**Scenario:**

Tree Pharmaceutical Company (TPC) is a large pharmaceutical company with three divisions in the United States.

* The first division, B&D Chemical Company, is the original company and makes liquid prescription medications.
* When the second division, Proactive Pharmaceutical Company, was acquired 15-years ago, TPC was incorporated. Proactive makes over-the-counter cold medications.
* The third division, Best Medical Supply, was acquired by TPC about 2 years ago and makes intravenous drugs used in hospitals.

Each of these divisions supplies its products to medical wholesalers who supply a large number of pharmacies and hospitals. Each of the three divisions has been very profitable in recent years.

You are in the auditing department at TPC's headquarters and are preparing for the year-end external audit scheduled for February. Management is concerned about the possibility of any misstatements of financial information provided by the three divisions. Management is also concerned about transactional controls in the procurement and payment cycle, the accounting for inventory, the capital acquisition and repayment cycle, and the sales and cash receipt cycle.