ACC490

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

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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**

<<RevenueICQ.doc>>