

Sales accounting  
system risks  
persuasive essay



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St. James Clothiers Evaluation of Manual and IT-Based Sales Accounting System Risks Copy Right: Anthony Butka Ralph Avallone Hong-Ming Yen Executive Summary Case Synopsis We meet Sally St. James of St. James Clothiers who has a retail clothing store in Tennessee. Sally has decided to abandon her manual sales entry system and convert to a more sophisticated IT-based application. As the audit engagement team we have been asked to review narratives of former years and then draft a narrative for the new system. We will address the weaknesses of having a manual based sales entry system.

We will discuss how switching to an IT-based will take care of some of those weaknesses. We will then talk about some of the new risks that Sally St. James will encounter with the IT-based sales system. Finally we will make some recommendations on how to make the conversion process a successful one. Problems 5. 4. 1 Upon review of St. James several risk factors have been identified due to their manual operations system. The highlighted risk areas pose a risk to the income statement and balance sheet. The accounts that are most likely to be impacted are the cash balance and inventory balance.

However cost of goods sold, taxes, sales evenue, compensation, amongst otherwise are all impacted as well. One risk intangible that is not discussed is the risk of losing customers due to a poor reputation and customer service.

a. The fact that the cashier manually records the clerks name, product number, quantity sold, and sales price on a pre-numbered ticket indicate a potential misstatement in all these categories as the cashier may make an error or intentionally record the wrong sales information. The clerk also has the ability to alter the actual sales amount driving potential misstatement in

the income statement and balance sheet. . For special items, the cashier refers to newspaper clippings of advertisements, in store sale signs, or will ask the salesperson for the price. The material misstatement likely to occur due to customers moving