

Revenue to Cash Cycle The revenue to cash cycle involves activities related to the sale of goods and services and the collection of customers' cash payments.

- o Various outputs are used in preparing closing entries and producing external financial statements. The remittance advice is used to input the information about the payment received to the correct customer account in the accounts receivable module, including the amount received and the invoice or invoices the payment is to be applied to. The AIS also updates the cash receipts journal and the general ledger to record the increase to cash and the decrease to accounts receivable. Inputs to the revenue cycle can be made by desktop computer, voice inputs, touch-tone telephones, point-of-sale systems, or tablet computers using wireless capability. Outside salespeople may use laptops, mobile devices, portable bar code scanners, and other types of electronic input devices to enter sales orders. The sales order serves as input to the AIS and contains full customer information, payment method, item or items sold, prices, and terms. The process of entering an order and sale into the AIS also updates the inventory module so that items sold are deducted from on-hand inventory and their costs charged to cost of goods sold.
- o The accounts receivable module, inventory module, and general ledger are updated, and reports are processed.
- o Customer statements summarizing outstanding sales invoices by customer, payments received, and balance owed. Thus, the accounts receivable subsidiary ledger is an important function of the AIS. The AIS needs to be able to produce analytical reports of sales orders, sales terms, and payment histories for customers for use in predictive analytics. Activities in and inputs to the revenue to cash cycle include:
  - o Receipt of customer orders and creation of sales orders.
  - o Shipping information is processed, the package is moved to the shipping dock to be picked up by the carrier, or the service is provided. Sales made on the Internet may automatically update the subledgers and the general ledger in the AIS.
  - o Customer aging reports, showing the total accounts receivable outstanding balance broken down according to ranges of time outstanding, such as amounts outstanding for 0 to 30 days, 31 to 60 days, and so forth.
  - o Information from sales reports, receivables aging reports, and receipts reports is used as input to a forecast of cash receipts. To include the collection of customers' cash payments for sales, the company needs to maintain accurate records of customers' outstanding invoices.
  - o Recording payments collected for goods and services provided.
  - o Forecasting sales and cash receipts using the outputs of the AIS. Customer records also include payment history, assigned credit limit, and credit rating.