

DEVRY ACCT 504 Week 5 Case Study 2 **Internal Control LJB Company**

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Case Study 2 - Internal Control- Due by Sunday of week 5

LJB Company, a local distributor, has asked your accounting firm to evaluate their system of internal controls because they are planning to go public in the future. The President wants to be aware of any new regulations required of his company if they go public so he met with a colleague of yours at a local restaurant. The President of the company explained the current system of internal controls to your colleague. Your colleague has since been promoted to a tax position so she has passed on the information below so you can generate recommendations for the partner at your accounting firm to share with the President of LJB Company.

Since LJB Company is a relatively lean organization, they have a lot of faith in their long-term employees. They have one accountant who serves as Treasurer and Controller which streamlines many of their processes. In this dual role, he purchases all of the supplies and pays for these purchases. He also receives the checks and completes the monthly bank reconciliation. The accountant is so busy that the company handles petty cash a bit differently. All employees have access to the petty cash in a desk drawer and are asked to only place a note if they use any of the cash.

The accountant has recently started using pre-numbered invoices and wants to buy an indelible ink machine to print their checks. The President is waiting to hear from you if this

is a necessary purchase before authorizing.

On payday, the checks are picked up by the accountant and left in his office for pick-up.

Before he leaves for the weekend, he will move the checks into a safe in his office.

The President is still quite embarrassed because he had to fire one of his employees for viewing pornography on a company computer. He later found out this individual was a convicted felon who served time for molesting children. The company had a hard time getting the employee to admit it was him because the company does not assign individual passwords. The President expressed his frustration because both he and the accountant both interview and approve all of the new hires.

Required:

Based on the above information, prepare a Word document to address the following: Inform the President of any new internal control requirements if the company decides to go public. (7 points) Advise the President of what the company is doing right (they are doing some things well) and also recommend to the President whether or not they should buy the indelible ink machine. When you advise the President, please be sure to reference the applicable internal control principle that applies. (13 points) Advise the President of what the company is doing wrong (they are definitely doing some things poorly). Please be sure to include the internal control principle that is being violated along with a recommendation for improvement. (20 points)

You must prepare a formal report for the partner to distribute to the President so no abbreviations or short-hand answers. You also must cite your references. At a minimum, your textbook should be cited.

Below is a grading rubric for this assignment.

Category	Points
Description	
Understanding	10
Demonstrate a strong grasp of the problem at hand. Demonstrate understanding of how the course concepts apply to the problem.	
Analysis	30
Apply original thought to solving the business problem. Apply concepts from the course material correctly toward solving the business problem.	
Execution	10
Write your answer clearly and succinctly using strong organization and proper grammar. Use citations correctly.	
Total	50

A quality paper will meet or exceed all of the above requirements.

Best Practices

The following are best practices in preparing this paper.

Cover Page: Include whom you prepared the paper for, who prepared it, and the date.

Table of Contents: List the main ideas and sections of the paper and the pages where they

are located. Illustrations should be included separately. **Introduction:** Use a header on your paper. This will indicate that you are introducing the paper.

The purpose of an introduction or opening is to introduce the subject and why the subject is important; preview the main ideas and the order in which they will be covered; and establish the tone of the document.

Include in the introduction a reason for the audience to read the paper. Also include an overview of what you will cover and the importance of the material. (This should include or introduce the questions you are asked to answer in each assignment.)

Body of the Report: Use a header with the name of the case study. An example is, "The Development of Hotel X: A World Class Resort." Proceed to break out the main ideas: State the main ideas, the major points of each idea, and provide evidence. Show some type of division, such as separate, labeled sections; separate groups of paragraphs; or headers. Include the information you found during your research and investigation. **Summary and Conclusion:** Summarizing is similar to paraphrasing but presents the gist of the material in fewer words than the original. An effective summary identifies the main ideas and the major support points from the body of the report; minor details are left out. Summarize the benefits of the ideas and how they effect the subject. **Work Cited:** Use the citation format specified in the Syllabus.