

The types of financial transactions and documents essay



In this assignment I am going to show all the types of financial transactions and documents which would take place in a business organisation. To establish that I fully understand all the financial documents I will produce evidence which shows actual documents from a business with a explanation. I will obtain all the purchase, sales documents and examples of payment method and receipt documents.

Also I will explain the financial transactions which take place regularly in an organisation and an explanation of why transactions are kept. Security in a business is very important issue therefore I will explain the methods in ways that business goes to length to prevent fraud and theft. The information will be obtained from the " Heinemann GNVQ for business studies" text book.

Explain and give examples of purchases and purchase documents:

Purchases: 1) Materials. 2) Services.

3) Wages. Purchase documents 1) Order Placed. 2) Purchase Invoice 3)

Credit Note 4) Goods received Note. Purchases Materials 1) When organisations are started they need to buy certain things so the business operates properly. One of those things are Materials. These materials are called business materials.

These are materials used to make the business product. For example wood is a business material for a furniture maker. He buys the wood from a supplier and then manufactures the furniture. Services 2) When business get started they require other services to help it develop. For example a sandwich bar requires the services of a delivery company who deliver all the stock and equipment needed to run a sandwich bar.

If one day the delivery van broke down, the sandwich bar would have to be closed so they could pick up their stock. While the bar is closed happening they are losing money. Income and expenditure are different because income means all the money you receive and expenditure means all the money you layout There are the total opposite to each other. The difference between sale documents and purchase document is sales documents are used to acknowledge to the customer that their order has been received. Purchase documents are used when you order the goods you want.

Wages 3) Any organisation who hires staff has to pay them wages. In a way they are purchasing their services to help get the work done. Details of employees must be recorded in a payroll. This is a legal requirements, as the details of the person and how much they earn is needed for income tax and National Insurance purposes. So they can be calculated. Purchase Documents Orders placed (see Example 1) 1) Orders placed is an order form telling a company how much of a good they need.

For example a newsagent would send one of theses to Coca-Cola telling them how many cans of Coke they would like to purchase. On the document would be the business address, the quality of the product and the date. A purchase order is used to for a organisation to order goods that a business needs to run normally or an order from a consumer wanting something on request which the department store didn't have. As shown below, it shows a purchase order from Sports division/JJB Hayes, that a customer wanted a basketball set. Being that a purchase order is a inward transaction for a business that consumer would have to pay i?? 149. 99, and the company would make there money within that amount.

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Purchase Invoice (see Example 2) 2) A purchase invoice is made by the supplier and sent to the customer. This document will show in detail the quality and description of the goods that have been sent. It also contains detailed pricing including things like VAT so you can work out if the amount to pay is right. It is necessary to show the business VAT No so the VAT inspectors and the inland revenue can use it as evidence of the amount the business has spend.

Credit Note (see Example 3) 3) A credit Note is used when the customer finds a fault in the product or when the customer buys the wrong product. The Credit Note acts as a receipt. In the event of this happening the company will supply the customer. Another occasion a business would compete a credit note is when goods are not delivered because they were lost or stolen.

Goods Received Note (see Example 4) 4) This documents is a record of the goods being actually delivered. It is produced by the supplier and the customer will sign this when the goods are delivered. The note is checked against the deliver note to make sure the right goods are delivered. The person who receives the goods completes a G. R. N, would do this for his own records to make sure everything he ordered is correct and not damaged.