

## Sales and Cash Receipts System

### ❖ SUA Chapter 3



1

## Accountant's Objectives

1. Record all sales transactions
  - ❖ at correct values
  - ❖ to correct accounts
  - ❖ in the correct period
2. Write off uncollectible receivables
3. Make a reasonable estimate for doubtful accounts
4. Include all material disclosures affecting the accounts in the statements and related footnotes.

2

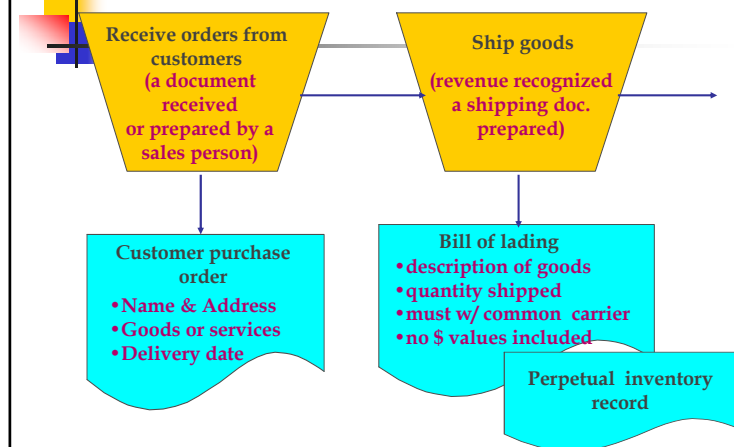
## Common Source Documents and Functions

### Revenue Cycle

Source Document	Function
Sales order	Record customer order.
Delivery ticket	Record delivery to customer.
Remittance advice	Receive cash.
Deposit slip	Record amounts deposited.
Credit memo	Support adjustments to customer accounts.

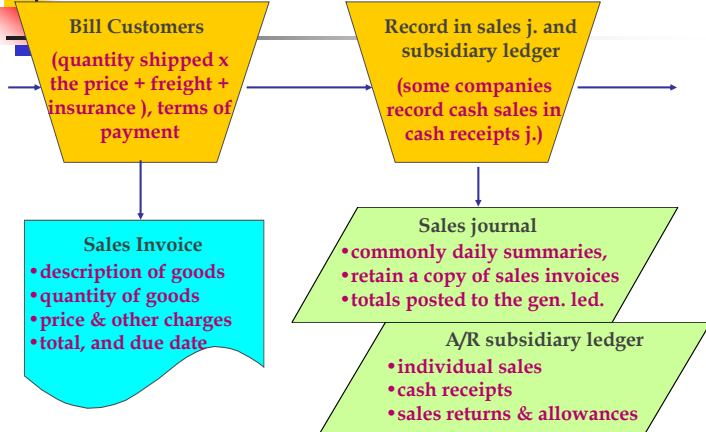
3

## Sales - Actions and Documents



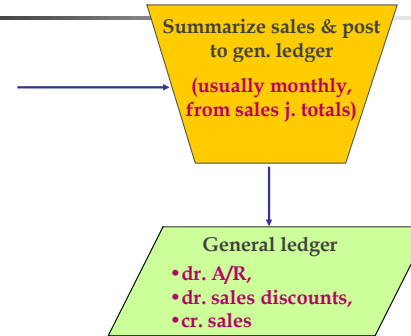
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## Sales - Actions and Documents - (continued)



5

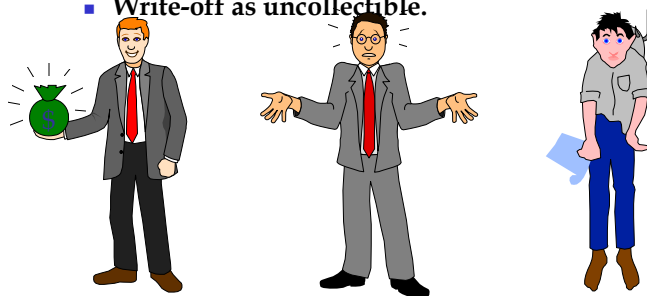
## Sales - Actions and Documents - ended



6

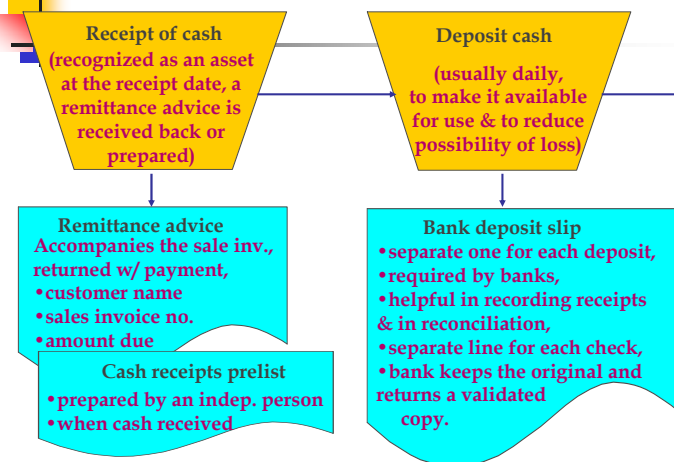
## Three ways an A/R is eliminated

- Collection of cash,
- Sales return and allowance,
- Write-off as uncollectible.



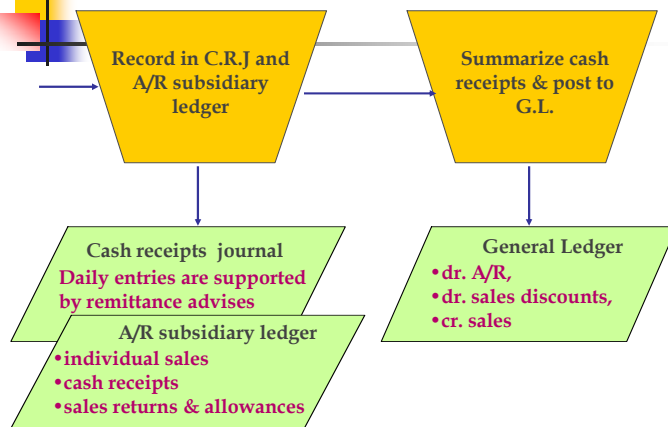
7

## Cash Receipts - Actions & Documents



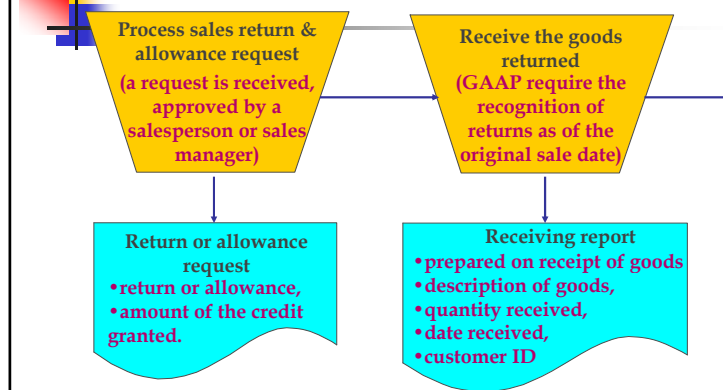
8

## Cash Receipts - Actions & Documents



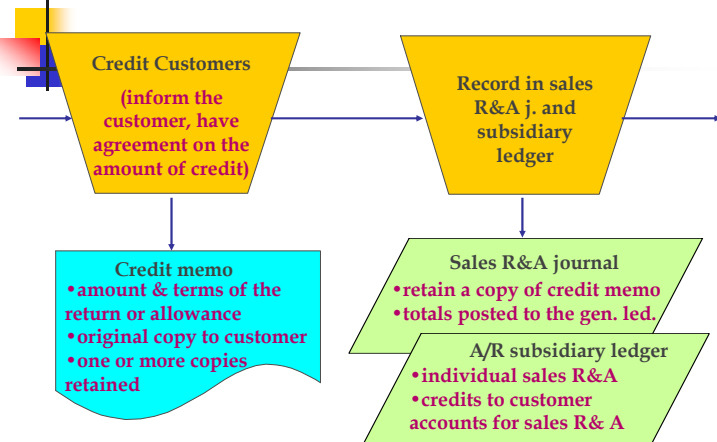
9

## Sales Returns & Allowances



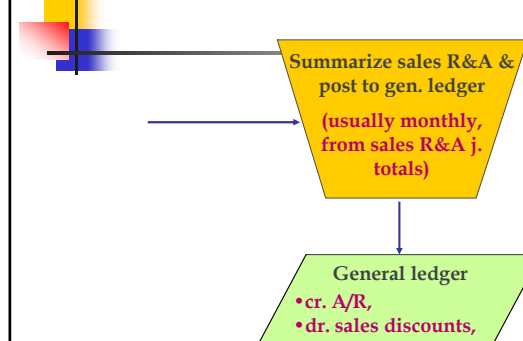
10

## Sales Returns & Allowances - continued



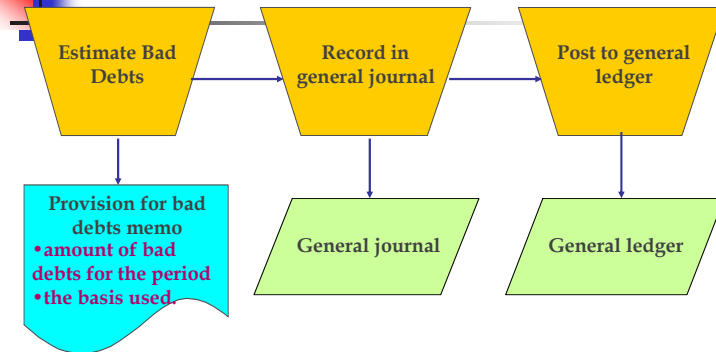
11

## Sales Returns & Allowances - continued



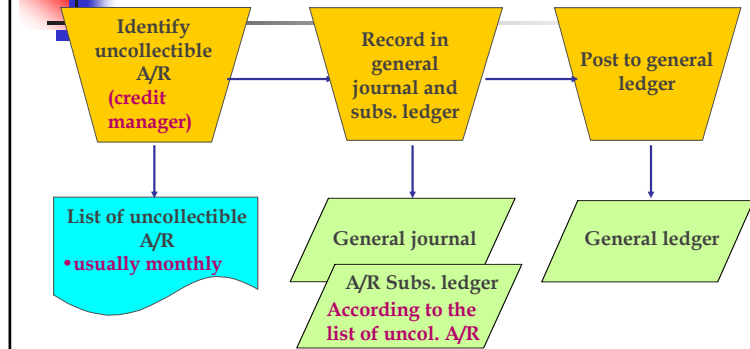
12

### Estimate of Bad Debt Expense



13

### Write-off of Uncollectible A/R



14

### Record Transaction Data in Journals

Page 5

Sales Journal						
	Date	Invoice Number	Account Debited	Account Number	Post Ref.	Amount
	Dec. 1	201	Lee Co.	120-122	■	800.00
	Dec. 1	202	May Co.	120-033	■	700.00
	Dec. 1	203	DLK Co.	120-111	■	900.00
				TOTAL:		2,400.00
						120/502

15

### Post Transactions to Ledgers

Sales Journal						Page 5
Date	Invoice Number	Account Debited	Account Number	Post Ref.	Amount	
Dec. 1	203	DLK Co.	120-111	■	900.00	
		TOTAL			2,400.00	
			120/502			
General Ledger						
Account: Accounts Receivable Account Number: 120						
Date	Description	Post Ref	Debit	Credit	Balance	
Dec. 1	Sales	SJ5	2,400		2,400	

16

## Post Transactions to Ledgers

Sales Journal					Page 5
Date	Invoice Number	Account Debited	Account Number	Post Ref.	Amount
Dec. 1	203	DLK Co.	120-111		900.00
		TOTAL	120-502		2,400.00

General Ledger					
Account: Credit Sales			Account Number: 502		
Date	Description	Post Ref	Debit	Credit	Balance
Dec. 1	Sales	SJ5		2,400	2,400

17

## A/R Aged Trial Balance

- Reconciles the control account to the subsidiary ledger,
- Shows a listing of A/R for management review and decision making for the proper collection policies,
- Provides information about the adequacy of the allowance for doubtful accounts and need to write-off.
- On each line;
  - customer name,
  - total balance due from the customer,
  - Aging information is shown.

18

## Internal Controls

- ❖ Adequate documents and records
  - Pre-numbered & properly designed
- ❖ Authorization of transactions, by initialing documents;
  - credit approval before shipment,
  - price and terms,
  - shipment,
  - cash discount allowed,
  - credits to A/R
- ❖ Separation of the custody of assets from accounting

19

## Internal Controls - continued

- ❖ Independent checks on performance
  - all pre-numbered shipping documents, and sales invoices must be accounted for,
  - compare prices on invoices to approved price list.
  - check the footing in journals and records,
  - reconcile the A/R control acc. to the related subs. ledger,
  - prepare a monthly bank reconciliation.
- ❖ Monthly statements to customers

20