THE INTERNAL CONTROL SYSTEM AND RECEIVABLES MANAGEMENT IN CORPORATE ORGANIZATIONS

CASE STUDY: VISION GROUP

BY

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2012/HD06/485U

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A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILMENT OF MASTERS IN BUSINESS ADMINISTRATION AT MAKERERE UNIVERSITY KAMPALA

NOVEMBER 2014
DECLARATION

I, Alex Anganya declare to the best of my ability that this report is as a result of my own efforts and has never been submitted for any academic award to this university and any other university or institution.

Name: Alex Anganya

Signature:

Date: 4th November 2014
APPROVAL

This research was carried out under my supervision on the topic “Internal Control Systems and Receivables Management at Vision Group” and is now hereby ready for submission to the academic board of Makerere University.

Name and title of the Supervisor: Martin Bakundana

Signature: ........................................

Date: ........................................
ACKNOWLEDGEMENTS

This dissertation is written for Makerere University. This dissertation is part of the partial fulfillment of Masters of Business Administration. I would like to extend my sincere gratitude to all those who helped me through this period. I would like to thank my supervisor Mr. Martin Bakundana for guiding me through this ordeal. I wish also to thank Mr. Allan Mugisha for the technical support especially in data analysis.

I would like to thank my employers and fellow employees of Uganda Registrations Services Bureau (URSB) and special thanks go to Vision Group employees who took time off their busy schedule and answered the questionnaires to the highest level of integrity and commitment.

Last but not least my gratitude goes to my family without whose support I would not have done this Masters degree. Needless to mention are my children (with whom I have been competing for reading space); Immaculate, Timothy, Emmanuel and Ephraim and above all my dear wife Joan. Thank you all for bearing with my absence from you in quest for completing these studies.

For all the above various people, I owe this achievement and I will forever remain indebted.

Alex Anganya
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<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>AICPA</td>
<td>American Institute Of Certified Public Accountants</td>
</tr>
<tr>
<td>BPP</td>
<td>Brierley Price Prior</td>
</tr>
<tr>
<td>CE</td>
<td>Control Environment</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CIMA</td>
<td>The Chartered Institute Of Management Accountants</td>
</tr>
<tr>
<td>COSO</td>
<td>Committee Of Sponsoring Organizations Of The Treadway Commission</td>
</tr>
<tr>
<td>DFCU</td>
<td>Development Finance Cooperation Of Uganda</td>
</tr>
<tr>
<td>EFQM</td>
<td>European Foundation For Quality Management</td>
</tr>
<tr>
<td>E-GOVERNMENT</td>
<td>Electronic Government</td>
</tr>
<tr>
<td>E-TAX</td>
<td>Electronic Tax System</td>
</tr>
<tr>
<td>GOU</td>
<td>Government Of Uganda</td>
</tr>
<tr>
<td>ICAEW</td>
<td>Institute Of Chartered Accountants In England And Wales</td>
</tr>
<tr>
<td>ICS</td>
<td>Internal Control System</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards On Auditing</td>
</tr>
<tr>
<td>MVA</td>
<td>Market Value Added</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
<tr>
<td>NVPPCL</td>
<td>Vision Group Printing &amp; Publishing Company Limited</td>
</tr>
<tr>
<td>RM</td>
<td>Receivables Management</td>
</tr>
<tr>
<td>ROA</td>
<td>Return On Assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return On Equity</td>
</tr>
<tr>
<td>ROS</td>
<td>Return On Sales</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package For Social Sciences</td>
</tr>
<tr>
<td>UGX</td>
<td>Uganda Shillings</td>
</tr>
<tr>
<td>URA</td>
<td>Uganda Revenue Authority</td>
</tr>
<tr>
<td>VFM</td>
<td>Value For Money</td>
</tr>
</tbody>
</table>
ABSTRACT

A well-managed Internal Control System is a risk mitigation strategy as it supports receivables of an organization and enhances business continuity. Internal Control Systems can make significant contribution to an organization by providing a number of efficiency and other benefits including improved corporate governance, improved receivables and reduced costs. The aim of this study was to examine Internal Control Systems and Receivables Management at Vision Group.

The specific objectives of the study were to: examine the effect of preventive controls on receivable management, examine the effect of detective internal controls on receivable management and last but not least examine the effect of corrective internal controls on receivable management in Vision Group.

The theoretical framework for this study was derived from the COSO framework. A sample of 40 respondents was selected for the study using purposive and convenient random sampling techniques. The study sample included 5 staff from operations, 7 staff from finance, 8 staff from sales, 12 staff from credit and 4 staff from marketing department. The study was both qualitative and quantitative in nature, and data was collected using questionnaires, interviews and backed by documentary sources. The data was analyzed using SPSS.

The findings of the study showed that there was a statistically significant relationship between Preventive, Detective and Corrective Controls on Receivables Management in Vision Group. This implies that the more ICS are adhered too, the higher the chances that Vision Group will achieve its set of objectives on Receivables Management. Having known the significance of Internal Controls, Vision Group needs to ensure that they continuously review and monitor those controls to ensure that they are operational.

On the basis of the findings, it was recommended that the management of Vision Group needs to continuously monitor and evaluate end-to-end procedures not only of collections practices, but of all of the process within the revenue cycle that ultimately result in the state of accounts receivable balances, starting with sales and ending with cash application. Only after the Vision Group has developed a thorough understanding of how and when cash flows from the customer into the organization can a structure be designed to best optimize those flows.
CHAPTER ONE

1.0 INTRODUCTION

This study examined Internal Control Systems and Receivables Management in Corporate Organizations with the case study being Vision Group. This chapter presented the background to the study, problem statement, research objectives, research significance, research scope and definition of key terms.

1.1 BACKGROUND

Globalization and the advancement in technology has become the hallmark for businesses today and the media sector is no exception. Technology adoption has improved on the performance of media houses through real time delivery of information, on-line marketing (Ganna, 2004). Indeed Tuten & Angermeier (2013) contend that media firms have been expanding their operations and activities beyond the domestic borders as a result of globalization and improved technology. However, the expansion of business, globalization and the advanced technology has exposed businesses to increased risk, fraud, altercations and other irregularities (Mustaffa, 2011). This sequence of events has made internal controls an imperative system to maintain by every business and for that matter the media sector. Globalization of businesses, technological advancements, increasing risk of business failures, the fraud and altercations that emerged in the financial sector in Africa call for the proper maintenance of an effective internal control system which in the long run boosts receivables management (Bridge and Moss, 2003).

Internal control, is “the whole system of controls, financial and otherwise, established in order to provide reasonable assurance of: (a) effective and efficient operation; (b) internal financial control; (c) compliance with laws and regulations” (CIMA, 2006). The formality, structure and nature of a company’s system of internal control will generally vary with the type of sector or industry, size of the company and the level of public interest in it. Since profits are in essence the reward for successful risk-taking, the purpose of an internal control system is to help manage and control risk appropriately rather than to eliminate it as indicated in the Turnbull Report (ICAEW, 1999). Thus, control mechanisms should be incorporated into the business plan and embedded in the day-to-day activities of the company.
Receivables, also termed as trade credit or debtors are component of current assets. When a firm sells its product on credit, account receivables are created. According to Klir (2002) the basic purpose of firm's receivable management is to determine effective credit policy that increases the efficiency of firm's credit and collection department and contributes to the maximization of value of the firm. Offering credit is done as a sales promotion tool. As a sales promotion tool, credit sale enhances firm's sales revenue and ultimately pushes up the profitability. But after the credit sale has been made, the actual collection of cash may be delayed for months. As these late payments stretch out over time, they may cause substantial drop in a company's profit margin.

Various organizations in Uganda have put in place mechanisms of managing their internal control systems like automation of business processes, employing the best and qualified staff. However, managing internal control systems has been a challenge which in the long run has stalled their receivables. A case study taken by Barbra (2010) indicates that URA implemented an e-Tax system with an aim of improving service quality and compliance among the tax stakeholders in Uganda. However, although URA implemented the e-Tax system, this trend of development has been greatly associated with system delays, inadequate knowledge among citizens on system operation which has hindered the collection of targeted revenue by the Authority. Juuko & Among (2009) contend that NSSF lost the following amounts of money due to pitiable internal control systems; UGX 7 billion on Nsimbe estate purchase, UGX 1.7 billion in the Lubowa housing estate, UGX 1.6 billion in the sale of government bonds, UGX 2.1 billion to brokerage companies on the stock market, UGX 179 millions in selling British American Tobacco (BAT) shares, UGX 95 million in selling DFCU shares and UGX 800 million in selling Stanbic bank shares hence affecting the receivables of the firm. This has been mainly caused by breakdowns; human error, deliberate circumvention, management override, and improper collusion among people who are supposed to act independently instead cause failures of the internal control to achieve its set objectives. Therefore organizations need to manage their internal control systems with an aim of improving their receivables.
The Vision Group started business in March 1986\(^1\). It is a multimedia business housing newspapers, magazines, internet publishing, television, radio broadcasting, commercial printing, and advertising and distribution services. Vision Group is listed on the Uganda Stock Exchange, with a turnover of over UGX 78 billion (FY 2012/2013)\(^2\). The nature of its sales is on credit basis and cash is collected later. For a long time the company has been experiencing high volumes of trade receivable that has greatly undermined the liquidity performance of the company. The Annual report and financial statements for the year ended 30 June 2009, 2010, 2011, 2012 and 2013 reflect an increasing and decreasing trend of trade receivables respectively as shown in table 1 below:

**Table 1: Showing the trend of trade receivable in Vision Group**

<table>
<thead>
<tr>
<th>Years</th>
<th>2009 (000)</th>
<th>2010 (000)</th>
<th>2011 (000)</th>
<th>2012 (000)</th>
<th>2013 (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>22,170,228</td>
<td>9,084,555</td>
<td>9,802,465</td>
<td>14,745,157</td>
<td>14,223,773</td>
</tr>
<tr>
<td>Annual Increase</td>
<td>-</td>
<td>9,062,384,772</td>
<td>717,910</td>
<td>4,942,692</td>
<td>(521,384)</td>
</tr>
<tr>
<td>% Change</td>
<td>-</td>
<td>40,867.3%</td>
<td>7.9%</td>
<td>50.4%</td>
<td>(3.5%)</td>
</tr>
<tr>
<td>Receivables Turnover</td>
<td>1.9</td>
<td>5.4</td>
<td>6.3</td>
<td>4.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Average Collection Period</td>
<td>192</td>
<td>68</td>
<td>60</td>
<td>76</td>
<td>66</td>
</tr>
</tbody>
</table>

*Source: Financial Statements*

From table 1 above, it’s evident that the trend of receivable growth in Vision group is unacceptable as the company lost a lot of money in receivable management. In 2010, the amount of receivables decreased from 22,170,228,000 to 9,084,555,000 and this was attributed by Vision’s group effective credit policy where it implemented reforms through evaluation of the creditworthiness of customers before granting or extending the credit, minimizing the cost of running credit and collection department and maintaining a trade-off between costs and benefits

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\(^1\) [http://www.visiongroup.co.ug/](http://www.visiongroup.co.ug/)

\(^2\) Annual Financial Report 2012-2013
associated to credit policy (Vision Group, 2014). However, from 2010 to 2013, the amount of receivables increased from 9,084,555,000 to 14,223,773,000. This was mainly caused by circumvention of internal controls by Vision Group staff where they colluded with insiders and outsiders of the organization. This situation undermined the capacity of the company to meet the shareholders obligations as the declared profits in the financial statements were only paper figures without cash to give the shareholders.

1.2 PROBLEM STATEMENT

Organizations have got to manage their internal control systems because without their management, no organization can survive in the long run. This is because businesses today are faced with far greater challenges than before due to the fact that economical, technological and legal interdependence are becoming more prevalent and pronounced. It would be assumed that internal control systems will vary from organization to organization based on their size or industry sector. It is therefore logical to assume that every business organization has put in place strong internal control systems to facilitate achievement of its goals. This is in line with the Vision Group which instituted reforms through evaluation of the creditworthiness of customers before granting or extending the credit, minimizing the cost of running credit and collection department and maintaining a trade-off between costs and benefits associated to credit policy and this has helped the company in achieving some of its objectives to a greater extent.

However, although the Vision Group implemented the above mentioned reforms, the volume of receivables has gone beyond the expected limit (Vision Group Financial Statements 2009, 2010, 2011, 2012 and 2013). This was attributed to the circumvention of internal controls by Vision Group staff where they colluded with insiders and outsiders of the organization. This situation threatened the existence of the company as the persistence of this trend made the company fail to meet its obligation with suppliers and employees (External Audit Report 2011 /2012 Financial Year). Prior to this, many external audit reports recommend that management of the company put much emphasis on the implementation of set policies and procedures since failure to do so increases risk of failure, fraud, altercations and other irregularities hence organizational collapse. In light of the above, it is essential to conduct this research with an aim of establishing the
relationship between preventive, detective and corrective internal controls on receivables management in Vision Group.

1.3 PURPOSE OF THE STUDY

This study was aimed at examining the effectiveness of internal controls over receivables management in Vision Group.

1.4 RESEARCH OBJECTIVES

This study was guided by the following research objectives;

i) To establish the effect of preventive controls on receivables management in Vision Group

ii) To establish the effect of detective controls on receivables management in Vision Group

iii) To establish the effect of corrective controls on receivables management in Vision Group

1.5 RESEARCH QUESTIONS

This study aimed at answering the following research questions;

i) What is the effect of preventive controls on receivables management in Vision Group?

ii) What is the effect of detective internal controls on receivables management in Vision Group?

iii) What is the effect of corrective internal controls on receivables management in Vision Group?
1.6  SCOPE OF THE STUDY

1.6.1 Geographical Scope

This study was conducted at the headquarters of Vision Group located at Lugogo industrial center Kampala, Uganda. The Group's headquarters are located on at 19-21 First Street, in the Industrial Area of Kampala, Uganda's capital and largest city. This location lies at the intersection between First Street and Third Street, in Kampala Central Division.

1.6.2 Content Scope

The study was confined to the effect of preventive controls, detective controls and corrective controls on receivable management in Vision Group. The COSO framework formed this study.

1.6.3 Time scope

The study considered receivables management of Vision Group for the last three years that is starting from 2009 to 2013. This period was considered because it is within this period that the receivable trend figures of the company became unacceptable.

1.7  SIGNIFICANCE OF THE STUDY

The study will be useful to the following parties as highlighted below;

Academic: This study will provide a reference tool to the students and other scholars who intend to widen their knowledge in the study “Internal Control System and Receivables Management”. The study shall be a basis of reference since it focuses on the effect of preventive controls on receivable management, effect of detective controls on receivable management and last but not least, effect of corrective controls on receivable management in Vision Group.

Vision Group: This study shall help Vision Group understand the relevance of Internal Control System on Receivables Management. It provides a basis for Vision Group and other related organizations to improve on their Internal Control Systems since they are vital to the long term survival of businesses.
**Government:** The Government of Uganda (GoU) has committed itself to the e-Government strategy and having it adopted by most public entities. From this background, the findings from this report will enable the government to effectively implement e-Government strategies in public entities with an aim of improving their internal control systems hence enhancing receivables in form of tax and non-tax revenues.

**Private Organizations:** Various organizations are improving their business systems through process automation. Hence, findings from this report will act as a benchmark for these organizations while developing a framework for managing their receivables.

### 1.8 CONCEPTUAL FRAMEWORK

**Figure 1.1: Showing the conceptual framework of effective internal controls and receivables management in organizations**

<table>
<thead>
<tr>
<th>Independent Variable (IV)</th>
<th>Dependent Variable (DV)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Controls</strong></td>
<td>Receivables Management</td>
</tr>
<tr>
<td>Preventive controls</td>
<td>- Maximizing the value of the firm</td>
</tr>
<tr>
<td>• Segregation of Duties</td>
<td>- Optimum investment in sundry debtors</td>
</tr>
<tr>
<td>• Approvals</td>
<td>- Control of the cost of trade credit</td>
</tr>
<tr>
<td>• Authorizations</td>
<td></td>
</tr>
<tr>
<td>• Verifications and</td>
<td></td>
</tr>
<tr>
<td>• Security of Assets</td>
<td></td>
</tr>
<tr>
<td>• Policies</td>
<td></td>
</tr>
<tr>
<td>Detective controls</td>
<td>Intervening variable</td>
</tr>
<tr>
<td>• Performance Reviews</td>
<td>- Management commitment</td>
</tr>
<tr>
<td>• Value for money</td>
<td>- Company Policies</td>
</tr>
<tr>
<td>• Physical Inventories</td>
<td>- Economic environment</td>
</tr>
<tr>
<td>• Risk assessment</td>
<td></td>
</tr>
<tr>
<td>Corrective controls</td>
<td></td>
</tr>
<tr>
<td>• Financial Reviews</td>
<td></td>
</tr>
<tr>
<td>• Variance analysis</td>
<td></td>
</tr>
<tr>
<td>• Reconciliations</td>
<td></td>
</tr>
<tr>
<td>• Physical inventory control</td>
<td></td>
</tr>
<tr>
<td>• Audits</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** *(The researcher's conceptualization)*

From figure 1 above, internal controls are the independent variables studied in terms of three broad categories, that is, preventive, detective, and corrective controls. Under preventive internal
controls like segregation of duties, approvals, authorizations, verifications, security of Assets and organizational policies are studied. For detective controls, specific internal controls like routine reviews of performance, reconciliations, physical inventories and audits are studied. Corrective controls are designed to correct errors or irregularities that have been detected. Corrective controls are aimed at uncovering problems after they have occurred i.e. to detect undesirable acts but do not prevent a loss/undesirable event from occurring. Examples of detective / corrective controls are reviews, analyses, variance analysis, reconciliations, physical inventories and audits.

Receivable management is the dependent variable studied in terms of objectives of effective receivable management, that include maximizing the value of the firm, optimum investment in sundry debtors and control and cost of trade credit. In all, both the independent and dependent variables can not be studied in isolation of factors like management commitment, company policies and economic environment which have capacity to affect receivable management practices in the corporation and for that case are considered as intervening variables.

1.9 DEFINITION OF KEY TERMS

The key terms and concepts as used in this dissertation are explained in this section to provide the context in which they are used by reference to previously published definitions in the ICS and other relevant literature.

INTERNAL CONTROL

In accounting and auditing, internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines Internal Control as a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).
**INTERNAL CONTROL SYSTEM**

Internal control systems include all the policies and procedures (internal controls) adopted by the directors and management of an entity to assist in achieving their objectives of ensuring, as far as practicable, the orderly and efficient conduct of a business, including adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information (CIMA, 2006).

**RECEIVABLES MANAGEMENT**

According to Klir (2002), receivable management refers to the process of determining effective credit policy that increases the efficiency of firm's credit and collection department and contributes to the maximization of value of the firm.

**PREVENTIVE INTERNAL CONTROLS**

According to Demski, (2012) it was established that preventive controls are controls designed to deter unintended events (e.g. errors, omissions, irregularities, fraud, ineffective business decision making and noncompliance with laws and regulations) from occurring.

**DETECTIVE INTERNAL CONTROLS**

These are devices, techniques and procedures designed to identify and expose undesirable events that elude preventive controls. Detective controls reveal specific types of errors by comparing actual occurrences to pre-established standards (Ogden, 2009).

**CONTROL ENVIRONMENT**

Control Environment (CE) is the philosophy, style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organization (DiNapoli, 2007).
1.10 CHAPTER SUMMARY

This chapter introduced the research topic by describing the background of the study and the problem statement was later discussed in the subsequent section. The purpose of the study was discussed, which concerned the presentation and assessment of ICS on receivables management at Vision Group. The three research questions were developed to address the relationships among the constructs. This chapter also discussed the theoretical and practical significance of the study.
CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter analysed the literature on the relationship between preventive internal controls and receivable management, the relationship between detective internal controls and receivable management and the relationship between corrective internal controls and receivable management.

2.1 INTERNAL CONTROL AND INTERNAL CONTROL SYSTEMS

Internal control is the whole system of internal controls, financial and otherwise, established in order to provide reasonable assurance of: (a) effective and efficient operation; (b) internal financial control and (c) compliance with laws and regulations. While internal control systems include all the policies and procedures (internal controls) adopted by the directors and management of an entity to assist in achieving their objectives of ensuring, as far as practicable, the orderly and efficient conduct of a business, including adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information (CIMA, 2006).

A strong internal control is one of the best defences against business failures and an important driver of business performance. Therefore the usual question that is asked when a vibrant organization suddenly goes bankrupt is “what went wrong”? The answer points to weak controls most of the time. After assessing key risk areas of an organization, these risks would need to be managed in line with a defined risk management strategy. One major component of this strategy is appropriately derived internal controls that seek to mitigate unacceptable levels of risks. Each control will address a defined risk or be part of a regulatory requirement that in turn addresses the risk of breaching laws, procedures and rules.

The well known definition for internal control all over the world is given by COSO and according to it: “Internal control is broadly defined as a process, effected by an entity’s board of
directors, managers and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

According to the COSO framework, internal controls are put in place not only to help companies reach profitability goals and achieve their missions, but also to minimize surprises along the way. An internal control system enables management to deal with quickly changing economic and competitive environments, market changes such as shifting customer demands and priorities and restructuring. So what then is internal control? There seems to be no distinct answer to this question. It could mean different things to different people, which could be a factor of confusion among business people, legislators, regulators and others.

Misunderstandings and different expectations could easily lead to problems within organizations and these problems could get even more apparent when the term, if not clearly defined, is written into laws, regulations and or other official documents. The COSO report deals with the needs and expectations of managers and others and describes internal control in order to establish a common definition that serves the needs of different parties and to provide a standard against which organizations can assess their control systems and determine how they can be improved. According to the report everyone in the organization is responsible for the internal control, yet in different ways. Management is responsible for the establishment of internal control policies and procedures. Management is again accountable to the board of directors, who is responsible for providing governance, guidance and oversight and all personnel are responsible for reporting problems, such as policy violations or illegal actions.

Traditionally, the accounting profession’s definition of internal control was focused on financial reporting and compliance aspects of control. However, the definition provided by AICPA in 1949 includes operational, financial reporting and compliance aspects of internal control (Mautz and Winjum, 1981). This definition was amended in 1958 and 1972 successively and then separated these controls into accounting controls and administrative controls. AICPA directs
accountants and auditors’ attention on traditional accounting controls such as authorization, segregation of duties, cross-checking, in order to minimize litigation risks. This narrows the focus of control. The reason(s) for restricting accountants and auditors’ responsibility to accounting and administrative controls is much of a debate.

As a result of technological advancements and changing management techniques, organizations employ less people and are therefore less able to perform many internal accounting controls, for example, layers of authorization, cross-checking, segregation of duties, supervision et cetera. A range of control elements are therefore required in order for internal controls to be effective.

The COSO framework (see figure 2) shows three objectives: Operations (which has to do with how effective and efficient an entity uses its resources), Financial Reporting (which deals with the preparation of reliable financial statements) and Compliance (which relates to an organization’s compliance with applicable laws and regulations). The framework also identifies five basic control components: Control Environment, Control Activities, Risk Assessment, Information and Communication, Monitoring and the different units of application. The objectives show what an organization strives to achieve and the components show what is needed to achieve these objectives at different levels of the organization. All the components are related to each objective. For example, when talking about the reliability of financial reporting, all the five components must be present and functioning effectively in order to conclude that an organization’s internal control over reliable financial information is effective.
Effective internal control requires a strong control environment under which the other components are implemented. The principles underlying good control and commitment to sound control compliance must be present so as to ensure healthy interactive control structure.

Risk assessment forms the basis for determining where internal control activities are needed. This enables the organization to focus on those risks that will impact on the overall success of the firm. Communicating information resulting from the exercise of internal controls keeps key personnel and management informed of potential problems. An effective monitoring system is an ongoing assessment programme that oversees the design, implementation and effectiveness of controls in mitigating risks.

Internal control must also be tailored to meet the needs of the individual business. This is because the more elaborate an organization’s control systems, the greater the cost (IRM et al., 2002). The scandals of recent years emphasized the need to evaluate, scrutinize and reformulate control systems of checks and balances in order to guide corporate executives and persons in decision-making. Therefore as much as an organization would like to implement appropriately
derived control measures; it must also consider the amount of money involved in implementing such measures.

Finally, there is the need for companies to have a risk protection strategy (Chorafas, 2008). Insurance is known to be one of the methods used by companies as risk financing in order to obtain financial protection against the impact of risks. However, it must be noted that losses such as organizational reputation and employee morale are uninsurable and difficult to regain once they are lost. Therefore, organizations must put in effort to maintain their reputation and goodwill.

2.2 TYPES OF INTERNAL CONTROLS

According to the international Standards on Auditing (ISA), Risk assessment and internal controls, there are three main types of Internal Controls that should be considered and these among others include;

**Preventive controls;** these internal controls prevent the occurrence of risks for example separation of duties, recruiting qualified staff and authorization of transactions among others. They also facilitate prevention of fraudulent or erroneous transactions from taking place.

**Detective controls;** these involve errors or frauds that have not been prevented. They include reconciliation, supervision and internal checks where companies use pre-numbered documents for all documents that should be accounted for.

**Corrective controls;** these ensure that detected problems are rectified for example follow up procedures and management action like rotation of staff.

According to Alvin and James, (1993), a company’s internal control structure includes five categories of policies and procedures that management designs and implement to provide reasonable assurance that managements control objectives will be met. This includes the control environment, managements risk assessment, the accounting information and communication system, control activities and monitoring.
2.3 QUALITIES AND FEATURES OF A SOUND INTERNAL CONTROL

De Paula (1990), states that the quality of an internal control system in place depends on;

i) The nature and size of business conducted. Meaning the bigger the size, the more equipped the system should compared to an entity that is small in size and equally businesses that do more of cash transactions should have stronger controls compared to those that do more of their transactions using cheques.

ii) The number of administrative staff employed. Businesses with more number of employees should have controls that monitor the duties of each employee. The ones who sign the organization cheques should not be the same who deal with cash and controls in such cases should segregate duties between these various administrative to allow easy management processes.

iii) The materiality of the transaction involved. Material transactions i.e. transactions that require large sums of money are to be under taken by top people in the administration with proper and genuine reasons that suit the benefit of the organization. These transactions could be salary preparation and purchase of capital equipments.

With the above determinants of an effective internal control system, following qualities form the basis of an effective internal control are as follows;

**They should be geared towards goals;** The internal control system should aid the organization in attaining its goals. The internal control system should help ensure that all necessary actions are taken in line with managerial directives, applicable laws and policies for achievement of the organization's objectives.

**Should facilitate information flow;** an effective internal control system requires a flow of information up, down and across an organization. Information systems generate reports which contain operational, financial, and compliance-related information that makes it possible to run and control an organization.
Emphasizes the segregation of duties; segregation of duties is essential for internal control. An organization should ensure that duties and responsibilities in authorizing, processing, recording, and reviewing transactions and events are separated among individuals to reduce the risk of error or fraud.

Facilitate complete documentation; documentation is an integral element in effecting internal control. An organization must therefore maintain complete, accurate and adequate records which can be easily retrieved for examination. Significant events or transactions can be traced from their inception, while a process is ongoing, and after it is completed.

Should be future-oriented; feasible internal control system should help the organization plan for the future. The system should ensure safeguarding of assets and funds from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed.

An effective internal control should enhance it reliability and trust; sound internal control system ensures that only competent and reliable personnel have authority and responsibility. The employees must be encouraged to follow company policy, and work towards the attainment of operational efficiency and company's goals. The public enterprise should carry out regular performance appraisal and training of its employees to achieve best results.

Therefore, the above qualities can be attained when all personnel responsible are put on board to know the importance of such controls meaning, the management style of the entity, particularly the trust placed in the integrity and honesty of the important personnel and the ability to supervise and control subordinates staff should not be over looked.

2.4 RECEIVABLES MANAGEMENT

According BPP Publishers, Financial management (2009), accounts receivables represent the firm’s claim on the assets of customers. Receivables constitute a substantial proportion of the current assets of several organizations, thus represent investment. Kakuru (2000) defines receivables as book debts which the firm is expected to collect in the near future and those
receivables is money owed to the business for a short period of time. Eskew (1989) noted that receivables are investments and should neither be too many nor too few but rather the test should be whether the level of return the firm is able to earn from receivables equals or exceeds the potential gain from other commitments. Dickerson (1995), also commented that if it is possible to sell on credit, then selling on credit becomes more profitable, for it leads to increased sales as well as profits. And helps to maintain and retain customers. Thus companies should sell on credit than on cash. However, firm’s potential to earn a favorable return on investment in receivables is dependent on the volume of credit sales, collection period and credit policy applied.

2.5 PREVENTIVE INTERNAL CONTROLS AND RECEIVABLE MANAGEMENT

According to Demski, (2012) it was established that preventive controls are controls designed to deter unintended events (e.g. errors, omissions, irregularities, fraud, ineffective business decision making and noncompliance with laws and regulations) from occurring. Preventative internal controls are put into place to keep errors and irregularities from happening. While detective controls usually occur irregularly, preventative controls usually occur on a regular basis. They range from locking the building before leaving to entering a password before completing a transaction. Other preventative controls include testing for clerical accuracy, backing up computer data, drug testing of employees, employee screening and training programs, segregation of duties, enforced vacations, obtaining approval before processing a transaction and having physical control over assets (locking money in a safe, for example).

According to Ettredge (2006), performance refers to the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats. In agreement with this, Cummins (2006) asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, organization or process (EFQM, 1999). Doyle, (2012) believes that many firms' low performance is the result of poorly performing assets (businesses). Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. For example, some firms acquire businesses with unrealistic expectations of achieving synergy between the acquired assets and their current sets of assets. A common reason
for such errors is managerial hubris (Chenhall, 2006) or overvaluation of managerial capability in the acquisition process.

According to Doyle, (2011), appropriate performance measures are those that enable organizations to direct their actions towards achieving their strategic objectives. Jensen (2008) contends that, performance is measured by either subjective or objective criteria, arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms. Doyle, (2011) found out that, objective performance measures include indicators such as profit growth, revenue growth, return on capital employed. Financial consultants Stern Stewart & Co. created Market Value Added (MVA), a measure of the excess value a company has provided to its shareholders over the total amount of their investments.

This ranking is based on eight more traditional aspects of financial performance including: total return for one and three years, sales growth for one and three years, profit growth for one and three years, net margin, and return on equity. Verschoor however, mentions other financial measures to include value of long-term investment, financial soundness, and use of corporate assets. He also talks of non financial performances measures to include; innovation, ability to attract, develop, and keep talented people, quality of management, quality of products or services, and community and environmental responsibility. Hitt et al, (1996) mention accounting- based performance using three indicators: return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each measure was calculated by dividing net income by total assets, total common equity, and total net sales, respectively.

Internal control means different things to different people. This causes confusion among businesspeople, legislators, regulators and others. Resulting miscommunication and different expectations cause problems within an enterprise. Problems are compounded when the term, if not clearly defined, is written into law, regulation or rule, (Cunningham, 2004).

Internal controls are usually broken down into accounting controls and administrative controls. Accounting controls refer to the actual policies and procedures which must be followed. Administrative controls comprise the plan of the organization and the methods that are
concerned with operational efficiency and adherence to management policies and applicable laws. Internal controls are also detective, corrective, or preventive by nature. Detective controls are designed to detect errors or irregularities that may have occurred. Corrective controls are designed to correct errors or irregularities that have been detected. Preventive controls, on the other hand, are designed to keep errors and irregularities from occurring in the first place, (DiNapoli, 2007).

According to Lubabah (2009) internal control objectives are desired goals or conditions for a specific event cycle which, if achieved, minimize the potential that waste, loss, unauthorized use or misappropriation will occur. They are the conditions which we want the system of internal control to satisfy. For a control objective to be effective, compliance with it must be measurable and observable. Internal audit evaluates the College’s system of internal control by accessing the ability of individual process controls to achieve seven pre-defined control objectives. The control objectives include authorization, completeness, accuracy, validity, physical safeguards and security, error handling, and segregation of duties. Authorization - the objective is to ensure that responsible personnel in accordance with their specific or general authority before the transaction approve all transactions is recorded. Completeness - the objective is to ensure that no valid transactions have been omitted from the accounting records.

2.6 DETECTIVE INTERNAL CONTROLS AND RECEIVABLE MANAGEMENT

Detective controls form the second line of defense. These are devices, techniques and procedures designed to identify and expose undesirable events that elude preventive controls. Detective controls reveal specific types of errors by comparing actual occurrences to pre-established standards. When the detective control identifies a departure from standard, it sounds an alarm to attract attention to the problem. Detective internal controls are designed to find errors after they have occurred. They serve as part of a checks-and-balances system and to determine how efficient policies are. Examples include surprise cash counts, taking inventory, review and approval of accounting work, internal audits, peer reviews, and enforcement of job descriptions and expectations, (Ogden, 2009). Detective controls help Air Uganda to identify or discover undesirable events that have already occurred (that is, that were not adequately prevented) while
corrective control are measures implemented to address gaps or lapses that resulted in occurrence of unintended events.

**RISK ASSESSMENT**

Risk assessment is the process of identifying and analyzing relevant risks to the achievement of the entity’s objectives and determining the appropriate response (DiNapoli, 2007). It involves risk identification; risk evaluation (estimating the Impact of a risk; assessing the likelihood of the risk occurrence); assessment of the risk appetite of the organisation; and development of responses. Risk assessment should be performed and should identify; controllable risks (risks on which Internal Control procedures can be established) and uncontrollable risks (risks that are caused by the external environment that the entity operated in). According to the Heald (2003) risk management should be systematic and also embedded in company procedures. And there should be a culture of risk awareness in the organisation. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an ongoing iterative process. Risk Assessment implies identifying and analyzing altered conditions and opportunities and risks (risk assessment cycle) and modifying internal control to address changing risk. VFM analysis needs to pay attention to total risks, which is sensitive to the choice of service delivery mechanism (Heald, 2013).

**MONITORING**

According to Mill champ (2013) assert that internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. Ongoing monitoring occurs in the ordinary course of operations, and includes regular management and supervisory activities, and other actions personnel take in performing their duties that assess the quality of internal control system performance. The scope and frequency of separate evaluations depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported immediately to top administration and governing boards. He further indicated that internal control systems change over time.
2.7 CORRECTIVE INTERNAL CONTROLS AND RECEIVABLE MANAGEMENT

According to Francine, (2011), as part of Business Intelligence, financial performance reviews give your company essential information relating to your industry or competitors. Such a review normally covers aspects of performance that require investigations beyond normal financial reporting. Financial reviews can be packaged in a form that can be integrated into your normal market intelligence system. A financial performance review will give you an extra weapon in your intelligence armory, gain insights into survivability of industry players, give confidence to your company's business plans, plan market campaigns with increased intelligence of rival's ability to respond and integrate financial performance reviews into your competitor intelligence system to enhance effectiveness of strategic planning, (Chartered Accountants of India, 2011).

According to Chartered Accountants of India (2011), financial analysis information includes historical sales revenue and profitability data, comparisons of business ratio's in context of other competitor or players, in-depth analysis of sub business units, usually with some survey investigation, research and development investment history and probable future outlook, portfolio/product financial performance analysis to suit individual client needs and financial performance rankings of competing company's or industries. All this information can be quite instrumental in correcting errors that occurred or occur and help foster better financial performance within an organization.

VARIANCE ANALYSIS

In budgeting (or management accounting in general), a variance is the difference between a budgeted, planned or standard cost and the actual amount incurred/sold. Variances can be computed for both costs and revenues. The concept of variance is intrinsically connected with planned and actual results and effects of the difference between those two on the performance of the entity or company, (Lee, 2013). Variance analysis, in budgeting (or management accounting in general), is a tool of budgetary control by evaluation of performance by means of variances between budgeted amount, planned amount or standard amount and the actual amount incurred/sold. Variance analysis can be carried out for both costs and revenues. According to Lee, (2013), explaining variances in monthly financial statements is vital to the success of a
business. Variances are the difference between budgeted amounts and actual income or expenses. Managers use variance reports to make changes in financial forecasts and monitor the performance of a business or organization. Variance explanations might prompt a manager to put stronger financial controls in place or to reallocate resources. Budget control is a primary responsibility for managers. Managers explaining variances should have sound explanations for unfavourable performance. Explanations must be free of emotion or finger-pointing. Superiors are interested only in the facts, along with possible separate discussions on measures underway to prevent additional unfavourable balances. According to Larry (2013), standard costs provide information that is useful in performance evaluation.

2.8 CHAPTER SUMMARY

This chapter identified the knowledge and insight obtained from researching the current literature. The review explored the themes of ICS and receivables management from their development as theoretical concepts to the current research issues that were relevant for this study.

In light of the above literature review, this research identified that various scholars had not clearly explained how ICS affects receivables management hence creating a research gap which the student researcher intended to address. However, this research identified the various ICS systems in organizations by giving a deeper insight of each ICS and it further proceeded to show its relation with receivables management.

In the next chapter, the basic assumptions underpinning the research methodology was explained and evaluated. The debate of research philosophy built on the previous backgrounds and experience brought throughout the course of the research project. The approach taken to the research design and a justification of the methodology chosen was covered. The research strategy was described in detail, while sections outlining the procedures and protocols implemented during the research. A brief discussion on the validity of the research was given and the ethical considerations taken into account when conducting the study where explored.
CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This chapter explained the methods that were used in the study to deal with the research problem. It focused on the research design, study population, sample size and sample selection, measurement of variables, reliability and validity of instruments, data collection tools, data processing and analysis, and anticipated problems that were experienced during the research study.

3.1 RESEARCH DESIGN

A research design is the overall plan or strategy for conducting the research (Oso and Onen, 2008). According to Kothari (2008, p. 31) “a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.” The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data.

For the purpose of this study, the case study approach was employed. Busha and Harter cited by Mathenge (2001) observed that case studies enable researchers to obtain comprehensive information about a research problem being investigated. In the context of this study the case study approach allowed a concentrated focus on Vision Group and in so doing the research had a closer examination on ICS and Receivables Management at Vision Group. The study employed a cross-sectional design where quantitative and qualitative approaches where used to collect data. Therefore, this design was considered appropriate for generalizing the findings over the Vision Group (Sekaran, 2003).
3.2 STUDY POPULATION AND SAMPLING PROCEDURE

The population to be studied comprised of top management staff, middle management, and operational staff in Vision Group Headquarter Offices.

These three groups of respondents were in a better position to provide relevant data relating to the study. Purposive and Convenient sampling was used in this study to select the respondents. This involved the selection of sample without bias from the target population.

Vision Group is managed and administered by a Board of Directors. The Board is the policy making body and exercises a general oversight function. The Management of Vision Group is headed by the Board Chairman, who is assisted by one Managing Director/CEO and eight other Directors. The current departments are: Operations, Finance, Commercial, Credit, Editorial, Internal Audit, Human Resource, Radio, Television, Digital, Magazines, Printing, Sales and Marketing. Vision Group has 522 staff.

Among these, 22 are top management officials (i.e. Directors and Heads of Departments), 150 Middle Management, 350 Operational staff at the Organization. In this study, the researcher utilized purposive sampling in selecting the department the research would cover within the Organization and convenient sampling was used to select respondents.

By using purposive sampling from the above fourteen departments the researcher focused on 5 departments for the study. The five departments were: Operations, Finance, Sales, Credit and Marketing. Purposive sampling involved picking on a sample basing on the researcher’s judgment to suit his research needs. Purposive sampling was used to select these five departments because they were mainly involved with the management of receivables at the Organization, and therefore, the researcher collected focused information.

The researcher used convenient sampling to select respondents from the five departments. Convenient sampling involved choosing the nearest individual to serve as respondent and continued that process until the required sample size had been obtained. The researcher used a list of staff available at every department as a sampling frame to determine the names and grades of staff. In this study, convenient sampling was used to administer and interview any three (3) middle management staff from five departments at the headquarters (i.e.: Operations, Finance,
Credit, Sales and Marketing). 15 middle management staff were interviewed and questionnaires were administered from these five departments, which is equivalent to 10% of the total number of middle management staff in all fourteen departments, which was 150.

Furthermore, the researcher used convenient sampling to select respondents among operational staff at the headquarters for questionnaire administration and interview. The researcher used the list of staff available at the Human Resources Management Department to determine their names. He interviewed 20 operational staff which was equivalent to 5.7% of the total number of all operational staff at the Organization which was 350. The researcher also traced and arranged interview sessions, questionnaire administration with any 5 of 22 top management officials at Vision Group (i.e. Directors and Heads of Departments) making a 23% of their total number.

The total number of the population sample for the study consisted of 40 respondents. The distribution of the sampled respondents was as shown in the table 1 below.

**Table 3.2: Distribution of Sample**

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Total Number</th>
<th>Sample Number</th>
<th>% of a Group</th>
<th>% in a sample population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Department</td>
<td>17</td>
<td>9</td>
<td>21.25</td>
<td>22.5</td>
</tr>
<tr>
<td>Finance Department</td>
<td>13</td>
<td>4</td>
<td>16.25</td>
<td>10</td>
</tr>
<tr>
<td>Sales Department</td>
<td>12</td>
<td>5</td>
<td>15</td>
<td>12.5</td>
</tr>
<tr>
<td>Credit Department</td>
<td>27</td>
<td>15</td>
<td>33.75</td>
<td>37.5</td>
</tr>
<tr>
<td>Marketing Department</td>
<td>11</td>
<td>7</td>
<td>13.75</td>
<td>17.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>40</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Table 1: Distribution of Sample (n = 40)**
3.3 DATA SOURCES

The study collected data from both primary and secondary sources. Primary source entailed mainly the use of questionnaires and interviews whereas secondary sources entailed the use of documents and reports on ICS and Receivables Management.

3.4 DATA COLLECTION INSTRUMENTS

3.4.0 QUESTIONNAIRES

This method was used in obtaining quantitative data. This instrument entailed the use of both open and close-ended questions. The tool was used in obtaining direct information from the respondents. It had short and precise questions which required the respondents to fill by ticking against the best option in the case of close-ended questions. The questionnaires was hand delivered to the respondents and they were asked to fill them at their convenience and return them within a given time frame of not more than two (2) weeks.

3.5 DATA COLLECTION METHODS

3.5.0 INTERVIEWS

According to Campion and Hudson (1994), an interview is a conversation between two people (the interviewer and the interviewee) where questions are asked by the interviewer to obtain information from the interviewee. Interviews have the advantage of getting the story behind the participant’s experiences. This method was helpful in pursuing in-depth information around the topic (McNamara, 1999). The method involved holding face-to-face verbal interaction between the interviewer and the interviewees. This helped in collecting information that was not directly observed or which was difficult to put down in writing and capture the meanings beyond the words.

3.5.1 DOCUMENTARY REVIEW

This method was used in gathering secondary data. It was envisaged that it would be helpful in analyzing information of other scholars, which was related to the study variables. According to Moser and Kalton (1979), it is improper to go to the field without a critical review of past and
present investigation of relevance. The review thus helped the student researcher to understand
the background information and literature, which was used to inform the study. This method was
instrumental in generating data on the Internal Control System and Receivables Management.
This method drew its data from; journals, research and annual reports and other publications.

3.6 QUALITY CONTROL METHODS

To ensure data quality in the study, both qualitative and quantitative methods were used. This
helped the student researcher to counter the shortcomings of using one method. Quality control
was vital while conducting our research to ensure a quality outcome. In this particular study, this
was achieved through a number of measures; the researcher took a lead in all the data collection
process. In addition, there was the use of more than one method (triangulation) to guard against
instrument bias.

The questionnaires, interviews and documentary check list were designed with the assistance of
the supervisor and assessed by the supervisor for validity and reliability.

Pretesting of questionnaires was done on 10 respondents in area prescribed before real data
collection was done and this was mainly aimed to ensure accuracy and consistence. The gaps
identified in the questionnaires were corrected immediately before actualization of collection
process.

3.6.1 VALIDITY OF THE RESEARCH INSTRUMENTS

To ensure validity, the instruments were given to the supervisor, senior staff in the department
and student colleagues. They were requested to assess sentence construction, language clarity,
comprehensiveness of the questionnaire vis-à-vis the set objectives and research questions and
the accessibility of the questionnaire in terms of length, privacy of respondents and whether the
ethical standards may be breached. The comments from all these were incorporated while
designing the final draft. As pointed out by Ary Jacobs and Razavieh (1990) that validity is
achieved by having competent colleagues, who are familiar with the purpose of the survey, can
judge the items to find out whether they are adequate to measure what they are intended to
measure and whether they are a representative sample of the behaviour domain under investigation.

To ensure reliability of the instruments on the other hand, the research instruments where pilot tested among the Vision Group staff. The data collected during the pre-testing or pilot exercise was analysed and the results obtained determined the reliability of the research instruments.

3.7 DATA MANAGEMENT AND PROCESSING

Data management and processing was done in different stages.

The field data collected was organized upon receipt so that order could be created.

Secondly, editing or cross checking was done so that errors could be detected and corrections made. This helped in ensuring completeness of the questionnaire, accuracy and consistence of information given by respondents.

Editing was followed by coding of various responses to particular questions. This involved assigning of symbols and numerals to answers so that data could be categorized to avoid mixing of the data. The data was then ready for analysis.

3.8 DATA ANALYSIS

3.8.0 QUANTITATIVE DATA ANALYSIS

During analysis, data from questionnaires was entered in the computer using statistical package for social sciences (SPSS) with the assistance of an experienced and trained statistician. This was done to create more meaning to the data collected.

Once the data entry phase was completed, data was presented using tables, figures and percentages in order to summarize the data.

3.8.1 QUALITATIVE DATA ANALYSIS

Data from interviews and checklist was organized into tables and entered in the computer using Micro Soft Excel for analysis.
3.9 ETHICAL CONSIDERATIONS

Introductory remarks were given to the respondents on the questionnaire with an aim of introducing the student researcher and assuring the respondents of their confidentiality.

3.10 MEASUREMENT OF VARIABLES

The study variables were measured using the five Likert scale point. The respondents ticked along the question to indicate their level of agreement or disagreement using the scale. The response categories were weighted from 1 to 5 and the interval scale was used for measuring the variables, which were Internal Control Systems and Receivables Management. The nominal scale was used for categorizing variables in the questionnaire (Amin 2005). This eased the coding and analysis of the results.

3.10 LIMITATIONS

i) Getting information was a little bit difficult since some respondents looked at disclosure as mortgaging their job security.

ii) A financial hardship was faced by the student researcher since the research was fully financed by the researcher and it was conducted at a time when there was inflation in the country.

iii) Meeting members of Vision Group was extremely challenging since they always had many assignments to complete under a very tight schedule.

3.11 CHAPTER SUMMARY

In this chapter, the basic assumptions underpinning the research methodology was explained and evaluated. The debate of research philosophy was built on the previous background and experience brought throughout the course of the research project. The approach taken to the design of the research and a justification of the methodology chosen was covered in the sections 3.1. Section 3.2 described in some detail the research strategy, while sections 3.3 and 3.4 outlined the procedures and protocols that were implemented during the research. A brief discussion was then given on the validity of the research in section 3.6.1. Finally the ethical
considerations and limitations were taken into account when conducting the study and were explored in section 3.9 and 3.10. The debate over the ICS and Receivables Management and the research strategy adopted continues to be far ranging and stimulating.

The next chapter presented the results in form of tables, graphs and narrative of the cases studied. It built on the research strategy chosen and the epistemological approach debated throughout Chapter 4. The Chapter illustrated the cases investigated and the context of Receivables Management. The results were presented in a form that allowed for a clear and understandable interpretation of the findings. The findings showed the internal control systems, effect of preventive controls on receivable management, effect of detective internal controls on receivable management and last but not least, effect of corrective internal controls on receivable management in Vision Group. Chapter 4 was a final result of many iterations of analysis and presentation of the results over the research timeframe.
CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 INTRODUCTION

This chapter focuses on the presentation, analysis and interpretation of results in connection with the study objectives. Questionnaires were used to collect the data. The findings are summarized in tables showing percentages. The chapter further presents the sample characteristics of the respondents, descriptive statistics of the items under study and correlation results for the variables under study.

The presentation was guided by the following research objectives;

i) To establish the effect of preventive controls on receivable management in Vision Group

ii) To establish the effect of detective internal controls on receivable management in Vision Group

iii) To establish the effect of corrective internal controls on receivable management in Vision Group

4.1 SAMPLE CHARACTERISTICS

In the beginning of the chapter are the sample characteristics of the respondents such as their gender, age bracket, level of education, department and duration in employment of the respondents. Statistical tools such as, frequencies and percentages are presented in Tables 4.1 – 4.5.
4.1.1 Gender of the Respondents

Table 4.1: Gender of the Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>20</td>
<td>50.0</td>
</tr>
<tr>
<td>Female</td>
<td>16</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>90.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Missing</th>
<th>4</th>
<th>10.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary Data

From Table 4.1, it can be viewed that the majority (20 or 50%) of the respondents were males while 16 (40%) of the respondents were females. 4 questionnaires totaling to (10%) were not answered by the targeted respondents. This research finding was as a result of interviews conducted where officers stated that collecting Vision Groups receivables required a lot of effort, experience and enforcement drive which was found more in male population. This was so due to the various field visits that had to be performed to ensure that customers’ payments were effected on time. This finding was also in line with the records of Human Resources at Vision Group (2014) in regards to Credit and Collection Department which shows that, there are more males than female staff in the department.

4.2.2 Age Bracket of the Respondents

Table 4.2: Age Bracket of the Respondents

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25</td>
<td>7</td>
<td>17.5</td>
</tr>
<tr>
<td>25-30</td>
<td>6</td>
<td>15.0</td>
</tr>
<tr>
<td>30-35</td>
<td>7</td>
<td>17.5</td>
</tr>
<tr>
<td>35-40</td>
<td>4</td>
<td>10.0</td>
</tr>
<tr>
<td>40 &amp; Above</td>
<td>12</td>
<td>30.0</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>90.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Missing</th>
<th>4</th>
<th>10.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
</tr>
</tbody>
</table>

3 Interview with Officers at Vision Group, 4th August 2014
Age Bracket | Frequency | Percent
--- | --- | ---
Valid | | |
20-25 | 7 | 17.5
25-30 | 6 | 15.0
30-35 | 7 | 17.5
35-40 | 4 | 10.0
40 & Above | 12 | 30.0
Total | 36 | 90.0
Missing | 4 | 10.0
Total | 40 | 100.0

*Source: Primary Data*

The research results in table 4.2 above indicated that the highest percentage which was 30% of the respondents were 40 and above years. This was so due to their high experience levels in Internal Control System aspects at Vision Group hence the researcher received high quality and up to date information on the questions administered in line with Internal Control System and Receivables Management since the respondents were skilled and well qualified in their field of work. However, all ages were averagely represented in the research.

### 4.2.3 Education Level of The Respondents

**Table 4.3: Education Level of the Respondents**

| Education Level | Frequency | Percent |
--- | --- | ---|
Valid | | |
Diploma | 7 | 17.5
Bachelor’s Degree | 15 | 37.5
Masters & Above | 14 | 35.0
Total | 36 | 90.0
Missing | 4 | 10.0
Total | 40 | 100.0

*Source: Primary Data*

From the table 4.3 above, the highest percentage (72.5%) of the respondents had attained bachelors and masters degrees from various learning institutions. This therefore meant that the respondents were well educated which also enabled the dissemination of high quality information that was used in the research.
4.2.4 Employee Department of the Respondents

Table 4.4: Employee Department of the Respondents

<table>
<thead>
<tr>
<th>Employee Department</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>5</td>
<td>12.5</td>
</tr>
<tr>
<td>Finance</td>
<td>7</td>
<td>17.5</td>
</tr>
<tr>
<td>Credit</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>Marketing</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Sales</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>90.0</td>
</tr>
</tbody>
</table>

| Missing             | 4         | 10.0    |
| Total               | 40        | 100.0   |

Source: Primary Data

The research results in table 4.4 above revealed that 30% of the respondents worked in the credit department. A total of 12 respondents or 30% worked in the marketing and sales department. This therefore meant that the researcher received commendable information which was relevant for the research since the most representations of the population where from the department responsible for managing receivables of Vision Group.

4.2.5 Employee Duration of the Respondents

Table 4.5: Employee Duration of the Respondents

<table>
<thead>
<tr>
<th>Duration</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 Years</td>
<td>6</td>
<td>15.0</td>
</tr>
<tr>
<td>3-5 Years</td>
<td>9</td>
<td>22.5</td>
</tr>
<tr>
<td>6-8 Years</td>
<td>13</td>
<td>32.5</td>
</tr>
<tr>
<td>8 &amp; Above Years</td>
<td>8</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>90.0</td>
</tr>
</tbody>
</table>

| Missing              | 4         | 10.0    |
| Total                | 40        | 100.0   |

Source: Primary Data

From the table 4.5 above, the highest percentage that was 32.5% of the respondents had served the Vision Group between 6-8 years hence attained working experience within this period. On
average, staff in Vision Group had served the organization for long period of time. This implied that most of the people had vast years of working experience within Vision Group hence were well versed and equipped with information on the ICS and Receivables Management at the Organization.

4.2 CORRELATION ANALYSIS

The zero order correlations were used to establish the relationship and effect between the Independent and Dependent variables. The Pearson correlation test was employed to execute this as shown in Tables 4.8, 4.9 and 4.10 below;

4.3 EFFECT OF PREVENTIVE CONTROLS ON RECEIVABLES MANAGEMENT

Table 4.8: Effect of Preventive Controls on Receivables Management

<table>
<thead>
<tr>
<th></th>
<th>Preventive Controls</th>
<th>Receivables Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventive Controls</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Receivables Management</td>
<td>Sig. (2-tailed)</td>
<td>.001**</td>
</tr>
<tr>
<td></td>
<td>Pearson Correlation</td>
<td>.506**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.001</td>
</tr>
</tbody>
</table>

**, Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Data

From Table 4.8, it was revealed that there was a statistically significant positive relationship between Preventive Controls and Receivables Management, \( r = 0.506, \) \( P<0.01 \). This implied that preventive controls had an effect on receivables management and if Vision Group was to attain her set of objectives in regards to receivables of the firm, it had to strictly monitor her preventive controls. It was further revealed that Vision Group had implemented preventive controls like; segregation of duties, approvals and authorizations, hiring qualified personnel, controlled access to physical facilities, use of well-designed documents (prevent errors), established suitable procedures for authorization of transactions and there was the presence of a credit authorization system that checked credit worthiness of business partners before goods were issued on credit hence contributing to 50.6% to receivables management and leaving 49.4%
to other factors not included in this study and need further studies to reveal them and their contributions.

This was evident when respondents reiterated that segregation of duties was critical to effective internal control at Vision Group. It reduced the risk of both erroneous and inappropriate actions from occurring. In general, no person at the organization initiated a transaction, approved the transaction, recorded it, reconciled balances, custody or handled assets and reviewed reports. All these functions were separated among employees at Vision Group. Segregation of duties was a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act. Specific examples of segregation of duties at Vision Group during the sales process were identified as follows during interviews\(^4\):

1. The sales and marketing department was responsible for taking, documenting and making orders from organization clients on the various products they required. However, various staff within Vision Groups’ sales and marketing department were assigned specific tasks in regards to taking, documenting and making orders.

2. After orders were taken, an officer in the stores department was responsible for raising the Goods Dispatch Note with an aim of sending goods out to Vision Groups’ customers. A copy of the GDN was retained by the stores department and one copy was sent to finance department to process invoice to the customer.

3. The Finance department was responsible for invoicing organization clients and it performed the following roles; invoicing clients consistently, recording transactions in the correct period and properly classified in accounts, documentation of all invoices, sales and adjustments were correctly journalized, summarized and posted to the correct accounts. They further stated that without GDN sent to the finance department, no invoices were raised. In other words goods dispatch note acted as a source to generate invoice. These notes were usually sequentially numbered that helped identify any missing notes from the record.

\(^4\) Interview with Manager and Officers at Vision Group, 5\(^{th}\) August 2014
4. After clients were invoiced, the finance department received payments from Vision Groups’ clients on products sold. Incase clients were not paying in time; the finance department liaised with the credit department to follow up with those clients with an aim of encouraging them to pay promptly.

All these controls where put in place with an aim of discouraging errors or fraud, which in the long run helps to accomplish the Vision Groups objectives.

The above mentioned research findings were in line with Ron Matan and Bridget Hartnett (2001) who stated that duties which are typically impacted fall into four main categories: authorization, custody, record keeping and reconciliation. When the size of the staff allows, it is ideal to arrange the work load so that no one person handles more than one type of function. In the ‘real world,’ however, most organizations run very lean operations. With just a few employees assuming administrative responsibilities, the duties can be spread across the team as they each assume responsibility for a portion of the job. This accomplishes much the same goal in terms of dissecting the tasks and ensuring that no one ‘owns’ an entire process. They further stated that to avoid or deter the possibility of fraud, organizations must heed the rules regarding separation of duties, no matter how difficult it may be in an office that is understaffed and overcrowded. This is because proper separation of duties is one of the essential components necessary for the implementation of strong and effective internal controls. This was also supported by Alvin and James, (2010) who stated that effectiveness of preventive controls strengthen receivables of an organization.

### 4.5 EFFECT OF DETECTIVE CONTROLS ON RECEIVABLES MANAGEMENT

<table>
<thead>
<tr>
<th></th>
<th>Detective Controls</th>
<th>Receivables Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detective Controls</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Receivables Management</td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.909**</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).
Source: Primary Data

From Table 4.9, it was revealed that there was a strong relationship between Detective Controls and Receivables Management, \( r = 0.909, P<0.01 \). This implied that Vision Group established detective controls like; performance reviews, risk assessment, duplicate checking of calculations, periodic performance reporting with variances, standard costing and variances, report out-of-stock inventory items, reconcile receivables, bank reconciliations, verify proper use of pre-numbered documents (e.g. checked for missing document numbers), monthly trial balance, periodic credit history review and internal audit functions with an aim of attaining their set objectives in regards to receivables management hence there being a strong effect of detective controls on receivables management.

Interviews conducted revealed that detective controls were very high in Vision Group. This was as a result of responses from research respondents who reiterated that even good preventive controls were fraught with key weaknesses since there was the possibility of circumvention of Internal Controls by staff. They stated that this act would be done through collusion with insiders or outsiders of the organization for example accepting under delivery of goods from suppliers\(^5\). These acts created the need to constantly detect weaknesses in internal controls and these were regularly conducted on staff through surprise/spot audits as they had no warning or time to shut down a fraud or to conceal it from the auditors and the audits were mainly done on cash count of the firms receivables to avoid fraud\(^6\).

They further stated that as time passed by, Vision Group procedures became inadequate due to changes in conditions and that compliance with procedures deteriorated hence preventive controls were not an avenue for preventing losses to the organization. This also best explained the 90.9% contribution of detective controls towards receivables management in Vision Group leaving 9.1% to other factors not included in the study.

\(^5\) Interview with Officer at Vision Group, 11\(^{th}\) August 2014

\(^6\) Interview with Auditor at Vision Group, 12\(^{th}\) August 2014
Prior to the above, respondents stated that the finance team in Vision Group reconciled supplier invoices with dispatch orders and delivery notes with an aim of ensuring that the organization gets what it had ordered, pays for it accordingly and is not overcharged. This was done through translating Vision Groups reference number on the invoice to the supplier’s number, investigated the item labels and broke down the amounts. The reconciliation of invoices in the long run increased the amount of receivables for the organization through savings from fraudulent transactions hence leading to its development.

Research findings from above were in tandem with (Ogden, 2009) who stated that detective controls reveal specific types of errors by comparing actual occurrences to pre-established standards. When the detective control identifies a departure from standard, it sounds an alarm to attract attention to the problem. Prior to this, the University of Missouri (2013) stated that the Internal Auditing Department is responsible for performing internal audits at the University. Internal audits assist management by providing independent and objective analyses of activities and controls. Audit scopes can range from a single process to all business activities in a division, department, or school and they include Cash, checks, credit card receipt processing, Purchasing/accounts payable, Payroll, New system implementations, Information technology controls, Monitoring controls and review of financial activity. Internal Auditing makes recommendations as a result of those analyses. Internal Audit makes regular reports to the audit subcommittee of the Board of Curators and the President on the results of internal audits and the completion status of audit recommendations.

**4.6 EFFECT OF CORRECTIVE CONTROLS ON RECEIVABLES MANAGEMENT**

<table>
<thead>
<tr>
<th>Corrective Controls</th>
<th>Receivables Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>Corrective Controls</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Correlation results from table 4.10 above indicated that there was a positive relationship between Corrective Controls and Receivables Management in Vision Group (r = 0.599, p <0.01). This therefore meant that corrective controls had an effect on receivables management at Vision group. Prior to this, the organization had put in place measures like audits, financial reviews, error detection and resubmission, audit trails, discrepancy reports, reconciliations, backup and recovery with an aim of ensuring that detected problems were rectified.

This was evident when respondents stated that financial reviews were regularly conducted in the organization and this was done by determining which financial process posed at most risk. Auditors looked at all of the functions and processes in accounting and finance to determine which was broken during business operations and designed corrective plans to address this situation to hinder it from occurring next time. In addition to the potential for fraud in the operation, strong financial controls hindered the occurrence of easy innocent mistakes (e.g., mis-posting to the general ledger or forgetting to book an entry). They further stated that allowing a major reporting error to go undetected could cause management to make an incorrect decision, which could potentially cost large amounts of money. The existence of strong financial controls enhanced the growth of the company since errors were easily detected and dealt with as early as possible hence contributing 59.9% to receivables management leaving 40.1% to other factors not included in this study.

They further reiterated that Managers at Vision Group needed to understand the contributing factors of a problem, how they impacted key processes, and how to find a workable solution. Once that solution was formulated, it was imperative in determining how to effectively implement it at the Organization. On the other hand, an officer stated that there was the presence of vouching system where there was inspection of documentary evidence supporting and substantiating a transaction, by an auditor. Under this system, the auditor checked if the transaction was properly authorized, the transaction came within the aims and objectives of

---

7 Interview with Interview with Officer at Vision Group, 14th August 2014
Vision Group, the transaction was correctly and adequately described by the entry in the books and the entry was correctly incorporated in the financial statement.

The above findings were in line with Francine, (2011) who stated that a financial performance review will give you an extra weapon in your intelligence armory, gain insights into survivability of industry players, give confidence to your company's business plans, plan market campaigns with increased intelligence of rival's ability to respond and integrate financial performance reviews into your competitor intelligence system to enhance effectiveness of strategic planning.
CHAPTER SUMMARY

In summary, primary data for this dissertation was obtained through questionnaires and interviews designed and administered to the top, middle and operational staff at Vision Group. The major findings of the study revealed the following key aspects:

There was a statistically significant positive relationship between Preventive Controls and Receivables Management in Vision Group. This was supported by the existing segregation of duties where every member of the organization was assigned and responsible for fulfilling their tasks as per job description. This was aimed at reducing the risk of both erroneous and inappropriate actions from occurring.

The study also discovered that detective controls in Vision Group were highly implemented by the organization. This was so in a sense that even good preventive controls were fraught with key weaknesses since there was the possibility of circumvention of Internal Controls by staff through collusion by staff. This was evident with 90.9% finding which also depicted that there was a very strong relationship between Detective Controls and Receivables Management in Vision Group.

Last but not least, financial reviews as corrective controls were being exercised in the organization. These reviews were regularly conducted and this was done by determining which financial process posed at most risk. Auditors looked at all of the functions and processes in accounting and finance to determine which was broken during business operations and designed corrective plans to address this situation to hinder it from occurring next time.

In the next chapter, a detailed summary of findings, conclusions and recommendations are discussed as a result of the findings from the research study in chapter 4. Chapter 5 summarizes all the research results, draws up conclusions, recommendations and proposes areas for further study in line with the research topic.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This study was designed and carried out to examine Internal Control Systems (ICS) and Receivables Management (RM) in Vision Group. Receivables Management was assumed to depend on the effectiveness of the ICS. This chapter gives the discussions, conclusions and recommendation of the research findings presented and interpreted in chapter four. Also suggested areas for further research are also presented. All of which are presented in accordance to the research objectives.

5.1 SUMMARY OF FINDINGS

5.1.1 EFFECT OF PREVENTIVE CONTROLS ON RECEIVABLES MANAGEMENT

Results revealed a positive relationship between preventive controls and receivables management hence an effect on receivables management. This implies that an improvement in the preventive controls leads to an improvement in the receivables of an organization and a deterioration in the preventive controls leads to a deterioration in the receivables of a firm. This was evident with the presence of segregation of duties which was critical to effective internal control at Vision Group. It reduced the risk of both erroneous and inappropriate actions from occurring. In general, every department in the sales process was responsible for their own activities as mandated by the organization. All these functions where separated among employees at Vision Group.

5.1.2 EFFECT OF DETECTIVE CONTROLS ON RECEIVABLES MANAGEMENT

The research findings further revealed that there was a statistically significant and strong relationship between detective controls and receivables management thus a strong effect on receivables management. This was evident where respondents reiterated that even good preventive controls were fraught with key weaknesses since there was the possibility of circumvention of Internal Controls by staff. They stated that this act would be done through collusion with insiders or outsiders of the organization for example accepting under delivery of goods from suppliers and there was a need to constantly detect discrepancies in operations of the organization.
Prior to the above, Vision Group also used surprise audits so people never knew when to expect an evaluation and the finance team in Vision Group reconciled supplier invoices with dispatch orders and delivery notes with an aim of ensuring that the organization gets what it had ordered, pays for it accordingly and is not overcharged. This was done through translating Vision Group’s reference number on the invoice to the supplier’s number, investigated the item labels and broke down the amounts.

5.1.3 EFFECT OF CORRECTIVE CONTROLS ON RECEIVABLES MANAGEMENT

Results of the study reflected a positive relationship between corrective controls and receivables management hence a strong effect on receivables management. This was evident with the implementation audits, financial reviews, error detection and resubmission, audit trails, discrepancy reports, reconciliations, backup and recovery with an aim of ensuring that detected problems were rectified. Prior to this, financial reviews were regularly conducted in the organization and this was done by determining which financial process posed at most risk. Auditors looked at all of the functions and processes in accounting and finance to determine which was broken during business operations and designed corrective plans to address this situation to hinder it from occurring next time.

5.2 CONCLUSIONS

Generally, preventive controls have ensured the attainment of receivables for Vision Group as leaders pay critical attention to establishing and maintaining a system that monitors compliance with policies and practices. This is done through segregation of duties, approvals and authorizations, hiring qualified personnel, controlled access to physical facilities and use of well-designed documents to prevent errors. Meeting of organizational goals and objectives has the synergy of translating into increased receivables for the organization.

The statistically significant positive relationship between detective controls and receivables management are great recipients and catalysts for increased receivables for Vision Group. Vision Group would be much at an advantage and better positioned to use this stimulus and adopt new and better methods of solving known and emerging problems through tailor made solutions. This element of increased receivables to the organization will lead to continuous growth and
development hence the need to put strong emphasis on monitoring and implementation of its detective controls in existence.

The strong manifestation of corrective controls in Vision Group as an organization is a firm foundation for organizational growth and development translating into a guaranteed improvement of receivables in the medium and long run. A continuous ability to influence and implement audits, financial reviews, error detection and resubmission, audit trails, discrepancy reports, reconciliations, backup and recovery ensures that detected problems are rectified thus attaining the firms planned goals and objectives.

5.3 RECOMMENDATIONS

Management of Vision Group needs to continuously monitor and evaluate end-to-end procedures not only of collections practices, but of all of the process within the revenue cycle that ultimately result in the state of accounts receivable balances, starting with sales and ending with cash application. Only after the Vision Group has developed a thorough understanding of how and when cash flows from the customer into the organization can a structure be designed to best optimize those flows.

Benchmarking with the best-in-class organizations is highly recommended. This activity will provide Vision Group with knowledge and skills on how to effectively manage internal control systems for improved receivables of the organization.

Mechanisms for detection and correction of fraud and error should be established within the organization. This can be done through the introduction and implementation of software programmes like accounting systems which will monitor credit issued out vis-a-vie the receivables per each account the organization holds with its clients. In this way errors and fraud are detected earlier hence mitigating the risk of delayed receivables to the firm.
5.4 SUGGESTED AREAS FOR FURTHER RESEARCH

The researcher suggests the following areas for further research:

1. A study should be carried out to examine the effect of internal control system on cash management in an organization.

2. A study needs to be conducted with an aim of assessing the relationship between credit policy and receivables management in an organization.

3. A study should be carried out to investigate the effect of sales volume on firms’ receivables.
REFERENCES


Ariola et al. (2006). *Principles and Methods of Research*  


Flick, S. (2010). “Policies and procedure for internal controls = success!”, Accounting & Internal Control


Larry Walther, (2013), Managerial Accounting, Tools for Enterprise Performance Evaluation

Lin, Yi, Qingping Hu, and Dan Li, (2001), "Some Unsolved Problems in General Systems


APPENDIX-1: QUESTIONNAIRE FORM

Introduction:

Dear Respondent, I am Alex Anganya, carrying out a study on “Internal Control System and Receivables Management” with the case being Vision Group. This study is going to be conducted as partial fulfillment for the award of a Masters of Business Administration of Makerere University. The information provided will be confidential and only used for purposes of this study. Kindly spare your valuable time and respond to all the following questions.

SECTION 100: Social demographic characteristics of respondents

Qn 101: Gender?

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Qn 102: Age bracket?

<table>
<thead>
<tr>
<th>Age bracket</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25 years</td>
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</tr>
<tr>
<td>25-30 years</td>
<td>2</td>
</tr>
<tr>
<td>30-35 years</td>
<td>3</td>
</tr>
<tr>
<td>35-40 years</td>
<td>4</td>
</tr>
<tr>
<td>40 &amp; Above years</td>
<td>5</td>
</tr>
</tbody>
</table>

Qn 103: Education level?

<table>
<thead>
<tr>
<th>Level</th>
<th>A level and below</th>
<th>Diploma</th>
<th>Bachelors degree</th>
<th>Masters and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tick</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Qn 104: Department Attached?

<table>
<thead>
<tr>
<th>Department</th>
<th>Operations</th>
<th>Finance</th>
<th>Sales</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tick</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Qn 105: Tenure in Vision Group?

<table>
<thead>
<tr>
<th>Duration</th>
<th>0-2yrs</th>
<th>3-5 yrs</th>
<th>6-8 yrs</th>
<th>Over 8 yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tick</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
Please indicate by ticking in the appropriate box to what extent you agree/disagree to the following statements below. (SD=1 Strongly Disagree, D= 2 Disagree, NS= 3 Not Sure, A= 4 Agree and SA= 5 strongly agree)

<table>
<thead>
<tr>
<th>Preventive Controls over Receivables Management</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. There are policies aimed at minimizing investment on receivables in Vision Group</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. The policies concerned with receivables are properly implemented in vision group</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. There are limits on the amount of debt given to different customers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. The customers request for credit is approved basing on certain criteria</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. The customers that apply for credit present formal applications</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. There are conditions that must be fulfilled before a customer is considered for credit</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7. The officers charged with are known and are the ones accountable on issues of receivable</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8. Before granting customers credit application their capacity to pay is first assessed in vision group</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9. Capital of the credit applicant is considered before granting credit to customers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10. There are specialized committee charged with approving credit client applications in vision group</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Detective Controls over Receivables Management</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The credit limit established by the company over receivable are checked over time</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Each coin invested in the receivable is tracked on daily basis in vision group</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. On daily basis the volume of receivable is reported to those in charge of them</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. The company makes abrupt checks on accounts of the company to ensure that credit policies are not abused</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Vision group have checks to ensure that debtor do not accumulate beyond a given level</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. Clients credit limit determines whether the</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td></td>
<td>The company continues supplying a customer or not</td>
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</tr>
<tr>
<td>7.</td>
<td>The company have supervisors that ensure all money that is sold is collected and banked</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>8.</td>
<td>There are forms that are filled by the manager in charge of receivables in a particular area</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>9.</td>
<td>There are mechanisms put in place to ensure that receivables are closely monitored</td>
<td>1</td>
<td>2</td>
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<td>4</td>
</tr>
<tr>
<td>10.</td>
<td>The company puts in place a receivable identification number for every credit client</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td><strong>Corrective Controls over Receivables Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>There are checks done gradually to ensure that anything wrong is detected and corrected</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>There are continuous variance analysis that is done to ensure that there is corrective actions on receivable</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3.</td>
<td>The company does the reconciliation of the debtors gradually</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>There are continuous audits done in the area of receivable management</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5.</td>
<td>The company does continuous counting of the volume of receivables</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6.</td>
<td>Special registers is kept in vision group to ensure all details of receivables is kept and used</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>7.</td>
<td>The company prepares special report to different decision makers to ensure that receivables are rightly managed</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>8.</td>
<td>All debtor invoices and receipts are recorded into in vision group accounts Receivable ledger in an accurate and timely manner</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>9.</td>
<td>In vision group statements for accounts receivable balances are generated and sent to debtors each month</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>10.</td>
<td>Overdue accounts receivables are dealt with in accordance with the Debt Collection &amp; Write-Off Policy of vision group</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td><strong>Receivables Management in Organizations</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.</td>
<td>Maximizing the value of the firm through its receivable by shortening the payment period</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Vision group offers early payment discount to those clients that clears their obligation early</td>
<td>1</td>
<td>2</td>
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<td>4</td>
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</tr>
<tr>
<td>3.</td>
<td>There is a limit of capital that is supposed to be invested in receivables</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4.</td>
<td>In vision group the customers who buy on credit are billed early to avoid delays of payment because of late billing</td>
<td></td>
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</tr>
<tr>
<td>5.</td>
<td>The payment term for those credit clients is shortened as much as possible</td>
<td></td>
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</tr>
<tr>
<td>6.</td>
<td>Control of the cost of trade credit by ensuring that credit clients are closely monitored</td>
<td></td>
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</tr>
<tr>
<td>7.</td>
<td>Vision group monitors all accounts receivable at least on a weekly basis</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>8.</td>
<td>Vision group makes constant follow up on those customers when due</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

What is the current state of receivables management in Vision Group? (High, Moderate or Low). Kindly give reasons

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In your view, what would be done to improve receivables management in Vision Group?

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Thank you for your Valuable time.
APPENDIX II: INTERVIEW GUIDE FOR LEADERS AND MANAGERS OF VISION GROUP

1. Position in the Company …........................................................................................................
2. Department /Section..................................................................................................................

1. Are you aware of Internal Control Systems?
   a) Yes  b) No
If yes, what are they? (Probe for Preventive Controls, Detective Controls and Corrective Controls)

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In what ways, does Preventive Controls affect Receivables Management in Vision Group?
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In what ways, does Detective Controls affect Receivables Management in Vision Group?
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In what ways, does Corrective Controls affect Receivables Management in Vision Group?
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What is the current state of Receivables Management in Vision Group? (High, Moderate or Low). Kindly give reasons?
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........................................................................................................................................................

In your view, what would be done to improve Receivables Management in Vision Group?
........................................................................................................................................................
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Thank You