

7. FINANCIAL AND ACCOUNTING SYSTEMS

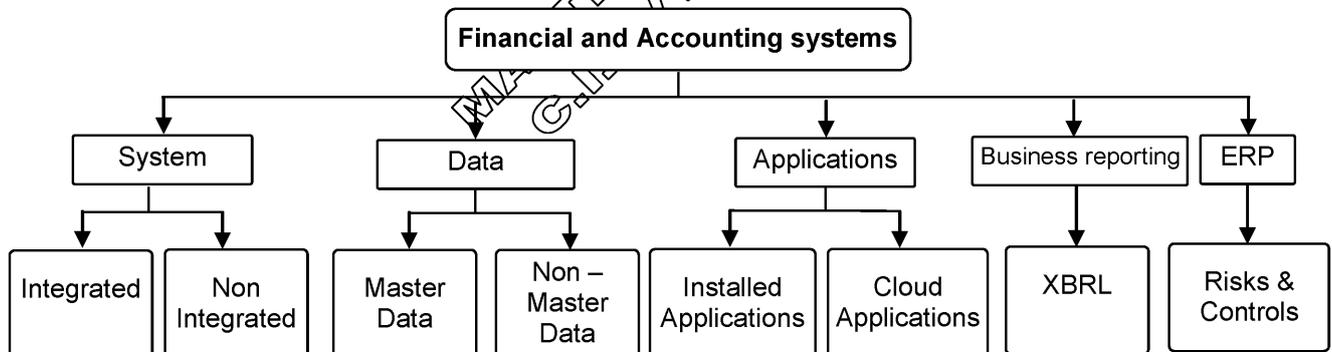
QUESTION WISE ANALYSIS OF PREVIOUS EXAMINATIONS

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SECTION 1: THEORY FOR CLASSROOM DISCUSSION



PART 1: INTRODUCTION

Q.No.1. what is a System?

(A)

- 1) The word "system" can be explained as, "a set of detailed methods, procedures and routines created to carry out a specific activity, perform a duty, or solve a problem".
- 2) It is an organized, purposeful structure that consists of interrelated and interdependent elements (components, entities, factors, members, parts etc.).
- 3) All systems generally have-
 - a) Inputs, outputs and feedback mechanisms,
 - b) Maintain an internal steady-state despite a changing external environment,
 - c) Have boundaries that are usually defined by the system observer.
- 4) Systems may consist of sub-systems which are a part of a larger system.

5) A system includes defined methods and process to perform an activity.

So basically, processes are important components in any system.

Q.No.2. what is a Process?

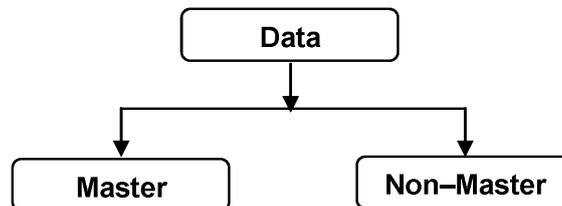
(C)

- 1) In the systems engineering arena, a Process is defined as a sequence of events that uses inputs to produce outputs.
- 2) From a business perspective, a Process is a coordinated and standardized flow of activities performed by people or machines, which can traverse functional or departmental boundaries to achieve a business objective and creates value for internal or external customers.

Q.No.3. Discuss the features of Master Data and Non-Master Data?

(A)

Every accounting systems stores data in two ways: Master Data and Non-Master Data



1) MASTER DATA:

- a) Relatively permanent data not expected to change frequently.
- b) Master data is generally not typed but it is selected from the available list by the user.
- c) Master data entry is usually done less frequently say once a year or when there is a need to update.
- d) Master data is selected from the available list of masters (e.g. Ledgers) to maintain standardization.
- e) *E.g.: Accounting Master Data, Inventory Master Data, Payroll Master Data, Statutory Master Data*

2) NON-MASTER DATA:

- a) Non-permanent data and expected to change frequently. It is also called Transaction Data
- b) Non-master data being dynamic is typed by the user and not selected from available list.
- c) Sometimes transactional data could also be selected from a drop down list of inputs available to the user.
- d) *E.g.: Date changes again and again and will not be constant in all the transactions.*

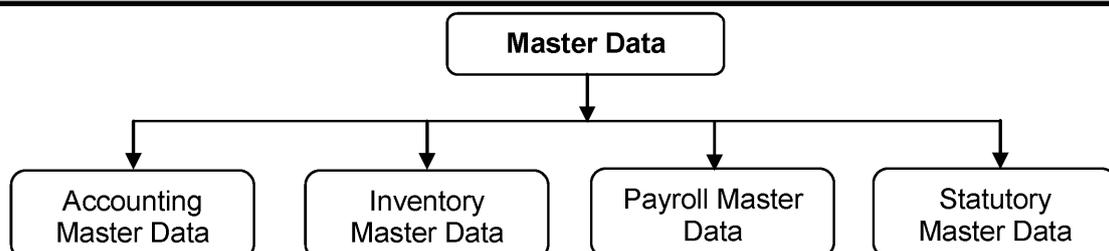
SIMILAR QUESTION:

1. A business organization is shifting from traditional accounting system to computerized accounting system. The organization needs to store the data that is relatively permanent and not expected to change frequently in accounting system. As a financial expert, suggest the types of data used in computerized accounting system.

A. Refer above answer.

Q.No.4. Explain different Types of Master Data in Financial and Accounting Systems?

(A)(RTP N18, M20)(M19)



- 1) **Accounting Master Data:** This includes names of ledgers, groups, cost centers, accounting voucher types, etc. E.g. Capital Ledger is created once and not expected to change frequently.
- 2) **Inventory Master Data:** This includes stock items, stock groups, godowns, inventory voucher types, etc. Stock item is something which bought and sold for business purpose called trading goods.
- 3) **Payroll Master Data:** Payroll is a system for calculation of salary and recoding of transactions relating to employees. Master data in case of payroll can be names of employees, group of employees, salary structure, pay heads, etc. These data are not expected to change frequently.
- 4) **Statutory Master Data:** This is a master data relating to statute/law. It may be different for different type of taxes. E.g. Goods and Service Tax (GST), Nature of Payments for Tax Deducted at Source (TDS), etc. This data also shall be relatively permanent

Q.No.5. what is voucher? Explain different Voucher Types?

(C) (MTP2 N18)

In accounting language, a Voucher is a documentary evidence of a transaction. There may be different documentary evidences for different types of transactions.

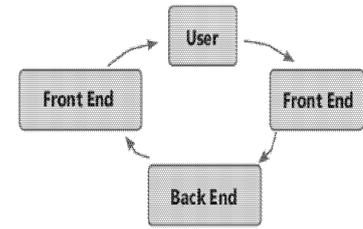
Generally following types of vouchers are used in accounting systems.

S.No.	Voucher Type Name	Module	Use
1.	Contra	Accounting	For recording of four types of transactions as under. a) Cash deposit in bank b) Cash withdrawal from bank c) Cash transfer from one location to another. d) Fund transfer from our one bank account to our own another bank account.
2.	Payment	Accounting	For recording of all types of payments. Whenever the money is going out of business by any mode (cash/bank)
3.	Receipt	Accounting	For recording of all types of receipts. Whenever money is being received into business from outside by any mode (cash/bank).
4.	Journal	Accounting	For recording of all non-cash/bank transactions. E.g. Depreciation, Provision, Write-off, Write-back, discount given/received, Purchase/Sale of fixed assets on credit, etc.
5.	Sales	Accounting	For recording all types of trading sales by any mode (cash/bank/credit).
6.	Purchase	Accounting	For recording all types of trading purchase by any mode (cash/bank/credit).
7.	Credit Note	Accounting	For making changes/corrections in already recorded sales/purchase transactions.
8.	Debit Note	Accounting	For making changes/corrections in already recorded sales/purchase transactions.
9.	Purchase Order	Inventory	For recording of a purchase order raised on a vendor.
10.	Sales Order	Inventory	For recording of a sales order received from a customer.
11.	Stock Journal	Inventory	For recording of physical movement of stock from one location to another.
12.	Physical Stock	Inventory	For making corrections in stock after physical counting.
13.	Delivery Note	Inventory	For recording of physical delivery of goods sold to a customer.
14.	Receipt Note	Inventory	For recording of physical receipt of goods purchased from a vendor.
15.	Memorandum	Accounting	For recording of transaction which will be in the system but will not affect the trial balance.
16.	Attendance	Payroll	For recording of attendance of employees.
17.	Payroll	Payroll	For salary calculations.

Q.No.6. what are the components of Accounting software? Discuss the Working of any accounting software? (B)(M18)

FRONT END & BACK END:

- 1) **Front End** - It is part of the overall software which actually interacts with the user of the software.
- 2) **Back End** - It is a part of the overall software which does not directly interact with the user, but interact with Front End only.



WORKING OF ANY ACCOUNTING SOFTWARE

If a user wants to have some information from the system, i.e. Balance Sheet.

- 1) User will interact with Front End part of the software.
- 2) Front End will receive the instruction from user and pass it on to the back end.
- 3) Back End will process the data, generate the report and send it to the front end.
- 4) *Front end will now display the information to user.*
- 5) *This is how the process gets completed each and every time.*

Reasons for separating software in to parts like front end and back end

Function	Reason for Software usage
Domain Expertise	Front end handles users' requests. Back end is meant for storing and handling the data.
Presentation	Front end interacts with a user, presents information in proper format, Back end software is not meant for it.
User Experience	Front end guides a user to the desired report or feature. Front end handles processed data. Front-end User interface needs to be intuitive, i.e. minimum use of help should be required by the user.
Speed	Using single software for both the aspects would unnecessarily increase the load and slow down the speed. Separate back end software reduces the load and increases speed of operations.
Language	Front end speaks in user language and understands language of the Backend. Back end speaks in technical language.

SIMILAR QUESTIONS:

- 1. Define Front End.
A. Refer point a above.
- 2. Define Back End.
A. Refer point b above.

Q.No.7. In most softwares, there are three layers which together form the application what are they? (C)

In most software, there are three layers which together form the application namely; an **Application Layer**, an **Operating System Layer** and a **Database Layer**. This is called **Three Tier architecture**.

- 1) The Application Layer receives the inputs from the users and performs certain validations. Ex. Whether the user is authorized to request the transaction.
- 2) The Operating System Layer then carries these instructions and processes them using the data stored in the database and returns the results to the application layer.
- 3) The Database Layer stores the data in a certain form.

For a transaction to be completed, all the three layers need to be invoked. Most application software is built on this model these days.

Q.No.8. Discuss the terms Installed Applications, Web Applications and cloud based applications? And explain the advantages and disadvantages of installed and Cloud based applications? (B) (N18)(MTP-M18)

- 1) **Installed Applications** are programs installed on the hard disc of the user's computer.
- 2) **Web Applications** are not installed on the hard disc of the user's computer, it is installed on a web server and it is accessed using a browser and internet connection.
- 3) **Cloud based applications:**
 - a) *These days many organizations do not want to install Financial Applications on their own IT infrastructure.*
 - b) Organizations increasingly are hosting their applications on Internet and outsource the IT functions.
 - c) This is done using SaaS – Software as a Service or IaaS – Infrastructure as a Service, Which comes under cloud computing.

There are some advantages as well as disadvantages of installed and web types of applications as discussed.

Particulars	Installed Application	Cloud Application
Installation & Maintenance	As software is installed on hard disc of the computer user, it needs to be installed on every computer. Maintenance and updating may take lot time and efforts.	<i>Installation on user computer is not required. Updates and maintenance is the responsibility of service provider.</i>
Accessibility	As software is installed on the hard disc of the user's computer, It cannot be used from any computer.	<i>To use the software a browser and an internet connection is needed. It can be used from any computer in the world. Access to the software becomes very easy. Also, it can be used 24 x 7.</i>
Mobile Application	Using the software through mobile application is difficult in this case.	<i>Mobile application becomes very easy as data is available 24x7. That makes cloud based application future oriented.</i>
Data Storage	Data is physically stored in the hard disc of the user's server.	Data is not stored in the user's server. It is stored on a web server.
Data Security	As the data is in physical control of the user, user shall have the full physical control over the data and can stop improper access.	Data security is a big challenge as the data is on the web server and not in control of the data owner.
Performance	A well written installed application is always faster than web application.	<i>Access is dependent on speed of internet.</i>
Flexibility	Installed applications shall have more flexibility and controls as compared to web application.	<i>The success of cloud based applications is that they allow flexibility against both capital expenditure (CAPEX) and Operating Expense (OPEX) to the user. User can scale up operations as per need.</i>

SIMILAR QUESTION:

1. Nowadays, many organizations are switching over to 'Cloud Applications' as the organizations do not want to indulge themselves in maintenance of their own IT infrastructure to run their businesses. You, being an IT consultant, list out some of the advantages and disadvantages of using these Cloud applications.
- A. Refer "Cloud application" column in the above table.

Q.No.9. Define integrated and non-integrated system (C)

- 1) An **Integrated System** combines different functions together in order to work as one entity and maintaining data in a centralized manner in a central database.

- 2) A **Non-Integrated System** is a system of maintaining data in a decentralized way. Each department shall maintain its own data separately in a separate database.



Different Departments connected through Central Database



Non-Integrated Systems

Q.No.10. Discuss how Integrated Enterprise Resource Planning Systems support business? Or write about ERP systems. (A)

- 1) ERP is an enterprise-wide information system designed to coordinate all the resources, information, and activities needed to complete business processes such as order fulfillment or billing.
- 2) An ERP system supports business processes by providing the data through maintaining a single database.
- 3) An ERP system is based on a common database and a modular software design.
- 4) The common database allows every department of a business to store and retrieve information in real-time.
- 5) The modular software design means a business can select the modules they need, mix and match modules from different vendors, and add new modules of their own to improve business performance.
- 6) In practice the ERP system may comprise a set of discrete applications, each maintaining a discrete(=separate) data store within one physical database.
- 7) *Today's ERP systems can cover a wide range of functions and integrate them into one unified database.*
- 8) *Some of the well-known ERPs in the market today include SAP, Oracle, MFG Pro, MS Axapta etc.*

SIMILAR QUESTION:

1. Modern day large enterprises having complex information processing requirements definitely should go for enterprise wide systems. Comment.
A. Refer answer above.
2. Enterprise resource planning, or ERP, creates an environment in which various systems and processes including inventory, accounting and personnel are integrated under one software solution. In this context elaborate on how ERP supports business.
A. Refer above answer.

Q.No.11. what are the benefits of the ERP system? (A)

BENEFITS OF AN ERP SYSTEM:

- 1) **Information integration:** ERP systems are called integrated because they possess the ability to automatically update data between related business functions and components.
- 2) **Reduction of lead-time:** The elapsed time between placing an order and receiving it is known as the Lead-time. The ERP Systems by their integrated nature reduce the lead times.
- 3) **On-time Shipment:** Since the different functions involved in the timely delivery of the finished goods to the customers are integrated and the procedures automated; the chances of errors are minimal and the production efficiency is high.
- 4) **Reduction in Cycle Time:** Cycle time is the time between placement of the order and delivery of the product. In an ERP System; all the data is centralized and automated, this efficiency of the ERP systems helps in reducing the cycle time.

- 5) **Improved Resource utilization:** The ERP system ensures that the inventory is kept to a minimum level, the machine down time is minimum and the finished goods are delivered to the customer in the most efficient way
- 6) **Better Customer Satisfaction:** With the help of web-enabled ERP systems, customers can place the order, track the status of the order and make the payment sitting at home.
- 7) **Improved Supplier Performance:** ERP systems provide vendor management and procurement support tools designed to coordinate all aspects of the procurement process.
- 8) **Increased Flexibility:** ERP Systems help the companies to remain flexible by making the company information available and automating most of the processes and procedures to enable the company to react quickly to the changing market conditions.
- 9) **Reduced Quality Costs:** The ERP System's central database eliminates redundant specifications and ensures that a single change to standard procedures takes effect immediately throughout the organization.
- 10) **Better Analysis and Planning Capabilities:** Using ERP it becomes possible to utilize many types of Decision Support Systems (DSS) and simulation functions, what-if analysis and so on; to enable the decision-makers to make better and informed decisions.
- 11) **Improved information accuracy and decision-making capability:** The strength of ERP Systems-integration and automation - help in improving the information accuracy and help in better decision-making.
- 12) **Use of Latest Technology:** ERP packages are adapted to utilize the latest developments in Information Technology such as open systems, client/server technology, Cloud Computing, Mobile computing etc.

Similar question:

1. ERP systems are expensive to own. There is a high cost to implement the system and then further costs to maintain it over time. Yet, businesses and other organizations use ERP every day and continue purchasing new systems and improving their existing systems. What benefits the business organizations foresee in the implementation of ERP?
 - A. Refer above answer.

Q.No.12. Discuss the features of an Ideal ERP System and Give some examples of Open Source ERP software? (B)(M18)(MTP-M20)

- 1) An **Ideal ERP System** serves all types of needs of an organization and provides right data at right point of time to right users.
- 2) Generally, in ideal ERP system a single database is utilized and contains all data for various software modules.
- 3) These software modules can include the following:
 - a) **Manufacturing:** Some of the functions include workflow management, quality control, bills of material, manufacturing process, etc.
 - b) **Financials:** Accounts payable, accounts receivable, fixed assets, general ledger and cash management, etc.
 - c) **Human Resources:** Benefits, training, payroll, time and attendance, etc.
 - d) **Supply Chain Management:** Inventory, supply chain planning, supplier scheduling, purchasing, etc.
 - e) **Projects:** Costing, billing, activity management, time and expense, etc.
 - f) **Customer Relationship Management (CRM):** CRM improves services provided directly to customers and to use the information for targeted marketing.
 - g) **Data Warehouse:** Data warehouse is a repository (=storehouse) of an organization's electronically stored data. It is designed to facilitate reporting and analysis.

4) Some examples of **Free and Open Source ERP software**

Adempiere, Compiere, ERPS, GNU Enterprise, JFire, Open Blue Lab, Post books, SQL-Ledger, Stoq

SIMILAR QUESTION:

1. A manufacturing company is implementing an ideal ERP software where a single database is being utilised and it contains all the data for various software modules. Identify the modules of an ideal ERP software along with their functions. (M18 - 6M)
- A. Refer above answer

PART 2: RISKS AND CONTROLS IN AN ERP ENVIRONMENT

Q.No.13. What are the two major risks faced by organizations in an ERP environment? (C)

In an ERP environment, two major risks are faced by any organization:

- 1) Due to central database, all the persons in an organization access the same set of data on a day to day basis. This poses the risk of leakage of information or access of information to non-related people.
E.g. A person from sales department checking salary of a person in production.
- 2) Again, as there is central database, all users shall use the same data for recording of transactions. Hence there is one more risk of putting incorrect data in the system by unrelated users.
E.g. A person in Human Resource Department recording a purchase order. This is a risk due to central database only and controls are needed to minimize such type of risks.

SIMILAR QUESTIONS:

1. Central database is a biggest advantage of ERP System at the same time if proper controls are not implemented the same concept of central database feature in ERP systems pose certain risks.in this context what are the two major risks faced by the organizations while implementing ERP with regard to central database?
- A. Refer above answer.

Q.No.14. what are the risks and corresponding controls related to people issues that decides the success or failure of an ERP System? (C)

PEOPLE ISSUES: Employees, Management, implementation team, consultants and vendors - are the most crucial factor that decides the success or failure of an ERP System.

RISKS AND CORRESPONDING CONTROLS RELATED TO PEOPLE ISSUES:

Aspect	Risk Associated	Control Required
Change Management	Change will occur in the employee's job profile in terms of some jobs becoming irrelevant and some new jobs created.	Practical hands on training of the ERP System should be provided so that the transition from old system to ERP system is smooth and hassle free.
	The way in which organization functions will change, the planning, forecasting and decision-making capabilities will improve, information integration happening etc.	The project requirements are to be properly documented and signed by the users & senior management.
	Changing the scope of the project is another problem.	This requires clear defining of change control procedures and holds everyone to them.
Training	Since the greater part of the raining takes place towards the end of the ERP implementation cycle, management may curtail the training due to increase in the overall cost budget.	Training is a project-managed activity and shall be imparted to the users in an organization by the skilled consultants and representatives of the hardware and package vendors.
Staff Turnover	Employee turnover - qualified and skilled personnel leaving the company - during the implementation and transition phases can affect the schedules and result in delayed implementation and cost overrun.	This can be controlled and minimized by allocation of employees to tasks matching their skill-set; fixing of compensation package and other benefits.

Top Management Support	ERP implementation will fail if the top management does not provide the support and grant permission for the availability of the huge resources that are required during the transition.	The ERP implementation shall be started only after the top management is fully convinced and assure of providing the full support.
Consultants	These are experts in the implementation of the ERP package and might not be familiar with the internal workings and organizational culture.	The consultants should be assigned a liaison officer - a senior manager - who can familiarize them with the company and its working.

Q.No.15. What are the process risks and corresponding controls involved in the implementation of ERP? (C) (for student self study)

PROCESS RISKS: One of the main reasons for ERP implementation is to improve, streamline and make the business process more efficient, productive and effective.

RISKS AND CORRESPONDING CONTROLS RELATED TO PROCESS RISKS

Aspect	Risk Associated	Control Required
Program Management	There could be a possibility of an information gap between day-to-day program management activities and ERP-enabled functions like materials and procurement planning, logistics and manufacturing.	This requires bridging the information gap between traditional ERP-based functions and high value operational management functions, such applications can provide reliable real-time information linkages to enable high-quality decision making.
Business Process Reengineering (BPR)	BPR means not just change but dramatic change and dramatic improvements.	This requires overhauling of organizational structures, management systems, job descriptions, performance measurements, skill development, training and use of IT.

Q.No.16. What are the technological risks and corresponding controls involved in the implementation of ERP? (B)(RTP-M20, MTP-N20)

TECHNOLOGICAL RISKS: The organizations implementing ERP systems should keep abreast of the latest technological developments and implementation which is required to survive and thrive.

RISKS & CORRESPONDING CONTROLS RELATED TO TECHNOLOGICAL RISKS ARE AS FOLLOWS:

Aspect	Risk Associated	Control Required
Software Functionality	ERP systems offer a myriad of features and functions, however, not all organizations require those many features. Implementing all the functionality and features just for the sake of it can be disastrous for an organization.	Care should be taken to incorporate the features that are required by the organization and supporting additional features and functionality that might be required at a future date.
Technological Obsolescence	With the advent of more efficient technologies every day, the ERP system also becomes obsolete as time goes on.	This requires critical choice of technology, architecture of the product, ease of enhancements, ease of upgrading, quality of vendor support.
Enhancement and Upgrades	ERP Systems are not upgraded and kept up-to-date. Patches and upgrades are not installed and the tools are underutilized.	Care must be taken while selecting the vendor and upgrade/support contracts should be signed to minimize the risks.
Application Portfolio Management	These processes focus on the selection of new business applications and the projects required delivering them.	By bringing to the light the sheer number of applications in the current portfolio, IT organizations can begin to reduce duplication and complexity.

SIMILAR QUESTION:

- The organizations implementing ERP systems should keep abreast of the latest technological developments and implementation which is required to survive and thrive. Enlist all the risks associated with technological aspect of ERP system? (MTP-N20)
- A. Refer above answer.

Q.No.17. What are the various other risks and their corresponding controls in the implementation of ERP? (c)

OTHER IMPLEMENTATION ISSUES: Many times, ERP implementations are withdrawn because of the following factors.

RISKS AND CORRESPONDING CONTROLS RELATED TO SOME OTHER IMPLEMENTATION ISSUES

Aspect	Risk Associated	Control Required
Lengthy implementation time	ERP projects are lengthy due to technological developments happening every day, the business and technological environment during the start and completion of the project will never be the same. Employee turnover is another problem.	Care must be taken to keep the momentum high and enthusiasm live amongst the employees, so as to minimize the risk.
Insufficient Funding	The budget for ERP implementation is generally allocated without consulting experts and then implementation is stopped along the way, due to lack of funds.	It is necessary to allocate necessary funds for the ERP implementation project and then allocate some more for contingencies.
Data Safety	As there is only one set of data, if this data is lost, whole business may come to stand still.	Back up arrangement needs to be very strong. Also, strict physical control is needed for data.
Speed of Operation	As data is maintained centrally, gradually the data size becomes more and more and it may reduce the speed of operation.	This can be controlled by removing redundant data, using techniques like data warehousing and updating hardware on a continuous basis.
System Failure	As everybody is connected to a single system and central database, in case of failure of system, the whole business may come to stand still may get affected badly.	This can be controlled and minimized by having proper and updated back up of data as well as alternate hardware / internet arrangements. In case of failure of primary system, secondary system may be used.
Data Access	Data is stored centrally and all the departments access the central data. This creates a possibility of access to non-relevant data.	Access rights need to be defined very carefully and to be given on "Need to know" and Need to do" basis only.

SIMILAR QUESTION:

- Central database is the main feature of an Enterprise Resource Planning (ERP) System. As the complete data is stored at one place, ensuring safety of data and minimizing risk of loss of data is a big challenge. As an IT expert, discuss various risks involved during ERP implementation.
- A. Refer above answer.

Q.No.18. What are the Risks and corresponding Controls related to post- implementation issues in ERP? (C) (For student self-study)

POST IMPLEMENTATION ISSUES: ERP operation and maintenance requires a lifelong commitment by the company management and users of the system.

RISKS AND CORRESPONDING CONTROLS RELATED TO POST- IMPLEMENTATION ISSUES:

Aspect	Risk Associated	Control Required
Lifelong commitment	Even after the ERP implementation, there will always be new modules/versions to install, new persons to be trained, new technologies to be embraced, refresher courses to be conducted and so on.	This requires a strong level of commitment and consistency by the management and users of the system.

Q.No.19. Discuss the term RBAC and RAC controls in ERP? (C) (MTP-N18)(N-19)

1) Role Based Access Control (RBAC)

- i) RBAC is sometimes referred to as Role-Based Security.
- ii) It is a policy neutral access control mechanism defined around roles and privileges.
- iii) It is used by most enterprises and can implement **Mandatory Access Control (MAC)** or **Discretionary Access Control (DAC)**.
- iv) MAC criteria are defined by the system administrator, strictly enforced by the Operating System and are unable to be altered by end users.
- v) DAC involves physical or digital measures and is less restrictive than other access control systems as it offers individuals complete control over the resources they own.
- vi) The components of RBAC such as role-permissions, user-role and role-role relationships make it simple to perform user assignments.
- vii) RBAC can be used to facilitate administration of security in large organizations with hundreds to thousands of users and thousands of permissions.

Q.No.20. What are the options possible to different users while assigning access to it? (or) What are different types of access to different users? (B)(M19 - 4M)

TYPES OF ACCESS: While assigning access to different users, following options are possible.

- 1) **Create:** Allows to create data
- 2) **Alter:** Allows to alter data
- 3) **View:** Allows only to view data
- 4) **Print:** Allows to print data

Above type of access can be allowed / disallowed for

- 1) Master Data
- 2) Transaction Data
- 3) Reports

Q.No.21.What is the classification of controls in ERP environment? (B)

Controls are divided into General Controls and Application Controls.

1) GENERAL CONTROLS:

- a) General controls include controls over Information Technology management, controls addressing the information technology oversight process, Information Technology infrastructure, security management and software acquisition etc.,
- b) These controls apply to all systems from mainframe to client/server to desktop computing environments.
- c) General controls can be further divided into Management Controls and Environmental controls.
- d) Management Controls deal with organizations, policies, procedures, planning, and so on.
- e) Environmental Controls are the operational controls administered through the computer centre/computer operations group and the built-in operating system controls.

2) APPLICATION CONTROLS:

- a) It pertains to the scope of individual business processes or application systems.
- b) Individual applications may rely on effective operation of controls over information systems to ensure that interface data are generated when needed, supporting applications are available and interface errors are detected quickly.

Q.No.22. Write some of the questions that auditors should ask during an ERP audit? (C) (For student self study)

Some of the questions auditors should ask during an ERP audit are pretty much the same as those that should be asked during development and implementation of the system:

- 1) Does the system process as per GAAP (Generally Accepted Accounting Principles) and GAAS (Generally Accepted Auditing Standards)?
- 2) Does it meet the needs for reporting, whether regulatory or organizational?
- 3) Were adequate user requirements developed through meaningful interaction?
- 4) Does the system protect confidentiality and integrity of information assets?
- 5) Does it have controls to process only authentic, valid, accurate transactions?
- 6) Are effective system operations and support functions provided?
- 7) Are all system resources protected from unauthorized access and use?
- 8) Are user privileges based on what is called "role-based access?"
- 9) Is there an ERP system administrator with clearly defined responsibilities?
- 10) Is the functionality acceptable? Are user requirements met? Are users happy?
- 11) Have workarounds or manual steps been required to meet business needs?
- 12) Are there adequate audit trails and monitoring of user activities?
- 13) Can the system provide management with suitable performance data?
- 14) Are users trained? Do they have complete and current documentation?
- 15) Is there a problem-escalation process?

Q.No.23. What aspects are to be considered while auditing an ERP system? (B)

AUDITING ASPECTS IN CASE OF ANY ERP SYSTEM CAN BE SUMMARIZED AS UNDER:

1) Auditing of Data

- a) **Physical Safety:** Ensuring physical control over data.
- b) **Access Control:** Ensuring access to the system is given on "need to know" and "need to do basis".

2) Auditing of Processes

- a) **Functional Audit:** This includes testing of different functions / features in the system and testing of the overall process or part of process in the system and its comparison with actual process.
E.g.: Purchase Process, Sales Process, Salary Calculation Process, Recruitment Process, etc.
- b) **Input Validations:** This stands for checking of rules for input of data into the system.
E.g.: amount field must not be zero, stock item field shall not be empty, etc.

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PART 3: BUSINESS PROCESS MODULES AND THEIR INTEGRATION

Q.No.24. What is a Business Process? Explain how to manage a process.

(B)

- 1) A Business Process consists of a set of activities that are performed in coordination in an organizational and technical environment to realize a business goal.
- 2) Each Business process is enacted by a single organization, but it may interact with business processes performed by other organizations.

To manage a process:

- 1) The first task is to **define**. This involves defining the steps in the process and mapping the tasks to the job roles involved in the process.
- 2) Once the process is mapped and implemented, performance measures can be established. Establishing measurements creates a basis to improve the process.
- 3) The last piece describes the organizational setup that enables the standardization and adherence to the process throughout the organization.

Q.No.25. Write about accounting or book keeping cycle? OR An article assistant joined an Audit firm where he was briefed on various steps involved during Accounting Process Flow. Explain these steps involved in the process.

(C)

Accounting or Book keeping cycle covers the business processes involved in recording and processing accounting events of a company. It begins when a transaction or financial event occurs and ends with its inclusion in the financial statements.



- 1) **SOURCE DOCUMENT**: A document that captures data from transactions and events.
- 2) **JOURNAL**: Transactions are recorded into journals from the source document.
- 3) **LEDGER**: Entries are posted to the ledger from the journal.
- 4) **TRIAL BALANCE**: Unadjusted trial balance containing totals from all account heads is prepared.
- 5) **ADJUSTMENTS**: Appropriate adjustment entries are passed.
- 6) **ADJUSTED TRIAL BALANCE**: The trial balance is finalized post adjustments.
- 7) **CLOSING ENTRIES**: Appropriate entries are passed to transfer accounts to financial statements.
- 8) **FINANCIAL STATEMENT**: The accounts are organized into the financial statements.

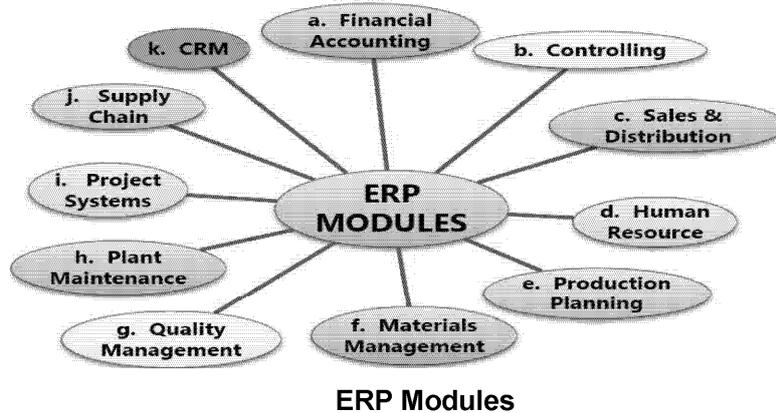
Q.No. 26. What are the different Categories of BPM(Business Process Modules) of ERP?(C)

(For Students self-study)

There are three different nature and types of businesses that are operated with the purpose of earning profit. Each type of business has distinctive features.

- 1) **TRADING BUSINESS**: Trading simply means buying and selling goods without any modifications, as it is. This industry requires accounting as well as inventory modules.
- 2) **MANUFACTURING BUSINESS**: This type of business includes all aspects of trading business plus additional aspect of manufacturing. This type of industry requires accounting and complete inventory along with manufacturing module.

- 3) **SERVICE BUSINESS:** This type of business does not have any inventory. It is selling of skills/knowledge/ Efforts/time. E.g.: Doctors, Architects, Chartered Accountants, are the professionals into service business. There may be other type of business into service, i.e. courier business, security service, etc. This industry does not require inventory module.



Q.No.27. Write about Financial Accounting Business Process Module of ERP?

(A)

- 1) **FINANCIAL ACCOUNTING MODULE:** This module is the most important module of the overall ERP System and it connects all the modules to each other. Every module is somehow connected with module.
- 2) The key features of this module.
 - a) Tracking of flow of financial data across the organization in a controlled manner and integrating all the information for effective strategic decision making.
 - b) Creation of Organizational Structure (Defining Company, Company Codes, business Areas, Functional Areas, Credit Control, Assignment of Company Codes to Credit Controls).
 - c) Financial Accounting Global Settings (Maintenance of Fiscal Year, Posting Periods, defining Document types, posting keys, Number ranges for documents).
 - d) General Ledger Accounting (Creation of Chart of Accounts, Account groups, defining data transfer rules, creation of General Ledger Accounts).
 - e) Tax Configuration & Creation and Maintenance of House of Banks.
 - f) Account Payables (Creation of Vendor Master data and vendor-related finance attributes like account groups and payment terms).
 - g) Account Receivables (Creation of Customer Master data and customer- related finance attributes like account groups and payment terms).
 - h) Asset Accounting.
 - i) Integration with Sales and Distribution and Materials Management.

Q.No.28. Write about Controlling Module of ERP?

(A)

CONTROLLING MODULE: This module helps in analyzing the actual figures with the planned data and in planning business strategies. Two kinds of elements are managed in Controlling -**Cost Elements** and **Revenue Elements**. These elements are stored in the Financial Accounting module.

KEY FEATURES OF CONTROLLING MODULE ARE AS UNDER:

- 1) **Cost Element Accounting:** This component provides overview of the costs and revenues that occur in an organization. Examples: Cost Centers, Internal Orders, WBS (work breakdown structures).
- 2) **Cost Centre Accounting:** This provides information on the costs incurred by the business. Helpful to set budget/cost Centre targets, Planning etc.
- 3) **Activity-Based-Accounting:** This analyses cross-departmental business processes and allows for a process-oriented and cross-functional view of the cost centers.

- 4) **Internal Orders:** Internal Orders provide a means of tracking costs of a specific job, service, or task.
- 5) **Product Cost Controlling:** This calculates the costs that occur during the manufacture of a product or provision of a service and allows the management the ability to analyze their product costs and to make decisions on the optimal price(s) to market their products.
- 6) **Profitability Analysis:** This allows the management to review information with respect to the company's profit or contribution margin by individual market segment.
- 7) **Profit Centre Accounting:** This evaluates the profit or loss of individual, independent areas within an organization.

SIMILAR QUESTION:

1. Identify the functional module of ERP that controls the business flow in an organization and facilitates coordinating, monitoring and optimizing all processes in an organization and elaborate the key features of this module? (RTP-N20)
- A. Refer above Answer.

Q.No.29. Write about Human Resource Business Process Module of ERP?**(A)****HUMAN RESOURCE MODULE:**

- 1) This module enhances the work process and data management within HR department of enterprises.
- 2) Right from hiring a person to evaluating one's performance, managing promotions, compensations, handling payroll and other activities of an HR is processed using this module.
- 3) This maintains total employee database by defining the shifts master, PF, ESI master, employee master, operations and sub-operations masters etc.
- 4) Also, the various input transaction such as Attendance Entry, Leave, holiday, Earning/Deduction entry, Advances etc. can be made. Finally, different types of Payroll reports, which can be of various types according to specified company standard also can be made.
- 5) This module will generate monthly wage sheet and respective accounts will be updated.

Q.No.30. what is Customer Relationship Management? Explain the concept of CRM in brief? (A)

- 1) CRM applies to processes implemented by a company to handle its contact with its customers.
- 2) CRM software stores information on current and prospective customers.
- 3) Details on any customer contacts can also be stored in the system.
- 4) The logic behind this approach is to improve services provided directly to customers and to use the information in the system for targeted marketing.

Q.No.31. Write about Customer Relationship Management Module of ERP? Explain its benefits?**(A)(RTP-M18)**

CRM: Customer Relationship Management is a system which aims at improving the relationship with existing customers, finding new prospective customers, and winning back former customers.

This system can be brought into effect with software which helps in collecting, organizing, and managing the customer information.

KEY BENEFITS OF A CRM MODULE ARE:

- 1) **Improved customer relations:** By using CRM, all dealings involving servicing, marketing, and selling products to customers can be carried out in an organized and systematic way.
- 2) **Increase customer revenues:** With the help of CRM software, you can make the product promotions reach a different and brand new set of customers thus effectively increase your customer revenue.
- 3) **Maximize up-selling and cross-selling:** A CRM system allows up-selling i.e. practice of giving customers premium products in the same category of their purchase.

It also facilitates cross selling which is the practice of offering complementary products based on their previous purchases.

- 4) **Better internal communication:** The sharing of customer data between different departments will enable you to work as a team. It will help in increasing the profitability and offer better service to customers.
- 5) **Optimize marketing:** CRM will also give you an idea about the most profitable customer groups, so that you will be able to target similar prospective groups, at the right time.

SIMILAR QUESTION:

1. Write about key benefits of a CRM module?
- B. Refer above Answer.

Q.No.32.How integration of modules with Financial&Accounting system is done in an ERP? (B)

Following points are important for integration of modules with Financial & Accounting System

- 1) Master data across all the modules must be same and must be shared with other modules where-ever required.
- 2) Common transaction data must be shared with other modules where-ever required.
- 3) Separate voucher types to be used for each module for easy identification of department recording it.
- 4) Figures and transaction may flow across the department, e.g. closing stock value is taken to Trading Account as well as Balance Sheet.

Q.No.33. Write about Integration Points of various ERP modules? (B)

SOME OF THE POINTS REGARDING INTEGRATION WITH OTHER MODULES ARE DISCUSSED HERE:

- 1) **Material Management Integration with Finance and Controlling (FICO):** It is integrated in the area like Material Valuation, Vendor payments, Material costing etc. Whenever any inventory posting is done, it updates the General Ledger (G/L) accounts online in the background
- 2) **Human Resource Module Integration with Finance and Controlling:** Attendance and leave record is used for calculation of salary on monthly basis. Salary is also a part of financial accounting. Hence salary processed and calculated by Human Resource Module shall be integrated with Finance & Controlling Module.
- 3) **Material Management Integration with Production Planning (PP):** It is integrated in the areas like Material Requirement Planning, Receipts/issues against production orders, and availability check for stocks.
- 4) **Material Management Integration with Sales and Distribution (SD):** It is integrated in the areas like Delivery, Availability Check, Stock transfers requirements etc. As soon as a sales order is created, it can initiate a dynamic availability check of stocks on hand.
- 5) **Material Management Integration with Quality Management (QM):** It is integrated with QM for Quality inspection at Goods Receipt, in process inspection etc. In the case of a goods movement, the system determines whether the material is subject to an inspection operation.
- 6) **Material Management Integration with Plant Maintenance (PM):** The material/service requirement is mentioned in Maintenance order. This leads to generation of Purchase Requisition. This PR will be converted to Purchase Order by MM. The goods for a PO will be in warded to Maintenance by MM. The spares which were reserved for maintenance order will be issued by MM against the reservation number.

PART 4: REPORTING SYSTEM AND MIS

Q.No.34. Define the terms Report, Management Information System and MIS Report? (A)

- 1) A **Report** presents information in proper and meaningful way.
- 2) Two basic reports, i.e. **Balance Sheet** and **Profit & Loss Account** are used for basic analysis of financial position and financial performance.

- 3) **Management Information System** is a system which provides accurate, timely and meaningful data for management planning, analysis and control to optimize the growth of the organization.
- 4) An **MIS report** is a tool that managers use to evaluate business processes and operations.
- 5) *There can be as many types of MIS reports as there are divisions within a business.*

Q.No.35. Discuss the important characteristics of MIS Reports?

(A)(MTP-N19)

CHARACTERISTICS OF MIS REPORTS:

- 1) **Relevant:** MIS reports need to be specific to the business area they address. Because a report that includes unnecessary information might be ignored.
- 2) **Timely:** Managers need to know what's happening now or in the recent past to make decisions about the future.
- 3) **Accurate:** Managers and others who rely on MIS reports can't make sound decisions with information that is wrong.
- 4) **Structured:** Information should be easy to follow. Try to break long passages of information into more readable blocks or chunks and give these chunks meaningful headings.

SIMILAR QUESTION:

1. What is the criterion to make MIS reports more meaningful and useful?
 - A. Refer above answer.
 - B. As a manager of a telecom service provider, you are concerned with MIS Report about your department's customer service calls. Determine the various criterions that the information in the report should meet so that the report becomes useful for you.
 - A. Refer above answer.

PART 5: BUSINESS REPORTING & XBRL

Q.No.36. Discuss the term Business Reporting? Why Business Reporting is Important?

(B) (RTP-M19)

- 1) **Business Reporting or Enterprise Reporting** is the public reporting of operating and financial data by a business enterprise, or providing regular information to decision-makers to support their work.
- 2) Organizations conduct a wide range of reporting, including financial and regulatory reporting; Environmental, Social, and Governance (ESG) reporting and integrated reporting.
- 3) High-quality reports also promote better internal decision-making.
- 4) Effective and transparent business reporting gives complete view and helps organization to connect with internal and external stakeholders.
- 5) Organizations communicate with their stakeholders about:
 - a) mission, vision, objectives, and strategy;
 - b) governance arrangements and risk management;
 - c) *trade-offs between the shorter- and longer-term strategies; and*
 - d) *Financial, social, and environmental performance (how they have fared against their objectives in practice).*

Q.No.37. What is XBRL? Discuss its importance in Reporting?

(A)

- 1) **Extensible Business Reporting Language (XBRL):** An international standards-based business reporting language developed by accountants for financial reporting;
- 2) XBRL is a freely available and global standard for exchanging business information.
- 3) XBRL is used around the world, in more than 50 countries.

- 4) XBRL provides a language in which reporting terms can be authoritatively **defined**. Those terms can then be used to uniquely represent the contents of financial statements or other kinds of compliance, performance and business reports.
- 5) XBRL lets reporting information move between organizations rapidly, accurately and digitally.
- 6) XBRL is a standards-based way to communicate and exchange business information between business systems.

SIMILAR QUESTION:

1. XBRL opens new avenues in financial reporting comment.
- A. Refer above answer.

Q.No.38. What does XBRL do?**(C)**

It allows unique tags to be associated with reported facts,

- 1) People can publish reports with confidence that the information contained in them can be consumed and analyzed accurately.
- 2) People using reports can test them against a set of business and logical rules, to capture and avoid mistakes at their source.
- 3) People using the information can use different languages, alternative currencies and in their preferred style.
- 4) People consuming the information can feel confident that the data provided to them conforms to a set of pre-defined definitions.

Q.No.39. What is XBRL tagging?**(A)(MTP-M18)**

- 1) **XBRL Tagging** is the process by which any financial data is tagged with the most appropriate element in an accounting taxonomy (a dictionary of accounting terms).
- 2) Comprehensive definitions and accurate data tags allow preparation, validation, publication, exchange, consumption; and analysis of business information of all kinds.
- 3) Information in reports prepared using the XBRL standard is interchangeable between different information systems in entirely different organizations.
- 4) **People** who want to report information share information, publish information and allow straight through information processing all rely on XBRL.
- 5) XBRL has the capability to allow the tagging of transactions that can themselves be **aggregated** into XBRL reports.

Q.No.40. Who uses XBRL?**(c)**

XBRL is used in many ways, for many different purposes, including:

1) REGULATORS:

- a) Financial regulators that need significant amounts of complex performance and risk information about the institutions they regulate.
- b) Securities regulators and stock exchanges that need to analyze the performance and compliance of listed companies and securities.
- c) Tax authorities to process and review corporate tax affairs.
- d) Statistical and monetary policy authorities that need financial performance information from many different organizations.

2) COMPANIES:

- a) Enterprises that need to accurately move information around within a complex group.
- b) Supply chains that need to exchange information to help manage risk and measure activity.

- 3) **GOVERNMENTS:** Government agencies that are simplifying the process of businesses reporting to government to reduce redtapism.
- 4) **DATA PROVIDERS:** Specialist data providers that use performance and risk information for other market participants.
- 5) **ANALYSTS AND INVESTORS:**
 - a) Analysts that need to understand relative risk and performance.
 - b) Investors that need to compare potential investments and understand the underlying performance of existing investments.
- 6) **ACCOUNTANTS:** Accountants use XBRL in support of clients reporting requirements and are often involved in the preparation of XBRL reports.

Q.No.41. Explain the Important features of XBRL

(A) (RTP-M18)

FEATURES OF XBRL:

- 1) **Clear Definitions:** XBRL uses taxonomies that capture the meaning contained in all the reporting terms used in a business report, as well as the relationships between all of the terms.
- 2) Taxonomies are developed by regulators, accounting standards setters, government agencies and other groups.
- 3) **Testable Business Rules:** Business rules can be logical or mathematical, or both can be used to:
 - a) Stop poor quality information being sent to or accepted by a regulator or third party.
 - b) Business reports that fail critical rules can be bounced back to the preparer for review and resubmission.
 - c) Flagging or highlighting questionable information, allowing prompt follow up, correction or explanation.
 - d) Create ratios, aggregations and other kinds of value-added information, based on the fundamental data provided.
- 4) **Multi-lingual Support:** XBRL allows concept definitions to be prepared in as many languages as necessary.
- 5) **Strong Software Support:** XBRL is supported by a very wide range of software from vendors large and small, allowing a very wide range of stakeholders to work with the standard.

SIMILAR QUESTION:

1. Being an IT consultant to a Government agency PQR, Identify the most common open international standard, that should be used by the agency for their standardized digital business reporting. Support the recommendation by preparing a list of its important features also
- A. Write the definition of XBRL and write the above answer.

Q.No.42. Write about the importance of Basel III in Banking Sector?

(B)

- 1) **Basel III** is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector.
- 2) These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source and to improve risk management and governance.
- 3) One of the critical areas of risk assessment is based on assessment of available data in the data warehouse. Data from CBS database is transferred to a Data Warehouse and never eliminated.
- 4) For measurement and assessment of banking risks, linear models of risk assessment are inefficient. Hence, **Basel III, based on Artificial Intelligence is the best solution**
- 5) *Using artificial neural network logic (Artificial Intelligence) on Data Warehouse, to understand hidden trends, which helps in risk assessment.*
- 6) This improves the management of banking risks and banking risk prediction, and in- turn, the assessment of capital adequacy under Basel III.

PART 6: APPLICABLE REGULATORY & COMPLIANCE REQUIREMENTS**Q.No.43. What is Regulatory Compliance? (B)**

1. In general, **Compliance** means conforming to a rule, such as a specification, policy, standard or law.
2. Regulatory compliance is an organization's adherence to laws, regulations, guidelines and specifications relevant to its business.
3. Due to the increasing number of regulations and need for operational transparency, organizations are adopting the use of consolidated and harmonized sets of compliance controls.
4. Violations of regulatory compliance regulations often result in legal punishment, including interest, penalty and prosecution in some cases.
5. By and large we can classify the compliance and regulatory requirements in two types as under.
 - a) **General** - Applicable to all irrespective of anything.
 - b) **Specific** - Applicable to specific type of businesses only.

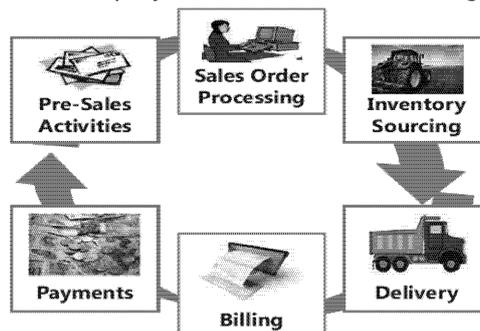
SECTION 2: QUESTIONS FOR ACADEMIC INTEREST FOR STUDENTS SELF STUDY**Q.No.44. What are the key components of Production planning Module? (C)**

Production Planning (PP) Module is another important module that includes software designed specifically for production planning and management.

- 1) **MASTER DATA:** This includes the material master, work centres, routings and bill of materials.
- 2) **SOP:** Sales and Operations Planning (SOP) provides the ability to forecast sales and production plans based on historical, current and future data.
- 3) **DRP:** Distribution Resource Planning (DRP) allows companies the ability to plan the demand for distribution centres.
- 4) **PRODUCTION PLANNING:** This includes material forecasting, demand management, long term planning and master production scheduling (MPS).
- 5) **MRP:** Material Requirements planning relies on demand and supply elements with the calculation parameters to calculate the net requirements from the planning run.
- 6) **CAPACITY PLANNING:** This evaluates the capacity utilized based on the work centres available capacity to show capacity constraints.
- 7) **PRODUCT COST PLANNING:** This is the process of evaluating all the time values and value of component materials to determine the product cost.

Q.No.45. Write about Sales and Distribution Business Process Module of ERP? (B)

SALES & DISTRIBUTION MODULE: It is used by organizations to support sales and distribution activities of products and services, starting from enquiry to order and then ending with delivery.



KEY FEATURES ARE:

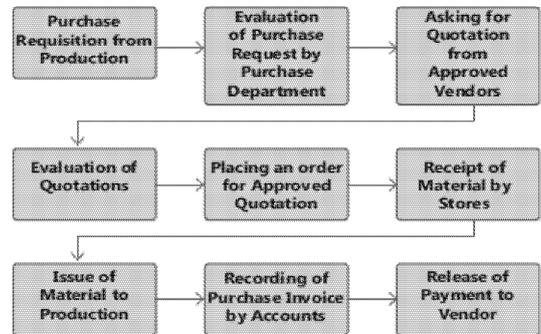
- 1) Setting up Organization Structure
- 2) Assigning Organizational Units
- 3) Defining Pricing Components
- 4) Setting up sales document types, billing types, and tax-related components
- 5) Setting up Customer master data records and configuration

SALES AND DISTRIBUTION PROCESS

- 1) **Pre-Sales Activities:** Include prospecting of customers, identifying prospective customers, gathering data, contacting them and fixing appointments, showing demo, discussion, submission of quotations, etc.
- 2) **Sales Order:** Sales order is recorded in our books after getting a confirmed purchased order from our customer. Sales order shall contain details just like purchase order. E.g. Stock Item Details, Quantity, Rate, Due Date of Delivery, Place of Delivery, etc.
- 3) **Inventory Sourcing:** It includes making arrangements before delivery of goods; ensuring goods are ready and available for delivery.
- 4) **Material Delivery:** Material is delivered to the customer as per sales order. All inventory details are copied from Sales Order to Material Delivery for saving user’s time and efforts.
- 5) **Billing:** This is a transaction of raising an invoice against the delivery of material to customer. This transaction shall have a linking with Material Delivery and all the details shall be copied from it. Stock balance shall not affect again.
- 6) **Receipt from Customer/Payment:** This is a transaction of receiving amount from customer against sales invoice and shall have a linking with sales invoice.

Q.No.46. Write about Material Management Business Process Module of ERP? (C)(RTP-N18)

- 1) **Material Management (MM) Module** as the term suggests manages materials required, processed and produced in enterprises.
- 2) Different types of procurement processes are managed with this system.
- 3) Some of the popular sub-components are vendor master data, consumption based planning, purchasing, inventory management, invoice verification and so on.
- 4) Material Management also deals with movement of materials via other modules like logistics, Supply Chain Management, sales and delivery, warehouse management, production and planning.



STEPS IN PURCHASE PROCESS:

- 1) **Purchase Requisition from Production Department:** Production department sends a request to purchase department for purchase of raw material required for production.
- 2) **Evaluation of Requisition:** Purchase department shall evaluate the requisition with the current stock position and purchase order pending position and shall decide about accepting or rejection the requisition.
- 3) **Asking for Quotation:** If requisition is accepted, quotations shall be asked to approve vendors for purchase of material.
- 4) **Evaluation of Quotations:** Quotations received shall be evaluated and compared.
- 5) **Purchase Order:** This is a transaction for letting an approved vendor know what we want to purchase, how much we want to purchase, at what rate we want to purchase, by what date we want the delivery, where we want the delivery. Hence a typical purchase order shall have following information.
 - a) Description of stock items to be purchased.

- b) Quantity of these stock items.
 - c) Rate for purchases.
 - d) Due Date by which material is to be received.
 - e) Godown where material is to be received.
- 6) **Material Receipt:** This is a transaction of receipt of material against purchase order. This is commonly known as Material Receipt Note (MRN) or Goods Receipt Note (GRN). This transaction shall have a linking with Purchase Order. Information in Purchase Order is automatically copied to Material Receipt Voucher for saving time and efforts of user. Stock is increased after recording of this transaction.
 - 7) **Issue of Material:** Material received by stores shall be issued to production department as per requirement.
 - 8) **Purchase Invoice:** This is a financial transaction. Trial balance is affected due this transaction. Material Receipt transaction does not affect trial balance. This transaction shall have a linking with Material Receipt Transaction and all the details of material received shall be copied automatically in purchase invoice. As stock is increased in Material Receipt transaction, it will not be increased again after recording of purchase invoice.
 - 9) **Payment to Vendor:** Payment shall be made to vendor based on purchase invoice recorded earlier. Payment transaction shall have a linking with purchase invoice.

Q.No.47. Write about Quality Management Module of ERP?

(C)(MTP-N18)

QUALITY MANAGEMENT MODULE:

- 1) This quality management module helps an organization to accelerate their business by adopting a structured and functional way of managing quality in different processes.
- 2) Quality Management module collaborates in procurement and sales, production, planning, inspection, notification, control, audit management and so on.
- 3) Quality Management Process includes:
 - a) Master data and standards are set for quality management;
 - b) Set Quality Targets to be met;
 - c) Quality management plan is prepared;
 - d) Define how those quality targets will be measured;
 - e) Take the actions needed to measure quality;



Q.No.48. What are the different components of Quality management module?

(C) (MTP-N20)

- a) **Quality Planning:** Quality planning is the process of planning the production activities to achieve the goals of meeting the customer requirements in time, within the available resources.
- b) **Quality Control:** It is a system for ensuring the maintenance of proper standards in manufactured goods, especially by periodic random inspection of the product. It involves the checking and monitoring of the process and products with an intention of preventing non-conforming materials from going to the customer.
- c) **Quality Assurance:** Quality assurance concentrates on identifying various processes, their interactions and sequence, defining the objectives of each process, identifying the key result areas and measures to measure the results etc.
- d) **Quality Improvement:** Quality improvement is a never-ending process. The customer's needs and expectations are continuously changing depending on the changes in technology, economy, political situation, ambitions and dreams, competition, etc.

SIMILAR QUESTION:

1. Mr. X is the Chief Manager of ABC Ltd., - a shoe manufacturing company in New Delhi. He has put a proposal to top management to implement ERP System to enhance the quality in production across processes in company. The management asked him to prepare a report on how the quality management module of ERP would help the company to accelerate its business processes. Describe all the points that Mr. X may write in his report regarding Quality Management Module of ERP? (MTP-N20)
- A. Refer above answer.

Q.No.49. Write about Plant Maintenance Module of ERP and its objectives?

(C)

PLANT MAINTENANCE MODULE:

- 1) This is a functional module which handles the maintaining of equipment and enables efficient planning of production and generation schedules.
- 2) It supports cost-efficient maintenance methods, such as risk-based maintenance or preventive maintenance, and provides comprehensive outage planning and powerful work order management.

OBJECTIVES OF PLANT MAINTENANCE MODULE:

- 1) To achieve minimum breakdown and to keep the plant in good working condition at the lowest possible cost.
- 2) To keep machines and other facilities in a condition that permits them to be used at their optimum (profit making) capacity without any interruption or hindrance.
- 3) To ensure the availability of the machines, buildings and services required by other sections of the factory for the performance of their functions at optimum return on investment whether this investment be in material, machinery or personnel.

Q.No.50. Write about the process in Plant maintenance module ?(C)

- 1) Equipment Master is a repository of the standard information that one needs related to a specific piece of equipment.
- 2) Equipment/Plant Maintenance provides a variety of reports to help us to review and manage information about our equipment and its maintenance.
- 3) Plant Maintenance (PM) Reports are used to review and manage information about preventive maintenance schedules and service types within any maintenance organization.

DIFFERENT PM REPORTS ARE REQUIRED TO REVIEW PM INFORMATION, SUCH AS:

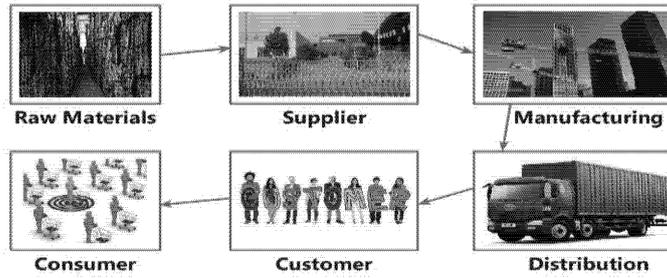
- 1) Status of service types for a piece of equipment;
- 2) Maintenance messages;
- 3) The frequency of occurrence for selected service types; and
- 4) All equipment transactions.

Q.No.51. Write about Supply Chain Module of ERP?

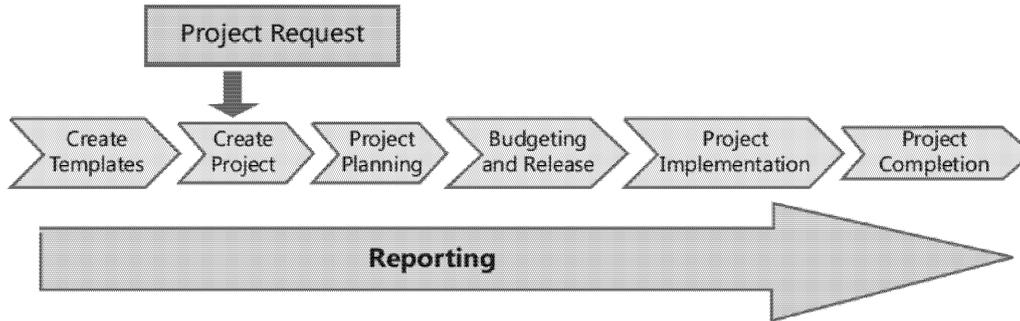
(C)

SUPPLY CHAIN MODULE:

- 1) A Supply Chain is a network of autonomous or semi-autonomous business entities collectively responsible for procurement, manufacturing, and distribution activities associated with one or more families of related products.
- 2) This module provides extensive functionality for logistics, manufacturing, planning, and analytics.
- 3) Enterprises can optimize their supply chain for months in advance; streamline processes such as supply network, demand, and material requirement planning; create detailed scheduling; refine production integration, and maximize transportation scheduling.



Q.No.52. Write about Project Systems Module of ERP? (C)



PROJECT SYSTEMS MODULE:

- 1) This is an integrated project management tool used for planning and managing projects.
- 2) It has several tools that enable project management process such as cost and planning budget, scheduling, requisitioning of materials and services.
- 3) Project System is closely integrated with other ERP modules like Logistics, Material Management, Sales and Distribution, Plant Maintenance, and Production Planning module etc.
- 4) In Project System, each process has a defined set of tasks to be performed known as process flow in Project Lifecycle.
- 5) When a project request is received, a project is created and it undergoes the following steps in project process flow / lifecycle.

Q.No.53. Discuss the relationship/connection between Regulatory Compliance and Accounting Systems? And explain the pros and cons of having single software for accounting and tax compliance? (C)(N18)

Most of the regulatory compliance requires accounting data and accounting data comes from accounting systems.

There may be two approaches for making compliances requiring accounting data.

- a) Using same software for accounting and tax compliance; and
- b) Using different software for accounting and tax compliance.

PROS AND CONS OF HAVING SINGLE SOFTWARE FOR ACCOUNTING AND TAX COMPLIANCE

S. No.	Particulars	Accounting & Tax Compliance Software	Only Tax Compliance Software
1	Ease of software operation	Less - as this is integrated system of accounting and tax compliance, everything connected with other and making changes at one place may affect other aspects also.	More - as this is used only for one single purpose, i.e. tax compliance, it is less complicated and bound to be easy.

2	Features and facilities	Less - as this system is not an exclusive system for tax compliance, it may have limited features for tax compliance.	More - as this is an exclusive and specifically designed system for tax compliance, naturally more features and facilities shall exist in this system.
3	Time and efforts required	Less - as this is an integrated system, time required to transfer data to compliance software is zero.	More - as this is a separate software, data from accounting software need to put in this for preparation of returns. This may take extra time and efforts.
4	Accuracy	More - As this is an integrated system and hence accounting data and tax compliance data shall always be same. No need to transfer data to compliance software and reconcile the data.	Less - as there are two separate system, reconciliation with accounting data is needed, possibility of mismatch of data is always there.
5	Cost	More - if tax compliance feature is not available in accounting system, getting it customized may require some amount of cost which may be higher than buying separate software.	Less - as this is specific purpose software, there shall be less complications and the cost also shall be less.

SECTION 3: TEST YOUR KNOWLEDGE

- 1) What is a Business Process? Give examples.
- 2) What are the types of master data in Financial & Accounting System and its importance?
- 3) What is basic purpose of XBRL? Discuss its important features as well.
- 4) What are the pros and cons of having single software for accounting and tax compliance?
- 5) Discuss Accounting Process Flow in detail.
- 6) Discuss atleast five modules of Enterprise Resource Planning (ERP).
- 7) What do you understand by the term "Business Intelligence"? Also, discuss its example.
- 8) What is Business Reporting and why is it important?

THE END

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