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A STUDY OF "CARGO REVENUE ACCOUNTING" A BUSINESS PROCESS AT KPMG MUMBAI

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Abstract
KPMG in India is a leading provider of Tax, and Advisory services to companies in the Indian Technology industry. Since very long time KPMG has been a part of the industry helping companies grow. Today Indian Technology industry is one of the largest contributors to the KPMG's revenue.
The purpose of this paper is to explore, and understand the marketing scope in a top Information Technology Audit company – KPMG Mumbai.
This paper presents the business development activities as well as the audit work done by KPMG. The scope of work involved understanding various business processes, preparing business flow diagrams, analyzing process weaknesses for recommending process improvements. A design of the business process flow for each process is described in the paper.Also, my scope of work for audit and business process optimization involved preparing business development activities.This paper provides an analysis and evaluation of the current and prospective risk, management, process optimizing. Tools of analysis include controls, control objectives, etc.
Results of data analyzed show that KPMG client is following appropriate business processes completely, correctly, and efficiently. In particular the performance of the leading airlines is in correct direction as provided in evidence by the client.
The paper finds the optimization of the business processes for leading airlines. The major areas of weakness require further investigation and remedial action by the management. Recommendations discussed include:
1. *Improving system generated report.*
2. *Improving handling of manual processes.*

Keywords: Cargo Revenue accounting, process optimization, audit, controls, control objectives.

1. INTRODUCTION

Objectives of the Paper

1. Understand business process and prepare flow designs for each.
2. Mapping between current process state and desired process state.
3. Identify gaps between states mentioned in process assurance.
4. Remediation plan to bridge gaps identified in states.

2. DATA COLLECTION:

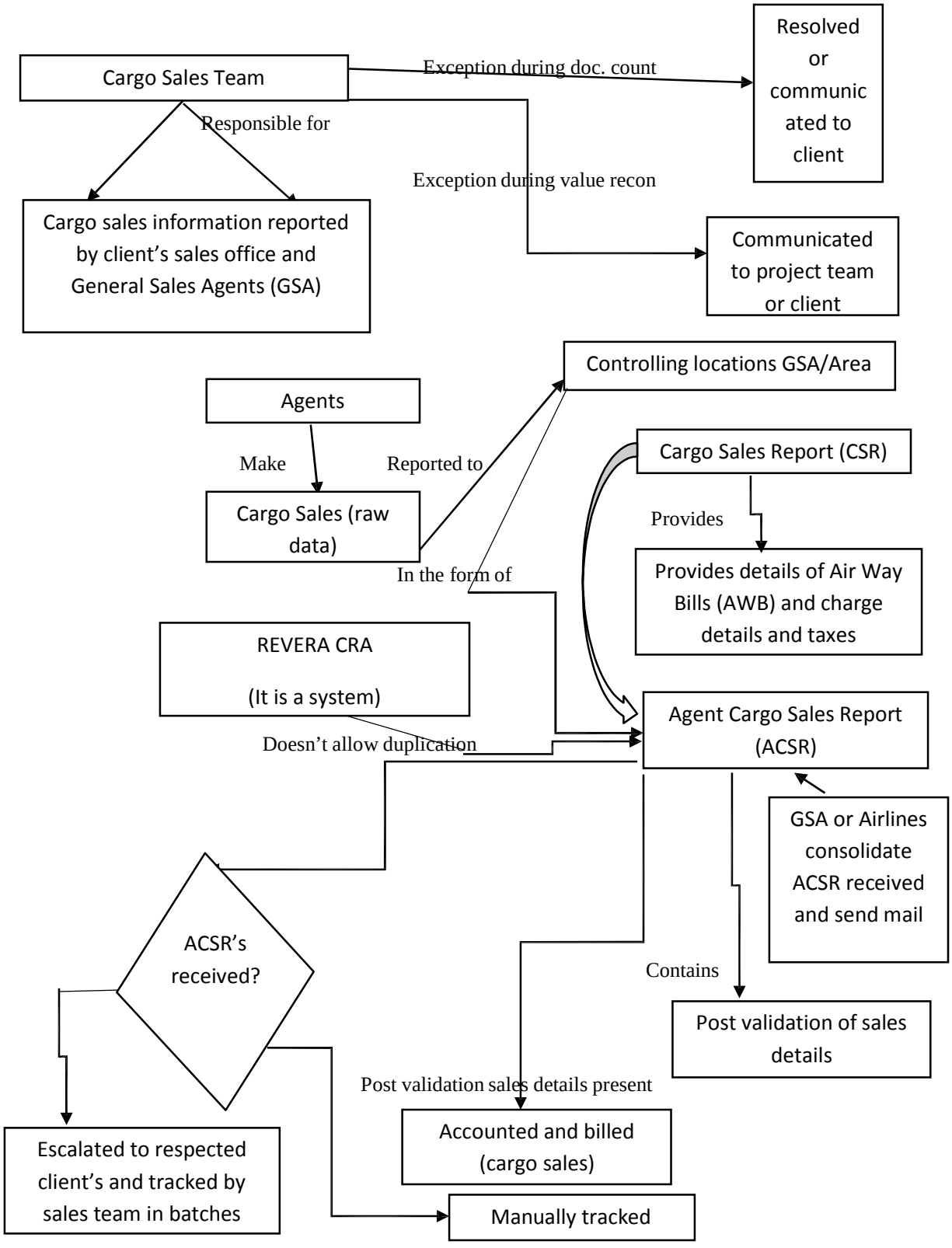
While working on Cargo Revenue Accounting (CRA) project I learned various business processes. Basically CRA helps in the accounting for revenue generated by leading airlines.

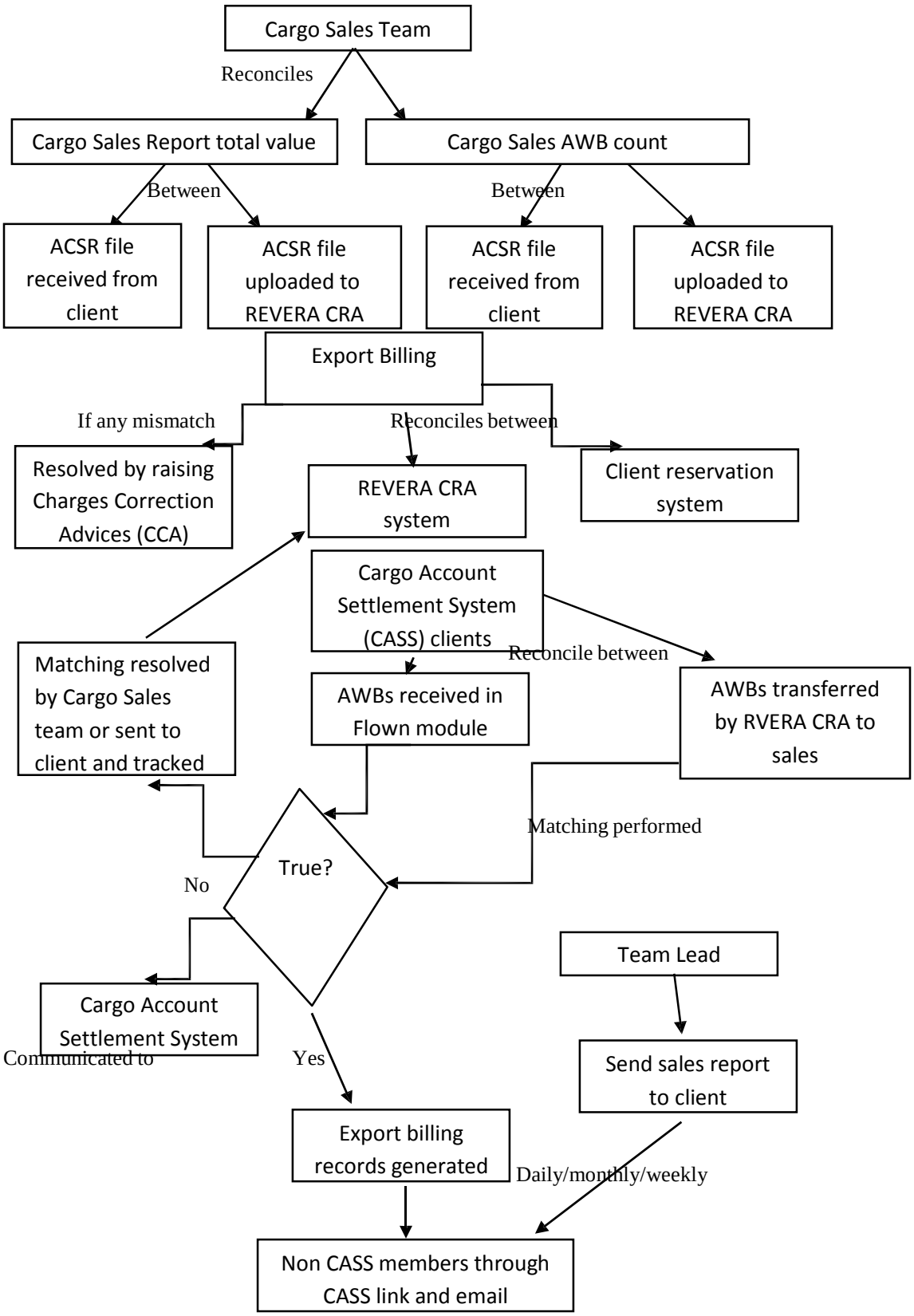
What is a Business Process?

A business process or business method is a collection of related, structured activities or tasks that produce a specific service or product (serve a particular goal) for a particular customer or customers. The various business process I worked on are;

1. Cargo Sales
2. Flown
3. Air Mail
4. Interline Payables
5. Interline Receivables
6. Accounts & Reconciliation

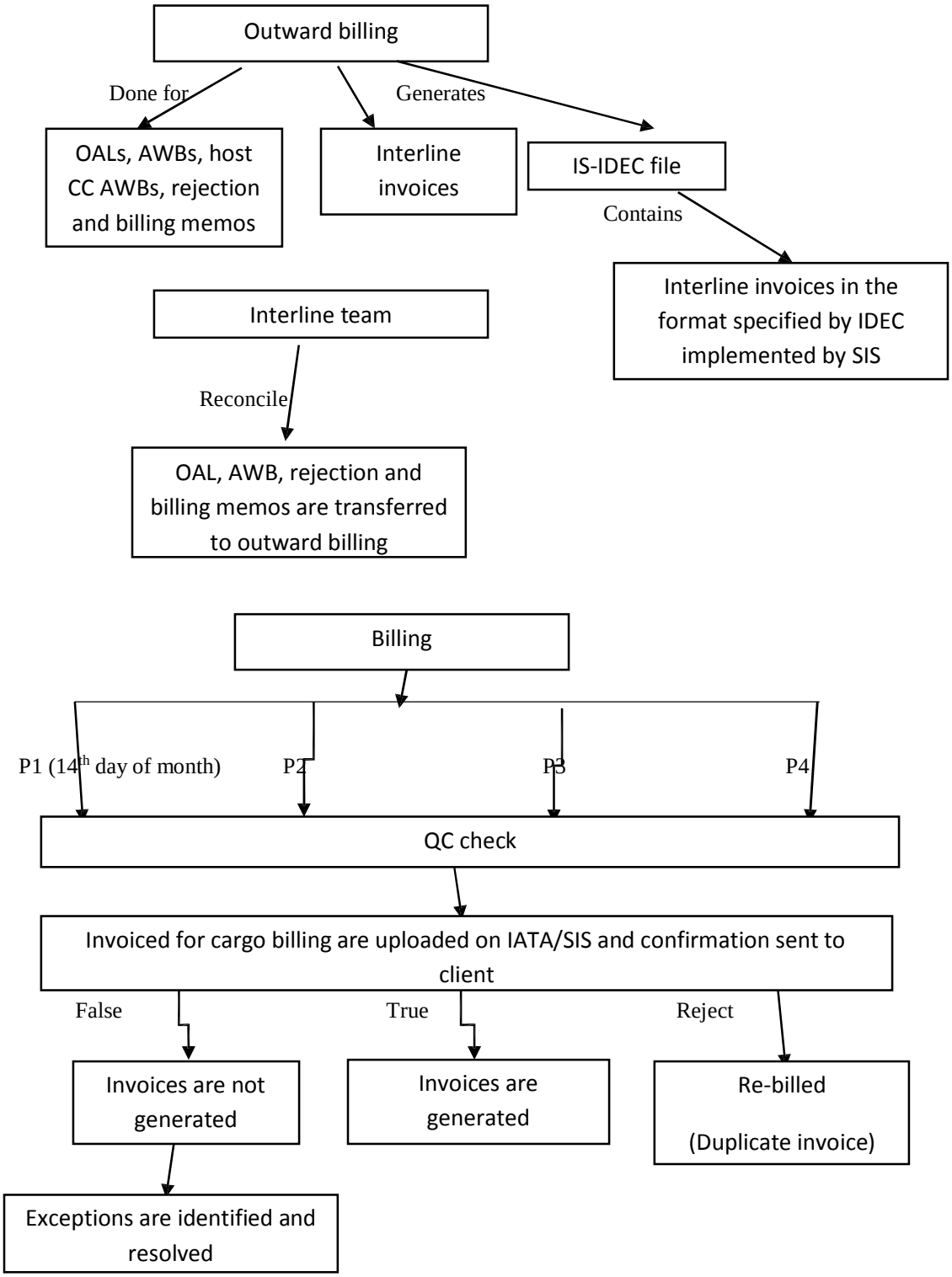
1. CARGO SALES:





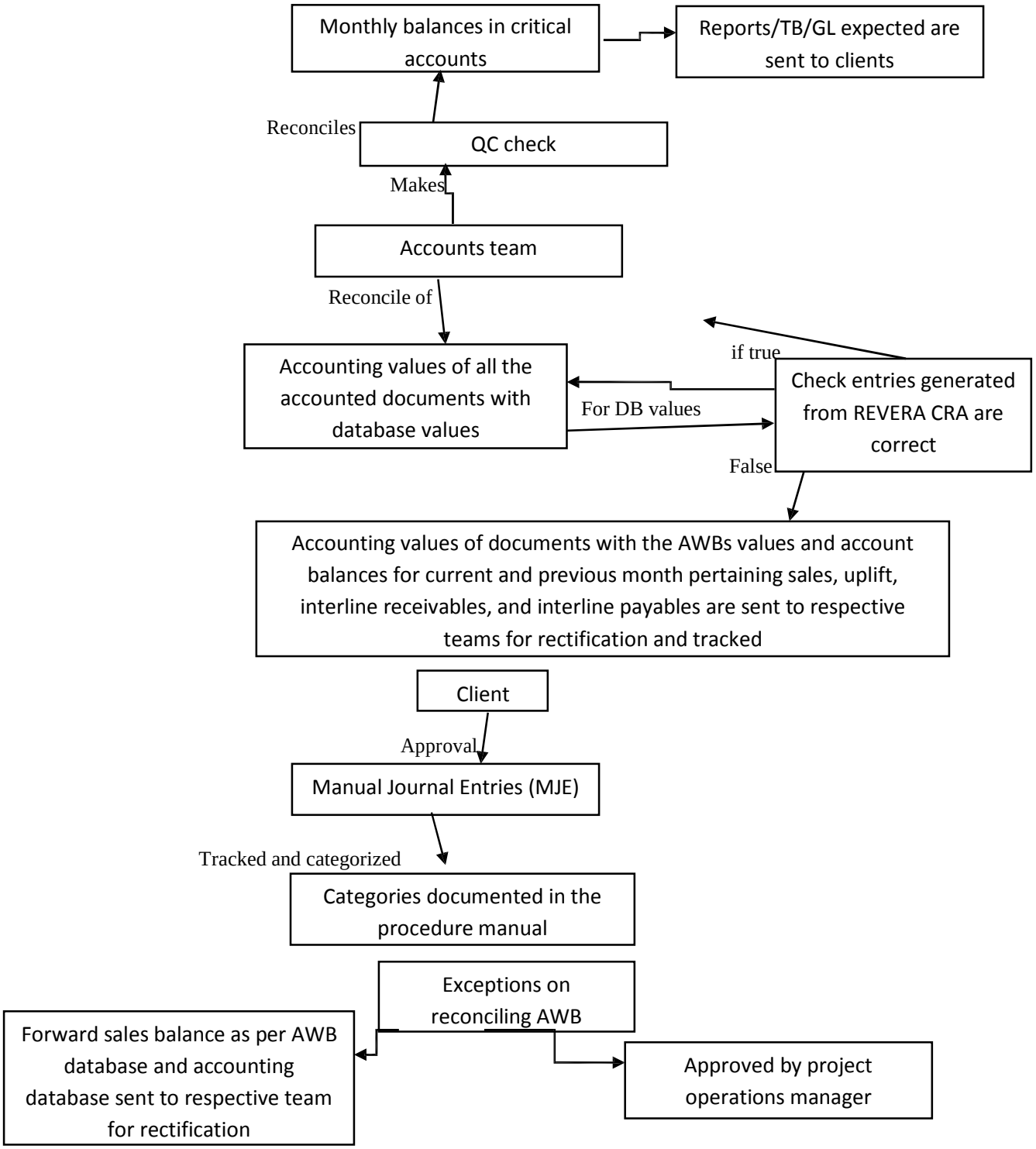
AWB: Flown related information captured by client's GSA or Agents

1.1. INTERLINE RECEIVABLES:



SIS: It contains receipt of billings in a standard electronic format along with supporting doc

1.2. ACCOUNTS & RECONCILIATION:



DATA ANALYSIS:

CARGO SALES:

Basically, cargo sales information is reported by client's sales office and General Sales Agents (GSA). Basic difference between cargo sales and export billing is that in cargo sales agent tells airlines what agent owes them and in export billing airline tells agent what agent owes to them.

In this process cargo sales team responsible for receiving and accounting cargo sales information reported by client's sales office and GSAs. REVERA system is used to avoid duplication of Agent Cargo Sales Report (ACSRs) which contains raw data.

In cargo sales, it follows unmatched and unbalanced. In unmatched it matches for actual AWBs with cargo sales and in unbalanced it checks for sales value and flown value. Whenever Agent Cargo Sales reported from various stations or agents it gets validated. Post validated data is received and manually tracked and if data is not received then it gets escalated to respected clients and tracked by sales team.

FLOWN

Flown follows loading, commit, proration, and invoice stages. In loading just files gets loaded. If file not received then it shows an error. In commit it triggers the further process. Then it goes for proration. In proration it takes International Air Transport Association (IATA) and Special Prorate Agreement (SPAs). Finally, it creates invoices. IATA is a secure portal.

In flown cargo flown gets processed which contains client transported cargo from source to destination which is accounted for Air Way Bills (AWBs). In flown data gets digitized and the same data gets loaded onto REVERA system by central control team to avoid duplication. It also keeps data count after data gets loaded successfully.

The flown team or upload team reconciles flown data file document count as per file received and if there is any mismatch then it gets resolved or highlighted to the client.

AIRMAIL

Cargo Postal Mail which is known as airline service utilized for carriage of postal mail from one destination to other. Airmail team or upload team reconciles and put a document count on airmail data. GSAs capture the mail documents. REVERA system is present to avoid duplication and post validated data gets processed in batch. This data goes for quality checks.

After checking it sent to client on monthly basis. After post validations invalid data listed in fix up for manual intervention. If it is unresolved then it gets flagged by REVERA and sent to clients.

INTERLINE PAYABLES

Interline means carriage of cargo from one airline to another airline with same AWB. Other Airline (OAL) renders service to client by transferring cargo and AWBs. Inward billing takes place for ICH as well as NON-ICH members. For ICH (i.e. IATA Clearing House) settlement takes place through ICH directly and for NON-ICH settlement takes place directly with airline.

Integrated Settlement (IS) – Interline Data Exchange Center (IDEC) file, and form 3 are downloaded from IATA as it is secure portal and uploaded on REVERA. Payables team reconciles IDEC file document count. Interline payables process is carried out to ensure the interline partners have billed the correct prorate values for the services rendered.

Validations are done after loading the files. If it is true then AWBs billed and verified against SPAs or Ad-HOC SPAs or any bilateral or multilateral agreements and after accepting billing is done. SPAs are agreements between airlines to give each other a fixed price for interlining. It is received in the form of hard copy or scanned copy through email attachment. If it gets rejected then it rose for invoices and communicated to clients before billing. If any exception comes then it is not resolved by interline team and sent to clients.

INTERLINE RECEIVABLES

SIS i.e. Simplified Interline Settlement contains receipt of billings in a standard electronic format along with supporting documents. When the airline renders service to the Other Airline (OAL) by transferring cargo, the OAL will be billed for the service provided is known as Outward Billing. It generates interline invoices and IS-IDC file where IS-IDEC contains interline invoices in the format specified by IDEC and implemented by SIS. Outward billing is done for OALs, AWBs, host CC AWBs, rejection and billing memos.

Billing is done weekly basis. At first, quality check takes place and if it is true then it gets invoiced for cargo billing and uploaded on IATA or SIS and conformation sent to client. If it gets rejected then it gets Re-billed (i.e. duplicate invoice).

ACCOUNTING AND RECONCILIATION:
Accounts team makes quality checks and reconciles accounting values of all the accounted documents with database values and also reconciles monthly balances in critical accounts after which reports TB or GL extracted and sent to the clients.
Client approves Manual Journal Entries (MJE) and tracked and categorized documents in the procedure manual.
The business development activities are:

Industrial information
Whether it's market entry, financial regulations, or business planning and strategy, tap into the knowledge, relationships and experience of industry experts and other professionals in multi-disciplinary teams located worldwide to get an end-to-end solution in managing complexity and challenges posed by the dynamic environment in the financial services sector.

Company information
KPMG's management consultancy services are now combined to help enable a 360° view of challenges faced by our clients, which helps in achieving sustainable efficiency improvement operations.

Proposed work
It is critical to foster that 'right-fit' Information Technology is implemented and is appropriately managed and governed. IT is challenging to get right and expensive to get wrong not only in terms of money spent, but also in lost efficiency and potential regulatory infringements. We bring together skills and experience to assist client in realizing these business objectives. The various specific services that KPMG offers;

a. IT Attestation
b. IT internal audit

Values which KPMG will bring:
The KPMG approach is structured, as well as nimble to assist clients in various phases of their life cycle. Our credentials across industry sectors echo our success in understanding the business context. Being an independent advisor with extensive knowledge and experience, KPMG can help you achieve today, what you have set out for tomorrow.

Credentials:
Low business confidence, pressure on margins, and issues affecting profitability are making financial services vulnerable to an incoherent environment. One has to understand the dynamic operative environment to manage the challenges and to capitalize on the vast opportunities.

FINDINGS

Cargo Revenue Accounting project is basically related to risk, management consulting. As per set objectives we have found the same results. The important findings of this project are:

PROCESS OUTPUT:
The process output shows the mapping between current state and existing state i.e. the process output depends upon current as well as previous states and it's a mapping between them. Process follows input, processing, quality checks or validations, execution, and the appropriate output. Clients are following the correct process flow which they are applying.

DEPENDENCY OF PROCESSES:
As we have seen the 6 processes in this project as Cargo sales, flown, interline payables; interline receivables, airmail, and accounting and reconciliation. The processes are dependent on each other internally like once the files and the data received by cargo sales team their work is to upload them on REVERA system. Once upload takes place it's the responsibility of the flown team to have quality checks and proper validations.

ASSIST IN PREPARING B.D.A.:
The researcher found that appropriate business development activities are very important. To approach or to attract client all across the globe business development activities are essential and also a good communicator between client and the proposers.

CONCLUSION

Cargo Revenue Accounting is basically a project to maintain accounting for leading airlines. Based on the performance some conclusions can be made and they are;

1. Forming correct business development activities is essential. Preparing appropriate business development activities to attract client is imperative which decides the success of the business process.
2. Advising clients regarding risk management based on analysis of the process, the client needs to made aware of the underlying risks that many a times go unnoticed due to process structuring.

3. Client follows the business processes correctly and completely but still does not achieve efficiency which may be due to inaccuracy of measure or controls.
4. Business process flow is very important to understand while doing the analysis (or risk consulting) any loose thread in which may affect the accuracy and the efficiency of the business process thereby hampering the final output.

SUGGESTIONS

As a part of this paper on Cargo Revenue Accounting we came across a few gaps where the following suggestions are being put forth though not major:

1. The evidences client provide have some missing data, so ensuring complete information is obtained is the first and foremost important task.
2. Another observation was that a lot of controls which are followed is done so at a later stage during the project, so ensuring that all controls or process elements are followed right from the initiation of the project is important.
3. System generated reports have random order data and not in chronological order, which is what also makes a difference.
4. Client is handling some processes manually because of which sometimes there occurs mismatch of data between system generated reports and manually prepared data, this inaccuracy or leniency in manual measurement should be minimized to a large extent, rather inaccuracies and inadequacies should be eliminated from the process.

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