Chapter 12

Sales/Collection Process

Outline

- Expected outcomes

- Process role & purpose

- Process steps

- AIS components

- Systems documentation

Expected outcomes

With respect to the sales / collection process:

– Explain its role and purpose.

– List and discuss, in order, the steps in the process.

– Explain how the generic structure of most AIS applies to the process.

– Process common transactions.

– Design & critique internal controls based on common risk exposures.

– Develop & interpret process-related systems documentation.

Process role and purpose

- Sell goods and services to clients
  - On account
  - For cash
- Collect payment from clients
- Value chain relationships
  - Marketing and sales
  - Outbound logistics
  - Service (to the extent service is sold)

Process steps

- Take customer order.
  - Forms: customer order
  - Agents: Sales staff, customer
- Approve customer's credit.
  - Forms: customer order (to verify total amount)
  - Agents: Credit department

Process steps

- Fill the order based on approved credit.
    - Forms: Picking list
    - Agents: Warehouse staff
- Ship the product.
    - Forms: Packing list, bill of lading
    - Agents: Delivery staff and / or common carrier

Process steps

- Bill the customer.
  - Forms: Customer order, bill of lading, invoice
  - Agents: Billing clerks, customer
- Collect payment.
  - Forms: Invoice, remittance advice, customer check
  - Agents: Cash receipts clerks, customer
- Process uncollectible receivables as necessary.

Process steps

- **Lecture break 12-1**

  - Which steps in the sales / collection process could be made more efficient / effective with information technology?

  - How is human judgment involved in the sales / collection process?

AIS components

- Inputs & outputs

  Forms listed on previous slides

- Processes
  - Process steps
  - Accounting cycle
  - Common transactions
    - Sales for cash
    - Sales on account
    - Cash collections
    - Inventory returns
    - Freight payments
    - Bad debt write-off

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AIS components

- Storage
  - Master files
    - Employee
    - Inventory
    - Customer
  - Transaction files
    - Sales
    - Cash receipts
  - Junction files
    - Sales / inventory

AIS components

- Internal controls
  - Separation of duties
  - Document matching
  - Adequate documentation
  - Transaction limits
  - Restrictive endorsement of checks
  - Daily deposits of cash receipts
  - Inventory monitoring & replenishment policies
  - Appropriate use of information technology
  - Insurance & bonding
  - Bank reconciliation
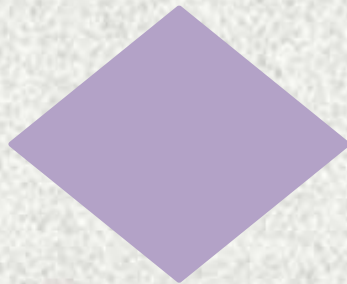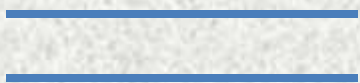
AIS components

- **Lecture break 12-2**

  Working with a partner, select one of the

  internal controls listed on the previous slide.

  Generate one line of a risk / control matrix that

  includes your selected internal control.

Systems documentation

- Systems flowchart

- Data flow diagrams

- REA models
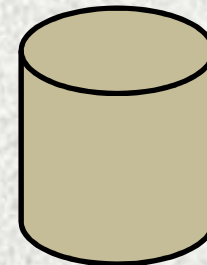
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Systems documentation

- **Lecture break 12-3**

  In a format specified by

  your instructor,

  document the short case

  on the next slide.

Systems documentation

A customer selects books from the shelves of a retail bookstore; the customer brings them to the cash register for payment. A store clerk processes the sale, which the customer pays for with both cash and a credit card. A security clerk checks the merchandise against the receipt as the customer leaves the store.

Classroom assessment

- This chapter has focused on the sales / collection process:
  - Role and purpose
  - Steps
  - AIS components
  - Systems documentation

- Consider the process you used to purchase your AIS textbook this term.
  - How did the transaction apply the steps in the sales / collection process?
  - Which AIS components did you observe as part of the transaction?
  - Document the transaction in a format specified by your instructor.