

SECTOR: BUSINESS SERVICES
SUB SECTOR: ACCOUNTING
RTQF LEVEL 4



ACCBE401 PROCESSING TRANSACTION INTO BOOKS OF PRIME ENTRY

Elements of competence	Performance criteria
<p>1. Identify and Analyze Business Transactions & Discounts</p>	<p>1.1. Proper analysis of transaction that affects the business 1.2 Exhaustive identification of type of accounts in which the transaction is recorded 1.3 Effective application of rules of debit and credit 1.4 Exhaustive identification of the various types of discount 1.5 Proper description of transactions coding system</p>
<p>2. Determine the role of the books of prime entry</p>	<p>2.1 Exhaustive identification of the books of prime entry 2.2 Exhaustive identification of the business documents 2.3 Timely entry of the transactions in books of prime entry</p>
<p>3. Process recording transactions in the books of prime entry</p>	<p>3.1. Effective processing of customer transactions 3.2 Effective processing of supplier transactions 3.3 Effective processing of receipts and payments</p>

LU1. Identify and analyze business transactions and discounts

2. 1. DEFINITIONS OF SOME ACCOUNTING DOCUMENTS

- * Source document is a document which contains the information about a subject of recording and constitutes an evidence of transaction.
- * Source documents are documents which provide the accounting information when required.

In order that entries made in the books of accounts are trusted, they should be supported by documentary evidence.

The most important documents are: invoice, cash sale, credit note, debit note, statement of account.

In accounting, it is recommended that the recording in accounting books must be justified by a voucher which proves a transaction.

That voucher form a source document.

The source documents may be come from outside or inside of an organization

The most important source documents can be explained as under:

2. 1. 1. INVOICE or BILL

This is a document which is issued by the seller to the buyer when goods have been sold on credit.

An **invoice** or **bill** is a commercial document issued by a seller to the buyer, indicating the products, quantities, and agreed prices for products or services the seller has provided the buyer.

A typical invoice contains two parts:

1) the head:

- The word "invoice"
- A unique reference number (in case of correspondence about the invoice)
- Date of the invoice
- Name and contact details of the seller
- Name and contact details of the buyer

- Date that the product was sent or delivered
- Purchase order number (or similar tracking numbers requested by the buyer to be mentioned on the invoice)

2) the body:

- Description of the product(s)
- Unit price(s) of the product(s) (if relevant)
- Various reductions
- Total amount charged (optionally with breakdown of taxes, if relevant)
- Payment terms (including method of payment, date of payment, and details about charges late payment)

Types of invoice:

Pro forma invoice : is a document that states a commitment from the seller to provide specified goods to the buyer at specific prices. It is often used to declare value for customs.

It is not a true invoice, because the seller does not record a *pro forma* invoice as an accounts receivable and the buyer does not record a *pro forma* invoice as an accounts payable

Commercial invoice - a customs declaration form used in international trade that describes the parties involved in the shipping transaction, the goods being transported, and the value of the goods.^[4] It is the primary document used by customs, and must meet specific customs requirements, such as the Harmonized System number and the country of manufacture. It is used to calculate tariffs

Sales invoice or outgoing invoice: Is an invoice from the point of view of seller.

The sales day book is written from outgoing invoice

Purchase invoice or incoming invoice: Is an invoice from the point of buyer

The purchases day book is written from incoming invoice.

Example:

1) On November 28th 2006, KAPAKO RWANDA Company (Phone + 250 518646; P.O BOX 5053 Kigali; E-mail: kapako123@ yahoo.com), send to the MMM Company (Phone (+250) 0788302211; P.O BOX 160 Kigali), the invoice no 131/06 for furniture of:

- * 100 items of Motorola E816 phones (product ID: P1003; unit price: 32 000Frw) and
- * 120 items Nokia 3220 phones (product ID: P1000; unit price: 43 000Frw) VAT rate 18%

Required: Issue this invoice

2) The EPRA, P.O BOX 115 Kigali sells on March 15th 2010, 400 baskets of eggplant to LUMAPLANTS P.O BOX : 112 Butare, seller of flowers and vegetables, P.O BOX. 542 Butare.

Gross weight of each basket is 15 kg, Tare 0,5kg per basket,

Price per Kg: 500Rwf; Trade discount 2%; Packing cost 10Rwf per basket.

Transport paid by seller but chargeable to customer 2 000Rwf.

Debt payable before April 20th.

Required: Issue the invoice No 355.

ANSWER:

KAPAKO RWANDA COMPANY				
PHONE + (250) 518646		Date: November 28 th 2006		
B.P 5053 KIGALI RWANDA				
E-mail: kapako123@ yahoo.com		INVOICE no 131 /06		
 BILL TO				
MMM Company				
PHONE: (+250) 0788302211				
P.O BOX: 160 Kigali				
PRODUCT	DESCRIPTION	QUANTIT	UNIT PRIC	TOTAL VALU
P1003	Motorola E816 phones	100	32 000	3 200 000
P1000	Nokia 3220 phones	120	43 000	5 160 000
SUBTOTAL				8 360 000Rwf

VAT (18%)	1 504 800Rwf
TOTAL	9 864 800Rwf
Only Nine million eight hundred sixty four thousand eight hundred Rwf	
For Receipt	signature of Accountant

E.P.R.A			
P.O BOX: 115 Kigali		Date: March 15 th 2010	
INVOICE no 355 /10			
BILL TO			
LUMAPLANTS			
P.O BOX: 112 Butare			
DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL VALUE
Eggplants :Gross weight (400 x 15Kgs)	6 000Kgs		
Tare (400 x 0.5Kg)	<u>200Kgs</u>		
Net Weight	5 800Kgs	500Kgs	2 900 000Rwf
Trade discount (2%).....			<u>(58 000Rwf)</u>
Net Value.....			2 842 000Rwf
Packing cost (400 x 10Frw)			4 000Rwf
<u>Transport cost.....</u>			<u>2 000Rwf</u>
Total value payable			2 850 000Rwf
Rwandan francs, Two million eight hundred fifty thousand only.			
<i>Note: This invoice is payable before April 20th , 2011</i>			

3) On 2 March 2010, W Frank & Co (Hayburn Road Stockport, Stockport SK 2 5DB), sold the following goods to R. Bainbridge Ltd, (267 Star Road, Colchester CO1 1 BT).

Bainbridge's Order Number was A/4/559, for the following items:

200 Rolls T56 Black Tape at \$ 6 per 10 rolls

600 Sheets R64 Polythene at \$ 10 per 100 sheets

7,000 Blank Perspex B49 Markers at \$ 20 per 1,000

All of these goods are subject to VAT at the rate of 17,5 per cent

A trade discount of 25 per cent is given by Frank & Co.

The sales invoice is numbered 8851.

Answer:

W. Frank & Co,	
Hayburn Road Stockport	
Stockport SK 2 5DB	
TO:	Date : 2 March 2010
R. Bainbridge Ltd,	
267 Star Road	Your order no: A/4/ 559
Colchester CO1 1BT.	Account no: F/1896

DESCRIPTION	TOTAL VALU
200 Rolls T56 Black Tape at \$ 6 per 10 rolls	120
600 Sheets R64 Polythene at \$ 10 per 100 sheets	60
7,000 Blank Perspex B49 Markers at \$ 20 per 1,000	<u>140</u>
	320
Less Trade discount (25% of 320).....	<u>80</u>
	240
Add Value Added Tax (17.5% of 240).....	<u>42</u>
Total value payable.....	282
	===

Only , Two hundred eighty two dollar U.S

*** PURCHASE ORDER**

A purchase order is a commercial document written and signed by buyer to be sent to a seller indicating merchandises or goods to be sold and the delivery and payment's conditions

The purchase order must be Cleary written with accuracy (precision) in goal to avoid any future dispute

Example: On February1st 2007, BESTWAY MANUFACTURING LTD (P.O BOX 54781 NAIROBI) orders to LAVENET (P.O BOX: 23000 NAIROBI) the fallowing items:

- * 200 items of carbon paper ref no 6 at 2,600Rwf
- * 2 000 items of envelopes ref. no 7 for 8, 000Rwf
- * 10 000 items of Onion sheet (papers pelures) no 10 for 1, 400Rwf

Time of delivery: 8 days; Method of payment: in cash

Issue the purchase order no 435

Answer:

BESTWAY MANUFACTURING LTD				
P.O BOX 54781NAIROBI				
PURCHASE ORDER No: 435				
TO LAVANET COMPANY				
P.O BOX 23000NAIROBI				
Date February 1st 2007				
Please supply the following goods				
QUANTITY	DESCRIPTION	Ref. No	PRICE	VALUE
200	Carbon paper	6	13Rfw	2, 600 Rfw
2, 000	Envelopes	7	4Rfw	8, 000 Rfw
10, 000	Onion sheet (papers pelures)	10		1, 400 Rfw
	Only: twelve thousand Rwf			12, 000 Rfw

Period of delivery: 8 days	
Method of payment: cash in hand	
Prepared by Purchasing manager	Authorized by Top manager

2) SOS VILLAGE D'ENFANTS RWANDA orders to COMPUTER BYTE 15 Computers HP Vista at 550 000Rwf each. Time of delivery: 2 days; Method of payment: by Bank

Issue the purchase order no 3452

*** DELIVERY NOTE**

The delivery note is a document issued by a seller and sent to a buyer at the moment of the delivery goods, when the invoice will be sent subsequently

it serves to verify if the goods delivered are conform with the order.

It gives the details of the transactions: - the date delivery

- the name of the buyer

- the nature and quantity of delivered goods

- the name of the ship

Example: On October 19th 2007, BAMBA Ltd had ordered the following goods (items):

- 12 tyres Michelin xzx – size: 165 – 13

- 12 inner tubes size 13D – 9

After receiving this purchased order, BESTWAY MANUFACTURING LTD, supplier makes the arrangement to deliver those goods

Issues the delivery note on October 19th, 2008

Answer:

BESTWAY MANUFACTURING LTD
P.O BOX 54781 NAIROBI

DELIVERY NOTE No:.....

TO BAMBA Ltd

P.O BOX

Date:

	DESCRIPTION	SIZE	OBSERVATION
12	Tyres Michelin XSX	165 – 13	
12	Only: twelve thousand Rwf	13D – 9	

Sender

Receiver

*** GOODS RECEIVED NOTES (GRN)**

The GRN is a document issued by a receiver (buyer) of goods to record receiving of goods purchased

For goods control purposes, a receiving is used to record the details of receiving goods:

- The date of receiving;
- The name and the address of supplier
- The delivery order number
- The description of goods purchased

Example: Mr KALIMANDA received the following goods from his supplier, Mr KAMANA Ali from NairobiKenya:

- 16 Items mobile phone No 1100, Nokia Ref 1460
- 2 Desktop, Ref No 1461
- 3 Laptop HP Vista, Ref No 628

Date of delivery: December 14th, 2008

Number of delivery Order 174 / 2008

Required: He issues a goods received Notes (GRN)

Answer

MR. KALIMANDA

P.O BOX 3752 NAIROBI

GOODS RECEIVED NOTE**FROM: MR KAMANA AliiG.R.N. No:****te: December 14th , 2008**

No	Ref No	Quantity	DESCRIPTION	Delivery order No	Observation
1	1460	16	Mobile Phone Nokia 1100	174/ 2008	
2	1461	2	Desk top	174/ 2008	
3	628	3	Lap top HP Vista	174/ 2008	

Received by.....

Inspected by.....

2. 2. 2CASH SALE or CASH RECEIPT

The cash receipt is issued by the sellers to the buyers when goods have been sold against cash.

The main essential information contained in this consists of the description of the goods bought, their prices,

total amount charged, the name and address of the seller.

In case of supermarkets and department stores, machines printed cash sales are issued and these simply indicate the total amount payable by the buyer

Cash sale may be of two kinds:

- incoming cash sales are those received from creditors or sellers and they indicate the purchase of goods
- out coming sales are those sent that are issued to debtors or customers and they indicate the sale of goods

Example of cash sale or cash receipt

J.M STATIONERS LTD*For stationery and scholastic goods**Freedom House, plot 4, Road P.O Box 5178 Kampala Tel. 041 346241***RECEIPT****No. 078****Date: December 17th , 2011**

Received with thanks from*JINJA SECONDARY SCHOOL*

The sum of Shillings*One hundred sixty five thousand and six hundred only*

Being payment of *Dec 3rd INVOICE*

.....
Cash/Cheque No **Balance***Nil*

Shs 165 600

Sign.....

For J.M. STATIONERS

2. 2. 3. RECEIPT

The receipt is a written acknowledgement that something such as money or goods has been given to the person who issues the acknowledgement.

It is a written proof showing that the payment or deposit of goods or money has been done.

This document contains:

- The name and address of the depositor
- The word in latter "Receipt"
- The number of the document
- The nature (description) deposited (if it is money, you must specify the sum in figures (digit) and Letters)
- The name and signature of the receiver
- The date and reason of payment or deposit.

Example: Mr KAMANA Celestin (P.O BOX 200 Butare) pays to IRIS Enterprise, (shop specialized in

selling of flowers and Gift items, P.O box 322), The sum of 5, 000 Rwf in cash on 20 April 2007

for settlement of his invoice No 50 of April 10th, 2007.

Required: Issue the receipt No100.

Answer:

IRIS ENTERPRISE P.O BOX 322 KIGALI	<p>April 20th, 2007</p> <p>Re ce I p t No 1000</p> <p>Rwf :5, 000</p> <p>Kigali, April 20th 2007, received from Mr KAMANA Celestin</p> <p style="text-align: center;">P.O BOX 200Butare</p> <p>The sum of Five Thousand Rwf</p> <p>For payment of the invoice No 50 of April 10th 2007</p> <p style="text-align: center;">IRIS Enterprise</p> <p style="text-align: center;">Signature</p>
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Example: Mr RUGABA Jean, P.O BOX 320 Kigali lends a computer to Mr GAKUBA Cyprien P.O BOX 222 Kigali. To be remitted after two weeks.

GAKUBA Cyprien P.O BOX 222KIGALI	<p style="text-align: right;">May 13th, 2008</p> <p>receiptNo 120</p> <p>Kigali, May 13th 2008, received from Mr RUGABA Jean</p> <p>P.O BOX 320 Kigali a computer to be pay back after fourteen days.</p> <p style="text-align: center;">.....</p> <p style="text-align: center;">Done, Kigali May 13th 2008</p> <p style="text-align: center;">GAKUBA Cyprien</p> <p style="text-align: center;">Signature</p>
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2. 2. 4. CREDIT NOTE

The credit note is a document issued by a seller and sent to the buyer if it is necessary to reduce the amount charged on the invoice. It shows a decrease on the claim of money and is issued when part of the goods sold or purchased are return in goal to return a sum of money to take to the buyer

This document is issued when: - the buyer returns goods (commodities)

- the seller rectifies an error on the invoice already sent to his customer (correction of an overcharge in an invoice)
- the seller takes into consideration the discount promised but forgotten

Incoming credit notes are received from creditors, Outgoing credit notes are sent to debtors

Return outwards day books is written up from incoming credit note but Return inwards day book is written up from outgoing credit note.

Example: On 24 March 2010, BABU Company (Tel: 0788288444), located in RWANDA bought 10 000 cartons of biscuits on credit from MMM manufacturing Ltd (E-mail: mmm@yahoo.fr; 0722233311) for 800 000Rwf and a trade discount of 10% was given.

The following day, BABU Company returns 1 carton of biscuit to MMM manufacturing Ltd. that had been damaged.

Required: Issue the credit note No795

Answer:

M.M.M MANUFACTURING Ltd.

E-MAIL : mmm@yahoo.fr

Tel: 0722233311

DATE: 25./03../2010.

CREDIT NOTE No 795

TO : BABU Company

Tel: 0788288444

Quantity	DESCRIPTION	UNIT PRICE	VALUE
1	Carton of biscuits	Rwf 80	Rwf 800 000
	Less Trade discount (10% of 800 000)		Rwf 80 000
			Rwf 720 000
ONLY Seven hundred twenty thousand Rwandan francs			
EPILAX			
Signature			

2. 2. 5. DEBIT NOTE

This is a document sent by the seller to the buyer to correct an undercharge in an original invoice.

The effect of the debit note is to increase the customer's account.

Debit notes provide information to correct undercharge on goods or in respect of other charges.

This note is issued by a seller in goal:

- To rectify a favorable mistake to buyer which it has been clearly fixed only after the sending of an invoice.
- To request additional payment as interests due a delay period made by the buyer in the payment of this invoice.
- to charge the customer who fails to return the packing cases or containers not charged for in an invoice.

Incoming debit notes are received from creditors; Outgoing debit notes are sent to debtors

Return outwards day books is written up from incoming credit note

Example: Epilaxsenta debit note concerning the transport cost to Mr MURENZI Samson.

This amount (10, 500Rwf) was not charged to the customer (MURENZI) at the moment of issuing of the invoice.

Required: Issue the debit note No

Answer

E P I L A X

P.O BOX :.....

DATE:.....

DEBIT NOTE No

TO Mr MURENZI Samson

Quantity	DESCRIPTION	UNIT PRICE	VALUE
	COST OF TRANSPORT		10,500

ONLY ten thousand five hundred

EPILAX
Signature

LU2 Determine the role of the books of prime entry

2. 2. 6 STATEMENT OF ACCOUNT

This is an account in a statement from which is periodically rendered by one party showing the amount due. It is sent by the supplier of goods and services to the concerned party.

There two types of a statement of account:

- Statement of account sent by creditor (supplier) to a debtor (client)
- Bank statement

2. 2. 6. 1. Statement of account sent by creditor to debtor

This is a document issued normally at the close of each month's trading period.

It states: - The amount due at beginning of the period

- The sales and sales returns during the period
- Payments and allowances made during the period

- The amount due at the end of the period which the statement covers.

This statement provides information for reconciling or agreeing the account of the supplier and his/ her customer in each other's books.

It usually shows details of the cash and discount terms offered to the buyer.

The statement also serves as a reminder to the debtor to settle an account that is due or overdue for settlement.

E.g. The following are transactions between ALLPURPOSE (P.O BOX 11 Kigali, Tel: 0728913341-0788913341), producer of item A and B and his client KAFORA MAISHA wholesaler (Tel 0789933224) during a period of three months:

11/01/2010 sending an invoice No 2780/10; ref 281:.....10 000Rwf

21/01/2010 sending an invoice No 3011/10; ref 290:.....60 000Rwf

04/02/2010 sending an invoice No 3780/10; ref 301:..... 35 000Rwf

26/02/2010 sending a credit note No 333/10; ref 355:..... 5 000Rwf

07/03/2010 sending a check 381-210; ref 363:35 000Rwf

18/03/2010 sending an invoice No 4212/10; ref 411:..... 10 000Rwf

20/03/2010 sending a debit note No 11/10; ref 412:..... 2 000Rwf

Required: Prepare a statement of account of KAFORA MAISHA at the end of March.

Answer:

ALLPURPOSE PRODUCER				
P.O BOX 11 Kigali,				
Tel: 0728913341- 0788913341				
Account :			Date:31/03/2010	
4122	<i>STATEMENT ACCOUNT</i>			
KAFORA MAISHA				
Tel: 0789933224				
DATE	NARRATION	REF	AMOUNT	BALANCE
11/01/2010	Invoice 2780/10	281	10 000Rwf	10 000Rwf
21/01/2010	Invoice 3011/10	290	60 000Rwf	70 000Rwf

04/02/2010	Invoice 3780/10	301	35 000Rwf	105 000Rwf
26/02/2010	Credit note 333/10	355	5 000Rwf	100 000Rwf
07/03/2010	Check 381-210	363	35 000Rwf	65 000Rwf
18/03/2010	Invoice 4212/10	411	10 000Rwf	75 000Rwf
20/03/2010	Debit note 11/10	412	2 000Rwf	77 000rwf
Seventy seven thousand only Rwandan francs				
BALANCE			Rwf 77 000/=	
BALANCE			BALANCE	

2. 2. 6. 2. Bank statement

The bank statement is a statement issued periodically, monthly or quarterly, by a banker to his/her customer informing him/her of the statement of his/her financial affairs at the bank. It is a customer's account in his/her banker's books.

As the customer maintains a bank account in the cash book to sort out any differences between the two. This process is called **bank reconciliation**

E.g. The following information concerns ALL's account held in FINABANQUE during the month of March and whose the balance at the beginning of that month were 200 000Rwf.

05/03/2010 deposit of money (deposit slip No 22):.....50 000Rwf
08/03/2010 withdrawal (Check 0112).....160 000Rwf
14/03/2010 deposit of money (deposit slip No 34)..... 35 000Rwf
16/03/2010 deposit of money (deposit slip No 55)..... 45 000Rwf
23/03/2010 withdrawal (Check 0113).....65 000Rwf
26/03/2010 withdrawal (Check 0114).....10 000Rwf
27/03/2010 bank charges.....:..... 2 000Rwf

Required: Prepare a bank statement at the end of March.

Answer

FINABANQUE	
BRANCH: Nyabugogo	
Account :	Date:31/03/2010

0023-332		<i>STATEMENT ACCOUNT</i>			
ALL					
DATE	NARRATION	REF	DEBIT	CREDIT	BALANCE
01/03/2010	Balance b/d	-----	-----	-----	200 000Rwf
05/03/2010	Deposit	D.S 22	-----	50 000	250 000Rwf
08/03/2010	Withdrawal	Check 0112	160 000	-----	90 000Rwf
14/03/2010	Deposit	D.S 34	-----	35 000	125 000Rwf
16/03/2010	Deposit	D.S 55	-----	45 000	170 000Rwf
23/03/2010	Withdrawal	Check 0113	65 000	-----	105 000Rwf
26/03/2010	Withdrawal	Check 0114	10 000	-----	95 000Rwf
27/03/2010	Bank charges	-----	2 000	-----	93 000Rwf
			237 000	130 000	

2.2.7. A CHEQUE

A cheque is a written order from an account holder (the bank current account holder) addressed to his bank to pay a stated sum of amount to the order of an announced person or its bearer.

A cheque is a document of payment in which the holder of an account orders to his bank to pay a certain amount to a payee.

Three parties intervene in a cheque:

- * Drawer: is a person who gives order to pay from his own account or someone who draws the cheque
- * The drawee: is the financial institution to whom the cheque is drawn or It is the bank;
- * The payee: is a person who will receive the money from the account or a person to whom the sum stated in the cheque is payable .

i) Contents of a cheque

All cheques must include the following elements:

- The word “cheque” in both text and title

- An order to pay a specified sum of money
- The person to be paid and place of payment
- Date of drawing
- Place of drawing
- The name of drawer
- The number of account of drawer
- The signature of drawer

ii) The advantages of a cheque

- The cheque is a modern new instrument of payment;
- The cheque avoids keeping a huge sum of money in cash;
- It facilitates the payment by compensation;
- The cheque avoids manipulating fund in cash (hands)
- The cheque provides an evidence of payment
- It is easy to write a cheque than to count a large sum of money

iii) The disadvantages of a cheque

- The bearer's signature can be imitated on a stole's cheque
- The fund can be insufficient (not enough) in the bank account
- Any mistake on cheque can cause no payment of cheque
- Cheque is not suitable for paying small amount of money
-

iv) Endorsement of cheque

Endorsement is special written done by a beneficiary of a cheque at the back of the document in goal to benefit a new beneficiary of cheque.

v) Reasons of dishonoring a cheque:

- Insufficient funds on an account

- When the amount in words differs from the amount in figures
- When a cheque is damaged and can not be read because some parts are missing
- When a cheque is not properly dated
- When a signature on cheque differs from the signature in a bank (specimen)
- When a cheque has been stopped by an account holder.

vi) The different kinds of bank cheque

* Order cheque: It is a cheque payable to a person mentioned on it.

It is a cheque which has the names of the payee.

* Bearer cheque: It is a cheque which is payable to the holder (bearer), the name of payee is not mentioned

* Cross cheque: It is a cheque which has two parallel lines

* Traveler's cheque: It is a cheque obtainable by a person who travels.

It helps the travelers to avoid theft of money and to carry much money

* Blank cheque: It is a cheque leaves the place of the amount, date names of the payee to be completed after

* Cheque without funds (also called uncovered cheque or bad cheque or cheque without cover)

It is a cheque for which the customer (drawer) doesn't much money in his account

Model of cheque

Development Rwandan Bank

Date.....	<div style="border: 1px solid black; width: 100%; height: 20px; margin-bottom: 5px;"></div>
Amount.....	
Pay to	
Payee	
Amount	
Reason	Iss
.....	
.....	
Date.....	
Account No	Drawn on
Signature.....	
.....	Account No .....ChequeNo
.....	

REVISION QUESTIONS

1. What is a source document?

2. Explain concisely, the following terms: a. Invoice b. Credit note c. Debit note

3. Among the documents commonly used in business are as follows:
 - a. Purchase invoice b. Purchase credit note c. Statement of account

You are required to list under each of the above headings the detailed information to describe the document.

4. Explain briefly but concisely, the following business terms:

- a. Delivery note b. Goods receiving note c. Receipt d. Cheque counterfoil

5. The following transactions took place in the firm of Jimmy KIPROP, a sole trader.

On 1st January 2010 he purchased the following goods from Leslie ARAP BIWOT

: 500 door mats at Rwf 1 500 each

400 rugs at Rwf 2 500 each

2 000 stair clips at Rwf 450 per pair

You are required to design the appropriate source document from which the above transaction were extracted,

indicating the amount of money that was actually due for payment

6. The following information was obtained from the books of J. NANDOS:

2011

March 10, Bought goods 120 cartons of biscuits receiving payment by cash Rwf 2 000 from source Wholesalers Ltd.

March 12, Bought goods Rwf 10 000 cartons of biscuits on credit from SURAJ Engineers Ltd. at Rwf 800 000 and 10% trade discount was given.

March 13, Returned 1 carton of biscuits to SURAJ Engineers Ltd. that had been damaged.

Required: Draft relevant source documents held by J. NANDOS that would show proof of the above transactions

7. Give the features of an invoice

.

8. Complete the following table:

Documents	Person who prepares	Person to whom the document is sent
1. Pro forma invoice		
2. Debit note		

3. Credit note		
4. Cheque		
5. Bank statement		

9. Match the document in A to purpose of its preparing in B

- | A | B |
|-----------------------|--|
| a. Delivery note | i) to ensure a contracting party about of receiving of goods sent by him |
| b. Receive goods note | ii) to inform a contracting party about of sending of goods to him |
| c. Purchase order | iii) to correct an invoice undercharged |
| d. Debit note | iv) to prove the payment of loan |
| e. Credit note | v) to put in order |
| f. Receipt | vi) to correct an invoice overcharged |

10. Find out the missing value in the invoice given below:

DESCRIPTION	TOTAL VALUE
200 Rolls T56 Black Tape	120 000
600 Sheets R64 Polythene?
SUB TOTAL?
Trade discount (10%)	<u>50 000</u>
?
Value Added Tax (20%)	<u>.....?</u>
Total value payable?

11. Fill the following table:

	Document to beprepared	Sender of documents	Receiver of documents
Receivinggoodsorders			
Sending goods to person who ordered them			

Asking a firm to send to you the merchandises			
---	--	--	--

12. Write term "VAT" in full

13. Goods offered for sale at Rwf 120 000 are allowed trade discount of 2% and VAT of 15%.

How much will the buyer pay for them?

14. On 2 March 2010, W Frank & Co (Hayburn Road Stockport, Stockport SK 2 5DB), sold the following goods to R. Bainbridge Ltd, (267 Star Road, Colchester CO1 1 BT).

Bainbridge's Order Number was A/4/559, for the following items:

200 Rolls T56 Black Tape at \$ 6 per 10 rolls

600 Sheets R64 Polythene at \$ 10 per 100 sheets

7,000 Blank Perspex B49 Markers at \$ 20 per 1,000

All of these goods are subject to VAT at the rate of 17,5 per cent

A trade discount of 25 per cent is given by Frank & Co.

Complete the body of this invoice

W. Frank & Co,			
Hayburn Road Stockport			
Stockport SK 2 5DB			
TO:		Date : 2 March 2010	
R. Bainbridge Ltd,		Your order no: A/4/ 559	
267 Star Road		Account no: F/1896	
Colchester CO1 1BT.			
DESCRIPTION	Quantity	Unit Price	VALUE
.....
.....
.....
.....
.....
.....
.....

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.....

15. Complete the debit and credit columns by missing value taking in consideration the transaction:

ECO BANQUE					
BRANCH: Nyabugogo					
Account :			Date:31/03/2010		
0023-332		<i>STATEMENT ACCOUNT</i>			
ALL					
DATE	NARRATI ON	REF	DEBIT	CREDIT	BALANCE
01/03/2010	Balance b/d	-----	.....	.....	200 000Rwf
05/03/2010	Deposit	D.S 22	.....	.....	250 000Rwf
08/03/2010	Withdrawal	Check 0112	.....	-----	90 000Rwf
14/03/2010	Deposit	D.S 34	-----	.....	125 000Rwf
16/03/2010	Deposit	D.S 55	-----	.....	170 000Rwf
23/03/2010	Withdrawal	Check 0113	.....	-----	105 000Rwf
26/03/2010	Withdrawal	Check 0114	.....	-----	95 000Rwf
27/03/2010	Bank charges			-----	93 000Rwf

MULTIPLE CHOICES QUESTIONS

1. A statement of account:
 - a. is used instead of invoice
 - b. means that our customers need not keep account
 - c. saves us sending out invoices
 - d. acts as a reminder to the purchaser of the amount owed

2. An invoice shows a total of Rwf 32 000 less 21% discount. If this is paid in time, the amount of cheque paid would be for:
 - a. Rwf 29 600
 - b. Rwf 31 200
 - c. Rwf 30 400
 - d. Rwf 28 000

3. A credit note is sent to the customer when:
 - a. he has been undercharged
 - b. goods has been over dispatcher to him
 - c. he has been overcharged
 - d. he has paid for goods sent to him

4. A document issued by the seller to the buyer when goods have been sold against cash is:
 - a. cash receipt
 - b. Voucher
 - c. An invoice
 - d. credit note

5. The source document used when goods are bought on credit is:
 - a. Credit note
 - b. Sales invoice
 - c. Purchasing invoice
 - d. Debit note

6. Which of the following describes a person in whose favors a cheque is drawn:
 - a. Drawer
 - b. Drawee
 - c. Payee
 - d. Endorsee

7. Which of the following document summarizes the transaction between the seller and the buyer for a particular period?
 - a. Invoice
 - b. Credit note
 - c. Debit note
 - d. Statement of account

8. Which one of the following document is sent when it is necessary to increase onthe claim on money?
 - a. Credit note
 - b. Debit note
 - c. Receipt
 - d. An invoice

9. When initiating a commercial transaction the first document a buyer sends to a seller is called:
 - a. Order
 - b. An invoice
 - c. An injury
 - d. A receipt

10. In case a customer is overcharged what document is sent to him?
 a. A credit note b. A debit note c. An invoice d. A receipt
23. A person endorsing a cheque to be paid is known as
 a. Payee b. Drawer c. Drawee d. Creditor
24. When Peter makes out a cheque for Rwf 5 000 and sends it to Mary then
 i) Peter is known as : a. Payee b. Drawee c. Drawer d. Creditor
 ii) Mary is known as: a. Debtor b. Drawer c. Payee d. Drawee
25. The total amount of discount allowed from the cash book is always posted in the:
 a. Discount allowed column debit side b. Discount allowed column credit side
 c. Discount allowed account credit side d. Discount allowed account debit side
26. When a customer deposits money on a bank account this means:
 a. the bank owes money to the customer b. the customer owes money to the bank
 c. the bank has given a loan to the customer d. the customer has paid a debit
27. A bank overdraft is best described as a firm:
 a. wasting this money b. having more receipts than payments
 c. having bought too many goods d. having paid more out of its bank account than it has put in it
28. A cheque which stays with the payee for a period of more than six months without the bank's clearance is known as:
 a. Open cheque b. Dishonored cheque c. State cheque d. Crossed cheque
29. The person who writes and issues the cheque is called:
 a. Drawee b. Drawer c. State cheque d. Payee

