

# [Sample essay on budgeting ip5](https://assignbuster.com/sample-essay-on-budgeting-ip5/)

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Internal control practices are the activities that enable a company to maintain an environment that is solely focused on accountability and ethics. These are systems that are put in place to safeguard the resources of the business. By putting in place these practices department benefits in the following ways; one of the benefits is that the internal controls provide checks and balances on the usage of resources. They also ensure that the areas of priority in an organization are identified as well as addressed. Another benefit of putting in place internal controls is that it allows the company to prevent and also reduce errors in a manner that is cost effective. Also, last but not least is they ensure that the employees are protected.
Like any other business Money Cares Investment Corporation faces budgetary challenges that mean that resources of the company are not being used prudently. Putting in place internal control systems is not enough for a business to efficiently deal with budgetary challenges, there is a need to also put in place good monitoring systems allows the company to safeguard the resources and error is noticed at the very beginning. When there are no policies established for monitoring, there is a low possibility of ensuring that problems are detected before they occur, it is also hard to monitor performances, therefore, and meeting the objectives set can prove to be difficult. Money Cares Investment Corporation should ensure that all there are good monitoring systems to prevent the occurrence of the some activities that can slow down the business.
Internal control systems and monitoring are very critical to business, because a lack of clear policies can lead to the next; Resources are likely to be allocated inappropriately to the projects. You find that, in an organization where there are no monitoring and internal controls, the funds may be allocated to projects that are not of high priority and ignore high priority projects. Another major challenge is that there is a likelihood that funds for the projects can be mismanaged because there are no monitoring processes to identify and stop when an employee mismanages funds.
It is also difficult to monitor performances in different departments of the business, therefore, a business may stagnate in performance that shall be a hindrance to the business to . meet its objectives. Lack of controls and monitoring systems can lead to decrease in staff motivation; there is an overall demotivation of staff because of the misuse of funds that are intended to be allocated to important projects of the company. It is also hard to plan for the future because the funds shall not be used in the best ways.
Money Cares Investment Corporation faces various risks by not putting in place internal controls and monitoring systems. Internal controls and risk managements are part and parcel of good and effective use of resources and performance. With the right balance of internal controls and risk management which guarantees that there is no bureaucracy in the way of doing things. The company faces growth risk whereby if the company can attain operating profits in one year can it sustain the profits in the next year. Because there is overspending in some departments there can be some areas that may lack enough funds hence profitability may not be sustained from one year to another.
The second risk that the company faces are financial risk; if the products of the company are sold efficiently can the profit realized be realized by investors. It is important for investors to receive the profits of the business and this is the reason internal controls should be introduced. The third risk that the company faces is marketing risk. There is overspending in the marketing supplies and transportation cost which means that even if the products are produced they are not being sold efficiently. All these risks can lead to poor performance of the business.
For a business to do well there must be an introduction of new control systems and monitoring systems that ensure that resources are used in the best design. Internal controls to curb overspending in marketing supplies and transport and hospitality items should be formulated. An example of internal control that can prevent misuse of funds includes introduction of receipts that show the expenses and seeking approval from the CEO. The investment specialists should also use the company’s credit cards in a manner that is prudent, therefore, can save much money. The control that should be put in place for this purpose is placing a cap for the amount of monies that can be used by investment specialist.
According to the budget of Money Cares Investment Corporation, the most vulnerable areas are misusing the company’s funds in the marketing areas of investment. The company’s money is wrongly used by the investment specialists, therefore, this leads to an overall misuse of the company’s funds for the projects that it is not planned to be used . When there are no monitoring systems put in place by the company on how funds are supposed to be used, the is a likelihood that there may be misuse of funds thereby denying important projects the funds needed.
The assets of the business are buildings and equipment that are in the workshop. In addition to these asset's cash can also be termed as an asset and also goodwill of the business can be placed as an intangible asset. However it is not easy to assess the value of the assets because of depreciation and amortization. Most money in this business is used in the production of the goods and also in the marketing department. Companies do use much money in production and marketing to push up their revenues.
It is very significant for a business to regulate its budgetary activities so that the funds used in the best manner. There are several ways in which budget activities should be regulated and one of the ways is authorization. Authorization ensures that the funds go to the intended purpose by the management allowing usage of funds there is little chance that the funds may be misappropriated. The second method of controlling budgetary activities is appropriation that ensures that funds are allocated to various departments matching to the needs of the department.
Accounting and control are the third methods that control activities of the budget. It is critical for any business to put in place accounting and control procedures that shall ensure employees use the funds in the intended ways. Receipts are prepared to show the amount of money used for each expense that the company incurs. The fourth method to regulate budgetary activities is by putting in place activity based costing which ensure that required number is used for each activity hence no overpricing or underpricing of a project.

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