PRINCIPLES OF ACCOUNTING

SARBANES-OXLEY, INTERNAL CONTROL, AND CASH

CH 8

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Chapter Introduction

Organizations need controls to ensure that:

- Assets are protected
- Transactions are authorized
- Records are accurate
- Cash is properly received and paid
- Errors are detected
- Fraud is prevented or identified
- Laws and regulations are followed
- Financial statements are reliable

Why This Chapter Matters

Cash is especially vulnerable because it is:

- Easily transferred
- Highly liquid
- Accepted as payment
- Difficult to identify after theft
- Used in almost every business activity

KEY POINT Strong internal controls are therefore essential for managing cash.

Opening Business Case

A cashier:

- Receives customer payments
- Records customer accounts
- Prepares bank deposits
- Maintains the cash records
- Prepares the bank reconciliation

DISCUSSION QUESTION What could happen when one employee controls all these activities?

Central Accounting Question

How can an organization design controls that safeguard cash, ensure reliable accounting information and detect errors or fraud?

Learning Objectives

By the end of this chapter, students will be able to:

1. Explain the Sarbanes-Oxley Act and its impact on financial reporting.
2. Describe the objectives and elements of internal control.
3. Apply internal controls to cash receipts and payments.
4. Explain how bank accounts help control cash.
5. Prepare a bank reconciliation and related entries.
6. Account for petty cash and other special-purpose funds.
7. Explain the financial-statement reporting of cash.
8. Calculate and interpret the ratio of cash to monthly cash expenses.

Chapter Roadmap

1. Sarbanes-Oxley Act
2. Meaning of internal control
3. Objectives of internal control
4. Elements of internal control
5. Limitations of internal control
6. Cash-receipt controls
7. Cash-payment controls
8. Bank accounts
9. Bank statements
10. Bank reconciliation
11. Petty cash
12. Reporting cash
13. Cash analysis

Opening Reflection

A business reports ETB 500,000 in cash according to its accounting records, while the bank statement reports ETB 475,000.

Questions

- Does the difference prove that an error occurred?
- Could both balances be correct?
- What items may explain the difference?
- Which adjustments require journal entries?

Financial Reporting and Public Trust

Investors, creditors and other users depend on reliable financial statements. Weak financial reporting may lead to:

- Poor investment decisions
- Loss of public confidence
- Business failure
- Legal liability
- Increased financing costs
- Regulatory action

Background to Sarbanes-Oxley

The Sarbanes-Oxley Act of 2002 was enacted following major corporate accounting and financial-reporting failures. Its broad purpose was to strengthen:

- Corporate accountability
- Internal control
- Auditor independence
- Financial reporting
- Investor confidence

Scope of Sarbanes-Oxley

In the chapter's financial-reporting context, Sarbanes-Oxley applies to companies whose securities are publicly traded.

Its purpose is to support public confidence in corporate financial reporting.

Meaning of Internal Control under SOX

Internal control includes procedures and processes designed to:

- Safeguard assets
- Process information accurately
- Promote compliance with laws and regulations
- Support reliable financial statements

Management Responsibility

Management is responsible for:

- Establishing internal controls
- Maintaining control procedures
- Evaluating control effectiveness
- Correcting identified weaknesses
- Supporting reliable financial reporting

KEY PRINCIPLE Internal control is a management responsibility, not solely an auditor responsibility.

Internal-Control Reporting

- Sarbanes-Oxley requires reporting on the effectiveness of internal controls.
- The internal-control report accompanies the company's annual financial reporting.
- Independent accountants also report on management's assessment of internal controls.

Executive Accountability

Senior executives are expected to take responsibility for the accuracy and completeness of financial reports. This strengthens accountability for:

- Financial-statement preparation
- Disclosure quality
- Control effectiveness
- Correction of material weaknesses

Auditor Independence

External auditors must remain sufficiently independent from management. An auditor should not:

- Prepare records and then audit the same work
- Make management decisions
- Assume responsibility for internal controls
- Allow consulting relationships to compromise objectivity

Oversight of the Auditing Profession

Sarbanes-Oxley strengthened independent oversight of auditors of public companies. This oversight supports:

- Audit quality
- Professional standards
- Auditor accountability
- Inspection of audit firms
- Disciplinary action for misconduct

Practical Significance beyond Public Companies

Although the chapter discusses Sarbanes-Oxley mainly in relation to publicly traded companies, its internal-control principles are useful to:

- Private companies
- Government institutions
- NGOs
- Universities
- Hospitals
- Cooperatives
- Owner-managed businesses

APPLICATION NOTE Using internal-control principles does not mean that every organization is legally subject to Sarbanes-Oxley.

What Is Internal Control?

Internal control consists of the policies, procedures and processes used to provide reasonable assurance that organizational objectives will be achieved. It applies to:

- Assets
- Accounting records
- Employees
- Information systems
- Operations
- Regulatory compliance

Objectives of Internal Control

Internal control aims to provide reasonable assurance that:

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

Safeguarding Assets

Assets requiring protection include:

- Cash
- Inventory
- Equipment
- Vehicles
- Buildings
- Confidential information
- Digital records
- Intellectual property

Reliability of Information

An effective control system should produce information that is:

- Accurate
- Complete
- Timely
- Authorized
- Verifiable
- Relevant
- Properly classified

Compliance Objective

Organizations must comply with:

- Laws
- Regulations
- Contracts
- Internal policies
- Donor requirements
- Tax rules
- Employment requirements
- Procurement procedures

Reasonable Assurance

Internal controls provide reasonable assurance — they do not provide absolute assurance. Controls reduce risk but cannot eliminate every:

- Error
- Loss
- Fraud
- System failure
- Unauthorized transaction

Employee Fraud

Employee fraud is an intentional act of deception committed for personal gain at the expense of an employer. Possible forms include:

- Cash theft
- False expense claims
- Fictitious suppliers
- Payroll fraud
- Inventory theft
- Manipulation of records

NOTE The chapter identifies employee fraud as a major internal-control concern.

Five Elements of Internal Control

The five interrelated elements are:

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

Meaning of the Control Environment

The control environment is the overall attitude of management and employees toward internal control. It establishes the organization's:

- Ethical tone
- Control culture
- Accountability expectations
- Management philosophy

Tone at the Top

Managers influence employees through:

- Their personal conduct
- Their response to violations
- Their treatment of policies
- Their commitment to transparency
- Their willingness to accept accountability

KEY PRINCIPLE Employees are unlikely to respect controls that management routinely ignores.

Ethical Values

A strong control environment promotes:

- Honesty
- Integrity
- Objectivity
- Professional competence
- Confidentiality
- Accountability
- Fair treatment

Organizational Structure

A clear organizational structure should identify:

- Reporting lines
- Departmental responsibilities
- Approval authority
- Supervisory relationships
- Accountability for resources

Assignment of Authority

Employees should understand:

- What they are authorized to do
- Their financial limits
- Which approvals are required
- Which activities are prohibited
- To whom they report

Human-Resource Practices

Strong personnel practices may include:

- Background checks
- Clear job descriptions
- Staff induction
- Competency-based recruitment
- Performance evaluation
- Mandatory leave
- Job rotation
- Disciplinary procedures

Meaning of Risk Assessment

Risk assessment is the process of identifying and evaluating threats that may prevent the organization from achieving its objectives.

Examples of Business Risks

- Theft of cash
- Incorrect financial reports
- Cyberattack
- Inventory loss
- Employee fraud
- Supplier failure
- Regulatory noncompliance
- Economic instability
- System breakdown
- Unauthorized payments

Risk-Assessment Process

1. Identify organizational objectives.
2. Identify events that may prevent achievement.
3. Estimate likelihood.
4. Estimate possible impact.
5. Prioritize the risks.
6. Design appropriate controls.
7. Review risks regularly.

Risk Changes over Time

Risk assessment should be updated when there are changes in:

- Technology
- Employees
- Management
- Laws
- Business operations
- Suppliers
- Markets
- Payment systems
- Organizational structure

Meaning of Control Procedures

Control procedures are the policies and activities established to provide reasonable assurance that organizational objectives will be achieved.

Major Control Procedures

Important procedures include:

- Competent personnel
- Rotation of duties
- Mandatory vacations
- Separation of responsibilities
- Authorization and approval
- Documentation
- Physical safeguards
- Independent verification
- Reconciliation

Competent Personnel

Employees should have:

- Appropriate education
- Relevant experience
- Adequate training
- Clear instructions
- Suitable supervision
- Defined responsibilities

KEY POINT A control system is weakened when employees do not understand their duties.

Rotation of Duties

Job rotation:

- Prevents one person from controlling a function indefinitely
- Allows another employee to review the work
- Helps identify irregularities
- Reduces overdependence on one employee

Mandatory Vacations

Requiring employees in sensitive positions to take leave may reveal:

- Concealed irregularities
- Unauthorized transactions
- Missing records
- Unusual accounting practices

WHY IT WORKS Fraud schemes sometimes require the perpetrator's continuous presence.

Separation of Responsibilities

Responsibility for related activities should be divided among different employees. The following functions should be separated where practical:

- Authorization
- Custody of assets
- Recordkeeping
- Reconciliation

Custody versus Recordkeeping

An employee who controls an asset should not also maintain the accounting record for that asset.

Example: the employee who handles cash should not also maintain the Cash account.

Authorization versus Payment

The employee who approves a payment should not:

- Prepare the payment
- Sign the cheque
- Release the payment
- Record the payment
- Reconcile the bank account

Operations versus Accounting

- Operating departments initiate and perform activities.
- Accounting departments record and report their financial effects.
- Separating the two functions helps ensure that operating employees cannot independently manipulate the records.

Authorization Controls

Transactions should be approved by employees with appropriate authority. Examples:

- Purchase approvals
- Payment authorizations
- Credit approvals
- Payroll approvals
- Asset-disposal approvals
- Journal-entry approvals

Documentation Controls

Documents should be:

- Prenumbered
- Sequentially controlled
- Properly authorized
- Completed promptly
- Supported by evidence
- Retained securely
- Reviewed independently

Physical Controls

Physical controls include:

- Safes
- Locks
- Restricted-access rooms
- Security guards
- Passwords
- Access cards
- Surveillance systems
- Fireproof storage
- Secure data backups

Independent Verification

Independent verification involves reviewing records or activities by someone who did not originally prepare them. Examples:

- Bank reconciliation
- Physical inventory count
- Supervisor review
- Supplier-statement reconciliation
- Independent payroll review

Monitoring

Monitoring evaluates whether internal controls:

- Are properly designed
- Are being followed
- Remain effective
- Need modification
- Detect and correct problems

Monitoring Activities

Examples include:

- Management review
- Internal audits
- Exception reports
- Reconciliations
- Compliance reviews
- Follow-up on findings
- Control self-assessments

Information and Communication

Information and communication systems should provide employees and management with:

- Accurate data
- Clear instructions
- Control responsibilities
- Reporting channels
- Feedback about weaknesses
- Timely operational information

NOTE The five elements work together; no single element is sufficient by itself.

Reporting Control Weaknesses

Employees should know:

- What must be reported
- To whom it should be reported
- How confidential reports are handled
- How retaliation is prevented
- How corrective action is documented

Cost-Benefit Limitation

The cost of a control should not exceed the expected benefit.

A small organization may not be able to maintain the same level of segregation as a large corporation.

Human Error

Controls may fail because of:

- Misunderstanding
- Fatigue
- Carelessness
- Inexperience
- Incorrect judgment
- Data-entry errors
- Failure to follow procedures

Collusion

Collusion occurs when two or more employees cooperate to bypass controls.

Example: a purchasing employee and a supplier may cooperate to submit inflated invoices.

Management Override

Senior management may have sufficient authority to bypass established controls. Management override is particularly dangerous because:

- Normal approval procedures may be ignored.
- Employees may fear questioning management.
- Fraud may be concealed through journal entries.

Changing Conditions

A control that was effective in the past may become ineffective because of:

- Business growth
- New technology
- Staff changes
- New regulations
- New payment methods
- Operational expansion

Internal-Control Case

One employee:

- Approves suppliers
- Receives supplier invoices
- Prepares payment vouchers
- Makes electronic payments
- Records the payments

WEAKNESS The employee controls authorization, payment and recording.

RECOMMENDED CONTROL Separate these responsibilities among different employees and require independent review.

What Is Cash?

Cash includes:

- Coins
- Currency
- Cheques received
- Money orders
- Funds deposited in banks and available for withdrawal

NOTE Cash is the asset most susceptible to theft and unauthorized use.

Main Sources of Cash Receipts

Businesses commonly receive cash from customer sales and receivable collections. Other sources may include:

- Customers purchasing goods or services
- Customers paying accounts receivable
- Owner investment
- Loans
- Interest
- Asset sales
- Rental income

Main Cash-Receipt Controls

- Record cash immediately.
- Issue official receipts.
- Use prenumbered documents.
- Separate cash handling from recordkeeping.
- Deposit receipts daily.
- Restrict access to cash.
- Compare deposits with accounting records.
- Investigate shortages and overages.

Cash-Sales Controls

Cash sales may be controlled through:

- Cash registers
- Point-of-sale systems
- Sequential receipts
- Daily sales summaries
- Supervisor review
- Cashier accountability
- Daily bank deposits

Cash-Register Control

At the end of a shift:

1. Cash is counted.
2. The register report is printed.
3. Actual cash is compared with recorded sales.
4. Differences are investigated.
5. Cash is deposited.

Cash Short and Over

Cash Short and Over records differences between:

- Cash actually on hand
- Cash that should be on hand according to sales records

BALANCES The account may have a debit balance for shortages or a credit balance for overages.

Cash Shortage Example

Recorded cash sales: ETB 12,000 | Cash counted: ETB 11,940 | Shortage: ETB 60

Entry

Account	Debit	Credit
Cash	11,940	
Cash Short and Over	60	
Sales		12,000

Cash Overage Example

Recorded cash sales: ETB 8,500 | Cash counted: ETB 8,535 | Overage: ETB 35

Entry

Account	Debit	Credit
Cash	8,535	
Sales		8,500
Cash Short and Over		35

Reporting Cash Short and Over

At the end of the accounting period:

- A debit balance is generally reported as a miscellaneous expense.
- A credit balance is generally reported as other income.

CAUTION Frequent or material differences should be investigated rather than treated as routine.

Cash Received through the Mail

Customer payments received by mail may include:

- Cheques
- Money orders
- Remittance advice
- Account information

CONTROL Mail receipts should be opened by employees independent of accounting and cash custody.

Remittance Advice

A remittance advice is the portion of an invoice returned by the customer with payment. It identifies:

- Customer
- Invoice
- Account number
- Amount paid
- Payment date

Separation of Mail-Receipt Duties

Mailroom Employee

- Opens mail
- Lists payments
- Endorses cheques

Cashier

- Receives cheques
- Prepares bank deposit

Accounting Employee

- Records customer payments
- Updates receivable balances

Daily Deposit Control

Cash receipts should normally be deposited:

- Intact
- Promptly
- Daily where practical

MEANING OF INTACT No cash should be removed from receipts to pay expenses before deposit.

Electronic Funds Transfers

Customers may pay through electronic funds transfers. Examples include:

- Automatic bank transfers
- Online payment systems
- Recurring utility payments
- Direct customer deposits

CONTROL Electronic receipts must be reconciled with bank and customer-account records.

Objectives of Cash-Payment Controls

Cash-payment controls should provide reasonable assurance that:

- Payments are authorized.
- Payments relate to valid obligations.
- Cash is used efficiently.
- Available discounts are taken.
- Payments are accurately recorded.
- Duplicate payments are prevented.

General Payment Controls

- Make payments by cheque or EFT.
- Require supporting documentation.
- Use prenumbered cheques or payment references.
- Require proper authorization.
- Separate approval from payment.
- Mark documents as paid.
- Reconcile supplier statements.
- Review unusual payments.

Voucher System

A voucher system is a set of procedures for:

- Authorizing liabilities
- Recording obligations
- Approving payments
- Supporting cheques or EFTs

NOTE A voucher provides evidence that a payment has been authorized.

Voucher Supporting Documents

A payment voucher may be supported by:

1. Purchase requisition
2. Purchase order
3. Receiving report
4. Supplier invoice
5. Approval evidence
6. Payment confirmation

Three-Way Match

Before paying a supplier, compare:

Document	Purpose
Purchase order	Confirms authorization
Receiving report	Confirms receipt
Supplier invoice	Confirms amount billed

RULE Payment should be processed only when the documents agree.

Payment Authorization

The approving employee should verify:

- Supplier identity
- Goods or services received
- Mathematical accuracy
- Credit terms
- Tax calculations
- Budget availability
- Correct account classification
- Required approvals

Cheque Controls

- Keep unused cheques secure.
- Use sequential cheque numbers.
- Require authorized signatures.
- Prohibit signing blank cheques.
- Mark supporting documents as paid.
- Review missing cheque numbers.
- Mail cheques independently.

Electronic Cash Payments

EFT payments may include:

- Supplier payments
- Payroll deposits
- Loan repayments
- Utility payments
- Tax payments
- Transfers between bank accounts

CONTROL EFT controls should include authorization, access restriction and independent review.

Capturing Purchase Discounts

Credit terms	**2/10, n/30**
Invoice amount	**ETB 100,000**
Discount (100,000 x 2%)	**ETB 2,000**
Cash required if paid within 10 days	**ETB 98,000**

INSIGHT Timely payment reduces the cash required to settle the obligation.

Cash-Control Case

A cashier prepares cheques, signs them and records the payments.

Control Weaknesses

- No separation of duties
- No independent authorization
- No independent recording
- High risk of fictitious payments

RECOMMENDED CONTROLS Separate cheque preparation, signing, recording and bank reconciliation.

Why Businesses Use Bank Accounts

Bank accounts strengthen control because they:

- Reduce cash held on the premises
- Provide an independent record
- Facilitate EFT transactions
- Support periodic reconciliation
- Provide evidence of receipts and payments

Bank Relationship

From the company's perspective

- Cash in the bank is an asset.
- The Cash account normally has a debit balance.

From the bank's perspective

- The company's deposit is a liability.
- The company's account normally has a credit balance.

Common Bank Documents

- Signature card
- Deposit ticket
- Cheque
- Electronic transfer confirmation
- Bank statement
- Debit memorandum
- Credit memorandum

Deposit Ticket

A deposit ticket identifies:

- Date
- Depositor
- Bank account
- Currency deposited
- Cheques deposited
- Total deposit

NOTE A validated deposit ticket provides evidence that the bank received the funds.

Cheque

A cheque is a written instruction directing a bank to pay a specified amount to a designated party.

Main Parties

- Maker
- Bank
- Payee

Bank Statement

A bank statement summarizes:

- Beginning balance
- Deposits and credits
- Cheques and other deductions
- Bank charges
- Ending balance

NOTE Bank statements are normally provided periodically or made available electronically.

Debit and Credit Memos

Because the bank views the company's account as a liability:

Credit Memorandum	Debit Memorandum
▪ Increases the company's bank balance.	▪ Decreases the company's bank balance.

Common Credit-Memorandum Items

- EFT receipts
- Note collections
- Loan proceeds
- Interest earned
- Correction of a bank error

Common Debit-Memorandum Items

- EFT payments
- Bank service charges
- NSF customer cheques
- Loan deductions
- Correction of a bank error

NSF Cheque

An NSF cheque is a customer cheque returned because the customer's bank account does not contain sufficient funds.

Company Entry

Account	Debit	Credit
Accounts Receivable	XXX	
Cash		XXX

EFFECT The customer's obligation is restored.

Why Bank and Book Balances Differ

Differences may arise from:

- Timing differences
- Bank transactions unknown to the company
- Company errors
- Bank errors

PURPOSE The bank reconciliation explains these differences and establishes the correct cash balance.

What Is a Bank Reconciliation?

A bank reconciliation compares:

- Cash balance according to the bank
- Cash balance according to the company

RESULT It adjusts both balances to one correct cash amount.

Main Reconciling Items

1. Deposits in transit
2. Outstanding cheques
3. Bank debit and credit memoranda
4. Company errors
5. Bank errors

Deposit in Transit

A deposit in transit:

- Has been recorded by the company
- Has not yet been recorded by the bank
- Is added to the bank-statement balance

ENTRY No company journal entry is required.

Outstanding Cheques

Outstanding cheques:

- Have been recorded by the company
- Have not yet cleared the bank
- Are deducted from the bank-statement balance

ENTRY No company journal entry is required.

Adjusting the Bank Side

Begin with the bank-statement balance.

Add	Deduct
▪ Deposits in transit ▪ Bank errors that understated the balance	▪ Outstanding cheques ▪ Bank errors that overstated the balance

Adjusting the Company Side

Begin with the cash balance per books.

Add

- Note collections
- Interest revenue
- EFT receipts
- Company errors that understated cash

Deduct

- Bank service charges
- NSF cheques
- EFT payments
- Company errors that overstated cash

Items Requiring Journal Entries

Journal entries are required for items that have not yet been recorded in the company's books. Examples:

- Bank service charge
- NSF cheque
- Note collected by bank
- Interest earned
- EFT receipt or payment
- Company recording error

Items Not Requiring Journal Entries

No company entry is normally required for:

- Deposit in transit
- Outstanding cheques
- Bank errors

REASON These items already appear correctly in the company records or are corrected by the bank.

Bank-Reconciliation Exercise - Information

Balance per Bank Statement: ETB 90,000

- Deposit in transit: ETB 12,500
- Outstanding cheques: ETB 8,700
- Bank deducted another company's cheque: ETB 1,200

Balance per Company Records: ETB 91,050

- Note collected by bank: ETB 5,000
- Interest collected: ETB 250
- Bank service charge: ETB 300
- NSF cheque: ETB 1,100
- ETB 1,300 cheque recorded as ETB 1,400

Adjusted Bank Balance

Item	ETB
Balance per bank	90,000
Add: Deposit in transit	12,500
Add: Bank error	1,200
Subtotal	103,700
Less: Outstanding cheques	(8,700)
Adjusted bank balance	**95,000**

Adjusted Company Balance

Item	ETB
Balance per books	91,050
Add: Note and interest collected	5,250
Add: Correction of company error	100
Subtotal	96,400
Less: Bank service charge	(300)
Less: NSF cheque	(1,100)
Adjusted book balance	**95,000**

Bank-Reconciliation Statement

Example Company - Bank Reconciliation - December 31, 2026

Adjusted balance per bank: ETB 95,000 | Adjusted balance per books: ETB 95,000. The adjusted amount is the correct cash balance to report.

Journal Entries from the Reconciliation

Note and Interest Collected

Account	Debit	Credit
Cash	5,250	
Notes Receivable		5,000
Interest Revenue		250

Bank Service Charge

Account	Debit	Credit
Bank Service Charge Expense	300	
Cash		300

Additional Reconciliation Entries

NSF Cheque

Account	Debit	Credit
Accounts Receivable	1,100	
Cash		1,100

Correction of Company Error

Account	Debit	Credit
Cash	100	
Accounts Payable		100

Petty Cash, Reporting and Cash Analysis

Petty Cash Fund

- Small payments: postage, transport, supplies, minor repairs
- Held by a custodian; replenished periodically
- Debit Petty Cash to establish or increase the fund
- Credit Petty Cash only to reduce the fund
- Never debit Petty Cash for each payment

Establishing the Fund

Account	Debit	Credit
Petty Cash	5,000	
Cash		5,000

Replenishment

Dr Postage 1,200 | Supplies 850 | Transport 700
Dr Miscellaneous 300 | Cash Short and Over 50
Cr Cash 3,100

Financial-Statement Reporting

- Cash and cash equivalents are reported as current assets
- Compensating balances and restricted cash may need separate presentation or note disclosure

Ratio of Cash to Monthly Cash Expenses

Ratio = Year-End Cash and Cash Equivalents / Monthly Cash Expenses
Monthly Cash Expenses = Annual Negative Operating Cash Flow / 12

- Cash and equivalents: ETB 2,400,000
- Annual negative operating cash flow: ETB 7,200,000
- Monthly cash expenses: 7,200,000 / 12 = ETB 600,000
- Ratio: 2,400,000 / 600,000 = 4 months of operations

Chapter Summary and Closing

- Sarbanes-Oxley strengthened accountability for control and reporting.
- Internal control safeguards assets and supports compliance.
- Controls give reasonable, not absolute, assurance.
- Five elements: environment, risk, procedures, monitoring, information.
- Separate authorization, custody, recording and reconciliation.
- Record cash receipts immediately and deposit them intact.
- Support, approve and independently review cash payments.
- Cash Short and Over records actual-versus-expected differences.
- Credit memos increase and debit memos decrease the bank balance.
- Reconciliation explains bank-versus-book differences.
- Only book-side reconciling items require journal entries.
- Petty cash controls small expenditures; cash is a current asset.
- Cash to monthly cash expenses shows how long cash lasts.

KEY MESSAGE Effective internal control does not depend on trust alone. It depends on assigned responsibility, proper authorization, documented transactions, separation of duties, independent verification and continuous monitoring.

Questions and Discussion

THANK YOU

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