



# AAT

## Internal Accounting Systems and Controls

### Pocket Notes

These Pocket Notes support study for the following AAT qualifications:

AAT Diploma in Professional Accounting – Level 4

AAT Diploma in Business Skills – Level 4

AAT Diploma in Professional Accounting at SCQF Level 8

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chapter

# 1

## The accounting function

- Organisations and the need for control.
- The accounting function.
- Relationships with other departments.
- Coordination between accounting and other business functions.
- Understanding systems.
- Regulation and legislation.

## Organisations and the need for control

### Definition

'Organisations are social arrangements for the controlled performance of collective goals'.

### Control mechanisms

#### Methods of control

Organisational structure  
Target setting and budgeting  
Direct supervision  
Culture  
Self-control  
Control Systems – e.g. actual v budget  
Control processes – e.g. control account reconciliations

## Organisational Structure

### How to discuss structure

The division of responsibility  
The degree of decentralisation  
The length of the scalar chain  
The size of the span of control  
Whether organisations are 'tall' or 'flat'

## The accounting function

### The role of the accounting function

There are four components to the function

#### Financial accounting

– preparing annual financial statements in accordance with relevant accounting standards and legislation.

#### Management accounting

– process of measuring, analysing, interpreting and communicating information to management in a form that is easy to understand.

#### Components

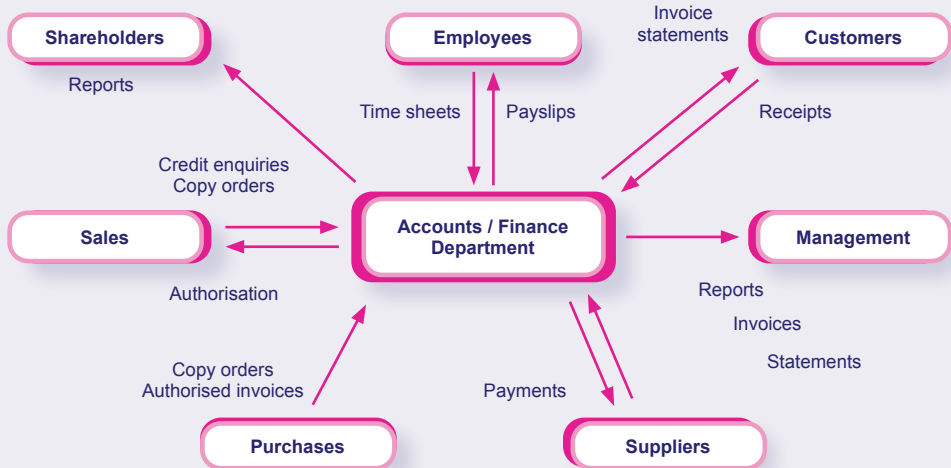
#### Treasury management

– includes the management of working capital, cash, financing, foreign currency and tax.

#### Internal audit

– examines and evaluates the organisation's risk management processes and systems of control, making recommendations for improvement.

## Relationships with other departments





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