

Icas exam

Art & Culture, Comedy



Sample assessment Internal controls and accounting systems AAT Level 4
Diploma in Accounting Assessment book Candidate ??? This sample
assessment is for familiarisation purposes only and must not be used in
place of a ??? live??™ assessment. ??? When you feel prepared to sit the live
assessment please contact your Training Provider who can schedule a live
assessment for you. Guidance The unit being assessed by this report is
Internal Controls and Accounting Systems. Assessment is by a formal
business report, which can be reviewed by your assessor up to a maximum
of five times. You should map your report to these units by page and
paragraph number to ensure that you cover all the assessment criteria (see
Appendix 1 ??“ Mapping of report to outcomes and criteria). You may have
four further opportunities to submit additional supporting evidence at the
discretion of your assessor, but the report MUST be fully completed and
assessed within six months.

Please discuss this with your assessor There may also be a final interview
required with your assessor. Assessors will conduct a final interview with
Distance Learning candidates. If you are assessed as not yet competent on
completion of the six month period, it will be necessary for you to complete a
new report based upon a different case study. To access general guidance
on report writing and report content, log into your MyAAT account on the
AAT website, <http://aat.org.uk/myaat>. Assessment tasks You have recently
been employed as Senior Accounts Clerk for Cookridge & Cookridge Carpets.

This is a full time position, and the organisation is willing to support you
finishing your AAT Level 4 studies by attending the local college on an
evening. The first job the directors have asked you to do is to review the
<https://assignbuster.com/icas-exam/>

accounting system, the effectiveness of its internal controls, and whether the culture of the organisation could be improved in terms of working ethically and their environmental sustainability. You are then asked to make any recommendations for improvements that you feel are necessary. The directors know there are many weaknesses, but are uncertain as to how these should be managed. To help you in this they have asked the accounts clerks to prepare some brief information about themselves, an overview of the accounting system, and also a list of events that have occurred over the previous few months. This information can be found in the company diary. The directors have also suggested you review the following documents: ???
http://www.aat.org.uk/sites/default/files/assets/AAT_Code_of_Professional_Ethics.pdf ???
<http://www.aat.org.uk/about-aat/aat-sustainability>

You are required to produce a business report for Peter and John Cookridge. This should be approximately 4, 000 to 5, 000 words long. The report should be mapped to the learning outcomes and assessment criteria on page 4 by paragraph number to ensure all criteria are covered. The detailed task requirements are set out on pages 5 and 6. Learning outcomes and assessment criteria1.

Understand the role of accounting within an organisation 1. Describe the purpose, structure and organisation of the accounting function and its relationship with other functions within the organisation. 2. Explain the various business purposes for which the following financial information is required ??“ statement of profit or loss, statement of cash flow, and

statement of financial position. 3. Give an overview of the organisation's business and its critical external relationships with stakeholders. 4.

Explain how the accounting systems are affected by the organisational structure, systems, procedures and business transactions. 5. Explain the effect on users of changes to accounting systems caused by external regulations, and organisational policies and procedures. 2. Understand the importance and use of internal controls 1. Identify the external regulations that affect accounting practices.

2. Describe the causes of and common types of fraud and the impact of this on the organisation. 3. Explain the methods that can be used to detect fraud within an accounting system. 4.

Explain the types of controls that can be put in place to ensure compliance with statutory or organisational requirements. 5. Explain how an internal control system can support the accounting function.

3. Evaluate the accounting system and identify areas for improvement 1. Identify an organisation's accounting system, including hardware and software packages. 2. Review record keeping systems to confirm whether they meet organisational requirements. 3.

Identify weaknesses in and the potential for improvements to the accounting system and consider their impact on the operation of the organisation. 4.

Identify potential areas of fraud arising from lack of control within the accounting system and evaluate the risk. 5. Review methods of operating for

cost effectiveness, reliability and speed. 4. Conduct an ethical evaluation of the accounting system 1.

Evaluate the accounting system against ethical principles. 2. Identify actual or possible breaches of professional ethics. 5. Conduct a sustainability evaluation of the accounting system 1. Evaluate the accounting system against sustainable principles.

2. Identify where improvements could be made to improve sustainability. 6. Make recommendations to improve the accounting system 1.

Make recommendations for changes to the accounting system, including ethical and sustainability considerations with a clear rationale and an explanation of any assumptions made. 2. Identify the effects that any changes would have on the users of the system. 3. Enable individuals to understand how to use the accounting system by use of training, manuals, written information or help menus. 4.

Identify the implications of recommended changes in terms of time, financial costs, benefits and operating procedures. Task one Review and evaluate the accounting system The review and evaluation can be of the complete system or of one or more of the accounting functions, depending on your findings, but it must specifically cover the following points: ??? Record keeping systems ??“ explain the purpose of financial reports, and the suitability of the organisation??™s current reports to meet organisational needs. ??? Internal systems of control ??“ identify how internal control supports the accounting system, the types of internal control in place, and any controls

that are missing. ??? Fraud ??” explain the causes of fraud, common types of fraud, methods that can be used to detect fraud and potential areas for fraud within the organisation. ??? Working methods/practices ??” review the working methods used, including the use of appropriate computer software, and the operating methods in terms of reliability, speed and cost effectiveness ??? Training ??” Identify how training is or can be used to support staff.

??? An evaluation of the accounting system??™’s professional ethics against the professional ethics code of AAT and the organisation; identifying actual or possible breaches of any of the five fundamental principles of the code of professional ethics. Examples of this could include breaches of confidentiality, integrity, professional behaviour, objectivity and professional competence. ??? An evaluation of sustainability within the accounting system, identifying where improvements could be made.

This should look at the impact that the organisation has on the environment, the economy or society. Examples of this could be to reduce the carbon footprint, reduce the use of natural resources (paper, electricity, petrol, etc) or improving corporate social responsibility. The review should cover all aspects of the assessment criteria, as mapped above, when it can naturally be introduced into the report. If it cannot be covered in the report then it can be covered within a written explanation included in the appendix. Whilst a SWOT analysis may be a good starting place, this should not be placed in the body of the report. Task two Conduct an ethical evaluation of the accounting systems ??? Evaluate the accounting systems against ethical principles by

reviewing working practices. ??? Identify any actual or possible breaches of professional ethics.

Task three Conduct a sustainability evaluation of the accounting systems ???

Evaluate the accounting systems against sustainability principles by reviewing working practices. ??? Identify any possible improvements that could be made to improve sustainability. Task four Identify weaknesses and make recommendations for improvement ??? Evaluate the system to identify significant weaknesses, which should be clearly explained along with their impact upon the organisation. ??? For every weakness that has been identified, there should be one or more recommendations made to attempt to improve the situation. o The recommendations should concentrate on the effect that the changes would have on both the organisation and on individual members of staff. They may also highlight training needs or aids to improve staff performance, or changes needed to organisational culture.

??? Prepare a cost-benefit analysis o At least one of the recommendations made should be subject to a cost-benefit analysis. Whilst not all benefits are quantifiable, all costs are, and students should make any necessary assumptions or ??? guesstimates??™ to allocate costs to such items as time, unknown salaries, or any other unknown expense involved in the recommended changes. o All benefits should be identified, including those that cannot be allocated a financial figure. This can include such things as improved customer relationships, improved documentation systems or staff morale (though this could be allocated a financial benefit as improving staff turnover cuts recruitment costs). Note on Appendices Any charts and

diagrams or supporting evidence should be included in an appendix and cross-referenced within the text. Any appendices included should be referred to in the main body of the report ??” or in the case of supporting statements to cover missing assessment criteria, mapped and cross-referenced to a copy of the unit standards.

Company historyCookridge & Cookridge Carpets Ltd is a large carpet, soft furnishings and bed dealership in Southampton. It is the main dealer for : 07792 236543DOB2. 3. 1984Comments: As a working mother, I am a well organised and competent worker, dedicated to any role I take on. Education: 2004 – AAT NVQ Level 2 in payroll gained at Southampton College 2002 ??” A level maths, grade C A level general studies, grade A 2000 ??” 6 GCSEs at grade C and above including maths and EnglishEmployment History 2004/5??” Arthur C Clarke (engineering factory): trainee payroll clerk 2005/6??” Arthur C Clarke: payroll clerk Reason for leaving: pregnancy 2007/10 ??” Frescos: evening shelf stacker Reason for leaving: to improve my career prospects now my daughter is in playschoolHobbies: Swimming, playing with my baby daughterReferences: Mr C Hancock, Managing Director, Arthur C Clarke & coMrs G Biggs, HR Manager, Frescos.

Job descriptionWages ClerkHours: 15 hours over two full days per weekSalary: To be agreedResponsibilities: ??? To prepare weekly and monthly payroll information. To calculate all monies due (wages and commission) accurately. ??? To prepare payslips and make up pay packets for the weekly paid staff, and prepare BACS returns for monthly paid staff.

??? To prepare all associated returns and documentation. ??? Must be willing to undertake extra hours as needed. Responsible to: the company secretary of office manager. Responsible for: self, security of information and security of payroll cash. As this is a new position, other duties may be required on an ad hoc basis. Curriculum Vitae Stefan Kalinowski 42 St James

Avenue Burnistly Near Southampton S25 6RE 30. 5. 1994 Overview I left the sixth form of Burnistly Grammar School last year, as I wished to enter the world of work rather than go to university, and would like a career in accountancy.

I am a bright, capable worker, and am happy to work on my own or as part of a team. I was Head Boy at school, and am happy to take on responsibility.

Last position 2012 -2013 Accounts Receivable Clerk ??? Swannage County Supplies (Company went into administration and I was made redundant) Education 2005 ??? 2012 Burnistly Grammar School GCSE

Advanced levels - Accounting grade A Mathematics grade C Music grade A* Aim To learn more about accounting and to become a qualified

accountant Hobbies Music is a passion, both listening to it and playing. I play in a local group. References Mr J Johnson Mrs C

Smith Accountant Headteacher Johnson & Co Burnistly Grammar

School Eastborough High Road Swanage Burnistly Job description Accounts Receivable Clerk (Sales Ledger) Hours: 37.

5 hours over five days per week Responsibilities: ??? To prepare sales invoices ??? To manage credit accounts ??? To ensure that all payments are made within 90 days ??? To prepare monthly management information ???

Must be willing to undertake extra hours as needed
 Responsible to: The company secretary of office manager.
 Responsible for: Self, security of information and security of cash.
 Margaret Peterson 10 Mandela Grove Southampton S2 4WS 30. 6. 2012
 Dear Sir, I wish to apply for the position of accounts clerk that was advertised in the Southampton Herald. I am 57 years old and have recently been widowed.

I need to return to work to supplement my income. I have several years' experience in operating accounting systems, but have not worked in this area for over two years since I left my last role to care for my sick husband. However, though not qualified I am a competent accounts clerk and references can be obtained from my previous employer, with whom I worked for ten years.
 Yours faithfully
 M Peterson
 M Peterson (Mrs)

Job Description
 Accounts Payable Clerk (Purchase Ledger)
 Hours: 20 over five days per week
 Responsibilities: To check GRN and purchase invoices
 To liaise with carpets, beds and soft furnishings suppliers
 To manage accounts payable accounts
 To ensure that all payments are made accurately and on time
 To prepare monthly management information
 Must be willing to undertake extra hours as needed.
 Responsible to: The company secretary of office manager
 Responsible for: Self.
 Cookridge & Cookridge Carpets (CCL Ltd)
 Mission statement
 Our mission is to provide an excellent level of service to all of our customers, whether they are spending ? 5 or ? 5000 and to provide carpets, beds and soft furnishings that make a house into a home.

We are trying to be a greener company and we recycle wherever possible; we promise to remove all of the packaging from customers??™ premises, and dispose this in an environmentally friendly way. Information Technology policy (June 2010)All computers can only be accessed by staff who have been authorised by management to use Cookridge & Cookridge Carpets computers. All computers must be password protected. Computers must only be loaded with licensed software owned by the company. No changes to software are permitted without consent of Cookridge & Cookridge Carpets directors. No member of staff is allowed to load any software onto computers without prior permission from the management.

No unauthorised devices are to be used for saving, uploading or downloading work (e. g. discs, memory sticks, external hard drives or other devices) other than those purchased and approved by the company. Computers should only be used for company business and must not be used to access any social networking site.

Staff making unfavourable comments regarding Cookridge & Cookridge Carpets, their management, operating procedures or customers on any social networking site will be deemed to be guilty of spoiling the reputation of the organisation and this will be a disciplinary matter. Paula CookridgeCompany SecretaryInformation Technology systemsThere are four computers in the office, as the brothers have provided one for every member of the accounts team. These are all run on a standalone basis, though they are all linked to the same printer. The inventory information on beds, carpets and soft furnishings is kept on Microsoft Excel spreadsheets. Paula had

worked with the software previously, and thought it would be a good idea to set up the company accounting system using the same software. Three computers were purchased new when the company was established and are running on the Windows 7 operating system. They are also loaded with Microsoft Office 2010 (with a three user licence).

Six months ago another new computer was purchased and loaded with Sage Payroll software to enable the payroll to be run in-house. The Microsoft Office package was also installed on this new computer. When the computer system was set up a password was set to protect the information stored on it. The password is ??? Paula C??™, and this is used for everything throughout the company because it was set up by Paula when she was company secretary and has never been changed.

The idea was that the password would change every three months by having one keyword per computer and then changing the following number. For example, ??? Slug1??™ would then change to ??? Slug2??™ at the beginning of the next quarter, and three months later to ??? Slug3??™, etc. Paula had also asked everyone in the accounts office to give their computer a password and send it to her, so that she would be able to access all of the computers at any time. However, this was never done. Accounts payable Carpets and soft furnishings All inventory is purchased on credit terms from a wide range of suppliers. This is one of Peter Cookridge??™'s roles, and he enjoys spending time researching new inventory lines and new soft furnishing accessories; he also likes meeting the sales staff from different suppliers. He

has a favourite group of suppliers he tends to use, mainly because they are sometimes willing to sponsor his motorbike building and racing efforts.

There is no formal list of suppliers, and Peter keeps his own records. All inventory levels are maintained on the Excel spreadsheets. These have been set up to show: ??? suppliers ??? cost prices ??? selling prices ??? profit margins ??? re-order levels and quantities. Margaret has worked on Excel previously, but this was over two years ago. Whilst she is competent at inputting data, she sometimes struggles with anything beyond this. Suppliers are paid at the end of the month that their invoice is received, as long as funds are available. However, since the recession some suppliers now request payment within thirty days of the date of invoice, and this is beginning to cause some concern.

Cookridge Carpets holds a large inventory, with many rolls of carpet in the warehouse for sale on a cash and carry basis. Peter has heard that some large companies have recently asked their suppliers to cut the wholesale price by 10%, and is considering approaching two of their largest suppliers to ask them whether this would be a possibility. All suppliers are paid by cheque. These are completed by Margaret, and then signed by either John or Peter as they are now the only authorised signatories. The cheque book is stored in a locked desk drawer in Margaret's desk in the accounts office. Memo Beds supply all the memory foam beds to the organisation. These are now the bestselling line in beds. They supply products to Cookridge & Cookridge Carpets Ltd on a line of credit.

The showroom beds are used as demonstration models, and these are paid for 90 days after receipt. Customers??™ beds are purchased to order. A minimum deposit of 20% must be made when the order is placed and the rest of the monies are due for payment to the suppliers within 60 days. Again, all inventory records are stored on Excel spreadsheets. It is the job of the warehouse manager to update the spreadsheets when inventory is delivered into the warehouse, or when inventory is moved from the warehouse into the showroom. This should always be supported by documented evidence, for example goods received notes (GRNs). However, on busy days, the warehouse manager will often just update the spreadsheet when sending goods from the warehouse into the showroom, and then ask the sales staff for an inventory requisition note when they are less busy. Accounts receivable Stefan is responsible for the running of this function.

Whilst some customers do pay cash for their carpets, over 60% take extended credit terms. When Stefan first started at Cookridge & Cookridge Carpets, anyone who applied for a credit account was accepted. However, Stefan 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. Once they pass this check, any new customer who applies is automatically granted an unlimited line of credit. All new credit accounts are set up on the first day of the month. Stefan often works extra hours on this day to ensure this task is completed.

All sales orders are received by the showroom store staff for processing, and after completion are passed to the accounts department the next morning so

that Stefan can prepare and record the invoices. Stefan has designed a form in Microsoft Word that he uses as a pro forma for invoicing. To encourage sales, and to compete with large national retailers, Cookridge Carpets offers monthly payment terms to all customers with 6 months interest-free credit. Once this period expires there is an annual interest rate of 28.4%. They finance this through Westbridge Finance, which charges an annual rate of 8.7% to the company.

Stefan is responsible for ensuring payment occurs. The company policy regarding non-payment is as follows: ??? Once payment is seven days overdue, Stefan will telephone the customer. ??? If payment is not received within 14 days of the telephone call, then Stefan writes to the customer requesting payment and for the account to be brought into order. ??? If payment is still not received within the next 14 days, the customer's details are passed onto a debt collection agency which works on behalf of the company. The debt collection agency charges ? 80 per case, plus 30% of any monies collected.

Though this is their policy, the Cookridge brothers think this is a very expensive option, and often do not bother following through with it. Cash and bankingCash inStefan opens the mail every morning and sorts through it. Any cash or cheques received from customers are entered manually into a day book to record the receipt. The day book is then used to update the ledger accounts, and the cheques and cash are placed in the office safe until a banking day.

At the end of every day, all cash and cheques are removed from the tills, leaving a float of ? 100 cash in each for the start of the next day. The principle is that the till should be balanced to ensure that the cash content is correct. However, during the week this does not happen as the store closes at 21: 00, and the sales staff feel that they should not be asked to do an extra job at this hour. As a result, it is common practice is that all cash (except for the till floats) and cheques are removed and bagged as takings from individual tills, before being stored in the safe in the accounts office.

Banking Banking is carried out on a Monday and Thursday, and this is normally Stefan??™'s job that he does during his lunch break. There is often less cash banked on Thursdays. This is because John and Peter have started to take available cash from the office safe to pay wages, in order to reduce the amount of money drawn from the bank via cheques.

Authorised signatories Any one signature from: ??? Peter Cookridge ??? John Cookridge ??? Paula Cookridge (removed from mandate 30. 10. 13). Petty cash? 100 is drawn from the bank every month and placed in a tin.

A list of what it is used for is kept in a notebook in the tin, and anyone using the petty cash money is expected to make a note of the date and expense, and sign against this. The tin is kept in the staff room, next to the coffee and tea. Wages and salaries Until six months, ago the payroll was completed by the company??™'s accountants, Southampton Accounting Services. Initially Paula was going to run the payroll, but found that this was too demanding of her time and so she decided to commission the accountants to perform this task. However, because the individual hours worked each week by staff (and

commissions earned on carpet sales) are so variable, the payroll run is different every week. The accountants charged for the time taken to complete payroll, so it became a costly process for the company. The brothers decided that wages and salaries could be run internally. For the first two months they used a temping agency, but this was also an expensive option.

When Sonja started working for the company eight months ago, she took over payroll duties. All staff except those in the accounts department are paid weekly in cash. Pay packets are available from the showroom manager, Jim Andrews, from 10: 00 on a Friday morning. The rest of the staff are paid monthly, by cheque, on the last working day of each month. The following table sets out the working hours, rates of pay and frequency of payments for the various categories of staff in the company.

Staff	Rate	Normal time	Time and a half	Double time	Pay period
Showroom	9.50 per hour	40 hours	Hours over 42 Monday to Saturday	Sunday hours	Monthly
manager					
General	7 per hour	40 hours	Hours over 42 Monday to Saturday	Sunday hours	Weekly
staff					
Accounts	16,000 Pro rata	37 and a half hours per week	None	None	Monthly
Pro rata					
staff					

Sales staff earn a commission of 2% on the first ? 30, 000 of sales per month, and 5% on any sales over that figure.

John Cookridge is responsible for preparing staff rotas to ensure that there is adequate staff coverage for all of the opening hours. Most of the sales staff are willing to work overtime, so this does not usually create any problems. Once the week has finished, the completed rotas are given to Sonja who

uses them to calculate the amount of hours that the individual staff have worked. Sonja prepares the payslips from this information on a Wednesday, calculating manually any overtime or Sunday working payments due. She then calculates how much cash needs to be drawn from the bank and uses the company cheque book (which is kept locked in Margaret??™s desk) to prepare a cheque ready for signing.

On a Thursday she prepares the pay packets, which are stored in the office safe for the showroom manager to collect and hand out the following day, though often any member of the sales staff who is not busy will actually do this. Any pay packets not given out are returned to the office safe and remain there until collected by the relevant member of staff. Continues on next page. Wages and salaries (continued) Salaried staff are paid monthly on the last working day of the month, and this is done using the Bankers Automated Clearing System (BACS).

The BACS information is prepared by the wages clerk, signed by either of the brothers, and needs to be with the bank by 25th of every month. Envelopes with payslips are handed to each member of the salaried staff by Sonja on the day they are paid. If a staff member is not available, the envelope is placed in their desk drawer. There are no adjustments to be made to any of the monthly paid staff, as overtime payments are not made to them.

Statutory Sick Pay (SSP) is paid to the showroom staff, but office staff are salaried and are allowed six weeks contractual sick pay per year.

The brothers have always trusted their workforce completely, and there is no requirement or system in place for either sales or office employees to sign in

or out when they start or finish work. Diary of events August 2012 Peter had taken Wednesday off to take Mark up to London to a university open day. Mark had just finished college, and was going to have that week off before starting as a temporary staff member in the showroom so that he could learn the family business, even though he was more interested in trying to become a full time rugby player. Sonja was stood at the printer, complaining that yet again the payslips had jammed the mechanism. She was annoyed because the payslips had to be purchased from Sage, and not only were they very expensive, but she only had enough left for this week and next week??
™s payroll run, and she did not want to have to reorder more before she went on holiday. When Sonja recovered the payslips from the printer, she realised that half of them were now unusable, and so would have to be destroyed. After dropping them in the bin, she asked Stefan to order more before she reprinted the weekly wages run.

Sonja thought it was just bad luck when a message appeared on her computer to show that the printer ink cartridge needed to be replaced. She was further annoyed because she had asked Stefan to replace this yesterday when he was printing out the invoices, but he had failed to do this. She threw the empty cartridge in the bin before reminding Stefan that it was only fair for him to change the ink when he saw that it was low. All Sonja wanted to do was for the day to finish as she was really annoyed with Stefan, and nothing had gone right for her.

Stefan??™s music was his main love outside of his work. Whilst he was happy to work longer hours than the other accounting staff, he wanted to

keep his Fridays free for music. Peter could see no problem with this, so Stefan now worked flexi-time, arriving an hour before any of the other accounting staff and departing an hour later to make up his hours so that he did not have to work on Fridays. As Stefan was the first one in the building on Monday morning, he was opening the post and logging cash and cheques that had arrived into the day book, when the telephone rang. It was Margaret to say that she had had very bad toothache over the weekend, and had an emergency dental appointment for that morning so she would be late for work. Stefan went back to his task of opening the mail, without noticing he had dropped a cheque he was just about to write into the day book behind the desk. Paula called into the office to show off her baby before she joined John for a family lunch.

As she was short on cash and did not have time to go to the bank, she helped herself to ? 40 from the petty cash tin, and told Stefan that John would replace it this afternoon when he returned from their lunch date. John was becoming concerned that some customers were becoming increasingly slow in making payments on their credit accounts. He asked Stefan to prepare a schedule of debtors, but Stefan was busy doing invoices and asked if this could be done next month. Stefan had not chased up late payments recently because Paula had said that although she was meant to do this on a weekly basis, she only did it when she had time. September 2012 Sonja was going on holiday this month. The last time she went on holiday, she completed two weeks of pay packets on the same date (all based on the hours worked in the week prior to her preparing the wage packets) because

she knew that she was the only member of staff who could operate the Sage payroll system.

She completed these pay packets and placed them in the safe, informing her supervisors that Stefan would give them out each Friday, and that any over- or under-payments would be adjusted in the following week after she returned to work. However, there had been mistakes in this process, and it had taken a full month for the resulting errors to be corrected so Peter had said that she should not do this again. This time, Sonja asked Margaret if she could do the wages run for the weeks of her absence, because she knew that many years ago Margaret used to operate a payroll. Margaret promised her she would try and do this, but she did not know how to operate Sage.

Instead, Margaret said she could prepare the payroll manually using HMRC tax and NI tables, and then Sonja could update the computer system when she came back from holiday. It was a hot Monday morning and the sales staff complained to Jim Andrews that the milk had gone sour in the refrigerator and they could not have any drinks because of this. Jim sent Kim Lee, a junior member of the sales staff, to go to the nearby store and buy 2 litres of milk, telling her to take the money out of the petty cash tin.

She returned saying there was no money left in the tin, and so Jim took ? 10 out of the till and put a note in saying what he had done. When Jim complained to Margaret, she said it was strange because there had been ? 100 put into the tin a week before, and yet on checking the note book there was only ? 40 spent in the last two weeks. On the second Tuesday of the month, the bank telephoned to warn the company that as they had reached

their overdraft limit they were unable to honour a direct debit due out that day. John said that this was just an oversight and he would deal with it immediately.

He emptied the tills and banked ? 900 in cash so that the direct debit would be covered. He then asked Stefan to produce an aged receivables list so that he could see why the cash flow was so limited when trade had appeared to have picked up. John was disappointed to note that Stefan had not been chasing up debts owed beyond an initial phone call if the debtor stated that they would ensure the payments were brought up to date. Mark was helping Stefan in the office as part of his summer job. Stefan was busy updating invoices, and thinking that Mark had read all the company policies, he let Mark open two new credit accounts for customers.

Mark did this, but without taking any credit references. On returning from holiday, Sonja was approached by Jo Sellers, one of the sales team. He had been expecting commission totalling ? 80 in his wages, but Margaret had not allowed for this and had only prepared his wages based on basic hours worked. He told Sonja that he really needed this money, but Sonja knew she could do nothing about this until the next wages run, and told him so. Jo was so upset by this that Sonja told him she would borrow the money out of the petty cash tin and replace it when she made his wages up. He was very pleased, and told her that she had made his day, as he had to buy a birthday present for his mother. Sonja was pleased to have helped him, but made a mental note to ask Peter or John if they could provide some training for

Margaret so that she could work out the commissions due. October 2012A new warehouse manager, Joe Bloggins, was employed this month.

His last job was at a well-known DIY store, where he was the deputy warehouse manager. The first task he did was to complete an inventory check, and he informed the brothers that there was a shortfall of ? 3, 000 in the actual physical inventory against that on record. He complained to the brothers that there was no evidence of when goods had been taken from the warehouse to the showroom. Joe also noted that the company they were using to remove the waste cardboard and paper were charging per collection, and had started to collect on a weekly basis rather than twice a month as contracted. When he pointed this out to the waste collection service, they informed him that the previous warehouse manager had asked for this increase because there was so much packaging to collect. This had been done without informing the management, whom he knew would be happy to accept this as it was an environmental issue. Joe thought that the brothers should contact the new employer of the previous warehouse manager to inform them that he should have been given a written warning after making contractual changes without the required authorisation. Stefan went to John to inform his that there was a major supplier account due to be paid and that the overdraft limit would not allow them to draw this cheque.

Stefan had checked the invoice, as it was for nearly three times greater than was normal from this supplier, but all seemed to be in order. John did not know why this had happened, but when he asked Peter why he had placed such a large order, Peter informed him that the supplier had promised to

sponsor his next motorcycle show if he increased his order. Peter thought that this would be good business practice and would help increase trade. When John told him that this supplier could not be paid due to poor cash flow, Peter was very annoyed as he did not want to lose the sponsorship. After having an argument over the amount that had been ordered, John then agreed to telephone the bank and explain the situation, and to ask them for an increased overdraft limit for one month only to allow the supplier to be paid.

November 2012 Once again Sonja was complaining that the printer was jammed with payslips, which had meant her throwing away the spoiled payslips for the monthly paid staff. She asked Peter if they could have a new printer, or just print the payslips on plain paper, as she did not have the time to align the printer and the payslips correctly. Joe is also a motorbike fanatic, and on the first weekend of the month he went to a motorbike rally with Peter. Whilst there, he told Peter he was settling in well, but was unhappy with the record keeping system for inventory control. Another error had occurred recently when one of the warehouse staff had entered a delivery incorrectly onto the spreadsheet whilst Joe was on his lunch break.

Peter said that as Christmas was approaching they would be very busy, but after Christmas he would review the matter with John and Joe together. The conversation then reverted to the Christmas party, and the subject was never raised again. Joe Bloggins spoke to Sonja and explained that he had taken on an extra member of staff for the Christmas rush and January sales. He said that the new member would be paid on an hourly rate, and that as

he was a student he would not pay tax, and would just need a cash payment weekly.

Sonja asked for the new starter document that all new employees had to complete, but Joe had not asked for this to be done, and instead asked Sonja to just add him to the payroll system and he would send through the completed document later on. Sonja agreed, and added new worker A. Lias to the payroll, leaving herself a diary note to ask Joe for the documentation.

December 2012 The first weekend was the office Christmas party which was held at the Grand Hotel. They had a great time, especially since the brothers had agreed to pay for the evening and had given everyone a ? 10 allowance for drinks. Stefan??™s brother, Adalbert (known as Addie for short) was home from university for the Christmas holidays. Trade was beginning to increase, and January sales were looming. Stefan had mentioned how busy the showroom staff were, and so Addie asked Peter if there were any holiday jobs available, as he could use the extra money to help fund his next year at university.

Peter was happy to employ him for the next six weeks ??“ not in the showroom, but in the warehouse. It was Stefan??™s role to prepare invoices and send them to customers. He gathered the information by completing day books from the purchase orders which were written out by the sales staff in the showroom. As Stefan did not work on a Friday, he was always very busy on Monday, as he had invoices from both Friday and Saturday to prepare. However, now that Addie was working, Stefan came up with the idea that Addie could write up the day books from the purchase orders, and this would

save him time on a Monday morning. Addie was also into music, and as he had been working on a voluntary project whilst at university he discussed with Stefan the possibility of doing some type of community event, based on music, to enhance the lives of the children at the nearby school for children with severe learning disabilities (where Sasha worked). Whilst Peter thought that this was a good idea, John was not too happy about it, and said that if they wanted to do this they would need to arrange it in their own time, and use their holiday entitlement days for it. Stefan asked Peter and John if he could start college next month to further his AAT studies on a part-time basis.

Both of the brothers thought that this would be a good idea, and said that whilst they could not give him any time off to study, they were willing to pay the cost of his course, books and exam fees as long as he guaranteed that he would continue to work for them for one year after completing his course. Stefan was very happy to do this and signed an agreement to this fact. Peter and John were discussing the importance of training and though they felt that Margaret was probably too old to benefit from this, they decided to offer Sonja training as well, with the same conditions.

Sonja was not willing to sign an agreement tying her to the company and said she knew her job, and did not need any more training. Knowing that they were trying to keep receivables accounts more in line with their agreed credit terms, Stefan asked Mark to telephone all customers with overdue outstanding balances. One customer, A. Smith and Jones Ltd, stated that they had paid their account in full by cheque over six weeks ago and were

very annoyed that they were now being chased for money. CarPet Supplies, one of their major suppliers, have requested urgent payment of an invoice that has been outstanding for 60 days. This invoice was for ? 30, 000 and though this would normally have paid there were not enough funds in the bank to cover this amount. When Margaret informed John of this, he was very surprised at the amount of the invoice, and asked her to review all the goods received notes (GRNs) for May to see what carpets had been ordered to cause such a large invoice. Margaret spent a day completing this reconciliation and found that there was an error and they had been charged for 1, 000 metres of twisted wilton instead of 100, this having a wholesale price of ? 16.

99 per metre plus VAT. January 2013 Paula came to the office on a Tuesday. Her sister had taken the baby out for the day so she had some free time on her hands. The office was busy as Sonja was on holiday, and Paula was happy to help out by answering the telephone and writing some letters. Paula had just made a coffee and came back to Margaret??™s desk, which is where she was working, when the phone rang.

The caller identified himself as John Commins, the boyfriend of Angel, one of the sales staff. He asked to speak to her, but when Paula checked she discovered that Angel was on holiday that week. John said it was urgent that he spoke with her so Paula gave him Angel??™s home telephone number and address from Sonja??™s personnel files. The bill for the Christmas party was received from the Grand Hotel. It averaged out at ? 160 per head, including all the drinks and wine. John asked Margaret to put the bill through

the company accounts by splitting the bill so that ? 140 was put through as a tax-deductible expense, and the other ? 20 per head put through as a subsistence claim against expenses.

However, Margaret knew the bill came to ? 160 per head, and that as such it was over the limit of ? 150 as a legitimate taxable expense, and therefore should not be included. Whilst Margaret was aware that the method John was asking her to use to account for this bill would mean a smaller tax liability, she did not like to do this because it was in breach of current HMRC rules. She did account for the bill by splitting it because she was frightened of what John would say if she did not comply with his wishes. Peter and John were discussing the possibility of expanding and opening a new showroom in Brighton, about seventy miles away from their current location. They felt that they could run this by just employing one member of staff, managing the new showroom themselves to start with by travelling on a daily basis, and even by asking some of their staff in Southampton to travel across to help out if the Brighton shop got busy. They realised that if they were to do this, they would need to look at the finance options open to them, as they would need to borrow heavily to capitalise this venture.

Peter was very concerned as although trade had picked up throughout the summer, they were still not trading at the same level as they had been last year. John reassured him, saying that by having two branches trade must increase, and that the only problem was that the accounts for this year would not show such a healthy financial position. However, the company only prepared accounts on an annual basis, and had only ever needed to

produce these for HMRC, and therefore he could not prove how this year??
™s trading was actually going. He then suggested that the way to maximise their chances of obtaining the required bank borrowing would be to ask Paula to step in and prepare up to date accounts that showed the company in the best possible light by reducing the amount of monies owed to creditors for accounts payable.

Stefan was annoyed when he discovered that one of the credit accounts that Mark had opened for I Khan had made no payments against credit given at all so far. This customer had bought ? 1000 worth of goods and paid an initial deposit in July but had made no payment since then. When Stefan tracked back through the account he realised that no credit reference agency had been used, so he decided to contact the agency to check on this customer, only to find that he had a very poor credit score.

Addie was due to return to university next month. As his printer was not working at home, and he wanted to download and print his timetables, reading list and course information, he came to the office one evening when he knew Stefan would be on his own to use the printer in the accounts office. Peter was therefore surprised when he walked into the office after returning from a meeting with a supplier to find Addie sat alone at Sonja??™s computer, using both the computer and printer. When he asked where Stefan was, Addie replied he had gone into the warehouse because there was a problem with the physical inventory balance not matching up with that on the spreadsheet records. Mark was tidying up in the office one evening as he waited for his father to come and pick him up.

All the staff had gone for the evening, but Peter had promised his son a lift home. He decided to rearrange the furniture and was surprised to discover two cheques behind a desk. One was dated August, and one November. He gave them to his father, who said he did not know where they came from but would bank them the next day. February 2013 Mark had decided not to go to university but to enter the family business instead. He decided he was going to work in all areas of the business to gain a full understanding of what was happening, and he would particularly like to look at the purchasing of inventory as he felt that this could be managed better. All the temporary staff were now laid off, and Sonja realised that she still had no information regarding A. Lias, the temporary warehouse worker who Joe Bloggins had employed.

She tried ringing the mobile phone number Joe had given her for him, but found the number was unobtainable. Once again the company had reached its overdraft limit and the wages need to be paid. Stefan and Mark started to telephone customers with the largest outstanding overdue balances. When ringing one customer; Mr Smythe in South Havant, Mark was surprised when he said he had dropped ? 500 in cash into the store four weeks ago. Mr Smythe said he had given it to one of the sales staff, and noted that this was a young man, with curly hair, a description which fitted one of the newer sales staff members. Mark went into the store to ask the manager about this cash, and the manager informed him that he knew nothing about it but would make some enquiries.

He then organised a search in the store and three hours later called Mark to say that the money had been found in an envelope with Mr Smythe's name on it in the back of a drawer, but that no one could recall it being handed in to them. Margaret noticed that there was no petty cash left and they needed some money to buy toilet rolls. Peter took £100 out of his pocket and added it to the tin, as that was all the cash he had with him, but again noted there were no entries in the petty cash book, just several IOUs in the tin. John and Peter informed the staff that they would be away for the third week in February, as they were going on a family holiday to celebrate their parents' golden wedding anniversary. Peter was concerned that they would be leaving the staff without any financial resources, so he and John both signed a cheque book containing 30 blank cheques so that any bills could be paid if necessary.

They gave this into the care of Margaret who placed it in the top drawer of her desk, and promised it would only be used if necessary. During this week Jo Sellers came to Sonja and explained that once again the commission he had received was not what he had expected, and he was £65 down. He said he needed this to pay his rent. Sonja didn't think that any mistake had been made, but she said that once again she would advance him this, as long as it was repaid from his next commission payment. However, when she went to the petty cash tin, this was empty. She knew, however, that Margaret had a supply of signed blank cheques, so she used one of these making it out to cash, and went to the bank to withdraw £100 for petty cash, ensuring she noted the advance to Jo in the petty cash book.

| Ref | Assessment criteria | Paragraph | Assessor's comments || | |
 number | || 1. | Understand the role of accounting within an organisation || 1.
 1 | Describe the purpose, structure and organisation of the accounting
 function | | and its relationship with other functions within the
 organisation | | 1. 2 | Explain the various business purposes for which the
 following financial information is required: statement of
 profit or loss, statement of cash flow, and statement of financial
 position. | | 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. 5 | Explain the effect on users of changes to accounting
 systems caused by external regulations, and organisational
 policies and procedures. | | 2.

| Understand the importance and use of internal controls || 2. 1 | Identify the
 external regulations that affect accounting practices. || 2. 2 |
 Describe the causes of and common types of fraud and the impact of this on
 the organisation. | | 2.

3 | Explain the 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. | | 2. 5 | Explain how an internal control
 system can support the accounting function.

3. Evaluate the accounting system and identify areas for improvement

3.1 Identify an organisation's accounting system, including hardware and software packages.

3.2 Review record keeping systems to confirm whether they meet organisational requirements.

3.3 Identify weaknesses in and the potential for improvements to the accounting system and consider their impact on the operation of the organisation.

4 Identify potential areas of fraud arising from lack of control within the accounting system and evaluate the risk.

3.5 Review methods of operating for cost effectiveness, reliability and speed.

4 Conduct an ethical evaluation of the accounting system

4.1 Evaluate the accounting system against ethical principles.

2 Identify actual or possible breaches of professional ethics.

5 Conduct a sustainability evaluation of the accounting system

5.1 Evaluate the accounting system against sustainable principles.

5.2 Identify where improvements could be made to improve sustainability.

6 Make recommendations to improve the accounting system

6.1 Make recommendations for changes to the accounting system, including ethical and sustainability considerations with a clear rationale and an explanation of any assumptions made.

6.2 Identify the effects that any changes would have on the users of the system.

6.3 Enable individuals to understand how to use

the accounting system by use of [????? [????? || | training, manuals, written information or help menus.

| | | 6. 4 | Identify the implications of recommended changes in terms of time, financial[????? [????? || | costs, benefits and operating procedures. | | |