

## **OFFICE PRACTICE (DES 1103)**

**LECTURE** : 7

**TOPIC** : Business Documents

**AIM** : To identify business documents and when to use them.

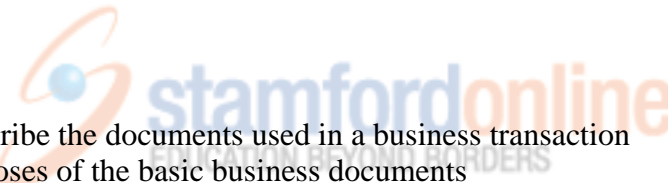
### **LEARNING OUTCOMES:**

After completing this chapter you should be able to understand:

1. The different types of business documents
2. The purpose of these documents

### **TOPIC OUTLINE:**

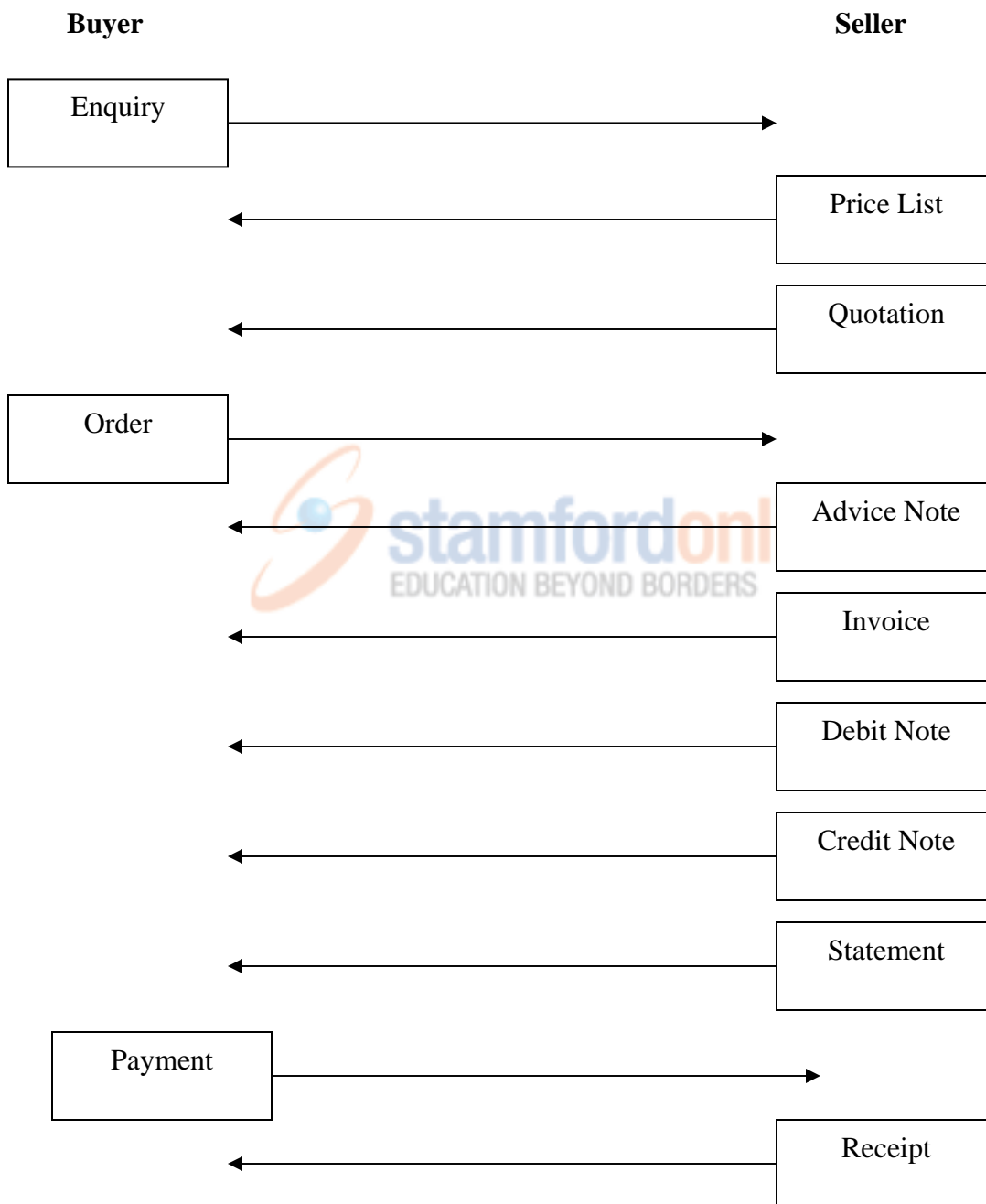
- 7.1 Identify and describe the documents used in a business transaction
- 7.2 Explain the purposes of the basic business documents



## NOTES

### 7.1 IDENTIFY AND DESCRIBE THE DOCUMENTS USED IN A BUSINESS TRANSACTION

Sequence of steps in a typical business transaction:



**The Enquiry**

The person who is interested in a product would place an enquiry over the telephone, in person by letter or even in a printed form. This is not recorded in books of payment.

**Price List**

List of prices prepared to accompany many catalogues and glossy brochures. When a change is instigated only the price list needs updating. This is not relevant to books of account.

**Quotation**

This will be in the form of letter where only the essential variables need to be inserted. It should contain the quantities that can be supplied, full details of the services offered. Information on delivery and completion dates, methods of delivery and payment terms are also inserted.

**Statement**

This document is sent by the seller to all debtors at the end of the month as a reminder of the amounts which they currently owe for goods or services acquired from the seller during the month.

**6.1 EXPLAIN THE PURPOSES OF THE BASIC BUSINESS DOCUMENTS****Letter of Enquiry**

This is sent to the supplier to invite them to quote for goods to be supplied.

**Quotation**

Gives full particulars of goods offered for sale including terms of payment and delivery. Similar information could be printed in catalogues, price lists and estimates.

**An Estimate**

It is a rough cost of the items or services involved. Prices are given as a guide only and may not always be the final cost involved.

**Order**

An external request for goods to be supplied – Buying Department

**Delivery Note**

This document accompanies goods as a record of delivery.

**Advice Note/Dispatch Note**

As advice note/dispatch note may also be used if goods are dispatched by post or rail to notify the buyer when goods have left the supplier.

**Goods Received Note**

Internal document, reporting the arrival of goods.

## **Invoice**

To charge the buyer with the cost of goods supplied, it is a source document for recording purchases/sales in accounting records. The invoice may have as many as 5 copies, usually printed in different colours of paper for ease of recognition and handling.

The invoice contains:

- Names and addresses of both parties to the sale
- Date of sale
- Description of goods, quantity, unit price and details of any trade discount
- Terms of sale, i.e. discount which may be taken and credit period allowed
- Many firms include the letters E&OE (Errors and Omissions Excepted) at the bottom of the invoice as a safeguard – position to rectify errors and omissions.

## **Proforma Invoice**

It is not invariably used, but when it is used, it would probably be because there is some doubt as to the credit worthiness of the customer. Thus the pro-forma invoice is a polite way of requesting payment before the goods are actually dispatched.

## **VAT (Value Added Tax)**

Added to the net value of goods or services after deducting accounts. Invoices received will include VAT, so too will invoices sent out to customers (provided the business transacted necessitates VAT registration)

## **Credit Note**

To reduce the amount charged to the buyer for an overcharge, goods returned, short delivery/goods damaged.

## **Debit Note**

Document similar to an invoice. The supplier makes this out when the purchaser has been undercharged in some way on the invoice.

## **Statement of Account**

Advises the buyer of the total amount due to be paid for the previous month's transaction and requests payment. It is a copy of the customer's account in the sales ledger.

## **Types of Discount**

### **Trade Discount**

A reduction on stated price of the article as advertised in catalogue/price list. The manufacturer or wholesaler for profit making purposes gives this.

### **Cash Discount**

An allowance made for prompt settlement of an account within a stated period.

## **REFERENCES:**

1. John Harrison, Secretarial Duties (10<sup>th</sup> Edition)

## **TUTORIAL QUESTIONS – WEEK 7**

1. It has been decided to purchase a new copier for your office, and the model has been chosen after a demonstration by a salesman.
  - a) State the names of the documents, which will pass between your company and the supplier, from the placing of the order to the payment for the machine.
2. You are employed at the New Tech Office Services Bureau.
  - a) Describe the two discounts given by your company
  - b) When are a Debit Note and a Credit Note used?

