

Example of term paper on dell internal control and procedures

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



Dell is one of the largest companies in the computer and technology industry. It was established by Michael Dell, and currently it operates as a public limited company. According to a requirement by SECP (Securities and Exchange Commission) all companies including Dell have to file 10-K report at the end of every fiscal year. This reports contains financial records, and a statement regarding the internal controls are procedures that are present in the company.

There is an audit committee for the company that looks that all the legal and financial matters of the companies are in compliance with the instructions issued by the concerned regulatory authorities. This is the first internal control present in the company. It makes sure that the company is not straying from the legal and financial requirements. (Dell, 2014)

There is also a PricewaterhouseCoopers, a professional audit company that looks into the financial matter of the company to make sure that each and every penny spent by the company meets the controls and procedures as defined by the Board of Directors and bylaws of the company.

In the annual report of Dell, there was a list of 19 internal control procedures. 12th procedure on the list stated that if the management is not happy with the quality of raw material procured, it can suspend sales in order to make sure that the company keeps on producing high quality goods for its consumers. Dell's 10-k statement also clarified that all the Dell's subsidiaries were using GAAP in order to prepare the financial statements; furthermore work was done on developing a system of unification for the financial statements of foreign subsidiaries. The company also implemented COSO risk management in order to minimize all the risks and to make sure that

there are no unforeseeable risks in the future. (SEC, 2014)

Dell was recently fined for \$100m because its accounting system was considered not up to the mark. It was claimed that Dell Inc had deliberately used misleading information and hid the details of business transactions to meet the earnings target to drive the share price when the profitability of the company was low. Dell Inc deliberately showed the swelled earning of its key EMEA divisions when the profitability was actually low, and window dressing techniques were used to decorate the deteriorating financial performance of the company. (Grant, 2010)

Keeping in view the above scenario and how Dell Inc has failed to provide proper accounting records to the Securities and Exchange Commission, Dell Inc should use Marginal Costing as a means of its management accounting. Since Dell Inc is made up of various divisions and departments, marginal costing would allow the company to accurately apportion the fixed and shared costs among the various departments. This will help the company to tell the true value and profitability of each department to the shareholders, and to the government's regulatory authorities like the Securities and Exchange Commission and the other regulatory authorities.

Although, Dell has done well, and has good system of internal control in place, it needs to adopt a better system of management and financial accounting in order to make sure that its financial statements and financial position is correctly reflected to the shareholders and other relevant authorities that are interested in the performance of the company.

References

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