

Icas class notes essay



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Section 1 2 3 4 Introduction and Assessment Outcomes and Criteria Internal Controls and Fraud Finding weaknesses and making recommendations Report Plan Deadlines Report Guide Business English Other requirements page 3 6 9 12 5 6 7 8 9 15 21 23 33 34 1 Introduction and Assessment What is ICAS? The Internal Control and Accounting Systems (ICAS) unit requires students to write a 3500-4000 word report to show their knowledge of internal controls within a business and evaluating accounting systems. This unit is your opportunity to showcase the skills and knowledge you have acquired through your examinable units of the AAT.

You will be required to identify areas of weakness that could lead to errors in the accounts, and to assess the potential for fraud to occur. You will have to describe recommendations to address these issues and detail their costs and benefits. Your report will have section and paragraph numbers that you will use to complete a mapping document, showing how your report covers the AAT requirements. You should also provide a letter (witness testimony) to confirm that your report is all your own work. If required you may also have some verbal questioning in a final interview to confirm authenticity.

ICAS is a compulsory unit and key to obtaining the level 4 qualification for AAT. Your report should be written with a good standard of business English and must be word processed to show professional presentation. Theme It is up to you to choose the theme of your report. This involves choosing the company that you will base your report on. If you are currently employed this could be the business where you work. If you are not currently employed then you can use previous employment experiences (up to a maximum of two years old).

As noted above, your employer will need to write a letter to authenticate the report. Alternatively, the AAT provides a case study for those who have no relevant work experience. In this scenario your assessor will authenticate your report. Once you have chosen your theme you will need to identify all or part of an accounting function that has or is experiencing problems; this could range from budgeting, stock control, payroll, petty cash, expenses, credit control etc. You need to identify where these problems could lead to errors in the accounts and where there is potential fraud risk.

The AAT case studies are written to have several areas of weakness. This is to ensure that the reports received by assessors highlight different areas, which aids authentication. If you are using a case study, you are not expected to fix all of the weaknesses; you should choose one area to focus your report on. If you try to write about too many areas then you will not be able to cover the criteria in full and keep within the word count. If your report will be based on your workplace then must respect your employee's duty of confidentiality to your employer.

Your employer may allow you to name your firm alternatively you can give the organisation a false name. The report must be objective and not a vent for personal feelings. Mentor, Witness and Assessor roles The AAT recommend that if you are writing about your workplace, you ask someone at work to mentor you. They do not have to be a line manager; they could help with ideas, proof reading, and motivating you to meet your deadlines. They should not write the report for you! If writing about your workplace AAT require us to obtain a letter from your line manager to confirm the report is factually correct and your own work.

This is called a Witness Testimony. If you are using the case study your assessor will authenticate your work and write a Witness Testimony for you. Your Kaplan assessor will give feedback on your plan and your report and offer formative guidance if required (see below on Assessment). Assessment and LearnPlus Firstly your plan will be assessed to ensure you have the core areas of research completed. This can be submitted by email to your assessor. Occasionally students do not give sufficient details in their plan, or do not cover the right areas.

In these circumstances another updated plan would be requested. Once the plan has been agreed by your assessor you can start writing your ICAS report. The AAT have an online e-portfolio system (LearnPlus) where your ICAS report should be uploaded once you feel that it is a full report that covers all of the performance criteria. To ensure that your report covers all of the criteria you must also complete and submit the mapping document for this unit. You will have four months from the start of your course to submit your full ICAS report on to the LearnPlus system.

Your assessor is available and on hand during this time in case you require formative guidance or support to enable you to write your ICAS report. Guidance could be sought on a variety of issues you may be facing, e. g. writing in third person, mapping to the standards, quantifying costs etc. As this guidance is informal, you can speak to your assessor or email them any queries. As the LearnPlus system limits the amount of uploads you can make, formative guidance should not be sought through this system.

Once you have submitted your full ICAS report on to LearnPlus your assessor will be able to download and assess this. Your assessor will assess this and provide you with detailed feedback. To be able to do this, your mapping document must be included in your upload otherwise your assessor cannot assess this and will return your report to you as not yet competent. The intended use of LearnPlus is that your report should be submitted once you believe that it covers all of the criteria. It is therefore feasible that your report could be assessed by your assessor as competent on the first submission.

It is therefore imperative that all relevant documents are included in this submission. Please see page 35 for details of the requirements. If your assessor reviews your work and believes that there are some criteria that are not fully covered then they will assess this as not yet competent and their feedback will be returned to you through LearnPlus. As mentioned above, the LearnPlus system limits the number of assessment opportunities available to students. This is limited to five assessments on LearnPlus for students using either the AAT case study or work based evidence. Outcomes and Criteria

There are two areas covered by this unit Principles of Control (PIC is a knowledge unit) and Evaluating Accounting Systems (EAS is a skills unit).

The learning outcomes and assessment criteria are detailed below. Title

Level Learning Outcomes 1 Demonstrate an understanding of the role of accounting within the organisation Principles of Internal Control (knowledge)

PIC 4 Assessment Criteria Paragraph number 1. 1 Describe the purpose,

structure and organisation of the accounting function and its relationships

with other functions within the organisation. . 2 Explain the various business

purposes for which the following financial information is required Income statement (profit and loss account) Forecast of cash flow (cashflow statement) Statement of financial position (balance sheet) (NB explain the statements relevant to your organisation) 1. 3 Give an overview of the organisation’s business and its critical external relationships with stakeholders 1. 4 Explain how the accounting systems are affected by the organisational structure, systems, procedures, and business transactions. 1. Explain the effect on users of changes to accounting systems caused by External regulations Organisational policies and procedures 2 Understand the importance and use of internal control systems 2. 1 Identify the external regulations that affect accounting practice. 2. 2 Describe the causes of, and common types of, fraud and the impact of this on the organisation. 2. 3 Explain methods that can be used to detect fraud within an accounting system. 2. 4 Explain the types of controls that can be put in place to ensure compliance with statutory or organisational requirements. Be able to identify and use appropriate accounting system to meet specific organisational requirements. 3. 1 Identify weaknesses in accounting systems Potential for errors Exposure to possible fraud 3. 2 Explain how an accounting system can support internal control. 3. 3 Identify ways of supporting individuals who operate accounting systems using Training Manuals Written information Help menus 3. 4 Explain the value and benefit to a specific organisation of different types of accounting systems and software packages. Title Level Learning Outcomes 1 Evaluate the accounting system and identify areas for improvement.

Evaluating Accounting Systems (skills) EAS 4 Assessment Criteria Paragraph number 1. 1 Identify an organisation's accounting system requirements. 1. 2 Review record keeping systems to confirm whether they meet the organisation's requirements for financial information. 1. 3 Identify weaknesses in and the potential for improvements to, the accounting system and consider their impact on the operation of the organisation. 1. 4 Identify potential areas of fraud arising from lack of control within the accounting system and grade the risk. 1. 5 Review methods of operating for cost effectiveness, reliability and speed. Make recommendations to improve the accounting system. 2. 1 Make recommendations for changes to the accounting system in an easily understood format, with a clear rationale and an explanation of any assumptions made. 2. 2 Identify the effects that any recommended changes would have on the users of the system. 2. 3 Enable individuals who operate accounting systems to understand how to use the system to fulfil their responsibilities. 2. 4 Identify the implications of recommended changes in terms of time, financial costs, benefits and operating procedures. 3 Internal Controls and Fraud

Definition of Internal Controls An internal control system comprises the control procedures and the control environment (the general attitude to controls taken by the organisation). It includes all the policies and procedures (internal controls) adopted by the directors and management of an organisation to enable them to protect the assets, prevent and detect fraud and error and to prepare accurate and complete financial statements.

Types of internal controls Specific control procedures include the following:

Supervision – There should be adequate supervision of work to ensure controls are being complied with.

Otherwise, staff could commit fraud, errors could go undetected, time would then be wasted and queries could go unresolved. Organisation – Businesses should have a formal, documented organisation structure with clear lines of responsibility. Otherwise, there may be a misunderstanding of who does what, work may not be completed as people may think that someone else is completing it. Also queries may be unresolved and staff will not know who to report to. Arithmetic – The business should ensure that there are adequate controls to ensure the completeness and accuracy of its financial records, such as reconciliations.

Otherwise there could be errors in the double entry (Dr/Cr errors), these may go undetected and time will be wasted trying to find and correct these at the year end. Physical – There should be adequate physical controls to ensure the security and safe keeping of the businesses assets so that they do not go missing or are stolen. Authorisation – Transactions should be authorised by management so that they are all necessary and business related. Personnel – Employees should be appropriately qualified to be able to perform the required tasks.

If staff are not properly trained the risk of error is higher. Segregation of duties – There should be an appropriate division of responsibility to reduce the opportunity for fraud and manipulation. Definition of Fraud Fraud is when trickery is used to gain a dishonest advantage, which is often financial, over another person or business. e. g. theft of assets or cash, deliberate

misstatement of accounts. There are many words used to describe fraud. Scam, con, swindle, extortion, sham, double-cross, hoax, cheat, ploy, ruse, hoodwink, confidence trick.

These are just a few words you might hear in relation to fraud. Fraud Act 2006 The Fraud Act creates three new offences of “ fraud” Fraud by False representation Fraud by failure to disclose information Fraud by Abuse of power Examples of fraud Sales Purchases Payroll 4 Finding weaknesses and making recommendations Read the following scenarios and identify: The weaknesses in the system The implications of these weaknesses A recommendation to fix the weaknesses The costs and benefits associated with the recommendations How you would support the staff through the change

Scenario 1 INFORMATION TECHNOLOGY SYSTEMS There are three computers in the office, one for each member of the accounts team. These are all run on a stand-alone basis and are password protected by the individual users. Because the director had some knowledge of Microsoft Office Excel spreadsheets he has based the sales and stock system for the company on this method; and because of this the wider accounting system is also run using Excel. What are the weaknesses in the above scenario? What are the implications of the above? Recommendations Costs and benefits

How would you support the staff through the change? 5 ICAS Report Plan

Name.....

..... Email

address.....

Phone

number.....

Description of organisation Briefly describe what the organisation does and what department you will be reviewing. What financial statements does your organisation produce and why?

What software do they use? Are there better alternatives? Fraud &

Weaknesses Area of risk Current controls in place Likelihood Impact Net

likely impact Action Weaknesses Comment on the weaknesses of the current system and the implications of those weaknesses – include any areas from the fraud matrix where there is a weakness in the control. Ensure that you clearly demonstrate the impact on the accounting system, (Profit & Loss or Balance Sheet) Are the systems and processes you are looking at : Cost-effective. How do they stack up for speed Are they reliable Weakness (describe the fact)

Implication (Dr Cr errors – ? x? , potential fraud, waste of time (hrs?) etc)

Recommendation Describe a recommendation for each weakness – who should do what, how often, etc. Costs Note what costs are involved in the implementation and continued running of your recommendations e. g. training ? x, recruiting ? x, designing new forms, communicating new procedures, time x wage rate ? x Benefits Note the monetary benefits (reduced errors ? x, saved time x wage rate ? x savings etc) and non monetary benefits of each (including compliance with regulations if relevant)

Support for staff How will the change be communicated to staff, with there be a written policy, guide, training provided? Note testimony provider. If you

are basing your report on your workplace you will have to supply a letter on headed paper with the finalised report to authenticate your work. At this planning stage please ask your line manager to review your plan to ensure they are happy for you to submit this. Witness comments Please ask them to sign below so we have a sample signature for our records. Witness sample signature..... ICAS

Assessment plan/deadlines Activity Planned Date Actual Date Assessor for of Initials Submission/Action Receipt/Activity & Date of Assessment Date of 1st Workshop Date of 2nd Workshop Submit project plan KEY DATE 1 First Assessment KEY DATE 2 If over 4 months from first class then have to start again using case study Second Assessment If applicable Third Assessment If applicable Fourth Assessment If applicable Final Assessment KEY DATE 3 Top up questioning if required Declaration I confirm that I have been made aware by the class tutor of the KEY DATES for this project and am aware of the consequences of missing them.

I have agreed the proposed dates as listed and I will endeavour to meet these targets. Learner Name Learner Signature Email address Date Centre Explanation of ICAS assessment plan/deadlines It is vital that you plan and schedule your work to ensure you complete your project within the allotted timescale. Key Date 1 – You must submit a project plan in the prescribed format within the timescale indicated on your assessment plan. Key Date 2 – You must submit your report on LearnPlus within four months of the date of your 1st Workshop.

If you miss this deadline you will be asked to re-sit the classes at your own cost to ensure that your knowledge is current. You will also have to pay AAT

for access to a case study to complete the report on. It is recommended that you set yourself a deadline well within this four month limit but allowing time for your assessor to give feedback on your plan. Key Date 3 – You have 12 months from the date of your 1st Workshop to complete this unit and have it reported to the AAT. If you do not complete within this timescale you will have to enrol and pay to go on the course again. Report Guide This report guide outlines the sections your report must include and details what should go into each section. It also suggests which learning outcomes and assessment criteria will be covered in which section. The report must comprise:- Title page Content page 1 Terms of reference 2 Methodology 3 Executive Summary 4 Introduction 5 Review of XX System 6 Recommendations 7 Appendices Generic Requirements Each section must be numbered and start on a new page. Each paragraph must be numbered. Any appendices should appear in the order they are referred to in the report.

Title page Please create your own title – this will specify the area you are reviewing e. g. A review of the sales ledger processes of ABC Limited. An investigation into the purchase ledger system of XYZ and partners.

Recommendations to improve the payroll system of QC Charity. You also need to note the word count (excluding appendices) your name, AAT

number, and centre e. g. 3520 words Mohammed Sooq Kaplan Financial London 325986 For the final submission you need to sign and date the front

cover to authenticate your work. Contents page Here insert a table and hide the gridlines Terms of reference 2 Methodology Etc 3 4 1 Terms of reference

Here you need two paragraphs 1. 1 Explain the report covers AAT ICAS unit 1. 2 Explain the report reviews xx area and makes recommendations. You

can use word to number the paragraphs for you. 2 Methodology 2. 1 Your methodology is where you should detail how you have researched your report. 2. 2 Number the paragraphs 2. 1, 2. 2 etc. You will probably only write about half a page here. 2. 3 Examples of research methods you may use include: Internet research (list the websites visited in a bibliography in appendix 1).

Observation of the systems whilst working there for x months. Interviews with colleagues (attach copy of interview as appendix 2). 3 Executive Summary 3. 1. The executive summary should summarise the findings of the rest of your report. It is intended that your manager could read only this and get a good understanding of what your report is about due to their background knowledge of the firm. 3. 2. Detail here one paragraph for each weakness. Included within the paragraph should be: One sentence for the weakness One sentence for the recommendation One sentence for the costs and benefits in ???.

Continue to number each individual paragraph throughout your report. 4 Introduction This section covers four areas and should be written about the organisation as a whole not just the key area you will focus on later: Overview of Business (If you answer the questions below you should be covering PIC 1. 1, 1. 3, 1. 4) What do they do? How big are they? What external relationships do they have? Who are the key stakeholders? (key customers/ suppliers, staff, shareholders etc) Describe the accounts department structure (include a chart as appendix) How do they link with other departments?

Financial Statements (To cover PIC 1. 2) What Financial Statements do they produce? Why? – What is the purpose of each? What regulations are followed when preparing them? (internal policy, Co Act, UK GAAP, IFS, FRSSE)

Regulations (To cover PIC 2. 1, 1. 5) What other regulations do they comply with? (tax, data protection, industry specific legislation? What happens when regulations change? Software (To cover PIC 3. 3, 3. 4) Describe the accounting packages used, include details of what training is given to staff, do they have operational manuals or other written info, do they have help menus.

Why do they use these systems? What are the alternatives? Are they better or worse? 5 Review of XX system This section reviews one area of the accounting system. (Pick one where there are weaknesses with potential for errors in the accounts). This section has three areas to be covered: System requirements (Cover EAS 1. 1) Describe the system requirements. E.. g if you are reviewing a sales system you would explain that the organisation wants a system that will record all sales, at the correct date, quantity, price, etc... Describe the reports that will be useful e. g. aged debt reports, sales by product, branch, manager etc. Weaknesses (Cover PIC 3. 1, 3. 3, EAS 1. 2, 1. 3, 1. 5) Describe weaknesses where errors are made in the accounts (? x). This could be due to poor training, jobs being rushed, work not adequately supervised or checked, lack of motivation for staff, or poor process and lack of controls. Describe the impact to the business – ? x error, time wasted etc. There should be a lot of emphasis on the implications here. Use sub headings to break up your weaknesses. Potential fraud (Cover EAS 1. 2, 1. 4, PIC 2. 1, 2. 2, 3.) Describe what fraud is and what regulations there are over fraud.

Describe what potential there is for fraud and what controls there are in place at the moment to mitigate this. Is the resulting fraud risk high or low? You can include the fraud grid from your plan as an appendix. In the report you should write explaining each area in full paragraphs. Recommendations (Cover PIC 1. 5, 2. 4, 3. 3, EAS 2. 1, 2. 2, 2. 3, 2. 4) You should have one recommendation for each weakness (high fraud risk or other weakness). Use the same sub headings as in your weaknesses section so it is clear how they match up to the weaknesses.

For each one describe who will do what, how often, how long will it take. What training will be required, will a manual be written, how will the new policy / procedure be communicated to staff so they know what to do? What are the cost ? x and time taken to set up the new procedure. What are the benefits in ? x – save time, reduce risk of errors / fraud, quicker info, better info? Provide a cost benefit analysis with detailed workings in an appendix. 7 Appendices The appendices should be appropriate to your report and should appear in the order to which you refer to them in the report.

Suggested appendices include: Organisation chart Account department chart Details of interviews with colleagues/ line managers Bibliography – noting any material referred to – Kaplan notes, books, websites visited. Fraud matrix (see plan) Cost benefit analysis – this could be a table or an excel spreadsheet which shows how you have calculated the costs of your weaknesses and recommendations. 8 Business English What is Business English? As the report must be typed up you are expected to run spell check and grammar check before submitting your work for assessment.

If you know you are weak in this area it may help to ask a friend or mentor to proof read your report for you prior to running the checks. Business English is writing in simple complete sentences. The report must be written in the third person without using staff names. You cannot use I, we, our, etc.. You are writing as if you are an external business analyst, or consultant. You must write professionally without venting any personal frustrations or making accusations of staff. Extract from a case study ACCOUNTS RECEIVABLE of XYZ (SALES LEDGER) Gary is responsible for the running of this function.

Whilst many customers do pay cash for their goods, over fifty per cent take extended credit terms. When Gary first started at Bayou Stores, anyone who applied for a credit account was accepted. However, he realised that this was not good practice and he now uses a credit reference agency to ensure that potential new credit customers have no history of poor payments. Other than this check any new customer who applied is automatically granted an unlimited line of credit. Report sentence with errors Gary gives customers no credit limits. Suggested alternative

Staffs perform no checks except a credit rating. I recommend they ask for 2 trade references. Manager should review the limits set. 9 Other Requirements Mapping document Section 2 of this pack lists the Outcomes and Criteria against which the assessor will judge your report. The AAT require you to map your report to this document using the paragraph numbers. This is a requirement for EACH submission of your report. In the report guide Kaplan have suggested what areas of the Outcomes and Criteria may be covered by the different sections.

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You must use your own paragraph numbers to complete the mapping document. Example It is important to map to specific paragraphs within each section and not just to that whole section i. e. 4. 1-4. 11. See below. Title Level Learning Outcomes Principles of Internal Control (knowledge) PIC 4 Assessment Criteria Paragraph number 4. 1, 4. 2 1 Demonstrate an understanding of the role of accounting within the organisation 1. 1 Describe the purpose, structure and organisation of the accounting function and its relationships with other functions within the organisation.

Explain the various business purposes for which the following financial information is required Income statement (profit and loss account) Forecast of cash flow (cashflow statement) Statement of financial position (balance sheet) (NB explain the statements relevant to your organisation) Give an overview of the organisation’s business and its critical external relationships with stakeholders Explain how the accounting systems are affected by the organisational structure, systems, procedures, and business transactions.

Explain the effect on users of changes to accounting systems caused by External regulations Organisational policies and procedures 1. 2 4. 5 – 4. 8 1. 3 4. 2, 4. 3 1. 4 4. 3, 4. 4 1. 5 4. 9-4. 11 6. 4, 6. 9, 6. 10 Witness Statement As previously noted, if you are basing your report on your workplace, the AAT require you to submit a letter from your manager to authenticate the report. The letter should include the following: It should be on headed paper It must include your managers name, signature and job title It should state that they have read your report and confirm that it is all your own work.

Your manager can add in any other comments that they see relevant to your report as long as the above are all included. Uploading your report to LearnPlus Your submission to LearnPlus must be within four months of sitting your ICAS class and it must include several documents. To assist in assessing and quality assurance, please upload the documents using the suggested format: No. Initial. Surname – Document. E. g. 1. J. Smith Mapping document To ensure that all students are aware of the necessary uploads, a suggested list is below: 1. Mapping Document 2.

Report (with the front page signed to authenticate) 3. Appendices 4. Witness Testimony 5. Project Plan (The approved plan) 6. Assessment Plan/deadlines Please ensure that all documents are uploaded in your submission. This will ensure that if your report is of a competent standard, it can be reported to the AAT without delay. Checklist Some students find it useful to have a checklist to ensure they have completed everything required. You may find this useful and can submit it as an appendix with your report however it is not a compulsory part of the unit. Task Initial and date when completed

Identify suitable project idea Complete project planning form and submit to assessor for feedback/approval Draft project report include all sections: Title page Contents page Terms of reference Methodology Executive Summary Introduction Review of XX system Recommendations Appendices (in the order that they are fully cross referenced to main report) Each new section starts on a new page Appropriate use of headings and subheadings Also ensure that you include mapping document FINAL SUBMISSION Prepare final report and appendices – sign and date front cover Complete final mapping document Hold final meeting with workplace mentor (where applicable),

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document and obtain employer testimony Submit report for final assessment
Final Interview Where assessors are not in regular contact with students e. g.
Distance Learning students, a final interview may take place to confirm the
authenticity of the report. This will be a short conversation, usually on phone,
and documented by the assessor. Case study students may also be asked to
complete a final interview to authenticate their work. This may also be used
where the report is essentially competent but small areas require further
assessment. E. g. knowledge of regulation, fraud risks etc.