

ACS-1803

Introduction to Information Systems

Instructor: Victor Balogun

Functional Area Systems – Financial Information Systems

Lecture Outline 5 – Part I

System Examples: Functional Area Info Systems

Functional Area	Information System	Examples of Typical Systems
Accounting and Finance	Systems used for managing, controlling, and auditing the financial resources of the organization	<ul style="list-style-type: none">■ Inventory management■ Accounts payable■ Expense accounts■ Cash management■ Payroll processing
Human Resources	Systems used for managing, controlling, and auditing the human resources of the organization	<ul style="list-style-type: none">■ Recruiting and hiring■ Education and training■ Benefits management■ Employee termination■ Workforce planning
Marketing	Systems used for managing new product development, distribution, pricing, promotional effectiveness, and sales forecasting of the products and services offered by the organization	<ul style="list-style-type: none">■ Market research and analysis■ New product development■ Promotion and advertising■ Pricing and sales analysis■ Product location analysis
Production and Operations	Systems used for managing, controlling, and auditing the production and operations resources of the organization	<ul style="list-style-type: none">■ Inventory management■ Cost and quality tracking■ Materials and resource planning■ Customer service tracking■ Customer problem tracking■ Job costing■ Resource utilization

Functional Area Information Systems

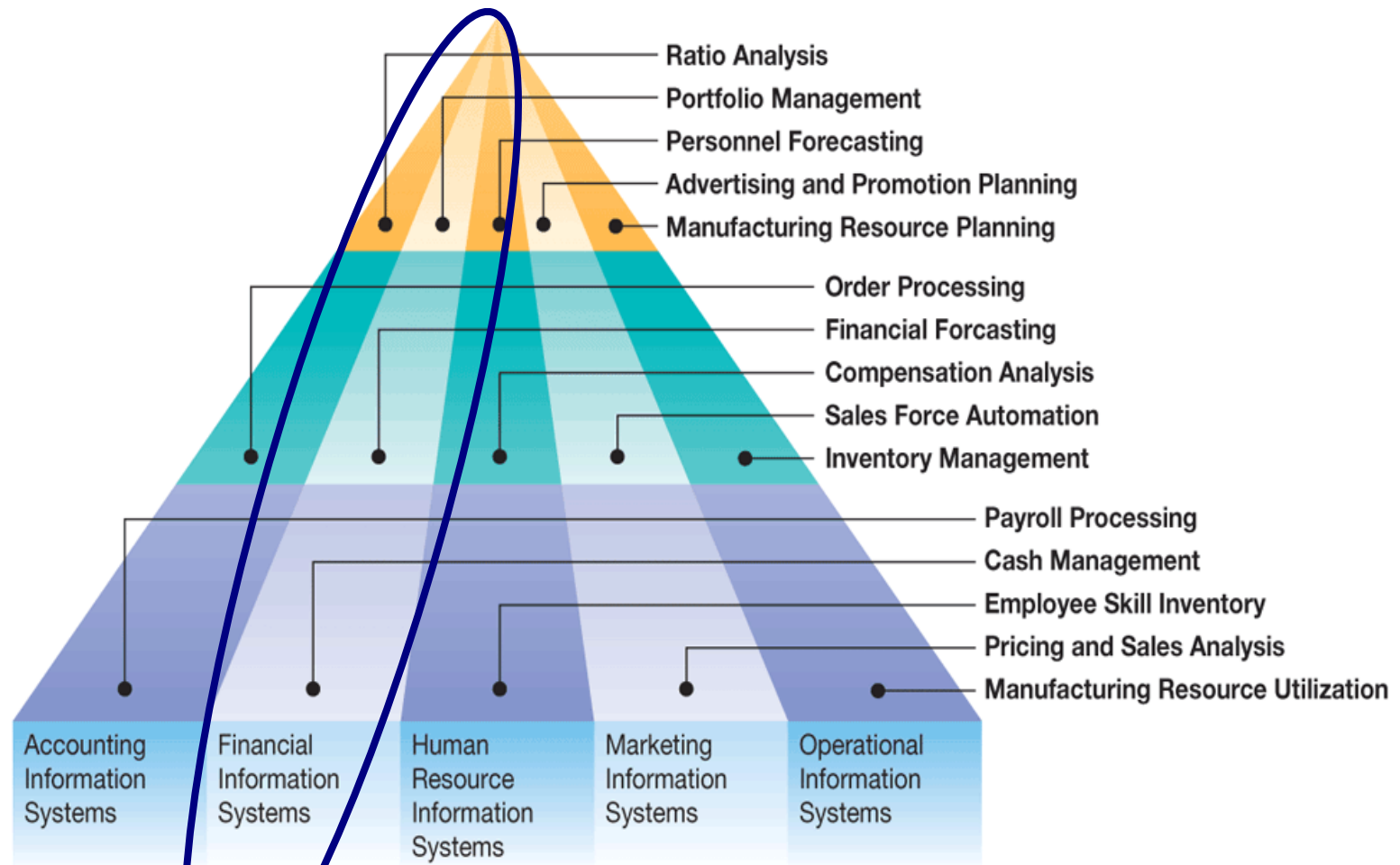


Figure 6.34 Functional area information systems.

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Finance Information Systems

- ▶ Finance area: acquires and manages cash for a business
- ▶ Acquire thru shares or loans
- ▶ Invest cash wisely
- ▶ Company must maintain liquidity
 - ▶ Meet short term obligations
- ▶ Need to analyze considerable financial info



Finance Information Systems

▶ Tactical Financial

- A. Systems Budgeting Systems
- B. Cash Management Systems
- C. Capital Budgeting Systems
- D. Investment Management Systems

▶ Strategic Financial Systems

- A. Financial Conditional Analysis Systems
- B. Long Range Forecasting Systems
- C. Corporate Planning Systems



Tactical Systems in Finance

A. BUDGETING SYSTEMS

- ▶ Plan revenues and expenses line-by-line
- ▶ Can summarize in various ways
- ▶ Can compare this year's budget to last year's
- ▶ Can compare actual expenses vs budgeted (get actual results from General ledger System)

Tactical Systems in Finance

▶ **BUDGETING SYSTEMS (cont'd)**

- ▶ Comparing budgeted to actual results allows for *variances analysis*
- ▶ E.g.. Current budgeted expenses, actual expenses and variances by line item
- ▶ E.g.. Projected expenses for each budget line item for entire year based on expenses incurred to date
- ▶ Spreadsheet-type systems are useful for budgeting (ie. formulas)
- ▶ Can use last year's budget as a base for next year and maybe 5 years
- ▶ How are such system tactical? explain

Tactical Systems in Finance

B. CASH MANAGEMENT SYSTEMS

- ▶ Ensure that business has sufficient cash to meet its needs
 - ▶ For day-to-day operations
 - ▶ For acquisition of long-term assets
- ▶ Important output is the cash flow report
 - ▶ Can *forecast* cash flows for , say 6 months
 - ▶ $\text{Flow} = \text{total cash receipts} - \text{total cash payments}$



Tactical Systems in Finance

C. CAPITAL BUDGETING SYSTEMS

- ▶ Provide help with planning acquisition (disposal) of major plant assets that will be used by the business during many years
- ▶ Provide outgoing and incoming cash for the life of the asset
 - Use assumptions
 - Consider the time value of money (net present value)
- ▶ E.g. Can help to decide whether to lease or buy a new printer



Tactical Systems in Finance

D. INVESTMENT MANAGEMENT SYSTEMS

- ▶ Oversee organization's investment in stocks, bonds, and other securities
- ▶ Online databases provide immediate updates for stock and bond prices
- ▶ E.g. Value Screen inputs the current price of each stock and calculates the gain or loss the company's investment portfolio would generate if sold now

Functional Area Information Systems

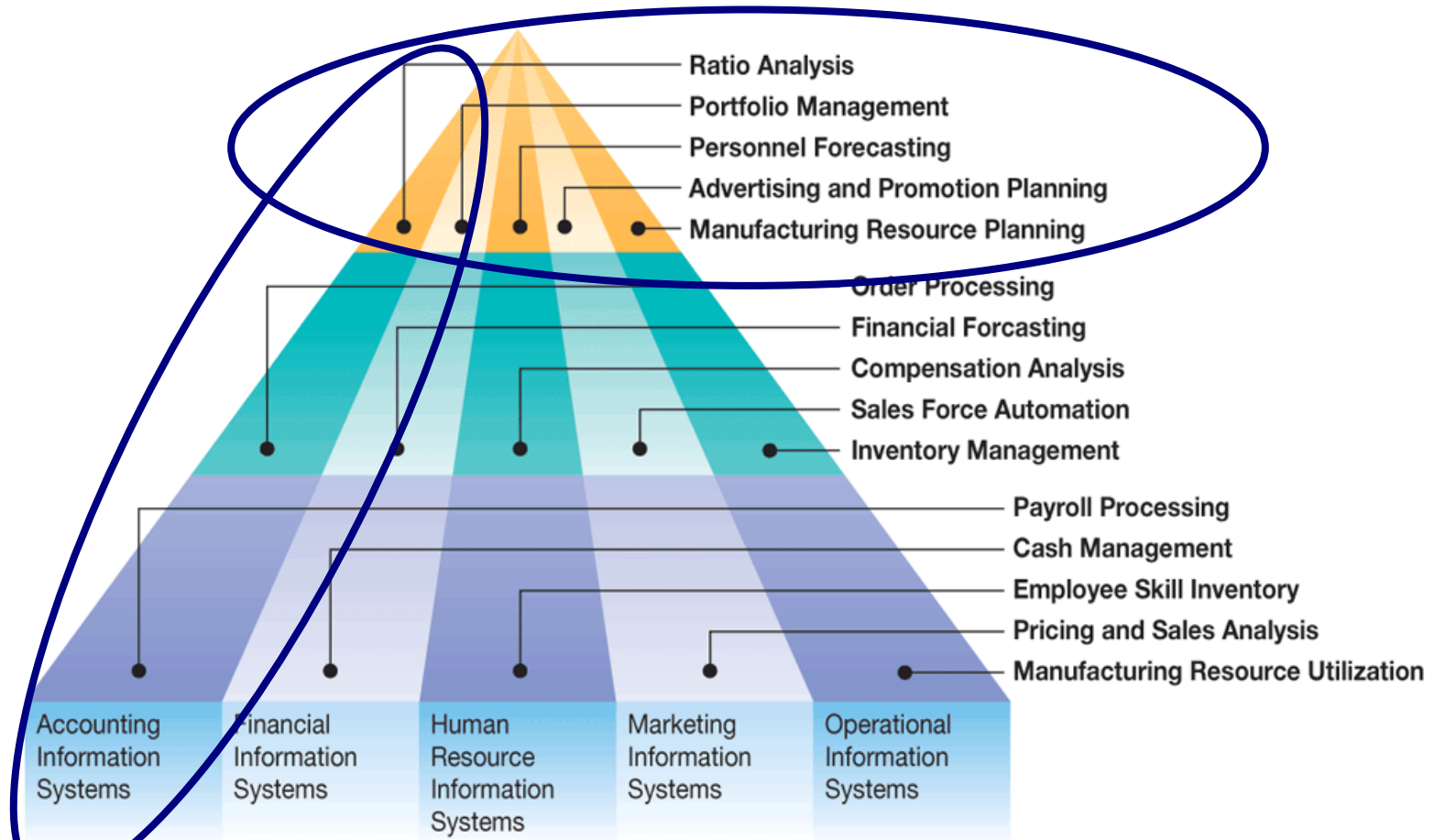


Figure 6.34 Functional area information systems.

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Strategic Systems in Finance

- ▶ Support very high-level managers
- ▶ Strategic systems relate to organizational goals
- ▶ Often, such systems use internal data (which may have originated in organizational AIS) and external data (eg. From online databases that contain economic, social, demographic, etc, info)



Strategic Systems in Finance

A. FINANCIAL CONDITION ANALYSIS SYSTEMS

- ▶ Provide insightful analyses of financial statements and data (e.g., ratios: current ratio, debt:equity ratio)
- ▶ Online databases can allow for financial analysis of competitors, suppliers, buyers and other organizations)



Strategic Systems in Finance

B. LONG RANGE FORECASTING SYSTEMS

- ▶ May use both internal and external data
- ▶ Apply statistical techniques
- ▶ May use graphics
- ▶ Analyze trends



Strategic Systems in Finance

C. CORPORATE PLANNING SYSTEMS

- ▶ Use data from past, like forecasting systems
- ▶ More elaborate; contain simulation models of various aspects of business
- ▶ Models must have valid assumptions