



WORKSHEET: 14

School: Ba Sangam College

Year: 1101

Name: _____

Strand – 6	SYSTEMS FOR IMPLEMENTING THE ACCOUNTING PROCESS- I
Sub Strand (6.1)	Accounting System and Internal Control
Content Learning Outcome (6.1.1)	Explore the factors which influence the design of an accounting system and the internal control procedures for its effectiveness

Subject: Accounting

SYSTEMS FOR IMPLEMENTING THE ACCOUNTING PROCESS- I

Accounting System and Internal Control

Accounting System

- set of manual and computerized accounting methods, procedures, and controls established to gather, record, organize, analyze, summarize, interpret, and present accurate and timely financial data for management decisions.
- It ensures that all business policies and procedures laid down is carried out diligently.

Accounting Sub- System

Accounting system divided into different sections.

Factors affecting the Design of an accounting System

1. Size of the Business

- - affects the number of accounts required to be prepared, also the manner in which records are prepared (handwritten or electronic methods).

2. Owner/ management

- - In which way does the owner wish to receive communication on the progress of the business.
 - What type of controls are to be carried out to ensure the stated aims and objectives are accomplished.

3. Ownership of the Business

- Different types of business ownership determines the different ways of reporting and preparation of reports.

4. Location and Dispersion

- If the business has many branches than final reports of each branch is prepared separately and later on consolidated as one.

5. Effect of Law

- The law also influences the type of records a business's needs to prepare and submit.

Difference between Chart of Accounts and Manual of Accounts

Chart of Accounts

- is a list of all account titles and numbers arranged according to the classification desired in the ledger e.g Assets, Expenses, Liabilities, Revenue and Capital .

Manual of Accounts

- is a complete guide to the accounting system.
- has a set of rules to be followed when preparing any business reports or records e.g. debit and credit rules

Internal Control

Definition of Internal Control

- is the plan of the organization and all the methods and procedures adopted by management to ensure it operates as planned.

Aims/ Purpose of Internal Control

- safeguard the assets and liabilities of the business.
- check the accuracy and reliability of its accounting data.
- promote operational efficiency.
- encourage adherence to the prescribed management policies.
- prevent fraud and error.

Characteristics/ Principles of Internal System

1. Separation of Duties

- means that one employee should not be responsible for consecutive aspects of a transaction.
- Different employees should be handling different aspects of a given transaction.

2. Authorisation

- means that a person in position of responsibility or authority will validate the course of action.
- all transactions should require approval by a responsible person

3. Responsibility

- means areas of responsibility should be clearly defined so that an individual officer is accountable for his actions or any query that arises.

4. Physical Control

- are concerned with the custody of assets from theft, misuse or deterioration.

5. Reliable Personnel

- Employees should be qualified and are given duties and responsibilities that commensurate with their abilities/ the personal has capabilities to carry out the duties.

6. Sound Accounting Practice

- The business should maintain complete and accurate accounting record which can be verified by an independent person.

7. Rotation of Duties

- should include rotation of staff duties in key positions occasionally.

8. Verification

- is the act of checking the accuracy of accounting records by some independent means.

9. Serialization of Documents

- All documents should be consecutively numbered.

Activity Questions

(i) Define Chart of Accounts. (1 mark)

(ii) State **two** principles of a good internal control system. (2 marks)

iii. State **one** purpose of internal control. (1 mark)

(b) Which Principle of Internal Control means that one employee should not be responsible for consecutive aspects of a transaction? (1 mark)

(c) Name **one** factor that affects the design of an accounting system. (1 mark)

(a) Which principle of internal control is concerned with the custody of assets from theft, misuse and deterioration?
A. Authorization

B. Responsibility

C. Physical control

D. Reliable personnel (1 mark)

(b) The act of checking the accuracy of accounting records by some independent means is known as

A. verification.

B. rotation of duties.

C. separation of duties.

D. sound accounting practice. (1 mark)