

APA – Key Activities, Risks & Control Plans

- **Revenue process**

- **Order entry and sales** transaction cycle

- From an **operational perspective** this process is important because:

- Intensive customer contact point - sales are easily lost at this point;
 - Losses are likely if deliveries are not accurate, timely and well controlled.

- **Operational objective** => To provide the right product (or service) at the right time and place:

- Effectively conduct, record and monitor sales of goods and services;
 - Arrange prompt supply of goods and services

1. Process the sales order				
Activity	Risk	Information Risk	F/S Accounts	Control Plans
Check Inventory Levels	<u>Sell goods not available to be shipped</u>	Validity	Sales/Revenue (Overstated)	Perform Inventory Check when sales is being processed
				Periodically Conduct Inventory Count

➤ **Inventory Check** to be effective:

1. The control plan has to occur before the sales orders are recorded [preventative];
2. The Inventory data store has to be updated after the sales order has been recorded to allocate the inventory to the order in order to avoid the same inventory being allocated to different sales orders.

➤ **Inventory Check** can help achieve **both operational and information reliability objectives**:

1. From operational perspective: The inventory check aids in getting the right goods to the right customer in a timely manner in the sales process by **ensuring**

that customers can be informed as to whether an order can be supplied.

2. From information reliability perspective: Conducting an inventory check prior to the order being processed ensures that sales orders are only accepted for goods that can be supplied and that **only valid sales orders will be processed**.

- **Periodically Conduct Inventory Count** can help to **ensure that the stocks levels recorded and used for decision making are accurate and timely**.

Credit Check	<u>Selling goods to customers who cannot or will not pay</u>	Validity	Sales/Revenue (Overstated) Accounts Receivable (Overstated)	Perform Credit Check
				Regular monitoring of customer accounts
				Independent maintenance of customer accounts and credit limits

- **Credit Check** to be effective:

1. The control plan has to occur before the sales orders are recorded [**preventative**];
2. It requires:

- a). An extraction from **customer master data** to obtain **credit limit**;
- b). An extraction from **accounts receivable** to obtain **balance outstanding**;
- c). An extraction from **sales** to obtain **the amount of sales made but not invoiced yet**. [This extraction may be **unnecessary** when the accounts receivable is **updated immediately**.]

- **Credit Check** will be unnecessary in a **pre-billing system**.

- **Regular monitoring of customer accounts** cannot be observed from process documentation but is important from the **operational perspective**. It includes credit limit assessment, payment time and the existence of customers. The latter two control plans can help to **reduce the operational risk of selling to uncreditworthy customers or incorrectly rejecting a creditworthy customer**.