

UNIT 4

ECONOMIC-ADMINISTRATIVE FUNCTION IN A COMPANY

PART IV. ADMINISTRATIVE TRADE PROCESS
(BUYING AND SELLING)

The **contract of sale (or purchase agreement)** (contrato de compraventa) is a contract in which one of the parties (buyer) acquires a good or service, and the other party (seller) delivers that good or performs that service in exchange for an economic benefit (the price for which he obtains a profit).

A company plays, in the development of its activity, both as a seller and as a buyer. On the one hand, it plays as a seller of its goods or services to its customers (thus making a profit). But on the other hand, it also plays as a buyer, by buying the goods and services it needs for the development of its activity from its suppliers.

I. DOCUMENTS INVOLVED IN THE BUYING AND SELLING PROCESS

1. ORDER FORM (PEDIDO)

An order form (purchase order or order note) is a document issued by the buyer to request goods from the seller.

It is useful for the buyer, since it helps him to know the type and amount of the expense that he is going to make. And it is also useful for the seller, to be able to prepare the order and make invoices (in case of accepting the order). When the order form is accepted, there is a contract between the two parties.

Parts of the order form:

- Contact details and address of the buyer.
- Contact information and address of the seller.
- Date and place of issue of the order.
- Name, quantity, price and description of the products to be purchased.
- Terms of payment (mode of payment) and delivery of the order (when and how the product will be received).
- Total cost of the order and shipping costs (costes de envío).
- Authorized signature.

Purchase Order Form

SHIP FROM:

SHIP TO:

DELIVERY IINSTRUCTIONS:

Customer Number:

Delivery needed by:

PO Number:

Sales Rep:

Ship Method:

Buyer:

Terms:

ITEM	QUANTITY	DESCRIPTION	COUNT PER UNIT	UNIT PRICE	TOTAL

TOTAL:

S/H:

TAX:

FINAL TOTAL:

NOTES:

SIGNATURE:

TITLE:

DATE:



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2. DELIVERY NOTE (ALBARÁN)

It is the commercial document that certifies the delivery of an order. At the time of delivery, the recipient of the merchandise must sign it to certify that a purchase has been correctly received. Not signing the delivery note means that you are not agree with what you received.

Its use is not mandatory, but it is recommended because it proves the correct delivery and receipt of an order. However, the fact that the delivery note is not a mandatory document does not mean that it lacks legal and commercial implications.

The delivery note is also an important document for the transport company or delivery company since, once it gets the recipient's signature, it is already free from possible incidents detected later or any claim. Hence (Por ello) the advice is to carefully supervise all merchandise before signing it.

Parts of the delivery note:

- Place and date of issuance of the delivery note.
- Document code or number.
- Details of the buyer and seller.
- Place and date of delivery.
- Signature and stamp of the recipient.
- Product description.

DELIVERY NOTE

To :	_____	Your Order Number :	_____
Address :	_____	Date Sent :	_____
	_____	Per Invoice Number :	_____
	_____	Our Contact Person :	_____
Attention :	_____	Telephone :	_____

[illegible]

Goods received in good order.

Name : _____ Signature : _____ Date : _____



**Your
LOGO
here**

Your Company

Your Street
Your Town
Your County, Postcode
Your Telephone Number
Your Fax Number
Your Email Address
Your Website Address

CUSTOMER NAME & ADDRESS:

DELIVERY/COLLECTION NOTE

DATE: _____

SALES PERSON:

DOCUMENT No. _____

[illegible]

www.vishvaakshar.com Tel: 0811 422-0000



3. INVOICE (FACTURA)

An invoice is a commercial document that records the information related to the acquisition of a good or the contracting of a professional service and the amount thereof, that is, a sales relationship.

It is mandatory to issue an invoice for the deliveries of goods and services that are made in the development of the commercial activity, as well as to keep a copy of it.

Parts of the invoice:

- **Identifying data** of the professional or company that provides the goods and / or services: name and surname, address and ID Card.
- **Invoice number**: the invoices that are issued must be numbered consecutively. No jumps or omissions can be made in the series.
- **Title**: The series number is preceded by the title with the word 'Invoice' specifying the character of the document. For example: Invoice: 787.
- **Issue date**: the dates of the invoices must also be according to their numbering so that, following the previous example, invoice No. 787 must have a later date than No. 786.
- **Information of the company or person to whom the invoice is addressed**: this part also refers to the name and surname, registered name (razón social) and ID Card of the recipient responsible for payment.
- **Information on the issuer**: name and surname (or registered name), ID Card/ and postal address of the issuer of the invoice deserving of payment.
- **Object of the invoice**: this section briefly describes the services provided (or goods delivered) easily identifiable by the recipient.
- **Tax base** (base imponible): the tax base is specified, this refers to the remuneration that will be obtained without putting the different types of taxes. That is, the gross amount without applying withholdings of any kind. For example: € 1,000.
- **Personal Income Tax Withholding** (retención de impuesto sobre la renta) (if applicable): corresponds to the money deducted on each invoice for Personal Income Tax (IRPF). The retention, in most cases, is 15%. Continuing with the previous example, from the € 1,000 before taxes, € 150 would have to be deducted.
- **Amount of VAT** (IVA): in this section it must be remembered that there are professional activities exempt from paying VAT; if this is the case, it is advisable to specify on the invoice that it is exempt from VAT.
- The **VAT percentage** that is applied must be indicated, as well as the result of applying that percentage (it must be calculated and subtracted from the net or the tax base).
- **Total amount to receive**. It will be the result of subtracting personal income tax withholding from the net and adding the amount of VAT.

Other important aspects regarding the invoice:

- **Electronic invoicing:** its implementation begins to gain followers among SMEs and the self-employed. Speed in shipping, cost savings and greater efficiency and control when managing the company are three of his arguments for its implementation.

It is important **no to confuse the delivery note with the invoice:** the delivery note does not replace the invoice. The big difference between the two is that, for its part, the delivery note does not have tax functions and is not mandatory in a commercial transaction. Instead, the invoice is. That is, the invoice is the document that justifies the payment of a commercial operation and has tax effects. That is why the invoice must contain different information, such as the tax data of the buyer and seller, the quantity of the product or service that is the object of the operation or the VAT applied.

- **Proforma invoice:** it should not be confused with an ordinary invoice. The proforma invoice is a provisional document that is issued so that the client has all the necessary information about the products or services to be invoiced. The proforma invoice is similar to a budget and is very useful for the buyer (client) to confirm their data and the sale operation.

What is the difference with a commercial invoice? The main difference between them is that the commercial invoice has tax validity and is a definitive document. For this reason it cannot be modified. The proforma invoice, on the other hand, is a document prior to the issuance of a commercial invoice and has no tax validity.

- **Corrective invoice:** it is a document that is issued to correct an original invoice. Using a corrective invoice is mandatory if the original invoice does not meet the requirements or when an error has occurred when calculating the quantities.

PROFORMA INVOICE

DATE: / /



Name:
Street Address 1:
Street Address 2:
City:
County:
Postcode:
Tel:

Name:
Street Address 1:
Street Address 2:
City:
State:
Post / Zip Code:
Tel:

WAYBILL NUMBER	CURRENCY	VAT NUMBER	TYPE OF EXPORT	REASON FOR EXPORT	TERMS OR TRADE
	GBP	NOT VAT REGISTERED			D D U

QUANTITY	DESCRIPTION	COUNTRY OF ORIGIN	UNIT WIEGHT	UNIT VALUE	TOTAL
SHIPPING CHARGES					£
TOTAL INVOICE AMOUNT					£

I/WE HEREBY CERTIFY THAT THE INFORMATION ON THIS INVOICE IS TRUE AND CORRECT AND THAT THE CONTENTS OF THIS SHIPMENT ARE AS STATED ABOVE.

SIGNATURE:..... NAME:..... DATE:.....



VAT Invoice

Invoice Da 28.5.16

Company:

Name:

Street Address

City, ST ZIP Code

E-mail

Phone No.

VAT No.

[illegible]

Total	€ 1,000.00
VAT Amount	€ 100.00
Total with VAT	€ 1,100.00
Payment	
Balance Due	€ 1,100.00

VAT Analysis:

VAT %	ET Euro	Euro
10.00	200000	220000

TAX INVOICE

DATE:
INVOICE:

Ship To:

Name

Address

City, ST ZIP

Contact

VAT# Customer1VATID

[illegible]

your web site, email, phone numbers

THANK YOU FOR YOUR BUSINESS

Carlos J. Riquelme



4. PAYMENT RECEIPT (RECIBO)

A payment receipt is a document that certifies payment for a service or product. This is issued by the creditor or the person who generated the invoice and, therefore, provides the service or product and is directed to the recipient of said good or service.

Parts of the receipt:

- Title: It must be a receipt or receipt of payment to indicate the nature of the document.
- Mention of the invoice or the concept to which it has been paid.
- Amount that has been collected.
- Outstanding amount (cantidades pendientes de cobro) (if any).
- Date the payment was received.
- Name and company name of the issuer (other elements such as the logo, e-mail or even the telephone number of the issuing company are also relevant when identifying the issuer).

PAYMENT RECEIPT	No	:	
	Date	:	
Received From:			
Amount:			
		\$	
Payment for :			
Received By :		Sign :	
[Company Name] o [Address] o [City] o [State] o [Zip Code] o [Phone]			

II. PAYMENT PROCESS

The buying and selling process ends when the buyer makes pays the seller. The buyer gets the product or service and the seller has collected their money.

We must differentiate between cash payment and deferred payment (pago aplazado)

- **In cash payment:** payment is made at the same time of sale. It can be done with cash or through payment in the bank account.
- **The deferred payment (pago aplazado):** it is a payment that is made after the delivery of the good or service, for example, through installment payments (pago fraccionado)

It has already been seen that, to justify the collection (el cobro), the receipt payment is used, but... what other documents are used in the payment?

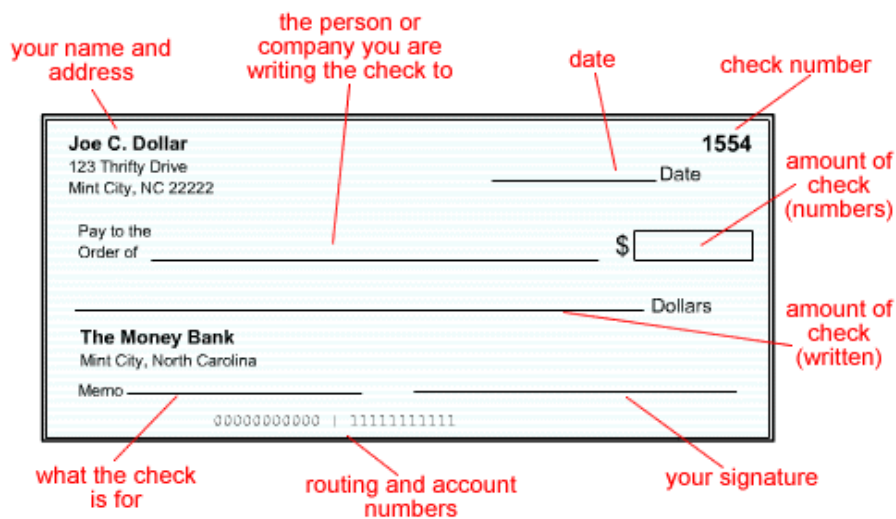
Payment can be made in cash or through a bank transfer. Payment can also be made through some documents. Think that cards, internet, online banking, smartphones, etc. they have not always existed. What has existed (for a long time) is the need not to always carry money and the habit of keeping it in financial institutions. Let's see those documents that are still valid.

1. CHECK (US) CHEQUE (UK) (CHEQUE)

A check is a document used as a mean of payment by which a person (the drawer, librador) orders a bank (the drawee, librado) to pay a certain amount of money to another person or company (the beneficiary or check-holder). Unlike a bill of Exchange (letra de cambio) or promissory note (pagaré), you don't have to wait for any expiration date (fecha de vencimiento) to collect it.

A check can be issued in diferente ways:

- ***Bearer cheque or check (cheque al portador)***: Anyone who presents this type of check has the right to cash it. You have to be very careful because if you lose it, anyone can collect it.
- ***Nominative bank cheque or Order check (cheque nominativo)***: In this case, only the person or company whose name appears on the check will be able to collect it. nobody apart from the payee can receive the funds. This makes it the most recommended form of common checkbooks. However, there is the possibility of transferring the collection right to a third party through what is called the "endorsement" (endoso). To endorse a check, the beneficiary writes on the back (or reverse) of the document the name of another person (and his/her ID Card), who becomes the new beneficiary, and signs it.
- ***Barred or crossed cheque (cheque cruzado)***: a check is crossed when two parallel diagonal lines are drawn on its face. In this way it can only be collected in a certain bank, so that it in turn collects it in the drawee entity (de forma que esta entidad bancaria lo pueda cobrar a su vez en la el banco librado). Checks can be "crossed", either by the drawer or by the holder.
- ***Check to pay into account (cheque a abonar en cuenta)***: If a check has the expression "pay into account" written on it, it means that the money cannot be withdrawn in cash, but must be deposited into a bank account.
- ***Certified check (Cheque conformado)***: It is a check in which the bank that has to pay (the drawee) ensures that there are funds and that therefore it will be paid. To guarantee the operation, the bank retains that amount from the drawer's account, in addition to the commission that is usually charged for that service.



Parts & Parties to a Check/Share Draft

Diagram of a check form with labels pointing to various fields:

- Drawer's Name & Address
Joint Account (points to Melanie Paige, Charles Paige, 619 Main Street, Raleigh, NC 27601)
- 3. Payee (points to Donnie Tatum)
- 2. Check Date (points to July 16, 2010)
- ABA # (points to 2-131/1034)
- Check Number (points to 319)
- 4- numeri (points to 319)
- Pay To the Order of (points to Donnie Tatum)
- \$100.50 (points to \$100.50)
- 5- amount in words (points to One hundred and 50/100)
- DOLLARS (points to DOLLARS)
- State Credit Union (points to State Credit Union)
- For (points to Charles Paige)
- 7. Drawer's Signature - Last item completed on check! (points to Charles Paige)
- 6. Memo (points to 2131/1034:78434 234320)
- Bank Name - Drawee (points to 2131/1034:78434 234320)
- MICR Banking #s (points to 100.50 07-18-2010 2251)

CaixaBank Ent. Oficina D.C. N°: cuenta
 CCC 2700 3461 02 020042646
 IBAN ES00 0000 24010000 0000 0000
 Telf. 0100000000

Eur. **2.862,30**** €

Páguese, por este cheque, a CAIXA BANK S.A.

Euros (en letras) DOS MIL OCHOCIENTOS SESENTA Y DOS CON TREINTA

Serie n° 594 ZARAGOZA TRES DE NOVIEMBRE 20 16
 0.655.874 - 5 4201 -1 Fecha (en letras)
 RIBAWOOD, S.A.

065587421000 2431 0200042646 4201

2. PROMISSORY NOTE (PAGARÉ)

It is a document by which a natural or legal person agrees to make the payment of a specified amount at a future date. It is therefore a promise to pay. As it is a commitment to pay, and not a payment order such as a check, it implies that the promissory note does not imply the recognition of the debt with the beneficiary.

However, when it comes to a commercial operation, the Bank of Spain says that the character of this document is similar to that of a bill of exchange.

Promissory Note Template

Promissory Note

Amount: _____ Date: _____
 Place: _____


I Mr. ABC, make commitment to pay XYZ Company, the Sum of \$ _____.
 Repayment is to be made in the form of 200 equal payments at the interest rate of 7.2% of \$ _____ payable on the 10th of each month, beginning 10/01/2011 until the total amount of debt is paid.

IN WITNESS WHEREOF, I set my hand under seal this ____ [the day] of _____ [month], 20__ and I acknowledge receipt of a completed copy of this instrument.

Sign: [Signature of borrower]

Name & Address: [Party name]

Notary Public - SEAL
 My Commission Expire ____/____/____

	Domicilio Oficinas Avada Ronda 7 03600 ELDA	CCC IBAN	Entidad	Oficina	DC	Nº de Cuenta
			9999	4170	70	3910257890
			ES46 9999 4170 70 3910257890			

Vencimiento	7 de Marzo de 2013	EUROS	// 2,458 //
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Se designan a una persona como titular del derecho, a favor de la cuál habrá de satisfacerse. Por este pagaré me comprometo a pagar el día de vencimiento indicado

A: A LA ORDEN DE LUIS SÁNCHEZ MAESTRE

EUROS Dos mil cuatrocientos cincuenta y ocho

ELDA a 7 de Enero de 2013

SERIE: 8,734,570,0 N°: 7500,4

Pagaré

1000152531235^^^012365423

Pagaré	No. 3	Bueno por \$ 15,000.00
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En Madrid a 4 de diciembre de 2016

Debe(mos) y pagare(mos) incondicionalmente este Pagaré a la orden de Juan de la Vega Pérez en Madrid, España el 3 de marzo de 2017

La cantidad de:

Quince mil euros

Valor recibido a mi (nuestra) entera satisfacción. Este pagaré forma parte de una serie numerada del 1 al 3 y todos están sujetos a la condición de que, al no pagarse cualquiera de ellos a su vencimiento, serán exigibles todos los que le sigan en número, además de los ya vencidos, desde la fecha de vencimiento de este documento hasta el día de su liquidación, causará intereses moratorios al tipo de 5 % mensual, pagadero en esta ciudad juntamente con el principal, más los gastos que por ello se originen.

Nombre y datos del deudor	
Nombre	<u>Carlos Parra Parra</u>
Dirección	<u>Satélite 12</u>
Población	<u>Madrid, España</u>

Acepto(amos)

Firma(s) Carlos Parra

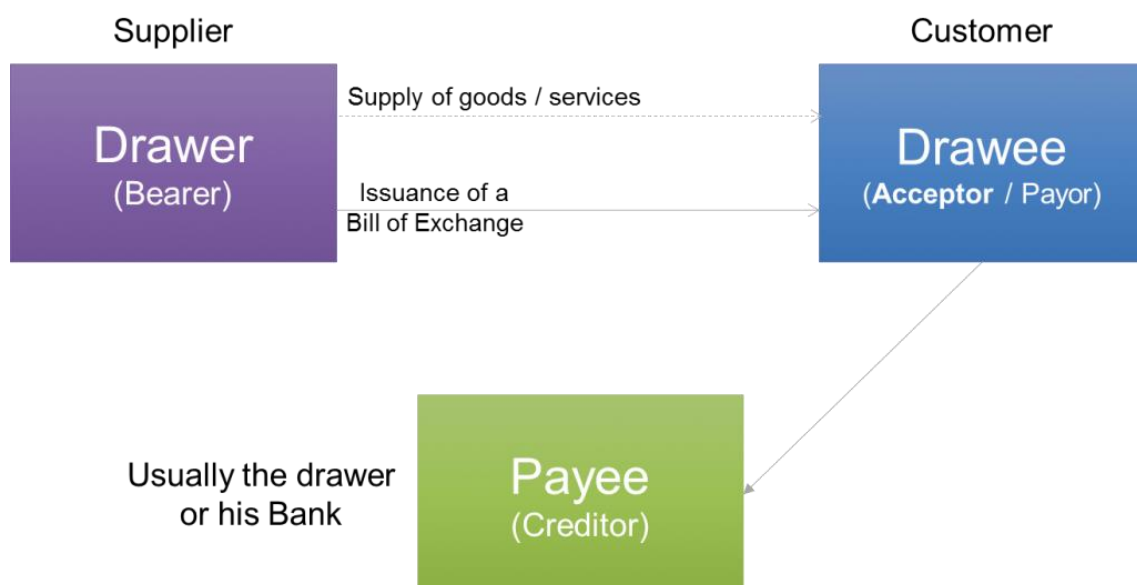
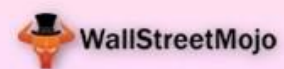
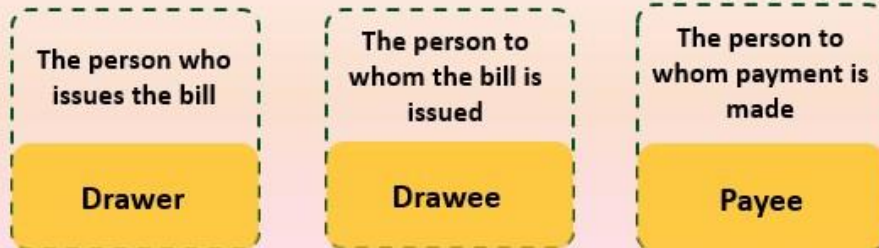
10ejemplos.com

3. THE BILL OF EXCHANGE (LETRA DE CAMBIO)

The Bill of Exchange is a document that contains a payment order. Several people intervene:

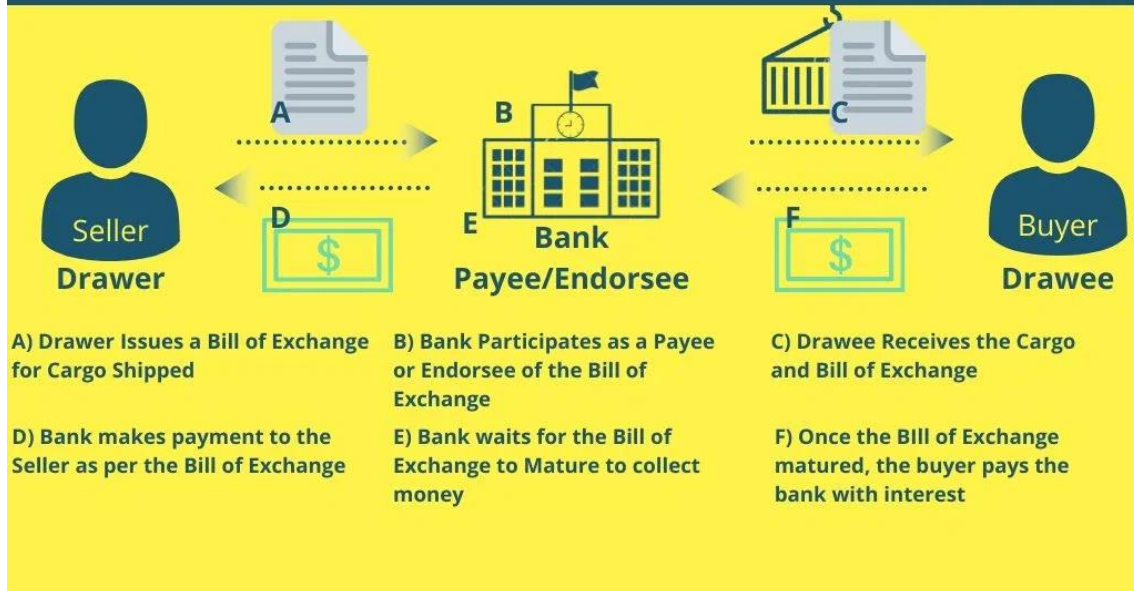
- **Drawee (Librado):** it is the client. It is the person to whom the payment order is addressed (debtor).
- **Drawer (Librador):** is the seller. It is the person who issues the bill of exchange (creditor) giving the payment order to another person (debtor).
- **Payee or Holder (Tenedor):** is the person who has to collect the bill of exchange. Usually it is the bank.

Bills of Exchange



BILL OF EXCHANGE

www.maxfreights.com

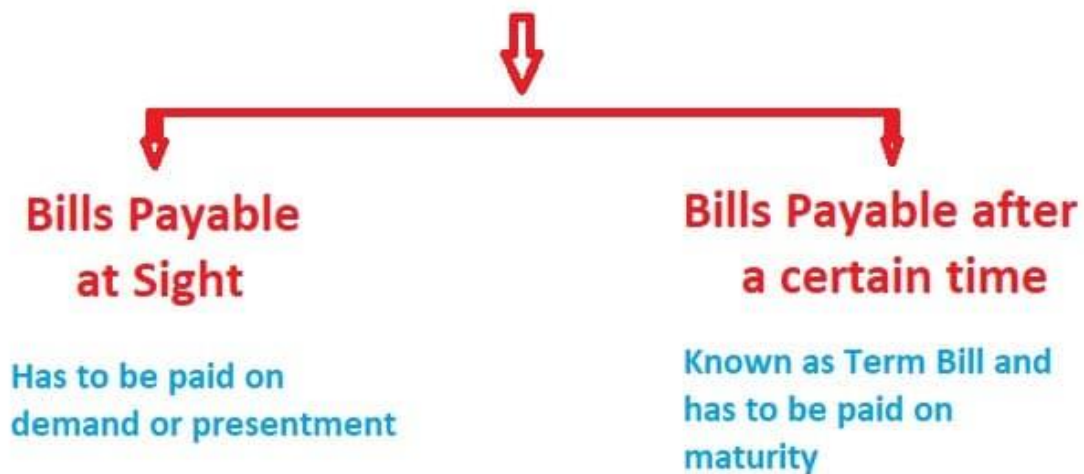


They can also intervene:

- **Endorser** (Endosante): creditor (original or later) who transmits his right to collection.
- **Endodor** (Endosatario): person (current creditor) to whom the collection right has been transferred.
- **Guarantor** (Avalista): person who guarantees, in whole or in part, the payment of **guarantee** (avalado)

THECOMMERCETUTOR.COM

TYPES OF BILLS OF EXCHANGE



Sample Format - Bill of Exchange

Amount - 2,00,000

Place, Date

Stamp

60 days after the date, pay Mr. ABC a sum of 2,00,000, for value received.

www.AccountingCapital.com

Accepted
(Signed)

Drawee's Name

Drawee's Address

Drawer

(Signed)

Drawer's Address

Bill of Exchange	
Rs. 30,000/-	Delhi, 6th October, 2017
Revenue Stamp	
Two months after date pay to <u>Mr C or his order</u> the sum of Rupees Thirty Thousand only, for value received	
To <u>Mr D</u> Chandni Chowk Delhi	Payee
	Drawee
	Drawer
	Mr C

Maturity (Draft of Promissory Note payable)	Legal Regulation in Article I BECA	Model Clause
At sight	Section 34	"at sight", "at presentation", "after sight", "on demand"
At a fixed period after sight	Section 35	"one month after sight"
At a fixed period after the date of drawing	Section 33	"pay in a month after drawing"
On a fixed day	Section 33	"on 4 th January 2005"

The authors are grateful to the referees for their constructive comments.