

Accounting Business Documents

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ACC 10C

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I. Main business documents in Chapter 6:

- Invoice
- Debit Note
- Credit Note
- Statement of Account
- Cheque
- Receipt

II.

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:

		PO Box 441, Burlington, KY, 41005	
		affordablelawn@gmx.com 859-802-2987	
Affordable Lawn Care		Invoice	
Bill To:	Kate L 2317 Broadway, Redwood City, CA 94063	Invoice No:	101
		Date:	08/01/2016
		Terms:	NET 30
		Due Date:	08/31/2016

Description	Quantity	Rate	Amount
Mowing service for July, 2016. Includes turf mowing, edging, trimming, blowing off surface areas. Pick up and removal of small trash/debris.	1	\$120.00	\$120.00

* Powered by Invoice2go - ** Visit <https://invoice.2go.com> to learn more

Thank you for your business!

The referral to friends and family is the best compliment you can give.

Subtotal	\$120.00
Discount (\$)	\$0.00
Sales Tax (7.5%)	\$9.00
Total	\$129.00
Paid	\$0.00

Balance Due	\$129.00
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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:

<u>DEBIT NOTE</u>	
DEBIT NOTE NO. _____ YOUR INVOICE NO. _____	ROY & CO. CANAL EAST ROAD KOLKATA
M/S ANAND & SONS SALT LAKE, KOLKATA	
Return of 15 Kg. Sugar received damaged in transit @ Rs 35 per kg.	Rs.
	525.00
	525.00
E. & O.E. Date: _____	for Roy & Co. _____ (Signature)

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:

<u>CREDIT NOTE</u>	
CREDIT NOTE NO. _____	M/S ANAND & SONS SALT LAKE, KOLKATA KOLKATA
YOUR DEBIT NOTE NO. _____	
ROY & CO. CANAL EAST ROAD KOLKATA	
Return of 15 Kg. Sugar received damaged in transit @ Rs 35 per kg.	Rs.
	525.00
	525.00
E. & O.E.	for Anand & Sons
Date: _____	_____ (Signature)

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:

Bartholemew Castle 4334-B Catenwhaul Avenue Plinkton, CA 94556-2321 (925) 384-7382 b.castle@ambrosiasoftusa.com		STATEMENT Customer #: 80020 Statement Date: 02/07/2005 Statement Time: 4:17 pm		JonCo Studio 2322 Bayshore Drive Suite #3002 San Francisco, CA 94555-4743 (626) 283-9298 - main phone carson@jonco.com						
Transaction Detail Information										
#	Transaction Date	Inv.	Invoice No	Tran Type	Pay Type	Pay Ref	Description	Charge Amount	Payment Amount	Balance
1	Balance Forward	--	--	--	--	--	Balance Forward of 20 transactions	\$2562.10	\$2125.00	\$437.10
2	02/07/2005 8:12 am			CH			Uniform Fee	\$50.00		\$487.10
				DISC			9.99% discount	(\$5.00)		\$482.10
				TAX			State Sales Tax	\$4.13		\$486.23
3	02/07/2005 2:22 pm			CH			3 Months Pre-Paid Tuition (Nov/2004 - Jan/2005)	\$3027.00		\$3513.23
4	02/07/2005 2:22 pm			PA	Auto	Auto	Automatic payment for charge		\$3027.00	\$486.23
5	02/07/2005 2:28 pm			CH			Pre-Registration for Polly	\$20.00		\$506.23
6	02/07/2005 2:28 pm			PA	Auto	Auto	Automatic payment for registration		\$20.00	\$486.23
7	02/07/2005 3:55 pm			PY	Check		Regular payment		\$600.00	(\$113.77)
Transaction Totals										
Transactions between 02/05/2005 12:00 am and 02/07/2005 11:59 pm							Final Balance as of 02/07/2005 4:17 pm		(\$113.77)	
							Future Transactions Balance		\$13.00	
							Total Net Balance of Current and Future Transactions		(\$100.77)	
Statement Message										
Thank you for your patronage. Don't forget that August 30th is the beginning of fall registration. Please have registration payments to our office no later than September 15th to ensure enrollment in the desired classes.										

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:

Myra Bolton 123 Exchequer Avenue Chesterfield, Ontario X0X 0X0		200-91
DATE <u>June 23, 2001</u>		
PAY TO THE ORDER OF	<u>The Canadian Heart Federation</u>	\$ <u>25.00</u>
<u>Twenty-five dollars and</u>		<u>00</u> /100 DOLLARS
Bank of Moosejaw 56 Lotsacash Drive Sofa, Ontario W6A 2Z0		
<u>Donation</u>		<u>Myra Bolton</u>
1113-32 132 132		

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

Fax: 987 8765 4321

Email: abcfurn@allmail.com

Website: www.abcfurn.all.com

Receipt

Mrs Annie Green
5 Any Street
Good Suburb
Forrest Town X2204Y

Date: 01/01/2013
Reference: AG500
Receipt No.: 001020

Description	Amount Paid	
2 single pine beds – Style 394	Notes	350.00
	Coins	2.25
Signed: <i>E Murphy for ABC Furn Co.</i>	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 Side Preston PR1 2NL 2 September 2013 Tel (01703) 33122 Fax (01703) 22331
To: D. Poole & Co 45 Charles Street Manchester M1 5ZN		
	Per unit	Total
21 cases McBrand Pears	£ 25	£ 525
5 cartons Kay's Flour	5	25
6 cases Joy's Vinegar	25	<u>150</u>
		700
Less 20% trade discount		<u>(140)</u>
		<u>560</u>

- Example of cash discount

Your Purchase Order: 10/A/980	INVOICE No. 16554	J. Blake 7 Over Warehouse Leicester LE1 2AP 1 September 2013
To: D. Poole & Co 45 Charles Street Manchester M1 5ZN		
	Per unit	Total
21 cases McBrand Pears	£ 20	£ 420
5 cartons Kay's Flour	4	20
6 cases Joy's Vinegar	20	<u>120</u>
		<u>560</u>
Terms 1¼% cash discount if paid within one month	 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 NOTE

DEBIT NOTE NO. _____
YOUR INVOICE NO. _____

ROY & CO.
CANAL EAST ROAD
KOLKATA

M/S ANAND & SONS
SALT LAKE, KOLKATA

Return of 15 Kg. Sugar received damaged in transit @ Rs 35 per kg.	Rs.
	525.00
	525.00

E. & O.E.

for Roy & Co.

Date: _____

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(Signature)

CREDIT NOTE

CREDIT NOTE NO. _____
YOUR DEBIT NOTE NO. _____

M/S ANAND & SONS
SALT LAKE, KOLKATA
KOLKATA

ROY & CO.
CANAL EAST ROAD
KOLKATA

Return of 15 Kg. Sugar received damaged in transit @ Rs 35 per kg.	Rs.
	525.00
	525.00

E. & O.E.

for Anand & Sons

Date: _____

(Signature)

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.

Zack Trading		
To: Sasha	Date	1 August 2007
Quantity	Price (\$)	Amount (\$)
170	0.85	144.50
Terms and Condition: 2.5% settlement within 14 days		

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 \times 0.85 \times 0.05 = \10.62
 - (ii) $212.50 - 10.62 = \$201.88$
 - (iii) $201.88 \times 0.025 = \$5.05$

- 3 a. (i) $20 \times 50 = \$1,000$
 (ii) $1,000 + 500 = \$1,500$
 (iii) $20\% \times 1,500 = \$300$
 (iv) $\$1,200$
- b. (i) $\$120 \times 80\% = \96
- c.

Chalk Farms

Dr	Cash	Cr
2002	\$	
24 April	Agrotech Receivables 1,164	

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

Dr			Agrotech Receivables			Cr		
2002			\$			2002		
6 April			Sales			24 April		
			1,200			Cash		
						1,164		
						Discount Allowed		
						36		

Dr			Sales			Cr		
2002			\$			2002		
						\$		
						6 April		
						Agrotech Receivables		
						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)

<i>Date of Transaction</i>	<i>Ledger Account to be debited (dr)</i>		<i>Ledger account to be credited (cr)</i>	
2000	Account name	Amount	Account name	Amount
		\$		\$
12 April	Marianne Receivables	300	Sales	300
19 April	Sales Returns	50	Marianne Receivables	50

(iii) $25/1000 = 2.5\%$ discount

5 a .

(i) $1200/0.4 = 3000$

(ii) $1000 \times 0.1 = \$100$

(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			
		<u>3,800</u>			<u>3,800</u>