

# Internal control research

[Business](#), [Accounting](#)



To critically analyze the •To evaluate the importance of having Internal Control procedures within ' The Bargain Centre' Aims: •To investigate the number of different internal control procedures used within ' The Bargain Centre' •To gain knowledge of how the different internal control procedures help secure the business against theft and embezzlement etc. Data collection: In order to carry out my research on Internal Controls within ' The Bargain Centre Supermarket' I have observed over a period of time, while I was employed part time, the different type of Internal Control procedures set place.

I have also interviewed the owner, and two (2) managers and also three (3) employees to get their views on the Internal Control that are effected within the business A secondary method that was also incorporated into this Internal Assessment (I. A) was the use of the internet to gain general information about internal control systems. I have chosen the use of interviews to gather my information because it allowed me to get more in depth information and allowed me to dig deeper and get more information that was really needed to complete the report. ? Data Analysis: According to ' www. liffnotes. com': " Internal Control is the process designed to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Safeguarding assets against theft and unauthorized use, acquisition, or disposal is also part of internal control. " Internal Control principles can be sub divided into a number of categories, a few important ones are: ? Segregation of duties: this requires that different individuals should be assign different duties, rather than one person be in charge of everything, as to reduce theft.

For example the cashiers of a supermarket are not responsible for checking the money in their cash register. ? Establishing responsibilities: helps to ensure that all company activities adhere to guidelines unless other course of action is specified by a manager. For example there is a specific price list that has the price of every item with a store, only the manager can give authorization to change the price of a specific item. ? Documentation: provides evidence that financial statements are accurate and makes it possible to double check work.

All records of sale and purchases should be kept safe and documented accordingly. ? Physical control: this should provide proper protection of company's assets. Examples of physical controls are; •having fire proof safes and vaults to store cash before taking it to the bank •renting a safety deposit box for important papers like title deeds and insurance policies •having locked warehouse for inventories or stock •fencing company property •controlling computer facilities with a pass key which is access only by authorized personnel ? Mechanical control: improve accuracy and reliability of accounting information.

These can come in the form of cash registers in shops, gasoline pumps in gas/petrol station and time clocks which employees use to show when they arrive at work. ? Electronic control: may be in the form of electronic burglar alarm system, television cameras to monitor thefts, as well as tags which must be removed or deactivated when the item is purchased or else they will trigger an alarm when the customer leaves the premises without having paid for the item. ? Independent internal verification: this is when an employee helps check the work of another to ensure it was done correctly.

Internal Control over Inventory/Stock: In many businesses inventory is the most accessible assets, because of this it is made one of the prime target for theft. The business must therefore have ways to protect inventory/stock from shop lifting from customers or even embezzlement by employees. A few ways to achieve this would be:

- Use of surveillance cameras
- Limiting access to store rooms and using physical control such as locks or vault to secure inventory/stock
- Using sensitized tags on goods, which if not detached by sales clerk would trigger alarm, as to detour customers from shop lifting.

Internal Controls over Accounts Receivable and Accounts Payable: One of the most important principals of internal control is that an employee that has custody over cash (or assets that can easily be converted into cash) should not be in charge of accounts receivable records, as to minimize fraud or theft. Records of names of creditors must be recorded and kept safe, while cash disbursements should be made quickly and whenever possible.