# Accounting Business Documents

By Michael Leonardi
ACC 10C
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- I. Main business documents in Chapter 6:
  - Invoice
  - Debit Note
  - Credit Note
  - Statement of Account
  - Cheque
  - Receipt

### 1. Invoice:

- Invoice is a document in which a supplier gives to the purchaser when goods are sold on credit to the purchaser.
- It records the name and address of both the supplier and customer, date, and also the full details, quantities, and prices of the goods that are supplied. When an invoice is issued, it means that the purchaser is obligated to pay the supplier the amount of money recorded in the invoice.
- An invoice serves as a document that shows how much the buyer/customer owes to the seller/supplier.
- Example of invoice:

Affo	rdable Lawn C	Care		859-802-298 Invoice
Bill To:	Kate L 2317 Broadway, Redwood City, CA 94063		Invoice No: Date: Terms: Due Date:	10 08/01/201 NET 3 08/31/201
Description	1	Quantity	Rate	Amoun
edging, trimm	ce for July, 2016. Includes turf mowing, ning, blowing off surface areas. Pick up of small trash/debris.	1	\$120.00	\$120.00
	voice2go - ** Visit https://invoice.2go.com to learn more			
Thank you for	your business!		Subtotal	\$120.0 \$0.0
The referral to	o friends and family is the best compliment you	can give.	Discount (\$) Sales Tax (7.5%)	\$9.0
			Total	\$129.0
			Paid	\$0.0
		В	alance Due	\$129.00

### 2. Debit Note:

- After receiving goods from a supplier (company), the customers usually check its quality and exactly what was ordered (same price, quantity, and quality).
- If there are any shortages, overcharges, and faults in the goods, a debit note will be issued by the customer to the supplier as the goods are returned.
- A debit note has the name and address of both the supplier and customer, the date, and full details, quantities, prices of the goods returned.
- A debit note is a request made by the purchaser to the supplier to reduce the total of the original invoice/ refund the money.
- In the debit note, the reason for the debit note issue is stated.
- Note: the price in a debit note is the price after deductions of any trade discounts.
- Example of Debit Note:

	DEBIT NOTE		
YOUR INVOICE NO		ROY & CO CANAL E KOLKATA	AST ROAD
M/S ANAND & SONS SALTLAKE, KOLKATA			
			Rs.
Return of 15 Kg. Sugar receiv	red damaged in transit @ Rs 35	per kg.	525.00
			525.00
E. & O.E.		for Roy 8	k Co.
Date:	tallyseekhe	(Sign	nature)

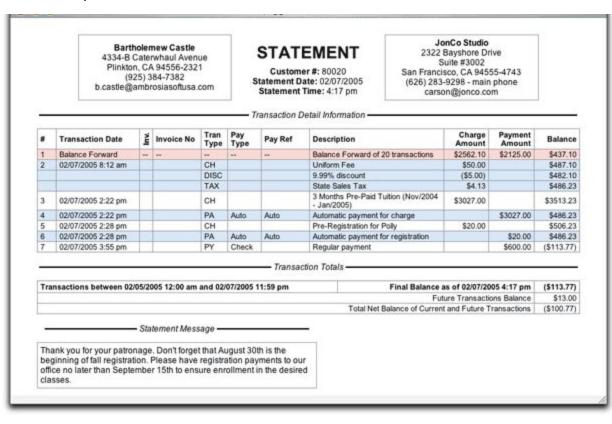
### 3. Credit Note

- Credit Note is a document issued by a supplier when goods are returned by the customer due to damaged goods, or overcharged items. In the credit note, the reason for the credit note issue is stated.
- It contains the name and address of both the supplier and customer, the date, and the full details, quantities, and prices of the goods returned or overcharged.
- The customer receives the credit note and uses it for the recording of purchase returns.
- The supplier uses the copied credit note and uses it for the recording of sales returns.
- Example of credit note:

CREDIT NO	<u> TE</u>	
YOUR DEBIT NOTE NO		AND & SONS E, KOLKATA
ROY & CO. CANAL EAST ROAD		
KOLKATA		_
		Rs.
Return of 15 Kg. Sugar received damaged in tra	nsit @ Rs 35 per kg.	525.00
		525.00
E. & O.E.	for Anan	d & Sons

### 4. Statement of Account

- It is a summary of the transactions for the month.
- It is issued at the end of each month by the supplier to each customer.
- It usually contains, name and address of both supplier and customer, the date, balance owing at the start of the period, invoices and credit notes issued, payments received, cash discounts allowed, and the balance owing at the end of the period.
- A statement of account reminds a customer of the amount that is owed to the supplier.
- Example of the statement of account:



## 5. Cheque

- Cheque is a method of payment through the banking system.
- Cheque is defined as a written order to a bank to pay a stated sum of money to the entity (either business or individual) that is named in the cheque.
- The customer writes the date, amount, and the person or business the money is to be paid in the cheque.
- Example of a cheque:



# 6. Receipt

- By receiving a receipt to a customer, the supplier acknowledges that money has been paid by the customer.
- Receipt is a written proof of payment, and usually issued for the payments done by cash.
- Example of receipt:

# **ABC Furniture Co**

# 101 Tree Street Leafy Vale Forrest Town X1203Y

 Phone:
 987 1234 5678
 Email:
 abcfurn@allmail.com

 Fax:
 987 8765 4321
 Website:
 www.abcfurn.all.com

# Receipt

 Mrs Annie Green
 Date:
 01/01/2013

 5 Any Street
 Reference:
 AG500

 Good Suburb
 Receipt No.:
 001020

 Forrest Town X2204Y
 001020

Description	Amount Paid	
2 single pine beds – Style 394	Notes	350.00
	Coins	2.25
Signed: E Murphy for ABC Furn Co.	Total Paid	\$352.25

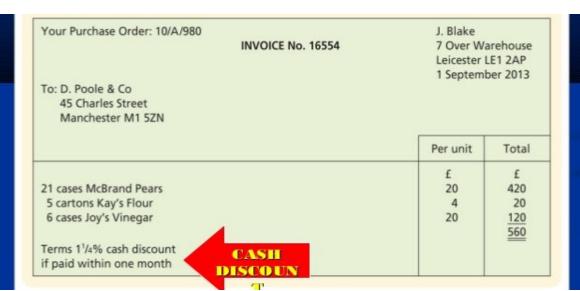
Received with thanks!

### III. What is the difference between Trade Discount and Cash Discount?

- Trade discount is the discount (deduction) in which the supplier discounts the price of the goods in the price list, usually because of large quantity ordered, etc. Trade discount is not recorded in the ledger, and is allowed at the time of purchase.
- Cash discount is the deduction which is only given when the invoice is paid on time. It serves as a motivating factor. Cash discount is recorded in the ledger, and is allowed in the time of payment.
- Example of trade discount:

Your Purchase Order: 11/A/G80	INVOICE No. 30756	R. Grant Higher Si Preston P 2 Septem	R1 2NL
To: D. Poole & Co 45 Charles Street Manchester M1 5ZN		Tel (0170 Fax (0170	
		Per unit	Total
21 cases McBrand Pears 5 cartons Kay's Flour 6 cases Joy's Vinegar Less 20% trade discount		£ 25 5 25	f 525 25 150 700 (140) 560

• Example of cash discount

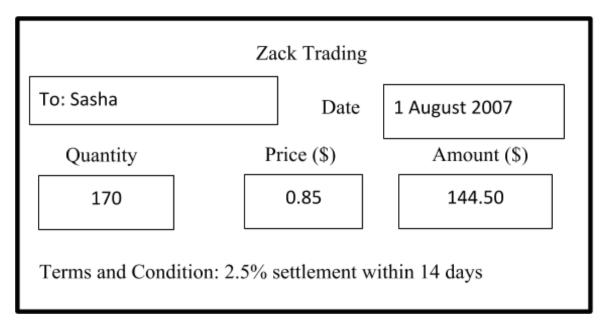


- IV. Describe the difference between a Debit Note and a Credit Note (Describe & give example)?
  - A debit note is a document issued by a customer if the goods received are returned, reported faulty, or there is an overcharge on the goods in the invoice. By issuing a debit note, the customer is notifying the supplier of any shortages, overcharges, and defect in goods.
  - A credit note is a document issued by the supplier if the goods are returned by the customers, reported faulty, or overcharged invoice. Red ink is usually used to distinguish credit notes from other documents.
  - A debit note is a request from the customer to reduce the amount of money that need to be paid in the invoice due to returned goods, faulty goods, or overcharged invoice. It signifies the purchase returns of the customer.
  - A credit note is a document in which the supplier states that the purchaser will be credited a certain amount. It is an acknowledgment of the debit note. It signifies the sales return of the supplier.
  - In the ledger, when a debit note is issued by the customer, the supplier payables is debited, and purchase returns is credited.
  - In the ledger, when a credit note is issued by the supplier, the customer receivables account is debited, while the sales return account is debited.
  - Example of credit note and debit note on next page.

DEBIT NOT	<u>E</u>	
YOUR INVOICE NO	ROY & CO CANAL EA KOLKATA	AST ROAD
M/S ANAND & SONS SALTLAKE, KOLKATA		
		Rs.
Return of 15 Kg. Sugar received damaged in trans	sit @ Rs 35 per kg.	525.00
		525.00
E. & O.E. for Roy 8		Co.
Date: tallyse	tallyseekhe (Signatur	
CREDIT NO	<u>re</u>	
YOUR DEBIT NOTE NO		
ROY & CO. CANAL EAST ROAD KOLKATA		
		Rs
Return of 15 Kg. Sugar received damaged in tran	sit @ Ks 33 per kg.	525.00
		525.00
E. & O.E.	for Anan	d & Sons
Date:	(Si	gnature)

- V. Exercises from page 81-85 Cambridge Accounting IGCSE
- 2.
- a. Invoice, credit note, statement of account, receipt.
- b. A credit customer might send a debit note to Zak to ask for a reduction in invoice due to overcharged items, returned goods, or damaged goods.
- c. Customer's name and address, invoice number, total sales returns, cheques/cash received.

d.



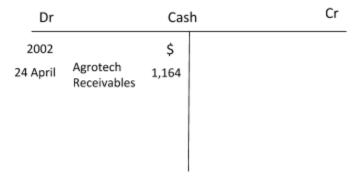
e. Cash Book

Date 2007	Details	Discount Allowed \$	Bank \$	Date 2007	Details	Discount Received \$	Bank \$
Aug 12	Sasha	3.61	140.89				

- f. (i) 250\*0.85\*0.05=\$10.62
  - (ii) 212.50-10.62=\$201.88
  - (iii) 201.88\*0.025=\$5.05

c.

# **Chalk Farms**



Dr	Discount Allowed			Cr
2002 24 April	Agrotech Receivables	\$ 36		

Dr	Agrotech Receivables					
2002		\$	2002			\$
6 April	Sales	1,200	24 Ap	ril	Cash	1,164
					Discount Allowed	36
Dr		Sale	es			Cr
2002		\$	2002 6 April		otech eivables	\$ 1,200

# **4**. (a) Statement of Account

- (b) 1,250-1,000= \$250 (balance b/d) in debit
- (c) (i) 12 April Zen Wholesale sent an invoice to Marianne 19 April Zen Wholesale sent credit note to Marianne

(ii)

Date of Transaction	Ledger Account to be a	lebited (dr)	Ledger account to be o	credited (cr)
2000	Account name	Amount Ś	Account name	Amount \$
12 April	Marianne Receivables	300	Sales	300
19 April	Sales Returns	50	Marianne Receivables	50

(iii) 25/1000= 2.5% discount

- (i) 1200/0.4 = 3000
- (ii) 1000\*0.1 = \$100
- (iii) 1200+100 = \$1,300
- (iv) Cash Discount

b.

- (i) \$75
- (ii) \$2,425
- (iii) \$0
- (iv) \$1,300
- c. General Supply Company account in Pieter Burg's ledger:

# Pieter Burg

General Supply Co. Payables

2005		\$	2005		\$
5 Sept	Discount Allowed	75	28 Aug	Purchases	2,500
	Bank	2,425	25 Sept	Purchases	1,300
30 Oct	Bank	1,300			
		3,800			3,800