



Chapter – 8

Origin of Transactions:

Source Documents of Accountancy

ORIGIN OF TRANSACTIONS

Various transactions are made in a business every day such as purchase and sale of goods and services, receipt or payment of cash and so on. Each business transaction should be supported by documentary evidence such as cash memo, cash receipt, invoice or bill, debit and credit notes, pay-in-slip, cheque etc. These business documents are called source documents.

SOURCE DOCUMENTS OF ACCOUNTANCY

Source documents are the first record about the details of a business transaction. Such documents report the date, the amount, parties involved and the nature of the transaction. Entries in the books are always made from the source documents. These documents are the written and authentic proof of the correctness of the recorded transaction. The following are the most common source documents:

(1) Cash Memo: When a trader sells goods for cash, he gives a cash memo and when he purchases goods for cash he receives a cash memo. Details regarding the item, quantity, rate and the total price are mentioned in the cash memo.

(2) Invoice and Bill: When a trader sells goods on credit, he prepares a sale invoice which contains the name of the party to whom goods are sold, the rate, quantity and the total amount of sale. The original copy of the sale invoice is sent to the purchaser and its duplicate copy is kept for making records in our books of accounts. Similarly, when a trader purchases goods on credit, he receives a credit bill from the supplier of goods.

(3) Receipt: When a trader receives cash from a customer, he issues a receipt containing the date, amount and the name of the customer. The original copy of the receipt is given to the customer and its duplicate copy is kept for making records in the books of accounts. In the same way, whenever we make payment we obtain a receipt from the party to whom we make payment.

(4) Debit Note: When we return goods to a supplier, we prepare a debit note and send it to the supplier with the returned goods. It is a source document which contains the date of transaction, the name of account which is debited, the amount and the reasons for debit. A duplicate copy or the counterfoil of the 'debit note' is retained by us, on the basis of which, the supplier's account is debited in our books.

(5) Credit Note: When goods are received back from a customer a credit note is sent to him indicating that the customer's account has been credited in our books. A duplicate copy of the credit note is retained for record purpose.

(6) Pay-in-Slip: This is a form available from a bank and is used to deposit money in the bank. Each pay-in-slip has a counterfoil which is returned to the depositor duly stamped and signed by the cashier of the bank.

(7) Cheque: A cheque is an order in writing drawn upon a bank to pay a specified sum to the bearer or the person named in it. Each cheque has a counterfoil in which the same details as entered in the cheque are filled. The counterfoil remains with the account holder for future reference.

VOUCHERS

Meaning of Voucher

On the basis of source documents entries are, first of all, recorded on Vouchers and then on the basis of Vouchers recording is made in the Journal or books of original entry. Vouchers are printed separately by all the firms in their own names. A separate Voucher is prepared for each transaction and it specifies the accounts to be debited and credited. Vouchers are prepared by an accountant and each Voucher is countersigned by an authorised person of the firm. A serial number is put on each Voucher and the relative source documents are attached with the Voucher.

TYPES OF VOUCHER

(1) Cash vouchers: Cash Vouchers are prepared for cash transactions ie cash receipts and cash payments. These are of two types viz. Debit Vouchers and Credit Vouchers.

Debit vouchers: These are prepared for transactions involving cash payments

Credit vouchers: These are prepared for transactions involving Cash receipts.

(2) Non-cash vouchers or transfer vouchers: These

Vouchers are prepared for non-cash transactions such as:

- For Credit Purchase or Credit Sale of goods
- For Credit Purchase or Credit Sale of investments
- For Credit Purchase or Credit Sale of fixed assets
- For Return of goods purchased or sold on credit

COMPOUND VOUCHER

A document showing a transaction that contains multiple debits and one credit or which contains multiple credits and one debit is called compound voucher. Thus a compound voucher may be of two types: (1) Debit Voucher and (ii) Credit Voucher.

(i) Debit Voucher : A document showing a transaction that contains multiple debits and one credit is called Debit voucher.

(ii) Credit Voucher : A document showing a transaction that contains multiple credits and one debit is called Credit voucher.

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