



MODULE 7

Revenue And Expense Review Checklist

Process	Comment	Date Completed or N/A	Needs Additional Analysis (✓)
<p>Review or prepare historical review of revenue by category entered into a spreadsheet program:</p> <ul style="list-style-type: none">■ By dollar (or other currency)■ By percentages <p>(See Section 7.2)</p>			
<p>Prepare gross profit percentage spreadsheet by product or service line:</p> <p>(See Section 7.2.1)</p>			
<p>Possible questions to ask client regarding revenue:</p> <ul style="list-style-type: none">■ Is all revenue recognized in the current period?■ How is pricing determined?■ What are sales terms?■ What do you attribute the increases and decreases to in the various product or service lines that generate revenue?■ Are you putting equal effort (manpower, marketing, sales) into all the products or services sold?■ What can be done to make your products or services better or different than the competition?■ What products or services does your competition have that you do not have?			

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<ul style="list-style-type: none"> What market segments are you selling to and can these be expanded? Are there underserved markets that could use your products or services? How can you expand into underserved markets? How can you regain growth in certain products or services? Are your products or services marketed on the Internet and sold via e-commerce? Are there additional ways not currently utilized to sell your products or services? What additional revenue streams can be added to your present business? What additional capital would be needed to increase revenues? Do you have the capacity for growth? <p>(See Section 7.3)</p>			
<p>Discuss with client suggestions to increase cash flow:</p> <ul style="list-style-type: none"> Speed up collections Request autopay or funds transfers Use vendor payment terms to business' advantage Request milestone payments Trim expenses Obtain line of credit Consider non-traditional financing if necessary Review inventory for possible reduction Renegotiate contracts <p>(See Section 7.4)</p>			

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<p>Be aware of internal transaction controls for:</p> <ul style="list-style-type: none"> ■ Cash ■ Inventory <p>(See Section 7.5)</p>			
<p>Possible sample recommendations to client after revenue and gross profit review:</p> <ul style="list-style-type: none"> ■ Increase or decrease pricing to see the effect on total revenue and gross profit ■ Consider changing suppliers that might provide better pricing or a wider diversity of products ■ Differentiate product or service from that of the competition ■ Revise sales terms—installment sales, credit policies, payment due dates, downpayments ■ Add or eliminate a product or service line ■ Increase marketing efforts on a product or service line that produces a high gross profit margin ■ Consider consignment sales ■ Analyze sales trends and customer base to place added emphasis ■ Target an underserved market ■ Revise marketing and sales efforts to see the effect on revenue ■ Increase marketing budget and determine the return on investment <p>(See Section 7.6)</p>			

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<p>Review possible client questions to ask regarding expenses:</p> <ul style="list-style-type: none"> ■ Do you get competitive quotes for accounting fees? Have you considered bringing this function in-house? Have you considered outsourcing this function? ■ Where are advertising dollars spent? Are they producing the desired results? Have you studied and reviewed dollars spent versus sales revenue? Should some advertising dollars be redirected or eliminated completely? ■ Are company vehicles purchased and used by employees? Are employees reimbursed for use of their personal vehicles? Is mileage reimbursement well documented for its purpose and amount? ■ Can some employee positions be eliminated in favor of outsourcing? Can the status of some individuals be changed from employee to independent contractor? ■ What fees are being paid to process credit cards? Can this be reduced? ■ Are all dues and subscriptions necessary? What benefit is received from each of these expenses? ■ Have equipment lease agreements been reviewed for alternatives? Can a lease be bought out and equipment purchased? 			

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<ul style="list-style-type: none"> ■ Is insurance adequate to cover all potential losses or liability claims? When was the last time you received a competitive quote to see if savings are possible? ■ Do you pay interest to a bank, credit union, financing company, or credit cards? What interest rates are you paying on the various debts? When will the debts to be paid off? ■ What are you paying per hour for legal and other professional services? Have you ever disputed a bill that you thought was too high? Have you ever used an online company to get standard legal forms prepared? ■ Who approves expense reports for employees? And, who approves the “approver’s” expense report? ■ What expenses fall into the miscellaneous expense category on your income statements? Why are these items not classified into categories that are readily identifiable? Could some of these expenses be reduced or eliminated? ■ Who controls ordering office supplies? Are they purchased in bulk or online? Does someone go to the local office supply store as soon as an item is needed? ■ What does it cost to prepare the company’s payroll and all of the associated filings? Is there a dedicated employee whose full-time job is to process payroll? Are mistakes made often? Have you had any inquiries from a governmental agency regarding payroll filings? 			

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<ul style="list-style-type: none"> ■ What is the reason for most repairs? How much efficiency is lost due to downtime? Are most repair expenses for certain pieces of equipment? ■ What kind of rental lease agreement do you have at your present location? Is it month-to-month or long-term? What can be negotiated in the way of price and other concessions if a long-term lease is signed assuming this is the right location for your business? ■ Is this the right location? Can rent be reduced by moving to another location without losing business? Can a move increase business? ■ What benefit does your company receive for the money spent on seminar training? Is it worth the cost? What benefit can your company derive by spending more on seminars and training? Do you spend enough to keep up with current trends in your industry? Are you keeping current with your competition? ■ Are telephone/Internet services bundled with the same company to save substantial dollars while still receiving the same service? Are you using Skype, WhatsApp, or something similar to lower international calls? Is Wi-Fi used when possible to avoid cell data charges depending on your plan? Are employees charged for any part of company cell phones issued to them? <p>(See Section 7.7)</p>			

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<p>Review procedures for approving expense reports:</p> <ul style="list-style-type: none"> ■ Is “rubber stamp” approval common? ■ Is accountability practiced? ■ Are expenses documented with receipts? <p>(See Section 7.9)</p>			
<p>Review revenue and expense narrative variance report, if available:</p> <ul style="list-style-type: none"> ■ If not prepared, explain to client the benefit of having this report <p>(See Section 7.10)</p>			