

Cubs inventory control system

Education



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The audit performed by CUBS accountants has some serious flaws that need to be corrected. According to the computer system that tracks inventory, concluded that the inventory was \$4.5 million. However, the actual inventory was understated by \$1.0 million. The following day when two accountants were discussing the audit two different viewpoints came to light. Accountant Bi's determined that there should have been a more timely and effective control system that developed more accurate figures at years end. If I were in the same scenario then my opinion regarding the audit would likely reflect the same as Accountant Bi's.

If CUBS inventory control system had inventory discrepancies totaling one million dollars then the quarterly income statements and balance sheets were also misrepresented. Perhaps shareholders and potential investors could conclude CUB is more profitable when it in actuality it is not.

Management and other personnel could have relied on the inventory system to sell their goods and then realized that the goods that customers ordered were out of stock. As a result some once very loyal customers could have been very upset and chose to take their business elsewhere.

Not only would the customers be unhappy but extra expenses such as overtime pay to manufacture the goods and employee time spent to search for the goods may be incurred (art 1). If the inventory level controls are not properly re-implemented then the company could suffer detrimental effects. CUB needs to devise a more appropriate type of inventory monitoring system that works better for the company. There should always be a ninety seven percent accuracy interval on inventory control systems like Cob's (art

1). Since the system has a success rate under 97% then perhaps the company should reevaluate the control system.

During the early stages of implementation the system should be tested very regular to ensure that the controls are acting as they were designed too (art 2). Therefore, CUB should mandate a company policy to test the control more often throughout the year and strive to reach a more accurate assessment of the inventory levels. The two accountants had very different views on the inventory system. While accountant a had more soft and positive vibe to the subject matter his objectivity and competence could come into question as a result.