What Can Go Wrong in Revenues and Receivables

1.	The executive team directs the CFO to recognize revenues on deals that were not signed and completed as of the period end.
2.	The CEO skims sales and sends the money to an off-shore bank account. Those sales are not recorded in the books. In the following years, he brings the money back into the company as revenues and makes it look like the company is achieving steady growth.
3.	In order to hit their revenue target for the quarter, an account manager on an ongoing project makes a covert agreement with the customer that they'll reduce the invoice by 10% if they can send an invoice three months early. They tell the customer not to pay it until ready but fail to tell accounting about the arrangement.
4.	A salesman hits his sales target with a flurry of deals at the end of the quarter. One week later customers call because the products they received were severely defective.
5.	Executives fail to close enough deals to make their projections but they record the sales anyway in the current quarter because they know the deals will close in the first couple of weeks of the next quarter. They direct the shipping department to load the items on a truck, send the truck off site, and instruct the driver to wait a few days before delivering the products to the customer.
6.	A division manager receives an order near quarter end. He records the sale, but delays shipment for a couple of weeks until the following quarter in order to avoid decreasing assets or expensing cost of goods sold.
7.	An employee intercepts customer payments and covers up the theft with a false entry in Sales or destroys the original sales documents.
8.	A collector posts credit memos to outstanding balances in exchange for kickbacks or simply to provide freebies to friends and family.
9.	A collector intercepts customer payments and deposits them in his own bank account. He then posts the payment to the customer's receivables and creates a false receivable elsewhere, or he simply writes off the customer's receivable to bad debt.
10.	The controller has instructed finance and accounting personnel to hide bad debts. Certain customers fail to pay their invoices or short pay the invoices Instead of writing the balance off to bad debt, the finance and accounting personnel issue a debit memo to the customer's receivables balance for the bad debt amount and credit the entire receivables balance as if it had been collected in full.
11.	The CEO directs the CFO to do something to boost assets, so the CFO books a smaller and smaller allowance for doubtful accounts with each sale.
12.	A warehouse employee steals some product and agrees to split it with someone in accounting if they will book a false receivable. The accountant agrees, and either writes off the receivable to bad debts immediately, or allows it to age and writes it off naturally after 120 days.
13.	An executive directs that legitimate sales be held in backlog (a 'rainy day fund')

	until they are needed in a future quarter.
14.	Accounting recognizes revenues from a multi-year contract in the first year of the deal without discounting or reserving any of the potential revenue stream.
15.	Accounting recognizes a percentage-of-completion deal entirely up-front.
16.	An accountant shifts all credit memos into the 120+ receivables category to make the delinquent balance in that category smaller. This shift naturally increases the under-30 day receivables balance, but that causes no concern because there is little worry over receivables less than 30 days past due.