**Assignment Chapter 13**

Alden, Inc. has hired you to review its internal controls for the purchase, receipt, storage, and issuance of raw materials. You observed the following:

• Raw materials, which consist mainly of high-cost electronic components, are kept in a locked storeroom. Storeroom personnel include a supervisor and four clerks. All are well trained, competent, and adequately bonded. Raw materials are removed from the storeroom only upon written or oral authorization by a production supervisor.

• No perpetual inventory records are kept; hence, the storeroom clerks do not keep records for goods received or issued. To compensate, the storeroom clerks perform a physical inventory count each month.

• After the physical count, the storeroom supervisor matches the quantities on hand against a predetermined reorder level. If the count is below the reorder level, the supervisor enters the part number on a materials requisition list that is sent to the accounts payable clerk. The accounts payable clerk prepares a purchase order for each item on the list and mails it to the supplier from whom the part was last purchased.

• The storeroom clerks receive the ordered materials upon their arrival. The clerks count all items and verify that the counts agree with the quantities on the bill of lading. The bill of lading is then initialed, dated, and filed in the storeroom to serve as a receiving report.

**a. Describe the weaknesses that exist in Alden’s expenditure cycle.**

**b. Suggest control procedures to overcome the weaknesses noted in part a.**

**c. Discuss how those control procedures would be best implemented in an integrated ERP system using the latest developments in IT.**

*(CPA Examination, adapted)*