

ACC490

Date: Thu, 17 JAN 2008 7:42:53 +0000
From: "Darlene Wardlaw" <DW@aow.cpa>
Subject: Understanding the Revenue Cycle
Attachment: <<RevenueICQ.doc>>

I've attached a Sales internal control questionnaire from another engagement that I think you can use for Apollo. You may want to talk to Karina Ramirez to get answers to the questions.

1. **Complete the ICQ for Apollo.** For "yes" answers, add a comment stating which department and clerk performs the function. For "no" answers, describe the possible "errors" or "frauds" that could occur because of the control weakness.
2. I've started a flowchart and listed some strengths and weaknesses, but had to leave before I could finish it. **See if you need to add any more strengths and/or weaknesses that you find from the ICQ and narrative descriptions of the revenue cycle.**

DW

Internal Control Questionnaire—Sales Transa

Assertions and Questions	Yes, No, N/A
Occurrence assertion:	
1. Is the credit department independent of the sales department?	Yes
2. Are sales of the following types controlled by the same procedures described below? Sales to employees, COD sales, disposals of property, cash sales, and scrap sales.	Yes
3. Is access to sales invoice blanks restricted?	Yes
4. Are pre-numbered bills of lading or other shipping documents prepared or completed in the shipping department?	Yes
Completeness assertion:	
5. Are sales invoice blanks pre-numbered?	Yes
6. Is the sequence checked for missing invoices?	Yes
7. Is the shipping document numerical sequence checked for missing bills of lading numbers?	No
Accuracy assertion:	
8. Are all credit sales approved by the credit department prior to shipment?	Yes
9. Are sales prices and terms based on approved standards?	Yes
10. Are returned sales credits and other credits supported by documentation as to receipt, condition, and quantity, and approved by a responsible officer?	Yes
11. Are shipped quantities compared to invoice quantities?	Yes
12. Are sales invoices checked for error in quantities, prices, extensions and footing, and freight allowances, and checked with customers' orders?	Yes
13. Is there an overall check on arithmetic accuracy of period sales data by a statistical or product-line analysis?	Yes
14. Are periodic sales data reported directly to general ledger accounting independent of accounts receivable accounting?	No
Classification objective:	
15. Does the accounting manual contain instructions for classifying sales?	No
Cutoff objective:	
16. Does the accounting manual contain instructions to date sales invoices on the shipment date?	Yes

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questions.

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