

Essay on the accuracy of the accounting records

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



1. Internal control is concerned only with enhancing the accuracy of the accounting records. Do you agree? Explain ([http://www. smccd. edu/accounts/nurre/online/chtr7fa. htm](http://www.smccd.edu/accounts/nurre/online/chtr7fa.htm))

I disagree. This is because internal control is also concerned with all the associated methods and procedures that a business implements to ensure that its assets are safeguarded and protected. The assets are guarded from theft by the employees, unauthorized utilization or even robbery.

Enhancement of the accuracy is but one of the concerns dealt with by internal controls. Several principles are normally employed. From these principles, it is evident that enhancement of the accuracy of accounting records is not the sole concern of internal controls. These principles include; establishment of responsibility, the segregation of duties, enhancement of the mechanical, physical as well as the electronic controls and use of an internal verifications system that is independent.

2. Discuss how the Sarbanes-Oxley Act has increased the importance of internal control to top managers of a company.(Prentice, & Bredeson. Student Guide to the Sarbanes-Oxley Act)

The Sarbanes-Oxley Act was enacted in 2002. It is referred to as SOX. The act forwarded the proposition that required all corporations within the U. S. A that publicly traded to ensure that it maintained and implemented an adequate internal control system. SOX in essentially compounded the more responsibilities on a business corporation's executives as well the board of directors. It tasks them with the responsibility of ensuring that their companies' internal control system is adequate as well as functional. In order

to achieve this, SOX advocates for the companies to develop proper principles that will ensure the control of reports on the finance of the company as well as assess the functionality of the applied controls. SOX also require that external, independent auditors must be tasked to attest to the level of functionality of the internal controls employed by the particular company.

3. You are the assistant controller in charge of general ledger accounting at Springtime Bottling Company. Your company has a large loan from an insurance company. The loan agreement requires that the company's cash account balance be maintained at \$200, 000 or more, as reported monthly. At June 30th the cash balance is \$80, 000, which you report to Anne Shirley, the financial vice president. Anne excitedly instructs you to keep the cash receipts book open for one additional day for purposes of the June 30 report to the insurance company. Anne says, " If we don't get the cash balance over \$200, 000, we'll default on our loan agreement. They could close us down; put us all out of our jobs", Anne continues, " I talked to Oconto Distributors (one of the Springtime's largest customers) this morning. They said they sent us a check for \$150, 000 yesterday. We should receive it tomorrow. If we include just that one check in our cash balance, we'll be in the clear. It's in the mail"

a. Who will suffer negative effects if you do not comply with Anne Shirley's instructions?

All the company employees will suffer as they all stand to lose their jobs

from the default caused by the drop in the current balance from \$200000 to \$80000.

b. Who will suffer if you do comply?

The insurance company will stand to suffer if I comply with the instructions given. This is because the default will not be tracked by the insurance company in order to revoke the company insurance claim.

c. What are the ethical considerations in this case?

One has to consider the effect that the action taken will cause. The loss of jobs by the employees will be a terrible blow to many families.

d. What alternatives do you have?

I could present the check to the bank for approval and provide explanation for the upgrading of the balance back to the required amount, inclusive of the check being processed.