ACCA F3
Sources, records and books of prime entry (1)

Ashely

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The role of source documents

Business transactions are recorded on source documents:

Quotation: A document sent to a customer by a company stating the fixed price that would be charged to produce or deliver goods or services.
Purchase order: A document of the company that details goods or services which the company wishes to purchase from another company.
Sales order: A document of the company that details an order placed by a customer for goods or services.
Goods received note: A document of the company that lists the goods that a business has received from a supplier.
Goods dispatched note: A document of the company that lists the goods that the company has sent out to a customer.
Statement: A document sent out by a supplier to a customer listing the transactions on the customer’s account, including all invoices and credit notes issued and all payments received from the customer.

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The role of source documents

An **invoice** relates to a sales order or a purchase order.

- When a business sells goods or services on credit to a customer, it sends out an invoice. The details on the invoice should match the details on the sales order. The invoice is a request for the customer to pay what he owes.
- When a business buys goods or services on credit it receives an invoice from the supplier. The details on the invoice should match the details on the purchase order.

INVOICE

(a) Name and address of the seller and the purchaser
(b) Date of the sale
(c) what is being sold
(d) Quantity and unit price
(e) trade discount
(f) Total amount
…

Top copy to customer
Second copy to accounts department
Third copy to warehouse
Fourth kept in sales department as a record of sales

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The role of source documents

Credit note: A document sent by a supplier to a customer in respect of goods returned or overpayments made by the customer. It is a 'negative' invoice.

Debit note: A document sent by a customer to a supplier in respect of goods returned or an overpayment made. It is a formal request for the supplier to issue a credit note.

Remittance advice: A document sent to a supplier with a payment, detailing which invoices are being paid and which credit notes offset.

Receipt: A document confirming confirmation that a payment has been received.

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The need for books of prime entry

Source Document

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books of prime entry

(a) Sales day book

(b) Purchase day book

(c) Sales returns day book

(d) Purchase returns day book

(e) Journal (described in the next chapter)

(f) Cash book

(g) Petty cash book

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The sales and purchase day book

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The sales day book is used to keep a list of all invoices sent out to customers each day

SALES DAY BOOK

Date	*Invoice*	*Customer*	*Total amount invoiced*
20X0			$
Jan 10	247	Jones & Co	105.00
	248	Smith Co	86.40
	249	Alex & Co	31.80
	250	Enor College	1,264.60
			1,487.80

A business also keeps a record in the purchase day book of all the invoices it receives.

PURCHASE DAY BOOK

Date	*Supplier*	*Total amount Invoiced*	*Purchases*	*Electricity etc*
20X8		$	$	$
Mar 15	Cook & Co	315.00	315.00	
	W Butler	29.40	29.40	
	EEB	116.80		116.80
	Show Fair Co	100.00	100.00	
		561.20	444.40	116.80

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The sales and purchase return daybook

Customers return goods ---a credit note

All credit notes are recorded in the sales returns day book.

SALES RETURNS DAY BOOK

Date	*Credit note*	*Customer and goods*	*Amount*
20X8			$
30 April	CR008	Owen Plenty	
		3 pairs 'Texas' boots	135.00

Purchase returns day book records credit notes received in respect of goods which the business sends back to its suppliers.

PURCHASE RETURNS DAY BOOK

Date	*Supplier and goods*	*Amount*
20X8		$
29 April	Boxes Co	
	300 cardboard boxes	46.60

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Conclusion

- 1. The role of source documents
- 2. The need for books of prime entry
- 3. Sales and purchase day books

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