Title: Report on Accounting Information System of Walton Group Bangladesh

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Subject: Submission of Report on Accounting Information Systems in Walton Group

Dear Sir,

I am pleased to submit my report titled **"Report on Accounting Information Systems in Walton Group"** as part of Accounting Information Systems (ACN441). The report explores the Accounting Information System of Walton Group based on the companies Expenditure Cycle and Revenue Cycle.

The document encompasses an analysis of the accounting Information System of Walton Group with in depth explanation of the Expenditure Cycle and Revenue Cycle. We have ensured that the report adheres to the required guidelines and incorporates relevant information from credible sources.

We trust that this report will provide valuable insights into the Accounting Information Systems of Walton Group Bangladesh.

Best Regards,

Sajid-Ul Islam

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Executive Summary

The report provides an in-depth analysis of the Accounting Information System of Walton Group Bangladesh, One of the largest conglomerates in Bangladesh. The chapter contains the introduction and overview of the Walton group where the importance of Accounting Information System and about the Walton group has been discussed.

The report contains the approach Walton was following and what problems they faced and how they automated the manual process. The report also gives an overview of the Walton group's Expenditure cycle and Revenue Cycle. How AIS helped improve the Expenditure Cycle and Revenue Cycle of the Walton group and What Internal Controls they took to prevent fraud and errors.

The report also contains the benefit of Walton group's AIS. How AIS improved and gave advantage to the organization in the competitive market. Overall, this report shows the effect of Accounting Information System on Walton group's both Expenditure Cycle and Revenue Cycle.

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1. Introduction

Accounting Information System is an information System that is used by many organizations to identify, collect, process and communicate economic information to record their financial effects using technologies. Walton, one of the largest conglomerates in Bangladesh, operates sectors like Walton Motors, Walton Mobile, Walton Electronics, and Walton Hi-Tech Industries Limited. So the number of their daily transactions are huge and the risk of fraud and errors are higher. To manage their financial transactions and prevent fraud and error, they need a robust Accounting Information System.

2. Overview of Walton Group

Walton Group is Bangladesh's one of the leading conglomerates both international and domestic. It was established in 1977 and founded by S.M. Nazrul Islam and operates in Walton Motors, Walton Mobile, Walton Electronics, and Walton Hi-Tech Industries Limited. The group's flagship company is Walton Hi-Tech Industries PLC. Walton became a symbol of Bangladeshi industrial and technological advancement.

3. Pre-AIS Approach in Walton

Before the Accounting Information System, all the companies followed the manual process. There the experience and skillfulness of an accountant is very important. But using the manual process can be ineffective and inefficient. Like other companies Walton also used the manual approach using paper based documents before using AIS. The daily transactions, information and accounting were physically performed and were stored in Paper documents. But the problem with this approach is Data redundancy. This approach needed an excessive amount of storage cost as this needed papers for documentation. Updating any information was a nightmare as all the changes needed to be performed on many files and Walton needed to use many types of files as the number of their transactions are high so their files are many in numbers. If one file is not updated then the whole accounting process will get affected and there will be errors in calculations. Also the Cycle of transactions are connected to various departments, it needed time to access other departments files which was another problem. Also merging so many files together was really a challenge for the accounting department. Accounting information systems

resolve many of the above issues. AISs can support the automation of processing large amounts of data and produce timely and accurate information.

4. Accounting Information System in Walton

For the mentioned problems, the Walton group had to shift to an Accounting Information System. Walton uses AIS to improve its accounting practices to ensure accuracy, speed of financial reporting and prevent fraud and error. Walton's AIS covers important areas like the Expenditure Cycle and the Revenue Cycle of the company.

5. Expenditure Cycle

Walton is primarily known as a manufacturer of electronic and electrical products. So they need huge amounts of raw materials to support their production and also they need to make payment to the suppliers. The Expenditure Cycle is all about the acquisition of materials property and labor in exchange for cash. There are two subsystems in the Expenditure Cycle.
i. Physical Subsystem
ii. Financial Subsystem
Walton uses the Accounting Information System to ensure timely and cost effective purchase of raw materials and to maintain accurate payment records to the supplier. It also uses the AIS to prevent fraud and detect errors.

5.1 Physical Subsystem using AIS

The physical Subsystem of the Expenditure Cycle recognizes the need of buying the inventory or the raw materials and to place an order to the supplier. It is the purchase system.
The purchase system begins in the Inventory Control when the level of inventory drops to reorder level. The AIS checks the inventory level and an amount is set as the reorder level. So when the inventory crosses the reorder level the system automatically prepares the Purchase Order(PO) and sends them to the Purchase Department for review, signature and distribution. The system distributes the PO to the supplier and internal users. The system can use Electronic Data Interchange(EDI) to place the order without PO. Also The System automatically updates the inventory subsidiary file and the accounts payable file for the customer. It calculates the batch total for the general ledger to update.

5.2 Financial Subsystem using AIS

The Financial Subsystem of the Expenditure Cycle is basically the Cash Disbursement System where it authorizes the payments and disburses the cash to the supplier and records and changes the necessary files.

Once the Raw materials ordered in the physical subsystem arrives and verifies, the system automatically reconciles the vouchers and approves. Then AIS schedules the payments and updates the accounts payable and updates the financial records automatically.

Using the AIS walton has automated the manual process which reduces the manual error and the fraud risk. Also the workload for the accountant has decreased as an accountant now needs to give input the data from a report and the rest of the work is done automatically in the system.

5.3 Internal Controls Used in Expenditure Cycle

In AIS, the internal controls are very important to prevent fraud, errors, and ensure proper authorization and accurate financial reporting. Walton uses Internal Control in the AIS system to ensure safety.

5.3.1 Authorization Control

In the AIS system, the transaction authorization is automated. The system is programmed to take the decisions and implement the tasks. Also if the reorder level is not set accordingly then there will be a problem in ordering the raw materials which must be authorized. There is a threshold amount which is set in the program and the program cannot automatically sign and process the cash disbursement above that value.

5.3.2 Segregation of Duties

The AIS prevents any single user to have all the control of an entire transaction which enforces the users tasks as not every user can perform every task. It helps prevent any kind of fraud risks as if a person gets all the control then the person can perform fraud and erase any trace of that.

5.3.3 Supervision

As everything in AIS is done automatically, the need for Supervision increases. The supervisor needs to make sure if everyone knows how the AIS works. The supervisors need to make sure if the employees are doing their tasks or not and they need to check if anyone is trying to manipulate the programs of the AIS.

5.3.4 Accounting Records

The AIS system stores and manages the financial records of Walton Company. The system is fast and efficient but the accountants need to check the systems if there is any mistake or not to avoid them. The company keeps backup of the reports in case if the files are lost or damaged the information will not be lost.

5.3.5 Access Control

In the AIS system, everyone cannot access every information. Walton has the control of it. The employees will get access to the information that is only related to their work responsibilities.

5.3.6 Independent verification

The Use of AIS reduces the risk of fraud and error but now the focus of verification shifts to the system if the system's program has been corrupted or not. Errors and fraud can still happen if the system is not controlled. So if the programs are corrupted then the system needs to be changed. So the Walton company has IT auditors who check the programs so that if there is any corruption in code or not.

6. Revenue Cycle

Walton Sells their merchandise to the customers to make profit through Revenue Cycle. Primarily the Revenue Cycle also has two subsystems which are
i. Physical Subsystem
ii. Financial Subsystem
Walton processes the cash sales, credit sales and cash receipts through the AIS system.

6.1 Physical Subsystem using AIS

The physical subsystem of the Revenue cycle deals with the sales order processing. The maximum sales in the revenue cycle are made in credit between the customer and organization which the physical subsystem deals with.

In AIS, the manual procedures are replaced with interactive computer terminals. Now the customers can order via computer screens and the orders are processed automatically. The customer places an order and the AIS checks the inventory to see if the product is available or not. The AIS also checks the background of the customer if the customer's past payments are clear or not. If the customer is eligible for the sale then the AIS sends the sales order form to the Merchandise department for processing and shipping the order to the shipping department. The AIS automatically updates the inventory, Accounts receivable, general ledger.

6.2 Financial Subsystem using AIS

The financial Subsystem of the revenue cycle deals with the cash receipts process. Once the shipping is done the Walton AIS automatically generates the invoice and sends it to the customer. The system records waits for payment and when the payment is received the AIS automatically updates the accounts receivable, general ledger and generates receipts.This improves the cash cycle the customers get the invoice earlier so they can also pay early.

6.3 Internal Controls Used in Revenue Cycle

The revenue Cycle deals with the most important asset of an organization which is cash so the AIS must be well secured for the revenue cycle. For Walton Group, protecting this cycle from fraud, error, and data loss is very much important.

6.3.1 Authorization Control

In Walton's AIS, only authorized persons can approve or reject the transactions. The AIS needs managerial approval before finalizing the transaction.

6.3.2 Segregation of Duties

The AIS system separates the tasks of different departments like sales order form, shipping, billing. No single employee has the control over all transactions. It reduces the risk of fraud.

6.3.3 Supervision

The AIS helps generate reports which helps the management to make decisions.

6.3.4 Accounting Records

Using AIS, the transactions are automatically recorded to make the process faster and accurate. The backup must be kept of the files like accounts receivable, invoice etc.

6.3.5 Access Control

Using the Walton's AIS, not everyone will have access to all the transactions. This prevents unauthorized access to sensitive information.

6.3.6 Independent verification

The AIS helps to reconcile the sales order process and cash receipts to help audit if any errors are made or any fraud were attempted or not. The auditors use the data of the AIS to check the accuracy and completeness of the transactions.

7. Benefit of Using The AIS in Walton

As mentioned earlier, Walton has to deal with a huge amount of transactions daily. The AIS helps the company to process the transactions more efficiently. The AIS helps Walton group in the expenditure cycle to improve the purchase system and cash disbursement system and also helps in the revenue cycle to improve sales order processing and cash receipt system. It also helps the company to strengthen the internal control which reduces the risk of fraud and error. Also using the AIS, all the manual work is now automated so the cost of paper storage has been reduced. If an update is done in one file, the other files are automatically updated as well. As all the files are stored in the same database so the files can be accessed if permission is given so it reduces the time and also there is no need of merging. The use of AIS has given competitive advantage to Walton.

8. Conclusion

The use of the Accounting Information System has helped Walton to take a higher position in the market. By making the manual system automated, Walton has been able to handle tasks more accurately and efficiently.

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