

ACCOUNTING AND FINANCE

LEVEL - III

Based on March, 2022 curriculum V - I



Module title: Preparing, Matching and Processing Receipts

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Adama, Ethiopia

Acronym

PO: PURCHASE ORDER

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RFI: REQUEST FOR INFORMATION

TTLM: TEACHING, TRAINING AND LEARNING MATERIALS

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Introduction to the Module

This module describes Prepare, Match and Process Receipts training course provide the skills and knowledge required to receive, identify and record receipts, match receipts to documentation, enter data into organization operating or accounting systems and file all necessary documentation

This module covers the units:

- Receiving and recording receipts
- Matching receipts to documentation
- Entering data to systems
- Filling documentation

Learning Objective of the Module

- Receive and recording receipts
- Match receipts to documentation
- Enter data to systems
- Fill documentation

Module Instruction

1. For effective use these modules trainees are expected to follow the following module

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instruction:

2. Read the information written in each unit
3. Accomplish the Self-checks at the end of each unit
4. Perform Operation Sheets which were provided at the end of units
5. Read the identified reference book for examples and exercise

Unit One: Receive and record receipts

This unit is developed to provide you the necessary information regarding the following content coverage and topics:

- Following checking and receipt procedures
- Identifying and recording receipts
- Completing batch

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- follow check and receipts
- Record receipt
- Complete Batch

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1.1 Checking and receipt procedures

It is a written acknowledgment of having received, or taken into one's possession, a specified amount of money, goods, etc.

- **Receipts**, the amount or quantity received.
- The act of receiving or the state of being received.
- Something that is received.

A **receipt** is a written acknowledgment that a specified article or payment has been received. A receipt records the sale of goods or provision of a service. If the recipient of the payment is required to collect a tax from the customer, the amount collected would also be included on the receipt and the amount would be deemed to have been collected on behalf of the relevant government tax authority. In many countries a retailer is required to include the tax and similar amounts in the price of goods sold. Similarly, amounts may be deducted from amounts payable, as in the case of wage withholding taxes. On the other hand, tips or other gratuities given by a customer, for example in a restaurant, would not form part of the payment amount. In some countries, it is obligatory for a business to provide a receipt to a customer confirming the details of a transaction.

1.1.1 Processing of Cash Receipts

The process of receiving cash is highly regimented, because the task of processing checks is loaded with controls. They are needed to ensure that checks are recorded correctly, deposited promptly, and not stolen or altered anywhere in the process. The procedure for check receipts processing is outlined below.

Step 1. Record Checks and Cash

When the daily mail delivery arrives, record all received checks and cash on the mailroom check receipts list. For each check received, state on the form the name of the paying party, the check number

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and the amount paid. I deposit it into some other bank account.

Step 2. Forward Payments

Insert all checks, cash, and a copy of the mailroom check receipt list into a secure interoffice mail pouch. Have it hand-delivered to the cashier in the accounting department.

Step 3. Apply Cash to Invoices

Access the accounting software, call up the unpaid invoices for the relevant customer, and apply the cash to the invoices indicated on the remittance advice that accompanies each payment from the customer.

Step 4. Record Other Cash (Optional)

Some cash or checks will occasionally arrive that are not related to unpaid accounts receivable. For example, there may be a prepayment by a customer, or the return of a deposit

Step 5. Deposit Cash

Record all checks and cash on a deposit slip. Compare the total on the deposit slip to the amount stated on the mail room check receipts list, and reconcile any differences. Then store the checks and cash in a locked pouch and transport it to the bank.

Step 6. Match to Bank Receipt

Upon receipt of the checks and cash, the bank issues a receipt for it. Someone other than the cashier should compare this receipt to the amount on the deposit slip and reconcile any differences.

Receipts are classified into two types. They are:

1. Revenue receipts
2. Capital receipts

1. Revenue Receipts

Revenue receipts are those receipts that do not lead to a claim on the government. They are hence termed non-redeemable. They are classified into tax and non-tax revenues. Tax revenues, a vital component of revenue receipts, have been bifurcated into direct taxes (personal income tax) and enterprises (corporation tax), indirect taxes like customs duties (taxes imposed on commodities imported into and exported out of India), excise taxes (duties levied on commodities manufactured within the nation), and service taxes.

Other direct taxes such as gift tax, wealth tax, and estate duty (now eradicated) have never brought a large amount of revenue, hence they are known as paper taxes.

2. Capital Receipts

The government also gets money in terms of loans or from the sale of its assets. Loans must be given back to the agencies from which they have borrowed. Hence, they establish liability. The sale of

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government assets, such as the sale of shares in Public Sector Undertakings (PSUs) that is known as Public Sector Undertakings disinvestment, minimizes the total amount of financial assets of the government.

1.1.2 Store receipts

The custom in most stores at the point of sale is for a salesperson to scan or in some way record the price of a customer's proposed purchases, including tax, discounts and other adjustments. In traditional situations and still in some family businesses today, the salesperson would then show the customer the summary, the invoice, for their agreement; but most stores today bypass this stage. The practice of presenting an invoice is most common in restaurants where a "bill" is presented after a meal. ns.

Contents of a Receipt

A receipt will often include the following:

- The date of the transfer
- A description of the product or service received
- The cost of goods sold
- Sales tax charged, if any, as part of the transfer
- The payment method used, such as credit card or cash

Receipts include

- bankers orders
- Cash
- cash journal entry
- Cheque

A check is a written, dated, and signed instrument that directs a bank to pay a specific sum of money to the bearer. The person or entity writing the check is known as the pay or or drawer, while the person to whom the check is written is the payee. The drawee, on the other hand, is the bank on which the check is drawn.

Checks may be cashed or deposited. When the payee presents a check to a bank or other financial institution to negotiate, the funds are drawn from the payer's bank account. It is another way to instruct the bank to transfer funds from the payer's account to the payee or the payee's account. Checks are generally written against a checking account, but they can also be used to negotiate funds from a savings or other type of account.

Types of checks include **certified checks, cashier's checks, and payroll checks**, also called paychecks

1. Certified check

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One example is a certified check, which verifies that the drawer's account has enough funds to honor the amount of the check. In other words, the check is guaranteed not to bounce. To certify a check, it must be presented at the bank on which it is drawn, at which time the bank will ascertain its authenticity with the payer.

2. Cashier's check

A cashier's check is guaranteed by the banking institution and signed by a bank cashier, which means the bank is responsible for the funds. This type of check is often required in large transactions, such as buying a car or house.

3. Payroll check

Another example is a payroll check, or paycheck, which an employer issues to compensate an employee for their work. In recent years physical paychecks have given way to direct deposit systems and other forms of electronic transfer.

4. Bounced Checks

When someone writes a check for an amount larger than what is held in their checking account, the check cannot be negotiated

Steps for Write a Check

Step 1: Date the check. Write the date on the line at the top right-hand corner.

Step 2: Who is this check for? ...

Step 3: Write the payment amount in numbers. ...

Step 4: Write the payment amount in words. ...

Step 5: Write a memo. ...

Step 6: Sign the check.

Credit cards:

- Direct
- Mail
- Telephone

A credit card is a card borrowed funds issued by a financial institution, typically a bank, and it enables the cardholder to borrow funds from that institution. Cardholders agree to pay the money back with interest, according to the institution's terms. Credit cards are issued in the following variety of categories

1. **Standard cards** simply extend a line of credit to their users for making purchases, balance transfers, and/or cash advances, and they often have no annual fee.

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2. **Premium cards** offer perks such as concierge services, airport lounge access, special event access, and more, but they usually have higher annual fees.
3. **Rewards cards** offer cash back, travel points, or other benefits to customers based on how they spend.
4. **Balance transfer cards** have low introductory interest rates and fees on balance transfers from another credit card.
5. **Secured credit cards** require an initial cash deposit that is held by the issuer as collateral.
6. **Charge cards** have no preset spending limit but often don't allow unpaid balances to carry over from month to month.

A **debit card** is a payment card that makes payments by deducting money directly from a consumer's checking account, rather than on-loan from a bank or card issuer. Debit cards offer the convenience of credit cards and many of the same consumer protections when issued by major payment processors such as Visa or MasterCard.

There are two types of debit cards that do not require the customer to have a checking or savings account, as well as one standard type.

- A. **Standard debit cards** draw on your bank account.
- B. **Electronic benefits transfer (EBT) cards** are issued by state and federal agencies to allow qualifying users to use their benefits to make purchases.
- C. **Prepaid debit cards** give people without access to a bank account a way to make electronic purchases up to the amount that was preloaded onto the card.

Frugal consumers may prefer to use debit cards because there are usually few or no associated fees unless users spend more than they have in their account and incur an overdraft fee. (The no-fee advantage does not hold for prepaid debit cards, which frequently charge activation and usage fees, among other costs.) By contrast, credit cards generally charge annual fees, over-limit fees, late payment fees, and a plethora of other penalties, in addition to monthly interest on the card's outstanding balance.

1. Direct debits

These give a company permission to take money from your bank account on a date agreed with you. For **Example**, you might use a Direct Debit to pay your gas and electricity bills. The company need to notify you of any change to the amount or date

2. Direct drawing

Directed drawing is **a step-by-step process through which students draw something**. The teacher guides or directs students through each step, showing them exactly where and how to make the next line or mark on their drawing.

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3. Payroll deduction

Payroll deductions consist of money taken out of an employee's paycheck. These deductions are used for a few purposes, such as paying taxes, contributing to a retirement plan, and paying for benefits like health insurance. Payroll deductions can also be voluntary or mandated.

4. Postal money order.

A postal order or postal note is a type of money order usually intended for sending money through the mail. It is purchased at a post office and is payable at another post office to the named recipient. A fee for the service, known as poundage, is paid by the purchaser.

1.1.3 Cash Receipts of Journal

The cash receipts journal is that type of accounting journal that is only used to record all cash receipts during an accounting period and works on the golden rule of accounting – debit what comes in and credits what goes out.

Credit sales are not recorded in this accounting journal because there isn't any cash collected in those credit sales transactions. Cash sales work on the cash basis of accounting, and credit sales on the accrual basis of accounting.

Receipt of Cash from Cash Sales: All cash received from cash sales of goods and services to customers is recorded in the cash receipts journal, mentioning the counterparty's name in the narration.

Receipt of Cash from Credit Customers: All cash subsequently collected after making credit sales to the customer basis the credit period advanced.

Receipt of Cash from Other Sources: All other sources of cash such as Bank Interest, Maturity of investments, sale of non-inventory assets, sale of fixed assets etc.

Cash receipt format

Date	Account credited	Ref	Invoice no	Explanation	Cash Debit	Cash discount Debit	Account receivable credit	Sales credit	Other accounts Credit
Total									

Free Template of Cash Receipt

CASH RECEIPT			
Business Name and Address			
Date:		Receipt No.	
Received From :		Amount (\$)	
Amount in words:			
Payment Purpose:			
Account Details:		Payment Mode:	
Total Due Amount:		Cash:	
Total Amount Paid:		Check No.:	
Balance Due:	-	Money Order:	
		Received By:	
		Name and Signature:	

1.1.4 Manual receipts

Hand-written or hand-completed receipts are more often used for infrequent or irregular transactions, or for transactions conducted in the absence of a terminal, cash register or point of sale: for example, as provided by a landlord to a tenant to record the receipt of rent.

Types of Receipt

Money is received in three ways:

- Directly by cheque or bank transfer.
- At the mill on open days, Saturday mornings or when milling/bagging
- Off-site at talks, fairs, etc.

1. Direct Receipts

Cheque received directly for memberships and postal sales are recorded by her in an Excel file.

Membership information is recorded in an Access database.

Bank transfers are recorded from on line banking and held in an Excel file. Copies the details on a monthly basis for membership records and to confirm receipts for wholesales.

2. Receipts at the Mill

All receipts are rung into the till and **identified as by cash or cheque**. Donations arising from “keep the change” are placed in the donations pot by the till. At the end of each day’s trading the contents of the pot are counted and rung into the till as a single donation transaction.

3. Receipts Off-site

A manual record is made of cash and cheque received other than in the above two. This record identifies receipts by item so that they can be rung into the till at the next opportunity.

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As soon as convenient after receipt these monies are rung into the till in the same way as those received at the mill and **the amounts tendered by cash and cheque are keyed accordingly**. The actual total of cash/cheque is checked against both the manual record and the till total. The cash/cheque and the manual record are left either in the till or in the safe in the mill.

1.1.5 Recording and Depositing Cash Receipts

Deposit

All cash receipts should be recorded and deposited within 24 hours of receipt unless amounts total less than \$500, and then at least weekly, in Ethiopian context cash must be deposited if it idle that mean out purpose and above 100 BR.

If the correct account cannot be easily identified for a cash receipt, a suspense account should be used to ensure that the receipt is recorded in a timely manner and posted to the University's accounting records. Such receipts will be reclassified when the correct account is determined.

1.1.5 Use of RIF (Receipt Identification Form)

Use the on-line Receipt Identification Form (RIF); to record receipt of any of the following forms of payment.

- currency and coin
- checks
- drafts
- money orders
- Traveler's checks.

Certain items may be accompanied by supporting documentation that becomes part of the deposit record, such as correspondence from donors or other descriptive correspondence or attachments. Section 3 gives procedures for supporting documentation

Do not use RIF to record:

- returns of Payroll over-payments: salary/wage or benefits
- repayments of charges that were initially incurred through Accounts Payable (e.g., vendor refunds, repayments of travel or expense advances)
- Receipt of grant or contract funds.

1.2 identifying and recording receipts with remittance type

A receipts and payments account is a summary of actual cash receipts and payments extracted from the cash book over a certain period. All cash received and paid during the period, whether capital or revenue, is included in this account.

Receipts are entered on the debit side of the receipts and payments account. This is the same as how

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receipts appear in the cash book.

Explanation

All receipts are grouped under headings such as entrance fees, annual subscriptions, lifetime subscriptions, donations, interest, and sundry receipts.

All **payments** are entered on the credit side under headings such as salaries and wages, printing and stationery, office expenses, and rent, rates, and taxes.

The receipts and payments account starts with the opening cash balance. It closes with the cash balance at the end of the period.

Given that the receipts and payments account is simply a summary of **cash transactions**, it does not cover outstanding **income** or **expenditure**. It also naturally fails to show the actual income or expenditure of the period it covers.

Format/Specimen

In a receipts and payments account, there is a receipts column on the debit side. This is used to record all receipts.

There is also a payment column on the credit side, which is used to record all payments made by **non-trading concerns** or non-profit-making organizations during a specific **accounting period** (usually one year).

The table below shows the format/specimen of a receipts and payments account.

[illegible]

Main Features

There are several important features associated with a receipts and payments account.

First, a receipts and payments account is a summarized form of a cash book. It starts with an opening cash and bank balance (sometimes the two are merged) and ends with their closing balances.

In a receipts and payments account, all receipts are recorded on the left-hand (debit) side and all payments are recorded on the right-hand (**credit**) side.

The account contains a record of receipts and payments for both capital and revenue. It also includes all cash and bank receipts and payments for the current year, whether they are related to current, past, or future accounting periods.

A receipts and payments account only contains records of transactions related to cash and bank. All non-cash items are excluded.

Receipts and payments accounts are not part of the double entry system.

These accounts show cash positions only, not surpluses or deficits for the period. They generally show debit balance, and in case of a bank overdraft, the bank balance will be credit.

It is rare, but a receipts and payments account may also show nil balance.

The last noteworthy feature of receipts and payments accounts is that they are always prepared at the end of an accounting period.

Advantages

The following are the advantages of a receipts and payments account:

- At a glance, a receipts and payments account shows total receipts and total payments under different headings.
- A receipts and payments account can be used to verify the cash book.
- The account provides classified records of different heads of receipts and payments.
- It provides readily available data for preparing an income and expenditure account.

1.2. 1 Preparing of Accounts

A receipts and payments account is prepared by extracting receipts and payments from the cash book for the entire year.

In a **cash book**, each item is recorded separately in chronological order. However, the items in a receipts and payments account are recorded in classified form under different headings.

To prepare a receipts and payments account, follow these steps:

Step 1: Write the title of the account and use the format shown in the specimen.

Step 2: Write the opening cash and bank balances at the top on the left-hand side.

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Step 3: Add up all the receipts with different dates under the same head.

Step 4: Add up all the payments made on different dates under the same head. You can also use a separate sheet for this.

Step 5: Write the sums of each head of receipts on the left-hand side and the total of each head of payments on the right-hand side.

Step 6: Deduct all payments from all receipts and find the closing balance.

Example 1

A library and debating society was formed on 1st January 2017. The receipts and payments for the year ended 31 December 2017 are as follows:

Receipts:

- Subscription: \$1350.00
- Donations: \$2600.00
- Entrance fees: \$480.00
- Locker rent: \$785.00

Payments:

- Library books: \$1210.00
- Rent for library hall: \$240.00
- Office expenses: \$35.00
- Postage and stationery: \$72.00
- Furniture purchased: \$934.00
- Investment: \$1100.00

Required: Show the receipts and payments account for the year ended 31 December 2017.

Solution

library and debating society receipt and payment account for the year ended December 2017			
Receipts	Birr	payments	Birr
subscription	1,350	Library book	1,210
Donations	2,600	rent of library hall	240
Entrance	480	office expense	35
Locker Rent	785	postage and stationery	72
		furniture	934

		investment	1,100
		balance	1,624
	5,215		5,215

Cash sale

Say you make a cash sale of \$250 at your small business. Because you have already received the cash at the point of sale, you can record it in your books. Again, you must record a debit in your cash receipts journal and a credit in your sales journal.

Cash Receipts Journal

Date	Account	Debit	Credit
8/10/19	Cash Sales	\$250	

Sales Journal

Date	Account	Debit	Credit
8/10/19	Cash Sales		\$250

Record a \$250 debit in your cash receipts journal and a \$250 credit in your sales journal.

Combination of cash and credit

When customers pay with a mixture of payment methods, you need to account for it. When this occurs, you must debit and credit various accounts.

Record any cash payments as a debit in your cash receipts journal like usual. Then, debit the customer's accounts receivable account for any purchase made on credit. In your sales journal, record the total credit entry.

Say a customer buys \$1,000 worth of merchandise from your business. They pay \$100 in cash and use store credit for the remaining \$900. Your journal entry would look like this:

Date	Account	Debit	Credit
8/10/19	Cash Receipts	100	
	Accounts Receivable	900	
	Sales		1,000

Banks order

an instruction by a bank to pay someone a particular amount. A bank order is a more trusted method of payment than a personal cheque: He took pains to transmit the money by bank orders, to guarantee payment

A common example of Payment Order is a **draft written against a Negotiable Order of Withdrawal**. Payment Orders can be transmitted orally, in writing or electronically. Generally, Payment Orders are sent via mail, telex, or through Society for Worldwide Inter-bank Financial Telecommunication (SWIFT).

Receipt of Checks in the Office. The Secretary opens all mail addressed to the organization. The Secretary makes a photocopy of all checks received and provides the photocopies to the Treasurer. This allows the Treasurer to verify that all checks received are deposited. The Secretary will endorse all checks by an endorsement stamp that provides that the check is “For Deposit Only” and will be paid to the order of the corporate bank and lists the organization’s name and account number. This lessens the risk that a check may be stolen and cashed.

Receipt of Cash in the Office. Cash is easily stolen and must be handled carefully. If cash comes into the office, the person accepting the cash must provide a written receipt when taking the cash:

- The receipt should state the person’s name, the date, the amount of the cash and the purpose of the payment.
- Use a per-numbered receipt book with an automatic duplicate copy with the organization’s name printed on it.
- No pages may be removed from the receipt book.
- The person with access to the receipt book shall keep it in a locked drawer and shall lock cash in a secured location until the Secretary can retrieve it.
- If possible, when the Secretary opens the location with the cash, one other person will accompany the Secretary so that they can count the cash together.

Deposit Slips. The Secretary will deposit corporate funds as follows:

- Prepare a deposit slip in duplicate.
- Photocopy the checks and staple the photocopies to the copy of the deposit ticket that we keep.
- If cash will be included in the deposit, the Secretary will attach a list to the duplicate deposit ticket which includes the sources of the cash and the receipt #s in the duplicate receipt book

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foreach source of cash.

- File this documentation chronologically in a locked cabinet to prevent theft.

The Treasurer will consult the deposit ticket and attached photocopies when making the Bank Reconciliation described below.

1. **Bank Deposit.** If no cash is present, the deposit may be mailed to the bank. If cash is present, a second person (if available) shall verify deposited funds prior to the Secretary sealing the envelope and making the deposit in person. The person verifying the cash shall initial the cash on the copy of the deposit slip retained by the organization.
2. **Receipt of Checks and Cash Outside the Office.** If checks and/or cash come in outside the office (such as at a fundraising event), we need to take special precautions to protect these receipts from theft and to ensure that no one is falsely accused of stealing funds.

1.3 completing batching

Batching is selecting one type of product for multiple orders, whereas regular order picking is picking one complete order at a time. The latter may or may not include different products, but often does. If you have a small warehouse, order picking may sometimes be effective

Preparing batching

- Start and end dates of the manufacturing process.
- All materials and components used, including the amounts of each one.
- Step-by-step documentation of the entire manufacturing process, from start to finish — including dates of completion for each step

Self - check 1:

Part I: FILL IN THE BLANK SPACE

- 1.----- is a written, dated, and signed instrument that directs a bank to pay a specific sum of money to the bearer
- 2.----- are those receipts that do not lead to a claim on the government.
- 3.----- offer perks such as concierge services, airport lounge access, special event access, and more, but they usually have higher annual fees.

Part II: JOURNAL ENTRIES

1. shows how cash receipt journal accounting works and is recorded in accounting ledgers

07/08/2019 – Cash Sales made of Birr4000

20/08/2019 – Loan from Bank Birr1000

21/08/2019 – Cash Sales made of Birr500

22/08/2019 – Interest received on Bank account of Birr350.

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28/08/2019 – Cash Sales made of Birr2000

2. A library and debating society was formed on 1st January 2018. The receipts and payments for the year ended 31 December 2018 are as follows:

Receipts:

- Subscription: Birr2500
- Donations: Birr3500
- Entrance fees: Birr4500
- Locker rent: Birr5000

Payments:

- Library books: Birr250
- Rent for library hall: Birr 200
- Office expenses: Birr 150
- Postage and stationery: Birr 100
- Furniture purchased: Birr 800
- Investment: Birr 1000

Required: Show the receipts and payments account for the year ended 31 December 2017.

Unit Two: Match receipts to documentation

This unit is developed to provide you the necessary information regarding the following content coverage and topics:

- Checking and matching receipts
- Noting Receipt for follow-up or referral.

This unit will also assist you to attain the learning outcomes stated in the cover page.

Specifically, upon completion of this learning guide, you will be able to:

- Match and check receipt
- Note Follow up receipt

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2.1 Checking and matching receipts

2.1.1 matching receipts process

Receipt matching verifies that invoice information matches both the purchase order and the goods receipt.

Process Cash Receipts

- Record Checks and Cash. When the daily mail delivery arrives, record all received checks and cash on the mail room check receipts list. ...
- Forward Payments. ...
- Apply Cash to Invoices. ...
- Record Other Cash (Optional) ...
- Deposit Cash. ...
- Match to Bank Receipt.

Upon delivery of the goods or services, the buyer often needs to register a goods receipt in the ERP or procurement sys2-way, 3-way and 4-way invoice matching

You might have heard of these different levels of invoice matching. These refer to the number of

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supporting documents against which an invoice is matched.

Receipting process



Image 2.1

Level of invoice matching

I. 2-way matching – Purchase orders

II. 3-way matching – Receives information

III. 4-way matching – Inspect information

I. 2-way matching

verifies that invoice information matches the corresponding purchase order. Two way matching, also known as purchase order matching, is a process to verify that the details on the purchase orders and the associated invoices match so that the invoice can be paid. In case of discrepancies, the invoice processing is paused until the discrepancies are rectified or addressed. The match is usually made for the quantity billed and the invoice price

II. 3-way matching

verifies that invoice information matches both the purchase order and the goods receipt. Three way matching is the process of comparing the details in the **purchase order, invoice and goods receipt** to ensure that all data in all of these documents are correct. This is performed before the payment is initiated. Three-way matching is the concept through which unauthorized purchase transactions can be tracked through cross-checking in three ways, namely receipt of confirmation of the order (**purchase order**), receipt of the order, and the validity of the invoice generated by way of information from different departments to eliminate the unauthorized transactions and enhance the internal control.

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Three-Way Matching



Image 2.1

Purchase order

A purchase order (PO) is an official document a buyer sends to a seller. The purchase order binds the buyer to a promise to pay the seller for designated products at a future date. The purchase order form itself specifies the types and quantities of each product.

Purchase orders are beneficial to both parties involved. They help sellers by guaranteeing the future safety of their cash flow since any PO counts as a legal document that requires the buyer to pay for the products they receive. Sellers can be certain that they won't be over – or under-producing any products, as the details in every purchase order request they receive tell them exactly what quantities of each of their products they need to manufacture.

7 steps of the purchase order process

1. Order creation

The first step in the PO process is to create a purchase request. At this point, you'll need to know what is being purchased, the priority level of the requisition, your budget, when the product or service is needed, who needs to approve the order, and the suppliers.

2. Approval

After the order has been created, the next step in the process is to get approval of the requisition. In some cases, this approval may be verbal or sent as an email. In other companies, more formal actions, such as completing paperwork, may be required.

3. Dispatch

After the requisition is approved, the PO is sent to the selected vendors. The vendors then submit bids based on the POs. The bids are approved based on price, quality, support, service, schedule, and other factors relevant to your business.

4. Binding contract

After the bid is accepted, the company and the vendor must agree to a contract.

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5. Goods delivery

The supplier will then produce and deliver the items being purchased based on the outlined schedule and shipping requirements.

6. Three-way match

After the goods received are approved, the purchasing company will then match the purchase order with the PO and invoice from the supplier. Companies should check to ensure that all charges are accurate.

7. Closure

After the three-way match is approved, the purchase order is closed out.

Purchase Order Example

Let us look at a hypothetical example and formulate a purchase order. ZYX Ltd., New York, required 100 office chairs with wheels at the agreed rate of \$50 per chair. The firm sends a purchase order to the seller, LML Furniture, New York. The purchase order example mentions the required quantity, price, and other terms as follows:

LML Furniture ships the order on the delivery date and sends the invoice. The ZYX company verifies the procured products, matches the PO number, and makes a payment of \$5,370. The payment is made within 30 days, keeping with the predetermined terms mentioned in the PO.

Purchase Order Types



Image 2.1.2

1 – Standard PO

This kind of order though commonly used is primarily applicable to one-off purchases. A standard purchase order is suitable when the buyer is clear about the products' price, quantity, payment terms, and delivery schedule.

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For instance, an ironworks company creates a Standard PO for 60 cement sheets to construct a shade over its workshop. Each sheet costs \$15. The cement sheet manufacturing company has to deliver the order within ten days.

2 – Planned PO

There are specific long-term contracts that require a steady supply of goods; however, the scheduled delivery date is unknown. Other order details like product types, price, payment term, and quantity are clearly defined.

For instance, a construction company gets a government contract for constructing a dam. The company creates a Planned PO for buying bricks from a particular vendor. However, the exact construction dates are still unknown. Therefore, the scheduled delivery date is also uncertain.

3 – Blanket PO

As the name suggests, a Blanket Purchase-Order covers multiple orders within a single request. It is a strategy to avail bulk purchase discounts. But these POs may not state the original, discounted price or the time of purchase.

For instance, a car manufacturing company issues a Blanket PO for the bulk purchase of tires. The tire vendor facilitates a substantial 17% discount.

4 – Contract PO

In this type, the buyer and the vendor lay down the terms of the contract, agree upon it, and then sign it. It is a business transaction

. Both the parties are legally bound to the terms. Such POs are common for purchase agreements to be executed in the future

Essentially, **3-way matching adds one more condition to the 2-way matching process**. Namely, these conditions should be met :

- The invoice quantity is less than or equal to the amount ordered in the PO
- The invoice price is less than or equal to the price quoted in the PO.
- The goods receipt quantity is less than or equal to the invoice quantity.

Purchase Requisition

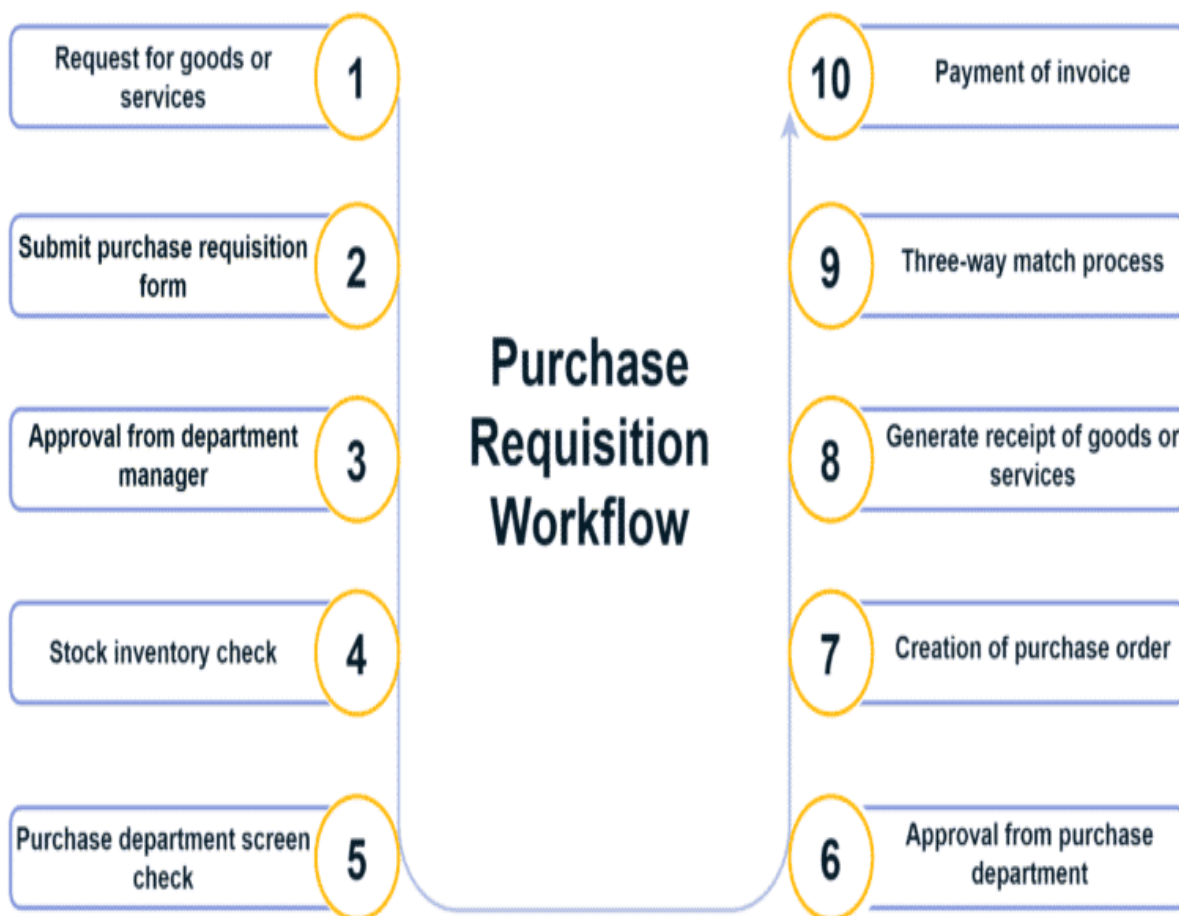
A purchase requisition is an internal document created by your employee to request the purchasing of goods or services from an outside vendor. Once the document is approved by the department manager, finance department, and is three-way matched, the actual purchasing of goods or services can now happen with the use of a purchase order

Information on a Purchase Requisition Form

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1. Name of the department requesting
2. Purchaser's location and mailing address
3. Exact amount of items
4. Description of items
5. Legal name of the outside supplier
6. Expected price of purchase
7. Requested delivery date

Purchase Requisition Workflow



Proper Purchase Order Format

Header — Provide information about your company, such as the company name, business address, purchase order date, and order number.

Vendor details — Indicate who should receive the PO. This is where you mention the seller company's name, your own contact name, and the seller company's address.

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Summarize — Finish the purchase order by including a subtotal, any necessary discounts, fees, shipping costs, and the total.

Purchase order request

[illegible]

Purchase invoice

Invoice processing by definition is a business function performed by the accounts payable department which consists of a series of steps for managing vendor or supplier invoices from receipt to payment, and recorded in the general ledger.

Proceeds of invoice template

Capture, general ledger (GL) code, and match supporting documents such as a purchase order and/or delivery receipt

1. Send invoices to authorized app-rovers to approve or reject invoices
2. Authorize and submit invoices for payment in a financial system
3. Process invoices for payment via common payment methods such as check, ACH, or wire transfer
4. Archive invoices and payment information in the GL and for audit purposes

Purchase invoice template

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INVOICE			
<Your Company Name>			DATE
<123 Street Address>			
<City, State, Zip/Post Code>			INVOICE NO.
<Phone Number>			
<Email Address>			
<Payment terms (due on receipt, due in X days)>			
BILL TO	SHIP TO		
<Contact Name>	<Name / Dept>		
<Client Company Name>	<Client Company Name>		
<Address>	<Address>		
<Phone>	<Phone>		
<Email>			
			0.00
			0.00
Remarks / Payment Instructions:		Subtotal	0.00
		Discount	0.00
		Subtotal less discount	0.00
		Tax rate	0.00%
		Total tax	0.00
		Shipping/handling	0.00
		Balance Due	\$-

Good receipt

information is required in the goods received note

1. Name of supplier's organization.
2. Product details such as name, size, type, technical specifications, etc.
3. Delivery time and date.
4. Product quantity.
5. Name and signature of supplier's representative.
6. Name of receiving organization.
7. Name and signature of receiver.



Goods Received Note		
Purchase Order No: _____		
Supplier: _____		
Delivery Note No: _____		
Date Goods Received: _____		
Cost Centre	Account Code	Job Code
Charging Details: _____		
Full Order Delivery	Part Order Delivery	Delivery Note Attached
<u>Comments</u>		
Signed: <input type="checkbox"/> Dated: <input type="checkbox"/>		
<u>Finance Office Use</u>		
Date of GRN: _____		
GRN Number: _____		
Signed: _____		

III. 4-way matching

adds another criterion to verify that the invoice details also match the acceptance or inspection document in the case this step is part of the purchasing process. Four way matching involves the matching of **invoices, purchase orders, goods receipts and inspection slips**. Inspection slips are documents which record that the delivery has been accepted after inspection.

Essentially, **4-way matching adds one more condition to the 3-way matching process**. Namely, these conditions should be met :

- The invoice quantity is less than or equal to the amount ordered in the PO
- The invoice price is less than or equal to the price quoted in the PO.
- The goods receipt quantity is less than or equal to the invoice quantity.
- The inspection slip quantity is less than or equal to the invoice quantity.

Following simplified hypothetical example.

The IT department of a company ABC, requires 10 swivel executive chairs for its IT executives.

- The IT department may (depending on company policy) issue a **purchase requisition** across the appropriate managerial hierarchy.

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- A purchase request is sent to the Purchase (or equivalent) department in the company to find appropriate vendors of the product/service.
- Once a vendor is identified, the necessary groundwork is done to identify the product and price. For example, XYZ, a supplier of office furniture can provide swivel executive chairs at a price of \$250 per chair, to be delivered in five days.
- Once supplier XYZ is finalized, the PO is generated by the purchase department of ABC, citing the product and the price agreed upon.
- One copy of the PO is sent to XYZ, one is retained by the Purchase department of ABC, one to the Accounts Payable Department.
- When XYZ supplies the chairs, the vendor invoice is provided along with or after the delivery to ABC.
- A goods receipt is generated signifying that the delivery from supplier XYZ has been received by company ABC.

It is at this point that the matching process is performed by the accounts payable team at ABC. Depending on the size of the buying company and the company policies, the AP (Accounts Payable) team does a two-way, three-way, or four-way match of the the multiple documents to check if the description, quantity, cost, and terms match in all of them. Once the match is verified by the AP team, the payment is initiated.

This matching can be a 2-way, 3-way or 4-way match. Let us understand these one and one.

2-Way Matching

The following conditions need to be met :

- The invoice quantity is less than or equal to the amount ordered in the PO.
- The invoice price is less than or equal to the price quoted in the PO.

In the above example, suppose ABC has issued a purchase order for 10 chairs at a discounted total price of \$2000 (\$200/chair) as agreed with XYZ. After reviewing and accepting the purchase order, and delivering the 10 chairs, XYZ sends an invoice for the original price of \$2500 (\$250/chair). The invoice creator at XYZ may not have been aware of the discount offered by the XYZ marketing person to the purchase department at ABC for the bulk purchase. Or it could be a deliberate bad business practice.

If the invoice details are not compared and matched with the PO details, the AP (Accounts Payable) team at ABC may pay the extra \$500 that was originally waived.

A two-way match process can help catch this mistake before a payment is made. The process ensures that only invoices for the correct amount and quantity are paid.

3-way Matching

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Consider the above case. The chairs are delivered to ABC by XYZ, along with a goods delivery report or a goods receipt.

- The PO from ABC is for 10 chairs at the rate of \$200/chair, to a total of \$2000.
- The invoice from XYZ also lists 10 chairs @ \$200 each (total of \$2000),
- The goods receipt, however, shows 8 chairs at \$250 each. The amount is the same - \$2000, but the details are different and fewer chairs than ordered are delivered for the same price.

The person who received the product and the goods receipt may not know how many chairs were ordered and for how much. They may sign the goods receipt. A less-than diligent AP may pay the invoice for an under delivered consignment. If the AP matches the Invoice and the PO with the delivery receipt, they would catch the discrepancy, and sort the issue before payment.

A more thorough three way matching process could also include the following optional checkpoints :

- The correctness and completeness of the PO. Does the PO miss information such as price, quantity or vendor contact details?
- Is the number of items mentioned in the goods receipt the same as that mentioned in the PO?
- Are the payment terms mentioned in the invoice the same as that provided in the receipt? For example, is there a credit? A discount? A deferral?

4-Way Matching

In a three-way match, it is assumed that the quantity of goods mentioned in the receipt is the same as the number of items delivered. For example, in the above specific example, the receipt mentions 8 chairs, and it is assumed that only 8 chairs were delivered. That may not be the case. 10 chairs may have been delivered, but the receipt may show only 8 chairs. Without inspecting the delivered products, a three way match would result in ABC asking XYZ to deliver two more products, and renegotiate the price, and so on. XYZ, may have delivered 10 items, and made a mistake in the receipt alone. The whole thing becomes a client-vendor relationship nightmare.

A diligent AP would perform a four way match and ascertain that all the quality, quantity and pricing of the goods/services delivered match those in the PO, Invoice and the delivery receipt and only then initiate payment of the invoice.

You can use either an informal or formal receiving process to acquire the goods and services that you requested on a purchase order. You must use the formal receiving process if you purchase items to inventory; you can use the informal or formal receiving process if you purchase items or services to the general ledger.

This section discusses:

A. Informal receiving process.

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B. Formal receiving process.

A. Informal Receiving Process

An informal receiving process is one in which you enter receipt information at the same time that you create a voucher. If you create a voucher for 50 pens, the system determines that you received 50 pens. When you use an informal receiving process, the system creates a single record in the F43121 table when you create a voucher. The system also creates a liability for the purchase at that time.

B. Formal Receiving Process

A formal receiving process is one in which you enter details of a receipt before you create vouchers. You create vouchers based on the receipt information. For example, if you enter a receipt for 50 pens, you must create a voucher for 50 pens.

To accurately account for the receipt of goods, the formal receiving process is likely to include:

- Taking physical receipt of items.
- Identifying details of the receipt.
- Recording details of the receipt.

You can use purchase receivers in the formal receipt process to manually record the receipt of goods upon delivery. You can then enter that information into the system.

You can eliminate the use of purchase receivers if you use terminals to enter receipt information upon delivery or if you use copies of original purchase orders as receiving forms.

2.1.2 Reviewing Journal Entries for Receipt Transactions

On **April 01, 2016** Knees started business with Rs. 100,000 and other transactions for the month are:

2. Purchase Furniture for Cash Rs. 7,000.
8. Purchase Goods for Cash Rs. 2,000 and for Credit Rs. 1,000 from Khalid Retail Store.
14. Sold Goods to Khan Brothers Rs. 12,000 and Cash Sales Rs. 5,000.
18. Owner withdrew of worth Rs. 2,000 for personal use.
22. Paid Khalid Retail Store Rs. 500.
26. Received Rs. 10,000 from Khan Brothers.
30. Paid Salaries Expense Rs. 2,000

General Journal					
date	account title and explanation	Ref	Amount in BR		
			Debit	Credit	
1-Apr-16	cash		100,000		
	owners equity			100,000	

2-Apr-16	furniture		7,000		
	cash			7,000	
	purchase		3,000		
8-Apr-16	cash			2,000	
	account payable khalid retailer store			1,000	
	cash				
	Account receivables _ khalid retailer store		5,000 12,000		
14-Apr-16	Sale			17,000	
18-Apr-16	Drawing		2,000		
	cash			2,000	
	account payable _ khaild retail store		500		
22-Apr-16	cash			500	
28-Apr-16	Cash		10,000		
	Account receivables _ khan brothers			10,000	
	Salary expense		2,000		
Apr-16	Cash			2,0000	

This section provides an overview of journal entry review for receipt transactions and discusses how to:

- Review journal entries for receipt transactions.
- Post receipts.

2.1.3 Understanding Journal Entry Review for Receipt Transactions

The system creates journal entries each time you enter or reverse a receipt. You can review the journal entries for accuracy and then post them to the general ledger.

When you enter a formal receipt, the system creates journal entries that:

- Debit an inventory account if it is a stocked line; otherwise debit the general ledger account.
- Credit a received not voucher account.

If tax is applicable to a receipt, the system also creates tax accrual entries. If you apply landed costs at the time of receipt, the system creates entries for accrued landed costs.

A. Posting Receipts

To post receipts, select Receipts Matching and Posting, G/L Receipt Post.

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After you review journal entries, you can post them to the general ledger using the GeneralLedger Post program

When you run the General Ledger Post program, the system performs these processes: Selects qualified batches of UN posted transactions from the F0911 table.

Edits and verifies each transaction. Posts accepted transactions

Marks each transaction and batch header as posted Updates the amount relieved for non-stock items.

B. Printing Receipt Information

You can print receipt information that is specific to purchase orders, suppliers, business units, and so forth.

You can print the Open Purchase Order Status report to review purchase orders containing items that are overdue. For each purchase order that you specify, you can review this detail line information:

- Original order quantity.
- Received quantity.
- Quantity open to receive.
- Days overdue.

Information for this report prints in this order:

- User ID
- Supplier
- Order number
- Line number
- A total open amount is provided for:
- Each purchase order
- Each supplier
- Each user
- The entire report

2.1.4 Understanding Purchase Receivers

A purchase receiver is a document that you use to manually record the receipt of goods upon delivery. A purchase receiver provides you with:

- Original purchase order information.
- Quantities that you have yet to receive.

A column for recording receipt quantities or amounts. You might need a purchase receiver to:

- Review purchase order information for incoming goods.

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- Confirm information about the items that you receive.
- Record receipt information to enter in the system.

You determine the information that prints on purchase receivers. Processing options enable you to specify whether to print:

- Price information
- Order quantities
- Cross-reference numbers
- Foreign currency amounts

C. Entering Receipts

This section provides an overview of receipt information, lists a prerequisite, and discusses how to:

- Set processing options for Receipts
- Enter receipt information.

2.1.5 Understanding Receipt Information

After you receive the goods on a purchase order, you must record the details of the receipt. The system uses receipt information to:

- Update item quantities and costs in the Inventory Management system.
- Update general ledger accounts.

When you receive goods, you must verify that the details of the receipt correspond to the information on the purchase order.

Each time you receive an order, the system:

- Creates a receipt record
- Updates item quantities (availability and commitment)
- Adds a new record
- Updates the appropriate accounts

Each time you cancel or reverse a receipt, the system updates the same tables that were updated when you entered the original receipt.

Entering Receipt Information

You must enter receipt information to verify the receipt of goods or services on a purchase order. You must verify the quantity, cost, and so forth for each order that you receive.

Pricing and Re-pricing at Receipts

You can price and re-price items at receipt based on quality attributes and changes in pricing. The system uses contracts and price adjustments to calculate the new item price at receipts.

Note:

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If two or more users attempt to receive an order with the same item and branch/plant combination at the same time, one or more of the users may get a transaction error.

Understanding Receipt Information Printouts

You can print receipt information that is specific to purchase orders, suppliers, business units, and so forth.

You can print the Open Purchase Order Status report to review purchase orders containing items that are overdue. For each purchase order that you specify, you can review this detail line information:

- Original order quantity.
- Received quantity.
- Quantities open to receive.
- Days overdue.

Information for this report prints in this order:

- User ID
- Supplier
- Order number
- Line number
- A total open amount is provided for:
- Each purchase order
- Each supplier
- Each user
- The entire report

You can print the Inventory Receipts Register report to review all items that you have received from a supplier. This report contains the following information for each detail line that pertains to a supplier:

- Item number or account number.
- Date that the order was received.
- Received quantity and amount.

2.2 Noting Receipt for follow-up or referral.

A Receipt Note voucher is used to record receipt of goods/items at stores. For example, the Company reference in the Receipt Note will display its particulars. A Receipt Note voucher is used to record receipt of goods/items at stores. For example, the Company receives new stock item from a Supplier. If a Purchase Order exists for that supply, selecting the PO reference in the Receipt Note will display its particulars. The details recorded in the Receipt Note are the PO reference, Ledger account, Supplier's name and address, Name of stock item, Stock location, quantity, rate, amount and the transaction narration.

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Self - check 2:

On May 01, 2019 Knees started business with Birr200,000 and other transactions for the month are:

2. Purchase Furniture for Cash Rs. 8,000.
8. Purchase Goods for Cash Birr3,000 and for Credit Birr2,000 from Khalid Retail Store.
14. Sold Goods to Khan Brothers Birr13,000 and Cash Sales Birr6,000.
18. Owner withdrew of worth Birr3,000 for personal use.
22. Paid Khalid Retail Store Birr600.
26. Received Birr20,000 from Khan Brothers.
30. Paid Salaries Expense Birr2,000

Instruction: record the above cash journal entries?

Unit three: Enter data to systems

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This unit is developed to provide you the necessary information regarding the following content coverage and topics:

- Allocating receipts to appropriate chart of account areas
 - ✓ Entering onto receipt systems
- Matching receipts to system
 - ✓ Identifying debit data and allocating discrepancies
- Seeking Advice on source and solution to discrepancies
- Updating and completing related systems and reconciliations

This unit will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Allocate receipts to appropriate chart of account areas
- Match receipts to system
- Seek Advice on source and solution to discrepancies
- Update and Complete related systems and reconciliations

3.1 Allocating receipts to appropriate chart of account areas

3.1.1 Cash Receipts Procedure

The process of receiving cash is highly regimented. This is because the task of processing checks is loaded with controls. They are needed to ensure that checks are recorded correctly, deposited promptly, and not stolen or altered anywhere in the process.

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The procedure for check receipts processing is outlined below:

1. **Record checks and cash.** When the daily mail delivery arrives, record all received checks and cash on the mail room check receipts list. For each check received, state on the form the name of the paying party, the check number, and the amount paid. If the receipt was in cash, then state the name of the paying party, check the “cash?” box, and the amount paid. Once all line items have been completed, enter the grand total in the “total receipts” field at the bottom of the form. Sign the form, and state the date on which the checks and cash were received. Also, stamp “for deposit only” and the company’s bank account number on every check received; this makes it more difficult for someone to extract a check and deposit it into some other bank account.
 2. **Forward payments.** Insert all checks, cash, and a copy of the mail room check receipt list into a secure interoffice mail pouch. Have it hand-delivered to the cashier in the accounting department. The cashier matches all items in the pouch to the mail room check receipt list, initials a copy of the list, and returns the copy by interoffice mail to the mail room. The mail room staff then files the initialed copy by date.
 3. **Apply cash to invoices.** Access the accounting software, call up the unpaid invoices for the relevant customer, and apply the cash to the invoices indicated on the remittance advice that accompanies each payment from the customer. If there is no indication of which invoice is to be credited, record the payment either in a separate suspense account, or as unappealing but within the account of the customer from whom it came. In the latter situation, make a photocopy of the check and retain it for application purposes at a later date, so that the check can still be deposited on the current date.
 4. **Record other cash (optional).** Some cash or checks will occasionally arrive that are not related to unpaid accounts receivable. For example, there may be a prepayment by a customer, or the return of a deposit. In these cases, record the receipt in the accounting system, along with proper documentation of the reason for the payment.
- A. **Deposit cash.** Record all checks and cash on a deposit slip. Compare the total on the deposit slip to the amount stated on the mail room check receipts list, and reconcile any differences. Then store the checks and cash in a locked pouch and transport it to the bank.
 - B. **Match to bank receipt.** Upon receipt of the checks and cash, the bank issues a receipt for it. Someone other than the cashier should compare this receipt to the amount on the deposit slip, and reconcile any differences. It may be useful to staple the receipt to a copy of the deposit slip and file the documents, as proof that the matching step was completed.

3.1.2 Chart of Accounts

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The Chart of Accounts is a listing of all the individual accounts in the general ledger that contains the account's name, a brief description of the account, and optional other identifiers (codes) or a coded account number assigned to aid in recording, classifying, summarizing, and reporting transactions.

Balance Sheet Accounts

- Assets
- Liabilities
- Owner's (Stockholders') Equity

Normally, the order of the listing of the asset and liability accounts is based on liquidity. The most liquid accounts are listed first. Thus, when listing assets, cash is listed before accounts receivable which comes before inventory. Likewise for liabilities, accounts payable comes before notes payable because accounts payable are normally paid before notes payable.

Income Statement Accounts

Revenue and Expenses

Revenue

- Operating Revenues
- Non-operating Revenues and Gains

Expenses

- Cost Of Sales
- Operating Expenses
- Non-operating Expenses and Loses

A. Account numbering

1000 - 1999: asset accounts

2000 - 2999: liability accounts

3000 - 3999: equity accounts

4000 - 4999: revenue accounts 5000 - 5999: cost of goods sold 6000 - 6999: expense accounts

7000 - 7999: other revenue (for example, interest income) 8000 - 8999: other expense (for example, income taxes)

By separating each account by several numbers, many new accounts can be added between any two while maintaining the logical order.

Defining Accounts

Different types of businesses will have different accounts. For example, to report the cost of goods sold a manufacturing business will have accounts for its various manufacturing costs whereas a retailer will have accounts for the purchase of its stock merchandise. Many industry associations publish

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recommended charts of accounts for their respective industries in order to establish a consistent standard of comparison among firms in their industry. Accounting software packages often come with a selection of predefined account charts for various types of businesses.

Account Order

Balance sheet accounts tend to follow a standard that lists the most liquid assets first. Revenue and expense accounts tend to follow the standard of first listing the items most closely related to the operations of the business. For example, sales would be listed before non-operating income. In some cases, part or all of the expense accounts simply are listed in alphabetical order.

B. Chart of account

The following is an example of some of the accounts that might be included in a chart of accounts.

Sample chart of account

Asset account

1000	Current Assets
	Petty Cash
1010	Cash on Hand (e.g. in cash registers)
1020	Regular Checking Account
1030	Payroll Checking Account
1040	Savings Account
1050	Special Account
1060	Investments - Money Market
1070	Investments - Certificates of Deposit
1100	Accounts Receivable
1140	Other Receivables
1150	Allowance for Doubtful Accounts
1200	Raw Materials Inventory
1205	Supplies Inventory
1210	Work in Progress Inventory
1215	Finished Goods Inventory - Product #1
1220	Finished Goods Inventory - Product #2
1230	Finished Goods Inventory - Product #3
1400	Prepaid Expenses
1410	Employee Advances

1420	Notes Receivable - Current
1430	Prepaid Interest
1470	Other Current Assets
Fixed Assets	
1500	Furniture and Fixtures
1510	Equipment
1520	Vehicles
1530	Other Depreciable Property
1540	Leasehold Improvements
1550	Buildings
1560	Building Improvements
1690	Land
1700	Accumulated Depreciation, Furniture and Fixtures
1710	Accumulated Depreciation, Equipment
1720	Accumulated Depreciation, Vehicles
1730	Accumulated Depreciation, Other
1740	Accumulated Depreciation, Leasehold
1750	Accumulated Depreciation, Buildings
1760	Accumulated Depreciation, Building Improvements
Other Assets	
1900	Deposits
1910	Organization Costs
1915	Accumulated Amortization, Organization Costs
1920	Notes Receivable, Non-current
1990	Other Non-current Assets
Liability Accounts	
Current Liabilities	
2000	Accounts Payable
2300	Accrued Expenses
2310	Sales Tax Payable
2320	Wages Payable

2330	401-K Deductions Payable
2335	Health Insurance Payable
2340	Federal Payroll Taxes Payable
2350	FUTA Tax Payable
2360	State Payroll Taxes Payable
2370	SUTA Payable
2380	Local Payroll Taxes Payable
2390	Income Taxes Payable
2400	Other Taxes Payable
2410	Employee Benefits Payable
2420	Current Portion of Long-term Debt
2440	Deposits from Customers
2480	Other Current Liabilities
Long-term Liabilities	
2700	Notes Payable
2702	Land Payable
2704	Equipment Payable
2706	Vehicles Payable
2708	Bank Loans Payable
2710	Deferred Revenue
2740	Other Long-term Liabilities
3010	Stated Capital
3020	Capital Surplus
3030	Retained Earnings
4000	Product #1 Sales
4020	Product #2 Sales
4040	Product #3 Sales
4060	Interest Income
4080	Other Income
4540	Finance Charge Income
4550	Shipping Charges Reimbursed

4800	Sales Returns and Allowances
4900	Sales Discounts
5000	Product #1 Cost
5010	Product #2 Cost
5020	Product #3 Cost
5050	Raw Material Purchases
5100	Direct Labor Costs
5150	Indirect Labor Costs
5200	Heat and Power
5250	Commissions
5300	Miscellaneous Factory Costs
5700	Cost of Goods Sold, Salaries and Wages
5730	Cost of Goods Sold, Contract Labor
5750	Cost of Goods Sold, Freight
5800	Cost of Goods Sold, Other
5850	Inventory Adjustments
5900	Purchase Returns and Allowances
5950	Purchase Discounts
6000	Default Purchase Expense
6010	Advertising Expense
6050	Amortization Expense
6100	Auto Expenses
6150	Bad Debt Expense
6200	Bank Fees
6250	Cash Over and Short
6300	Charitable Contributions Expense
6350	Commissions and Fees Expense
6400	Depreciation Expense
6450	Dues and Subscriptions Expense
6500	Employee Benefit Expense, Health Insurance
6510	Employee Benefit Expense, Pension Plans

6520	Employee Benefit Expense, Profit Sharing Plan
6550	Freight Expense
6600	Gifts Expense
6650	Income Tax Expense, Federal
6660	Income Tax Expense, State
6670	Income Tax Expense, Local
6700	Insurance Expense, Product Liability
6710	Insurance Expense, Vehicle
6750	Interest Expense
6800	Laundry and Dry-Cleaning Expense
6850	Legal and Professional Expense
6900	Licenses Expense
6950	Loss on NSF Checks
7000	Maintenance Expense
7050	Meals and Entertainment Expense
7100	Office Expense
7200	Payroll Tax Expense
7250	Penalties and Fines Expense
7300	Other Taxes
7350	Postage Expense
7400	Rent or Lease Expense
7450	Repair and Maintenance Expense, Office

7460	Repair and Maintenance Expense, Vehicle
7550	Supplies Expense, Office
7600	Telephone Expense
7620	Training Expense
7650	Travel Expense
7700	Salaries Expense, Officers
7750	Wages Expense
7800	Utilities Expense
8900	Other Expense

3.1.2 Entering to receipt system

About Manual Receipts Processing

One of the most important steps in the accounts receivable process is to quickly enter payments received from your customers in order to recognize your current cash position. The Accounts Receivable system provides the flexibility you need to enter and maintain various types of receipts.

Manual receipts processing consists of:

Updating invoices for payment

- Working with invoice match receipts
- Working with other types of receipts
- Approving and posting receipts
- Working with alternate methods of application
- Revising receipts
- Printing receipt information

Objectives

- To update invoices for payment
- To enter receipts that match to invoices
- To enter receipts when you cannot match them to specific invoices
- To enter receipts directly to the general ledger
- To select invoices for receipt application
- To create charge back invoices for disputed amounts
- To create write-offs and adjustments
- To spread unappealing receipts to invoices

- To void and reverse non-sufficient funds (NSF) receipts

Understanding Manual Receipts

Depending on the type of receipt, you can use either the Standard Receipts Entry or Speed Receipts Entry program to enter receipts. If you enter unappealing or general ledger receipts you can use either program. To help determine which method you should use, consider the advantages and limitations of standard and speed receipts entry:

Understanding the Steps for Processing Manual Receipts

You use the standard three-tier processing steps to manage manual receipts:

- Enter
- Review
- Post

This graphic illustrates the receipt entry process and the tables that the system updates: Figure 1 below shows Manual receipts process

3.2 Matching receipt in to system

This is the use of receipts in a particular currency to match payment in that same currency. Wherever possible, a company that expects to make payments and have receipts in the same foreign currency should plan to set its payments against its receipts in that currency. This is the use of receipts in a particular currency to match payment in that same currency. Wherever possible, a company that expects to make payments and have receipts in the same foreign currency should plan to set its payments against its receipts in that currency.

Invoice matching ensures that vendor invoices can be verified against supporting documents before releasing payments. This helps businesses to: Confirm that payments are made only for valid goods or services received from the vendor. Maintain faster and accurate releases of payments.

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Purchase order

[Company Name]							PURCHASE ORDER
[Street Address]						DATE	12/11/2022
[City, ST ZIP]						PO #	[123456]
Phone: (000) 000-0000							
Fax: (000) 000-0000							
Website:							
VENDOR				SHIP TO			
[Company Name]				[Name]			
[Contact or Department]				[Company Name]			
[Street Address]				[Street Address]			
[City, ST ZIP]				[City, ST ZIP]			
Phone: (000) 000-0000				[Phone]			
Fax: (000) 000-0000							
REQUISITIONER	SHIP VIA	F.O.B.	SHIPPING TERMS				
ITEM #	DESCRIPTION	QTY	UNIT PRICE	TAX	TOTAL		
PT101	Product A	1	1,234.00	x	1,234.00		
PT102	Product B	4	123.00	x	492.00		
PT103	Product C	5	87.00	x	435.00		
-	Labor	3	100.00		300.00		
			-		-		
			-		-		
			-		-		
			-		-		
			-		-		
		[42]	SUBTOTAL		2,461.00		
Comments or Special Instructions			TAXABLE		2,161.00		

					TAX RATE		6.875%
					TAX		148.57
					SHIPPING		-
					OTHER		-
					TOTAL		\$2,609.57
If you have any questions about this purchase order, please contact							
[Name, Phone #, E-mail]							

Purchase invoice



Illinois
School District

PURCHASE ORDER

Purchase Order No. 634

Date 5/2/2019

Vendor Name Acme Supplies Inc.

Vendor		Ship To	
Contact Person	Richard M. Jones	Contact Person	David Jones
Street Address	596, Grant Road	Street Address	500, East Main St.
City	Boston	City	Branford
State	MA	State	CT
Zip Code	46225	Zip Code	6405
Phone	987-654-3214	Phone	123-456-7890
Email	support@acmesup.org	Email	info@chhosp.com

Ship Via	Shipping Method	Shipping Terms	Delivery Date
Bestway	UPS	Net 30 Days	8/5/19

Item ID.	Item	Description	Quantity	Price	Total
RDLP01	Pencils	Extra Dark - Pack of 12	20	7.58	151.6
BP0316	Pens	Pack of 12 colors	20	12.5	250
CPC450	Paper Clips	Pack 100 of each	10	11.77	117.7
RC2000C	Printer Paper	White 8.5 x 11, Letter size	40	46.45	1858
NCP7	Nescafe powder	Powder 750g each	60	69.65	4179
CCLD002	Disposable cups	With Lids, Pack of 12	50	19.99	999.5
C2612A	Black 12A cartridge	Printer Lazerjet Toner	1	999	999
					0
					0
					0
					0
					0
					0
					0
					0
					0
					0
					0
					0
					0
					0
					0

Notes and Instructions		Sub Total	
1. Please mention purchase order number in the invoice. 2. All deliveries to be made to the shipping address mentioned above. 3. We reserve the right to reject goods that are not in good order or condition as determined by our quality control. 4. Goods to be delivered within 15 days from date of PO		Discount	\$150.00
		Sales Tax %	5.00
		Shipping	29.99
		Total	\$8,855.03

Thank you for choosing us to do your business

Sign above

3.2 1 Identifying debit data and allocating discrepancies

Debit means an entry recorded for a payment made or owed. A debit entry is usually made on the left side of a ledger account. So, when a transaction occurs in a double entry system, one account is debited while another account is credited.

A debit (DR) is an entry made on the left side of an account. It either increases an asset or expense account or decreases equity, liability, or revenue accounts (you'll learn more about these accounts later). For example, you debit the purchase of a new computer by entering it on the left side of your asset account

Indian banks provide different types of debit cards. Visa card, MasterCard and Ru pay Card are standard debit cards in India. Banks also offer contact less debit cards issued by the above-mentioned financial organizations. Debit card transaction data is data transferred from a card owner's debit card to the collection tool a business is using, for example a payment register. It ensures that information from a debit card is collected securely. It's used by businesses for consumer spending analytic s.

3.3 Seeking Advice on source and solution to discrepancies

The quality or state of disagreeing or being at variance. difference between two things that should be the same: There is some discrepancy between the two accounts. The committee is reportedly unhappy about the discrepancy in numbers.

An invoice is an official document issued when a transaction takes place between a business and a client. It details the exchange of goods or services for money. If you issue an invoice and later realize you've made an error, there are procedures you can follow to correct it. This article explains these procedures and tells you what to do if you need to correct an incorrect invoice.

In order to be able to change the invoice in the right way, it's important to first determine where in the invoice process it is, and which information is incorrect.

steps to follow to dispute invoices.

- Check your purchase order.
- Match it with the quotation.
- Send the invoice dispute letter.
- Request correction.
- Provide content information.

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3.4 Updating related systems and reconciliations

Reconciliation is the process of matching transactions that have been recorded internally against monthly statements from external sources such as banks to see if there are differences in the records and to correct any discrepancies.

3.4.1 Understanding Reconciliation

There is no standard way to perform an account reconciliation. However, generally accepted accounting principles (GAAP) require double-entry accounting—where a transaction is entered into the general ledger in two places—and is the most prevalent tool for reconciliation.

Double-entry accounting is a useful way of reconciling accounts that helps to catch errors on either side of the entry. In double-entry accounting—which is commonly used by companies—every financial transaction is posted in two accounts, the credit account, and the debit account.

One account will receive a debit, and the other account will receive a credit. For example, when a business makes a sale, it debits either cash or accounts receivable (on the balance sheet) and credits sales revenue (on the income statement).

In the following example, Mary starts a lawn mowing company. Mary uses \$2,000 that she has in savings as start-up funding for her business. She uses it to purchase a lawnmower. She then uses the lawnmower to complete her first lawn-mowing job.

Using the double-entry accounting system, she credits cash for \$2,000 and debits her assets, which is the lawnmower, by the same amount. For her first job, she credits \$500 in revenue and debits the same amount for accounts receivable. Both her credits and debits are reconciled and equal the same.

Reconciling a Ledger

Account	Debit	Credit
Cash	\$2,000	
Lawnmower	\$2,000	
Revenue		\$500
Accounts Receivable		\$500

Another way of performing a reconciliation is via the account conversion method. Here, records such as receipts or canceled checks are simply compared with the entries in the general ledger, in a manner similar to personal accounting reconciliations.

For example, the internal record of cash receipts and disbursements can be compared to the bank statement to see if the records agree with each other. The process of reconciliation confirms that the amount leaving the account is spent properly and that the two are balanced at the end of the accounting period.

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3.4.2 The Reconciliation Process

In most organizations, the reconciliation process is usually automated, using accounting software. However, since some transactions may not be captured in the system, human involvement is required to identify such unexplained differences. The basic steps involved when reconciling transactions include the following:

1. Compare internal cash register to the bank statement

The first step is to compare transactions in the internal register and the bank account to see if the payment and deposit transactions match in both records. Identify any transactions in the bank statement that are not backed up by any evidence.

2. Identify payments recorded in the internal cash register and not in the bank statement (and vice versa)

It is possible to have certain transactions that have been recorded as paid in the internal cash register but that do not appear as paid in the bank statement. The transactions should be deducted from the bank statement balance. An example of such a transaction is a check that has been issued but has yet to be cleared by the bank.

A company may issue a check and record the transaction as a cash deduction in the cash register, but it may take some time before the check is presented to the bank. In such an instance, the transaction does not appear in the bank statement until the check has been presented and accepted by the bank.

Conversely, identify any charges appearing in the bank statement but that have not been captured in the internal cash register. Some of the possible charges include ATM transaction charges, check-printing fees, overdrafts, bank interest, etc. The charges have already been recorded by the bank, but the company does not know about them until the bank statement has been received.

3. Confirm that cash receipts and deposits are recorded in the cash register and bank statement

The company should ensure that any money coming into the company is recorded in both the cash register and bank statement. If there are receipts recorded in the internal register and missing in the bank statement, add the transactions to the bank statement. Consequently, any transactions recorded in the bank statement and missing in the cash register should be added to the register.

4. Watch out for bank errors

It is possible to have certain transactions that have been recorded as paid in the internal cash register but that do not appear as paid in the bank statement. The transactions should be deducted from the bank statement balance. An example of such a transaction is a check that has been issued but has yet to be cleared by the bank.

The errors should be added, subtracted, or modified on the bank statement balance to reflect the right amount. Once the errors have been identified, the bank should be notified to correct the error on their

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end and generate an adjusted bank statement.

5. Balance both records

The objective of doing reconciliations to make sure that the internal cash register agrees with the bank statement. Once any differences have been identified and rectified, both internal and external records should be equal in order to demonstrate good financial health.

Reconciliation Methods

Reconciliation must be performed on a regular and continuous basis on all balance sheet accounts as a way of ensuring the integrity of financial records. This helps uncover omissions, duplication, theft, and fraudulent transactions.

There are two ways of reconciling financial records, as follows:

1. Document review

The document review method involves reviewing existing transactions or documents to make sure that the amount recorded is the amount that was actually spent. The review is mostly carried out using accounting software.

For example, a company may review its receipts to identify any discrepancies. While scrutinizing the records, the company finds that the rental expenses for its premises were double-charged. The company lodges a complaint with the landlord and is reimbursed the overcharged amount. In the absence of such a review, the company would've lost money due to a double-charge.

2. Analytic review

Analytic review uses previous account activity levels or historical activity to estimate the amount that should be recorded in the account. It looks at the cash account or bank statement to identify any irregularity, balance sheet errors, or fraudulent activity.

For example, Company XYZ is an investment fund that acquires at least three to five start-up companies each year. For the current year, the company estimates that annual revenue will be \$100 million, based on its historical account activity. The company's current revenue is \$9 million, which is way too low compared to the company's projection.

After scrutinizing the account, the accountant detects an accounting error that omitted a zero when recording entries. Rectifying the error brings the current revenue to \$90 million, which is relatively close to the projection.

Final Word

Reconciliation ensures that accounting records are accurate, by detecting bookkeeping errors and fraudulent transactions. The differences may sometimes be acceptable due to the timing of payments and deposits, but any unexplained differences may point to potential theft or misuse of funds

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Self-check 3: written test

1. **List** steps to follow to dispute invoices?
2. List objective of manual receipting process?
3. Discuss and demonstrate about matching receipt?

4. List and explain cash receipt procedures?
5. Discuss charts of account and their classification?

Unit 4. Filing documentation

This unit is developed to provide you the necessary information regarding the following content coverage and topics:

- Filing documentation
- Accessing and tracing filed documents

This unit will also assist you to attain the learning outcomes stated in the cover page.

Specifically, upon completion of this learning guide, you will be able to:

- Allocate all receipts
- Update Related systems

4.1 Filing documentation

Filing means keeping documents in a safe place and being able to find them easily and quickly. Documents that are cared for will not easily tear, get lost or dirty. A filing system is the central record-keeping system for an organization. It helps you to be organized, systematic, efficient and transparent. A document or document file describes an electronic copy or hard copy of reference material for a product. To write and create an electronic document on a computer, use a word processor or other text editor. Once a document is created, it can be made into a hard copy by printing it.

Examples are user guides, white papers, online help, and quick-reference guides. Paper or hard-copy documentation has become less common. Documentation is often distributed via websites, software products, and other online applications. The important of file document put simply, an effective filing system protects documents from possible loss or damage. In physical terms this means folders for separation and adequate filing cabinet infrastructure. Digitally this means backed up storage that is adequate in size for the files in question\

4.2 Accessing and tracing filed documents

Briefly, here is the 6-step program to effective files documentation:

- Step 1. Determine what records are most important to your program, who should be responsible for them, and where they should be located.
- Step 2. Conduct a records inventory of all the unit's records and match the records to the records schedules).
- Step 3. Develop a file plan and filing procedures
- Step 4. Develop recordkeeping requirements
- Step 5. Improve files management via technology, indexing, and specialized equipment
- Step 6. Produce a Records Management Manual

Step 1. Understand the Scope of the Problem

The keys to good filing practices are:

- Filing only what you need to file;
- Filing it in a way that facilitates access and disposition; and,
- Doing it consistently.

To do this you first must analyze your program's records management needs by determining what records are most important to your program, who should be responsible for them, and where they should be located. To start the process take some time in your regularly scheduled unit meetings to discuss the four questions posed below. The unit head (division director, branchchief, or section head) should lead the discussion.

theoretical framework for understanding and controlling your files.

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Step 2, the records inventory

Sample Matrix for Office Files		
File Name	Custodian	Location
Contract files	Paul Goodman Administrative Officer	Div. file cabinet Room 22
Permit files	Pam Butler File Clerk	File room Room 231
Correspondence files	Cindy Clark Division Secretary	Cindy's desk Room 226
Ann Arbor Study	Tim Haas Project Manager	Tim's Desk Room 229A

In Step 1 you were to develop a documentation strategy to identify what records your program needs to keep, where they should be filed, and who is responsible for them. The second step is to match that theoretical structure to reality by going out and conducting an inventory of what is actually in your office. To conduct an inventory means to do four things:

1. Physically inspect all of the files in the unit and record the essential information about them.
2. Identify duplicate, fragmented, and related records.
3. Match the records to the records schedules.
4. Evaluate the existing records (documentation) against your documentation strategy and information needs.

Look for records in all media including maps, audio-visual materials, and electronic records.

To save time, divide what you find into four categories:

1. Personal papers
2. Reference materials
3. Other non-record materials such as stocks of publications
4. Records or potential records (including working files)

For the first three groupings, collect only the following information:

- **Volume** (linear feet or inches)
- **Owner** (who has custody of the materials) and telephone number and mail code
- **Location** (room number, file cabinet drawer, etc.)

For record and potential record material, you should collect the following information:

- **Office** What is the name of the program (office, division, or branch) responsible for the records?
- **Location** Where are the documents physically located?

For example: file room, someone's office, etc.

- **Title** What are they called?

For example: permits, correspondence, etc.

- **Inclusive dates** What is the date span?

For example: 1992-1999

- **Description** What is included in the folder?

For example: Contains records used in the issuance or denial of a permit issued by EPA offices or authorized states, Federal Facilities, or interstate agencies. Includes draft and final permits, major and minor permits, permit modifications, general, special, emergency, research, interim permits, pretreatment, and others.

- **Arrangement** How are they arranged?

For example: alphabetically, by date, etc.

- **Medium** What is the format?

For example: paper, microfilm, electronic, video, etc.

- **Volume** What is the current volume in feet or inches?

For example: 2"

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- **Annual accumulation** What is the rate of buildup in one year?

For example: 6"

- **File break** When is the file closed or "cut off?"

For example: at end of fiscal year

Legal requirements Are these documents created or collected pursuant to a statute or regulation? If so, which one(s)?

For example: Clean Water Act, as amended, Sections 402, 404, 40 CFR 122

- **Vital records** Are these documents needed for disaster recovery purposes or to protect rights and interests?
- **Finding aids** Are there any related indexes or lists which serve as finding aids?
- **Restrictions** Do the documents contain any restricted information such as confidential business information (CBI), Privacy Act or enforcement sensitive information?
- **Related records** Are there any other records which are related to this group or series? Are copies maintained elsewhere, and if so, who holds them?

To effectively capture all the information, we recommend you use some type of inventory form. We have included samples here or you can develop your own.

Identify duplicate, fragmented, and related records.

Once you've completed the inventory, you will be faced with a pile of survey forms organized by the locations and custodians of the files. These forms are like pieces to a puzzle that need to be assembled to create a picture of your unit's documentation.

To do this, you must establish intellectual control over them. First, review the survey forms and identify records that:

- **Duplicate** each other or overlap. A complete file should be created and the duplicates eliminated as to the extent feasible.
- Are **fragmented** with the result that the complete file is divided among several persons, each of whom has a portion of the complete file. The fragments should be physically united, if at all possible. At a minimum, the unit needs to understand where all the pieces are and who is responsible for them, and then standardize the way they are arranged and maintained.

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Are **related** to one another, such as drafts and finals, chronic and subject files, or final reports and working papers. By understanding the relationships, you will be able to better determine the best retention for each piece.

Self - check 4 written test

1. Demonstrate 6-step program to effective files documentation?

2. What are file documentation?

3. List and demonstrate types of file documentation?

4. List the key that leads to good practices?

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Developers' profile

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1	Lammi Dhuguma	MBA In finance	Accounting & finance	Ambo TVT	0913723393	Lammidhuguma@gmail.com
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3	Asnake Abay	MSc	Accounting & finance	Adama RVUTc	0912224442	Asnakeabay142@gmail.com
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