


Accounting II - Simplified for You

Internal Control



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Sarbanes-Oxley Act 2002

- This federal law was enacted to set new and enhanced standards for all US publicly held companies in response to accounting and corporate scandals such as 'Enron, Worldcom & others' that affected numerous, investors, employees and many other external partners.




http://en.wikipedia.org/wiki/Sarbanes%E2%80%93Oxley_Act#Major_elements

Internal Control

- Sarbanes-Oxley Act of 2002
 - this law requires companies to maintain strong and effective internal controls in


- 1) Recording of transactions
- 2) Preparing financial statements



Objective: to restore the faith on the investment community in public corporations.

Internal Control

- Processes and procedures to achieve operational effectiveness & efficiency.
- Safeguard organization's assets from theft/fraud
- It is a means for organizations to process, direct, monitor and measure resources to ensure that information is processed accurately.
- Ensure compliance with laws and regulations



Elements of Internal Control

Control environment

Risk assessment

Control procedures

Monitoring

Information and communication

A+

Control Environment

Overall attitude of management and employees about the importance of controls.


Factors that influence the control environment

– Management’s philosophy and operating style

– Organizational structure

– Personnel policies

A+



Control Procedures

Control procedures are day-to-day procedures to ensure that organization's goals are achieved.

Examples:

Adequately trained and competent personnel

Rotating duties

Mandatory vacations

Separation of responsibilities to improve controls operations, custody of assets, and accounting


Proofs and security measures

A+




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Keep Educating Yourself



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