

Revenue and Receipts cycle includes the following transactions/balances:

- **Statement of Fin Position**
 - Account receivable
 - Cash and cash equivalents
- **Statement of Comprehensive Income**
 - Credit sales (turnover)
 - Sales returns
 - Discount allowed
 - Credit losses (bad debts)
 - Interest received
 - Cash sales (turnover)
 - All receipts (revenue and other)

Functions of Revenue and Receipts cycle:

- **Order department** - receive customer orders and authorize the sale
- **Warehouse/dispatch** - processing and dispatching the order
- **Invoicing** - notifying the customer of the amounts owed
- **Recording sales + raising debtor** - creating records for sales made as well as who owes the company money
- **Receiving and recording payment from debtor** - collecting payment and journalizing receipt
- **Credit management** - evaluating creditworthiness and collecting amounts owed

Order department (manual)

- receives orders from customers and sets filling the order in motion
- order department should confirm that client's account is up to date with payments
- orders received are entered onto an internal sales order (ISO)
- ISO is taken to credit management to have ISO signed and authorized once credit standing has been checked
- order received from non-account holder: credit management will check creditworthiness of client and set credit limit
- copy of ISO is delivered to warehouse
- copy of ISO is filed in order department
- copy of ISO is sent to accounting department

Warehouse/dispatch (manual)

- goods are selected to be sent to the customer in terms of the ISO/picking slip
- ISO/picking slip is given to warehouse employee to select goods listed on ISO
- employee will tick off goods picked on the picking slip
- warehouse clerk must complete a delivery note
- goods are moved to the dispatch area with supporting docs where they are checked and boxed. Dispatch clerk will sign the documentation
- goods dispatched to customer are accompanied by two copies of delivery note, one to be kept by customer, one to be kept by the company
- delivery lists are compiled for deliveries and goods are loaded onto the vehicle under supervision. The driver signs the delivery list

Invoicing (manual)

- notify the customer promptly of the amount due
- accounting employees collect supporting docs for the sale (ISO), they check the details and create an invoice
- copy of invoice is sent to the customer
- debtor details, pricing, discounts and VAT will be checked and a copy of the invoice sent to customer

Recording sales and raising debtors (manual)

- create a record of the sale and raise the amount owed as a debtor
- copy of the invoices for the period is sent to the accounting clerk to write up the invoices
- before the invoices are updated to the ledgers, another staff member will check the sequence of the invoices/accuracy etc. and follow up where necessary
- amounts are then updated to ledgers

Receiving and recording payments from debtors (manual)

- record the receipts of payments from a debtor
- three ways in which debtors pay: cash, cheque, direct deposit
- at end of the month a statement containing all activity for the month is sent to the customer
- receipts will be made out manually for all payments received by mail
- cheques and cash will need to be deposited into the bank
- record receipts from debtors in cash receipts journal from receipts and deposit slips

Credit management (manual)

- minimize the risk of bad debts
- extending credit only to creditworthy customers
- setting reasonable credit limits
- all documentation supplied by prospective customer will be followed up

Documents used in the cycle

- Customer order
- Internal sales order
- Picking slip
- Invoice
- Delivery note
- Statement
- Credit application form
- Receipt
- Remittance advice (doc sent by customer with payment to indicate which invoices are being paid)
- Remittance register (list of payments received by company)
- Credit note
- Deposit slip
- Price lists
- Back-order note
- Goods returned voucher
- Masterfile amendment form
- Logs, variance reports etc.

Requirements of a tax sales invoice stipulated in the Consumer Protection Act:

- VAT registration number of company
- address of premises of the company
- unit price of particular goods supplied
- quantity of the particular goods supplied
- amount of any applicable taxes
- total price of the transaction including any applicable taxes

NB: See Jackson & Stent 10/10 - 10/19

NB: See Jackson & Stent 10/23 - 10/43