

AC499: Bachelors Capstone in Accounting | Unit 5

Unit 5 Assignment: GAAP Applications – Internal Control

Recall that in Units 2 and 3, you completed the accounting cycle for Dustin Larkin of Quixote Consulting. Quixote Consulting is a part-time consulting business that recently moved from Dustin's home into rented quarters.

Assume that you are the internal auditor for the business and you have to evaluate the internal control procedures that have been implemented in the business.

There are three objectives of internal control:

1. Assets are safeguarded and used for business purposes
2. Business information is accurate
3. Employees comply with laws and regulations

The five elements of internal control are:

1. The control environment,
2. Risk assessment,
3. Control procedures,
4. Monitoring, and
5. Information and communication.

If you owned a business, you would expect your employees to:

1. Work to achieve the business goals and objectives you establish.
2. Use business assets (such as machinery or automobiles) only for legitimate business purposes and avoid wasting business resources.
3. Record accurate data regarding business transactions so you could accurately judge how well your business is doing.
4. Refrain from stealing your cash, supplies, inventory, or property, plant, and equipment.

In theory, you should be able to expect these things. In practice, however, you must establish an internal control framework to make sure your business objectives are achieved, assets are protected from theft and misuse, and financial data are recorded accurately.

The following eight procedures (A–H) were recently installed by Quixote Consulting:

- A. The bank reconciliation is prepared by the cashier, who works under the supervision of the treasurer.
- B. All mail is opened by the mail clerk, who forwards all cash remittances to the cashier. The cashier prepares a listing of the cash receipts and forwards a copy of the list to the accounts receivable clerk for recording in the accounts.
- C. At the end of the day, cash register clerks are required to use their own funds to make up any cash shortages in their registers.
- D. At the end of each day, all cash receipts are placed in the bank's night depository.

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- E. At the end of each day, an accounting clerk compares the duplicate copy of the daily cash deposit slip with the deposit receipt obtained from the bank.
- F. The accounts payable clerk prepares a voucher for each disbursement. The voucher along with the supporting documentation is forwarded to the treasurer's office for approval.
- G. After necessary approvals have been obtained for the payment of a voucher, treasurer signs and mails the check. The treasurer then stamps the voucher and supporting documentation as paid and returns the voucher and supporting documentation to the accounts payable clerk for filing.
- H. Along with petty cash expense receipts for postage, office supplies, etc., several post-dated employee checks are in the petty cash fund.

Instructions

- A. Indicate whether each of the procedures of internal control represents:
 - (1) a strength or
 - (2) a weakness. For each weakness, indicate why it exists and what procedures should be put into place to alleviate the risk.
- B. For each letter, A–H, you should have at least a one paragraph, thoughtful answer that includes good critical thinking.
- C. Your assignment must be submitted in a single Word document.
- D. The document must use APA formatting and include a proper Running head, Title Page, and references (Please review the documents placed in Doc Sharing related to APA formatting and proper formal writing. You may use the file titled “APA Template” and revise it to meet the assignment criteria).
- E. Use properly formatted headings to organize your paper.
- F. You must include proper references and citations for any content not original to you. Also, you must use independent references/citations to support any “personal knowledge” or “personal experience” you include in the analysis. Formal writing does not recognize your own personal knowledge as “common knowledge.” Therefore, proper independent support must be included for any assertions made.

Note: Include your name in the filename of the assignment.

Once completed, submit your assignment to the Unit 5 assignment Dropbox. The assignment is due Tuesday 11:59 p.m. ET of their assigned unit.

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Item criteria:	Points Possible	Points Earned
Scenario A <ul style="list-style-type: none"> • Correctly Labeled Strength or Weakness? • One Paragraph? 	1 2	
Scenario B <ul style="list-style-type: none"> • Correctly Labeled Strength or Weakness? • One Paragraph? 	1 2	

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Scenario C <ul style="list-style-type: none">• Correctly Labeled Strength or Weakness?• One Paragraph?	1 2	
Scenario D <ul style="list-style-type: none">• Correctly Labeled Strength or Weakness? One Paragraph?	1 2	
Scenario E <ul style="list-style-type: none">• Correctly Labeled Strength or Weakness? One Paragraph?	1 2	
Scenario F <ul style="list-style-type: none">• Correctly Labeled Strength or Weakness? One Paragraph?	1 2	
Scenario G <ul style="list-style-type: none">• Correctly Labeled Strength or Weakness? One Paragraph?	1 2	
Scenario H <ul style="list-style-type: none">• Correctly Labeled Strength or Weakness? One Paragraph?	1 2	
Content Subtotal	24	
Analysis & Critical Thinking	10	
APA Format/Grammar/Spelling	6	
Deductions, Late Penalty, other.		
Total Points	40	