

# **Exam FA1**

**Recording Financial Transactions** 

**Pocket Notes** 



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# **Types of business**

## Types of business

#### Sole trader

- One person owns/runs business
- · Entitled to all profit
- Suffers all loss
- Owners liable for business debts
- · May have employees

#### **Partnership**

- Two or more people own/ run business
- Profit split between partners according to their agreement
- Partners liable for business debts
- · May have employees

# **Limited company**

- Owners = shareholders
- · Managers run the business
- Owners have limited liability – not liable for business debts
- In small company, shareholders may = managers

#### **Accounting systems Payroll Purchases** Sales Goods or Goods or service service provided to obtained from supplier customer Can be cash Can be cash Major (paid for (paid for business immediately) immediately) accounting or credit or credit systems (delay (delay between between providina receiving goods/service goods/service and payment and payment being made) beina received **Petty Cash**

Key Poin

- Accounting system used to record transactions
- Many employees using accounting systems / ledger accounts.
- Control system therefore in place to ensure complete and accurate recording of transactions.

# Reasons for producing business documents

- Evidence of the transaction and its details.
- Evidence of the stage that a transaction has reached (e.g. delivery note shows goods received).
- Check and confirm transactions made.
- Recording transaction details.

#### **Business transactions and documents**

### **Cash transactions**

# 1. Over the counter sale

Cash or credit sale in shop.
Customer given receipt to
confirm transaction

#### 2. Verbal order

Goods not yet available – order details written down on sales form for delivery when goods in stock

### Types of business

#### 5. Internet order

Customer completes electronic order form on web site. May make payment on secure site. Goods sent to customer

#### 3. Telephone order

Order recorded on sales order form by company /goods dispatched to customer

#### 4. Written order

Order form completed by customer – sent to company. Goods dispatched to customer

## **Payment requisition**

#### **Situations**

For abnormal expenses or payment requests not supported by invoice, e.g.

- deposit for catering services
- · servicing of company car
- · settlement of company credit card.

#### **Process**

- Payment requisition form completed by manager and any supporting documentation attached.
- 2 Authorised by head of department.
- 3 Sent to cashier.
- Payment prepared and made
   e.g. automated payment or cheque.

#### **Key documents in credit sales/purchases systems** Sales system Sales order Sales invoice Remittance **Delivery note** advice Customer Generated from Sent to customer purchase order delivery note -From customer with goods acts as a request details of sale with payment copy retained at to sell goods to made and request listing sales company that customer for payment invoices paid **Purchase system** Purchase **Purchase** invoice requisition **Payment Delivery note** Sent from Purchase order Request for Sent to supplier Sent from supplier detailing goods - counter Official order along with supplier with goods supplied signed by sent to supplier remittance goods and price. Acts authorised advice as request for person payment Goods received Check Check note details details Details copied from delivery note

### Other business documents

# Statement of account

Sent monthly to customer showing invoices not yet paid

#### Credit note

Sent from supplier to customer, cancels part or whole of invoice for goods returned

#### Debit note

A document raised by a customer and issued to a supplier to request a credit note.

# Petty cash voucher

Shows authorised expenditure from petty cash supported by documentation showing expense is genuine

# Employee payslip

Notification to employee of wages earned less statutory and other authorised deductions

### Contents of the payslip:

- · employee's / employer's name
- date
- total gross pay split into elements e.g overtime, etc
- · any employee pension contribution
- · deductions from, or adjustments to, pay
- total gross pay to date
- total tax paid to date in tax year and tax due this pay day

- National Insurance/social security contributions due this pay day
- net pay.



#### Exam focus

Remember many of the multiple-choice questions on this section are factual so ensure you remember the names of the different types of business documents and what each is used for.



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