

## ***Business Process Cycles***

***Sales cycle.*** A company receives an order from a customer, examines the order for creditworthiness, ships goods or provides services to the customer, issues an invoice, and collects payment.

This set of sequential, interrelated activities is known as the sales cycle, or revenue cycle.

### ***Purchasing cycle.***

A company issues a purchase order to a supplier for goods, receives the goods, records an account payable, and pays the supplier.

There are several ancillary activities, such as the use of petty cash or procurement cards for smaller purchases. This set of sequential, interrelated activities is known as the purchasing cycle, or expenditure cycle.

***Payroll cycle.*** A company records the time of its employees, verifies hours and overtime worked, calculates gross pay,

deducts taxes and other withholdings, and issues paychecks to employees.

Other related activities include the payment of withheld income taxes to the government, as well as the issuance of annual W-2 forms to employees. This cluster of activities is known as the payroll cycle.

***Financing cycle.*** A company issues debt instruments to lenders, followed by a series of interest payments and repayments of the debt.

Also, a company issues stock to investors, in exchange for periodic dividend payments and other payouts if the entity is dissolved.

These clusters of transactions are more diverse than the preceding transaction cycles, but may involve substantially more money.