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**TEST SERIES**  
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**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- EIS**

**Test Code – CIM 8465**

**BRANCH - () (Date :)**

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**ANSWER 1 MULTIPLE CHOICE QUESTIONS**

**(1\*10 = 10 MARKS)**

1. (b) 143
2. (a) Manufacturing
3. (b) Global System for Mobile Communication
4. (b) Today itself based on past years' experience and future projected increase
5. (c) The law is not being able to meet the requirements of technology.
6. (b) Internet of Things(IoT)
7. (b) 
8. (d) Complex
9. (d) Cash on Delivery
10. (a) Confidentiality

**ANSWER 2(a)**

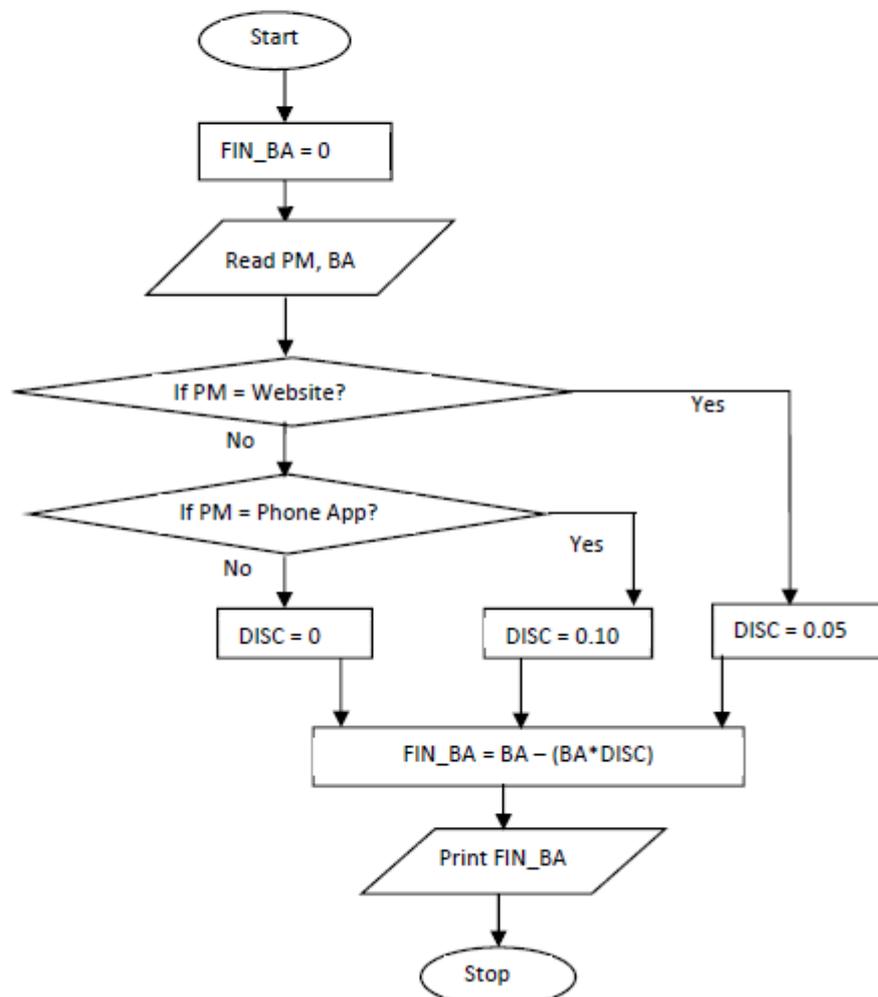
Let us define the variables first:

**PM:** Purchase Mode

**BA:** Bill Amount

**FIN\_BA:** Final Bill Amount

**DISC:** Discount



**(5 MARKS)**

### ANSWER 2(b)

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:

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

(5 MARKS)

### ANSWER 2(c)

Tips to protect any e-Commerce business from intrusion are as follows:

- **Viruses:** Check your website daily for viruses, the presence of which can result in the loss of valuable data.
- **Hackers:** Use software packages to carry out regular assessments of how vulnerable your website is to hackers.
- **Passwords:** Ensure employees change these regularly and that passwords set by former employees of your organization are defunct.
- **Regular software updates:** Your site should always be up to date with the newest versions of security software. If you fail to do this, you leave your website vulnerable to attack.
- **Sensitive data:** Consider encrypting financial information and other confidential data (using encryption software). Hackers or third parties will not be able to access encrypted data without a key. This is particularly relevant for any e-Commerce sites that use a shopping cart system.
- Know the details of your payment service provider contract.

(5 MARKS)

### ANSWER 3(a)

Material Management (MM) Module manages materials required, processed and produced in enterprises. Different types of procurement processes are managed with this system. Some of the popular sub-components in MM module are vendor master data, consumption based planning, purchasing, inventory management, invoice verification and so on. Material

management also deals with movement of materials via other modules like logistics, Supply Chain Management, sales and delivery, warehouse management, production and planning. The overall purchase process includes the following sub-processes:

- **Purchase Requisition from Production Department** – Production department sends a request to purchase department for purchase of raw material required for production.
- **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.
- **Asking for Quotation** - If requisition is accepted, quotations shall be asked to approve vendors for purchase of material.
- **Evaluation of quotations** - Quotations received shall be evaluated and compared.
- **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.
  - Description of **stock items** to be purchased.
  - **Quantity** of these stock items.
  - **Rate** for purchases.
  - **Due Date** by which material is to be received.
  - **Godown** where material is to be received.
- **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.
- **Issue of material** - Material received by stores shall be issued to production department as per requirement.
- **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.
- **Payment to Vendor** - Payment shall be made to vendor based on purchase invoice recorded earlier. Payment transaction shall have a linking with purchase invoice.

**(6 MARKS)**

**ANSWER 3(b) (Any 4 points)**

Risks and Controls related to the Order to Cash (O2C) business process are as follows:

Risks	Controls
The customer master file is not maintained properly and the information is not accurate.	The customer master file is maintained properly and the information is accurate.
Invalid changes are made to the customer master file.	Only valid changes are made to the customer master file.

All valid changes to the customer master file are not input and processed.	All valid changes to the customer master file are input and processed.
Changes to the customer master file are not accurate.	Changes to the customer master file are accurate.
Changes to the customer master file are not processed in a timely manner.	Changes to the customer master file are processed in a timely manner.
Customer master file data is not up-to-date and relevant.	Customer master file data is up to date and relevant.
System access to maintain customer masters has not been restricted to the authorized users.	System access to maintain customer masters has been restricted to the authorized users.

(4 MARKS)

### ANSWER 3(c)

The most suitable choice is **Community Cloud** which is the cloud infrastructure provisioned for exclusive use by a specific community of consumers from organizations that have shared concerns (eg. mission security requirements, policy, and compliance considerations). It may be owned, managed, and operated by one or more of the organizations in the community, a third party or some combination of them, and it may exist on or off premises. In this, a private cloud is shared between several organizations. This model is suitable for organizations that cannot afford a private cloud and cannot rely on the public cloud either.

(2 MARKS)

Advantages of Community Cloud are as follows:

- It allows establishing a low-cost private cloud.
- It allows collaborative work on the cloud.
- It allows sharing of responsibilities among the organizations.
- It has better security than the public cloud.

(2 MARKS)

The **limitation of the Community Cloud** is that the autonomy of the organization is lost and some of the security features are not as good as the private cloud. It is not suitable in the cases where there is no collaboration.

(1 MARK)

### ANSWER 4(a) (Any 5 points)

The major benefits that will be drawn out of automating the Grievance related business process and implementing the Grievance Management System are as follows:

- **Quality and Consistency:** Ensures that every action is performed identically - resulting in high quality, reliable results and stakeholders will consistently experience the same level of service.
- **Time Saving:** Automation reduces the number of tasks employees would otherwise need to do manually. It frees up time to work on items that add genuine value to the business, allowing innovation and increasing employees' levels of motivation.
- **Visibility:** Automated processes are controlled and consistently operate accurately within the defined timeline. It gives visibility of the process status to the organization.
- **Improved Operational Efficiency:** Automation reduces the time it takes to achieve a task, the effort required to undertake it and the cost of completing it successfully. Automation

not only ensures systems run smoothly and efficiently, but that errors are eliminated and that best practices are constantly leveraged.

- **Governance and Reliability:** The consistency of automated processes means stakeholders can rely on business processes to operate and offer reliable processes to customers, maintaining a competitive advantage.
- **Reduced Turnaround Times:** Eliminate unnecessary tasks and realign process steps to optimize the flow of information throughout production, service, billing and collection. This adjustment of processes distills operational performance and reduces the turnaround times for both staff and external customers.
- **Reduced Costs:** Manual tasks, given that they are performed one-at-a-time and at a slower rate than an automated task, will cost more. Automation allows us to accomplish more by utilizing fewer resources.

**(5 MARKS)**

#### **ANSWER 4(b)**

In computing, **Virtualization** means to create a virtual version of a device or resource, such as a server, storage device, network or even an operating system where the framework divides the resource into one or more execution environments. Virtualization refers to technologies designed to provide a layer of abstraction between computer hardware systems and the software running on them. By providing a logical view of computing resources, rather than a physical view; virtualization allows its' users to manipulate their systems' operating systems into thinking that a group of servers is a single pool of computing resources and conversely, allows its users to run multiple operating systems simultaneously on a single machine. Thus, the core concept of Virtualization lies in Partitioning, which divides a single physical server into multiple logical servers. For example - Partitioning of a hard drive is considered virtualization because one drive is partitioned in a way to create two separate hard drives. Devices, applications and human users can interact with the virtual resource as if it were a real single logical resource.

**(3 MARKS)**

#### **ANSWER 4(c)**

**Customer Relationship Management (CRM):** CRM 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. CRM manages the enterprise's relationship with its customers. This includes determining who the high-value customers are and documenting what interactions the customers have had with the enterprise.

**(2 MARKS)**