

COOPERATIVE ACCOUNTING AND AUDITING LEVEL – I

**Based on January 2022, Version Occupational
standard**



**Module Title: - Preparing and Processing Financial
Documents**

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Table of Contents

Introduction to the Module	1
LO #1- Record and balance petty cash transactions	2
Instruction sheet	2
Information Sheet 1	3
Self-check 1	10
Operation Sheet -1	12
LAP TEST-1	22
LO #2- Prepare invoice for creditors and debtors	28
Instruction sheet	28
Information Sheet 2	29
Self-Check – 2.....	36
Operation Sheet -2	37
LO #3 – Review invoice.....	38
Instruction sheet	38
Information Sheet 3	39
Self-Check – 3.....	42
Reference Materials	43

Introduction to the Module

Dear learner, the Ethiopian TVET system is now focused on the labor market demands and industry relevance. This translates that the main objectives of the TVET system is to qualify its graduates according to the occupational requirements of the industry. In this learning guide there are three learning outcome which are broke down in to three information sheets. These are listed as follows **Record and balance petty cash transactions, Prepare invoice for creditors and debtors, and reviews invoices**. In this learning guide, some learning activities and self-check exercises are included to make your study clear, attractive and precise. These are very important in deepening and enhancing your understanding of the learning out comes in the module. If you skip doing those activities and exercises, your level of understanding will be limited and insufficient. As a result, you are strongly dedicated and encouraged to do it on time accordingly. Upon the completion of the module you will be able to perform the objectives listed on instruction sheet.

Learning Outcomes:

At the end of the module the trainees will be able to:

- Record and balance petty cash transactions
- Prepare invoice for creditors
- Review invoice

This unit covers application of knowledge, skill and attitude to prepare and process financial documents, including recording and balancing petty cash transactions, preparing invoices for creditors and debtors, and reviewing invoice.

LG #8

LO #1- Record and balance petty cash transactions

Instruction sheet

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

- Defining source documents
- Types of source documents
- preparing source documents
- Nature of petty cash
- Establishing and replenishing Petty cash fund
- Checking Petty cash accuracy and authenticity
- Recording Petty cash transactions on petty cash book
- Irregularities on petty cash fund

This guide 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:

- Define source documents
- Types of source documents
- prepare source documents
- Nature of petty cash
- Establishing and replenishing Petty cash fund
- Checking Petty cash accuracy and authenticity
- Recording Petty cash transactions on petty cash book
- Irregularities on petty cash fund.

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks
5. Perform Operation Sheets
6. Do the “LAP test”

Information Sheet 1

1.1. Define source documents

When an accounting clerk or bookkeeper makes an entry in a journal, there should be some written evidence to support the entry. This evidence is some business paper, the business paper from which a journal entry is made is called a source document.

The first step in accounting cycle requires us to identify and analyze our transactions and events and **identify source documents** associated with these. A **source document** is the first record of a transaction having been conducted between the organization and another party. The source document provides evidence of the transaction having occurred.

As we seen through the nine-step system (LG 5 LO1), evidence is very important in the accounting cycle. We need to ensure that we can evidence the transactions that have occurred and that we can verify that each transaction was properly authorized and approved.

Every business uses a range of source documentation that relates to the type of business it does e.g. In a SACCO you would have cheques, cash deposit, share withdrawals, share lodgments, loan repayments, cash receipts, cheque receipts etc.

When a new business is set up, it establishes the types of source documents it will use to effectively record the transactions that will occur for that business. These source documents will reflect the regular recurring types of transactions that are being conducted. The accounting process for all types of business begins with source documents, the range and types of source documents will be determined by the business itself.

2.1.1. Importance of Source Documents

Source documents are, first and foremost, important to the bookkeeping and accounting process because they serve as physical evidence that a financial transaction actually occurred. Nowadays, these documents do not necessarily need to be a physical hard copy – they may be in a traceable electronic form.

In addition, source documents are also essential in the auditing process. When companies undergo an audit, the auditor's access to a clear and accessible paper trail of all transactions enhances the overall legitimacy and independence of the audit. In order to reaffirm the accuracy

of the company's balances in individual accounts, auditors need full access to all the documents. Overall, to run a business more smoothly and enhance transparency, all its source documents should be kept and stored for future reference.

1.2.2. Types of source documents

Original records containing the details to substantiate a transaction entered in an accounting system it includes;

- Cash sales invoice
 - Credit sales invoice
 - Cash payment voucher
 - Cash receipt vouchers
 - Stock card
 - Bin card
 - Petty cash payment voucher
 - Journal voucher
 - Goods receiving voucher
 - Goods Issue Note
 - Delivery note
 - Purchase order
 - Check
 - **Check Stub**
 - Bank withdrawal and deposit slip
- **Cash sales invoice** is issued when the customer purchased goods or service on cash. This source documents are used as evidence to record revenue or sales income. Some organization delegate separate person who prepares cash sales invoice /cash receipt.
 - **Credit sales invoice** issued when the customer purchased goods or service on credit. This source documents is used as evidence to record revenue or sales income. But in credit sales the payment for goods and services purchased is made on the maturity date of the credit.

- A **cash receipt voucher** is a type of voucher which is typically issued by a certain business or an organization upon receiving in cash or check during business transactions, like collection for any reason. This voucher can be used as a reference in auditing.
- **Cash Payment Vouchers (CPV);**
Payment vouchers are prepared for other disbursementlike cash purchase, payment of payroll, replenishment of petty cash and other fund, payment of debt and other obligations and even payment of dividends.
Before approving any payment voucher the approving officer should check the supporting documents and satisfy him or herself that a service is rendered and/or a purchase is made, the purchased item is received in store and that arithmetic calculation on all documents submitted is checked.
- All payment Vouchers should be signed by the persons checking, approving and receiving the payment. The cashier should stamp “PAID” on the face of the documents supporting the payment and should also sign on the voucher and the attachments.
- **Bin cards**, which are sometimes referred to as inventory cards or stock cards, are record-keeping documents used in retail and other businesses that require a stock room.
- Petty cash payment voucher; petty cash voucher is usually a small form that is used to document a disbursement (payment) from a petty cash fund. Petty cash vouchers are also referred to as petty cash receipts and can be purchased from office supply stores.
- Journal voucher
- **Purchase Requisition (PR)** The document generated by a user department or storeroom-personnel to notify the purchasing department of items it needs to order, their quantity, and the timeframe. It may also contain the authorization to proceed with the purchase. Also called purchase request or requisition.

When the purchasing department receives a purchase requisition it prepares at least five copies of a purchase order.

- **Purchase order**-is a commercial document and first official offer issued by a buyer to a seller indicating types, quantities, and agreed prices for products or services. It is used to

control the purchasing of products and services from external suppliers. Purchase orders can be an essential part of enterprise resource planning system orders.

- **Goods Received Note (GRN)** This document is a pre numbered and printed voucher which is prepared in three copies to acknowledge receipt of goods. The GRN is prepared by the assigned person (store keeper) after the inspection of the physical conditions of materials for specifications, quality, quantity, physical damage; after comparing the delivery note with the invoice.
- **Delivery note**

It consists; Name, signature and stamp of the purchaser, accepting **delivery** of the goods in good condition. This document has a dual function for the exporter: as a justification of the removal of the products from its warehouse and as a proof of **delivery** to the importer so in that sense it is important that the carrier gets a copy signed by the importer.

- **Goods Issue Note (GIN);** the delivery of goods to the users is affected by the use of the goods issue note. The GIN is pre numbered and printed in three copies.
- **Checks:**

A Check is an unconditional order in writing addressed to a bank, requiring the bank to pay on demand a certain sum in money. However checks are not legal tender in the way that cash is. This means that you can refuse to accept checks payment and insist on cash if you wish. Businesses can decide whether they will accept checks from their customers. If you have ever tried to use a personal check in a shop you will know that many retailers do not accept them, preferring cash or credit cards where payment is guaranteed.

There are three parties to Checks:

- **Drawer:** the person who writes the check
- **Drawee:** the bank holding the drawer's bank account
- **Payee:** the person (or organization) the **Checks** is written out to

All checks received by your organization should be checked prior to banking to ensure they are accurate and valid and will not be dishonored (returned unpaid) by the bank as follows:

- ✓ The date is not postdated (dated ahead of today's date).
- ✓ The check is not stale (dated more than 15 months ago).

- ✓ The check is signed.
- ✓ The payee is correct. If another name appears next to "Pay", there should be an endorsement on the back of the check, signing the checks over to the organization.
- ✓ The amount in words and the amount in figures agree.
- ✓ Any alterations are initialed by the drawer of the checks.

There is an instance when the bank will accept a check with discrepancies, this is: When the amount in words is different to the amount in figures resulting in the bank paying on the lesser of the two amounts. In this case the lesser amount should be shown on the deposit slip.

- **Check Stub:** for the one who effects payment evidencing payment in checks.
- **Bank withdrawal**

A withdrawal slip is a written instruction to the bank to pay the said amount to the account holder. The funds are debited from the account number mentioned. Much like the deposit slip, a bank withdrawal slip is a record of your banking transaction. It helps the bank keep track of your withdrawals.

- **Deposit slip**

A bank deposit slip is a small form designed to place money into a savings or checking account. A bank deposit slip has the account number, the name of the depositor as it appears on the account, the date of the deposit and the amount of funds being placed into an account.

1.3. Preparing source document

Describes the functions involved in preparing and processing routine financial documents: preparing journal entries; posting journals to ledgers; preparing, banking and reconciling financial receipts; and extracting a trial balance and short-term reports.

1.4. Nature of petty cash

As in your own day-to-day life, it is usually not practical for a business to write checks to pay small amounts, such as postage. Yet, these small payments may occur often enough to add up to a significant total amount. Thus, it is desirable to control such payments. For this purpose, a special cash fund, called a petty cash fund, is used. A petty cash fund is established by first estimating the amount of cash needed for payments from the fund during a period, such as a week or a month. After necessary Approvals, a check is written and cashed for this amount. The

money obtained from cashing the check is then given to an employee, called the petty cash custodian, who is authorized to disburse monies from the fund. For control purposes, the company may place restrictions on the maximum amount and the types of payments that can be made from the fund. The petty cash fund is normally replenished at periodic intervals, or when it is depleted or reaches a minimum amount. When a petty cash fund is replenished, the accounts debited are determined by summarizing the petty cash receipts. A check is then written for this amount, payable to the petty cash custodian.

1.5. Establishing and replenishing Petty cash fund

1.5.1. Establishment of Petty Cash

To establish a petty cash fund a check is issued to a bank. This check is cashed and the money is kept on hand in a petty cash box. One employee is designated as custodian of the fund. The issuance of the check for establishment is recorded by debiting petty cash account and crediting cash. The amount of petty cash fund depends on the size and nature of organization.

1.5.2. Replenishment of Petty Cash

During the period, the custodian makes small payments from the petty cash fund and obtains a receipt or prepares a petty cash voucher. Petty cash voucher explains the nature and amount of every expenditure and is kept with the fund. When the fund runs low or at the end of the company's fiscal period, a check is issued to reimburse the fund for the expenditures made during the period. The issuance of this check is recorded by debiting the appropriate expense accounts and crediting cash or vouchers payable.

1.6. Checking Petty cash accuracy and authenticity

When cash is added to a petty cash fund, the basic concept is to replace the amount of any cash that had previously been disbursed from the fund. This involves summarizing all disbursements made and issuing cash back to the fund for that amount.

1.7. Recording Petty cash transactions on petty cash book

When your petty cash cashier puts money into the petty cash fund, they must create a journal entry in your books. The entry must show an increase in your Petty Cash account and a decrease in your Cash account. To show this, debit your Petty Cash account and credit your Cash account.

When a petty cash fund is in use, petty cash transactions are still recorded on financial statements. No accounting journal entries are made when purchases are made using petty cash, it's only when the custodian needs more cash and in exchange for the receipts, receives new funds—that the journal entries are recorded.

1.8. Irregularities on petty cash fund

Investigate any differences between the stated amount of the petty cash fund and the actual total of cash and vouchers. If the difference is unexplained, complete a voucher stating the unexplained amount, and charge it to a predetermined departmental account in the general ledger.

Occasional errors may cause the petty cash fund to be out of balance. The sum of the cash and receipts will differ from the correct Petty Cash balance. This might be the result of simple mistakes, such as math errors in making change, or perhaps someone failed to provide a receipt for an appropriate expenditure.

The petty cash reconciliation process starts by counting up the amount of cash on hand at the end of the financial period and using this as the ending balance for the petty cash account. During counting the cash balance is overage or shortage occurs.

- If the balance of cash on hand is less than the physical count of cash it is known as **cash shortage** and treated as expense in the income statement on cash shortage or overage account.
- If the balance of cash on hand is over the physical count of cash it is known as **cash overage** and treated as other income in the income statement on cash shortage or overage account.

Self-check 1	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Choose the best answer (4 point)

- A commercial document and first official offer issued by a buyer to a seller indicating types, quantities, and agreed prices for products or services is known as _____
 A. Cash receipt voucher
 B. Purchase order
 C. Purchase requisition
 D. Delivery note
- Petty cash fund
 a. Used to pay up to 1,000 birr
 b. Apply in small enterprise
 c. used to pay small amount
 d. used to reimburse change fund
- The person who writes the check is known as _____
 A. Payer
 B. Drawee
 C. Payee
 D. Drawer
- The document generated by a storeroom-personnel to notify the purchasing department of items it needs to purchase is known as _____
 A. Purchase requisition
 B. Purchase order
 C. Goods receiving note
 D. Delivery report

Test II: Short Answer Questions (16 point)

- Define source document

- What is the importance of source document?

3. List and describe at list four types of source document?

4. What is petty cash?

5. Write the purpose of petty cash?

6. What process would you follow to address any irregularities or discrepancies?

Note: Satisfactory rating - 20 points

Unsatisfactory - below 15 points

Operation Sheet -1

1.1 Preparing source document

A. Tools and equipment used to prepare Source document

- I. Computer
- II. Ruler
- III. Stationaries
- IV. Preprinted source document

B. Procedures in Preparing source document

1.2 Procedures preparing; Cash sales invoice

Steps in preparing invoices

1. Obtain invoice (should serially preprinted),
2. Write The date (the date should be on date of cash received)
3. Write the name of customer
4. Write the amount in figure and in word
5. Write the reason
6. Write the name of items sold
7. Enter the amount of sales and unit price for each items o
8. Compute total amount of sales
9. If payments are made by check **put Tick mark ‘on check ‘** and write the check number
10. Who prepared the invoice write the name, date and sign below the invoice

Illustration #1: Assume that ABDM Primary Cooperative sales the following items on cash from a hypothetical SMART cooperative during January, 2022. So the Cooperative:

- a. Sales 10 quintals of teff for birr 1000 for each.
- b. Sales 5 quintals of wheat for birr 980 for each.
- c. Sales 30 quintals DAP for birr 1050 for each.

ABDM Cooperative

Cash Sales Invoice

Sir No 254785

Date _____

Name of Customer: **SMART cooperative**

Amount in figure : **Br 46,400**

Amount in words: **Forty six thousand four hundred birr only**

Mode of payment ; Cash ☐ Check ☐

S/N	Description	Unit of measurement	Quantity	Unit price	Total Price	Remark
1	Teff	Quintal	10	1,000 00	10,000 00	
2	Wheat	Quintal	5	980 00	4,900 00	
3	DAP	Quintal	30	1050 00	31,500 00	
Total			<u>45</u>		<u>\$46,400</u> 00	

Prepared By _____ Aproved By _____ Sales Person _____

Date _____ Date _____ Date _____

Sign _____ Sign _____ Sign _____

1.2.1. Credit sales invoice

Credit sales invoice preparation procedures are the same with cash sales invoice, except on the reason part and mode of payment.

1.2.2. Cash receipt vouchers

In order to be valid, receipts/invoices presented for purchase of goods and services from suppliers or for any expenditure must have the following:

- Name and address of supplier
- Date of the receipt
- Name of payer (SACCO)
- Purpose of payment
- Amount in words and figures

- Signature and seal of supplier

Receipts with altered and deleted figures and writings should not be accepted.

Illustration #3: Assume that you are an bookkeeper of ABDM cooperatives. Furthermore, assume that on January 10, 2022 XYZ cooperative for merchandise previously purchased on credit Br. 10,500 for your cooperative. Based on the above information you are required to prepare cash receipt vouchers (use account numbers for Cash 101 and for account receivable 102)

ABDM Cooperatives
Cash Receipt Voucher

Voucher No` 1025635

Date _____

Name of Payer: XYZ cooperative

Amount in figure: **Br 10,500.00**

Amount in words: Ten Thousand five hundred birr only

Reason for collection: For merchandise sold on credit

Mode of payment: - cash ☒ on check ☐ Check No_____

Account Title	Account No.	Debit	Credit
Cash	101	10,500	
Accounts receivable	102		10,500

Prepared by _____ Approved By _____ Received By _____

Date _____ Date _____ Date _____

Signature _____ Signature _____ Signature _____

1.2.3. Cash payment voucher

Steps in preparing Cash payment voucher is the same as with cash receipt voucher.

Illustration #4. Assume that on January 20/2022 ABDM cooperative paid Br. 20,000 for ABC Union (creditors). Prepare cash payment voucher (account number for cash and account payable are 101 and 201 respectively) use the following format.

ABDM Cooperative Cash Payment Voucher

Voucher 01254

Date _____

Paye To: **ABC Union**

Amount in figure: **20,000 birr only**

Amount in words: **Twenty Thousand birr only**

Reason for payment: **For Loan Settlement**

Mode of payment: - cash ☐ on check ☐ Check No_____

Account title	Account No.	Debit		Credit	
Accounts payable	201	20,000	00		
Cash	101			20,000	00

Prepared by _____ Approved By _____ Received By: **ABC Union**

Date : _____ Date: _____ Date : _____

Sign _____ Sign _____ Signature: _____

1.2.4. Purchase requisition (PR)

Illustration #5. Assume W/ro Senayt (ID No 045) is store keeper of ABDM cooperatives, she requested the following items to purchasing department on September,10,2022 the items uses for trading purpose. Assume that there is no remaining items in store.

1. 10 quintals of Teff for birr 1500 for each stock card number 012
2. 5 quintals of wheat for birr 980 for each stock card number 013
3. 30 quintals DAP for birr 1050 for each stock card number 014

ABDM Cooperative

Purchase Requisition

Sr. No` 01452

Date -----

Requested by: W/ro **Senayt**;

Section - **Department Store**

Item ID No: **045**

Job Title: **Store Keeper**

Reason for Requisition: **For Trading**

S/N	Items	Stock card Number	Unit	Quantity	Unit Price		Total Price	
1	Teff	012	qutl	10	1500	00	15,000	00
2	Wheat	013	qutl	5	980	00	4,900	00
3	DAP	014	qutl	<u>30</u>	1050	00	<u>31,500</u>	00
Total				<u>45</u>			<u>51,400</u>	00

Requested by: **Seneyt**

Approved By _____

Sign _____

Sign _____

Date 10/09/2018

Date _____

1.2.5. Goods Received Note (GRN)

The GRN is prepared by the assigned person (store keeper) after the inspection of the physical conditions of materials for specifications, quality, quantity, physical damage; after comparing the delivery note with the invoice.

Illustration #6. Assume the above purchase request (**illustration #5**) amount purchased from **XYZ Union** and delivered to ABDM consumer cooperatives on September 25, 2018.

ABDM Consumer Cooperative

Goods Receiving Note

Sr. No` 05457

Date 10/09/2018

Customer Name XYZ Union

Purchase requisition Number; 01452

S/N	Items	Stock card Number	Unit	Quantity	Purchase Price				Remark
					Unit Price		Total		
1	Teff	012	qutl	10	1500	00	15,000	00	
2	Wheat	013	qutl	5	980	00	4,900	00	
3	DAP	014	qutl	<u>30</u>	1050	00	<u>31,500</u>	00	
Total				<u>45</u>			<u>\$51,400</u>	00	

Inspected By _____ Approved By _____ Received By _____

Date _____ Date _____ Date _____

Signature _____ Signature _____ Signature _____

1.2.6. Goods Issuing Note (GIN)

The delivery of goods to the users is affected by the use of the goods issue note. The GIN is pre numbered and printed in three copies.

Illustration#7. Assume you are ABDM cooperative store keeper; you are required to prepare goods issuing Note. Issued 5 quintals of Teff for birr 1,500 for each stock card number **12** and selling price is Br 1,700 for each on September 28, 2018 for AtoSisayKebede. Use the stock card

**ABDM Cooperative
Goods Issuing Note**

Sr. No 01389

Date -----

Received By AtoSisayKebede

Item code: 012

Name of Item: Teff

Items Account Number __0152_____

Reason for Issuing: Forselling

Sr. No	Item	Stock Card No	Unit	Quantity	Item cost		Sales Price		Remark	
					Unit price	Total	Unit price	Total		
1	Teff	012	Qutl	<u>5</u>	1,500	0 <u>7,500</u>	1,700	<u>8,500</u>	00	
Total				<u>5</u>		<u>7,500</u>		<u>8,500</u>	00	

Prepared by _____ Approved By _____ Received By _____

Sign _____ Sign _____ Sign _____

Date _____ Date _____ Date _____

1.2.7. Purchase order

Sample of Purchase Order

<div style="border: 1px solid black; display: inline-block; padding: 2px;">Purchase order</div> NO. P98 Z-Mart 6 Kilo Addis Ababa				
To : Nyala Company Lideta Addis Ababa	Date: 07/30/2022 FOB: Destination Ship by: As soon as possible Terms: 2/10, n/30			
Request shipment of the following item(s):				
Item ID No.	Description	Quantity	Price	Amount
B101	Biscuits	300	200	60,000
H102	Hair Paraffin	520	50	26,000
All shipments and invoices must include purchase order number			Ordered by:	

1.3. Petty cash fund

1.3.1. Establishing Petty cash fund

To illustrate normal petty cash fund entries, assume that a petty cash fund of \$100 is established on Aug 1. The entry to record this transaction is as follows:

Aug. 1	Petty Cash	100 00	
	Cash		100 00
	Established petty cash fund.		

1.3.2. Replenishment of Petty Cash

At the end of August, the petty cash receipts indicate expenditures for the following items: office supplies, Br 28; postage (office supplies), Br 22; store supplies, Br 35; and daily newspapers (miscellaneous administrative expense), Br 3. The entry to replenish the petty cash fund on August 31 is as follows:

Office Supplies 50

Store supplies 35

Miscellaneous Administrative Expense ...3

Cash88

(To replenish the petty cash fund)

1.3.3. Preparing journal entry for petty cash irregularities.

A. Case 1; overage of cash; Assume the cash on hand is Br 16, instead of Br 12

Office Supplies 50

Store supplies35

Miscellaneous Administrative Expense ...3

Cash88

Cash shortage or overage 4

(To replenish the petty cash fund)

B. Case 2; Shortage of cash; Assume the cash balance of petty cash fund at the time of replenishment is Br 10

Office Supplies 50

Store supplies35

Miscellaneous Administrative Expense ...3

Cash shortage or overage 2

Cash90

(To replenish the petty cash fund)

1.3.4. Preparing petty cash book based on the following information

May 1 Received the petty cash Br 500

4 Bought office supplies Br Br 380

6. Bought postage (office supplies) Br 22

6. Bought store supplies Br 35

7. Miscellanies administrative expenses Br 30

Solution

The completed petty cash book

Note that the amount needed to restore or reestablished the petty cash fund is calculated as follows

Petty cash Br 500
 Less balance of petty cash 33
 Restored petty cash Br 467

Petty cash book

Amount	Date	Details	Vchr No	Total
Br 500	May 1	Petty cash		500
	4	Office supplies		Br 402
	6	Store supplies		35
	6	Miscellanies administrative expenses		30
		Total		467
		Balance		33
467	June 1	Balanced B/D		
33		Petty cash		

LAP TEST-1

Performance Test

Name..... ID.....

Date.....

Time started: _____ Time finished: _____

Instructions: you are required to perform the following tasks within **1** hour. The project is expected from each student to do it.

Instruction

Task 1. Record all of the below transactions in the **cash sales invoice** and **credit sales invoice** (on the following pages) respectively.

a. cash sales invoice

Assume that GMK Dairy Farm Cooperative Society sold milk and milk products to ABC Consumer Cooperative Society. In August 31/2022 the following transactions took place:

Transaction # 1: 100 liters of raw milk were sold for birr 16 for each.

Transaction # 2: 60 cups of yogurt were sold for birr 20 for each.

Transaction # 3: 50 Kilo Grams of butter were sold for birr 160 for each.

Transaction # 4: 30 Kilograms of cheese were sold for birr 30 for each.

b. credit sales invoice

Assume that ABC Cooperative Society purchased goods from a TQS Multi-Purpose Cooperative Society on credit in September 15/2014 as follows:

Transaction # 1: 5000 unit of cobalt stones were purchased for birr 5 per each.

Transaction #2: 50 Sucks of sand were purchased for birr 500 for each.

Transaction #3: 50 unit of plumbers were purchased for birr 800 for each.

Transaction #4: 6 unit of tables were purchased for birr 1000 for each.

GMK Dairy Farm Cooperative Society							
Cash sales invoice							
						Invoice No. 1231644	
						Date: -----	
Name of customer _____							
Amount in figure; _____							
Amount in Words; _____							
Mode of payment ; Cash <input type="checkbox"/> Check <input type="checkbox"/>							
S/No.	Item	Quantity	Unit of measure	Unit Price	Selling	Total sale	Remarks
Grand Total							

Prepared By: -----	Approved By:: -----	Received By -----
Signature: -----	Signature: -----	Signature: -----
Date: -----	Date: -----	Date: -----

ABC Cooperative Society								
Credit Sales Invoice								
								Invoice No. 25425
								Date: -----.
Name of customer _____								
Amount in figure; _____								
Amount in Words; _____								
Address; Region _____ Zone _____ Wereda _____ Kebele _____ Tele Pone _____								
S/No.	Item	Quantity	Unit of	Unit price	purchasing price	Total price		Remarks
Grand Total								

Prepared By: -----

Approved By:: -----

Received By -----

Signature: -----

Signature-----

Signature: -----

Date: -----

Date: -----

Date: -----

Assume **ABDM cooperatives** ABC Cooperative Society paid for purchase made on September 15/2014 to TQS Multi-Purpose Cooperative on October 25/2014,

- A. Based on this prepare cash receipt voucher for TQS Multi-Purpose Cooperative.
- B. Based on this prepare cash payment voucher for ABC Cooperative Society

TQS Multi-Purpose Cooperative
Cash Receipt Voucher

Voucher No` 1025255

Date _____

Name of Payer: _____

Amount in figure: _____

Amount in words: _____

Reason for collection: _____

Mode of payment: - cash ☐ on check ☐ Check No _____

Account Title	Account No.	Debit	Credit

Prepared by _____ Approved By _____ Received By _____

Date _____ Date _____ Date _____

Signature _____ Signature _____ Signature _____

1.3.5. Cash payment voucher

ABC Cooperative Society

Cash Payment Voucher

Voucher 01254

Date _____

Pay To: _____

Amount in figure: _____

Amount in words: _____

Reason for payment: _____

Mode of payment: - cash ☐ on check ☐ Check No _____

Account title	Account No.	Debit	Credit

Prepared by _____ Approved By _____ Received By: _____

Date : _____ Date: _____ Date : _____

Sign _____ Sign _____ Signature: _____

1.3.6. Obtain one sample for checks and bank deposit slip from any bank then prepare it

Project 2. Establishing Petty cash

Task 1; Based on the following prepare a journal entry to established petty cash fund

Assume that a petty cash fund of Br 500 is established on July.

Task 2; At the end of July, the petty cash receipts indicate expenditures for the following items: office supplies, Br 121; postage (office supplies), \$55; store supplies, \$135; and daily newspapers (miscellaneous administrative expense), \$25.

Task 3; By using the following assumption prepare petty cash book.

- A. The amount of petty cash balance is Br 159
- B. The amount of petty cash balance is Br 167

1.3.7. Prepare petty cash book

Enter the following items in a petty cash book which is kept on the imprest system March 1.

Issue a check 0058 to petty cashier to establish a petty fund birr 2,000.00

- March 1 to 20 The following expenses spent from petty cash fund and replenish to issue a check No 0060
- Stationery & printing (office supplies) 600.00
- Peridium (administrative expense) 500.00
- Transport (administrative expense) 350.00
- Telephone (utility expenses) 150.00
- Maintenance (administrative expense) 160.00
- Cleaning material (administrative expense) 100.00
- Miscellaneous expenses 50.00

LG #9

LO #2- Prepare invoice for creditors and debtors

Instruction sheet

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

- Checking creditors documents
- Reconciling creditors Invoices
- Identifying and reporting Discrepancies between invoices and delivery notes
- Errors in invoice charges
- Correcting invoice Errors on journal voucher

This guide 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:

- Check creditors documents
- Reconcile creditors Invoices
- Identify and reporting Discrepancies between invoices and delivery notes
- Errors in invoice charges
- Correct invoice Errors on journal voucher

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks
5. Perform Operation Sheets
6. Do the “LAP test”

Information Sheet 2

2.1. Checking creditors documents

The **supplier** or **vendor** will send an **invoice** to the company that had received the goods and/or services on credit. When the **invoice** or **bill** is received, the customer will refer to it as a **vendor invoice**. Each **vendor invoice** is routed to accounts payable for **processing**

When preparing financial documents, your organization may have a policy requiring separation of duties. This means that a single employee should not perform a series of flow-on tasks such as receiving cash, issuing receipts and preparation of banking.

By separating duties (sharing them between several employees), an organization can reduce the likelihood of theft or fraud.

- **Accounts Payable Process**

The accounts payable process or function is immensely important since it involves nearly all of a company's payments outside of payroll. The accounts payable process might be carried out by an accounts payable department in a large corporation, by a small staff in a medium-sized company, or by a bookkeeper or perhaps the owner in a small business.

Regardless of the company's size, the mission of accounts payable is to **pay only the company's bills and invoices that are legitimate and accurate**. This means that before a vendor's invoice is entered into the accounting records and scheduled for payment, the invoice must reflect:

- ✓ what the company had ordered (purchase order)
- ✓ what the company has received (Delivery report)
- ✓ The proper unit costs, calculations, totals, terms, etc. (invoice)

To safeguard a company's cash and other assets, the accounts payable process should have *internal controls*. A few reasons for internal controls are to:

- ✓ Prevent paying a fraudulent invoice
- ✓ Prevent paying an inaccurate invoice

- ✓ Prevent paying a vendor invoice twice
- ✓ Be certain that all vendor invoices are accounted for

2.2. Debtors and Accounts Receivable

A **debtor** is someone who owes you money, normally because you have invoiced them for goods or services supplied. The invoice details what they owe and why. The process of managing debtors is often referred to as *Accounts Receivable*.

Note: This section does not apply to Money Works Cash book, which does not support debtors.

Operating a Debtors ledger involves up to 5 distinct processes:

- Enter the Sales Invoices
- Post the Invoices to update the balances in the debtors ledger and the general ledger
- Print/email Invoices and send them to customers
- Process Debtor Receipts when the debtor makes payment. This updates the balances in the debtors ledger and the general ledger
- Optionally Print/email and Age Statements
- **Sending Invoices**

When you provide some goods or services to a customer you normally expect to be paid. Sometimes the customer will pay immediately, in which case you treat the transaction as a Cash Sale. On other occasions you will give the customer an invoice indicating how much is to be paid and he or she will pay at some future date. In this situation you would use the debtors ledger to record the transaction as a Sales Invoice. Note the same invoicing procedure applied to creditor's invoices as we discussed the LO1.

2.2.Reconciling creditors Invoices

The following procedures applied in invoice reconciliation

- **Purchase order (PO)**

Departments receiving a copy of the PO include:

- ✓ The Person Requesting That A PO Be Issued For The Goods Or Services
- ✓ The Accounts Payable Department
- ✓ The Receiving Department

- ✓ The Vendor
- ✓ The Person Preparing The Purchase Order

The purchase order will indicate a PO number, date prepared, company name, vendor name, name and phone number of a contact person, a description of the items being purchased, the quantity, unit prices, shipping method, date needed, and other pertinent information.

One copy of the purchase order will be used in the *three-way match*, which we will discuss in operation sheet.

- **Receiving report**

A receiving report is a company's documentation of the goods it has received. The receiving report may be a paper form or it may be a computer entry. The quantity and description of the goods shown on the receiving report should be compared to the information on the company's purchase order.

After the receiving report and purchase order information are reconciled, they need to be compared to the vendor invoice. Hence, the receiving report is the second of the three documents in the three-way match (which will be discussed shortly).

- **Vendor Invoice**

The supplier or vendor will send an invoice to the company that had received the goods and/or services on credit. When the invoice or bill is received, the customer will refer to it as a vendor invoice. Each vendor invoice is routed to accounts payable for processing. After the invoice is verified and approved, the amount will be credited to the company's Accounts Payable account and will also be debited to another account (often as an expense or asset).

2.3. Techniques of verifying a vendor invoice

A common technique for verifying a vendor invoice is the three-way match.

The accounts payable process often uses a technique known as the three-way match to assure that only valid and accurate vendor invoices are recorded and paid. The three-way match involves the following:

Only when the details in the three documents are in agreement will a vendor's invoice be entered into the Accounts Payable account and scheduled for payment.

Good internal control of a company's resources is enhanced when the company assigns a separate employee with a specific, limited responsibility. The following chart illustrates the concept of the separation (or segregation) of duties involving accounts payable:

2.1.Types of discrepancies between invoices and delivery notes

With this in mind, it's useful to be aware of the types of invoice discrepancies you're likely to encounter and to have a clear process for managing them.

1. Basic factual errors

When you receive an invoice from a vendor, one of the first and most important steps is to check it for basic accuracy. That means looking at elements like:

- The invoice number - specifically making sure it's not the same as an invoice you've received and paid in the past
- Your company name and address
- The provider's company name and address
- The date of the invoice
- Deliverables received and if they're accurately listed and priced
- The date the goods or services were supplied
- Total amount payable

It's not unusual for mistakes to be made when suppliers submit these crucial pieces of information, especially if they rely on manual data entry.

Some errors will be innocuous and easily rectified - a figure out of place in the invoice date, for example. However, other oversights - such as a miscalculation in the total amount payable - could have a more serious impact if they're not checked and queried.

When you spot a mistake, point it out to the supplier as soon as possible and make it clear that you won't be able to process the invoice until it's corrected.

2. Dissatisfaction with deliverables

It goes without saying that you should expect the products and services you receive from suppliers to be of a certain quality. When the deliverables don't meet your standards, but the vendor still expects payment in full, you should be ready with a plan to manage what could prove to be a difficult situation.

One of the most important things to bear in mind is the importance of specificity. Be as clear and detailed in your feedback as you possibly can, so the supplier knows what you expect from them and what changes you would like to see before going ahead with payment.

This focus on exactitude is important if you want to maintain professional relations with your providers and resolve problems as quickly and efficiently as possible.

To reduce the risk of the same issue occurring again in the future, make sure every contract you enter into with a third party includes a clear service-level agreement, as well as a precise rundown of what you expect them to provide. This gives you something to refer back to should a dispute arise over deliverables at a later date.

3. Pricing disputes

Along with the quality of the product or service you receive, the price you pay for it is the most important aspect of any supplier relationship. You should feel confident that you're paying a fair amount for what you're getting, and if you don't, be prepared to talk to your vendor about it, with a focus on reaching a mutually agreeable solution.

There are many reasons why you might not feel happy with the overall amount you're expected to pay, such as unexpected changes in the provider's rates, hidden charges or an unplanned expansion in the scope of the service.

When the time comes to have a frank discussion about these issues, make sure you're ready to argue your case, with clear evidence and data to back it up. In many cases, a constructive conversation will be enough to reach an agreement that all parties are happy with, but it's important to have a more detailed dispute resolution procedure in place should it become necessary.

4. Timesheet discrepancies

Closely linked to price is the amount of time your vendor says they spent on delivering your service. You're likely to encounter situations where sellers claim the work took longer than expected due to unforeseen circumstances, and particularly unscrupulous suppliers might inflate their hours as much as possible to get more money out of you.

One way to mitigate this risk is to state at the beginning of any contract or new relationship that you expect vendors to keep itemized timesheets detailing the work and outcomes you're paying for. This will make it easier for you to judge the fairness and accuracy of their invoices, and to pinpoint certain processes or tasks you have questions about.

In many cases, smooth, hassle-free invoicing depends on being clear and specific in your expectations from the outset, so all parties understand the terms of the agreement and can work towards mutually beneficial results.

The accounts payable process must also be efficient and accurate in order for the company's financial statements to be accurate and complete. Because of double-entry accounting an omission of a vendor invoice will actually cause two accounts to report incorrect amounts. For example, if a repair expense is not recorded in a timely manner:

1. The liability will be omitted from the balance sheet, and
2. The repair expense will be omitted from the income statement.

If the vendor invoice for a repair is recorded twice, there will be two problems as well:

1. The liabilities will be overstated, and
2. Repairs expense will be overstated.

In other words, without the accounts payable process being up-to-date and well run, the company's management and other users of the financial statements will be receiving inaccurate feedback on the company's performance and financial position.

2.2.Errors in invoice charges

- Mathematical error on the invoice; some of mathematical error are addition, subtraction and multiplication
- Short shipment of items; may be not much number of unit order and delivery unit
- Unauthorized substitution of goods; sometimes delivered an items which is not order
- The invoice is correct but a mistake was found on the purchase order
- Overwriting in the invoice
- Using inappropriate document
- Miss represented name

2.3.Correcting invoice Errors on journal voucher

If a mistake is found, do not change the invoice in any manner. Depending upon the type of error, contact either the vendor or a Purchasing Department buyer to have the invoice corrected. However, if sales tax was billed inappropriately, cross out the sales tax amount, subtract from the invoice amount, and note the correct net amount on the invoice. Consult the table below for a list of typical errors that can occur in billing, and whom to contact.

Who correct invoice errors

ErrorType	Contact
<ul style="list-style-type: none"> • Mathematicalerrorontheinvoice • Shortshipment ofitems • Unauthorizedsubstitutionofgoods 	<ul style="list-style-type: none"> • Vendor
<ul style="list-style-type: none"> • The invoice is correct but a mistakewasfoundon the purchaseorder 	<ul style="list-style-type: none"> • TheappropriatePurchasing Departmentbuyer

Self-Check – 2	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Multiple choice

- Which of the following invoice error is not corrected by vendor?
 - Mathematical error on the invoice
 - Mistake was found on the purchase order
 - Short shipment of items
 - Unauthorized substitution of goods
- Which of the following is a not Basic factual error in invoice?
 - The invoice number
 - The date of the invoice
 - Total amount payable
 - Pricing disputes

Test I: Short Answer Questions (15)

- Write reasons for internal controls for account payable.

- Write and discuss at list four common discrepancies between invoices and delivery notes

Note: Satisfactory rating – 15 points Unsatisfactory - below points 10

You can ask your teacher for the copy of the correct answers

Operation Sheet -2

2.1. Techniques of reconciling vendor invoice

A. Equipment and documents

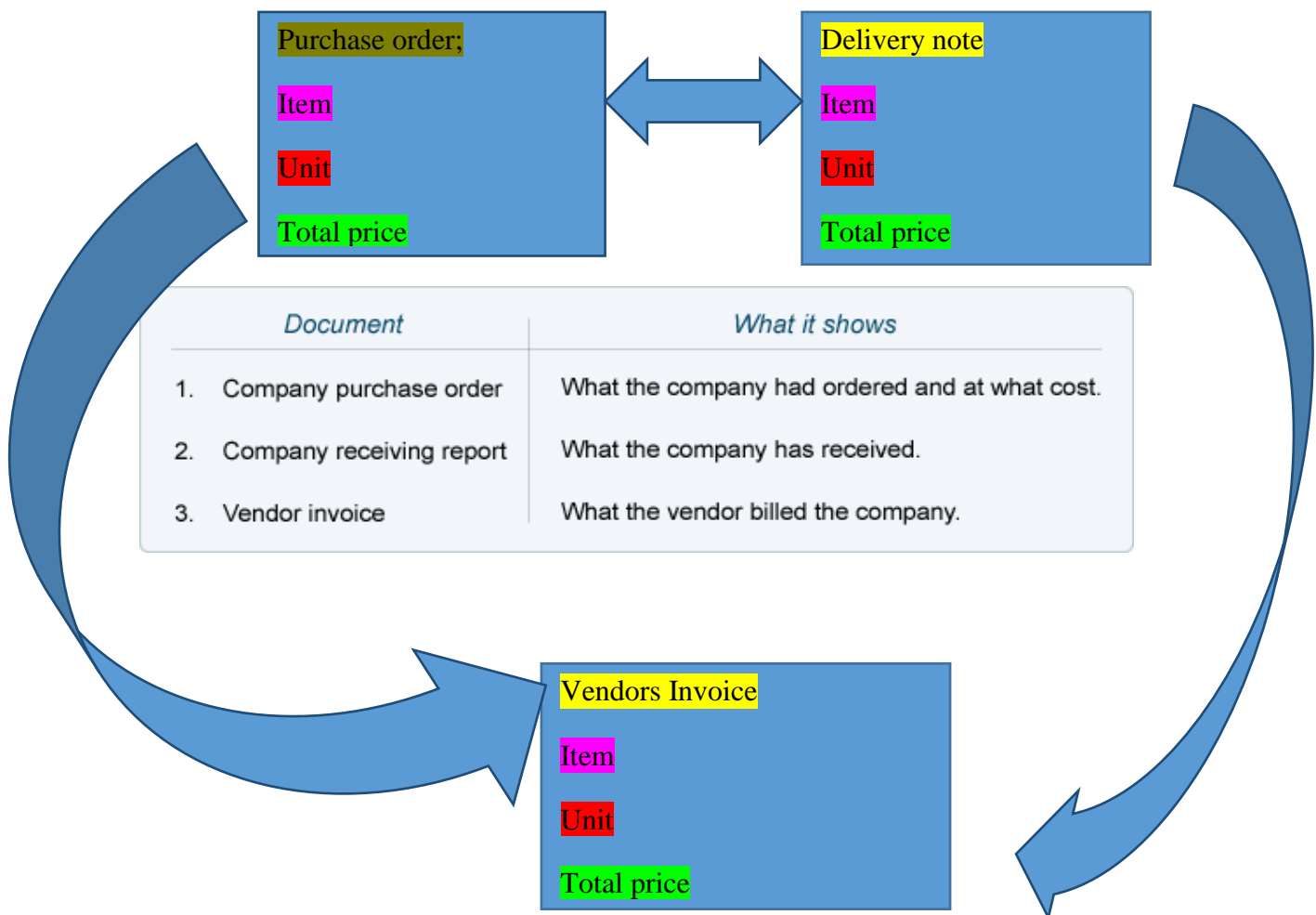
I. Computer

II. Calculator

III. Documents

- Purchase requisition
- Purchase order
- Delivery report
- Vendors invoice

2.2. Process of reconciling and verifying vendor invoice



LG #10

LO #3 –Review invoice

Instruction sheet

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

- Performing Preliminary calculations
- Producing accurate invoices
- Distributing invoices
- Verifying Invoices
- filling and compiling Documents

This guide 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:

- Perform Preliminary calculations
- Produce accurate invoices
- Distribute invoices
- Verify Invoices
- fill and compile Documents

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks

Information Sheet 3

3.1. Performing Preliminary calculations

- Unit price; the amount of price paid by a buyers
- Total price ; the total amount paid, multiplying unit price by the unit purchased.
- Tax (VAT, withholding Tax and TOT)

3.2. Produce accurate invoices

Create clear and detailed **invoices** include all necessary details on your **invoices** while still maintaining clarity and readability. Label the document as an "**Invoice**," ideally near the top, so they know exactly what it is at one glance. Include your contact information, as well as that of your client, and a tracking number

Avouchersystem is a set of procedures for authorizing and recording liabilities and cash payments.

3.2.1. Vouchers

A file for unpaid vouchers and a file for paid vouchers. Generally, a voucher is any document that serves as proof of authority to pay cash. For example, an invoice properly approved for payment could be considered a voucher. In many businesses, however, a **voucher** is a special form for recording relevant data about a liability and the details of its payment

Each voucher includes the creditor's invoice number and the amount and terms of the invoice. The accounts used in recording the purchases (or transaction) are listed in the account distribution. For example, when a voucher is prepared for the purchase of goods, the voucher should be supported by the supplier's invoice, a purchase order, and a receiving report. In preparing the voucher, an accounts payable clerk verifies the quantity, price, and mathematical accuracy of the supporting documents

3.2.2. To produce accurate invoices check the following application information's

- ✓ Names of the applicant person
- ✓ Addresses of the applicant person
- ✓ Amounts of money/figure

✓ The application dates

3.3. Distributing invoices

- Distribution of **cash sales invoice** and **Credit sales invoices** shall be prepared in three copies.

The distribution is:

- ✓ 1st original copy is given to the Payer/buyers
- ✓ 2nd Carbon Copy is send to the Accounting Department
- ✓ 3rd Carbon copy has leaved as it is on the Pad
- The copies of **purchase requisition** are distributed as follows
 - ✓ Copy 1 to the vendor as a purchase request and as authority to ship merchandise
 - ✓ Copy 2 along with a copy of the purchase requisition to the accounting department, where it is entered in the voucher and used in approving payment of the invoice
 - ✓ Copy 3 to the requesting department to inform its manager that action is being taken
 - ✓ Copy 4 to the receiving department without order quantity so it can compare with goods received, and
 - ✓ Copy 5 retained on file by the purchasing department
- Goods issuing Note (**GIN**) shall be prepared in three copies. The distribution is:
 - ✓ 1st original copy is given to the requisite department
 - ✓ 2nd Carbon Copy is given to the property Controller
 - ✓ 3rd Carbon copy has leaved as it is on the Pad

3.4. Verifying Invoices

Before paying the invoice, see if the invoice matches with the purchase order following these verification Questions:

- Have items or services ordered been invoiced?
- Do the quantities ordered match those invoiced?
- Are the prices consistent with the Purchase Order?
- Are the calculations and totals on the invoice correct?
- Is the invoice date valid?

Note: Departmental approval of invoices that normally require receipt acknowledgement is sufficient for A/P to release payment. Such an approval is expected to signify that receipt

of goodshas been verified.

3.5. Filling and compiling Documents

- **Classifying and sorting documents**

In the previous two learning outcomes different financial documents and records has been generated by the organization. Such as different types of source documents like cash sales, credit sales, cash payment voucher, cash receipt voucher etc and financial records like journal.

The daily business transactions of the cooperative are recorded for later use in generating financial reports. If the books and accounts are kept accurate and current, the balance of each account can be transferred to the appropriate financial statement whenever needed. So these generated financial documents and records should be file and documented for future reference. **The major reasons are to prepare financial report and for auditing purpose.**

Classifying Financial documents

Financial documents are classified based on the nature of the document. Financial documents which have similar nature should be filed on the same file box in proper chronological order based on pre- printed serial number.



Self-Check – 3	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Multiple choice

1. A_____ isasetofproceduresforauthorizingandrecordingliabilitiesandcashpayme
nts
 - A. Recording
 - B. Voucher system
 - C. Petty cash
 - D. Filling
2. The copies of purchase requisition are distributed for all the following, Except ____
 - A. Accounting department
 - B. Suppliers
 - C. Receiving department
 - D. requesting department
3. If the unit cost of X items is Br 520 and purchased 10 unit how much is the total purchase
invoice?
 - A. Br 52
 - B. 52,200
 - C. 5,200
 - D. Br 5,252

Test II; Short answer

1. Define voucher and write the purpose
2. List Distribution of cash sales invoice and Credit sales invoice copies and write why
they used

Note: Satisfactory rating - 20 points

Unsatisfactory - below 15 points

Page 42 of 47	Ministry of Labor and Skills Author/Copyright	Cooperative Accounting and Auditing Level -1	Version -1 August , 2022
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Page 44 of 47	Ministry of Labor and Skills Author/Copyright	Cooperative Accounting and Auditing Level -1	Version -1
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