
Answers

- 1 (a) The purpose of the accounting function is to make sure that all of the organisation's business transactions are recorded and processed accurately and securely and that the relevant information about business transactions is made available to management and appropriate external authorities as required.

The accounting function interacts with a number of different departments. Some of these and the types of interactions which might take place are as follows: senior management requesting information provided by the accounting function via different types of reports; personnel or HR departments in terms of wages and salaries; the purchasing department who will authorise invoices for payment and require suppliers to be paid and all purchase ledger transactions; the sales department regarding payments received and any bad debts and all sales ledger transactions; the stores departments in terms of stock movements and stock control issues.

- (b) The key factors which might affect the type of accounting system used within an organisation are the type and size of organisation, organisation structure and regulations – both internal and external. A small organisation like a local general grocery store will have a relatively simple accounting system compared to a large multi-national organisation operating in a number of different sites with a larger range of products and services. Service businesses (such as a solicitor's practice) will need accounting systems which enable them to record time spent on particular jobs or with particular clients whereas a manufacturing organisation will need to account for units of sales and will need to monitor the costs associated with the provision of raw materials and the supply of labour needed in the manufacturing process. Organisations operating in the public sector will be concerned with recording revenues and the monitoring of expenditure. The organisation structure will determine whether or not accounts are prepared on an area basis by area staff or the extent to which accounting staff are in a separate department. Internal and external regulations are an important factor affecting the accounting systems. Many businesses set out their own accounting rules and procedures and some aim to achieve external verification of their quality processes. In addition, accounting work has to comply with a range of external regulations and appropriate procedures need to be in place to ensure that the organisation complies with these as required.
- (c) There are a number of ways in which the accounting function might be affected if the firm operates in a variety of different countries. Doing business in different currencies will present issues of recording information and reporting information, for example customers might want to pay in local currency but the business might have to pay for imported supplies in a different currency – this will need to be recorded carefully. Comparison between different parts of the business may be difficult and it may be necessary to convert to a single currency to facilitate this. There may be different legal, taxation and accounting requirements in different countries and this will determine how accounting information is prepared and reported. Differing economic conditions raise issues about accounting for inflation – especially when dealing with those countries that have very high levels of inflation.

- 2 (a) An internal control system seeks to ensure that an organisation achieves its objectives and guards against the risks which may threaten its existence. The characteristics of a good control system are that it should be acceptable to those it serves; appropriate to the needs of the organisation; matched to the capabilities of those that use it; accessible to non-experts or functional specialists; adaptable and capable of change if necessary; action oriented (i.e. should prompt corrective action) and affordable in terms of the overall cost for the benefits gained. In terms of appropriateness this means that it should be fit for purpose – neither overly complex nor unduly simple; it should be capable of effectively controlling the specific transactions relevant to the business for which it has been designed. In terms of accessibility it should be of use to a variety of organisation members outside the accounting function – it should be easy to use and understand and it should provide concise and relevant information to those that need it. It is important that any control system is capable of change in today's business environment. All organisations need to be able to respond to change and the internal control system should be able to accommodate the circumstances and environment in which the organisation is operating, such that business transactions continue to be controlled effectively and appropriate and timely information is provided. It is important that the internal control system is action oriented and does not exist for its own sake. This means that it needs to highlight areas where action needs to be taken or changes made and should encourage proactive as well as reactive management responses. Finally it should be affordable, this means that it should not be overly time consuming for those that need to work with it nor should it unnecessarily duplicate areas of work or information provided or required. The overall costs of operating and maintaining the internal control system effectively should not outweigh the benefits that it provides to the organisation.
- (b) The major limitations of an internal control system are associated with the human element necessary to ensure that they are applied properly and honestly. Internal controls rely on the honesty and integrity of those that apply them and if people are dishonest and wish to avoid them, there are ways in which they can do so. For example, managers can override the controls they have set up themselves or abuse authorisation controls. People can work together to abuse those controls through dishonest collusion. Also the warnings given by control systems may not be acted upon because of complacency or ignorance.
- (c) Segregation of duties is concerned with separating executive tasks from control tasks. One individual should not be able to record and process a complete transaction. A simple example of this is highlighted when considering the recording and banking of cash. Cash may be received by the organisation through the post; it will need to be recorded as received and then at some point taken to the bank. It would not be good practice for these activities and duties to be performed by the same

person – the duties need to be segregated. If they are not segregated there is an opportunity for a dishonest person to receive the cash, fail to record its receipt and then keep the cash without anyone else being aware that any cash had ever been received into the business. This can be partially overcome by ensuring careful employee selection procedures, by checking references, by clear guidelines set out at induction and ongoing training and staff development. In addition, both internal and external audits can be used to demonstrate how some of these limitations can be exposed. Clear and heavy sanctions should be in place for use in any instances of dishonesty and collusion leading to the abuse of any internal control systems. Control systems should be continually reviewed for the relevance of their procedures and messages and staff reminded of the risks which they seek to guard against.

- 3 (a)** There are many different definitions of culture, some examples are as follows: 'the collection of traditions, values, policies, beliefs and attitudes that constitute a pervasive context for everything we do and think in an organisation' (McLean and Marshall); 'the pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration' (Edgar Schein). Culture then can be seen to be a collection of the organisation's past achievements, current ambitions, attitudes, values and assumptions. More simply it is often described as 'the way we do things around here'. Culture gives an organisation a sense of identity. The formal culture of the organisation is often seen as the 'party line'. All definitions and explanations of culture emphasise that it is concerned with abstract concepts and themes like values and norms and as such it is difficult to articulate and often difficult to recognise.
- (b)** Charles Handy's classification is based on Harrison's 'organisation ideologies'. Handy used the word culture as opposed to ideology as it was perceived to convey a feeling of deep seated and more pervasive way of doing things. His four types are: the power/club culture, the role culture, the task culture, and the person culture. The power/club culture is dependent on a central power source which controls the organisation. The rays of influence emanate from the centre and hence there is little need for formal rules and procedures. The organisation relies on interpersonal relationships and communications rather than hierarchy and power structures. It is typically found in small entrepreneurial firms, small family firms and small businesses controlled by the owner/manager. As the organisation increases in size this culture is less evident as the powerful rays of influence cease to reach all members of the organisation and there then becomes a need for more formality which comes with the introduction of systems and procedures. The role culture is typified by large bureaucratic organisations. Work is controlled by procedures and rules. Power is associated with positions and not people. It is based on order and rationality. The role culture is often represented diagrammatically as a Greek temple, with the pillars representing the functional specialisms within the organisation, all of which are controlled centrally by the senior managers. In addition to the strength of the functional 'pillars' the role culture needs a stable external environment to survive. The task culture reflects a team approach to getting a job completed. It often consists of people who solve problems in teams or specially formed work groups. Each person makes a contribution based on their own area of expertise and shares this with the team or group for the overall benefit of the task in hand. Status and job titles are not considered to be important in the task culture – the overall objective is to ensure that the job or task or project is satisfactorily completed. Influence is based on expert power rather than on position or personal power. Often, the team or group will be disbanded once the job or project is completed. Controlling can be difficult in this culture and is usually achieved by senior management through the appropriate allocation of tasks, people and resources. A task culture thrives in organisations that are faced with frequent changes, as they are good at adapting and problem solving. The person culture exists to serve the individuals within the organisation and is one of the most unusual in Handy's typology. All rules and procedures within the organisation exist to meet the needs of the individuals within it and can be changed as those needs change. A good example of a person culture would be that which might exist in a small professional business e.g. solicitors' or dentists' partnerships.
- (c)** There are many factors which might affect the way in which an organisation culture develops. These include, but are not necessarily limited to: the history of the organisation, the overall purpose of the organisation, the technology employed by the organisation, organisation size, location, the leaders and key decision makers in the organisation and the overall operating environment. The history of the organisation can be important in shaping the organisation culture because this will reflect the way in which the organisation was originally formed and also any key events in its development e.g. a merger or a takeover or a change in overall focus of the organisation. The overall purpose of the organisation and its goals and objectives influence the culture in that this will include the types of markets that the firm operates in, the type of products or services it offers and the types of customers it engages with. The key technology employed by the organisation can be important in influencing culture because this will determine ways of working and interacting with others. The organisation size can be important because this will determine the degree of formality and bureaucracy within the organisation and also the communication processes. The location of the organisation can be important. For example a firm situated in a busy city centre may face different issues in terms of staffing, types of customers etc than one located on a purpose built business park. The leaders and key decision makers can be important influences on culture and their own style or way of doing things is often reflected in the organisation as a whole. People identify with visionary leaders and often treat them as role models for their own behaviour. Finally, the overall operating environment is important because it can determine the rate of change that the organisation needs to deal with or the degree of uncertainty within the environment. Issues of stability and dynamism are important aspects of the external environment which might affect the overall culture of an organisation.

- 4 (a)** All organisations are likely to use some combination of formal and informal communications. Formal communication channels and systems are usually set up by management within the organisation and would include regular meetings, formal presentations and conferences where both written and verbal information can be presented. These will be considered to be legitimate forms of communication and will be sanctioned by the organisation i.e. they will be officially recognised by the organisation. The larger the organisation, the more likely it is to have more formal communication channels and systems. Informal communication channels are much less structured and would include informal telephone conversations, discussions in the staff canteen or any other form of informal contact with colleagues, supervisors and managers. Informal communications usually take place outside of the more formal organisation structures and processes that have been set up by management.
- (b)** Some of the advantages of formal communication are that they are recognised by all members of the organisation, they form part of the overall command and control structure of the organisation, they are based on legitimate and accepted power bases within the organisation; they provide effective co-ordinating mechanisms, they provide records and evidence of points of agreement and disagreement and of decisions made, they are transparent and available for all. However, there are also disadvantages to formal communications and some of these are as follows: they can be time consuming and involve an unnecessary amount of people; they may act merely as a 'rubber stamp' for issues and procedures that have been agreed informally; they can become unwieldy.
- (c)** The advantages of informal communications are that they are more flexible and responsive, they permit speedier decision-making, they permit all members of the organisation to contribute and participate, and they can identify issues of concern within the organisation. The disadvantages include the fact that they may conflict with the formal communication system and recipients may receive mixed messages; they may be used subversively, they may be biased and inconsistent, they may encourage rumours, or they may lead to too much information being available and cease to be effective co-ordinating mechanisms.
- 5 (a)** There are many activities which are undertaken in the workplace which can give rise to hazards and risks and where accidents can easily happen. Whilst many of the ones that you are likely to come across will be in the office environment, there are a variety of other situations that you may need to be aware of, e.g. those that might occur in a manufacturing environment. The broad range of activities which might give rise to hazards and risks include, but are not limited to, the following:
- General maintenance of building and fabric – involving use of ladders or roof work where there is potential for people to fall from high buildings or constructions.
 - Using certain types of equipment e.g. VDUs where there is potential for eyestrain or repetitive strain injury associated with the continued use of a keyboard or a mouse.
 - Using badly designed workspaces and office accommodation, where posture may be affected or there is potential for falls or tripping over electrical or computer connections; or where light is inappropriate.
 - Using electricity, hand tools or extension leads where there is potential for electric shock or physical harm if using the equipment incorrectly.
 - Carrying and/or lifting equipment which might lead to muscle strain or damage to the spine if not carried out correctly.
 - Receiving raw materials – involving lifting or carrying, again having the potential to cause muscle damage or damage to the spine.
 - Stacking or storing material – there may be falling materials.
 - Moving material – using forklift trucks or lifting equipment.
 - Operating machinery, where it is important that appropriate guards and shields are correctly deployed and where it is important to operate the machine within specified operational limits in terms of speed, or running time.
 - Not wearing protective clothing and equipment for example ear defenders, safety glasses, protective footwear or using appropriate barrier creams when using certain substances.
 - Dealing with emergencies, this is especially important as it is when dealing with emergency situations that standard procedures and ways of working are often inadvertently ignored or forgotten.

- (b) All new employees should attend any health and safety training offered as part of their induction programme and employees should be encouraged to update their knowledge and the information provided on a regular basis. This can be done by attending further training or by reading notice boards or any safety bulletins which may be issued. They should be fully aware of any procedures associated with evacuation in the event of accidents or fire and this will include familiarisation with the location of fire escapes, fire extinguishers and any other safety equipment. They should make themselves aware of the nominated first aider in their area. They should be aware of any specific hazards associated with the nature of their work i.e. exposure to substances hazardous to health, unsafe operating practices, potential dangers when using machinery and lifting equipment and the possible hazards of using computers. They should wear protective clothing if necessary e.g. gloves, eye shields or ear defenders and ensure that they adopt safe seating positions and avoid repetitive strain injuries by having adequate and regular breaks from work stations during the working day. These measures should be provided and promoted by the organisation as necessary but all employees have a responsibility to ensure that they are made available and appropriately used.

1	(a) 2 marks for a clear explanation which includes reference to recording, processing and providing information. $\frac{1}{2}$ mark for identifying key functional areas up to a maximum of 2 marks. 2 marks for each brief description of how the accounting function interacts with both functions identified up to a maximum of 4 marks.	8 marks
	(b) $\frac{1}{2}$ a mark for each factor identified up to a maximum of 2 marks. 1 mark each for appropriate description and explanation of key factors up to a maximum of 4 marks.	6 marks
	(c) 1.5 marks for each area explained up to a maximum of 6 marks.	6 marks
		Total 20 marks
2	(a) 1 mark for identifying specific features up to a maximum of 4 marks. 1 mark each for a brief description of those identified up to a maximum of 4 marks.	8 marks
	(b) 1 mark for each limitation up to a maximum of 4 marks.	4 marks
	(c) 2 marks for each brief discussion of how these might be overcome, up to a maximum of 4 marks. 2 marks each for an appropriate and clearly explained example, up to a maximum of 4 marks.	8 marks
		Total 20 marks
3	(a) 1 mark for a clearly articulated and well written definition of culture and $\frac{1}{2}$ a mark for including any of the following points in an explanation (up to a maximum of 3 marks): values, assumptions, norms, 'way we do things around here', beliefs, attitudes, shared expectations, shared goals.	4 marks
	(b) $\frac{1}{2}$ mark for each type identified, up to a maximum of 2 marks. 4 marks each for a full explanation of any 2 of the 4 types identified. Explanation should include but not necessarily be limited to inclusion of typical type of environment, degree of flexibility, ability to cope with change, type of structure, sources of power, control mechanisms, inclusion of examples etc.	10 marks
	(c) 1 mark for each factor identified. 2 marks for appropriate description of factors identified.	6 marks
		Total 20 marks
4	(a) 4 marks each for a clear explanation of formal and informal communications.	8 marks
	(b) 2 marks for each advantage and disadvantage identified up to a maximum of 6 marks.	6 marks
	(c) 2 marks for each advantage and disadvantage identified up to a maximum of 6 marks.	6 marks
		Total 20 marks
5	(a) 1 mark each for identifying typical activities up to a maximum of 5 marks. 1 mark each for brief description of activities identified and for the use of simple examples, up to a maximum of 5 marks.	10 marks
	(b) 2 marks for each piece of appropriate advice offered.	10 marks
		Total 20 marks