

CHAPTER VI



DOCUMENTS USED IN SUPPORTING TRANSACTIONS

1. Documents Defined

The term "documents" means the necessary supporting papers evidencing the business transaction. They are the papers wherein transactions are first officially transcribed before final approval. Once approved by proper authorities concerned, they become the basis and supporting evidence for the entry or entries in the books of record.

2. Purpose and Use of Documents

The main purpose of documents is to use them as evidence of financial transactions transpiring in the course of the operation of the business and as supporting papers to the entry or entries in the books of record. They are an effective means of internal check and control in the operation of the business. Their uniform size, and the use of different colours for data of similar transactions facilitating filing and ready future reference.

3. Samples of Documents

The most important documents used by well-established concerns, installed by efficient accounting system analyst, which have passed the acid test of usefulness through the years are:

1. Purchase requisition
2. Quotation sheet
3. Purchase order
4. Material receiving report
5. Stock issue requisition
6. Abstract of Stock issue requisition
7. Cashier's official receipt
8. Abstract of cash receipts
9. Petty Cash Voucher
10. Abstract of Petty Cash Voucher
11. Cash Disbursement Voucher
12. Shipping order
13. Sales Invoice
14. Debit Memorandum
15. Credit Memorandum

Purchase Requisition

The real work of buying starts from the issuance of the purchase requisition. This is a document which acts as a formal notification to

the purchasing department by another department as well as the authority for buying the articles specified. As such, it should be signed by the department head and by the person requesting the purchase.

Just how many copies should be made depends upon the requirements of the concern. The purchasing department must at least have one copy for his file. Usually, it is prepared in quadruplicate and is distributed of as follows:

1. Original - To Purchasing Department
2. Duplicate - To Accounting Department
3. Triplicate - To Receiving Department
4. Quadruplicate - To Issuing Department

Quotation Sheet

As soon as the purchasing department receives the purchase requisition, it refers to its file and records for guidance as to where such articles can best be bought. In some offices, a card is made out for every kind of article purchased, giving the name of the firm from whom bought, a complete record of prices, discounts allowed, remarks as to service, quality, and other items of importance.

It may happen, that there are no available record of prices of the materials to be purchased

making it necessary to obtain quotations or estimates from reputable firms. Several firms then are asked to bid by sending quotations sheet. The number of copies depends upon the requirements of the concern. Ordinarily, two copies will suffice, the original for the bidder and the duplicate for the purchasing department.

When the purchasing department receives bids from the suppliers, it will decide from whom to place the order, considering quality and delivery conditions.

Purchase Order

After the purchasing department had decided to which supplier it will give the order, the next step is to write out the purchase order which must be pre-numbered and accounted for.

A purchase order should always be issued for every purchase regardless of whether the order is placed by telephone or issued by mail to an authorized representative to buy direct from the supplier, in case the order is by telephone, it is necessary to have it confirmed by sending the regular purchase order later and marked "Confirmation of order placed by telephone....." so that the supplier

will not construe it as another order. Usually, the purchasing department, in placing the order by telephone, gives the supplier the purchase order number for purposes of identification.

The practice in some business concerns is to prepare the purchase order in quadruplicate for distribution as follows:

1. Original - Vendor
2. Duplicate - Accounting Department
3. Triplicate - File of Purchasing Department
4. Quadruplicate - Receiving Material Department

Material Receiving Report

The material receiving report is a formal confirmation of the receipt of the goods delivered by the supplier. Data in the material receiving report at times are copied from the purchase order or noted down directly from the articles received. Each procedure has an advantage and disadvantage over the other. With all the specifications contained in the purchase order, it is easier to prepare the material receiving report than when the receiving man had to count, measure, and get specifications as to quality and description direct from the articles received. He has the guide with him.

The question is whether to sacrifice accuracy for convenience or to sacrifice convenience for accuracy. If the data recorded in the material receiving report is taken direct from the articles received from the supplier without consulting the purchase order, a perfect internal check exists between the duties of the purchasing department and the receiving department.

The number of copies to be made depends upon the requirement of the business concern. Usually, the practice is to prepare it in triplicate to be disposed of as follows:

1. Original - To Accounting Department
2. Duplicate - To Purchasing Department
3. Triplicate - To Receiving Department

The material receiving report must be duly signed by the receiving clerk and approved by the Property Clerk or clerk in charge of the receiving department. Sometimes the storeroom, in small concerns, also performs the function of the receiving department.

In small concerns, the purchase order copy also acts as the material receiving report. Any discrepancy in the quantities and specifications as stated in the purchase order and the articles

received are indicated in the purchase order copy.

In cases where only a partial delivery is received, the receipts should be noted on the purchase order, the material receiving report then kept unsigned until the final shipment is received.

Stock Issue Requisition

Stock requisition is a formal request from the various service departments for the storeroom to deliver to the former articles they need. As far as the storeroom is concerned, the stock requisition is the receipt for the articles it has delivered.

The fundamental rule in issuing materials and supplies, property and equipment, and all other articles originating from the storeroom is that nothing should be given out or allowed to leave the storeroom unless with a properly authorized stock requisition.

An employee authorized by the department head to requisition materials and supplies, property and equipment, etc., prepare a stock requisition and obtain approval from his department head. Once approved, it is distributed as follows:

1. Original - To Accounting Department
2. Duplicate - To Storeroom Department
3. Triplicate - To Requisitioning Department

Abstract of Stock-Issue Requisition

Abstract of stock issue requisition is a summary of the storeroom issues for a given period of time, usually for one month. It may be prepared either in the store department or in the accounting department, but preferably in the former. To this abstract is attached the original copies of stock issue requisitions.

The number of copies to be prepared depends upon the requirement of the business. The suggestion is to prepare it in duplicate to be disposed of as follows:

1. Original - To Accounting Department
2. Duplicate - To Stores Department

Cashier's Official Receipt

Cashier's official receipt is a formal confirmation of the receipt of cash from a payer. An official receipt should at all times be issued by the cashier for the receipt of cash. They must be pre-numbered.

The number of copies to be made depends again upon the requirements of the business concern. Usually, the practice is to prepare it in triplicate as follows:

1. Original - Payer
2. Duplicate - Accounting Department
3. Triplicate - Cashier's file

Abstract of Cash Receipts

Abstract of cash receipts is a summary of the cash received by the cashier for a given period. Usually, it is prepared daily. To this abstract of cash receipts are attached the duplicate copies of the cashier's official receipts as its supporting papers. Small concerns do not prepare the abstract as it is but a mere duplication of work; however, larger concerns resort to this as it provides another internal check in the same department.

Again the number of copies depends upon the requirement of the concern. Usually, the practice is to prepare it in duplicate and distributed as follows:

1. Original - To Accounting Department
2. Duplicate - To Cash Section file

Petty Cash Voucher

Petty cash voucher serves as an evidence of the disbursements of petty cash fund. Until after the petty cash fund shall have been replenished, the petty cash voucher is a part of the composition of the petty cash fund. Usually, it is pre-numbered and each number is accounted for even if voided due to cancellation or other reasons.

As to how many copies should be prepared depends upon the requirement of the concern. Usually it is prepared in duplicate and disposed of as follows:

1. Original - To Accounting Department
2. Duplicate - To Cash Division

Abstract of Petty Cash Voucher

Abstract of petty cash voucher is a summary of petty cash vouchers prepared by the cashier for a given period of time. Its purpose is to charge the accounts affected by the disbursements and to make it serve as a supporting paper to the replenishing voucher. To this abstract are attached the original petty cash vouchers as its supporting papers. As to how many copies should be prepared depends upon the requirement of the concern. Ordinarily, the practice is to prepare it in duplicate and distributed of as follows:



1. Original - To Accounting Department
2. Duplicate - To Cash Division

Check Disbursement Voucher

Check disbursement voucher is an evidence of the release of cash by means of checks. The approved invoices, material receiving report, purchase order and purchase requisition are attached to the cash disbursement voucher to support the charge made. A voucher may represent a single invoice or may cover a number of invoices payable to the same creditor.

The number of copies to be prepared depends upon the requirement of the concern. Usually, the practice is to prepare it in duplicate and disposed of as follows:

1. Original - To Accounting Department
2. Duplicate - File

As to where the supporting papers will be attached depends on the personal taste of the accountant. Preferably, it is the opinion here that all supporting papers be attached to all original documents. The duplicate copies are of secondary importance only.

Shipping Order

The shipping order is a formal request or order from the sales manager to ship the articles or goods to the customers. A shipping order should always be issued for each sale of commodities originating from the stores or warehouses. The shipping order serves two purposes. First, as a material requisition and an order to the shipping clerk to ship the goods, second, as an order to the billing clerk to prepare the customer's invoice.

The number of copies to be prepared depends upon the requirement of the business. If prepared in triplicate, they may be disposed of as follows:

1. Original - Shipping Clerk
2. Duplicate - To Accounting Department
3. Triplicate - To Sales Department

Sales Invoice

The sales invoice is like a transcript of the shipping order from the sales manager. But in the absence of a shipping order, the sales invoices serve two purposes. As an order to deliver the goods and as basis of the entry in the sales register and accounts receivable ledger. A sales invoice should at all times be issued for all sales made. They are pre-numbered

and all are accounted for.

The number of copies to be prepared depends upon the requirement of the concern. Ordinarily, it is prepared in triplicate as follows:

1. Original - Customer
2. Duplicate - Accounting Department
3. Triplicate - Sales Department

Debit Memorandum

A debit memorandum is a document usually issued by the seller of the goods to the purchaser as an advice that a debt or charge is made on the books of the seller for certain reasons shown on the documents. A debit memorandum may be issued by the seller in the following circumstances:

1. For an undercharge in the original sales invoice.
2. For the amount of freight, insurance, and other charges where these were not known or indeterminable at the time the invoice was prepared.

When prepared in duplicate, the debit memorandum may be disposed of as follows:

1. Original - Purchaser
2. Duplicate - Vendor

A debit memorandum may also originate from the purchaser. In this case it is a notice that the seller's account is being charged for good returned, or for delivery charges advanced by the purchaser on goods which were to be delivered at the expense of the shipper. This kind of debit memo may also be prepared in duplicate and distributed as follows:

1. Original - Vendor
2. Duplicate - Purchaser

Credit Memorandum

A credit memorandum is a document usually issued by the seller of the goods to the purchaser as a notice that the latter's account is being credited for value of goods returned or for delivery charges paid by the purchaser on goods which were supposed to be delivered at the expense of the seller.

The credit memorandum originating from the seller is prepared and distributed as follows:

1. Original - To Purchaser
2. Duplicate - To Vendor

A credit memorandum could also originate from the purchaser under the following situations:

1. For the amount of freight, insurance, and other charges which were not known or indeterminable at the time the sales invoice was rendered.

2. For any delivery of merchandise not covered by the invoice.

3. For any understatement of value in the original sales invoice.

This credit memorandum is prepared in duplicate and disposed of as follows:

1. Original - Vendor
2. Duplicate - Purchaser

It is to be noted that the credit memorandum has the opposite purpose of the debit memorandum.

Other documents needed in some other kinds of business can be added in this treatise. However, documents which are deemed not necessary may be eliminated according to the particular situation or requirement of the business.