

Howard street jeweler assignment



**ASSIGN
BUSTER**

Synopsis Howard Street Jewelers Inc. is a small retail business owned by Mr. & Mrs. Julius Levi for more than 40 years. Undoubtedly, the company had its ups and downs. It survived its previous sales slack by cutting costs.

Currently, the business is experiencing a continuous downward spiral of its cash position notwithstanding the safety measures the company had taken. With that, Mrs. Lore Levi got alarmed that the Jewellery company might close. Mrs.

Levi has a logical assumption that Betty, the trustworthy and reliable cashier, might be stealing from the cash register since Betty is the one managing the cash and maintaining the cash receipts and sales records for almost 20 years. Having Betty as a suspect, Mrs. Levi approached and discussed this issue with his husband and son. She also mentioned that Betty had expanded her taste for luxurious clothes and vacations. Though stating her concerns to the family, her theory was just dismissed. Near the end of each year, the Levis met with their accountant to confer business matters, especially taxation issues.

Troubled Mrs. Levi pointed out her theory to their CPA, who has been working for the company for approximately 40 years. The accountant mentioned and noticed that there have been occasional shortages in the cash receipts records so he advised the Levis to strongly monitor Betty's work. In spring of 1985, a customer approached Alvin; the son of Mr. & Mrs. Levi who in the mean time was handling the cash register, to make a payment on a layaway item. Unfortunately, after searching the files for layaway sales ticket and the sales records, Alvin wasn't able to find the customer's layaway purchase.

He apologized and asked the customer to return the next day. The following day, Alvin told Betty about the incident. Betty who was stunned said that she would search for the ticket and after a few minutes brought out the ticket; explaining that it was just a simple oversight. Doubtful, disturbed, and dismayed, Alvin studied the daily sales and cash receipts records over the next several weeks. He then realized that her mother was right all along and there is one thing that he's sure of; that Betty, their faithful, dependable, and long-time cashier was stealing from the business.

Howard Street Jewelers suffered an embezzlement loss worth \$350,000 over the term of Betty's employment. B. Case Facts The small Jewellery business owned and operated by Mr. & Mrs. Levi that runs for more than four decades. The business had experienced ups and downs. In previous times when sales had slackened, the business survived by cutting costs business's cash position continued to steadily worsen. Betty the cashier, an employee trusted by the owners for nearly twenty years. Handled all of the cash that came into the business and maintains the cash receipts and sales record.

Betty had unrestricted access to the cash receipts of the business. The accountant of the business that serves them for almost forty years noticed occasional shortages in the cash receipts records that seemed larger than normal for a small retail business. In the spring 1985, a customer approached Alvin Levi, son of the owner of the business that takes charge on the cash register during that day. The customer wanted to make payment on a layaway item, but Alvin found no trace of the customer's layaway purchase. The next day, Alvin told Betty that he was unable to search for the layaway sales.

Much to Alvin's surprise, Betty waved the sales ticket in her hand a few minutes later. The layaway sales weren't recorded as well but Betty explained that it was just a simple oversight. Because of the incident regarding the layaway sales, Alvin studied the daily sales and cash receipts records. He found out that Betty was stealing from the business and the amount that was stolen from the company reached \$350,000. C. Answers 1 . Internal Control Concepts Segregation of Duties - Betty, as a cashier was also the person in charge of recording and keeping the cash receipts and sales records.

There should be a segregation of duties between the person receiving cash and recording it as having the same duties may lead to theft or fraud. Lack of Physical Security - There should be additional security like installing security cameras so that management could see whenever the employee or someone from outside is attempting to steal from the register. Record Keeping of Management - As stated in the case, Alvin cannot find the layaway sales records when the customer wanted to pay but when he asked Betty the next day, he was surprised that Betty found it in an instant.

Management should have access to these records so that they can keep track of their sales, and if sales are correctly recorded. It's also important because they would be able to keep track of the trend in their sales and to see if the business is doing well. 2. Responsibilities of the CPA If the CPA is just preparing tax services for the company, he is not responsible to uncover the fraud and theft that happened in the company. au e tne companys I-IS, ne Is responsIDle In tnls case Decause as an auditor, he is required to exercise professional due care.

He should be able to see if there is someone stealing from the company especially that the amount stolen involved a large amount (reached \$350,000). It is also the same as (b) where he was the one who reviewed the annual FIS and (c) where he was the one who compiled the annual F/S. 3. Trubeys Organizational Structure – Small businesses like this Jewelry shop should also understand the importance of having a good organizational structure. This will provide basis for planning, directing, and controlling operations of the Jewelry store.

In order for the company to function efficiently, there should be a proper and concise assignment of responsibilities to each employee. The organizational structure will need to separate some responsibilities such as authorization of transactions, record keeping for transactions and custody of assets. By establishing these responsibilities to different people, there will be a proper segregation of duties which would lead to an effective performance by the company as a whole. Assignment of Authority/Responsibilities – The company should ensure that employees are tasked with the appropriate duties and properly separating them.

When properly enforced, it creates accountability among employees who are responsible for the specific areas of the cycle and helps minimize collusion.

Performance Reviews – Performance reviews are important so that the company could monitor their organization over the past years. It can also be a tool for evaluating current financial performance and forecasting budgets. It could also be used for developing future plans for the improvement of the company. Accounting Information System- The accounting information

system would provide inventory controls, records of transactions and the database for the financial or accounting data.

Aside from providing accurate and timely information, a well- designed AIS can help the company become more efficient and effective. Implementation of physical controls – since it is a small Jewellery shop, physical security must be maintained in the store, for example, restricted access of employees in the vault or where Jewelleries are kept, safety locks in the cabinets and also the owners must install CCTV camera and hire security guards. Physical controls in records should also be considered like having pre numbered documents for sales transactions to prevent cash misappropriation by employees.