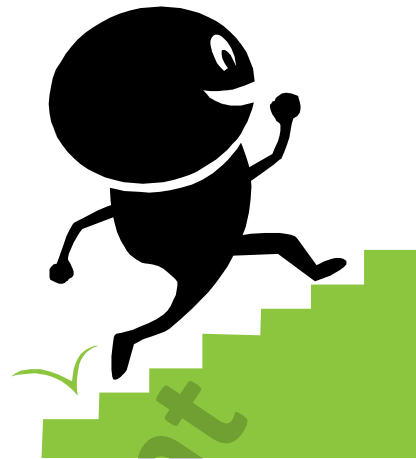


Easy Steps



Unit 327 (v6)

Document business financial transactions for an entity

- ☒ Easy to follow
- ☒ Step-by-step instructions
- ☒ Covers Unit Standard Criteria

A Cheryl Price Publication

Unit Standard 327 (Version 6)

Document business financial transactions for an entity

This book covers the course outline for the following New Zealand Qualifications Authority Unit Standard:

Unit Standard 327 - BUSINESS ADMINISTRATION SERIES (Level 2, Credit 4)
Document business financial transactions for an entity (Version 6).

All topics in this Unit Standard are included in this book.

Copies of the source documents in Excel format are included as Exercise Files with this book. These are available as a free download from our web site at www.cherylprice.co.nz. Instructions for downloading are included on the next page.

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Cheryl Price
T.Dip.WP, T.Dip.T.

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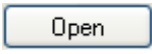




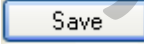
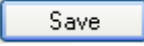
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Downloading Exercise Files

The exercise files listed on the following page can be downloaded from the Cheryl Price web site as follows:

1	In your web browser, type: www.cherylprice.co.nz
2	Press Enter on the keyboard to display the Cheryl Price website.
3	Click in the Product Search box and type the number of this unit standard, as shown at the right. <div data-bbox="1171 506 1466 683" data-label="Image"> </div>
4	Click on  Search
5	Click on US 327
6	Under the Exercise Files heading click on the underlined blue hyperlink, ie Book Exercise Files - V6 Excel Source Files Free Download The File Download dialog box will display.
7	If you have Winzip use the following instructions otherwise move to step 8. <div data-bbox="268 1093 598 1146" data-label="Text"> <p>a Click on  Open .</p> </div> <div data-bbox="268 1182 777 1292" data-label="Text"> <p>b Click on the  of the  Unzip button.</p> </div> <div data-bbox="268 1321 1468 1393" data-label="Text"> <p>c If My Documents folder is not displayed click on Set default unzip folder at the bottom of the list. Ensure My Documents is selected then click on Select Folder.</p> </div> <div data-bbox="268 1422 1468 1563" data-label="Text"> <p>d Click on the  of the  Unzip button and click on the My Documents folder. The files will be unzipped.</p> </div>
8	Click on  Save and ensure My Documents folder is displayed. Click on  Save
9	Click on Open Folder which will display My Documents folder. Right click on the zipped exercise file and select Extract All. Click on Extract. A folder will be created containing the exercise files.

Exercise Files used in this book

(Instructions are included on the previous page for downloading retrievable files from our web site at www.cherylprice.co.nz)

Names of files	
Country Cooking Templates	Training Centre Templates

Sample Document

Unit Standard 327 Version 6

Title	Document business financial transactions for an entity		
Level	2	Credits	4

Purpose	People credited with this unit standard are able to: describe business financial transaction documents used in an entity for the purchase and sale of goods and services and how they are used in the entity's internal control systems; and document credit and cash transactions for an entity.
----------------	---

Classification	Business Administration > Business Administration Services
-----------------------	--

Available grade	Achieved
------------------------	----------

Explanatory notes

- 1 All activities associated with this unit standard must comply with the requirements of: Health and Safety in Employment Act 1992, Privacy Act 1993, Goods and Services Tax Act 1985, and their subsequent amendments.
- 2 An *entity* may include but is not limited to – an entire organisation; a part of an organisation such as a cost-centre, department, or branch; a small-to-medium enterprise (SME); a community group such as a sports club.
- 3 *Entity requirements* are expected to include legibility and accuracy for recording credit and cash transactions.

Outcomes and evidence requirements

Outcome 1

Describe business financial transaction documents used in an entity for the purchase and sale of goods and services and how they are used in the entity's internal control systems.

Evidence requirements

- 1.1 Business transaction documents are described in terms of the nature and purpose of the document for recording cash and credit transactions.

Range	may include but is not limited to – receipts, cheque butts, deposit slips, orders, invoices, credit notes, statements, payment slips, EFTPOS, credit cards; evidence of four is required.
-------	---

- 1.2 Business financial transaction documents are described in terms of the entity's internal control system requirements.
- 1.3 Procedures for ensuring the accuracy and reliability of business financial transaction documents are described in terms of the entity's internal control system.
- Range procedures must be selected from – permanent record, numbering system, customer codes, cross references, use of copies, supervision of document access and use, cash handling, maintenance of security; evidence of four is required.
- 1.4 Business financial transaction documents are described in terms of their relationship to the entity's accounting needs.

Outcome 2

Document credit and cash transactions for an entity.

Evidence requirements

- 2.1 Differences between documentation requirements for cash and credit transactions are identified.
- 2.2 Cash sales and purchases transactions are documented in accordance with entity requirements.
- Range may include but is not limited to – cash, cheques, credit/debit cards, credit transfers, electronic funds transfers, travellers cheques, foreign currency, vouchers; evidence of four is required.
- 2.3 Credit sales and purchases transactions are documented in accordance with entity requirements.
- Range transactions – sales, purchases, returns; evidence of four is required, one of which must include discount calculations.

Planned review date	31 December 2015
----------------------------	------------------

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	30 March 1993	31 December 2012
Review	2	27 June 1996	31 December 2012
Review	3	28 April 1997	31 December 2012
Review	4	28 June 1999	31 December 2012
Review	5	26 September 2005	31 December 2012
Review	6	9 December 2010	N/A

Accreditation and Moderation Action Plan (AMAP) reference	0113
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This AMAP can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.

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Sample Document

Identifying Originating Documents

Learning Outcomes

At the end of this section you should be able to -

- ☐ Understand the terms 'cash' and 'credit' transactions
- ☐ Identify and describe business financial documents used for the purchase and sale of goods and services
- ☐ Identify the features and essential information for each document
- ☐ Differentiate between documents used for cash and credit transactions in relation to specific transactions

'Cash' and 'Credit' transactions

Before we look at the documents used for the purchase and sale of goods and services, it is important to understand the real difference between a cash transaction and a credit transaction.

Cash transactions

Paying for goods and services by 'cash' is a term used which actually means the goods or services are paid for *straight away*, regardless of what method you use to pay for it. Methods of payment could include dollars and cents, EFTPOS (Electronic Funds Transfer at the Point of Sale), credit card, debit card¹, cheque, gift or pre-paid voucher, on-line payment or some other form of direct credit.

Every business will have different methods of receiving payments from customers, depending on the nature of the business. For example, fuel service stations often do not accept cheques, but have electronic EFTPOS terminals which allow payment by EFTPOS card, credit card or debit card. Some businesses who might only deal with very large sums of money may not have an electronic EFTPOS terminal, but instead receive payments on-line or by cheque.

The reason why a credit card is still regarded as a cash payment is because the seller receives payment for the goods or services *straight away* (the same as they would from an EFTPOS or debit card). When a credit card is used to pay for something, the cost of the purchase is immediately paid to the seller by the credit card holder's bank/credit card company – the credit cardholder (the purchaser) will not be required to use their own funds to repay the bank/credit card company until a later date. Banks/credit card companies charge interest and other fees for this service, and there will be a limit of how much can be put on a credit card before payment is required by the cardholder). (Also see Credit card page 60.)

A cash transaction can be either:

- a cash sale – a business receives payment for goods or services straight away from a customer, or
- a cash purchase – a business buys goods or services and makes payment straight away.

Credit transactions

Paying for goods and services by 'credit' is a term used which means the goods or services are received by the customer but are *not* paid for straight away.

If a customer buys goods or services, or a business purchases goods or services, where payment is not going to be made straight away, then this is a 'credit' transaction. This 'pay later' arrangement is only available with some businesses and it is best to clarify this with the supplier of goods or services if you are unsure, as they may not allow credit sales.

For businesses who do allow credit sales, the length of time allowed before payment is required can vary, however, it is usual business practice to settle credit accounts by the 20th of the following month.

¹ (see Debit cards on page 43)

When payment becomes due and is then made for a credit transaction, often by the 20th of the following month, then the seller/supplier requires immediate payment. Any methods of payments which are acceptable to the supplier can be used, ie not all businesses will have electronic EFTPOS/credit card terminals.

A credit transaction can be either:

- a credit sale – a customer buys goods or services from a business, but the business does not receive payment straight away, or
- a credit purchase – a business buys goods or services from another business, eg a supplier, but does not make payment straight away.

So, when paying for something, *if* you are asked ‘Is this cash or credit?’, what you are really being asked is ‘Are you paying for this now or later?’.

Depending on whether something is being purchased or sold, most businesses (which could be an individual person selling goods or services) will be both customers and suppliers.

Documents used for the purchase and sale of goods and services

Reasons for using documents

Documents are a way of proving that transactions have occurred. In this section we look at the types of documentation used by businesses in order to successfully conduct financial transactions.

Businesses can earn money in two ways:

- 1 By selling goods
- 2 Through selling services



Whatever the type of business, it must produce documentation for all financial transactions. The reasons for this are as follows:

- Customers of the business will have a record of their transactions
- Businesses will have proof that the transactions occurred
- The actual details of every transaction will be recorded
- Accountants will have material from which to produce accounting records
- It is a requirement of the Inland Revenue Department



Preparation of documents occurs when a transaction actually takes place. These documents are the original evidence of that transaction and the first step in the process of producing accounting records. For this reason, they are known as ‘originating’ or ‘source’ documents.

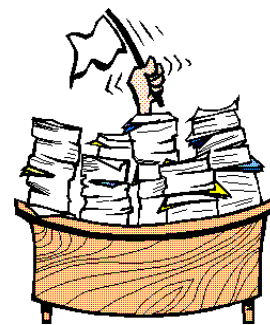
Types of originating documents

There are many different types of financial transactions. In order to simplify the process, there is a specific type of documentation for each one. The layout of these documents can vary greatly between businesses. However, for the purposes of recognition and identification, they have the same basic names.

The documents we will be looking at include:

Those that are used to process cash transactions:

- Cash sales dockets
- Receipts
- Cheque butts
- Deposit slips
- Payment slips



Those that are used to process credit transactions:

- Orders
- Invoices
- Credit notes
- Statements

These are the most commonly used originating documents. They regularly appear in our lives and most of these names are recognisable. Each document has different characteristics. It is important to know what they are so that they can be identified.

Cash sales dockets

These would probably be the most commonly used originating documents. They are certainly the ones with which most of us are familiar. When a customer purchases something and pays straight away, a 'cash' transaction has occurred and a cash sales docket is issued as evidence that the transaction is complete. A cash sales docket is actually a form of receipt as it *proves that the customer has paid for his/her purchases.*

Remember that, for the purposes of accounting, a 'cash' transaction means that the customer has paid straight away. They could use any of the following to pay with:

- Dollars and cents
- A cheque
- An EFTPOS card
- A debit card
- A credit card



In other words, as far as the business is concerned, the customer paid for their goods or services at the time they received them.

Cash sales dockets are produced in many shapes and forms. They are the till dockets that we receive at supermarkets and other retail outlets, but they can also be handwritten by a supplier. It is important to remember that cash sales dockets are a record for both the customer and the supplier. It therefore makes sense for cash sales dockets to be produced in duplicate – the original is given to the customer and the copy is retained by the business for their records.

Details included on a cash sales docket vary from a full record of every item purchased, showing the price, description and number purchased, to a basic printout of the amount spent (see examples on the next page).

Cash dockets are issued to provide the following details:

- The date of the transaction
- The total amount spent
- The name of the store
- A detailed description of every item purchased
- A sub-total and total
- A description of the method of payment
- Details of any cash given with the change (often for EFTPOS transactions)
- The GST number (if the business is registered for GST)

Cash sales dockets may also show the name of the person who served you. This helps the supermarket in balancing their tills and gives the customer a personal reference in case of a future query.

Obviously, not all organisations can issue such sophisticated cash sales dockets, but the basic principle is always the same. Below are two examples of cash sales dockets.

**** East Shore Price Cutter ****		
**** Mainway Drive (Ph: 09 921 9944) ****		
30	EC LAMB RACK	4.77
28	ALFALFA SPROUTS	1.59
21	KITCHEN TOWEL	3.69
19	GRAPES GREEN 0.946 KGS @ 3.99/KG	3.77
SUB TOTAL		13.82
ROUNDING		.02
BALANCE DUE		13.80
CASH		20.00
CHANGE		6.20
Total number of items sold = 4		
OPERATOR: MARY		27/09/12 17.24
***** TAX INVOICE *****		
** GST INCLUSIVE ** GST# 49-522-721 **		

PIXIES CHILDREN'S CLOTHES LTD		
GST: 71 445 667	3445/94321	
	1112	27/09/12
TIGHTS NAVY	2 @ \$5.95	\$11.90
AMOUNT TENDERED		\$20.00
CHANGE DUE		\$8.10
<i>Thank you for your custom</i>		

Receipts

A receipt is also a document which is issued to prove that a business has received money.

Receipts are typically issued in credit sale transactions, that is, payment has been made at a later date from when the goods or services were received by the customer. In a credit sale situation, details of the transaction will be recorded within a business's accounting system to document the sale, including the customer name, what was sold, when and the related amount.

The main difference between a receipt and a cash sales docket is that a receipt records who paid the money so that it can be linked back to the originating documents for that specific customer and transaction. A cash sales docket normally focuses more on the details of what was sold, eg a supermarket cash sales docket, and not be concerned about who actually paid the money.



It is important to note, however, that some businesses issue a receipt form for both cash and credit sales transactions.

A receipt form should include:

- The date of payment
- The business name receiving payment
- The amount of payment
- Details of who the payment is from
- Details of what the payment is for
- A receipt number (important if the business is to keep track of receipts issued. Receipts should be issued in strict sequential order)
- A signature of person receiving payment

It could also include:

- The method of payment
- The GST number (if registered)



RECEIPT		001	
Training Centre Ltd, 2091 Main Shore, PO Box 622, Auckland 1040			
GST No: 24 556 214			
Received from _____			
Date	Details	Total	
Method of payment: Cash/Cheque No:			
Signed:			

Receipts also need to be produced in duplicate – the original is given to the customer and the copy is retained by the business for their records.

Customers who pay by cheque or credit card through the mail or via the internet are not always given receipts as they already have a record of payment, which can be verified by checking their cheque butts or bank and credit card statements. Some businesses do not issue receipts unless you specifically request them.

Cheque butts

When businesses make payments, they sometimes prefer, or are required, to use a cheque. For every cheque, it is important that the details are recorded.

Each cheque has its own cheque butt which is printed at the side of the cheque and designed to be retained within the cheque book to provide a record of each payment. Accordingly, the cheque butt is separated from the cheques by a perforation, which enables the cheque to be removed, leaving the cheque butt intact.

20	
Payee	
Balance Forward	\$
Deposit	\$
Balance	\$
This Cheque	\$
GST	\$
Closing Balance	\$
657984	

Cheque no. which also appears on the attached cheque

The purpose of a cheque butt is to record the following details:

- Date of cheque
- Payee (who the cheque is for)
- Cheque amount (total amount)
- GST amount (amount of GST included in the total amount)
- Cheque number is on each butt.

In addition, it is useful to record other details on the cheque butt, such as the current balance of the account.

Not all cheque books, however, are provided with butts. As an alternative, some private account holders prefer cheque books with separate pages at the front in which to record transactions. Most businesses, though, will specifically request books with butts, as this is the easiest way to keep records.

The pre-printed number at the bottom of the butt matches the cheque number, so there should be no mistake in identifying the cheque.

Cheque butts are retained by the business for various reasons:

- As a way of checking cheque payments against the bank statements
- As proof of payment (no receipt might be given)
- For accounting purposes (to record in manual or computerised accounting system)
- For Inland Revenue purposes

Deposit slips

When a business deposits money into their bank account, they complete a deposit slip (sometimes also known as a lodgement slip). This money could be made up of dollars and cents or cheques.

As with many business documents, there are two areas where the details are recorded. The bank retains the main part of the slip (on the right) so they can process the transaction. This is separated by a perforation from the deposit slip butt (on the left) which is the part that is retained by the business. Usually these deposit slips are contained within a book, very similar to a cheque book.

DATE	TRAINING BANK				deposit	
AMOUNT	Auckland 203 Queen Street Auckland NZ				DATE	
	IF MORE THAN THREE CHEQUES RECORD DETAILS ON REVERSE				NOTES \$	
	DRAWER	BANK	BRANCH	CHEQUES \$		
\$						
DEPOSITED FOR CREDIT OF	PAID IN BY: (Please print name)				SUB TOTAL \$	
					LESS CHARGES \$	
	CREDIT TRAINING CENTRE LTD					
TELLER					TOTAL \$	
	⑈036210⑈ 0003598⑈00 ⑈50					

The bank teller verifies the amount of the deposit and stamps the butt of the slip as evidence of receipt. If there are any bank charges for the transaction they will be entered in the spaces provided.

A signature will be required from the person paying the money in, and as with all originating documents, the date of the transaction must be shown.

It is important that the relevant details of any cheques deposited are recorded before they are paid into the bank.

The bank provides space on the back of the deposit slip in which to do this:

Cheque details			
DRAWER	BANK	BRANCH	AMOUNT
TOTAL \$			

Sometimes, however, a business has too many cheques being deposited and there is not enough room on the back of an ordinary bank deposit slip.

In this case a deposit supplement sheet can be completed.

This will be produced in duplicate and the top copy taken to the bank along with the cheques, cash and deposit slip. The *front* of the deposit slip will still have to be used by the bank as it contains the magnetically encoded numbers that show the account details. All totals should be transferred across to here from the supplement sheet.

The bottom copy of the supplement sheet is kept by the business.

DEPOSIT SUPPLEMENT SHEET																				
Important: This schedule must be accompanied by an MICR encoded deposit slip																				
Lodged with:	_____ Bank	Branch:	_____																	
For credit of:	_____																			
Amount in words:	_____ _____																			
NOTES	\$		Account Number:																	
COINS	\$		<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>																	
CHEQUES	\$		Paid in by (signature)																	
TOTAL DEPOSITS	\$		Date: _____																	
DRAWER	BANK	BRANCH	AMOUNT \$																	
Resource on all documents, cheques etc included in this credit not to be available until cleared of cheques (including credit card amounts)		TOTAL AMOUNT \$																		

Payment slips

Some businesses produce cheques that have a *payment slip* attached.



A payment slip is usually printed on special stationery, with the cheques attached, which means there is no need to complete a cheque butt. Instead, a copy of the payment slip is retained for the business records. A payment slip provides advice that payments are being made, and is a convenient way of settling accounts as it means that the cheque can be matched to specific invoices and the business retains a comprehensive record of the whole transaction.

Payment slips are also known as '*payment advice slips*' or '*remittance advice slips*'.

Payment slips are often produced using a computerised system. For this reason, they tend to be used by larger businesses such as Government departments, power companies and large retail stores.

Payment slips are very convenient when a business has to produce a large volume of cheques. It is important that the person preparing them is accurate and all payments must be verified before being sent away.

The cheques will have to be signed in exactly the same way as the cheques that are in the business cheque book. Usually this will mean that there will need to be at least two signatures.

PAYMENT SLIP		Cheque No: 335051	
NEW ZEALAND ENERGY Co.			
PO Box 3311 Auckland 0865		Tel: 09 999 0311 Fax: 09 999 3312	
		GST No: 41 692 873	
To: <div style="border: 1px solid black; height: 50px; width: 100%;"></div>			
Date	Reference	Description	Payment Amount
PLEASE DETACH BEFORE PRESENTING CHEQUE			

Payment slips attached to cheques should show:

- Date of the payment
- Name of the payer
- Name of the payee
- A description of what the payment is for
- Amount of the payment
- The cheque number



Payment slips can also be prepared manually. Some businesses pay their staff using a manual system and provide hand-written slips which detail the hours of work, rates of pay etc. A hand written slip will generally be accompanied by a cheque, rather than having it attached. This means that the details of the cheque payment will be recorded on the cheque butt. A record of the payment must be retained by the business.

Manual payment slips should show:

- Date of payment or period to which payment relates
- Name of the payer
- Name of the payee
- A description of what the payment is for
- Amount of the payment

TRAINING CENTRE LTD			
PAY ADVICE SLIP		Period ending:	
Name: _____			
	\$	C	
Ordinary time _____ hrs			
Overtime - 1½ _____ hrs			
Overtime - 2 _____ hrs			
TAXABLE EXTRAS			
TOTAL GROSS PAY			
LESS	\$	C	
SUPER			
PAYE TAX			
NET PAY			
PLUS NON-TAXABLE ALLC'S			
BALANCE DUE TO WORKER			
Signed _____			

Sometimes payment slips are used by businesses who want to make payments automatically by transferring funds between banks. In this case, there would not be a cheque attached, but the slip would show details of the payee bank account. The business account would be charged and the customer's account credited. Details of the transaction would show on the business bank statement. A copy of the payment slip should be retained by the business.

Payment slips for automatic payments would show:

- Date of payment
- Name of the payer
- Name of the payee
- A description of what the payment is for
- Amount of the payment
- Details of the payee bank account

<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p>PAYMENT SLIP</p> </div> <div style="text-align: center;">  <p>TRAINING CENTRE LTD</p> </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div> <p>2091 Main Shore, PO Box 622 Auckland 1040 Tel: 09 555 7821 Fax: 09 555 7822</p> </div> <div style="text-align: right;"> <p>GST No: 24 556 214</p> </div> </div> <div style="margin-top: 10px;"> <p>To:</p> <div style="border: 1px solid black; height: 50px; width: 250px;"></div> </div>											
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 15%;">Reference</th> <th style="width: 50%;">Description</th> <th style="width: 20%;">Payment Amount</th> </tr> </thead> <tbody> <tr> <td style="height: 150px;"></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>				Date	Reference	Description	Payment Amount				
Date	Reference	Description	Payment Amount								
<p>PAID TO BANK ACCOUNT No: 02 5565 0044321 000</p>											