

# **Audit, Business Processes and Digitalization [BL 5]**

## **Business Level II | CA Sri Lanka**

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Study Text

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## **PART B: BUSINESS PROCESSES AND INTERNAL CONTROLS**

### **B.1: Sales Management**

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Doing business or running an organization is a series of activities/multiple activities carried out to achieve business goals/objectives. Activities carried out on 'SALES' is one such prime series of activities carried out by many organizations as sales is the main source of 'maximization of owners wealth' of an organization.

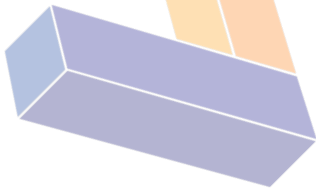
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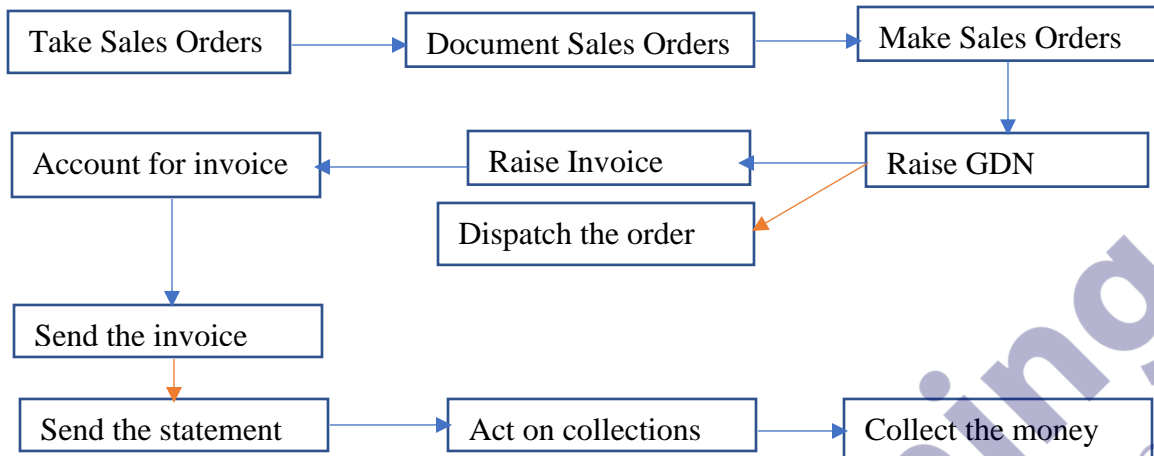
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#### **B.1.1. Sales process**

Activities within the sales process (or sales system) are customer selection, processing of customer orders, dispatching inventory, invoicing and collection of receipts



## Overview of the sales process

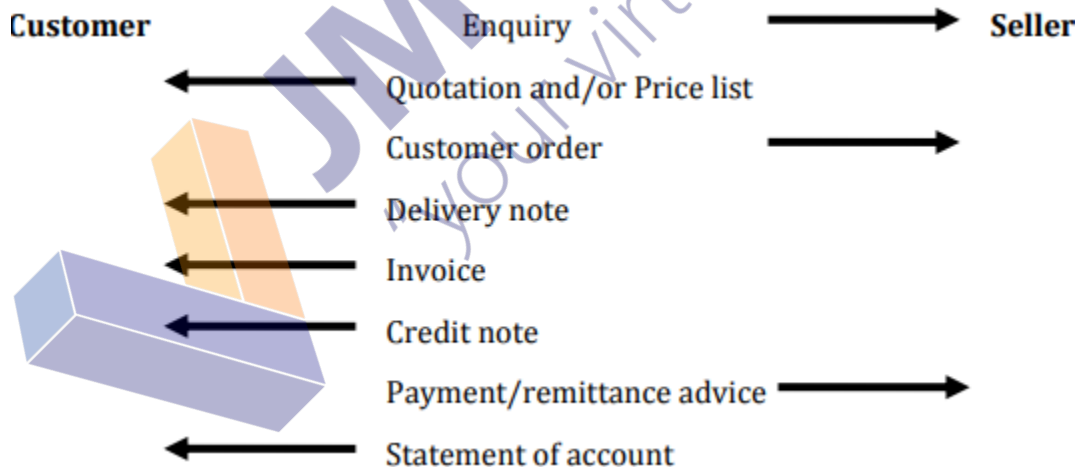


## Documents involved in the sales process

When sales [credit] are made there are potentially many documents involved

The diagram below gives an overview of the main documents potentially involved in a credit sale, from initial customer enquiry through to final settlement of the invoice. The arrows indicate whether the document is flowing from customer to seller (left to right) or from seller to customer (right to left)

Our aim is to examine in detail the sequence of processes involved in the sales cycle and how the process is managed



### ❑ *Quotation and price list*

The process is started by an initial enquiry from the prospective customer. The seller then answers the enquiry with a quotation and/or a price list

The credit sale process will normally be initiated by the customer making an enquiry about the purchase of goods. The seller replies to the customer's enquiry confirming that the requested goods can be supplied, on what date and at what price. This may be done verbally, or by sending a price list and/or a quotation. Increasingly communications are by email or sometimes an electronic quotation system will generate an automatic email to the potential customer

#### ***Example: De Silva Electrical***

*Earlier today, De Silva Electricals' sales department received a phone call from the purchasing manager of Fernando Superstores enquiring whether De Silva Electrical could supply six Zanpoint dishwashers as soon as possible. De Silva is able to supply these, so the sales department documented the enquiry and sent out the following quotation and extract from its price list*

<b>QUOTATION</b>	
Prepared by: SA Checked by: PS	<b>De Silva Electrical</b> 1st Cross St Colombo 11
To: [ Fernando Superstores Maliban St Colombo 11 ]	Date: 3 Sept 20XX Number: 04217
Thank you for your enquiry of earlier today. We are pleased to confirm that we can deliver the following goods on the day after receiving your purchase order.	
6 Zanpoint dishwashers (Code 4425) at a price of Rs. 40,000 each plus VAT.	
Authorised: <i>J Hampton</i> Sales Manager	

Note that the duties of preparing the document, checking it and authorizing it are segregated. In this case the quotation shows the initials of the individual who completed the check. The checks could be completed on electronic documents and the relevant computer system would log the person preparing and checking the document

<b>DE SILVA ELECTRICAL PRICE LIST (extract)</b>		
<b>Product code</b>	<b>Product description</b>	<b>Unit price Rs.</b>
Zanpoint 4425	Dishwasher	40,000

**B.1.2. Sales orders**

The customer confirms with an order when the quote is accepted

The purchasing manager at Fernando has received this quotation and price list and finds the price and terms acceptable. The purchasing department will produce the order shown next, which as far as De Silva is concerned is a sales order or customer order. This may be a paper or electronic document (a pdf for example)

Note that if an order is taken over the phone, De Silva may produce its own internal order document and the phone conversation must be documented in this case

<b>ORDER</b>			
Fernando Superstores Maliban St Colombo 11		Prepared by: FS Checked by: AP	
<b>To:</b> De Silva Electrical 1st Cross St Colombo 11		<b>Number:</b> 32011 <b>Date:</b> 5 Sept 20XX	
<b>Delivery address:</b> Fernando Superstore Galle Rd Colombo 06			
Product code	Quantity	Description	Unit list price Rs. (excluding VAT)
4425	6	Zanpoint Dishwasher	40,000
<b>Authorised by:</b> <i>P. Wimalathana</i>		<b>Date:</b> <i>5 Sept 20XX</i>	

### B.1.3. Dispatch and delivery

The goods are dispatched to the customer with a delivery note that must be signed by the customer upon receipt of the goods and a copy returned to the seller. The seller then sends out an invoice requesting payment from the customer

Once the order is received by the sales department of De Silva Electrical it will be checked against the quotation number 04217 to ensure that this was the quantity and price that had been quoted to Fernando. The delivery of the goods must then be organized. The sales department will draw up the delivery note, shown next, to accompany the dishwashers

<b>DELIVERY NOTE</b>		
Prepared by: SD Checked by: DS		<b>De Silva Electrical</b> 1st Cross St Colombo 11
<b>Delivery address:</b>  Fernando Superstore Galle Rd Colombo 06		<b>Number:</b> 34619 <b>Date:</b> 6 Sept 20XX <b>Order number:</b> 32011
Product code	Quantity	Description
4425	6	Zanpoint Dishwasher
<b>Received by:</b> (Signature) .....		<b>Print name:</b> .....
<b>Date:</b> .....		

❑ **Invoice**

The next stage in the process is for De Silva Electrical to produce a sales invoice. This may be generated from within the accounting system and often will automatically attach to an email to send to the customer. This is the request for payment for the dishwashers from Fernando Superstores and details precisely how much is due and when

Note: VAT (sales tax) results in an additional percentage of the invoice amount being added and the related invoice shows net amount, sales tax added and a gross amount. The accumulated VAT less deductible tax on purchases is paid over to the tax authorities periodically. The calculation of the tax should be checked if the computerized systems don't already include controls to ensure these are correct

<b>INVOICE</b>		<b>Invoice number 56314</b>	
		Prepared by: SD	Checked by: SA
		Authorised by: SM	
<b>De Silva Electrical</b>			
1st Cross St			
Colombo 11			
<b>Tel: 01239 345639</b>			
<b>Date/tax point:</b>	7 September 20XX		
<b>Order number:</b>	32011		
<b>Customer:</b>	Fernando Superstores Galle Rd Colombo 06		
<b>Account number (customer code)</b>	SL 44		
<b>Description/product code</b>	<b>Quantity</b>	<b>Unit amount Rs.</b>	<b>Total Rs.</b>
Zanpoint dishwashers /4425	6	40,000	240,000
<b>Net total</b>			240,000
<b>VAT at 8%</b>			19,200
<b>Invoice total</b>			259,200
<b>Terms 30 days net</b>			

The invoice is prepared by the sales department with reference to the information on the order (its number is included on the invoice to help the customer trace the details), quotation/price list and delivery note. We shall see more about preparing invoices later in this chapter

**❑ Recording the invoice**

The invoice must be entered by De Silva into its accounting system and it will then show on the customer (sales ledger) account for Fernando. It is likely that De Silva's computerized system was used to generate the invoice above. In raising the invoice the transaction will have been automatically recorded against Fernando's customer account

**❑ Credit note**

If a damaged dishwasher is returned to De Silva then notification is needed. A returns note may be sent by Fernando to De Silva with details or, alternatively, De Silva may raise its own returns note when the goods are received back. De Silva's stores department must ensure that the dishwasher is in fact returned damaged, then De Silva will issue a credit note to Fernando which reverses the part of the sales invoice that relates to the damaged dishwasher

<b>CREDIT NOTE</b>		<b>Credit note number 08641</b>	
		Prepared by: SD	Checked by: SA
		Authorised by: SM	
<b>De Silva Electrical</b> 1st Cross St Colombo 11 Tel: 01239 345639			
<b>Date/tax point:</b>		12 September 20XX	
<b>Order number:</b>		32011	
<b>Customer:</b>		Fernando Superstores Galle Rd Colombo 06	
<b>Account number (customer code)</b>		SL 44	
<b>Description/product code</b>	<b>Quantity</b>	<b>Unit amount Rs.</b>	<b>Total Rs.</b>
Zanpoint dishwasher /4425 Reason for credit note (re invoice 56314): Delivered damaged	1	40,000	40,000
<b>Net total</b>			40,000
<b>VAT at 8%</b>			3,200
<b>Credit note total</b>			43,200
<b>Terms 30 days net</b>			



The credit note is raised by De Silva with reference to the information on the order and invoice (its number is included on the credit note to help the customer trace the details), quotation/price list and returns note. The calculations are done by the sales department

The credit note is entered by De Silva into its accounting system when raised and from there will be posted to the sales ledger account for Fernando

### B.1.4. Receipt

At some stage the credit customer will pay the supplier for goods that have been supplied. This may be by cheque, debit or credit card payment or by automated payment from the customer's bank account to the supplier

*Example: Customer receipt*

Suppose that on 20 September Fernando Superstores paid De Silva Electrical by cheque the amount that it owed to the company at the beginning of September, which was for invoice 56019 (different) received on 21 August less credit note number 08613 (different) received on 28 August, along with the cheque it sends the supplier the following remittance advice note

<b>REMITTANCE ADVICE NOTE</b>		<b>Remittance advice note number</b>
Fernando Superstores Galle Rd Colombo 06		<b>0937498</b> Prepared by: FS    Checked by: RM Authorised by: SM
<b>Supplier:</b>		<b>De Silva Electrical</b> <b>1st Cross St</b> <b>Colombo 11</b>
<b>Account number (supplier code)</b>		<b>PL 526</b>
<b>Date</b>	<b>Transaction reference</b>	<b>Amount Rs.</b>
21/08/XX	Invoice 56019	120,000
28/08/XX	Credit note 08613	(20,000)
20/09/XX	Payment made - cheque enclosed	100,000

The receipt is entered by De Silva into its accounting system (computerized cash book) and from there into the sales ledger account for Fernando

❑ *Statements of account for credit customers*

A statement of account is sent out to the customer on a regular basis, normally monthly, showing invoices and credit notes issued during the month, payments received (if any) and the final amount outstanding from the customer at the end of the month

There is one final document in the document cycle for credit sales and that is the Statement of account. This shows all the invoices and credit notes that have been sent to the customer that month together with any amounts outstanding from previous months, along with any payments received from the customer in the month. It is common practice to send out statements to customers on a regular basis, usually monthly. The customer can use the statement to check that its records are complete. Discrepancies between the records of customers and suppliers frequently come to light following receipt of a statement

De Silva Electricals' statement of account to Fernando Superstores might look like this

<b>STATEMENT OF ACCOUNT</b>		Prepared by: DA    Checked by: DS Authorised by: CC		
<b>De Silva Electrical</b> <b>1st Cross St</b> <b>Colombo 11</b> <b>Tel: 01239 345639</b>				
<b>Date:</b>		30 September 20XX		
<b>Customer:</b>		Fernando Superstores Galle Rd Colombo 06		
<b>Account number (customer code)</b>		SL 44		
<b>Date</b>	<b>Details</b>	<b>Debit Rs.</b>	<b>Credit Rs.</b>	<b>Balance Rs.</b>
21.08.XX	Inv56019	120,000		120,000
28.08.XX	CN08613		20,000	100,000
07.09.XX	Inv56314	259,200		359,200
12.09.XX	CN08641		43,200	316,000
20.09.XX	Payment received - thank you		100,000	216,000
<b>Amount now due</b>				<b>216,000</b>

### B.1.5. Risks and controls in the sales process

There are a number of checks and controls put in place around the sales system to mitigate the associated risks

#### *Worked Example – Invoicing*

*You work for De Silva Electrical and are responsible for preparing sales invoices. Today is 8 October 20XX and you have on your desk the following customer order from Fernando Superstores for which an invoice must be prepared*

<b>ORDER</b>			
Fernando Superstore Galle Rd Colombo 06		Prepared by: FS Checked by: AP	
<b>To:</b> De Silva Electrical 1st Cross St Colombo 11		<b>Number:</b> 32174 <b>Date:</b> 2 Oct 20XX	
<b>Delivery address:</b> Fernando Superstore Galle Rd Colombo 06			
Product code	Quantity	Description	Unit list price Rs. (excluding VAT)
6160	4	Hosch Washing Machine	60,000
3172	10	Temax Mixer	8,000
<b>Authorised by:</b> <i>P. Winterbottom</i>		<b>Date:</b> <i>2 Oct 20XX</i>	

Step 1:

You should check this against the order raised and quotation. It is then essential to check that the goods were in fact sent to Fernando and therefore you find the delivery note that relates to order 32174. This is given below

Risk	Control
An invoice is sent for goods which have not been delivered, which would damage the relationship with the customer and recognise a company asset (receivable) in error.	Check there is a valid signed delivery note to evidence delivery of the goods.

**DELIVERY NOTE**

Prepared by: SD  
Checked by: DS

**De Silva Electrical**  
1st Cross St  
Colombo 11

**Delivery address:**

Fernando Superstore  
Galle Rd  
Colombo 06

**Number:** 34772  
**Date:** 5 Oct 20XX  
**Order number:** 32174

Product code	Quantity	Description
6160	4	Hosch Washing Machine
3172	9	Temax Mixer

**Received by:** [Signature] *J. Jones*      **Print name:** *J. JONES*  
**Date:** *5 Oct 20XX*

Step 2:

You should note that only nine mixers were delivered and accepted (the delivery note is signed by J Jones at Fernando) and therefore only nine mixers must be invoiced, not the ten that were ordered. You might also make a note to follow up why only nine and not ten were delivered, or to inform the appropriate person in your organization

Step 3:

The prices quoted on the order are the unit list prices. You must now check that these list prices are correct

Risk	Control
<p>Prices quoted are not in accordance with company agreed prices. In particular, if quoted prices are lower than those on authorised price lists then the company will lose margin on the sale and profitability will fall.</p> <p>The customer is invoiced at a different price to that which was agreed which could result in a loss of key customers.</p>	<p>Check quoted prices are in accordance with the price list and ensure that invoiced amounts are in accordance with those quoted.</p>

Step 4:

You must now find the customer file for Fernando Superstores which will show details of addresses, customer codes and discount policy in respect of the customer (ie. what trade, bulk and settlement discounts should be applied to sales to the customer). The correct VAT rate to use to calculate VAT on the invoice should be established by checking the relevant rate in force for the goods being invoiced. We will assume a rate of 8%

The customer file for Fernando Superstores shows the following:

- Customer code – SL44
- Discount policy effective 1 Oct 20XX:
  - 10% trade discount is allowed
  - 5% bulk discount on orders where list price net of trade discount exceeds Rs. 200,000
  - 4% settlement discount for payment within 10 days, otherwise net 30 days

Risk	Control
<p>Discounts are given to non-qualifying customers or are incorrectly calculated.</p>	<p>Check agreed terms to customer files and company policies. Ensure all employees are provided with clear guidance on application of discounts.</p>

Step 5:

You now have all of the information required to start preparing the invoice. The final invoice is now shown and we will then work through the remaining steps in completing it. Assume the VAT rate is 8%

<b>INVOICE</b>	<b>Invoice number 56483</b> Prepared by: SD    Checked by: SA Authorised by: SM
<b>De Silva Electrical</b> <b>1st Cross St</b> <b>Colombo 11</b> <b>Tel: 01239 345639</b>	
<b>VAT registration:</b>	0264 2274 49
<b>Date/tax point:</b>	8 October 20XX
<b>Order number:</b>	32174
<b>Customer:</b>	Fernando Superstores Galle Rd Colombo 06
<b>Account number (customer code)</b>	SL 44

Description/product code	Quantity	Unit amount Rs.	Total Rs.
Hosch washing machine /6160	4	60,000	240,000
Temax Mixer /3172	9	8,000	<u>72,000</u>
List price			312,000
Less: trade discount 10%			<u>(31,200)</u>
List price net of trade discount			280,800
Less: bulk discount 5%			<u>(14,040)</u>
<b>Net total</b>			266,760
<b>VAT (8%)</b>			21,341
<b>Invoice total</b>			288,101
<b>Terms</b> 4% discount for settlement within 10 days of invoice date, otherwise 30 days net			

Step 6:

Enter the customer's name and address and customer code from the customer file. The invoice number is the next number in sequence after the previous invoice. Enter today's date.

Step 7:

Enter the quantities, codes and descriptions from the delivery note – remember that only nine mixers were delivered.

Step 8:

Enter the unit prices from the price list. Calculate the total list price by multiplying the quantity by the list price:  $4 \times \text{Rs. } 60,000 = \text{Rs. } 240,000$   $9 \times \text{Rs. } 8,000 = \text{Rs. } 72,000$

Step 9:

Calculate the total list price by adding together the totals for each product = Rs. 312,000

Step 10:

Calculate the trade discount as 10% of the total list price:  $\text{Rs. } 312,000 \times 10\% (10/100) = \text{Rs. } 31,200$   
Deduct the trade discount:  $\text{Rs. } 312,000 - 31,200 = \text{Rs. } 280,800$

Step 11:

As the list price less trade discount is more than Rs. 200,000, calculate the bulk discount as 5% of the list price net of trade discount:  $\text{Rs. } 280,800 \times 5\% (5/100) = \text{Rs. } 14,040$   
Deduct the bulk discount to arrive at the net total:  $\text{Rs. } 280,800 - \text{Rs. } 14,040 = \text{Rs. } 266,760$

Step 12:

Calculate the VAT at 8%.  $\text{Rs. } 266,760 \times 8\% = \text{Rs. } 21,341$

Step 13:

Check your calculation of the VAT and add the VAT to the net total to arrive at the gross (invoice total).  $\text{Rs. } 266,760 + \text{Rs. } 21,341 = \text{Rs. } 288,101$

Step 14:

Enter the settlement discount terms at the bottom of the invoice. Note, where a customer takes the early settlement discount, they can only recover the actual VAT paid

### ***Credit notes:***

When preparing a credit note the same types of procedure need to be followed as those for an invoice

- Check that the goods were actually returned by reference to the returns note (Risk: Credit notes are raised for returns not made and the cash becomes irrecoverable)
- Ensure that the credit note is being issued to the correct customer (Risk: Credit notes are raised to the wrong customer – the correct customer will be chased for cash it does not owe and there will be an administrative cost in putting this right)
- Check that the goods returned are the ones on the credit note by checking the product code (Risk: Credit notes are issued for the wrong value and the company loses out on funds due to it)
- Check the price of the returned goods on the price list and/or quotation (Risk: Credit notes are issued for the wrong value and the company loses out on funds due to it)
- Check the calculations on the credit note, eg. quantity  $\times$  unit price = total price (Risk: Credit notes are issued for the wrong value and the company loses out on funds due to it or damages its relationship with the customer)
- Check that any trade and bulk discounts that applied to the invoice have been allowed for in relation to the goods returned (Risk: Incorrect discounts are allowed or valid discounts are not applied. The company will either lose out on amounts due to it or risk damaging customer relationships by not honoring agreed discounts)

### ***Authorization of invoices and credit notes:***

An invoice is a very important document for a business. It is the source of the business's income and therefore the invoice must be accurate. As such, once the invoice has been prepared it will be checked and once the checking process has taken place will be marked as checked. This might be with a simple signature or with a standardized rubber stamp showing exactly what checks have been carried out, eg calculations, price lists, customer codes etc. Alternatively, there may be electronic approval within the accounting system on screen before an invoice can be emailed to a customer

The precise checks and method of indicating that those checks have been carried out will differ from organization to organization. However the final outcome will be that the invoice will be authorized by the appropriate person in the organization and then sent out to the customer. There should be checks in place to ensure that an invoice that has not been authorized cannot be sent out to a customer. This also applies to credit notes



### ***Receipts from customers:***

The next stage of the credit sale process is for the customer to pay the business.

This may be by:

- Cheque through the post
- Automated payment from the customer's bank account to the supplier's
- Debit or credit card payment over the phone or on the internet
- Cash (occasionally – we shall not consider this method further here)

In each case the business must check to ensure that the amount of the receipt:

- ✓ Is accurately calculated
- ✓ Is valid, ie it ties in with supporting documentation (the remittance advice note, statement of account, invoice and sales ledger account)

Once these checks have been completed the receipt will be recorded in the Cash Book

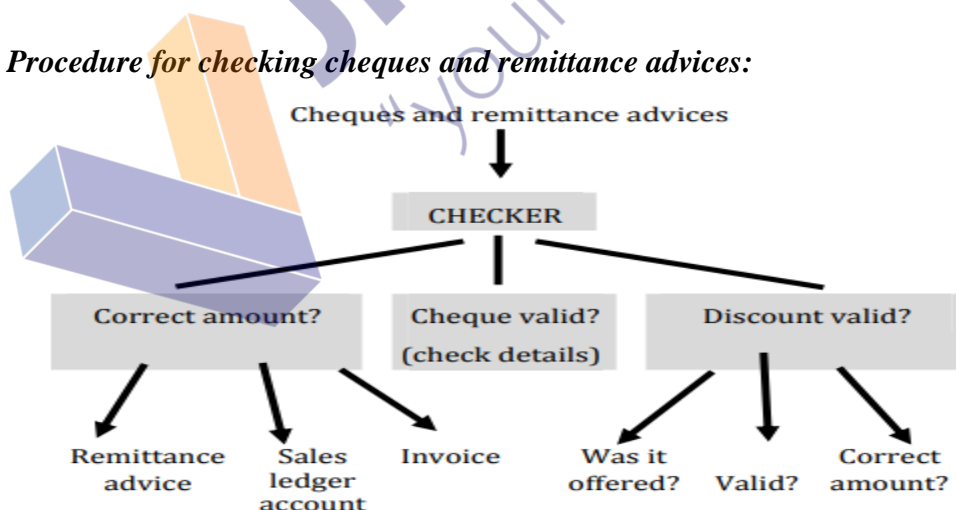
### ***Remittance advice note:***

When a payment is received the first check that must be carried out is that it is for the correct amount. In order to do this you will need to know what invoices are being paid. In many situations a remittance advice note will be received with the payment detailing precisely what the payment relates to

### ***Correct settlement discount:***

If the customer has taken advantage of a settlement discount then very careful checks must be made to ensure that this discount is both valid and correctly calculated

### ***Procedure for checking cheques and remittance advices:***



### ***Automated payments:***

Many customers pay amounts due by automated payment, or online transfer, from their bank accounts into the supplier's. This means that your organization's bank account will be credited directly with the amount of the payment. Normally the customer will send your organization notification that the payment is being made in the form of a remittance advice note showing precisely which invoices are being paid

The same checks should be carried out as for a receipt of a cheque:

- Has the correct amount been transferred?
- If a settlement discount has been taken, is this valid and correct?
- Are the cheque details correct?

If no remittance advice or other notification is sent by the customer, the credit to your organization's bank account will be noticed when the cash book and the bank statement sent by the bank itself are compared on a regular basis

### ***Errors in payments:***

In this chapter we have considered a number of checks that must be made on payments received (or receipts):

- Is the payment for the correct amount, or has the customer overpaid or underpaid?
- Is the payment valid?
- Has the settlement discount been correctly calculated and should it have been taken? Any discrepancy in the amount is usually caused by:
  - The customer underpaying an invoice by mistake
  - The customer overpaying the invoice by mistake
  - The customer deducting the wrong amount of settlement discount, for instance by calculating it on the invoice total rather than the net total
  - The customer deducting settlement discount even though the deadline for taking advantage of this is past
  - The customer not including VAT payable or selecting an incorrect VAT rate when entering the invoice resulting in the wrong amount being shown as outstanding and payable

Where there is a discrepancy the following actions must be taken:

- ✓ Record the payment as received in the accounting system
- ✓ Report the discrepancy to the appropriate person within the organization. In most cases the customer will need to be informed of the problem and may possibly be asked to issue a replacement cheque or make an additional automated payment

## Selling internationally

When selling overseas transactions occurred, there are increased risks to consider and additional procedures that are likely to be required

- Currency considerations
- Taxation and tariff implications
- Shipping and transport
- Logistics and capability
- Assessing customers

### B.1.6. Customer selection and credit control

Granting credit to customers is essential for many organizations and brings many benefits to both the organization and the customers. However, the risks associated with granting credit should be monitored and managed carefully

#### Customer selection

We have looked at the sales process in detail from sales order onwards. However, a business has to make a decision whether or not to take new customers on, and whether to continue using existing customers for new sales

One of the key factors here is that in making a sale and issuing an invoice the company will be granting credit to the customer and before doing that the company needs to consider the customer's ability to pay in accordance with the company's credit terms

The sources of information available for assessing a customer's credit status include the following:

#### External sources

- Bank reference
- Trade reference
- Credit reference agencies
- Management accounts from the customer
- Media publications
- Internet searches

#### Internal sources

- Staff knowledge, communicated by conversations, emails and meetings
- Customer visits
- Financial analysis of either external published financial statements or internal management accounts provided by the customer
- Previous trading history

When a new customer approaches the business with an order and a request for credit, it is normal practice for the credit controller to ask for a bank reference and, normally, two trade references. The business will make a request to the new customer for details of their bank and for details of other suppliers with whom they regularly trade. This may be done in a letter or, by sending the customer a standard credit application form

### **Evaluating creditworthiness**

The company may decide to adopt its own procedures to assess creditworthiness including financial ratio analysis and credit scoring

The purpose of analyzing the financial statements for credit control assessment is to find indicators of the customer's performance and position in four main areas:

- Profitability indicators
- Liquidity indicators
- Debt indicators
- Cash flow indicators

### **Refusal of credit**

In some cases, the credit controller may decide that it is not possible to trade with a new potential customer on credit terms.

Refusing to grant credit to a new customer is a big decision for the credit controller, as the business will not wish to lose this potential customer's business, but the credit controller will have taken a view that the risk of non-payment is too high for credit terms to be granted.

Refusal of credit does not necessarily mean that the potential customer's business is not viable; it simply means that, on the evidence available to the credit controller, the chance of non-payment is too high for the company to take the risk.

There are a variety of reasons why a decision might be made not to grant credit to a new customer and could include the following

- A non-committal or poor bank reference
- Poor trade references
- Concerns about the validity of any trade references submitted
- Adverse press comment about the potential customer
- Poor credit agency report
- Information from a member of the business's credit circle
- Indications of business weakness from analysis of the financial statements
- Lack of historical financial statements available, due to being a recently started company

## Monitoring credit

The first step in the monitoring of a credit customer's activities is at the initial stage of each transaction when the customer places an order for more goods. When the initial agreement was made with the customer to trade on credit terms, a credit limit will have been set by the credit controller for that customer

**Credit limit:** It is the maximum amount that should be outstanding on the customer's account in the receivables ledger at any point in time

When a customer places an order, the first step is to check that the value of the order does not take the customer's account over their credit limit. If the value of the order means that the customer's balance exceeds the credit limit then this must be discussed with the customer

## Chapter review questions

1. Match the different documents below with their related purpose.  
Documents:  
(a) Delivery note  
(b) Returns note  
(c) Quotation  
(d) Invoice  
(e) Credit note  
(f) Customer order  
Purpose:  
(i) To inform the customer of the information of the sale including the amount  
(ii) To inform the seller of the quantities required  
(iii) To inform the seller that some of the delivery was not of the standard or type required  
(iv) To inform the customer of the quantity delivered  
(v) To inform the customer that the invoiced amount was overstated  
(vi) To inform the customer of what would be charged if an order was placed
2. A customer is purchasing 23 items each with a list price of Rs. 56,000. A trade discount of 15% is given to this customer for orders over Rs. 1 million.  
Calculate the net cost on the invoice after any discounts allowed
3. What would be the typical response of a credit controller to a bank reference which reads 'unable to speak for your figures'?  
A. Grant credit  
B. Further investigation of external information  
C. Do not grant credit  
D. Further investigation of internal information
4. What are the four main areas to assess when analyzing the financial statements for credit control assessment to find indicators of the customer's performance and position?