

CHAPTER III

ORGANIZATION CHART



1. Purpose of the chart of organization

The organization chart pictures the structure of internal authority and responsibility in a business. It is desirable for the system analyst who is a stranger in the business of the client to study the organization chart of the business for which the accounting system is being installed if such organization chart is available. But if there is none, one should be made. From the organization chart one can have a bird's eye view of how the work in the corporation is being done or will be done. 006971

The chart of organization may be in a skeleton form. But even so, it can be enlarged to project details. Then from an enlarged organization chart one can suggest definite assignment of duties, coordination of efforts, delegation of authority, and specification of responsibility which are essential in the organization of a concern. In its absence, there invariably would exist disharmony, duplication of effort, possibility of fraud, and a restriction of opportunity and initiative among the members composing the organization.

2. Objective of Business Organization

Care should be taken to perfect the organization subject to existing conditions. The object of any business organization is to unite the individuals composing it so that they may form one working body striving efficiently for a common aim which is profit.

At times, an organization may be composed of several departments; a close relationship must exist between these departments and also with respect to the business transactions they handle since all business transactions are carried out by solid units of an organization. Each person on the staff of a business organization is an integral part of that organization.

The present tendency of business organization is administration which is bent towards centralization of control in the hands of a few executives and delegation of duties by these to subordinates who are responsible to the former in the performance of the tasks thus delegated. Authority is delegated by the stockholders to the board of directors. The board of directors in turn delegate a large part of their authority to the officers of the corporation. The officers in turn entrust the execution of many of

the policies of the business to their subordinates who oftentimes employ the services of assistants who are directly in contact with the minor employees.

Under such scheme, the officers would have more time for general plans and policies.

Anyhow, if efficient business administration is to be had, it is not only necessary that plans and policies be laid down but that there should also be careful supervision and control of the activities so that the plans could be carried out successfully.

3. Organization Chart as a Starting Point of System Installation

The work of accounting system installation begins from the preparation and analysis of the organization chart. The system analyst should see business problems in their relation to accounting principles. This calls for an imaginative mind capable of visualizing the best procedure to be followed in a given organization. Organization may vary in form and size depending upon the nature, volume and complexity of business transactions, as well as the policies laid down by the top executive of the corporation.

Different management might have different policies. Policy is the sign post. It supplies the sets of standards to be followed, leading to scientific ways instead of opportunistic business developments. Business policies determine the aims and purposes for which the business was organized and the proximate methods to be followed in realizing its objective. Each policy must be properly carried out. On the whole, all of these policies can be inferred and seen from the organization chart.

4. Analysis of the Organization Chart

The organization chart is a brief layout of the business set up. Like a map or picture, it can be enlarged to such a degree and extent that its details can be seen and analyzed. The organization chart will lead the system analyst to meet the points where he can put up his plan of carrying out the accounting system.

From an analysis of the organization chart, the accounting system can be determined, also the procedures to be followed in the business. Other pertinent informations needed in building the system may also be supplied by the organization chart.

A sample organization chart is hereby presented in its skeleton form.

Stockholders

By the term stockholders, we mean those who own shares of stocks of the corporation. The stockholders elect among themselves those who will compose the board of directors that will manage the affairs of the corporation. Unlike the directors, however, the stockholders can cast votes by proxy. It is incumbent upon the stockholder to set up by-laws of the corporation. The by-laws among other things are the constitution of the corporation which prescribe the rules and regulations to be followed in conducting the affairs of the corporation.

Board of Directors

The Board of Directors are made up of persons elected by the stockholders to manage the affairs of the corporation. The officers of the corporation are usually elected by the board of directors from among its members and have such powers as are conferred to them by by-laws.

The President and General Manager

The president who also usually acts as general manager is the chief executive officer. He presides at the meeting of the board of directors and ordinarily exercises the authority of the board when not in session. As president and/or general manager of the corporation, he is responsible for the success or failure of the business and sees that the business functions smoothly and that all departments do their work properly and promptly and are cooperating with one another.

Vice-President and Comptroller

This is the assistant to the president. The comptroller is also an executive officer whose duty is to assist the president in interpreting the results of operation and in the formulation of policies. He is charged of seeing that proper and accurate accounting controls are maintained.

Generally speaking, the comptroller, while under the direction of the president, is responsible to the board of directors and should report periodically financial statements, and other statistical information relating to operations.

Sales Department

The sales department is the life blood of the business. Profit, the ultimate object of the business is largely dependent upon sales. A business which cannot sell its merchandise cannot continue very long. So, when sales decline, we witness that many concerns go out of business.

The sales department keeps business running at a profit. The function of this department may be summed up, in brief, as follows:

1. Finding out what people want and need;
2. Finding the people who want or need it.
3. Procurement of orders.

In the pursuit of these functions, the sales department must have an advertising section and a battery of salesmen to interest prospective customers through samples of the merchandise with the ultimate aim of consummating sales.

Treasurer

The duties of the treasurer are usually outlined in the by-laws of the corporation. Generally, the treasurer is the financial officer who is the custodian of the funds of the corporation. He is expected to see

to it that funds are available to pay every obligation as it falls due.

The treasurer alone cannot do all these functions. So, he must delegate some of his duties to others. The cash can be left in the hands of the cashier; the credits and collections to the credit men, all under his direction and control.

Personnel Department

The personnel department determines what employees are necessary. It procures the right man for the right position at the rate the company can afford to pay. The duties of the personnel department may be summarized as follows:

1. Interview and select applicants.
2. Train the new employees.
3. Direct, supervise and impose discipline on employees.
4. Observe working conditions.
5. Note absences, tardiness, and personal conduct of employees.
6. Handle transfers, promotions, and resignations of employees.
7. Keep essential personnel records.
8. Recommend personnel policies to be followed.

The primary concern of accounting system installation on personnel department is the payroll. Are the remunerations to be paid on monthly, semi-monthly, weekly, daily, or hourly basis? What is the system of payroll disbursements? Are they paid by checks or cash? These should be considered and internal check and control should be applied.

Internal Auditors

Internal auditors are the people who take care and protect the interest of the company. Internal auditors' tasks are to see to it that all regulations of the company are fully carried out and that all assets and liabilities of the company are accurately taken up in the books. He brings the gap between those policy-making body, the executives, and those charged with the execution of the policies of the management. Actually, internal auditors are not under any department head nor under that of the accounting department.

Accounting Department

The main function of the accounting department from the standpoint of management is to keep them well informed about the business operations by collecting for them pertinent information and presenting same to

them in the form of financial statements. The chief accountant, being the head of the accounting department, acts as a historian, making available for immediate and future use and reference the facts about the business. The report will become the basis of management decisions.

Since accurate and timely records of business transactions provide a sounder basis for business judgment, the accounting system should not be installed too elaborate, cumbersome, and complicated which might withhold the information coming forth from the accounting department and make it out of date. So, the main concern of accounting department installation is to fit the system to the business properly, practically, and make it conveniently to operate and follow up.

Purchasing Department

The purchasing department is to help procurement for the company of office equipments, furniture, office supplies and general supplies. If the company is manufacturing company, the purchasing department is quite important in making decision for buying materials to be supplied to production. Defective buying may, therefore, cause under-selling, under-producing and may lead to losses. The inventory policy should aim at procurement of raw material in suitable amounts to serve production without any interruption.

The function of the purchasing department may be summed up as follows:

1. Formal securing of quotations.
2. Gathering of sources of data, as:
 - a). Catalogs
 - b). Price lists
 - c). Circulars received from suppliers.
3. Placing orders to suppliers.

In installation of accounting system, it should be focused that the procedure of internal check and control is sufficiently and practically applied to this department which acts as the purchaser of the company.

Other Departments

Other departments may be established to take charge of certain activities not specifically provided in various departments named so far. This, of course, depends upon the need and requirement of the business. No hard and fast rules on organization can be laid down here, inasmuch as the nature and magnitude of each particular business govern the procedure.