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 order clerk should check he approved customer list 4.1 The order clerk should request a customer's account number 5. Order clerk should sign all ISOs 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 ISO's 6. The order clerk should regularly sequence check the ISOs 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. Customer order should be attached to ISO, with 2nd staff member to cross check detail. 4.2 Customer should provide order reference number 4.3 Order clerk to confirm all order details by reading order details recorded back to customer 5. The order clerk should sign all ISOs 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.)