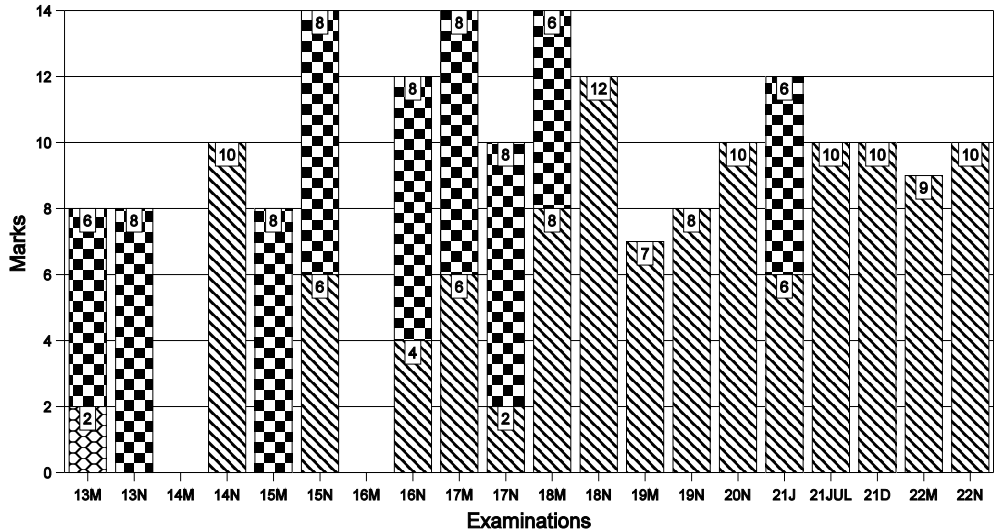


<b>CHAPTER</b>	<h1>Automated Business Processes</h1>
<h1>1</h1>	
<b>This Chapter Covers:</b> Study's Chapter: 1	
<i>Chapter Comprises: Enterprise Business Processes ↻ Automated Business Processes ↻ Enterprise Risk Management ↻ Risks ↻ Controls ↻ Risks and Controls for specific Business Processes ↻ Regulatory and Compliance Requirements.</i>	

**THE GRAPH** ..... *Trend Analysis*

Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions

**Legend**



For detailed analysis Login at [www.scanneradda.com](http://www.scanneradda.com) for registration and password see first page of this book.



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<b>TIME MANAGER</b>		..... <i>Plan and Manage your Time</i>					
<b>Time</b>	<i>First In-depth learning</i>	<i>Instant Revision (in hours)</i>		<i>Periodic Revision (in hours)</i>			
	i.e.....	Next day i.e....	After 7 days i.e. on	After 30 days i.e. on	After 60 days i.e. on	After 90 days i.e. on	Fix as per your need.
	..... Day 1	..... Day 2	..... Day 8	..... Day 30	..... Day 60	..... Day 90	
1. Budgeted	16	4.00	3.12	2.20	1.35	1.35	
2. Actual							
3. Variance (1-2)							

<b>QUICK LOOK</b>		..... <i>Weightage Analysis</i>	
<b>Repeatedly Asked Questions</b>	<b>Common Answered Questions</b>	<b>Must Try Question</b>	
	3.6, 4.2	1.1, 2.5, 3.6, 7.16	

<b>1</b>	<b><i>Introduction</i></b>
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<b>Q.1.1</b>	<b>RTP</b>	<b>Descriptive</b>
Discuss Executive information systems (EIS) and its components.		

**Answer:**

**Executive Information Systems (EIS):**

An Executive Information System (EIS) is the nature of Information System used by executives to access and administer the data they entail to make informed business decisions. In the hierarchical structure of information systems, the EIS is at the pinnacle and is designed to renovate all significant data (from project to process to budget) into aggregated information that makes sense and brings value to the by and large business strategy. EIS is able to link data from various sources both internal and external to provide the amount and kind of information executives find useful. These systems are designed for top management; easy to use present information in condensed view; access organisation's databases and data external to the organisation.

**Components of an EIS**

<b>Components</b>	<b>Description</b>
<b>Hardware</b>	Includes Input data- entry devices, CPU, Data Storage files and Output Devices.
<b>Software</b>	Includes Text base software, Database and Graphic types such as time series charts, scatter diagrams, maps, motion graphics, sequence charts and comparison- oriented graphs (i.e., bar charts) Model base.
<b>User Interface</b>	Includes hardware (physical) and software (logical) components by which people (users) interact with a machine. Several types of interfaces can be available to the EIS structure, such as scheduled reports, questions/answers, menu driven, command language, natural language and input/output.
<b>Tele-communication</b>	Involves transmitting data from one place to another in a reliable networked system.

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2

**Enterprise Business Processes**

<b>Q.2.1</b>	<b>2014 - Nov [2] (a)</b>	<b>Descriptive</b>
What are the various key factors to be considered in implementing Business Process Management (BPM) in an enterprise? (4 marks)		

**Answer:**

Various key factors to be considered in implementing Business Process Management (BPM) in an enterprise are as follows:

<b>Factors</b>	<b>Key Considerations</b>
<b>Scope</b>	A single process, a department, the entire company.
<b>Goals</b>	Process understanding, Process Improvement, Process Automation/ Optimization and Process re-engineering.
<b>Methods to be used</b>	Six Sigma, BPM Life Cycle Method, TQM, Informal methods.
<b>Skills Required</b>	Consultants, Train Employees, Formal Certification, Basic Education, Existing Skill sets.
<b>Tools to be used</b>	White-Boards, Sticky Notes, Software for Mapping, Documenting, Software for Simulation, Comprehensive BPMS.
<b>Investments to Make</b>	Training, Tools, Time.
<b>Sponsorship/Buy-in Needed</b>	Executive Level, Department Level, Process Owner Level, Employee Level.

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<b>Q.2.2</b>	<b>2014 - Nov [2] (b)</b>	<b>Descriptive</b>
What are the major reasons for failure of Business Process Management System (BPMS)?		(4 marks)

**Answer:**

**Reason for Failure of BPMS:**

1. The consumer is often confronted with poor customer service due to broken processes, inefficient processes and manual processes- that is the customer is often confronted (challenged) with the silos of the organisation.
2. The same consumer is becoming more and more demanding with respect to delivery time and also demanding higher quality of the products or services.
3. The product or service is becoming more and more personalized supported by increased customer services.
4. Inadequate investment in ongoing training for involved personnel and deficient executive involvement.
5. Breakdown in gap analysis due to deficient project management.
6. Inefficient corporate policy protecting the integrity of data in BPMS.

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<b>Q.2.3</b>	<b>2017 - May [1] {C} (a)</b>	<b>Descriptive</b>
Write any two principles of Business Process Management.		(2 marks)

**Answer:**

<b>Principles of Business Process Management:</b>		
<b>1.</b>	<b>Principle of Context Awareness</b>	BPM should fit to the organisational context. It should be tailor made and should not follow cook book approach.

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<b>2.</b>	<b>Principle of Continuity</b>	BPM should be a continuous and permanent practice. It should not be a one-off project.
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<b>Q.2.4</b>	<b>2022 - May [1] {C} (a)</b>	<b>Descriptive</b>
<p>Presently, the flow of information is at an unimaginable high speed for doing any business and need of information is perceived at various levels of hierarchy. With these objectives in focus, define:</p> <p>(i) Enterprise Information System</p> <p>(ii) Categories of Business Processes <span style="float: right;">(3 marks)</span></p>		

**Answer:**

- (i) **Enterprise Information System:**

An Enterprise Information System (EIS) may be defined as any kind of information system which improves the functions of an enterprise business processes by integration.

An EIS provides a technology platform that enables organizations to integrate and coordinate their business processes on a robust foundation.

An EIS provides a single system that is central to the organization that ensures information can be shared across all functional levels and management hierarchies.
- (ii) **Categories of Business Processes:**
  1. **Operational Processes (or Primary Processes):**

Operational or Primary Processes deal with the core business and value chain. These processes deliver value to the customer by helping to produce a product or service. Operational processes represent essential business activities that accomplish business objectives e.g. purchasing, manufacturing and sales. Also, order to Cash cycle (O<sub>2</sub> C) and purchase to Pay (P<sub>2</sub> P) cycles are associated with revenue generation.
  2. **Supporting Processes (or Secondary Processes):**

Supporting Processes back core processes and functions within an organization. Examples of supporting or management processes include Accounting, Human Resource (HR) Management and workplace safety. One key differentiator between operational and support processes is that support processes do not provide value to customers directly. However, it should be noted that hiring the right people for the right job has a direct impact on the efficiency of the enterprise.

In the above, the main HR Process areas are grouped into logical functional areas that include Recruitment and staffing; Goal Setting; Training and Development; Compensation and Benefits; Performance Management; Career Development and Leadership Development.

**3. Management Processes:**

Management Processes measure, monitor and control the activities related to business procedures and systems. Examples of management processes include internal communications, governance, strategic planning, budgeting and infrastructure or capacity management. Like supporting processes, management processes do not provide value directly to the customers. However, it has a direct impact on the efficiency of the enterprise.

In the process of Budgeting in any enterprise, budgeting needs to be driven by the vision (What enterprise plans to accomplish) and the strategic plan (the steps to get there). Having a formal and structured budgeting process is the foundation for good business management, growth and development.

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Q.2.5	RTP	Descriptive
Define Business Process		

**Answer:**

**Business Process:**

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A Business Process Consists of a set of activities that are performed in coordination in an organizational and technical environment. These activities jointly realize a business goal. Each business process is enacted by a single organization, but it may interact with business processes performed by other organizations. To manage a process, the first task is to define it that involves defining the steps/ tasks in the process and mapping the tasks to the roles involved in the process. Once the process is mapped and implemented, performance measures are established. The last piece of the process management definition describes the organizational setup that enables the standardization of and adherence to the process throughout the organization.

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<b>Q.2.6</b>	<b>RTP</b>	<b>Descriptive</b>
During a job interview, an interviewer asked Mr. A to list out all the risks and their controls associated with Order-To-Cash (O2C) business process. Prepare an appropriate draft reply.		

**Answer:**

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

<b>S. No.</b>	<b>Risks</b>	<b>Controls</b>
1.	The Customer master file might not be maintained properly and the information might not be accurate.	The Customer master file is maintained properly and the information is accurate.
2.	Invalid changes are made to the customer master file.	Only Valid changes are made to the customer master file.
3.	All Valid changes to the customer master file are not processed.	All Valid changes to the customer master file are processed.



4.	Changes to the customer master file might not be accurate.	Changes to the customer master file are made accurate.
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<b>7.22</b>	<b>■</b>	<b>Scanner CA Inter Group - II Paper - 7A</b>
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	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.
5.	Customer master file data might not be up-to-date and relevant.	Customer master file data is up to date and relevant.

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<b>3</b>	<b><i>Automated Business Processes</i></b>
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<b>Q.3.1</b>	<b>2014 - Nov [1] {C} (e)</b>	<b>Descriptive</b>
What are the objectives of business process automation? (2 marks)		

**Answer:**

<b>The success of any business process automation shall only be achieved when BPA ensures</b>	
<b>Confidentiality</b>	To ensure that data is only available to persons who have right to see the same;
<b>Integrity</b>	To ensure that only authorized amendments can be made in the data;
<b>Availability</b>	To ensure that data is available when asked for; and
<b>Time lines</b>	To ensure that data is made available at the right time. To ensure that all the above parameters are met, BPA needs to have appropriate internal controls put in place.

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<b>Q.3.2</b>	<b>2015 - Nov [1] {C} (a)</b>	<b>Descriptive</b>
Mention the challenges in implementing 'Business Process Automation'. (2 marks)		

**Answer:**

<b>Challenges in implementing Business Process Automation</b>		
1.	<b>Planning</b>	It requires determining the goals, of the information system function and the means of achieving these goals.
2.	<b>Organizing</b>	It involves gathering, allocating and coordinating the resources needed to accomplish the goals.
3.	<b>Leading</b>	It involves motivating, guiding and communicating with personnel.
4.	<b>Controlling</b>	Comparing actual performance with planned performance as a basis for taking any corrective actions that are needed.
5.	<b>Increase in Number of interface with Customers</b>	Since the number of interface with customers is growing for e.g. phone, e-mail, SMS, Whatsapp etc. it becomes difficult to handle.
6.	<b>High Cost</b>	It plays heavily on the budget of the company.

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<b>Q.3.3</b>	<b>2015 - Nov [6] (b)</b>	<b>Descriptive</b>
What is meant by 'controls' in BPA? What are their major objectives? (4 marks)		

**Answer:**

<b>Business Process Automation Controls</b>	
<b>Meaning of Business Process Automation</b>	<ul style="list-style-type: none"> <li>BPA is the basic component of an enterprise-wide automation and management scheme for both business and IT workflow.</li> </ul>

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		<p>It refers to removing the human element from existing business processes by automating the repetitive or standardized process components. It ranges from automating a simple data-entry-manipulation task to building complex, automated financial management processes using existing applications.</p>
<b>Meaning of Control</b>		<ul style="list-style-type: none"><li>Control is defined as policies, procedures, practices and organization structure that are designed to provide reasonable assurance that business objectives are achieved and undesired events are prevented or detected are corrected.</li></ul>
<b>Major Objectives of Controls in BPA:</b>		
<b>1.</b>	<b>Authorization</b>	It ensures that all transactions are approved by responsible personnel in accordance with their specific or general authority before the transaction is recorded.
<b>2.</b>	<b>Completeness</b>	It ensures that no valid transactions have been omitted from the accounting records.
<b>3.</b>	<b>Validity</b>	It ensures that all valid transactions fairly represent the economic events that actually occurred, are lawful in nature and have been executed in accordance with management's general authorization.
<b>4.</b>	<b>Accuracy</b>	It ensures that all valid transactions are accurate, consistent with the originating transaction data, and information is recorded in a timely manner.
<b>5.</b>	<b>Physical Safeguards and Security</b>	Ensures that access to physical assets and information systems are controlled and properly restricted to authorized personnel.

6.	<b>Error Handling</b>	It ensures that errors detected at any stage of processing receive prompt corrective action and are reported to the appropriate level of management.
7.	<b>Segregation of Duties</b>	It ensures that duties are assigned to individuals in a manner that ensures that no one individual can control both the recording function and procedures relative to processing a transaction.

Space to write important points for revision

<b>Q.3.4</b>	<b>2017 - May [6] (b)</b>	<b>Descriptive</b>
What are the generic reasons for going for Business Process Automation? (4 marks)		

**Answer:**

<b>Business Process Automation</b>		
<b>Meaning</b>	BPA is the basic component of an enterprise-wide automation and management scheme for both business and IT workflow. It refers to removing the human element from existing business processes by automating the repetitive or standardized process components. It ranges from automating a simple data-entry-manipulation task to building complex, automated financial management processes using existing applications.	
<b>Need of BPA</b>		
1.	<b>Fast Service to customers</b>	This was not the initial reason for adaption of BPA but gradually business managers realized that automation could help them to serve their customers faster and better.
2.	<b>To Remain Competitive and</b>	To provide the level of products and services as offered by competition and thus enhancing

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	<b>enhancing goodwill</b>	goodwill.
<b>3.</b>	<b>Cost Saving</b>	Automation leads to saving in time and labour costs.
<b>4.</b>	<b>Error free</b>	To provide error free services to the customer.
<b>5.</b>	<b>Focus on key areas</b>	Freeing people from routine and volume, and allow management to do what they are best at make decisions, analyze data implications and trends and focus on providing better customer service.

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<b>Q.3.5</b>	<b>2018 - Nov [6] (b)</b>	<b>Descriptive</b>
State the required characteristics of goals to be achieved by implementing Business Process Automation (BPA).		(2 marks)

**Answer:**

**The characteristics of goals to be achieved by implementing Business Process Automation (BPA), being:**

- S - Specific
- M - Measurable
- A - Attainable
- R – Relevant
- T – Timely

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<b>Q.3.6</b>	<b>2019 - May [3] (b)</b>	<b>Descriptive</b>
A business organization is planning to increase the accuracy of information transferred and certifies the repeatability of the value -added task performed by the automation of business.		
Being a management consultant, identify any four major benefits that the organization can achieve through the automation of a business process.		

(4 marks)		
<b>OR</b>	<b>2021 - Jan [5] (a)</b>	<b>Descriptive</b>
Using the automation technique in modern era of business, the business gets well developed with a great customer satisfaction of their services and products in which the customer-oriented supply chain plays a major role. List down the name of all the benefits of Automating Business processes by explaining any four benefits. (6 marks)		
<b>OR</b>	<b>RTP</b>	<b>Descriptive</b>
Briefly discuss the benefits of Business Process Automation.		

**Answer:**

**Major benefits that the organisation can achieve through the automation of a business process.**

<b>1.</b>	<b>Quality &amp; Consistency</b>	<ul style="list-style-type: none"> <li>Ensures that every action is performed identically - resulting in high quality, reliable results and stakeholders will consistently experience the same level of service.</li> </ul>
<b>2.</b>	<b>Time Saving</b>	<ul style="list-style-type: none"> <li>Automation reduces the number of tasks employees would otherwise need to do manually.</li> <li>IT frees up time to work on items that add genuine value to the business, allowing innovation and increasing employees' level of motivation.</li> </ul>
<b>3.</b>	<b>Improved Operational efficiency</b>	<ul style="list-style-type: none"> <li>Automation reduces the time it takes to achieve a task, the effort required to undertake it and the cost of completing it successfully.</li> <li>Automation not only ensures systems run smoothly and efficiently, but that</li> </ul>

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		errors are eliminated and best practices are constantly leveraged.
<b>4.</b>	<b>Governance and Reliability</b>	<ul style="list-style-type: none"> <li>The consistency of automated processes means stakeholders can rely on business processes to operate and offer reliable processes to customers, maintaining a competitive advantage.</li> </ul>
<b>5.</b>	<b>Reduced Turnaround Times</b>	<ul style="list-style-type: none"> <li>Eliminate unnecessary tasks and realign process steps to optimise 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.</li> </ul>

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<b>Q.3.7</b>	<b>2021 - July [5] (a)</b>	<b>Descriptive</b>
<p>In the present age of Information Technology, Business Process Automation (BPA) is the key technology-enabled automation of activities or services. As an Information Technology consultant, you are requested to suggest any three examples of business processes that are best suited to automation and also discuss any three challenges involved in Business Process Automation.</p>		(6 marks)

**Answer:**

<p><b>The following are the three examples of processes that are best suited to automation:</b></p>
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(i) <b>Processes requiring multiple people to execute tasks</b>	A business process which requires multiple people to execute tasks often results in waiting time that can lead to increase in costs. Eg. Help desk services. Automating these processes results in reduction of waiting time and in costs.
(ii) <b>Time-sensitive processes</b>	Business process automation results in streamlined processes and faster turnaround times. The streamlined processes eliminate wasteful activities and focus on enhancing tasks that add value. Time-sensitive processes are best suited to automation. <b>For example</b> -online banking system, Railway/aircraft operating and control system etc.
(iii) <b>Processes involving need for compliance and audit trail</b>	With business process automation, every detail of a particular process is recorded. These details can be used to demonstrate compliance during audits. <b>For example</b> - invoice issue to vendors.

**Challenges involved in Business Process Automation**

(i) <b>Automating Redundant Processes</b>	Sometimes organizations start off an automation project by automating the processes they find suitable for automation without considering whether such processes are necessary and create value. In other cases, some business processes and tasks require high amount of tacit knowledge (that cannot be documented and transferred from one person to another) and therefore, seek employees to use their personal judgement. These processes are generally not good candidates for automation as these processes are hard to encode and automate.
(ii) <b>Defining Complex</b>	BPA requires re-engineering of some business processes that requires significant amount of time to

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**Processes**

be allocated and spent at this stage. This requires a detailed understanding of the underlying business processes to develop an automated process.

<b>(iii) Staff Resistance</b>	In most cases, human factor issues are the main obstacle to the acceptance of automated processes. Staff may see process automation as a way of reducing their decision making power. This is due to the reason that with automated processes, the management has a greater visibility of the process and can make decisions that used to be made by the staff earlier. Moreover, the staff may perceive automated processes as threat to their jobs.
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<b>Q.3.8</b>	<b>2022 - Nov [2] (a)</b>	<b>Descriptive</b>
<p>In the modern era, the business gets well developed by using the automation technique with a greater customer satisfaction of services and products, where customer-oriented supply chain is playing a vital role. In this context, explain the benefits of automating business processes.</p> <p style="text-align: right;">(6 marks)</p>		

<b>Q.3.9</b>	<b>RTP</b>	<b>Descriptive</b>
<p>Discuss the steps in implementing Business Process Automation.</p>		

**Answer:**

**The steps in implementing Business Process Automation are:**

**Step 1: Define why we plan to implement a BPA?**

The primary purpose for which an enterprise implements automation may vary from enterprise to enterprise . A list of generic reasons for going for BPA may include any or combination of the following:

- Errors in manual processes leading to higher costs.
- Payment processes not streamlined, due to duplicate or late payments, missing early pay discounts and losing revenue.
- Paying for goods and services not received.

- Poor debtor management leading to high invoice aging and poor cash flow.
- Not being able to find documents quickly during an audit or lawsuit or not being able to find all documents.
- Lengthy or incomplete new employee or new account on boarding.
- Unable to recruit and train new employees, but where employees are urgently required.
- Lack of management understanding of business processes.
- Poor customer service.

**Step 2: Understand the rules/ regulation under which enterprise needs to comply with?**

One of the most important steps in automating any business process is to understand the rules of engagement, which include following the rules, adhering to regulations and following document retention requirements. This governance is established by a combination of internal corporate policies, external industry regulations and local, state and central laws. Regardless of the source, it is important to be aware of their existence and how they affect the documents that drive the processes. It is important to understand that laws may require documents to be retained for specified number of years and in a specified format. Entity needs to ensure that any BPA adheres to the requirements of law.

**Step 3: Document the Process, we wish to automate**

At this step, all the documents that are currently being used need to be documented. The following aspects need to be kept in mind while documenting the present process:

- What documents need to be captured?
- Where do they come from?
- What format are they in Paper, Fax, email, PDF etc.?
- Who is involved in processing of the documents?
- What is the impact of regulations on processing of these documents?
- Can there be a better way to do the same job?
- How are exceptions in the process handled?

The benefit of the above process for user and entity being that it provides clarity on the process, helps to determine the sources of inefficiency, bottlenecks and problems and allows to re-design the process to focus on the desired result with workflow automation.

#### **Step 4: Define the objectives/ goals to be achieved by implementing BPA**

Once the above steps have been completed, entity needs to determine the key objectives of the process improvement activities - SMART (Specific: Clearly defined, Measurable: Easily quantifiable in monetary terms, Attainable: Achievable through best efforts, Relevant: Entity must be in need of these and Timely: Achieved within a given time frame.)

#### **Step 5: Engage the business process consultant**

This is again a critical step to achieve BPA. To decide as to which company/ consultant to partner with depends upon the following:

- Objectivity of consultant in understanding/ evaluating entity situation.
- Does the consultant have experience with entity business process?
- Is the consultant experienced in resolving critical business issues?
- Whether the consultant is capable of recommending and implementing a combination of hardware, software and services as appropriate to meeting enterprise BPA requirements?
- Does the consultant have the required expertise to clearly articulate the business value of every aspect of the proposed solution?

#### **Step 6: Calculate the Return on Investment (ROI) for project**

The right stakeholders need to be engaged and involved to ensure that the benefits of BPA are clearly communicated and implementation becomes successful. Hence, the required business process owners have to be convinced so as to justify the benefits of BPA and get approval from senior management. Some of the methods for justification of a BPA proposal may include cost savings in terms of eliminating fines to be paid by entity due to delays, cost of audits and lawsuits and reduced cost of space regained from paper, file cabinets; reduction in required manpower leading to no new recruits; ensuring complete documentation for all new accounts; taking advantage of early payment discounts and eliminating duplicate payments;

ensuring complete documentation for all new discounts; ensuring complete documentation for all new accounts; building business by providing superior levels of customer service and charging for instant access to records etc.

#### **Step 7: Developing the BPA**

Once the requirements have been documented, ROI has been computed and top management approval to go ahead has been received the consultant develops the requisite BPA. The developed BPA needs to meet the objectives for which the same is being developed.

#### **Step 8: Testing the BPA**

Once developed, it is important to test the new process to determine how well it works and identify where additional “exception processing” steps need to be included. The process of testing is an iterative process, the objective being to remove all problems during this phase.

Testing allows room for improvements prior to the official launch of the new process, increases user adoption and decreases resistance to change. Documenting the final version of the process will help to capture all of this hard work, thinking and experience which can be used to train new people.

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Q.4.1	2018 - Nov [2] (a)	Descriptive
<p>“Enterprise Risk Management (ERM) does not create a risk-free environment; rather it enables management to operate more effectively in environments filled with risks”. In view of this statement, explain the various benefits, which Board of Directors and Management of an entity seek to achieve by implementing the ERM process within the entity. (6 marks)</p>		

#### **Answer:**

Enterprise Risk Management (ERM) dose not create a risk free environment, rather it enables management to operate more effectively in environments filled with risks. The Board of Directors and Management achieve the following benefits by implementing the ERM process within the entity:

<b>1. Align risk appetite and strategy</b>	<p>Risk appetite is the degree of risk, on a broad-based level that an enterprise (any type of entity) is willing to accept in pursuit of its goals. Management considers the entity's risk appetite first in evaluating strategic alternatives, then it setting objectives aligned with the selected strategy and in developing mechanisms to manage the related risks.</p>
<b>2. Link growth, risk and return</b>	<p>Entities accept risk as part of value creation and preservation and they expect return commensurate with the risk. ERM provides an enhanced ability to identify and assess risks, and establish acceptable levels of risk relative to growth and return objectives.</p>
<b>3. Enhance risk response decision</b>	<p>ERM provides the rigor to identify and select among alternative risk- responses risk avoidance, reduction, sharing and acceptance. ERM provides methodologies and techniques for making these decisions.</p>
<b>4. Minimize operational surprises and losses</b>	<p>Entities have enhanced capability to identify potential events, assess risk and establish responses, thereby reducing the occurrence of surprises and related costs or losses.</p>
<b>5. Identify and manage cross-enterprise risks</b>	<p>Every entity faces a myriad of risks affecting different parts of the enterprise. Management needs to not only manage individual risks, but also understand interrelated impacts.</p>
<b>6. Provide integrated responses to multiple risks</b>	<p>Business processes carry many inherent risks, and ERM enables integrated solutions for managing the risks.</p>

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<b>7. Seize opportunities</b>	Management considers potential events, rather than just risks, and by considering a full range of events, management gains an understanding of how certain events represent opportunities.
<b>8. Rationalize capital</b>	More robust information on an entity's total risk allows management to more effectively assess overall capital needs and improve capital allocation.

— Space to write important points for revision —

<b>Q.4.2</b>	<b>2020 - Nov [5] (a)</b>	<b>Descriptive</b>
Enterprise Risk Management (ERM) framework consists of integrated components that are derived from the way management runs a business and are integrated with the management process. Define any six components of ERM framework. (6 marks)		
<b>OR</b>	<b>2022 - May [4] (a)</b>	<b>Descriptive</b>
Enterprise Risk Management (ERM) framework consists of various interrelated components that are derived from the way the management runs a business and are integrated with the management process. Explain any six components of ERM framework. (6 marks)		

**Answer:****Six Components of ERM Framework:**

<b>1. Objective Setting</b>	Objectives in line with entity's mission/vision should be set before management can identify events potentially affecting their achievement.
<b>2. Event identification</b>	Potential events which includes risks and opportunities that might have an impact on the entity should be identified.



<b>3. Risk Assessment</b>	Identified Risks are analysed to form and basis for determining how they should be managed. Risk assessment is done to identify impact of such Risks on the organization objectives and strategy.
<b>4. Risk Response</b>	Management selects a Response strategy or combination of it including avoiding, accepting, Reducing and Sharing Risk.
<b>5. Control Activities</b>	Policies and procedures are established and executed to help ensure that the Risk Responses management selected are effectively carried out.
<b>6. Risk Response/Monitoring</b>	The Entire ERM process should be monitored, and modifications made as necessary.

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**5**

**Risks**

<b>Q.5.1</b>	<b>2017 - Nov [1] {C} (a)</b>	<b>Descriptive</b>
Risks involved in implementing Business Process Automation. (2 marks)		

**Answer:**

<b>Risks involved in implementing Business Process Automation</b>		
<b>1.</b>	<b>Risk to Jobs</b>	Jobs that were earlier performed manually by several employees would post-automation would be mechanized, thereby posing a threat to jobs.
<b>2.</b>	<b>False Sense of Security</b>	Automating poor processes will not gain better business practices.

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<b>Q.5.2</b>	<b>2019 - Nov [1] {C} (b)</b>	<b>Descriptive</b>
How the inherent risks involved in BPA can be classified? Discuss any four. (2 marks)		

**Answer:**

<b>The inherent risks involved in BPA are classified below</b>	
<b>1. Input &amp; Access</b>	All input transaction data may not be accurate, complete and authorised.
<b>2. File &amp; Data Transmission</b>	All files and data transmitted may not be processed accurately and completely, due to network error.
<b>3. Processing</b>	Valid input data may not have been processed accurately and completely due to program error or bugs.
<b>4. Output</b>	Is not complete and accurate due to program error or bugs and is distributed to unauthorised personnel due to weak access control.

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<b>Q.5.3</b>	<b>2020 - Nov [2] (b)</b>	<b>Descriptive</b>
After defining risk appetite, strategies are set to manage risks. Explain any four risk management strategies. (4 marks)		

**Answer:**

**Four Risk management strategies:**

1. **Risk Avoidance** - Not doing an activity which causes risk.
2. **Risk Reduction** - Taking action to Reduce the likelihood or impact related to the risk.
3. **Alternative Actions** - Deciding and considering other feasible steps to minimize risks.
4. **Share** - Transferring or sharing a portion of the Risk to finance it.

Q.5.4	2021 - Dec [3] (b)	Descriptive
Categorize the different kinds of business risks that any enterprise faces. (4 marks)		

**Answer:**

**The following are the different kinds of business risks that any enterprise faces:**

(i) <b>Strategic Risks</b>	These are the risks that would prevent an organization from accomplishing its objectives (meeting its goals). Examples include risks related to strategy, political, economic relationship issues with suppliers and global market conditions; also, could include reputation risk, leadership risk, brand risk and changing customer needs.
(ii) <b>Financial Risks</b>	Financial risks are those risks that could result in a negative financial impact to the organization (waste or loss of assets). Examples include risks from volatility in foreign currencies, interest rates and commodities, credit risk, liquidity risk and market risk.
(iii) <b>Regulatory (Compliance) risks</b>	This includes risks that could expose the organization to fines and penalties from a regulatory agency due to non-compliance with laws and regulations. The examples include violations of laws or regulations governing areas such as environmental, employee health and safety, lack of due diligence, protection of personal data in accordance with global data protection requirements and local tax or statutory laws. New and emerging regulations can have a wide ranging impact on management's strategic direction, business model and compliance system. It is, therefore, important to consider regulatory requirements while evaluating business risks.

(iv) <b>Operational Risks</b>	Operational risks include those risks that could prevent an organization from operating in the most effective and efficient manner or be disruptive to other operations due to inefficiencies or breakdown in internal processes, people and systems. Examples include risk of loss resulting from inadequate or failed internal processes, fraud or any criminal activity by an employee, business continuity, channel effectiveness, customer satisfaction and product / service failure, efficiency, capacity and change integration.
(v) <b>Hazard Risks</b>	Hazard risks include risks that are insurable, such as natural disasters; various insurable liabilities; impairment of physical assets; terrorism etc.
(vi) <b>Residual Risks</b>	This includes any risk remaining even after the counter measures are analyzed and implemented. An organization's management of risk should consider these two areas - Acceptance of residual risk and selection of safeguards. Even when safeguards are applied, there is probably going to be some residual risk. The risk can be minimized, but it can seldom be eliminated. Residual risk must be kept at a minimal, acceptable level. As long as it is kept at an acceptable level, (i.e. the likelihood of the event occurring or the severity of the consequence is sufficiently reduced) the risk can be managed.

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Q.6.1	2018 - May [1] {C} (e)	Descriptive
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Explain the following in brief:

Risk Assessment

(2 marks)

**Answer:**

**Risk Assessment**

Risk may be defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and interactive process for identifying and assessing risk to the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed.

A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Management specifies objectives within categories of operations, reporting and compliance with sufficient clarity to be able to identify and assess risks to those objectives. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective.

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Q.6.2	2021 - July [2] (b)	Descriptive
Internal control provides an entity with only reasonable assurance and not absolute assurance about achieving the entity's operational, financial reporting and compliance objectives. Explain any four inherent limitations of Internal Control System.		(4 marks)

**Answer:**

Internal control provides an entity with only reasonable assurance and not absolute assurance about achieving the entity's operational, financial reporting and compliance objectives.

**The following are the inherent limitations of Internal Control System:**

- (i) Management's consideration that the cost of an internal control does not exceed the expected benefits to be derived.
- (ii) The fact that most internal controls do not tend to be directed at transactions of unusual nature. The potential for human error, such as,

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due to carelessness, distraction, mistakes of judgment and misunderstanding of instructions.

- (iii) The possibility of circumvention of internal controls through collusion with employees or with parties outside the entity.
- (iv) The possibility that a person responsible for exercising an internal control could abuse that responsibility, for example, a member of management overriding an internal control.
- (v) Manipulations by management with respect to transactions or estimates and judgements required in the preparation of financial statements.

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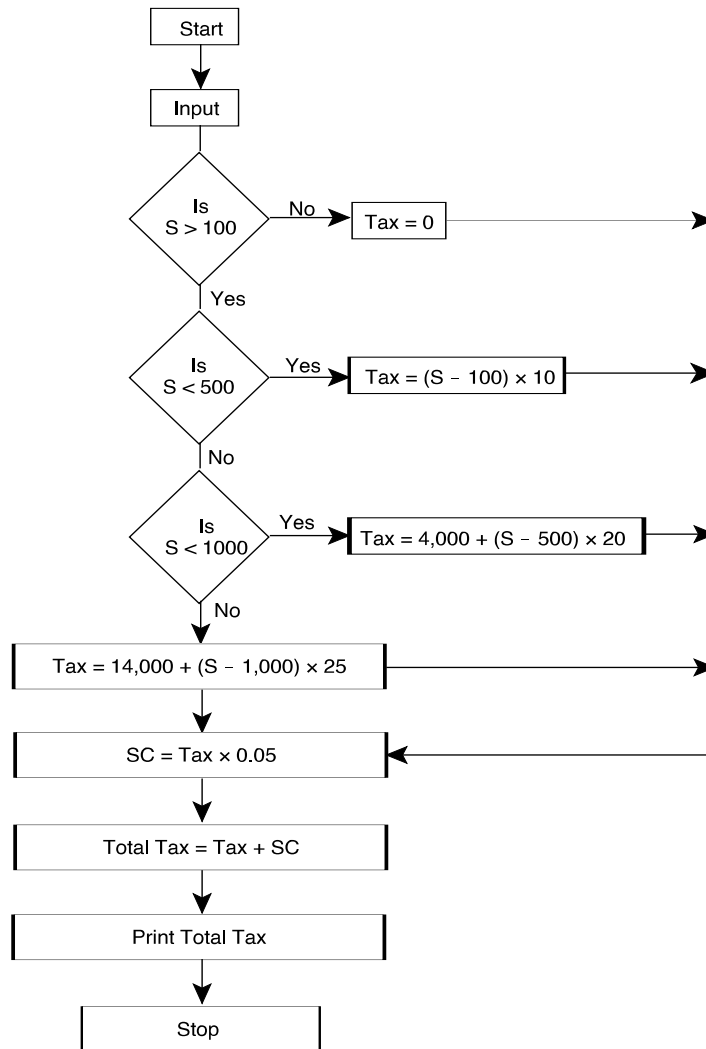
**7**

### ***Diagrammatic Representation of Business Processes***

Q.7.1	2013 - May [6] (b)	Practical										
<p>Top town Municipality, is levying annual House Tax, as per following rules:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Size of House in Sq. Metre</th> <th style="width: 40%;">House tax rate per Square Metre</th> </tr> </thead> <tbody> <tr> <td>Less than 100</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Upto Next 400</td> <td style="text-align: center;">₹ 10</td> </tr> <tr> <td>Upto Next 500</td> <td style="text-align: center;">₹ 20</td> </tr> <tr> <td>More than 1000</td> <td style="text-align: center;">₹ 25</td> </tr> </tbody> </table> <p>There is a surcharge of 5% of the value of House Tax. Taking into account the above factors, draw a flow chart to compute appropriate total House Tax including surcharge for any one house. <span style="float: right;">(6 marks)</span></p>			Size of House in Sq. Metre	House tax rate per Square Metre	Less than 100	Nil	Upto Next 400	₹ 10	Upto Next 500	₹ 20	More than 1000	₹ 25
Size of House in Sq. Metre	House tax rate per Square Metre											
Less than 100	Nil											
Upto Next 400	₹ 10											
Upto Next 500	₹ 20											
More than 1000	₹ 25											

**Answer:**

**Please see answer on next page**



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<b>7.44</b>	■	<b>Scanner CA Inter Group - II Paper - 7A</b>
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<b>Q.7.2</b>	<b>2013 - May [7] (ii)</b>	<b>Short Notes</b>
Write short note on Program Debugging		(2 marks)

**Answer :**

**Program Debugging :**

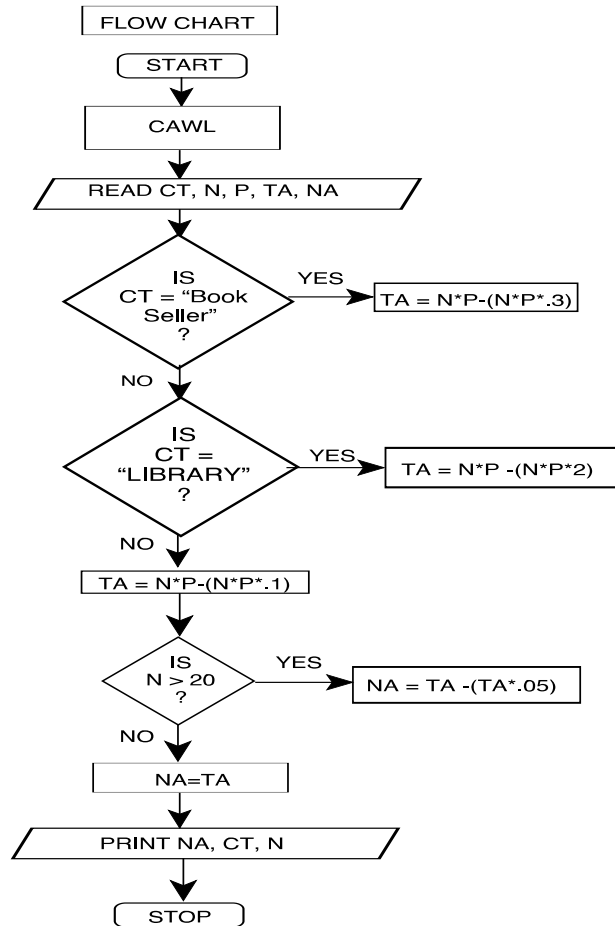
It is a process of finding errors in program and rectifying them by using diagnostic routine before putting the program into use. There is a real necessity to debug a program, i.e. to cleanse it from errors. For this purpose, the programmers device a set of test data transactions to test the various alternative branches in the program. The results got from the computer are compared with one derived manually prior to computer processing. When the results do not match for any reason, the programmer then verifies the flowchart and coding sheet to hunt for the bugs. This process is called program debugging.

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<b>Q.7.3</b>	<b>2013 - Nov [6]</b>	<b>Practical</b>								
<p>A book publisher of Information Technology offers discount to its customers on the basis of customer type as detailed below:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Customer Type</th> <th style="text-align: left;">Discount</th> </tr> </thead> <tbody> <tr> <td>Book Seller</td> <td>30%</td> </tr> <tr> <td>Library</td> <td>20%</td> </tr> <tr> <td>Student</td> <td>10%</td> </tr> </tbody> </table> <p>Further if number of copies purchased is more than 20, then additional discount of 5% is allowed irrespective of customer type. Number of books, unit price of each book and customer type are given as input.</p> <p>Draw a flow chart to calculate the net amount after all discount and print customer type, number of copies and net amount. <span style="float: right;">(8 marks)</span></p>			Customer Type	Discount	Book Seller	30%	Library	20%	Student	10%
Customer Type	Discount									
Book Seller	30%									
Library	20%									
Student	10%									



Answer:



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**7.46**

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Q.7.4	2015 - May [2]	Practical
<p>ABC Limited is a software development company, which appointed 50 software engineers in August' 2014 at a monthly salary of ₹ 30,000. All these engineers shall be entitled for an increment in their monthly salary after six months. The increment on present monthly salary shall be based on their performance to be evaluated on a 100 marks scale as per details given below:</p> <ul style="list-style-type: none"><li>– Performance Marks &lt; 70, then increment shall be 10% of present salary.</li><li>– <math>70 \leq</math> Performance marks &lt; 80, then increment shall be 20% of present salary.</li><li>– Performance Marks <math>\geq</math> 80, then increment shall be 30% of present salary.</li></ul> <p>Draw a Flow-Chart to enable to print the details like name of the engineer, performance marks, monthly increment amount and revised monthly salary for each of these 50 engineers. (8 marks)</p>		

**Answer:****Let us define the variables first:**

PM: Performance Marks

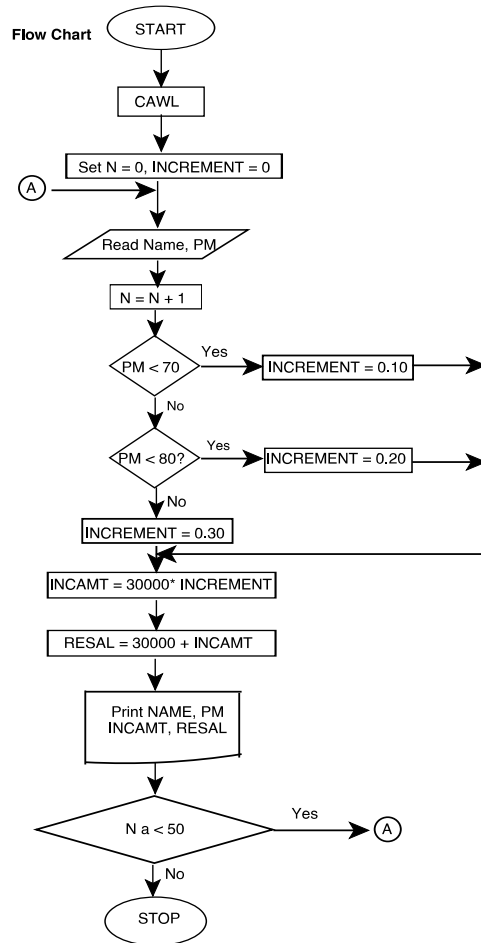
RESAL: Revised Monthly Salary,

INCAMT: Increment Amount,

NAME: Name of Engineer,

N: Pointer to track number of Engineers,

INCREMENT = 0



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**7.48**

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Q.7.5	2015 - Nov [2]	Practical
<p>An E-Commerce site has the following cash back offers.</p> <ul style="list-style-type: none"> <li>(i) If the purchase mode is via website, an initial discount of 10% is given on the bill amount.</li> <li>(ii) If the purchase mode is via phone app, an initial discount of 20% is given on the bill amount.</li> <li>(iii) If done via any other purchase mode, the customer is not eligible for any discount.</li> </ul> <p>Every purchase eligible to discount is given 10 reward points.</p> <ul style="list-style-type: none"> <li>(a) If the reward points are between 100 and 200 points, the customer is eligible for a further 30% discount on the bill amount after initial discount.</li> <li>(b) If the reward points exceed 200 points, the customer is eligible for a further 40% discount on the bill amount after initial discount.</li> </ul> <p>Taking purchase mode, bill amount and number of purchases as input, draw a flowchart to calculate and display the total reward points and total bill amount payable by the customer after all the discount calculation. (8 marks)</p>		

**Answer:**

Let us define the variables first:

PM: Purchase Mode

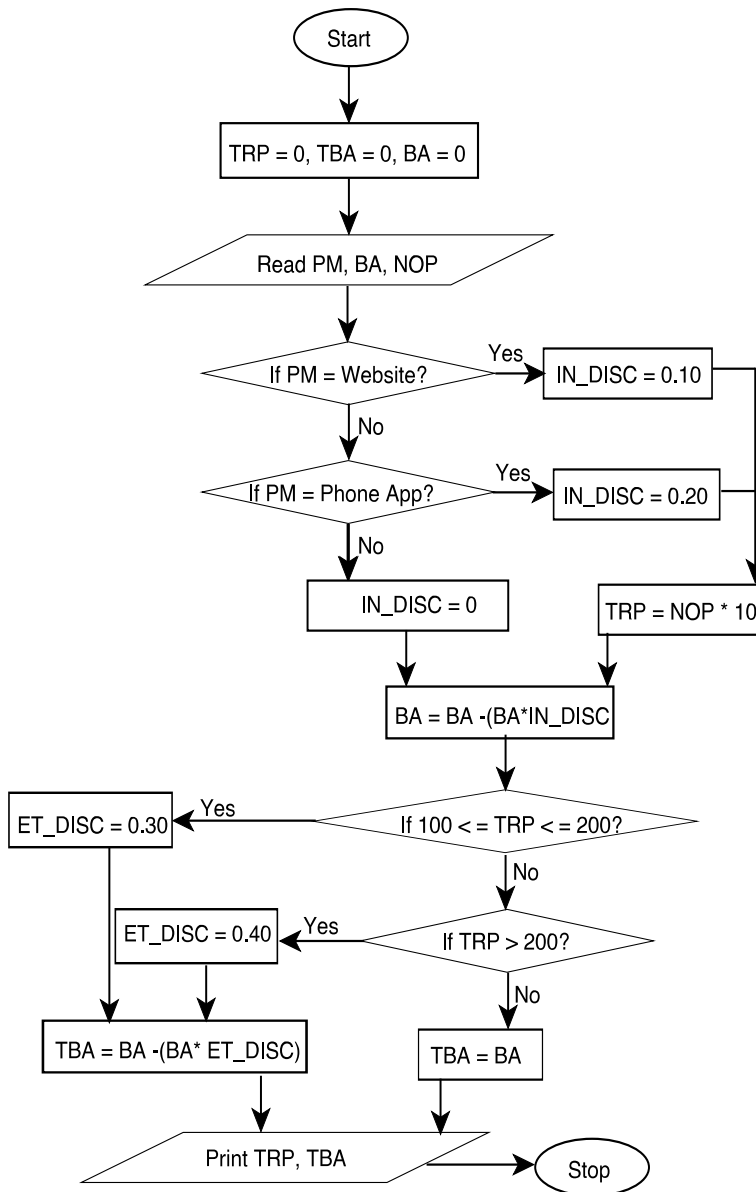
BA: Bill Amount TBA : Total Bill Amount

NOP: Number of Purchases TRP: Total Reward Points

IN\_DISC: Initial Discount

ET\_DISC: Extra Discount on purchases eligible to Initial Discount

N: Counter (to track the number of purchases)

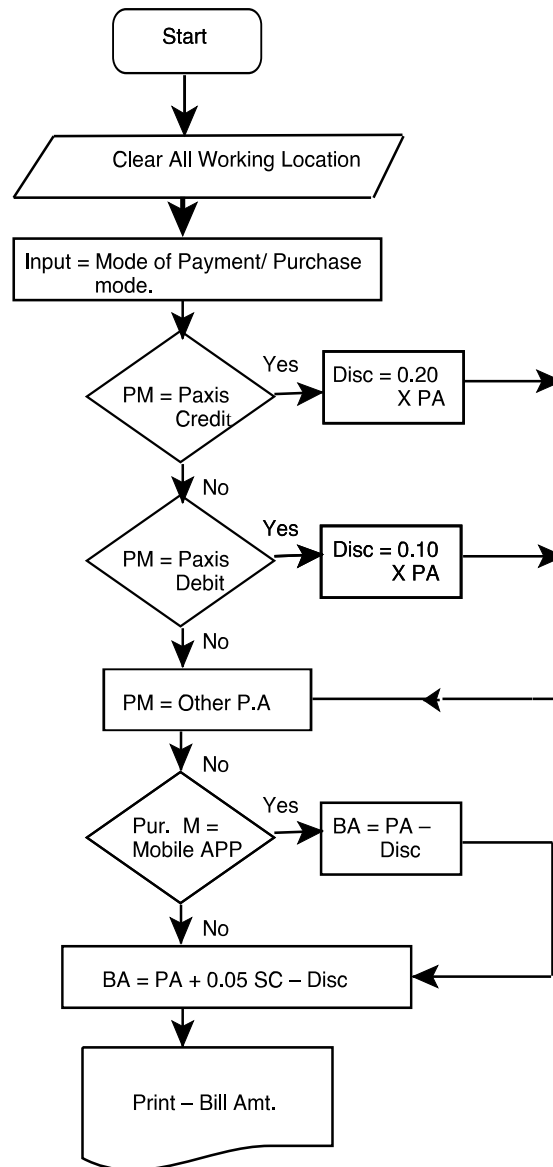


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<b>Q.7.6</b>	<b>2016 - Nov [5]</b>	<b>Practical</b>
<p>Draw a Flowchart for the following process: Leebay is a new e-commerce website that is setting up business in India. Leebay and their partner bank Paxis have come up with a joint promotion plan for which the following offers are proposed. Customers can either log in through a mobile app or directly from the website:</p> <ol style="list-style-type: none"><li>(1) If the payment mode chosen is 'Paxis Credit', then a 20% discount is given to the user.</li><li>(2) If the payment mode chosen is 'Paxis Debit', then a 10% discount is given to the user.</li><li>(3) If other payment modes are used, then no discount is given.</li></ol> <p>Also, to promote the downloads of its new smartphone app, the company has decided to give the following offer:</p> <ol style="list-style-type: none"><li>1. If the purchase mode is 'Mobile App', then no surcharge is levied on the user.</li><li>2. If any other purchase mode is used, then additional 5% surcharge is levied on the user. This surcharge is applied on the bill after all necessary discounts have been applied.</li></ol> <p>With bill amount, payment mode and purchase mode as inputs, draw a flowchart for the billing procedure for Leebay. (1 × 8 = 8 marks)</p>		

**Answer:****Please see answer on next page**




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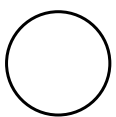
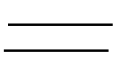
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<b>Q.7.7</b>	<b>2016 - Nov [6] (a)</b>	<b>Descriptive</b>
What is a Data Flow Diagram. Explain the four major components of a Data Flow Diagram.		(4 marks)

**Answer:**

<b>Types of Data Flow Diagrams (DFDs)</b>		
There are two types of Data Flow Diagrams:		
1. Logical Data Flow Diagram.		
2. Physical Data Flow Diagram.		
<b>1.</b>	<b>Logical Data Flow Diagram</b>	A logical DFD focuses on the business and how the business operates. It describes the business events that take place and the data required and produced by each event. The logical model reflects the business.
<b>2.</b>	<b>Physical Data Flow Diagram</b>	A physical DFD shows how the system will be implemented. The physical model depicts the system.
<b>Major Component of DFD</b>		
<b>Data Flow Diagrams</b>		
<b>1. Concept of Data Flow Diagram (DFD):</b>		
<ul style="list-style-type: none"> <li>A Data flow diagram graphically describes the flow of data within an organisation. It is used to document existing system and to plan and design new ones. There is no ideal way to develop a DFD; different problems call for different methods. A DFD is composed of four basic elements : data sources and destinations, data flows, transformation processes, and data stores. Each is represented on a DFD by one of the symbols shown in figure given below.</li> </ul>		
<b>Data Flow Diagram Symbols</b>		
<b>Symbol</b>		<b>Explanation</b>
	Represent Data Sources and destinations	The people and organizations that send data to and receive data from the system are represented by square boxes. Data destinations are also referred to as data sinks.

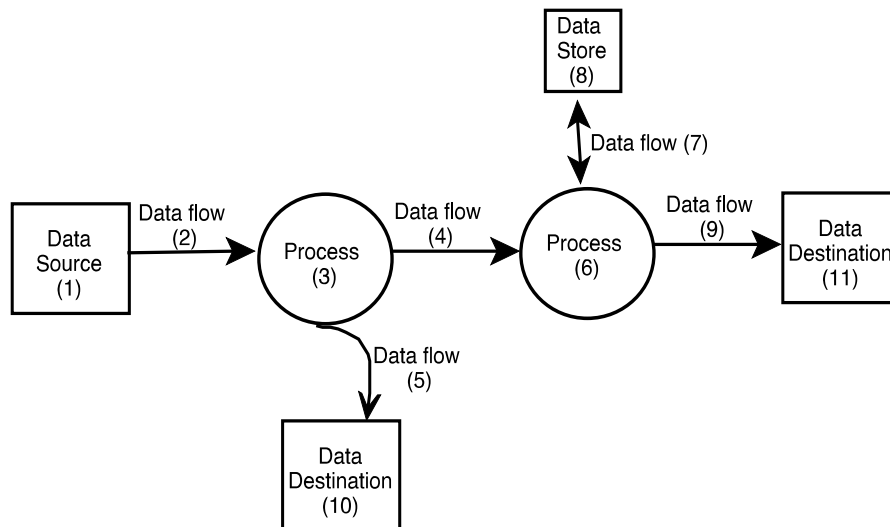


	<p>Represent Data flows</p>	<p>The flow of data into or out of a process is represented by curved or straight lines with arrows :</p>
	<p>Represent Transformation process</p>	<p>The processes that transform data from inputs to outputs are represented by circles. They are often referred to as bubbles.</p>
	<p>Represent Data stores</p>	<p>The storage of data is represented by two horizontal lines.</p>

These four symbols are combined to show how data are processed

**For Example :**

In data flow



- Input to process (3) is data flow, (2) which comes from data source (1). The outputs of process (3) are data flows (4) and (5) Data flow (5) is sent to data destination (10). Process (6) uses data flow (4) and (7) as input and produces data flow (9) and (7) as output. Data flow (7) comes from and returns to data store (8). Data flow is sent to data destination (11).

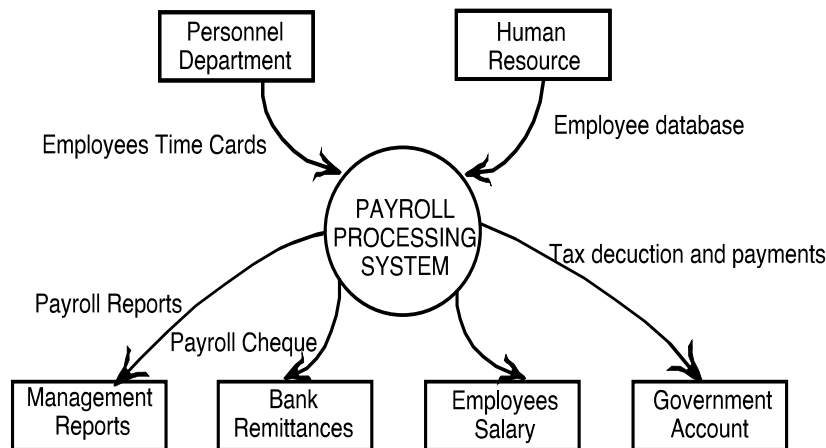
- Above figure assigns specific titles to each of the processes depicted in symbols.
- These figures will be used to examine the four basic elements of a DFD in more detail.

## 2. Components of Data Flow Diagram :

(i)	<b>Data Flows</b>	<ul style="list-style-type: none"> <li>• It represents the flow of data between processes, data stores, data source and destinations.</li> <li>• Data flow arrows are labeled to indicate the type of data being passed.</li> <li>• Data that pass between data stores and a data source/destination must go through some form of data processing, i.e. through a transformation process.</li> </ul>
(ii)	<b>Data Source and Destinations</b>	<ul style="list-style-type: none"> <li>• An entity can be both a Source and a Destination.</li> <li>• A source or destination symbol on the DFD represents an organisation or individual that sends or receives data used or produced by the system.</li> <li>• A Data Flow can consist of one or more pieces of datum. As data flow may be composed of more than one data element, it must be determined whether to show one or more lines. The determining factor is whether the data elements always flow together.</li> </ul>
(iii)	<b>Processes</b>	<ul style="list-style-type: none"> <li>• Process represent the transformation of data into information.</li> <li>• The output is sent to Data Stores or Data Destinations.</li> </ul>

(iv)	<b>Data Stores</b>	<ul style="list-style-type: none"> <li>• A Data Store is a temporary or permanent repository of data.</li> <li>• DFDs do not show the physical storage medium (disks, paper, etc.) used to store the data.</li> <li>• Like other DFD elements, Data Store names should be descriptive.</li> <li>• As in above figure, item (8) data store are represented by horizontal lines, with the data store's name recorded inside.</li> </ul>
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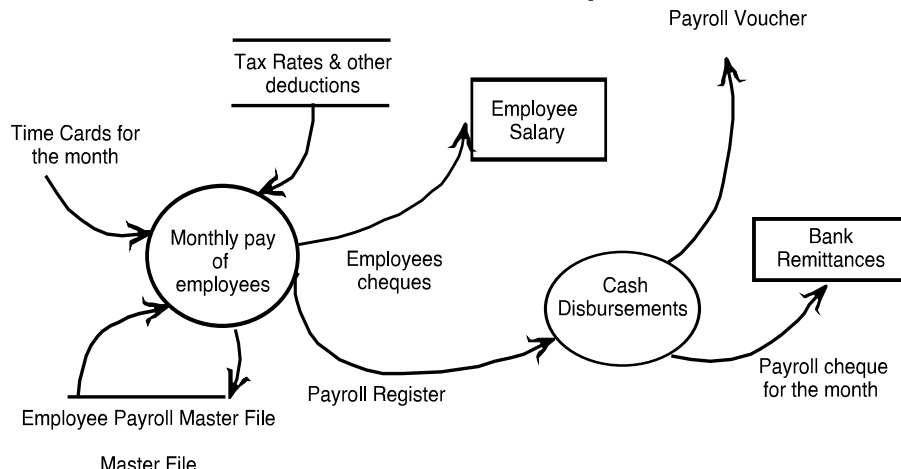
**3. Sub-division of Data Flow Diagrams**



(i)	<b>Need for Sub-Division</b>	<p>Data flow Diagrams are sub-divided into successively lower levels in order to provide increasing amount of detail. This is because only few systems can be fully diagramed on one sheet of paper. Moreover, different Users have different needs, and hence, various DFD levels covering each user area can only satisfy their requirements.</p>
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(ii)	<b>Context Diagram</b>	The highest-level DFD is referred to as a <b>Context Diagram</b> . A context diagram provides the reader with a summary level view of a system. It depicts a data processing system and the external entities that are the sources and destinations of the system's inputs and outputs.
(iii)	<b>An example Context Diagram is shown below</b>	<p>Example shows the payroll processing procedures. On an inference, it is understood that the Payroll Processing System receives time cards from the Personnel Department and employee data from the Human Resources Department.</p> <p>When these data are processed, the system produces:</p> <ul style="list-style-type: none"> <li>(a) Tax reports for payments into Government Account,</li> <li>(b) Employee pay cheques,</li> <li>(c) A cheque for the entire salary amount to be deposited in the Bank Account, and</li> <li>(d) Payroll Reports for submission to Management for review.</li> </ul>
<p><b>4. Sub-division of DFD:</b> Sub-dividing the Context Diagram leads to modules of lesser levels.</p> <p>In the aforesaid example, if preparation of employee pay cheques is taken as a lower level, the activities concerned with it will be represented by a separate sub-divided DFD. The sub-divided DFD for preparation of pay cheques will involve activities like computation of monthly pay, tax deductions, other deductions, recovery of advances, drawing up cheques in the employees name, preparation of payroll voucher and updation of the payroll Master File.</p>		

The Process of sub - divided Data is represented below :



[Figure shows the sub-divided Context Diagram of DFD]

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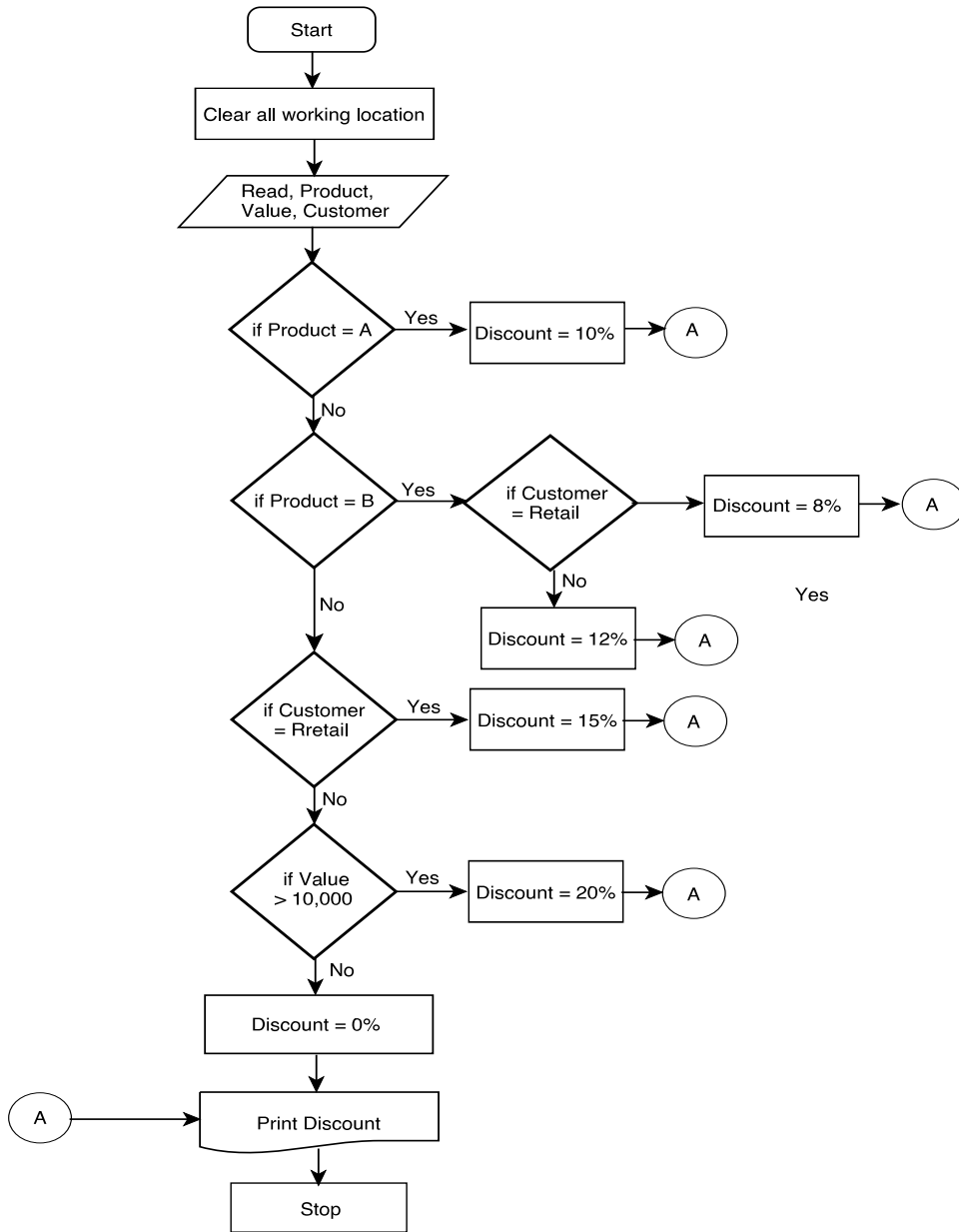
Q.7.8	2017 - May [2]	Practical
<p>A company is selling three types of products, namely, A, B and C to two different types of customers viz. dealers and retailers. To promote the sales, the company is offering the following discounts:</p> <ul style="list-style-type: none"> <li>(i) 10% discount is allowed on Product A, irrespective of the category of customers and the value of order.</li> <li>(ii) On product B, 8% discount is allowed to retailers and 12% discount to dealers, irrespective of the value of order.</li> <li>(iii) On product C, 15% discount is allowed to retailers irrespective of the value of order and 20% discount to dealers if the value of order is minimum of ₹ 10,000.</li> </ul> <p>Draw a flowchart to calculate the discount for the above policy. (8 marks)</p>		

**Answer:**

**Please see answer on next page**

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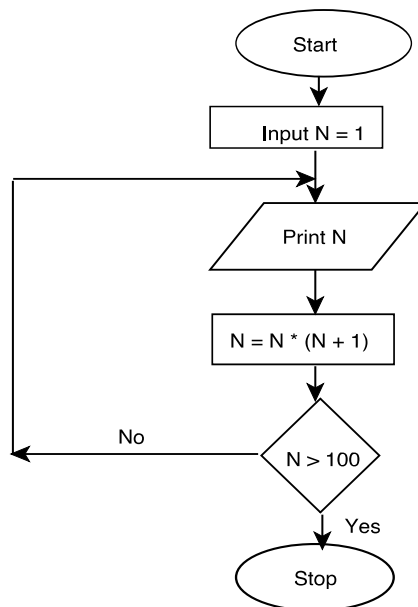


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Q.7.9	2017 - Nov [6] (a) (b) (c)	Practical
<p>(a) Draw a flow chart to incorporate for the following steps:                      L1 N = 1                      L2 PRINT N                      L3 N = N × (N + 1)                      L4 STOP when N exceeds 100                      L5 GOTO L2                      Note that in step L3, 'x' denotes multiplication sign. (4 marks)</p> <p>(b) List the output for the above program. (2 marks)</p> <p>(c) List the output if the above program is modified in the step L1 as N= 0. (2 marks)</p>		

**Answer:**

(a)



(b) Output = 1, 2, 6, 42

(c) Output = 0 (it will continue as the loop doesn't end)

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Q.7.10 2018 - May [5] (a)

Practical

An e-commerce website is offering following discounts:

- If the purchase mode is via website, a discount of 5% is given on the bill amount.
- If the purchase mode is via phone app, a discount of 10% is given on bill amount.
- If purchase is done via any other mode, customer is not eligible for any discount.

Draw a Flowchart to calculate and display the bill amount payable by the customer. (6 marks)

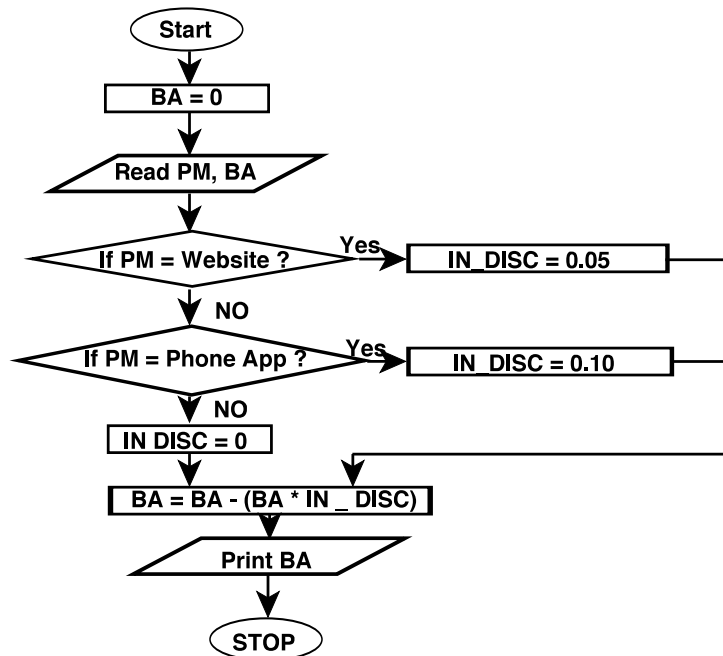
**Answer:**

Let us define variables first:

PM: Purchase Mode

BA: Bill Amount

IN - DISC : Initial Discount N : Counter ( to track the no. of purchases)



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<b>Q.7.11</b>	<b>2018 - Nov [1] {C} (a)</b>	<b>Descriptive</b>
Explain 'Data Flow Diagram'.		(2 marks)

**Answer:**

**Data Flow Diagrams:**

A Data flow diagram graphically describes the flow of data within an organisation. It is used to document existing system and to plan and design new ones. There is no ideal way to develop a DFD; different problems call for different methods. A DFD is composed of four basic elements : data sources and destinations, data flows, transformation processes, and data stores.

**DFD basically provides an overview of:**

- What data a system processes;
- What transformations are performed;
- What data are stored;
- What results are produced and where they flow.

It is mainly used by technical staff for graphically communicating between systems analysts and programmers.

— Space to write important points for revision —

<b>Q.7.12</b>	<b>2019 - Nov [2] (a)</b>	<b>Descriptive</b>
Business Processes are documented/ designed using flow-charts to understand the process in visualized form. Being a business advisor what advantages of flow-charts will you suggest to represent the business processes in diagrammatic form.		(6 marks)

**Answer:**

Business Processes are documented/designed using flowcharts to understand the process in visualized form. As a business advisor, following advantages of flowchart will be suggested to represent the business processes in diagrammatic form :

<b>1. Quicker grasp of relationships</b>	The relationship between various elements of the application program/ business process must be identified. Flowchart can help depict a lengthy procedure more easily than by describing it by means of written notes.
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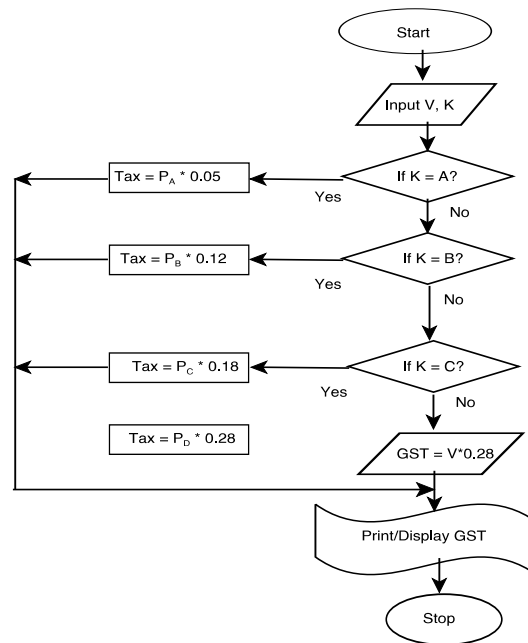
<b>2. Effective Analysis</b>	The flowchart becomes a blue print of a system that can be broken down into detailed parts for study. Problems may be identified and new approaches may be suggested by flowcharts.
<b>3. Communication</b>	Flowcharts aid in communicating the facts of a business problem to those whose skills are needed for arriving at the solution.
<b>4. Documentation</b>	Flowcharts serve as a good documentation which aid greatly in future program conversions. In the event of staff changes, they serve as a training function by helping new employees in understanding the existing programs.
<b>5. Efficient Coding</b>	Flowcharts act as a guide during the system analysis and program preparation phase. Instructions, coded in a programming language may be checked against the flowchart to ensure that no steps are omitted.
<b>6. Program Debugging</b>	Flowcharts serve as an important tool during program debugging. They help in detecting, locating, and removing mistakes.

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<b>Q.7.13</b>	<b>2021 - Jan [2] (a)</b>	<b>Practical</b>
The Goods and Service Tax (GST) rate in India for various goods and services is divided broadly under 4 categories, draw a flowchart to compute Goods and Service Tax for the goods manufactured as per table below.		
<b>Category (K)</b>		<b>Rate</b>
A		5%
B		12%
C		18%
D		28%

(6 marks)

Answer:



**Assumptions:** This flowchart is based on the assumption that the Price value V is same for all the Goods manufactured (A, B, C and D) irrespective of their category:

**Abbreviations used in flowchart are as follows:**

**K:** Category for various goods and services

**V:** Price of goods manufactured.

**GST:** Goods and Services tax

— Space to write important points for revision —

Q.7.14	RTP	Distinguish Between
Distinguish Between Data flow of DFD and Data store of DFD.		

Answer:

**Data Flow of DFD:** Data Flow is the movement of data between the entity, the process and the data store. Data flow portrays the interface between the components of the DFD. The flow of data in a DFD is named to reflect the nature of the data used (these names should also be unique within a specific DFD). Data flow is represented by an arrow, where the arrow is annotated with the data name.

**Data Store of DFD:** A Data store is where a process stores data between processes for later retrieval by that same process or another one. Files and tables are considered data stores. Data store names (plural) are simple but meaningful, such as “customers”, “orders” and “products”. Data stores are usually drawn as a rectangle with the right hand side missing and labeled by the name of the data storage area it represents, though different notations do exist.

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Q.7.15	RTP	Descriptive
Discuss advantages and limitations of using Data Flow Diagram.		

**Answer:**

**Advantages of using Data Flow Diagram (DFD)**

1. It aids in describing the boundaries of the system.
2. It is beneficial for communicating existing system knowledge to the users.
3. A straightforward graphical technique which is easy to recognize.
4. DFDs can provide a detailed representation of system components.
5. It is used as the part of system documentation file.
6. DFDs are easier to understand by technical and nontechnical audiences
7. It supports the logic behind the data flow within the system.

**Limitations of using Data Flow Diagram**

1. It makes the programmers little confusing concerning the system
2. The biggest drawback of the DFD is that it simply takes a long time to create, so long that the analyst may not receive support from management to complete it.
3. Physical considerations are left out.

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Q.7.16	RTP	Practical
A bicycle shop in a city provides rental facility to its customers at different rates for different models as given below:		
Model No.	Hire Rate per day	
Model No. 1	₹ 10	
Model No. 2	₹ 9	
Model No. 3	₹ 8	
Model No. 4	₹ 7	
To attract customers, the shopkeeper gives a discount of 15 percent to all those customers, who hire a bicycle for more than one-week period. Further to attract women customer, he gives additional discount of 10 percent irrespective of hire period. For every bicycle hired, a security deposit of ₹ 25 must be paid. Draw a flow chart to print out the details of each customer such as name of customer, bicycle model number, number of days a bicycle is hired for, hire charges, discount and total charges including deposits.		

**Answer:**

Abbreviations used are as follows:

HCHG: Hire Charges                      DAYS: No. of days a bicycle is hired for

NAME: Name of Customer              TCHG: Total Charges

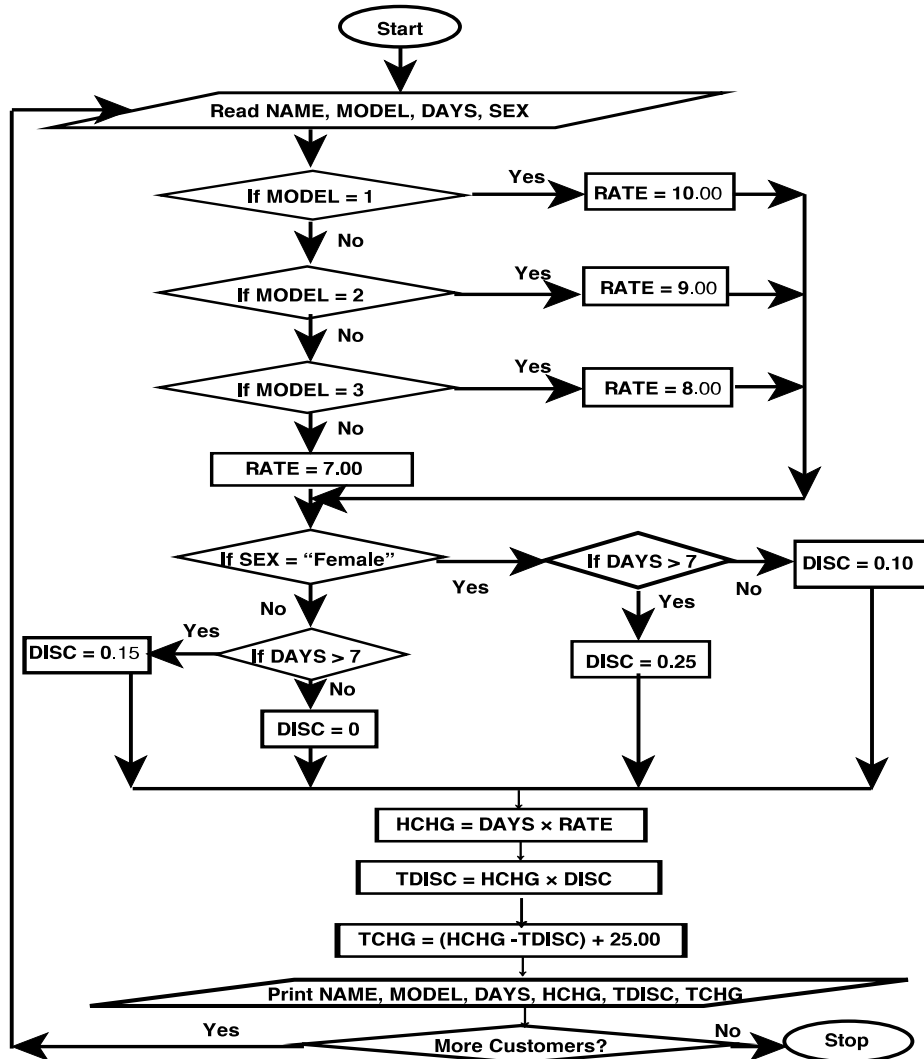
MODEL: Bicycle Model No.            TDISC: Total Discount

SEX: Gender of the Customer

**The flowchart is available on the next page.**

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8

***Risks and Controls for Specific Business Processes***

Q.8.1	2018 - Nov [6] (Or) (b)	Descriptive
Give two examples of the Risks and Control objectives for Human Resource Process at configuration level.		(2 marks)

**Answer:****Example of Risks and control objectives for Human Resource Process at configuration level**

- **Risks objectives for Human Resource Process at configuration level:**  
Employees who have left the company continue to have system access.  
Employees have system access in excess of their job requirements.
- **Control objectives for Human Resource Process at configuration level:**  
System access to be immediately removed when employees leave the company.  
Employees should be given system access based on a “need to know” basis and to perform their job function.

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Q.8.2	2021 - Dec [3] (a)	Descriptive
Human Resource Management (HRM) plays an important role in the effective and efficient management of the human resources in any enterprise. As an HR Manager of XYZ Ltd., which typical stages of HR life cycle will you implement in the company?		(6 marks)

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**Answer:**

**As an HR Manager of XYZ Ltd. the following are typical stages of HR life cycle to be implemented in the company:**

<b>Recruiting and on-Boarding</b>	Recruiting is the process of hiring a new employee. The role of the human resources department in this stage is to assist in hiring. This might include placing the job ads, selecting candidates whose resumes look promising, conducting employment interviews and administering assessments such as personality profiles to choose the best applicant for the position. In a small business where the owner performs these duties personally, the HR person would assist in a support role. In some organizations, the recruiting stage is referred to as "hiring support." On boarding is the process of getting the successful applicant set up in the system as a new employee.
2. <b>Orientation and Career Planning</b>	Orientation is the process by which an employee becomes a member of the company's work force through learning his / her job duties, establishing relationships with co- workers and supervisors and developing a niche. Career planning is the stage at which the employee and his/her supervisors work out her long-term career goals with the company. The human resources department may make additional use of personality profile testing at this stage to help the employee determine his/her best career options with the company.
3. <b>Career Development</b>	Career development opportunities are essential to keep an employee engaged with the company over time. After an employee has established himself /



	<p>herself at the company and determined his long-term career objectives, the human resources department should try to help him/her meet his / her goals, if they are realistic. This can include professional growth and training to prepare the employee for more responsible positions with the company.</p> <p>The company also assesses the employee's work history and performance at this stage to determine whether he has been a successful hire.</p>
<p><b>4. Termination or Transition</b></p>	<p>Some employees will leave a company through retirement after a long and successful career. Others will choose to move on to other opportunities or be laid off. Whatever the reason, all employees will eventually leave the company. The role of HR in this process is to manage the transition by ensuring that all policies and procedures are followed, carrying out an exit interview if that is company policy and removing the employees from the system. These stages can be handled internally or with the help of enterprises that provide services to manage the employee life cycle.</p>

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Q.8.3	2022 - Nov [3] (b)	Descriptive
<p>Fixed assets process is used to ensure that the immovable assets of an enterprise are traced for financial accounting related purposes. In order to accomplish those tasks, what are the typical steps of fixed assets process to follow ?</p> <p style="text-align: right;">(4 marks)</p>		

**Regulatory and Compliance Requirements:  
Companies Act 2013**

Q.9.1	2019 - May [1] {C} (a)	Descriptive
<p>Corporate governance is the framework of rules and practices, by which a board of directors ensures accountability, fairness and transparency in a company's relationship with all its stakeholders. List out the rules and procedures that constitute corporate governance framework. (3 marks)</p>		

**Answer:**

Corporate Governance is the framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a Company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community). Corporate governance framework constitute the following rules and procedures :

1.	<b>Contract</b>	Explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights and rewards
2.	<b>Reconciling</b>	Procedures for reconciling the sometimes - conflicting interests of stakeholders in accordance with their duties, privileges and roles, and
3.	<b>Supervision and Control</b>	Procedures for proper supervision, control and information flows to serve as a system of checks and balances.

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10

**Regulatory and Compliance Requirements:  
Information Technology Act (IT Act)**

Q.10.1	2018 - May [1] {C} (d)	Descriptive
Explain the following in brief: Cyber Crime		(2 marks)

**Answer:**

**Cyber Crimes:** Cyber Crimes also known as Computer Crime is a crime that involves use of a computer and a network. Is the reputation of the victim or cause physical or mental harm, or loss, to the victim directly or indirectly using modern telecommunication networks such as Internet (chat rooms, email, notice boards and groups) and mobile phones.

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Q.10.2	2018 - May [2] (b)	Descriptive
Explain the positive aspects contained in the IT Act 2000 and its provisions, from the perspective of e-commerce in India.		(4 marks)

**Answer:**

**From the perspective of e-commerce in India, the IT Act, 2000 and its provisions contain many positive aspects which are as follows:**

- The implications for the e-businesses would be that email would now be a valid and legal form of communication in India that can be duly produced and approved in a Court of Law.
- Companies shall now be able to carry out electronic commerce using the legal infrastructure provided by the Act.
- Digital signatures have been given legal validity and sanction in the Act.

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- The Act throws open the doors for the entry of corporate companies in the business of being Certifying Authorities for issuing Digital Signatures Certificates.
- The Act now allows Government to issue notification on the web thus, heralding e-governance.
- The Act enables the companies to file any form, application or any other document with any office, authority, body or agency owned or controlled by the appropriate Government in electronic form by means of such electronic form as may be prescribed by the appropriate Government.
- The IT Act also addresses the important issues of security, which are so critical to the success of electronic transactions.
- The Act has given a legal definition to the concept of secure digital signatures that would be required to have been passed through a system of a security procedure, as stipulated by the Government at a later date.

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## MULTIPLE CHOICE QUESTIONS

**1**

***Introduction***

1. \_\_\_\_\_ may be defined as any kind of information system which improves the functions of an enterprise business processes by integration.
  - (a) Management Information System
  - (b) Enterprise Information System
  - (c) Entrepreneur Information System
  - (d) Corporate Information System
2. Enterprise Information System provide a technology platform that enable organizations to integrate and co-ordinate their business processes on a \_\_\_\_\_.
  - (a) Robotic System

- (b) Robotic foundation
  - (c) Robust foundation
  - (d) Robust management system
3. An Enterprise Information System can be used to
- (a) increase business productivity
  - (b) reduce service cycle
  - (c) reduction in product development cycle and marketing life cycles
  - (d) All of them.

4. Business Processes has been categorised
- (a) Operational and Supporting Processes
  - (b) Management processes
  - (c) Only (a) not (b)
  - (d) Both (a) and (b)
5. Operational processes deal with the core business and value chain, which deliver value to the customer by helping to produce a product or service. It is also known as \_\_\_\_\_.
- (a) Primary Processes
  - (b) Secondary Processes
  - (c) Tertiary Processes
  - (d) Supporting Processes
6. Secondary processes is a back core processes and functions within an organisation, is also known as \_\_\_\_\_.
- (a) Management Processes
  - (b) Operational Processes
  - (c) Supporting Processes
  - (d) Helping Processes
7. Processes measure, monitor and control activities related to business procedures and system, is known as \_\_\_\_\_.
- (a) Operational Processes
  - (b) Supporting Processes

- (c) Management Processes
  - (d) Controlling Processes
8. Management Processes do not provide value directly to the customer but has a direct impact on \_\_\_\_\_.
- (a) operation of the enterprise
  - (b) efficiency of the management
  - (c) efficiency of the enterprise
  - (d) effectiveness of the enterprise

9. \_\_\_\_\_ is the technology-enabled automation of activities that accomplish a specific function and can be implemented for many different functions of company activities including sales, management, operations, HR etc.
- (a) Business Processes
  - (b) Business Processes Technology
  - (c) Business Process Automation
  - (d) Automated Business Technology
10. Business Process Automation is a process of \_\_\_\_\_ and then automating business processes.
- (a) analyzing
  - (b) documenting
  - (c) optimizing
  - (d) All of the above
11. Success of any Business Process Automation (BPA) shall only be achieved when BPA ensures the \_\_\_\_\_.
- (a) Confidentiality
  - (b) Integrity and Availability
  - (c) Timeliness
  - (d) All of the above
12. The \_\_\_\_\_ is the flow of information, customized by value-added tasks, that begins with the primary contact with a potential customer and continues through deliverance of a finished product.
- (a) Business Process
  - (b) Business Information Process
  - (c) Business Process Automation

- (d) Automated Business Control

13. \_\_\_\_\_ may be defined as a process, effected by an entity's BOD, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.
- (a) Information Risk Management
  - (b) Align Risk Appetite and Strategy
  - (c) Entity's Risk Management
  - (d) Enterprise Risk Management
14. Enterprise Risk Management provides a framework for management to \_\_\_\_\_.
- (a) effectively deal with uncertainty
  - (b) associated risk and opportunity
  - (c) enhance its capacity to build value
  - (d) All of the above
15. Enterprise Risk Management consist of \_\_\_\_\_ interrelated components. Such components are derived from the way management runs a business, and are integrated with the management process.
- (a) Four
  - (b) Five
  - (c) Seven
  - (d) Eight
16. Which of the following is not a component of Enterprise Risk Management?
- (a) Internal Management
  - (b) Event Identification
  - (c) Organisational Chart
  - (d) Objective Setting.

17. Risk is any event that may result in a significant deviation from a \_\_\_\_\_ resulting in an unwanted negative consequence.
- (a) Planned Objective
  - (b) Unplanned Objective
  - (c) Planned Consequences
  - (d) None of the above

18. \_\_\_\_\_ is defined as policies, procedures, practices and organisation structure that are designed to provide reasonable assurance that business objectives are achieved and undesired events are prevented or detected and corrected.
- (a) Risk Assessments
  - (b) Monitoring
  - (c) Operation
  - (d) Control
19. \_\_\_\_\_ defines the system of internal control as the plan of enterprise and all the methods and procedures adopted by the management of an entity to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business.
- (a) SA - 310
  - (b) SA - 315
  - (c) SA - 320
  - (d) SA - 700



20. An Internal Control System:
- (a) Facilitate the effectiveness and efficiency of operations.
  - (b) Assists compliance with applicable laws and regulations.
  - (c) Helps safeguarding the assets of the entity.
  - (d) All of the above.
21. Which one of the following is not an objective of Internal Control?
- (a) Compliance with applicable laws and regulations
  - (b) Meeting Sales Target
  - (c) Effectiveness and efficiency of operations
  - (d) Reliability of reporting.
22. The extent and nature of the risks to internal control vary depending on the nature and characteristics of the \_\_\_\_\_.
- (a) entity's information system
  - (b) entity's control system
  - (c) entity's management system
  - (d) entity's risk control system
23. According to \_\_\_\_\_ explains fine components of any internal control as they relate to a financial statement audit.
- (a) SA - 300
  - (b) SA - 305
  - (c) SA - 310
  - (d) SA - 315

24. Flowcharts are used in designing and documenting simple processes or \_\_\_\_\_.
- (a) Progress
  - (b) Production
  - (c) Procedures
  - (d) Programs
25. Most common type of boxes used in a flow chart.

- (a) A decision, usually denoted as a diamond
  - (b) A processing step, usually called activity, and denoted as a rectangular box
  - (c) A control step, usually denoted as circular box.
  - (d) Both (a) and (b)
26. A flowchart is described as \_\_\_\_\_ when the page is divided into different swim lanes describing the control of different organizational units.
- (a) Activity function
  - (b) Mutual-functional
  - (c) Cross-functional
  - (d) None of the above
27. Data Flow Diagrams (DFD) show the flow of data or information from
- (a) beginning to the end
  - (b) one place to another
  - (c) establishment to customer
  - (d) None of the above.

28. \_\_\_\_\_ is the methodical process of defining options that are provided. When any software is installed, value for various parameters should be setup as per policies and business process work flow and business process rules of the enterprise
- (a) Master
  - (b) Transactions
  - (c) Control Objectives
  - (d) Configuration
29. \_\_\_\_\_ refer to the actual transactions entered through menus and functions in the application software, through which all transactions for specific modules are initiated, authorised or approved.
- (a) Master

- (b) Transactions
  - (c) Control Objectives
  - (d) Configuration
30. A process of obtaining and managing the raw materials needed for manufacturing a product or providing a service, is known as \_\_\_\_\_.
- (a) Purchase to Pay P2P
  - (b) Order to Cash or O2C
  - (c) Master O2C
  - (d) Transactions O2C
31. A set of business processes that involve receiving and fulfilling customer requests for goods or services, is called.
- (a) Purchase to pay or P2P
  - (b) Order to cash or O2C
  - (c) Master O2C
  - (d) Transaction O2C.
32. A process of accurately tracking the on-hand inventory levels for an enterprise, is known as \_\_\_\_\_.
- (a) Inventory Control
  - (b) Stock Process and Control
  - (c) Inventory Cycle
  - (d) Masters-Inventory
33. \_\_\_\_\_ process refers to the process of recording the transactions in the system to finally generating the reports from financial transactions in the system.
- (a) Inventory Cycle
  - (b) General Ledger
  - (c) Fixed Asset Cycle
  - (d) Master-General Ledger

34. Which one of the following is not defined as Sensitive Personal Information?
- (a) Home address
  - (b) Financial information
  - (c) Biometric information
  - (d) Password
35. Which one of the following deals with Section 143 of the Companies Act, 2013?
- (a) Powers and duties of auditors and auditing standards
  - (b) Acquisition and Mergers
  - (c) Powers and duties of Board of Directors
  - (d) Penalties due to non-compliance.
36. \_\_\_\_\_ is the framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders.
- (a) Management's Framework
  - (b) Privacy Policy
  - (c) Risk Monitoring
  - (d) Corporate Governance

**ANSWER**

1.	(b)	2.	(c)	3.	(d)	4.	(d)	5.	(a)
6.	(c)	7.	(c)	8.	(c)	9.	(c)	10.	(d)
11.	(d)	12.	(a)	13.	(d)	14.	(d)	15.	(d)
16.	(c)	17.	(a)	18.	(d)	19.	(b)	20.	(d)
21.	(b)	22.	(a)	23.	(d)	24.	(d)	25.	(d)
26.	(c)	27.	(b)	28.	(d)	29.	(b)	30.	(a)
31.	(d)	32.	(c)	33.	(b)	34.	(a)	35.	(a)
36.	(d)								