

# IMPACT OF ACCOUNTING POLICY ON ORGANIZATION RECOVERY PLAN – A CASE STUDY OF MONROVIA BREWERIES INC

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## **Abstract**

This research investigated the impact of the internal accounting policies of the Monrovia Breweries, Inc. on its recovery plan from the period 2001 to 2006. Just after the war, the growth rate of the industry was slow and sometimes negative; thus management developed these policies to revert the situation. In order to assess the impact of these policies it was necessary to do this study. The case study method was selected, as a Methodology, with Monrovia Breweries Inc. as the focus. Purposive sampling was also used to select a sample of 75 employees of the Brewery from a population of 164. Questionnaires and Interviews were also used to collect primary data while documents, books and the internet provided secondary data for the research. The findings revealed that the policies put in place by management were good and had begun to yield good results. Among other things, it was recommended that the company assess current risk management before embarking on a program of change. It was also recommended that the Board always reach a consensus about what are the significant risks to strategic objectives before formulating new policies to regulate any activities.

## **Introduction**

Effective accomplishment of organizational goals requires that action and behavior of organizational members are guided to ensure uniformity and consistency in the face of environmental volatility. This can be achieved through the establishment of corporate policies and procedures which all administrative decisions are based. There are different types of those policies that can be formulated to aid different aspects of organizational activities. Policies also have been seen to be a useful tool in the recovery plan of any organization. Environmental factors like competition, economic, political, social, legal, technological, etc, which can bring untold hardship to organization activities can be overcome through effective formulation and implementation of good and appropriate policies.

Monrovia Breweries Inc. was established in 1957 and commenced operation in 1961. Prior to the Liberian Civil Crisis, the Monrovia Breweries Inc., also known as the Club Beer Factory, enjoyed a steady growth with its products distributed all over the country and sometimes beyond the Liberian borders. But with the advent of the civil crisis of 1989, the breweries suffered a lot of losses.

In an attempt to revitalize the industry, a series of Internal Accounting policies were put into place to accelerate the recovery process and strengthen the accounting system. What impact have these policies had on the recovery plan from the period 2001 to 2006 is the main focus of this study.

The Monrovia Breweries over the years have developed many Accounting policies related to record keeping, reporting accounting and internal control. These accounting policies have been applied over the years in anticipation of getting the Breweries out of its devastated stage and bring it back to growth and prosperity level. This endeavor consisted of periodic restructuring of the various accounting policies to cope with the demands for effective financial Management and accountability from stakeholders.

Internal Control is an important tool in good corporate governance. With breweries globally, and the MBI as a case study, the directors are responsible for ensuring that internal control systems exist that provide reasonable assurance regarding the:

- a. Safeguarding of assets and the prevention of their unauthorized use or disposal and maintenance of proper accounting records.

- b. Enhancing the accuracy and reliability of financial and operational information used in the business.

In order to implement this responsibility, the directors do appoint a management team to set standards and implement systems of internal control to achieve these objectives. Such controls and systems are based on established policies and procedures, including budgeting and forecasting disciplines and the monitoring of results against the budgets and forecast.

### **Statement of the Problem**

Ineffectiveness of the Brewing industry accounting and internal control largely occurs due to inappropriate policy and its relationship to accounting internal control. Lack of good corporate financial control policy has eroded profitability of the brewing industry, undermined the going concerns and in some instances, led to their closure. This seems to be the case with the Monrovia Brewery which has been finding it difficult to realize any sustained profits during the past four to five years. It is therefore urgent to investigate how corporate policy can exert influence on the accounting system control mechanism for sustainable growth.

### **Research Questions**

The effects of Accounting and Internal control problems have always been underestimated. Based on the above observation, the following questions are worth considering:

- a. To what extent has the accounting policies and procedure contributed to effective accomplishment of organizational objectives
- a. What is the relationship between appropriate policy and accounting system and control?
- b. How is the production over the years related to accounting internal control?
- c. To what extent does the relationship between policy and accounting internal control provide basis for estimating growth in productivity or trend of future production?

### **Review of Related Literature**

Meaning of Policy Organization carries out various forms of activities all the times. The conditions under which such activities are executed are not static and different individuals are involved at different times to execute these activities. To ensure consistency in the procedures used by these individuals, organization provided a framework within which things should be done to accomplish its goal. This framework is what is called policy. Robbins (2006) defined policy as the framework within which actions are executed, decisions are made and behaviors are interpreted to accomplish both short and long-term organizational goals. Adebayo (2008) looked at policy as the official procedures that direct the behaviors and actions of every individuals working or relating with the organization. It is the official statements that guide the conduct of activities in the organization. Policy enables organization to have an identity within which every member of the organization must display behavior and execute actions so that the organization objective will be accomplished.

### **Types of Policy**

Within the purview of business organization, there is only one policy that governs the entire activities of the organization. This type of policy is known as corporate policy. Corporate policy covers the entire activities of an organization. But each functional level that can be found in an organization can have its specific policy covering its functional activities. In line with this, four distinctive policies can be identified.

These are:

Human Resource Policy – Ubeku (1975) defines human resource policy as a written statement of an organization's goals and intentions concerning matters that affect the people in the organization. According to Canning (1996) for human resource policy to be sound and effective, it must be formulated based on three principles. These are justice, need recognition and democracy.

**Production Policy:** This is the policy that guides organization conversion process. It is a formal statement that stipulates how organization should acquire its inputs, the through- put process that must

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be observed and how organization output should look like. According to Agbadudu (1996), organization standardizes its production process through establishing production policy. He went further to say that such a policy must be flexible, coordinated, comprehensive, clear and conform to ethical standard.

**Marketing Policy:** This is the policy that guides organization marketing activities. According to Kotler (2002), it is a broad, written down statements that determine how organization intends to create and satisfy customer needs at profit to the organization. Marketing policy states the methods and procedures to be undertaken in the quest of organization to identify the needs of the market and how to design the product that will meet such needs, price, promote and deliver the product to the market at a satisfied relationship between the market and the organization.

**Financial Policy:** This is the policy that stipulates the methods and procedures that will enhance effective acquisition and utilization of organizational funds. It is the general framework within which organization must operate. It is all encompassing, general guidelines that enhance effective discharge of organization financial function. Financial policy may include credit policy, accounting policy, tax policy, cash policy, etc. Accounting policy is the aspect of financial policy that stipulates general guidelines on how organization should prepare its financial statements.

### **Understanding Accounting Policy in Brewing Sector**

In the quest to streamline its activities, the brewing sub sector of the economy has a standardized policy that guides its accounting preparation. Each brewing organization has its unique approach as regards reporting methods, measurement system and disclosure. The approach must be the one that will enhance effective and efficient achievement of organization objectives. The onus lies on the accountant to ensure this. McMillan (2006) rightly observed that the accountant in the brewery organization should always evaluate the appropriateness of accounting policy employed by the management to ascertain the extent to which it will help organization achieve its goal. In the words of Hojimaeyers (2003) as a general rule, a description of the company's accounting policy should be presented in a separate section preceding the footnotes to the financial statements or as the first footnote. Making submissions on the issue of accounting policies, Bevan & Greenberg(2004) noted that disclosure of accounting policies should include Accounting Principles and methods of application that involve;

- (a) A selection from generally accepted alternative;
- (b) Those peculiar to the industry or field of endeavor; and
- (c) Unusual or different applications of Generally Accepted Accounting Principles (GAAP).

### **Accounting and its Effectiveness in the Brewing Sector**

Accounting as a process that culminates in the preparation of financial reports on the enterprise for use by both internal and external parties is changing rapidly; and advances in technology have upgraded accounting to the use of computers and relegated the mechanical aspects that did apply in the past. Transparent accounting plays an important role in maintaining the vibrancy of the reports (Ebneith, Oliver and Theuvsen, L (2003). However, turbulence in management will not stop until better and clearer accounting rules are regulated. The quality of accounting information has been the foremost concern of the Management of the Monrovia Breweries relating to the application of generally accepted accounting principles with regard to companies that produce their financial reports in compliance with the American standards of reporting. Full disclosure of the financial information is imperative. Without it, Investors are not comfortable to the authenticity of the financial statements, (McMillan 2006).

### **Basis of Preparation of the Financial Statements**

The financial statements of the Monrovia Breweries, Inc. are usually prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and in accordance with generally accepted accounting principles (GAAP) and laws governing corporate reporting by the Republic of Liberia.

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According to Krogh (2002), financial statement by definition is a paper containing financial information about an organization. The required financial statements are balance sheet, income statement, consolidated statement and statement of changes in financial position. Other major financial statement analyses reports which are very useful in the management of breweries are forecasts, cash flow statement and income and efficiency reports. They may be combined with a supplementary statement to depict the financial status or performance of the organization. An example of a supplementary statement is inflation-adjust financial statement. Some supplementary materials is required only for publicly held companies.

The importance and usefulness for accountings and internal control of the various financial statements and ratios per the appendices to this paper will be fully illustrated later.

### **Methodology**

Extensive research, data collection including one-to-one discussions with personnel of the Monrovia Breweries, Inc., direct email to personnel of other brewing companies and practitioners was done in order to obtain the understanding of the evolution of an improved accounting and internal control practices within the brewing industries.

### **The Research Design**

The research involved case-analysis at a departmental level within the Monrovia Breweries, Inc. Two survey methods have been employed for this research. These included the survey questionnaire for primary data and interviews with relevant personnel at the Monrovia Breweries, Inc. In addition secondary data were used in order to achieve the objectives of the study.

### **Sample Size and Sampling Techniques**

From the population of 164, the purposive sample size of 75 employees was selected for this study. However, the number of employees was proportionally selected by occupation/job title.

Employees in the study were systematically selected based on Population. The study focused on a total population of 164 at the Monrovia Breweries, Inc. who are knowledgeable in the areas of finance, sales manufacturing and bottling. Some of these employees included managers, Senior and junior staff, Contractors and casual laborers of various departments with accounting, sales, and production knowledge.

### **Research Instruments**

In view of the mentioned objectives of the study, survey questionnaires were administered to 75 selected employees of the Monrovia Breweries, Inc. The questionnaires solicited responses and collected data on the knowledge of the company in relation to the accounting and control mechanism within company. It also assessed the factor relating to the sustainability of the company despite the civil conflict that destroyed most industries and infrastructure in the country from 1989 – 2003. The questionnaires for this study were constructed by the investigator. They were pre-tested and modified.

**Data Analysis**

**Table 1- Distribution of Questionnaires to Respondents**

<b>Department</b>	<b>Senior Staff</b>	<b>Jr. Staff</b>	<b>Managers</b>	<b>Contractors</b>	<b>Casual</b>	<b>Total</b>
M.D			1			1
General anager			1			1
Administration	6	17	2	2	1	28
BrewHouse	3	15	1	3	11	33
Bottle Plant	2	15	1	2	6	26
Workshops	5	25	4	12	13	59
Yard Group				6	10	16
<b>Total</b>	<b>16</b>	<b>72</b>	<b>10</b>	<b>25</b>	<b>41</b>	<b>164</b>

Table designed by researcher to show the distribution of the population available to the researcher

**Table 2- Distribution of Questionnaires to Respondents**

<b>Department</b>	<b>Senior Staff</b>	<b>Jr. Staff</b>	<b>Managers</b>	<b>Contractors</b>	<b>Casual</b>	<b>Total</b>
M.D			1			1
General Manager			1			1
Administration	10	10	2			22
Brew House	1	6	1		5	13
Bottle Plant	2	5	1		3	11
Workshop		1	4			5
Yard Group	3	10		8	1	22
<b>Total</b>	<b>16</b>	<b>32</b>	<b>10</b>	<b>8</b>	<b>9</b>	<b>75</b>

Table 3 A schedule showing the result of ranking between appropriateness of company policy and effectiveness of accounting system control. ACP=Appropriateness of Company Policy; AA

**Table 3**

EAC=Effectiveness of Accounting Control; ACP= Appropriateness of Company Policy d=difference; 1=Very Effective; 2=Effective; 3= Don't Know or Not Applicable

**A Schedule Showing the Result of Ranking Between Appropriateness of Company Policy and Effectiveness of Accounting System Control**

*The Schedule Was Designed By Researcher*

<b>Respondents</b>	<b>ACP</b>	<b>EAC</b>	<b>d</b>	<b>d<sup>2</sup></b>
1	2	2	0	0
2	1	1	0	0
3	2	1	1	1
4	2	2	0	0
5	1	1	0	0
6	2	2	0	0

7	2	2	0	0
8	1	1	0	0
9	2	2	0	0
10	1	1	0	0
11	2	2	0	0
12	1	1	0	0
13	1	1	0	0
14	2	2	0	0
15	2	2	0	0
16	1	1	0	0
17	2	2	0	0
18	2	2	0	0
19	1	1	0	0
20	1	1	0	0
21	2	2	0	0
22	1	1	0	0
23	2	2	0	0
24	2	2	0	0
25	1	1	0	0
26	1	1	0	0
27	2	2	0	0
28	2	2	0	0
29	1	1	0	0
30	1	1	0	0
31	2	2	0	0
32	2	2	0	0
33	1	1	0	0
34	2	2	0	0
35	1	1	0	0
36	2	2	0	0
37	2	2	0	0
38	1	3	-2	4
39	3	3	0	0
40	1	1	0	0
41	2	2	0	0
42	3	3	0	0
43	1	1	0	0
44	2	2	0	0
45	3	3	0	0
46	1	1	0	0

Respondents	ACP	AEC	d	d <sup>2</sup>
47	2	2	0	0
48	3	3	0	0
49	1	1	0	0
50	2	2	0	0
51	3	3	0	0
52	1	1	0	0
53	2	2	0	0
54	1	1	0	0
55	3	3	0	0

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56	3	3	0	0
57	2	2	0	0
58	2	2	0	0
59	1	1	0	0
60	1	1	0	0
61	2	2	0	0
62	3	3	0	0
63	1	2	-1	1
64	2	2	0	0
65	1	1	0	0
66	2	2	0	0
67	1	1	0	0
68	2	2	0	0
69	1	1	0	0
70	2	2	0	0
71	1	1	0	0
72	2	2	0	0
73	2	2	0	0
74	1	1	0	0
75	2	2	0	0
<b>Totals d<sup>2</sup> equals</b>				<b>7</b>

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rman's Rank Correlation Coefficient is,  $r = 1 - \frac{6\sum d^2}{n(n^2 - 1)}$

$$= 1 - \frac{6(7)}{75(75^2 - 1)} = \underline{\underline{0.99990}}$$

In addition, the Pearson Correlation Coefficient was used to measure the relationship between production (Y) and year of production (X) in view of the policy and accounting internal control mechanism. (See Pearson, K. 1900, The Grammar of Science).

**Table 4**  
**A Schedule Showing the Result of Ranking Between Appropriateness of Company Policy and Effectiveness of Accounting System Control.**  
*The Schedule Was Designed by Researcher*

	Year X	Production (HL) Y	XY	X <sup>2</sup>	Y <sup>2</sup>
200					
	1	26.424	26.424	1	698.228
	2	25.756	51.512	4	663.372
	3	25.807	77.421	9	666.001
	4	52.221	208.884	16	2,727.033
	5	63.221	316.85	25	4,015.757
	6	70.268	421.608	36	4,937.592
$\Sigma =$	21	263.846	1102.699	91	13,707.98

Pearson Correlation Coefficient is,

$$r_{xy} = \frac{n(\sum xy) - (\sum x)(\sum y)}{[(n\sum x^2) - (\sum x)^2][n(\sum y^2) - (\sum y)^2]}$$

Where  $n = 6$ ;  $\sum x = 21$ ;  $\sum y = 263.846$ ;  $\sum xy = 1,102.699$ ;  $\sum x^2 = 91$  and  $\sum y^2 = 13,707.98$ , then,

**$r_{xy} = 0.934$**

To estimate the future production, the regression line equation  $Y = a + bx$  was used. (See Pearson, 1900 R. Levin, 1982 Statistics for Management). The estimated production was based on the production of Breweries between 2001-2006. Hence, the estimated production was obtained from equation:  $Y = a + bx$ . Where  $y$  = estimated production and  $a$  and  $b$  are constants estimated from the regression line.  $X$  = year. This method is widely used in estimation and forecasting or measuring future trends (See Coleman, 1964).

Where  $a = \frac{(\sum y) - b(\sum x)}{n}$

Then  $a = \frac{263.846 - b(21)}{6}$   
 $= \frac{263.846 - (10.24)(21)}{6}$   
 $= \frac{263.85 - 215.04}{6}$   
 $= 48.81/6 = 8.135$  or  $8,135$

$b = \frac{n(\sum xy) - (\sum x)(\sum y)}{n(\sum x^2) - (\sum x)^2}$   
 $= \frac{6(1102.699) - (21)(263.846)}{6(91) - (21)^2}$   
 $= \frac{6,616.914 - 5540.766}{546 - 441}$   
 $= \frac{1075.43}{105}$   
 $= 10.242$  or  $10,244$

Using the above computation, production of Club Products 2001-06 and estimated production 2007-2012 as follows:

Year: 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

Products: 23,424 25,756 25,807 52,220 63,370 70,268 79,829 90,071 100,313 110,555 120,797 131,039

Moreover, the chi-square test was applied. The chi-square which is widely used was proposed by Karl Pearson in 1900 and is expressed



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as: 
$$\frac{X^2}{E} = \sum \sum (O - E)^2$$

**Chi-Square Computation**

**Table 5: Policy and effect of Internal Accounting Mechanism**

Corporate Policy	Effectiveness	Very Effective	Total
Finance/Accounting Directive Procedure	43(41.71)	3(4.3)	46
Mission Statement and team effort	10(10.9)	2(1.1)	12
Other relevant operating and guidelines	15(15.4)	2(1.6)	17
Total	68	7	75
Percent	90.7	9.3	100
X <sup>2</sup>			2.374

$$X^2 = \frac{\sum \sum (O - E)^2}{E}$$

where X<sup>2</sup> = Chi-Square  
 O = Observed value  
 E = Expected value

$$X^2 = X_1 = \frac{68 \times 46}{75} = 41.71$$

$$X_2 = \frac{7 \times 46}{75} = 4.3$$

$$X_3 = \frac{68 \times 12}{75} = 10.9$$

$$X_4 = \frac{7 \times 12}{75} = 1.1$$

$$X_5 = \frac{68 \times 17}{75} = 15.4$$

$$X_6 = \frac{7 \times 17}{75} = 1.6$$

$$\frac{(43 - 41.7)^2}{41.7} + \frac{(3 - 4.3)^2}{4.3} + \frac{(10 - 10.9)^2}{10.9} + \frac{(2 - 1.1)^2}{1.1} + \frac{(15 - 15.4)^2}{15.4} + \frac{(2 - 1.6)^2}{1.6}$$

$$0.041 + .00393 + 0.81 + .81 + .16 + .16 = \underline{\underline{2.374}}$$

df = (c - 1) (r - 1)

where df =degree of freedom

(2 - 1) (3 - 1)

c = column

r = row

(1) (2) = 2

$$E_{ij} = \frac{(r_i)(c_j)}{n}$$

Where  $X^2$  = Chi-Square statistic test

$O_{ij}$  = Observed frequency in the contingency table

$E_{ij}$  = Expected frequency in contingency table

The estimated value cell frequency is equal to the product of its respective row ,r, and column, cj, divided by the total frequency, n, that is  $E_{ij}=[(r_i)(c_j)]/n$ . The degree of freedom, df, is associated with the contingency table possessing, r, rows, and c, column,  $Df = (r -1) (c - 1)$ , (See Mendannal, 1975) The hypothesis is accepted or rejected dependent on the significant level between the computed  $X^2$  and the critical value.

In addition, the measure of the effect of the relationship is determined as,

$$r = \sqrt{\frac{X^2}{n + X^2}} = \frac{0.1752}{n + X^2}$$

Where  $r$  = the measure of the effect of the relationship,  $r = 0$  to  $1$ .

$X^2$  = Chi-Square computed in observed data

$n$  = number of observation, or sample size.

The tabulated or critical value  $X^2 = 5.99147$ , from above, the computed  $X^2 = 2.374$

Since the compute value of  $X^2$  is less than the critical value of  $X^2$  at 5% significant level, accept hypothesis.

**Table 6:Percent Distribution of Respondents by Appropriateness of Policy**

Level of Appropriateness	Percent (n=75)
Very Appropriate	95
Appropriate	5
Not Appropriate	0
Total	100

**Table 7: Percent Distribution of Respondent by specific Policy Statement**

Specific Policy	Very Appropriate	Appropriate	Total
Finance/Accounting			
Directive			
Procedures	98	2	100
Mission Statement	99	1	100
Good Communication, Collaboration and team effort	98	2	100
Other relevant operating compliance requirements and guidelines	97	3	100

**Table 8: Percent Distribution by Respondents by other Aspect of Policy**

<b>Policy consideration</b>	<b>Very Appropriate</b>	<b>Appropriate</b>	<b>Total</b>
Employee Integrity	96	4	100
Ethical values to employee	90	10	100
Familiar with code of ethics	92	8	100

**Table 9: Percent of Respondent who Reviewed and Reconciled to Supporting Document Once A Month**

<b>Type of Respondent</b>	<b>Percent (n=75)</b>
Managers	100
Senior	98
Junior	90

**Table 10: Respondent Who Are Aware That High Level Managers Reconciled Ledger**

<b>Type of Respondent</b>	<b>Aware</b>	<b>Not aware</b>	<b>Total</b>
Managers	10	0	10
Senior	16	0	16
Junior	20	12	32
<b>Total</b>	<b>46</b>	<b>12</b>	<b>58</b>
<b>Percentage</b>	<b>79.3</b>	<b>20.7</b>	<b>100</b>

**Table 11: Percent Distribution Of Respondents Participations In Handling Financial Directive**

<b>Level of Participation</b>	<b>Percent (n=75)</b>
Full Participation	85
Partial	15
Not	0
<b>Total</b>	<b>100</b>

**Table 12: Percent of Respondents Who Are Aware that Pre-Number Receipt And Cash Register Readings Are Independently Controlled**

Type of Respondent	Aware	Not Aware	Total
Managers	10	0	10
Senior	16	0	16
Junior	20	12	32

The Spearman Rank Correlation coefficient was applied to measure the relationship between appropriateness of policy and effective internal control. In this direction, the employees were asked to rank the appropriateness of the policy and the internal control. Table 3: The result revealed that,  $r = .99990$ . This implied that there is very strong relationship between the policy and the internal control mechanism. This to a large extent resulted to the sustainability and viability of the industry during the conflict period which many industries were destroyed.

During the conflict period most of the employees directly or indirectly participated in the protection and safeguard of the industry.

In addition, the Pearson Correlation was utilized to determine the relationship between policy on production and management over the years. Table 4: The results indicated that  $r = 0.934$ . This implied that there was a strong positive relationship between accounting internal control and production over the years. That  $r^2 = 88\%$ . This means that 88% of the variation in the production can be explained by the effects of the years of production.

The Chi-Square test had been applied. Table 5: The Chi-Square value was 2.374. Since the Chi-Square is less than the critical value of 5.99147 at 5 percent significant level, the stated hypothesis is accepted.

Thus, the data presented sufficient evidence that the appropriateness of corporate policy provided enabling environment for the effectiveness of internal accounting mechanism which act as ingredients and propelling factors for the viability and sustainability of management. In this endeavor, the study observed that the internal control is a participatory process to assure reliability of the management and financial reporting system. Hence, Table 6: revealed that 95 percent of the respondents interviewed indicated that the Policy of participatory approach was very appropriate while 5 percent said was appropriate. Meanwhile Table 7: provided indications on the views expressed by respondents related to the specific statements on the policy of the company.

It was observed that 99 percent of the respondents said that mission statement was very appropriate and one percent said that it was appropriate. The findings of the study further revealed that 98 percent of respondents indicated that the financial/accounting directive procedures and good communication, collaboration and team work were very appropriate respectively. In addition, 97 percent of the respondents revealed that other relevant operating compliance requirement was very appropriate and 3 percent appropriate.

Table 8: The respondents were asked to assess other aspects of the policy as they relate to their well-being. The data revealed that 96 percent of respondent indicated that the respect of employee integrity was very appropriate compared to 4 percent who said that it was appropriate. About 90 percent of respondents revealed that familiarity within code of ethics was very appropriate

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while 10% indicated that ethical values to employee were appropriate. Finally 92% of the respondents indicated that they are familiar with code of ethics.

Table 9: revealed that 100% of all of the managers reviewed and reconciled the supporting documents of the internal control records once a month. 98 percent of the senior staff reviewed and reconciled the supporting documents once a month compared to 90 percent of the junior staff once a month as indicated below.

Table 10: Shows that 58 employees are directly and indirectly involved in Financial and accounting transaction and internal control mechanism of the Brewery. This includes managers, senior and junior staffs. Of this number, 79.3% are aware of reconciling ledgers within the industry. While 20.7% are not aware.

Table 11: The data obtained from the study shows that 85% of the respondents fully participated in handling financial directives, while 15% partially participated. This shows that the accounting and internal control mechanism is participatory in conformity with policy of the industry.

Tables 12: Establishes that all of the managers are aware of pre-numbered receipts and cash receipt numberings are independently controlled. Moreover, 97% and 93% of the senior and junior staff indicated that they are aware of pre-numbered receipts and cash register readings are independently controlled respectively.

## **Conclusion**

Thus, the data presented sufficient evidence that, the appropriateness of the corporate policy provided an enabling environment for the effectiveness of internal accounting mechanism which acts as an ingredient and propelling factor for the viability and sustainability of management.

Meanwhile, the measure of the effect of relationship between corporate policy was,  $r= 0.1752$ . This implied a low relationship. The result suggested that there is a need to improve policy to promote effectiveness for sustainability growth.

## **Recommendations**

The following steps are recommended as critical to the improvement of the internal control system at the Monrovia Breweries.

1. The Company should assess how it currently manages risk, before embarking on a program of change. It is important that existing practices are captured and codified so as not to 'throw the baby out with the bath water.'
2. The Board should reach a consensus over what the significant risks to strategic objectives are? Without clear focus, the review of internal controls will be compromised.
3. Monrovia Brewery should devise a framework as a standard against which to assess the effectiveness of its system of internal controls. As a minimum, it is believed for any control model to work effectively and be relevant to the performance of the business; it must contain the following key components.
4. Performance appetite - For each identified risk, the Board should consider the probability of the risk occurring and the impact its crystallization would have on the business. Controls identified and implemented should be appropriate to maintain the key business risks within the Board's defined risk tolerance levels. Cost/benefit considerations apply here.
5. Demonstration of performance and risk effectiveness - The Board should be periodically provided with an assessment of the effectiveness of control. However, a balance must be struck between direct involvement by the directors and a high level review in which some areas of responsibility are delegated. Performance should be monitored against the targets and indicators identified in the organization's objectives.

**References**

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