



RQF LEVEL 5



TRADE: Front office operations

MODULE CODE: FOOFT501

TEACHER'S GUIDE

Module name: Processing financial transactions

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Acronyms

OCR: Optical character recognition

FOO: Front office operations

FT: Financial transactions

Introduction

This module describes the skills, knowledge and attitudes required for a learner of certificate V to process financial transactions. By the end of this module, the learner will be able to record and balance petty cash transactions, to balance all transactions, in hospitality establishments without supervision.

Module Code and Name: FOOFT501PROCESS FINANCIAL TRANSACTIONS.

Learning Units:

Learning Unit1: Record and balance Petty Cash Transactions

Learning Unit 2: Balance all transactions

Learning Unit1: Record and balance Petty Cash Transactions

Picture/reflecting the Learning unit 1



STRUCTURE OF LEARNING UNIT 1

Learning outcomes:

- 1.1. Ensure that Petty cash vouchers are prepared in accordance with workplace procedures
- 1.2. Check Petty cash claims and vouchers for accuracy and authenticity before processing
- 1.3. Ensure that Petty cash transactions are recorded
- 1.4. Ensure irregularities are noted and referred to nominated person/section in accordance with workplace procedures

Learning outcome 1.1 Ensure that Petty cash vouchers are prepared in accordance with workplace



Duration: 6hrs



Learning outcome 1

Objectives:

By the end of the learning outcome, the trainees will be able to:

1. To define properly the terms related to financial transactions
2. Understand the importance of petty cash voucher and its preparation.
3. To handle petty voucher and other forms of payment used at the Reception.



Resources

| Equipment | Tools | Materials |
|----------------------|--------------------|-------------|
| - Photocopy machine. | - Stapling machine | - Internet |
| - Computer | - Punching machine | - Papers |
| - Printer | -Cash register | - Envelops |
| - Projector. | | - Flipchart |
| | | - Markers |



Advance preparation:



Indicative content 1.1 : Introduction to recording and balancing petty cash transactions

Topic/content1. Definition of terms:

 **A financial transaction:** is an agreement, or communication, carried out between a buyer and a seller to exchange an asset for payment.

Financial transaction is also defined as an exchange of money or goods between two parties. It involves the transfer of funds from one account or entity to another, and may include the exchange of goods or services.

Financial transactions can take place in various forms, such as cash transactions, wire transfers, credit card transactions, electronic payments, and more. They can be initiated by individuals, businesses, or financial institutions, and are typically subject to certain regulations and fees.

Examples of financial transactions include buying and selling stocks, transferring money between bank accounts, paying bills online, and using a credit card to make a purchase.

- **Petty cash:** also called **cash on hand**, is a small amount of discretionary funds in the form of cash used for expenditures where it is not sensible to make any disbursement by cheque, because of the inconvenience and costs of writing, signing, and then cashing the cheque.
- **Petty cash Voucher:** is usually a small form that is used to document a disbursement (payment) from a petty cash fund. Petty cash vouchers are also referred to as petty cash receipts and can be purchased from office supply stores.

Topic/content2. Petty cash voucher (PCV) preparation:

A petty cash voucher (PCV) is a document that is used to record a petty cash transaction. It is a form that is filled out when a small cash expense is made, such as for office supplies, postage, or minor repairs. The PCV is used to track the expenditure and to provide documentation for accounting and auditing purposes. The information that is typically included on a PCV includes:

Date: The date of the transaction.

Payee: The name of the person or vendor who received the cash.

Description: A brief description of the purpose of the expenditure.

Amount: The amount of cash disbursed.

Account number: The account to which the expenditure should be charged.

Signature: The signature of the person who approved the expenditure.

Receipts: Copies of receipts or other supporting documentation may be attached to the PCV.

Once the PCV is completed, it is submitted to the petty cash custodian for reimbursement. The custodian verifies that the expenditure is valid and that the documentation is complete before issuing a reimbursement. The PCV is then filed for future reference and accounting purposes.

Using PCVs helps to provide a paper trail for petty cash transactions, ensuring that they are properly documented and accounted for. This can help to prevent fraud and ensure accurate financial reporting.

Why is petty cash voucher prepared

A petty cash voucher is prepared to track and document the disbursement of small amounts of cash from a company's petty cash fund. The petty cash fund is typically used to cover minor expenses that do not warrant the issuance of a check, such as office supplies, postage, or small repairs.

When an employee needs to withdraw cash from the petty cash fund, they must complete a petty cash voucher, which documents the amount of cash withdrawn, the purpose of the withdrawal, and the name of the employee who received the cash. The voucher also requires the employee's signature as proof of receipt.

Preparing petty cash vouchers is important for several reasons: First, it provides a clear record of all petty cash transactions, which can be used for tracking and accounting purposes. Second, it promotes accountability, as employees must sign the voucher and take responsibility for the cash they received. Finally, it helps to prevent fraudulent activities, as the voucher can be used as evidence to track who received the cash and for what purpose.

Advantages of using a petty cash voucher:

A petty cash voucher is a document that is used to track the disbursement of small amounts of cash from a company's petty cash fund. The use of petty cash vouchers can provide several advantages, including:

- ⊕ **Accurate Record-keeping:** Petty cash vouchers provide an easy and convenient way to keep track of all petty cash transactions. By filling out a petty cash voucher each time money is disbursed, you can ensure that all transactions are accurately recorded.
- ⊕ **Improved Accountability:** Petty cash vouchers can help improve accountability within the company by assigning responsibility to specific individuals. By requiring employees to sign the voucher when they receive cash, it can deter fraudulent activities, as the voucher can be used as evidence to track who received the cash and for what purpose.
- ⊕ **Better Control over Expenses:** Petty cash vouchers can help you better control and monitor your expenses. By reviewing the vouchers, you can identify any patterns of spending and make adjustments as necessary.
- ⊕ **Easy Reconciliation:** Petty cash vouchers make it easy to reconcile the petty cash fund. By comparing the vouchers to the cash on hand, you can quickly identify any discrepancies and make corrections as necessary.
- ⊕ **Legal Compliance:** In many jurisdictions, using petty cash vouchers is a legal requirement for companies. By using these vouchers, you can ensure that you are complying with all relevant laws and regulations.

Overall, using petty cash vouchers is a simple and effective way to manage your petty cash fund and maintain accurate records of your expenses.

Indicative content 1.1. 2 Elements of a petty cash Voucher (PCV):

Topic/content1: Petty cash voucher's Elements:

The petty cash voucher should provide space for the following:

- Date
- Amount disbursed
- Person receiving the money
- Reason for the disbursement

- General ledger account to be charged
- Initials of the person disbursing the money from the petty cash fund

Some petty cash vouchers are pre-numbered and sometimes a number is assigned for reference and control. Receipts or other documentation justifying the disbursement should be attached to the petty cash voucher.

When the petty cash fund is replenished, the completed petty cash vouchers provide the documentation for the replenishment check.

- **Example of Petty Cash Voucher**

Petty Cash Voucher

NO. _____

| | |
|--|---------------|
| DATE _____ | AMOUNT _____ |
| PAID TO _____ | |
| FOR _____ | ACCOUNT _____ |
| FOR _____ <i>(attach documentation)</i> | ACCOUNT _____ |
| RECEIVED BY _____ | PAID BY _____ |

In general, a PCV includes the following:

- The date and dates
- The purpose/details of the expenditure
- The amount paid
- The account number including the use code
- The signatures of the Claimant and cashier

Indicative Content 1.1.3 Accounting and procedures for petty cash

Topic/Content1: Definition of petty cash

Petty cash is a small amount of cash that a company keeps on hand to cover minor expenses such as office supplies, postage, or travel expenses. Accounting and procedures for petty cash help to ensure that these funds are used appropriately and that there is an accurate record of all transactions.

Topic/Content2: Steps to follow for managing petty cash effectively:

- ⊕ **Determine the amount of petty cash needed:** Assess the expenses that require cash payments and determine an appropriate amount to be kept as petty cash.
- ⊕ **Create a petty cash fund:** Withdraw the determined amount from the company's bank account and store the cash in a secure location.
- ⊕ **Create a petty cash book:** Record all transactions related to petty cash in a book or spreadsheet. Each transaction should include the date, amount, and a brief description of the expense.
- ⊕ **Assign a custodian :** Assign a trustworthy employee to be responsible for the petty cash fund. This person should be responsible for keeping the petty cash book updated and for ensuring that all expenses are properly authorized and documented.
- ⊕ **Establish a reimbursement process:** Set up a process for reimbursing employees for expenses paid out of petty cash. This could include a system of receipts and/or signed authorization forms.
- ⊕ **Perform regular audits:** Conduct regular audits of the petty cash fund to ensure that all transactions are properly documented and that the cash balance is accurate.
- ⊕ **Replenish the petty cash fund:** When the cash balance falls below a certain level, withdraw the necessary funds from the company's bank account to replenish the petty cash fund.

By following these steps, a company can ensure that its petty cash is managed effectively and that there is an accurate record of all transactions.

Example of accounting for petty cash

Let's look at an example of how petty cash accounting and procedures are performed at Company ABC.

The company decided to create a petty cash fund in amount of \$100 at the beginning of February 20X1.

Vicki Smith was named the petty cash custodian; employees John, Kathy, and Amanda will sometimes use petty cash to make small business-related purchases; Eric Doe is the cash manager (*all names are imaginary and do not correspond to real persons*).

At the beginning of the month Eric issued a check for \$100 to Vicki to set up the petty cash fund. Vicki cashed the check and placed the \$100 into a secure lock box in her office drawer.

During February 20X1 John, Kathy and Amanda made one small purchase each and were reimbursed by Vicki Smith from the petty cash fund. All employees signed the vouchers and presented purchase receipts to Vicki.

The purchases were as follows:

- \$35.00 for delivery charges on February 12, 20X1 (John)
- \$12.40 for postage on February 23, 20X1 (Kathy)
- \$27.60 for small travel expenses on February 27, 20X1 (Amanda)

We see now what actions and journal entries were completed in February by the company employees.

✓ **Establish petty cash fund**

To establish the petty cash fund, the following *journal entry* was made after Vicki cashed the check from Eric:

| Account Titles | Debit | Credit |
|----------------|-------|--------|
| Petty Cash | 100 | |
| Cash | | 100 |

✓ **Disburse cash for expenditures**

During the month, three employees (John, Kathy, and Amanda) made small business-related purchases. Vicki, the petty cash custodian, reimbursed the employees for the expenses incurred and obtained petty cash vouchers and purchase receipts from the employees. An example of one such voucher is presented below:

✓ **Filled out petty cash voucher:**

| | |
|---|---|
| Petty Cash Voucher No. <u>1</u> | |
| Date: | February 12, 20X1 |
| Vendor: | Fast Deliveries, Inc. |
| For: | Delivery charges for overnight envelop |
| Expense Account: | Delivery Charges |
| Amount: | \$35.00 |
| Less Change: | \$0.00 |
| <i>(include change returned by employee if any)</i> | |
| Net Amount Spent: | \$35.00 |
| Signed by: | John <i>(employee who made the purchase)</i> |
| Approved by: | Manager |

Vicki took the vouchers and purchase receipts and placed them in the secure lock box with the remaining petty cash.

Indicative content 1.1.4 Prepare petty cash journal and replenish petty cash fund

Topic/Content1. Definition of terms:

- ✓ **Replenishment** means getting the total of the currency and coins back to the imprest amount. At the time the petty cash fund is to be replenished or at the end of a month, whichever comes first, the custodian summarizes all expenditures in a petty cash journal. The amounts entered into the petty cash journal come from the vouchers.

To replenish a petty cash fund, follow these steps:

- ⊕ Count the remaining cash in the petty cash box or drawer to determine the amount that needs to be replenished.
- ⊕ Prepare a petty cash voucher to document the expenses that were paid out of the fund. The voucher should include the date, the name of the person who received the cash, the purpose of the expense, and the amount spent.
- ⊕ Add up the total amount of the petty cash vouchers and compare it to the remaining cash in the petty cash fund. The total should equal the amount of cash that was originally disbursed.
- ⊕ Prepare a check or cash for the amount needed to replenish the fund.
- ⊕ Record the transaction in the petty cash log to track the amount of money disbursed and replenished.
- ⊕ Finally, the person who oversees the petty cash fund should sign off on the transaction to confirm that the petty cash has been replenished.

By following these steps, you can ensure that the petty cash fund remains properly funded and that all expenses are properly recorded and tracked.

Topic/Content2: Steps to consider when preparing a petty cash journal are given as follows:

1. Determine the period for which you are preparing the journal. This could be a week, a month, or any other period.
2. List all the transactions that were made from the petty cash fund during the period. For each transaction, record the date, the name of the person who received the cash, the purpose of the expense, and the amount spent.
3. Add up the total amount spent during the period.
4. Determine the starting balance of the petty cash fund at the beginning of the period.
5. Calculate the ending balance of the petty cash fund by subtracting the total amount spent during the period from the starting balance.

6. Record the starting balance, total amount spent, and ending balance in the petty cash journal.
7. Finally, total the journal and post the ending balance to the general ledger.

By following these steps, you can properly record all petty cash transactions and track the balance of the petty cash fund. It is important to maintain accurate records to ensure that the petty cash fund is properly managed and accounted for.

An example of a petty cash journal is presented below:

The petty cash journal lists all vouchers, their dates, the total amount of spending per voucher, and then individual amounts spent in respective expense account columns. The Total column should agree to the sum of all amounts in expense columns.

Underneath the table, there is a **reconciliation** of petty cash and vouchers to the petty cash fund:

- **Total voucher amount** shows the total amount of cash spent during the period. This amount comes from the last row – Totals – in column Total.
- **Petty cash on hand** represents the cash in the secure lock box on the date the petty cash journal is prepared.
- **Total** is the sum of the total voucher amount and petty cash on hand.
- **Petty cash fund** is the amount of the fund established for petty cash. As we noted earlier, this amount usually ranges from \$100 to \$500.
- **Cash short / over** is the difference between the Total and the Petty cash fund.

- Normally, the *difference should be zero*. However, sometimes the two amounts don't match. This indicates that some errors were made in recording voucher amounts, counting cash on hand, etc. If possible, the errors should be investigated and corrected. In cases when investigation still reveals a difference, it can be recorded as **cash short/ over**. When the petty cash fund amount is higher than the sum of vouchers and petty cash on hand, there is *cash shortage (loss)*; and vice versa, if the petty cash fund is lower, then there is *cash overage (gain)*.
- After the petty cash journal is prepared and reconciliation is completed, the journal should be signed by appropriate employees as evidence of their work on the journal.
- The petty cash journal serves as the basis for the journal entry to record expenses and to replenish the petty cash fund. The total in each expense column represents a debit entry, and the total of all debits represents the amount of cash to be replenished. Cash shortages or overages either increase or decrease the replenishing amount, respectively. The cash shortage is recorded as an expense, and the cash overage if recorded as an income.

Topic/content 3: The reconciliation of petty cash and vouchers to the petty cash fund

Petty cash funds are small amounts of cash kept on hand by businesses to pay for minor expenses that do not warrant writing a check or using a credit card. To ensure that petty cash is properly accounted for, it is necessary to reconcile the petty cash fund and vouchers.

Here are the steps to reconcile petty cash and vouchers to the petty cash fund:

Count the cash in the petty cash fund and compare it to the amount recorded in the petty cash log. The petty cash log should show the starting balance, any disbursements made from the fund, and the ending balance.

Review the vouchers that have been submitted for reimbursement. Vouchers are receipts or other documentation that support petty cash disbursements. Make sure that each voucher has been properly approved and that the expenses are appropriate and reasonable.

Calculate the total amount of the vouchers and compare it to the cash in the petty cash fund. The total of the vouchers should equal the amount of cash in the petty cash fund. If there is a discrepancy, investigate the cause and make any necessary adjustments.

Record the disbursements in the general ledger. This involves debiting the appropriate expense account and crediting the petty cash account.

Replenish the petty cash fund. If the petty cash fund is low, add enough cash to bring it back up to the authorized level.

Finally, document the reconciliation by preparing a reconciliation report. This report should show the beginning and ending balances of the petty cash fund, the disbursements made during the period, and the

vouchers used to support the disbursements. It should also include any adjustments made and the reason for the adjustments.

By following these steps, you can ensure that your petty cash fund is properly accounted for and that all disbursements are adequately supported.

The journal entry looks like this:

| Account Titles | Debit | Credit |
|-------------------|-------|--------|
| Postage Expense | 000 | |
| Supplies Expense | 000 | |
| Delivery Charges | 000 | |
| Travel Expenses | 000 | |
| Cash Short / Over | 000 | |
| Cash | | 000 |

The cash manager verifies all vouchers and petty cash on hand and then issues a new check for the amount of all debits (plus any cash shortages and less any cash overages) to the petty cash custodian to replenish the petty cash fund.

As you can see, the petty cash account is only debited once when the petty cash fund is established. Any journal entries after that don't impact the petty cash account. The only exception to this rule is when the petty cash fund amount is decreased or increased. When expenses are recorded, the cash account is impacted, not the petty cash account.

Note that this *petty cash fund* is also sometimes called an **imprest fund** because it is replenished when it becomes low.

✓ Summarize expenditures for the period

At the end of the month, Vicki filled out the petty cash journal using the three vouchers, which she received from John, Kathy, and Amanda. Note that Vicki obtained vouchers for a total of \$75 (i.e., \$35.00 + \$12.40 + \$27.60).

Indicative content 1.1.5 Filled out petty cash journal

Topic/content 1: Filling out the petty cash journal:

To fill out a petty cash journal, you will need to follow these steps:

- ⊕ Create a table with columns for the date, description, amount, and total amount.
- ⊕ Record all the transactions for the period, including the date, a brief description of the expense, and the amount spent.
- ⊕ Assign each transaction to a specific category or account, such as office supplies, transportation, or meals.

- Calculate the total amount of each category or account and enter it in the "total amount" column.
- Add up all the amounts in the "total amount" column to get the total expenditures for the period.
- Reconcile the petty cash balance with the amount of cash on hand to ensure they match.
- Finally, record the total expenditures for the period in your company's financial records, such as the general ledger or income statement.

It is important to keep accurate records of petty cash transactions to ensure that all expenses are accounted for and to prevent any discrepancies or misappropriation of funds.

A filled out petty cash journal is presented below:

Petty Cash Journal
For the Month or Date Range: February 20X1

Total voucher amount: \$ 75.00 (enter Totals from above in column Total)

Petty cash on hand: **\$ 24.00** (enter actual petty cash on hand)

Total: **\$ 99.00** (sum of Totals and actual petty cash on hand)

Petty cash fund: \$ 100.00 (established petty cash fund amount)

Cash short / over: **\$ (1.00)** (difference between Total and established petty cash fund)

Signed by: Vicki Smith
(petty cash custodian)

Date: February 28, 20X1

Approved by: Eric Doe
(manager)

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As you can see, there was an error in handling cash during the month as the sum of vouchers (\$75) and the remaining petty cash on hand (\$24) equals \$99 while *the petty cash fund (imprest fund)* was established at \$100. The difference of \$1 is a cash shortage.

Topic/content2: Replenishing the petty cash fund

The journal entry to post the monthly petty cash activity and related expenses is presented below:

| Account Titles | Debit | Credit |
|-------------------|-------|--------|
| Postage Expense | 12.40 | |
| Delivery Charges | 35.00 | |
| Travel Expenses | 27.60 | |
| Cash Short / Over | 1.00 | |
| Cash | | 76.00 |

When the journal entry is posted, Eric, the cash manager, issued a new check to Vicki, the custodian, for \$76 (i.e., \$75 expenses plus \$1 to cover cash shortage). Vicki cashed the check and put the cash in the secure lock box to be used in the following month.

Those are usual activities and journal entries in accounting for petty cash.



Theoretical learning Activity

Q1. Find the meaning of the terms below:

- a) Financial transaction
- b) Petty cash
- c) Petty cash voucher

Answer:

- a) **Financial transaction** is an exchange of money or goods between two parties. It involves the transfer of funds from one account or entity to another, and may include the exchange of goods or services. Financial transactions can take place in various forms, such as cash transactions, wire transfers, credit card transactions, electronic payments, and more. They can be initiated by individuals, businesses, or financial institutions, and are typically subject to certain regulations and fees.
- b) **Petty cash** refers to a small amount of cash that is kept on hand by a business or organization for minor expenses, such as office supplies, postage, or small repairs. Petty cash is typically managed by an assigned employee, who is responsible for disbursing and tracking the funds.
- c) **Petty cash voucher** is a document used to record and track transactions involving petty cash. It is used to document the amount of cash taken from the petty cash fund, the purpose of the transaction, and the person who received the cash. The petty cash voucher is typically prepared by the employee who received the cash, and is signed by both the employee and the person responsible for the petty cash fund.

Q2. What are the advantages of using a petty cash voucher?

Answer:

There are several advantages of using a petty cash voucher in a business or organization, including:

- Improved accountability
- Better control over expenses
- Accurate record-keeping
- Easy reconciliation
- Legal compliance

In general, the use of petty cash vouchers helps to promote transparency, accountability, and control over the use of petty cash funds, which is essential for effective financial management in any business or organization.

Q3. Identify the steps to follow for effectively managing the petty cash.

Answer:

For effective management of petty cash, it involves several steps to ensure that the funds are used properly and that accurate records are kept. These steps to follow for effective management of petty cash include:

- Determine the amount of petty cash needed;
- Create a petty cash fund
- Create a petty cash book
- Assign a custodian
- Establish a reimbursement process
- Perform regular audits
- Replenish the petty cash fund.

By following these steps, businesses can effectively manage their petty cash fund, maintain accurate records, and prevent unauthorized spending.



Practical learning Activity

- ✓ In group of two persons, perform the the following transactions in a petty cash book, having analysis columns for Postage, phone bill, kitchen appliances, transport expenses and Sundry expenses for the year of 2022:

march 2st: Received from cashier for petty cash \$ 700

march 5nd: Paid transport fee \$ 30, Postage \$ 35

march 7rd: Bought kitchen appliances for \$ 240

march 8th: Paid transport fee \$ 40, electricity \$ 40

march 9th: Paid sundry expenses \$ 70

march 11th : Reimburse 500\$

Balance the book as on March 12, and carry down the balance.

Answer

| DR | Date | Details | Total | Bus fare | Postage | Stationary | Telegrams | Sundry Expenses |
|------------|-----------------------------|------------------|--------------|-----------------|----------------|-------------------|------------------|------------------------|
| 700 | March 2st | Received | | | | | | |
| | 5nd | Paid | 30 | 30 | | | | |
| | 7nd | Bought | 35 | | 35 | | | |
| | 8rd | Paid | 265 | | | 240 | 25 | |
| | 9th | Paid | 100 | 40 | 20 | | 40 | |
| | 11th | Paid | 70 | | | | | 70 |
| | | | 500 | 70 | 55 | 240 | 65 | 70 |
| | 11th | Reimburse | 200 | | | | | |
| 700 | | | 700 | | | | | |
| 200 | 12th | Bal. d/d | | | | | | |



Points to Remember (Take home message)

After studying this leaning outcome, the trainee have to be able to :

- Fill the petty cash journal;
- Reconcile the petty cash and petty cash vouchers to the petty cash fund;
- Prepare petty cash journal and replenish petty cash fund;
- Identify all elements of a petty cash voucher;
- Record and balance petty cash transactions.

Learning outcome 1.2 Check Petty cash claims and vouchers for accuracy and authenticity before processing



Duration: 6 hrs



Learning outcome 1.2

Objectives:

By the end of the learning outcome, the trainees will be able to:

1. Define properly the cash claims and vouchers used for accuracy and authenticity before processing financial transactions
2. Identify effectively the types of petty cash claim form used in processing financial transactions.



Resources

| Equipment | Tools | Materials |
|---------------------|--------------------|------------------|
| - Photocopy machine | - Stapling machine | - Internet |
| - Computer | - Punching machine | - Papers |
| - Printer | - Cash register | - Envelops |
| - Projector | | - Flipchart |
| | | - Markers |



Advance preparation:



Indicative content 1.2.1 Overview on Petty Cash Claim Form

Topic/Content1. Definitions of petty cash claims and authenticity

Petty cash claims refer to the demand/request of petty cash by a petty cashier from the organization.

Authenticity means the quality of being genuine or not corrupted from the original. So that, cash claims and vouchers should be *authentic*.

Topic/content2. Types of petty cash claim form:

Petty cash claim forms, also known as petty cash reimbursement request forms, are so many and vary from an organization to another. The following is an example of a petty cash reimbursement request form.

| PETTY CASH REIMBURSEMENT REQUEST | | | |
|--|-------|------------|----------------|
| Fund Custodian _____ Department _____ Michigan Tech ID Number (M#) _____ | | | |
| RECEIPT DATE | INDEX | ACCOUNT | RECEIPT AMOUNT |
| | | | |
| Total Amount of Receipts | | | \$0.00 |
| Comments <div style="border: 1px solid black; height: 100px; width: 100%;"></div> | | | |
| Fund Custodian Signature _____ | | Date _____ | |

Indicative content 1.2.2 Petty cash claims Checking methods:

Topic /Content 1. Petty cash claims checking methods:

Petty cash claims should be checked carefully to ensure that they are accurate and legitimate. Here are some methods for checking petty cash claims:

- Review receipts: Petty cash claims should be supported by receipts or other documentation that proves the expenses were incurred. Review each receipt carefully to ensure that it is authentic and that the amount matches the amount claimed.

- ⊕ **Check for duplicates:** Petty cash claims should not be duplicated or reimbursed twice. Check each claim against previous claims to ensure that there are no duplicates.
- ⊕ **Verify signatures:** Petty cash claims should be signed by the employee who received the cash and the person responsible for the petty cash fund. Check the signatures to ensure that they are authentic.
- ⊕ **Verify the purpose of the expense:** Petty cash claims should be for legitimate business expenses. Check the purpose of each expense to ensure that it is reasonable and necessary for the business.
- ⊕ **Compare to budget:** Petty cash claims should be within budget. Compare each claim to the budgeted amount for the period to ensure that it does not exceed the budget.
- ⊕ **Reconcile the petty cash fund:** Reconcile the petty cash fund at the end of each period to ensure that all transactions have been properly recorded and that there is no evidence of fraud or misuse.

By following these methods, businesses can effectively check petty cash claims, ensure that expenses are legitimate and within budget, and prevent fraud or misuse of funds.

- ⊕ **Proofreading:** This means examining your text carefully to find and correct typographical and mistakes in figures, grammar, style, and spelling.
- ⊕ **Observation:** You note and record some mistakes/errors found out while proofreading.
- ⊕ **Analysis:** You study these mistakes/errors and correct them.
- ⊕ **Revision of calculations:** You adjust figures owing to reviewed calculations, then you fill out accurately your cash claim form.

Indicative content 1.2.3 Petty cash claims and voucher Checking procedures:

Topic/content1. Petty cash claims checking procedures:

The following are procedures of checking petty cash claim:

- ⊕ Looking at if application for petty cash fund were made by means of memorandum to the Director of Finance according to organisation policy and procedures before opening a petty cash fund
- ⊕ Disbursement: Verify if the authorised voucher is presented to the custodian of the petty cash fund
- ⊕ Replenishment:
 - ⊕ Verify if the petty cash claim form is completed before obtaining reimbursement
 - ⊕ Verify if the completed form with vouchers is sent to the Accounting Office.

4. Restrictions: Verify if petty cash is used only for payments of small expenses and small purchases of a company.

- ⊕ **Vouchers checking procedures:** While vouching the transactions, the auditor should first of all examine the various vouchers keeping the following points in mind:

- **Made in the Name of the Employer:** The auditor should see whether the voucher is made in the name of the employer of the concern.
- **Printed Form:** He should see whether the voucher is on a printed form.
- **Serial Number:** He should see whether all vouchers are consecutively numbered and filed in order of the entries in the various books.
- **Date, Name, Amount, etc.:** The auditor should check date, name of the party to whom the voucher is issued, the name of the party issuing the voucher, and the amounts, etc.
- **Cancelled by Stamp:** The vouchers, which are inspected by the auditor, should be cancelled by a stamp so that it cannot be produced again.
- **Related to the Firm:** The auditor should also see that all the vouchers are related with the business or not and see whether the payments made by the concern relate to the business or not. The auditor should pay special attention to those vouchers, which are in the personal name of one of the partners, directors, manager or officers of the company.
- **Special Mark in case of Detailed Checking:** In case of vouchers, which require detailed checking, the auditor should put special mark on them. He should check such vouchers carefully.
- **Passing of Vouchers:** The auditor should see that a responsible senior officer of the concern passes every voucher correctly and the rubber stamps are affixed. He should also see whether the responsible official signs them.
- **Stamped:** If the amount of voucher exceeds Rs.500 it must be stamped. The auditor should note whether the vouchers are stamped too.
- **Not to take the Help of the Employees:** The auditor should not take the help of the employees of the concern while checking the vouchers.
- **Type of Account:** The auditor should see whether the payment is made to a capital account or revenue account.
- **Related to the Year under Audit:** The auditor should see that the vouchers are related to the year for which the auditing is going on.
- **Amount in Words and Figures:** The auditor should also see that the figures and words of the amount in the vouchers are the same.
- **Points Regarding Further Verification:** If any transaction requires further verification of any other evidence such as Memorandum of Association, Articles of Association, Prospectus, Partnership Deed, etc. they shall be noted.

- Not to Accept Invoice as a Voucher: The invoice should not be accepted as voucher because there are a lot of chances of double payment i.e., once in the form of credit purchase and second time in the form of cash purchase.
- Not to Accept the Mutilated Vouchers as such: In case if any voucher is mutilated or the amount therein is cut then the auditor should not accept such vouchers as such. They should be made signed by any senior responsible officer of the concern before they are accepted.
- Pad Paper is not Voucher: Pad papers should not be accepted as vouchers because in such case chances of fraud are more.
- Time of Payment: The vouchers for insurances, rates, and taxes, etc. should be checked by the auditor with reference to the period for which the payment has been made. In case of payments in advance, the auditor should see whether correct adjustments have been made.

Importance of checking petty cash

Checking petty cash is crucial in order to avail cash necessary to make payments of small expenses incurred in any organisation and to pay for small purchases of such organization.

Learning outcome 1.3 Ensure that Petty cash transactions are recorded



Duration: 2 hrs



Learning outcome 1.3

Objectives :

By the end of the learning outcome, the trainees will be able to:

1. Define properly the term petty cash transactions as used in financial transactions.
2. Identify effectively the different types of petty cash transactions as used in financial transactions.



Resources

Equipment

Tools

Materials

| | | |
|---------------------|--------------------|-------------|
| - Photocopy machine | - Stapling machine | - Internet |
| - Computer | - Punching machine | - Papers |
| - Printer | - Cash register | - Envelops |
| - Projector | | - Flipchart |
| | | - Markers |



Advance preparation

lc

Indicative content 1.3 1 Definition and types of Petty cash transactions

Topic/Content1. Definition of terms

Petty cash transactions are small payment made for a minor expense or purchase, usually in cash, that is too small to warrant the use of a check or credit card.

Petty cash transactions are typically used for expenses such as office supplies, minor repairs, postage or travel expenses. These expenses are usually of low value and are incurred frequently, making it impractical to create a purchase order or request a check for each transaction. Petty cash transactions are usually made from a small amount of cash that is kept on hand for these purposes, often referred to as a petty cash fund. Petty cash transactions should be properly documented, with receipts and other supporting documents retained as evidence of the expenditure. The documentation should also show the purpose of the expenditure, the amount spent, and the date of the transaction. Proper management and control of petty cash transactions are essential to ensure the accuracy and completeness of financial records and prevent fraud or misappropriation of funds.

Topic/Content2. Types of petty cash transactions:

Petty cash transactions are small cash transactions that are used to cover day-to-day expenses. There are different types of petty cash transactions, including:

- ⊕ **Reimbursements:** Petty cash funds may be used to reimburse employees for small expenses incurred in the course of their work, such as travel expenses, office supplies, or meals.
- ⊕ **Purchases:** Petty cash funds may be used to make small purchases, such as stamps, stationery, or small tools, without having to go through the formal procurement process.
- ⊕ **Emergency expenses:** Petty cash funds may be used to cover unexpected expenses, such as minor repairs or replacements, that cannot be covered by other means.

- **Imprest system:** The imprest system is a method of managing petty cash funds where a fixed amount of cash is given to a custodian who is responsible for managing the funds. The custodian must keep records of all transactions, and when the funds run low, they are reimbursed up to the original fixed amount.
- **Change funds:** Petty cash funds may also be used as change funds, such as in a retail store, to provide change for customers' cash purchases.

Overall, petty cash transactions are used for small expenses that are necessary for day-to-day operations and can help to streamline the purchasing and reimbursement process. It is important to keep accurate records of all petty cash transactions to ensure proper accounting and accountability.

Indicative content 1.3 2 People involved in petty cash transactions:

Topic/Content1: The people involved in petty cash transactions

Petty cash transactions are small cash transactions that are used for day-to-day expenses such as office supplies, travel expenses, and minor repairs. The people involved in petty cash transactions may vary depending on the organization and its policies, but typically include:

- **Petty cash custodian:** The petty cash custodian is responsible for managing the petty cash fund, which includes receiving and disbursing cash, maintaining accurate records, and reconciling the petty cash account.
- **Employees:** Employees may be responsible for making requests for petty cash funds and submitting receipts or documentation for expenses incurred.
- **Approving authority:** An approving authority, such as a manager or supervisor, may be required to approve petty cash requests and verify that expenses are reasonable and necessary.
- **Accounting staff:** Accounting staff may be responsible for reviewing and reconciling petty cash records to ensure that transactions are properly recorded and accounted for.

Overall, it is important for all parties involved in petty cash transactions to adhere to established policies and procedures to ensure that petty cash funds are properly managed and accounted for.

Indicative content 1.3 3 Procedures of petty cash transactions:

Topic/Content 1: The procedures of petty cash transactions

The procedures for petty cash transactions may vary depending on the organization and its policies, but typically involve the following steps:

- **Establish a petty cash fund:** A fixed amount of cash is set aside for petty cash transactions. The amount may vary depending on the organization's needs.
- **Assign a custodian:** A custodian is responsible for managing the petty cash fund, including receiving and disbursing cash, maintaining accurate records, and reconciling the petty cash account.

- **Define petty cash transactions:** The organization should establish guidelines on what types of expenses can be reimbursed through petty cash transactions and any limits on the amount.
- **Submit requests:** Employees may submit requests for petty cash funds to the custodian, with documentation such as receipts or invoices to support the request.
- **Verify requests:** The custodian should verify that requests are valid and that expenses are reasonable and necessary.
- **Disburse cash:** The custodian disburses cash to the employee and obtains a signed receipt for the transaction.
- **Record transactions:** The custodian should record all petty cash transactions in a log or spreadsheet, including the date, amount, purpose of the expense, and any supporting documentation.
- **Reconcile the account:** The custodian should regularly reconcile the petty cash account to ensure that all transactions have been properly recorded and that the remaining cash balance matches the established petty cash fund amount.
- **Replenish the fund:** When the cash balance runs low, the custodian should request a reimbursement to bring the cash balance back up to the established fund amount.
- **Audit the account:** The organization may conduct periodic audits of the petty cash account to ensure that all transactions are properly recorded and that the petty cash fund is being used appropriately.

Overall, following established procedures for petty cash transactions can help to ensure accountability and accuracy in managing small cash transactions.



Theoretical learning Activity

Q1.



Practical learning Activity

✓ **Not applicable**



Points to Remember (Take home message)

Different types of petty cash transactions are:

- Cash
- credit cards
- Cheques
- Advance payments
- Vouchers
- Company charges
- Refunds
- Traveller's cheques
- Foreign currency
- Minor expenses.

Based on purpose and nature, Petty cash transactions are classified into different types. Some common types of petty cash transactions include:

- **Office Supplies:** Petty cash transactions for office supplies are one of the most common types. These include the purchase of items such as pens, paper, notepads, and other office supplies.
- **Travel expenses:** Petty cash transactions can also be used for reimbursing small travel expenses, such as bus fares or taxi rides, incurred by employees on company business.
- **Postage and courier expenses:** Petty cash transactions can be used to purchase stamps or pay for courier services for small items or packages.
- **Minor Repairs:** Petty cash transactions can be used to pay for small repairs, such as replacing light bulbs, fixing a broken chair, or repairing a leaky faucet.
- **Refreshments:** Petty cash transactions can be used to purchase refreshments, such as coffee, tea, or snacks, for employees or visitors.
- **Entertainment:** Petty cash transactions can be used for small entertainment expenses, such as buying tickets to a local event or paying for a small office party.
- **Miscellaneous expenses:** Petty cash transactions can be used for other small and miscellaneous expenses, such as photocopying, printing, or paying for small services rendered.

Proper management and control of petty cash transactions are crucial to maintaining accurate financial records and preventing fraudulent activities. All petty cash transactions should be properly documented, with receipts and other supporting documents retained as evidence of the expenditure.

Learning outcome 1.4 Ensure irregularities are noted and referred to nominated person/section in accordance with workplace procedures



Duration: 3 hrs



Learning outcome 1.4

Objectives:

By the end of the learning outcome, the trainees will be able to:

1. Explain properly the possible irregularities that occur in petty cash transactions
2. Identify clearly the procedures of dealing with petty cash transactions irregularities



Resources

| Equipment | Tools | Materials |
|---------------------|--------------------|-------------|
| - Photocopy machine | - Stapling machine | - Internet |
| - Computer | - Punching machine | - Papers |
| - Printer | - Cash register | - Envelops |
| - Projector | | - Flipchart |
| | | - Markers |



Advance preparation:

- Cash
- Credit cash
- Debit cash



Indicative content 1.4.1 Possible irregularities in petty cash transactions

Topic/Content1: Possible irregularities in petty cash transactions:

Petty cash transactions are vulnerable to various irregularities or fraudulent activities, which can compromise the accuracy and completeness of financial records. Here are some examples of possible irregularities in petty cash transactions:

- ⊕ **Misappropriation of funds:** This occurs when an employee responsible for handling petty cash steals funds for personal use.
- ⊕ **Overstating or understating petty cash transactions:** This is when an employee deliberately overstates or understates the amount of petty cash disbursed or received.
- ⊕ **Fictitious expenses:** This happens when an employee submits a fake receipt or invoice for reimbursement of non-existent expenses.
- ⊕ **Unauthorized expenses:** This occurs when an employee spends petty cash on non-approved expenses, such as personal items or entertainment.
- ⊕ **Inadequate documentation:** This happens when the supporting documentation for petty cash transactions, such as receipts or invoices, is missing or insufficient.
- ⊕ **Lack of segregation of duties:** This occurs when the same person is responsible for both handling and recording petty cash transactions, creating a potential for fraud.

It is important to implement appropriate controls and procedures to prevent or detect these irregularities and maintain the integrity of petty cash transactions. This may include regular reconciliations of petty cash balances, requiring proper documentation and approval for all expenses, and separating the duties of handling and recording petty cash transactions.

⊕ **Procedures of dealing with petty cash transactions irregularities:**

If you suspect irregularities in petty cash transactions, there are some procedures that can be followed to deal with them:

Investigate: Conduct a thorough investigation of the suspected irregularity, including reviewing documentation and interviewing relevant personnel.

Petty cash handling and recording are separated to prevent potential fraud.

late management personnel, such as the supervisor or finance manager of the suspected irregularity.

Keep a record of the investigation, including any evidence of the irregularity, and maintain appropriate records.

Take action to address the underlying problem, such as improving controls and procedures or taking disciplinary action

If the investigation reveals that the irregularity involves illegal activity, such as theft or embezzlement, report it to the appropriate authorities, such as law enforcement agencies.

Finally, review the procedures and controls related to petty cash transactions to identify areas for improvement and take steps to prevent future irregularities.

It is essential to have strong internal controls and procedures in place to prevent, detect, and respond to irregularities in petty cash transactions.

A regular review of these controls and procedures can help identify weaknesses and areas for improvement.



Theoretical learning Activity

- ⊕ (example: ask trainees to brainstorm about..... within groups)
- ⊕
- ⊕



Practical learning Activity

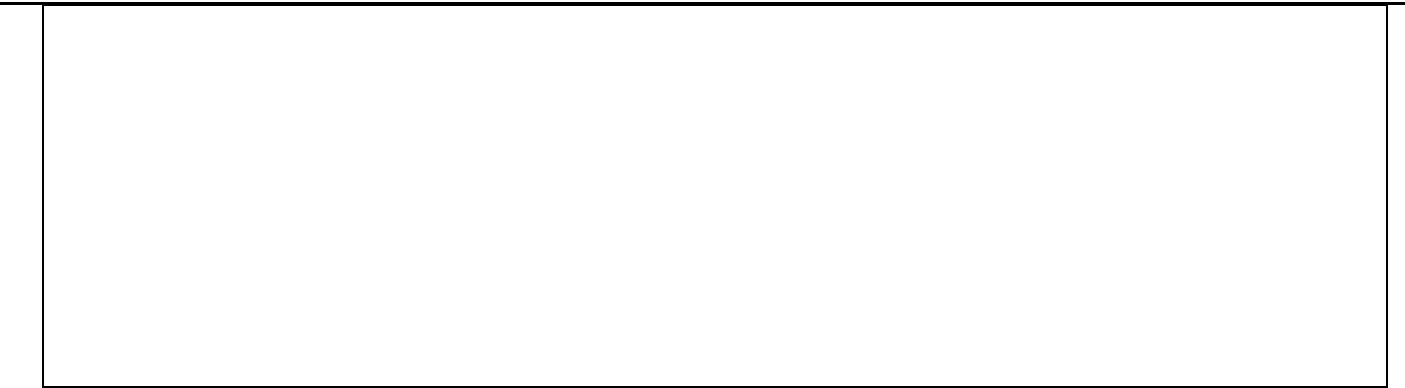
- ⊕ (Example: Trainees in pair perform



Points to Remember (Take home message)

Learning Unit 2: Balance all transactions

Picture/reflecting the Learning unit 2



STRUCTURE OF LEARNING UNIT 2

Learning outcomes:

- 2.1 Ensure transactions are presented to nominated person/section for checking in accordance with workplace procedures
- 2.2 Ensure invoices payment to creditors are reconciled in accordance with workplace procedures
- 2.3 Ensure discrepancies between invoices and delivery note/service agreements are identified and reported for resolution in accordance with workplace procedures
- 2.4 Ensure that errors in invoice charges are identified and corrective action is undertaken within scope of authority in accordance with workplace procedures

Learning outcome 2.1 Ensure transactions are presented to nominated person/section for checking in accordance with workplace procedures



Duration: 2 hrs



Learning outcome 2.1

Objectives :

By the end of the learning outcome, the trainees will be able to:

1. Identify different errors that occur in invoice charges and its types.
2. Discuss properly on the errors identifications methods used in accordance with the workplace.



Resources

| Equipment | Tools | Materials |
|------------------|--------------|------------------|
| | | |

| | | |
|---|--|--|
| <ul style="list-style-type: none"> - Photocopy machine - Computer - Printer - Projector | <ul style="list-style-type: none"> - Stapling machine - Punching machine - Cash register - POS machine | <ul style="list-style-type: none"> - Internet - Papers - Envelops - Flipchart - Markers |
|---|--|--|



Advance preparation:



Indicative content 2.1.1 Presentation Procedures of transactions.

Topic/Content1 :

- **Checking of transactions record:** a petty cashier verifies and check whether a transaction was recorded correctly in petty cash book, or in any accounts book.
- **Explanation of cash transactions:** a petty cashier tries to explain the transactions recorded. For instance, payment of postage, stationery, sundry expenses.
- **Getting feedback from the nominated person/ section:** all petty cash transactions made by a petty cashier are presented to accounting department, then a nominated person (main cashier or accountant) checks and gives feed back to what has been done by the petty cashier. If any, errors should be corrected and recommendations and remarks may be given to last one, if any.

Learning outcome 2. 2 Ensure invoices payment to creditors are reconciled in accordance with workplace procedures



Duration: 2 hrs



Learning outcome 2.2

Objectives :

By the end of the learning outcome, the trainees will be able to:

1. Define clearly the key terms related to reconciliation of invoice payment in accordance with creditors
2. Apply correctly the invoice reconciliation principles used at the reception
3. Explain properly the invoice reconciliation procedures used by front office cashier at the reception



Resources

| Equipment | Tools | Materials |
|---------------------|--------------------|-------------|
| - Photocopy machine | - Stapling machine | - Internet |
| - Computer | - Punching machine | - Papers |
| - Printer | - Cash register | - Envelops |
| - Projector | | - Flipchart |
| | | - Markers |



Advance preparation:



Indicative content 2.2.1 Definitions of key terms

Topic/content 1: Definitions of terms:

- **Invoice:** is a document issued by a seller to the buyer that indicates the quantities and costs of the products or services provided by the seller, and payment terms indicating the maximum amount of time that a buyer has to pay for the goods and/or services that have been purchased from the seller.
- **Creditor:** is a party that has a claim on the services of a second party. It is a person or institution to whom money is owed. The first party, in general, has provided some goods or service to the second party under the assumption that the second party will pay those goods or service. Very simply, a creditor is a person or company to whom money is owing.

Indicative content 2.2.2 Invoice reconciliation principles

Topic/Content1. Definition of invoice reconciliation

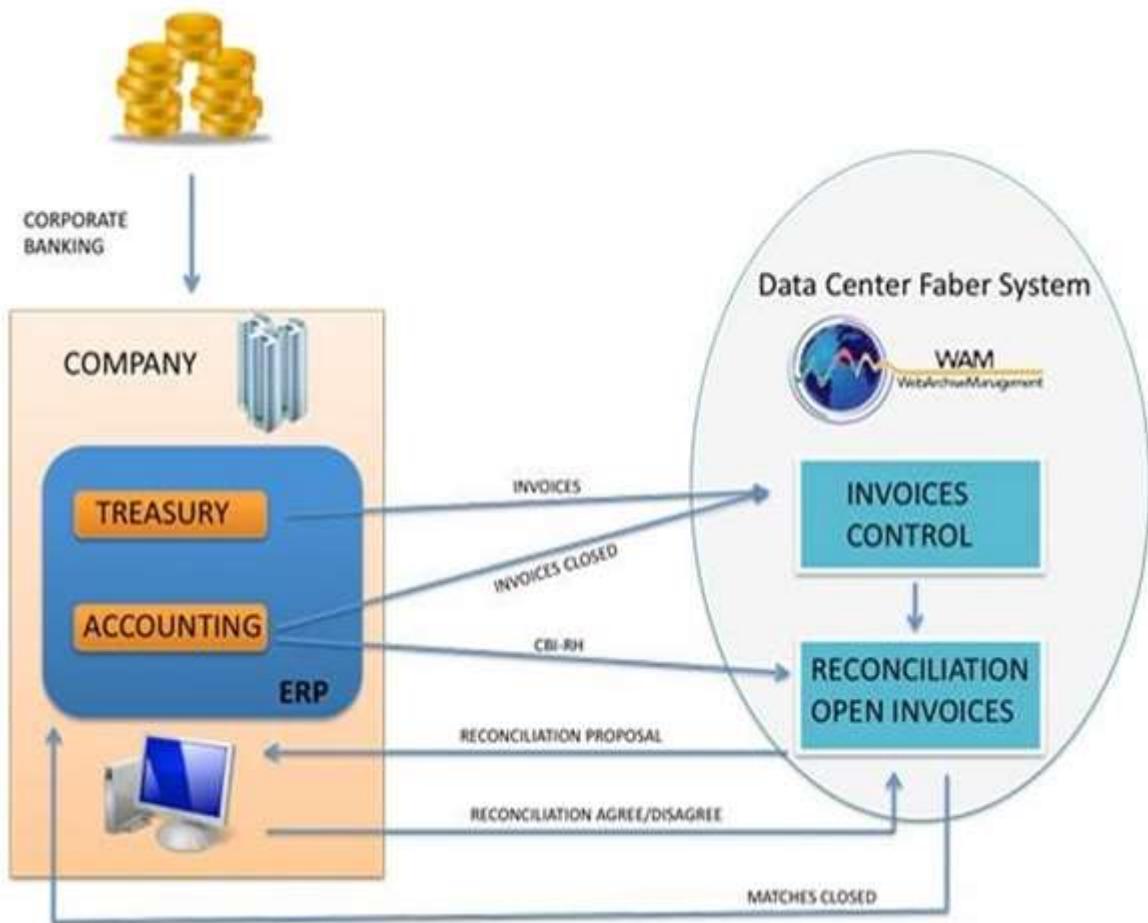
Invoice reconciliation: Is the process of matching bank statements to the outgoing and incoming invoices to make sure that all accounts are clean or all invoices have been paid), and every book entry is correctly matched. Invoice reconciliation also involves the verification and matching of the information inside each invoice.

Topic/Content2. Invoice reconciliation principles:

There are some principles to follow when reconciling invoices:

- 1. Accurate recording:** All invoices should be accurately recorded in the company's accounting system and include all relevant details, such as the date, vendor, items purchased, and amount charged.
- 2. Proper documentation:** Proper documentation, such as purchase orders, packing slips, and receipts, should be kept and matched with the invoice to ensure that the goods or services received match what was invoiced.
- 3. Timeliness:** Invoices should be reconciled in a timely manner to avoid late payments or missed discounts.
- 4. Approval process:** Invoices should go through an approval process to ensure that they are legitimate and accurate before payment is made.
- 5. Discrepancy resolution:** Any discrepancies between the invoice and the goods or services received should be promptly resolved with the vendor to ensure accuracy and prevent payment errors.
- 6. Proper communication:** Proper communication between the finance team and other departments, such as purchasing and receiving, is essential to ensure that all invoices are accurately reconciled and resolved.

By following these principles, companies can ensure that their invoices are accurate and that they only pay for the goods or services that they have received. This can help prevent payment errors and ensure that the company's finances are in order.



Topic/content 3: The role of invoice reconciliation

Invoice reconciliation is a process of comparing invoices with other financial records to ensure that the information contained in the invoice is accurate and matches with the other records. This process is essential for maintaining accurate financial records, identifying errors and discrepancies, and preventing fraud.

The role of invoice reconciliation is to ensure that the company pays the correct amount to its vendors or suppliers, and that the goods or services received are in accordance with the terms of the purchase order or contract. It helps to prevent overpayments, underpayments, and duplicate payments, which can result in financial losses for the company.

Invoice reconciliation also plays a vital role in identifying discrepancies or errors in invoices, such as incorrect pricing, quantity, or discounts. This helps the company to rectify the errors before making the payment, which can save time and prevent potential disputes with vendors.

Additionally, invoice reconciliation provides valuable insights into the company's purchasing patterns, payment terms, and vendor performance. This information can help the company to negotiate better terms with vendors, optimize its cash flow, and improve its overall financial management.

In summary, the role of invoice reconciliation is to ensure accuracy and completeness of financial records, prevent payment errors and fraud, and provide valuable insights into the company's purchasing and payment patterns.

Learning outcome 2.3 – Ensure discrepancies between invoices and delivery note/service agreements are identified and reported for resolution in accordance with workplace procedures



Duration: 4 hrs



Learning outcome 2.3

Objectives :

By the end of the learning outcome, the trainees will be able to:

1. Define clearly the term discrepancies as used in between invoices and delivery notes.
2. Identify properly all discrepancies that may exist between invoices and delivery notes.



Resources

| Equipment | Tools | Materials |
|---------------------|--------------------|------------------|
| - Photocopy machine | - Stapling machine | - Internet |
| - Computer | - Punching machine | - Papers |
| - Printer | - Cash register | - Envelops |
| - Projector | - POS machine | - Flipchart |
| | | - Markers |



Advance preparation:



Indicative content 2.3.1 Definitions of key terms

Topic/Content1: Definitions of key terms

 **Delivery note** is a document that accompanies a shipment of goods and provides details about the contents of the shipment. It typically includes information such as the sender's and recipient's name and address, the date of the shipment, a description of the goods being shipped, the quantity of each item, and any special instructions for delivery.

The delivery note serves as a proof of delivery and is often used by the recipient to confirm that they have received the correct items and quantities. It can also be used by the sender as a record of what was included in the shipment and when it was delivered.

In some cases, a delivery note may be required by law or as part of a contractual agreement between the sender and recipient. For example, in international trade, a delivery note may be required to accompany a shipment in order to comply with customs regulations.

Overall, the delivery note plays an important role in ensuring that goods are shipped and received accurately and efficiently.

 **Discrepancy:** A discrepancy refers to a disagreement or inconsistency between two or more things that are supposed to be similar or identical. In the context of business or financial transactions, discrepancies often refer to differences or errors between documents or records.

For example, a discrepancy may occur between an invoice and a delivery note if the quantity or description of goods on the two documents does not match. Similarly, a discrepancy may occur between a bank statement and a company's financial records if there is an error in the amount or timing of a transaction.

Identifying and resolving discrepancies is important in maintaining accurate and reliable records and ensuring that financial transactions are conducted correctly. Failure to identify and correct discrepancies can lead to financial losses, legal disputes, or damage to business relationships.

Discrepancies can be identified through various methods, such as manual comparison, automated comparison, barcode or QR code scanning, electronic data interchange, or third-party audits. Once identified, discrepancies can be resolved by investigating the cause of the error, reconciling the records, and making any necessary corrections or adjustments.

Indicative content 2.3.2 Identification of discrepancies between invoices and delivery notes

Topic/Content 1: Methods applied for Identifying discrepancies between invoices and delivery notes (or service agreements):

Identifying discrepancies between invoices and delivery notes typically involves comparing the information on both documents to ensure they match. There are some common methods that can be applied when identifying the discrepancies such as:

- **Manual Comparison:** One of the most straightforward methods is to manually compare the information on the invoice and delivery note. This involves carefully reviewing each document and comparing the quantities, descriptions, and prices to identify any discrepancies.
- **Automated Comparison:** There are also software tools available that can automatically compare the information on invoices and delivery notes. These tools use optical character recognition (OCR) technology to scan the documents and compare the information in a fraction of the time it would take to do so manually.
- **Barcode/QR code scanning:** If the products in question have barcodes or QR codes, these can be scanned to confirm their identity and quantity, which can then be compared to the information on the invoice and delivery note.
- **Electronic Data Interchange (EDI):** EDI is an electronic system that allows businesses to exchange data between their computer systems in a standardized format. This can be used to ensure that the information on invoices and delivery notes matches automatically, without the need for manual comparison.
- **Third-party audit:** In some cases, it may be necessary to hire a third-party auditor to review the documents and identify any discrepancies. This can be particularly useful if there is a high volume of invoices and delivery notes to review or if there are complex billing arrangements involved.



Theoretical learning Activity

- ✓ Define well the following term as used in financial transaction :
 - a. Discrepancy between receipts and petty cash
 - b. Missing cash or receipts:

Answer

- a. Discrepancy between receipts and petty cash: mismatch between the both in terms of amount. In this case, total amount of receipts may be greater/less than the amount of cash disbursed.
- b. Missing cash or receipts: cash may be lost or embezzled/stolen or a petty cashier may lose receipt(s).



Practical learning Activity

- ✓ Not Applicable



Points to Remember (Take home message)

- Different types of discrepancies
- Invoice
- Delivery notes

Learning outcome 2. 4 Ensure that errors in invoice charges are identified and corrective action is undertaken within scope of authority in accordance with workplace procedures



Duration: 3 hrs



Learning outcome 2.4

Objectives:

By the end of the learning outcome, the trainees will be able to:

1. Identify properly different errors in invoice charges in front office operations
2. List effectively the types of errors used in front office operations.
3. Explain different methods of errors identification used during the front office operations



Resources

| Equipment | Tools | Materials |
|---------------------|--------------------|------------------|
| - Photocopy machine | - Stapling machine | - Internet |
| - Computer | - Punching machine | - Papers |
| - Printer | - Cash register | - Envelops |
| - Projector | | - Flipchart |
| | | - Markers |



Advance preparation:

Ic

Indicative content1. Identification of errors in invoice charges and its type

Topic/content1. Identification of errors in invoice charges

Errors are mistakes or inaccuracies that occur when performing a task or completing a process. While preparing invoices, different types of errors may be committed. therefore, an error can be defined as an intentional mistake made when recording transaction(s).

Topic/content2. Types of errors in invoice charges

The following are common errors committed while charging invoices.

- i. **Overcharge error:** also known as overadd error, happens when you charge more money than the correct amount. E.g. you charge an invoice by Rwf 11,000 instead of Rwf 10,000.
- ii. **Undercharge:** also known as underadd error, happens when you charge little money than the correct amount. E.g. you charge an invoice by Rwf 10,000 instead of Rwf 11,000.
- iii. **Transposition:** when 2 digits are reversed or transposed (interchanged). E.g. you write 3563 instead of 5363.
- iv. **Not Itemizing:** when an item (product) is not itemized (stated)i.e an item is not enumerated among others on invoice.
- v. **No Due Dates:** when the date of payment of the date is not shown on invoice.
- vi. **No Logo (or logotype) on your invoice:** the missing of the visual symbol or emblem that acts as a trademark or a means of identification of a company or organization.
- vii. **Unstated mode/form of payment:** when the way/means of payment is not stated. E.g: payment by cash, by cheque, by money transfer.
- viii. **Unstated term of payment:** when the condition of payment is not stated. E.g. EOM(at the End Of the Month), N60 or Net 60 (after 60 days invoice date), payment at goods delivery.



Theoretical learning Activity

- ✓ Define the following terms :
 - a. Errors in invoice
 - b. Types of errors



Practical learning Activity

✓ Below are the list of hotel data with their amounts,

Building.....120, 000rwf
Bank overdraft20, 240rwf
Soft drink inventory.....12,880rwf
Bank loan..... 18,450rwf
Trade debtors5, 300rwf
Trade creditors3,300rwf
Cash at hand..... 3,300rwf
Owners' equity.....3,300rwf

You are required to create the table of 3 columns by showing items, debit amounts and credit amounts for recording the data from the list given above and determine the total for each side.

Answer

| Items | Debit | Credit |
|----------------------|---------|---------|
| Building | 120,000 | |
| Bank overdraft | | 20,240 |
| Soft drink inventory | 12,880 | |
| Bank loan | | 18,450 |
| Trade debtors | 5,300 | |
| Trade creditors | | 3,300 |
| Cash at hand | 30,000 | |
| Owners' equity | | 70,450 |
| Total | 168,180 | 112,440 |



Points to Remember (Take home message)

- Know meaning of errors in invoice
- Types of errors in invoice charges

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