**Module title**: **Prepare, Match and Process Receipts**

At the end of this module the trainer will be able to

**LO1:**  Receive, identify and record receipts

**LO2:** Match receipts to documentation

**LO3**: Enter data to systems

LO4: File documentation

**Introduction:**

Any area handling cash or check deposits should establish, document, and maintain adequate internal control procedures to ensure security of organization assets.

**LO1:** **Receive, identify and record receipts**

Check all receipts for accuracy against remittance document, all receipts are accurately recorded, remittance types are accurately identified to ensure correct allocation, processing is complete

1. **Establish procedures and checking** receipts

Following establish procedures and checking receiptsfor accuracy against remittance documents

**Remittance** => A remittance is a group of "Payments In" (Collections) and/or "Payments Out" (Payments), sent to the bank. The bank will then either manage to collect the money from the customers or to pay the providers.

It is important to highlight that **the same remittance can include** at the same time:

* "Payment In & Out" transactions
* as well as **"Purchase & Sales Order/Invoices"**
* and existing payments in/out

but single payment remittances can only include either

* **"Purchase Order/Invoices"**
* or **"Sales Order/Invoices"**

It is important to have into account that:

* In the case of **purchase orders/invoices**, the corresponding "**Payment Out**" transactions will be created after processing the remittance.
* In the case of **sales orders/invoices**, the corresponding "**Payment In**" transactions will be created after processing the remittance.
* In the case of either **existing Payment In/Out**, those ones need to have "**Awaiting Execution**" or "**Payment Received**" status to be included in a remittance.  
  **After processing the remittance**, its status will then change to "**Remitted**", **once remittance "Settlement" is posted** its status will then change to either:
  + "**Deposited not Cleared**", in the case of "Payments In"
  + "**Withdrawn not Cleared**", in the case of "Payments Out"

**1.2. Recording all receipts with remittance**

Recording all receipts with remittance types accurately to ensure correct allocation

Each day's cash and checks receipts must be deposited intact with the Cashiers Office. Refunds or expenditures must NOT be made from cash receipts.  
Cash must be recorded as soon as it is received. Initial record of cash received may be a pre-numbered receipt, a cash register tape, a mailroom log or listing of checks received, or some other remittance advice.  
Pre-numbered receipts should be used where no other record (i.e. a cash register) exists.

1. White Copy Original - provided to person from whom the cash was received.
2. Blue Copy - submitted to Cashiers with the departmental deposit to support cash received equals cash deposited.
3. Yellow Copy - retained by department to maintain numerical sequence of receipts (retain for at least 3 years).

All pre-numbered receipts should be accounted for, including voided originals, and should be retained by the department. Void or canceled receipts should be clearly marked so that they cannot be reused, and the blue copy should be submitted with departmental deposits to the Cashiers.  
Checks/Cash received should be listed on a cash report or log. The BANNER TWADEPO Department Deposit form is an acceptable departmental log. The following check detail information should be included:

1. Check Number
2. Payer
3. Amount

* Completing batch in accordance with organization systems and operating procedures and relevant departments advised of total daily receipts.

**LO2: Match receipts to documentation**

All receipts are checked and matched to documentation accurately. Unmatched receipts are noted for follow-up

* 1. **Checking and matching receipts with documentation for accurately and promptly**

Matches original invoices and requests for payment with internal purchase orders or check/cash advance requests. Once data match is confirmed, locates information in the accounts payable amount and accurately keys receipt. When receipts goods and services to check and match with necessary document such as purchase order or check/cash advance request/payment.

**Responsibilities to check and match receipts with document will include:**

* Matching deposits with appropriate invoices.
* Matching receipts with all purchase orders and ensuring accuracy.
* Reviewing Expense Reimbursement Reports for accuracy.
* Maintaining organization of physical and electronic accounting files and folders
* Maintaining and recording leave accrual of employees.
* Placing collection calls for any unpaid invoices.
* Ensuring the accuracy of all new hire employee files.
* Creating and revising any accounting forms and documents as necessary.
* Assisting with gathering data for financial projections.

**2.2 Identifying unmatched receipts for follow-up or referral**

Matches original invoices and requests for payment with internal purchase orders or check/cash advance requests. Once data match is confirmed, locates information in the accounts payable software system and accurately keys receipt.  In the event documentation does not match, performs necessary research and interacts with Purchasing Department to ensure data confirmation, prompt resolution, and subsequent payment.  Promptly generates checks for payment and obtains required approval and signatures in accordance with established check approval limits.

**LO3: Enter data to systems**

All receipts are accurately allocated to appropriate chart of account areas, data is entered to systems without error and within time requirements, all receipts are accurately matched to system debit, reconciliations are completed and discrepancies between general ledger and sub systems are resolved

**3.1. Allocating all receipts accurately to appropriate chart of account:**

Allocating all receipts accurately to appropriate chart of account areas and entered data onto receipt systems without error and within time requirements.

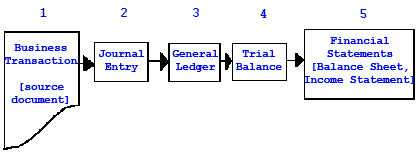
The chart of accounts is a listing of all accounts used in the general ledger of an organization. The chart is used by the accounting software to aggregate information into an entity's financial statements.

Before you can

* set up your accounting records
* dive into your [day-to-day transactions](http://www.bizfilings.com/toolkit/sbg/finance/bookkeeping/daily-recording-of-business-transactions.aspx)
* and get your books ready for end-of-month or end-of-year reporting

you must gain an understanding of basic accounting concepts.

Accounting, simply defined, is the method in which financial information is gathered, processed and summarized into [financial statements](http://www.bizfilings.com/toolkit/sbg/finance/bookkeeping/preparing-financial-statements.aspx) and reports. An accounting system can be represented by the following graphic, which is explained below.



1. Every accounting entry is based on a business transaction, which is usually evidenced by a business document, such as a check or a sales invoice.
2. A journal is a place to record the transactions of a business. The typical journals used to record the chronological, day-to-day transactions are [sales and cash receipts journals](http://www.bizfilings.com/toolkit/sbg/finance/bookkeeping/daily-recording-of-business-transactions.aspx) and a [cash disbursements journal](http://www.bizfilings.com/toolkit/sbg/finance/bookkeeping/accounting-for-cash-transactions.aspx). A [general journal](http://www.bizfilings.com/toolkit/sbg/finance/bookkeeping/maintaining-a-general-ledger.aspx) is used to record special entries at the end of an accounting period.
3. While a journal records transactions as they happen, a ledger groups transactions according to their type, based on the accounts they affect. The [general ledger](http://www.bizfilings.com/toolkit/sbg/finance/bookkeeping/maintaining-a-general-ledger.aspx) functions as a collection of all balance sheet, income and expense accounts used to keep a business's accounting records. At the end of an accounting period, all journal entries are summarized and transferred to the general ledger accounts. This procedure is called "posting."
4. A [trial balance](http://www.bizfilings.com/toolkit/sbg/finance/bookkeeping/maintaining-a-general-ledger.aspx) is prepared at the end of an accounting period by adding up all the account balances in your general ledger. The sum of the debit balances should equal the sum of the credit balances. If total debits don't equal total credits, you must track down the errors.
5. Finally, financial statements are prepared from the information in your trial balance.

Your [accounting records are vitally important](http://www.bizfilings.com/toolkit/sbg/finance/bookkeeping/basic-bookkeeping-working-with-accountants.aspx) because the resulting financial statements and reports help you plan and make decisions. These statements and reports may be used by some third parties like bankers, investors or creditors, and are needed to provide information to government agencies, such as the IRS.

**3.2 Matching all receipts accurately to system:**

Matching all receipts accurately to system debit with any data and allocating discrepancies promptly to enable early follow-up.

Use the Matching process to compare vouchers with purchase orders and receiving documents. That way, you can ensure that you pay for only the goods and services that you order and receive. To run the Matching process, you must have installed People loan Payables and People Purchasing. The system automatically performs the required matching based on the document characteristics.

## Considering a Double-Entry Accounting System

In double-entry accounting, every transaction has two journal entries: a debit and a credit. Debits must always equal credits. Think of Newton's third law of motion: For every action (debit) there is an equal and opposite reaction (credit).

Because debits equal credits, double-entry accounting prevents some common bookkeeping errors. Errors that do occur are easier to find. For this and myriad other reasons, double-entry accounting serves as the basis of a true accounting system.

**LO4 File documentation**

All documentation is filed promptly and the location of filed documentation is traceable

**4.1 Filing documents promptly in accordance with organization policy and procedures**

Every organization will have different practices for storing information.  It is important that you fully understand how this is done in your organization, and why.

Workplace policies and procedures for storage and access of information provide a guide for workers to follow, and if you are conscientious in adhering to these, information can be kept secure and in good order, and will be easily accessible to those who need it.

At the end of this section you should be able to:

* keep information in accordance with organizational guidelines
* provide access to information to appropriate individuals
* maintain confidentiality and security of information
* report breaches of confidentiality to the appropriate person.

**4.2. Identifying easily the location of file documents when required**

**Creating paper files**

Paper files need to be consistently labeled and logically organized. This guidance describes best practice to create and describe a paper filing system. This will ensure accurate, prompt retrieval for as long as the files are required. Every new file should be registered and maintained in a filing system, with a unique title so that it can always be identified.

**Classification**

A good file classification system should support the business requirements of those who use them and incorporate information to assist long-term management. It should be easy to understand and maintain.

Where appropriate, for example where files are stored by reference, code or index number, it is good practice to maintain a list of the files. A file list should contain the following information:

* File reference
* File title
* Date opened
* Date closed
* System reference
* Keywords
* Disposal details.

If a spreadsheet or database is used to maintain the file list, it will not be necessary to maintain an index to those files. However, if a manual system is used, for most filing systems an index must also be maintained. This will, of course, not be needed for case files stored in alphabetical order.

**Accounting for Partnership:**

#### What is a partnership?

A partnership is a business run by two or more persons who agree to contribute assets to the business and share in the profits and losses.

Accounting for assets and liabilities in a partnership is much similar to accounting in any other form of business. The main difference exists in accounting for equity. Since there are two or more owners, separate capital accounts are maintained for each owner and special journal entries are required to account for withdrawals, distribution of income, introduction of new partners, and retirement of partners and liquidation of the partnership. Generally there are a number of ways in which a partnership may be defined, but there are four key elements.

## Characteristics of a Partnership

There are numerous types of partnership, but generally, in the absence of a partnership agreement, a partnership has the following characteristics.

* The partnership is a separate legal and accounting entity.
* Each partner has unlimited liability
* The acts of one partner binds the others
* Each partner has a claim on the assets or the partnership
* The partnership dissolves (but the business does not end) when a partner leaves or joins.
* Each partner has an equal share in the net income or loss or the partnership

## The Partnership Agreement

A partnership agreement is usually drawn up between the partners to set out how the partnership will operate, this will include accounting matters such:

* The capital contributions of each partner.
* Ratio for sharing the net income or loss.
* Rate of interest to be received on capital and paid on drawings.
* Salaries to be paid to each partner.
* Provisions for the withdrawal and additions of assets.

## Partnership Formation Accounting

When a partnership is formed each partner introduces capital. The capital introduction might be in cash form or non cash form such as equipment, machinery, buildings, or accounts receivable. If the capital is introduced in non cash form, it is always brought into the partnership at fair value.

Suppose for example, a partnership is formed between two people, partner A and partner B, typical partnership bookkeeping entries would be as follows:

 Introduction of Cash into a Partnership

Partner A invests 10,000 by way of cash. The following double entry bookkeeping journal would be posted:

|  |  |  |
| --- | --- | --- |
| Partnership Formation Accounting – Cash Introduced | | |
| **Account** | **Debit** | **Credit** |
| Cash | 10,000 |  |
| Capital – Partner A |  | 10,000 |
| Total | 10,000 | 10,000 |

### Introduction of a Long Term (Fixed) Assets into a Partnership

Partner B introduces a piece of machinery whose fair value is 20,000 (non-cash assets are always accounted for at fair market value when introduced to the partnership). The following double entry bookkeeping journal would be posted:

|  |  |  |
| --- | --- | --- |
| Partnership Formation Accounting – Long Term Asset Introduced | | |
| **Account** | **Debit** | **Credit** |
| Long term assets – machinery | 20,000 |  |
| Capital – Partner B |  | 20,000 |
| Total | 20,000 | 20,000 |

### Introduction of Accounts Receivable into a Partnership

Partner A also introduces accounts receivable of 12,000, of which the partnership expects to be able to collect 10,000. In this case the gross value of the accounts receivable needs to be recorded (to reflect the total amount receivable from the customers), and the reduction to fair value is accounted for by changing the value on the allowance for doubtful debts account.

The bookkeeping entries of the partnership are as follows:

|  |  |  |
| --- | --- | --- |
| Partnership Formation Accounting – Accounts Receivable | | |
| **Account** | **Debit** | **Credit** |
| Accounts receivable | 12,000 |  |
| Allowance for doubtful debts |  | 2,000 |
| Capital – Partner A |  | 10,000 |
| Total | 12,000 | 12,000 |

At the end of these partnership formation accounting entries, the balance sheet of the of the partnership would be as follows:

|  |  |
| --- | --- |
| Partnership Formation Accounting – Balance Sheet | |
|  |  |
| Fixed assets – machinery | 20,000 |
| Accounts receivable | 12,000 |
| Allowance for doubtful debts | -2,000 |
| Cash | 10,000 |
| Net Assets | 40,000 |
|  |  |
| Capital – Partner A | 20,000 |
| Capital – Partner B | 20,000 |
| Total Capital | 40,000 |

In this partnership formation, the capital injected by each partner is £20,000 giving a ratio of 1:1 for capital introduced.

**Liquidation of a Partnership**

## Accounting for the Liquidation of a Partnership

Accounting for the liquidation of a partnership involves four steps as follows:

1. Sell non cash assets for cash.
2. Allocate any gain or loss on the sale of non cash assets to each partner using the income ratio.
3. Pay any liabilities of the partnership.
4. Distribute the remaining cash to the partners using the capital ratio.

As an example, suppose a partnership has two partners, partner A and partner B who share net income and net losses equally (income ratio 1:1), and have capital balances of 50,000 and 60,000 respectively.

The partnership has cash of 20,000, non cash assets of 140,000, liabilities of 50,000. The partnership is liquidated and non cash assets are sold for 100,000.

## Step 1: Sell non cash assets for cash

The non cash assets of 140,000 are sold for 100,000 making a loss on sale of 40,000.

The double entry bookkeeping journal to record the loss on sale of non cash assets would be as follows:

|  |  |  |
| --- | --- | --- |
| Liquidation of a Partnership – Sales of non cash assets journal | | |
| **Account** | **Debit** | **Credit** |
| Cash | 100,000 |  |
| Non cash assets |  | 140,000 |
| Loss on sale | 40,000 |  |
| Total | 140,000 | 140,000 |

## Step 2: Allocate loss on the sale to each partner using the income ratio

The loss on sale of the non cash assets is then allocated to each partner using the income sharing ratio.

|  |  |  |  |
| --- | --- | --- | --- |
| Liquidation of a Partnership – Allocation of Net Loss on Sale | | | |
|  | **Partner A** | **Partner B** | **Total** |
| Opening balances | 50,000 | 60,000 | 110,000 |
| Loss on sale | -20,000 | -20,000 | -40,000 |
| Total | 30,000 | 40,000 | 70,000 |

The double entry bookkeeping journal to record the allocation of the loss to each partner would be as follows:

|  |  |  |
| --- | --- | --- |
| Liquidation of a Partnership – Allocation of loss on sale journal | | |
| **Account** | **Debit** | **Credit** |
| Capital – A | 20,000 |  |
| Capital – B | 20,000 |  |
| Loss on sale |  | 40,000 |
| Total | 40,000 | 40,000 |

## Step 3: Pay any liabilities of the partnership

After the sale of the non cash assets, the cash available to the partnership is the opening balance of 20,000 plus the cash from the disposal of the non cash assets of 100,000 which equals a total of 120,000. This cash is used to settle the liabilities of 50,000 leaving remaining cash of 120,000 – 50,000 = 70,000 to be distributed.

The double entry bookkeeping journal to record the payment of the liabilities would be as follows:

|  |  |  |
| --- | --- | --- |
| Liquidation of a Partnership – Payment of liabilities journal | | |
| **Account** | **Debit** | **Credit** |
| Liabilities | 50,000 |  |
| Cash |  | 50,000 |
| Total | 50,000 | 50,000 |

## Step 4: Distribute the remaining cash to the partners using the capital ratio.

The remaining cash of 70,000 is paid out to the partners using the capital ratio.

|  |  |  |  |
| --- | --- | --- | --- |
| Liquidation of a Partnership – Distribution of remaining cash | | | |
|  | **Partner A** | **Partner B** | **Total** |
| Opening balances | 30,000 | 40,000 | 70,000 |
| Remaining cash | -30,000 | -40,000 | -70,000 |
| Total | 0 | 0 | 0 |

The double entry bookkeeping journal to record the distribution of the remaining cash to each partner would be as follows:

|  |  |  |
| --- | --- | --- |
| Liquidation of a Partnership – Distribution of remaining cash journal | | |
| **Account** | **Debit** | **Credit** |
| Capital – A | 30,000 |  |
| Capital – B | 40,000 |  |
| Cash |  | 70,000 |
| Total | 70,000 | 70,000 |

The four steps are summarized in the following allocation table.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liquidation of a Partnership – Summary Allocation | | | | | |
|  | **Cash** | **Non Cash** | **Liabilities** | **Partner A** | **Partner B** |
| Opening balances | 20,000 | 140,000 | -50,000 | 50,000 | 60,000 |
| Sell non cash | 100,000 | -140,000 |  | -20,000 | -20,000 |
| Pay liabilities | -50,000 |  | 50,000 |  | 0 |
| Remaining cash | -70,000 |  |  | -30,000 | -40,000 |
| Total | 0 | 0 | 0 | 0 | 0 |

After the distribution of the remaining cash and the posting of the journals, the partnership has zero assets and liabilities and can be liquidated.

Assignment 50%

* 1. What is remittance?
  2. **What is Liquidation of a Partnership?**

Cash 11,000

Non cash 64000

Liability 9000

A capital 22,000

B capital 22,000

C capital 22,000

* Non cash asset sold 84,000 ratio 20%, 30%, 50% respectively

1, Prepare liquidation form recording step procedure

2. Gain realization only