

Cambridge IGCSE · Accounting 0452 · Notes

Business documents

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Read first: [The double entry system of book-keeping](#)

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What you need to know

By the end of this topic you should be able to:

1. **Recognise and understand six business documents:** the invoice, debit note, credit note, statement of account, cheque and receipt. For each, know who writes it, who it is sent to, when, and what it shows.
2. **Complete a pro-forma business document:** fill in a printed blank form (for example an invoice or a credit note) with the right details and correctly calculated amounts.
3. **Use business documents as sources of information** for the accounting records: the invoice, credit note, cheque counterfoil, paying-in slip, receipt and bank statement. Know which book of prime entry each one is recorded in.

How the books of prime entry themselves are written up (journals, cash book, petty cash book) is a separate topic; here they are only where each document's information goes.

Understand it

Why documents matter

Every transaction a business makes leaves a piece of paper (or its electronic copy): the invoice for a sale, the counterfoil for a cheque written, the slip for money paid into the bank. These **source documents** are the evidence that the transaction happened and the place the book-keeper takes the details from. The order is always:

business documents → books of prime entry → ledger accounts → trial balance → financial statements.

A business keeps a copy of every document it sends out and files every document it receives, so any entry in the books can be checked back to its source.

Trade discount and cash discount

Two kinds of discount appear on documents, and they are treated very differently.

- **Trade discount** is a reduction in the **list price**, given to traders who buy for resale, often for buying in bulk. It is deducted **on the invoice itself**, so the invoice total is already net of it. It never appears in the books: only the net amount is recorded.
- **Cash discount** is an allowance for **paying quickly**, within a stated time. It is only **offered** on the invoice, in the terms of payment ("2% cash discount if paid within 30 days"). It is not deducted from the invoice total, because nobody knows yet whether the customer will pay in time. It is recorded later, when the payment is made.

For a credit sale, first take off trade discount to find the invoice total. Cash discount only comes in if and when the customer pays in time, and it is worked out on what they owe at that point.

The invoice

A **sales invoice** is sent by the **seller** to a **credit customer** when goods are sold on credit. It tells the customer what they have bought and how much they owe. The seller keeps a copy.

HARBOUR STATIONERS -----				Seller
12 Quay Street, Seaport				
SALES INVOICE				
Invoice no. 2047 -----				Invoice number
Date: 3 March 2026 -----				Date
To: Kai's Bookshop, 8 Hill Road, Riverton -----				Customer
Qty	Description	Unit price \$	Total \$	
50	Notebooks	4.00	200.00	Quantity × price
20	Pen sets	6.50	130.00	
	Total at list price		330.00	
	Less trade discount 10%		33.00	Trade discount
	Amount due		297.00	Amount due
Terms: 2% cash discount if paid within 30 days -----				Terms of payment

An invoice shows:

- the seller's name and address, and the customer's;
- an invoice number and the date;
- for each item, the quantity, a description, the unit price and the line total (quantity × unit price);
- the total at list price, the trade discount deducted, and the **amount due**;
- the **terms of payment**: how long the customer has to pay and any cash discount offered.

It does **not** show the date the invoice is paid (that has not happened yet) or a cash discount taken off the total.

On the invoice above, if Kai's Bookshop pays within 30 days it takes 2% of \$297 = \$5.94 off and pays \$291.06. Harbour Stationers records \$297.00 as the sale either way.

The same invoice is a **sales invoice** to the seller (an invoice **issued**) and a **purchase invoice** to the buyer (an invoice **received**).

The debit note and the credit note

Sometimes the buyer is charged too much: some goods are faulty, damaged in transit, the wrong kind, fewer than invoiced, or simply overcharged.

- The **buyer** sends the seller a **debit note**. It says what is wrong and asks for the amount owed to be reduced. It is a request, not a record: neither business enters a debit note in its books.
- The **seller** checks the claim and, if it agrees, sends the buyer a **credit note**. This reduces the amount the buyer owes. It is set out like an invoice (often printed in red), with the quantity, unit price, trade discount and total.

A credit note is worth what the buyer was **originally charged** for those goods: the list price **less the same trade discount** as on the invoice. Cash discount has nothing to do with it. For 6 chairs listed at \$80 each, sold with 25% trade discount, the credit note is $6 \times 80 \times 75\% = 360$.

A credit note is the only one of these documents that **reduces** what a customer owes. An overcharge is corrected the same way, with a credit note from the seller.

The statement of account

At the end of each month the seller sends each credit customer a **statement of account**. It lists everything that passed through the customer's account during the month:

- the balance owing at the start of the month;
- each invoice (adds to the balance);
- each credit note (reduces it);
- each payment received and any cash discount allowed (reduce it);
- the **balance owing** at the end of the month.

It usually has debit, credit and running balance columns. It **reminds** the customer that payment is due and tells them how much to pay. The customer checks it against their own account for the seller (in their purchases ledger) and queries anything that doesn't match.

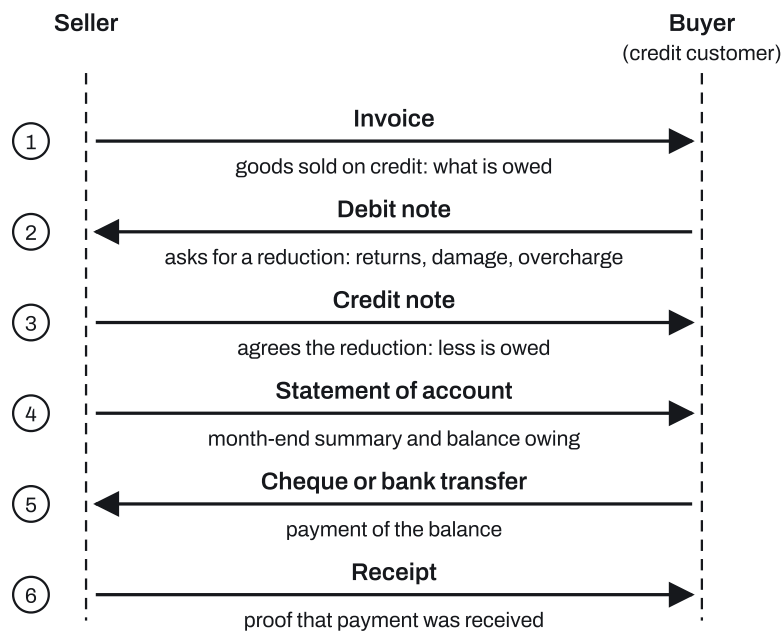
It does **not** show trade discount (the invoice amounts are already net), debit notes (those come from the customer), or bank charges (those are between a business and its bank). A statement of account is **not** entered in either business's books: every item on it has already been recorded from the invoices, credit notes and payments.

The cheque, the counterfoil and the receipt

A **cheque** is a written order from a bank account holder (the **drawer**) telling their bank to pay a stated sum to a named person (the **payee**). The buyer writes the cheque, sends it to the seller, and fills in the **cheque counterfoil** (the stub) that stays in the cheque book. The counterfoil records the date, the payee and the amount. It is the buyer's own record of the payment, and it never leaves the cheque book.

Many payments are now made by **bank transfer** instead. There is no counterfoil then; the payment shows on the buyer's **bank statement**.

A **receipt** is written by the person who **receives** money and given to the person who **paid**. It is proof that the payment was made. Receipts are always used for payments in cash; a business also keeps a copy of every receipt it issues.



Documents from the bank

- A **paying-in slip** is filled in when a business pays cash or cheques **into** its bank account. The bank stamps it, and the business keeps the counterfoil as its record of the amount deposited.
- A **bank statement** is sent by the bank to the business. It lists every amount paid into and out of the account, including items the business may not have recorded yet: direct debits, standing orders, credit transfers from customers, bank charges, interest and dishonoured cheques. It shows whether a bank transfer really went through, and it is used to check (reconcile) the cash book.

Documents as sources of information

This is where each document's details are recorded. "Issued" means the business sent it; "received" means it was sent to the business.

Document	Recorded in	Entry
Invoice issued (sales invoice)	Sales journal	A credit sale
Invoice received (purchase invoice)	Purchases journal	A credit purchase
Credit note issued	Sales returns journal	Goods returned by a customer, or an overcharge corrected

Document	Recorded in	Entry
Credit note received	Purchases returns journal	Goods returned to a supplier, or an overcharge corrected
Cheque counterfoil	Cash book, credit side, bank column	A payment by cheque
Paying-in slip counterfoil	Cash book, debit side, bank column	Money paid into the bank
Receipt issued (copy kept)	Cash book, debit side	Money received, usually cash
Receipt received	Cash book, credit side	Money paid, usually cash
Bank statement	Cash book (then used to reconcile it)	Direct debits, standing orders, credit transfers, bank charges, dishonoured cheques
Debit note	Not entered in the books	Only a request; the credit note is recorded
Statement of account	Not entered in the books	A summary for checking and a reminder

So the cash book is written up from the cheque counterfoils, paying-in slips, receipts and the bank statement. An **invoice is never** a source for the cash book, because an invoice is a credit transaction: no money has moved. (Small payments from petty cash are recorded from petty cash vouchers in the petty cash book, not from any of these.)

What appears where

Item	Invoice	Credit note	Statement of account
A credit sale or purchase	✓		✓
Goods returned (a return)		✓	✓
Trade discount deducted from list price	✓	✓	
Terms of payment and cash discount offered	✓		
A payment made and cash discount allowed			✓
The balance owing at the end of the month			✓

Key facts and formulas

There is no formula list in the IGCSE Accounting exam, so everything here must be learnt.

Formula	Status
line total = quantity × unit price	Learn it
invoice total = list price – trade discount = list price × (1 – trade discount rate)	Learn it

Formula	Status
Cash discount is not deducted on the invoice; it is shown in the terms of payment	Learn it
$\text{amount paid} = \text{amount owed} \times (1 - \text{cash discount rate})$, only if paid in time	Learn it
$\text{credit note} = \text{list price of goods returned} \times (1 - \text{trade discount rate})$	Learn it
Statement: closing balance = opening + invoices – credit notes – payments – cash discount	Learn it
Amount in the sales or purchases journal = invoice total (net of trade discount)	Learn it

How to do it

We have 35 tagged questions for this topic from 2021 to 2025 (25 different, as many appear on two or three paper variants): 32 one-mark multiple-choice questions from Paper 1 and 3 twenty-mark Paper 2 questions where business documents are one part. 2 of the 35 mix two types, so the counts add up to 37.

Question type	Questions
Identify the document for a situation	17
Documents as sources for the books	10
Calculate the amount on a document	7
What appears on a document, and completing one	3

1. Identify the document for a situation (17 questions)

1. **Work out who sends it to whom.** Buyer to seller, seller to buyer, business to bank, or bank to business.
2. **Work out what it is for:** to charge, to ask for a reduction, to give a reduction, to remind, to pay, to prove payment, to deposit money.
3. **Match** with the diagram of the documents in order:

Situation	Document
Goods sold on credit; tells the customer what they owe	Invoice (from the seller)
Goods returned, damaged, faulty or overcharged; the buyer asks for a reduction	Debit note (from the buyer)
The seller agrees; reduces what the customer owes	Credit note (from the seller)
Month-end summary; reminds the customer payment is due	Statement of account (from the seller)
Paying by cheque	Cheque (to the seller), counterfoil kept
Proof that an invoice has been paid	Receipt (from the person paid)

Situation	Document
Paying money into the bank	Paying-in slip
Checking that a bank transfer was made	Bank statement

Variations you will meet:

- **A sequence of events.** "Sold on credit; customer said goods were damaged; seller reduced the amount owing" is invoice, debit note, credit note, in that order.
- **What happens to a debit note.** The seller who **receives** a debit note uses it to prepare a credit note. It is not entered in any journal.
- **Name the document in words** (Paper 2): write the full name, "debit note", "credit note", "statement of account".
- **"Which document reduces the amount owed?"** A credit note, from the supplier. A debit note only asks for it.
- **Proof of payment.** A receipt, not a paying-in slip (that proves money went into your own bank), a petty cash voucher or a credit note. For a bank transfer, the payer checks the bank statement.

2. Documents as sources for the books (10 questions)

1. **Decide if the document was issued or received** by the business in the question.
2. **Use the sources table:** invoices go to the sales or purchases journal, credit notes to a returns journal, counterfoils, paying-in slips, receipts and the bank statement to the cash book.
3. **For the cash book, decide the side:** money out (cheque counterfoil, receipt received) is a credit; money in (paying-in slip, receipt issued) is a debit.

For example: the sales journal is written up from **invoices issued**, and the sales returns journal from **credit notes issued**. The purchases returns journal is written up from **credit notes received**.

Variations you will meet:

- **Paper 2 table:** "name the source document for the sales journal and say whether it is issued or received": invoice, issued. For the purchases returns journal: credit note, received.
- **"Which are not entered in the books of prime entry?"** The debit note and the statement of account.
- **Cheque counterfoil:** the source for a **credit** entry in the bank column of the cash book (a payment made by cheque). It is not sent to anyone, and it is not proof of payment.
- **"Which documents are sources for the cash book?"** Bank statement, cheque counterfoil, paying-in slip and receipt. Any option with an invoice or a petty cash voucher is wrong.

3. Calculate the amount on a document (7 questions)

1. **List price** = quantity × unit price.
2. **Take off trade discount.** This gives the invoice total, the credit note total and the amount recorded in the journal.

3. **Ignore cash discount** unless the question asks how much is **paid** in time.
4. **Pick the document** if the options name one (a buyer returning goods issues a debit note).

For example, goods listed at \$4000 sold with 12.5% trade discount and 5% cash discount for payment within 14 days: the sales journal records $4000 \times 87.5\% = 3500$.

Variations you will meet:

- **A credit note for part of an order.** Only the returned items, at the invoiced (net) price. Goods listed at \$6000 less 20% trade discount, a third returned: the buyer asks with a **debit note**, and the seller's credit note is for $6000 \times 80\% \div 3 = 1600$, that is \$1600.
- **Distractor options** usually use the gross list price, or take off cash discount as well. Work out your own figure first.
- **A balance from several documents.** Add invoices; subtract credit notes and payments. A debit note is **not** recorded: if a buyer's debit note claims \$55 but the seller agrees only \$48 on the credit note, \$48 is entered. For invoices received of \$210, \$330 and \$95, that credit note and a payment of \$260, the buyer owes the supplier $210 + 330 + 95 - 48 - 260 = 327$, that is \$327, a credit balance on the supplier's account in the buyer's books.

4. What appears on a document, and completing one (3 questions)

1. **Recall what each document is for**, then test each item against it with the "What appears where" table.
2. **Invoice**: goods, quantities, prices, trade discount, total, terms of payment. Not the date of payment.
3. **Credit note**: the returned goods and the trade discount on them.
4. **Statement of account**: opening balance, invoices, credit notes, payments, cash discount allowed, closing balance. Not trade discount, debit notes or bank charges.

Completing a pro-forma document (a printed form with the headings already on it):

1. Fill in the names, the document number and the date.
2. For each line, quantity $\times$ unit price, written to two decimal places.
3. Add the lines for the total at list price.
4. Take off the trade discount and show it as its own line; write the net total.
5. On an invoice, write the terms of payment, including any cash discount offered. Do not deduct it.
6. On a statement, keep a running balance after every line; the last figure is the balance owing.

Worked examples

The bold codes show where marks are earned, as in Cambridge mark schemes. The number is how many marks.

- **M1** method mark: for a correct method, even if the numbers slip.
 - **A1** accuracy mark: for a correct answer; it needs the M mark before it.
 - **B1** mark for a correct result on its own, with no method needed.
-

Example 1

Tomas buys 20 kettles on credit from Zara at a list price of \$30 each. Zara allows him 15% trade discount and offers 4% cash discount if he pays within 30 days. Before paying, Tomas returns 4 damaged kettles and Zara sends him a credit note.

What is the balance on Zara's account in Tomas's books after the return? **[1]**

A \$480.00 B \$391.68 C \$408.00 D \$510.00

The invoice: $20 \times 30 = 600$ at list price, less 15% trade discount = $600 \times 85\% = 510$. The credit note, for the returned kettles at the price charged: $4 \times 30 \times 85\% = 102$. Tomas still owes $510 - 102 = 408$, a credit balance of \$408.00. The cash discount is not taken until he pays. **Answer C B1**

(A ignores the trade discount; B also takes off the cash discount; D forgets the return.)

Example 2

Omari keeps a two-column cash book. Which documents does he use as sources for entries in its bank columns? **[1]**

1 cheque counterfoils 2 paying-in slip counterfoils 3 invoices received 4 bank statements

A 1 and 2 only B 1, 2 and 4 C 1, 3 and 4 D 2, 3 and 4

Counterfoils give the cheque payments (credit side) and the amounts paid in (debit side); the bank statement gives direct debits, credit transfers and bank charges. An invoice received is a credit purchase: no money has moved, so it goes in the purchases journal. **Answer B B1**

Example 3

On 3 June 2026 Ocean Supplies sold goods on credit to Palm Café: 40 mugs at \$3.50 each and 12 teapots at \$15.00 each. Palm Café is allowed 20% trade discount, and Ocean Supplies offers a 2.5% cash discount for payment within 14 days.

(a) Complete the invoice. **[5]**

(b) Name the book of prime entry in which (i) Ocean Supplies and (ii) Palm Café record this invoice, and state the amount recorded. [2]

(c) On 9 June Palm Café found that 5 mugs were damaged and returned them. Name the document Palm Café sends to Ocean Supplies, name the document Ocean Supplies sends back, and calculate its amount. [3]

(d) On 15 June Palm Café paid the amount it owed, within the 14 days. Calculate the amount paid. [2]

(a)

Ocean Supplies, Sales invoice no. 318, 3 June 2026, to Palm Café

Quantity	Description	Unit price \$	Total \$
40	Mugs	3.50	140.00
12	Teapots	15.00	180.00
	Total at list price		320.00
	Less trade discount 20%		64.00
	Amount due		256.00

Terms: 2.5% cash discount if paid within 14 days.

B1 mugs \$140.00; **B1** teapots \$180.00; **B1** total \$320.00; **B1** trade discount \$64.00; **B1** amount due \$256.00 (follows through from your own total).

(b) (i) Sales journal, \$256 **B1**. (ii) Purchases journal, \$256 **B1**. Both at the net amount; the cash discount is not recorded yet.

(c) Palm Café sends a **debit note B1**; Ocean Supplies sends a **credit note B1** for $5 \times 3.50 \times 80\% = 14.00$ **B1**.

(d) Owed = $256 - 14 = 242$. **M1** Cash discount = $242 \times 2.5\% = 6.05$, so Palm Café pays $242 - 6.05 = 235.95$ **A1**.

Example 4

Coral Traders sells goods on credit to Vina. On 1 June 2026 Vina owed \$520. In June:

- June 4: invoice for goods, \$364
- June 8: Vina sent a debit note for goods returned, \$48
- June 10: Coral Traders sent a credit note for these goods, \$48
- June 18: Vina paid the amount owed on 1 June by bank transfer, less 2.5% cash discount
- June 26: invoice for goods, \$215

(a) Prepare the statement of account Coral Traders sends to Vina for June. [5]

(b) Explain why the debit note does not appear on the statement. [1]

(c) State two ways Vina can use the statement. [2]

(a) Workings: payment $520 \times 97.5\% = 507$; discount $520 - 507 = 13$.

Coral Traders, Statement of account: Vina, June 2026

Date	Details	Debit \$	Credit \$	Balance \$
June 1	Balance			520
4	Invoice	364		884
10	Credit note		48	836
18	Bank transfer		507	329
18	Discount allowed		13	316
26	Invoice	215		531

Amount now due: \$531.

B1 opening balance; **B1** both invoices on the debit side; **B1** credit note; **B1** payment \$507 and discount \$13; **B1** closing balance \$531 (follows through).

(b) The debit note was Vina's request. The return is recorded once, from the credit note Coral Traders issued; showing both would take \$48 off twice. **B1**

(c) Any two: to check it against her own account for Coral Traders in her purchases ledger **B1**; to see how much she must pay, as a reminder that payment is due **B1**.

Common mistakes

- **Mixing up the debit note and the credit note.** The **buyer** sends the debit note (asking); the **seller** sends the credit note (agreeing). Candidates often name the wrong one, or the wrong sender.
- **Taking off cash discount on the invoice or credit note.** Only trade discount is deducted on an invoice. A credit note is the list price of the returned goods less trade discount only, as the examiner reports stress; the wrong options in these questions take off the cash discount too.
- **Using the gross list price in the journals.** The sales journal records the invoice total after trade discount, never the list price.
- **Thinking trade discount is on a statement of account.** It is only on the invoice and the credit note; the statement lists net amounts.
- **Counting one return twice.** The debit note and credit note are about the same goods; only the credit note is recorded.
- **Thinking the counterfoil is sent to the supplier.** The cheque is sent; the counterfoil stays in the cheque book and is the source for a credit entry in the bank column.
- **Using an invoice as a cash book source.** An invoice is a credit transaction and goes in a journal; the cash book only records money moving.

- **Getting "issued" and "received" the wrong way round.** Sales documents are issued by the business; purchase documents are received.

How to get the marks

- **Multiple choice** gives one mark for the letter. For a calculation, work out your own figure before reading the options: several of them are built from typical errors.
- **"Name the document"** needs the exact name ("credit note", "statement of account"), not a description.
- **Source-document tables** earn a mark per row, and a row usually needs both parts right: the document **and** whether it is issued or received.
- **Tick tables** ("which document does each item appear on?") are marked by row: every tick in the row must be right, and no extra ones.
- **Completing a document:** show each line total, the list-price total, the trade discount as its own line and the net total. Later totals follow through from your earlier figures, so finish the form even if one line is wrong.
- **"State"** needs a short answer; **"explain"** needs the reason, for example why a debit note is not recorded.
- Give amounts in dollars to two decimal places where there are cents.

Quick check

1. Name the document: (a) sent by a seller to a credit customer at the end of the month showing the balance owing; (b) filled in when paying cash into the bank; (c) sent by a buyer who has been overcharged; (d) given to a customer as proof that cash has been received.
2. Goods with a list price of \$1200 are sold on credit with 15% trade discount and 3% cash discount for payment within 10 days. Find (a) the invoice total; (b) the amount recorded in the sales journal; (c) the amount paid if the customer pays within 10 days.
3. A customer returns 9 items that were invoiced at \$30 each less 20% trade discount. Find the amount of the credit note, and name the book of prime entry in which the seller records it.
4. On 1 May a customer owed \$250. In May: invoices \$380 and \$145; credit note \$40; the customer paid the amount owed on 1 May less 2.5% cash discount. Find the balance on the statement of account at 31 May.
5. Which of these are **not** entered in a book of prime entry: invoice, debit note, credit note, statement of account? Give a reason.

Answers

1. (a) Statement of account. (b) Paying-in slip. (c) Debit note. (d) Receipt.
2. (a) $1200 \times 85\% = 1020$. (b) \$1020, the invoice total (cash discount is not recorded at this point). (c) Cash discount $1020 \times 3\% = 30.60$, so the customer pays $1020 - 30.60 = 989.40$.
3. $9 \times 30 \times 80\% = 216$. The seller issued the credit note, so it goes in the **sales returns journal**.
4. Payment $250 \times 97.5\% = 243.75$ and discount \$6.25. Balance = $250 + 380 + 145 - 40 - 243.75 - 6.25 = 485$.
5. The debit note and the statement of account. A debit note is only a request (the credit note is what gets recorded), and every item on a statement of account has already been recorded from its own document.

Past questions to try

- 0452/22/F/M/22 Q1: part (c), ticking which items appear on an invoice, a credit note and a statement of account.
- 0452/12/O/N/21 Q5: the document and amount for goods returned after trade discount.
- 0452/12/O/N/21 Q6: what a cheque counterfoil is used for.
- 0452/11/M/J/24 Q5: which documents are not entered in the books of prime entry.