

Task 2

Task 2 Part 1

Financial Documents

No matter how good a person Henry is or how good a business idea he has unless he manages his cash flow really well his business will experience problems. This will help Henry to keep an eye on how much he spends and how much money comes into his business. If he can track this well his business should not run out of money to pay for items. I will now outline key documents Henry will need to use in his business to track and record his business activity.

1. **Invoice: (To request payments)**

This is a document used by business to request payment for goods they have sent to other businesses. This will list goods sent and money that will need to be paid. An invoice will usually need paying within thirty days.

2. **Cheque:**

A cheque is usually the best way for a business to make payments (to other businesses) and receive payments from others. A cheque will also provide a record of any transaction that takes place.

3. **Recording money coming into a business and going out of a business:**

Henry will need to use a two column cash book that will record payments he makes and payments he receives.

Task 2 Part 2 / Part 3 / Part 4

In this section I will carry out the various financials that my DJ business will have to carry out in order to operate or function effectively. I will look at each operation and outline how it is to be used in my DJ business.

Tracking financial performance:

Most people go in to business with the aim of making money. The main objective for my DJ business will be to breakeven and then go on to make a profit. It will be crucial for my for my business to ensure that it has more money coming in than going out. This is called cash flow. Poor management of cash flow is the main reason for business failure. On the other hand good management of cash flow will give my DJ business a good chance of being successful. As can be seen clearly it is crucial that a new business like mine need to have systems in place in order to keep a track of money matters.

Documents used for issuing requests for payments:

- Invoice - this is a pre-printed document used by business to request payment.

INVOICE

OakTree Nursery

2 Gifford Close
Rangeworthy
Bristol
BS37 7QU



Mrs Paula Long
99 Park View
Kipsnade
Wilts
DF34 5RE

Child's Name: **John Long**

| | |
|--------------|-------------|
| Invoice No. | 2313 |
| Invoice Date | 01-Feb-1999 |

| Charge Date | Session | Day | Full Price | Comments | Disc % | Due |
|-------------|-----------|------|------------|-------------------------------|--------|--------|
| 04-Jan-1999 | All Day | Mon | £16.00 | Holiday Disc 20% | 20.0 | £12.80 |
| 04-Jan-1999 | | Mon | | Special charge for Xmas Party | | £6.00 |
| 05-Jan-1999 | Morning | Tues | £9.00 | Holiday Disc 20% | 20.0 | £7.20 |
| 06-Jan-1999 | Afternoon | Wed | £8.00 | Holiday Disc 20% | 20.0 | £6.40 |
| 07-Jan-1999 | Afternoon | Thur | £8.00 | | | £8.00 |
| 11-Jan-1999 | All Day | Mon | £16.00 | | | £16.00 |
| 12-Jan-1999 | Morning | Tues | £9.00 | | | £9.00 |
| 13-Jan-1999 | Afternoon | Wed | £8.00 | | | £8.00 |
| 14-Jan-1999 | Afternoon | Thur | £8.00 | | | £8.00 |
| 18-Jan-1999 | All Day | Mon | £16.00 | As agreed last month 10% | 10.0 | £14.40 |
| 19-Jan-1999 | Morning | Tues | £9.00 | | | £9.00 |
| 20-Jan-1999 | Afternoon | Wed | £8.00 | | | £8.00 |
| 21-Jan-1999 | Afternoon | Thur | £8.00 | | | £8.00 |
| 25-Jan-1999 | All Day | Mon | £16.00 | | | £16.00 |
| 26-Jan-1999 | Morning | Tues | £9.00 | | | £9.00 |
| 27-Jan-1999 | Afternoon | Wed | £8.00 | | | £8.00 |
| 28-Jan-1999 | Afternoon | Thur | £8.00 | | | £8.00 |

Please pay by 5th February 1999.

Total Due £161.80

An invoice has the following information:

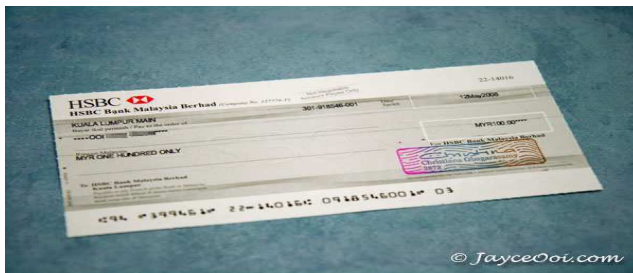
- Name and address of business
- Telephone number and email address
- If the business is V.A.T registered it must include its V.A.T number
- V.A.T = Value Added Tax

All invoices must be dated and numbered consecutively so that sales can be recorded and tracked easily.

Documents used in receiving and making payments:

If a business (like my DJ business) receives payments for a product they have sold (DJ booking) it will issue a receipt. This is proof that a payment has been made and the payments have also been received. There are a number of ways a business can be paid for the products they sell. The following are examples of different ways customers can make payments.

- Credit Card / Debit Card
- Cash
- Cheque
- Vouchers / Gift Card



Debit Card - Own money in bank used to pay

Credit Card - Money borrowed from the bank which must be paid back with interest.

My DJ business can also use a number of ways to pay the creditors (creditors are who your business owes money to) for example wholesalers where my business may have bought the following items.

- Lights bulbs
- Smoke machine
- Confetti bombs

The most common way a business will pay its creditors is by using a cheque or credit/debit card (electronic method of payment) for fewer businesses today are using cash to pay its creditors.

The main reason for this is:

- 1) Security
- 2) Cash is not a safe payment method as it can be lost/stolen or damaged.
- 3) Cash takes time and effort to handle.
- 4) Cash is useful to pay for small amount of items for example:
 - Aftershave
 - Food
 - Drinks

Cash continues to diminish as a method of payment.

Book of entry:

In order to keep a track of payments made and money coming in to the business a record is kept for reference. The information recorded in the book of entry includes:

- Invoice number
- Date invoice issued
- The name of the customer
- Total amount paid
- The amount of V.A.T charged (currently 15%)

For my DJ business I will also need a system called column cash book this will be a record of all money received by my business.

Task 2 Part 5

It doesn't matter how great a business is or how good idea of a business Henry has unless he copes with his cash flow really well his business will experience problems. This will help Henry to keep an eye on how much the business makes and how much money goes out of the business. If Henry can keep up with this well his business should not run out of money to pay for items.

This is what Henry will need to use in his business to track and record his business activity.

Invoice: (To request payments)

This is a document used by business to request payment for goods they have sent to other businesses. This will list goods sent and money that will need to be paid. An invoice will usually need paying within thirty days.

Cheque:

A cheque is usually the best way for a business to make payments (to other businesses) and receive payments from others. A cheque will also provide a record of any transaction that takes place.

Henry will need the following to record his financial transaction:

- Sales day book.
- 2 column cash book

| | | | |
|--|--------------|--------------|--|
| CREDIT NOTE No: 0135 | | 8 March 200X | |
| To authorised return of | £ | p | |
| 5 x 10 litre cans of white gloss paint | 50.00 | | |
| returned as faulty | | | |
| VAT @ 17½% | 8.75 | | |
| | <u>58.75</u> | | |
| <p>Name of customer</p> <p>D. Davidson (Builder)</p> <p>1, Main Street</p> <p>Anytown</p> <p>Lancs</p> | | | |

Here is an example of a sales day book above and a 2 column cash book on this right.

| Date | Other Party | Reference | Withdrawal | Deposit | Balance | Page |
|------------|---------------------------|-----------|------------|-----------|---------------|------|
| 14/03/2008 | CRT | 345 | | 7,000.00 | 128,576.90 Cr | 22 |
| 11/03/2008 | bill smith | | 6,234.36 | | 122,342.54 Cr | 22 |
| 13/03/2008 | CRT | | | 20,594.24 | 142,936.78 Cr | 22 |
| 2/02/2008 | MONTHLY ACCOUNT FEE | FEE | 12.00 | | 142,924.78 Cr | 21 |
| 17/03/2008 | Helen Clarke | 41 | 333.14 | | 142,591.64 Cr | 22 |
| 17/03/2008 | Jim Man | 42 | 761.04 | | 141,830.60 Cr | 22 |
| 17/03/2008 | Manager | 43 | 1,250.12 | | 140,580.48 Cr | 22 |
| 19/03/2008 | CRT | 44 | 500.00 | | 140,080.48 Cr | 22 |
| 19/03/2008 | | 45 | | | 140,080.48 Cr | 22 |
| 20/03/2008 | CRT | 502 | 250.00 | | 139,830.48 Cr | |
| 31/03/2008 | CRT | | | 16,211.25 | 156,041.73 Cr | |
| 31/03/2008 | CRT | | | 66.50 | 156,108.23 Cr | |
| 31/03/2008 | CRT | PD | | 67.50 | 156,175.73 Cr | |
| 31/03/2008 | CRT | PD | | 33.75 | 156,209.48 Cr | |
| 31/03/2008 | ATO Australian Tax Office | | | 7,000.00 | 163,209.48 Cr | |
| 7/04/2008 | Fred Pink | 44 | 551.46 | | 162,658.02 Cr | |
| 7/04/2008 | Helen Clarke | 45 | 332.34 | | 162,325.68 Cr | |
| 7/04/2008 | Helen Clarke | 46 | 332.34 | | 161,993.34 Cr | |
| 7/04/2008 | Jim Man | 47 | 642.74 | | 161,350.60 Cr | |
| 7/04/2008 | John Shearer | 48 | 541.26 | | 160,809.34 Cr | |
| 7/04/2008 | John Shearer | 49 | 541.26 | | 160,268.08 Cr | |
| 7/04/2008 | | 50 | 300.00 | | 159,968.08 Cr | |

Entry Order

Cashbook balance: \$159,968.08
 Reconciled balance: \$140,080.48
 Difference: \$19,887.60

Calculator Data Filter Transfer Edit (F2) Add Delete Import Close