

Auditing(control activities and related assertions)



Answers An approval voucher is required for each check issued. The above is A - 2 (Application Controls - input) because it controls physically the inputs to the system, that is, the voucher needs to be approved before any checks are processed by the system.

The assertion addressed by the above control is existence because it shows that the payable for which the check is being prepared exists. It also addresses the rights and obligations assertion because the approved voucher indicates that the obligations which will be paid are valid.

2. Two signatures are required on every check

The classification of this control is B (segregation of duties). This is to ensure that no one person authorizes the release of funds from the company.

The assertion is existence because having two signatories in the check would mean the liability exists as of the date of the signing of the check. It may also be rights and obligations because there is an acknowledgement of liabilities at the time the check is prepared and signed.

3. A supervisor makes daily cash register counts

Type of control is C (physical controls). This is because the control pertains to cash, which is vulnerable to loss or theft.. This is one of the physical controls that can be utilized to secure the cash of the company.

The assertion here is existence because this verifies the physical existence of the cash as of the date of the count. It also pertains to the completeness assertion as it ensures that the amount of cash counted is completely recorded in the cash register.

4. Overtime work must be approved by a supervisor

This is a B (segregation of duties) type of control because it separates the person responsible for approval of overtime work from the employees who

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will do the overtime. This can also be an A - 2 (application control - input) because it ensures that the inputs to the system (overtime work) have been duly-approved by a higher authority prior to their entry in the data system. The assertion being addressed here is existence since the approval basically shows that overtime work was done and that the company has now a liability (overtime pay) to its employees.

5. Prenumbered sales invoices are used in invoicing

This is an A - 2 (application control - input) control because it controls the sequencing of the source documents and ensures that there will be no missing or unrecorded transactions.

The assertion being addressed here is completeness as this ensures that all transactions are recorded and that there are no unrecorded or missing transactions.

6. A second clerk is required to verify the accuracy of each voucher

This is an A - 2 (application control - output) control because it verifies the accuracy of the voucher which was generated by the system. It may also be a B (segregation of duties) type of control because another person is responsible for reviewing the document and the transaction.

The assertions addressed here are existence, occurrence and accuracy because the review of the voucher ensures that the liability actually exists or the expenses are actually incurred since it will entail checking against source documents or files and that the amount in the voucher is proper or correct.

7. Employee payroll records are kept in a locked file cabinet

The control type is C (physical controls) since access to the records is restricted.

The assertions addressed here are existence and occurrence as maintaining

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the integrity of the records through restricting access will ensure that the transactions with employees (which affect cash, liability and expenses) are valid and existing.

8. An accounting supervisor reviews journal entries periodically for reasonableness of account classifications.

This is a B (segregation of duties) control because a person of higher authority reviews the results of the input of those responsible for making the entries. It may also be an A - 2 (application control - processing) control because it checks the classification of the accounts which are processed by the system.

The assertion addressed here is presentation and disclosure because it ensures that transactions, through the journal entries, are properly classified.

9. Sales ledger personnel make postings to only the sales ledger

This is an A - 1 (IT General Controls) because it ensures that only authorized persons have access to data, and only to perform specifically defined functions.

The assertion here is occurrence because it ensures that only those actual sales are recorded in the system and that there are no unauthorized entries within the system.

10. All vouchers must be stamped " Paid" on payment

This is a C (physical controls) control because it controls the physical use of the vouchers and ensures that these will not be re-used to make fictitious payments.

The assertions addressed here are existence and occurrence because these vouchers show that there is an existing liability and the transaction actually

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took place as of the time of their processing and even during the processing of the payment.

11. Only computer equipment operators are allowed in the computer room
This is an A - 1 (IT General Control) and, at the same time, a C (physical controls) control because it controls access to computer data and, at the same time, it restricts physical access to the computer room.

The assertions here are existence and occurrence because it ensures that there are no unauthorized entries within the system.

12. A supervisor reconciles the sales subsidiary ledger with the balance of debtors in the general ledger.

This control is an A - 2 (application control - output) control because it verifies the output results (sales subsidiary ledger) against the general ledger.

The assertion here is completeness because it ensures that all sales transactions recorded in the subsidiary ledger are also recorded in the general ledger and vice-versa.

Work Cited

Bellino, Christine, Wells, Jefferson and Hunt Steve. Auditing Application Controls. 2007. Florida. The Institute of Internal Auditors.

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