The Source Document

When a business transaction occurs, a document known as the **source document** captures the key data of the transaction. The source document describes the basic facts of the transaction such as its date, purpose, and amount.

Some examples of source documents:

- cash receipt
- cancelled check
- invoice sent or received
- credit memo for a customer refund
- employee time sheet

The source document is the initial input to the accounting process and serves as objective evidence of the transaction, serving as part of the audit trail should the firm need to prove that a transaction occurred.

To facilitate referencing, each source document should have a unique identifier, usually a number or alphanumeric code. Prenumbering of commonly-used forms helps to enforce numbering, to classify transactions, and to identify and locate missing source documents. A well-designed source document form can minimize errors and improve the efficiency of transaction recording.

The source document may be created in either paper or electronic format. For example, automated accounting systems may generate the source document electronically or allow paper source documents to be scanned and converted into electronic images. Accounting software often provides on-screen entry forms for different types of transactions to capture the data and generate the source document.

The source document is an early document in the accounting cycle. It provides the information required to analyze and classify the transaction and to create the journal entries.