

AIS Revenue and Cash Collection Processes and Controls-WALMART

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Abstract: In this report, the revenue processes of Walmart's from the perspective of AIS will be focused on. From the perspective of accounting, some transactions and processes will be mentioned. And risk and control measures will be included, and the conclusion will be elaborated at the end of the report.

Keywords: Business Analysis; Accounting Information System; Walmart; Risks Analysis; Risks Controls

1. Business Overview

Walmart's is a global chain store in the United States, mainly engaged in the retail industry. Walmart's has the largest turnover in the world. It has more than 10000 stores in 27 countries and 69 brands. With more than 2.2 million employees worldwide, it is the company with the largest number of employees in the world.

2. Revenue Process

The revenue processes that the process are the policies and procedures that employees follow in carrying out a sale, capturing customer data and sales quantities, and routing the resulting sales documents to the right departments within the company are including three types of processes:

1. Sales processes, including ordering, delivery, and billing
2. Sales returns processes
3. Cash collection processes

3. Sales Process

For War-mart directly selling the commodity and merchandise to customers, they scan the bar code and determine the details of the merchandise, after that they will connect with computer and record the revenue and inventory and also the stock of this kind of merchandise.

Walmart sell the commodity to customers, as a B2C company, it will update the received cash and accounts receivables to reflect the increased amount owed by customers. Also, the sale should be recorded in a sales journal so that the amount will be included in revenue during the current fiscal period.

4. Sales Return Processes and the Risk Controls

4.1 Sales return process

Walmart has the appropriate procedures to receive returns, take them to customer accounts, and put goods back in stock.

4.2 Sales Return Controls

4.2.1 Authorization of Transactions

Designated personnel within Walmart shall have the right to develop a sales return policy, authorize a sales return, and approve a credit memorandum.

Others within the organization of Walmart should acknowledge these specific individuals and should not process returns without the approval of the designated person.

4.2.2 Separation of Responsibilities

Walmart's authorized personnel who approve customer return requests and Walmart warehouse management personnel need to separate their responsibilities

The Walmart warehouse personnel who manage the inventory are separated from the Walmart accounts receivable recording personnel

Walmart has separated the responsibilities of those responsible for credit management (including those who write credit memos and approve credit) from Walmart's accounting department

4.2.3 Records and Documents:

Walmart's internal control of sales returns shall include record reports of goods movement, retention of relevant requests and notices as per customer return requests.

Walmart compares and matches the return request reports received from customers with corresponding credit memos to ensure that all Walmart returns are credited for the correct and appropriate amount.

Walmart's return receipt is matched with the customer's original purchase invoice to verify the quantity and price of the returned item. The returned amount and credit limit of returned products should also be included in the customer's account statement to prevent risks.

4.2.4 Security of assets and Documents

Walmart's customer data files and accounts receivable records of goods shall be processed only by departments specially authorized to approve them, and these departments shall record and modify relevant transaction data files

Walmart should strengthen the custody and control of its assets (inventory in its merchandise warehouse) and limit their handling to personnel specifically designated to move returned products

5. Cash Collection Processes and the Controls

5.1 Cash collection process

When a customer sends a check, Walmart must have an appropriate process to correctly process the receipt. The corresponding staff shall match the check with the relevant sales invoice, deposit the funds in time, and update the customer and Cash records. The following is the cash collection process.

5.2 Cash Collection Process Controls

5.2.1 Authorization of Transactions

When customers buy goods, they need to use their bank account to make payment. Walmart has set up special personnel to manage this behavior, open or close the bank account, and approve the service of bank deposit or transfer, so as to ensure the smooth progress of users' transactions.

5.2.2 Separation of Responsibilities

The responsibilities of recording include:

1. Walmart will keep a daily cash journal
2. Walmart will timely update the accounts receivable records of customers with practical credit notes
3. Walmart accountant will count the bills of various subsidiaries every day and incorporate them into Walmart's general ledger

5.2.3 The Custody responsibilities include:

1. Walmart will open the email every day, timely read and solve the email feedback sent by customers
2. Walmart will prepare a series of collections to let customers know the goods when there is no stock in the mall
3. Customers will need receipts when purchasing Walmart products. Walmart will handle the receipts of money and checks
4. Walmart will reserve the daily running income to the bank in time

5.2.4 Records and Documents

Walmart's cash receipt list shall be prepared on a daily basis, and the daily collection activities shall be coordinated with the supporting documents of bank deposits. Walmart's bank deposit receipts shall be kept and filed in chronological order, and bank reconciliation shall be carried out regularly and timely. Detailed Walmart customer accounts should also be maintained regularly and coordinated with customer reports.

6. Latest technologies are related to the IT-Enabled Systems and applications of the ecommerce in transactions

6.1 Why latest technologies are significant to Walmart.

The Information systems structures and processes play a critical role in Walmart's success. As what we have learned from the class, we knew that that larger IT system generally have fewer manual system, so as one of the largest stores around the world, Walmart has its own strong IT systems supporting the operation. However, there are still some technologies to make sure the efficiency of the IT systems.

6.2 Latest technologies

First of all, Walmart has the customer relationship management. (CRM). Through CRM technology, the corporation can generate loyal customers by gathering valuable information using the CRM software.

Secondly, Walmart also plays a role as a wholesaler to provide the materials to other companies, so this can have the advantage of setting up an effective supply chain because there are more opportunities to adopt more information systems to the supply chain.

Thirdly, in 2003, Walmart deployed a radio frequency identification system (RFID) to support their supply chain. RFID could deal with the whole process from production to sales of the product with a tiny chip. Furthermore, one notable feature of RFID is that this can be tagged to almost every item which allows this system to be widely applied. After the deployment of the RFID system, collaboration between systems was significantly enhanced. Also, through the interrelated elements, synergies in the supply chain are generated.

7. EDI Systems and the Risks & Controls

Electronic data interchange is the description used for the exchange of structured trade data between the computer systems of trading partners.

This system allows suppliers to monitor their products sales. EDI makes it especially easy for small vendors to provide goods effectively. This all of Walmart's information systems are closely linked in this way. Their whole supply chain process is strategically interlinked each other, from the purchasing to the selling of goods.

Walmart, as the largest chain retail enterprise in the world, also the first one who use EDI in 1985. It is the application of EDI

system that makes Walmart far ahead of other competitors in information exchange, cost control, inventory control and other aspects.

8. Ethical Issues & Corporate Governance in Revenue Processes

8.1 Ethical Issues Related to Revenue Processes

Inflate revenue

In the business world, there are many cases of inflated earnings. Managers inflate revenue for profit. Employees are pressured by them to assist them. This is something that AIS cannot handle, but high-quality managers and employees can reduce this problem.

Solution: First of all, for Walmart's price adjustment and large-order wholesale behavior, the system should set the price according to the actual situation. Second, the company's accounting information system should accurately divide the goods that have been shipped and those that have not been shipped to avoid early confirmation of order revenue in the second year. Finally, accounting information systems are still subject to the influence of managers and accountants, and it is also necessary to improve the ethics of management and accountants.

8.2 Corporate Governance in Revenue Processes

Four primary functions of the corporate governance process

Management oversight

In Walmart's sales, sales returns, and cash collection processes, different jobs and responsibilities are performed by multiple people. In this way, management can prevent managers and employees from having excessive power and causing fraud.

Internal controls and compliance

In daily operations, Walmart has established a complete internal control program, evaluates the company's projects through a risk assessment system, and then uses various procedures to ensure the accuracy and timeliness of data. So that Walmart can easily deal with risks when they arise.

Financial stewardship

For financial stewardship, systematic processes, internal controls and feedback help Walmart and other stakeholders understand the management reporting of inventory, cash, accounts receivable and operating assets in the revenue process.

Ethical conduct

Good corporate governance requires good ethics, which can drive the company in the right direction and reduce the occurrence of fraud and mistakes.

Walmart's Code of Ethics and Conduct, it is clearly stated that ethics training is required for employees and managers at the time of orientation, and a Global Ethics Department has been established within the company to encourage employees to expose unethical behavior in the company.

9. Summary

In general, the cornerstone of Walmart's success is based on a good revenue and cash collection process and control as well as good ethics and corporate governance. Walmart puts forward the purpose of "helping customers save every penny" and realizes the promise of the cheapest price. Good corporate governance is crucial to driving long-term success. This is perfectly reflected in Walmart's internal controls over its revenue and cash collection processes.

Here's a chart of how Walmart's revenue has risen and fallen in recent years. This can indirectly demonstrate whether the company's control over the revenue process and cash collection will affect the company's revenue and long-term development.

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