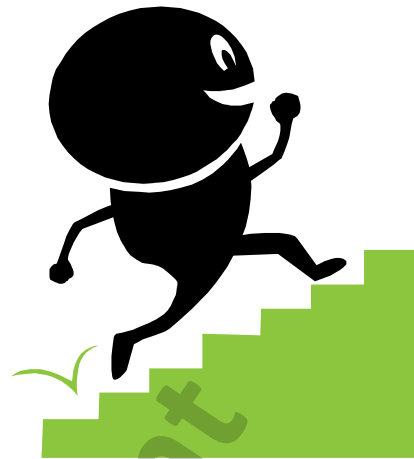


Easy Steps



Unit 329 (V6)

**Process financial information
for cash transactions for an entity**

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

A Cheryl Price Publication

Unit Standard 329 (Version 6)

Process financial information for cash transactions for an entity

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

Unit Standard 329 - BUSINESS ADMINISTRATION SERVICES (Level 2, Credit 4)
Process financial information for cash transactions for an entity.
(Version 6)

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

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ISBN 978-1-877562-23-5

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Published in New Zealand

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Unit Standard 329 Version 6

Title	Process financial information for cash transactions for an entity		
Level	2	Credits	4

Purpose	People credited with this unit standard are able to, for an entity: prepare accounting records for cash payments received and cash payments made; operate a petty cash system; and prepare a bank reconciliation statement.
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Classification	Business Administration > Business Administration Services
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Available grade	Achieved
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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 cash transactions.
- 4 Definition
Petty cash refers to a small cash fund for minor incidental expenses.

Outcomes and evidence requirements

Outcome 1

Prepare accounting records for cash payments received and cash payments made for an entity.

Evidence requirements

- 1.1 Procedures for handling cash transactions are described in accordance with entity requirements.
- Range procedures may include but are not limited to – receiving cash, banking, making cash payments, storing cash, recording cash transactions, checking and reconciling transactions, separating and rotating staff duties.
- 1.2 Cash receipt records for payments received are prepared in accordance with entity requirements.
- 1.3 Cash payment records for payments made are prepared in accordance with entity requirements.

Outcome 2

Operate a petty cash system for an entity.

Evidence requirements

- 2.1 Procedures for establishing and operating the petty cash system are described in terms of entity requirements.
- 2.2 Petty cash expenditure is managed, balanced, and reimbursed in accordance with entity requirements.

Outcome 3

Prepare a bank reconciliation statement for an entity.

Evidence requirements

- 3.1 The importance of reconciling bank statements with financial records on a regular basis is explained in terms of potential effects on the entity.
- 3.2 The bank reconciliation process is completed in accordance with entity requirements.

Planned review date	31 December 2015
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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

Section

1

Identify features of effective internal control systems for handling cash transactions

Learning Outcomes

At the end of this section you will have knowledge of -

- ☐ Effective internal control procedures
- ☐ Preparing accounting records for payments received and made
- ☐ Storing cash
- ☐ Banking cash
- ☐ The accounting cycle
- ☐ Checking and reconciling transactions
- ☐ Separating and rotating staff duties

Effective internal control systems for handling cash transactions



CASH transactions occur when goods or services bought or sold are paid for straight away.

CREDIT transactions occur when goods or services bought or sold are not paid for straight away.

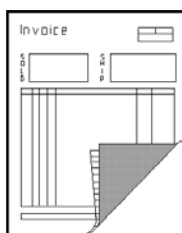
In this unit standard, we will be looking at **CASH** transactions.

When we talk about a 'cash payment' or 'cash transaction', it can include any method of payment, so long as payment has been made straight away. Methods of payment can include:

- Currency (dollars and cents)
- EFTPOS (Electronic Funds Transfer at the Point of Sale)
- Credit card
- Debit card
- Cheque
- Gift or pre-paid voucher
- On-line payment or some other form of direct credit or automatic payment

Some additional miscellaneous transactions that appear on a bank statement are also treated as cash transactions. Examples include interest and fees charged by a bank, direct debits and credits, and automatic transfers/payments.

Note 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.



All accounting transactions have to be dealt with efficiently. Accounting systems for cash transactions have been designed so that information can be recorded at every stage in the process. It is important that people involved with handling cash understand how these systems operate.

Obviously there is an element of risk involved in dealing with cash. Money can be mislaid or stolen, cheques can bounce¹, and EFTPOS, credit or debit cards can be stolen and used fraudulently! This makes it essential that all businesses have effective internal control systems set up in order to deal with these possibilities and any others.

¹ A 'bounced' cheque means there are insufficient funds in the account to cover the amount of the cheque

Receiving 'cash' payments

When a customer pays for something with "cash", there are certain procedures that must be followed in order to ensure:

- the payment is for the *correct amount*
- the payment is in an *acceptable form*
- the payment is correctly *recorded* in the accounting system.

Documentation produced

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.

There must be some form of documentation produced that shows how much the account is and what the payment covers. If the customer has just received the goods or services then the documentation could be any of the following:

- Receipt
- Invoice/statement

All of the above will show what has been purchased and the total amount involved. Some of the descriptions of goods or services purchased will be more comprehensive than others, but the total amount owed is the main information required at this stage. It is essential that all documentation is completed legibly and accurately as errors can cost the business dearly in money, time and reputation.

Note

'Receipt' is often a general term used to describe a variety of different forms of receipt document which proves that a customer has paid money for goods or services. The type of receipt documents used within businesses vary.

Some examples of 'receipt' documents are shown below and on the next page.

RECEIPT		001	
Training Centre Ltd, 2091 Main Shore, PO Box 622, Auckland GST No 24 556 214			
Date	Details	Total	
5/11/13	William Jones Ltd – Oct account payment	221	61
Method of payment: Cash/Cheque No:849611.....		\$ 221	61
Signed:Joan Taylor.....			

Receipt

Cash sales
docket or
till receipt

PIXIES CHILDREN'S CLOTHES LTD		
GST: 71 445 667	3445/94321	
	1112	2/11/13
TIGHTS NAVY	2 @ \$5.95	\$11.90
AMOUNT TENDERED		\$20.00
CHANGE DUE		\$8.10
Thank you for your custom		

Training Centre Ltd
Main Shore
Auckland

* ----- EFTPOS ----- *

MERCHANT 051430386430
TERMINAL 05143040
TIME 01NOV13 14:37
TRAN 015786 SAVING
CARD 476859....4759
PURCHASE NZ \$22.50
CASH NZ\$10.00
TOTAL NZ \$32.50
ACCEPTED

* ----- *

EFTPOS
transaction
slip

Internal control procedure followed to ensure that the payment received is correct:

- Check that the amount received matches the amount of the documentation and if any change needs to be given. Sometimes a payment made is only a part-payment of the total amount due, so be sure to have the correct details of the amount being paid at the time.
- Check whether GST² is already included in the total amount being paid, or if it needs to be added to the total.
- Complete a receipt or cash sales docket/till receipt showing payment details.

How to check if the payment is acceptable

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.

Each business should have certain policies in place regarding acceptable forms of payment.

Currency (dollars and cents)

From time to time, warnings are issued about fraudulent notes in circulation. The person taking cash should be aware of this and ensure the notes are genuine. This may include checking *watermarks* and looking at *serial numbers*.

Remember to check that the amount received is the same as that stated on the accompanying documentation. The customer may not have the correct denominations and therefore require change. It is up to the person receiving the money to ensure that the change given is correct.

² Goods and Services Tax – see page 32

Cheque

If the customer is paying by cheque all of the following should be completed correctly:



- **Payee**

This is the person or organisation to which money is being paid to. The cheque has to be made out to the correct name. Many companies have pre-made stamps with the company details on it.

- **Amount in words and figures**

Words and figures must match and the amount should be the same as that stated on the accompanying documentation and cheque butt.

- **Date**

Should be today's date, or, if sent in the mail, may be a few days previous. Post-dated cheques must not be issued unless by special arrangement. Cheques are not accepted by banks after they are six months old.

- **Signature**

Must be the authorised signatory (this is usually established when the account is set up) and, if the cheque is drawn on a business or joint account, there may be a requirement for more than one signatory to sign the cheque. Any amendments made to the cheque must be initialled by an authorised signatory.

If any of the above is incorrect then the cheque may subsequently be returned by the bank, which is very inconvenient for the business.

EFTPOS Card

EFTPOS card transactions can be verified straight away using the EFTPOS terminal. It is, however, the responsibility of the person dealing with the transaction to ensure that the person using the card is genuine. Unfortunately, there is the chance that it has been lost or stolen and **not** reported. If anything seems suspicious, then it should be checked for verification.



In many cases it is possible for customers to withdraw a sum of cash in addition to settling their account. The person issuing this cash is responsible for ensuring it is correct. The amount requested will show on the EFTPOS transaction docket. A signature is not normally required. However, some retailers and suppliers request one to verify the payment of extra cash.

Debit Card

Debit cards issued in New Zealand are generally Visa or MasterCard debit cards. A debit card combines the benefits of both EFTPOS and credit cards:

- Payments made with a debit card use the cardholder's own funds and a PIN number, the same as with an EFTPOS card.
- Payments can usually be made anywhere an EFTPOS card can be used, but also anywhere where Visa or MasterCard is accepted, including the internet, telephone, mail orders and overseas. (Note that not all businesses accept debit cards as a form of payment.)
- Payments made with a debit card are classed as cash transactions because, like EFTPOS, the supplier or seller of goods or services receives payment straight away.
- Where a debit card is used overseas, the associated credit card company will charge for the foreign currency conversion, as is done with a credit card used overseas.

Procedures for checking should follow those described for EFTPOS and credit cards.

Credit Card

Credit card payments are usually processed electronically, so if there are any issues with the card having been reported stolen or there not being enough funds, they should be picked up by the system. The card would then be declined. However, the onus is still on the person dealing with the transaction to verify that the person using the card is genuine.



If the business has a power failure and needs to use the emergency manual system involving handheld imprinting machines (also known as a 'zip zap' machine), then the person accepting the card will have to verify the following:

- The card is not listed as being lost or stolen.
- The cardholder seems genuine – photo identification such as a driver's licence helps with this.
- The signature matches with the one on the reverse of the card.
- The card has not expired.
- The amount being paid. If it is above the 'floor limit'³ they will have to telephone the Credit Card Centre for authorisation to confirm the customer has adequate funds available in their bank account to cover the cost of the purchase.

If the business is selling goods and/or services on-line, then the on-line payment options will often include a choice of credit card, eg Visa, Mastercard, and sometimes also what is known as a *payment gateway*, such as PayPal, to process and confirm the credit card payments. A *payment gateway* is an independent organisation which enables a customer to make payments with their credit card without having to disclose their credit card number with a supplier.

Internal control procedure followed:

When cash payments using a credit card are processed through an EFTPOS terminal, the following can be verified about the transaction:

- The card is not listed as being lost or stolen.
- The card has not expired.
- The amount being paid - a check will be done to ensure that the card is not over its limit.
- Payment has been verified and is acceptable.

³ 'Floor limit' – an amount set by a business for which approval must be obtained before a transaction can be processed

However, the person accepting payment will have to ensure that the amount matches up with that owed and the signature is genuine.

Exercise 1

- What must you check to ensure that a payment for a cash sale is accurate and acceptable?

.....

.....

.....

.....

.....

How to prove that payment has been received

Every time cash is received into a business, documented evidence must be produced in order to support the transaction.

Dollars and cents

If a customer pays with dollars and cents they must be given a **receipt**.

The top copy (original copy) of the receipt is given to the customer and another copy retained by the business. When the time comes to balance all the money collected by the business in a particular period, the business's copies of the receipts will be added and compared with the cash in hand.

The copy of the receipt will be used as a basis for recording this transaction in the business accounting records.

Cheque

It is usual practice to give a receipt to a customer when they pay by cheque. However, sometimes the customer may post a cheque to a business to settle an account and does not require a receipt.



The cheque itself is documented evidence that payment has been made.

The customer knows they have sent the cheque and it will show up on their bank statement once it has cleared through the system. In addition, and this is very important, it should show up on any account statement received from the business.

If a receipt is issued, the top copy will be given to the customer and the other retained by the business. The business will still have to maintain a separate record of cheques that have been sent by mail. This can take the form of a 'remittances received' book, or other suitable record.

Customers will complain if they have made payments on their accounts that are not recorded. If, for any reason, the money from the cheque is not going to the right place, it should soon be noticed.

The copy of the receipt and/or record of the cheque will be used as a basis for recording this transaction in the business accounting records.

EFTPOS Cards

A record of the transaction will be produced on an EFTPOS transaction voucher, which is also a form of receipt. This will include details of the transaction including how much the customer paid and any additional amount of cash given.

Training Centre Ltd	
Main Shore	
Auckland	
-----EFTPOS-----	
MERCHANT	051430386430
TERMINAL	05143040
TIME	01NOV13 14:37
TRAN 015786	SAVING
CARD	476859....4759
PURCHASE	NZ \$22.50
CASH	NZ\$10.00
TOTAL	NZ \$32.50
ACCEPTED	

One copy of the EFTPOS transaction voucher (receipt) will be given to the customer and another copy retained by the business.

The receipt/transaction voucher will be used as a basis for recording this transaction in the business accounting records.

Credit Cards





If an EFTPOS terminal is used, a record of the transaction will be produced on a transaction voucher (which looks similar to an EFTPOS transaction voucher). This will show how much the customer paid and any additional amount of cash given.

One copy will be given to the customer and another copy retained by the business.

If a business is selling goods and/or services on-line and a transaction is processed through a credit card facility or payment gateway system, both the customer and the supplier will receive an electronic notification when the payment has been made. A double check can be made through the merchant account bank statement.

If a manual 'zip zap' machine is used, a sales voucher form will be used. The customer will receive one copy and the other copies will be used by the business and bank respectively.

  Training Centre Ltd Auckland NZ 20020055712 2B 1388703	Card No:	5302	2001	3321	4432
	Expiry: 12/15				
	Name: LJ Robinson				
	SALES VOUCHER			DEPT. No.	CLERK'S No. & INITIALS
	DESCRIPTION	QTY.	UNIT COST	NZ\$ AMOUNT	
	Handbook for trainers	1	15.45	15	45
DATE	AUTHORISATION NUMBER		SUB TOTAL	15	45
01/11/2013			GST	2	34
Cardholder acknowledges receipt for goods and services and liability for charges as recorded hereon TAX INVOICE			SALE CONFIRMED AND VOUCHER ACCEPTED X LJ Robinson CARDHOLDER'S SIGNATURE		
GST No 24 556 214 SALES VOUCHERS MUST BE LODGED WITHIN THREE BANK BUSINESS DAYS OF THE TRANSACTION			TOTAL GST incl 18 34		

The copy of the receipt/transaction/sales voucher and record of bank deposit will be used as a basis for recording this transaction in the business accounting records.

Electronic Payments Received

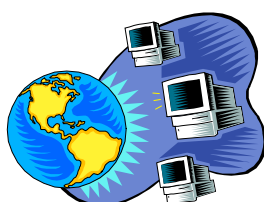
Some payments are received directly through the bank account electronically. These could include payments via direct credit, automatic payment or electronic transfer, and will appear on the business bank statement.

Sometimes the person/business who has paid the money electronically e-mails a separate Remittance Advice to the business/supplier which notifies that a payment has been made electronically, or a date on which it is going to be made, together with details of what the payment relates to.

Any Remittance Advice details received should be printed and held with supporting documents, eg the relevant invoice, until such time as the actual payment is showing on the bank statement. When a payment has been identified on the bank statement, payment details can then be entered into either the manual or computer accounting system (covered in Sections 2 and 3).

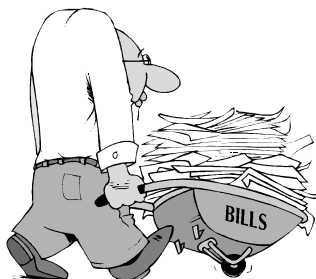
Where no Remittance Advice was received, relevant documentation, eg invoice, need to be matched up by using references on the bank statement and the amount of payment.

Also see 'Electronic Payments' on page 12 for further relevant information.



Making 'cash' payments

Any money paid from the business must be carefully monitored. Only authorised people should be allowed to make payments and everything should be double checked.



Payments with dollars and cents

Normally, a business would not make many payments using currency (dollars and cents). However, there will be occasions when paying with currency is convenient and, because it is hard to trace, it is essential that these payments are supported with the correct documentation.

Generally the payments will be very small ones in order to purchase items such as tea or coffee. The money for these should come out of the business 'petty cash' system, which we will look at later.

MAIN SHORE DAIRY		
GST: 61 432 667	3445/94321	
	1112	4/11/13
Milk 2 Litre	2 @ \$3.60	\$7.20
Inc GST		
AMOUNT TENDERED		\$20.00
CHANGE DUE		\$12.80
<i>Thank you for your custom</i>		

Because all money must be accounted for, there must be a receipt or cash sales docket to match the amounts spent.

A business wouldn't normally use large amounts of currency for legitimate transactions. Whatever the size of the payment, it has to be supported with a receipt or other form of suitable documentation if it is to be claimed against the business expenses.

The receipts, cash sales dockets and other relevant documentation would be used as a basis for recording these transactions in the business accounting records.

Payments with cheques

The most effective internal control systems for cheques include the following:

- Cheques must be prepared in strict numerical order.
- All relevant details such as the date, payee, amount and GST must be entered on the **cheque butt**.
- Information on the cheque butt must match the information written on the cheque.
- Authorised signatories on the account are the only people able to sign the cheques (in most companies it is usually at least two signatories for each cheque unless it is a 'sole trader' business).
- All cheque payments must be matched with invoices or other relevant documentation.

Cheque butt

1 November 2013	Training Bank Limited		
Wilson & Taylor Ltd	TRAINING BANK Business Cheque Account		
October account	AUCKLAND, QUEEN STREET	NOT TRANSFERABLE	1 November 2013
Balance Forward \$1059.67	Pay Wilson & Taylor Ltd		or bearer
Deposit \$ Nil			
Balance \$1059.67	The sum of Five hundred and forty dollars and 52 cents only		\$ 540.52
This Cheque \$ 540.52			PP Training Centre Ltd
GST \$ 70.50			Jeremy Goldsmith
Closing Balance \$ 519.15			Caroline Walsh
0657989	Cheque Duty Paid		
	0657989 00035719: 0003598- 00		

The cheque butts will be used as a basis for recording these transactions in the business accounting records.

Note

The above cheque butt example includes account balance details. However, many businesses do not complete this information on cheque butts, instead relying on bank statements to monitor account balances, particularly where many transactions are done electronically.

Payments with EFTPOS cards

If EFTPOS cards are used on business accounts, all transactions must be verified with supporting documentation. This will include things such as EFTPOS transaction vouchers and till receipts. If an amount of currency has also been withdrawn, this should be recorded separately in the accounting records. Any currency withdrawn for business use will have to be categorised according to the type of expense it covered. Currency taken for the owner's use is counted as 'drawings' and will be entered into the accounting records as such.

EFTPOS cards and their PIN numbers should always be kept separate and the cards must not be used by any unauthorised people.

The bank statement and supporting documentation will be used as a basis for recording these transactions in the business accounting records.

Payments with credit cards

For businesses that have business credit cards, only authorised staff will be able to use them. Those authorised people will have the responsibility of the card they are authorised to use, and must not allow anyone else to have access to it. For security reasons, a PIN number should be used instead of a signature.

Credit cards and PIN numbers should always be kept separate, and the cards must not be used by unauthorised people.

All transactions will have to be supported by some form of documentation such as a receipt/cash sales docket or invoice. Each payment will have to be verified and categorised when the credit card statement is received.

If an on-line payment is made using a business credit card, for example via a supplier's website to purchase/order goods, then a copy of the electronic receipt must be printed and kept with the business accounting records.

Note

For on-line payments using a business credit card via a supplier's website, there are two types of processing. One is **real-time** and the other **deferred**. Real-time processing enables funds to be transferred to the supplier's business account as soon as the customer confirms their order. Deferred processing is when a credit card payment isn't processed until such time as a goods order is able to be fulfilled. For example, if goods are out of stock, the credit card payment will not be processed until the goods are able to be supplied.

The credit card statement and electronic advice/receipt relating to the payment made on this account will be used as a basis for recording these transactions in the business accounting records.

Electronic payments

On-line payment via a bank's website

This is where a person or business logs into their bank's website and pays an account on-line by electronically transferring an amount from their bank account to another bank account.

Electronic transfers/payments can only be made by authorised staff who must keep all passwords confidential. Generally, these are the same people who have authority to sign the business cheques. The business cannot check that the payments have actually been made until they have gone through the bank account and appear on the bank statement.

Appropriate documentation and records will also need to be kept to support on-line transactions. The successful transfer of funds online can be confirmed by checking the bank statement.

For businesses who prefer to make all account payments online, if an invoice/statement requiring payment does not include details of the supplier's bank account, a request will be made for a bank deposit slip confirming the supplier's bank account details.

Direct debits

A direct debit is when one person or business gives authority to another to deduct funds directly from their bank account, usually in payment of an account.

Direct debits tend to be used when the amounts being deducted from a customer's account can vary from month to month, eg telephone and power. A completed and signed direct debit form gives the authority for funds to be deducted. A direct debit authority ensures that the exact amount of an account is paid when it is due, sometimes receiving an early payment discount, and most importantly avoiding any late penalties.

