Ethiopian TVET-System

Basic Account Works Level-II

Based on August 2012GC Occupational standard

Module Title: Processing customer transaction

TTLM Code: EIS BAW2 TTLM-0919v1

This module includes the following Learning Guides

LG17: Provide customer service

LG Code: EIS BAW2M05-LO1-LG-17

LG18: Process basic financial transactions

LG Code: EIS BAW2M05-LO2-LG-18

LG19: Administer the transaction process

LG Code: EIS BAW2M05-LO3-LG-19

Instruction Sheet	**LG17:** Provide customer service

This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics:

- Identify Greeting and serving customer
- Provide information to customer transaction
- Refer transactions to other *personnel* outside own knowledge for resolution

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, **upon completion of this Learning Guide, you will be able to**:

- Identifying Greeting and serving customer
- Providing information to customer transaction
- Referring transactions to other *personnel* outside own knowledge for resolution

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below 3 to 6.
3. Read the information written in the information “Sheet 1, Sheet 2, and Sheet 3.
4. Accomplish the “Self-check 1, Self-check t 2, and Self-check 3.
5. If you earned a satisfactory evaluation from the “Self-check” proceedto “Operation Sheet 1, Operation Sheet 2 and Operation Sheet 3”.

Information Sheet-1	Identifying Greeting and serving customer

1.1. Identifying Greeting and serving customer

When entering a store, most customers want to see an employee make a genuine effort to acknowledge and assist them. As a customer in a hurry, I might be just looking for one specific item and may need the assistance of the employee. However, if I am ignored and my time is wasted waiting for help, I will move on to another store. With so many online and physical retail options available now, if that first store doesn't satisfy my needs, there is always another one that will. That store may very well have sold the product or service I was looking for. However, poor customer service cost them the sale.

Greeting the customer can often be the most important aspect to closing a sale.

1) Smile with your greeting.

Sam Walton was probably onto something when he hired employees to specifically greet customers entering the store. Customers want to hear words of greeting and see a smile. If the employee at the door appears grumpy and doesn't even offer a simple "Hello. Welcome to Wal-Mart" the customer will most likely start their shopping experience off in the wrong mood.

2) Stop what you are doing.

Yes, you may be stocking the shelves or taking inventory. While these jobs are important to the everyday functions of the company, your customer is the reason you are stocking those shelves. A customer should be greeted within 30 seconds of entering your store. Stand up from your task and offer a smile and words of greeting. After offering assistance, you can return to the shelves.

3) Show, don't tell.

When the customer enters your store, they will most likely inquire about a specific product. Rather than sending them to aisle 19, somewhere near the middle, on the 5th-7th shelf down, walk with them to the aisle. Take the time to show them exactly where the product is. It will only take a few seconds and your customer will appreciate your time and effort.

4) Ask questions.

Consider a hair salon that stocks dozens of different products that offer many different functions. If a customer comes in and wants hairspray, selling them just any hairspray won't do. You may specifically ask them the type of hold, scent, and liquid, spritz, or mist they are looking for. Rather than deal with a customer complaint when the product doesn't serve the desired function, take a moment to ask further, often imperative questions.

5) Dress professionally.

Because you will be the first face that a prospective customer sees, be sure to dress and act professionally. Avoid wearing provocative outfits that may offend customers. Rather, choose conservative, professional outfits that are appropriate for your work environment. If you present a neat, groomed appearance, your customers will feel more comfortable during a sales transaction.

The second a prospective customer walks through the door, they will be analyzing many aspects of your business. Be sure to offer them a warm, professional greeting, assistance, and quality customer service. Ignoring or downplaying their importance is dangerous for your company's success. As Sam Walton once said, "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

1.2. **Sales greeting techniques: why they're important**

Lack of acknowledgment from retail staff is one of shoppers' top three biggest complaints about shopping — and it could be a contributing factor to why one Salesforce report found that only 32% visit stores because they enjoy the experience.

The greeting is the first impression that customers get of your brand, at least as it relates to that specific in-person experience. "A good customer greeting or even the absence of [one] is the first piece of the customer shopping environment," says Chris Guillot, instructional designer of *Retail Shift: Teaching Success on the Sales Floor*™ and founder of Merchant Method. Guillot offers sales training for retailers and their employees. "They can get a sense of your message through greetings." That greeting should set the stage for the experience your customer is about to have.

Guillot recommends to vary sales greeting techniques and specific verbiage instead of speaking from a script every time. “It displays brand authenticity,” she says. “When retailers train sales associates to greet in a variety of ways, it allows not just the retailer, but also the associate to share the breadth and depth of your brand values.”

That’s not the only reason you should change it up. Guillot points out that this demonstrates authenticity, an awareness of what’s happening in-store, and authority and presence on the sales floor. That presence is crucial: Three-quarters of consumers place a lot of importance on being able to interact with sales staff when they need them, according to the Salesforce report cited before.

Plus, it feels personal. Each customer wants to hear their own greeting, and if everyone who walks in after them is greeted the same, it becomes impersonal. “Greetings let your guest know that you’re there to provide a great shopping experience,” Guillot says.

“[Greetings are] also important in sales conversion and loss prevention,” Guillot says.

To help brainstorm ideas, Guillot buckets associate-customer interactions into four categories:

- Small talk
- Familiarity
- Commonality
- Orientation

Small Talk

Small talk is a great way to break the ice and establish a friendly, human connection with shoppers. “Typically, small talk is for customers you don’t recognize,” Guillot says.

Small talk greetings and questions should invite two-way conversation. Avoid questions that can be answered with a yes or no — they can quickly lead to dead ends. Guillot says the relationship-building hinges upon that back-and-forth.

“It’s not necessarily the first question that is the most important question, or the first greeting the associate gives,” she says. “It’s the one that follows up the response that is more important, particularly when it comes to this bucket.” Those follow-up questions should be natural progressions of the conversation your associates are having.

Examples of small talk questions your associates can use on the sales floor:

- Are you enjoying your afternoon?
- How’d you hear about us?
- Did you watch the game last night? I stayed up to watch the end!
- How’s your day going?

- What are your up to the rest of the day?
- Who are we shopping for today?

Small talk in action

If you've ever been to a Chick-file-A, you know how great their staff is at small talk. Friendly smiles, upbeat energy, and lots of easy small talk make every experience a positive one. They interact with you while you wait for your order through light conversation. One time, they gave me close to a dozen free salads because they were closing and needed to get rid of them. But it's not just me who feels this way — they've consistently earned the top spot in the American Customer Satisfaction Index in their industry.

Familiarity

Regulars want to feel like they're in a community and that they belong," Guillot says. "I like to train my students to be friendly and personable, but not necessarily speak and communicate as they would with a friend." She says to keep it to one or two sentences, as anything that goes overboard can actually negatively affect the experience.

Examples to get started with your familiarity interactions:

- What brings you in to see us again?
- It's great to see you again.
- Welcome back! How've you been?
- Did you have a good weekend?
- Coming in for another ___ (insert their previous purchase)?

Familiarity in action

Take a cue from hair salons. Many stylists have loyal clientele; it's one of their selling points when searching for a chair to rent in a salon. Consumers go to the same stylist for years. You share personal stories and information with your stylist, you develop a real relationship. They return to the salon because of the human interactions, and the quality of service, they receive from that particular stylist. My own mother would drive 45 minutes to get her hair done when her stylist moved. Treat your associates as your version of stylists who can create that authentic, human connection.

Commonality

This is when your associates represent the people behind your brand and share a piece of themselves (and thus, your brand) with customers. "Commonality establishes a relationship through something that is happening in common," Guillot says.

Establishing commonalities with customers through your sales staff gives your customers something to connect with. A shared value, perception or even voice can make your brand relatable and instill trust.

Examples of questions and statements to say to in-store shoppers

- I like your ___ (shoes, scarf, coat, hairstyle, lipstick, etc.)
- Wow, how are you navigating that traffic?
- Are you managing to stay dry with all this rain!?
- Are you enjoying all the sun we've been having?
- Have been around to the corner to store X? It's one of my favorites. (Follow up with What do you like about that store?)

Guillot's tips on commonality:

1. Be specific: Rather than asking 'how about this weather?' try something like 'did you get outside to enjoy the warm weather we've been having?' "You can show true engagement," says Guillot of specificity.

2. Be personal: Encourage sales associates to share a bit about themselves, through the lens of your brand. "Personal testimonials are important when you're establishing commonality," Guillot says. "And they definitely need to be true and helpful."

3. Be authentic: Consumers can sniff out inauthenticity in an instant. Customer-associate interactions should be authentic to both the brand and your staff.

4. Be positive: Every interaction should be positive. Guillot gives an example, rather than saying 'when will it stop raining; we can do anything!' opt for 'you're more than welcome to stay in here as long as you need to stay dry.' "That's a good way to take commonality, which sometimes tends towards discomfort or inconvenience, and put a positive spin on it," she points out.

Commonality in action

I was shopping for a new snowboard at my local Christy Sports Ski and Snowboard shop. I hadn't bought a new one in longer than I'd like to admit, so I didn't know much about the new products available. The associate helping me out was a snowboarder himself, and he gave me an objective overview of the different kinds of boards available. Then, he gave me his opinion through his own snowboarding experiences. I immediately trusted him because we established something in common, and I knew he was speaking authentically through his own experiences. I bought a snowboard from him that same day, even though I had originally planned to shop around.

Orientation

Orientation is essentially welcoming and familiarizing customers to the space in your store. These types of interactions direct customers to what they need and also help them feel comfortable while shopping.

Sometimes, customers will tell you exactly what they're looking for. In that case, orientation is more straightforward: Guide those individuals to get exactly where they want to go. You could also offer helpful information they might not have thought of.

For example, if someone's looking for running shoes in your sports apparel shop, you could also point out that that the running socks are buy-one-get-one, and available on your way to the shoe section.

Examples of orientation responses for the "I'm just looking" customer:

- Personally, I like to start in this part of the store and work my way around.
- Take your time to look around. Some people stay here for as long as 45 minutes just exploring.

After that initial engagement, check in with that customer, with things like:

- Would you like a basket?
- Can I free up your hands?
- How about I start a fitting room for you while you continue looking around?
- Would you like me to hold your cup of coffee at the counter so you can shop easier?
- Are you finding what you thought you would?

Orientation in action

Every time I walk into REI, I am greeted by a sales associate. They often stand by the front doors to greet and say goodbye to customers. Whenever a customer walks in, they inquire about what the customer needs to do or which type of product they're looking for. The associate then tells them exactly where they need to go, and even communicates with the rest of the floor to send a staff member that way if the customer needs help. It's a great way to welcome customers to the store and help them find exactly what they need in a large space.

1.3. Continuing the Interactions

In addition to the tips above, Guillot reiterates the importance of keeping the conversation going but being mindful of the customer's preferences. "I like to take the cue from the customer," she says. "Typically, sales associates are very attuned to what's happening on the sales floor and the vibe."

At the end of the day, it comes down to your intuition and noting social cues. “If it feels like you’re asking too much, you’re asking too much. If you feel like it’s been a long time since you checked in, you’ve waited a long time to check in.”

How can you “read” your customers? Consider:

- Body language
- Verbal cues
- Eye contact

Bear in mind that every person, and thus every customer, is different. “More than [one interaction] for someone who’s very introverted might be too much,” Guillot says. If a customer feels like they’ve been authentically and genuinely engaged, you can take their cue for back and forth conversation.”

Train Your Employees

At the end of the day, Guillot nods to the fact that the best sales associates are inherently good at interpersonal communications. There are some characteristics that you can’t teach. “A true customer sales associate likes to engage,” she says.

However, you can give associates knowledge of sales greeting techniques to enhance their skills and provide a brand-authentic customer experience. “We need to trust that they can be empowered with the product knowledge and the brand values to make that engagement genuine,” says Guillot.

Retail Dive reports that almost one-third of retail employees don’t receive any formal training, and that includes sales greeting techniques. However, retail staff training is an area that would benefit from more attention, especially in relation to employing these in-store tactics. For example, the Salesforce report found that 44% of consumers usually know more about products than associates.

“It’s quite a catch-22 in that the more that we train people to be genuine, it almost becomes more disingenuine,” Guillot says. “When we’re pressuring people to be authentic, it comes across as inauthentic.”

But effective employee training is easier said than done. Retail Dive also reports that 35% of retail employees found their training to be “very effective,” and only 31% felt “extremely engaged” after their training.

Guillot has found one effective training technique: role-playing. “I think that retailers are really best served with experience-based training,” she says. “No one likes to role-play training activities, but that is exactly what makes them very effective and efficient, because it highlights confusion, misalignment and discomfort." It puts your staff on the spot and replicates the real-life experience.

Guillot says to switch it up; role play with extroverted, introverted, suspicious and even rude customers to help your staff build the collective skillset and learn which responses are brand-appropriate.

Example:

Guillot points to her local Seattle ice cream shop Molly Moon's Homemade Ice Cream as a brand that has effectively trained associates — called Scoopers — to ask the right questions and make every customer experience positive. There's almost always a line out the door. "I always feel genuinely greeted, even though the interactions are quick," she describes. "[The Scoopers are] so friendly and have fantastic personable personalities. Even though the engagement is quick, I never feel like I'm being rushed." Customers can taste as many ice cream flavors as they like, and there are visuals to keep you occupied during the wait. "By the time I get to an associate, I don't feel frustrated and like I waited forever. I'm quite excited," she says. "That quick but genuine engagement is a great way to cap my experience with the store.*"*

Self-Check -1	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. Demonstrate Sales greeting techniques(3 points)
2. List out examples of familiarity interactions.(2 points)

***Note:* Satisfactory rating - 3 and 5 points Unsatisfactory - below 3 and 5 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

Information Sheet-2	Providing information to customer transaction

2.1. Introduction to customer transaction

Information may be related to: kinds of transactions, the most common being the sale of merchandise or services on a credit sale. Revenue, expenditure, production, and finance activities are common to business organizations. This unit will provide an overview of transaction processing applications in each of these major cycles of business activity. It discusses common revenue- and expenditure-cycle application systems. These systems include sales order processing accounts receivable, purchasing, and payroll. The application systems discussed in this chapter illustrate and emphasize the concept of organizational independence (separation of functions) in the design of application systems. Organizational independence requires that the custody of an asset be under a separate authority from record-keeping functions related to that asset and both custody and record-keeping functions be under separate authority from any operating functions that utilize the asset. The applications presented are not intended to serve as blueprints to be duplicated regardless of to the specific situation at hand. They are however, a checklist. They provide a frame of reference against which an analyst may contrast a proposed or existing system. The data flow diagrams and document flowcharts presentations focus on the logical necessities of an application system rather than on physical features. The information represented by the document symbol in diagrams may be a paper form, a telephone call, a computer or satellite data Transmission, or any other physical form. Technological considerations (equipment and devices) are not specifically addressed because, although technology may alter the operating configuration of an application system, the same ends should be accomplished regardless of technology. In this chapter you will be introduced with sales order processing, Types of sales order system, accounts receivable system, Transaction flows in Accounts receivable system, Sales returns and allowances, Write offs accounts receivable and other revenue cycle application systems.

2.2. Nature of Accounting Information

- Accounting is a system that processes an input (raw data) to change it into an output.
- Generally, information can be categorized into two:

Qualitative → Information which cannot be expressed in terms of figures for example experience, skill, moral of employees etc

Quantitative → Information which can be expressed in terms of figures

Accounting deals with quantitative information (financial data expressed in terms of money).

Input **---------------->** Processing **---------------->** Output/end product

Business transactions - identifying, measuring,

Accounting information recording /summaries, reports, analysis, etc/

Both the inputs and outputs are of quantitative information types.

2.3. Accounting Concepts and Principles

- The accounting profession has attempted to develop a set of standards that is generally accepted and universally practiced. Its efforts have resulted in the adoption of a common set of rules and procedures called **generally accepted accounting principles(GAAP).**
- **GAAPs**: - Are guidelines for accountants in recording and reporting economic events.

- Bring *uniformity* and *comparability* in the reports prepared by different organizations.

- Also make financial statements be more reliable, particularly for external users

- Are subject to change and revision.

- There are basic accounting concepts that serve as guideline in developing rational response to controversial financial reporting issues. Some of these are briefly discussed below.

Economic (Business) Entity Concept

- It says for accounting purpose a business enterprise is treated as a separate economic unit from owners, other business enterprises, and creditors. This requires that a separate set of accounting records be maintained for each entity.
- Why? This is not to mix up the financial affairs of the company with that of the owner and other enterprises. Otherwise the resulting financial statements would be misleading and would fail to describe clearly the activities of the business entity.
- The economic entity assumption is an accounting concept, and not a legal construct. All three forms of businesses are economically separate entities from their owners. But only the corporation is legally separate entity from its owners

Historical Cost Concept

- This principle says properties and services acquired by a company should be recorded at their acquisition price (cost) – measured in terms of money paid. At the time of acquisition, cost and fair market value are the same. In subsequent periods, cost and fair market value may vary, but we continue to use the cost amount.
- Using the cost concept involves two other important accounting concepts– objectivity and the monetary unit concept

Objectivity Concept

- This concept requires that the accounting records and reports be based upon objective evidence. By using *cost* as a basis for record keeping, accountants can provide objective and verifiable data in their reports. Information that is verifiable is reliable.

Monetary Unit Concept

- This concept requires that economic data be recorded in dollars. Money is a common unit of measurement for reporting uniform financial data and reports. The monetary unit is relevant, simple, universally available, understandable, and useful.

In addition to these concepts, there are other, more technical standards accountants must follow when preparing financial statements which are left for more advanced courses.

2.4. Source Document Role in an Accounting Transaction

Each time a company makes a financial transaction, it generates some paper trail. Accountants call this paper trail a source document or documents. If a small business writes a check from its checking account for office supplies, for example, the check and office supplies receipt become the source

2.4.1. Importance of Source Documents

The source document is essential to the bookkeeping and accounting process as it provides evidence that a financial transaction has occurred. During an accounting or tax audit, source documents back up the accounting journals and general ledger as an indisputable transaction trail.

You would keep source documents for your business just like you keep receipts for tax-deductible items for your taxes. If your taxes are audited, the source documents provide the proof that you've made those purchases. The same holds for your business, but in business, you keep original documents for every financial transaction, not just charitable donations.

2.4.2. Important Data and Facts

A source document describes all the basic facts of the transaction, such as the amount of the transaction, to whom the transaction was made, the purpose of the transaction, and the transaction date.

Common source documents include:

- Canceled checks
- Invoices
- Cash register receipts
- Computer-generated receipts
- Credit memo for a customer refund
- Employee time cards

- Deposit slips
- Purchase orders

Storing Your Documents

The source document's information should be recorded in the appropriate accounting journal as soon as possible after the transaction. After recording, all source documents should be filed away in some system where they can be retrieved if and when needed. In certain instances, it may even be important to provide the chain of custody to be able to determine that the source document in question remained under your control.

Originals vs. Photocopies

In most circumstances, photocopies of source documents are legally acceptable. The Internal Revenue Service, for example, has accepted photocopies of receipts since 1997, so long as they are legible, contain all the information present in the original, and, within the limits of the scanning process, present that information in a format identical to the original.

A materials receipt that specified the objects purchased and the price paid, but that was scanned without the name of the supplier would not qualify. A document that presented all the information in the original receipt, but that had been retyped in Word or Excel format would also not qualify.

Many businesses and government agencies also use the IRS standard of complete, legible, and accurate reproductions of the original documents. Other institutions, however, may add to these general requirements.

The University of Washington, for instance, only accepts, as substitutes for the original document, photocopies scanned at a minimum density of 300 dots per inch (dpi) and presented in either PDF or TIFF formats; it does not accept JPEG photocopies.

If you plan to scan accounting or legal documents to facilitate storage, check with the relevant institution to be sure they will accept the documents in the format you're planning to use.

Self-Check -2	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. List out and briefly explain basic accounting Concepts and Principles? (3 points)
2. Demonstrate the Importance of Source Documents(2 point)

Note: **Satisfactory rating - 3 points** **Unsatisfactory - below 3 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Information Sheet-3	Referring transactions to other personneloutside own knowledge for resolution

3.1. Meaning of referral

A referral is an act of sending someone or something to a person or place or organization where what is wanted or needed can be obtained. in other words, a referral can be defined as a process in which any practitioners at a one level of the service system, having insufficient resources (material/equipment,, finance, skills) to manage a critical condition, seeks the assistance of a better or differently resourced facility at the same or higher level to assist in, or take over. Besides, for example, when someone is referred, he/she recommended to someone or for something.

Accordingly, encouraging clients to referral means is the process of directing or redirecting (as any support issues or a person who need support) to an appropriate specialist or agency for definitive treatment.

3.2. **Types of referrals**

For this module, the types of referrals are;

- **Oral referral:** Oral referral is the process of showing/directing someone or something to an appropriate specialist or agency for definitive treatment through using spoken, verbal words, such as in interpersonal interactions or speeches.
- **Written referral:** written referral is the process of showing/directing someone or something to an appropriate specialist or agency for definitive treatment Written communication is the sending and receiving of messages through the written word, such as in emails, letters and text messages.

3.3. Barriers for determining types of referrals

Both oral and written type of referral has their pros and cons. Thus, the determining of such referrals depends on the client's situation regarding who and what type of clients needs expertise abilities. In addition, the type of referrals by itself has challenged different barriers from being accurately received. Some of them are;

- Vague terms,
- stereotyping,
- jargon,
- improper use of communication channels,

- poor listening skills, lack of feedback,
- interruptions and physical and verbal distractions

Self-Check -3	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. What is the meaning of referral?(3 points)

2. Describe types of referrals. (2 points)

Note: **Satisfactory rating –3 and 4 points** **Unsatisfactory - below 3 and 4 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Instruction Sheet 1	LG18: Processing basic financial transactions

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Processing customer transactions *timely*
- Checking documentation or systems entry
- Reconciliation of subsidiary ledgers to general ledger

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to:

- Identify and Process customer transactions *timely*
- Checking documentation or systems entry
- Reconciliation of subsidiary ledgers to general ledger

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
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Information Sheet-1	Processing customer transactionstimely

1.1. The Accounting Equation and Business Transactions

1.1.1. The Accounting Equation

Assets:

Assets are properties or economic resources owned by a business as a result of past transactions and are expected to benefit future operations. The common characteristic possessed by all assets is *"service potential"* or *"future economic benefit".* E.g. Cash, Supplies (office, store, delivery, etc.), Equipment (office, store, delivery, etc.), Land, Building etc.

Equities:

Equity refers to the rights (claims) against the assets of the business. Therefore, we can develop a simple equation:

Assets=Equities

Another way to think about it is:

Everything we own = who provided (Supplied) it

The assets of a business are supplied (provided) or claimed by either *creditors* or *owners*.

Equities are, therefore, further subdivided into:

Equities of creditors (claims of creditors) = Liabilities

Equities of owners (claims of owners) = Owner's **Equity**

Liabilities:

Liabilities are obligations arising from past transactions of the entity to transfer assets or services to other entities or individuals in the future. To put it more simply**,** *Liabilities are debts owed by the business*.

Examples:*Accounts Payable***—**when goods and services are purchased on credit

*Loan Payable, Notes Payable***—**when money is borrowed from different parties

Salary payable—amounts owed to employees

Interest payable—for the use of moneyEtc.

Persons or entities to whom a company owes money are called ***creditor***

Owner's Equity:

Equity is the owner's claim on the assets of the business.

It is often referred to as the *residual claim* (interest) in the assets of a business because creditors have preferential claims on the assets of a business.

Also called Capital, Proprietorship, or Net Worth (Net Asset).

Expansion of the above equation to give recognition to the two types of equities gives us the accounting equation:

Asset = Liabilities + Equities

It is customary to place "liabilities" before "owners' equity" in the accounting equation because creditors have preferential rights to the assets.

To give emphasis to the residual claim of the owner or owners the equation can be written as:

Asset – Liabilities = Equities

The equality of the two sides the accounting equation must be always maintained.

The accounting equation provides the underlying framework for recording and summarizing the economic events of a business enterprise. It is the basis for double entry accounting.

A Closer Look at Owner's Equity.

In a sole proprietorship and partnership the owner's equity is composed of a *single type of item* called ***capital*** preceded by the name of the owner(s).

Capital is affected by ***investment***, ***revenues***, ***expenses*** and ***withdrawals***.

Investment:

Investment is the transfer of cash or noncash assets into the business by the owner and they *increase capital*

Revenues:

The inflows of assets from providing goods or services to other economic entities.

May arise from different sources, and are identified by *various names* depending on the nature of the business. E.g Fees earned/Professional fees –Professional businesses, Rent income–Real estate and apartment owners, Sales revenue– Department stores, retailers, Tuition Fees (revenues) – Academic institutions.

Revenues *increase owner's equity*

Expenses:

Cost of items and services used to produce revenue

Like revenues, expenses take many forms and are identified by *various names* depending on the type of asset consumed or services used. e.g Salary expense, Advertising expense, Supplies expense, Rent expense, Interest expense etc

Expenses *decrease owner's equity*

Withdrawals:

- Cash or noncash assets taken away from the business for *personal use* by the owner.
- Drawings *decreases total owner's equity*

✧ In summary, the *principal subdivisions (integral parts) of owner's equity* are: *Capital, Drawings, Revenues*, and *Expenses. The later three are used to adjust Capital.* No separate record is maintained for investment by owners.

- The basic accounting equation can be ***expanded*** to include the above owner's equity accounts.

A = L + Capital (beginning) + Revenues – Expenses – Withdrawal

1.1.2. **Business Transactions**

- Business transaction refers to the occurrence of an event that must be recorded. An accounting transaction occurs when assets, liabilities, or owner's equity items change as a result of an economic event.
- Business transactions may be identified as *external* or *internal*

External transaction:

- These involve economic events between the company and some other enterprise or party. Examples are: *purchase of equipment* from a supplier, *the payment of monthly rent* to a land owner, and *sale of goods* to customers, *borrowing money* from a bank etc

Internal transactions:

- These are economic events that occur entirely within one company. Items are moved and utilized in the company itself internally which shall be considered in the accounting process. Examples are the *use of office supplies*, the consideration of the *decrease in value of the building*

✧ But not all activities represent business transactions, such as *hiring employees, talking with customers*, and *placing an order for merchandise with a supplier*. These activities, however, may eventually lead to a business transaction when the employee has earned wages or when the merchandise is delivered by the supplier.

1.2. <u>Analysis of Transactions</u>

- *Transaction analysis is the process of identifying the specific effects of economic events on the accounting equation.*All transactions from *simplest* to the *most complex* must be analyzed in terms of its effect on the components of the basic accounting equation. This analysis must also identify the specific items affected and the amount of the change in each item.
- Since ***the equality of the basic equation must be preserved***, each transaction must have a **dual effect** on the equation. For example, if an individual asset is increased, there must be a corresponding:
  1. decrease in another asset, or
  2. increase in a specific liability, or
  3. increase in owner's equity

- It follows that ***two*** or ***more items*** could be affected when an asset is increased. For example, if we purchase asset (Eqt.) with some down cash payment and a promise to pay the remaining at some time in the future, we will have increase in one asset (Eqt.), a decrease in another asset (cash), and an increase in a specific liability. Note also that any change in an individual liability or ownership claim is subject to similar analysis

1.3. Collecting sales information

Customers pay for goods and services when they are provided with a document detailing the transaction. This is often called a bill, a summary of items or perhaps even a checkout slip. There are a number of different ways this document is produced. The simplest method is to add the price of all items manually or electronically. You may use a calculator or a cashregister to do this. Some cash registers will display a total of all amounts entered rather than produce a document for the customer to review.

Whenever an account is created manually, great care must be taken with any extensions or additions that have to be made. Always check these calculations using a calculator. If a mistake is made the business may lose revenue or upset the customer. More advanced point of sale systems both calculate and produce details of the transaction. Typically, a unique code such as a table number, room number or guest number is assigned to the customer or client. All goods and services purchased are charged to the customer or client using the unique code. Staff use the point of sale terminal to request the total amount of purchases assigned to the unique code. The point of sale system will produce a document with all necessary details for the customer to review.

Illustration

On January 1, 2007, Ato Siraj started **Smart Software Company** which develops customer-specific computer software. The following transactions took place during the first month:

Year 2007

Jan. 1 AtoSira deposited Br.30,000 in the company's bank account .

Jan. 2 Purchased supplies of flash disks, stationery etc for Br. 9,000 on credit

Jan. 5 Purchased for cash two computers each costing Br.6000.

Jan. 7 Received Br.15,000 in fees for software developed for a small retail store.

Jan 13 Paid creditor for supplies, Br.5,000

Jan.18 Took a loan of Br.12,000 from Dashen Bank.

Jan.22 Completed a software package for a shoe shop. The customer agrees to pay the price of Br.19,000 in two weeks time.

Jan.27 Paid various business expenses for the month: office rent, Br.2,500; Advertising, Br.1,000; Utilities Br.250; Miscellaneous, Br 150; Electricity charges , Br 1200

Jan.29 Ato Siraj withdrew cash of Br.4,000 from the company and bought a TV set his family.

Jan.31 Paid salary for employees, Br 6,000

Jan.31 The cost supplies on hand is determined to be Br.5,000

Required:

1. Analyze the effects of these transactions on the accounting equation

			Assets		=	**Liabilities**		+	**Owner's Equity**	
	Cash	**A/R**	**Supplies**	**Off.Eqt**		**A/p**	**Loan Pay.**		**Sira, Capital**	
Beg. bal	Br. 0	Br. 0	Br. 0	Br. 0		Br. 0	Br. 0		Br. 0	
Jan.1	Br.30,000								Br.30,000	
Jan. 2			Br.9,000			Br.9,000				
Balance	30,000		9,000			9,000			30,000	Investment
Jan.5	(12,000)			Br.12000						
Balance	18,000		9,000	12,000		9,000			30,000	
Jan.7	15,000								15,000	Professional fee
Balance	33,000		9,000	12,000		9,000			45,000	
Jan. 13	(5,000)					(5,000)				
Balance	28,000		9,000	12,000		4,000			45,000	
Jan. 18	12,000						Br.12,000			
Balance	40,000		9,000	12,000		4,000	12,000		45,000	
Jan.22		Br.19,000							19,000	Professional fee
Balance	40,000	19,000	9,000	12,000		4,000	12,000		64,000	

							(2,500)	Rent Expense
							(1,200)	Electr. Expense
							(1,000)	Adver. Expense
							(250)	Utilil. Expense
Jan. 27	(5,100)						(150)	Misc. Expense
Balance	34,900	19,000	9,000	12,000	4,000	12,000	58,900	
Jan.29	(4,000)						(4,000)	Withdrawal
Balance	30,900	19,000	9,000	12,000	4,000	12,000	54,900	
Jan. 31	(6,000)						(6,000)	Salary Expense
Balance	24,900	19,000	9,000	12,000	4,000	12,000	48,900	
Jan. 31			(4,000)				(4,000)	Supp. Expense
Balance	**Br 24,900**	**Br 19,000**	**Br 5,000**	**Br 12,000**	**Br 4,000**	**Br 12,000**	**Br.44,900**	

Self-Check -1	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. Define Asset, liabilities and owners equities. (**3 points**)
2. Briefly explain about business transaction(**3 points**)

***Note:* Satisfactory rating - 14 points Unsatisfactory - below 14 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Information Sheet-2	Checking documentation or systems entry

1.1. Obtain supplies of point of sale

An important aspect of the security of cash is maintaining appropriate documentation to track the movement of cash from the time the customer pays to the time cash is recorded as revenue by the accounts department.

This is commonly called a paper trail or an audit trail by accounts departments.

Some examples of point of sale documentation that forms part of this trail are:

- Paper roll or tape used by the point of sale terminal or register to record individual financial sales transactions
- Paper roll or tape used to process electronic non-cash payments
- Electronic receipts to record payments in advance such as a deposit for a hotel room or travel itinerary.

As a staff member authorized to process financial sales transactions, it is your responsibility to ensure that there are adequate supplies of all necessary documentation at the point of sale terminal or register. Individual workplace procedures will provide guidelines on exactly what is needed for each establishment.

1.2. Clean and tidy the point of sale area and equipment

Customer impressions are an important part of a business, particularly in the hospitality and tourism industries. Customers form this impression each and every time they interact with a staff member and visit the premises.

A clean and tidy workplace is not only necessary for health and safety reasons in many cases but also to create an impression of a pleasant environment.

The point of sale area is often the last area of the business that customers experience as they pay for the goods or services provided. Imagine a point of sale area where the terminal is dusty, equipment is faulty or broken and the employee doesn't know where important documentation is. Compare this to a point of sale area free from clutter, where all equipment clearly has a designated place to be stored and documentation is kept neat and orderly. Which experience creates a better impression of the business? To keep the point of sale area tidy, clean and free from clutter, employees may do some or all of the following:

At the start of the day:

- Organize point of sale area with equipment you need often close to hand and items that you don't need can be stored in drawers, baskets or other forms of storage found in the workplace.
- Ensure that the area is free from hazards such as loose electrical cords that could cause injury
- Clean the area including all workspaces and terminals. This presents the area well to customers, guests or clients and sets an example for the rest of the organization

During the day or shift:

1. Work in a systematic manner so that equipment and paperwork can always be found in the same place each and every time you need them.
2. Replace equipment and other supplies as soon as needed. For example, do not leave a pen that has run out of ink where a customer may use it.
3. Continue to keep the area clean and free from hazards.

At the end of the day or shift:

1. Replace equipment and supplies as required
2. Ensure all documentation is returned to where it should go
3. Clean all workspaces ready for the next day or shift.

Prepare point of sale area for operation

The cash collected in financial sales transactions represents revenue to organizations and must be kept safe and secure so that revenue is recorded accurately and efficiently

Responsibility for cash collected at the point of sale register or terminal lies with employees that are authorized to process financial sales transactions

The type of documentation issued to identify such employees differs between organizations but it must always be kept safe so that the security of the system is not compromised The cash float is taken to the point of sale register or terminal at the start of every day or shift and checked for accuracy and appropriate denominations of notes and coins

Checking supplies of all point of sale documentation is necessary at the start of every day or shift so that the processing of financial sales transactions is conducted smoothly and efficiently

A point of sale area free from clutter with all equipment working correctly creates an impression of a well-organized, successful business

Opening and checking that the point of sale terminal or register is working correctly must be done at the beginning of every day or shift by authorized staff members only

Discrepancies in testing equipment, with float counts or if authorizations are not working correctly should be resolved in a timely manner with management or supervisor input as required.

Calculate or verify amount due from customer/guest

When the point of sale area has been prepared for operation, financial sale transactions are ready to be processed. It is important to remember that the cash collected represents revenue to the business. Cash must always be kept secure and transactions recorded accurately and efficiently.

When a customer, guest or client purchases goods or services, there are certain expectations that they have from the establishment. Customers expect to:

- Pay the price stated in sales documentation such as menus, itineraries or as physically attached to the products
- Review the request for payment and query prices or quantities displayed
- Receive correct change and in a reasonable denomination of notes and coins from the cash payment they make
- Receive documentation confirming payment such as a receipt or electronic printout confirming a non-cash payment
- Return goods that do not meet expectations and have such goods replaced or receive a refund
- Speak to management if an issue cannot be resolved.

It is these expectations, along with the controls required surrounding the collection of cash, that form the basis for procedures that most organizations adopt when processing financial sales transactions.

Confirmation of amounts due

Once the point of sale system produces the bill or other such document, it must be reviewed and confirmed by both the customer and the employee processing the transaction. The purpose for this confirmation is threefold. Firstly, it is sound business practice to provide a customer, guest or client with an accurate request for payment. Secondly, the process to refund a customer after payment is made is inconvenient and time consuming and lastly, any problems within the business for capturing sales information are highlighted and can be addressed.

Reviewing the bill

Before showing the bill to the customer, staff ensure that the sale belongs to the customer. This can be done by confirming the unique code if one is used or by confirming the customer's name or other personal details.

- It is also necessary to check that the details on the bill are correct and complete. For example:
- A hotel will confirm the dates the guest stayed to ensure the correct room charge is on the bill
- A restaurant may verbally confirm some or all of the menu items to confirm the bill belongs to the customer
- Any duplicate charges on the bill are verbally confirmed with the customer
- Any charges that appear inconsistent are checked and confirmed with the customer

Customers will also check the bill to ensure it belongs to them. They will check that all items and amounts are as expected, looking for duplicates and inconsistencies.

Self-Check -2	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. What are customer's expectation that they have from the establishment of purchases goods or services. (**3 points**)
2. List out the important of supplies of point of sale (**2 points**)

Note: **Satisfactory rating - 10 points** **Unsatisfactory - below 5 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ____________

Rating: _____________

Name: __________________________ Date: _______________

Information Sheet-3	Reconcile financial transaction at end of trade

3.1. Investigate and resolve discrepancies with takings

3.1.1. Introduction

When the contents of the cash drawer and the point of sale register or terminal balances do not match, the difference must be recorded on the Cash Summary Sheet as part of the audit or paper trail. It must be clear why the revenue counted is different from the revenue recorded in the point of sale systems. Each business will have a policy or procedure on whether or not the difference or variance needs to be resolved.

Remember that handling money and the associated documentation should be done with care. The more care that is taken, the less chance for discrepancies to occur. At the very minimum though, you should check your additions and totals for any errors that may have caused the discrepancy. The following steps may be of assistance:

- Recount the notes and coins to confirm the totals are correct
- Recount the noncash transactions to confirm the totals are correct
- Check for arithmetic errors on the Cash Summary Sheet
- Check for transposition of numbers or other such clerical errors.

When you have identified that the difference does in fact exist, your responsibilities may involve investigating the reason for the discrepancy or you may simply be required to forward all the cash and noncash items and accompanying paperwork to the accounts office for them to resolve.

3.2. When and what variances are investigated?

All organizations will set their own policy on when and what variances should be investigated. Cash collected from financial sale transactions often makes up the only form of revenue for hospitality and tourism businesses so the procedures surrounding the balancing of takings and resolution of variances can be quite rigorous.

3.2.1. Investigating all under and overs

This is not a common option as staff can make mistakes during their busy working day. It is unrealistic to genuinely expect every till to balance to the exact amount every day.Indeed, many managers believe that, where a point of sale register or terminal balances exactly day after day, this can be seen as cause for concern as it may indicate that the staff member is paying too much attention to getting it right and not enough attention to customers or because there is fraudulent activity.

3.2.2. Allowing a set dollar amount of acceptable variation

Your workplace may allow "under" or "overs" up to a set dollar limit. It is accepted that mistakes will happen during a trading day or shift and that up to a certain amount, it may cost more to investigate the difference than it is worth. Where this is the case, providing the amount is within this range, no further action is required. The variance is noted on the Cash Summary Sheet for the accounts staff and the terminal or register is considered balanced.

3.2.3. Allowing a set percentage of variation

This approach is very much like the „set amount" idea, but allows the margin of error to grow as takings increase. A workplace may say that a variation of up to 1% is not worth investigating, so any variance where the actual takings are within 1% of the expected takings are not followed up.

3.3. How are variances investigated and resolved?

Once you have determined that the discrepancy is not an arithmetic error and that it lies outside acceptable limits, you must attempt to investigate and resolve the variance. Let"s look at some common errors and suggested resolutions.

Incorrect amounts or details entered into the Point of Sale register or terminal

All establishments accept that human error can occur when processing financial sale transactions. A customer, guest or client may settle an amount of 50.00 yet 60.00 is entered into the point of sale register or terminal. This means that the cash counted and the final reading will be different by an amount of ten – a discrepancy Sometimes an amount of 1000.00 may be entered instead of 100.00 or perhaps numbers are transposed 41 instead of 14. Alternatively, the amount may have been entered into the point of sale system correctly but the type of payment received for the financial sale transaction was entered incorrectly.

For example, the customer paid notes and coins but a credit or bank card was accidentally chosen as the form of payment. When counting notes and coins, it seems the register is "over" and when adding bank card payments it seems the register or terminal is "under".

If the staff member is aware of the error at the time of processing the transaction, it is common practice that a note or other form of standard documentation is completed and kept in the cash drawer. When balancing the takings, there is an immediate explanation for the variance. Documentation is attached to the Cash Summary sheet and no further action needs to be taken. When no such note exists, reviewing the summary or final report from the register or terminal can resolve the discrepancy. As mentioned earlier, all transactions for the periods trading are printed on this report. Whilst each establishment will have their own procedures to follow, common practice is to highlight the error on the register report and note on the Cash Summary Sheet that the discrepancy is resolved. Sometimes a manager or supervisor will process an adjustment through the point of sale register or terminal and print a final reading to indicate that the takings are balanced.

3.4. Documentation regarding cash movements missing

When notes and coins are removed from the cash drawer, there is always documentation to explain the reason. Sometimes this documentation may get lost or a staff member may simply forget or get too busy to complete the form.

On the rare occasion that cash is paid out (this was discussed at 2.9 Make cash payments on behalf of the enterprise), a payment slip is completed and attached to any supporting documentation such as a supplier's invoice or taxi receipt. If this documentation is not in the cash drawer, actual cash counted will be "under" the register or terminal balance. This is a difficult variance to find as you are relying on staff members who manned the point of sale area to remember whether any cash payments were made and where the documentation may be. Sometimes you can check the accounts balance on the final reading and that may indicate that an amount has been charged to the customer even though you don't have the documentation. Sometimes you may notice the item supplied in the point of sale area and confirm with other staff that a small payment was made to the supplier. Managers or supervisors may also remember giving approval for a cash payment from the register or terminal. If the variance is resolved, attach any documentation that may have been found or note the reason for the variance on the Cash Summary sheet and forward appropriately. On occasions, no matter how hard you try, the causes of variances simply cannot be found. When this happens, note the variance (be it over or under) on the Cash Summary Sheet and bring the matter to the supervisor or manager's attention for further investigation.

Self-Check -3	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. When and what variances are investigated? (**3 points**)
2. How are variances investigated and resolved. (**2 points**)

Note: **Satisfactory rating –9 points** **Unsatisfactory - below 9 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Instruction Sheet	LG19: Administering the Transaction process

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Transactions processes
- Analysis of error records and exception reports
- Transaction activity reports are monitoring
- Customer records are storing, privacy and commercial confidentiality

Customer records are storing, privacy and commercial confidentiality This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to:

- Monitor Transactions processes
- Understand Analysis of error records and exception reports
- Preparing Transaction activity reports
- Practice Customer records are storing, privacy and commercial confidentiality

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below 3 to 6.
3. Read the information written in the information "Sheet 1, Sheet 2, Sheet 3, and Sheet 4.
4. Accomplish the "Self-check 1, Self-check t 2, Self-check 3 and Self-check 4
5. If you earned a satisfactory evaluation from the "Self-check" proceed to "Operation Sheet 1, Operation Sheet 2 and Operation Sheet 3 " **in page -48.**
6. Do the "LAP test" **in page – 49** (if you are ready).

1.4. Financial sale transactions

The monetary dealings between customers, guests or clients are called financial sale transactions. A restaurant accepts payment for the dining experience provided, a hotel receives payment for accommodation and other services and a tour guide is paid for the tour provided to clients. To ensure the security of these payments, businesses implement systems to process financial transactions. These will vary from establishment to establishment.

1.5. Point of sale registers or terminals

The point of sale is the location where customers, guests or clients pay for the goods or services provided. This may be a face-to-face payment such as at the entrance or exit to a restaurant, by phone to a hotel or travel company or electronically over the Internet.

The point of sale register or terminal may be very basic such as a cash register, or an advanced electronic system that also records other information such as restaurant orders or a telephone and computer terminal with internet access.

1.5.1. Computerized point of sale systems

Computerized point of sale systems enable electronic management of the goods and services provided by an establishment. All systems are similar with different manufacturers claiming or pointing to specific functions that will differentiate their product from their competitors.

For example in a restaurant, each outlet or area of the restaurant has a terminal that displays the menu. An order is entered into the system and the selling price is automatically triggered. Items are added or deleted as appropriate throughout the meal such as additional beverages. You may also find that instead of a terminal, a hand held device is used to record an order. This equipment has become increasingly popular in the hospitality industry.When the customer or guest requests their account, the bill is printed from the system. Various adjustments can be made to the account at this point if required. The system allows for payment by cash or non-cash methods. Regardless of the type of point of sale register or terminal used, it must be prepared for operation every day or every shift. There are a general set of duties and responsibilities common to all establishments. However, each individual business will have written workplace procedures that staff must follow. All staff processing financial sale transactions must be fully conversant in the use of the register or terminal and the procedures in the workplace surrounding the processing of these transactions.

1.6. **Open point of sale register/terminal**

In order to operate the point of sale register or terminal, it must first be opened. In this context, „opened" really means that the register or terminal is ready to accept payments from customers, guests or clients. Some establishments will open their point of sale systems as the first step to preparing for operation and others will do this as a final step. Regardless of the timing of this task, the process surrounding it is still the same.

Authorization

Financial sale transactions add to the revenue or income of an organisation so the security of cash payments is extremely important. One of the ways to keep cash secure is to restrict the use of point of sale registers or terminals to authorized staff. These are staff members who have been appropriately trained and approved by management.

Some examples of the types of authorizations used are:

- Photographic identification that the staff member must keep with them at all times. This may also show the person's signature
- A secure key or card or similar that employees match to a device that recognizes their details and allows entry
- An employee identification code that can take the form of numbers, letters or a combination of both that is manually entered into a register or terminal
- A numeric, alphabetical or alpha-numeric password usually used with an identification device or code
- Any combination of the above such as photographic identification and secure code.

Employees use the required method of authorization issued to them to open the point of sale terminal or register. Sometimes in hotels and restaurants, the manager on duty mustalso authorize the employee to access the terminal or register as an extra security measure. Passwords, security keys or cards and security codes should never be shared between staff members nor be written down anywhere near the point of sale area. Problems with authorization should be referred to management as soon as possible as it could mean that the security of the system has been compromised.

1.7. **Obtain cash float**

A cash float is a supply of notes and coins that an establishment has deemed appropriate to commence the day"s trading for a point of sale register or terminal in order to provide customers with change. Found in the cash drawer of the register or terminal, a cash float is necessary for giving out change when completing a financial sale transaction, because a customer will rarely provide the exact amount of money to pay their bill or settle an account. Overnight, most cash floats will be stored in a safe or secure location. At the beginning of each shift (or day"s trading), management or security or accounting staff will remove the cash float and either place into the cash registers or distribute to the appropriate staff members. Smaller establishments may only need one or two cash floats as their business demands only require them to run one or two registers or terminals. Generally, in such establishments, the manager or supervisor will place the cash drawers into the register or terminal. Some larger establishments may need up to ten or twenty cash floats. In such cases, the individual cash floats may need to be distributed amongst a number of staff. When this happens, individual staff members may need to sign for their float to prove that they have taken possession of it.

1.8. **Issuing the cash float**

It is the responsibility of the staff member authorized to use the terminal or register to obtain the cash float at the beginning of the day or shift and return it at the end of the day or shift. You may go with your manager or supervisor to collect the float or you may go alone, depending on the procedure in your workplace.

For the float to be issued to you, you will need to be identified as follows:

- Photographic identification that you carry with you or
- Photographic identification held on file where floats are issued
- Manager or supervisor with authority to identify you.

This identification will be used in conjunction with a sample of your signature that is also held on file where floats are issued.

1.9. **Counting the cash float**

Typically, once your identity is confirmed, the float will be issued to you. Sometimes there will be two sheets to document this issue. The person handing over the float will count and sign in relation to the float and then the person receiving the float also has to sign for it.

When signing for a float the staff member needs to be sure that the total amount said to be in the float is accurate and consistent with the actual amount found in the cash drawer. It is common practice to count the float before signing for it (or immediately after signing for it) to ensure its contents. It is too late at the end of the shift to claim that the float was different from the start of the day. Where a discrepancy in the amount in the float is detected, ask the person who delivered the float to double-check it.

Self-Check -1	**Written Test**

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. Demonstrate financial sale transactions(**5 points**)

Note: **Satisfactory rating - 10 points Unsatisfactory – below 5 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Information Sheet-2	**Analysis of error records and exception reports**

1.1. Reporting discrepancies and records

Where a discrepancy that falls within the allowable limits is detected or a discrepancy is not resolved, management must be notified. The usual method to follow is to record the variance on the Cash

Summary Sheet and then report it verbally – either face-to-face or by phone. The information that needs to be provided includes:

- Department involved
- The precise cash register involved
- The amount missing (or over)
- Names of staff who worked on that register.

You may also be asked for your interpretation on the situation. Questions such as the following may be asked:

- Do you think the discrepancy is indicative of another problem?
- What do you think happened?
- Was there any new staff working?
- What do you think should be done?

In some circumstances, you may also be asked to present a written report outlining all you know about the situation.

1.2. Complete end of shift takings documentation

Once the takings are counted and balanced, it is time to collect all detailing revenue collected for that day or shift. This documentation creates the audit or paper trail that tracks financial sales from the register or terminal to the bank account of the organization.

It is the responsibility of staff at the point of sale area to complete the following:

- **Cash Summary Sheet**

Totals must be completed and the sheet signed by the staff member who balanced the takings and sometimes a manager or supervisor

- All calculations must be accurate
- Figures must be legible

- Any notes must be written clearly and in the spaces provided. Explanations should be clear and concise

- Any additional documentation, such as a discrepancy report, must be attached

  - Ensure that all non-cash payments are included with takings for the day. Appropriate authorizations must accompany the payments where relevant
  - Summary or final reading from the Point of Sale system. This should clearly show that the register or terminal has been closed

A discrepancy report where applicable Include details of any changes to the float received at the start of the day or shift. At this time, if the float has not been separated from the daily takings already in the reconciliation process, it is done now

Self-Check -2	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. List down responsibility of staff at the point of sale area(**3 points**).
2. Reporting discrepancies and records (**2 points**).

Note: **Satisfactory rating - 25 points** **Unsatisfactory - below 25 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________
Rating: ____________

Name: _________________________ Date: _______________

Information Sheet-3	Transaction activity reports are monitoring

3.1. Financial Statements

- Financial information comes in many forms, but the most important are the Financial Statements.
- Financial statements are the means of conveying to management and to interested outsiders a concise (organized) picture of the profitability and financial position of the business. They are prepared on a regular basis at the end of an accounting period. The accounting period typically is one year; however, it can be any length of time for which records are maintained. Usually the minimum is one month and the maximum length of time is one year for financial statements.
- Financial statements have generally agreed-upon formats and follow the same rules of disclosure.
- Since financial statements are in a sense the ***end products of the accounting process***, having a clear understanding of the *content* and *meaning* of financial statements will be crucial to appreciate the purpose of the earlier steps of recording and classifying business transactions.
- All financial statements are inter-connected; therefore, the order of preparation is important.

3.2. Income Statement

- It is a summary of the *revenues* and *expenses* of a business entity for a *specific period* of time, such as a month or a year. The net result of revenues and expenses show the*profit (or loss)* for the period. Net Income is realized when revenue exceeds expenses. *Net loss*is realized when expenses exceed revenue.
- The income statement, which is sometimes called the statement of earnings or statement of operations, is *prepared first.*

3.3. Statement of Owner's Equity

- It shows the changes that occurred in the components of owners' equity during a specific period of time, such as a month or a year.
- It provides a *link* between the Income Statement and the Balance Sheet. It also reconciles the Owners' Equity account from the start to the end of the year. In essence, the statement is nothing more than a reconciliation or "bird's-eye view" of the *bridge* between the capital amounts appearing on two successive balance sheets.
- The statement of owner's equity is *prepared after the income statement.*

3.4. Balance Sheet

- A list of the *assets, liabilities*, and *owner's equity* of a business entity as of a *specific date*, usually at the close of the last day of a month or a year.It is a detailed description of the basic accounting equation and proves that the **accounting equation** (Assets = Liabilities + Owner's Equity) is in balance.

Assets = Liabilities + Equity

- The balance sheet shows the financial position of the business entity on a specific (particular) date and as a result it is sometimes referred to as *statement of financial position*

Preparing Financial Statements

- All financial statements have headings that include: name of the organization, title of the statement, and date or period covered by the statement

Smart Software Company

Income Statement

For the month Ended January 31, 2007

Revenues:		
Professional Fees		Br.34,000
Expenses:		
Salary Expense	Br.6,000	
Supplies Expense	4,000	
Rent Expense	2,500	

Electricity Expense	1,200	
Advertising Expense	1,000	
Utilities Expense	250	
Miscellaneous Exp.	150	
Total expenses		15,100
Net income		**Br.18.900**

- Note that there is a matching process → expenses are matched against revenues. Expenses are commonly listed in the order of size, beginning with the larger item. Miscellaneous expense is usually listed as the last item, regardless of the amount.

Smart Software Company

Statement of Owner's Equity

For the month Ended January 31, 2007

Investment During the Month		Br.30,000
Add: Net income for the month	18,900	
Less: Withdrawal	4,000	
Net increase in Owner's Equity		14,900
Sira, Capital, Jan. 31,2007		Br.44,900

Look how the four types of transaction- revenue, expense, investment, and withdrawals- affect owner's equity.

Smart Software Company

Balance Sheet

As of January 31, 2007

Assets		Liablilites	
Cash	Br.24,900	Accounts Payable	Br.4,000
Accounts Receivable	19,000	Loan Payable	12,000
Supplies	5,000	Total Liabilites	Br.16,000
Office Equipment	12,000	**Owner's Equity**	
Total Assets	**Br.60,900**	Sira, Capital	44,900
		Total Liab. & OE	**Br.60,900**

Remember that total assets must equal the sum of total liabilities and total equity.

The ending balance on the statement of owner's equity is used to report owner's equity on the balance sheet.

Q. Does the owner's equity total of Br.44,900 mean the business is worth Br.44,900? No! Why not? Because:

- Many assets are *not reported at current value.* For example, although the equipment cost Br.12,000, the balance sheet does not report its current worth.
- The business may have *unrecorded resources* such as goodwill (internally generated)

Therefore, users must also use nonfinancial information to make their decision. This observation tells us that accounting statements are important in investment and credit decisions, but they are not the sole source of information for making investment and credit decisions.

NB.

- ✧ Cash is listed first followed by receivables, supplies, prepaid insurance etc that will be converted into cash in the near future. Assets which are of relatively permanent in nature, such as land, building and equipment, follow in that order.
- ✧ The balance sheet is like a still photograph; it captures the financial position of a company at a particular point in time.
- ✧ The balance sheet has two forms:

Report form— Liabilities and owner's equity are presented below the asset section

Account form—Lists the assets on the left and the liabilities and OE on the right

—- It is commonly used and is so named because of its similarity to an account (to be described in the next chapter)

3.5. Statement of Cash flows

- Shows the sources of cash (cash inflows) and the uses of cash (cash outflows) of a business entity for a specific period of time, such as a month or a year. A company's activities are grouped into three categories. The cash flow statement is prepared based on these classifications.

Operating Activities

- Cash flow related to the revenue generating business operations
- Some examples are: selling goods and services, buying goods and services, paying taxes, interest, salary etc

Investing Activities

- Cash flow related to the acquisition and sale of relatively long-term or permanent assets
- Some examples are: buying resources such as land, building, equipment needed in the operation of the business, selling these resources when no longer needed

Financing Activities

- Cash flow related to obtaining adequate funds, or capital, to begin and continue operations

- Some examples are: owner investments, paying a return to owners, obtaining loans from creditors, repaying principal amount to creditors, withdrawals

Smart Software Company

Statement of Cash Flows

For the Month Ended January 31, 2007

Cash flow from operating activities:		
Cash received from customers	Br.15,000	
Less: Cash payments for expenses and payment to creditors	16,100	
Net cash flow from operating activities		Br.(1,100)
Cash flow from investing activities:		
Cash payments for acquisition of Phot. Eqt.		(12,000)
Cash flow from financing activities:		
Cash received as owner's investment	Br.30,000	
Money borrowed from Bank	12,000	
Less: Cash withdrawal by owner	(4,000)	
Net cash inflow from financing activities		38,000
Net cash flow and January 31,2007 Cash balance		**Br.24,900**

- Notice that the cash provided by operations is not the same thing as net income found in the income statement. This result occurs because some items hit income and cash flows in different periods. For instance, service provided on Jan.22 increased income by Br.19, 000 without a similar effect on cash. Also, while only Br.5, 000 was paid for supplies, Br.4, 000 of supplies expense was reported in the income statement. These differences tend to even out over time.

Self-Check -3	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. List and explain four principal financial reports (**3 points**)
2. List components of cash flow statement (**2 points**)

Note: **Satisfactory rating –15 points** **Unsatisfactory - below 15 points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Information Sheet-4	Customer records are storing, privacy and commercial confidentiality.

4.1. Forward documentation and takings to designated location

At the end of the trading period, daily takings must be delivered to a secure location so that accounts staff can process the revenue in the accounting system and deposit all monies in the bank. It is the responsibility of staff that opened the Point of Sale terminal or register and received the float to return the float and the day or shift's takings. Some organizations send documentation and cash through an internal secure storage system and others require a manager or security personnel to accompany the takings to the secure location. Typically, the cashier or similar staff member from the Accounts

Department will receive the daily takings from each point of sale area. They are required to ensure that all paperwork is included and that the float and daily takings are separated. When the cashier or similar is satisfied that all documentation is complete, the float summary sheet is signed by the staff member from the point of sale area and witnessed by the cashier. All takings are placed in a safe or similar secure storage. Daily takings will now be counted again and summarized into accounting systems that show the total revenue the organization has collected. Cash will be sent to the bank and non-cash payments and documentation filed according to workplace procedures.

Self-Check -4	Written Test

Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. Mention the importance of conduction effective communications in delivering confirming clients to referral service. (**5 points**)
2. Write the core elements confirming clients to referrals**.** (**5 points**)

***Note:* Satisfactory rating –12 points** **Unsatisfactory - below 10points**

You can ask you teacher for the copy of the correct answers.

Answer Sheet

Score = ___________

Rating: ____________

Name: _________________________ Date: _______________

Short Answer Questions

List of Reference Materials

3. A Guide to Integrated Service Delivery to Clients. Available on: https://communitydoor.org.au/sites/default/files/A_GUIDE_TO_INTEGRATED_SERVICE_DELIVERY_TO_CLIENTS.pdf

4. AN INTRODUCTION TO COMMUNITY ASSET MAPPING. Available on: https://www.countyofsb.org/ceo/asset.c/400

5. Process a financial sale transaction, William Angliss Institute of TAFE,Telephone: (03) 9606 2111, Facsimile: (03) 9670 1330

6. Receive and resolve customer complaints, D1.HRS.CL1.15

7. MOVE Working Paper #3 www.myoralvillage.org,Brett Hudson Matthews December 2016