

# Problems at Water Technologies – Accounting Information Systems

**Hadeel Nassar**

*University of Sharjah, Sharjah, UAE*

**Abstract.** Clever Idea LLC is an accounting services firm established in Dubai by Omar Khaleel, in 2016. Omar has signed a Memorandum of Understanding (MOU) with Shahed Ahmed, who is running her own consulting services business as a free zone establishment (FZE). Water Technologies LLC (WT), is a manufacturing business established in SAIF ZONE in May of 2017 by Ahmed Al Khalid as a managing director partner. Ahmed contracted Clever Idea to setup and maintain WT's books and records from day one. However, Alaa, an inexperienced bookkeeper assigned to Water Technologies LLC accounting services by Clever Idea, failed to satisfy Ahmed's expectations about an accounting information system. Accordingly, Omar turned to Shahed to help him deal with this situation. Shahed needs to meet with both Ahmed and Alaa to understand the details and the reasons for the problems at Water Technologies LLC. The focus of this case is the Accounting Information Systems for SMEs. The case is designed to challenge students to understand the problems which can arise when there is an absence of an experienced bookkeeper, as well as how communication issues can lead to further complications with an SME.

**Keywords:** Small to Medium Size Enterprise (SME), United Arab Emirates (UAE), Bookkeeping, Accounting Services, Accounting Reports.

## 1. Outsourcing a Bookkeeper for a Newly Launched SME

As part of the daily morning routine of a normal working day, Shahed sat down at her laptop in her rented shared office at Sharjah Airport International Free Zone (SAIF ZONE)<sup>1</sup> sorting out emails. Her attention was drawn to one she had received the previous evening from Omar Khaleel regarding Water Technologies LLC (see Figure 1), which she had flagged in red with intention to handle first thing in the morning.

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1. The most significant difference between mainland and free zone business licenses is the ownership regulations. When setting up a business in the UAE, all new business owners require a UAE national to act as a sponsor. For a trading company, this means that the local sponsor must own 51% of the shares. However, the sponsor can provide new owners with power of attorney and avoid any involvement in the operations or profit sharing. For a professional company, the ownership is 100% by the investor, but a local service agent is still a requirement. In a free zone, on the other hand, there is no such sponsorship required.

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Omar Khaleel is the founder of Clever Idea LLC, an accounting services firm established in Deira-Dubai in 2012, an expatriate born, raised, and living in Dubai since 1969. In 2016, Omar signed a Memorandum of Understanding (MOU) with Shahed, who was running her own consulting services business as a free zone establishment (FZE) in SAIF ZONE. Water Technologies LLC (WT), is a manufacturing business established in SAIF ZONE as of May 2017 by Ahmed Al Khalid as the managing director partner (controlling partner). Ahmed, a U.S. citizen, holds 60% of the business total shares of Water Technologies, with the balance of 40% equally divided among four other partners. WT statutory paid capital is AED 10,000,000 (the equivalent of US \$2,720,000).

In May of 2017, Ahmed contracted with Clever Idea to setup WT's QuickBooks Online account from scratch. Unfortunately, he was unsatisfied with the first quarter financial statements (as of September 30, 2017), which were initiated and generated by Alaa as a part-time (outsourced) bookkeeper assigned by Clever Idea.

Figure 1:

<p><b>From:</b> Clever Idea &lt;cleveridea@gmail.com&gt;  <b>Sent:</b> Tuesday, October 10, 2017 7:56 PM  <b>To:</b> Alaa Tamimi &lt;atamimi@yahoo.com&gt;; Shahed Ahmed &lt;shahed@ahmed.com&gt;  <b>Subject:</b> WT  <b>Dear Team,</b>          Kindly work together and finalize the Sales Cycle and related documentations process ASAP. I am expecting the initial implementation not later than Saturday November 4, 2017.          We received the request from the Client around a month back and we are late in doing our job.          Your prompt action is appreciated in advance.  <b>Regards,</b>          Omar</p>
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## 2. What Does WT Do?

Water Technologies LLC (WT) was established in SAIF ZONE by Ahmed Al Khalid. It was his first venture outside the USA and it specialized in designing and manufacturing commercial and industrial reverse osmosis (RO) water treatment and purification systems. Ahmed's U.S. operations had been in business for over 20 years with over 10,000 water purification systems built, including 3,000 customized systems. For this line of the business, Ahmed hired a specialized electrical engineer as Project Manager-RO to design and build customized water treatment and purification systems including water softeners, waste water treatment, sewage treatment, water filtration, UV water purification, reverse osmosis plants, sea water systems, all as per clients' requirements and specifications. For the chemical products line, a chemical engineer was hired as Project Manager-Chemicals, to run and manage the operations of chemical production. Both engineers operate cross-functionally and have played a key role

in the success of WT. Further, the chemical engineer designs and manages chemical products to satisfy the demand of various sectors such as energy, pharmaceutical, and green technology, by applying the most up to date technologies and developing the best test methods in laboratories in order to assure quality. All RO systems and chemical products are engineered and manufactured inside a SAIF ZONE plant, using material supplies either imported from the USA, or purchased from the UAE local market if the quality standards are met. Both project managers are adequately equipped with manual/computerized tools for flowcharting, graphic designing, spreadsheet, Gantt Charts, and so forth. See Figure 2 for RO graphic design example; the same reference numbers in this graphic design are used and reflected in the Costing Sheet (see Table 2).

Figure 2:

- 1 Softmaster<sup>®</sup> MMP compact control of softening plant
- 2 Testomat<sup>®</sup> 2000/ECO/EVO hardness measurement
- 3 Softening plant
- 4 Reverse osmosis plant
- 5 Softmaster<sup>®</sup> ROE1 control of reverse osmosis plant

