

Source Documents and Books of Original Entry - Business Studies Form 4 Notes

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Source Documents

- These are documents containing the information that makes basis of making entries in the books of accounts. They act as evidence that the transaction actually took place.
- They include
 - **Cash sale receipt:** - a document that shows that cash as been received or paid out of the business either in form of cash or cheque.
 - It is a source document that is mainly used in making records in the cash journals cash book, cash accounts or bank accounts.
 - If the receipt is received, it means payments has been made and therefore will be credited in the above accounts, or taken to cash disbursement/payment journals, while when issued, it means cash/cheque has been received and therefore will be debited in the above accounts or taken to cash receipt journals
 - Invoice: - a document issued when the transaction was done on credit to demand for their payment. If the invoice is an incoming invoice/invoice received, then it implies that the purchases were made on credit, and if it is an outgoing/invoice issued then it implies that sales were made on credit.
 - The incoming invoice will be used to record the information in the purchases journals/diary, while an outgoing invoice will be used to record information in sales journals/diaries
 - Credit note: - a document issued when goods are returned to the business by the customer or the business return goods to the supplier and to correct any overcharge that may have taken place. If it is received, then it means part of the purchases has been returned and therefore the information will be used to record information in the purchases return journals, while if issued then it means the part of sales has been returned by the customers and therefore used to record the information in the sales return journals/diaries
 - Debit note: - a document used to correct an undercharge that may have taken place to inform the debtor to pay more. It therefore acts as an additional invoice
 - Payment voucher: - a document used where it is not possible to get a receipt for the cash/cheque that has been received or issued. The person being paid must sign on it to make it authentic. It is therefore used to record information just as receipts

Books Of Original Entries/Journals/Diaries/day's Books/Subsidiary Books

- These are books where the transactions are listed when they first occur, with their entries being

made on a daily basis before they are posted to their respective ledger accounts. The information in the source documents are used to make entries in these books. The books of original entries include:

- Sales journals
- Sales return journals/Return inwards journals
- Purchases journals/creditors journals/bought journals
- Purchases return journals/return outwards journal
- Cash receipt journals
- Cash payment/cash disbursement journals
- Three column cash book
- The petty cash book
- Analysis cash book
- General journals/journal proper

Sales Journals

- This is used to record credit sales of goods before they can be recorded in their various ledgers. The information obtained in the outgoing invoice/invoice issued is used to record the information in this journal as the source document
- The overall total in the sales journal is therefore posted in the sales account in the general ledger on credit side and debtors account in the sales ledger as a debit entry

Sales journal				
Date	Particulars/details	Invoice no	Ledger folio	amount

Example:

The following information relates to Tirop traders for the month of June 2010

June 1: Sold goods to wafula on credit of ksh 200, invoice no 0114

2: Sold to the following debtors on credit; Wanjiru ksh 400, Musyoka ksh 300, Wafula ksh 300

5: sold goods on credit to Wanjiru of ksh 300

10: Sold goods to the following on credit Kanini ksh 100, Wafula ksh 500, Wanjiru ksh 600

12: Sold goods on credit to musyoka of ksh 350

Required:

Prepare the relevant day book for the above transactions; hence post the various amounts to their respective individual accounts

Sales journal				
Date	Particulars/details	Invoice no	Ledger folio	amount
June 2010:	Wafula	0114	SL	200
1	Wanjiru		SL	400
2	Musyoka		SL	300
2	Wafula		SL	300
2	Wanjiru		SL	300
5	Wanjiru		SL	600
10	Wafula		SL	500
10	Kanini		SL	100
10	Musyoka		SL	350
12	Totals posted to the		GL	3050
15	sales account (Cr)			