

# [Accounting ds](https://assignbuster.com/accounting-ds/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

ACCOUNTING DS Q1 Share the something you learned from the Accounting Information Systems chapter? Accounting Information Systems refers to a structure that aids companies in the collection, storage, processing, management, retrieval and reporting of their financial data for it to be used by managers, accountants, business analysts, auditors, consultants, CFOs and regulatory and tax agencies (Simkin, 2014).
Accounting information system is composed of data, people, software, procedures and instructions, internal controls and information technology infrastructure. Accounting Information system is shaped by volumes of data, the type of business, the type of data management needs, business size and other factors. A number of businesses use computerized systems to handle each step in their process of accounting. Companies usually improve their AISs to remain competitive in the industry and comply with the Sarbanes-Oxley Act of 2002 (Simkin, 2014).
There are three types of Accounting Information Systems, namely manual systems, legacy systems and modern, integrated IT systems. An organization’s choice of the system to use depends on its size, business needs, and types of business and how sophisticated the business is (Simkin, 2014).
A well and carefully designed AIS usually makes a business to run smoothly on daily basis, however, a poorly-designed one hampers its operations. Just like in the cases of Lehman brothers and WorldCom, the data in AIS can be used in uncovering the story of what actually went wrong. A successful business normally has an efficient and accurate accounting information system that is well maintained.
Q2 A company purchased a cash register on January 1 for $5, 400. This register has a useful life of 10 years and a salvage value of $400. What would be the depreciation expense for the second year of its useful life using the double-declining-balance method?
A Useful life of 10 years results depreciation rate of 1/10 or 10% for straight line
Doubling-declining balance method is therefore 10% x 2 = 20%
Depreciation for year 1
Depreciation= book value\* 20%
= 5400\*0. 20 = $1080
Depreciation for year 2
5400-1080 (4320) \* 0. 20 = $864
Therefore the depreciation expense is $864 (Option C)
Assume that straight line method was used, what would be the answer?
Depreciation= ($5400-400)/10= $500
Q3 Explain the steps in preparing the bank reconciliation
Firstly, we record the ending balances from the bank statement. Secondly, prepare a detailed list of all the deposits in transit. Then we sum the two items. Thirdly, we prepare a detailed list of all the outstanding checks, checks written or sent but not cleared. We then correct any errors before getting the difference between the ending balance and the total outstanding to get adjusted bank balance. Fourthly, we adjust the general ledger balance by adding any interest received, subtracting NSF checks, correcting any errors and subtracting any service charges to get the adjusted general ledger balance. Finally, we compare the adjusted general ledger balance to the adjusted bank balance and the two items should agree.
Q4 A company purchased a truck on October 1 of the current year at a cost of $40, 000. The truck is expected to last six years and has a salvage value of $2, 200. The companys annual accounting period ends on December 31.
a) What is the depreciation expense for the current year, assuming the straight-line method is used?
Depreciation expense= ($40, 000-2200)/6 =$6300
Monthly depreciation expense= $6300/12= $525
Depreciation for the current year= $525\*3= $1575
b) What is the depreciation expense for the current year, assuming the double-declining-balance method is used?
A useful life of 6 years results depreciation rate of 1/6 or 16. 67%% for straight line
Doubling-declining balance method is therefore 16. 67% x 2 = 33. 34%
Annual depreciation = $40, 000\*0. 3334 = $13, 336
Depreciation for current year: $13336\*3/12= $3334
References
Simkin, M. G. (2014). Core concepts of accounting information systems. Place of publication not identified: John Wiley.