

Free report on accounting information system

[Business](#), [Company](#)



QUESTION # 1:

How does SOX affect the provision of attest and advisory services?

ANSWER # 1:

SARBANES-OXLEY ACT (SOX)

The Sarbanes-Oxley Act of 2002 is a legislation which was brought to light and enacted for the benefit of the shareholders to protect them from the fraudulent practices of the enterprises. The major function of this act was to secure the shareholders from the accounting errors or any intentional mal practices which a company may incur to mislead the shareholders of that company. The Securities and Exchange Commission (SEC) is responsible for administering the act. It is solely responsible for compliance and publishing of the rules and requirements. Sarbanes-Oxley defines the record retention period of the data (Hall, 2011).

SOX & PROVISIONS OF ADVISORY SERVICES:

The accounting firms under the provisions of the SOX act provide advisory services to audit the attest function for the clients. The SOX legislation restricts the auditors from rendering the non-audit services to the audit clients. A registered public firm which provides the attest services to the clients cannot provide the same with the services of bookkeeping or the maintaining of the financial records. The firms can also not provide those clients with the appraisals or the valuation of services, actuarial services or investment banking services as it is considered to be unlawful. The services which the board determines by issuing any sort of regulations would be required to be implemented and will be considered to impermissible.

This legislation has a direct affect on all the departments which have any sort of relation to the record management and retention process of the company. The basic practices which may be considered to be a mandatory function for any company under the SOX legislation are that the electronic records and the messages must be saved for at least a period of five years. The rules of the legislation must be abided by the companies. If they fail to comply with the rules of the legislations they may be fined, imprisoned or both. The IT department of the companies is increasingly facing the challenges because they have to meet the challenges of creating and maintaining of the records in a cost effective fashion which appropriately meet the requirements of the legislations (Romney, Steinbart, & Cushing, 2000).

QUESTION # 2:

Compare and contrast the relative advantages and disadvantages of sequential, block, group, alphabetic and mnemonic codes.

ANSWER # 2:

ADVANTAGES AND DISADVANTAGES

QUESTION # 3:

Discuss the non accounting services that external auditors are no longer permitted to render to audit clients under SOX legislation.

ANSWER # 3:

SERVICES THAT EXTERNAL AUDITORS ARE NO LONGER PERMITTED TO RENDER

The audit firms which provide the companies with the services of external audit have been prohibited by the SOX legislation to provide other services.

This has been done to ensure that the rights of the shareholders may not be violated. The purpose behind this is also to ensure that the investors are not misguided by the mal practices of the company. The companies often manipulate the accounting records and by doing this they succeed in attracting the investors (Smith & Smith, 2001).

QUESTION # 4:

Identify six classes of physical controls employed in the expenditure cycle and give one example of each.

ANSWER # 4:

The six classes of the physical controls employed in the expenditure cycle control activities are as follows (Hall, 2011):

- Transaction authorization
- Segregation of duties
- Supervision
- Accounting Records
- Access Controls
- Independent verification

TRANSACTION AUTHORIZATION

The transaction authorization is the basic function of the physical control which needs to be acquired in the expenditure cycle. The transaction authorization system is used to place the order of an inventory when it is about to end. This ensures a formalized manner of the issuance of the order for the purchase of the inventory. Same is with the management of the cash.

To monitor the flow of cash in a systematic way this procedure is used. This is a track for where the funds of the company are being spent (Hurt, 2009).

SEGREGATION OF DUTIES

The duties of the individuals are allotted with the purpose of securing the assets of the company. The asset can be anything from inventory to cash of the company. In order to do so the duties of the individuals are segregated accordingly. The duties related to the managing of the assets are distributed within the system to ensure that the internal system and the management functions are transparent. The asset is secure to the maximum limit and the systems are being run efficiently (Hurt, 2009).

SUPERVISION

The proper supervision of the assets of the company is very important to ensure that there is no theft or that the goods have been properly inspected by the authorized personnel responsible for the supervision of the products. Example for the cash management is that if a supervisor is not assigned then theft or unauthorized usage can take place (Hurt, 2009).

ACCOUNTING RECORDS

The proper accounting records may be maintained by the company to ensure the transparency of the operations of the company.

Example of the control of the proper management of the accounting records is to ensure that a proper audit trail is available and that the records of the company can be transparently presented to the investors (Bushman & Smith, 2003).

ACCESS CONTROLS

Example of Access control can also be termed as the access to the document or the paperwork which is retrieved by the company which can be considered to be confidential (Hurt, 2009).

INDEPENDENT VERIFICATION

The verification of the persons must be of an independent nature.

The best example for this is the account payable of an individual. Each must be specified and given the funds which are designated to them. To do this the independent verification is very important (Vaassen, 2002).

CHAPTER 3

ETHICS, FRAUD AND INTERNAL CONTROL

BERN FLY ROD COMPANY (PP. 138-139)

Analyze Bern's situation and assess any potential internal control issues and exposures. Discuss some preventive measures this firm may wish to implement.

Bern's Fly Rod Company is a small manufacturer of high quality graphite fishing rods. The internal control issues which the company may be facing and the preventive measures this firm may implement to improve its business functions have been discussed below.

INTERNAL CONTROL ISSUES AND EXPOSURES OF THE COMPANY

The Internal Control System of any company to run smoothly must comprise mainly of the policies, practices and procedures which need to be implemented by the organization to achieve the following prime objectives

(Hall, 2011):

The issues which have been observed in the internal control system of Bern Fly Rod are that the cash disbursement system is having issues regarding its transparency. Most of the systems and the functions of the business have been divided into departments namely the billing department and the shipping department, but the biggest asset which the company owns is its cash. The cash disbursement is dealt by a clerk who is responsible for the payment of the expenses which have been incurred. This creates a major issue of transparency (Hall, 2011).

The repayment of the travel expenses which has been incurred by the sales force has no sort of check and balance whether those expenses have been incurred or not by the sales team. The amount of travel expenses which has been charged is increasing with the passage of time as compared to that of the previous months.

The financials of the company have shown an increase in sales of the company. Due to increasing cost of return of the product and the increase in the expenses of the company has failed to increase the profits of the business. This issue has arisen only because the company lacks a proper cash disbursement system (Hall, 2011).

PREVENTIVE MEASURES

The preventive measures which the company can take will ensure the occurrence of any undesirable events from taking place which harm the mere integrity and the functionality of the company. This control is designed to force the compliance team of a company to enforce the policies and the practices of the company. The better the design of the company's internal

control the better will be the company's outcome. Fewer problems will result in better performances of the company and will ensure the smooth running of the entire system. The preventive actions which a company can take to ensure an efficient internal control system are to create a system which is precise and well managed (Hall, 2011).

Bern Fly Rod Company must take actions towards improving its cash management system. A proper department must be made to monitor the transparency of the vouchers which the employees fill regarding the sales of the product and the travel expenses which they incur for the business. The conformity of the order must be properly checked to reduce the product return from the customers and the remuneration to the people of the sales force must not be paid immediately as soon as they confirm the placement of the order.

The application of these preventive measures on the internal control system of the company will increase the efficiency of the company. The cash disbursement system of a company is one of the prime functions of the company's operations and the management of the assets of that company (Hall, 2011).

CHAPTER 4

THE REVENUE CYCLE

SPICE IS RIGHT IMPORTS (STAND-ALONE PC-BASED ACCOUNTING SYSTEM)

(PP. 203-204)

QUESTION # 1

Analyze the physical internal control weaknesses in the system. Model your response according to the six categories of physical control activities

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specified in the COSO internal control model.

The six categories of the physical control activities which have been specified in the COSO internal control model are as follows (Hall, 2011):

- Transaction authorization
- Segregation of duties
- Supervision
- Accounting Records
- Access Controls
- Independent verification

TRANSACTION AUTHORIZATION

SEGREGATION OF DUTIES

All the departments perform the tasks which they are assigned to complete the sales procedure. The problems regarding billing and shipping are occurring because of the human error of the recording of the transaction in the journals. The clerk who is responsible for the recording of the transaction does this all together in a single period of time.

SUPERVISION

The supervision of the work which is done in a proper channel is not done. The action which is being performed is not monitored by the authorized personnel's. These result in errors and inefficiencies of the staff in performing their duties.

ACCOUNTING RECORDS

The record of the transactions is also done by a clerk at the end of the day. The task performed by each department is not monitored by the authorities.

If there is inefficiency in the system it affects the performance of all the departments.

ACCESS CONTROLS

The access to the records is to the departments which perform the respective actions. If the access is granted to all the persons connected to the transaction than this problem can be eliminated.

INDEPENDENT VERIFICATION

The verification of the order must be done by all the departments which are involved in the transaction. If all the departments cross check the order and validate the order properly then this error and complaints of the customers can be rectified.

QUESTION # 2

Describe the IT controls that should be placed in the system.

IT CONTROLS WHICH MUST BE IMPLEMENTED TO ENSURE AN EFFICIENT INTERNAL CONTROL SYSTEM

The IT controls which are required to be implemented by the company Spice is Right to improve the internal systems are the proper management of the data and it labeling in the accordance to its retention period. If the data is properly managed then the transparency in the records of the company can be observed. If the company's management is efficient in the performance of the work then many of the company's issues may be resolved automatically. The security of the system may be ensured to overcome the issues of transparency which the operations department of the company is facing. To manage the operations efficiently the duties of the individuals may be

segregated to them. Proper documentation of the job processes must be done to ensure that there is no failure in the functions of the businesses. The company Spice is Right is currently facing issues regarding the customer's complaints about the billing, shipping and the payment errors. This is because the company is lacking of a proper automated sales recording system. Most of the functions are done manually by the company staff and the work which they are performing is not cross checked by the other staff or the authorized personnel of the company. This is causing inefficiency from the staff performing the task. The manual recording of the transactions must not be piled for the day end and the staff must perform those tasks on a time to time basis all round the day (Hall, 2011).

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