

PDF - ACCOUNTING SYSTEM USES AND INTERNAL CONTROL IN A COMMUNITY BANK. (A CAASE STUDY OF UMU CHINEMERE COMMUNITY BANK) - researchcub.info1.0 INTRODUCTION

Statement on auditing standard defined internal controls, the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise orderly efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records.

Internal control and good accounting system ensure that controls and operating procedure are functioning efficiently in order to protect the bank from fraudulent manipulations, losses, errors and irregularities.

In view of huge investments by the community development Associations, organizational/societies, individual shareholders should be controlled, safe guarded, and made result yielding venture, The recruitment of a qualified internal auditor acts as a safety value in internal control. In recent times, defalcation, misapplication of depositors funds, inside abuse, theft of property, and other types of financial improprieties have been found in our banks. Internal control and good accounting structures should assist to eliminate all the vices.

The urgent challenge facing this nation is the eradication of mass poverty.

(1) Banking has been an important economic indicator, spanning over a hundred years in Nigeria.

(2) The history of Community Bank cannot be completed without remembering the former president, Commander in Chief of the Armed Forces, General Ibarhim Badamasi Babangida, on the occasion commissioning of the First Community Bank in the Country Viz Adhere Community limited of the Tundun Wada Community Bank of Kaduna in Kaduna State on 31st December 1990. the speech was unique and Historical, it spelt out to the rural Dwellers:

(a) What are the objectives behind the establishment of the Community Banking system?

(b) Have these objectives been attained

(c) What are the functions of Community banks?

(d) What are the structures of National Board for Community Banks?

(e) What are the internal controls of a Community bank case study Umuchinemere Community Bank?

(f) What are the types of Accounts in a community Bank?

(g) What are the significance of the basic lending considerations of Community Banks and to what extent has it enhance the profitability of the bank.

(h) What are the problems and prospects of community Banks in Nigeria.

(i) What are the causes and remedies of Distress Community Banks?

BRIEF HISTORY OF UMUCHINAEMERE COMMUNITY BANKS

Umuchinaemere Community Bank Nigeria Ltd, situated at N0 5 Ikwuato Street, Uwani Enugu, was incorporated as a limited liability company and commenced business on 1st June 1995. The Bank came into being as a result of the determination on the part of promoters to introduce the first Catholic Community Bank in Enugu. It has an initial capital of ~~N2 Million~~.

The ownership structure of the Bank are as follows, viz Catholic Diocese of Enugu 30%, organizations/Societies in Enugu Diocese 30%, individuals 35%, Director 5%.

The banks board of directors is composed of the Chairman and six other members. The day-to-day operation of the bank is the responsibility of the management team of five. The management team has

developed banking and financial products and services to ensure maximum benefit to our people.

1.1 STATEMENT OF THE PROBLEM

The failure of many community Banks animated partly as a result of poor internal control and structure of the Bank. Over one thousand Community Banks were established but over three hundred Community Banks are distress.

1.2 OBJECTIVE OF THE STUDY

This research work is to be carried out with the objective of investigating or inquiring for the following:

- (1) Evaluate the Accounting system uses and internal control in a Community Banks.
- (2) To ascertain the extent to which the Accounting structure and internal control have contributed towards the overall goals of Community banks.
- (3) Identify the causes and remedies of distress Community Banks.

1.3 SIGNIFICANCES OF THE STUDY

The study exposes the ownership structure, the accounting structure, and the potential effects of internal control. The study is also important as it appraise the problem of Community Banks and its recommendations. It also serves as a reference materials for operators, of the system with particular reference to its lending guilds and policies. It provides a springboard upon which other researchers could base.

1.4 STATEMENT OF HYPOTHESIS

The following hypothesis shall be tested by the researcher in the course of carrying out this research paper:

NULL HYPOTHEIS

Ho. Accounting system and internal control have not enhanced efficient management and control of resources in Umuchianemere Community Bank.

ALTERNATIVE HYPOTHESIS

Hi: Accounting system and internal control have enhanced efficient management and control of resources in Umuchinemere Community Bank.

2. NULL HYPOTHESIS

Ho: Accounting system and internal control have not contributed towards the achievement of the overall goals of Umuchinemere Community Bank.

ALTERNATIVE HYPOTHESIS

Hi: Accounting system and internal control have contributed towards the achievement of the overall goals of Umuchinemere Community Bank.

3. NULL HYPOTHESIS

Ho: Poor accounting system and internal control have not led to cash manipulations or fraudulent activities in Umuchinemere Community Bank.

ALTERNATIVE HYPOTHESIS

Hi: Poor accounting system and internal control have led to cash manipulations or fraudulent activities in Umuchinemere community Bank.

1.5 SCOPE OF THE STUDY

The study of accounting system and internal control in a Community Banks covers all the community bank in

Enugu State in particular and Nigeria in general. But due to the limited time factor and cost, the researcher decided to link the study to Enugu based Community Bank. In Enugu also, not all the Community Banks were visited, but since National Board for Community Banks (NBCB) usually conduct a feasibility study on community banking system, the researcher rely mainly on them for most of the information.

1.6 LIMITATIONS OF THE STUDY

The desire to make the research work as elaborate as possible is aimed at making this paper an accurate, reliable and indispensable medium for any individual, groups of individuals, and society at large that may be interested. The following limitations may reduce its reliability and accuracy:

- (j) **ATTITUDES OF RESPONDENTS:** The reluctance of the some of the staff of Umuchinemere Community Bank hinders the elected intentions of a deeper analysis of data.
- (ii) **OBTAINATION OF VITAL INFORMATION NEEDED:** Some important information needed by the researcher could be termed. "Absolute confidential" and sometimes the researcher may find it almost impossible to obtain them from those concerned.
- (iii) **FINANCE:** Inadequate funding is a major problem for the researcher and this has hindered the rate of this work.
- (iv) **TIME FACTOR:** Time is another limitation to the extent at which the researcher intended to go considering the shortness of time needed to coming out with the research work. Much effort are being made to achieve the goals of the study.

DEFINITIONS OF TERMS

1.7.1 **COMMUNITY BANK:** This is a bank independently owned and operated by a Community to cater for the savings and credit needs of the Community.

1.7.2 **COMMUNITY:** By a Community we meant individuals or people living in one place, district or country considered as a whole.

1.7.3 **ACCOUNTING:** Accounting is the system that measures business activities, process that information into reports, and communicates the results to decision makers.

1.7.4 **INTERNAL CONTROL:** Organizational plan and all the related measures adopted by an entity to safeguard assets, ensure accurate and reliable accounting records, promote operational efficiency, and encourage adherence to company policies.

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