Internal control

Chapter 6: Internal control in the business processes

C. Sales

3. Sales

1. Major risks

- Risk of demand shift
- Product liability risk
- Price and currency rate changes
- Risk that seller sells against better conditions

2. The sales process

2.1. Making quotations

- Goal: making sure all requests are answered to
- What do we need to be able to make a quotation?
  - Can we deliver the requested goods (in time)?
  - Is the (potential) customer credit worthy?
  - Are we allowed to sell to this customer?
  - What is the price we want to sell at?
  - Other conditions?

3. Sales

2.2. Incoming orders

- Consecutive numbering
- Checking correctness and timeliness
- Direct order entry
- Checking whether order is acceptable

2.3.Credit limits

- Reducing/limiting the credit risk
- Information we can use:
  - Credit ratings
  - Analysis of financial statements
  - Historical customer information
- Has to be updated regularly
- Should not be set by authorizing sales function – why not?

3. Sales

2.4. Delivery and invoicing

- Delivery assignments to warehouse and/or shipping
- Parallel invoicing

2.5.Credit notes

- Causes:
  - Error on invoice
  - Customer complaint
- Can only be approved by authorizing sales function

2.6. Accounts receivable administration

- Should be adjusted as soon as possible after occurance or disapearance of receivables
- Usefull reports can be withdrawn from AR records

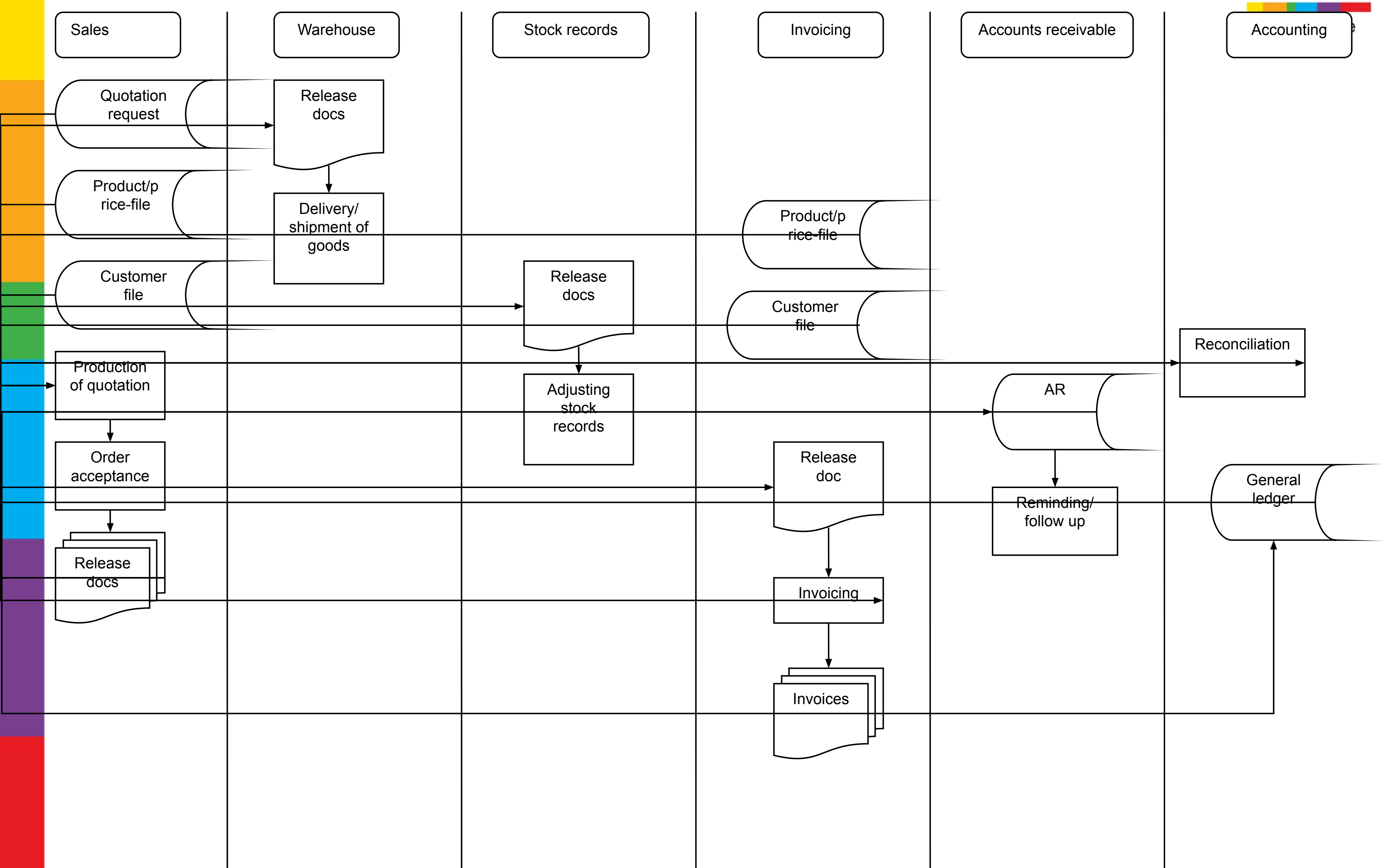
3. Sales

2.7. Sales in foreign currencies

- Example
- Hedging via options/futures

2.8. Reminders/dunning

- Different methods
- Monitoring of customer behaviour
- Ageing list
- Other posiblities to reduce credit risk:
  - Credit insurance
  - Factoring
  - Advance payment/cash payment


Sales
Warehouse
Stock records
Invoicing
Accounts receivable
Accounting
Quotation request
Release docs
Product/price-file
Delivery/ shipment of goods
Product/price-file
Customer file
Release docs
Customer file
Reconciliation
Production of quotation
Adjusting stock records
AR
Order acceptance
Release doc
General ledger
Reminding/ follow up
Release docs
Invoicing
Invoices