



Osborne Books

# Introduction to Bookkeeping

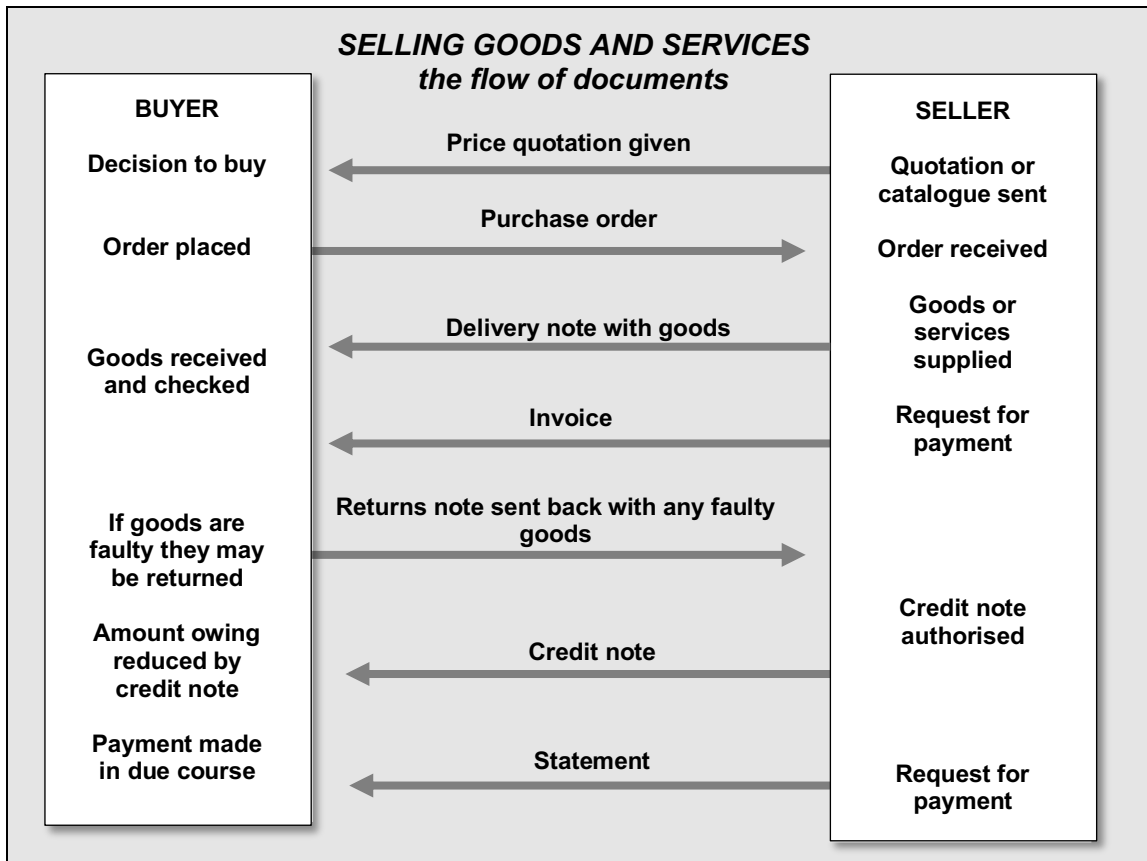
Tutorial - replacement pages

A printing issue in a small initial print run of this book meant that diagrams on the following three pages were not accurately reproduced in the printed book. If you have received a copy of the book containing print errors on these pages, please contact us and we will arrange a replacement book.

## FINANCIAL DOCUMENTS

When a business sells goods or services, it uses a number of different business documents (listed in the diagram below). A single sales transaction of course involves both seller and buyer. In this chapter we look at the situation from the point of view of the **seller** of the goods or services. The transaction from the point of view of the buyer is explained in Chapter 6. Documents which are used in the **selling** process include:

- price **quotation** which the seller may be asked to provide
- **purchase order** which the seller receives from the buyer
- **delivery note** which goes with the goods from the seller to the buyer
- **invoice** which lists the goods and tells the buyer what is owed
- **returns note** which is sent with any goods that are being returned
- **credit note** which is sent to the buyer if any refund is due
- **statement of account** sent by the seller to remind the buyer what is owed



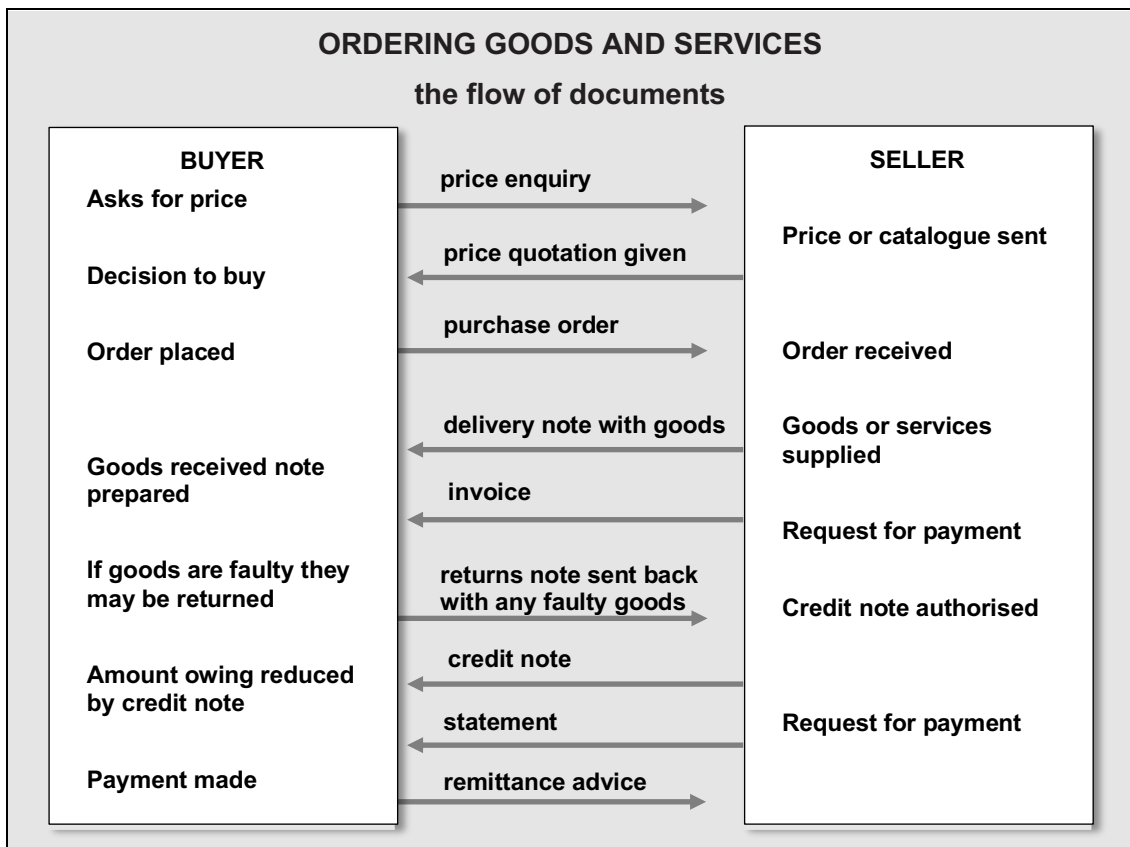
## FINANCIAL DOCUMENTS – THE PURCHASER’S POINT OF VIEW

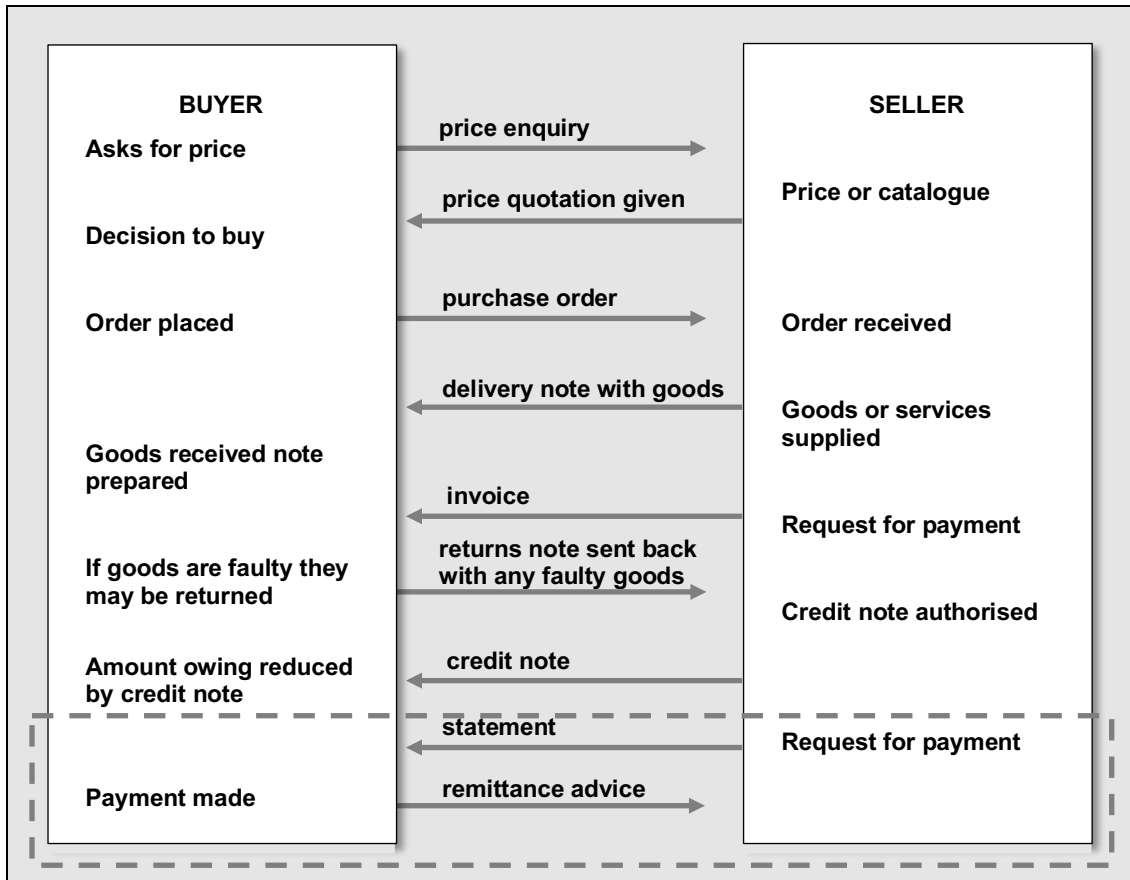
When a business **sells** goods and services, its main concern is that it provides what has been ordered and that it gets paid on time. When a business **orders** goods and services, on the other hand, it will want to ensure that:

- the correct goods and services are provided – on time
- they are charged at the right price

The traditional procedure is for the purchaser to accumulate on file – often stapled together – a series of documents which will be checked against each other as they are produced or come into the office, eg copy purchase order, delivery note, goods received note, invoice, credit note, statement, and so on. These will often be kept in a ‘pending invoices’ file until payment is made, when they will go into a ‘paid invoices’ file – as shown in the diagram below.

This chapter covers the treatment of financial documents until payment is made. Calculating and making payment is covered in Chapter 8.





## RECONCILING THE SUPPLIER STATEMENT OF ACCOUNT

Chapter 6 described the processes of checking all the purchases documentation to identify and deal with any discrepancies. The documents involved in the checking process are:

- delivery note and the actual goods received (possibly using a goods received note)
- supplier invoices and credit notes for calculation errors
- supplier invoices and credit notes against the purchase order
- credit notes for prompt payment discount (PPD)

By the time that all these checks have been made and the invoices and credit notes have been authorised, the buyer should settle up and pay the **supplier's account in the payables ledger**. This account contains details of all the