

IV. Financial Management

Topic 40b

Types of Records

FACT SHEET



IV. Financial Management

Topic 40b: Types of records

Depending on the nature of business, the type of records usually includes:

| | Type of records | Information collected | Information shown |
|---|----------------------------------|--|---|
| 1 | Cash book | Revenues and expenses in cash | Shows how much cash the cash box contains |
| 2 | Purchase records (expenses) | All items and services bought | Shows how much you have bought and how much money was spent on which items and services |
| 3 | Sales records (revenues) | All items sold | Shows how much you have sold, which items sold best, which items did not sell well, who are your best customers |
| 4 | Records of debtors and creditors | Items sold on credit, items bought on credit | Shows how much customers owe you and how much you owe to suppliers |

1. Cash book

The cash book records daily revenues and expenses in cash Naira (not checks or money transfers). The cash book is like your purse: it contains money. Every time you buy something, money goes out of your purse. Every time you sell something, money goes into your purse. In a cash book, you record every time money goes out of your purse and every time money goes into your purse.

This means every time you sell something and the customer pays in cash, you record this in your cash book. Every time you buy something and you pay cash, you record this in your cash book. The difference between the revenues and expenses is called the balance, and indicates how much you have in your cash box at any time.

2. Purchase records

On purchase records you will note all your purchases (expenses), ranging from buying a pen and a notebook to pesticides and other inputs. So every time you buy something, you must note this in your purchase records. Purchases include not only tangible products (real items; such as a pen or fertilizer), but also services (such as transport).



3. Sales records

On sales records, you will note all your sales (revenues). Every time you sell something, you must note this in your sales records.

4. Records of debtors and creditors

You can buy items on credit and you can sell items on credit. The overview of all credits is written in the records of debtors and creditors.

ADDITIONAL INFORMATION

IV. Financial Management

Topic 40b: Types of records

What types of records are there?

Depending on the nature of business, records usually includes:

1. Cash book
2. Purchase records
3. Sales record
4. Records of Debtors and Creditors

What information must be in the records?

1. Cash book

Cash records must show:

- Cash revenues or receipts (cash in): date, amount, description
- Cash expenses or payment (cash out) : date, amount, description
- Balance: difference between revenues and expenses

2. Purchase records

Purchase record must contain:

- Date of purchase
- Name of individual/firm purchased from
- Description of the item or service bought
- Amount of purchase
- Mode of payment (cash, per check or transfer)

3. Sales records

Sales records must contain:

- Date of sales
- Description of the item sold
- Name of individual/firm who bought the item (customer)
- Unit price (price of one item in Naira)
- Number of items sold (quantity)
- Total amount of sales (unit price times number of items sold)
- Mode of payment (cash, per check or transfer)



4. Records of debtors and creditors

- **Creditor:** record of all goods purchased on credit
- **Debtor:** record of all goods sold on credit to customers

INSTRUCTIONS

IV. Financial Management

Topic 40b: Types of records

Materials needed:

- Flip-sheet board with flip sheets
- Markers (9 black, 1 blue, 1 green, 1 red)
- Kraft paper (or any big piece of paper)
- Examples of cash book, purchase records, sales records, and records on debtors and creditors (see under Visuals)
- Ledger (can be empty)

Time needed: 1 hour

- Preparations:**
- Flip-sheet with the heading *Types of records*
 - Results from exercise 40a pasted on the wall
 - Table drawn on Kraft paper as follows:

| | Type of records | Information collected | Information shown |
|---|----------------------------------|-----------------------|-------------------|
| 1 | Cash book | | |
| 2 | Purchase records | | |
| 3 | Sales records | | |
| 4 | Records of debtors and creditors | | |

- Flips-sheet with the title *Records to be discussed* and the text:

- a. *Cash book record*
- b. *Purchases records*

- c. *Sales records*
- d. *Records of debtors and creditors*

Set up

- Attention:** Show examples of records (hold them up) and tell participants that during this session we are going to discuss what this is.
- Title:** Tell participants the title while showing the flip-sheet with the title: *Types of records*.
- Credibility:** Explain your (the trainer) experience with record keeping.
- Benefits:** As a businessman, you have to decide which records you want to keep for your business and to make that decision you must know which records exist.
- Objectives:** To show the different types of records we can use for our business and what each types records shows.
- Direction:** We are not going to explain how to enter data on each form; we will only look at what they are and what type of data they collect. How to enter data will be for the next session. We will focus on four types of records.

Delivery

Explanation, Demonstration, Exercise and Guidance:

1. Show a flip-sheet with the four types of records you are going to discuss:
 - b. Cash book record
 - c. Purchases records
 - d. Sales records
 - e. Records of debtors and creditors
2. Start with the **cash book**. Show participants a ledger and tell them that a cash book often looks like this. Show them visual 1 and tell that inside it often looks like this. Tell participants that in the next session, you will distribute these examples to everyone, so they can clearly see them.
3. Ask if anyone knows what we record in a cash book. In a cash book you record daily **revenues and expenses in cash**. So you write down every transfer in cash: what comes in and what goes out. Ask what a cash book will show you. It will show how much you have in your cash box, this is called the **balance**. Add that at any moment of the day you can check your balance. Ask how you can check your balance. You can calculate the difference between what went out and what came in. Add that **every time** there is a transaction, you should record it in your cash book. Ask what will happen if you do not enter all transactions. Then there will be a **difference** between the balance in your **cash book** and what there really is in your **cash box**. Refer to the previous session 3a where we listed the advantages of record keeping (refer to the advantage of knowing your balance).

4. Continue with the **purchase records**. Show the ledger again, and visual 2. Tell participants that this is an example of a purchase record. Ask what you will record on your purchase records. On purchase records you will record all your purchases (expenses), ranging from buying a pen and a notebook, to pesticides and other inputs. Every time you **buy** something, you must record this in your purchase records. Purchases include not only tangible products (real item; such as a pen or fertilizer), but also services (such as transport). Ask participants what the purchase records will show you. It shows how much you have in stock and how much money was spent on which items and services. Refer to the results of session 3a (costs).
5. Continue with the **sales records**. Follow the same procedure: show the ledger and visual 3, and ask what we record on sales records. On sales records, you will record all your sales (revenues). Every time you sell something, you must record this in your sales records. Ask what sales records shows. It shows how much you have in stock, which items sold best, which item did not sell well, who are your best customers. Refer to the results of session 3a (sales).
6. Conclude with the **records of debtors and creditors**. Show the ledger and visual 4, and ask what we record in the records of debtors and creditors. It records all items **sold** on credit, and all items **bought** on credit. Ask what it shows. It shows how much money customers owe you and how much money you owe to suppliers. **Creditor** refers to records of all goods purchased on credit. **Debtor** refers to records of all goods sold on credit to customers.
7. Show participants the empty table you have prepared and tell them we are going to do a little **exercise** with all the information we have been discussing. Divide participants into eight groups (each group will be 3-4 participants) and give every group a marker (black). Each group is going to complete one cell of the table. For example, group 1 has to write down what **type of information** will be collected in a cash book, group 2 will write down **what the information shows**, etc. Tell the groups to discuss the answer in their small group. If they have formulated an answer, they can come forward to write the answer in the table with the marker (tell them to write key words only).
8. Let every group write their answer in the table. Then discuss the table in plenary and see if everyone agrees. If the answer is wrong, or you would like to add something, use another color (red or green). The result should be similar to the following:

| | Type of records | Information collected | Information shown |
|---|------------------------|-------------------------------|---|
| 1 | Cash book | Revenues and expenses in cash | Shows how much cash the cash box contains |
| 2 | Purchase records | All items and services bought | Shows how much you have in stock and how much money was spent on which items and services |
| 3 | Sales records | All items sold | Shows how much you have in stock, which items sold best, which item did not sell well, best customers |

| | | | |
|---|----------------------------------|--|--|
| 4 | Records of debtors and creditors | Items sold on credit, items bought on credit | Shows how much customers owe you and how much you owe to suppliers |
|---|----------------------------------|--|--|

Finish

Summary: Use the table to give a summary (read out loud what is written).

Questions: Ask if anyone has a question or comment.

Evaluation: Turn the board (or put another sheet over it) and ask what types of records we have seen: cash book, purchase records, sales records, and records of debtors and creditors. For every record ask what info is collected (see table for answers).

Next step: We have discussed what record keeping is, what the advantages are, and what types of records exist. The next step is to see how we can complete each of these forms and to set up a record keeping system for your business.

Distribute the **fact sheet and all visuals** to all participants.

VISUAL 2

PURCHASE RECORDS

| Date | Bought from | Description | Total amount of purchase | Mode of payment |
|---|----------------|--------------------------|--------------------------|-----------------|
| 02 Jan 2009 | Isaac & Co | 80 sachets of Aldrex | N8,000 | Check (no 039) |
| 05 Jan 2009 | Pat's bookshop | 5 pens and 2 ledgers | N1,500 | Cash |
| 05 Jan 2009 | Golden Inputs | 100 bottles of Ultracide | N120,000 | Credit |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| TOTAL PURCHASES FOR JANUARY 2009 | | | N129,500 | |

VISUAL 3

SALES RECORDS

| Date | Description | Sold to | Unit price (in Naira) | Quantity | Total amount (in Naira) | Mode of payment |
|-------------------------------------|-------------|-----------|--------------------------|----------|----------------------------|-----------------|
| 04 Jan 2009 | Ultracide | Mr. Adjei | N1,200 | 2 | N2,400 | Cash |
| 04 Jan 2009 | Snipper | Mr. Adjei | N200 | 1 | N200 | Cash |
| 05 Jan 2009 | Aldrex | Sam Kwagi | N100 | 15 | N1,500 | Credit |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| TOTAL SALES FOR JANUARY 2009 | | | | | N3,900 | |

VISUAL 4

RECORDS OF CREDITORS AND DEBTORS

Account Payable (Creditor)

| Date | Name of creditor | Description | Amount owed | Amount paid | Balance |
|-------------|------------------|--------------------------|-------------|-------------|---------|
| 05 Jan 2009 | Golden Inputs | 100 bottles of Ultracide | N120,000 | N50,000 | N70,000 |
| | | | | | |
| | | | | | |

Account Receivable (Debtor)

| Date | Name of debtor | Description | Amount owed | Amount paid | Balance |
|-------------|----------------|-------------------|-------------|-------------|---------|
| 05 Jan 2009 | Sam Kwagi | 15 sachets Aldrex | N1,500 | 0 | N1,500 |
| | | | | | |
| | | | | | |