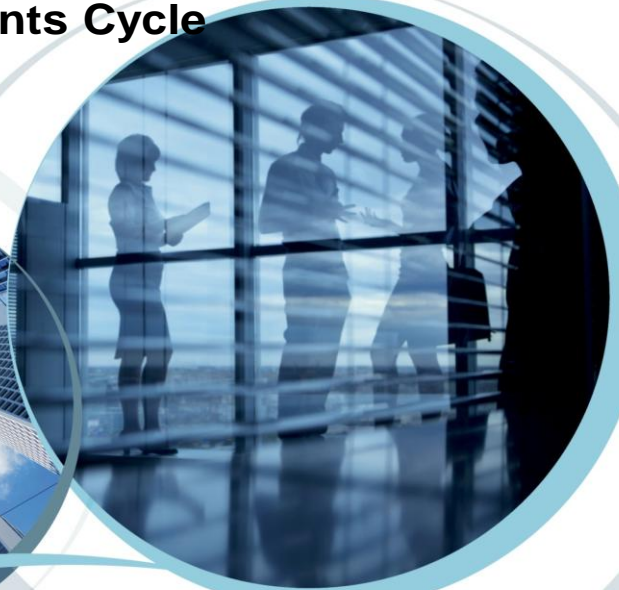


# Lecturer responsible for AUE2602: Topic 5: Acquisitions & Payments Cycle Ms Nicolene Coetzee

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## A&P cycle Functions & Documents

### Activity 2 – Study guide page 58

Function	Documents
1. Ordering of goods	<ul style="list-style-type: none"><li>•Requisitions</li><li>•Purchase order form</li></ul>
2. Receiving of goods	<ul style="list-style-type: none"><li>•Supplier delivery note (DN)</li><li>•Goods received note (GRN)</li></ul>
3. Recording of purchases	<ul style="list-style-type: none"><li>•Purchase invoice</li><li>•Credit note (CN)</li><li>•Creditors statements</li></ul>
4. Payment preparation	<ul style="list-style-type: none"><li>•Remittance advice</li><li>•Cheque requisition</li></ul>
5. Actual payment and recording	<ul style="list-style-type: none"><li>•Cheque</li><li>•Returned paid cheque</li><li>•Bank statement</li></ul>

# A&P cycle

## Risks & Internal controls

**Manual controls** – Jackson & Stent p 11/9 – 11/13

**Computerised controls** – Jackson & Stent p 11/16 – 11/30

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 11/9 – 11/13)
- 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**”

## A&P cycle: Risks & ICs

### Ordering of goods

(J&S p 11/9)

Risk	Internal control
1. Ordering of incorrect or unnecessary goods → could result in liquidity problems and wastage	1. The order clerk should not place an order without an authorised requisition 1.1 The order should be cross referenced to requisition 1.2 The stores personnel should confirm that goods are really needed 2.2 Before order is placed, a senior buyer should review order for quantity and nature of goods being ordered

## A&P cycle: Risks & ICs

### Ordering of goods

(J&S p 11/9)

Risk	Internal control
2. Ordering unauthorised goods → could result in losses to the company through fraud	1.2 The stores personnel should confirm that goods are really needed 2.1 Before order is placed, a senior buyer should check the order to requisition for accuracy and authority. 2.2 Before order is placed, a senior buyer should review order for suitability of supplier
3. Requisitions not acted upon / orders not placed timeously or at all → could result in losses to company due to delay in e.g. production	4. Order department should file requisitions sequentially by department, and should frequently review the files for requisitions not yet cross referenced to an order

## A&P cycle: Risks & ICs

### Ordering of goods

(J&S p 11/9)

Risk	Internal control
4. Obtaining inferior quality goods → could result in losses to company due to delay in e.g. production	3. Company should have an approved supplier list to which the buyer should refer when ordering. (before a supplier is approved, snr personnel should carefully evaluate supplier iro the quality of their goods)

## A&P cycle: Risks & ICs

### Ordering of goods

(J&S p 11/9)

Risk	Internal control
<p>5. Paying unnecessarily high prices for good            → could result in losses to company due to overpayment of goods</p>	<p>2.2 Before order is placed, a senior buyer should review order for reasonableness of price.</p> <p>3. Company should have an approved supplier list to which the buyer should refer when ordering. (before a supplier is approved, snr personnel should carefully evaluate supplier iro the price of their goods)</p> <p>3.1 If no approved suppliers list, buyer should seek quotes from a number of suppliers before placing the order.</p>

## A&P cycle: Risks & ICs

### Ordering of goods

(J&S p 11/9)

Risk	Internal control
<p>6. Orders placed with suppliers not filled / not timeously filled            → could result in losses to company due to delay in e.g. production</p>	<p>3. Company should have an approved supplier list to which the buyer should refer when ordering. (before a supplier is approved, snr personnel should carefully evaluate supplier iro their reputation and reliability)</p> <p>3.2 Even if ordering from approved supplier, buyer should contact supplier to confirm availability and delivery dates</p> <p>5. Order department should file orders sequentially by department, and should frequently review the files for orders not yet cross referenced to a GRN</p>

# A&P cycle: Risks & ICs

## Ordering of goods

(J&S p 11/9)

Risk	Internal control
7. Order forms are misused e.g. for placing orders for private purchases → could result in losses to company due to fraud	6. Blank order forms should be subject to sound stationery controls

# A&P 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. Creditors masterfile would contain inter alia:

- The supplier’s name
- The supplier’s account number
- The supplier’s ID number / Company registration number
- The supplier’s physical and postal address
- The supplier’s credit limit provided
- The supplier’s repayment terms (E.g. 30 days, 60 days etc.)