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# **Unit Details**



### 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

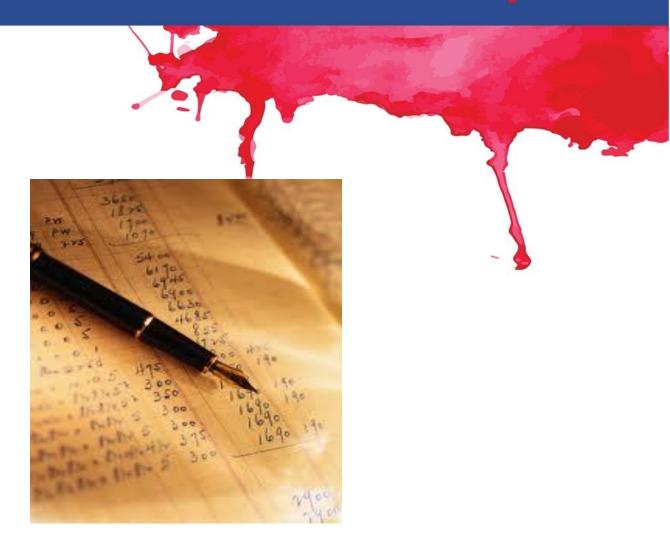


### **Business Transaction: Definition**



### **Business Transaction**

- A business transaction requires the execution of multiple operations.
- For example, consider the purchase of an item from an online 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**



- Business transaction management (BTM)
  - is the practice using information technology to manage business transactions.
  - It is also known as business transaction monitoring.

# The ultimate goal of BTM is to improve:



- 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.

# Types of business transactions



- 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.





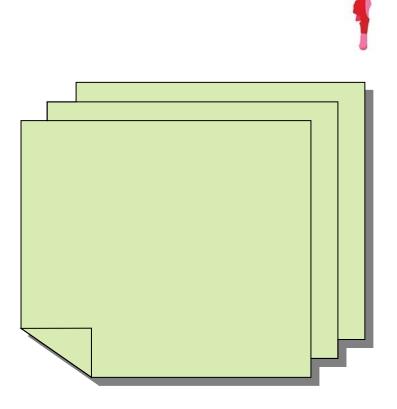
## Types of business transactions by Industry

- 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

# Basic accounting documents



- Credit notes
- Payment Receipts
- Invoices



# Some financial documents for payment procedures

# 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.



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### Documents during a Payment Procedure: receipt



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1xGloki	à	5.00	CHF	5.00
1xSchweinschnitzel	à	22.00	CHF	22.00
1xChässpätzli	à	18.50	CHF	18.50
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#### **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

## **Documents during a Payment Procedure:** receipt



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### rmation included:

- eceipt Number
- ate
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- ems purchased
- **luantity purchased**
- otal value
- **AT or other taxes**
- ontact details

# Documents during a Payment Procedure: receipt



### 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).

# Documents during a Payment Procedure: invoice



Street Address City, ST ZIP Code Phone Number,Web Address, etc.		DATE: INVOICE #:	
Bill To:			
	Requisition #		
	Machine #		
	Work Order≴ P.O.≴		
	Terms		
Des cription	Quantity	Unit Price	Line Total
		SUBTOTAL	
		ST 8.000%	-
	G	ST 6.000% [	
TES:		-	
		TOTAL	
		PAID	-
		TOTAL DUE	-

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

# Double check is always necessary



#### 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.

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CH Gourmet Gifts	INVOICE			
13 East 54th Street New York, NY 10034 Phone: 206-555-2078 Fax: 206-555-2081	DATE: 1/1/2000 INVOICE # 100			
Bill To: Alexander O'Brien Manxsys Financial 2864 Yookland Ave.				
Seattle, WA 96452 Phone: 206-555-2078				
SALESPERSON P.O. NUMBER SHIP DATE SHIP	VIA F.O.B. POINT TERMS Due on receipt			
QUANTITY DESCRIPTION	UNIT PRICE AMOUNT			
1.00 Coffee Brand-X - 2 lbs pack	12.50 12.50			
1.00 Chocolate Sampler	12.00 12.00			
	SUBTOTAL \$ 24.50 TAX RATE 5.00% SALES TAX 1.23 TOTAL \$ 25.73			
	A     C     D     E     F      C     D     D     E     F      C      D     C     D     D     C     D     D     D     D     C     D     D     C     D      D     C     D     D     C     D     D     C     D      D     C     D      C     D     D     C     D      D     C     D      C     D     D     C     D      D     C     D      C     D     D     C     D      D     C     D      C     D      D     C     D      D     C     D      C     D      D     C     D      C     D      C     D      D     C     D      C     D      D     C     D      C     D      D     C     D      C     D      D     C     D      C     D      D      C     D      C     D     D     C     D	Bit C         D         E         F         G         H         J           CH COURTED Gifts           INVOICE           INVOID <td <="" colspan="2" td=""></td>		

### Documents during a Payment Procedure: Credit note



<b>Your Company Name</b> Address 1 Address 2 Address 3			CR	EDI	t no.	TE			
To: Customer Name Address 1 Address 3 Address 3			CREDIT		17/08/2016 Credit Note 1	23			
This is a credit note made agair Description	inst INVOIC	E 12345	Unit Price	VAT %	VAT	Total	<ul> <li>A form or le stating that credited to</li> </ul>		
								A credit not correct a mi	
							(1)	an invoice a	
							(2)	correct disc	
					Sub Total	£ -	(3)	goods spoi	
					<u>Total VAT</u> nount due	£ -	(4)	they do no	
				Payment sho	uld be made as per	the agreed terms		and are ret	

- 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.

# Payments - Key issues

e eup Certification for Administration Personnel

- 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.

# If you are receiving money you should always



- 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.



# VAT – Basic principles



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

# Petty cash reconciliation



- A petty cash reconciliation is a formal review petty cash records
- To reconcile petty cash:
  - Ascertain stated balance.
  - Obtain reconciliation form.
  - Calculate withdrawn cash.
  - Summarize vouchers.
  - Investigate variances.

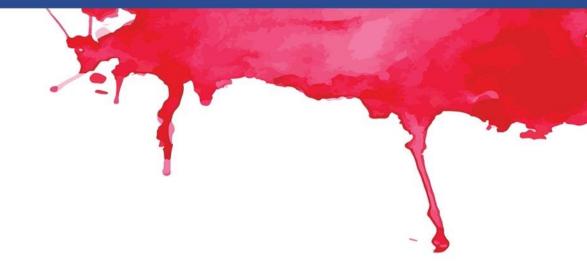
## Petty cash reconciliation templates



#### Petty Cash Reconciliation Sheet Department: Month: Description Quantity Amount **Petty Cash Reconciliation** Date: Cash on Hand: Cash: Coins: RECEIPTS Code Vendor Amount Spent Date Total petty cash counted Paid vouchers counted Total petty cash and paid vouchers Total authorized petty cash float Difference Comments Prepared by: Date:

# Methodological Tool I





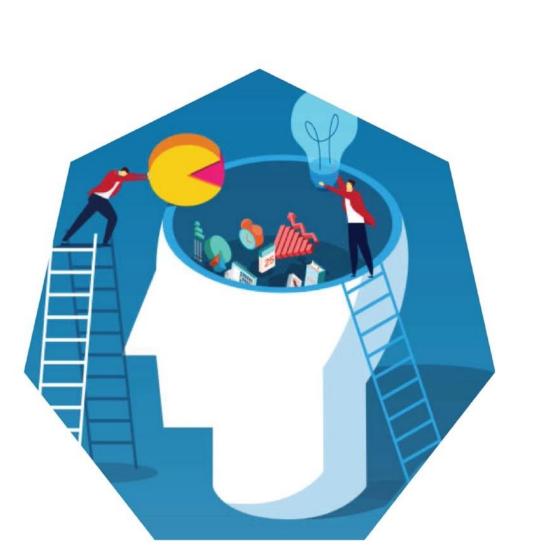
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# **Invoices and Receipts** E-EUPA\_LO\_2.10\_M\_001

# Methodological Tool II





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Payments through the development of posters E-EUPA\_LO\_2.6\_M\_002

### **Revision Questions**



Revision Question 1 List different accounting documents

Revision Question 3 Define business transaction.

Revision Question 5 List examples of simple and complex transactions

#### **Revision Question 2**

List the main information included on different accounting documents.

Revision Question 4 Identify different types of business transactions

Revision Question 6 Describe the main principles of VAT.

# Module Key points

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

# Module Key points

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### 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



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