Front-End: Order Entry & Sales Cycle

Objectives		
Provide right product/service at right time and place	Effectively conduct, record and monitor sales of g&s	Ensure sales orders are properly recorded and controlled
		Sales only made to creditworthy customers
	Arrange prompt supply of g&s	Delivered goods meet customer needs

Generic Risks and Control Plans:

Risks to info reliability		Activity	Control Plans
Info reliability goals potentially threatened	Potential financial statement account/s impacted[2]		
Sells goods not available to be shipped		Check Inventory Level	Perform Inv. Check when sale is being processed
V	SR – Over,[1]		Frequent inventory counts
Selling goods to customers who cannot/will not pay		Credit Check	Perform Credit Check[7]
V	SR – Over, AR – Over		Monitor credit accounts frequently (credit limit assessment, payment time, cus existence)
Fictitious Sales Recorded[6]		Create Sales Order	Signed purchase order from customer
V	SR – Over, AR - over		Customer identification check
			Regular confirmation of customer accounts
Valid Sales Order not Processed			Enter data physically close to economic event
C (E)	No effect [3]		Data entry confirmation notification (feedback)
			Reconciliation of Batch Total (record, dollar, hash tot)[4]
Data Entry Errors		Any data input activities	Automated Form Completion (A, C(D)?, V)
A, C (D)	Depends on error		Edit Checks (A)
			Batch Totals (can be for C, A, V)
			Mandatory Field Checks (C (D))
Incorrect recording of goods shipped		Pick, Pack and Ship Goods	Edit Checks
A	SR, Inv.		Independent
Theft of Goods			Verification
V	Inv. – Over [5]		Restricted Access

Notes:

[1] = AR is not affected because if it's a:
- Pre-billing: we would collect the cash then realise we don't have goods to ship so AR won't be affected and our cash at bank balance is reflective of how much cash we've collected
- Post-billing: we would realise we don't have the inventory, so then no invoice will be issued so AR will not increase

[2] = these are all dependent on the design of the process, those listed in the table are just potentially impacts

[3] = because there won't end up being an exchange of goods therefore none of the accounts will be inaccurately representative of eco events

[4] = Batch Totals:		Achieves…
Record count	Number of docs	C (E)
Dollar value total	Total dollar value of all sales	C, A (for dollar fields), V if compared to SD
Hash total	Total of non-dollar quantitative value (any)	C, A (for hash total fields), V if compared to SD

[5] = revenue can be impacted from theft because we make sales that we don't have inventory to ship

[6] = Fictitious sales is different from cus who cannot pay because cus who can't pay have intention to buy but fictitious sales are only

[7] = credit checks will run through 3 assessments:
1. Customer's credit limit (via "**customer**" MD)
2. Deduct current amount of credit being used (via "**AR**" MD)
3. Deduct recent sales that may not have been updated in AR = credit available (via "**Sales**" MD)

Objectives	
Charge right amounts for right products and collect those amounts at the right time	Ensure all customer invoices are prepared and recorded in accurate and timely manner
	Protect cash receipts from fraud and misuse
	Keep receivables balances to minimum level
	Collect amount owing on a timely basis

Generic Risks and Control Plans:

Risks to info reliability		Activity	Control Plans
Info reliability goals potentially threatened	**Potential financial statement account/s impacted**		
(more of post-billing risk) Failure to invoice customers for valid sale		Check Sales Completion	Pre-numb. shipping doc.s & regular review of any shipping doc.s not invoiced
C (E)	SR, AR - under		Forward reconciliation
(more of pre-billing risk) Billing customers when no goods have been shipped			Separate shipping & billing func.s + place control that ensures goods have been shipped prior to billing (ie IT control that restrict creation of invoices until sales order is shipped)
V	SR, AR - over		Backward reconciliation
Invoice Errors (ie wrong items, qty, price, cus)		Create Invoice	Edit Controls (ie format checks, reasonableness checks, dependency checks, etc)
A, V (wrong cus), C (D)	AR – under/over		Automated form fill (populate invoice from sales and shipping data; price lists)
			Confirm customer accounts balance (for over billing)
Incorrect recording (ie wrong customer, inc, amt)		Record Receipt & Payment	Reconcile batch totals of cash receipts (C + V)
A, V (wrong cus)	Cash, AR - depends		Confirm customer accounts (over, not under billing)
			Bank Reconciliation (V + A)
Slow/late/non-payment			Prompt invoicing + set suitable payment terms
V	AR, SR - over		Regularly review & follow-up overdue accounts
			Remove credit facility for non-payers
Theft			Bank reconciliations
V^2	AR – over[1]		Independent approval of credits/sales returns for sales

			invoiced
			Immediate endorsement and separation of cheque and remittance advance[3]

[1] = Cash – over (if payment was recorded as deposit)

[2] = validity because AR doesn't represent a future benefit

[3] =
- Endorsement:
    - Done before cheque is cash
    - Bank left end of check is signed by business
- Purpose of separation:
    - Allows cheque to be receipted and deposited by cashier
    - Payment can be promptly and independently located by accounts receivable staff
        - Allows for later reconciliation by independent person