

PENANG SANGAM HIGH SCHOOL

P. O BOX 44, RAKIRAKI

LESSON NOTES Week 16

SUBJECT: ACCOUNTING

YEAR/LEVEL: 12

Strand 6: SYSTEMS FOR IMPLEMENTING THE ACCOUNTING PROCESS

Sub-strand 6.1 ACCOUNTING FOR CREDIT TRANSACTIONS

Content Learning Outcome: Examine the basic internal control procedures over credit transactions.

Greetings to all my students, weeks 13-15 we have covered strand 5, Analysis And Interpretation of Financial Statements and this week (week 16) we will start with strand 6: systems for implementing the accounting process. If there are any queries do contact me in our 12A Viber group.

Lesson Notes (For detailed **reference** use your text book MOE Year 12 Accounting Pg. 161-174)

Importance of Internal Control

Avoid fraud and error.

Safeguard business assets and other resources.

Promote operational efficiency.

Adhere to prescribed management policies.

Principles of internal control

Separation or segregation of duties

Reliable personnel

Authorisation

Sound accounting practices

Responsibility

Rotation of duties

Physical control

Verification

Serialisation of documents

Internal check- is checking of day to day transactions whereby the work of one employee is checked by the other member of the staff.

6.1 Accounting For Credit Transactions

Today most businesses buy and sell on credit in order to expand their services to all sorts of customers and suppliers. **Reasons** why firms offer credit facilities to Customers:

To maximise sales volume and profits.

To enable the customer to buy the product in case they do not have sufficient cash.

Allows the customers to enjoy the same goods and services as of the people with money.

To avoid the goods from becoming obsolete.

2 Internal Control over Credit Sales

Sales orders received must be checked with the manager.

A tax invoice must be written out for every sale before goods are delivered to the customer.

Serially numbered tax invoice to be prepared.

2 Internal Control over Accounts Receivable

All credit sales should be approved by an authorised person.

The credit worthiness of the customer should be looked at before the credit sale is made.

A Statement of Account must be sent to each debtor in a form of a reminder to pay the sum owed.

Internal Control Over Credit Purchases

Three quotes must be taken before buying goods.

All purchases should be made on an order form, properly signed and sanctioned by an authorised employee.

Necessary checks must be made on goods received in terms of quality of goods, prices, terms of payments and discounts offered.

Use of **control accounts** and subsidiary ledgers allow greater control through separation and

Home work Activity

- ❖ Only assignment for this week is to use the summarized notes given and text book to learn concepts taught on internal control.

(Best wishes for week 16 studies, take care and Stay Safe)