CLASS: JSS1

SUBJECT: BUSINESS STUDIES

TOPIC: SOURCE DOCUMENTS

WEEK: 5

LEARNING OBJECTIVES:

1. Meaning of Source documents
2. Importance of source documents
3. Types of source documents
4. Cash and Credit Transactions

Source Documents: These are original documents used to record transactions by the bookkeeper. Source documents are also internal document that act as tangible evidence of a business deal. They function by giving the bookkeeping process a reference point.

Importance of Source Documents

1. They provide tangible proof that a financial transaction actually took place. These days, these documents may be in a traceable electronic form rather than a physical hard copy.
2. They help for the auditing procedure. When a company is audited, the auditor's ability to see a complete and easily available all transactions improves the audit's overall objectivity and validity.
3. They act as reference point for business transactions

Types of Source Documents:

1. Purchase Order
2. Invoice
3. Debit Note
4. Credit Note
5. Cash Register
6. Cheques
7. Receipt

1. **Purchase Order:** This is printed in form of letter by the supplier to purchaser, which describes the goods to be bought, the quantity, the delivery date, the unit price of the items and the address of delivery, if different from the purchaser's address.
2. **Invoice:** An invoice is a business document which a seller of a product gives out whenever goods are sold to customers. It contains the following information:
a. Names and addresses of buyer and the seller;
b. Date of the sale;
c. Description of goods, including quantity and unit price;
d. Terms on which the goods are sold. Invoice is prepared in a way that it will have duplicate copy for reference purposes.
3. **Debit Note:** It is a document that is written out by the seller whenever the buyer is undercharged on the invoice. Debit note proves that the buyer of an item owes the seller. Example, a seller sent an invoice to the value of #50,000 to the buyer of freezers. But in writing out the amount, he made a mistake and wrote #5,000. The seller will use a debit note to correct it.
4. **Credit Note:** This is a document prepared by the seller for goods returned by the buyer. It is used to correct the errors of overcharge made in the invoice. This note proves that the seller owes the buyer. When damaged goods are returned by the buyer, the credit note is issued to the buyer by the seller.
5. **Cash Register Machine**: This is a machine use in industrial shops and eateries that does the following:
a. Record the amount of sales and indicate if it is cash or credit sales.
b. Indicate the type of goods sold.
c. Produce a receipt for the customer and store a duplicate in the machine for book-keeping purposes.
d. Indicate the amount of change, if any, due to the customer. Examples of these machines are find at Chicken Republic eateries, Genesis Restaurants etc.
6. **Cheque:** This is a written order from account holder (Drawer) to a bank to pay a specified sum of money to the person whose name is on it (Drawee).

Types of Cheque

a. Crossed Cheque
b. Open Cheque

Crossed Cheque: Is a cheque that has two parallel lines drawn, with or without any words, generally on the left-hand top corner or in the middle of the cheque. In cross cheque, cash from the drawer's bank account is not given to the drawee rather it is send to his/her bank account.

Open Cheque: This is a cheque which is not crossed on any side of it. Cash from the drawer's bank account is paid to the drawee at the counter of his bank.

How to Fill Out a Cheque: A filled cheque usually has the following:

    i.   Date
    ii.   Name of Drawee
    iii.   Amount in figure and words
    iv.   Signature of drawer
    v.   Full name of drawee
    7. **Receipt :** This is a document that is issued to the buyer by the seller as an evidence of payment for an item bought.

Cash and Credit Transactions: A cash transaction is one in which goods or services are paid for in cash, while a Credit Transaction is a transaction in which payment is delayed until a later date.