CHAPTER THREE

ACCOUNTING SOURCE DOCUMENTS

CHAPTER OUTLINE

- Sales Invoice
- Purchases Invoice
- Debit Notes
- Credit Notes
- Payment Vouchers
- Receipts
- Bank Pay -In - slips
- Cheque Counterfoils

Learning Objectives

At the end of this chapter, the student should be able to:

- Identify and explain the use of accounting source documents
- Differentiate among the accounting source documents.
- Explain the relationship between accounting source documents and prime books

ACCOUNTING SOURCE DOCUMENTS.

Accounting relies so much on effective documentation. Every datum recorded must be capable of being traced to a correct source.

Source documents are therefore, used to initiate recording of business transactions. It is from the source documents that financial records are extracted to the books of original entry. The source documents therefore, serve as evidence of financial transactions.

The basic source documents include:

1. Sales Invoice
2. Purchases Invoice
3. Debit Notes
4. Credit Notes
5. Payment Vouchers
6. Receipts
7. Bank Pay-In-Slips
8. Cheque Counterfoils.

3.1 SALES INVOICE: This is the source document issued by the seller to the buyer, requiring the buyer to pay for the amount stated on the invoice for goods supplied or services rendered. When services are rendered, a bill is issued in place of sales invoice. The sales invoice serves as a source document for the sales day book. It needs to be stated that sales invoice equally serves as purchases invoice. To the seller, it is a sales invoice whereas to the buyer it is a purchases invoice. The seller uses it to record his or her credit sales in the sales day book while the purchaser uses it to record his or her purchases in the purchases day book.

Features of a sales invoice

A typical sales invoice should have the following features:

a) Name and address of the buyer
b) Date of the sales
c) Particulars of the goods
d) Unit price of goods and total amount
e) Discount, if any
f) Amount charged for VAT
g) Other conditions, if any
h) Signature of the buyer and seller
I) Pre-numbering.

Sample of Sales/Purchases Invoice.

Invoice No...........

Eze Sanni
15 Eze Street
Enugu
15th June, 2013

Akinjide Segun
15 Awolowo Road
Ijebu-Ode

Description	Unit price	Amount ₦	Total ₦
20 Pairs of sandal	500.00	10,000.00	
5 Pairs of Slippers	200.00	1,000.00	
Less 10% trade discount.		11,000.00	
Carriage forward		1,100.00	10,900.00

In the above sample, Eze Sanni of 15 Eze Street, Enugu is the supplier or the seller while Akinjide Segun of 52 Awolowo Road Ijebu-Ode is the buyer. The term carriage forward means the buyer will pay for the cost of carriage when he receives the goods.

It should be noted that the arrangement of information contained in the invoice may be designed to suit specific business organization. The basic thing is that all the necessary information as contained above must be disclosed.

3.2 PURCHASES INVOICE: This is a document received by a businessman from his or her supplier of goods, stating the particulars and cost of goods he or she purchased. It is used to record transaction details in the purchases day book. Note that the original copy of sales invoice earlier discussed serves as the Purchases Invoice for the buyer while the duplicate copy is used as the Sales Invoice by the seller.

3.3 DEBIT NOTE: This is a document sent by the buyer to the seller or supplier requesting for a credit note to be issued to him or her (the buyer) to correct over-charges in his or her account. The seller having received the debit note, will issue a credit note accordingly before the buyer will then debit the account of the supplier.
The supplier can equally send a debit note to the buyer in order to increase

the amount due from a debtor. This occurs when the buyer is undercharged or if there are expenses that ought to be charged against the buyer that were not included in the invoice.

3.4 CREDIT NOTE: This is a document sent by the seller to the buyer to inform him that his indebtedness has been reduced to the amount so stated. The need for credit note arises when the buyer, for one reason or the other, returns goods back to the seller. Note that credit note issued represents returns on sales (Return Inward) while credit note received represents returns on purchases (Return Outward).

3.5 PAYMENT VOUCHERS: This is a source document that authorizes payments for goods and services. The necessary approval authorities must sign the voucher before payment can be made.

3.6 RECEIPTS: This is a document issued for cash received from a customer for goods sold or services rendered. It therefore, serves as the source document used to record cash receipt or cash paid in the cash book. It is necessary for the student to understand the difference between a receipt and an invoice (Purchases or Sales). The invoice is primarily used for credit purchases or sales while the receipt is issued to acknowledge the receipt of cash i.e. as a proof that cash has exchanged hands. Each is used for a different purpose as earlier discussed.

3.7 BANK PAY -IN -SLIPS

This serves as evidence of cash or cheque paid into the bank. It is a major source document for recording in the debit side of the bank column of cash book. It is normally in triplicate copies. The bank retains two copies for reconciliation purposes while the depositor goes with one copy.

3.8 CHEQUE COUNTERFOIL

This is detached half of a cheque leaf which serves as an evidence of payment of creditors through the bank and withdrawals made for office or personal use. Sometimes, it may be the policy of the business entity that all receipts and payments must be made through the bank. In such situation, cheque counterfoil becomes a major source document for recording credit side in the bank column of the cash book.