Strategic information for business and enterprise

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# Introduction

Bell Studio is a wholesaler of art suppliers based in Adelaide and it has several branches in China, Japan, Australia and New Zealand. It has a centralized accounting system being operated from its headquarters to serve the rest of its branches. Therefore, efficiency and effectiveness is a core to the achievement of its mandate. Bell Studio has a number of expenditures and income, which is captured in the system. The income and expenditure and income reflect the daily operations of the company (Grecory, 2015, p. 23). The notable expenditures are purchase, salaries or wages, and checks. Therefore, Bell Studio’s accounting system has cash distribution system, payroll system, and the purchase system. These are the key components of Bell Studio’s accounting system and therefore, they reflect the operation nature of the company. This report, therefore, presents the way data flows in the system to ensure that successful business component is delivered. It presents Data flow diagram of purchases and cash disbursements systems to show how the purchase and disbursements is done by the company, Data flow diagram of payroll system, System flowchart of purchases system, System flowchart of payroll system, and System flowchart of cash disbursements system. It also presents some of the internal control weakness of the system, which need to be addressed and how they should be addressed.

# Purchases and cash disbursements systems

## Purchases system

Purchase is the process of ordering of products or items based on the need of a company. It is done through requisition made by either stock manager or storekeeper. In a well structured business a stoke manager or store keeper is expected to conduct daily counting at the opening or closing of business to note the stock available. It is important to ensure that a company does not run out of stock, which can negatively impact business. In Bell Studio, the stock taking is done by purchasing clerk. Bell Studio’s purchasing process starts at the desk of purchasing clerk. For the purchase of accountability, the purchasing clerk is required to check the product and make the purchasing request based on the list of inventories, which are available. The purchasing is only done when a specific items is too low in stock. The purchasing clerk is required to check the vendor list and select one vendor for the supply of a specific product which is running too low in stock. The purchase clerk therefore, prepares a digital purchase order, which is sent to the vendor. However, the purchasing is printed in two copies, one copy is sent to the vendor and the order is kept in the purchasing order file. The digital files are also updated so that it can reflect in the system. According to Grecory (2015, p. 25), the purchasing file is updated into the system because it is used to counter check the products ordered from the vendor when the delivery is made. Without digital copy of the purchase order, it would be difficult check the order in all departments. It means that several hard copies would be printed and sends to all the departments. It is important to have a digital copy of the report and therefore, the digital copy is kept in computer and shared with relevant departments such as accounting to ensure that there is efficient accountability.

**Purchasing Clerk**

**Purchasing file**

**Vendor**

**Purchasing department**

**Receiving Clerk**

Prepares 2 reports and files

Check the items

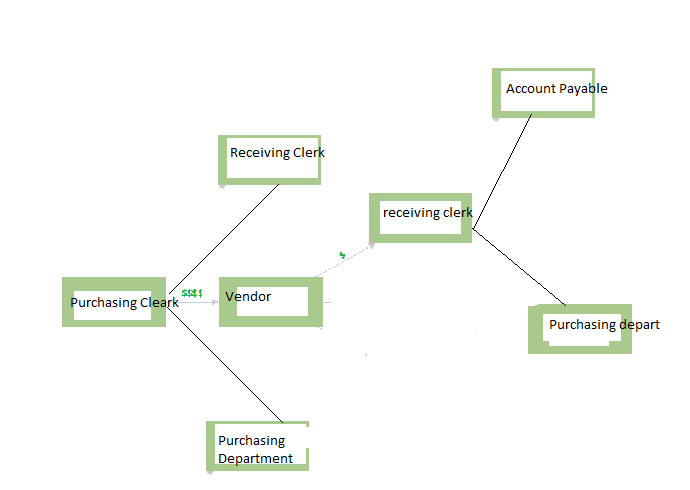
* Check too low inventories
* Prepare purchasing order
* Print two copies and send to vendor
* Update the digital purchasing file

**Accounts payable**

**Diagram 1: Purchasing**

## Flow chart: Purchasing System

The flow chart of purchasing system indicates that the purchase of all products is initiated by the purchasing clerk. The purchasing clerk makes decision based on the number of specific product in the store. It is the decision point where each department decision is made whether to make business or not. And in Bell Studio decisions are made at Purchasing clerk, vendor, receiving clerk and account payable.

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## Cash disbursements systems

Cash disbursement system is applied to handle a company payment. The system is used to issue payment to organizations and individuals such as vendors. As stated by Grecory (2015, p. 34) proper management of cash flow is critical to the growth of a company. And therefore, an efficient cash disbursement system is critically essential. Bell Studio’s cash disbursement system is unique and it generated from the account payable department. Accounts payable are the monies which the business owns its suppliers. It is regarded as liabilities and therefore, the account payable is paid within a specific period. Cash disbursement includes payment made by cash and checks. Most firms conduct business using checks so that records of cash disbursement or payment can remain behind for the record of the company. According to Micheal (2015, p. 14) checks mode of payment introduces control measures and therefore, enhance internal controls in a company compared to cash payment. In this report, we have look at the check disbursement methods, which are applied by Bell Studio.

In the case of Bell Studio, the cash disbursement clerk files the documents of vendors and any other creditors until the due date for payment. At the due date, the clerk prepares cheques against the invoice accounts and then sends the invoices to the treasurer who signs the cheques. The Cheques are then sent directly to the vendors from the treasurer. However, the clerk is then updating the digital copies of the invoices and also keeping the copy of the invoices paid for clarity and future use. However, the accounting system requires that a cheque is send to the vendor with a delivery note so that a vendor can sign of receiving the said payment. This is not clearly stated in the system and therefore, it can be one of the weaknesses, which should be addressed. The diagram below is the cash disbursement diagram which indicates how disbursement is done by Bell Studio.

Clerk

Prepares cheques

Treasurer

Signs the cheques

Vendor

Clerk

Updates all the files and folders of payment made

**Diagram 2: Cash Disbursement Diagram**

The account payable is generally responsible for all the payment made by a company. And therefore, after the payment has been process the account payment office initiate the process of making the payment to customers.

## Payroll system

Payroll is describes as the list of employees of a company. But it is usually used to refer to the amount, which is paid to employees such as salaries, bonuses, and wages and also withheld taxes. The payroll is calculated based on several factors such as hours, week, and overtime, which is being paid to employees. The payroll is therefore, prepared by the finance department together with the human resource to ensure that employees get their due on time. However, Bell Studio’s payroll is calculated based on the hours worked and then submitted to the payment department through the supervisor of each department. In order to ensure that hours worked is properly tabulated the company has a card known as on time card, where the details are captured daily and the send to the supervisor. It is also pointed that every week, the supervisor submits the on time card to the payroll department after reviewing and making necessary changes if needed. The payroll clerk then tabulates the payment based on the hours recorded for every employee and then generates cheques against each value or amount obtained. The cheques or the payment are then sent to all employees.

On Time Card

Supervisor

Review the on time card

Send card to payroll office

Payroll Office

Tabulate payroll

Central Payroll system

Account Payable

**Diagram 3: payroll system**

It is important to note that after tabulation of the payment by the payroll department, the payroll is then posted to the system and send to all employees. The employees will receive the payment pr cheques and signed with their supervisors. At the payroll department the changes can be made if miscalculation was done at any point. It is also essential to point that supervisor does not conduct any tabulation of what an employee should. The work of the supervisor is to check if he hours captured is matching within his or her records.

# Internal control weakness

## Purchasing system

The analysis of the purchasing system revealed that is initiated by purchasing clerk, who verify vendors and order for more products from vendors. The structure gives a lot of power to the purchase clerk which can be abused by a dishonest person. The procurement department is not involved in the process of purchasing of products. It violates the procurement law, which requires the involvement of the procurement department when making any purchase. The store keeping is also not involved in the process of purchase and delivery and this create a serious loophole. It is therefore, to include the input of procurement, and storekeeping in the process of purchasing. The storekeeping should inform the purchasing clerk of the too low number of specific products in the warehouse. The purchasing officer should then prepare purchasing order after consultation with the procurement officer and logistic office. Without involve the two key departments, the possibility favoring a particular vendor is high and it would also be difficult to account for the products in the warehouse. It is the responsibility of the storekeeper to ensure that the products order are delivered based on the order. It requires physical counting and it is important to involve the storekeeper. Bell Studio does not have system for scanning items or products on delivery and therefore, receiving clerk is forced to account for items manual. This creates a loophole, which can be easily used to compromise the system. Entering items manually to the system can result to errors of omission and this could affect the entire accounting process and to the profit of the company.

## Payroll System

Bell Studio’s payroll system is tabulated based on hours each employee worked. However, the system does not include how rate, and how the bonuses, overtime s tabulated. It is therefore, not clear how bonus and overtime are calculated and therefore, in accounting system they are left out. This could a company to lose some accountability when the employees work overtime and also given bonus. The accounting system should capture how bonuses and overtime are issued to employees. It is also important to note that Bell Studio’s accounting system illustrates that the clerk post the general ledger after the payment has been issued by account payable office. It is important to ensure that the general ledger is updated by the account payable immediately the payment is issued instead of waiting for the clerk to update the ledger and the system (Klaus, Rosemann, & Gable, 2017, p. 32). The account payable department should prepare payment based on the tabulation from the on time card issued from the supervisor. The manual preparation of payroll vouchers is also one of the weaknesses of the system. It can result error of omission during the preparation, which can either be excess or less and this can affect the company. There is no proper accountability of the work done against hour worked since the entire tabulation is done manual. Possibilities of paying workers for more or less hours are high and therefore, the company should look into it.

# Conclusion

Bell Studio’s accounting system is well structured though there are some changes, which needed to be done for the system to be more efficient and accountable. The payroll system is well done but it requires some improvement to include the calculation of bonuses and overtime, which are not properly illustrated in the system. The inclusion will ensure that the system is more accountable and transparent when it comes to payroll. Cash disbursement and payment are also well structured making the system to be accountable. But it would be important for the company to seek the input of the procurement when it comes to purchase. The system gives the purchasing clerk uncontrollable power, which can be abused. It is important to include a third person or a storekeeper to be in charge of informing the purchasing clerk of the need to order for products. The report further presents the payroll, cash disbursement, and purchasing system diagrams are presented and analyzed. It is also established that Bell Studio’s system has some weaknesses, which need to be addressed. Bell Studio’s system has also some weaknesses, which need to be addressed and especially from the payroll and purchasing to improve the accountability.

# Recommendation

It is recommended for Bell Studio to have a structured method of tracking orders and ensuring that delivery is made. Bell Studio should have devices integrated with the system scan for the delivery of products rather than doing manual counting. The items should have barcodes to be used to scan products when arrived at the store or at the delivery point. The scanned delivery items then automatically reflect into the system as stock, rather than manual counting then updating the system. Such system can be cheated and therefore, not verifiable. Bell Studio’s payroll system is semi-manual because most of the tabulations are manually done. It is recommended for Bell Studio to update its payroll system to include automatic login and logout. This will automatically count for the hours of work done by employees automatically every end of the week. The account payable office will only have to generate the payroll based on the data and prepare cheques for payment.

It is recommended for the Bell Studio to integrate its system with Enterprise Resource Planning (ERP). The company deals with merchandise, which it sells online and through its stores in all its branches. The integration of ERP with its system will make the company to coordinate with all its branches and have efficient tracking of the products. For efficient communication with customers and monitoring and tracking of all deliveries, the ERP would be a great project for the company. It would ensure that the company has efficient way of stocking, ordering and communicating with all vendors for timely delivery of products.

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