

Lecturer responsible for AUE2602:

Topic 4: Receipts & Revenue Cycle

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R&R cycle Functions & Documents

Activity 2 – Study guide page 58

Function	Documents
1. Receiving customer orders (Order department)	•Customer order •ISO •Price lists
2. Sales authorisation (Order department)	•Credit application
3. Warehouse	•Picking slip •Delivery note •Back order note
4. Despatch	•Delivery note •List of deliveries
5. Invoicing	•Sales invoice •Price list

R&R cycle

Functions & Documents

Activity 2 – Study guide page 58

Function	Documents
6. Recording of sales	• Invoice / Statement • Goods returned voucher • Credit note
7. Receipts mail room / cashier	• Remittance register • Customer remittance advice • Receipts • Bank deposit slip
8. Recording of receipts	• Bank deposit slip
9. Goods returned by customer	• Goods returned voucher • Credit note
10. Credit management	• Statements • Age analysis • Credit bureau info

R&R cycle

Risks & Internal controls

Manual controls – Jackson & Stent p 10/10 – 10/19

Computerised controls – Jackson & Stent p 10/23 – 10/37

When you get a weakness / risk / internal control, ask:

- 1) What cycle are you in?
 - 2) What function are you in?
 - 3) What is being asked?
- (Are we asking for weaknesses, risks or internal controls?)

- As I've done below, link each IC to a risk / risks for [each of the functions](#) (J&S p 10/10 – 10/19)
- Risks and Internal controls become more logical and therefore easier to remember in the exam
- Can be that a question is not limited to 1 function, then you need to think logically and approach the question the same as described above (Cycle?, Function? Weakness/Risk/IC?) for each activity provided.
- Remember the “**What, on what, why and by whom**”

R&R cycle: Risks & ICs

Receiving customer orders

(J&S p 10/10)

Risk	Internal control
1. Order may be accepted from non-account holder → May result in sales made to customer who does not pay his account	2. The <u>order clerk</u> should check he <u>approved customer list</u> 4.1 The <u>order clerk</u> should request a customer's account number 5. <u>Order clerk</u> should sign all <u>ISOs</u> to indicate performance of control activities (Isolation of responsibilities)
2. Orders may not be acted upon timeously or at all → Could result in loss of sales and customer goodwill	1. All orders should be recorded on sequentially numbered <u>ISO's</u> 6. The <u>order clerk</u> should regularly sequence check the <u>ISOs</u> and matched it to delivery notes to identify any orders that have not been acted upon

R&R cycle: Risks & ICs

Receiving customer orders

(J&S p 10/10)

Risk	Internal control
3. Inaccurate or incomplete order details may be recorded → May result in incorrect deliveries, returns & customer dissatisfaction	3. <u>Customer order</u> should be attached to <u>ISO</u> , with <u>2nd staff member</u> to cross check detail. 4.2 <u>Customer</u> should provide <u>order reference number</u> 4.3 <u>Order clerk</u> to confirm all order details by reading order details recorded back to customer 5. The <u>order clerk</u> should sign all <u>ISOs</u> to indicate performance of control activities (Isolation of responsibilities)

R&R cycle

Computerised controls

Same functions as with the manual systems

What is a **Masterfile**?

The masterfile contains the “Permanent” or “Semi-permanent” info.

e.g. Debtors masterfile would contain inter alia:

- The customer's name
- The customer's account number
- The customer's ID number / Company registration number
- The customer's physical and postal address
- The customer's credit limit as determined by credit controller / manager
- The customer's repayment terms (E.g. 30 days, 60 days etc.)