

Security exchange commission case study

[Business](#)



A key distinction of a company going public over a private company is that the public company must abide by the rules of the Security Exchange Commission. One of the tasks a new public company will undertake is providing the financial details of the entity which will be readily available to the public – thus known as financial reporting. The Committee on Sponsoring Organizations framework is widely regarded as an appropriate and comprehensive basis to document the assessment of internal controls over financial reporting.

It is important that LLC Company reviews and Implement these standards.

2. There are some tasks that the company is doing Nell. These tasks consist of using pre-numbered invoices, and placing the payroll checks that were not retrieved into a safe. “ Pre-numbering helps to prevent a transaction from being recorded more than once, or conversely, from not being recorded at all. Second, the control system should require that employees promptly award source documents for accounting entries to the accounting department.

This control measure helps to ensure timely recording of the transaction and contributes directly to the accuracy and reliability of the accounting records. (Kismet, 341). The application of documentation procedures and physical control can be seen with the referenced tasks. Additionally, we would recommend that the company purchases an Indelible ink machine to print checks. Investing in the indelible ink machine will further add to the control of checks – which intern will assist with the mitigation of sis and fraud.

3.

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There are some areas that raise red flags which cause concern. Rhea internal control principles that need to be re-evaluated are segregation of duties, cash controls, access controls and human resource controls. We understand that LLC Company is a small company and that many of its employees have been there for several years. However, it is a disservice to the company to give so much authority to any one person.

The duties of the Treasurer and Controller should not be combined. ‘ The rationale for segregation of duties is this: The work of one employee should, Introit a duplication of effort, provide a reliable basis for evaluating the work of another employee” (Kismet 339). Additionally, stricter control policy should be enacted for cash controls. “ Cash is the one asset that is readily convertible into any other type to asset. It also is easily concealed and transported, and is highly desired causes of these characteristics, cash is the asset most susceptible to fraudulent activities. In addition, because of the large volume of cash transactions, numerous errors may occur in executing and recording them.

To safeguard cash and to ensure he accuracy of the accounting records for cash, effective internal control over cash is critical” (Kismet 346). Petty cash should not be a free-for-all. Access controls seems to be lacking at LLC Company. Access controls limit access to programs, files, and hardware to those who require it in the performance of their duties. LLC Company should not have to force someone to admit to an issue.

User access log would generate a report that cannot be called to question. Controls are also needed for the Human Resources department.

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