

Business Documents.



Business Documentation

Introduction

Source documents are original records that include the information supporting or substantiating business transactions recorded in the accounting system. They offer tangible proof that a transaction occurred. Moreover, they serve as evidence for tax preparation and audit procedures, thus streamlining operations and improving transparency.

- Source documents meaning refer to an activity trail or original records that support the ledger accounts and journals during an economic or tax audit. They streamline the audit procedures by increasing transparency.
- Some source documents are quotes, invoices, orders, delivery docket, and receipts.
- There are various benefits of source documents in accounting. For example, they minimize the input of inaccurate details in books of accounts and reduce the possibility of fraud.
- The details typically included in source documents are the transaction date, the transaction's overall value, authorizing signatures, and the explanation of the deal.

A source document

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The Need for Source Documents

Source documents constitute the source of all original information on the financial transactions of a business.

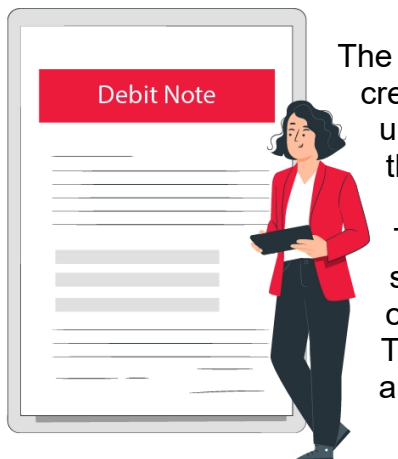
They perform the following functions

1.
2.

An invoice will contain the following information

- Seller's name & address
- Buyer's name & address
- Date
- Date of delivery
- Description of goods and services required
- Details of trade discounts given
- Total amount owing
- Terms and conditions of any cash discounts that might be given.

Debit note

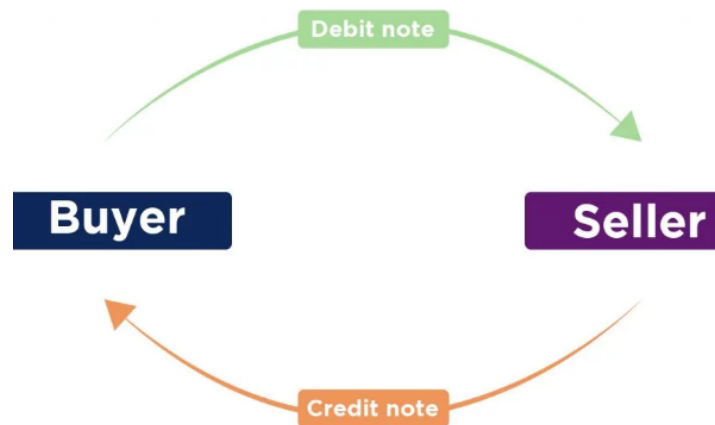


The buyer normally issues a debit note to a supplier to request for a credit note. The buyer may not debit the account of the supplier until his request is approved by him as evidenced by the issue of the credit note to the buyer.

The customer should check that goods received are in a satisfactory condition and that they are exactly what was ordered (in respect of price, quantity and quality).

The supplier must be informed of any shortages, overcharges and faults. This is done by issuing a debit note to the supplier.

Purchases Returns Debit Note ==>A note sent by the buyer (purchaser) to the supplier if the goods are broke, damaged or not what was ordered.



DEBIT NOTE		Debit note number 29
<p><i>Sew and Sew</i> 92 The Avenue Lowtown</p> <p>The Weaving Shed 14 Industrial Street Hightown</p> <p style="text-align: right;">6 April 20–9</p>		
The following goods have been returned:		
	Unit price \$	Amount \$
10 metres polycotton fabric Design: P21 Colour: Lemon	6	60 00
Less 20% trade discount		<u>12 00</u>
		<u>48 00</u>
Reason for return: Wrong colour supplied Please issue a credit note		

Purchase invoice

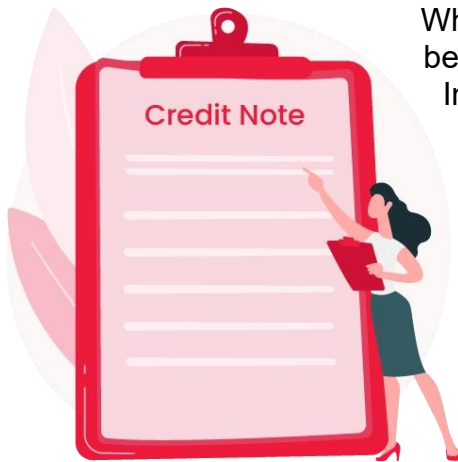
A purchase invoice serves as the source document to record in the purchases day book. The purchase invoice is the original of the sales invoice sent by the supplier to the customer. Therefore, the sales invoice and the purchase invoice contains the same details.

Or

What is a Purchase Invoice? A purchase invoice is a document that specifies the products or services purchased by a customer and the corresponding cost. The invoice is sent to the buyer after the purchase has been made and is matched to the corresponding purchase order before payment is issued.

Invoice				Invoice No. I 3624
<p>The weaving shed 14, Industrial street, hightown. Telephone 2820175</p>				3 April 2019
Sew & Sew				
92, The avenue, Lowtown				
Quantity	Description	Unit price (\$)	Amount (\$)	
30 meters	Brocade fabric Design: B320 Colour: Crimson	15.00	450.00	
10 meters	Polycotton fabric Design:P21 Colour: Lemon	6.00	60.00	
	List price		510.00	
	Less 20% Trade discount (510 x 20 %)		102.00	
	Settlement		408.00	
	(Terms: 2½% cash discount if account paid by 31 May 2019)			

Credit note



When goods are returned, reported faulty, or where there has been an overcharge on an

Invoice, the supplier may issue a credit note. As with all documents, each business has its

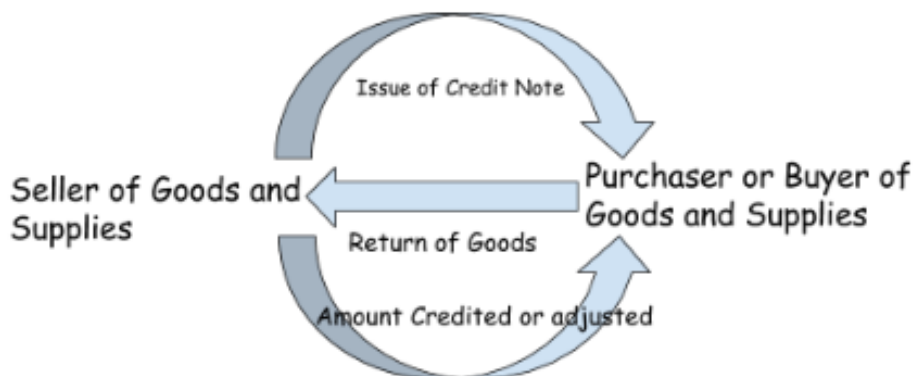
Own style of credit note, but they all contain the following information:

- The name and address of the supplier
- The name and address of the customer
- The date
- Full details, quantities and prices of the goods returned or overcharged.

Sales Returns Credit Note==> once the supplier has checked to see if the goods returned are damaged, faulty or not ordered they will send the buyer a credit note that will be deducted from their statement of account.

The purpose of credit note is to inform the buyer that his indebtedness has been reduced by the amount stated on the credit note.

Credit note issued represents returns on sales while credit note received represents returns on purchases. A credit note is made out in red to distinguish it from an invoice.



Difference between debit note and credit note.

BASIS	DEBIT NOTE	CREDIT NOTE
Definition	A Debit Note is a detailed document that indicates a debit to the other party's account.	A credit note informs the other party's books that their account has been credited.
Who Makes Them	The buyer often issues a debit note.	The seller presents the credit note.
Example	When the buyer or client returns goods to the supplier of the same, debit notes are issued.	When the supplier of the products gets the items back from the buyer, they give out a credit note.
Can be issued	It can be issued when a credit purchase is made.	This can be issued in cases of credit sales.
Updated book	Purchase Return Book	Sales Return Book
Effect	Debit Note reduces sellers' accounts receivable.	Credit Note reduces the buyer's payables in their records.
Exchanging for	It is necessary to update the purchase return book in light of the Debit Note.	With the assistance of a credit note, an update is made to the sales return book.
Form	This is a different kind of purchase return.	It is a different kind of sales return.
Entry	Supplier Account Dr. Purchase return Cr.	Sales return account Dr. Customer Account Cr.

Payment Vouchers

In an organization every payment must be supported by a payment voucher. Examples are payment vouchers for salary and wages, and petty cash vouchers etc.

Payment voucher is an authorizing document for payment for a particular expense or service. The voucher must be checked and authorized by a responsible or authorizing officer before cash can be paid.

Payment Voucher		
PV No: _____		
Amount:	Date:	
Method of Payment		
Cash:	Check#:	
To:		
The Sum of:		
Being:		Payee:
Approved By:	Paid By:	Signature
<i>Payment Voucher Template</i>		

Bank Pay-in-slips

This serves as evidence of cheque and cash paid into the bank by an organization and individuals. It is the major source documents for recording in the bank column of cash book (debit side).

- The pay in slip is a proof of transaction document received from a bank for depositing money into a bank account.
- The process involves filling up a form at the bank, with details of the depositor, date of transaction and amount deposited.
- Pay-in-slip must be signed by the bank clerk with the official bank stamp on the counterfoil. Bookkeepers use the pay in slip counterfoil as a source document for recording the transaction.

Pay-in-slip contains the following information:

- Name of branch where the account number is operating
- Name of the business and the account number
- Phone number of the depositor.
- Name of the person paying in the cheques or cash
- If it is cash, the total amount of each cash denomination is stated
- If it is cheque, cheque number, name of bank, amount on each cheque and branch for each of the cheques being lodged
- Column for signature of the person paying in
- Column for signature of the bank official receiving the cheques with the bank's official stamp
- Date of lodgement

COMMERCIAL BANK

දිගු නම / අක්ෂර විස්තරය / Name of Account Holder
 ගිණුම් අංකය / Account Number
 ශාඛා / Branch
 දිනය / Date

රු. 200,000/- හා ඉහළ මට්ටමේ මුදල ආදායම් කිරීම සඳහා සහ රු. 200,000/- ඉහළ මට්ටමේ මුදල ආදායම් කිරීම සඳහා
 FOR DEPOSITS OF Rf.200,000/- & ABOVE, DEPOSITOR'S NAME AND N.L.C. NUMBER ARE REQUIRED

දුරකථන අංකය / தொலைபேசி இல. / TELEPHONE No.

MEMBERSHIP NUMBER

දෙනුම් / Notes	රුපියල් / RS.	මුදල් / CTS.
5000	X	
2000	X	
1000	X	
500	X	
100	X	
50	X	
20	X	
මුදල් / COINS		
මුදල / TOTAL		

දෙපාර්තමේන්තුවේ / DEPOSITOR'S SIGNATURE

Cheque

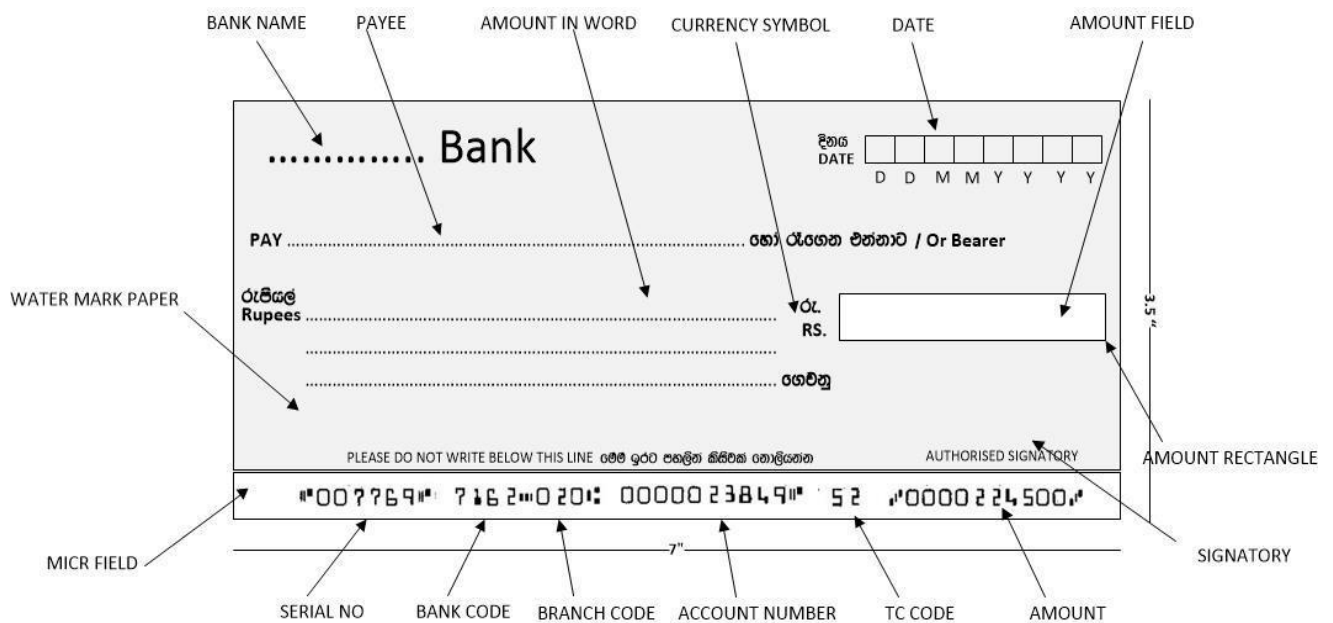
The cheque is one of the most used financial accounting documents. The document is used for financial transactions and is payable once presented to a specified banker. The cheque is an unconditional order in which an entity signed signs directing the banker to pay a certain sum of money. The payee is the person whose details appear on the instrument.

Cheques can be “crossed” which means the cheque is payable to the account of the payee only.

Also

Checks should be crossed across the top with the words ‘not negotiable’, and the printed words ‘or bearer’ crossed off (not all checks have this) so that the check has to be deposited into the payee’s bank account and not cashed, thus avoiding theft.

Main parts of a Cheque



A sample of a Nations Trust Bank cheque. The details are as follows:

- Bank:** Nations Trust Bank PLC - PO 118, Liberty Plaza
- Date:** 25/09/2012
- Pay to:** Roy Ang
- Amount in Words:** Twelve Million Three Hundred And Forty Five Thousand Six Hundred And Seventy Eight Only
- Amount in Numbers:** Rs. 12,345,678.00
- MICR Line:** *007769* 716 200 201 00000 23849 52 *0000224500*

Cheque Counterfoils

Cheque counterfoils serve as evidence of payment to creditors through the bank and withdrawals made for office or personal use. It contains information related to cheques issued by the business. It usually informs about the cheque number, payee's name and the amount paid.

In most organizations all cash received must be paid to the bank and all cash payments must be made through the bank, (except petty cash that is operated through the imprest system). Therefore for many businesses, cheque counterfoils have become major source documents for recording in the bank column of the cash book (Credit side).

07/18/19
 Payee: C.K.
 Karunathilaka

07/18/19
 Date: 18 07 19
 D D M M Y Y Y Y

Pay: C.K. Karunathilaka

Two Hundred Thousand and Fifty Cents only
 Rupees: 200,000.50

21/4 Advance
 077555
 200,000.50

126-1-001-7-3451857
 SL COOP MARKETING FEDRATION LTD

PLEASE DO NOT WRITE BELOW THE LINE
 AUTHORISED SIGNATORY

Receipts

Receipts are issued for cash and cheques received from a customer for goods sold or service rendered to him. The original is issued to the buyer, it represents the document for recording cash paid in his cash book. The seller retains the duplicate, which is the document for recording cash received in the cash book of the seller.

Receipts contain the following information:

- Name of customer
- Date of receiving cash/cheque
- Amount of cash/cheque received (In words and figures)
- Signature of the Receiver

Key term

A receipt is a written acknowledgement of money received and acts as proof of payment.

RECEIPT **Receipt no 44**

The Weaving Shed 14 Industrial Street Hightown

Received from Sew and Sew the sum of \$351 (three hundred and fifty one dollars) by cheque

30 May 20-9 *K Singh* Chief cashier


Statement of Account

At the end of each month, a supplier will usually issue each customer with a statement of Account. This is a summary of the transactions for the month. The style of a statement of Account may vary, but they all contain the following information:

- The name and address of the supplier
- The name and address of the customer
- The date
- The balance owing at the start of the period
- Invoices and credit notes issued
- Payments received
- Any cash discounts allowed
- The balance owing at the end of the period.

Key term

A **statement of account** is a document issued by the seller of goods on credit to summarize the transactions for the month.

 <h2 style="text-align: center;">Statement of account</h2>				
Sew and Sew 92 The Avenue Lowtown		The Weaving Shed 14 Industrial Street Hightown Telephone 111 01357		
				30 April 20-9
Date	Reference	Debit \$	Credit \$	Balance \$
20-9				
April 3	Invoice number I 3624	408 00		408 00
9	Credit note number C529		48 00	360 00
<p>The last amount shown in the balance column is the amount due.</p> <p>Terms: 2½% cash discount if account is paid by 31 May 20-9.</p>				