Lesson 4: Obtain an Understanding of a SCOT

**Videoscribe:** Flowchart and process map

Note to narrator: This is a very fast-paced, upbeat “video.” Please use an energetic, positive tone and a medium to fast pace.

| **Filename** | **Image** | **Narration** |
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|  | Image of businessman/woman using a magnifying glass to look at a piece of paper. | Flowcharting is a common documentation technique used to visualize a flow of transactions. |
|  | Have the arrow image wipe/fade in to the right animate each rectangle. | A flowchart shows the complete flow of a transaction focusing on the critical path, from initiation to reporting in the general ledger.  The information required to develop a flow chart usually comes from the process narrative. |
|  | Show images of all the flowchart shapes being separate, then coming in together to form a flowchart.  Have the shapes separate, move around and then form a different flowchart. | A flowchart uses certain shapes to represent different items, each of which has a meaning.  A flowchart may be structured differently but the key is to understand what the flowchart is communicating.  This video will provide you with some of the basics of flowcharting. So, let’s get started. |
|  | Show image:  Document  Show this image of 2 documents:  Document  Document | We are going to start with some basic shapes that you might recognize.  The first shape is for a document. This symbol depicts just one document.  However, if there are multiple documents generated, you can use this symbol. |
|  | Show image:  Show image of a person buying a mobile phone. | Usually documents are generated in or come out of a process. So the next shape, a standard rectangle which represents a process.  An example of a process would be creating a purchase order for a new mobile phone based on a customer order form. |
|  | Show cylinder image:  Database  Show a computer server with data images running in and out of it.  Show this image with the arrow expanding out both ways.  Database | Generally speaking, processes usually occur using data from a computer system.  This cylinder represents a storage device for system data.  You flowchart will need to include this shape if a process that requires data from a system. The arrow is used to indicate the direction of the flow.  In the case of our mobile phone example, the to process a customer order, we need to check the inventory levels in the system to determine the mobile phone is in stock to complete the purchase order. |
|  | Show diamond image and show an image of a person thinking about something.  Decision  Show image of some type of crossraods, “a fork in the road” and show this image: | The diamond shape is used when a decision is made in the process. This could mean a person need to approve a transaction or a system performs a check to ensure all information is valid prior to continuing a process.  A decision must have a minimum of two outcomes, such as a “Yes” or “No”. Depending on the outcome, your flowchart would take a different path. |
|  | Show image:  (Start/Stop)  Show all of the shapes | The last shape we’ll cover is this oval symbol, which marks the beginning or end of a process.  Now that we’ve covered some of the basic shapes you’ll see in a flowchart, let’s walk through a brief example. |
|  | Show same image of person buying the mobile phone.  Show image: | In our example, you need to purchase a new satellite phone for your expedition.  The flowchart begins with the oval symbol which then flows to the rectangle to show how the process is initiated, with the customer calling in to place an order. |
|  | Show image of salesperson on the phone while person is standing waiting.  Show image:    Note: In the image above, New Customer should be changed to “Credit Check”. | The Sales Department receives the order and performs a credit check to determine whether the customer is able to pay for the product, which is the first decision point in the process.  If the customer passes the credit check, the sales department will process the sales order. |
|  | Show image of salesperson shaking their head “no.”  Show image of a manager walking up to both of them.  Show image:    Note: In the image above, New Customer should be changed to “Credit Check”. | If the customer does not pass the credit check due to missing or incomplete information, the Sales Department could route the order to the General Manager in the Credit Department for further investigation. |
|  | Show image of the manager shaking their head “no.”  Show image: | Alternatively, the Sales Department could deny the order if the customer does not have sufficient credit.  In this flowchart, the diamond shape reflects a decision with three possible outcomes:  Your order is approved within the Sales Department  Your order is routed to the Credit Department for investigation or  Your order is denied  Depending on which of the three paths a transaction takes, the flowchart would then depict the next step in the process that order would flow through.  So a flowchart is one method of documenting our understanding of a SCOT, which in this case, was based on our process narrative and discussions with management. |
|  | Show image (use narration to animate this part): | Another resource that can help validate our understanding of a SCOT using a process map. A process map is a report from GL Analyzer that disaggregates the overall change in a financial statement line item (listed down on the left hand side of the report) to the sources that comprise the change. This helps us understand how the entity processes the data that results from conducting its business. |
|  | Show image (use narration to animate this part): | For example, if we scan across the row for sales of goods and services, we can see most of the year’s activity came through the sales source group. If we continue scanning, we can also see 900 thousand of credit activity coming through the Receivables Adj. source group.  Assume that management’s narrative stated that the amount recorded as sales was derived through the sales SCOT, but we generated the process map and note that the majority of the sales was derived from the Receivables Adj. source group. That would lead us to investigate the difference further in order to understand whether there is another SCOT we were unaware of, or whether our understanding of the SCOT is incomplete or inaccurate. |
|  | This should show the comparison of the process map to the process narrative. | As you can see, we can confirm our understanding of a SCOT by comparing the process map to the process narrative and flowchart, ensuring that all three documents show the same flow of significant transactions. |
|  | Show an image of the process narrative, does not equal sign next to it (i.e. ≠) and then a document titled process map.  Show image of a businessman/woman talking with a businessman/woman. | If you note inconsistencies in our SCOTs documentation when confirming our understanding, we inquire of management and update our documentation to represent the actual flow.  If in doubt, ask your senior. |
|  |  | Now you will have the opportunity to test your knowledge in preparing a flow chart with an activity. |