**RISK ASSESSMENT CHECKLIST**

**CLIENT REVENUE CYCLE**

**PART I -- EXISTENCE ASSERTION** *(If not a significant assertion, check here and skip this section.)*

|  |  |  |
| --- | --- | --- |
| **(1) Objective**  | **(2) Inherent Risk (Possible Misstatement) \***  | **(3)(4) Control Policies/Procedures**  |

|  |  |  |
| --- | --- | --- |
| 1. All recorded revenue and related receivables arose from valid sales to *bona fide* customers. |  A. Revenue could be recorded for goods that were not shipped or services not performed (for example, sales invoices issued without approval for customer orders and/or authorization for shipment; goods not shipped at reporting date, although shipping documents prepared; sales invoices entered more than once). N/AComments          |  A1. Sales invoices are prepared from approved customer orders and authorized shipping or similar documents.  A2. Sales orders and subsequent year shipping documents are reviewed and adjustments made for goods billed but not shipped at year end. A3. Total quantities billed are reconciled with total quantities shipped periodically. A4. Edit controls preclude same transaction (orders or invoices) from being entered more than once. A5. Critical sales order and invoice data fields are validated by computer software (for example, customer account numbers are verified by check-digit or software checks that all fields within a screen have been filled in and have reasonable amounts.)  A6. Other (describe):    |
|  |  B. Invoices could be prepared based on inaccurate (overstated) prices. N/AComments        |  B1. Invoices are checked for pricing, discounts, extensions and footings.  B2. Price changes and discounts are authorized by someone independent of order entry.  B3. Only authorized individuals may change sales prices or credit terms or add new customers to computer master files.  B4. Reports listing revised sales prices, credit terms and new customers are reviewed timely by someone independent of cash receipts and sales, and distributed promptly.  B5. Other (describe):    |

**PART I, REVENUE CYCLE -- EXISTENCE ASSERTION (Continued)**

|  |  |  |
| --- | --- | --- |
| **(1) Objective**  | **(2) Inherent Risk (Possible Misstatement) \***  | **(3)(4) Control Policies/Procedures**  |

|  |  |  |
| --- | --- | --- |
| 2. Cash receipts and other customer credits are timely and properly recorded and credited to customers' accounts. |  C. Customers' payments could be not recorded as received, or other credits not issued or recorded timely, or not properly applied to customer's account (for example, incorrect customer data in computer files; cash deposits not recorded; customer's payments "lapped" to cover shortages; customers' differences not adjusted or returns not credited). N/AComments            |   C1. Cash receipts function is independent of accounts receivable.  C2. Mail is opened and cash receipts list is prepared by someone independent of accounts receivable or billing or a "lockbox" is used. Cash receipts journal is compared daily to this list.  C3. Cash deposits are made regularly by someone independent of accounts receivable.   C4. Customer returns are logged or evidenced by numerically controlled receiving reports; logs or receivers are matched to issued credits and differences investigated timely.  C5. Bank reconciliations are prepared monthly by someone independent of cash receipts.  C6. Subsidiary accounts receivable ledger is reconciled to general ledger regularly (by someone independent of cash receipts and sales) and differences investigated and resolved timely.  C7. Monthly statements are sent to customers, and discrepancies are investigated and resolved timely.  C8. Other (describe):    |

|  |  |  |
| --- | --- | --- |
| 3. Other(s):       |  D.       |   D1.       |

**PART II, REVENUE CYCLE -- COMPLETENESS ASSERTION** *(If not a significant assertion, check here  and skip this section.)*

|  |  |  |
| --- | --- | --- |
| **(1) Objective**  | **(2) Inherent Risk (Possible Misstatement) \***  | **(3)(4) Control Policies/Procedures**  |

|  |  |  |
| --- | --- | --- |
| 4. All revenues earned by the entity are recorded as cash or receivables from customers. |  A. Goods or services could be delivered to customers but not billed. N/AComments         B. Cash revenues could be lost or misappropriated prior to recordation. N/AComments          |   A1. Shipping documents are prepared and merchandise is shipped based only on approved sales orders and submitted timely for invoice processing.  A2. Merchandise is shipped by someone independent of sales, billing, cash receipts and accounting.  A3. Shipping documents or log entries are numerically controlled, compared to billings as to quantities shipped *vs*. billed, and unbilled shipments or quantities investigated timely.  A4. Other (describe):     B1. Cash registers are used to record cash sales.  B2. Customers are encouraged to ask for register receipts.  B3. Daily/shift register totals are reconciled with the cash deposited.  B4. Cash registers are "Z-ed out" at the end of each day or shift, and all transaction nos., registers and shifts accounted for.  B5. Cash sales, transfers or other cash transactions are observed by management and/or security personnel.  B6. Other (describe):    |

|  |  |  |
| --- | --- | --- |
| 5. Other(s):     |  C.     |   C1.     |

**PART III, REVENUE CYCLE -- VALUATION ASSERTION** *(If not a significant assertion, check here  and skip this section.)*

|  |  |  |
| --- | --- | --- |
| **(1) Objective**  | **(2) Inherent Risk (Possible Misstatement)**  | **(3)(4) Control Policies/Procedures**  |

|  |  |  |
| --- | --- | --- |
| 6. Based on all available information, all recorded customer receivables, net of applicable allowances, represent amounts likely to be collectible in cash. |  A. Net receivables could be overstated (allowances understated) due to absence of, or lack of compliance with, appropriate credit policies resulting in inadequate use of available credit information (for example, lack of or improper ageing, lack of outdated independent credit reports, failure to set or observe appropriate credit limits). N/AComments       B. Net receivables could be overstated (allowances understated) due to inadequate consideration of the likely effect of customer disputes. N/AComments     |   A1.Appropriate credit policies (requiring timely obtaining of credit reports or other financial data, use of pre-established credit limits and approvals to ship) are established by management and enforced by credit manager or other executive independent of sales and cash receipts functions.  A2.Ageings are prepared monthly (in accordance with written policies relative to application of "on-account" payments or credits, if significant) and reviewed in connection with credit decisions and determining necessary allowances.  A3.Other (describe):      B1.Monthly statements are sent to customers; disputes and discrepancies are investigated and resolved timely by someone independent of cash receipts.  B2.Other (describe):      |

|  |  |  |
| --- | --- | --- |
| 7. Other(s):     |  C.     |   C1.     |