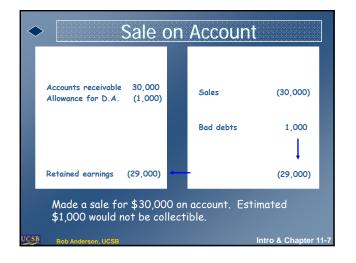
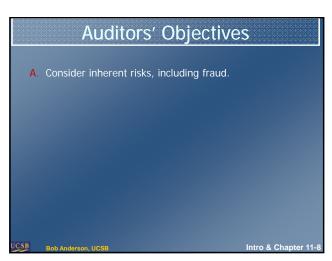




Internal Control Over the Revenue Cycle Controlling customers' orders Credit approval Issuing merchandise Shipping Billing Adjustments to sales and receivables







Auditors' Objectives B. Consider internal control over receivables and revenue. 1. Obtain an understanding of internal control. 2. Assess control risk and design additional tests of controls and substantive tests. 3. Perform additional tests of controls. a. Examine significant aspects of a sample of sales transactions. b. Compare a sample of shipping documents to related sales invoices. c. Review the use and authorization of credit memoranda. d. Reconcile cash register tapes and sales tickets with sales journals. e. Test computer application controls. 4. Reassess control risk and modify substantive tests.

Auditors' Objectives Obtain an ARTB and reconcile to ledgers. 2. Confirm receivables with debtors. 3. Review the year-end cutoff of sales transactions. 4. Perform analytical procedures for A/R and revenue. 5. Review significant year-end sales contracts for unusual terms. 6. Evaluate the propriety of the accounting methods for receivables and revenue. 7. Evaluate accounting estimates related to revenue recognition. Determine adequacy of allowance for uncollectible accounts- obtain the aging to assist in this. Ascertain whether any receivables have been pledged. 10. Investigate any transactions with related parties 11. Evaluate the business purpose of significant and unusual sales transactions. 12. Evaluate presentation / disclosure of receivables and revenue. Intro & Chapter 11:

LINK SUBSTANTIVE TEST TO THE OBJECTIVE EXISTENCE CITIENT Confirmations Sales cut-off Vouching from AR aging to sale invoices Vouching to subsequent receipts UNDERSTAND TRANSACTIONS/ APPLY REV. RECOGN. COMPLETENESS/ Cutoff Sales cut-off Vouch from shipping documents to a/r RIGHTS & OBLIGATIONS Confirmations- customer might tell you something Other testwork (debt for instance) may indicate pledges of receivables VALUATION Analytics Turnover computations and comparisons Evaluation of aging Aging procedures (Inquire all balances > 90 days) PRESENTATION & DISCLOSURE Factor what learned above into the financial statements.