

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 document are called source documents.

Source Documents of Accountancy - These 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. According to the verifiable objective principle of accounting, each transaction recorded in the books of accounts should have adequate proof to support it. These documents are the written and authentic proof of the correctness of the recorded transaction. These documents are required for audit and tax assessments. They also serve as the legal evidence in case of a dispute. The following are the most common source documents:

- (i) **Cash Memo**- When a trader sells goods for cash, he gives a cash memo and he purchases goods for cash he receives a cash memo. Details regarding the item, Quantity, rate and the total price is mentioned in the cash memo. Cash transactions are recorded in the books of accounts A the books of accounts on the basis of these cash memo. Specimen of a cash memo is given on the next page.
- (ii) **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 sales 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. We make an invoice on credit sale but receive a bill on credit purchase, though the two terms are used synonymously and mean the same thing. Specimen of an invoice or a bill is given below:
- (iii) **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.
- (iv) **Debit Note**- When we return goods to a supplier, we prepare a debit noteand send it to the supplier with the returned goods. Debit note is a document which indicates that

supplier's account is being debited. 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. A specimen of the debit note is given below.

- (v) **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.
- (vi) **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.
- (vii) **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 book counterfoil in which the same details as entered in the cheque are filled. The Counter foil remains with the account holder for future reference. Specimen of a cheque is given on the next page .

Thus, there must be a source document for each transaction recorded in the books of accounts.

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.

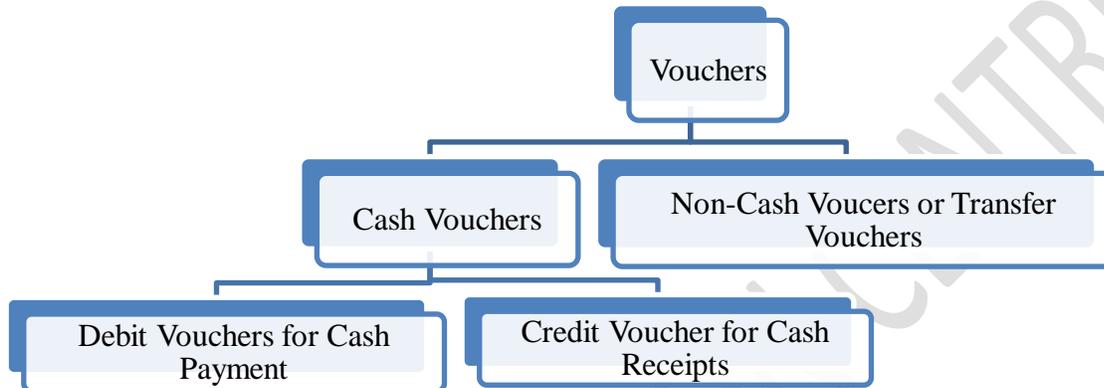
A serial number is put on each Voucher and the relative source documents are attached with the Voucher. The Vouchers are properly filed according to their serial numbers so that the auditors may easily vouch them and these may also serve as documentary evidence in future.

Difference between Source of Documents and Vouchers

S.No.	Basis	Source Documents	Vouchers
1.	Meaning	Source documents are written evidence in support of a transaction.	Voucher is a document providing evidence of a business transaction.
2.	Detail	It contains full description of a transaction.	It contains detail as to which account is to be debited and which account is to be credited.
3.	Evidence	It is an evidence of a business	It is an evidence of correct

	transaction.	recording of the transaction.
4. Preparation	It is prepared due to origin of a business transaction e.g., sales, purchase, etc.	It is prepared to record the transaction as per accounting rules by the accountant.

Types of Vouchers-



CASH VOUCHERS -Cash Vouchers are prepared for cash transactions *i.e.* 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 such as:

- For Cash payment of expenses (say salaries, rent etc.)
- For Cash purchases of goods
- For Cash purchases of investments
- For Cash purchases of fixed assets
- For Cash payment to Creditors
- For Depositing Cash into the Bank

In case the source document is not available for a transaction, the receipt portion of the debit voucher is filled and is used as source document.

CREDIT VOUCHERS-These are prepared for transactions involving Cash receipts such as:

- For Cash receipt of income (say Commission, Interest etc.)
- For Cash sales of goods
- For Cash sales of investments
- For Cash sales of fixed assets
- For Cash receipt from debtors
- For Withdrawing Cash from the Bank

Contents: Usually the following information is contained in a Credit Voucher:

- (i) Date of preparing Voucher
- (ii) Serial number of Voucher
- (iii) Name of Account Credited
- (iv) Narration i.e., a brief explanation of the transaction together with necessary details
- (v) Net amount of transaction
- (vi) Source document number (say Cash memo number)

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
- . For Providing depreciation

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:

- (a) Debit Voucher and
 - (b) Credit Voucher.
- (a) **Debit Voucher:** A document showing a transaction that contains multiple debits and one credit is called Debit voucher.
- (b) **Credit Voucher:** A document showing a transaction that contains multiple credits and one debit is called Credit voucher.

VERY SHORT ANSWER QUESTION

1. What are source document of accountancy ?

AnsSource document are the first record about the details of a business transaction , such document report the date , the amount , parties involved and the nature of the transaction . Entries in the books are always made from the source documents.

2. Name any two source documents

Ans: (i) Cash Memo (ii) Invoice

3. What is an invoice ?

Ans: An invoice or bill is prepared by the seller of goods when he sells goods on credit. It contains the name of the party to whom goods are sold , the rate , quantity and total amount of sale .

4. What is a cheque ?

Ans: 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.

5. What is a pay-in-slip?

6. Define Voucher ?

7. Differentiate between source document and voucher ?

8. Give an example of a voucher ?

Ans. :Debit Voucher.

9. What is a Compound Vouchers?

10. Name the two types of vouchers

Ans(i) Debit Voucher, (ii) Credit voucher

11. What are types of voucher and Non-cash Vouchers

Ans: (i) Cash voucher and Non –Cash Vouchers
(ii) Debit Vouchers and Credit Vouchers

12. Depreciation charged on machinery, which accounting voucher will be prepared for it?

Ans: Non Cash Voucher(or Transfer voucher)

13. Why transaction are recorded on the basis of source documents?

Ans :Source document ensure the truthfulness of recorded transactions.

14. Is ‘Cash Memo’ a source document or an accounting voucher ?

Ans Source Document .