

FINANCIAL DOCUMENTS FOR PURCHASE AND SALES

Almost every business transaction is accompanied by a financial document. If you pay to enter a cinema you receive a ticket in return. If you buy a bar of chocolate you are given a receipt. If you pay for something by debit or credit card then you have to sign a printed slip or counterfoil, which confirms the transactions — because the supplier receives payment at the time the item, is purchased.

You already know that an alternative to ‘cash’ transactions exists. Businesses buy and sell goods and services on credit. This means that payment is made at a later date. In this case, there are special business documents, which accompany each part of the transaction.

At one time, all business documents were specially printed and completed either by hand or on a typewriter. Today, computers can print out financial documents automatically, as they are needed. The computer at the same time adjusts the company’s accounts to show the transaction has taken place.

Understanding the financial documents used in business transactions is important for several reasons. First, you are unlikely — ever — to work for an organisation that does not issue and receive such documents. Second, in your personal life you may receive such document — particularly if you buy goods on mail order. Knowing how the documents have been compiled, why they are used — and how to check them — gives you an advantage.

The main financial documents you need to be able to issue and check are described briefly below.

- **PURCHASE ORDERS** — when an item is required, it must be officially ordered. No organisation will allow employees to order goods without permission — otherwise there would be chaos and the firm would be lucky to have any money after a few months! A purchase order is the official order for an item. DigiTech issues

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orders for items it requires, and receives orders from stores and football clubs which want to buy figures. Goods are received, though in an emergency an order may be transmitted by fax.

- **DELIVERY NOTES** – when an item is despatched, a delivery note is sent to the customers. At DigiTech Petra sends out delivery notes in the packages. The delivery note states the contents of the package (but not the price) so that the person receiving it can check that the correct items have been enclosed. At DigiTech all items received are checked against the delivery note immediately and the checker then signs the delivery note. The carrier who delivers the goods usually requires the delivery note to prove the package arrived intact.

- **GOODS RECEIVED NOTE (GRN)** – a goods received note (usually referred to as a GRN) is issued by the person who has checked in an incoming package and a copy is sent to the accounts department. This is now a written record of the actual goods, which were delivered and their condition on arrival – sometimes it may differ from the delivery note.

- **INVOICES** – an invoice is a bill for payment. It states the goods that have been sent and includes details of the price.
- **CREDIT NOTES** – occasionally an item is returned for some reason or because the charge on an invoice is too high. In either case a credit note is issued. This is the opposite of an invoice. It is confirming that the amount on the credit note will be deducted from the customer's account.

- **STATEMENT OF ACCOUNT** – at the end of the month a statement of account is prepared. This shows all the invoices and any credit notes that have been issued during the month and the balance of money owing. It is, in effect, a summary of all the different transactions that have taken place between two organisations and a reminder of the total amount, which must be paid.

- **REMITTANCE ADVICE SLIPS** – not all organisations issue these, but DigiTech does, as it considers that they help people to pay more promptly. A remittance advice slip is sent with the statement and is returned by the customer with the payment. This means the customer doesn't have to worry about writing a letter or copying

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the statement when payment is made. From a slip DigiTech can easily identify from whom the payment came and against which statement.

- **CHEQUES** – DigiTech pay its suppliers by cheque and receive dozens of cheques a month in payment. All cheques received must be examined carefully as sometimes mistakes are made in filing out a cheque, which would be rejected by the bank.
- **RECEIPTS** – very few businesses expect a receipt, as a cashed cheque is legally recognised as a receipt.

ISSUED BY THE PURCHASER	ISSUED BY THE SELLER
ORDER FORM – describes order for goods or service with price	DELIVERY NOTE – accompanies the goods and is signed by the customer as proof of delivery
GOODS RECEIVED NOTE – is issued to record the actual items delivered	SALES INVOICE – gives full details of goods, prices, discounts, VAT
	CREDIT NOTE – issued if goods are returned or to adjust any over-charge on the invoice
Purchaser notifies seller if any shortages or damage	STATEMENT OF ACCOUNT – summarises all transactions for both buyer and seller and shows the balance owing
	REMITTANCE ADVICE SLIP – summarises the account for return with payment
CHEQUE – sent in settlement with remittance advice	RECEIPT – mainly issued to private customers or to confirm cash payment has been received