



Ethiopian TVET-System



Clerical Work Support Level-II

Based on August 2012 G.C. Occupational Standard

**Module Title: -Maintaining Daily Financial/Basic
Clerical Supports Records**

TTLM Code: - EIS CWS2 TTLM 09 0919v1

**This module includes the following Learning
Guides**

**LG26: Preparing and processing invoices for payment to
creditors and for debtors**

LG Code: - EIS CWS2 M09 LO1-LG26

**LG27: Prepare and process banking documents and petty
cash documents**

LG Code: - EIS CWS2 M09 LO2-LG27

LG28: Process petty cash transactions

LG Code: - EIS CWS2 M09 LO3-LG28

LG29: Process financial forms and applications

LG Code: - EIS CWS2 M09 LO4-LG29

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Instruction Sheet	LG26: Preparing and processing invoices for payment to creditors and for debtors
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This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics –

1. **Identifying, Checking And Recording Information From Documents**
2. Undertaking All Work Accordance With **Organizational Procedures, Legislation And Regulations**
3. Processing And Recording Or Transmitting Documents To Appropriate Personnel

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, check and record Information from documents
- Undertake all work accordance with *organizational procedures, legislation and regulations*
- Process and record or transmit documents to appropriate personnel

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described in number -- to --.
3. Read the information written in the “Information Sheets --”. Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
4. Accomplish the “Self-check --” **in page ---**
5. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check --).
6. If you earned a satisfactory evaluation proceed to “Information Sheet --”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #--.
7. Submit your accomplished Self-check--. This will form part of your training portfolio.



Information Sheet-1	1. CONTENT-1 Identifying, Checking And Recording Information From Documents (4) hrs
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1.1 Identifying, checking and recording Information from documents

➤ **Information may include:**

- Names
- addresses
- amounts of money in figures/words
- dates
- account numbers/card numbers/cheque numbers
- reason for payments
- signature

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➤ **Documents may include:**

- Invoices/receipts
- application forms
- claim/request forms
- petty cash vouchers
- Bonds
- purchase orders
- credit notes/Promissory Notes
- statements/Bank Statements
- deposit books/slips
- delivery dockets
- remittance advice /Money Sending methods
- organization’s strategic plan
- Job descriptions

etc

1.1. Information

Workplaces rely on large amounts of information from many different sources to operate effectively. Most of that information is recorded either manually (on paper) or electronically (on computer). Work schedules, product catalogues, orders and receipts, and memos are all examples of written information, or records, found in most workplaces. Workplaces rely on the exchange of information to carry out their daily business. Dealing effectively with information and a record is a necessary and important task for all employees. Common types of workplace information include messages, correspondence, computer files, sales records, product information, forms, computer databases, accounts records, personnel records, minutes of meetings, library collection, promotional material and printed products. Information sources may include colleagues, computer networks, individual computers,, electronic storage, and paper filing systems, newspapers, magazines and journals.

The main sources of information for preparing invoice for payment are the invoice itself and the purchase order.

1.1.1. Invoice

Invoice is a commercial document that itemizes a transaction between a buyer and a seller. An invoice will usually include the quantity of purchase, price of goods and/or services, date, parties involved, unique invoice number, and tax information. If goods or services were purchased on credit, the invoice will usually specify the terms of the deal, and provide information on the available methods of payment. The term invoice may also be known as a "bill" or "sales invoice". Source of the above definition: <http://www.investopedia.com/terms/i/invoice.asp>

When preparing an invoice for payment, see if the invoice has valid signature and get information about the name & address of the creditor, the amount of money, dates of

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payment, the creditor’s account number/card number. Accessing these information makes the process of payment easier and faster. These important information may be obtained from the purchase order.

1.1.2. Verify Invoice Information:

A business transaction is one that is capable of being measured in monetary terms and that affects the company’s operations. There are hundreds of business transactions that take place daily. To record these transactions, there are different kinds of commercial documents are used. One such document is an **invoice**, which may be understood as a legal and commercial instrument, made by the vendor and sent to the customer or client, to authorize the sale. It sets forth, all the goods sent or services provided, for which the payment is not made by the customer.

In contrast, cash memo alludes to a voucher, which is used at the time of cash sales to the customer. It lists out name and address of the customer, quantity, description, price of the product, discount and taxes thereon. Many think that invoice is equal to cash memo, which is not true, as there is a fine line of difference between invoice and cash memo.

Comparison Chart

BASIS FOR COMPARISON	INVOICE	CASH MEMO
Meaning	A commercial document issued by the seller to the buyer to make a request for payment.	A commercial document issued by the seller to the buyer when cash is received as a payment.
Time of Issue	Prior to payment.	At the cash payment.
Issued at the time of	Credit Sales	Cash Sales
Evidence of	Payment Due	Payment Received

Definition of Invoice

An Invoice is a non-negotiable instrument which indicates the indebtedness of the purchaser to the seller. The seller gives it to the buyer for making a request for payment for the goods sold or services rendered to him. It is used to record day to day the sale transaction.

A typical invoice may contain the following details:

- Date of issue of invoice
- Invoice Number
- Name and address of buyer
- Name and Address of Seller
- Unit Price of Goods
- Quantity



- Discount (if any, but only trade discount)
- Tax (VAT or Service tax as the case may be)
- Total Amount due
- Signature of the seller or his authorized agent.

Before paying the invoice, see if the invoice matches with the purchase order following these verification Questions:

- ✓ Have items or services ordered been invoiced?
- ✓ Do the quantities ordered match those invoiced?
- ✓ Are the prices consistent with the Purchase Order?
- ✓ Are the calculations and totals on the invoice correct?
- ✓ Is the invoice date valid?

Note: Departmental approval of invoices that normally require receipt acknowledgement is sufficient for A/P to release payment. Such an approval is expected to signify that receipt of goods has been verified.

Any Cheque may include the following application information's

- Names of the applicant person
- Addresses of the applicant person
- amounts of money/figure
- the application dates
- account numbers/card numbers/cheque numbers

1.1.3. Receipt is a Financial Information Documents

A receipt (also known as a packing list, packing slip, packaging slip, (delivery) docket, shipping list, delivery list, bill of parcel, manifest or customer receipt) is a document acknowledging that a person has received money or property in payment following a sale or other transfer of goods or provision of a service. All receipts must have the date of purchase on them. If the recipient of the payment is legally required to collect sales tax or VAT from the customer, the amount would be added to the receipt and the collection would be deemed to have been on behalf of the relevant tax authority. In many countries, a retailer is required to include the sales tax or VAT in the displayed price of goods sold, from which the tax amount would be calculated at point of sale and remitted to the tax authorities in due course. Similarly, amounts may be deducted from amounts payable, as in the case of wage withholding taxes. On the other hand, tips or other gratuities given by a customer, for example in a restaurant, would not form part of the payment amount or appear on the receipt.

In some countries, it is obligatory for a business to provide a receipt to a customer confirming the details of a transaction. In most cases, the recipient of money provides the receipt, but in some cases the receipt is generated by the payer, as in the case of goods being returned for a refund. A receipt is not the same as an invoice.

There is usually no set form for a receipt, such as a requirement that it be machine generated. Many point-of-sale terminals or cash registers can automatically produce receipts. Receipts may also be generated by accounting systems, be manually produced or generated electronically, for example if there is not a face-to-face transaction. To

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reduce the cost of postage and processing, many businesses do not mail receipts to customers, unless specifically requested or required by law, with some transmitting them electronically. Others, to reduce time and paper, may endorse an invoice, account or statement as "paid".

When preparing an invoice for payment, see if the invoice has valid signature and get information about the name & address of the creditor, the amount of money, dates of payment, the creditor's account number/card number. Accessing this information makes the process of payment easier and faster. This important information may be obtained from the purchase order.

Wicked Solutions London E1 3FR Tel: 0208 555 555 Company #:112334 VAT: 66-777-888 INVOICE	
Invoice No: ABC001 Date: 20 December 2013 Due Date: 20 January 2014 To: ABC Ltd	
Fees:	
Sale of software	\$ 10000
VAT @ 15%	\$1500
	Total \$11500
Payment terms: Payment within 30 days	
Money transfer to the account bellow Wicked Solution Ltd Sort code:20-21-22 Account No: 12345678	

Fig.01 Invoice

Manual receipt

Smith & Brown Incorporated	Receipt No 56987
Received from _____ <u>M Student</u> _____ Date: <u>2/2/XX</u>	
For _____ <u>10 X blue biros & 2 X red biros</u> _____	



The sum of <u>Thirteen dollars and 22 cents</u>		

Signed	<u>Ben Brown</u>	Cash/Cheques \$ <u>13.20</u>
		GST inclusive

Fig.02 Invoice

1.1.4. Verifying Invoice Information:

Before paying the invoice, see if the invoice matches with the purchase order following these verification Questions:

- ✓ Have items or services ordered been invoiced?
- ✓ Do the quantities ordered match those invoiced?
- ✓ Are the prices consistent with the Purchase Order?
- ✓ Are the calculations and totals on the invoice correct?
- ✓ Is the invoice date valid?

Note: Departmental approval of invoices that normally require receipt acknowledgement is sufficient for A/P to release payment. Such an approval is expected to signify that receipt of goods has been verified.

In complex invoices both the trade and the accounting information continue to accumulate as the invoice passes through its various stages. The computer invoice system must process both trade and accounting information. Each is subject to different rules, each may be handled at a different time, and each needs to be presented to the user through a flexible and 'friendly' interface.

Checking the Invoice

Checking by the seller

In the last chapter it was seen as being very important to check for accuracy the main sales documents issued – the invoice and credit note. For example, checking:

- ✓ that the product codes of the goods invoiced are correct
- ✓ that the price charged is correct
- ✓ the calculations on the invoice , including the Value Added Tax, are all correct

If you make a mistake it could prove costly. Your level of customer service would look rather poor and payment could be delayed.

Checking by the buyer

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In this chapter we describe what checking has to be done by the buyer. If you are the buyer, you will need to check the purchase documents, and for very specific reasons: you will want to make sure that:

- The goods provided are the goods you have ordered in the first place – you can tell this from the product codes used

- The correct unit price has been charged
- Any discounts you are entitled to have been correctly calculated and deducted
- Any VAT charged has been correctly calculated
- The calculations on the supplier invoice or supplier credit note are all accurate

What needs to be checked?

There are three documents involved in the checking process:

1. **Purchase order**:- this is the first document to be issued. It is drawn up by the buyer to order the goods and will set out all the details of the purchase:
 - ✓ quantity
 - ✓ product code
 - ✓ description
 - ✓ unit price
 - ✓ date
 - ✓
2. **Delivery note**: this document is normally sent with the goods and is likely to be the first document relating to the transaction received by the buyer from the seller.

The details on this document should be checked with the purchase order. The main question the buyer is asking here is “Has the supplier sent what we ordered?”

3. **Supplier (purchase) invoice**: this sets out what is owed by the buyer and when it has to be paid. This should be checked against the purchase order and delivery note. The questions the buyer is asking here are: “Are we being charged for what we ordered?” and “Are we being charged the right amount?”

Supplier Invoice

This is the amount charged –is it correct?

- ✓ What is the amount owed?
- ✓ When does it have to be paid?
- ✓ Are discounts and VAT included?
- ✓ Are the calculations correct?
- ✓ Are the quantity, product code, description and unit price correct?
- ✓ is the purchase order number correct

Purchase Order

Does the invoice relate to what we ordered?

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- check the details

Delivery Note

Has the supplier sent what we ordered ?

- check the details

Checking the calculations on the invoice

All the calculations on the invoice should be checked; they are shown on the following ways. If any of these calculations is incorrect, the final total will be wrong, and the invoice will have to be queried with the supplier. The checks to be made are:

- Quantity x unit price

The quantity of the items multiplied by the unit price must be correct. The result is used for the calculation of any discounts applicable.

• Trade Discount

Trade discount is a percentage deduction from the normal list price; it is normally given to approve 'trade' customers. This discount is deducted from the total price. In the case of the invoice shown below, the total price worked out is Br. 390. The 25% trade discount is shown and deducted on the line below the Br. 390. The calculation is:

$$\text{Br. } 390 \times \frac{25}{100} = \text{Br. } 97.50$$

The price charged (on which VAT will be charged) is therefore:

$$\text{Br. } 390.00 - \text{Br. } 97.50 = \text{Br. } 292.50$$

Bulk discount:- is given for bulk purchases – i.e. large quantity purchases.

If, for example, Azale was to order 500 8GB memory sticks rather than just 10 it may be able to negotiate a further bulk discount. Bulk discount is calculated on the invoice in the same way as trade discount, i.e. it is deducted from the total price before the VAT is calculated and added on. Processing supplier invoices and credit notes.

Value Added Tax :- is a tax on sales. In this book VAT is calculated at 15%. On an invoice VAT is added to the total after the deduction of discount.

The calculation on the invoice below is:

$$\text{Br. } 292.50 \times \frac{10}{100} = \text{Br. } 58.50 = \text{VAT amount}$$

Key Terms

Supplier invoice an invoice issued to the buyer by the supplier, setting out what is owed by the buyer and when it has to be paid supplier credit note a credit note issued to the buyer by the supplier, setting out reduction in the amount owed to the supplier

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Purchase order a document completed by the buyer of goods or services and sent to the seller, setting out details of what is required

delivery note a document which goes with the goods from the seller to the buyer

goods returned note a document which goes with goods returned by the the buyer to the seller

trade discount a percentage reduction in the selling price of goods or services, normally given to trade customers who buy regularly

Bulk discount a percentage reduction in the selling price of goods or services, given for large quantity ('bulk') purchases

The Issuance of Invoice

You should use sequentially numbered invoices for goods or services you supply to your customers. There are many styles of invoices available commercially but regardless of their design, the minimum information they contain should include:

- ✓ Invoice Number
- ✓ Date Of Issue
- ✓ Customer's Name And Address
- ✓ Your Business's Name And Address
- ✓ Date Of Transaction
- ✓ Description Of Goods Or Services, Including Quantities And Prices
- ✓ Total Price.

Example 1:

Five Stars Computer Company sells 1000 pieces of mouse pad to ABC Trading Company at \$2.00 per piece. Due to a bulk purchase, Five Stars Computer Co. has decided to give a 10% trade discount. After preparing the Sales Invoice; the accountant of Five Stars Computer Company will record the business transaction in the Sales Journal. (Use the Sales Invoice for reference).

SALES INVOICE
 Five Stars Computer Company
 123 Genting Lan
 Tel: 554-1234 7Fax: 554-123

Customer Name Kassa Gemechu

invoice number-----

Date-----

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No.	Description	Quantity	Unit Price	Total
01	Mouse Pad	1000.00	\$2.00	\$2,000.00
SUBTOTAL:				\$2,000.00
LESS: TRADE DISCOUNT (10%)				<u>\$200.00</u>
Net				<u>\$S\$1,800.00</u>
REMARKS: For Five Stars Computer Company ALAN GOH Authorized Signature----- Finance Department				

Sales Returns Journal (Returns Inwards Journal)

This journal records goods returned by the customer, & any allowances or reductions due to overcharging in the previous invoices.

Example 2: Upon receiving the goods, ABC Trading Company realized that 10 pieces of mouse pad are damaged & decided to return them to Five Stars Computer Company.

Imagine you are the accountant of Five Stars Computer Company; you are required to prepare the Credit Note accordingly

Five Stars Computer
123 Genting Lane
'Tel: 554-1234 7Fax: 554-1233

CREDIT NOTE

Customer Name:
10001
ABC Trading Company
Tatek1 Shopping Centre

Credit Note No.: FS-CR-

Date: 15 March 2002

Our Invoice No. -----

Date of Invoice:-----

No.	Description	Quantity	Unit Price	Total
01	Mouse Pad	10.00	S\$2.00	\$20.00
SUBTOTAL:				\$20.00
LESS: TRADE DISCOUNT (10%)				<u>-S\$2.00</u>
NET				<u>S\$18.00</u>
For Five Stars Computer Company ALAN GOH Authorized Signature Finance Department				



After preparing the Credit Note, the accountant of Five Stars Computer Company will record the transaction in the Sales Returns Journal (or Returns Inwards Journal).

(Use the Credit Note for reference)

Correcting Invoice Errors and Discrepancies:

If a mistake is found, do not change the invoice in any manner. (See Exception below *) Depending upon the type of error, contact either the vendor or a Purchasing Department buyer to have the invoice corrected. However, if sales tax was billed inappropriately, cross out the sales tax amount, subtract from the invoice amount, and note the correct net amount on the invoice. Consult the table below for a list of typical errors that can occur in billing, and whom to contact.

Error Type	Contact
<ul style="list-style-type: none"> • mathematical error on the invoice • short shipment of items • unauthorized substitution of goods 	<ul style="list-style-type: none"> • vendor
<ul style="list-style-type: none"> • the invoice is correct but a mistake was found on the purchase order 	<ul style="list-style-type: none"> • the appropriate Purchasing Department buyer

1.1.5. Financial Document

The main sources of financial information for preparing invoice for payment are the invoice itself and the purchase order.

A document is a written, drawn, presented, or memorialized representation of thought. A document is a form, or written piece that trains a line of thought or as in history, a significant event. The word originates from the Latin documentum, which denotes a "teaching" or "lesson": the verb doceō denotes "to teach". In the past, the word was usually used to denote a written proof useful as evidence of a truth or fact. In the computer age, "document" usually denotes a primarily textual...

Documents are sometimes classified as secret, private, or public. They may also be described as drafts or proofs. When a document is copied, the source is denominated the "original".

Standards are accepted for specific applications in various fields, e.g.:

- Academia: manuscript, thesis, paper, and journal
- Business: invoice, quote, RFP, proposal, contract, packing slip, manifest, report (detailed and summary), spread sheet, MSDS, waybill, bill of lading (BOL), financial statement, nondisclosure agreement (NDA), mutual nondisclosure agreement (MNDA), and user guide
- Government, law, and politics: application, brief, certificate, commission, constitutional document, form, gazette, identity document, license, manifesto, summons, and white paper
- Media: mock-up and script <https://en.wikipedia.org/wiki/Document>



1.2. Recording Information From Documents

Understanding Debits and Credits

In a simpler way it can be explained as when an amount is entered on the left side of an account, it is a debit and the account is said to be debited. When an account is entered on the right side, it is a credit, and the account is said to be credited. Here are basic debit & credit rule: -

<u>Assets & Expenses</u>	
Dr (Increases)	Cr (Decreases)

<u>Liabilities, Capital and Income</u>	
Dr (Decreases)	Cr (Increases)

An account has a debit balance when the sum of its debits exceeds the sum of its credits: it has a credit balance when the sum of the credits is the greater. In double entry accounting, which is in almost universal use, there are equal debit and credit entries for every transaction. Where only two accounts are affected, the debit and credit amounts are equal. If more than two accounts are affected, the total of the debit entries must equal the total of the credit entries.

Debits and Credits

Double-entry bookkeeping is governed by the accounting equation. If revenue equals expenses, the following basic equation must be true:

$$\text{Assets} = \text{liabilities} + \text{equity}$$

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At any point in time, revenue may not equal expenses. If so the equation can be further expanded, so that the (extended) equation becomes:

$$\text{Assets} = \text{liabilities} + \text{equity} + (\text{revenue} - \text{expenses})$$

Examples of debits and credits

- Purchase of a Computer
 - ⇒ **Debit** Computer account (Fixed asset account) is increased
 - ⇒ **Credit** Creditors account (Liability account) is increased
- Paying supplier for the Computer
 - ⇒ **Debit** Creditors account (Liability account) is reduced.
 - ⇒ **Credit** Bank account (Asset account) is reduced.

- **Creditor**

A person or organisation owed money for the provision of goods or services on credit. Creditor's owed money is also known as Accounts Payable.

- **Credit note**

An Adjustment note which can be redeemed or goods to the stated value

There are a number of parties from whom the Trader buys goods on credit basis. For each one of them, an Account is opened in the Ledger. As in the case of Debtors,

- ⇒ A List of Creditors with the balances due to them is prepared
- ⇒ In the Trial Balance, instead of writing the individual names of Creditors, the total of the balances of the creditors is written under heading Creditors
- ⇒ If the Trial Balance agrees, it is an indication that the accounts are correctly written up

Transactions include sales, purchases, receipts, and payments made by an individual or organization

- ⇒ Sales - A sale is a transfer of property for money or credit. Revenue is earned when goods are delivered or services are rendered. In double-entry bookkeeping, a sale of merchandise is recorded in the general journal as a debit to cash or accounts receivable and a credit to the sales account.
- ⇒ Purchase transactions results in a decrease in the finances of the purchaser and an increase in the benefits of the sellers. Purchases can be made by cash or credit. As credit purchases are made, accounts payable will increase.
- ⇒ Receipts refer to a business getting paid by another business for delivering goods or services. This transaction results in a decrease in receivable and an increase in cash/ cash or equivalentents.

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⇒ Payments refer to a business paying to another business for receiving goods or services. This transaction results in a decrease in accounts payable and decrease in cash/ cash or equivalents.

Format:Journal				page No.		
S.No.	Name of Account	Ref.No.	Debit Balance		Credit Balance	
			Br.	Cts.	Br.	Cts.

The total amount of debit balances should be equal to the total amount of credit balances. This method is uniformly followed by all.

▪ **Debtor**

A person or organization which purchases goods or services on credit; money is owed to another business which may refer to debtors as Accounts Receivable. When a trader sells on credit basis, The Buyer’s Account in the Ledger is debited. For each buyer, there is one Ledger a/c. Some of the buyer accounts may be automatically balanced. But it is quite natural that many of these Customer’s Accounts have a debit balances. When we bring these balances to the Trial Balance, if we are going to write all individual names of customers, then the Trial balance will be too lengthy. Therefore, first a list of Debtors with their individual debit balances are prepared and totaled. Instead of writing the individual names of Debtors, the total is written under the heading “Sundry Debtors” which appears in the Trial Balance.

1.2: Undertaking All work

Understanding Debits and Credits for financial recording purpose

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In a simpler way it can be explained as when an amount is entered on the left side of an account, it is a debit and the account is said to be debited. When an account is entered on the right side, it is a credit, and the account is said to be credited. Here are basic debit & credit rule: -

Assets & Expenses

Dr	Cr
(Increases)	(Decreases)

Liabilities, Capital and Income

Dr	Cr
(Decreases)	(Increases)

An account has a debit balance when the sum of its debits exceeds the sum of its credits: it has a credit balance when the sum of the credits is the greater. In double entry accounting, which is in almost universal use, there are equal debit and credit entries for every transaction. Where only two accounts are affected, the debit and credit amounts are equal. If more than two accounts are affected, the total of the debit entries must equal the total of the credit entries.

Debits and Credits

Double-entry bookkeeping is governed by the accounting equation. If revenue equals expenses, the following basic equation must be true:

Assets = liabilities + equity

At any point in time, revenue may not equal expenses. If so the equation can be further expanded, so that the (extended) equation becomes:

Assets = liabilities + equity + (revenue – expenses)

Examples of debits and credits

Purchase of a Computer

- **Debit** Computer account (Fixed asset account) is increased
- **Credit** Creditors account (Liability account) is increased

Paying supplier for the Computer

- ⇒ **Debit** Creditors account (Liability account) is reduced.
- ⇒ **Credit** Bank account (Asset account) is reduced.

Creditor

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A person or organization owed money for the provision of goods or services on credit. Creditor's owed money is also known as Accounts Payable.

Credit note

An Adjustment note which can be redeemed or goods to the stated value

There are a number of parties from whom the Trader buys goods on credit basis. For each one of them, an Account is opened in the Ledger. As in the case of Debtors, and the financial information must be recorded in to Journal and separately posted to ledgers on the transaction date.

- A List of Creditors with the balances due to them is prepared
- In the Trial Balance, instead of writing the individual names of Creditors, the total of the balances of the creditors is written under heading Creditors
- If the Trial Balance agrees, it is an indication that the accounts are correctly written up. The approval of the equality of Debit and Credit Balance in the Journal, the preparation of Trial Balance is needed.

Name of the business

Trial Balance

Date of the trial balance prepared

NO.	Account Title	Post.Ref.	Debit	Credit

The total amount of Debit balances should be equal to the total amount of Credit balances. This method is uniformly followed by all.

Debtor

A person or organization which purchases goods or services on credit; money is owed to another business which may refer to debtors as Accounts Receivable.

When a trader sells on credit basis, The Buyer's Account in the Ledger is debited. For each buyer, there is one Ledger a/c. Some of the buyer accounts may be automatically balanced. But it is quite natural that many of these Customer's Accounts have a debit balances.



When we bring these balances to the Trial Balance, if we are going to write all individual names of customers, then the Trial balance will be too lengthy. Therefore, first a list of Debtors with their individual debit balances are prepared and totaled. Instead of writing the individual names of Debtors, the total is written under the heading “Sundry Debtors” which appears in the Trial Balance.

Self-Check -1	Written Test
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OPERATION SHEET 1: Identifying, checking and recording Information from Documents

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

Next page

Part I: Answer the following questions:

1. Demonstrate the correct equation formula of asset

2: _____ refer to a business getting paid by another business for delivering goods or Services. This transaction results in a decrease in receivable and an increase in cash/ cash or equivalents.

3. Describe the different between credit and debit (2 point)

4: list the main information's contains or include in one cheque (3 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

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Score = _____
Rating: _____

Name: _____

Date: _____

Short Answer Questions

1: Assets = liabilities + equity

2: Receipts

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3: In a simpler way it can be explained as when an amount is entered on the left side of an account, it is a debit and the account is said to be debited. When an account is entered on the right side, it is a credit, and the account is said to be credited. Here are basic debit & credit rule: -

4:

- Names of the applicant person
- Addresses of the applicant person
- amounts of money/figure
- the application dates
- account numbers/card numbers/cheque numbers

1.2.1. Receipt is a Financial Information Documents

A **receipt** (also known as a **packing list, packing slip, packaging slip, (delivery) docket, shipping list, delivery list, bill of parcel, manifest or customer receipt**) is a document acknowledging that a person has received money or property in payment following a sale or other transfer of goods or provision of a service. All receipts must have the date of purchase on them. If the recipient of the payment is legally required to collect sales tax or VAT from the customer, the amount would be added to the receipt and the collection would be deemed to have been on behalf of the relevant tax authority. In many countries, a retailer is required to include the sales tax or VAT in the displayed price of goods sold, from which the tax amount would be calculated at point of sale and remitted to the tax authorities in due course. Similarly, amounts may be deducted from amounts payable, as in the case of wage withholding taxes. On the other hand, tips or other gratuities given by a customer, for example in a restaurant, would not form part of the payment amount or appear on the receipt.

In some countries, it is obligatory for a business to provide a receipt to a customer confirming the details of a transaction. In most cases, the recipient of money provides the receipt, but in some cases the receipt is generated by the payer, as in the case of goods being returned for a refund. A receipt is not the same as an invoice. There is usually no set form for a receipt, such as a requirement that it be machine generated. Many point-of-sale terminals or cash registers can automatically produce receipts. Receipts may also be generated by accounting systems, be manually produced or generated electronically, for example if there is not a face-to-face transaction. To reduce the cost of postage and processing, many businesses do not mail receipts to customers, unless specifically requested or required by law, with some transmitting them electronically. Others, to reduce time and paper, may endorse an invoice, account or statement as "paid".

1.2.2. Invoice

Invoice is a commercial document that itemizes a transaction between a buyer and a seller. An invoice will usually include the quantity of purchase, price of goods and/or services, date, parties involved, unique invoice number, and tax information. If goods or services were purchased on credit, the invoice will usually specify the terms of the deal, and provide information on the available methods of payment. The term invoice may also be known as a "bill" or "sales invoice". Source of the above definition:

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When preparing an invoice for payment, see if the invoice has valid signature and get information about the name & address of the creditor, the amount of money, dates of payment, the creditor's account number/card number. Accessing this information makes the process of payment easier and faster. This important information may be obtained from the purchase order.

Fig.01 Invoice

Wicked Solutions London E1 3FR Tel: 0208 555 555 Company #:112334 VAT: 66-777-888 INVOICE	
Invoice No:	ABC001
Date:	20 December 2013
Due Date:	20 January 2014
To:	ABC Ltd
Fees:	
Sale of software	\$ 10000
VAT @ 15%	\$1500
Total	\$11500
Payment terms: Payment within 30 days	
Money transfer to the account bellow Wicked Solution Ltd Sort code: 20-21-22 Account No: 12345678	

Manual receipt

Smith & Brown Incorporated	Receipt No 56987
<p>Received from <u> M Student </u> Date: <u> 2/2/XX </u></p> <p>For <u> 10 X blue biros & 2 X red biros </u></p> <p>The sum of <u> Thirteen dollars and 22 cents </u></p> <p>_____</p> <p>Signed <u> Ben Brown </u> Cash/Cheques \$ <u> 13.20 </u></p>	



GST inclusive

Fig.02 Invoice

1.2.3. Verifying Invoice Information:

Before paying the invoice, see if the invoice matches with the purchase order following these verification Questions:

- ✓ Have items or services ordered been invoiced?
- ✓ Do the quantities ordered match those invoiced?
- ✓ Are the prices consistent with the Purchase Order?
- ✓ Are the calculations and totals on the invoice correct?
- ✓ Is the invoice date valid?

Note: Departmental approval of invoices that normally require receipt acknowledgement is sufficient for A/P to release payment. Such an approval is expected to signify that receipt of goods has been verified. In complex invoices both the trade and the accounting information continue to accumulate as the invoice passes through its various stages. The computer invoice system must process both trade and accounting information. Each is subject to different rules, each may be handled at a different time, and each needs to be presented to the user through a flexible and ‘friendly’ interface.

Checking the Invoice

Checking by the seller

In the last chapter it was seen as being very important to check for accuracy the main sales documents issued – the invoice and credit note. For example, checking:

- ✓ that the product codes of the goods invoiced are correct
- ✓ that the price charged is correct
- ✓ the calculations on the invoice , including the Value Added Tax, are all correct

If you make a mistake it could prove costly. Your level of customer service would look rather poor and payment could be delayed.

Checking by the buyer

In this chapter we describe what checking has to be done by the buyer. If you are the buyer, you will need to check the purchase documents, and for very specific reasons: you will want to make sure that:

- The goods provided are the goods you have ordered in the first place – you can tell this from the product codes used

- The correct unit price has been charged
- Any discounts you are entitled to have been correctly calculated and deducted
- Any VAT charged has been correctly calculated
- The calculations on the supplier invoice or supplier credit note are all accurate

What needs to be checked?

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There are three documents involved in the checking process:

4. **Purchase order**:- this is the first document to be issued. It is drawn up by the buyer to order the goods and will set out all the details of the purchase:
 - ✓ quantity
 - ✓ product code
 - ✓ description
 - ✓ unit price
 - ✓ date
 - ✓
5. **Delivery note**: this document is normally sent with the goods and is likely to be the first document relating to the transaction received by the buyer from the seller. The details on this document should be checked with the purchase order. The main question the buyer is asking here is “Has the supplier sent what we ordered?”
6. **Supplier (purchase) invoice**: this sets out what is owed by the buyer and when it has to be paid. This should be checked against the purchase order and delivery note. The questions the buyer is asking here are: “Are we being charged for what we ordered?” and “Are we being charged the right amount?”

SUPPLIER INVOICE

This is the amount charged –is it correct?

- ✓ What is the amount owed?
- ✓ When does it have to be paid?
- ✓ Are discounts and VAT included?
- ✓ Are the calculations correct?
- ✓ Are the quantity, product code, description and unit price correct?
- ✓ is the purchase order number correct

PURCHASE ORDER

Does the invoice relate to what we ordered?

- check the details

DELIVERY NOTE

Has the supplier sent what we ordered ?

- check the details

Checking the calculations on the invoice

All the calculations on the invoice should be checked; they are shown on the following ways. If any of these calculations is incorrect, the final total will be wrong, and the invoice will have to be queried with the supplier. The checks to be made are:

- Quantity x unit price

The quantity of the items multiplied by the unit price must be correct. The result is used for the calculation of any discounts applicable.

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• Trade Discount

Trade discount is a percentage deduction from the normal list price; it is normally given to approve 'trade' customers. This discount is deducted from the total price. In the case of the invoice shown below, the total price worked out is Br. 390. The 25% trade discount is shown and deducted on the line below the Br. 390. The calculation is:

$$\text{Br. } 390 \times \frac{25}{100} = \text{Br. } 97.50$$

The price charged (on which VAT will be charged) is therefore:

$$\text{Br. } 390.00 - \text{Br. } 97.50 = \text{Br. } 292.50$$

Bulk discount:- is given for bulk purchases – i.e. large quantity purchases.

If, for example, Azale was to order 500 8GB memory sticks rather than just 10 it may be able to negotiate a further bulk discount. Bulk discount is calculated on the invoice in the same way as trade discount, i.e. it is deducted from the total price before the VAT is calculated and added on. Processing supplier invoices and credit notes.

Value Added Tax :- is a tax on sales. In this book VAT is calculated at 15%. On an invoice VAT is added to the total after the deduction of discount.

The calculation on the invoice below is:

$$\text{Br. } 292.50 \times \frac{10}{100} = \text{Br. } 58.50 = \text{VAT amount}$$

Key Terms

Supplier invoice an invoice issued to the buyer by the supplier, setting out what is owed by the buyer and when it has to be paid supplier credit note a credit note issued to the buyer by the supplier, setting out reduction in the amount owed to the supplier

Purchase order a document completed by the buyer of goods or services and sent to the seller, setting out details of what is required

delivery note a document which goes with the goods from the seller to the buyer

goods returned note a document which goes with goods returned by the the buyer to the seller

trade discount a percentage reduction in the selling price of goods or services, normally given to trade customers who buy regularly

Bulk discount a percentage reduction in the selling price of goods or services, given for large quantity ('bulk') purchases

The Issuance of Invoice

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You should use sequentially numbered invoices for goods or services you supply to your customers. There are many styles of invoices available commercially but regardless of their design, the minimum information they contain should include:

- ✓ Invoice Number
- ✓ Date Of Issue
- ✓ Customer's Name And Address
- ✓ Your Business's Name And Address
- ✓ Date Of Transaction
- ✓ Description Of Goods Or Services, Including Quantities And Prices
- ✓ Total Price.

Example 1:

Five Stars Computer Company sells 1000 pieces of mouse pad to ABC Trading Company at \$2.00 per piece. Due to a bulk purchase, Five Stars Computer Co. has decided to give a 10% trade discount. After preparing the Sales Invoice; the accountant of Five Stars Computer Company will record the business transaction in the Sales Journal. (Use the Sales Invoice for reference).

SALES INVOICE
Five Stars Computer Company
123 Genting Lan
Tel: 554-1234 7Fax: 554-123

Customer Name Kassa Gemechu

invoice number-----

Date-----

No.	Description	Quantity	Unit Price	Total
01	Mouse Pad	1000.00	\$2.00	\$2,000.00
SUBTOTAL:				\$2,000.00
LESS: TRADE DISCOUNT (10%)				<u>\$200.00</u>
Net				<u>\$1,800.00</u>
REMARKS: For Five Stars Computer Company ALAN GOH Authorized Signature----- Finance Department				

Sales Returns Journal (Returns Inwards Journal)

This journal records goods returned by the customer, & any allowances or reductions due to overcharging in the previous invoices.

Example 2: Upon receiving the goods, ABC Trading Company realized that 10 pieces of mouse pad are damaged & decided to return them to Five Stars Computer Company.

Imagine you are the accountant of Five Stars Computer Company; you are required to prepare the Credit Note accordingly



Five Stars Computer
123 Genting Lane
Tel: 554-1234 Fax: 554-1233

CREDIT NOTE

Customer Name:
ABC Trading Company
Tatek1 Shopping Centre

Credit Note No.: FS-CR-10001
Date: 15 March 2002

Our Invoice No. -----

Date of Invoice:-----

No.	Description	Quantity	Unit Price	Total
01	Mouse Pad	10.00	S\$2.00	\$20.00
SUBTOTAL:				\$20.00
LESS: TRADE DISCOUNT (10%)				<u>-S\$2.00</u>
NET				S\$18.00
For Five Stars Computer Company ALAN GOH Authorized Signature Finance Department				

After preparing the Credit Note, the accountant of Five Stars Computer Company will record the transaction in the Sales Returns Journal (or Returns Inwards Journal).

(Use the Credit Note for reference)

Correcting Invoice Errors and Discrepancies:

If a mistake is found, do not change the invoice in any manner. (See Exception below *) Depending upon the type of error, contact either the vendor or a Purchasing Department buyer to have the invoice corrected. However, if sales tax was billed inappropriately, cross out the sales tax amount, subtract from the invoice amount, and note the correct net amount on the invoice. Consult the table below for a list of typical errors that can occur in billing, and whom to contact.

Error Type	Contact
<ul style="list-style-type: none"> mathematical error on the invoice short shipment of items unauthorized substitution of goods 	<ul style="list-style-type: none"> vendor
<ul style="list-style-type: none"> the invoice is correct but a mistake was found on the purchase order 	<ul style="list-style-type: none"> the appropriate Purchasing Department buyer

1.2.4. Financial Document

The main sources of financial information for preparing invoice for payment are the invoice itself and the purchase order. A document is a written, drawn, presented, or memorialized representation of

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thought. A document is a form, or written piece that trains a line of thought or as in history, a significant event. The word originates from the Latin documentum, which denotes a "teaching" or "lesson": the verb doceō denotes "to teach". In the past, the word was usually used to denote a written proof useful as evidence of a truth or fact. In the computer age, "document" usually denotes a primarily textual..Documents are sometimes classified as secret, private, or public. They may also be described as drafts or proofs. When a document is copied, the source is denominated the "original".

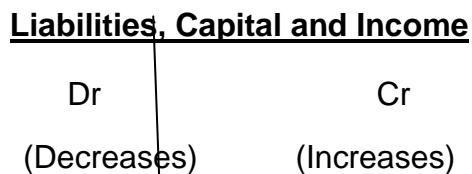
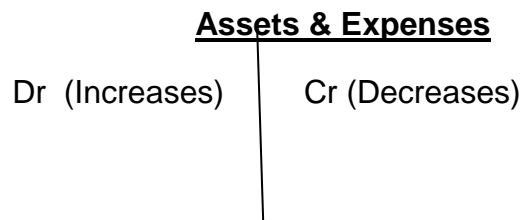
Standards are accepted for specific applications in various fields, e.g.:

- Academia: manuscript, thesis, paper, and journal
- Business: invoice, quote, RFP, proposal, contract, packing slip, manifest, report (detailed and summary), spread sheet, MSDS, waybill, bill of lading (BOL), financial statement, nondisclosure agreement (NDA), mutual nondisclosure agreement (MNDA), and user guide
- Government, law, and politics: application, brief, certificate, commission, constitutional document, form, gazette, identity document, license, manifesto, summons, and white paper
- Media: mock-up and script <https://en.wikipedia.org/wiki/Document>

1.3. Recording Information From Documents

Understanding Debits and Credits

In a simpler way it can be explained as when an amount is entered on the left side of an account, it is a debit and the account is said to be debited. When an account is entered on the right side, it is a credit, and the account is said to be credited. Here are basic debit & credit rule: -



An account has a debit balance when the sum of its debits exceeds the sum of its credits: it has a credit balance when the sum of the credits is the greater. In double entry accounting, which is in almost universal use, there are equal debit and credit entries for every transaction. Where only two

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accounts are affected, the debit and credit amounts are equal. If more than two accounts are affected, the total of the debit entries must equal the total of the credit entries.

Debits and Credits

Double-entry bookkeeping is governed by the accounting equation. If revenue equals expenses, the following basic equation must be true:

$$\underline{\text{Assets = liabilities + equity}}$$

At any point in time, revenue may not equal expenses. If so the equation can be further expanded, so that the (extended) equation becomes:

$$\underline{\text{Assets = liabilities + equity + (revenue - expenses)}}$$

Examples of debits and credits

- Purchase of a Computer
 - ⇒ **Debit** Computer account (Fixed asset account) is increased
 - ⇒ **Credit** Creditors account (Liability account) is increased
- Paying supplier for the Computer
 - ⇒ **Debit** Creditors account (Liability account) is reduced.
 - ⇒ **Credit** Bank account (Asset account) is reduced.

▪ Creditor

A person or organisation owed money for the provision of goods or services on credit. Creditor's owed money is also known as Accounts Payable.

• Credit note

An Adjustment note which can be redeemed or goods to the stated value

There are a number of parties from whom the Trader buys goods on credit basis. For each one of them, an Account is opened in the Ledger. As in the case of Debtors,

- ⇒ A List of Creditors with the balances due to them is prepared
- ⇒ In the Trial Balance, instead of writing the individual names of Creditors, the total of the balances of the creditors is written under heading Creditors
- ⇒ If the Trial Balance agrees, it is an indication that the accounts are correctly written up

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Transactions include sales, purchases, receipts, and payments made by an individual or organization

- ⇒ Sales - A sale is a transfer of property for money or credit. Revenue is earned when goods are delivered or services are rendered. In double-entry bookkeeping, a sale of merchandise is recorded in the general journal as a debit to cash or accounts receivable and a credit to the sales account.
- ⇒ Purchase transactions results in a decrease in the finances of the purchaser and an increase in the benefits of the sellers. Purchases can be made by cash or credit. As credit purchases are made, accounts payable will increase.
- ⇒ Receipts refer to a business getting paid by another business for delivering goods or services. This transaction results in a decrease in receivable and an increase in cash/ cash or equivalents.
- ⇒ Payments refer to a business paying to another business for receiving goods or services. This transaction results in a decrease in accounts payable and decrease in cash/ cash or equivalents.

Format:/Journal

page No.

S.No.	Name of Account	Ref.No.	Debit Balance		Credit Balance	
			Br.	Cts.	Br.	Cts.

The total amount of debit balances should be equal to the total amount of credit balances. This method is uniformly followed by all.

▪ **Debtor**

A person or organization which purchases goods or services on credit; money is owed to another business which may refer to debtors as Accounts Receivable. When a trader sells on credit basis, The Buyer’s Account in the Ledger is debited. For each buyer, there is one Ledger a/c. Some of the buyer accounts may be automatically balanced. But it is quite natural that many of these Customer’s Accounts have a debit balances. When we bring these balances to the Trial Balance, if we are going to write all individual names of customers, then the Trial balance will be too lengthy. Therefore, first a



list of Debtors with their individual debit balances are prepared and totaled. Instead of writing the individual names of Debtors, the total is written under the heading “Sundry Debtors” which appears in the Trial Balance.

1.3. Processing and recording or transmitting documents

Describes the functions involved in preparing and processing routine financial documents preparing journal entries; posting journals to ledgers; preparing, banking and reconciling financial receipts; and extracting a trial balance and short-term reports.

The main processes that require documenting are:

- Sales
- Purchasing
- Recording daily transactions
- Banking
- Accounting.

In every organization, there are a number of different documents and forms used daily. Depending on your role, you need to process these documents and forms according to workplace procedures. Each form contains information relevant to its purpose. For a form to be useful, it must contain accurate and complete information. Your part in this process is to develop skills so you can:

- Record and read information effectively for a wide variety of forms
- Check that the information is correct
- Transfer information to computer systems or other documents according to organizational procedures, government legislation and industry regulations.

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Self-Check -1

Written Test

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

1. List the details that an invoice should include.
2. List the 3 types of errors on the invoice to contact with the vendor (seller).
3. List the two other names for invoice.
4. Explain what mean by debtors and creditors
5. Tell the difference between debit and credit
6. What are the three documents involved in the checking process?
Demonstrate each of them.

7. Give your explanation on document

Answer Sheet

1.

- ✓ Invoice Number
- ✓ Date Of Issue
- ✓ Customer’s Name And Address
- ✓ Your Business’s Name And Address
- ✓ Date Of Transaction
- ✓ Description Of Goods Or Services, Including Quantities And Prices
- ✓ Total Price.

2.

- that the product codes of the goods invoiced are correct
- that the price charged is correct
- the calculations on the invoice , including the Value Added Tax, are all correct

3.

- Bill
- Receipt/Commercial Document

4.

- ✓ Debtor:- a person, country, or organization that owes money.
"generally, debtors must negotiate with each creditor separately.
- ✓ Creditor:- a person or company to whom money is owing.
"he sold his Ferraris to pay off his creditors"

5.

> An account has a debit balance when the sum of its debits exceeds the sum of its credits,

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> it has a credit balance when the sum of the credits is the greater

🕒 **Account Balance**

6. **A. Purchase order**:- this is the first document to be issued. It is drawn up by the buyer to order the goods and will set out all the details of the purchase:

- ✓ quantity
- ✓ product code
- ✓ description
- ✓ unit price
- ✓ date
- ✓

B. Delivery note: this document is normally sent with the goods and is likely to be the first document relating to the transaction received by the buyer from the seller.

The details on this document should be checked with the purchase order. The main question the buyer is asking here is “Has the supplier sent what we ordered?”

C. Supplier (purchase) invoice: this sets out what is owed by the buyer and when it has to be paid. This should be checked against the purchase order and delivery note. The questions the buyer is asking here are: “Are we being charged for what we ordered?” and “Are we being charged the right amount?”

7. A **document** is a written, drawn, presented, or memorialized representation of thought. A document is a form, or written piece that trains a line of thought or as in history, a significant event.

Note: Satisfactory rating - 3 points

Unsatisfactory - below 3 points

Name: _____

Date: _____

Score = _____
Rating: _____

Short Answer Questions

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Information Sheet-2	CONTENT-2:- Undertaking All Work Accordance With Organizational Procedures, Legislation And Regulations (3hrs)
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2. 1. Procedures, Legislation and Regulation

Organizational policies, procedures and regulations

Internal procedures and policies exist in every workplace and provide guidelines about how you should do your work and how you should work with others. It is your right and responsibility to be aware of the organizational procedures, legislation and regulations that govern your workplace. It is important when you commence working in an organization or a department that you are aware of the policies and guidelines. This will enable you to perform your role and undertake your responsibilities correctly. A **regulation** refers to a specific requirement that can take on various forms, such as industry specific **regulation** or **regulations** that are much broader in scope. ... **Legislation** is a directive proposed by a **legislative** body while a **regulation** is a specific requirement within **legislation**.

Ref.
<https://www.google.com/search?q=legislation+and+regulation+definition&og=Legislation+and+Regulation&aqs=chrome.2.69i57j0l5.15660j0j4&sourceid=chrome&ie=UTF-8>

2.1.1. What are policies and procedures?

www.businessdictionary.com/definition/policies-and-procedures.html

Policies and procedures: A set of policies are **principles, rules, and guidelines** formulated or adopted by an organization to reach its long-term goals and typically published in a booklet or other form that is widely accessible. Policies and procedures are designed to influence and determine all major decisions and actions, and all activities.. A policy is a course of action or guidelines to be followed whereas a procedure is the ‘nitty gritty’ of the policy, outlining what has to be done to implement the policy. For example, a staff recruitment policy could involve the following procedures:

1. All vacant paid positions will be advertised in local and state-wide papers.
2. The advertisements will have details of duties, salary range, closing date and contact details.
3. All interested people will be mailed job descriptions and information about the organization..

2.1.2. Following Policies and Procedures and Why It's Important

Following policies and procedures is good for employees and your organization as a whole. ... **Organizational** leadership must regularly review and revise policies and procedures, take new regulations, standards, technology, and structural changes into account. ...
<https://www.powerdms.com/blog/following-policies-and-procedures-why-its-important>

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Most community service organizations will have in place policies and procedures that govern and regulate privacy and confidentiality of client information. This concept not only applies to what you can disclose about your clients or your organizations outside of work, but also what can be shared in network meetings. What information can be shared with other organizations, who shares it and how this information is given out should be clearly defined in any effective, professional service. It is often incorporated into a worker’s duty statement or job description. All organizations should have written policy and procedures, and staff training in the following areas:

- a confidentiality policy
- a clearly defined process for identifying and regularly updating a Community Resource Index so that all workers are aware of what other services are available to refer to (the index contains basis contact details and information about what each service provides)
- processes for networking with other agencies, including attending relevant interagency (meetings of local service providers)
- guidelines for case conferencing (this will be discussed in more detail a bit later)
- referral protocols, including how referrals should be made, the kind of information that can be shared with other services and any ongoing roles and responsibilities of each service with regard to the client
- A policy for how long client information is kept after clients are no longer involved with the service. For example, different government departments produce documents that outline legal requirements for their staff in relation to storing and maintaining information.

Legislation Vs Regulation

- Legislation is a directive placed by a government or governing body on either an industry, a section of community or placed on people of a country which must be complied with in order to remain within the legal boundaries of that particular country, community or industry. In industry, legislation acts as an external driver which must be met by all players in order to be compliant. Legislation is passed as laws by a parliament of a country or some other legislative arm of a government. After legislation is passed, there will be regulators, usually government bodies, who will examine the laws passed and work out the details that need to be enforced so that they are followed. For instance a parliament may pass a legislation that enforces a uniform interconnection fee for telecommunication service providers in a country, and then a government department (regulator) of communications will detail the nitty-gritty of the legislation and enforce it. At times before a part of legislation becomes a law, it may be referred to as a bill. Some countries require legislation to be validated by the executive (usually President) before it could be enforced as law. Commonly a member of the governing body or

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legislature will propose legislation or by the executive, which then becomes open for debate by legislators. Amendments are usually made before it is finally passed. Government legislative priorities often determine whether a given bill is proposed and enforced as law.

- A regulation refers to a specific requirement that can take on various forms, such as industry specific regulation or regulations that are much broader in scope. They are basically the way the legislation is enforced by regulators and they support the requirements of the legislation. In industry, they specify the particular formal (legal) requirements that need to be followed by organizations, workers and employers alike so as to create a level playing field within the competitive environment of the organizations as well as within a particular organization. This is so because regulations address product safety, consumer protection and other factors in public interest. The thing with regulations is that they could either be internally or externally developed so as a means of compliance, they may be developed through technical specifications or may be through some standards in the private sector.

Note:- You should follow the occupational health and safety procedures. You have to apply the procedures you learned under the competency OHS practices. For example for clerk worker it is important to sit comfortably and make free of disturbing noises. Too much noise can create lack of concentration and committing errors. Any time you have to work to protect, eliminate and minimize hazards, risks and emergencies in your work place. You the responsibility (duty) to:

- ⇒ Cooperate with OHS representatives
- ⇒ Report any hazards to your supervisor
- ⇒ Report any job-related injury or illness to your supervisor or health and safety representative
- ⇒ Understand and exercise your rights under OHS

During the preparation of invoice for payment, follow organizational procedures, legislations and regulations.

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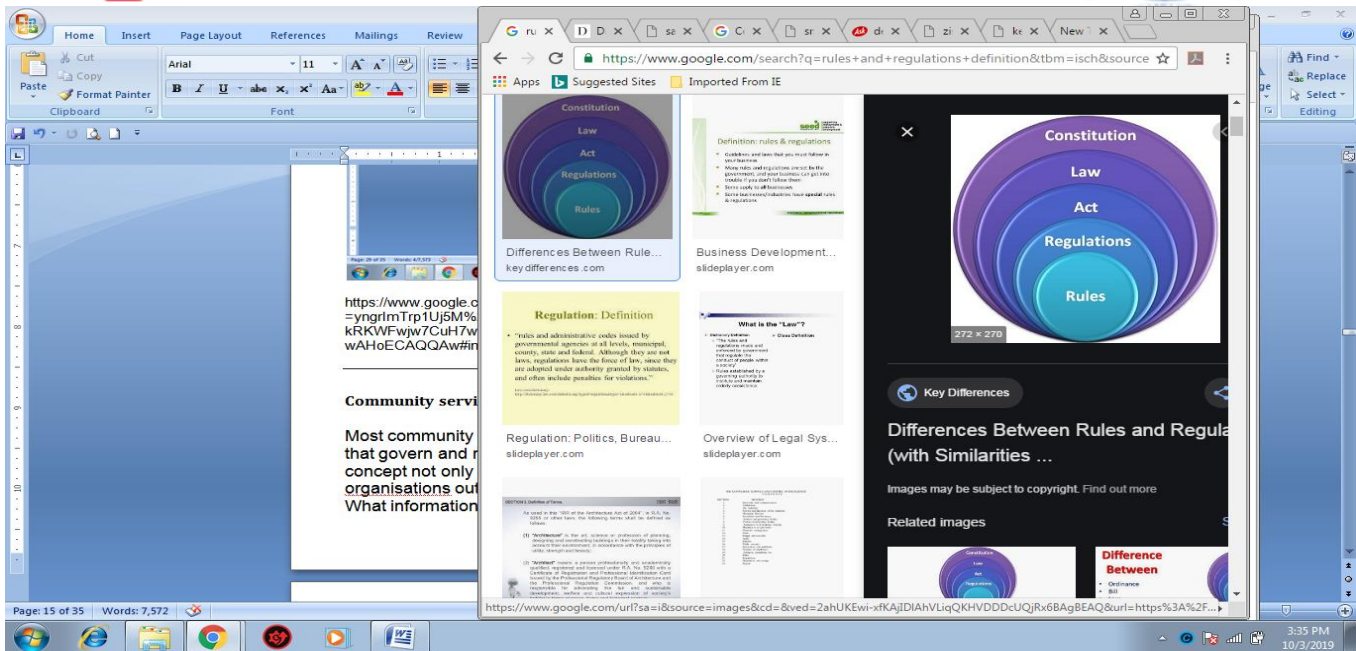


Figure 2. The incorporation of rules, regulations, act, law and constitution.

Summary:-

1. Legislation is a directive proposed by a legislative body while a regulation is a specific requirement within legislation.
2. Legislation is broader and more general while regulation is specific and details how legislation is enforced.
3. Legislation may be proposed by a head of state while regulations are simply enforcements by regulators and head of state doesn't interfere.
4. Legislation is almost always internally generated within a country's government while regulations may be internally or externally generated, especially pertaining to certain industry.

Organizational guidelines

The agency is responsible for providing policy and procedural guidelines that support the practice of services. Policies and procedures must reflect legislation and ethical standards of the community services sector.

Quality of service delivery is dependent on the responsibility of both the organisation and the worker in following the policies that guide service delivery.

A list of such policy documents are:

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- the policy documents, for example, providing services to cultural and linguistic diverse clients (CALD)
- Job descriptions.

As well, there are legal documents which provide protocols for:

- ethics in practice
- duty of care guidelines which include confidentiality, and equity and access
- child protection policy

All services must comply with the Act in order to receive funding and there must be clear guidelines that organizations must follow such as having complaints procedures, assessing clients' individually and ensuring that clients have an opportunity to make decisions about the service provided to them.

Another example is the *Equal Opportunity Act*, which would influence the development of a policy such as the staff recruitment policy discussed a bit earlier.

In this learning topic we are focusing on the second type of policy (organizational policy) but you still need to understand the impact of broader government policy on the development of organizational policy.

The other primary influences on policy are:

- **Ideology**—the values and beliefs that the organisation holds about the issue). These impacts on what the policy will focus on. For instance, a disability service believes that people with disabilities are in an unequal relationship with some members of the rest of the community who do not treat them as individuals and adults, so they may develop policies around providing people with disabilities with support and information to empower them to become more independent and to live meaningful and fulfilling lives. Ideology is also influenced by community attitudes.
- **Incidents**—sometimes policy is developed to address problems experienced by an organisation, such as an increasing number of incidents where people with disabilities are discriminated against in the workplace.

2.1.3. Policy and procedures manual

What are the areas covered in a policy and procedure manual? This can vary depending on the nature of the organisation, but may include:

- personnel practices (staff recruitment, training, holiday leave arrangements, promotions, performance appraisals, supervision)
- complaints and disputes procedures
- case management procedures (how the agency determines eligibility for the service, assesses client need and individual goal setting to address needs identified)
- occupational health and safety procedures
- conflict resolution processes
- communication
- delegations (who can make decisions about what, eg approval process for spending money)

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- notification of child abuse procedures
- critical incidents procedures
- confidentiality
- referral
- duty of care
- Coordination/networking with external agencies.



Forms are also a part of the policy and procedures manual

Example policy and procedures manual

The written documents can vary dramatically depending on the:

- nature of the service
- skills and abilities of workers
- resources available for policy development
- Resources provided by government funding bodies to assist with the policy development process.

Working within organizational policy and procedures is not as simple as reading policy and procedure manuals. Policy is not just the written word. A critical aspect of policy is the way in which it is interpreted by various people and the way it is implemented ('the way things are done around here'). For example, the organization may have a written policy that staff meetings occur every second Wednesday. However what you notice is that all staff members go to the staff room and an informal catch-up about recent events and team tasks occurs over lunch a couple of times a week instead of at a formal meeting. If you were to go out every day for lunch, you would miss this valuable networking time.

To ensure that you are always working within policy and procedures, you need to:

- network closely with colleagues and management
- attend staff and management committee meetings where possible
- informally network with other workers
- read emails and memos

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- Take opportunities to be involved in policy development.

Comparison Chart

BASIS FOR COMPARISON	RULES	REGULATIONS
Meaning	The rules are the set of instruction which tells us the way things are to be done.	Regulations are the rules which are authorized by the legislation.
Nature	Flexible	Rigid
Made as per	Conditions and Circumstances	Act
Set By	Individual and Organization	Government

Why this policy is important?

The more transparent the process from the start, the more likely a service will attract appropriate referrals, prospective clients will be treated equally, and clients will have realistic expectations and be empowered to seek the support they need. Remember, first impressions are always important! The more organized, systematic and thorough you are in the initial entry and assessment process, the less capacity for misunderstandings later on.

2.1.4. Organizational policies and procedures relating to organizational goal and objectives

There will be times (hopefully not often) when you are unsure about what is expected of you in the workplace. Sometimes, organizations are not well resourced in terms of staff and basic orientation for new workers is hurried and incomplete (called ‘being thrown in at the deep end’). You may have been given unclear instructions for a task from your supervisor, and you’re not sure how to go about it or whether it is your responsibility anyway. Sometimes colleagues might also ask you to do something that may not be your responsibility or tasks.

What to do?

This kind of confusion leads to conflict if it is not resolved. It’s important that you seek clarification with your manager or supervisor, to clearly define what is expected of you. Always use your job or position description as a point of reference. By clarifying confusion promptly, you may gain a better understanding of what your responsibilities are and how they relate to your colleagues’ responsibilities. We feel much more comfortable in the workplace when we know what is expected of us!

Definition of Rules

The rules are the standard set of instructions made for people, which explains that how things are to be done. The rules should be followed by the public as they are made for the welfare of them. Under

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the Constitution of India, there exists Law, which includes many Acts, after that comes regulations and finally rules. Non-compliance of any rule can cause a little effect. Rules tell us what to do and what not to do. It can be set up for home, hospital, institution, college, office, school, etc.

Definition of Regulations

Regulations can be defined as the rules which are authorized by the Government and approved by the public. They are made after taking into consideration the whole public at large, and so they must be followed by them. Violation of any regulation may cause severe penalty or punishment or both. In the parliament, when both the houses pass a bill it becomes an Act, and on the basis of the Act, regulations come into force.

Key Differences between Rules and Regulations

The points, given below explain the difference between rules and regulations in a detailed way:

1. In general, the rules are the set of instructions issued for the public are known as rules. The rules which are legally accepted by the governing authority, are considered as regulations.
2. Rules are not very strict in nature, but regulations are very strict in nature.
3. Rules are a part of regulation, but regulations are a part of act i.e. some regulations can come under an act.
4. Individuals and organization can set rules, but the government sets regulations.

Similarities

- Part of the constitution.
- They are to be followed by people.
- The violation can cause punishment or penalty.
- Made for the good of the people.

Conclusion

In short, both are rules and regulations are like siblings in which one is elder, and the other is younger. Rules are mainly used to restrict any individual from doing anything while the regulations are used to control people from doing anything not permissible by law. People can set rules in general as per their need while the regulations can be set only by the government. The major difference in them is that regulations have a wider scope than rules, and that is why the consequence of breaking any regulation is much severe as compared to the breaking of rules. See

Contribute to the review and development of policies and protocols as appropriate

Policies and procedures should be regularly reviewed in order to ensure they reflect current good practice and legal requirements. Policies should be reviewed:

- when there is a change within the legal requirements, eg new Act of Parliament (legislation) or regulations
- regularly as part of your service's annual review and planning time
- for accreditation purposes

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- as new information on good practice emerges
- when you notice that a policy or procedure contradicts a legal or ethical direction. For example, staff is increasingly working alone in a domestic violence service, despite occupational health and safety legislation contradicting this practice.
- when incidents are occurring that indicate the policy is not working eg an increasing number of stress related leave applications being placed by staff despite a stress reduction policy.

Your contribution

As previously stated, you are required to be familiar with the policies and procedures of your employer organization and to act in accordance with these. Most workplaces have committees made up of management representatives and workers to regularly review the policies and procedures of the service.

By being aware of your own professional code of ethics, your job description and your workplace requirements, you are in a good position to be aware of any policies or procedures that could be improved or need replacing. You may be able to be a part of a committee itself or you may ask to contribute to such development within your workplace. There may also be legislative requirements for you and other workers to acquire knowledge about. As you update and improve your expertise you are gaining new knowledge and skills on good practice based on current service methods. This may lead you to make suggestions to your team or the person in charge, about new or modified policies so that the service is up to date with current issues.

For example, you may learn from reading that there is a better way to provide some aspect of service than your service is presently offering. You may want to bring this (or some other matter) to the attention of the other staff or even the person in charge. You may make a suggestion which is accepted and this could lead to a change of policy in this matter. This could result possibly in a change for the better for the clients.

How to contribute

How you contribute is very important. No service wants to hear something that is presented as a criticism.

If you have a suggestion about a changed or new policy idea, you should:

- Discuss it first with your trainer.
- Ask if it could be discussed at a team meeting to see if others hold similar views or have further knowledge on the topic.

A set of policies are principles, rules, and guidelines formulated or adopted by an organization to reach its long-term goals and typically published in a booklet or other form that is widely accessible.

Policies and procedures are designed to influence and determine all major decisions and actions, and all activities take place within the boundaries set by them. Procedures are the specific methods employed to express policies in action in day-to-day operations of the organization. Together, policies

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and procedures ensure that a point of view held by the governing body of an organization is translated into steps that result in an outcome compatible with that view.

1. **Bank regulation - Wikipedia**

Ref. https://en.wikipedia.org/wiki/Bank_regulation

- Bank regulation is a form of government regulation which subjects banks to certain requirements, restrictions and guidelines, designed to create market transparency between banking institutions and the individuals and corporations with whom they conduct business, among other things. As regulation focusing on key actors in the financial markets, it forms one of the three components of financial law, the other two being case law and self-regulating market practices.

See more on en.wikipedia.org · Text under CC-BY-SA license A bank is a financial institution that accepts deposits from the public and creates credit.^[1] Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial stability of a country, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

Banking in its modern sense evolved in the 14th century in the prosperous cities of Renaissance Italy but in many ways was a continuation of ideas and concepts of credit and lending that had their roots in the ancient world. In the history of banking, a number of banking dynasties – notably, the Medicis, the Fuggers, the Welsers, the Berenbergs, and the Rothschilds – have played a central role over many centuries. The oldest existing retail bank is Banca Monte dei Paschi di Siena, while the oldest existing merchant bank is Berenberg Bank

Self-Check -2	Written Test
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Directions: Answer all the questions listed below. Use the Answer sheet provided in the next page:

1. What is legislation and regulation?
2. What is the difference between legislation acts and regulations?
3. What is legislation and regulatory requirements?
4. What is a legislation policy?



Given:- Policies If the new information is seen as important to act on, make sure there is a 'who' and a 'when' next to it. That means someone is responsible for following it through and developing the policy or protocol, and that there is some time when they need to report back on it.

What could you do to determine what action to take? How could the organization's policies and procedures assist you to decide what to do?

Activity 2

You are working in a drug and alcohol community education service where you have been employed for a few weeks. One of the workers (who has been working in the service for a number of years) asks you to attend an interagency and promote a new education programme coming up. You haven't been involved in developing the programme and have never attended the interagency meetings. You feel anxious and confused about whether this task is your responsibility and how to go about it.

Activity 3

Why you think it is important for organizations in the CSI to have policy and procedures?

Activity 4

How would you act in the following situation?

You have been reading about a recent new theory that affects the service where you work, and you feel that the service's policies should change to reflect the current thinking.

Would you:

Table 1

- (a) start putting posters all over the room
- (b) propose a new policy and immediately start acting on it
- (c) ban all mention of the old practices
- (d) take the information to your supervisor and ask if it could be a focus of discussion at the next staff meeting?

Activity 1: Policy or procedures for monitoring, reviewing and evaluation

Working within agency policies and procedures

The following activity explores the importance of working within organisational policy and procedures.

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Activity 2

Julie is a disability worker in a respite care facility for young people with a disability. She has recently started her job. Julie has been busy since starting the job and hasn't had a chance to learn about the organisation's policy and procedures. One day, she is the only staff member on duty at the house when there is a very unpleasant altercation between two of the residents. Both of the young people involved have a significant intellectual disability and difficulty in communicating their feelings. Julie makes a mental note to mention it to her supervisor when she is next in. Julie comes in the next day to find that the staff members on the next shift were not aware of the incident and organised for the two clients involved to move into the same room. Apparently one of the clients became very distressed and ran away; leave the night staff very perplexed.

2. 1. Many questions that workers might ask can be answered by organizational documentation. However, there will always be situations that arise where there is no clear documentation to guide actions.

2.2. In which case, consultation is essential with your team leader, agency manager, service director or clinical supervisor, where applicable?

Note: Satisfactory rating - 3 points

Unsatisfactory - below 3 points

Answer Sheet

Score = _____

Rating: _____

Name: _____

Date: _____

Short Answer Questions

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Information Sheet-3	CONTENT-3:- Processing and recording Documents to <i>appropriate personnel (3hrs)</i>
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1.3: Processing and recording documents

Describes the functions involved in preparing and processing routine financial documents preparing journal entries; posting journals to ledgers; preparing, banking and reconciling financial receipts; and extracting a trial balance and short-term reports.

The main processes that require documenting are:

- Sales
- Purchasing
- Recording daily transactions
- Banking
- Accounting.

Sales - A sale is a transfer of property for money or credit. Revenue is earned when goods are delivered or services are rendered. In double-entry bookkeeping, a sale of merchandise is recorded in the general journal as a debit to cash or accounts receivable and a credit to the sales account.

Purchase transactions results in a decrease in the finances of the purchaser and an increase in the benefits of the sellers. Purchases can be made by cash or credit. As credit purchases are made, accounts payable will increase.

Receipts refer to a business getting paid by another business for delivering goods or services. This transaction results in a decrease in receivable and an increase in cash/ cash or equivalents.

Payments refer to a business paying to another business for receiving goods or services. This transaction results in a decrease in accounts payable and decrease in cash/ cash or equivalents.

In every organization, there are a number of different documents and forms used daily. Depending on your role, you need to process these documents and forms according to workplace procedures.

Each form contains information relevant to its purpose. For a form to be useful, it must contain accurate and complete information. Your part in this process is to develop skills so you can:

- Record and read information effectively for a wide variety of forms
- Check that the information is correct
- Transfer information to computer systems or other documents according to organizational procedures, government legislation and industry regulations.

Definition of Cash Memo

Cash Memo is also a non-negotiable commercial instrument indicating, the cash has been received from the purchaser for the goods sold to him. It works as a proof of cash payment made. When the cash is received for the sold goods, no debit is raised against it. The cash memo contains the following description:

- Date

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- Serial Number
- Name and address of supplier
- Name and address of buyer
- Unit price of goods
- Quantity
- Discount (if any, both for trade and cash discount)
- Tax (VAT or Service tax as the case may be)
- Total Amount Received
- Signature of the cashier.

Key Differences between Invoice and Cash Memo

The difference between invoice and cash memo can be drawn clearly on the following grounds:

1. An instrument indicating the payment due against any goods sold or services rendered is invoice. Conversely, an instrument indicating cash payment made for the merchandise is known as a cash memo.
2. An Invoice is raised before the payment while cash memo is raised when the payment is made.
3. An Invoice is issued for the credit transaction as a proof of amount due, whereas cash memo is issued for cash transaction as a proof of the amount received.
4. Signature of the seller or his agent is there in the invoice. On the other hand signature of cashier is found in the cash memo

Similarities

- Non-negotiable commercial document.
- Raised by the supplier of goods or services.
- Sent to the purchaser or receiver of goods or services.

Conclusion

Invoice and Cash Memo both are business voucher raised at different events. An Invoice can be sales invoice from seller's perception and purchase invoice from a buyer's perception. With the help of invoice, the seller can quickly locate the payment on which invoices are made and which are still due.

On the other hand, Cash Memo is the proof of the amount paid by the buyer. The seller retains a copy for future reference.

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Documents and Records

It is important to understand the difference between a document and a record.

Documents	Records
<ul style="list-style-type: none"> • <i>Permanent</i> • <i>Describe facility policies and work instructions (Level 1, 2, and 3)</i> • <i>Define systems, processes and procedures</i> 	<ul style="list-style-type: none"> • <i>Filled in as activity occurs (Level 4)</i> • <i>Provide proof that policies were followed or activities performed</i> • <i>Demonstrate processes and procedures are being conducted as required</i>

Document and record all processes and activities. These documents and records should be stored in official files and remain accessible to staff who need them. Base the documents on the prerequisite programs and on the product protection or HACCP plan. If documents are already being kept, review them to make sure they are complete and that they follow the necessary standards. Follow these three general principles to develop records and documents:

1. Keep it short and simple. Use bullet points and flow diagrams instead of long sentences and lengthy paragraphs.
2. Clarity is important. Step-by-step instructions are easily understood.
3. Use a standardized, consistent format. Although different programs may need different documents and records, using a similar approach will help staff learn quickly.

Let staff know that attempts to falsify records are easily detected. Auditors are trained to look for signs of fraud that can include records completed in the same increasingly messy handwriting and using the same pen.

Checking records regularly helps ensure that employees are completing their assigned activities. It helps to make sure that records are being filled out honestly and with all the information needed. Records are an important tool for analyzing and improving food safety. False records will not help improve the system or help you reach your goal of improved food safety! Sample forms of records are included at the end of many chapters in this guidebook. Processors can use them as they are, or change them to meet a facility's specific needs.

At the very least, it is important that records include:

- **Who** is responsible for a specific duty;
- **How** they are to perform the duty;
- **When** they are to perform the duty;
- Spaces for the **date** and **initials** of the person who is responsible for the record(s); and
- Spaces for stating **deviation findings** (unusual situations or results outside of acceptable limits), and the **actions** taken

to that fix that issue.

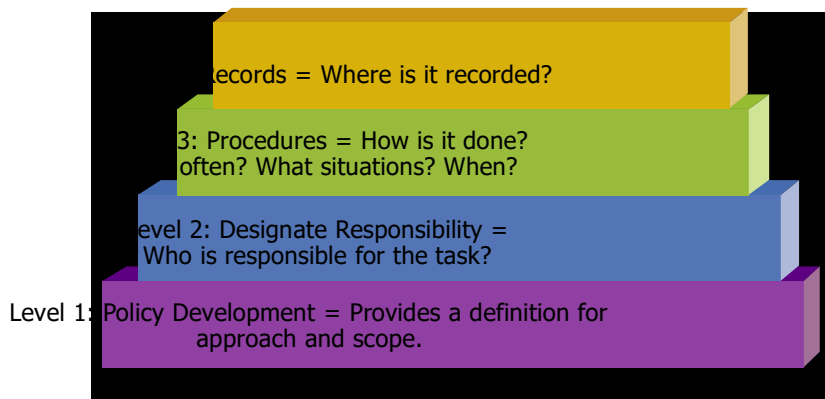
! Good documentation lets employees quickly double check their own work, without

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necessarily having to rely on others. Documentation will:

- Prove that programs are effective and being completed as written;
- Demonstrate due diligence;
- Meet requirements for third party customer assessments/audits;
- Meet regulatory requirements; and
- Establish a paper trail to improve the current food safety program.

A facility may already have programs or activities in place. Processors should document and keep records of these programs. These can be used to prove that safety actions are taking place. To develop a documentation system, it's important to break it into stages or levels. Each level expands to create a complete program and compares to one step in the development process.





Instruction Sheet	LG27: Prepare and process banking documents and petty cash documents
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This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics –

1. Completing Documentation with **banking guidelines**
2. Checking Cheques and card vouchers for **validity**
3. Reconciling **Banking documentation**
4. Entering and balancing Deposits and withdrawals

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 –**

- Complete Documentation with **banking guidelines**
- Check Cheques and card vouchers for **validity**
- Reconcile **Banking documentation**
- Enter and balancing Deposits and withdrawals

Learning Instructions:

8. Read the specific objectives of this Learning Guide.
9. Follow the instructions described in number -- to ---.
10. Read the information written in the “Information Sheets --”. Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
11. Accomplish the “Self-check --” **in page---**.
12. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check --).
13. If you earned a satisfactory evaluation proceed to “Information Sheet --”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #--.
14. Submit your accomplished Self-check--. This will form part of your training portfolio.



2.1. Completing Documentation with banking guidelines

One of the key elements to success in business is to manage the money – both incoming and outgoing. All businesses operate a **business cheque** account and rarely pay for goods or services with cash – the exception is when purchasing low cost items (eg tea and coffee for the staff, courier fees and stationery items) payment for which comes from the **Petty Cash fund**. Larger amounts for payment of trade goods and expenses incurred in the day to day operation of the organisation will be paid with cheques,internet banking,

To describes the documents involved in this checking process; these include:-

The Purchase Order – issued by the buyer ordering goods and services and setting out all the details of the order in the first place

The Delivery Note – issued and sent by the supplier – which sets out the details of the items being supplied

The Supplier (Purchase) Invoice – issued by the supplier, setting out the details of the price charged, discounts given, Value Added Tax, and the total amount due

The Supplier (Purchase) Credit Note – issued by the supplier, normally when goods have been returned

The Goods Returned Note – issued by the buyer and sent with the goods being returned – the details of which will have to be checked against the supplier’s credit note to make sure the amount refunded is correct

describes how errors and discrepancies in the documentation can be identified and what to do if a discrepancy is discovered

- ✓ Check the accuracy of supplier invoices and credit notes against purchase orders, goods received and delivery notes
- ✓ Check that agreed trade and bulk discounts have been applied accurately

Code supplier invoices and credit notes In the last chapter we described the processes carried out when, as the **seller** of goods and services, you issue:

- ▶ **sales invoices** – to obtain payment from the buyer for what you have sold on credit
- ▶ **sales credit notes** – to reduce the amount owed by the buyer, if, for example, goods have been returned

from the point of view of the **buyer** of goods and services, who will need to check them carefully:

- ▶ **supplier invoices** – received from the supplier and payable by you
- ▶ **supplier credit notes** – to reduce the amount owed by you, if, for example, you return goods

➤ If you look at the diagram below – it is basically the same diagram as shown in the last chapter – you will see that the documents involved are the same.

The Flow of Documents in A Credit Purchase

Checking by the seller

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In the last chapter it was seen as being very important to check for accuracy the main **sales documents** issued – the invoice and credit note. For example, checking:

- that the product codes of the goods invoiced are correct
- that the price charged is correct
- the calculations on the invoice, including the Value Added Tax, are all correct

If you make a mistake it could prove costly. Your level of customer service would look rather poor and payment could be delayed

checking by the buyer

In this chapter we describe what checking has to be done by the buyer. If you are the buyer, you will need to check the **purchase documents**, and for very specific reasons: you will want to make sure that:

- the goods provided are the goods you have ordered in the first place – you can tell this from the product codes used

- the correct unit price has been charged
- any discounts you are entitled to have been correctly calculated and deducted
- any VAT charged has been correctly calculated
- the calculations on the supplier invoice or supplier credit note are all accurate

what to do if you find an error

If the buyer finds any errors or discrepancies on a supplier invoice or supplier credit note the document **must be rejected** and a reason given. This reason may be written on the document itself or in a separate record. In your assessments you will be given a table in which to record errors and discrepancies. The golden rule is that **you should never alter the document** – an invoice total, for example – and process it as if it were correct. It should always be referred back to the seller. On the next page we will explain in outline the main documents that need to be checked by the buyer who receives a supplier invoice. We will then set out a Case Study to illustrate all these principles.

what needs to be checked?

There are three documents involved in the checking process:

- **purchase order**

This is the first document to be issued. It is drawn up by the buyer to order the goods and will set out all the details of the purchase:

- quantity
- product code
- description
- unit price

delivery note

This document is normally sent with the goods and is likely to be the first document relating to the

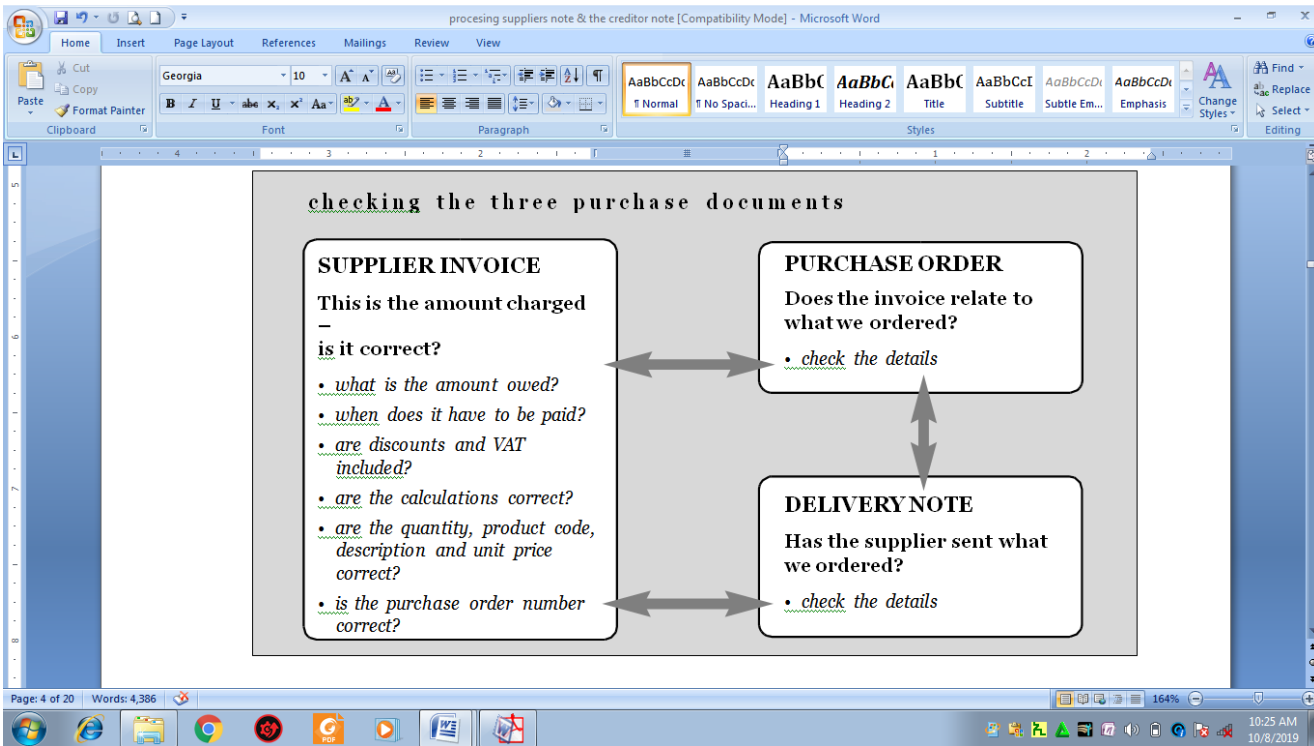
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transaction received by the buyer from the seller. The details on this document should be checked with the purchase order. The main question the buyer is asking here is “Has the supplier sent what we ordered?”

- **supplier (purchase) invoice**

This sets out what is owed by the buyer and when it has to be paid. This should be checked against the purchase order and delivery note. The questions the buyer is asking here are: “Are we being charged for what we ordered?” and “Are we being charged the right amount?” This process is summarized on the diagram below and also explained in full in the Case Study which follows over the next few pages.



Checking 3 Purchase Documents

Sales and services result in collection of monies commonly in the form of:

- Cash (notes and coin)

Example of Manual receipt

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Smith & Brown Incorporated Receipt No 56987

Received from _____ M Student _____ Date: 2/2/XX

For _____ 10 X blue biros & 2 X red biros _____

The sum of Thirteen dollars and 22 cents _____

Signed _____ Ben Brown _____ Cash/Cheque \$ 13.20
 GST inclusive

- Debit/Credit card payments (Visa, Master Card)
- Internet banking
- EFTPOS (Electronic funds transfer at point of sale)

Cash, Cheques, manual Debit/Credit card vouchers, and money orders are taken to the bank and deposited. These items are usually banked daily. Daily banking minimises the risk of theft and fraud. Internet banking and electronic funds transfer using Debit/Credit cards or savings/cheque account cards will be processed directly by the bank and are therefore not recorded in the bank deposit book.

Organizations will have policies and procedures (written or practiced) for receiving and receipting money, balancing cash register drawers and forwarding funds for banking. Receipts contain the following information:

- ❖ Date of the transaction.
- ❖ The receipt number – all receipts are accountable forms and are numbered sequentially.
- ❖ The amount in figures.
- ❖ The amount in words (on a manual receipt).
- ❖ The amount of discount given (if applicable).
- ❖ The amount of GST included in the cost.
- ❖ A description of what the payment is for.

E.g.

TAX INVOICE			
Smith & Brown Incorporated			
ABN 1234 567 8910			
BIR0987			
Biro – Red Fine Tip			
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BIB5623			
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Example of Cash register receipt

Preparing accurate bank deposits involves entering and balancing all the different types of payments received. When preparing money for banking you will need a calculator, pen, cash analysis form, elastic bands, cash bags and the bank deposit form.

2.2 Checking Cheques and Card Vouchers for Validity

A **Cheque** is an unconditional order in writing addressed to a bank, requiring the bank to pay on demand a certain sum in money. However checks are not **legal tender** in the way that cash is. This means that you can refuse to accept checks payment and insist on cash if you wish. Businesses can decide whether they will accept checks from their customers. If you have ever tried to use a personal check in a shop you will know that many retailers do not accept them, preferring cash or credit cards where payment is guaranteed. There are three parties to Checks:

Drawer : the person who writes the check

Drawee : the bank holding the drawer’s bank account

Payee: the person (or organization) the **Checks** is written out to

All checks received by your organization should be checked prior to banking to ensure they are accurate and valid and will not be dishonored (returned unpaid) by the bank as follows:

- The date is not postdated (dated ahead of today’s date).
- The check is not stale (dated more than 15 months ago).
- The check is signed.
- The payee is correct. If another name appears next to ‘Pay’, there should be an endorsement on the back of the check, signing the checks over to the organization.
- The amount in words and the amount in figures agree.
- Any alterations are initialed by the drawer of the checks.

There is an instance when the bank will accept a check with discrepancies, this is: When the amount in words is different to the amount in figures resulting in the bank paying on the lesser of the two amounts. In this case the lesser amount should be shown on the deposit slip.

Crossing checks

For security purposes the words ‘NOT NEGOTIABLE’ written across a cheque ensures that only the Payee can receive the money. Checks that are to be deposited in the organization’s account should have ‘Not Negotiable’ either written or stamped across them before depositing. This may be done by another member of staff upon opening the mail and finding checks for payment of accounts that have not been ‘crossed’. Checks made out to CASH should not have ‘Not Negotiable’ written across them as this will prevent them being cashed. Generally most check books for organizations have ‘Not

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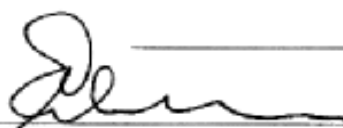
Negotiable' preprinted on them. In this case the signatory of the check can turn the check over and write on the back of the check 'Please pay cash' and sign this.

Examples – 3 **Checks** for deposit on 23th April 2XXX

Australasian Bank
Brisbane QLD 23-4-2xxx

Pay Brambles of Katoomba

The sum of Four hundred and ninety three dollars 25c \$ 493-25


Surf & Sun Hotel

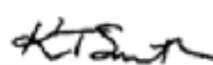
Not Negotiable

2157 KCM53732 1248975

Macquary Bank
Beverly Hills NSW 20 April 2xxx

Pay BRAMBLES OF KATOOMBA

The sum of ONE THOUSAND EIGHT HUNDRED
DOLLARS \$ 1800-00


Pre Loved Wares

Not Negotiable

2214 TYR967896 145786

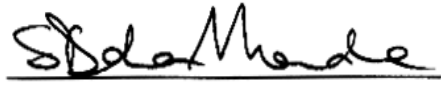
SouthEastern Banking Corporation
Beverly Hills NSW 21 April xx

Pay Brambles of Katoomba

The sum of Fifty six dollars \$ 56-00

2214 145967854 854755

Not Negotiable


Steven De La Monde

Basic Features of the Voucher System

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A **voucher system** is a set of procedures for authorizing and recording liabilities and cash payments. A voucher system normally uses

1) Vouchers,

(2) A file for unpaid vouchers, and

(3) A file for paid vouchers. Generally, a voucher is any document that serves as proof of authority to pay cash. For example, an invoice properly approved for payment could be considered a voucher. In many businesses, however, a **voucher** is a special form for recording relevant data about a liability and the details of its payment. Each voucher includes the creditor's invoice number and the amount and terms of the invoice. The accounts used in recording the purchases (or transaction) are listed in the *account distribution*. For example, when a voucher is prepared for the purchase of goods, the voucher should be supported by the supplier's invoice, a purchase order, and a receiving report. In preparing the voucher, an accounts payable clerk verifies the quantity, price, and mathematical accuracy of the supporting documents

Example of Voucher

This provides assurance that the payment is for goods that were properly ordered and received. After a voucher is prepared, the voucher and its supporting documents are given to the proper official for approval. After it has been approved, the voucher is returned to the Accounting Department, where it is recorded in the accounts. It is then filed in an unpaid voucher file by its due date so that all available purchase discounts are taken.

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(face)
(back)

VOUCHER

① Date July 1, 2007 Voucher No. 481

② Payee Allied Manufacturing Company
683 Fairmont Road
Chicago, IL 60630-3168

Date	Details	Amount
③ June 28, 2007	Invoice No. 4693-C, \$1,800.00, FOB Chicago, 2/10, n/30	1,500.00

Attach Supporting Documents

④ ACCOUNT DISTRIBUTION

DEBIT	AMOUNT
MERCHANDISE INVENTORY	1500 00
SUPPLIES	
ADVERTISING EXPENSE	
DELIVERY EXPENSE	
MISC. SELLING EXPENSE	
MISC. ADMIN. EXPENSE	
CREDIT ACCOUNTS PAYABLE	1500 00

DISTRIBUTION APPROVED L. Donnelly

NO. 451

DATE 7/1/07 DUE 7/8/07

PAYEE

Allied Manufacturing Company
683 Fairmont Road
Chicago, IL 60630-3168

VOUCHER SUMMARY

AMOUNT	1500	00
ADJUSTMENT		
DISCOUNT	30	00
NET	1470	00

APPROVED M.C. Leshen CONTROLLER
RECORDED WB

PAYMENT SUMMARY

DATE 7/8/07

AMOUNT 1470.00

CHECK NO. 883

APPROVED Chris Clark
RECORDED L.K.R. A.S.

① Date the voucher was prepared

② Name and address of the creditor

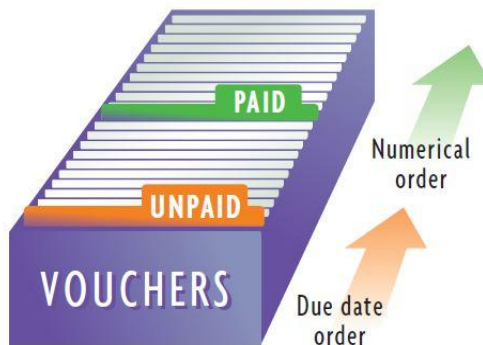
③ Description of the supporting documents

④ Accounts used to record the purchase or transaction

⑤ Details of payment

⑥ Spaces for signature or initials of approving employees

Fig. Ordering of Voucher



On its due date, the voucher is removed from the unpaid voucher file. The date, the number, and the amount of the check written in payment are listed on the back of the voucher. The payment of the voucher is recorded in the same manner as the payment of an account payable. After payment,



vouchers are marked “Paid” and are usually filed in numerical order in a paid voucher file. They are then readily available for examination by employees needing information about past payments.

A voucher system may be either manual or computerized. In a computerized system, properly approved supporting documents (such as purchase orders and receiving reports)

2.3: Reconciling Banking Documentation

The bank and the company maintain independent records of the checking account. The two balances are seldom the same because of:

Time lags that prevent one of the parties from recording the transaction in the same period.

- Days elapse between the time a check is written and dated and the date it is paid by the bank.
- A day may pass between the time receipts are recorded by the company and the time they are recorded by the bank.
- A time lag may occur when the bank mails a debit or credit memo to the company.

Errors by either party in recording transactions. The incidence of errors depends on the effectiveness of internal controls maintained by the company and the bank. Bank errors are infrequent.

Reconciliation procedure – In reconciling the bank account, it is customary to reconcile the balance per books and balance per bank to their adjusted (correct or true) cash balances. To obtain maximum benefit from bank reconciliation, the reconciliation should be prepared by an employee who has no other responsibilities related to cash. The reconciliation schedule is divided into two sections – balance per bank and balance per books. The following steps should reveal all the reconciling items causing the difference between the two balances:

1. Compare the individual deposits on the bank statement with the deposits in transit from the preceding bank reconciliation and with the deposits per company records or copies of duplicate deposit slips. Deposits recorded by the depositor that have not been recorded by the bank represent **deposits in transit** and are added to the balance per bank.
2. Compare the paid checks shown on the bank statement or the paid checks returned with the bank statement with (a) checks outstanding from the preceding bank reconciliation and (b) checks issued by the company as recorded in the cash payments journal. Issued checks recorded by the company that have not been paid by the bank represent **outstanding checks** that are deducted from the balance per bank.
3. Note any **errors** discovered in the foregoing steps and list them in the appropriate section of the reconciliation schedule. All errors made by the depositor are reconciling items in determining the adjusted cash balance per books. In contrast, all errors made by the bank are reconciling items in determining the adjusted cash balance per bank.
4. Trace **bank memoranda** to the depositor’s records. Any unrecorded memoranda should be listed in the appropriate section of the reconciliation schedule.

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Entries from Bank Reconciliation – Each reconciling item used in determining **adjusted cash balance per books** should be recorded by the depositor. If these items are not journalized and posted, the Cash account will not show the correct balance.

Electronic Funds Transfer (EFT) System. A new approach developed to transfer funds among parties without the use of paper (deposit tickets, checks, etc.). The approach, called **electronic funds transfers (EFT)**, uses wire, telephone, telegraph, or computer to transfer cash from one location to another.

Cash in safe box includes: notes and coins held in manual cash handling devices

Terminal includes: a range of manual or electronic equipment used for the deposit and withdrawal of cash and non-cash documents

2.4: Entering and Balancing Deposits and Withdrawals

When making out your budget, plan for savings first. You can grow richer each month if you pay yourself first. Here's an idea you might want to try. Before paying any bills, decide on an amount, to pay yourself first--say five or ten percent--or whatever you decide-- of your paycheck. Then, deposit the amount into a savings account before paying any bills. When you do this at the beginning of the month, your entire paycheck will not slip through your fingers. If you wait until the end of the month, there may be nothing left to save. These guidelines will assure you of a money management plan to fit YOUR special needs. If you follow each step, It will also save you a complicated job of bookkeeping. This guide won't be able to work miracles for you but will help show you the way to get the most out of your money.

For a workable plan, four steps are necessary:

1. Add up your total income, including any funds you receive in addition to your earnings.
2. Figure out your total fixed expenses such as rent or mortgage, insurance premiums or car payments.
3. Provide for a savings fund adequate to meet emergencies and achieve special goals.
4. Estimate how much you need for day to day living expenses.

While these steps are listed in sequence, it's likely you will arrive at your final estimates by considering them as a group. You may need to do some adjusting of the amount in each step until you have what you feel is a satisfactory plan. After going through each step and filling out the worksheet, you will have a better idea of where your money is going and how much you have left over to work with.

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Banking Documents

A **Check** is an unconditional order in writing addressed to a bank, requiring the bank to pay on demand a certain sum in money. However checks are not **legal tender** in the way that cash is. This means that you can refuse to accept checks payment and insist on cash if you wish. Businesses can decide whether they will accept checks from their customers. If you have ever tried to use a personal check in a shop you will know that many retailers do not accept them, preferring cash or credit cards where payment is guaranteed.

There are three parties to Checks:

- ⇒ *Drawer* – the person who writes the check
- ⇒ *Drawee* – the bank holding the drawer’s bank account
- ⇒ *Payee* – the person (or organization) the **Checks** is written out to

All checks received by your organization should be checked prior to banking to ensure they are accurate and valid and will not be dishonored (returned unpaid) by the bank as follows:

- The date is not postdated (dated ahead of today’s date).
- The check is not stale (dated more than 15 months ago).
- The check is signed.
- The payee is correct. If another name appears next to ‘Pay’, there should be an endorsement on the back of the check, signing the checks over to the organization.
- The amount in words and the amount in figures agree.
- Any alterations are initialed by the drawer of the checks.

↓ Date <u> </u> 22 July 2XXX To <u> </u> Hannahs BKK <u> </u>	What? Bank ↓ Gosford NSW <u>2XXX</u>	↓ Date <u> </u> 22 July
----------------------------------------------------------------------------------	---------------------------------------------------	-----------------------------

Payee

Not Negotiable



For <u>Accounting Fees</u>	Pay <u>Hannahs Bookkeeping Services</u>
Balance b/f <u>6050.90</u>	_____ or bearer
Deposits <u>.00</u>	The sum of <u>Two hundred dollars only</u>
This chq <u>200.00</u>	
Balance c/f <u>5850.90</u>	
123400	
	<u>Jo</u>
	Smith &
	Brown Incorporated
	123400 631-289 753169

\$200.00-

Drawer

Check Number
(Find this number on

BSB Number

Account Number

Crossed "Not Negotiable"

There is an instance when the bank will accept a check with discrepancies, this is:

⇒ When the amount in words is different to the amount in figures resulting in the bank paying on the lesser of the two amounts. In this case the lesser amount should be shown on the deposit slip.

Crossing checks

For security purposes the words 'NOT NEGOTIABLE' written across a cheque ensures that only the Payee can receive the money. Checks that are to be deposited in the



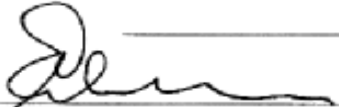
organization's account should have 'Not Negotiable' either written or stamped across them before depositing. This may be done by another member of staff upon opening the mail and finding checks for payment of accounts that have not been 'crossed'. Checks made out to CASH should not have 'Not Negotiable' written across them as this will prevent them being cashed. Generally most check books for organizations have 'Not Negotiable' preprinted on them. In this case the signatory of the check can turn the check over and write on the back of the check 'Please pay cash' and sign this.

Examples – 3 **Checks** for deposit on 23th April 2XXX

Australasian Bank
 Brisbane QLD 23-4-2xxx

Pay *Brambles of Katoomba*

The sum of *Four hundred and ninety three dollars 25c* \$ 493-25


 Surf & Sun Hotel

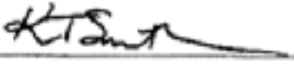
Not Negotiable

2157 KCM53732 1248975

Macquary Bank
 Beverly Hills NSW 20 April 2xxx

Pay *BRAMBLES OF KATOOMBA*

The sum of *ONE THOUSAND EIGHT HUNDRED* \$ 1800-00
DOLLARS


 Pre Loved Wares

Not Negotiable

2214 TYR967896 145786



South Eastern Banking Corporation Beverly Hills NSW		21 April xx
Pay <u>Brambles of Katoomba</u>		
The sum of <u>fifty six dollars</u>		\$ 56-00
2214 145967854 854755		
Not Negotiable		
		<u>Steven De La Monde</u> Steven De La Monde

Bank Reconciliation

2.1. The Bank account as a control devices

Checking/Current account: - is a banking service where in an enterprise deposits money in to an account and writes checks to withdraw money as needed. A checking account can be opened (in the Ethiopian case) by minimum deposit of 250 Birr. Placing cash in a bank is called **making deposit**. The person or business in whose name cash deposited is called **depositor**.

2.2. Forms used by Business firm in connection with a bank account

Signature card:-It is a form on which depositors or person authorized to sign checks put their signatures.

Deposit slip:-A form provided by the bank on which the depositor lists all the money and checks to be deposited is deposit slip /deposit ticket/.

A deposit slips shows

- date of deposit
- Denomination of deposit and check number of the check to be deposited
- total amount deposited
- depositor's signature
- Bank (tellers') stamp showing date of deposit and teller's initial (signature). Etc.

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- ❖ **Debit memo and credit memo** – debit and credit advice are documents produced by the bank to pass entries to respective depositors account balance. Debit and credit advices are prepared by the bank for transaction handled by the bank in relation to the depositor’s account.
The depositor may collect the advice as and he checks his bank or at the end of the month along with the bank statement.
- ❖ **Debit advice** –shows an amount deducted from the depositor’s balance for cash transfers as per the depositor’s instruction, service charge in relation to services provided by the bank such as letter of credits, telegraphic transfers and other charges for services the bank offers.
- ❖ **Credit advice**- shows an amount added (deposited) to the depositor’s balance or collections made by the bank on behalf of the depositor.
- ❖ **Check**- a check is a written instrument signed by the depositor or designated person (authorized person) ordering the bank to pay cash to the person (business) named on the check.

There are three parties involved in a check.

- **Drawer**- the one who signs the check ordering the bank to make payment to the person named on the check *-depositor*.
- **Drawee**– the bank on which the check is drawn – *bank*.
- **Payee** – the one to whose order the cheek is drawn. The payee is the person (business) whose name is written on the check *-to whom the check is payable*.

- Often a business check will have an attached remittance advice. A remittance advice informs the payee why the drawer (maker) of the check is making this payment.

Recording- for the depositor

- Issuance – various accountsXXX
 - Cash at BankXXX
- Receipt- cash at bankXXX
 - Account ReceivableXXX
 - Sales.....XXX
 - Note receivableXXX

➤ **Post dated check**

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- **NSF check –receivable-** uncollected check because there is not sufficient fund in the customer checking account.
- **Cancelled (paid in) cheek** –check presented to the bank for payment and accordingly paid.

Bank statement

- The bank statement /ledger account shows.
 - beginning balance at the start of the period
 - depositor /additions / during the month
 - withdrawals during the month /deductions/
 - ending balance at the end of the month
- The **ending balance as per the bank statement** is known as **bank balance**
- A business can be a bank statement to compare the cash transactions recorded in its accounting records to those recorded by the bank.
- **Checking the accuracy of bank statement** – it is a good accounting practice to check the accuracy of a bank statement as soon as collected from the bank. Usually banks do not make errors in their records. However, errors may occur in posting wrong withdrawal or deposits. When errors are found in a bank statement, the bank should be notified immediately. On the other hand, depositors may make arithmetic mistakes in calculating balances or make errors in carrying balance forward. etc.
- A part from the errors made by the depositor or the bank, there are differences caused by time factor. **The elements contained in time factor are outstanding deposits and out standing checks.**
- **Outstanding deposits (deposit in transit)** – Deposits made to the bank but not shown in the bank statement. Deposits made on the last day of the month are unlikely to appear (be included) in the bank statement. The deposits are considered in the depositor’s balance of the current month while the bank shows it in subsequent month’s balance.
- **Outstanding check** – checks issued but not presented to bank for payment. The amount of outstanding check are deducted in the depositors own book but are not shown in the bank statement as they are not presented for payment.

Note: In the **Ethiopian case checks** can be presented to bank for payment up to six months from the date of issue.

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2.3. Bank Reconciliation

For effective control, the reason for the difference between the cash balance on the bank statement and the cash balance in the accounting record should be determined by preparing bank reconciliation. Bank reconciliation is a listing of the items and amount that causes the cash balance reported in the bank statement to differ from the balance of the account in the ledger.

➤ **Reasons for the difference-**

- ✓ Error on either side- the depositor or the bank
- ✓ Time factor caused differences- outstanding check or standing deposits.
- ✓ Transactions not recorded by either side – service charges, cost of check book, collections.
- ✓ Delay in recording transactions

➤ Bank reconciliation is usually divided in to two sections. The **first sections begin with the cash balance according to the bank statement and end with the adjusted balance.** The **second section begins with the cash balance according to the depositor’s record and end with the adjusted balance.** The two amounts designated as the **adjusted balance must be equal.**

Steps to prepare bank reconciliation

1. Compare each deposit listed on the bank statement with unrecorded deposits appearing in the preceding period’s Reconciliation and with deposit receipts or other records of deposits.
 - ☞ Add deposits not recorded by the bank to the balance according to the bank statement.
2. Compare paid check with out standing check appearing on the preceding period’s reconciliation and with recorded checks.
 - ☞ Deduct checks outstanding that have not been paid by the bank from the balance according to the bank statement.
3. Compare bank credit memorandums to entries in the journal. For example, a bank would issue a credit memorandum for a note receivable and interest that is collected for depositor
 - ☞ Add credit memorandum that have not been recorded to the balance according to the depositors records
4. Compare bank debit memorandum to entries recording cash payments. For example, a bank normally issue debit memorandums for services charges and check printing charges. A bank also issue debit memorandums for not sufficient funds (**NSF**) checks. A not sufficient funds (NSF) check is a customers check that was recorded and deposited but was not paid when it was presented to

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the customer's bank for payment. NSF checks are normally charged back to the customer as an amount receivable.

☞ Deduct debit memorandum that have not been recorded from the balance according to the depositor's records.

- List any errors discovered during the preceding steps. For example, if an amount has been recorded incorrectly by the depositor, the amount of the error should be added to or deducted from the cash balance according to the depositor's records. Similarly, errors by the bank should be added to or deducted from the cash according to the bank statement.

Example: on June 30, 2003 the bank statement for **Wube company** indicates a balance of 9, 143.11. All cash receipts are deposited each evening in a night depository, after banking hours. The accounting record indicates the following summary data for cash receipts and payments for June:

Cash balance as of June 1.....	3,943.50
Total cash receipts for June	28,971.60
Total amount of checks issued in June	28, 388.85

- Comparing the bank statement and the canceled check and memorandum with the records reveals the following reconciling item.
 - The bank had collected for Suzan company \$ 1,030 on a note left for collection. The face of the note was \$ 1000.
 - A deposit of \$ 1,852.21, representing receipt of June 30, had been made too late to appear on the bank statements.
 - Checks out standing totaled \$ 5,265.27
 - A check drawn for **\$ 139** had been incorrectly charged by the bank as **\$ 157**.
 - A check for **\$30** returned with the statement had been recorded in the depositor's record as **\$240**. The check was for the payment of an obligation to Avery Equipment Company for the purchase of office supplies on account.
 - Bank service charges for June amounted to **\$ 18.20**.

Required

- Prepare bank reconciliation for June.
- Journalize the necessary entry.

Solutions: 1

Wube Company

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**Bank reconciliation
At June 30, 2003**

Balance per bank statement-----	\$ 9,143.11
Add: deposit in transit (June 30)	\$1,852.21
Bank error in recording 139 as 157	18.00..... <u>1,870.21</u>
	\$11,013.32
Deduct: out standing check.....	<u>(5,265.27)</u>
Adjusted cash balance June 30.2003.....	<u>\$ 5,748.05</u>
Balance per depositor's record-----	\$ 4526.25
Add: proceeds of none collected including interest	\$ 1,030 .00
Error in recording check	210.00-----1,240.00
Deduct: Bank service charge.....	<u>(18.20)</u>
Adjusted cash balance	<u>\$ 5,748.05</u>
▪ 3,943.50 + 28,971.60-28,388.85=	\$4,526.25

- All items that appear as adjustment to the balance per depositor's records should be journalized and posted so as to update the cash at bank account.

Solution 2

- For collection - Cash1,240.00
 Note receivable.....1000
 Interest receivable30.00
 Account payable210.00
- For bank service charge – miscellaneous expense18.20
 Cash18.20

❖ **Dishonored check** – a bank may refuse to accept a check for number of reason.

- ✓ The signature on the check may appear different from the one shown on the specimen on the signature card.
- ✓ The amount in words may differ from these in figures and
- ✓ The drawer may not have sufficient fund to cover the amount of the check, etc.
- A check that a bank refuses to pay is known as **dishonored check**. The best approach to avoid dishonored check is not to accept checks that are not from trusted sources.

Perform Internal Control over Cash

Cash include coins, currency (paper money), checks, money orders, and money on deposits that is available for unrestricted withdrawal from banks and other financial institutions. For accounting purpose the asset cash presents more than money in the form of paper currency and coins that are used in everyday financial transactions. **Cash** may more appropriately be explained as.

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- A current asset on deposit in a bank that can be withdrawn immediately and used for any business purpose or.
- A current asset that a bank will readily accept for deposit.

According to the above definition cash included paper currency and coins, money in checking (current or demand deposit) accounts, money in certain saving, accounts money orders, (postal orders) and traveler’s cheeks. Cash, however, doesn’t include postage stamps, government saving bonds, promissory notes money held in special bank accounts for specific purposes. The reason is that these items can not be deposited to a bank or withdrawn from a bank immediately.

Accounting and Administrative Controls

Internal control system- Internal control refers to the plan of an organization and all the procedure and actions taken by an organization to

- ✓ Protect assets
- ✓ Ensure accuracy and reliability of operating data, accounting records and reports
- ✓ Promote efficiency and
- ✓ Ensure compliance with managerial policies

Fundamental principles of internal control

1. Hiring competent employee
2. Assignment of responsibilities
3. Segregation of duties- custody and record keeper should separate
4. Maintain a complete record of transaction
5. Use of mechanical devices-E.g. registers tap, computer, and cheek protector.
6. Rotation of employees- to increases knowledge and to discourage unneeded activities, Internal audit, Physical protection of assets, Performance evaluation

Limitation of internal control

- Subject to human error
- Subject to human fraud /collusion/

Objectives of internal control over cash

- To provide correct information over cash
- To avoid cash shortage
- To avoid excess cash (idle)- by depositing, lending
- To protect cash from misuses and theft

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Controlling Over Cash Receipts

➤ The basic principles are:

- Record cash receipt immediately
- Segregation of duties –bookkeeper on cashier

Cash Sales (Cash Collected From Cash Customer)

- Use cash register or pre-numbered sales tickets (sales invoice)

Procedures

1st sale clerk counts cash collected- write the amount in a memorandum.

2nd other employee from the cashier department- removes cash register tape.

- Recounts cash collected by each sales clerk.
- Compare it with the amount recoded in the tape and memorandum. If there is no difference- Send cash to cashier office for deposit and documents to accounting department for recording the basis for entries in the cash receipt journal.

Self-Check -2

Written Test

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

1. Demonstrate Debit advice –
2. Demonstrate Credit advice-
3. Demonstrate Check-
4. List down details that an invoice should include.
5. List the 3 types of errors on the invoice to contact with the vendor (seller)
6. .List other two names for invoice.

Note: Satisfactory rating - 3 points

Unsatisfactory - below 3 points

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

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Self-Check -2	Written Test
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OPERATION SHEET 1: Preparing and processing banking documents and petty cash documents

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

Part I: Answer the following questions:

1: List the main Information contain in one receipts (5 pints).

2: Define Cheques (2 points)

3: List the three parties the of Cheque (3 point)



Self-Check -1	Written Test
----------------------	---------------------

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

In this Case Study we will track the purchase (and return) of some memory sticks from a computer company. There are two businesses involved:

- Aztex Limited, the buyer – a computer shop
- Zilon Computers, the seller – a computer equipment supplier

Note: Satisfactory rating - 3 points

Unsatisfactory - below 3 points

Answer Sheet

Self-Check -N	Written Test
---------------	--------------

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

Note: Satisfactory rating - 5 points

Unsatisfactory - below 5points

Answer Sheet

Score = _____
Rating: _____

Name: _____

Date: _____

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Instruction Sheet	LG28: Processing petty cash transactions
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This learning guide is developed to provide you the necessary information regarding the following **content coverage** and topics –

1. Referring Irregularities
2. Checking, processing & recording Petty cash claims and vouchers
3. Balancing petty cash book

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 –**

- Refer Irregularities
- Check, process & record Petty cash claims and vouchers
- Balance petty cash book

Learning Instructions:

15. Read the specific objectives of this Learning Guide.
16. Follow the instructions described in number 3 to 20.
17. Read the information written in the “Information Sheets 1”. Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
18. Accomplish the “Self-check 1” **in page -.**
19. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check 1).
20. If you earned a satisfactory evaluation proceed to “Information Sheet 2”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #1.
21. Submit your accomplished Self-check. This will form part of your training portfolio.



Information Sheet-1	Referring Irregularities of recording petty cash transactions
----------------------------	---------------------------------------------------------------

4. Referring Irregularities

Identifying, rectifying and referring errors

There will be times when you are checking or processing financial transactions in your organization and you identify an error or discrepancy which needs to be rectified (corrected.) You may be able to do this yourself. If you are unable to do this because you don't know how, or you are not authorized to do so, you will need to refer the discrepancy to an authorized work. Discrepancies may occur for a variety of reasons, including:

- Mis - keyed data; for example, making a mistake when entering information such as an item code, price or quantity;
- arithmetic errors; for example, adding amounts together instead of subtracting
- counting errors; for example, incorrectly counting cash in a till
- Accounting errors; for example, entering debit amounts as credits.

When discrepancies occur on financial documents the consequences may vary depending on the type of document, the extent of the discrepancy and the period of time which has elapsed before the discrepancy is detected. For example, a discrepancy on a tax invoice may mean that a client is overcharged or undercharged, and a discrepancy on a purchase order could result in an incorrect quantity of goods being supplied.

What is Petty Cash?

As in your own day-to-day life, it is usually not practical for a business to write checks to pay small amounts, such as postage. Yet, these small payments may occur often enough to add up to a significant total amount. Thus, it is desirable to control such payments. For this purpose, a special cash fund, called a **petty cash fund**, is used. A petty cash fund is established by first estimating the amount of cash needed for payments from the fund during a period, such as a week or a month. After necessary

Approvals, a check is written and cashed for this amount. The money obtained from cashing the check is then given to an employee, called the petty cash custodian, who is authorized to disburse monies from the fund. For control purposes, the company may place restrictions on the maximum amount and the types of payments that can be made from the fund. The petty cash fund is normally replenished at periodic intervals, or when it is depleted or reaches a minimum amount. When a petty cash fund is replenished, the accounts debited are determined by summarizing the petty cash receipts. A check is then written for this amount, payable to the petty cash custodian.

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PETTY CASH RECEIPT

No. 121 Date August 1, 2006

Paid to Metropolitan Times Amount

For Daily newspaper

3	00
---	----

Charge to Miscellaneous Administrative Expense

Payment received:

S.O. Hall Approved by N.E.R.

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Information Sheet-2	CONTENT-2:- Checking, processing & recording Petty cash claims and vouchers
----------------------------	------------------------------------------------------------------------------------

For More Elaborations:- **PREPARING PETTY CASH BOOK**

The petty cash book is prepared for the small expenditure that is those expenditures which are of very nominal amount but they are required to be kept in the books of account. So rather than putting the posting in cash book or bank book we need to keep a separate record of these small expenditures. The person who is responsible for maintaining this record is known as the petty cashier and he has to submit this account to the head cashier or the chief cashier who will analysis these records and check whether the accounting is done properly and accordingly he will sanction the petty cash amount to the petty cashier. So this is the methodology by which petty cash account can be made. This petty cash account can be kept as ledger posting and it can be based on the dual entry system where we can post a journal entry and then a ledger account is being opened up.

Another system is known as imp rest system or float system where a cashier is being provided a certain sum of money in advance then he will write down the transaction in the petty cash book which has happened and give the detailed information to the head cashier. The head cashier will analysis the accounts and he will sanction the new amount equal to the amount so spent at that relevant period. So in the beginning of the year he will get the fixed sum as that was before spending. So this amount so sanctioned is known as float or imprest. we will learn how this account is being prepared by the petty cashier. The cashier will open certain accounts which are commonly being used. The nomenclature of the expenditure is fixed been fixed and then the regular expenditure which are being spent on the small amount will be recorded in that particular. For example, stamp will be purchased so it will be regarded as stationery expenses.

Postage charges would be given heading Telegram expenses and courier expenses would be recorded according. Typing paper expenditure they will be falling under the stationery expenditure; taxi expenses, bus fare they will constitute conveyance expenses and certain expenses would be such which will not fall in either of the categories in that case sundries account or miscellaneous account is opened.

3. PREPARATION OF PETTY CASH BOOK

Amount received	Particulars	Analysis of the transaction			
		Total amount spent	Postage	Stationery	Conveyance



500	To Cash received(O pening Balance)	-	-	-	-
	By taxi charges	80			80
	By typing paper	100		100	
	By Refreshment t	100			
	By Stamp	20	20		
	By Courier charges	80	80		
	Total	380	100	100	80
	By balance c.d	120			
	Total	500			



Write now we are escaping the voucher no.

on April-4 taxi charges were paid Rs.80 - It will be conveyance charges
 On April -6 Typing paper was purchased Rs. 100 – It will be conveyance charges.
 On April-8 Refreshment being given in office Rs. 100– It will be
 Miscellaneous

Expenditure

On April-10 Stamp was purchased- Rs. 20 It will be Postage charges

On April – 15 Courier charges Rs. 80- It will be postage charge.

These were the set of the information given and we have accounted it accordingly.

Now we will do the totaling of the each column. We can cross- check the columns of rows and column. It will amount to Rs. 380 from both the side.

Now we will do the balancing and the balance is Rs. 120 and total is Rs.500.

This is the way a petty cash book is prepared. Here the analysis of the expenditure is easy, accounting is easy and the time of the head cashier is saved by not recording these small transactions and assigning the work to the petty cashier.

4. JOURNAL ENTRIES RELATED TO PETTY CASH BOOK

Now we will discuss the journal entries relating to Petty Cash book. If petty cash is prepared on the basis of dual aspect of accounting that is where we follow the double entry system, let us see how the accounting is being done. Let us see the journal entries

1. Petty cash is issued by the head cashier to the petty cashier.

2. Petty Cash Account Dr.

To Cash account (Being petty cash given to the petty cashier)

So we can say that in the cash book the petty cash account will represent the amount sanctioned to the petty cashier.

2. When the expenses incurred the following entries would be passed

Expenses (Head of The Expenses) Dr. To Petty

Cash account

(Being expenses incurred)

Rather than crediting cash we are crediting petty cash account. This is the way accounting entries are being passed when the petty cash account is maintained on the basis of double entry system of accounting. Now for our question how the petty cash entry shall be passed. Let us see the journal entries.

a) Petty Cash Account Dr. 500

To Cash

500

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b) Postage account	Dr. 100	
Stationery	Dr. 100	
Conveyance	Dr. 80	
Misc. Expenses	Dr. 100	
	To Petty cash account	380
	(Being expenses incurred)	

5. Preparation of Ledger Account from Petty Cash Book

Now we will prepare the ledger account from the book so prepared. If it is the double entry system we will simply prepare the petty cash account first.

Dr. PETTY CASH ACCOUNT CR.

Date	Particulars	Amount	Date	Particulars	Amount
April-1	To cash	500	Apr 30	By Postage	100
				By Stationery	100
				By Conveyance	80
				By Miscellaneous expenses	100
				By balance c/d	120
		500			500
May -1	To balance b/d	120			

This is the way the petty cash account is being prepared. Now we will learn how to prepare the further prepare. The format will be same, just the accounting head will be change the posting method will be changed the accounts standing on the credit side of the petty cash account would be posted on debit side of the respective head for

which ledger is opened. Postage Account

Date	Particulars	Amount	Date	Particulars	Amount
April-30	To petty cash	100			

On April 30 it will be To petty cash acct Rs. 100/- Stationery account

Date	Particulars	Amount	Date	Particulars	Amount
April-30	To petty cash	100			

Similarly, the account called stationery will be prepared and posting shall be made on debit side as to petty cash. Conveyance account



Date	Particulars	Amount	Date	Particulars	Amount
April-30	To petty cash	80			

Similarly, conveyance and miscellaneous expenses are also prepared. Miscellaneous expenses account

Date	Particulars	Amount	Date	Particulars	Amount
April-30	To petty cash	100			

In this way we have learnt how to prepare the petty cash book, and method of posting via petty cash book we have learnt journal entries also.

6. Bills Receivable Book

We will learn another aspect of subsidiary books and it is known as Bills Receivable book. Bills receivable books are prepared either for bills receivable and for bills payable. Whenever certain sales are being made on credit then instead of cash sometimes bills receivable are given in lieu of cash. They are for fixed period, fixed sum and a promise to pay them is made under negotiable instrument act. So to keep a record of these books, we need to prepare a subsidiary book which is known as bills receivable book. It is prepared in prescribed format where there will no. of bills issued detail will be there date, from whom it is received, drawers name, acceptor name, amount

an remarks column would be there. But no entry relating to endorsement, dishonor of the bill will be made in such books. Such entries shall be recorded in Journal Proper. Under Bills receivable book only specific entries would be passed in bills receivable books.

Format of Bills Receivable Book:

The following is the format of bills receivable book:

(1) Bills Receivable Book

No. of Bills	Date	From whom received	Drawer	Acceptor	Where payable	Term	Due date	₹	Amount	Remarks

(2) Bills Receivable Book

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Date	From whom received	Term	Due date	L.F.	Amount

So in the bills receivable books we are going to write only details of bills receivable details. If bills are discounted at bank or encashed such entry would be recorded in the cash book and not in bills receivable book. Bills receivable Only shows the number of bills details, drawers, date etc. would be recorded in the bills receivable. They are transferrable instrument. Bills payable is given by the purchase to pay off his liability. In bills payable the name of the acceptor will be written. Below is the format of Bills payable book.

The following is the ruling and format of bills payable book:

(1) Bills Payable Book

Date	To whom given	Drawer	Payee	Where payable	Term	Due date	L.F.	Amount	Remarks

(2) Bills Payable Book

Date	To whom given	Term	Due date	L.F.	Amount

7. Posting for Cash Books

We shall learn how to make posting with two columnar cash book with the help of this cash book.

Dr. Two Columnar Cash book
Cr.

Date	Particulars	Discount	Amount	Date	Particulars	Discount	Amount
Apr-1	To capital		10,000	Apr-15	By Furniture		2,000

Apr-5	To Ram	200	2,000	Apr-15	By Salaries		2,000
Apr-10	To sales		2,500	Apr-16	By Shyam	50	2,500
April-15	To Ram		5,000	Apr-30	By balance c/d		13,000
	Total	200	19,500		Total	50	19,500
May-1	To balance b/d		13,000				

There will not be balancing of discount column. We shall do the balance of cash column it will be $19,500 - 6,500 = \text{Rs. } 13,000$. This balance will be written down in next month ie on May 1 Rs. 13,000. Now we shall do the posting from this two-columnar cash.

First of all we will prepare the capital account. On the credit side the posting shall be made as By Cash on April 1 Rs. 10,000. Now we can see how dual aspect is recorded. On one side debit side is affected and on the other side on credit side posting is made.

Capital Account

Date	Particulars	Amount	Date	Particulars	Amount
			Apr-1	By Cash	10,000

Similarly when we prepare Ram's account. All the transaction of ram will be recorded at one place chronologically. As ledger is the itemised classification of all the transactions pertaining of one account.

Ram's Account

Date	Particulars	Amount	Date	Particulars	Amount
			Apr-5	By Cash	2,000
			Apr-5	By Discount	2,00
			Apr-15	By Cash	5,000

SalesAccount

Date	Particulars	Amount	Date	Particulars	Amount
			Apr-10	By Cash	10,000

Now we will see the discount account. The debit side of discount allowed will represent discount allowed while the credit side of the discount account will



show discount received. On Debit side we will write To Sundries as per Cash Book and on credit side we will write By sundries as per Cash book. The posting will not be made on reverse side. The debit

side's total will be posted on debit side of Discount and on Credit side we will write total of credit side of discount column of cash book. DiscountAccount

Date	Particulars	Amount	Date	Particulars	Amount
	To Sundries as per Cash Book	2,00		By sundries as per cash book	50

We can prepare two separate accounts for discount allowed and discount received and can do the posting from the cash book. Now we are doing posting of credit side of cash book. The transactions recorded on credit side would be posted on the debit side when account head are opened

Furniture Account

Date	Particulars	Amount	Date	Particulars	Amount
Apr-15	To cash	2,000			

Salaries Account

Date	Particulars	Amount	Date	Particulars	Amount
Apr-15	To cash	2,000			

Shyam's Account

	Particulars	Amount	Date	Particulars	Amount
Apr-16	To cash	2,000			
Apr-16	To Discount	50			

This is the way ledger posting is done from cash book.

SUMMARY

The method of preparation of petty cash book, the journal entries related to petty cash and how to do posting with petty cash book as well as two columnar cash book and bills receivable book.



Self-Check -3	Written Test
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OPERATION SHEET 1: Processing petty cash transactions

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

Part I: fill in the correct answer in the following questions:

1: The _____ cash fund is normally replenished at periodic intervals, or when it is depleted or reaches a minimum amount. (2 point)

2: Replenishing the petty cash fund restores it to its original amount of \$120.00 You should note that there is no entry in Petty Cash when the fund is replenished. Petty Cash is debited only when the fund is initially set up or when the amount of the fund is increased at a later time.

Petty Cash is credited if it is being decreased.

To illustrate normal petty cash fund entries, assume that a petty cash fund of \$120.00 is established on June The entry to record this transaction correctly (8 point)

Note: Satisfactory rating – 10 and 5 points Unsatisfactory - below 3 and 5 points

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

Score = _____
Rating: _____

Answer Sheet

Name: _____

Date: _____

Short Answer Questions

1: petty

2: the petty cash fund record transaction

June														
	1	Petty cash			1	2	0	0	00					



	Cash							1	2	0	0	00
	Established petty cash fund											

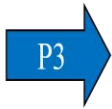


ILLUSTRATION OF A BANK RECONCILIATION

We follow nine steps in preparing the bank reconciliation.

VIDEOBUSTER Bank Reconciliation October 31, 2011			
①	Bank statement balance	\$ 2,050.00	
②	Add		
	Deposit of Oct. 31 in transit	145.00	
		<u>2,195.00</u>	
③	Deduct		
	Outstanding checks		
	No. 124	\$150.00	
	No. 126	200.00	
		<u>350.00</u>	
④	Adjusted bank balance	<u>\$1,845.00</u>	
⑤	Book balance		\$ 1,404.58
⑥	Add		
	Collect \$500 note less \$15 fee	\$485.00	
	Interest earned	8.42	
		<u>493.42</u>	
			<u>1,898.00</u>
⑦	Deduct		
	Check printing charge	23.00	
	NSF check plus service fee	30.00	
		<u>53.00</u>	
⑧	Adjusted book balance		<u>\$1,845.00</u>
⑨ Balances are equal (reconciled)			

Adjusting entries are recorded for the reconciling items on the book side of the reconciliation.



Information	CONTENT-3 Balancing petty cash book
Sheet-3	

At the end of August, the petty cash receipts indicate expenditures for the following items: office supplies, \$28; postage (office supplies), \$22; store supplies, \$35; and daily newspapers (miscellaneous administrative expense), \$3. The entry to replenish the petty cash fund on August 31 is as follows:

Aug. 31	Office Supplies	50 00	
	Store Supplies	35 00	
	Miscellaneous Administrative Expense	3 00	
	Cash		88 00
	Replenished petty cash fund.		

3.3 Balancing petty cash book

Replenishing the petty cash fund restores it to its original amount of \$100. You should note that there is no entry in Petty Cash when the fund is replenished. Petty Cash is debited only when the fund is initially set up or when the amount of the fund is increased at a later time. Petty Cash is credited if it is being decreased.

To illustrate normal petty cash fund entries, assume that a petty cash fund of \$100 is established on Aug The entry to record this transaction is as follows:

Aug. 1	Petty Cash	100 00	
	Cash		100 00
	Established petty cash fund.		



Instruction Sheet	LG29: Processing Financial Forms and Applications
-------------------	----------------------------------------------------------

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

- Filing Invoices and documents for auditing purposes
- Checking Invoices against source documents
- Correcting any errors or inaccuracies
- Preparing Invoices

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 –**

- Fill Invoices and documents for auditing purposes
- Check Invoices against source documents
- Correct any errors or inaccuracies
- Prepare Invoices

Learning Instructions:

22. Read the specific objectives of this Learning Guide.
23. Follow the instructions described in number -- to ---.
24. Read the information written in the “Information Sheets --”. Try to understand what are being discussed. Ask you teacher for assistance if you have hard time understanding them.
25. Accomplish the “Self-check --” **in page -**.
26. Ask from your teacher the key to correction (key answers) or you can request your teacher to correct your work. (You are to get the key answer only after you finished answering the Self-check --).
27. If you earned a satisfactory evaluation proceed to “Information Sheet ---”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #--.
28. Submit your accomplished Self-check. This will form part of your training portfolio.



You may not be the kind of person who is a natural-born organizer, but if you run a business, maybe it's high time you got your business and work space organized. Keep in mind that only organized business is productive. Most of the business owners and managers consider paperwork one of the least popular activities since it takes a lot of time, and balancing receivables or payables can cause a severe headache! That's why invoices are necessary for small businesses, since they catalogue and keep track of the services and goods rendered to customers, and let businesses know what was purchased from what vendors. This constant influx of outgoing and ingoing invoices must be organized, both for the sake of accounting books and the very business. There are numerous methods for keeping your invoices organized, but regardless of the method you choose, you'll find your company's accounting a little easier to manage. Here are some tips and advices to help you get on the track and organize your paperwork!

Keep the process current and updated

There are standard data base programs and simple filing systems of alphabetized files that will do magic with invoice filing. The most important thing is to keep the process current and updated in order not to lose good information or money. Be constantly reminded that accuracy is the key factor of your filing system in order to save money!

- Make sure that name, address and information on the file and the invoice be correct. Edit errors (if there are any) and send the copy of invoice to the customer for payment or refund.
- The filing process should be conveyed daily – don't end up with backed up invoices and files, and avoid the mess when it comes to collections.
- Make sure that the funds for the invoice haven't been collected on and that they are kept secure and available for immediate collection.
- Good housekeeping for invoice filing must be a leading policy for all the people involved with this process. The correct attitude will help you avoid the invoices sitting around until they are not collectable any longer! Avoid losing thousands of dollars through sloppy filing and tracking.
- Accurate filing and immediate collection on the invoices will save the money, both yours and customers'.

Keep files in chronological order

Keep a separate e-folder for each month and year. If you're old fashioned and you keep your paperwork in physical form, think how much ink and paper you waste, and, on the other hand, how little time it takes for so much stuff to handle electronically. It's of utmost importance to organize your paperwork regularly, but also to digitize where possible!

Organize invoices with spreadsheets

Spreadsheets turned out to be very useful in keeping invoices organized. It offers many organizational options – from arranging monthly invoices in one spreadsheet, to bi-weekly or random in another.

Organize invoices with invoice book

Have you considered using an electronic invoice book? Apart from keeping a hard copy of your invoices in a paper book, you can also upload each invoice to your computer and keep the records in the electronic book.

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Information Sheet-2	Checking Invoices Against Source Documents
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When a business generates a financial transaction, it creates a paper trail. This paper trail is called a “Source Document.” Your bookkeeper or accountant may ask you to provide them with some sort of source document to verify data and record transactions correctly. A good source document should describe the basic facts of the transaction such as the date, the amount, the purpose, and all parties involved in the transaction.

Some examples of source documents include:

- Bank Statements
- Payroll Reports
- Invoices
- Leases & Contracts
- Check Registers
- Purchase Orders
- Deposit Slips – not included on a bank statement
- Check Copies – not included on a bank statement
- Evidence of a Sale or Disposal of an Asset
- Credit Card Statements
- Amortization Schedules
- Sales Tax Returns

The source document is a good internal control and provides evidence a transaction occurred. Providing source documents to your bookkeeper or accountant in a timely manner assists them in preparation of financial statements and accurately analyzing your business activity.

Information Sheet-3	Correcting any errors or inaccuracies
----------------------------	----------------------------------------------

Key Concept	Best Practice
<p>Accuracy of activity:</p> <p>A good internal control system provides a mechanism to verify that transactions and activity are for the correct purpose and amount, and allowable.</p>	<p>For each type of activity consider documenting the particular information from source documents that is to be compared to the appropriate report. This assists to ensure that transactions are valid and are correct in purpose. (example: determine that for travel reimbursement source documents, the traveler name, destination, purpose of the trip, etc. will be matched to the monthly financial report)</p>



	<p>Ensure that transactions have been properly authorized. Especially, if the source documents are paper based, review for potential changes to the document between approval and processing of transactions.</p> <p>Ensure that all transactions are allowable.</p> <p>See more specific information: <u>Budget Activity Reconciliation Process Guidelines</u></p>
<p>Error correction:</p> <p>Errors and discrepancies, intentional or unintentional, should be detected, investigated and resolved in a timely fashion.</p>	<p>Verify the recording of transactions in a timely manner. Review source documents to assure they are processed and posted in a timely manner by the processing department. If not, follow up with the appropriate central office or processing department.</p> <p>Document a plan for the research and correction of errors or discrepancies of each type of transaction or activity. Communicate these processes and procedures with the appropriate staff.</p> <p>Establish expectations for timeliness of error correction.</p>
<p>Matching to the source:</p> <p>The oversight of any transaction is strengthened by the process of matching source documentation of the transaction to the appropriate reporting documentation or reporting tool.</p>	<p>See <u>Budget Activity Reconciliation Process Guidelines</u></p>
<p>Documenting the process and completion:</p> <p>Reconciliation processes are most effective when they are consistent and thorough. Employees involved in the reconciliation process should be knowledgeable and clear on their responsibilities and expectations.</p>	<p>Be consistent with reconciliation processes. Changing the reconciliation process often leads to undiscovered inaccuracies and potential fraud.</p> <p>Reconciliation should be documented clearly to verify that a review has been done.</p> <p>The reconciliation process and procedures should be documented clearly and communicated. Consider documenting:</p>



It should be clear to an external reviewer when a reconciliation has been completed.	<ol style="list-style-type: none"> 1. The steps in the process 2. Who performs each step 3. Expectations regarding timeliness 4. A mechanism for providing proof that all activity has been reviewed and reconciled 5. A procedure for error correction.
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Information Sheet-4	Preparing Invoices
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Organizing your documents and references concerns everything surrounding the **production, retention, and use of receipts**. While commercial law does not prescribe a particular system for bookkeeping or regulating the organization of accounts in detail, there are nevertheless a number of legal requirements and important information to keep in mind for efficient bookkeeping.

What information should be included on a purchase invoice?

Receipts and other types of source documents can vary massively in their appearance – for example, a run-of-the-mill receipt from a grocery store looks completely different to a purchase invoice, and that will differ again from a salary roster. However, there are four details that should appear on every kind of receipt:

1. Text that describes the **transaction**
2. The **amount, quantity, and/or value** of any money or goods exchanged
3. The **date** of the transaction
4. A **signature** of authorization (this may be omitted for electronically generated purchase invoices)

If a purchase invoice is being used for a tax deduction, further information may be required. For more information on this, see the chapter on using purchase invoices for tax returns.

What are the different types of receipts?

A receipt is essentially written proof of any kind of transaction. Invoices are the most common type of receipt. These basically serve to document the demand for a fee or service. However, there is a wide variety of different types of receipts, each relating to a different kind of business transaction, both between a company and external agents, and internal daily business within a company. That’s why it’s important to distinguish between **internal financial statements** and **external financial statements**.

External financial statements include all receipts obtained from external sources, such as:

- Purchase invoices
- Bank statements
- Bills of lading and commercial letters

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- Expense reports
- Tax assessments
- Commercial receipts

Internal financial statements, on the other hand, are handled internally within a company. These include:

- Wage and salary rosters
- Material withdrawal slips
- Transcripts of outgoing invoices
- Copies of receipts, commercial letters, cheques, etc
- Proof of cancellations and transfers

Where the document originated from is the deciding factor in what constitutes an external financial statement and what an internal financial statement is. For example, with online banking statements, even if the company prints out the statement itself, it is still an external document, as it was created and provided by an external party. Furthermore, an invoice sent by mail also counts as an external document, even if it is printed independently. In addition to internal and external documents, another important type of receipt is the **corrective invoice**, which is used as a replacement document if it's necessary to reissue an invoice or receipt. It's also possible to generate your own supporting documents here.

In order for them to be officially recognized, however, **reissued receipts for large amounts of money should be exceptions** and must not occur too frequently in order for them to be credible. However, it is relatively common to verify small amounts of change using reissued receipts – for example, tips, postage, parking fees, etc. As reissued receipts are handled internally within a company, they do not count as an internal document because they have a special status as a third type of receipt.

How do I record transactions when bookkeeping?

How exactly does one make an original entry of a transaction? After collecting all these receipts, how should you file them and keep them ordered? There are some fundamental rules to good bookkeeping to which every business must adhere. The first rule relates to the timing of the entry; in principle, any transaction should be documented in a timely manner. As a rule, all business transactions and accompanying documents should be transferred to your accounting journal **by the end of the month**.

Furthermore, you should take care to document all of your receipts without leaving any gaps. This means storing documents **chronologically and comprehensively, with consecutive information**. It is important that outsiders can clearly assign each receipt to a specific business transaction. **Accounting stamps** are an ideal way to take care of legibility, as these provide the most important information at a glance. This makes it substantially easier to file the documents correctly at the end of the month. Many aspects of accounting are now **digitized** but the exact format you should use depends on your computer system. However, digital bookkeeping systems also depend on the being correct and clear.

Providing additional information

Some **additional information must be provided** to the tax office. The more thorough your documentation, the more likely it is that the tax office will class the majority of the expenses

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as tax deductible. However, **different rules apply for each document type**, so be sure to obtain specific additional information about the respective types of receipts when submitting documents for the tax returns. Exercise caution here as the information required varies widely – inaccurate documents are usually rejected by the tax office. For example, for **small sums**, the full address of the accountant and the tax rate (this varies depending on the state and the business category) must be added. **Higher amounts**, on the other hand, require more detailed information, such as the tax number of the issuer and the addresses of issuers and recipients.

Furthermore, **expense reports** should always include information about the venue and staff. Additional information is required for hospitality expenses of over \$150. For example, to claim transport expenses such as railway tickets and tax fares, you must provide information about your destination. If you were unable to obtain a receipt for these, you can also provide your own documents. The financial authorities should then be informed in writing or at least verbally regarding the specific circumstances.

Although each receipt requires specific information and supporting documents, there is a golden rule that applies in all cases: **detailed information** is always far more beneficial than making do with minimum requirements. For example, if a receipt only lists the item identification number and price, you should add details of the purchased item. The more precise, the better; for another example, if you buy a specialist textbook, you should note down the title of the book instead of simply writing 'textbook'. If you submit documents that are clear, comprehensible, and correctly filled in, you can also use it as evidence for your tax returns.

Self check	
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1. What Does an Invoice Include?

2. How to Invoice a Customer. Assume, you will prepare an invoice only after you have shipped or delivered the product or service to the customer?

3. Creating an invoice step-by-step related to this sale.

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