Term 1 Topic 4

Internal Control

Overview

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Overview – Internal control

1 Definition and explanation: What is internal control?

Internal means it is within itself, in other words, what can the management do within a business. Control means to have full authority something. Internal control in the business is what management can do to exercise authority over all activities within the business so that maximum profit can be obtained.

It is not only the managers/owners responsibility to have control over the business, but all employees have the responsibility. Everybody in a business must be involved in putting successful control measures in place.

To apply control, the following processes must be followed:

- Decide on short-term and long-term objectives.
- Gather information about the strong points and the shortcomings of the business.
- Analyse the strong points and the shortcomings of the business.
- Act against shortcomings.