Accounting for Merchandising And Services Businesses

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PERBEDAAN PERUSAHAAN DAGANG DAN JASA

Perusahaan Dagang

- *Perusahaan dagang* adalah perusahaan yang bergerak dalam bidang pembelian dan penjualan barang. Contoh : Toko baju, toko buku, dsb.

- Aktivitas yang terjadi di perusahaan dagang meliputi :
  - Ada aktivitas membeli barang untuk dijual kembali
  - Umumnya memiliki persediaaan barang
  - Perlu menghitung harga popok persediaan.

Perusahaan Dagang

Characteristics of Sales Organizations

Provide a product

Direct/indirect contact with customers

Inventory Sales Marchandising

Quality control in Sales Services

Ciri-ciri perusahaan dagang

- 1. Melakukan transaksi pembelian barang dagang, baik secara tunai maupun kredit.

- 2. Melakukan pembayaran utang usaha yang terjadi akibat adanya berbagai transaksi dalam aktivitas perusahaan.

- 3. Menerima pembayaran/pelunasan piutang usaha yang terjadi akibat adanya berbagai transaksi dalam aktivitas perusahaan.

- 4. Melakukan penyimpanan barang dagang selama belum dijual dan diserahkan kepada pembeli.

Perusahaan Jasa

- *Perusahaan jasa* adalah perusahaan yang kegiatan usahanya di tujukan untuk memperoleh pedapatan /penghasilan melalui pelayanan jasa tertentu. Contoh : cuci motor, salon, warung telepon, dsb.

- Aktivitas yang terjadi di perusahaan jasa meliputi :
  - Hanya jual jasa
  - Tidak memiliki persediaan jasa
  - Jika ada persediaan, hanya berupa bahan habis pakai untuk menghasilkan jasa.

Perusahaan Jasa

Characteristics of Service Organizations

Provide a service, no product

More direct contact with customers

No inventory

Quality hard to control in advance

Ciri-ciri perusahaan jasa

- 1. Ketidakberwujudan (intangibility) : jasa tidak dalam bentuk fisik sehingga tidak dapat disimpan dan harus segera dikonsumsi pada saat diperoleh.

- 2. Ketakterpisahkan (inseparability) : konsumen tidak terlibat dalam jasa tersebut tetapi jasa diberikan dalam hal tertentu seperti acara televisi.

- 3. Keanekaragaman (heterogenity) : jenis dan kualitas layanan berbeda –beda.

- 4. Keterlenyapan (perishability) : manfaat mereka pada jasa akan habis dengan cepat sehingga konsumsi jasa akan dilakukan konsumen secara berulang. Misal jasa cuci motor.

Nature of Businesses

Service Business	
Fees earned	$XXX
Operating expenses	–XXX
Net income	$XXX

Nature of Businesses

Merchandising Business

Sales	$XXX
Cost of Merchandise Sold	–XXX
Gross Profit	$XXX
Operating Expenses	–XXX
Net Income	$XXX

Collection Activity

Expenditure Activity

Cash

Accounts Receivable

The Operating Cycle

Raw Materials

Products

Sales Activity

Production Activity
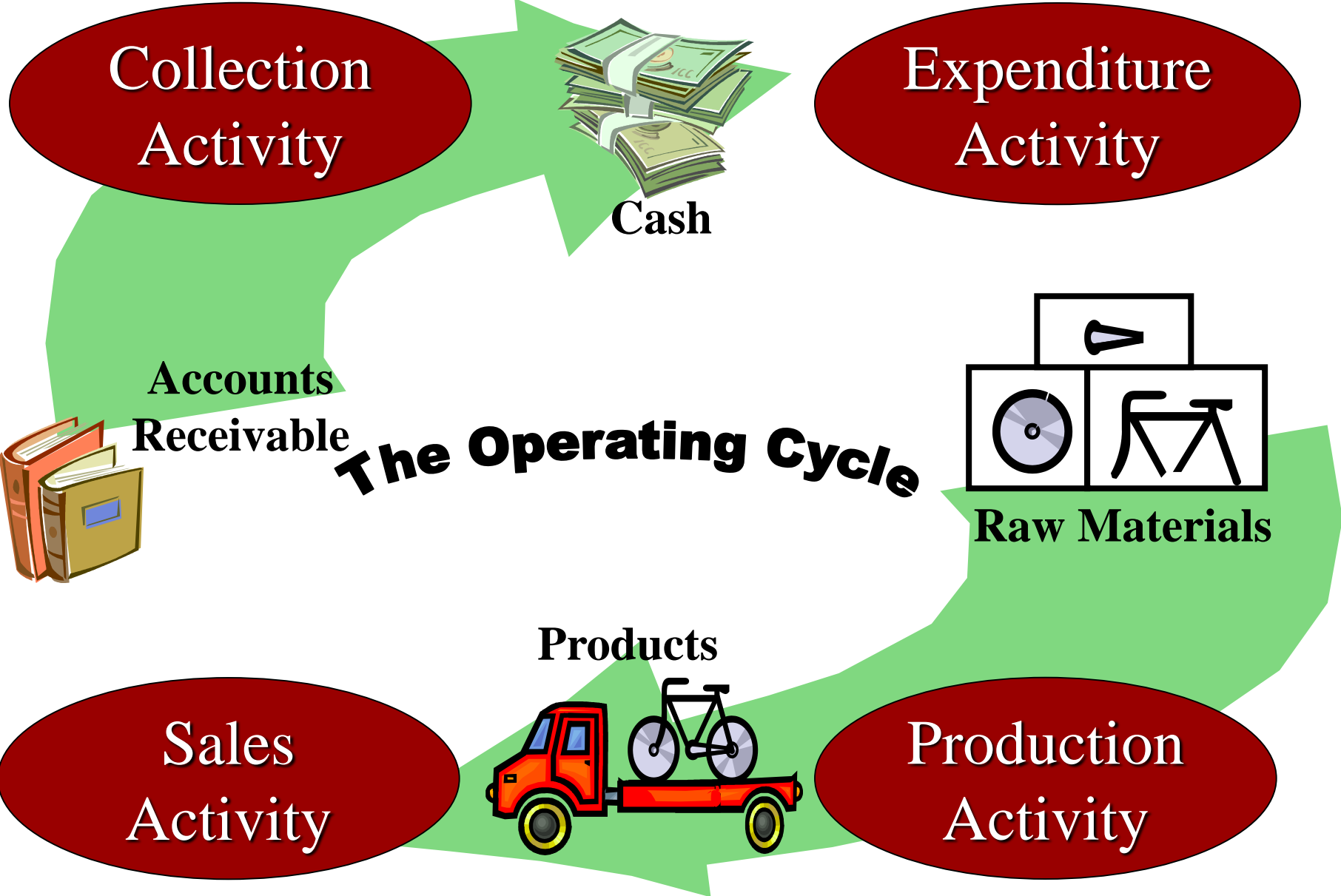
Collection Activity Cycle

- Provides goods and services to customers

- Collects cash in payment for those sales

- Primary Objective:
  - Provide the right product/Services
  - In the right place
  - At the right time for the right price

Collection Activity Cycle

1. Sales order entry
2. Shipping
3. Billing
4. Cash collections

Sales Order Entry

1. Take order

2. Check and approve credit

3. Check inventory availability

Sales Order Threats

- Incomplete/inaccurate orders

- Invalid orders

- Uncollectible accounts

- Stockouts or excess inventory

- Loss of customers

Sales Order Entry Controls

- Data entry edit controls

- Restriction of access to master data

- Digital signatures or written signatures

- Credit limits

- Specific authorization to approve sales to new customers or sales that exceed a customer's credit limit

- Aging of accounts receivable

- Perpetual inventory control system

- Use of bar-codes or RFID

- Training

- Periodic physical counts of inventory

- Sales forecasts and activity reports

- CRM systems, self-help Web sites, and proper evaluation of customer service ratings

Shipping

1. Picking and packing the order

2. Shipping the order

Shipping Threats

- Picking the wrong items or the wrong quantity

- Theft of inventory

- Shipping errors (delay or failure to ship, wrong quantities, wrong items, wrong addresses, duplication)

Shipping Controls

- Bar-code and RFID technology

- Reconciliation of picking lists to sales order details

- Restriction of physical access to inventory

- Documentation of all inventory transfers

- RFID and bar-code technology

- Periodic physical counts of inventory and reconciliation to recorded quantities

- Reconciliation of shipping documents with sales orders, picking lists, and packing slips

- Use RFID systems to identify delays

- Data entry via bar-code scanners and RFID

- Data entry edit controls (if shipping data entered on terminals)

- Configuration of ERP system to prevent duplicate shipments

Billing

1. Invoicing

2. Updating accounts receivable

Billing Threats

- Failure to bill

- Billing errors

- Posting errors in accounts receivable

- Inaccurate or invalid credit memos

Billing Controls

- Separation of billing and shipping functions

- Periodic reconciliation of invoices with sales orders, picking tickets, and shipping documents

- Configuration of system to automatically enter pricing data

- Restriction of access to pricing master data

- Data entry edit controls

- Reconciliation of shipping documents (picking tickets, bills of lading, and packing list) to sales orders

- Data entry controls

- Reconciliation of batch totals

- Mailing of monthly statements to customers

- Reconciliation of subsidiary accounts to general ledger

- Segregation of duties of credit memo authorization from both sales order entry and customer account maintenance

- Configuration of system to block credit memos unless there is either corresponding documentation of return of damaged goods or specific authorization by management

Cash Collections Threats

1. Theft of cash

2. Cash flow problems

Sales Discounts

The terms for when payments for merchandise are to be made are called **credit terms.**

If buyer is allowed an amount of time to pay, it is known as the **credit period.**

Sales Discounts

Credit Terms

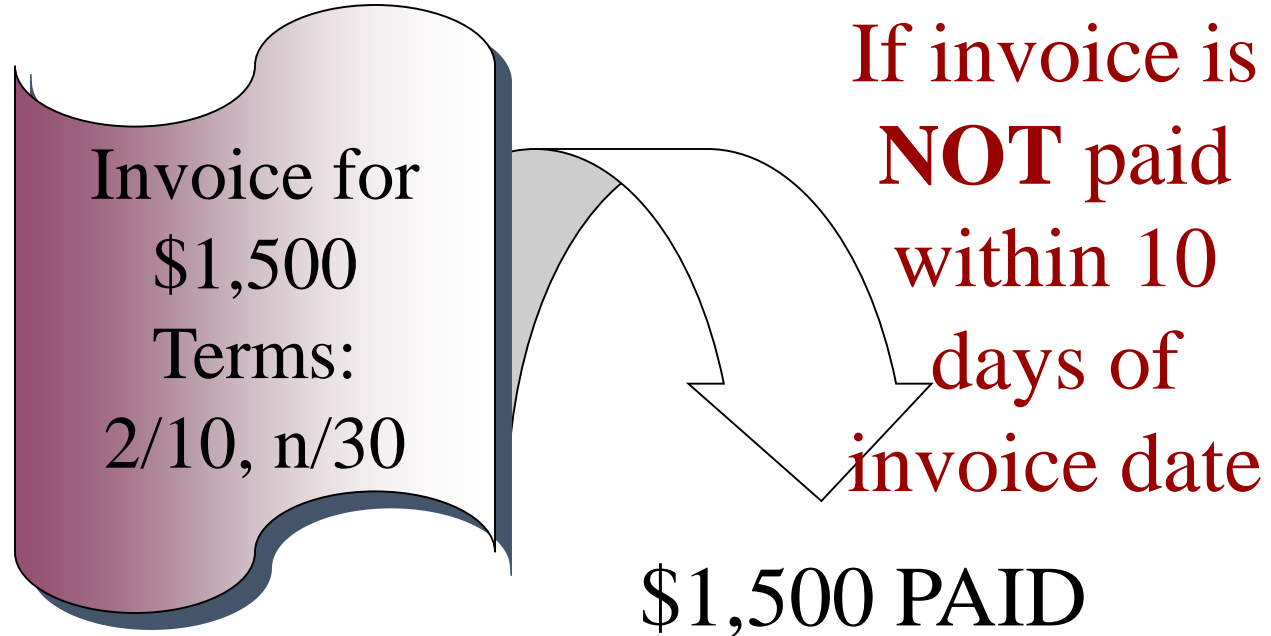If invoice is paid within 10 days of invoice date

$1,470 paid (less 2% as a cash discount)

Invoice for $1,500
Terms: 2/10, n/30

Sales Discounts

Credit Terms

Invoice for $1,500
Terms: 2/10, n/30

If invoice is **NOT** paid within 10 days of invoice date

$1,500 PAID

Sales Returns and Allowances

Merchandise that is returned to the vendor is referred to as a *sales return.*

If there is a defect in the product or the wrong item was shipped, the seller may reduce the initial price at which the goods were sold. This is known as a *sales allowance.*

Sales Returns and Allowances

|											
Jan.	13	Sales Returns and Allowances			225	00				
		Accounts Receivable—Krier Co.							225	00
		Credit Memo No. 32.								
	13	Merchandise Inventory			140	00				
		Cost of Merchandise Sold							140	00
		Cost of merchandise								
		returned—Credit Memo 32.								

On January 13, issued Credit Memo 32 to Krier Company for merchandise returned to NetSolutions. Selling price, $225; cost to NetSolutions, $140.

The Expenditure Cycle

- Activities and information processing related to:
  - Purchasing and payment of
    - Goods and services

- Primary objective:
  - Minimize the total cost of acquiring and maintaining inventories, supplies, and the various services the organization needs to function

Expenditure Cycle Activities

1. Ordering materials, supplies, and services

2. Receiving materials, supplies, and services

3. Approving supplier invoices

4. Cash disbursements
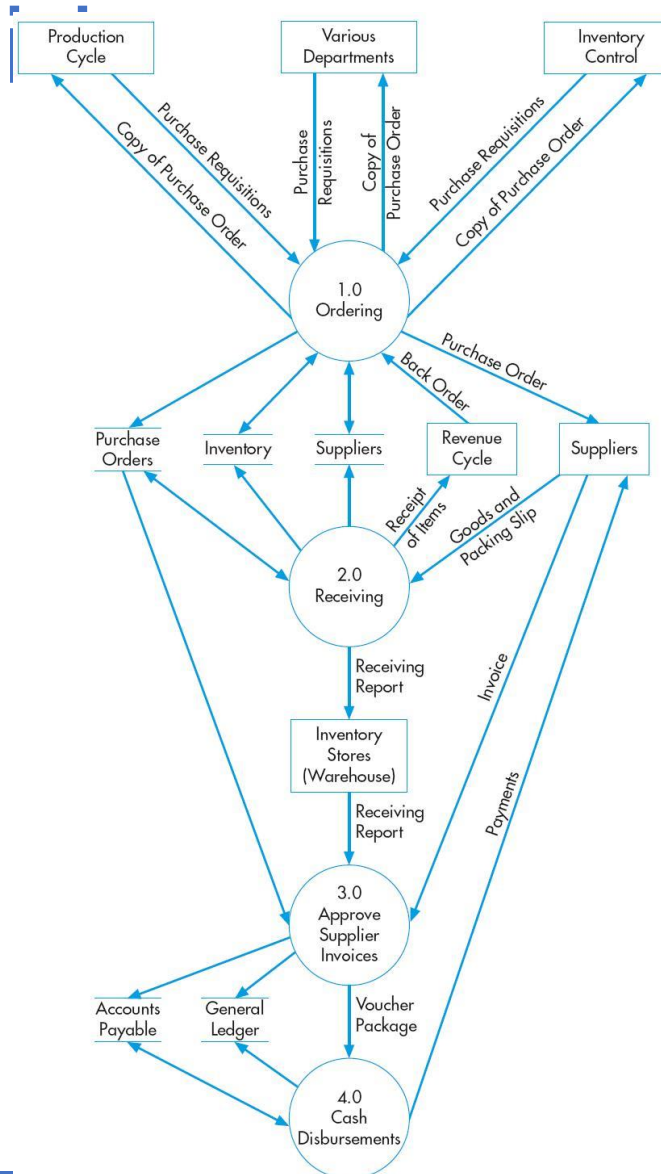
Expenditure Cycle General Controls

- Data processing integrity controls

- Restriction of access to master data

- Review of all changes to master data

Ordering Threats

- Inaccurate inventory records

- Purchasing items not needed

- Purchasing at inflated prices

- Purchasing goods of inferior quality

- Unreliable suppliers

- Purchasing from unauthorized suppliers

Ordering Controls

- Perpetual inventory system

- Bar coding or RFID tags

- Periodic physical counts of inventory

- Perpetual inventory system

- Review and approval of purchase requisitions

- Centralized purchasing function

- Price lists

- Competitive bidding

- Review of purchase orders

- Budgets

- Purchasing only from approved suppliers

Ordering Controls (cont'd)

- Review and approval of purchases from new suppliers

- Holding purchasing managers responsible for rework and scrap costs

- Tracking and monitoring product quality by supplier

- Requiring suppliers to possess quality certification (e.g., ISO 9000)

- Collecting and monitoring supplier delivery performance data

- Maintaining a list of approved suppliers and configuring the system to permit purchase orders only to approved suppliers

- Review and approval of purchases from new suppliers

- EDI-specific controls (access, review of orders, encryption, policy)

- Requiring purchasing agents to disclose financial and personal interests in suppliers

- Training employees in how to respond to offers of gifts from suppliers

- Job rotation and mandatory vacations

- Supplier audits

Receiving Threats

- Accepting unordered items

- Mistakes in counting

- Verifying receipt of services

- Theft of inventory

Receiving Controls

- Requiring existence of approved purchase order prior to accepting any delivery

- Do not inform receiving employees about quantity ordered

- Require receiving employees to sign receiving report

- Incentives

- Document transfer of goods to inventory

- Use of bar-codes and RFID tags

- Configuration of the ERP system to flag discrepancies between received and ordered quantities that exceed tolerance threshold for investigation

- Segregation of duties: custody of inventory versus receiving

- Budgetary controls

- Audits

- Restriction of physical access to inventory

- Documentation of all transfers of inventory between receiving and inventory employees

- Periodic physical counts of inventory and reconciliation to recorded quantities

Invoice Processing

- Non-Voucher
  - Each approved invoice is posted to individual supplier records in the accounts payable file **and** is then stored in an open-invoice file.
  - When a check is written to pay for an invoice, the voucher package is removed from the open-invoice file, the invoice is marked paid, and then the voucher package is stored in the paid-invoice file.

- Voucher
  - Disbursement voucher is also created when a supplier invoice is approved for payment.
    - Identifies the supplier, lists the outstanding invoices, and indicates the net amount to be paid after deducting any applicable discounts and allowances.

Advantages of Voucher System

1. Reduce number of checks

2. Can utilize pre-sequential-numbered voucher control

3. Allows for separation of invoice approval from invoice payment

Approving Invoices Threats

- Errors in supplier invoices

- Mistakes in posting to accounts payable

Approving Invoices Controls

- Verification of invoice accuracy

- Requiring detailed receipts for procurement card purchases

- Evaluated receipt settlement
  - Match PO with receiving report

- Restriction of access to supplier master data

- Verification of freight bill and use of approved delivery channels

- Data entry edit controls

- Reconciliation of detailed accounts payable records with the general ledger control account

Cash Disbursement Threats

- Failure to take advantage of discounts for prompt payment

- Paying for items not received

- Duplicate payments

- Theft of cash

- Check alteration

- Cash flow problems

Cash Disbursement Controls

- Filing of invoices by due date for discounts

- Cash flow budgets

- Requiring that all supplier invoices be matched to supporting documents that are acknowledged by both receiving and inventory control

- Budgets (for services)

- Requiring receipts for travel expenses

- Use of corporate credit cards for travel expenses

- Requiring a complete voucher package for all payments

- Policy to pay only from original copies of supplier invoices

- Cancelling all supporting documents when payment is made

Cash Disbursement Controls

- Cancelling all supporting documents when payment is made

- Physical security of blank checks and check-signing machine

- Periodic accounting of all sequentially numbered checks by cashier

- Access controls to EFT terminals

- Use of dedicated computer and browser for online banking

- ACH blocks on accounts not used for payments

- Separation of check-writing function from accounts payable

- Requiring dual signatures on checks greater than a specific amount

- Regular reconciliation of bank account with recorded amounts by someone independent of cash disbursements procedures

Cash Disbursement Controls

- Restriction of access to supplier master file

- Limiting the number of employees with ability to create one-time suppliers and to process invoices from one-time suppliers

- Running petty cash as an imprest fund

- Surprise audits of petty cash fund

- Check protection machines

- Use of special inks and papers

- "Positive pay" arrangements with banks

- Cash flow budget

Learning Objective 4

Describe the human resource business process.

Human Resource Management Business Process

- The business process that involves management of *human resources* is concerned with establishing and maintaining an information system that processes human resources (HR) information.

Human Resource Management Business Process

- The HR system should provide tools for the setup and maintenance of information pertaining to the organizational structure.

  – a listing of jobs that exist in an organization

  – a listing of job descriptions

  – a listing of any qualifications that are required for a job

HR Data Structure

- A data structure provides the basis for   the storage and manipulation of data.

- The HR data structure contains three elements.

- What are these elements?

1 HR master data

2 HR data organization

3 HR objects

Transaction Cycle Controls   in Payroll Processing

- *Payroll processing* is one of the most complex procedures in operation.

- All levels of government impose payroll taxes.

- Regulations and rates are constantly changing.

- The payroll system requires frequent modifications.

Transaction Cycle Controls   in Payroll Processing

- *Payroll processing* is one area in which the law imposes not only a fine but a jail sentence for willful negligence in maintaining adequate records.
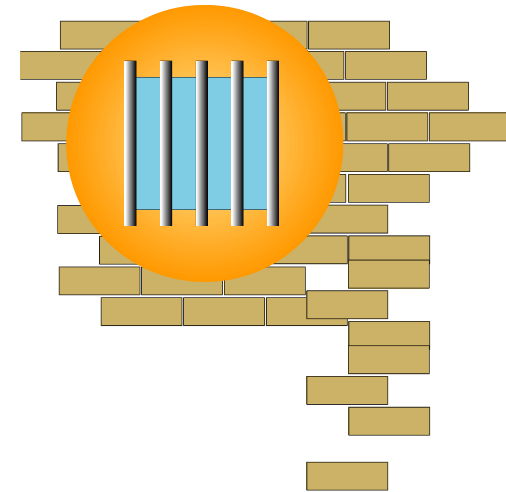
Transaction Cycle Controls   in Payroll Processing

- What is an *independent paymaster*?

- The person who distributes the pay is independent of personnel, timekeeping, and payroll preparation.
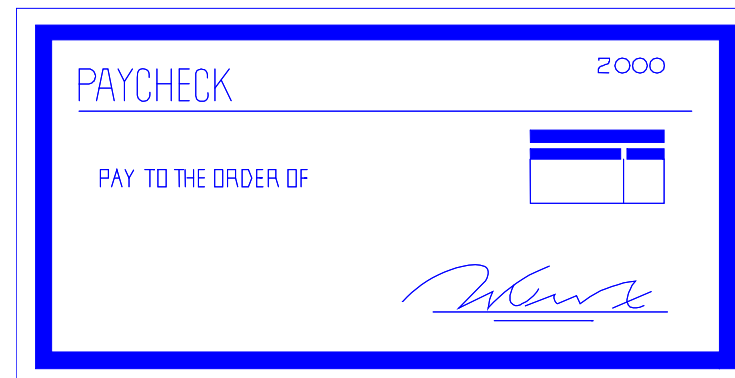
Payroll Processing Requirements

- Numerous files must be maintained in a payroll system.

- What are some examples of these files?

– basic employee information

– payroll register or journal

– government reports

– tax tables

Payroll Processing Requirements

- Social security and other tax legislation impose four taxes based on payrolls.

- What are these taxes?

– federal old-age, survivors', disability, and hospital insurance (FICA)

– federal unemployment insurance

– state unemployment insurance

– income taxes withheld

Purchase Transactions

	Date		Description	Post. Ref.	Dr			Cr.		
1	2007 Jan.	3	Merchandise Inventory		2	510	00			
2			Cash					2	510	00
3			Purchased inventory from							
4			Bowen Co.							
5										

On January 13, Purchased merchandise for cash from Alden Company, $2,510.

Purchases Returns and Allowances

A **purchases return** involves actually returning merchandise that is damaged or does not meet the specifications of the order.

When the defective or incorrect merchandise is kept by the buyer and the vendor makes a price adjustment, this is a **purchases allowance.**
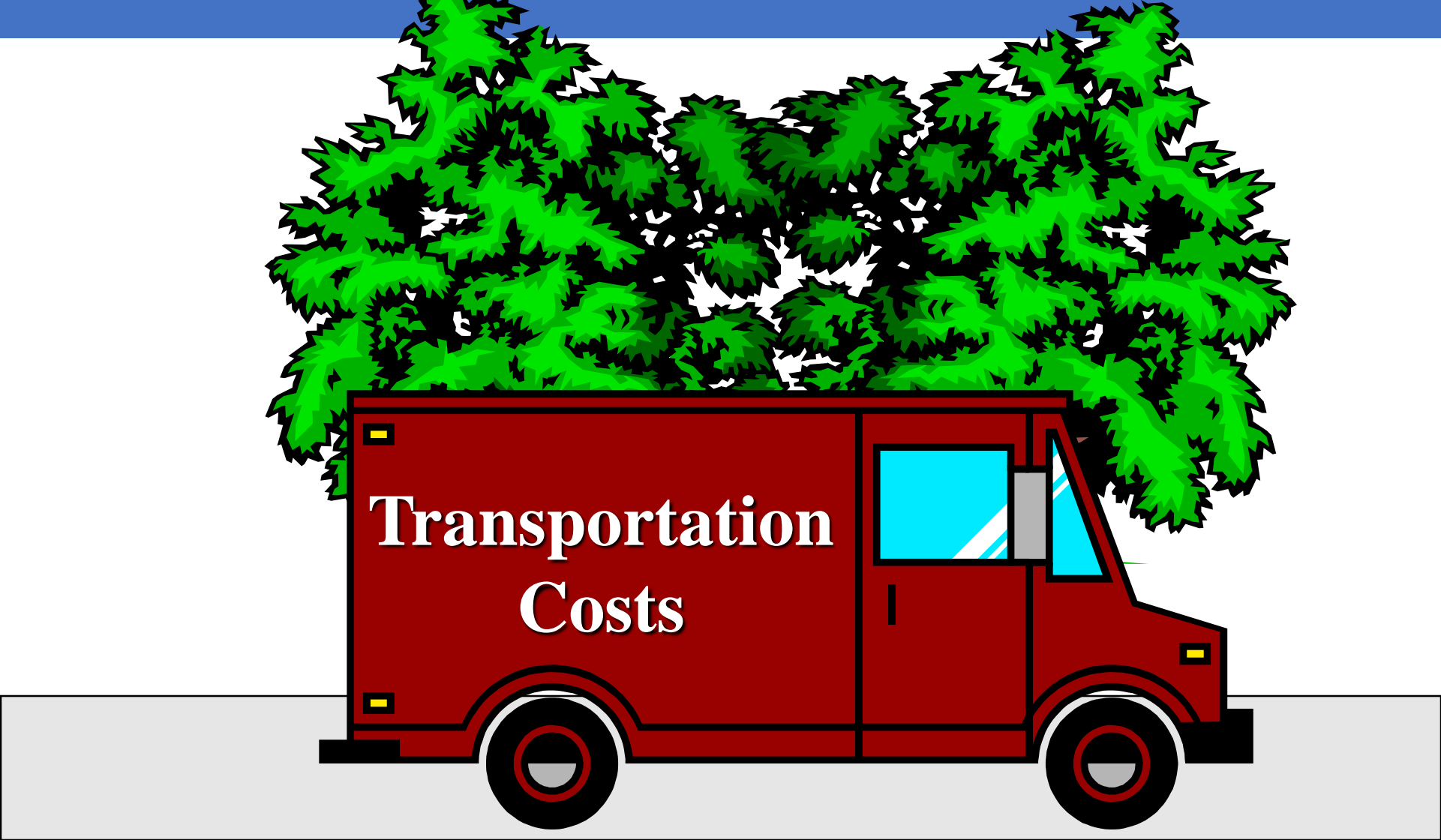
Transportation Costs

FOB Shipping Point

June	10	Merchandise Inventory			900	00		
		Accounts Payable—Magna Data					900	00
		Purchased merchandise, terms						
		FOB shipping point.						
	10	Merchandise Inventory			50	00		
		Cash					50	00
		Paid shipping cost on						
		merchandise purchased.						

On June 10, NetSolutions buys merchandise from Magna Data on account, $900, terms FOB shipping point and pays the transportation cost of $50.

FOB Destination

Seller pays freight costs and debits
Title passes to buyer upon arrival at destination.

Sales Taxes

Aug.	12	Accounts Receivable—Lemon Co.			106	00				
		Sales							100	00
		Sales Taxes Payable							6	00
		Invoice No. 339								

On August 12, merchandise is sold on account to Lemon Company, $100. The state has a 6% sales tax.

Sales Taxes

Sept.	15	Sales Tax Payable			2	900	00				
		Cash						2	900	00	
		Payment for sales taxes									
		collected during August.									

On September 15, the seller sends in a payment of $2,900 to the taxing unit for the August taxes collected.

The End