

AUDITING ASSIGNMENT HELP

Prospect Corporation, your new audit client, processes its sales & cash receipts in the following manner:

1. Sales. Sales clerks prepare sales invoices in triplicate. The original and second copy is presented to the cashier, and the third copy is retained by the sales clerk in the sales book.

When the sale is for cash, the customer pays the sales clerk, who presents the money to the cashier with the invoice copies.

A credit sale is approved by the cashier from an approved credit list. After receiving the cash or approving the invoice, the cashier validates the original of the sales invoice and gives it to the customer. At the end of each day, the cashier recaps the sales and cash received, files the recap by date, and forward the cash and second copy of all sales invoices to the accounts receivable clerk.

The accounts receivable clerk balances the cash received with cash sales invoices and prepares a daily sales summary. Cash sales are posted by the accounts receivable clerk to the cash receipts journal, and the daily sales summary is filed by date. Cash from cash sales is included in the daily bank deposit (preparation of the bank deposit is described with cash receipts in the following section). The accounts receivable clerk posts credit sales invoices to the accounts receivable ledger and then sends all invoices to the inventory control clerk in the sales department.

The inventory clerk posts to the inventory control cards and files the sales invoices numerically.

2. Cash receipts. The mail is opened each morning by a mail clerk in the sales department. The mail clerk prepares a remittance advice (showing customer and amount paid) for each check and forwards the checks and remittance advices to the sales department supervisor. The supervisor reviews the remittance advices and forwards the checks and advices to the accounting department supervisor.

The accounting department supervisor, who also functions as a credit manager in approving new credit and all credit limits, reviews all checks for payments on past-due accounts and then gives the checks and remittance advices to the accounts receivable clerk who arranges the advices in alphabetical order. The remittance advices are posted directly to the accounts receivable ledger cards. The checks are endorsed by stamp and totaled. The total is posted to cash receipt journal. The remittance advices are filed chronologically.

After receiving the cash from the previous days' cash sales from the cashier, the accounts receivable clerk prepares the daily deposit slip in triplicate. The original and second copy of the deposit slip accompanies the bank deposit, and the third copy is filed by date. The bank deposit is sent directly to National Bank.

Required:

(a). Prepare a system flowchart of internal control over sales transactions as described in part (1) above.

(b) . Prepare a system flowchart of internal control over cash receipts as described in part (2) above.



