Revenue process

Finance

Revenue Process: Horizon Cycle Factory Case Study al Affiliation) The inherent risk in this case majorly lies on the fact that Horizon Cycle Factory (HCF) hired both the CEO and CFO from Fast and Furious Cycles, HCF’s biggest competitor. Although the recruitment is far from the revenue cycle, the CEO and CFO may collude and supply the company’s trademark to the competitor. In this case, issues regarding confidentialty would increase the inherent risk. The method used to place orders has the potential to increase the inherent risk. The customers place their orders online or through the phone. Such a process would not provide evidence for the sales made; hence compromising the reconciliation process. The different departments in charge of the revenue cycle may compromise the financial records they provide. The revenue cycle ought to be centralized to a single department to ensure that there is transparency and an integration of the different facets of revenue.

HCF may be prone to inherent limitations to the internal controls. The process of approving the customer credit may entail myriad compromises on internal control. The number of bad debts may increase because the credit approval process is not stringent to ensure that customers comply with the terms of payment. In addition, HCF outsources the distribution process to an external shipping company. There would be excessive protocols to observe to ensure that the customer received the goods in the desired condition. The internal controls to cater for the delivery may be compromised by the decision to outsource.