of organisation of accounting at the enterprise	2
2	Chapter 2. Regulatory support of accounting process and accounting policy at the enterprise	2
3	Chapter 3. Forming and functioning of accounting departments	2
4	Chapter 4. Accounting control and legal responsibility at the enterprise	2
5	Chapter 5. Providing of effective functioning and development of accounting	2
6	Chapter 6. Forming of documentation system for business transactions and flow of document	4
7	Chapter 7. Features of organisation of accounting for assets, equity and liabilities	4
8	Chapter 8. Organisational basis of accounting for income, expenses and financial results of business activity	4
9	Chapter 9. Organisation of management accounting and data generalisation for management	2
10	Chapter 10. Forming and treating of financial, managerial and tax statement	2
11	Chapter 11. Accounting information security system	4
Totally		30

5. Independent study

#	Name of theme	Number of hours
1	Chapter 1.Principles of organisation of accounting at the enterprise	6
2	Chapter 2. Regulatory support of accounting process and accounting policy at	6
3	Chapter 3. Forming and functioning of accounting departments	6
4	Chapter 4. Accounting control and legal responsibility at the enterprise	6
5	Chapter 5. Providing of effective functioning and development of accounting	6
6	Chapter 6. Forming of documentation system for business transactions and flow of document	6
7	Chapter 7. Features of organisation of accounting for assets, equity and liabilities	4
8	Chapter 8. Organisational basis of accounting for income, expenses and financial results of business activity	4
9	Chapter 9. Organisation of management accounting and data generalisation for management	6
10	Chapter 10. Forming and treating of financial, managerial and tax statement	6
11	Chapter 11. Accounting information security system	4
Totally		60

6. Test questions for final assessment

EXAM QUESTION (35 points)

Give three factors that will affect the classification of a cost as direct or indirect.

EXERCISE (35 points)

Grünberg Lehrmittelverlag GmbH manufactures and sells pens. Present sales output is 5 million annually at a selling price of €0.50 per unit. Fixed costs are €900000 per year. Variable costs are €0.30 per unit.

Required

(Consider each case separately.)

- a What is the present operating profit for a year?
- b What is the present breakeven point in revenues?

TEST (30 points)

Question 1. Associate the business functions and its definitions and find their correct sequence.	
1. Production	a. the process by which individuals or groups (a) learn about and value the attributes of products or services and (b) purchase those products or services
2. Research and development	b. the mechanism by which products or services are delivered to the customer.
3. Design of products, services and processes	c. the generation of, and experimentation with, ideas related to new products, services or processes.
4. Customer service	d. the detailed planning and engineering of products, services or processes.
5. Marketing	e. the support activities provided to customers
6. Distribution	f. the coordination and assembly of resources to produce a product or deliver a service.

Question 2. Which costs are considered indirect?	
A	those costs that are related to the particular cost object and that can be traced to it in an economically feasible (cost effective) way.
B	product, a service, a project, a customer, a brand category, an activity, a department and a programme.
C	those costs that are related to the particular cost object but cannot be traced to it in an economically feasible (cost effective) way.
D	anything for which a separate measurement of costs is desired.

Question 3. What are two major goals of a job-costing system?	
A	to determine the cost of individual jobs
B	to masses of similar units
C	to assist in the cost management of departments
D	to make end-of-period adjustments for under- or overallocated overhead

Question 4. Associates definitions.	
1. Cost pool	a. a factor that is the common denominator for systematically linking an indirect cost or a group of indirect costs to a cost object.
2. Cost tracing	b. a grouping of individual cost items.
3. Cost allocation	c. the assigning of direct costs to the chosen cost object.
4. Cost allocation base	d. the assigning of indirect costs to the chosen cost object.

Question 5. What two main classifications are costs often divided into in process costing?	
A	direct materials
B	conversion costs
C	indirect materials
D	additional costs

Question 6. <i>Describe three criteria for evaluating cost functions and choosing cost drivers.</i>	
A	The speed with which cost estimates can be developed.
B	The speed with which cost estimates can be developed.
C	Quantitative analysis of current or past cost relationships.
D	The improved credibility of the cost function to all personnel.

Question 7. <i>Outline the five-step sequence in a decision process</i>	
1.	Making predictions
2.	Evaluating performance
3.	Gathering information
4.	Implementing the decision
5.	Choosing an alternative

Question 8. <i>Define relevant cost</i>	
A	large changes in contribution margin per unit of product may not affect the optimal product mix.
B	assumed to remain the same regardless of the product mix.
C	those expected future costs that differ among alternative courses of action
D	LP systematically analyses the exchange of a given CM per unit.

Question 9. <i>What is "... - making changes to an existing costing system that results in a better measure of the way that jobs, products, customers and so on differentially use the resources of the organisation" ?</i>	
A	costing system refinement
B	cost relevance
C	cost allocation
D	direct-costing

Question 10. <i>'Increasing the number of indirect-cost pools is guaranteed to sizably increase the accuracy of product, service or customer costs.' Do you agree?</i>	
A	<i>Agree</i>
B	<i>Disagree</i>

7. Teaching methods

Lectures are conducted with using media teaching aids. Laboratory work and independent work are conducted by means of information and communication technologies in education. Synchronized the projector and audio equipment are used.

8. Forms of control

Evaluation and grading

At the end of each theme module students' knowledge is monitored by the writing a test. Final control: examination.

Grading system: National and ECTS

National grade	Grade ECTS	Grade according to national system	Percentage score
Passed	A	Excellent	90 – 100
	B	Very good	82-89
	C	Good	74-81
	D	Satisfactory	64-73
	E	Satisfactory enough	60-63
Not-passed	FX	Unsatisfactory	35-59
	F	Unsatisfactory– serious work is needed	0-34

9. Technology and methodological requirements

Methodical recommendations and tasks for practical classes and self-studying for students of specialty 6.030509 “Accounting and Audit” by author edition. Recourses of Educational, scientific and production laboratory "Information technology in the accounting" are used during the lectures and seminars.

10. Required and recommended literature

Basic literature

- 1) Bhirmani A., Horngren Ch., Datar S., Foster G. (2008) *Accounting information system*. Prentice Hall Business Publishing, Edinburgh.

Supplemental materials

1. *ACCA Paper F1 (INT/UK). Accounting Text*. Kaplan Publishing UK Unit 1 The Business Centre.
2. *Accounting on agricultural enterprises* / For red. prof. M.F. Ogiychuka. – K.: Higher education, 2003. - 800 p.
3. Methodical recommendations from organization and conduct of accounting for a magazine-warrant form on the enterprises of agroindustrial complex, ratified the order of Ministry of agrarian policy of Ukraine from March, 7, 2001 N 49.
4. *Accounting in Ukraine* / For red. R.L. Homyaka.- Lvov: Intelkt - West”, 2003. – 820 p.
5. *Accounting on agricultural enterprises* / For red. M.F. Ogiychuk. K.: Higher education, 2004. – 799 p.
6. *Accounting in agricultural enterprises on national standards* – K.: JV “Intertechnodruk”, 2000. -218 p.

7. Administrative accounting / F.F. Butinets, T.V.Davidyuk, other. – Zh.: PE “Ruta”, 2002. – 480 p.
8. Drury K. Administrative and industrial accounting.-K.: UNITY-DANA, 2002
9. Financial accounting: Textbook for the students of speciality «Accounting and audit» of HES/ for red.prof. F.F. Butintsya- a 7-th edith. – Zh.: PE “Ruta”, 2006. – 832p.
10. Golov S.F. Accounting and financial reporting on international standards. – K.: Libra, 2004. – 880 p.
11. Golov S.F. Accounting on international standards. K., 2000. - 250 p.
12. Golov S.F. the Administrative accounting. Textbook.-K.: Libra, 2003.
13. Marenich T.G. Accounting in agroformation. – K.: Publishing house “Professional”, 2005. – 892 p.
14. Pushkar M.S. Financial accounting: Textbook. T.: Carte blanche, 2002. 628p.
15. Suk L.K., Suk P.L. Accounting II – K.: University “Ukraine”, 2005. – 701 p.
16. Tkachenko N.M. Financial accounting on the enterprises of Ukraine. - K.: A.S.K., 2006. - 784 p.
17. Tkachenko N.M. Financial accounting, taxation and reporting: Textbook. – 2-nd edith. is complemented and done. – K.: Alerta, 2007. – 957 p.

Normative literature

1. Code of Ethics for Professional Accountants
 - a. <https://www.ifac.org/system/files/publications/files/ifac-code-of-ethics-for.pdf>
2. International Accounting Standards and International Financial Reporting Standards
 - a. http://www.minfin.gov.ua/control/uk/publish/article?showHidden=1&art_id=408095&cat_id=408093&ctime=1423500775962
 - b. <http://www.ifrs.org/IFRSs/Pages/IFRS.aspx>
3. Law of Ukraine „About accounting and financial reporting in Ukraine” from 16. 07. 1999 / 996 - XIV.
4. State (standards) of accounting.
5. Instruction „About claim of card of accounts of accounting of assets, capital, liabilities and economic operations of enterprises and organizations”, ratified the order of Ministry of finance of Ukraine from 30.11.1999 № 291.
6. „Plan of accounts of accounting of assets, capital, obligations and economic operations of enterprises and organizations”, ratified the order of Ministry of finance of Ukraine from 30.11.1999 № 291.

IT resources

Materials of official sites:

- 1) Ministry of Finance of Ukraine <http://www.minfin.gov.ua/>
- 2) Ernst & Yang <http://www.ey.com/UA/uk/Home>

- 3) Deloitte <http://www2.deloitte.com/ua/uk.html>
- 4) PricewaterhouseCoopers <http://www.pwc.com/ua/uk/index.jhtml>
- 5) KPMG <http://www.kpmg.com/ua/uk/pages/default.aspx>

LECTURE NOTES

Chapter 1. Principles of organisation of accounting at the enterprise Pecypc

INTRODUCTION

Questions to be addressed in this chapter include:

What is the meaning of system, data, and information?

What is an accounting information system (AIS)?

Why is the AIS an important topic to study?

What is the role of the AIS in the value chain?

How does the AIS provide information for decision making?

What are the basic strategies and strategic positions an organization can pursue?

SYSTEMS, DATA, AND INFORMATION

A system is:

A set of interrelated components

That interact

To achieve a goal

WHAT IS AN AIS?

An AIS is a system that collects, records, stores, and processes data to produce information for decision makers.

It can:

Use advanced technology; or

Be a simple paper-and-pencil system; or

Be something in between.

Technology is simply a tool to create, maintain, or improve a system.

ROLE OF THE AIS IN THE VALUE CHAIN

Chapter 2. Regulatory support of accounting process and accounting policy at the enterprise

Issue of the prepared products which is intended for realization, and a receipt of income is the primary objective of production activity of enterprise. In the process of production charges on the production of goods and its production prime price are formed.

To the production unit (works, services) cost included:

- direct financial maintenances; are direct maintenances on payment of labour; are other lines of expense; are summary-productional charges.

A list and composition of the articles of calculation of production unit (works, services) cost is set an enterprise.

On the method of including to the prime price of expense divided into lines and unlines.

In the complement of lines of financial charges the cost of raw material and basic materials which form basis of the produced products or by its necessity by a component is included, which can be directly delivered to the concrete object of charges.

In the complement of direct maintenances on payment of labour a pay and other payments is included to the workers, to busy in the production of goods, implementation of works, or providing services which can be directly delivered to the concrete object of charges

In the complement of other lines of charges all are included other charges of productions, which can be directly delivered to the concrete object of charges, in particular deduction on social measures, paying for the lease of the landed and properties shares, depreciation and others like that.

At grouping of charges under the object of account of charges it follows to understand products, works, services or type of activity enterprises which need determination of the charges related to their production (by implementation).

Indirect charges behave to growing of many cultures, a few groups of animals, implementation of different works. For including to the prime price these charges must be preliminary distributed between the objects of account. That is why in practice they are often named those which are distributed, and pursuant to S(S) A 16 «Charges» — by summary-productional charges. The subsequent working out in detail of charges in an account is carried out in the cut of the articles of calculation of prime price. In agriculture apply a wide enough nomenclature.

Direct maintenances of productions are taken into account directly on an account 23 «Productions».

Indirect charges are taken into account on an account 91 of «Summary-productional of expense». At the end of current period an account 91 is closed by writing of distributed between the types of products of summary-productional charges in the debit of account 23 «Productions».

An enterprise takes into account the produced products on a brief (incomplete) prime price (an incomplete prime price (production) does not include management charges, charges on a sale and other charges). Order of account of the prepared products on a brief (without the particle of commercial charges) prime price and taking of indirect (administrative) costs straight on an account 79 the «Financial results», known in countries with the developed economy, as an account after the method of «direct-cost». After this method in those cases, when it is necessary to define the prime price of concrete type of products include the fate of and commercial charges, coming from the operating on an enterprise rates of their division, that to the complete actual cost.

Summary charges which are related to the management and maintenance of enterprise on the whole, 92 «Management expenses are taken into account on an account». Charges on maintenance of subsections, which are engaged in the sale of products, advertising, by delivery products to the users and other charges of

enterprise from realization are taken into account on an account 93 selling «Expenses». By comparison of help for the realized products with its brief prime price determine margin the size of which must cover the sum of management charges and charges on a sale and give an income is certain to the enterprise.

In the conditions of application of «direct-cost» different profitability of the prepared products shows up more distinctly, as a difference between selling prices and brief prime price not veiled as a result of writing of indirect costs on a concrete prepared unit cost.

It is considered that indirect costs are poorly related to the prime price of separate types of products. In addition, in most cases in general it is impossible to set such connection, that is why division of these charges proportionally results conditional bases in substantial curvatures of prime price of separate types of products and determination of their veritable profitability.

At the calculation of unit cost important part is acted by classification of charges after elements (by economic maintenance) and articles of calculation (by character of origin and setting). Elements of charges after economic maintenance are homogeneous. S(S)A 16 «Charges» are regulated by the order of charges of operating activity after such economic elements: are financial expenses; ~ charges are on payment of labour; it is deduction on social measures; it is depreciation; are other operating-rooms of expense.

In the complement of element the «Financial expenses» the cost of spent is included in a production (except for the product of own production): - raw material and basic materials; - purchasing ready-to-cook foods and wares of stuffs; ~ fuels and energies; - build materials; - spare parts; - container and materials of containers; - auxiliary and other materials.

In the complement of element of «Expense on payment of labour» included pay after salaries and tariffs, bonuses and encouragements, compensative payments, pay of vacations and other unworked time, other charges on payment of labour.

In the complement of element of «Deduction on social measures» included: deduction is on the pension providing, deduction on social security, insurance payments in case of unemployment, deduction on individual insurance of personnel of enterprise, deduction on other social measures.

In the complement of element «Depreciation» is included sum of the accrued depreciation of basic facilities, immaterial assets and other irreversible tangible assets.

In the complement of element «Other operating-rooms of expense» are included charges of operating activity, which did not enter in the complement of elements, resulted higher, in particular allowances of travels, on services of connection, on payment of financial help, paying for calculation-cash service and others like that.

To the financial charges charges belong on percent for possessing got credits. Grouping of charges after economic elements is carried out in all industries of national economy. It enables to set a necessity in circulating and irreversible

assets, shows how many what assets it is spent, independently where they are produced, on what aims used, and also characterizes the structure of charges.

But classification of charges after economic elements does not allow to calculate the prime price of separate types of products and set the volume of charges of concrete subsections of enterprise. To that end apply classification of charges after the articles of calculation depending on their setting and place of origin.

Between charges on a production, which are grouped after economic elements, and charges in a calculation cut is both intercommunication and difference. For example, to the element the «Financial charges» are included all materials expended in a production, and in a prepared unit cost after the articles (seed and landing material, fertilizers, facilities of defence of plants and animals, forages, raw material and materials, fuel and lubricating materials) represented only that of them, which are used on the production of the prepared goods (works, services) of plant-grower, stock-raising, industrial and other productions. Other part of materials is represented in the articles which form a production prime price («Summary-productional of expense») and in composition the charges of activity («Management charges», «Charges on a sale»).

A list and composition of the articles of calculation of production unit (works, services) cost is set an enterprise independently and depends both on specific gravity of their kinds or groups of charges and from the degree of economic homogeneity of charges which are incorporated in the article, specifics of subindustry, organization of production, variety of technological processes, possibility of direct or indirect taking of charges on a prepared unit cost (works, services).

Classification after the articles is used in an account at forming and determination of actual (current) cost. She enables to carry out the control of the having a special purpose using up of facilities and find out backlogs of cutting production costs.

Chapter 3. Forming and functioning of accounting departments

INTRODUCTION

As the environment, technology, and competition change, an information system must continually undergo changes.

These changes range from minor adjustments to major overhauls.

Occasionally, the old system is scrapped and replaced.

Companies change their systems for a variety of reasons:

To respond to changes in user needs or business needs.

To take advantage of or respond to technology changes.

To accommodate improvements in their business process.

To gain a competitive advantage and/or lower costs.

To increase productivity.

To accommodate growth.

To accommodate downsizing or distribute decision making

To integrate incompatible systems.

To replace a system that is aged and unstable.

Developing quality, error-free software is difficult, expensive, and time-consuming.

Projects tend to deliver less than expected and consume more time and money.

A KPMG survey found that 35% of all major information systems projects were classified as runaways—hopelessly incomplete and over budget.

Major cause of runaways: Skimping on systems development processes.

Omitting basic systems development steps becomes tempting but may lead to disaster as developers create well-structured systems that fail to meet user needs or solve business problems.

This chapter discusses five topics:

Systems development life cycle

Planning activities during the systems development life cycle

Feasibility analysis

Behavioral aspects of change

Systems analysis

SYSTEMS DEVELOPMENT LIFE CYCLE

Whether systems changes are major or minor, most companies go through a systems development life cycle.

In this section, we discuss the steps in the cycle and the people involved.

SUMMARY

You've learned about the five phases in the systems development life cycle, with a particular emphasis on systems analysis.

You've learned who the players are in the systems development process.

You've learned about various techniques that are used to plan the development of a system.

You've reviewed some techniques for determining system feasibility.

You've learned about behavioral responses to systems changes and how dysfunctional behavior can be minimized.

Chapter 4. Accounting control and legal responsibility at the enterprise

Questions to be addressed in this chapter:

What are the basic internal control concepts, and why are computer control and security important?

What is the difference between the COBIT, COSO, and ERM control frameworks?

What are the major elements in the internal environment of a company?

What are the four types of control objectives that companies need to set?

What events affect uncertainty, and how can they be identified?

How is the Enterprise Risk Management model used to assess and respond to risk?

What control activities are commonly used in companies?

How do organizations communicate information and monitor control processes?

Why AIS threats are increasing

Control risks have increased in the last few years because:

There are computers and servers everywhere, and information is available to an unprecedented number of workers.

Distributed computer networks make data available to many users, and these networks are harder to control than centralized mainframe systems.

Wide area networks are giving customers and suppliers access to each other's systems and data, making confidentiality a major concern.

Historically, many organizations have not adequately protected their data due to one or more of the following reasons: Computer control problems are often underestimated and downplayed. Control implications of moving from centralized, host-based computer systems to those of a networked system or Internet-based system are not always fully understood. Companies have not realized that data is a strategic resource and that data security must be a strategic requirement. Productivity and cost pressures may motivate management to forego time-consuming control measures.

Some vocabulary terms for this chapter:

A threat is any potential adverse occurrence or unwanted event that could injure the AIS or the organization.

The exposure or impact of the threat is the potential dollar loss that would occur if the threat becomes a reality.

The likelihood is the probability that the threat will occur.

Control and security are important. Companies are now recognizing the problems and taking positive steps to achieve better control, including:

Devoting full-time staff to security and control concerns.

Educating employees about control measures.

Establishing and enforcing formal information security policies.

Making controls a part of the applications development process.

Moving sensitive data to more secure environments.

To use IT in achieving control objectives, accountants must:

Understand how to protect systems from threats.

Have a good understanding of IT and its capabilities and risks.

Achieving adequate security and control over the information resources of an organization should be a top management priority.

Control objectives are the same regardless of the data processing method, but a computer-based AIS requires different internal control policies and procedures because: Computer processing may reduce clerical errors but increase risks of unauthorized access or modification of data files. Segregation of duties must be achieved differently in an AIS. Computers provide opportunities for enhancement of some internal controls.

One of the primary objectives of an AIS is to control a business organization.

Accountants must help by designing effective control systems and auditing or reviewing control systems already in place to ensure their effectiveness.

Management expects accountants to be control consultants by:

Taking a proactive approach to eliminating system threats; and
Detecting, correcting, and recovering from threats when they do occur.
It is much easier to build controls into a system during the initial stage than to add them after the fact.
Consequently, accountants and control experts should be members of the teams that develop or modify information systems.

SUMMARY

In this chapter, you've learned about basic internal control concepts and why computer control and security are so important. You've learned about the similarities and differences between the COBIT, COSO, and ERM control frameworks. You've learned about the major elements in the internal control environment of a company and the four types of control objectives that companies need to set. You've also learned about events that affect uncertainty and how these events can be identified. You've explored how the Enterprise Risk Management model is used to assess and respond to risk, as well as the control activities that are commonly used in companies. Finally, you've learned how organizations communicate information and monitor control processes.

Chapter 5. Providing of effective functioning and development of accounting

Questions to be addressed in this chapter include:

- How do organizations buy software, hardware, and vendor services?
- How do information systems departments develop custom software?
- How do end users develop, use and control computer-based information systems?
- Why do organizations outsource their information systems, and what are the benefits and risks of doing so?
- How are prototypes used to develop an AIS, and what are the advantages and disadvantages?
- What is computer-aided software engineering, and how is it used in systems development?

Companies can experience a number of difficulties in developing an AIS, including:
Projects are backlogged for years because of the high demand for resources. The newly designed system doesn't meet user needs.

The process takes so long that by the time it's complete, it's obsolete.

Users can't adequately specify their needs.

Changes to the AIS are often difficult to make after requirements have been written into the specifications.

We'll be discussing how to obtain a new information system by:

- Purchasing prewritten software;
- Developing software in-house; or
- Outsourcing.

We'll also discuss how to hasten or improve the development process through:

- Business process reengineering
- Prototyping

Computer-aided software engineering (CASE) tools

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When an RFP is solicited based on exact hardware and software specifications: Total costs are usually lower. Less time is required for vendor preparation and company evaluation. However, the vendor cannot recommend alternatives.

A generalized RFP contains a problem definition and requests a system that meets specific performance objectives and requirements.

Leaves technical issues to the vendor.

However, makes it more difficult to evaluate proposals.

May produce more costly bids.

Usually, the more information a company provides to the vendors, the better their chances of receiving a system that meets their requirements. Detailed specifications should include: Required applications Inputs and outputs Files and databases Frequency and methods of file updating and inquiry

Unique characteristics or requirements

Be sure to distinguish between mandatory and desirable requirements.

Evaluating proposals and selecting a system

Eliminate any proposals that:

Are missing important information.

Fail to meet minimum requirements.

Are ambiguous.

Those that pass the preliminary screening should be compared with the proposed AIS requirements to determine:

If they meet all mandatory requirements.

How many desirable requirements they meet.

Finalists can be invited to demo their system using company-supplied data.

In reviewing the proposals, you need to evaluate:Hardware Software Vendors

SUMMARY AND CONCLUSIONS

You've learned:

How organizations buy software, hardware, and vendor services.

How information systems departments develop custom software.

How end users develop, use, and control computer-based information systems.

Why organizations outsource their information systems, as well as the benefits and risks of doing so.

What reengineering processes entail and when they are appropriate.

How prototypes are used to develop an AIS and when it is advantageous to do so.
What computer-aided software engineering is and how it's used in systems development.

Chapter 6. Forming of documentation system for business transactions and flow of documents

Questions to be addressed in this chapter include:

What is the purpose of documentation?

Why do accountants need to understand documentation?

What documentation techniques are used in accounting systems?

What are data flow diagrams and flowcharts?

How are they alike and different?

How are they prepared?

Documentation includes the following types of tools:

Narratives (written descriptions)

Flowcharts

Diagrams

Other written material

Documentation covers the who, what, when, where, why, and how of:

Data entry

Processing

Storage

Information output

System controls

How do accountants use documentation?

At a minimum, they have to read documentation to understand how a system works.

They may need to evaluate the strengths and weaknesses of an entity's internal controls.

Requires heavy reliance on documentation

They may peruse documentation to determine if a proposed system meets the needs of its users.

They may prepare documentation to:

Demonstrate how a proposed system would work

Demonstrate their understanding of a system of internal controls

Documentation techniques are necessary tools for accountants:

SAS-94 requires that auditors understand the automated and manual procedures an entity uses. This understanding can be gleaned through documenting the internal control system—a process that effectively exposes strengths and weaknesses of the system.

SOX (2002) effectively requires that publicly-traded corporations and their auditors document and test the company's internal controls. Auditing Standard No. 2 promulgated by the PCAOB requires that the external auditor express an opinion on the client's system of internal controls.

SUMMARY

We've learned about graphical forms of documentation, particularly:

Data flow diagrams

Flowcharts

We've learned why these tools are important to accountants and how they are employed.

We've learned basic guidelines for creating data flow diagrams and flowcharts.

Chapter 7. Features of organisation of accounting for assets, equity and liabilities

Methodological principles of forming in the record-keeping of information about profits from ordinary activity of enterprise and its opening a 15 "Profit" determines position (standard) of record-keeping in the financial reporting.

Under *profits* understand multiplying economic values as a receipt of assets or diminishing of obligations which result in growth of property asset (except for growth of capital due to payments of proprietors).

In the record-keeping of confession of profit the extra charge and accordances of profits and charges related to principles.

Principle of extra charge consists in that the results of economic operations are acknowledged, when they take (instead of then, when facilities of monies turn out or paid) place, and represented in a record-keeping and financial reporting of those periods which they belong to.

Principle of extra charge is used simultaneously with *principle of accordance*, after which charges are acknowledged on the basis of direct connection between them and by the got profits.

Not only the receipt of asset or diminishing of obligation but also financial investigation of these events, which an own capital increase comes forward in quality, must take place for confession of profit (except for payments of participants).

Not acknowledged profits:

- sum of the tax value-added, excises, other taxes and obligatory payments which are subject enumeration in a budget and social funds;

- sum of receipts by agreement of commission, to the agent and by other similar agreement in behalf of committee, principal and others like that;

- sum of previous payment of products (commodities, works, services);

- a sum of advance is on account of payment of products (commodities, works, services);

- sum of advance in security or in redemption of loan, if it is foreseen the proper agreement and others like that.

The profits of enterprise are classified on different signs.

With the purpose of confession of profit and determination of his sum distinguish a profit from:

- realization of commodities, products, other assets, purchased with the purpose of resale (except for investments in securities);

- providing services;

- use of assets of enterprise by other physical and artificial persons, the result of which is drawing interests, dividends, royalties.

Depending on the type of activity distinguish profits:

- from ordinary activity;
- from extraordinary activity.

In addition profits can arise up as a result operating-room, financial and investment activity.

Depending on a place the origins of profit distinguish the profits of centers of investments, centers of profits, centers of income and total revenue of enterprise.

A profit is estimated on the fair value of indemnification which was got or subject a receipt. Consequently, the real profit is a net profit (help) from realization of products (commodities, works, services) (PI), which settles accounts. by deduction from a profit (helps) from realization of products (commodities, works, services) (I) of the tax value-added (VAT), excise duties (Az), other collections or taxes from a turn (OCT) and other deductions from a profit (OD), that $PI = I - VAT - Az - OCT - OD$

If profit from an operation it is impossible for certain to estimate and there is not a confidence in a compensation incurred charges, a profit is not acknowledged, and charges are acknowledged as charges of current period.

The concept of financial results is interpreted in S(S)A 3 „Report about financial results”.

In a record-keeping a net income (loss) is formed gradually during a financially-economic year from all types of ordinary and extraordinary activity and includes:

- a net profit (help) is from realization of products (commodities, works, services);
- gross revenue (loss);
- a financial result is from operating activity;
- an income (loss) is from ordinary activity to taxation;
- an income (loss) is from ordinary activity;
- an income (loss) is from extraordinary activity.

A reflection of profits and financial results is in an account

For accounting of incomes and financial results appointed accounts of class 7 „Äîðîæè but results of activity”. On them information is summarized about profits from an operating-room, investment and financial activity of enterprise, and also profits from extraordinary events.

Comparison of debiting and credit turns is on an account 79 „Ô³íàíñîâ³ results” are for current period represented by an eventual result – net income (loss).

At drafting of reports of quarterlies tailings are compared on a debit and credit of account 79, and if a credit turn on an account 79 will be more debiting turn of the same account, an enterprise to the amount of differences has the retained earnings of current year which is represented in the line of a 350 passive voice of balance "Sheet" (form 1).

If debit balance on an account 79 more credit balance on an account 79, that an enterprise carried out more charges, than little income, the sum of loss of current year is represented on the line of a 350 passive enterprises” (form 1), however

written down a sum is in handles, that means the action of deduction at that is sad of result of balance.

Chapter 8. Organisational basis of accounting for income, expenses and financial results of business activity

Following the norms of standard a 15 "Profit", an enterprise can register profits, charges and financial results of activity after the own developed chart, related to the model of account of charges, which was chosen by an enterprise.

At the calculation of complete prime price all charges of productions after minus of value of the uncompleted production and supplies of the prepared products (that prime price of realization) are copied off on the account of financial results, forming gross revenue. The charges of activity also belong on diminishing of profits of current period.

At the calculation of variable charges to the prime price of realization direct maintenances of productions belong only. Part of indirect summary-productional costs in this case is not distributed, but joins in the charges of current period and belongs on diminishing of profits of current period. As a result of comparing of variable production cost to the profit from realization of products get a margin.

In default of the uncompleted production and tailings of the prepared products on beginning and end of year the choice of that or other system of calculation does not influence on a financial result.

A net income is calculated at any method of calculation can be identical on condition of equality of sum of the made and realized products, at an unchanging price and prime price of unit of products, and also at equality of cost of supplies of commodities on beginning and end of year.

Application of methods of complete division of charges and method of direct-cost gives different results only in that case, when the volume of the realized products anymore or more little of volume of made.

However at the calculation of charges by system of direct-cost difference, conditioned absence of balance between a production and realization, not determined. At this system pay attention to the volume of the realized products. Really the sum of income depends on the volume of realization, and realization - from the volume of commodity products. Unlike the system of complete division of charges on good at the system the direct-cost particle of indirect costs of tailings of material assets on the end of year does not join in a cost of goods sold next year. All sum of indirect costs is annually copied off as charges of period. The system of direct-cost comes into notice of the interested persons to the change of margin.

In a report on financial results, made after the method of direct-cost, the change of sum of income foresee as a result of varying of variable charges, costs of realization and changes, related to the structure of the let out products. In a report on financial results, made after the method of complete division of charges on wares, the sums of indirect and variable costs are not represented separately. For determination of their influence on an income guidance of firm must parallel do other calculation.

In the conditions of sharp competitive activity the leader of firm gets a greater effect at the decision of economic questions, using the system of direct-cost.

Chapter 9. Organisation of management accounting and data generalisation for management

Differences in character of responsibility of managers allow to select four types of centers of responsibility: centers of charges, centers of profits, centers of income and centers of investments.

A center of charges is subsection on an enterprise, the leader of which is responsible only for charges. A production workshop which does not produce eventual products and ready-to-cook foods can exemplify, social services and others like that.

A center of investments is subsection, the leader of which is responsible for charges and results of investment process, efficiency of the use of capital investments. Task of such center – to provide maximal profitability of the inlaid capital, his fast recoument, multiplying the joint-stock cost of enterprise. Manage expenses by an operating budget, accountings about his implementation, to information about motion of streams of monies.

The centers of profits include subsections of marketing-sale activity, the leaders of which are responsible only for a help from realization of products, services and charges, related to their realization. They get information about most cost-effective in a production or purchases of commodities, and the results of activity estimate, mainly, on a volume and structure sale in a natural and value term after the size of charges of appeal.

Centers of income are subsections, the leaders of which are accountable not only for charges but also for the financial results of the activity. These can be separate enterprises in composition a large association, branches, associated companies, missions of trades, shops, and others like that. Their leaders must possibility control all of the tools of activity, which the size of income depends from.

Indirect charges can be distributed between places and centers of expenses on the basis of quantitative and costs bases. An managementaccount distinguishes the considerably anymore amount of indexes, proportionally to which distribute indirect expenses: quantity of personnel, volume of output of products, amount of realizable agreements, actual time of work of equipment, area or volume of apartments and others like that.

The special problem is presented by deduction and writing of prime price meeting services and products of places and centers of expenses. They are estimated or all before by the set (planned or normative) prime price, or one of the most mass services (water-supply) estimate at sticky prices (planned prime price, to the state tariff), and other - on an actual cost. The most exact results of division services provide the decision of the system of linear equalizations of expenses of every inside factory subsection.

From the point of view a control after a size and economy of expenses of places and centers in the middle of enterprise distinguish the method of budgeting of charges and method of comparison of expenses and productivity. In first case for every place of charges or center of responsibility budget expenses and for his implementation is controlled information of account of their actual size. Rejections between an estimate and actual size characterize the changes of level of charges of the proper

place and center as compared to norms which an estimate calculation was conducted on the basis of.

At the use of method comparison of expenses and productivity (production of goods, ready-to-cook foods, works, services volumes) in the cut of every subsection of enterprise find out rejections which are caused the change of size of the productivity or degrees of load of capacities of productions and level of charges of place or center. The method of calculation and analysis of rejections depends on the variant of normative account of actual costs of, which is used, that from that he is conducted to the complete or brief prime price.

The first method befits for places centers of expenses which do not have an expressly certain measuring device of volume of activity (departments of production, publicity activity, social services).

The second method is used, mainly, in subsections of productions, activity of which can be measured in natural or conditional units.

The general result of production-economic activity is calculated from data of financial account by organizations on the whole.

Chapter 10. Forming and treating of financial, managerial and tax statement

Customer-profitability analysis refers to the reporting and analysis of customer revenues and customer costs. Managers need to ensure that customers contributing sizably to the profitability of an organisation receive a comparable level of attention from the organisation. An accounting system that reports customer profitability helps managers in this task. See Bhimani (2008), Kaplan and Cooper (1998) and Smith (1997) for discussions and further examples of the application of customerprofitability analysis.

The marketing efforts of companies aim to attract and retain profitable customers. This section examines the reporting and analysis of customer revenues and customer costs. We will discuss the Spring Distribution Company, a distributor of water bottled by Spring Products. Spring Distribution buys bottled water from Spring Products at €0.50 a bottle. It sells to wholesale customers at a list price of €0.60 a bottle. Customers range from large supermarkets, hospitals and university canteens to small corner shops. It does not sell to final end-point consumers.

Customer revenues are inflows of assets from customers received in exchange for products

or services being provided to those customers. More accurate customer revenues can likewise be obtained by tracing as many revenue items (such as sales returns and coupons) as possible to individual customers.

The analysis of customer profitability is enhanced by retaining as much detail as possible about revenue. A key concern here is price discounting, which is the reduction of selling prices below listed levels in order to encourage an increase in purchases by

customers. Accounting systems differ with respect to how details on discounting are recorded. Spring Distribution offers price discounts below its €0.60 list price per bottle to key customers. Individual sales representatives have discretion as to the amount of discounting. Its largest customer is SuperMart, to which it sold 1 million bottles at €0.56 per bottle in November 2004. The two main revenue recording options are:

Option A. Recognise the list price (€0.60 per bottle) and the discount (€0.04 per bottle) from this list price as separate line items.

Revenues at list prices, $€0.60 \times 1\,000\,000$ €600000

Deduct revenue discounting, $€0.04 \times 1\,000\,000$ 40000

Reported revenues €560000

Option B. Record only the actual price when reporting revenues.

Reported revenues, $€0.56 \times 1\,000\,000$ €560000

Option A has the benefit of highlighting the extent of price discounting. It facilitates further analysis that could examine which customers had price discounting and which sales representatives at Spring Distribution most frequently resorted to price discounting.

Option B effectively precludes such systematic analysis of price discounting.

Studies on customer profitability in companies have found large price discounting to be an important explanation for a subset of customers being below their expected profitability. Sales representatives may have given these customers large price discounts that are unrelated to their current or potential future value to a company.

Chapters 5 and 11 discussed the cost hierarchy concept. Here we apply this concept to customers. A customer cost hierarchy categorises costs related to customers into different cost pools on the basis of different types of cost drivers (or cost-allocation bases) or different degrees of difficulty in determining cause-and-effect (or benefits received) relationships. Spring Distribution has an activity-based costing system that focuses on customers rather than products.

Spring's ABC system has one direct cost, the cost of bottles, and multiple indirect cost pools. The indirect costs belong to different categories of the customer cost hierarchy. Spring identifies five categories in its customer cost hierarchy:

1 Customer output-unit-level costs – resources sacrificed on activities performed to sell each unit (bottle) to a customer. An example is product-handling costs of each bottle sold.

2 Customer batch-level costs – resources sacrificed on activities that are related to a group of units (bottles) sold to a customer. Examples are costs incurred to process orders or to make deliveries.

3 Customer-sustaining costs – resources sacrificed on activities undertaken to support individual customers, regardless of the number of units or each batch of product delivered to customers. Examples are costs of customer visits or costs of displays at customer sites.

4 Distribution-channel costs – resources sacrificed on activities that are related to a particular distribution channel rather than to each unit of product, batches of product, or specific customers. An example is the salary of the manager of Spring's retail distribution channel.

5 Corporate-sustaining costs – resources sacrificed on activities that cannot be traced to individual customers or distribution channels. Examples are senior management and general administration costs.

Spring has one additional cost hierarchy category, distribution channel costs, for the costs it incurs to support each of its distribution channels. We now consider decisions made at the individual customer level.

Chapter 11. Accounting information security system

Two generic strategies that organisations use are:

1 Product differentiation

2 Cost leadership.

Product Differentiation

Product differentiation refers to offering products and services that are perceived by customers as being superior and unique relative to those of its competitors.

–Hewlett Packard in the electronics industry

–Panadol in the pharmaceutical industry

–Coca-Cola in the soft drinks industry

Cost Leadership

Cost leadership is achieving low costs relative to competitors.

How does a company achieve low costs?

–Productivity and efficiency improvements

–Elimination of waste

–Tight cost control

Implementation of Strategy

To be successful, a company must both formulate an effective strategy and implement it vigorously.

Management accountants have an important role to play in the implementation of strategy.

This role is designing reports to help managers track progress in implementing strategy.

Identify key aspects of strategic management accounting (SMA) practices