INTERNAL CONTROL SYSTEMS AND CASH MANAGEMENT

A CASE STUDY OF FAMILY DIET LIMITED,

GAYAZA, KAMPALA

BY

ODONGO JOSEPH AWILI

REG: BBA/16541/72/DF

RESEARCH SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT AS A PARTIAL REQUIREMENT FOR THE AWARD OF A BACHELOR’S DEGREE IN BUSINESS ADMINISTRATION (FINANCE AND BANKING) KAMPALA INTERNATIONAL UNIVERSITY

APRIL 2011
DECLARATION

I Odongo Joseph Awili, hereby declare that the work presented here is my own, except where it is acknowledged and that it has never been presented anywhere, for the award of any degree.

Signature: ... Date: 27th April 2011

Odongo Joseph Awili
APPROVAL

This research report has been submitted to the school of Business and Management of Kampala International University after being supervised and approved by

Signature ..............................................................

MR. ODERO GEORGE MICHAEL

Date ..............................................................
ACKNOWLEDGEMENT

A task unattainable it would be, for me to attempt to acknowledge all the people who have been of assistance in the preparation and presentation of this report. An attempt all the same must be made.

I thank Jehovah God, for granting me the reasoning capacity, patience and indeed time that was undoubtedly a necessity in the compilation and presentation of this research report in due time.

Mr. Odero George Michael also deserves thorough commendation for the beneficial thinking and guidance that he provided throughout the fabrication of this report. An effort without which, this work would have not been accomplished.

Not mentioning my friend Alice would be a great injustice, as she pushed me all the way, helping me, criticising the preparation techniques and advising solutions, to the various problems I have encountered throughout the report writing process. Thank you.

Thanks also go out to my Mother for not only her financial support, but also the mental and spiritual encouragement that she gave me, which I indisputably needed.

Individual thanks also go to the staff and management of Kampala International University, School of Business and Management for the infrastructure and support which was set up, which helped in the completion of the report.

Many thanks too go out to the Management and staff of Family Diet Limited, for sparing their scarce time, to respond to my questions.

In broad-spectrum I sincerely thank everyone who has contributed to the success of the development of this report. Without their support my study and indeed my research would not have been fruitful.

May Jehovah bless you all!
# TABLE OF CONTENTS

DECLARATION ................................................................................................................ i
APPROVAL ........................................................................................................................ ii
DEDICATION ................................................................................................................... iii
ACKNOWLEDGEMENT ................................................................................................. iv
ABSTRACT ...................................................................................................................... vii

CHAPTER ONE ................................................................................................................ 1
1.0. Introduction ............................................................................................................... 1
1.1.1 Historical ................................................................................................................... 1
1.2 Problem Statement ...................................................................................................... 4
1.3 Purpose of the study .................................................................................................... 4
1.4 Objectives of the study ................................................................................................ 5
1.4.1. General Objective .................................................................................................... 5
1.4.2. Specific Objectives .................................................................................................. 5
1.5 Research questions ...................................................................................................... 5
1.7 Significance of the study ............................................................................................. 6

CHAPTER TWO .............................................................................................................. 7
LITERATURE REVIEW ................................................................................................. 7
2.0 Introduction .............................................................................................................. 7
2.1.1 Conceptual Frame Work ......................................................................................... 7
2.2. Internal control overview .......................................................................................... 8
2.3. Features of an effective internal control system: .................................................. 10
2.4. Cash Management .................................................................................................... 14
2.5 The role of internal control systems on cash management ....................................... 16
2.6. Objectives of internal controls over cash ............................................................... 18
2.7. Management of petty cash funds and payment ..................................................... 19
2.8 Internal controls and technology ................................................................................. 20
2.8.1 Internal controls and business performance ....................................................... 21
2.9 Limitations ................................................................................................................. 22
ABSTRACT

The study aimed at exploring the relationship between internal control systems and Cash management using Family Diet Limited as a case study. A sound internal control system is important as it enables an organization to carry on business in an orderly manner, safeguards the organization’s assets and ensures completeness and accuracy in their records to achieve high performance.

The study documented and evaluated the adequacy of internal controls and its performance at Family Diet Limited by comparing them with a sound theoretical framework and thereafter offering recommendations for any improvement. Both primary and secondary techniques of data collation were used.

During analysis of data, quantitative, qualitative and descriptive techniques such as graphs, pie charts were used. Controls in the areas of cash, wages and salaries, debtors were examined. The data was eventually analyzed by comparing with an ideal system which exhibited that some controls were weak and other strong.

For an effective and sound internal control system which will ensure organizational good performance, the research recommended that the company should review its existing control measures and come up with a workable plan to reinforce them.
CHAPTER ONE

1.0. Introduction

This chapter gives an overview of the historical, theoretical, conceptual and contextual background of the research.

1.1.1 Historical

Family Diet is a legally established business, which was incorporated as a Private Limited Company in 2002. The company deals in the processing and distribution of cereal foods in Uganda. Family Diet has a wide range of products, which include pure millet, Super Kalo, Soya millet, pure rice, Soya rice. Family Diet is currently located at the junction of Gayaza Road.

Family Diet's business opportunities lie in the readily available cereals and pulses (raw materials) in Uganda which are harvested twice a year, increase in population growth rates, estimated at 27 million in 2007 with child bearing mothers having an average of 6 children thus providing a ready market for the millet blends, in particular pure millet and Super Kalo, the increase in the number of elderly and sickly persons especially those with the HIV/AIDS and refugee camps creating demand for Family Diet' Soya Millet blends.

A close examination of the company's finance and accounting systems shows that there is an accounting/book keeping function within the organization headed by the Accountant. The company also has an internal control system in place as well as policies and procedures that govern the management of cash with the business. The company uses both manual and computerised systems though the current automated accounting system is not functioning and
requires upgrades and programming alterations in order to fully aid in accounting for the business's financial matters and ensure efficient record keeping.

1.1.2 Theoretical framework

According to Philip E. Fess and Carl S. Warren (1997) Internal controls play an important role in the improvement of an organization's cash management. Internal Controls are to be an integral part of any organization's financial and business policies and procedures. Internal controls consists of all the measures taken by the organization for the purpose of; (1) protecting its resources against waste, fraud, and inefficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with the policies of the organization; and (4) evaluating the level of performance in all organizational units of the organization. Internal controls are simply good business practices.

1.1.3 Conceptual

Businessdictionary.com (2010) defines cash as currency and coins on hand, bank balances, and negotiable money orders and checks. For the purpose of this study cash will refer to money in physical form of currency, such as banknotes and coins. Cash is the thought to be the most liquid asset in any business, and hence can easily be misappropriated by even the most honest employees if tempted by a weak cash control system partly due to the absence or lack of a sound internal control system. Experience shows that if cash is not properly managed the likelihood of its misuse thus increases. Where systems of monitoring and controlling cash are not in place or the procedures that govern the management of cash are not at a satisfactory level then the following misappropriations may occur:
First, Duplication of the payments through petty cash fund, payroll or cheque payments. This may be done by entering the paid up voucher twice on one reimbursement claim. Secondly, Alteration may be made in cash vouchers to increase the amount as the voucher’s presented to support the reimbursement statement. Third, Increasing amount of cash on supporting documents after they have been approved for payments. Overstatement of totals per cash reimbursement claim. Fourth, Physical theft of cash where there is a lack of proper physical controls such as security safes.

The above mentioned problems result from the absence or weakness of internal controls particularly in the management of cash, therefore this study seeks to investigate the complex relationship between internal controls and cash management in Family Diet Limited. For the purpose of this study, the roles played by the employees and management alike in the management and control of organizational cash was examined. Therefore the areas of weaknesses were identified, hence strong measures, suggestions and a means of rectifying such weaknesses were recommended to strengthen the systems of internal controls on organizational cash management.

1.1.4 Contextual

This study aims at examining the impact of internal control systems on organizational cash management in family diet limited. There the researcher was interested in the system of internal controls as it is in Family diet limited as well cash management policies and procedures for the management of family diet limited’s cash. The context of the above research is different from others in a way that other scholars have also carried out research on such topics but not exactly on family diet limited.
1.2 Problem Statement

Prof. Paul N. Manasseh (2007) states that organizations both small and large, profit making or non profit making are faced with different internal control related problems and that are a vital part of sound business management.

A.H. Mill champ (2007) recognizes the face that cash management is an integral part of any organization that seeks to perform efficiently. Therefore according to him to perform well, an organization needs to have cash management policies and procedures in place.

According to Philip E. Fess and Carl S. Warren(1997) Internal controls play an important role in the improvement of an organizations cash management. He believes that a sound internal control system in an organization can influence greatly how cash is managed in an organization and thus improve organization cash management.

Therefore its believed by above scholars that, a sound internal control system helps organizations to prevent fraud, errors, produce correct and complete records of all transactions and minimize wastage of the organization’s resources particularly cash. This research is therefore aimed at establishing the effectiveness of internal control systems on cash management at Family Diet Limited.

1.3 Purpose of the study

The role of the study was to establish the role of internal control on cash management in Family Diet Limited and how it can help prevent fraud and errors in the organization.
1.4 Objectives of the study

1.4.1 General Objective

The general objective is to find out how internal control systems affect cash management in Family Diet Limited.

1.4.2 Specific Objectives

1. To understand internal control system of Family Diet Limited.

2. To explore cash management in Family Diet Limited.

3. To understand how internal control systems affect cash management in Family Diet Limited.

1.5 Research questions

I. What is meant by internal control systems in Family Diet Limited?

II. How is cash managed in Family Diet Limited?

III. How do internal control systems affect cash management in Family Diet Limited?

1.6 Scope of the Study

The research basically aimed at documenting and evaluating the internal control systems of Family Diet Limited and establishing the impact of internal control systems on cash management. This was done by comparing it with a theoretically sound internal control system and thereafter a recommendation for improvement of the same. The targeted controls include;
cash control, purchase control, wages and salaries control, debtor’s control, fixed assets control and internal audit control as long as control involved cash.

1.6.1 Geographic Area; The study was conducted at Family Diet’s premises located in Ntinda of Gayaza Road, Kampala Uganda.

1.6.2 Subject Matter; The study focused on the role of internal controls on organizational cash management. Where appropriate and satisfactory internal controls have been identified and put to use.

1.6.3 Time Bound; The study is limited to a time period of 6 months, that is from January to June of 2010

1.7 Significance of the study

The following were the importance’s attached to this research report. It should be noted that these importance were subjected to three categories of beneficiaries who included the researcher himself, Family Diet Limited as institution and any other interested third parties.

I. This study will help the researcher build their ability and acquire more knowledge on internal control system as well as the application of International Accounting Standards particularly in the integration of theory and practice.

II. This research may aid in future studies conducted in the researcher’s particular field of interest which is internal controls and organizational cash management.

III. It is hoped that any suggestions and recommendations made in this report as a result of the study will assist Family Diet Limited in developing a sound internal control system.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

2.1.1 Conceptual Frame Work

**INDEPENDENT VARIABLE**

- Internal Control
  - Separation of duties
  - Responsibility & Authorization
  - Supervision & approval
  - Voucher System & Management

**DEPENDENT VARIABLE**

- Organizational Cash Management
  - Cash
  - Cheques
  - Inventories

**INTERVENING VARIABLE**

- Government accounting policy
- General Accepted Accounting Principles

Conceptual Frame Implication:

Internal control was the independent variable which relied on separation of duties, line of responsibility and authorization, supervision and approval and the use of voucher systems. Where as the dependant variable was cash management and the intervening variables where government policy and generally accepted accounting policies.
2.1.2 Literature Review concept

A literature review is a body of text that aims to review the critical points of current knowledge and or methodological approaches on a particular topic or area of study. Literature reviews are secondary sources, and as such, do not report any new or original experimental work. Literature reviews help shed more light on the identified variables of a study. The literatures reviewed in this research include text books, internet, journals on the subject of internal control systems and how the affect organizational cash management. The researcher went through the study challenges. Gaps identified and any contributions of the study to the existing knowledge where highlighted.

2.2. Internal control overview

Internal Controls are to be an integral part of any organization's financial and business policies and procedures. Internal controls consist of all the measures taken by the organization for the purpose of; (1) protecting its resources against waste, fraud, and inefficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with the policies of the organization; and (4) evaluating the level of performance in all organizational units of the organization. Internal controls are simply good business practices.

At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations.

At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services
rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes. www.freeencyclopedia.org/auditing (2010).

Internal control has been defined by the *American Institute of Certified Public Accountants (AICPA)* as 'the system comprising the plan of organization and all of the co-ordinate methods and measures adopted in a business to safeguard its assets, check the accuracy and reliability of accounting data, promote operation efficiency and encourage adherence to prescribed managerial policies.'

Internal control has also been defined by *Wolf (1985)* as 'the whole system of controls financial and otherwise, established by management in order to carry on the business of an enterprise in an orderly and efficient manner, to ensure adherence to management policies safeguard the assets and secure as far as possible the completeness and accuracy of records.'

Both definitions (AICPA and that of Wolf) are focused on the same three points which are highlighted below:-

i. To safeguard the assets from waste, fraud or theft

ii. To have sound management which adheres to its policies

iii. To increase the operational efficiency of an organization

Internal controls can be categorized into two groups; administrative controls and accounting controls;

Administrative controls are a plan of an organization and other methods and procedures aimed at operational efficiency and compliance with prescribed management policies. This includes but is not limited to employee training programs, performance reports etc.
Accounting controls are a plan of an organizations regulations and procedures established in order to control financial matters, records or the safeguarding of organizational assets Malushi (1985).

2.3. Features of an effective internal control system:

a. Separation or segregation of duties

This control refers to the separation of duties and responsibility which if combined will enable one single person to process and record a transaction from the beginning to the end without being checked which will expose such a person to instances of frauds. That is to say that a person is never given exclusive powers which cannot be checked at any stage. Thus segregation of duties minimize the risk of intentional manipulation and boosts the element of inter checking. The following functions are to be segregated:

i. Custody of assets

There should be a segregation of duties between execution, authority and custody of assets such that an official authorizing a given expenditure does not keep the assets arising out of such expenditure.

ii. Authorization

This should be segregated such that different line managers are accorded various limits of authority which will depend upon such factors as their position, integrity, qualification competence and remuneration.
iii. Execution

Limits of authority will be accorded to an individual different from the one who authorized the execution of that act. Example if an officer authorizes a given expenditure, a different person will execute or carry out such expenditure.

iv. Recording

This should be segregated such that a person with sufficient knowledge and experience is accorded powers to records certain transactions. For sensitive assets such should be recorded by responsible person who cannot change or delete.

b. Responsibility

It has been suggested that every organization should have plans, which are defining the allocating responsibilities and identifying lines of reporting for all aspects of the entity, operation including the controls. The authority and the power to delegate authority should be defined clearly.

Therefore all organizations must indicate clearly the department and the person responsible for such function such as ordering/purchasing, maintaining accounting records approving other financial transaction like payroll and advances to employees.

c. Authorization and Approval

All transactions should require proper authorization and approval by an appropriate and responsible person. There should be a clearly defined system of authorization and approval to
provide the reasonable control of accounting for assets, liabilities, expenses and revenue. Though proper authorization it is not simple to initiate, direct fraud in the event it happens is traceable as the part responsible for such fraud can be made liable and accountable for any resulting loss of cash.

d. Arithmetical and Accounting

These are the controls within the record functions which check that the transaction to be recorded and processed has been authorized, that they are all included, correctly recorded and accurately processed. Such control includes checking the arithmetical accuracy of the record, maintenance and checking of totals, reconciliation control accounts and trial balances and accounting of documents.

e. Supervision

Any system of internal control in any organization should incorporate the supervision by the responsible officials on the day to day transactions and the recording of those transactions. Failure to exercise either examination or supervision tends to weaken the foundation of internal control systems, thus creating a loophole for fake payments which in turn cause the loss of the organizations cash. Three levels of control may be identified from supervision:-

i. Low level supervision

Such supervision should be managed by trained and competent supervisors who should supervise the company's day to day operations such that they work smoothly. Such a supervisor should motivate employees so as to boost their morale to work and by doing so prevent perpetration of frauds.
ii. Middle level supervision

This type of supervision is done by a line manager who should ensure that policies and procedures are adhered to and are in line with the company’s objectives and goals. This supervision if properly implemented will boost the lower levels of supervision and accountability.

iii. Managerial supervision and reviews

This is management control done by the top management using such tools as budget, forecasts, standard costing statements, internal audit feedbacks. All of which are aimed at checking the daily running of an organization.

f. Voucher System

A voucher is one of the methods of achieving strong internal control over cash disbursement. It provides assurance that all disbursement are authorized and reviewed before a cheque is issued. The accounting department is responsible for assembling the appropriate documentation to support every cash disbursement.

g. Personnel

There should be procedures to ensure that personnel have capabilities commensurate to their responsibilities, the power functioning of any system depends on the competence and integrity of those operating it. The qualification, selections and training as well as innate personal characteristics of the personnel involved are important features to be considered in setting up a control system.
h. Physical control

These are controls which aim at limiting accessibility of the company's assets to authorized persons at authorized time. These controls will take the form of physical measures which are also aimed at limiting direct access to assets using physical barriers such as safes and strong rooms. These controls are important to the following assets; valuable assets such as cash and stock, exchangeable assets and desirable assets such as cash.

i. Rotation of duties and vacation

Duties in particular routine must be rotated to avoid continuity of errors and frauds and also as a means of avoiding routine boredom which may lead to innocent errors. At the same time Personnel should encouraged taking leaves as at when it falls due so as to: boost the morale of the employees, minimizing chances of errors and frauds and test the efficiency of personnel on leave.

j. Routine and automatic checks

These are controls conducted on routine duties and operations to ensure that these are operating efficiently. Such controls are operated on a surprise basis to minimize errors and frauds and thus boost efficiency and morale to work. These are ideal for such assets as petty cash, wages payment stock control, reporting procedures and other routine but sensitive duties.

2.4. Cash Management

Meigs (1990) and Atwood F. A. (1986) both define cash as the most liquid asset that offers the greatest temptation for theft and misappropriations. These gurus proposed the following ways in order to control cash management efficiently and effectively.
• Preparation of control by the listing of cash receipt at the time and place received.

• All the cash receipt should be deposited directly to the bank make all the payment by cheque or bank account. The only exception being for small payment to be made in cash (petty cash disbursement).

• Separation of the function of handling cash from the maintenance of accounting records

• The cashier who is responsible for receiving cash is not responsible for cash payments.

• Require no work or alteration of any kind to be carried out on the safe except with the permission of the responsible official.

• Small safes and strong boxes used as the safes must be built into the structure of the building in which they are housed.

• A list of cheques should be prepared and taken to the bank before the cheques are presented to the bank.

• The validity and amount of each spending must be verified before a cheque is issued.

• Separating the function of signing the cheques from the function of approving the expenditure.

• Cancelled cheques must be recorded serially.

• No responsible individual should open the custody alone, three consecutive keys held by different employees is advised to used as a way of open the safe custody.
• The key of the safe shall not be kept by the person who is not the official key holder and
the safe shall not be opened except by the employee(s) responsible for it.

Some other means of controlling cash have been pointed out by Hoof E. (1990) as follows:

I. Serial number of documents

An Internal control device of wide applicability is the use of serial numbered documents. Serial
numbers provides control over the number of documents issued. Such documents are cheques,
tickets, payment vouchers, purchases order and many other business papers can be controlled in
the manner of the serial number. For every number of the series by a monthly or weekly
inspection of documents issued should be made.

II. Voucher system

According to Meigs & Meigs (1981), voucher systems are one among the most satisfactory
means of achieving at strong internal controls over the organizational cash. By providing
assurance that all disbursements are properly authorized and reviewed before the cheque is
issued. In a typical voucher system the accounting department is responsible for assembling the
appropriate documentation to support every cash disbursement.

2.5 The role of internal control systems on cash management

According to Philip E. Fess and Carl S. Warren Internal controls play an important role in the
improvement of an organizations cash management. The following below explain how frauds
and errors of the organization can be minimized or eliminated by the using appropriate and
satisfactory features of internal control as follows:

1. Segregation of duties
This is achieved by separating different powers of execution and authorization, dividing duties between execution and authorization, encouragement of inter checking of personnel by or with personnel and internal manipulation reduction, all of which will ultimately prevent and control fraud.

2. Plan of an organization

This will involve all of the activities which aid and boost accountability and responsibility over the assets of the organization. It will involve the defining of powers and responsibilities that will govern and control the internal control system put in place.

3. Authorization and approval

All transactions must be authorized by responsible officials whose chances of perpetrating fraud are minimal, it separates or dilutes chances of persons perpetrating fraud, well defined systems of approval where one does not authorize a transaction beyond his power and authorization go with the position or remuneration serving to prevent frauds.

4. Personnel and supervision

Use of competent personnel with high integrity, properly remunerated personnel, enhances the sense of responsibility and use of budget or forecast all of this may serve as a tool to prevent frauds.
5. Rotation of duties and vacation.

No fraud occurs as efficiency is enhanced due to rotation of duties, chances of collusion in clerical duties are reduced and rotation reduces monotony thus preventing careless errors and temptations to exploit loop holes.

6. Arithmetical and accounting

This is done through proper checking of the records, use of automatic accounts machines such as computers and cash register, periodic balancing of accounts, periodic reconciliation of accounts and casting of figures all serves to prevent frauds.

7. Routine and automatic checks.

Conducting a surprise check on a regular basis, enhances responsibility and accountability thus prevents frauds, efficiency is enhanced minimizing chances of frauds, morale of employees is boosted as they are aware of routine checks, cuts continuity of frauds and safeguards against losses of assets.

8. Physical control

This is attained by using direct limitation to company assets such as cash, indirect limitation by using documents such as petty cash vouchers, serialization of assets and allocation of assets to responsible officials at designed times, all these helps to prevent frauds.

2.6. Objectives of internal controls over cash

According to P. H. Mahushi (1985), the following are the objectives of internal control over cash:-
- There should be incident accountability for all cash received.

- There should be good cash management to avoid frequent cash shortages or holding excessive cash in hand.

- Proper physical control or security should be put in place to safeguard cash in hand against theft, misappropriation or embezzlement.

- All cash payment is made on the basis of proper documentation for the benefit of the firm and such authority is limited to few known and eligible personnel.

From the above it can be concluded that internal controls are vital for the protection of organizational assets. Further more cash is the most liquid and vulnerable organizational asset that should be correctly handled and protected to prevent its wastage, misappropriation, unnecessary storage and theft.

2.7. Management of petty cash funds and payment

According to Larson / Pyle (1988) a basic principle in controlling cash disbursements is that, all such disbursements be made by cheques, this way there is reduction in the possibility of fraud and wastages. However, an exception to this rule for petty cash disbursements is that every business must make many unavoidable small payments for items such as postages, express charges, telegrams and small items of suppliers. If such payment is made by cheque, many cheques for immaterial amounts are to be written, which will result in inefficiencies and additional bank charges. Therefore to avoid writing cheques for small amounts a petty cash fund is established and such payments are made from this fund (petty cash fund).
For cash control purposes, when a petty cash fund is established, an estimate is made of total small payments likely to be disbursed during the short period usually a month. A cheque is drawn and debited to the petty cash account for an amount slightly in excess of this estimate. The cheque is cashed and money is given to the petty cashier.

The person responsible for petty cash normally keeps the petty cash in locked custody in the office safe. When a disbursement is made, a petty receipt is signed by the person receiving payment and is placed with the remaining money in the petty cash custody. Under this system the safe custody should always contain paid petty cash receipts and money equal to the amount of fund deposited in the petty cash account and being cashed.

2.8 Internal controls and technology

Woolf (1997) said that with the rapidity changing technology, there is need to restructure the controls of various organizations to support these developments. The auditors’ work is to evaluate the performance directly with the computer and computer records as they exist in suitable machine sensible form. The auditors therefore concentrates on proving the initial inputs and checking their validity and then calculate output manually which is then compared with the computer output.

Bialy (1989) developed a computer assisted model for designing, analyzing and evaluating the internal control systems. The internal control model was implemented and found feasible. It is designed to aid the auditors with vast modern internal control systems and to aid them evaluate the systems.

De Paula et al (1990) noted that there are some systems developed to ensure that satisfactory standards are maintained in designing, testing, implementing and documenting new systems and
programs. He further noted that an auditor has to review internal controls to ensure that there are clear definitions of duties and division of responsibilities between these sections.

Ravian (1997) carried out research to determine if control to data represents a major difference between file systems and data base systems. He found out that certain general control programs developments and maintenance is different over access to data represents a major difference between file and data base systems. A data base requires a broad control than the file system.

In particular therefore the auditor should ensure that the computer routine have been properly documented , un authorized persons are not allowed into computer files, programmers should not have access to computers except when its necessary and that computer operators do not have access to source documents and also not allowed to amend programs.

2.8.1 Internal controls and business performance

Saleemi (1989) said that the adoption of a sound internal control will ensure success in business. The information obtained from a sound internal control as reflected on the financial statements will provide a report on entity’s financial performance and financial position that is a reflection of proper stewardship.

Salih (1983) did a case study of Ethiopian Airlines- Nairobi and evaluated its internal controls. He used interviews to gather the information and analyzed it by comparing with a theoretical sound and generally accepted internal control systems. He found out that there was lack of segregation of accounting and custodial function on the branch. He therefore concluded that its records were not effective for decision making.

Ochieng et al (1990) carried out a study with objectives of documenting the existing internal control systems of Seal Honey Limited and compared it with ideal internal control systems. They
found the following deficiencies; there was no documented organizational charts, no procedures for manual duties and responsibilities for each employee, there were no discount policies for reference which would lead to collusion between the customers and sales supervisors. Analysis of purchase order procedures showed that the financial controller had many responsibilities over purchases at the expenses of the purchasing control personnel.

2.9 Limitations

Internal control systems, however elaborate cannot by themselves guarantee efficiency in administration and completeness and accuracy of records. They also do not provide proof against fraudulent collusion especially on the part of those holding positions of authority or trust. Internal control systems which rely solely on separation of duties can be undermined by collusion Mahushi (1985).

The person on whom the authority is rested can abuse authorization controls. Management is always in a position to override controls which it has set up its self. The competence and integrity of the personnel operating such controls may be altered due to pressure exerted on them from both internal and external forces. Human error as of results of poor judgment, interpretation, misunderstanding, carelessness, fatigue or destruction may undermine the effective operation of internal controls Wolf (1979).

Lastly the high cost of installing internal control systems may prevent management from ever installing the internal control systems, since the management may accept to take certain risks because the costs of preventing such risks are not justified. More over management may fail to anticipate certain risks and thus fail to design and implement appropriate controls system Prof. Paul N. Manasseh (2007).
CHAPTER THREE

METHODOLOGY

3.0. Introduction

This chapter highlights the methodology used by the researcher in collection and analysis of data. The following are the methodology employed starting with the research design, study population, sampling design, research instruments and analysis of data.

3.1 Research design

This employed both quantitative and qualitative data to generate in depth information to show the magnitude and scope of the problem being studied.

3.2 Table 1 : Population Framework

<table>
<thead>
<tr>
<th>Department</th>
<th>N</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Managers</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Family Diet Limited, Human Resource department
3.2.1 Sample size

The total sample sizes of 10 respondents were used in carrying out the research. The size was selected from the departments within the organization.

3.2.2 Sample selection

The criterion used in the selection of the sample in this study was purposive. That is to say only those employees that were directly involved in either the internal control system or the management of cash.

3.3 Sources of Data

The researcher employed both Primary and Secondary sources of data in the research study.

- **Primary Sources.** The primary sources of data were questionnaire respondents, interviewees and results from observations.

- **Secondary Sources.** Sources of data included text books, journals and published materials, studying manuals, Internet and information from internal sources such as accounting policies.

3.4. Methods Used For Data Collection

The following were the methods which were employed by the researcher as a means to collect data; these included Interviews, Questionnaires, Observations and a Focus group discussion.
Interview

An interview guide was used especially with relevant personnel and employees in department of Finance and the internal audit function. This was because interviews were flexible, clear and appropriate in making the researcher formulate questions on the bases of respondents’ answers, also the method were used to solicit information, views and opinions from the respondents so as to obtain more findings due to their gestures, and facial expressions.

Questionnaires

The researcher used these pre-formulated written set of questions where the respondents recorded their answers. It was an efficient data collection mechanism where the researcher knew exactly what was required and how to measure the variables of interest. Open ended and closed ended questions were used. For this case study, the questionnaires were self-administered to the targeted respondents, this was preferred because of time saving and the data collected could be stored for future needs.

Observation

The researcher employed observation as a data collection method because it was possible to gather data without asking questions but just by observing people in their natural work environment and recording their status. The researcher collected data as participant observer. As a participant observer the researcher collected data in the role of pure research without trying to become an integral part of an organization.

Focus Group Discussion

The researcher used focus group discussion in collecting some of the information. A focus group was preferred and composed of five individuals who shared certain characteristics which were
relevant for the study. The researcher joined and interacted with the group while recording the necessary information relevant to the study.

3.5 Editing and Coding

This involved; correcting and completing the keying stage, in cases where a final value was not determined, approval or correction of data entry in fields which were found to have logical contradictions, coding open categories in closed questions and defining the structural units.

3.6 Data Analysis and Presentation

This section dealt with the organization as well as the interpretation and presentation of the collected data. The researcher used data analysis to examine what was collected in the survey making deductions and inferences along the way. The data collected was analyzed using qualitative techniques and where possible simple quantitative techniques such as frequency distribution tables, histograms and pie charts to present the findings. The data analyzed was presented in form of processed data i.e. from raw data to information when it became relevant to the problem identified by the researcher and the findings were presented as a Dissertation.

3.7 Limitations of the study

The researcher faced the following limitations in the process of this research:

Some of the respondents were unwilling to answer the questionnaires thus leading to the delay in data collection.
There was the problem of information denial to the researcher by the management of Nile Organic Enterprises on the grounds of confidentiality of certain information meant for internal use only.

There were financial constraints due to inadequate resources to finance the research however this remains confidential to the researcher.
CHAPTER FOUR

PRESENTATION AND ANALYSIS OF FINDINGS

4.0. Introduction

This chapter presents the findings of the research questions and research objectives established earlier. The findings presented here relate to the purpose of this study which was to establish the role of internal controls on organizational cash management.

The data collected from the field was processed and analyzed with the application of both qualitative and quantitative techniques. The qualitative approach used in analysis provided a better understanding of the quantitative findings presented here. All quantitative information is summarized with the use of tables and percentages to show the responses of the respective respondents. All of these findings were interpreted and presented, through the reexamination of research objectives.

4.1. Demographic characteristic

The main objective of a demographic characteristic is to analyze the background information of the respondents in relation to their age, gender (sex), marital status and level of education. This will help the researcher better understand the data collected from the respondents. The information is presented by way of the table below:
Table 4.2 shows the ages of the respondents

<table>
<thead>
<tr>
<th>Age (years)</th>
<th>18 - 24</th>
<th>25 - 30</th>
<th>31 - 36</th>
<th>37 - 42</th>
<th>Above 43</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>16.7</td>
<td>33.3</td>
<td>16.7</td>
<td>16.7</td>
<td>16.7</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data

According to the table above, the data revealed that the majority of the population was aged between 25 and 30 years of age, which consisted of about 33% of the study population.

Table 4.3 shows the genders of the respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>4</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>66.7</td>
<td>33.3</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

Table 4.2 shows the gender ratio of the respondents. The table reveals that in the population of 6 workers who were purposively selected to answer the questionnaires 4 of them were male and 2 of them were female. This means that on this basis 66.7% of the population who responded on the questionnaires were male while 33.3% of the population was female.

Table 4.4 shows the marital status of the respondents

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Single</th>
<th>Married</th>
<th>Divorced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>33.3</td>
<td>50</td>
<td>16.7</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data
The table above reveals the marital status of the respondents of the questionnaires. Out of a total population of six, two (2) were single, three (3) were married and one (1) divorced. In terms of percentage this population may be represented by 33.3%, 50% and 16.7% respectively.

**Table 4.5 shows the level of education of the respondents**

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Diploma</th>
<th>Professional course</th>
<th>Bachelor in A/c field</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Percentage</td>
<td>16.7</td>
<td>33.3</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data

The above table describes the qualifications of the respondents. One respondent held a Diploma certificate in relevant field; two respondents' held professional course certificates precisely CPA (U). Three respondents held bachelors degrees in Accounting and finance (BAF). This means of this population 16.7% hold diploma course certificates, 33% hold the professional course certificate of CPA (U) and 50% hold bachelors of Accounting and Finance.

**4.2 Relationship between internal controls and organizational cash**

Descriptive studies were used to establish the relationship between internal controls and organizational cash management. The different variables that may influence organizational cash management were thoroughly evaluated. It was observed that, there is a significant relationship between internal controls and organizational cash management. The findings related to the objectives and are presented below:
4.3 Extent to which internal controls are relevant to organizational cash management

A pie chart was used to examine and analyze the extent to which internal controls are relevant to organizational cash management. The responses are summarized in the chart as shown below;

Figure 4.1 shows the relevance of internal controls over organizational cash management

<table>
<thead>
<tr>
<th>A pie chart in Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant</td>
</tr>
<tr>
<td>Irrelevant</td>
</tr>
<tr>
<td>25.00%</td>
</tr>
<tr>
<td>75.00%</td>
</tr>
</tbody>
</table>

Source: Primary data

While carrying out the study the respondents were asked the following question; “Are internal controls relevant in the management of cash”. 25% of the total population acknowledged that internal controls where relevant to organizational cash management. They further went on to explain that internal controls which rely on separation/segregation of duties serve as a means of detecting and preventing errors and fraud since the activity of one person may be used as a check up for another employee’s activity.
Responding to the same question the majority 75% of the respondents who are mainly junior members of the accounts and finance function undermined the relevance of the internal control system on organizational cash management. They argued that, internal controls depend entirely on people who hold positions of “trust”; therefore the same people may abuse such trust through collusion by overriding the controls in place. Therefore they did not see the relevance of internal control which faces the limitations as highlighted by them.

**Table 4.7 Suggests whether internal controls influence organizational cash management**

<table>
<thead>
<tr>
<th>Do internal controls that protect cash such as physical controls exist in the organization?</th>
<th>Yes</th>
<th>No</th>
<th>Not sure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>5</td>
<td>-</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>83.3</td>
<td>-</td>
<td>16.7</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary data

In the determination of whether or not internal controls played an important role on the safeguarding of assets specifically cash, five (5) respondents answered yes and only one (1) answered not sure. This may be expressed in percentage form as .83.3% of the total respondents said yes and only 16.7% were not sure while none said no. This further cemented the researchers’ belief in the value of sound internal controls. The following charts presents the above findings graphically.
Figure 4.2 suggest the degree to which respondents understood cash management

The pie charts above shows that 91.7% of the total respondents when asked a range of questions on cash management in Family Diet Limited to determine their understanding of cash management. While answering positively to these questions they further explained that it was through the use of separation/segregation of duties as a feature of an effective, sound internal control system that is in tune with effective cash management where the process of authorization, execution, custody and recording were exercised. This would imply that, whoever authorized a transaction should not be involved in the execution of the same transaction, should be the case for the recording and custody of assets particularly cash.

The respondents further stated the role of cash management in ensuring the business of the entity was carried on in an orderly and efficient manner, in ensuring that business was adhering to prescribed management policies, that the business safeguards the company assets and ensures their security as well as where completeness and accuracy of records/transactions are concerned.

The minority consisting of about 8.3 of the population where not sure whether internal cash management played an important role in safeguarding assets precisely cash its self. They said no matter how sound or correctly set up an internal control system is, it is still venerable to fraud.
This would mean that internal controls cannot solely eliminate the possibility of fraud and errors where human mistakes/errors and the temptation to commit fraud are concerned.

**Figure 4.3 shows the implementation of internal control process, policies and procedures**

Source: Primary data

Findings on the questions which sort to identify whether the respondents felt that proper internal control processes, policies and procedures were implemented in the organization, two respondents out of the possible six answered yes, generally they felt that both administrative and accounting controls were practiced in the organization. Their responses highlighted a number of processes, policies and procedures followed which to them demonstrated the existence of internal control systems in the organization. These processes, policies and procedures included plans of organization, separation of duties, rotation and vacation and physical controls.

However the majority of the sample population which consisted of four respondents answered not sure. This implied that they were not sure whether the internal controls process, policies and procedures, implemented in the organization are either not effective or in place. Since the majority of the population was not sure about the existing implementation process of the
controls, this evidenced that there was a possibility of poor implementation of the policies, processes and procedures which aimed at attaining strong and sound internal control systems.

Table 4.8 other controls other than physical and security controls

<table>
<thead>
<tr>
<th>Do internal controls that protect cash such as physical controls exist in the organization?</th>
<th>Yes</th>
<th>No</th>
<th>Not sure</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Percentage</td>
<td>50</td>
<td>16.7</td>
<td>33.3</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: primary data

The table above revealed that three respondents who consisted of 50% of the population answered yes to the question. Their responses highlighted the existence of other controls on cash which they felt backed up both physical control and security, they included; vacation, approval and supervision which served as administrative control and rotation of duties.

One respondents making up 16.67% of the population answered no to the question. This would imply that there are no other systems of control in place apart from physical control and security in their respective opinions.

The remaining two respondents of the sample population consisting of 33.33% were not sure or aware of the other systems of control in authorization of cash and other disbursement. This may have been because the particular systems of internal control where above their levels of responsibility.
Table 4.9 shows how the efficiency and effectiveness of internal controls was viewed in controlling frauds, embezzlement and accounting errors

<table>
<thead>
<tr>
<th>Do you think that, internal controls are efficient and effective in controlling fraud, embezzlement and accounting errors?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>Percentage</td>
</tr>
</tbody>
</table>

Source: Primary data

From the table above we can determine from the majority of yes answers that the sample population viewed internal controls as both efficient and effective in the control and detection of fraud and accounting or arithmetical errors. Of the total respondents 4 answered yes consisting of 66.7% and 2 respondents answered no making up 33.3% of the sample population.

66.7% of the total population who acknowledged the applicability of internal controls as means to obtaining efficient and effective control of fraud, embezzlement and accounting error went ahead to explain that, it was through sound internal control systems that management would detect and prevent error and fraud. They gave an example of the adoption of surprise checks, bank reconciliation and separation of duties which aimed at detecting error and fraud. Further, it was through routine check ups and the balancing of accounts, that the internal auditing function was possible.

33.3% of the total population was not sure of the applicability of the internal control this implied that they were not literate on various aspects of controls which may have material impact on the efficient and effective running of an organization.
4.4 Presentation of other findings

a. Control over disbursements

Most of the disbursements of Family Diet Limited were made by cheques while minor payments were made through the petty cash fund. All such payments were done after all necessary processes, authorization and approval are performed. Family Diet has three signatories who are authorized and approved to sign authorization. These include the Managing director, General Manager and chief accountant. Small amounts of less than fifty thousand Ugandan shillings may be signed by the chief accountant or chief cashier for petty cash only. However all these and other transactions are monitored and reviewed by the General Manager on a monthly basis.

b. Vote book

This is the column sheet bound together in the form of the book or register is used by Family Diet to record all expenditure including commitments. The book contains the current unspent and uncommitted balances of each item, serial numbers, the date, amount and the payee of each voucher paid or forwarded to be paid.

c. Control over paid documents

The entire paid up documents are stamped “paid” to show that the payment was made. All the cancelled documents are written “cancelled” and are not thrown away rather they are kept together for easy reference and trace for auditing purposes.

d. Internal control over cash

Family Diet is exercising a certain level of control over its cash; the systems available are in terms of accounting and administrative controls. Accounting control includes making use of supporting documents, bank reconciliation and the use of budgetary controls. While
administrative controls include strictly prohibiting access of the cashier office and strong room as well.

e. Physical control

The physical control over organization cash at Family Diet comprises of safes, cash boxes and strong room and more over the custody of documents and records. The Family Diets financial regulations suggest the all valuable documents such as the company Seal, contracts agreements, motor vehicle registration cards, bond and share certificates, title deeds, etc., shall be kept in safe custody (under lock and key) by the Managing Director.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This chapter presents the discussions and the findings from the previous chapters. It is on the basis of the previous (chapter four) with reference to research objectives and the aid of the literature review, that the following conclusions and recommendations were made. The objectives of this study were to evaluate the efficiency and effectiveness of a good system of internal control over organizational cash and its contribution in the reduction of fraud, embezzlement and accounting errors at Family Diet Limited. The second objective was to identify the factors that might have led to inefficiency and ineffectiveness of the existing internal control system and lastly, to identify and recommend the corrective measures to be taken to ensure strong and satisfactory management of cash in the entity.

The analysis, evaluation and interpretation of the data and information found on the field were correctly performed; therefore the conclusions and recommendations given below were precisely derived from the chapter and areas mentioned above.

5.1. Summary

On the basis of the analysis data as carried out the fourth chapter, the findings suggest that internal controls and organization cash are inseparable items. The respondents and interviewees were quite aware on the influence of internal control on organization cash management. It was viewed that, internal controls plays important roles in organization cash management. The roles played by internal controls in the organization were identified and 83.33% of the total population agreed with the fact they are vital for sound organizational performance and highlighted the
following roles; it ensured that the business of the entity was carried on in an efficient and orderly manner, it ensured that the business was adhering to the prescribed management policies and it secured and safeguarded the company's assets.

The implementation of internal control processes, policies and procedures seemed to be not in place as can be deducted from the responses to the question on the implementation of internal controls where 66.7% of the total population was not sure if the proper control were implemented and only 33.3% acknowledged the implementation of those control processes, policies and procedures. While responding to the question of other controls apart from physical and security controls, 50% of the respondents answered positively, 33.33% were not sure and the rest gave no answers. Lastly the majority of the respondents consisting of 66.67% of the total sample population acknowledged that internal controls are efficient and effective measures of controlling fraud, embezzlement and accounting errors where as 33.33% of the total population were of the fact.

5.2 Conclusion

Internal control systems which relied entirely on separation of duties, plans of organization, rotation and vacation may be used to control frauds; embezzlement and accounting errors i.e. they ensured proper and satisfactory cash management.

Therefore it is very important to note that, internal control system plays an important role in cash management since it ensures that the business is run in accordance to prescribed managerial policies, organizational resources especially cash is properly handled, there is incidental accountability for all cash received and payment is made on the basis of proper documentary
authority for the benefit of the firm and such authorization is limited to few known and eligible personnel.

On the other hand, the researcher identifies the factors which lead to inefficiency and ineffectiveness of the current internal control systems. Some of these factors are the inability of Family Diet Limited to implement satisfactory controls such as proper authorization of funds, lack of an active internal audit unit in a busy organization like Family Diet and failure to separate the responsibility for related transactions.

On the above basis the researcher recommends the following corrective measures, steps and procedures to be adopted to eliminate or minimize the chances of weaknesses in the current internal control system affecting business performance which are likely to happen as a result of Family Diet failing to exercise the most appropriate and satisfactory measures of internal controls on organizational cash management.

The information obtained through observation of vouchers and other documents, questionnaires, interviews and focus group discussions shows control procedures laid down by the management are adhered to a certain extent, however some weaknesses distort the process and procedures but not to the extent of disqualifying the controls currently in place.

5.3 Recommendations

On the basis of this research work performed, the researcher recommends the following with the aim of improving the internal control system of Family Diet Limited and hence ensure that the controls practiced are appropriate and satisfactory:-
The organization should increase the ability of implementing the internal control process, policies and procedure at hand. Family Diet has almost all the vital internal control policies, the only problem existing is its inability to act and operate within the set principles. Other issues the should be considered include:

Organizational plan to establish authority and responsibility for every function, an organizational plan should indicate clearly the department or person responsible for such functions as purchasing, receiving incoming shipments, maintaining accounting records, approving financial matters and preparing the payroll. One person should be clearly responsible for each function otherwise it would be difficult if not impossible to determine who was at fault in audits and reviews.

Control of transactions if the management is to direct the activities of the business according to plan, every transaction should go through four steps: authorization, approval, execution and recording. Example when the top management authorizes a transaction, the departmental manager may approve and the payment office will execute such a transaction while the accounting office records it in its books.

Separation of accounting and custody of assets, an employee who has custody of an asset or an access to an asset lets say cash should not maintain the accounting records of that asset, this aims at reducing the probability of that particular employee to attempt fraud. This may also be sorted by increasing the number of employees so as to facilitate the separation of duties

Prevention of fraud, if one employee is permitted to handle all aspects of a transaction the danger of fraud is increased. Studies of fraud cases suggest that many individuals may be
tempted into a dishonest act if given complete control of company assets (source: External payment in arrear Account scandal of BOT as audited by Ernest & Young in 2008).

Therefore Family Diet should consider this fact and minimize the possibility as quick as possible to be free from this risk.

**Lastly;** Family Diet should separate responsibility for related transactions, adopting job rotation on sensitive matters of cash or near cash assets, adopting serially numbered documents, undertaking financial forecasting and practice internal auditing to ensure all transactions are passed under a clear channel through prescribed accounting policies of Family Diet and GAAP as well.
BIBLIOGRAPHY

Larson M. (1988), financial Accounting, a studying manual

P. H. Mahushi (1985), Basic internal control, Peramiho Printing Press

Prof. Paul N. Manasseh (2007), A text book of principles of auditing, Revised version


Saleemi and Ngigi (1999), Auditing and Investigation, Simplified Saleemi Publishers


Internet based information from: www.freeencyclopedia.org/auditing+investigation.html

Microsoft © Encarta © 2006. © 1993-2005 Microsoft Corporation. All rights reserved.
APPENDIX

APPENDIX I

TIME SCHEDULE:

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>DURATION IN DAYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal writing</td>
<td>16</td>
</tr>
<tr>
<td>Data collection</td>
<td>11</td>
</tr>
<tr>
<td>Data editing and coding</td>
<td>13</td>
</tr>
<tr>
<td>Data analysis and presentation</td>
<td>12</td>
</tr>
<tr>
<td>Report writing and Compiling</td>
<td>14</td>
</tr>
<tr>
<td><strong>TOTAL TIME PERIOD</strong></td>
<td><strong>56</strong></td>
</tr>
</tbody>
</table>
APPENDIX II

ESTIMATED BUDGET

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AMOUNT PER DAY</th>
<th>AMOUNT IN TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>1500 @ For 60 days</td>
<td>90,000.00</td>
</tr>
<tr>
<td>Meals</td>
<td>2500 @ For 60 days</td>
<td>150,000.00</td>
</tr>
<tr>
<td>Stationary</td>
<td></td>
<td>30,000.00</td>
</tr>
<tr>
<td>Internet café</td>
<td></td>
<td>20,000.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td>50,000.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>340,000.00</strong></td>
</tr>
</tbody>
</table>
APPENDIX III

RESEARCH QUESTIONNAIRE

Dear respondent(s), I am a student of Kampala International University pursuing a bachelor degree of business administration (accounting option). I am conducting the research on the role of internal control on organizational cash management.

This research is purely for academic purposes, all the information given will be treated in utmost good faith with confidentiality and privacy being observed where the respondent calls for such confidentiality and privacy.

Please check the most appropriate answer by putting the symbol “v”

100: BIO DATA

101. Age in years:-

(a) 18 – 24 □

(b) 25 – 30 □

(c) 31 – 36 □

(d) 37 – 42 □
102. Sex
(a) Male □
(b) Female □

103. Marital status
(a) Single □
(b) Married □
(c) Divorced □

104. Level of Education
(a) Diploma □
(b) Professional course (E.g. CPA (T) or ACCA) □
(c) Bachelor degree in accounting field □

105. Years of Experience (please state years of experience in digits)

.................................................................
200: Internal control systems

201. Do you have any understanding of internal control systems?
   Yes............ No.......... Not sure.................

   If yes explain below how and if no give reason why you think so
   ........................................................................................................................................................
   ........................................................................................................................................................

202. Does Family Diet have an internal control system that is relevant?

   (a) Relevant [ ]
   (b) Very relevant [ ]
   (c) Irrelevant (useless) [ ]
   (d) Very irrelevant (very useless) [ ]

   I. How does such relevancy if any affect the internal control system in this organization?
      ........................................................................................................................................................
      ........................................................................................................................................................

203. Do you think that, internal controls are efficient and effective in controlling fraud, embezzlement and accounting errors?

   Yes ...................... No...................... Not sure......................
204 If yes how do they achieve it?

.................................................................

.................................................................

205 Are there proper internal control processes, policies and procedures implemented in your organization? Yes......... No......... Not sure....................

300: Cash Management

301 Do you have an understanding of cash management within the organization?

Yes................... No................... Not sure.............

302 Is the current cash management system efficient?

Yes............. No............. Not sure ...........

Please explain on the basis of your answer:

.................................................................

.................................................................

303 Are the necessary policies and procedures governing cash management relevant?

Yes........... No.......... Not sure............

304 If yes explain how if no give reason(s).

.................................................................

.................................................................

305 Please suggest changes if any that you feel that should be made to the current cash management system.