

Lesson 6 – Business Documents

Question 6.1

Which **one** of the following is prepared for the purpose of documenting sales on credit?

	✓
Invoice	✓
Credit note	
Statement of account	

Question 6.2

Which **one** of the following documents is sent by a supplier, usually at the end of each month, to a credit customer summarising the transactions between two businesses during the month and indicating the balance on the account of the customer in the books of the supplier?

	✓
Advice note	
Delivery note	
Statement of account	✓

Question 6.3

Which **one** of the following documents is sent by a customer to a supplier when making a payment by BACS or cheque? The document specifies invoices being paid less any credit being taken against those invoices?

	✓
Credit note	
Remittance advice	✓
Delivery note	

Question 6.4

Which **one** of the following types of discount is offered by suppliers to customers to encourage them to settle invoices quickly?

	✓
Prompt payment discount	✓
Trade discount	
Bulk discount	

Question 6.5

Tiles Direct offers a discount to its credit customers of 20% on orders over the value of £2,500. A further 10% discount is offered by Tiles Direct to those customers who place orders over the value of £5,000.

Which **one** of the following types of discount is Tiles Direct offering to customers?

	✓
Trade discount	
Prompt payment discount	
Bulk discount	✓

Question 6.6

Office Supplies are registered for VAT. They recently received the following order from Ink Spot, one of their credit customers.

Order Number 636

Goods Ordered

Quantity	Description	Unit Price
3	Desk	£175.50
4	Cabinet	£96.25
6	Chair	£75.50
4	Shredder	£58.50

The business does not offer a trade discount to customers. Its payment terms are 5% discount for settlement of invoices within 10 days of invoice date, or net payment in 30 days. Where prompt payment discounts are taken-up by customers Office Supplies issues a credit note to the customer to account for the discount and the VAT adjustment on the discount.

The following boxes have been extracted from the invoice to be issued by Office Supplies to Ink Spot, you are required to complete each of the boxes.

	£	p
Goods total (Net Goods)	1,598	50
VAT @ 20%	319	70
Invoice Total	1,918	20

Question 6.7

The following dispatch note was issued by Consort Ltd to a credit customer, Rontec Ltd, when they delivered goods to them recently:

<p>DISPATCH NOTE</p> <p>CONSORT LTD Floor 2, Consort House High Street Grantham GR2 6TS</p>		
<p>To: Rontec Ltd Unit 4 The Business Park Peterborough PR7 4BR</p>		<p>Despatch Note No: 725 Date: 2 June 201X Your Order No: R128 Account No: SL/RO/025</p>
ITEM CODE	QUANTITY	DESCRIPTION
0701	4	Senior manager chair, swivel (Blue)
0703	8	Visitors chair, cantilever (Blue)
<p>Dispatch Clerk (Consort Ltd) D Roach</p>		

The following information has been extracted from the customer file and price list of Consort Ltd:

Extract from Customer File of Consort Ltd:

Customer	Payment Method	Terms of Trade
Rontec Ltd	BACS	Trade discount 25% 5% 7 days or net 30 days

Extract from Price List of Consort Ltd:

Office Furniture:

OF0701	Senior manager chair, swivel (Blue or Green)	155.00
OF0702	Operators chair, swivel (Blue or Green)	57.50
OF0703	Visitors chair, cantilever (Blue or Green)	99.50

REQUIRED:

Complete invoice below by entering the missing information in the blank boxes on the invoice.

INVOICE		CONSORT LTD Floor 2, Consort House High Street Grantham GR2 6TS		Invoice No: 1348
VAT Reg No: 876 248 27		To: Rontec Ltd Unit 4 The Business Park Peterborough PR7 4BR		Date/Tax Point: 2 June 201X Your Order No: R128 Account No: SL/RO/025
ITEM CODE	QTY	DESCRIPTION	UNIT PRICE £ : P	GOODS TOTAL £ : P
OF0701	4	Senior manager chair (swivel)blue	155.00	620.00
OF0703	8	Visitors chair (cantilever) blue	99.50	796.00
Terms: 5% 7 Days or net 30 days		Sub-total		1,416.00
		Trade discount 25%		354.00
		Net goods		1,062.00
		VAT @ 20%		212.40
		Invoice total		1,274.40

Question 6.8

You work in the accounts section of Glacier Refrigeration. One of your duties is to prepare statements of account to be issued to customers at the end of each month.

You are presented below with an extract from the ledger of Glacier Refrigeration, showing the account of a credit customer trading in the name of Ice Box. The account opens with a balance brought down at 1 May 201X, transactions in respect of sales, sales returns and payments received in the month of May, and the account has been balanced off at 31 May 201X.

**Glacier Refrigeration
Ledger (Extract)
Ice Box**

DR			CR		
201X	Details	£	201X	Details	£
1 May	Balance b/d	1,250.00	10 May	Bank	1,250.00
6 May	Sales (invoice 1217)	280.00	15 May	Bank	1,030.00
9 May	Sales (invoice 1355)	750.00	18 May	Sales returns (Credit note 163)	150.00
13 May	Sales (invoice 1456)	480.00	31 May	Balance c/d	880.00
28 May	Sales (invoice 2155)	550.00			
		3,310.00			3,310.00
31 May	Balance b/d	880.00			

You are provided below with a statement of account to be issued by Glacier Refrigeration to Ice Box at 31 May 201X. Using the ledger account above complete the statement of account,

STATEMENT OF ACCOUNT							
From: Glacier Refrigeration							
To: Ice Box				Date: 31 May 201X			
				Account: IB 0120			
201X	Details	Debit		Credit		Balance	
		£	p	£	p	£	p
1 May	Balance b/f	1,250	00			1,250	00
6 May	Invoice 1217	280	00			1,530	00
9 May	Invoice 1355	750	00			2,280	00
10 May	Payment received			1,250	00	1,030	00
13 May	Invoice 2165	480	00			1,510	00
15 May	Payment received			1,030	00	480	00
18 May	Credit note			150	00	330	00
28 May	Invoice 2155	550	00			880	00
Amount now due					£	880	00
VAT Reg No: 246 6595 31							

Question 6.9

The following supplier account appeared in the ledger of Great Outdoors at 30 April 201X:

Great Outdoors - Ledger (extract)
Everest Clothing Ltd

DR			CR		
201X	Details	£	201X	Details	£
4 April	Bank	2,480.00	1 April	Balance b/d	2,480.00
8 April	Purchase returns (CN318)	480.00	5 April	Purchases (invoice 751)	3,060.00
30 April	Balance c/d	5,300.00	28 April	Purchases (invoice 1045)	2,720.00
		8,260.00			8,260.00
			30 April	Balance b/d	5,300.00

Today's date is 1 May 201X, and Great Outdoors are to make a payment to Everest Clothing Ltd. Complete the remittance advice below, Great Outdoors are to make a payment by cheque to settle invoice number 751, less credit note 318.

REMITTANCE ADVICE		No: 1245	
		Date: 1 May 201X	
From: Great Outdoors			
To: Everest Clothing		VAT Reg No: 557 8734 56	
Details		Amount	
		£	p
Payment – invoice 751		3,060	00
Less – credit note 318		480	00
Cheque enclosed		2,580	00

Question 6.10

On 5 December 201X Play Products Ltd issued invoice 1245 to one of their customers trading in the name of Toy Town. The invoice was for a total of £1,800.00 (inclusive of VAT at standard rate).

On 8 December 201X Toy Town returned five girls bicycles invoiced to them on 5 December, as they were not as ordered. Toy Town had ordered Peppa Pig bicycles and received Hello Kitty bicycles.

The following is an extract from the sales catalogue of Play Products Ltd.

Sales catalogue (extract)

Sales catalogue (extract)		
Product Code	Description	Unit Price
		£
GB 101	Hello Kitty bicycles	45.00
GB 102	Peppa Pig bicycles	45.00
GB 103	Barbie bicycles	50.00

Note: The prices above exclude VAT. All products are subject to VAT at the standard rate of 20%

Complete the credit note below to be issued by Play Products Ltd to Toy Town on 9 December 201X.

Credit Note		Credit note No: 505	
		VAT Registration No. 332 6519 76	
From: Play Products Ltd			
To: Toy Town			
		Date:	9 December 201X
		Invoice No.	1245

Product Code	Quantity	Description	Unit Price		VAT Rate	Goods Total		
			£	p		£	p	
GB 101	5	Hello Kitty bicycles	45	00	20.0	225	00	
Reason for credit:					Goods sub-total		225	00
Goods not as ordered					VAT		45	00
					Total credit note		270	00

Question 6.11

Today’s date is 12 June 201X. You are required to carry out several checks on an invoice, which was received in the morning’s post by IT-to-GO from a supplier, PC Direct Ltd. Both IT-to-Go and PC Direct Ltd are registered for VAT.

The invoice has already been checked against the supplier file details, the purchase order details and the delivery note details, and all details are correct. PC Direct Ltd give IT-to-Go a trade discount of 20% on all orders with an invoice value of up to £4,000, or a trade discount of 25% where the invoice value of orders exceed £4,000. Net payment is required within 30 days of invoice date.

INVOICE		PC DIRECT LTD			Invoice No: 1486			
To: IT-to-Go Victoria Business Park Royal Boulevard Leeds LE 12 7TY					Date: 10 June 201X Purchase Order No: PO 1244 Account No: IT 055			
Product Code	Quantity	Description	Unit Price		VAT Rate	Goods Total		
			£	p		%	£	p
LT175	3	HP Pavilion 15-p (touch screen)	400	00	20.0	1,200	00	
GL145	4	MSI Gamer (Stealthpro)	750	00	20.0	3,000	00	
Carriage Paid – Our transport					Goods sub total		4,200	00
					Trade discount		840	00
					Net goods		3,360	00
					VAT		672	00
Terms: Net 30 days					Invoice total		4,032	00
VAT Registration No. 268 6486 53								

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Check the arithmetic accuracy of the invoice received from PC Direct Ltd and answer each of the checklist questions below. Where you consider a response to a checklist question is not required you must leave the answer box blank.

Where the checking procedure reveals a calculation or arithmetic error(s) on an invoice it is the policy of IT-to-Go to return the invoice to the supplier. Where invoices received are error free they are passed for payment

A)

	YES ✓	NO ✓
Is the goods total of £1200.00 for product code LT175 correct?	✓	

B)

If your answer to Question A above is NO what should the goods total for product code LT175 be?	£
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C)

	YES ✓	NO ✓
Is the goods total of £3000.00 for product code GL145 correct?	✓	

D)

If your answer to Question C above is NO what should the goods total for product code GL145 be?	£
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E)

	YES ✓	NO ✓
Is the invoice goods total of £4200.00 correct?	✓	

F)

If your answer to Question E above is NO what should the invoice goods total be?	£
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G)

	YES ✓	NO ✓
Is the trade discount calculation of £840.00 correct?		✓

H)

If your answer to Question G above is NO what should the trade discount calculation be?	£1,050.00
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I)

	YES ✓	NO ✓
Based on answers to questions above Is the invoice sub-total calculation of £3,360.00 after trade discount, correct?		✓

J)

If your answer to Question I above is NO what should the invoice sub-total, after trade discount, be?	£3,150.00
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K)

	YES ✓	NO ✓
Based on your answer to Question J above is the VAT calculation of £672.00 on the invoice correct?		✓

L)

If your answer to Question K above is NO what should the VAT on the invoice be?	£630.00
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M)

	YES ✓	NO ✓
Based upon your answers to Questions J and L above is the invoice total of £4,032.00 correct?		✓

N)

If your answer to question M above is NO what should the invoice total be?	£3,780.00
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O)

Based on your responses to Questions A to N above which of the following courses of action would you recommend in respect of the invoice received from PC Direct Ltd:

Recommended course of action	✓
Pass the invoice for payment	
Return the invoice to the supplier and request a corrected invoice	✓