

BUSINESS STUDIES GRADE 8

Write and study the notes below in your note book. This will be followed by a Zoom lesson on Tuesday 16th June at 14:00hrs. Class Activity should be answered. Deadline is 17th June 2020.

Invoice

An invoice is bill requesting for the goods and services supplied by the seller. It is prepared by the seller and is sent to the buyer whenever goods or services are sold. The invoice serves as a reminder for payments.

INVOICE

NO 25
CHIBUSA BUSINESS CENTER
P.O BOX 410001
KASAMA

12TH September, 2014
KASAMA BOYS SECONDARY SCHOOL
P.O BOX 410235
KASAMA

Terms:5% 1 week,2% 2 weeks, Net 1 Month

quantity	Description	Unit price	Total price
10	Boxes of coloured	K15	K 150
100	chalks	K 3	K 300
8	Blank DVDs	K 35	K 280
	Reams of papers		K 730
	Less 10% Trade		K 73
	Discount		K 657
	Add 16% VAT		K105.12
			K 762.12

Chibusa s **E&OE**
Chief buyer

The invoice also shows other forms of payment such as Value Added Tax (VAT), Discount and as the letters E&OE which stand for Errors and Omission Excepted. E&OE means that the buyer has a right to make correction on the invoice.

VALUE ADDED TAX (VAT)

VAT is the abbreviation for Value Added Tax. This tax is levied on goods and services at every stage at which supplies pass. If a product passes through several stages before it can be consumed, it means that each and every stage there should be some tax being levied on the same product.

-The current rate of VAT in Zambia is 17.5%

DISCOUNTS

Discounts are price reductions, which the seller gives to buyers.

- There are two types of discounts in buying and selling of goods. These are trade and cash discount

TRADE DISCOUNT

A trade discount is discount offered to traders who buy goods in large quantities, for example a retailer is given a trade discount by a wholesaler for buying goods in big quantities

CASH DISCOUNT

This is a price reduction offered to regular customers who buys goods on a cash basis. A cash discount is give to the buyer by the seller in order to encourage the buyer to pay for the goods promptly or within credit period.

EXAMPLE: Calculating Trade and Cash discount

On 1st July, 2014. Bwalya bought 30 hard cover books at a price K5 each she was given a trade discount of 10%. Further he was given a 5% cash discount if she pays within 2 weeks.

Find the:

a. Amount to pay for the goods i.e the Net Price.

$$\begin{aligned}\text{Gross Price} &= \text{K}30 \times \text{K} 5 \\ &= \text{K} 150\end{aligned}$$

b. Amount of the trade discount.

$$\begin{aligned}\text{Trade Disc} &= 10/100 \times \text{K}150 \\ &= \text{K}15\end{aligned}$$

c. Invoice Price

$$\begin{aligned}&= \text{Gross Price} - \text{Trade Discount} \\ &= \text{K}150 - \text{K}15 \\ &= \text{K} 135\end{aligned}$$

d. Amount she paid if she paid after 2 weeks

if she paid within two weeks she would be given cash discount 5%

i. First calculate the cash discount

$$\begin{aligned}\text{Cash discount} &= 5/100 \times \text{K}135 \\ &= \text{K} 6.75\end{aligned}$$

ii. Then calculate the amount she paid i.e Net Price

$$\begin{aligned}\text{Net price} &= \text{K} 135 - \text{K} 6.75 \\ &= \text{K} 128 .25\end{aligned}$$

DISPATCH ADVICE NOTE

It is sent by the seller to the buy to inform or advice the buyer that goods ordered has been sent or are ready for dispatch

DELIVERY NOTE

A delivery note is a document which is sent together with goods being delivered. It shows all the particulars of the delivered goods in terms of weight, quantity, quality and description. when goods have been delivered you will always have to sign both copies of the delivery note to acknowledge the driver to deliver the right type and the amounts of goods and of a seller to obtain the receipt of goods.

CONSIGNMENT NOTES

A Consignment note is sent by the seller to the buyer when the seller has used hired transport to deliver goods to the buyer. The Transporting Company prepares the consignment note in three copies; one copy for the buyer, one copy for seller and the other copy is retained by the transporting company.

DEBIT NOTE

A debit Note is sent by either the seller or buyer to inform each other to correct the under or overcharge on the invoice.

- This may be printed on the document in any ink apart from red

CREDIT NOTE

A credit note is a document prepared by the seller and sent to buyer indicating that there is a reduction in the invoice value or when the buyer has been overcharged or undersupplied.

- This shows that the goods were overcharged or that some goods were faulty and they are being returned.

- It is usually printed in red ink on white paper.

- It is also called an invoice in reverse.

STATEMENT OF ACCOUNT

This is a document sent by the seller to the buyer who buys goods on credit.

- It contains a summary of transactions such as invoices, debit note, credit note, payments made e.t.c. in a given periods.

- It also serves as a reminder that the buyer must pay the amount due and it is sent at the end of the month.

- It enables the buyer to compare the entries in his or her books with the seller so that any differences or queries are corrected.

STATEMENT OF ACCOUNT

From: P J SUPERMARKET
P o Box 410201
Kasama

Your order 245

Date: 6 September 2014

To: Chibs Restaurant
Kasama

Date	Details	Debit	Credit	Balance
22/08/14	Balance b/f			250
25/08/14	Breakfast		70	320
28/08/14	Cheque	170		150
30/08/14	Packets of sugar	30		180

ANSWER THE FOLLOWING QUESTIONS:

1. (4 marks)

COLUMN A	COLUMN B
1.Tender	A bill requesting goods and services supplied by the seller

2. Credit Note	Is sent when the seller uses hired transport to deliver goods to buyer
3. Invoice	An offer to a business to supply goods or to carry out work
4. Consignment note	When the buyer has been overcharged or undersupplied.

2. Indicate who would sender of the following business documents: (6 marks)

- (a) Enquiry
- (b) Order form
- (c) Advice/Despatch note
- (d) Cheque
- (e) Statement of Account
- (f) Delivery Note

3. Study the Invoice above and answer the following questions:

- (i) What is the seller's name? (2 marks)
- (ii) Who is the buyer? (2 marks)
- (iii) How many boxes of coloured chalk was bought? (1 mark)
- (iv) What does E&OE stand for? And what does it mean? (4 marks)

4. Explain the purpose of the following document

- (i) Statement of Account (3 marks)
- (ii) Invoice (3 marks)

5. Explain the difference between Trade discount and Cash discount (4 marks)