Enterprise Information System (EIS) - CA Inter Paper 7A (New Syllabus)

This paper consists of 5 chapter and total marks is 50.

The chapters are:

1. Automated Business Process
2. Financial Accounting System
3. Information systems and its components
4. E.Commerce, M.Commerce & Emerging Technologies
5. Core Banking Systems

Chapter 1: Automated Business Process:

What is first Chapter talks about?

This chapter provides knowledge on the various business processes (activities that are being done by various departments in their day to day operations) and if these activities are automatized by the use of technology.

For example, the activities involved in Purchase Department are

(a)Raising of Purchase Requisition,

(b)Receiving quotations for the order

(c) Raising of Purchase Order

(d)Receipt of Goods

(e) Raising of Goods Receipt Note

(f) Invoice booking &

(g) Final payment to vendor

The chapter also discusses

- How technology impacts the business activities.
- What can go wrong in the happening of the activities (This is otherwise called Risk). For example- There can be procurement of goods which may be in excess of requirement.
- What should be done to avoid any wrong happening (These are otherwise called Control Activities)

- Legal & Regulatory requirements (For eg, Information Technology Act, 2000) that the organization must fulfil due to automization of its activities through technology.

Enterprise Information System:

At times in a large organization, there may be different information systems (softwares/applications) used for different departments. For example, there can be one software used for sales invoice raising, sales accounting etc. and there can be separate software for inventory accounting. This may create problem, as all the information is not available in one place. As a result, Sales Team will not have data about Inventory or Production team may not have information about Sales orders. **Enterprise Information system** solves this problem. It collects information from all the departmental processes and stores the same in one single central database. As a result, when a customer places an order, the information of the sales order can be available with the Production department. This increases efficiency in the organization/company as the production department can prepare itself to manufacture for the customer order on time.

Enterprise Business Process:

First, let us understand what is a business process. Business Process is set of activities (Refer to the example of Purchase department above) to be carried out by business organization. **Business Process Management (BPM):** Executing the set of activities efficiently is Business Process Management (BPM).

Categories of Business Processes:

- Operational Process:
  These are activities that deal with producing or delivering a service to the customer. For example- Procurement cycle, Order to Cash etc. (will be explained later)
- Supporting Process:
  These activities are not directly involved in producing or delivering the products or services. Instead these activities support the operational processes like Finance & Accounts, Auditing, HR etc.

- Management Process:
  These activities basically monitor and controls the business processes. For example Budgeting, Governance, Strategic Planning and Internal communication.

Memory trick:
***OSM** (Only Simbaa Movie)*
Operational Process ~ Only
Supporting Process ~ Simbaa
Management Process ~ Movie

Automated Business Process:

Long ago, business activities were carried out manually. For example, cash book & ledger were hand written. With changes in technology, these business activities have been automated replacing manual work. As a result, large volume of transactions can be processed within a short time.

Business Process Automation (BPA)

BPA is an automization of business process to carry out business activities by the use of technology across different departments of the business organization.

Objectives of BPA:

- Confidentiality: Data/Information is available only people who are supposed to know it. It should not be available to all.
- Integrity: There should not be any unauthorized change or tampering of Information/data.
- Availability: Information/data should be available whenever it is required.
- Timeliness: Information/data is available at the right time.

Memory trick:
***CIAT** (Come India Any Time)*
Confidentiality ~ Come
Integrity ~ India
Availability ~ Any
Timeliness ~ Time

Benefits of BPA:

- Quality & Consistency: BPA ensures all transactions are done identically. This gives quality and consistency in the activities of the business.
- Time Saving: BPA saves time since automation replaces manual work.
- Visibility: BPA gives visibility of the status into which the activities of the organization.
- Improved Operational Efficiency: BPA reduces time and effort to complete an activity. This also reduces cost and errors.
- Governance & Reliability: BPA ensures activities done reliably and properly.
- Reduced turnaround time: BPA removes any unnecessary process/activity reducing the turnaround time.
- Reduced cost: BPA ensures completion of activities with minimum resource.

Memory Trick:
Queen called the security "Victor" in our mess's Grand reception. Rahul tweeted this Royal call.

- Quality & Consistency ~ Queen Called
- Time Saving ~ the Security
- Visibility ~ Victor
- Improved Operational Efficiency ~ In our Mess
- Governance & Reliability ~ Grand Reception

- Reduced turnaround time ~ Rahul tweeted this
- Reduced costs ~ Royal Call

Implementation of Business Process Automation (BPA)

Step 1: Why do we plan to implement BPA

Step 2: Understand the rules & regulations which BPA needs to comply with

Step 3: Document the process which is required to be automated.

Step 4: To define the goals & objectives that will be achieved by implementing BPA

Step 5: Business Process consultant is engaged.

Step 6: Return of Investment (ROI) of the project is calculated.

Step 7: Development of BPA.

Step 8: Testing the BPA.

Enterprise Risk Management (ERM):

Each business will have its own business objective (usually making high profit). To achieve the business objective, each organization will have its own set of processes/activities and technology in place. The business will also consider the risk element that is what may go wrong in achieving the business objective. So business should have control activities in place so that the risk may be managed. The organization will adopt a Risk management strategy which takes care of risks across the organization.

So ERM is process which is effected by the Board of Directors and management so that organization can identify potential risk and manage it to ensure the organization can meet its goal.

Benefits of Enterprise Risk Management (ERM):

Align Risk appetite & strategy:	ERM helps the organization to understand how much risk the organization can sustain and plan accordingly.
Link growth, risk and return:	ERM helps the organization to understand that how much risk can be taken to achieve a

	certain return and growth.
Enhance risk response decisions:	ERM helps the organization to respond to the risk properly-This can be either avoid, reduce, share or accept the risk.
Minimize operational surprises and losses:	ERM helps the organization to reduce any surprise loss.
Identify and manage cross-enterprise risk:	ERM helps the organization to manage risks impacting the entire organization.
Provide integrated response to multiple risks:	ERM helps the organization to provide integrated or combined action for multiple risks.
Seize opportunities:	ERM also helps an organization to identify events which can also be opportunity for the organization.
Rationalize capital:	ERM helps the organization to assess how much will be the capital requirement.

Memory Trick:

All Lions exited Mesopotamia. India Played Soccer regularly.

- Align Risk appetite & strategy ~ All
- Link growth, risk and return ~ Lions
- Enhance risk response decisions ~ exited
- Minimize operational surprises and losses ~ Mesopotamia
- Identify and manage cross-enterprise risk ~ India
- Provide integrated response to multiple risks ~ Played
- Seize opportunities ~ Soccer
- Rationalize capital ~ Regularly

Components of Enterprise Risk Management (ERM):

1. Internal Environment: This refers to the organizational internal culture which is conscious of the risks of the organization and the steps to be taken to control the risk. The responsibility to create this culture lies with the top management.

2. Objective setting: As a part of the ERM process, the goals of the organization are set. It also ensures these goals are in line with the entity's overall mission and should not be anything having a risk which the organization will not be able to control (Risk appetite).

3. Event identification: This refers to identifying happening of events that can be risk to the organization or it can be opportunities to the organization.

4. Risk Assessment: The risks identified should be assessed by determining the chances of happening of the event (Probability) and impact on the organization if the risk actually materializes.

5. Risk Response: Based on the risk assessment as stated above, the organization can decide on the following strategy to tackle the risk- avoid the risk, mitigate the risk, accept the risk or share the risk with another party.

6. Control Activities: After the strategy for the risk response has been decided, the organization decides on policies and organizational activities so that proper safeguard against the risk can be in place.

7. Information & Communication: Proper information should flow and be communicated across all the parts of the organization so awareness about the risk can be created and employees should also be aware as to what is their responsibility.

8. Monitoring: The processes as mentioned above should be monitored so that necessary steps can be taken to make the ERM process effective and successful.

Memory Trick:

Indian Orange English rabbit Russian carrot Iceland's Mint

- Internal Environment ~ Indian
- Objective setting ~ Orange
- Event identification ~ English
- Risk Assessment ~ Rabbit
- Risk Response ~ Russian
- Control Activities ~ Carrot
- Information & Communication ~ Iceland's
- Monitoring ~ Mint