Level 2

WA 06: Bookkeeping, Accounting and Financial Transactions

UNIT 2.6 Perform routine business transactions

LO2.10: Demonstrate the ability to make Business Transactions and to implement simple and routine accounting (e.g., petty cash reconciliation)

LO2.11: Demonstrate the ability to make payments to suppliers and receive payments from customers in conformity with organisational procedures
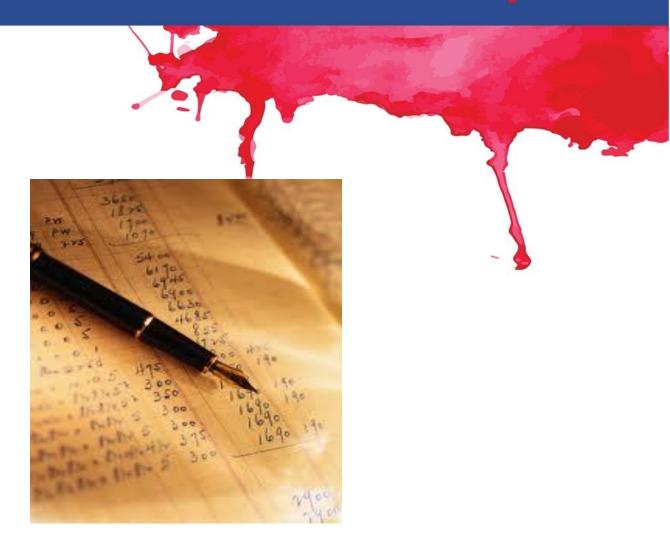
Business Transaction

– A business transaction requires the execution of multiple operations.

– For example, consider the purchase of an item from an on-line catalogue.

  • One operation records the payment

  • Another operation records the commitment to ship the item to the customer. It is easy to imagine a simple program that would make this work. However, when scalability, reliability and cost enter the picture, things can quickly become very complicated.

Some examples of the Transactions

Application	Example of Transaction
Banking	Withdraw money from an account
Inventory control	Record the fulfilment of an order
Online shopping	Place an order using an on-line catalogue
Telecommunications	Connect a telephone call
Office Administration	Receive a payment from a customer

- **Business transaction management** (BTM)

  - is the practice using information technology to manage business transactions.

  - It is also known as business transaction monitoring.

- service quality for users conducting business transactions, while improving the effectiveness of the IT applications and infrastructure which those transactions execute.

- Each Company/Organisation has its own BTM System, So you need to get familiar and ask your supervisor about the procedures you follow.

- **Simple transactions**
  - a singular transaction between a vendor and customer (e.g. buying a TV, booking a hotel room).
- **Complex transactions**
  - require a series of events before completion (e.g. buying a home).
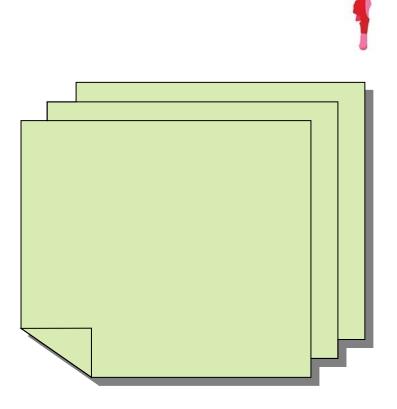- **Ongoing transactions** typically involve a contract.

- **Retail to Customer, in Person**, involves a customer selecting items to purchase and buying the items using cash, check or a credit card.
- **Retail to Customer, Not in Person**. Customers can order products from a catalog by phone or online and the goods are shipped
- **Wholesaler to Retailer**, when a retailer buys products from a manufacturer or wholesaler.
- **Business to Business**, selling products or services to other businesses and exclude end consumers from the business model completely.
- **Wholesale to Consumer**, when wholesalers also sell products directly to consumers
- **Consumer to Consumer**, e.g. classifieds

- Credit notes

- Payment Receipts

- Invoices

A receipt

- A written acknowledgment that specifies the sum of money that has been received as an exchange for goods or services. The receipt is evidence of purchase of the product or service obtained in the exchange.

```
Berghotel
Grosse Scheidegg
3818 Grindelwald
Familie R.Müller

Rech.Nr. 4572          30.07.2007/13:29:17
Bar                              Tisch  7/01

2xLatte Macchiato  à   4.50  CHF     9.00
1xGloki            à   5.00  CHF     5.00
1xSchweinschnitzel à  22.00  CHF    22.00
1xChässpätzli      à  18.50  CHF    18.50
                           --------------
        Total :   CHF          54.50

Incl. 7.6% MwSt  54.50 CHF:    3.85

Entspricht in Euro  36.33  EUR
Es bediente Sie: Ursula

        MwSt Nr.: 430 234
        Tel.: 033 853 67 16
        Fax.: 033 853 67 19
E-mail: grossescheidegg@bluewin.ch
```

Purpose
- providing information to customers or donors, documenting purchases and assisting with internal accounting. Both for-profit and nonprofit organizations have reasons to give receipts to patrons.
- Receipts serve as an effective communication tool with customers
- Businesses keep copies of receipts for internal accounting.
- Receipts allow for accurate tracking of sales and revenue

Information included:

- **Receipt Number**
- **Date**
- **Time**
- **Items purchased**
- **Quantity purchased**
- **Total value**
- **VAT or other taxes**
- **Contact details**

Receipt

1. This is your own responsibility since you will receive the money. Ensure that all necessary information is there such as date, customer name and details, method of payment, etc.

2. Ensure that the amount indicated is the correct one (numeric and alphanumeric).

An invoice indicates:
- **who** you bought something from
- **what** you bought from them
- **how** much the product/service cost you
- **when** it was bought
- **when** you have to pay for it *(payment terms)*
- any discount granted
- amount of tax/VAT paid
- special terms & conditions
- specific delivery notes
- who you dealt with at the company
- contact details

Invoice

- Although somebody else has probably checked the invoice you can scan it through to ensure that everything is in order

  1. Date is appropriate.
  2. There is an invoice number.
  3. It is correctly addressed.
  4. It is reliable with appropriate signatures and stamps.

Your Company Name
Address 1
Address 2
Address 3

CREDIT NOTE

To:
Customer Name
Address 1
Address 2
Address 3

CREDIT NOTE DATE	17/08/2016
CREDIT NOTE #	Credit Note 123
REFERENCE	

This is a credit note made against **INVOICE 12345**

Description	Qty	Unit	Unit Price	VAT %	VAT	Total

Sub Total	£	-
Total VAT	£	-
Total amount due	£	-

Payment should be made as per the agreed terms

- A form or letter sent by a seller to a buyer, stating that a certain amount has been credited to the buyer's account.

- A credit note is issued in various situations to correct a mistake, such as when

(1) an invoice amount is overstated,

(2) correct discount rate is not applied,

(3) goods spoil within guaranty period, or

(4) they do not meet the buyer's specifications and are returned.

- If you are receiving money you should always:

  - Check the amount of money in front of the customer.
  - Double check the change you give, sometimes a machine can help you with that.
  - Check the originality of the money, in this case you can also use the above mentioned machine to help you.

- Issue the receipt which should contain all relevant information e.g.

- Received from

- Amount (as a figure and in words)

- Method of payment (cash/cheque and bank)

- Settlement of invoice

- At the end of the day always double check the cashier.

- Keep the money locked and safe.

- Ensure that you are the only person that has access to the cashier.

Value added tax is a form of indirect taxation levied throughout the European Union.

- **Basic principles of VAT**

- VAT is a tax on turnover and is added at every stage of manufacture or process, based on the value added at each stage.

- In general, VAT taxes individuals, not businesses. So that while registered businesses must charge VAT to their customers, they may also reclaim (with a few exceptions) any VAT they pay to suppliers.

VAT – Basic principles

- *VAT is generally **not** a cost to a registered trader*.

- A trader who is not registered cannot reclaim input tax and as such suffers the full cost of purchases, including the VAT element.

- VAT legislation requires registered businesses to maintain proper records, including copies of invoices on which VAT is charged or payable, and to make regular returns.

- VAT accounting is usually on an accruals basis – that is to say outstanding invoices are taken into account – although again smaller businesses

- A petty cash reconciliation is a formal review of petty cash records

- To reconcile petty cash:

  - *Ascertain stated balance.*

  - *Obtain reconciliation form.*

  - *Calculate withdrawn cash.*
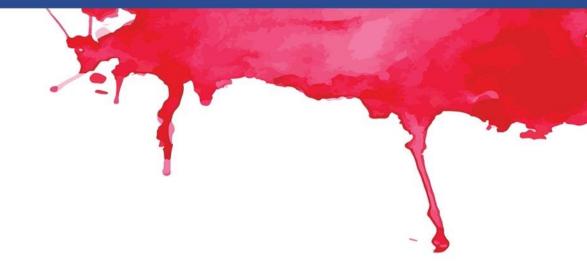
  - *Summarize vouchers.*

  - *Investigate variances.*

Petty cash reconciliation templates

Petty Cash Reconciliation Sheet

Department: _____   Month: _____

Description	Quantity	Amount
Total petty cash counted		
Paid vouchers counted		
Total petty cash and paid vouchers		
Total authorized petty cash float		
Difference		

Comments

Prepared by: _____   Date: _____

Petty Cash Reconciliation

Cash on Hand: _____   Date: _____
Cash: _____
Coins: _____

RECEIPTS

Date	Code	Vendor	Amount Spent
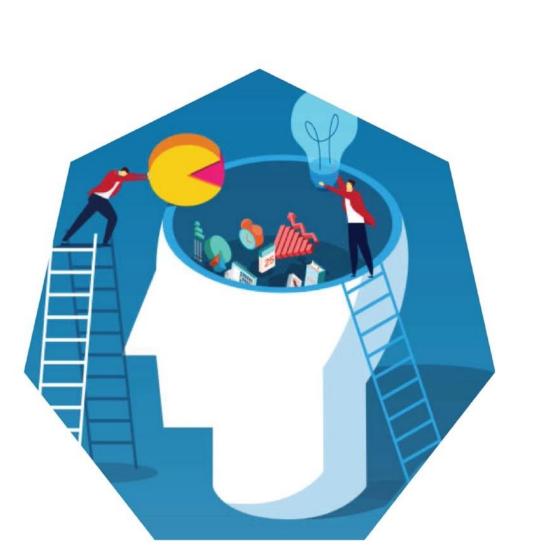
Invoices and Receipts

E-EUPA_LO_2.10_M_001

Payments through the development of posters

E-EUPA_LO_2.6_M_002

Revision Questions

Revision Question 1
List different accounting documents

Revision Question 2
List the main information included on different accounting documents.

Revision Question 3
Define business transaction.

Revision Question 4
Identify different types of business transactions

Revision Question 5
List examples of simple and complex transactions

Revision Question 6
Describe the main principles of VAT.

A business transaction requires the execution of multiple operations.
- For example, consider the purchase of an item from an on-line catalogue.
- VAT is a tax on turnover and is added at every stage of manufacture or process, based on the value added at each stage.

The basic accounting documents:
- Credit notes
- Payment Receipts
- Invoices

Simple troubleshooting
- Check cables
- Check power supply
- Check ink (printer and fax)
- Read manuals
- Get help from colleagues

Health and safety regulations
- Suitable for use
- Maintained
- Inspected

WELL DONE!

You have completed Unit 2.6