

this chapter covers . . .

A business that sells on credit will invoice the goods or services supplied and then receive payment at a later date.

It is essential that details of the invoice are entered in the computer accounting records so that the sale can be recorded and the amount owed by the customer logged into the accounting system.

A credit note is dealt with by a computer accounting program in much the same way as an invoice (in terms of the input screens used.)

This chapter continues the Pronto Supplies Limited Case Study and shows how details of invoices and credit notes are entered into the computer accounting records.

The next chapter looks at how the invoices and credit notes issued by suppliers are dealt with by a computer accounting program.

NVQ PERFORMANCE CRITERIA COVERED

Chapters 25 to 28 cover between them the 'computerised' aspects of the range statement relating to the performance criteria for Units 1, 2 and 3.

Details of the evidence which will be produced by the exercises in Chapters 26, 27, and 28 are set out on page 3 at the beginning of this book.

technical note

The computer transactions contained in this chapter are available on a file called 'Customers.26' which should be available from your tutor. The software used for this backup is Sage Line 50, version 4, which can be read by any subsequent version of Sage Line 50. The version used for illustrating the text is version 7 of Sage Line 50. If you have any difficulty in obtaining this file, please call 01905 748071.

BACKGROUND TO FINANCIAL DOCUMENTS

When a business sells goods or services it will use a number of different financial documents. A single sales transaction involves both seller and buyer. In this chapter we look at the situation from the point of view of the seller of the goods or services. Documents which are often used in the selling process for goods include:

- **purchase order** which the seller receives from the buyer
- **delivery note** which goes with the goods from the seller to the buyer
- **invoice** which lists the goods and tells the buyer what is owed
- **credit note** which is sent to the buyer if any refund is due
- **statement** sent by the seller to remind the buyer what is owed
- **remittance advice** sent by the buyer with the **cheque** to make payment

You will be familiar from your earlier studies with the way in which the documents ‘flow’ between buyer and seller.

INVOICES, CREDIT NOTES AND SAGE

the book-keeping background

The totals of invoices and credit notes have to be entered into the accounting records of a business. They record the sales and refunds made to customers who have bought on credit – the **debtors** of the business (known in Sage as Customers).

The amounts from these documents combine to provide the total of the **Sales Ledger**, which is the section of the accounting records which contains all the debtor (Customer) balances. The Sales Ledger is a Subsidiary Ledger. The total of the debtor accounts is recorded in the **Sales Ledger Control Account** (known in Sage as Debtors Control Account). This tells the business how much in total is owing from customers who have bought on credit. The Sales Ledger Control Account is maintained in the Main Ledger, known in Sage as the ‘Nominal Ledger’.

methods of recording invoices and credit notes

When a business uses a computer accounting program such as Sage, it will have to make sure that the details of each invoice and credit note issued are entered into the computer accounting records. Businesses using Sage accounting programs have two alternatives: batch entry and computer printed invoices.

batch entry

The business produces the invoices independently of the computer program (ie it types or writes them out) and then enters the invoice details into the computer accounting program on a **batch invoice** screen. A 'batch' is simply a group of items (eg a 'batch' of cakes in the oven). The term is used in this context to describe a group of invoices which are all input at one time. This may not be on the day that each invoice is produced – it may be the end of the week, or even the month.

It is normal practice to add up the totals of all the actual invoices that are being input – the 'batch total' – and check this total against the invoice total calculated by the computer from the actual input. This will pick up any errors.

A batch invoice entry screen with three invoices input is shown below.

A/C	Date	Ref	Ex.Ref	N/C	Dept	Details	Net	T/C	VAT
COM001	01/11/2001	67161		4000	0	zip disks	40.00	T1	7.00
BPC001	01/11/2001	67162		4100	0	photo paper	80.00	T1	14.00
JSS001	01/11/2001	67163		4000	0	printer lead	15.95	T1	2.79
							135.95		23.79

notes on the data entry columns:

- 'A/C' column contains the customer account reference
- 'Date' is the date on which each invoice was issued
- 'Ref' column is the invoice number (note that they are consecutive)
- 'Ex.Ref' is optional – it could be used for the purchase order number
- 'N/C' column is the nominal account code which specifies which type of sale is involved
- 'Dept' is optional and is not used here
- 'Details' describes the goods that have been sold

Case Study

PRONTO SUPPLIES LIMITED: PROCESSING SALES INVOICES AND CREDIT NOTES

Tom Cox runs Pronto Supplies Limited which provides computer hardware, software and consultancy services. At the beginning of February he input his Nominal accounts and his Customer and Supplier details and balances into his Sage accounting program. He has set up three Sales Accounts in his Nominal Ledger:

Computer hardware sales	Account number 4000
Computer software sales	Account number 4001
Computer consultancy	Account number 4002

It is now 9 February, the end of the first full trading week. Tom needs to input

- the sales invoices he has issued to his customers
- the credit notes he has issued to his customers

He has the documents on file and has collected them in two batches . . .

SALES INVOICES ISSUED

invoice	name	date	details	net amount	VAT
10023	John Butler & Associates	5/02/01	1 x 17" monitor	400.00	70.00
10024	Charisma Design	6/02/01	1 x printer lead	16.00	2.80
10025	Crowmatic Ltd	6/02/01	1 x MacroWorx software	100.00	17.50
10026	Kay Denz	8/02/01	2 hours consultancy	120.00	21.00
Subtotals				636.00	111.30
Batch total					<u>747.30</u>

CREDIT NOTES ISSUED

credit note	name	date	details	net amount	VAT
551	David Boossey	6/02/01	Software returned	200.00	35.00
552	French Emporium	6/02/01	Disks returned (hardware)	40.00	7.00
Subtotals				240.00	42.00
Batch total					<u>282.00</u>

batch invoice entry

Tom will start by opening up the CUSTOMERS screen in Sage and clicking on the INVOICE icon. This will show the screen shown on the next page. He will then

- identify the account references for each of the four customers
- enter each invoice on a new line
- take the data from the invoice: date, invoice no ('Ref'), product details and amounts
- enter the appropriate Sales account number ('N/C') for the type of sale

- enter the T1 tax code for standard rate VAT and check that the VAT amount calculated on screen is the same as on the invoice

When the input is complete Tom should check his original totals (Net, VAT and Batch total) against the computer totals. Once he is happy that his input is correct he should SAVE.

Sage Line 50 - Pronto Supplies Limited - [Batch Customer Invoices]

File Edit View Modules Settings Tools Favorites Window Help

Customers Suppliers Nominal Bank Products Invoicing Financials Reports Tasks sage.com Help

Invoices:

A/C: [Day Date] Tax Rate: 17.50
 N/C: Computer consultancy Batch Total: 747.30

A/C	Date	Ref	Ex Ref	N/C	Dept	Details	Net	T/C	VAT
JB001	05/02/2001	10023		4900		1 x 17" Monitor	490.00	T1	70.80
CH001	06/02/2001	10024		4900		1 x printer lead	16.00	T1	2.80
CR001	06/02/2001	10025		4901		1 x Macrowork	100.00	T1	17.50
KD001	06/02/2001	10026		4902		2 hours consultancy	120.00	T1	21.00
							436.00		111.30

checking the invoices are on the system

As a further check Tom could print out a Day Book Report. This can be obtained through the REPORTS icon on the CUSTOMER menu bar. The title of the report is 'Day Books: Customer Invoices (Summary)'. The report appears as follows:

Date: 01/11/2001 Page: 1
 Time: 14:03:54

Pronto Supplies Limited
Day Books: Customer Invoices (Summary)

Date From: 05/02/2001
 Date To: 31/12/2001

Transaction From: 1
 Transaction To: 99999999

Trans No.	Items	Qty	Date	A/C Ref	Inv Ref	Details	Net Amount	Tax Amount	Gross Amount
54	1	1	05/02/2001	JB001	10023	1 x 17" Monitor	490.00	70.80	490.00
55	1	1	06/02/2001	CH001	10024	1 x printer lead	16.00	2.80	18.80
56	1	1	06/02/2001	CR001	10025	1 x Macrowork	100.00	17.50	117.50
57	1	1	06/02/2001	KD001	10026	2 hours consultancy	120.00	21.00	141.00
Totals:							436.00	111.30	747.30

batch credit note entry

Tom will input the details from the two credit notes in much the same way as he processed the invoices. He will start by opening up the CUSTOMERS screen in Sage and clicking on the CREDIT icon. This will show the screen shown below. He will then identify the account references for each of the two customers and the Sales account numbers and input the credit note details as shown on the screen. When the input is complete he should again check his original totals (Net, VAT and Batch total) against the computer totals. Once he is happy that his input is correct he should SAVE.

A/C	Date	Ctd No	Ex Ref	N/C	Dept	Details	Net	T/C	VAT
DB001	06/02/2001	551		4011	0	Software retur	200.00	T1	35.00
FE001	06/02/2001	552		4000	0	Disks returned	40.00		7.00
							240.00		42.00

checking the credit notes are on the system

As a further check Tom could print out a Day Book Report for credit notes. This can be obtained through the REPORTS icon on the CUSTOMER toolbar. The title of the report is 'Day Books: Customer Credits (Summary)'. The report appears as follows:

Date: 01/11/2001 **Pronto Supplies Limited** Page: 1
 Time: 14:06:17
Day Books: Customer Credits (Summary)

Date From: 05/02/2001 Customer From:
 Date To: 31/12/2001 Customer To: ZZZZZZZZ

Transaction From: 1
 Transaction To: 99999999

Tran No.	Items To Date	A/C Ref	Inv Ref	Details	Net Amount	Tax Amount	Gross Amount
58	1 SC 06/02/2001	DB001	551	Software retur	200.00	35.00	235.00
59	1 SC 06/02/2001	FE001	552	Disks returned	40.00	7.00	47.00
Totals:					240.00	42.00	282.00

Note: in the examples in this text, computer accounting does not use a separate 'returns' account; instead it automatically debits returns to sales account.

producing statements

The Sage computer accounting system is set up to print out statements of account for customers. This will normally be done at the end of the month, but 'one-off' statements can be issued on any date.

In the example below, one of Tom's customers, David Boossey has asked for a statement of account as at 9 February. Tom selects the STATEMENT icon on the CUSTOMERS screen, follows the on-screen instructions and prints the statement for Customer code DB001 for the defined date range.

He prints onto A4 statement stationery which he has had printed by Sage.

The illustration below shows the text that is printed onto his stationery. The computer also prints a 'tear-off remittance advice which repeats the information shown on the statement. The amount at the bottom shows the total amount due to Pronto Supplies, ie an invoice total of £3,400 minus the credit note for £235 = £3,165.

Pronto Supplies Limited Unit 17 Severnvalle Estate Broadwater Road Mereford Wyvern MR1 6TF				STATEMENT	
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> David Boossey 17 Harebell Road Mereford Green MR6 4NB </div>				DB001	
				09/02/2001	
10/01/01	10016	Opening Balance	3,400.00*		
06/02/01	551	Software returned	*	235.00	
	-235.00	3,400.00	0.00	0.00	0.00
				amount due 3,165.00	

Chapter Summary

- Details of invoices and credit notes issued are entered into the accounting records of a business. When a computer program is used the details will be input on screen.
- Computer accounting programs will either print out the invoices and credit notes after input, or will need to have the details of existing invoices and credit notes input, commonly in batches.
- Computer accounting programs will also print out statements of account on demand.
- Organisations often have the stationery for financial documents preprinted. The computer then prints the accounting data on this stationery.

Key Terms

invoice	the financial document issued by the seller which sets out the details of the goods sold or services provided, the amount owing and the date by which the amount is due
credit note	the financial document – issued by the seller when goods are returned – which reduces the amount owing by the customer
batch	a group of documents, eg invoices or credit notes
batch entry	the input of a number of documents in a group
statement	a financial document which is sent to the customer of a business, listing transactions on the account and advising the total amount owed

Student Activities

technical note

Before starting these inputting tasks you should ensure that the Sage file 'Company.25' (provided by Osborne Books) is loaded onto your computer.

Task 1

Making sure that you have set the program date to 9 February 2001 (SETTINGS menu), enter the invoice details from the batch sheet below into the computer.

Check your totals before saving and print out a Day Books: Customer Invoices (Summary) Report to confirm the data that you have saved.

BATCH SHEET					
SALES INVOICES ISSUED					
invoice	name	date	details	net amount	VAT
10023	John Butler & Associates	5/02/01	1 x 17" monitor	400.00	70.00
10024	Charisma Design	6/02/01	1 x printer lead	16.00	2.80
10025	Crowmatic Ltd	6/02/01	1 x MacroWorx software	100.00	17.50
10026	Kay Denz	8/02/01	2 hours consultancy	120.00	21.00
Subtotals				636.00	111.30
Batch total					<u>747.30</u>

Task 2

Enter the following credit note batch details into the computer.

Check your totals before saving and print out a Day Books: Customer Credits (Summary) Report to confirm the data that you have saved.

BATCH SHEET					
CREDIT NOTES ISSUED					
credit note	name	date	details	net amount	VAT
551	David Boossey	6/02/01	Software returned	200.00	35.00
552	French Emporium	6/02/01	Disks returned (hardware)	40.00	7.00
Subtotals				240.00	42.00
Batch total					<u>282.00</u>

Task 3

It is now a week later and the date is now 16 February 2001. Change your program date setting (SETTINGS menu).

You have a further batch of invoices to process.

Enter the details into the computer. Check your totals before saving and print out a Day Books Summary Report to confirm the data that you have saved.

account	invoice date	number	details	net	VAT
John Butler & Associates	12/02/01	10027	2 hours consultancy	120.00	21.00
David Boossey	13/02/01	10028	1 x EF102 printer	200.00	35.00
French Emporium	14/02/01	10029	1 x QuorkEdit software	400.00	70.00
L Garr & Co	16/02/01	10030	2 x Zap drive	180.00	31.50
Jo Green Systems	16/02/01	10031	1 x Fileperfect software	264.00	46.20
Prism Trading Ltd	16/02/01	10032	1 x 15" monitor	320.00	56.00

Task 4

You also on the same date have two credit notes to process. Enter the details into the computer. Check your totals before saving and print out a Day Books Summary Report to confirm the data that you have saved.

account	date	reference	details	net	VAT
Jo Green Systems	12/02/01	553	1 x printer lead	16.00	2.80
Mendell & Son	13/02/01	554	Zap disks (hardware)	20.00	3.50

Task 5

You have been asked to prepare an Aged Debtors Analysis. Run a debtor analysis report (as at 16 February) from REPORTS in Customers. Print it out.

Task 6

Your customer David Boossey asks you for a statement of account as at 16 February.

Either print out a statement (account DB001) from CUSTOMERS, or email the same data and keep a printed copy.

Task 7

Print out a Trial Balance as at 16 February 2001 to show the balances of the Nominal (Main) Ledger.

The figures should agree with the Trial Balance shown on the next page. If they do, your input is correct. If there are any discrepancies you will need sort them out, or RESTORE from the file 'Customers.26' (from Osborne Books) before tackling the inputting exercises in the next chapter.

Reminder! Have you made a backup?

Pronto Supplies, trial balance as at 16 February 2001

Pronto Supplies Limited
Period Trial Balance

To Period: Month 2, February 2001

<u>N/C</u>	<u>Name</u>	<u>Debit</u>	<u>Credit</u>
0020	Plant and Machinery	35,000.00	
0030	Office Equipment	15,000.00	
0040	Furniture and Fixtures	25,000.00	
1100	Debtors Control Account	47,666.70	
1200	Bank Current Account	12,450.00	
2100	Creditors Control Account		32,510.00
2200	Sales Tax Control Account		18,242.70
2201	Purchase Tax Control Account	26,600.00	
2300	Loans		35,000.00
3000	Ordinary Shares		75,000.00
4000	Computer hardware sales		86,040.00
4001	Computer software sales		15,564.00
4002	Computer consultancy		2,640.00
5000	Materials Purchased	69,100.00	
6201	Advertising	12,400.00	
7000	Gross Wages	16,230.00	
7100	Rent	4,500.00	
7103	General Rates	450.00	
7200	Electricity	150.00	
7502	Telephone	275.00	
7504	Office Stationery	175.00	
	Totals:	<u>264,996.70</u>	<u>264,996.70</u>