

Business Documents

Buying on Credit

- Buy now, pay later
- An individual's or a business' credit rating may be checked by:
 - Looking up the Stubbs gazette
 - Contacting other business' who have dealt with them

Selling on Credit

- Why businesses sell on credit
 - To increase sales and profits
 - To compete with businesses who only sell for cash
 - To facilitate customers who require time to pay for goods purchased. E.g builders
- A major problem associated with selling on credit is that “bad debts” may arise if businesses do not pay what they owe.
 - The seller must write these off as an expense

Process of Buying on Credit

Letter of Enquiry sent to seller



Quotation sent to buyer



Order sent to seller



Goods ordered and Delivery Note sent to buyer



Invoice sent to buyer



Credit note sent to buyer (if overcharged or faulty goods received)



Statement of account sent to buyer



Payment sent to seller



Receipt sent to buyer

Letter of enquiry

- Buyer asks seller for prices of goods and their capacity to supply the goods.
- Terms and conditions of sale are requested

Quotation

- Seller sends buyer a quotation including prices and details of discounts, VAT, delivery dates

Order

- Buyer sends seller an order form for the number of products required
- Treatment of orders by the seller
 - Date-stamp the order
 - Get the products ready for delivery
 - Send order to the office for preparation of delivery docket and invoice
 - **File a copy of the order**

Delivery Note

- When goods are delivered the buyer will sign a delivery docket.
- It gives a list of goods delivered
- If any goods are damaged or missing, this should be noted on the docket
- Seller gives the buyer a copy of the docket
- Treatment of incoming delivery dockets:
 - Check it against incoming the order to make sure you are receiving what you ordered
 - File it away and check it against the invoice when it arrives
- Treatment of outgoing delivery dockets:
 - Check the name and address of buyer are correct
 - Check the details are as per order
 - File a copy
 - Ensure the docket is signed by the buyer when goods are received

Invoice

- This is a bill for the goods.
- Treatment of outgoing invoices
 - Compare prices with quote given
 - Check calculations for accuracy
 - Check address of customer
 - Write in Sales Day Book and post to debtors ledger
 - File a copy
- Treatment of incoming invoices
 - Compare with order and delivery docket
 - Check accuracy of prices and calculations
 - Write in Purchases Day book and post to creditors ledger
 - File a copy

Credit Note

- Sent from seller to buyer if they have been overcharged or have received faulty goods
- Buyer returns the good and seller issues a credit note which reduces the amount of money the buyer owes the seller
- Treatment of outgoing credit note
 - Check figures and dates for accuracy
 - Record in Sales Returns Day book
 - File a copy
- Treatment of incoming credit note
 - Record in Purchases Returns Day book

Statement of Account

- A document sent from the seller to the buyer at the end of a period of time, usually a month
- It outline the transactions that took place between the seller and the buyer during that time
- It shows how much the buyer owes the seller at the end of the period
- Treatment of outgoing Statements of Account
 - Check all transactions are included and correct
 - Check the name and address of the buyer
 - File a copy
- Treatment of incoming Statements of Account
 - Compare with relevant documents
 - Compare with Creditors Ledger
 - Check all calculations
 - Pay seller amount due
 - File a copy

Receipt

- When the seller receives payment it is usual to issue the buyer a receipt.
- It is proof of payment
- Treatment of outgoing receipts
 - Check figures and dates for accuracy
 - Check the name and address are correct
 - Record in the Analysed Cash Book on debit side
 - Keep a copy

Complaints

- Reason why businesses try to minimise complaints
 - They do not want to lose customers
 - They do not want to lose profit
 - They incur extra expenses in dealing with complaints
 - They may get a bad reputation

Complaints

- Procedure for dealing with complaints
 - Listen to the complaint
 - Investigate the complaint
 - Take the necessary action
 - Reply to the complaint
 - File a record of the complaint

Effective Purchasing Involves....

- Finding the best price
- Making sure the goods will arrive on time
- Making sure you order the correct amount.
Not too much, and not too little
- Choosing a reliable supplier and delivery company
- Checking that goods delivered match the delivery docket