

Contents

- 5.1 Introduction, Meaning and need for maintaining Subsidiary Books.
- 5.2 Cash Book with Cash Column
- 5.3 Cash Book with Cash and Bank Columns.
- 5.4 Simple and Analytical Petty Cash Book under Imprest System.
- 5.5 Purchase Book.
- 5.6 Purchase Return Book.
- 5.7 Sales Book.
- 5.8 Sales Return Book
- 5.9 Journal Proper

Competency Statements

Students understand the meaning and need of Subsidiary Books.

Students know the actual recording of transactions in special Journal.

Students can classify cash and credit transactions.

Students are able to prepare and balance different types of Cash Book.

Student learn to give accounting treatment for banking transactions and contra entries.

Students can prepare various Subsidiary Books.

5.1 Introduction

A small business may be able to record all transactions in single Journal but as the business expands the number of transactions becomes so large, that the Journal is required to be sub-divided into Special Journals which are called Subsidiary Books.

Meaning : The sub division of Journal on the basis of nature of transaction is known as Subsidiary Books. These books are also called as Books of Original entries or Prime entries because the transactions are first recorded in Subsidiary Books and then posted in the Ledger.

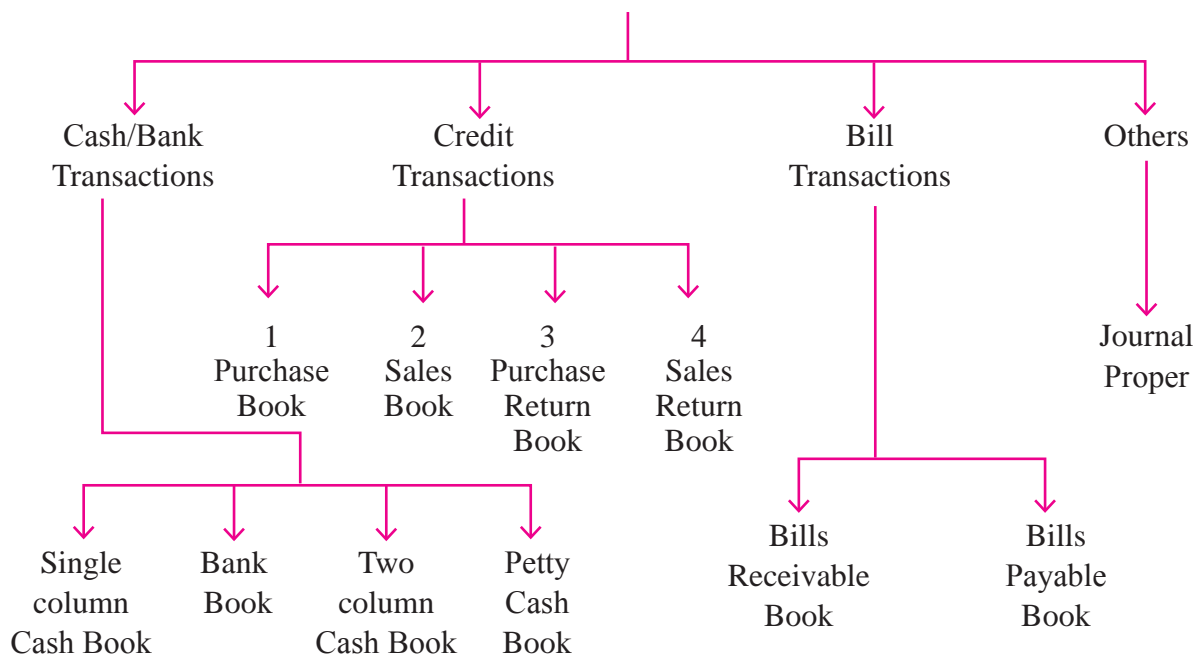
Need for maintaining Subsidiary Books :

- 1) **Specialisation :** When the staff is appointed for same type of work it leads to specialisation and increase in efficiency.



- 2) **Time saving and economical :** Different accounting procedures can be taken up at the same time. This will save time and prove to be economical.
- 3) **Division of work :** The writing of Subsidiary Books can be conveniently divided among different clerks. Hence it is easy to keep the Books upto date.
- 4) **Quick information and future reference :** Subsidiary Books gives quick information relating to the accounts and makes future reference easy.
- 5) **Internal check :** Verification of correctness can be made more effectively.

Types of Subsidiary Books on the basis of transaction :



Following are the important Subsidiary Books.

- 1) Cash Book.
- 2) Petty Cash Book.
- 3) Purchase Book
- 4) Purchase Return Books (Return Outward Book)
- 5) Sales Book
- 6) Sales Return Book (Return Inward Book)
- 7) Journal Proper

5.2 Cash Book :

All Cash and Bank transactions are recorded in the Cash Book. The Cash Book has two sides where the left hand side is Receipt Side (Debit-side) and the right hand side is Payment Side (Credit side). When amount is received details are recorded on the Receipt side and when payments are made details are recorded on the Payment side. Cash Book a Journal since it is a Book of Original entries and it also a ledger since it constitutes a classified record of all cash transactions in the form of Ledger and helps in finding out Cash and Bank balance at the end of particular accounting period. Thus, it can be said that cash book serves dual purpose of journal as well as ledger.

Format of Simple Cash Book

In the books of _____

Dr.					Simple Cash Book					Cr.
Date	Receipts	Receipt No.	L.F.	Amount ₹	Date	Payments	Voucher No.	L.F.	Amount ₹	

1) Prepare a Simple Cash Book

2019 March 1	Cash in hand	₹	2,500
5	Cash paid to Suresh	₹	1,000
7	Cash Purchases	₹	500
14	Cash Received from Prakash	₹	1,000
16	Cash Sales	₹	800
20	Paid Carriage	₹	100
25	Paid Salary	₹	500

In the books of Company

Dr.					Simple Cash Book					Cr.
Date	Receipts	R. No.	L. F.	Amount ₹	Date	Payments	V. No.	L. F.	Amount ₹	
2019 March					2019 March					
1	To Balance b/d			2,500	5	By Suresh A/c (Being paid to Suresh)			1,000	
14	To Prakash A/c (Being cash received)			1,000	7	By Purchase A/c (Being goods purchased for cash)			500	
16	To Sales A/c (Being cash sales)			800	20	By Carriage A/c (Being Carriage paid)			100	
					25	By Salary A/c (Being Salary paid)			500	
					31	By Balance c/d			2,200	
				4,300					4,300	
April 1	To Balance b/d			2,200						



2. Enter the following transactions in the Simple Cash Book of M/s Sourabh Traders

2019 July	1	Started business with cash	₹ 1,00,000
	3	Deposited cash into Bank	₹ 80,000
	5	Purchased Stationery for cash	₹ 2,000
	7	Cash Purchases	₹ 15,000
	8	Sold goods for cash ₹ 20,000 at 8% Trade Discount	
	10	Paid Insurance Premium	₹ 5,000
	12	Paid cash to Dixit	₹ 10,000
	15	Received cash from Saxena	₹ 80,000
	17	Received Commission	₹ 2,000
	18	Drew for domestic use	₹ 4,000
	22	Sold old Furniture	₹ 5,000
	25	Paid Salary to Ram	₹ 6,000
	30	Received Interest	₹ 4,000

Solution :

In the books of M/s Sourabh Traders

Dr.				Simple Cash Book				Cr.	
Date	Receipts	R. No.	L. F.	Amount ₹	Date	Payments	V. No.	L. F.	Amount ₹
2019 July					2019 July				
1	To Capital A/c (Being business started)			1,00,000	3	By Bank A/c (Being Cash deposited in Bank)			80,000
8	To Sales A/c (Being cash sales)			18,400	5	By Stationery A/c (Being Stationery purchased)			2,000
15	To Saxena A/c (Being received cash)			80,000	7	By Purchase A/c (Being goods purchased)			15,000
17	To Commission A/c (Being commission received)			2,000	10	By Insurance Premium A/c (Being Insurance Premium paid)			5,000
22	To Furniture A/c (Being old Furniture sold)			5,000	12	By Dixit A/c (Being Cash paid)			10,000
30	To Interest A/c (Being Interest received)			4,000	18	By Drawings A/c (Being Drawings made)			4,000
					25	By Salary A/c (Being Salary paid)			6000
					31	By Balance c/d			87,400
				2,09,400					2,09,400
Aug. 1	To Balance b/d			87,400					



3. Enter the following transactions in a Simple Cash Book of Kamal Traders.

2018 Aug	1	Cash in hand	₹ 37,400
	4	Cash received from Sakshi	₹ 25,000
	5	Cash purchases	₹ 25,000 at 12% T.D.
	8	Invested in Shares	₹ 25,000
	10	Paid for Sundry Expenses	₹ 3,000
	12	Paid Life Insurance Premium	₹ 8,000
	16	Received Dividend	₹ 2,000
	20	Paid Telephone Bill	₹ 6,000
	22	Received Interest	₹ 1,000
	25	Cash Sales	₹ 25,000 at 20% T.D.
	28	Paid Electricity Bill	₹ 4,500

Solution :

In the books of Kamal Traders

Dr.

Simple Cash Book

Cr.

Date	Receipts	R. No.	L. F.	Amount ₹	Date	Payments	V. No.	L. F.	Amount ₹
2018 Aug. 1	To Balance b/d			37,400	2018 Aug. 5	By Purchases A/c (Being Cash purchased)			22,000
4	To Sakshi's A/c (Being Cash received)			25,000	8	By Investment in Shares A/c (Being shares purchased)			25,000
16	To Dividend A/c (Being Dividend received)			2,000	10	By Sundry Expenses A/c (Being Sundry expenses paid)			3,000
22	To Interest A/c (Being Interest received)			1,000	12	By Drawings A/c (Being Life Insurance paid)			8,000
25	To Sales A/c (Being Cash sales)			20,000	20	By Telephone Bill A/c (Being Telephone bill paid)			6,000
					28	By Electricity Bill A/c (Being Electricity bill paid)			4,500
					31	By Balance c/d			16,900
				85,400					85,400
Sept. 1	To Balance b/d			16,900					



5.3 Two column Cash Book (Cash Book with Cash and Bank column)

Bank plays an important role in providing various services to traders. It accepts deposits from customers and allows withdrawals by way of cash or cheque or various net banking transactions. In addition to this bank provides a number of functions, like, payment by cheques and drafts, loan facility, cash credit, collection of cheques and above all safety of cash. Moreover, when a trader opens a current account with the bank he can avail Overdraft facility.

A businessman who indulges in a number of banking transactions opens a Current Account with the bank to take the advantage of Overdraft facility.

5.3.1 Columns in Cash Book with Cash and Bank columns :

Cash book with Cash and Bank columns has one additional column on receipt side and payment side along with cash column. This column is known as 'Bank' column. Only banking transactions are recorded in this column. Bank column represents the Bank Current Account.

5.3.2 Format of Cash Book with Cash and Bank columns :

In the books of -----

Two column Cash Book

Date	Receipts	R.No.	L.F.	Cash (₹)	Bank (₹)	Date	Payments	V.No.	L.F.	Cash (₹)	Bank (₹)

5.3.3 Accounting treatment of banking transactions in Cash Book with Cash and Bank columns :

- Opening balance of bank account :** When total of receipt side (debit side) is greater than the total of payment side (credit side) it is known as debit balance. When total of payment side (credit side) is greater than the total of receipt side (debit side) it is known as credit balance. Bank account is a personal account therefore; it can have debit balance or credit balance. Credit balance in bank account means 'Bank Overdraft'.
 - When debit balance of Bank account is given :** When debit balance of Bank account is given it will appear on the receipt side of cash book in the Bank column as : "To Balance b/d"
 - When credit balance of bank account is given or Overdraft in bank account is given:** Credit balance of bank is known as overdraft. Overdraft is a situation when amount withdrawn by account holder exceeds deposits in current account. It is a short term loan given by bank to current account holders. It is recorded on the payment side of the cash book in the bank column as under "By Balance b/d".
- Cheque received :** Cheques can be received for cash sales, commission, dividend, interest or settlement of accounts by debtors.
 - Crossed cheque received :** When crossed cheque is received, it is recorded, on receipt side of cash book in the bank column as "To Sales/Asset/Income/Debtor's A/c"

Journal entry : Bank A/c.....Dr

To Sales/Asset/Income/Debtor's A/c

- (b) **Bearer cheque received** : Bearer cheque received is treated as cash and recorded on the receipt side in the cash column as "**To Sales/Asset/Income/Debtor's A/c**"

Journal entry : Cash A/c.....Dr

To Sales/Asset/Income/Debtor's A/c

- (c) **Cheque received and deposited into bank on the same day** : Cheques received are deposited into the bank for collection. This is recorded on receipt side in the bank column as "**To Sales/Asset/Income/Debtor's A/c**"

Journal entry : Bank A/c.....Dr

To Sales/Asset/Income/Debtor's A/c

- (d) **Cheque received dishonoured** : Cheque received has to be presented to the bank for collection within three months from the date of drawing otherwise it becomes worthless. When bank refuses to pay the amount to the payee due to certain reasons the cheque is said to be dishonoured. Dishonoured cheque is recorded on the payment side to cancel the receipt effect in the bank as "**By Person's A/c**"

Journal entry : Person's A/c.....Dr

To Bank A/c

- (e) **Cheque issued** : Cheques can be issued for cash purchases, paying commission, paying interest settlement of creditors accounts. It can be used for withdrawing cash from bank. It is recorded on the payment side in the bank column as "**By Purchases/Expenses/Assets/Creditor's A/c**"

Journal entry : Purchases/Expenses/Assets/Creditor's A/c.....Dr

To Bank A/c

- (f) **Cheques issued dishonoured** :

Journal entry : Bank A/c.....Dr

To Person's A/c

- (g) **Cash withdrawn from bank for personal use** : This will appear on payment side in the bank column as "**By Drawings A/c**"

Journal entry : Drawings A/c.....Dr

To Bank A/c

3. **Bank advices and statements** : Banks offer a range of services like collection of cheques that are deposited into bank, collection of dividend, payment of expenses on behalf of account holder etc. Bank then sends an advice to the account holder giving details of these transactions. Current account holders also get a periodical statement from the bank which gives details of transactions like dishonour of cheque, direct deposit made by customer, interest charged on Overdraft, bank charges deducted by bank, interest allowed by bank etc. On the basis of advice and statement received transactions are recorded by the trader in the cash book.

- (a) **Direct deposit by customer into Bank** : Instead of paying by cash or cheque for settlement of accounts, customers may directly deposit money into our Bank Account. This is recorded on the receipt side in the bank column as "**To Customers A/c**"

Journal entry : Bank A/c.....Dr

To Customer's A/c



- (b) **Interest allowed by bank :** Bank allows interest on bank deposits, this is income for the trader and therefore increases the balance in bank. It is recorded on the receipt side in the bank column as **"To Interest A/c"**
Journal entry : Bank A/c.....Dr
To Interest A/c
- (c) **Interest charged on overdraft debited by bank :** Overdraft facility is a short term loan given to current account holders. Bank charges certain percentage of interest on overdraft amount which is expenditure to the trader. It is recorded on the payment side in the bank column as **"By Interest on overdraft A/c"**
Journal entry : Interest on overdraft A/c.....Dr
To Bank A/c
- (d) **Bank charges debited by bank :** Certain amount is charged by the bank for services rendered by them. This is known as bank charges. Bank charges are expenditure for the trader and are recorded on the payment side in the bank column as **"By Bank Charges A/c"**
Journal entry : Bank Charges A/c.....Dr
To Bank A/c
- (e) **Dividend or interest on investment collected by bank on behalf of trader :** This is income of trader collected by the bank. On receiving an advice or statement from Bank, the trader records this transaction on the receipt side in the bank column as **"To Interest on Investment A/c / Dividend A/c"**
Journal entry : Bank A/c.....Dr
To Interest on Investment or Dividend A/c
- (g) **Payment made by Bank under the standing instruction given by trader :** As per the standing instructions given to Bank, the Bank makes payments of Insurance premium, Telephone bill, Electricity bills and other expenses on behalf of trader. This is recorded on the payment side in the bank column as **"By Respective Expenses A/c"**
Journal entry : Respective Expenses A/c.....Dr
To Bank A/c
4. **Transfer of amount :** In addition to Current Account, a businessman may have Credit or a Loan amount with the bank to meet his financial requirements. He can transfer money from Cash credit or Loan account to Current account or from Current account to Cash Credit or Loan account. Similarly amount can be transferred from Personal Savings Account to Current Account or from the Current Account to Personal Account. The treatments for these transactions are as under.
- (a) **From Cash Credit or Loan Account to Current Account :** This transaction increases the current account balance and is therefore recorded on the receipt side in the bank column as **"To Cash Credit or Loan A/c"**
Journal entry : Bank A/c.....Dr
To Cash credit/Loan A/c
- (b) **From Current Account to Cash Credit or Loan Account :** This transaction decreases the current account balance and is therefore recorded on the payment side in the bank column as **"By Cash Credit or Loan A/c"**
Journal entry : Cash Credit/Loan A/c.....Dr
To Bank A/c

- (c) **From Personal Saving account to Current Account :** This is additional cash brought into business by the trader. It increases the capital balance and current account balance and is recorded on the receipt side in the bank column as **"To Capital A/c"**

Journal entry : Bank A/c.....Dr
To Capital A/c

- (d) **From current account to personal savings Account :** This is drawings of the proprietor. It decreases the current account balance and is recorded the payment side in the bank column as **"By Drawings A/c"**

Journal entry : Drawings A/c.....Dr
To Bank A/c

5. **Contra Entries :** Certain transaction affects Cash Account and Bank Account simultaneously but with opposite effect. It may decrease the cash balance and increase bank balance or increase the cash balance and decrease bank balance at the same time. In columnar Cash Book, Cash Account and Bank Account appear under the same heading of cash book. To record increase in bank balance, bank account is debited and to record decrease in cash balance, cash account is credited and vice versa. Entries recorded on both the sides of Cash Book are called as "Contra Entries". It occurs only when Cash Account and Bank Account are simultaneously affected in a transaction. Contra entries are denoted by the capital letter "C" in the Ledger Folio column.

Situations under which contra entry takes place :

1. Cash deposited into the Bank.
2. Cash withdrawn from the Bank for office use.
3. Bearer Cheque received on previous date and deposited into the Bank"

Accounting treatment for contra entries are as under :

- (a) **Cash deposited into the Bank :** This transaction increases the bank balance and decreases the cash balance and is recorded as under : **Receipt side "To Cash A/c" in the bank column.**

Payment side "By Bank A/c" in the cash column.

Journal entry : Bank A/c.....Dr
To Cash A/c

In the above transaction Bank is the receiver therefore it is debited to Cash Account. Similarly cash is going out therefore it is credited by Bank Account.

- (b) **Cash withdrawn from bank for office use :** This transaction increases the cash balance and decreases the bank balance and is recorded as under : **Receipt side "To Bank A/c" in the cash column. Payment side "By Cash A/c" in the bank column.**

Journal entry : Cash A/c.....Dr
To Bank A/c

Here cash comes into the business therefore it is debited to Bank Account. Similarly bank is the giver and therefore is credited by Cash Account.



- (c) **Bearer Cheque received on previous date deposited into the Bank :** Bearer cheques received are treated as cash. When it is deposited into the bank for collection it is assumed that cash is going out and bank is the receiver. This transaction increases the bank balance and decreases the cash balance. It is recorded as under : **Receipt side "To Cash A/c" in the bank column. Payment side "By Bank A/c" in the cash column.**

Journal entry : Bank A/c.....Dr
To Cash A/c

5.3.4 Balancing of Cash Book with Cash and Bank column :

After recording all receipts and payments, the Cash Book is balanced to find out the cash balance and bank balance.

Cash column : Since the amount of cash in hand is always more than or equal to the payments, the total amount of receipt side should be more than the total amount of payment side. Total amount of payment side is deducted from the total amount of receipt side and the balance is recorded on the payment side as "By Balance c/d" in the cash column. At the beginning of the next accounting period this balance is brought down on the receipt side as "To Balance b/d" in the cash column.

Bank column : Bank account is a Personal Account. It can have debit balance or credit balance. When the total of receipt side is more than the total of payment side the difference is known as positive or normal balance. This balance is recorded on the payment side in the bank column as "By Balance c/d" At the beginning of the next accounting period this balance is brought down on the receipt side in the bank column as "To Balance b/d".

When the total amount of payment side is more than the total amount of receipt side the difference is known as bank overdraft or credit balance. This is recorded on the receipt side in the bank column as "To Balance c/d". At the beginning of the next accounting period, overdraft amount is brought down on the payment side in the bank column as "By Balance b/d".

Types of Bank Account : The following are the types of Bank Account.

1. **Current Account :** Current Account is suitable for businessman, since there is no restriction on number of deposits and number of withdraws or cheque payment made through current account. Generally, no interest is allowed on Current Account, but overdraft facility is available on Current Account.
2. **Savings Account :** A person having fixed or regular income can deposit his surplus in Saving Account. This account helps the person having limited income to develop the habit of savings. There are restrictions on withdrawals. Interest at a prescribed rate is allowed on this account. **No Overdraft facility is available on this Account.**
3. **Fixed Deposit Account :** In this account a fixed amount is deposited for a fixed period of time in order to earn higher rate of interest. The amount deposited cannot be withdrawn before expiry of that period. This account is not useful to businessman for regular banking transactions. It is useful to create time deposit and earn extra income.
4. **Recurring Deposit Account :** The account holder deposits fixed amount, monthly upto a particular decided period. It offers higher rate of interest as compared to Saving Bank Account and lower rate of interest as compared to fixed deposit account. Depositor is not allowed to withdraw money till its maturity.



Illustration - 1 Consider the following example.

Prepare two column Cash Book of Seema Traders

			₹
2019 Jan	01	Started business with Cash	60,000
	04	Cash deposited into Bank of India	25,000
	06	Cash Purchases	6,000
	10	Purchased Computer for office use	22,000
	15	Sold goods to Rakesh & Co. and received a bearer cheque.	10,000
	20	Rakesh's cheque deposited into Bank.	
	24	Paid Carriage	300
	25	Cash withdrawn for personal use	3,000
	30	Paid Rent by cheque	1,200

Solution :

In the books of Seema Traders

Dr.

Cash Book

Cr.

Date	Receipts	R. No.	L. F.	Cash ₹	Bank ₹	Date	Payments	V. No.	L. F.	Cash ₹	Bank ₹
2019 Jan.						2019 Jan.					
1	To Capital A/c (Being started business)	-	-	60,000	-	4	By Bank A/c (Being cash deposited)	-	C	25,000	-
4	To Cash A/c (Being cash deposited)	-	C	-	25,000	6	By Purchases A/c (Being cash Purchases)	-	-	6,000	-
15	To Sales A/c (Being cash sales made)	-	-	10,000	-	10	By Computer A/c (Being computer purchased)	-	-	22,000	-
20	To Cash A/c (Being cheque deposited into bank)	-	C	-	10,000	20	By Bank A/c (Being cheque deposited)	-	C	10,000	-
						24	By Carriage A/c (Being carriage paid)	-	-	300	-
						25	By Drawing A/c (Being cash withdrawn for personal use)	-	-	3,000	-
						30	By Rent A/c (Being rent paid by cheque)	-	-	-	1,200
						31	By Balance c/d	-	-	3,700	33,800
				70,000	35,000					70,000	35,000
Feb. 1	To Balance b/d			3,700	33,800						

- 2) From following transactions related to Sundar and Co. Prepare Cash Book with two columns

Date	Details	Amount (₹)
2018 Sept 01	Bank Balance	52,000
01	Cash Balance	15,000
04	Purchased goods and payment made by cheque	15,000
08	Sold goods for cash	8,000
13	Purchased Machinery and payment made by cheque	10,000
16	Sold goods and received cheque (deposited same day)	12,000
17	Purchased goods for cash from Mrunal	18,000
20	Purchased Stationery and paid by cheque	2,100
24	Cheque given to Avadhut	1,800
27	Cash withdrawn from Bank	12,000
30	Paid Rent by cheque	500
30	Paid Salary	4,000

Solution :

In the books of Sundar and Co.

Dr.

Cash Book with two columns

Cr.

Date	Receipts	R. N.	L. F.	Cash ₹	Bank ₹	Date	Payments	V. N.	L. F.	Cash ₹	Bank ₹
2018 Sept 1	To Balance b/d			15,000	52,000	2018 Sept 4	By Purchase A/c (Being cash purchases)				15,000
8	To Sales A/c (Being goods sold for cash)			8,000	-	13	By Machinery A/c (Being Machinery purchased)				10,000
16	To Sales A/c (Being goods sold against cheque)				12,000	17	By Purchases A/c (Being cash purchased)			18,000	
27	To Bank A/c (Being cash withdrawn for office use)	C		12,000	-	20	By Stationery A/c (Being Stationery purchased)				2,100
						24	By Avadhut A/c (Being cheque issued)				1,800
						27	By Cash A/c (Being Cash withdrawn for office use)		C		12,000
						30	By Rent A/c (Being Rent paid)				500
						30	By Salary A/c (Being Salary paid)			4,000	
						30	By Balance c/d			13,000	22,600
				35,000	64,000					35,000	64,000
Oct. 1	To Balance b/d			13,000	22,600						



3) Enter the following transactions in cash book with cash and bank columns of Mehta Brothers.

- 2019 Oct. 1 Cash in hand ₹ 13,000 and Bank balance ₹ 24,000
- 3 Cash sales ₹ 80,000 at 10% Trade discount.
- 5 Cash purchases ₹ 60,000 at 10% T.D. and 5% C.D. half the amount was paid in cash and remaining by cheque.
- 7 Deposited cash in to bank ₹ 40,000
- 9 Received bearer cheque from Sumit ₹ 9,500
- 13 Sold goods for cash ₹ 12,000 at 4% T.D.
- 15 Paid Life Insurance premium ₹ 4,000
- 18 Cheque received on 9th Oct. 2019 deposited into bank.
- 22 Received crossed cheque from Prabhakar ₹ 6,000
- 27 Introduced additional capital ₹ 25,000 and deposited the same into Bank A/c
- 28 Paid Electricity bill ₹ 3,000 and Telephone bill ₹ 4,100
- 30 Received crossed cheque for dividend ₹ 6,250.

Solution :

In the books of Mehta Brothers

Dr.

Cash Book

Cr.

Date	Receipts	R. No.	L. F.	Cash ₹	Bank ₹	Date	Payments	V. No.	L. F.	Cash ₹	Bank ₹
2018 Oct.						2018 Oct.					
1	To Balance b/d	-	-	13,000	24,000	5	By Purchase A/c (Being Cash purchases)	-	-	25,650	25,650
3	To Sales A/c (Being goods sold for cash)	-	-	72,000	-	7	By Bank A/c (Being Cash deposited)	-	C	40,000	-
7	To Cash A/c (Being Cash deposited)	-	C	-	40,000	15	By Drawings A/c (Being amount paid for life insurance premium)	-	-	4,000	-
9	To Sumit A/c (Being Cash received)	-	-	9,500	-	18	By Bank A/c (Being cash deposited)	-	C	9,500	-
13	To Sales A/c (Being cash sales)	-	-	11,520	-	28	By Electricity A/c (Being electricity bill paid)	-	-	3,000	-
18	To Cash A/c (Being deposited)	-	C	-	9,500	28	By Telephone Bill A/c (Being Telephone bill paid)	-	-	4,100	-
22	To Prabhakar A/c (Being Cash received from Prabhakar)	-	-	-	6,000	31	By Balance c/d	-	-	19,770	85,100
27	To Capital A/c (Being Additional capital brought)	-	-	-	25,000						
30	To Dividend A/c (Being Dividend received)	-	-	-	6,250						
				1,06,020	1,10,750					1,06,020	1,10,750
Nov. 1	To Balance b/d			19,770	85,100						



Working Note :

Transaction dated 5th Oct. 2018

Net cash purchases = Cash purchases 10% T.D.

= 60,000 – 6,000 = 54,000

Amount paid = Net Cash purchases - 5% C..D.

= 54000 – 5% of 54,000

= 54,000 – 2,700 = 51,300

1/2 Amount paid in cash = 51,300 x 1/2 = 25,650

Remaining amount paid by cheque = 51,300 – 25,650 = 25,650

4) Prepare two columns Cash Book of Guru Dakshina Brothers. (Narrations not required)

2019 March 1) Cash balance ₹ 13,000 and Bank Overdraft ₹ 18,000

2) Received from Neha cash ₹ 1,700 and bearer cheque ₹ 500.

7) Paid to Dhanraj ₹ 6,000 by cheque.

8) Cash Sales ₹ 6,545 and discount allowed ₹ 55

10) Cheque received on 2nd March 2019 deposited into Bank.

12) Deposited into Bank ₹ 5,000

13) Goods purchased from Prachi on credit ₹ 5,000

15) Cheque received from Neha returned dishonoured.

20) Purchased goods from Sweety ₹5,000 at 7% T.D. and paid half the amount immediately.

22) Bank paid insurance premium ₹1,000 and collected interest on investment ₹1,650

24) Cheque issued to Dhanraj was dishonoured.

26) Gupta stores directly deposited into our Bank A/c ₹7,500

30) Deposited cash in excess of ₹3,920 in to Bank.



Solution :

In the books of Guru Dakshina Brothers

Dr.

Cash Book with Cash and Bank column

Cr.

Date	Receipt	R. No.	L. F.	Cash ₹	Bank ₹	Date	Payment	V. No.	L. F.	Cash ₹	Bank ₹
2019 Mar .						2019 Mar.					
1	To Balance b/d			13,000		1	By Balance b/d				18,000
2	To Neha A/c			2,200		7	By Dhanraj A/c				6,000
8	To Sales A/c			6,545		10	By Bank A/c		C	500	
10	To Cash A/c		C		500	12	By Bank A/c		C	5,000	
12	To Cash A/c		C		5,000	15	By Neha A/c				500
22	To Int. on Investment A/c				1,650	20	By Purchases A/c			2,325	
24	To Dhanraj A/c				6,000	22	By Ins. Prem. A/c				1,000
26	To Gupta Stores A/c				7,500	30	By Bank A/c		C	10,000	
30	To Cash A/c		C		10,000	31	By Balance c/d			3,920	5,150
				21,745	30,650					21,745	30,650
April 1	To Balance b/d			3,920	5,150						

Working Note :

- 1) Transaction dated 20th March 2019

Gross Purchases ₹ 5000

Less : 7% T.D. ₹ 350

₹ 4,650 x 1/2 = 2325 Cash paid

- 2) Total Receipt of Cash ₹ 21,745

Less : Payment Total up to 22 March ₹ 7,825

₹ 13,920

Less : Cash Deposited into Bank

in excess of ₹ 3,920 ₹ 10,000

₹ 3,920 Closing Cash Balance

Note : Transaction dated 13th March is of credit purchases of goods so it is not recorded in cash book.

5.4 Petty Cash Book

In large business organization the accounting work is divided systematically. There are various departments spending small amount on stationary, postage and telegram, refreshment carriage etc.

The person maintaining petty cash book is known as petty cashier. The Petty cashier is given certain amount by the main cashier as an advance at the beginning of every month from which all petty expenses are paid and recorded by petty cashier. The term petty is derived from the French word "Petit" which means "small". So this book is maintained for recording small expenses which cannot be paid by cheque.

Types of Petty Cash Book :

There are two types of Petty Cash Book which are as under :

- 1) Simple petty cash
- 2) Analytical Columnar Petty Cash Book

1) Simple Petty Cash Book :

Simple Petty Cash Book is divided into two sides Receipt side and Payment side. Cash or cheque received from head cashier is recorded in column of amount received and petty expenses paid are recorded in amount paid column. Transactions recorded in Simple Petty Cash Book are to be posted in respective Expenses A/c in Ledger. This requires additional time and labour therefore business firm do not use Simple Petty Cash Book.

From the following transactions prepare Simple Petty Cash Book

In the Books of Noha Brothers

Date	Details	Amount (₹)
2019 Jan. 01	Received from head cashier	1,200
04	Paid Telephone Charges	193
07	Paid for Mobile Charges	57
10	Purchased Office Files	125
14	Gave tip to peon	40
16	Sale of old Newspaper	60
19	Gave advance to Sweety	100
22	Paid Packing charges	170
24	Paid for Advertisement	120
27	Paid for Cleaning charges	60
28	Gave Donations	101
30	Purchased Revenue Stamps	60



Solution :

Simple Petty Cash Book

Amount Received (₹)	Date	Particulars	Voucher No.	L.F.	Total Amount paid (₹)
1,200	2019 Jan. 1	To Cash A/c			
	4	By Telephone Charges A/c			193
	7	By Mobile charges A/c			57
	10	By Office files A/c			125
	14	By Tip to Peon A/c			40
60	16	To Sale of old News paper A/c			-
	19	By Sweety A/c			100
	22	By Packing Charges A/c			170
	24	By Advertisement A/c			120
	27	By Cleaning Charges A/c			60
	28	By Donations A/c			101
	30	By Revenue Stamps A/c			60
		Total Expenses			1,026
	31	By Balance c/d			234
1,260					1,260
234	2019 Feb. 1	To Balance b/d			

2) Analytical Petty Cash Book/Columnar Petty Cash Book :

An Analytical Petty Cash Book has two sides, left hand side for recording receipt of cash and right hand side for recording payments. Analytical Petty Cash Book has many sub columns on payment side for recording various expenses.

For example : Printing and Stationery, Postage, Carriage and Cartage etc. There is no hard and fast rule for number of columns in analytical Petty Cash Book. For example Ledger column is prepare for making payment towards Personal or Real accounts. The Petty Cashier prepares a statement stating the summary of expenses paid and submits it to the Chief cashier.

Imprest system of Petty Cash Book : Maintaining Petty Cash Book under Imprest System is the best system. Under Imprest System estimate is made for petty expenses for a certain period. Such amount is paid to Petty cashier to start with. At the end of the period he presents the accounts of payment made by him to the head cashier. After checking the account the petty cashier will be given a sum equal to the amount actually spent by him. Now the Petty cashier will start with the same amount that he had at the beginning of the previous period. The system is known as Imprest System of Petty Cash Book.



Format of Analytical Petty Cash Book

Amount Received	Cash Book folio	Date	Particulars	Voucher No.	₹	Total Amount	₹	Printing & Stationery	₹	Postage	₹	Carriage	₹	Travelling Expenses	₹	Miscellaneous Expenses	₹	Telephone charges	₹	L.F.	₹	Ledger Account
xx			To	-		xx	₹			xx				xx								xx
			By.....			xx																
			By.....			xx																
			By.....			xx																
			By.....			xx																
			By.....			xx																
			By.....			xx																
			By.....			xx																
			By.....			xx																
			Total Exp			xxx		xx		xx		xx		xx		xx		xx				xx
			By Balance c/d			xx																
xxx						xxx																
xx			To balance b/d																			
xxx			To.....																			



Illustration 1 : Mr. Sourabh the Petty Cashier of Raje Mobile Company, Latur received ₹ 8,000 on June 01, 2019 from Head Cashier. Details of Petty Expenses for the month are as follows :

Date	Particulars	Amount (₹)
2019 June 1	Auto fare	255
3	Courier Expenses	60
4	Postal stamps purchased	210
5	Eraser/Pen/Pencils purchased	525
6	Speed post charges	198
8	Taxi fare	390
8	Refreshment	850
10	Auto fare	310
12	Registered postal charges	142
13	Files purchased	45
14	Cartage	65
16	Computer Stationery purchased	1,650
19	Bus fare	240
19	Mobile charges	270
20	Office sanitation charges paid	160
22	Refreshment	450
23	Photocopy charges paid (Zerex)	270
28	Courier expenses	140
29	Unloading charges	170
30	Bus fare	150

Prepare Analytical Petty Cash Book

Solution I

In the books of Rajee Mobile Company, Latur
Petty Cash Book

Amount Received ₹	Date	Particulars	Vouch- er No.	Total Amount Paid ₹	Cou- rier/ Post- age ₹	Tele- phone Expenses ₹	Travelling & Convey- ance Ex- penses ₹	Printing & Sta- tionery ₹	Misce. Ex- penses ₹	L.F.	Ledger ₹
8,000	2019 June 1	To Cash A/c	-								
	1	By Auto fare	-	255			255				
	3	By Courier exp.	-	60	60						
	4	By Postal Stamps	-	210	210						
	5	By Eraser/pen pencil	-	525				525			
	6	By Speed post charges	-	198	198						
	8	By Taxi fare	-	390			390				
	8	By Refreshment	-	850					850		
	10	By Auto fare	-	310			310				
	12	By Registered postal charges	-	142	142						
	13	By Files	-	45				45			
	14	By Cartage	-	65				1,650	65		
	16	By Computer stationery	-	1,650							
	19	By Bus fare	-	240			240				
	19	By Mobile charges	-	270					270		
	20	By Office sanitation	-	160					160		
	22	By Refreshment	-	450					450		
	23	By Photo stating charges	-	270		270					
	28	By Courier Expenses	-	140	140						
	29	By Unloading charges	-	170					170		
	30	By Bus fare	-	150			150				
		Total Exp	-	6,550	750	270	1,345	2,220	1,965		
	30	By Balance c/d		1,450							
8,000				8,000							
1,450	July 01	To Balance b/d									

From the above Analytical Petty Cash Book pass Journal Entries and prepare Ledger Accounts.
In the Books of Raje Mobile company, Latur

Solution 1

In the books of Raje Mobile Company, Latur

Journal Entries

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount(₹)
2019 June 1	Petty Cash A/c Dr. To Cash A/c (Being cash received from Head cashier)		8,000	8,000
June 30	Courier and Postage A/c Dr. Telephone Expenses A/c Dr. Travelling & Conveyance A/c Dr. Printing & Stationery A/c Dr. Miscellaneous Expenses A/c Dr. To Petty Cash A/c (Being petty expenses posted to petty cash account)		750 270 1,345 2,220 1,965	6,550

Ledger Accounts in the books of Raje Mobile Company, Latur

Dr. Petty Cash Account				Cr.			
Date	Particulars	J.F.	Amt (₹)	Date	Particulars	J.F.	Amt (₹)
2019 June 1	To Cash A/c		8,000	2019 June 30	By Sundries as per Petty Cash Book		6,550
				30	By Balance c/d		1,450
			8,000				8,000

Dr. Courier & Postage Account				Cr.			
Date	Particulars	J.F.	Amt (₹)	Date	Particulars	J.F.	Amt (₹)
2019 June 30	To Petty Cash A/c		750				
			750				

Dr. Telephone Expenses Account Cr.

Date	Particulars	J.F.	Amt (₹)	Date	Particulars	J.F.	Amt (₹)
2019 June 30	To Petty Cash A/c		270				
			270				

Dr. Travelling & Conveyance Expenses Account Cr.

Date	Particulars	J.F.	Amt (₹)	Date	Particulars	J.F.	Amt (₹)
2019 June 30	To Petty Cash A/c		1,345				
			1,345				

Dr. Printing & Stationery Account Cr.

Date	Particulars	J.F.	Amt (₹)	Date	Particulars	J.F.	Amt (₹)
2019 June 30	To Petty Cash A/c		2,220				
			2,220				

Dr. Miscellaneous Expenses Account Cr.

Date	Particulars	J.F.	Amt (₹)	Date	Particulars	J.F.	Amt (₹)
2019 June 30	To Petty Cash A/c		1,965				
			1,965				

Illustration 2 - Enter the following transactions in an Analytical Petty Cash Book under Imprest System for July 2018

Date	Particulars	Amount (₹)
2018 July 1	Cash Balance	335
1	Cash received from Head Cashier	2,165
2	Gave Gift to clerk Omkar	251
5	Paid for Registered and Speed Post	240
6	Sold old Newspaper	100
7	Washing Charges paid to peon	170
10	Paid Lunch Bill to salesman	160
13	Gave Advance to peon Arun	500
16	Paid for Carriage & Cartage	180
19	Purchased Chair for office use	300
22	Purchased Stamp Pad, Paper and Pencil	170
26	Purchased Office Files	110
30	Paid for Repairs of Machinery	230

Solution :

In the books of

Petty Cash Book

Amount Received ₹	Date	Particulars	Voucher No.	Total Amount Paid ₹	Analysis of petty expenses						L.F.	Ledger ₹
					Postage ₹	Printing & Station- ery ₹	Carriage & Cartage ₹	Repairs ₹	Misc. Expenses ₹			
335	2018, July 1	To Balance b/d										
2,165	1	To Cash A/c		251						251		
	2	By Gift to clerk		240	240							
	5	By Register & Speed post										
100	6	To Sale of old News paper										
	7	By Washing charges		170						170		
	10	By Lunch bill		160						160		
	13	By Advance to Arun		500							500	
	16	By Carriage & Cartage		180			180					
	19	By Chair		300							300	
	22	By Stamp and Papers etc.		170		170						
	26	By Office files		110		110						
	30	By Repairs		230				230				
	31	Total Expenses		2,311	240	280	180	230		581	800	
		By Balance c/d		289								
2,600				2,600								
289	Aug 1	To Balance b/d										
2,211	Aug 1	To Cash A/c										

Illustration 3 - Enter the following transactions in an Analytical Petty Cash Book under Imprest System for Aug .2018. Imprest money was maintained at ₹ 2,000.

Date	Particulars	Amount (₹)
2018 August 1	Opening Petty Cash Balance	150
1	Cheque received from Chief Cashier	1,850
5	Paid for Carriage ₹18 and Envelopes ₹ 65	
6	Paid for Cleaning & Washing Charges	80
8	Paid for Telephone charges	280
10	Paid for Donation	250
14	Paid for Subscription to newspaper	120
19	Paid for Post cards ₹ 60 & Revenue Stamps ₹ 45	
22	Paid for Refreshment	200
26	Paid for Auto charges	55
27	Paid Wages	75
28	Paid for Repairs to Machinery	180
30	Paid to Mr. Krishna	500

Solution 3 :

In the books of

Analytical Petty Cash Book

Amt Received ₹	Date	Particulars	Vou. No.	Total Amount Paid ₹	Analysis of petty expenses														
					Carriage & Cartage ₹	Printing & Stationery ₹	Telephone Charges ₹	Postage ₹	Travelling Expenses ₹	Wages ₹	Repairs ₹	Misc. exp. ₹	L.F.	₹ Ledger					
150 1,850	2018, Aug 1	To Balance b/d																	
	1	To Bank A/c																	
	5	By Carriage		18	65														
	5	By Envelopes		65															
	6	By Cleaning & Washings		80															
	8	By Telephone		280															
	10	By Donation		250															
	14	By News paper subscription		120															
	19	By Revenue stamp		45															
	19	By Post cards		60															
	22	By Refreshment		200															
	26	By Auto charges		55															
	27	By Wages		75															
28	By Repairs		180																
30	By Krishna		500																
		Total Exp		1,928	18	65	280	60	55	75	180	695							
	31	By Balance c/d		72															
2,000				2,000															
72	Sept 1	To Balance b/d																	
1,928	Sept 1	To Bank A/c																	



5.5 Purchase Book (Bought Day Book) :

Goods purchased on credit for manufacturing or for resale are only recorded in purchase book. Cash purchases are not recorded in purchase book. Similarly credit purchases other than goods like purchase of office equipment, furniture, stationary and building are not recorded in purchase book. For example, a business dealing in machinery spare parts will record only credit purchase of machinery spare parts in purchase book. This book is also known as Purchase Journal

Goods purchased on credit are always recorded at net value.

Purchase Book - Format of Purchase Book

Date	Name of supplier	Inward Invoice No.	L.F.	Amount (₹)

1) Prepare Purchase Book in the books of Noha Traders

2019 Apr 1	Purchased goods from Mrs. Kamal ₹ 1,000 on credit (Invoice No.4)
4	Purchased goods from Sakshi for cash ₹ 500
5	Purchased Machinery from Machinery Tools Company on credit ₹ 5,000
8	Purchased goods from Sourabh on credit ₹ 2,000 (Invoice No. 10)
10	Purchased goods from Aishwarya on credit ₹ 5,000 (Invoice No. 11)

In the books Noha Traders

Purchase Book

Date	Name of supplier	Inward Invoice No.	L.F.	Amount (₹)
2019 April 1	Mrs. Kamal	4		1,000
8	Mr. Sourabh	10		2,000
10	Mrs. Aishawarya	11		5,000
		Total		8,000

Note : 1) Transaction dated 04 April 2019 cannot be recorded in Purchase Book because it is cash purchases.

2) Transaction dated 5th April, 2019 cannot be recorded in Purchase Book, it is recorded in Journal Proper as it is credit purchase of Machinery.



- 2) Enter the following transaction in Purchase Book of Konika Electronics. Post them into ledger and prepare Trial Balance as on 31st August, 2018.

2018 Aug 3	Purchase from M/s. Seema Electronics (Invoice No. 2250) 20 mini size Mobile @ ₹2,000 per piece, 12 Home Theatres @ ₹4,500 per piece at 20% T. D.
10	Purchased from Pawan Electronics (Invoice No. 2860) 100 Pendrives @ ₹210 per piece at 10% T.D.
16	Purchased from Modern Electronics (Invoice No. 2456) 15 stereos @ ₹4200 per piece, 20 Colour LCD @ ₹14,000 per piece at 12.5% T.D.
26	Purchased from Seema Electronics (Invoice No. 2394) 10 mini size LCD at ₹8000 per piece 6 LEDS at ₹12500 per piece at 20% T.D.
29	Bought from Pawan Electronics (Invoice No. 2960) 50 pen drives at ₹210 per piece at 20% T.D.

Solution : In the books of Konika Electronics - Purchase Book

Date	Name of supplier	L.F.	Inward Invoice No.	Amount (₹)
2018 Aug 3	Seema Electronics		2,250	
	20 Mobile x 2,000 per piece			40,000
	12 Home Theatre x 4,500			54,000
				94,000
	Less - 20% T.D.			18,800
10	Pawan Electronics		2,860	75,200
	100 Pendrives x 210			21,000
	Less - per piece 10% T.D.			2,100
16	Modern Electronics		2,456	18,900
	15 Stereos x 4200 per piece			63,000
	20 LCDS x 14000 per piece			2,80,000
				3,43,000
	Less - 12.5% T.D.			42,875
26	Seema Electronics		2,394	3,00,125
	10 LCDS x 8,000 per piece			80,000
	6 LCDS x 12,500 per piece			75,000
				1,55,000
	Less - 20% T.D.			31,000
29	Pawan Electronics		2,960	1,24,000
	50 Pendrive 210 per piece			10,500
	Less - 20% T.D.			2,100
	Total			5,26,625

Note : Details of calculations can be shown as working notes.



In the books of Konica electronics

Dr.				Purchases Account				Cr.			
Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)				
2018				2018							
Aug 31	To Sundries as per Purchase Book		5,26,625	Aug 31	By Balance c/d		5,26,625				
			5,26,625				5,26,625				
Sept 1	To Balance b/d		5,26,625								

Dr.				Seema Electronics Account				Cr.			
Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)				
2018				2018							
Aug 31	To Balance c/d		1,99,200	Aug 3	By Purchases A/c		75,200				
			1,99,200	26	By Purchases A/c		1,24,000				
							1,99,200				
				Sept 1	By Balance b/d		1,99,200				

Dr.				Pawan Electronics Account				Cr.			
Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)				
2018				2018							
Aug 31	To Balance c/d		27,300	Aug 10	By Purchases A/c		18,900				
			27,300	29	By Purchases A/c		8,400				
							27,300				
				Sept 1	By Balance b/d		27,300				

Dr.				Modern Electronics Account				Cr.			
Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)				
2018				2018							
Aug 31	To Balance c/d		3,00,125	Aug 16	By Purchases A/c		3,00,125				
			3,00,125				3,00,125				
				Sept 1	By Balance b/d		3,00,125				



In the books of Konica Electronics

Trial Balance as on 31st August, 2018

Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Purchases		5,26,625	-
Seema Electronics		-	1,99,200
Pawan Electronics		-	27,300
Modern Electronics		-	3,00,125
Total		5,26,625	5,26,625

5.6 Purchase Return Book.

In this book, purchases return of goods are recorded. Sometimes goods purchased are returned to the supplier for various reasons such as the goods are not of the required quality, or are defective. For every return, a debit note (in duplicate) is prepared the original one is sent to the supplier for making necessary entries in his book. The supplier also prepare a note, which is called the credit note. It is also called as Purchase return Journal or Returns Outward Book.

Format of Purchase Return Book

Date	Name of Supplier	Debit Note No.	L.F.	Amount (₹)

- 1) **Debit Note :** Debit Note is a statement containing the details of the goods like quantity, rate etc. This note is prepared by the person who is returning the goods. It indicates that the account of the person or party to whom the goods are returned is debited.

Format of Debit Note

VIGNESH TRADING COMPANY LIMITED				
Karve Road, PUNE				
Debit Note No. _____		Date _____		
To _____				
We hereby inform you that we have debited your account with Rupees _____ only.				
For the goods returned by us as under :				
Qty.	Particulars	Invoice No.	Rate (₹)	Amount (₹)
E& O. E.		For Vignesh trading Co. Ltd.		
Prepared by _____ sd/		Signature		



1) From the following prepare Purchase Return Book

20 Aug 2018 - Goods returns to Seema Electronics is as follows

2 Mini T. V. sets @ ₹2,000 each and a Home Theatre @ 4,500 each return against Debit Note No. 4/2018.

Purchase Return Book

Date	Name of suppliers	Debit Note No.	L.F.	Amount (₹)
2018 Aug. 20	Seema Electronics	4/2018		8,500
				8,500

Dr.

Purchase Return Account

Cr.

Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)
				2018 Aug. 31	By Sundries as per Purchase Return Book		8,500

5.7 Sales Book.

Goods sold on credit are only recorded in Sales Book. Cash sales are not recorded in Sales Book. Similarly goods assets news paper sold on credit are not recorded in Sales Book.

E.g. A businessman dealing in furniture will recorded only credit sale of Furniture in sales book. Cash sales of Furniture will not be recorded in sales book. It is also known as Sales Journal

Goods sold on credit are always recorded at net value.

Format of Sales Book

Date	Name of Customer	Outward Invoice No.	L.F.	Amount (₹)



Illustration 1 : Prepare Sales Book in the Books of Bhairavanath Traders

2019 Apr. 1	Sold goods on credit to Arun ₹ 5,000 (Invoice No. 112)
4	Purchased goods for cash from Arun ₹ 3,000
8	Invoiced goods to Noha credit ₹ 4,000 (Invoice No. 115)
10	Sold goods to Mrunal on credit ₹ 5,000 (Invoice No. 118)
12	Sold old Furniture to Avadhut on credit ₹ 8,000

In the books of Bhairavanath Traders
Sales Book

Date	Name of Customer	Outward Invoice No.	L.F.	Amount (₹)
2019 Apr. 1	Arun	112		5,000
8	Noha	115		4,000
10	Mrunal	118		5,000
				14,000

- Note :** 1) Transaction dated 4 April 2019 cannot be recorded in Sales Book as it is cash purchase.
2) Transaction dated 12 March 2019 cannot be recorded in Sales Book as it is recorded in Journal Proper as it is sale of asset. (Furniture)

Illustration 2 : M/s. Kohinoor Agencies sold on credit

- 2018 Apr 6 Five water purifiers @ ₹2,000 each and five buckets @ ₹170 each to Rama Traders (Invoice No. 207)
- 9 Three Road side containers @ ₹4,000 each to M/s. Nutan Enterprise (Invoice No. 208)
- 28 Sold 100 Water containers @ ₹850 each to Rama Traders (Invoice No. 209)

Prepare Sales Book and post them into Ledger

Sales Book

Date	Outward Invoice No.	Name of Customer	L.F.	Amount (₹)
2018 April				
6	207	Rama Traders		10,850
9	208	M/s Nutan Enterprises		12,000
28	209	M/s Rama Traders		85,000
		Total		1,07,850



Dr. Sales Account				Cr.			
Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)
				2018 April 30	By Sundries as per Sales Book		1,07,850

Dr. Rama Traders Account				Cr.			
Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)
2018 April 6	To Sales A/c		10,850				
28	To Sales A/c		85,000				

Dr. M/s Nutan Enterprises Account				Cr.			
Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)
2018 April 9	To Sales A/c		12,000				

5.8 Sales Return Book (Return Inward Book) :

When goods sold on credit are not according to specifications, sample or are damaged in transit, buyer or debtor can return them to seller. Such return of goods sold on credit only is recorded in Sales Return Book. Return of goods sold for cash is not recorded in this book. It is also known as Sales Return Journal.

On receipt of goods from the customer, a credit note is prepared. The difference between the credit and the debit note is that the former is prepared by the seller and the later is prepared by the buyer.

- 2) **Credit Note** : Credit Note is a statement containing the details of the goods returned as to quantity, rate etc. The credit note indicates that the account of the person who has returned the goods is credited. The credit note is sent by seller to the buyer, when the goods are returned by the buyer.

Format of Credit Note

VIJAY TRADING COMPANY LIMITED	
Karve Road, PUNE	
Credit Note No.	Date
To _____	
We hereby inform you that we have credited your account with Rupees _____ only.	
For the goods returned by us as under :	
Qty.	Particulars
Invoice No.	Rate (₹)
Amount (₹)	
E& O. E. For Vijay trading Co. Ltd.	
Prepared by _____sd/	
Signature	

Format of Sales Return Book

Date	Name of Customer	Credit Note No.	L.F.	Amount (₹)

For Example :

20 May 2018 Goods Returned by Rama Traders ₹2,100 [Water purifier (Credit Note No. 10/2/2018)]

Format of Sales Return Book

Date	Name of Customer	Credit Note No.	L.F.	Amount (₹)
20 May 2018	Rama Traders	10/2/2018		2,100
	Total			2,100

Dr.

Sales Return Account

Cr.

Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)
2018 May 31	To Sundries as per Sales Return Book		2,100				

Dr.

Rama Traders Account

Cr.

Date	Particulars	L.F.	Amt (₹)	Date	Particulars	L.F.	Amt (₹)
				2018 May 20	By Sales Return A/c		2,100



Problem No. 5 : Prepare Purchase Book & Purchase Return Book from the following transactions with GST in Maharashtra

Date	Details
2018 Aug. 05	Purchased from M/s. Rama Delhi (Invoice No. 780) 30 T.V. @ ₹ 10,000 each & 4 Home Theatres at ₹ 12,500 each @ 10% T.D
07	03 T.V. Return to M/s. Rama Delhi (Gross) (Found defective) Debit Note No. 211
20	Bought from M/s. Time Electronics Haryana (Invoice No. 11) 5 Washing Machines @ ₹ 10,000 each & 5 LCD T.V. @ ₹ 25,000 each @ 5% T.D. Rate of GST applicable on above purchases are CGST @ 9% SGST @ 9% & IGST @ 18%

Solution

Purchase Book (Analytical)

Date	Name of Supplier	Inward Invoice No.	L.F.	Details (₹)	Total (₹)	Purchase (₹)	CGST (₹)	SGST (₹)	IGST (₹)
2018 Aug. 5	M/s. Rama Delhi 30 T.V. x10,000 each 4 Home Theatres 12,500	780		3,00,000 50,000					
	Less - T.D. 10%			3,50,000 35,000					
	Add : IGST 18%			3,15,000 56,700	3,71,700	3,15,000			56,700
20	M/s. Time Electronics Hariyana 5 Washing Machine x 10000 5 LCD x 25,000 each	11		50,000 1,25,000					
	Less - T.D. 5%			1,75,000 8,750					
	Add : IGST 18%			1,66,250 29,925	1,96,175	1,66,250			29,925
	Total				5,67,875	4,81,250			86,625



Purchase Return Book

Date	Debit Note No.	Name of Supplier	L.F.	Details (₹)	Total (₹)	Purchase (₹)	CGST (₹)	SGST (₹)	IGST (₹)
2018 Aug.7	211	M/s. Rama Delhi 3 T.V. x ₹ 10,000 Less - T.D. 10%		30,000 3,000					
		Add : IGST 18%		27,000 4,860	31,860	27,000			4,860
		Total			31,860	27,000			4,860

Illustration No. 6 Prepare Sales Book & Sales Return book of M/s. Sourabh of Maharashtra from the following transactions with GST.

Date	Details
2018 Aug.07	Sold to M/s. Mehul Brothers, Delhi (Invoice No. 362) 30 Shirts @ ₹250 per Shirt 40 Pants @ ₹350 per Pant @ 8 @ T.D.
10	Returned 5 Shirts by M/s. Mehul Brothers, Delhi (Gross) Credit Note No. 61
18	Sold to M/s. Raja Traders, Jalana (Invoice No. 363) 20 Jackets @ ₹450 per Jacket 10 Plain Shirts @ ₹200 per Shirt at 8% T.D. Rate of GST applicable on above Readymade CGST @ 2.5% SGST @ 2.5% IGST @ 5%

Solution

Sales Book (Analytical)

Date	Name of Customer	Outward Invoice No.	L.F.	Details (₹)	Total (₹)	Sales (₹)	CGST (₹)	SGST (₹)	IGST (₹)
2018 Aug. 7	M/s. Mehul Bros. Delhi 30 Shirts @ ₹250 each 40 Pants @ ₹350 each	362		7,500 14,000					
				21,500					
	Less - T.D. 8%			1,720					
				19,780					
	Add : IGST 5%			989	20,769	19,780			989



18	M/s. Raja Traders Jalana 20 Jackets @ ₹450 per 10 Shirts @ ₹200 per	363		9,000 2,000					
	Less - T.D. 8%			11,000 880					
	Add : SGST 2.5% CGST 2.5%			10,120 253 253	10,626	10,120	253	253	
	Total				31,395	29,900	253	253	989

Sales Return Book (Analytical)

Date	Name of Customer	Credit Note No.	L.F.	Details (₹)	Total (₹)	Sales (₹)	CGST (₹)	SGST (₹)	IGST (₹)
2018 Aug. 10	M/s. Mehul Bros. Delhi 5 Shirts @ ₹250 each Less - T.D. 8%	61		1,250 100					
	Add : IGST 5%			1,150 58	1,208	1,150	-	-	58
	Total				1,208	1,150	-	-	58

Illustration No. 7 : Enter the following transaction of M/s. Kirti in Purchase book, Sales book, Purchase Return book, Sales Return Book.

Date	Details
2018 Mar.01	Sold goods to Sudhakar Stores ₹ 39,000 @ 10% T.D.
3	Purchased goods from Avadhoot Traders ₹ 47,350 & paid carriage ₹ 250
6	Sudhakar Stores returned goods of ₹ 3,220 (Net)
10	Cash purchases ₹ 18,600 & cash sales ₹ 16,000
13	Rakesh invoiced goods to us as per our order placed on 28th Feb. 2018 ₹ 37,000
17	Sold goods ₹ 33,400 to Ragini @ 10% T.D.
20	Returned goods to Rakesh ₹ 3,850 as they were defective
22	Credit purchases from M/s. Michel Traders ₹ 19,450 & they allowed a TD ₹ 150
23	Ragini return goods ₹ 1900 (Gross) as they were damaged.
26	Purchased Office Furniture on credit from Sharma Furniture Mart ₹ 55,000
29	Purchased goods from Garima Stores ₹ 8,000 & sold the same to Sunita @ 25% profit on cost.
31	Sent a Debit Note to Michel Traders ₹ 3,200



Solution :

**In the books of M/s. Kirti
Purchase Book**

Date	Name of Supplier	Inward Invoice No.	L.F.	Amount (₹)
2018 Mar. 03	Avadhoot Traders	-		47,350
13	Rakesh			37,000
22	Michel Traders			19,300
29	Garima Stores			8,000
	Total			1,11,650

Sales Book

Date	Name of Customer	Outward Invoice No.	L.F.	Amount (₹)
2018 Mar. 01	Sudhakar Stores	-		35,100
17	Ragini			30,060
29	Sunita			10,000
	Total			75,160

Purchase Return Book

Date	Name of Supplier	Debit Note No.	L.F.	Amount (₹)
2018 Mar. 20	Rakesh	-		3,850
31	Michel Traders			3,200
	Total			7,050

Sales Return Book

Date	Name of Customer	Credit Note No.	L.F.	Amount (₹)
2018 Mar. 06	Sudhakar Stores	-		3,220
23	Ragini			1,710
	Total			4,930

Note : Following Journal Entry can be passed for the transaction dated 26th March, 2018

Journal Proper

Date	Particulars	L.F.	Debit Amount	Credit Amount (₹)
2018 Mar. 26	Furniture A/c Dr. To Sharma Furniture Mart A/c (Being Furniture purchased from Sharma Furniture Mart)		55,000	55,000



Working Note :

- 1) Transaction dated 3rd March carriage paid ₹ 150 will be recorded in Cash Book.
- 2) Transaction dated 10th March will be recorded in Cash Book.
- 3) Transaction dated 10th March will be recorded in Cash Book.

Illustration No. 8 : Enter the following transactions in the books of Shreyas Traders in Purchase book, Sales book, Purchase Return book, Sales Return book.

Date	Details
2018 July 01	Purchased goods from Neelkamal Stores ₹ 33,000 at 5%. Trade Discount half the amount was paid immediately.
3	Invoiced goods of ₹ 27,750 to Dhaval Traders.
4	Sonali invoiced goods ₹ 14,000 to us at 4% T.D. as per our order dated 27 June 2018
9	Sold goods of ₹ 30,000 on credit to Sourabh & Sons at 7% T.D.
12	Sent a Debit Note to Neelkam Stores ₹ 3,000 (Gross)
14	Sent a Credit Note to Dhaval Traders of ₹ 3,550
19	Received Debit Note from Sonali ₹ 1,000 (Gross)
21	Sent Credit Note to Sourabh & Sons ₹ 4,675 (Net).
24	Purchased goods from Surabhi Stores ₹ 15,000 & sold the same to Prachi at a profit of 25% on cost.
25	Purchased goods of ₹ 6,600 from Seema Stores & paid carriage ₹ 240
27	Prachi return goods ₹ 5,000 as they were defective & same were returned to Surabhi Stores.
30	Purchased Furniture for office use ₹ 23,000 from Bharat Furniture on credit.

Solution :

In the books of Shreyas Traders

Purchase Book

Date	Name of Supplier	Inward Invoice No.	L.F.	Amount (₹)
2018 July 01	Neelkamal Stores			15,675
4	Sonali			13,440
24	Surabhi Stores			15,000
25	Seema Stores			6,600
	Total			50,715



Sales Book

Date	Name of Customer	Outward Invoice No.	L.F.	Amount (₹)
2018 July 03	Dhaval Traders	-		27,750
9	Sourabh & Sons			27,900
24	Prachi			18,750
	Total			74,400

Purchase Return Book

Date	Name of Supplier	Debit Note No.	L.F.	Amount (₹)
2018 July 12	Neelkamal Stores	-		2,850
19	Sonali			960
27	Surabhi Stores			4,000
	Total			7,810

Sales Return Book

Date	Name of Customer	Credit Note No.	L.F.	Amount (₹)
2018 July 14	Dhaval Traders	-		3,550
21	Sourabh & Sons			4,675
27	Prachi			5,000
	Total			13,225

Working Note :

Transaction dated 27-7-2018 value of goods returned to Surabhi Stores.

$$\begin{aligned}
 (\text{Price of goods received from Prachi}) &= 100/(100 + 25) \\
 &= 5,000 \times (100/125) = 4,000
 \end{aligned}$$

Note : Transaction dated 30th March is related to purchase of Furniture on credit, hence it will not be recorded in the above books.

Illustration No. 9 - Record the following transactions in Purchase book, Sales book, Purchase Return book, Sales Return book of Kamal General Stores, Solapur.

Date	Details
2018 May 01	Jaya Invoiced goods ₹ 15,000 at 9% T.D. as per invoice No. 23
3	Purchased Computer from IBM Computers ₹ 55,000 as per invoice No. 86
4	Invoiced goods to Priya for ₹ 20,000 at 4.5% T.D. as per invoice No. 34
7	Sold goods to Sneha for ₹ 14,500 at 10% T.D. as per invoice No. 35
12	Priya return goods ₹ 3,500 (Gross) for which we issued Credit Note No. 87
15	Goods ₹ 4,500 (Gross) returned to Jaya & issued Debit Note No. 49
17	Sold old Machinery to Bipin on credit ₹ 29,800.
20	Sold goods to Amina for ₹ 26,650 as per invoice No. 36 & Purchased goods from her for ₹ 12,250 as per their invoice No. 455.
22	Kailash Traders purchased goods from us ₹ 16,000 at 6% T.D. as per invoice No. 37
24	Sweety supplied goods to us ₹ 2,450 vide invoice No. 630.
27	Kailash Traders return goods to us ₹ 5,180 (Net) & issued a Credit Note No. 88
29	Return goods ₹ 460 to Sweety & issued debit note No 50

Solution :

In the books of Kamal General Stores

Purchase Book

Date	Name of Supplier	Inward Invoice No.	L.F.	Amount (₹)
2018 May 01	Jaya	23		13,650
20	Amina	455		12,250
24	Sweety	630		2,450
	Total			28,350

Sales Book

Date	Name of Customer	Outward Invoice No.	L.F.	Amount (₹)
2018 May 04	Priya	34		19,100
7	Sneha	35		13,050
20	Amina	36		26,650
22	Kailash Traders	37		15,040
	Total			73,840



Purchase Return Book

Date	Name of Supplier	Debit Note No.	L.F.	Amount (₹)
2018 May 15	Jaya	49		4,095
29	Sweety	50		460
	Total			4,555

Sales Return Book

Date	Name of Customer	Credit Note No.	L.F.	Amount (₹)
2018 May 12	Priya	87		3,342
27	Kailash Traders	88		5,180
	Total			8,522

Note : Transactions dated 3rd and 17th of March is related to purchase and sale of Asset on credit, hence it will not appear in the above books.

5.9 Journal Proper

A book maintained to record the transactions which do not find place in Special Journal (Subsidiary Books) is known as Journal Proper. Thus transactions that cannot be recorded in any particular book are recorded in Journal Proper. For example : Assets and other things except goods purchased on credit cannot be recorded in Cash Book or in Purchase Book, but these type of transactions are recorded in Journal Proper.

Following transactions are recorded in this Journal Proper

1. **Opening Entries :** In the beginning of new accounting year record of the opening balances of assets, liabilities and capital in the form of opening entries are made in Journal Proper.
2. **Adjustment Entries :** In order to update Ledger Account on accrual basis such entries are made at the end of accounting period. Such as rent outstanding, prepaid insurance, depreciation commission received in advance, etc.
3. **Rectification Entries :** To rectify errors in recording transactions in the books of original entries and their posting to ledger account Journal Proper is used.
4. **Transfer Entries :** Drawings Account is transferred to Capital Account at the end of accounting year. Expenses and Revenues which are not balanced at the time of balancing are opened to record specific transactions. Accounts relating to operation of business such as Sales, Purchases, Opening stock, Income, Gains and Expenses and Drawings are closed at the end of accounting year and their total balances are transferred to Trading and Profit and Loss Account by recording the Journal entries. These are also called **closing entries**.



5. Other Entries like

- a) Purchase of Assets on credit
- b) Sale of old Assets on credit.
- c) Withdrawal of goods by proprietor
- d) Bad debts written off.
- e) Loss of goods by fire or stolen or damaged in transit.
- f) Goods distributed as free sample or charity.
- g) Discount received and allowed on cash transactions.

Format of Journal Proper

In the books of

Journal Proper

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)

Accounting treatment for transactions appearing in Journal Proper

1. **Opening Entries :** These entries are passed at the beginning of financial year to bring the assets and liabilities into the books of Account. All assets are debited and liabilities are credited. Excess of assets over liabilities is capital which will be credited.

i.e. $\text{Capital} = \text{Assets} - \text{Liabilities}$

$\text{Assets} = \text{Capital} + \text{Liabilities}$

Illustration 1 : Cash in hand	₹ 8,500
Cash at Bank	₹ 35,000
Plant & Machinery	₹ 1,10,000
Stock	₹ 37,000
Debtors	₹ 43,000
Creditors	₹ 32,000

Pass Opening Journal entries for the above.



Solution :

Journal Proper

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
2019 April 1	Cash A/c Dr Cash at Bank A/c Dr Plant & Machinery Dr Stock Dr Debtors Dr To Creditors A/c To Capital A/c (Being Assets & Liabilities brought down)		8,500 35,000 1,10,000 37,000 43,000	 32,000 2,01,500
	Total		2,33,500	2,33,500

₹

Note :	Total Assets	2,33,500
	Less : Total Liabilities	32,000
	Capital	2,01,500

Excess of Assets over Liabilities is Capital

2. **Adjusting Entries :** To calculate Profit Final Accounts are prepared at the end of accounting year on the basis of Trial Balance. Trial Balance contains balances of only those accounts which are recorded in the books of Accounts. Items like further bad-debts, depreciation of assets, closing stock, income receivable, outstanding expenses etc. do not appear in Trial Balance. Unless all these items are brought into the books of accounts. Final Accounts will not disclose accurate result. Thus to bring these items into the books of accounts adjusting entries are passed.

Illustration 2 : Pass adjusting entries for the following.

- 1) Further Bad Debts ₹ 3,750
- 2) Provide for depreciation on Building ₹ 31,500

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Bad Debts A/c Dr To Debtors A/c (Being Bad-debts written off)		3,750	3,750
2	Depreciation A/c Dr To Building A/c (Being Building depreciated)		31,500	31,500
	Total		35,250	35,250

3. **Closing Entries :** In order to find out Profit or Loss, all the accounts of Expenses and Income are closed at the end of year. Accounts of Expenses and Income are closed by transferring them to "Trading" Account or Profit and Loss Account by passing closing entries. Closing entry is passed at the time of preparing Final Accounts.



Illustration 3 :Pass closing entries for the following.

- 1) Office Expenses for the year ₹ 17,500 is transfered to Profit & Loss A/c
- 2) Purchases of the Year amounted to ₹ 2,95,000

Solution**Journal Proper**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Profit & Loss A/c Dr To Office Expenses A/c (Being Office Expenses account closed by transferring it to Profit & Loss A/c)		17,500	17,500
2	Trading A/c Dr To Purchases A/c (Being Purchases A/c transferred to Trading A/c)		2,95,000	2,95,000
	Total		3,12,500	3,12,500

Note : Trading and Profit & Loss A/c are prepared at the end of the year to ascertain Gross Profit or Gross Loss and Net Profit or Net Loss. Revenue Expenses and Income are transferred to Trading or Profit & Loss A/c as the case may be.

- 4. Transfer Entries :** Sometimes in order to close one particular account, the balance in the account is transferred to another account. Entries passed in such cases are known as "Transfer Entries"

Illustration 4 :Pass Necessary transfer entries for the following.

- 1) Net Profit ₹ 87,500 is transfered to Capital A/c
- 2) Drawings ₹ 10,500 is transfered to Capital A/c

Solution**Journal Proper**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Profit & Loss A/c Dr To Capital A/c (Being Net Profit transferred to Capital A/c)		87,500	87,500
2	Capital A/c Dr To Drawings A/c (Being Drawings transferred to Capital A/c)		10,500	10,500
	Total		98,000	98,000

- 5. Rectification Entries :** A mistake committed by accountant without any intention of fraud is known as an error. If the mistakes are not corrected the Books of Accounts will not give a true and fair result. Thus to correct the errors accountant passes Rectification Entries.



Illustration 5 :Pass the necessary rectification entries for the following.

- 1) Goods purchased from Mr. Sourabh on credit ₹ 50,000 were not recorded in the Books.
- 2) Wages paid for installation of Machinery ₹ 5,000 were debited to Wages Account.

Solution**Journal Proper**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Purchases A/c Dr To Sourabh's A/c (Being credit purchases not recorded in Books, now rectified)		50,000	50,000
2	Machinery A/c Dr To Wages A/c (Being wages paid for installation of machinery wrongly debited to Wages A/c now rectified)		5,000	5,000
	Total		55,000	55,000

- 6. Cash Discount Allowed and received :** Cash discount allowed and Cash Discount received are non cash transactions one used they are not recorded in Cash Book. It is recorded in the Journal Proper as under.

Illustration 6 :Pass the entries for the following.

- 1) Suresh allowed us a cash discount of ₹ 420 in full settlement of his account.
- 2) Allowed Cash Discount to Kunal Stores ₹ 650.

Solution**Journal Proper**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Suresh's A/c Dr To Discount Received A/c (Being cash discount received)		420	420
2	Discount Allowed A/c Dr To Kunal Stores A/c (Being discount allowed)		650	650
	Total		1,070	1,070

7. Other entries :**Example : Pass the entries in the Journal Proper**

- 1) Purchased Furniture from M/s Patel Furniture on credit for ₹ 74,000
- 2) Sold Machinery for ₹ 9,400 to Suraj on credit.
- 3) Goods of ₹ 4,000 were withdrawn by Proprietor for his Personal use.
- 4) Goods distributed as free samples ₹ 11,000
- 5) Goods of ₹ 8,500 were lost by fire.
- 6) Cash Discount Received from Seema ₹ 500
- 7) Allowed Cash Discount to Hemant ₹ 600



Solution**Journal Proper**

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
1	Furniture A/c Dr To M/s Patel Furniture A/c (Being Furniture purchased from M/s Patel))		74,000	74,000
2	Suraj's A/c Dr To Machinery A/c (Being machinery sold on credit)		31,500	31,500
3	Drawings A/c Dr To Goods A/c (Being goods taken by proprietor for personal use)		4,000	4,000
4	Advertisement A/c Dr To Goods distributed as Free Samples A/c (Being goods distributed as free samples)		11,000	11,000
5	Loss by Fire A/c Dr To Goods Destroyed by Fire (Being goods lost by fire)		8,500	8,500
6	Seema's A/c Dr To Discount Received A/c (Being discount received)		500	500
7	Discount Allowed A/c Dr To Hemant's A/c (Being discount allowed)		600	600
	Total		1,30,100	1,30,100

**EXERCISE****Objective type Questions & Answers****Q.1 Answer the following questions in one sentence.**

- 1) What is Subsidiary Books ?
- 2) What is a Cash Book ?
- 3) State the meaning of 'Contra entry'.
- 4) State the meaning of imprest system of Petty Cash Book.
- 5) Which transactions are recorded in Purchase Book ?
- 6) Which sales are recorded in Sales Book ?
- 7) Which transactions are recorded in the Journal Proper ?
- 8) Who is a Petty Cashier ?



Q.2 Give word/term or phrase for each of the following statements :

- 1) Person who maintains Petty Cash Book.
- 2) A bank account which the businessman prefer to open.
- 3) Petty Cash Book in which the payment side is ruled in suitable columns.
- 4) Subsidiary book in which only credit purchases of goods is recorded.
- 5) Subsidiary book in which return of goods sold on credit is recorded.
- 6) The entry which is recorded on both sides of cash book.
- 7) Name the account which encourages personal savings.
- 8) A note issued by buyer to seller giving full details of goods returned.
- 9) Note issued by seller on receipt of defective goods from customer.
- 10) Name the bank account on which overdraft facility is given to Account holder.

Q.3 Select the most appropriate answers from the alternatives given below and rewrite the sentences

- 1) Cash column of Cash Book can never have balance.
(a) credit (b) debit (c) zero (d) none of the above
- 2) Any entry recorded on both sides of Cash Book is known as entry
(a) opening (b) rectifying (c) transfer (d) contra
- 3) The source document for recording in Sales book is
(a) Inward Invoice (b) Outward Invoice
(c) Voucher (d) Cash Memo
- 4) Credit purchase of Machinery is recorded in the
(a) Purchase Book (b) Cash Book (c) Journal Proper (d) Returns Outward Book
- 5) Sub-division of journal is known as book.
(a) Subsidiary (b) Purchase Return (c) Purchase (d) Journal Proper
- 6) Additional cash introduced in business is recorded in
(a) Purchase Book (b) Cash Book (c) Journal Proper (d) Returns Inwards Book.
- 7) Entry for bad debts is recorded in the
(a) Sales Book (b) Purchase Book (c) Cash Book (d) Journal Proper
- 8) Direct deposit made by customer into our bank is recorded in the side of the Cash Book.
(a) payments (b) credit (c) receipts (d) both
- 9) The person who draws the cheque and signs on it is the
(a) drawer (b) drawee (c) payee (d) all of the above
- 10) A fixed amount is deposited for a fixed period in deposit account.
(a) Current (b) Savings (c) Fixed (d) Recurring



Q.4 State whether the following statements are True or False with reasons :

- 1) Journal is a book of secondary entry.
- 2) Assets sold on credit are entered in Sales Journal.
- 3) Cash and credit purchases are entered in Purchase Book.
- 4) Cash sales are entered in Sales Journal
- 5) Cash Book records transactions relating to receipts and payments of cash.

Q.5 Do you agree with the following statements.

- 1) Trade discount is recorded in Cash Book.
- 2) Petty Cash Book is a book having record of big payments.
- 3) Cash received is entered on the debit side of Cash Book.
- 4) Transactions recorded on both debit and credit side of Cash Book is known as Contra Entry.
- 5) Credit purchase of machinery is entered in Purchase Journal.

Q.6 Complete the following sentences :

- 1) Cash Book is a Journal.
- 2) In Journal Proper, only discount is recorded.
- 3) Return of goods purchased on credit to the suppliers will be entered in Journal.
- 4) Assets sold on credit are entered in
- 5) Double column Cash Book records transactions relating to cash and....
- 6) Credit purchases of goods are recorded in
- 7) Cash Book does not record the Transactions.
- 8) Credit balance shown by a bank column in Cash Book is.....
- 9) Petty Cash Book is used for recording expenses.
- 10) In Purchase Book goods purchased on are recorded.

Q.7 Correct the following sentences and rewrite the same.

- 1) Cash purchases of goods are recorded in Purchase book.
- 2) Cash Book records cash transactions as well as credit transactions.
- 3) Small and large business records all transaction in subsidiary books.
- 4) The person who maintain Petty Cash Book is called Chief Cashier.



Q.8 Calculate the following.

- 1) Cash purchases ₹ 1,60,000 at 10% T.D. and 5% C.D. What is the amount of Net purchases ?
- 2) Purchased goods from Harish ₹ 12,000 @ 7% T.D. What is the amount of Trade discount?
- 3) Sold 50 shirts at ₹ 300 per shirt and 40 Trousers at ₹ 600 each, What is the amount of sales ?
- 4) Sold 30 Jackets at ₹ 500 per Jacket at 8% Trade discount, What is the amount of Trade discount ?

Q.9 Complete the following Table.

1) Cash Purchases	Credit purchases	Purchase Return	Net Purchases
35,000	55,000	?	88,000
2) Cash Sales	Credit Sales	Sales Return	Total Sales
?	60,000	3,000	1,02,000
3) Cash Sales	Credit Sales	Trade discount	Total Sales
90,000	1,10,000	16,000	?
4) Cash Purchases	Credit purchases	Trade discount	Net Purchases
70,000	?	18,000	1,62,000
5) Opening cash Balance	Cash Receipts	Cash Payments	Total cash
?	60,000	45,000	23,000
6) Cash Sales	Credit Sales	Total Sales	Total Debtors
1,20,000	1,40,000	2,60,000	?
7) Cash Purchases	Credit purchases	Total Purchases	Total Creditors
80,000	?	1,90,000	1,10,000
8) Opening Petty Cash Balance	Petty Cash Received	Petty Expenses Paid	Closing Petty Cash Balance
250	1,750	?	420
9) Opening Petty Cash	Petty Cash Received	Petty Expenses Paid	Closing Petty Cash Balance
400	?	1,800	250
10) Opening Petty Cash Balance	Petty Cash Received	Petty Expenses Paid	Closing Petty Cash Balance
?	1,800	2,250	150



PRACTICAL PROBLEMS

1. Prepare a two column Cash Book with the help of following information for January 2018.

	Amt (₹)
01 Started business with cash	1,20,000
03 Cash paid into Bank of Baroda	50,000
05 Purchased goods from Sakshi on credit	20,000
06 Sold goods to Divakar and received a bearer cheque	20,000
10 Paid to Sakshi cash	20,000
14 Cheque received on December 06, 2018 deposited into Bank	
18 Sold goods to Shivaji on credit	12,000
20 Cartage paid in cash	500
22 Received cash from Shivaji	12,000
27 Commission received	5,000
30 Drew cash for personal use	2,000

2 Prepare two column Cash Book from the following transaction for the year July 2018.

	Amt (₹)
01 Cash in hand	17,500
01 Cash at Bank	5,000
03 Purchased goods for cash	3,000
05 Received cheque from Arun	10,000
08 Sold goods for cash	8,000
10 Arun's cheque deposited into bank	
12 Purchased goods and paid by cheque	20,000
15 Paid establishment expenses through bank	1,000
18 Cash Sales	7,000
20 Deposited into bank	10,000
24 Paid General expenses	500
27 Received commission by Cross cheque	6,000
29 Paid Rent	2,000
30 Withdrew cash for personal use	1,200
31 Wages paid	6,000



- 3 Record the following transactions in Cash Book of M/s Kamal Traders. Balance for the month of July 2018 : Cash in hand ₹ 2,000 and balance in Bank Current account ₹ 8,000.

	Amt (₹)
03 Cash sales	2,300
05 Purchased goods and amount paid by cheque	6,000
08 Cash sales	10,000
12 Paid General expenses	700
15 Sold goods and amount received by Cheque and deposited in to Bank	20,000
18 Purchased Motor Car paid by cheque	15,000
20 Cheque received from Mrunal deposited into Bank	10,000
22 Cash Sales	7,000
25 Mrunal's cheque returned dishonoured	
28 Paid Rent	2,000
29 Paid Telephone expenses by cheque	500
31 Cash withdrawn from Bank for personal use	2,000

Prepare two column Cash Book

- Exercise 4 : Prepare Analytical Petty Cash Book from the following transactions in the books of Swarali General Stores, Kolhapur. The imprest amount is ₹ 1,500 received from main cashier.**

2018 Jan.	Amt (₹)
01 Paid cartage	50
02 Telephone charges	40
02 Bus Fare	20
03 Postage	30
04 Refreshment to employees	80
06 Courier charges	30
08 Refreshment to customers	50
10 Cartage	35
15 Taxi Fare to Manager	70
18 Purchased Stationery	65
20 Bus Fare	10
22 Xerox charges	30
25 Internet charges	35
27 Postage stamps	200
29 Repair on Furniture	105
30 Cleaning expenses	115
31 Miscellaneous expenses	100

5. From the following information prepare Columnar Petty Cash Book kept on imprest system in the books of Manisha Books Stall, Beed.

2018 April		Amt (₹)
01	Opening petty cash balance	200
02	Received a bearer cheque to make up the imprest amount	1,200
03	Gave a tips to peon	40
04	Purchased stationery	150
05	Paid Taxi Fare	35
06	Purchased Stamp pad	140
07	Paid Cartage	40
08	Paid Bus Fare	30
11	Paid to sweeper	50
13	Purchased a Box of pencils	40
14	Paid Mobile charges	35
15	Gave to Sohan on account	250
19	Paid for Refreshment to staff	150
20	Paid Railway Fare	30
21	Paid Carriage	65

6. Prepare proper Subsidiary Books and post them to the ledger from the following transactions for the month of February 2018.

2018 Feb		Amt (₹)
01	Goods sold to Virat	5,000
04	Purchased goods from Khushboo Traders	2,480
06	Sold goods to Shankar Traders	2,100
07	Virat returned goods	600
08	Returns goods to Khusboo Traders	280
10	Sold goods to Mahesh	3,300
14	Purchased from Kunti Traders	5,200
15	Furniture purchased from Arun	3,200
17	Bought goods from Kunti Traders	4,060
20	Return goods to Kunti Traders	200
22	Return goods from Mahesh	250
24	Purchased goods from Kirti less 10% T.D.	5,700
25	Sold goods to Shri Surya goods less 5% T.D.	6,600
26	Sold goods to Prakash Brothers	4,000
28	Return goods to Kirti less 10% T.D.	1,000
28	Prakash Brothers returned goods	500

7. Enter the following transactions in the books of Vijay in Purchase Book, Sales Book, Purchase Returns Book and Sales Returns Book and Journal Proper for the month of August 2018.

2018 Aug.

- 01 Purchased goods from Vikas Stores ₹ 18,000 at 5% Trade Discount
- 02 Sold goods of ₹ 9,000 to Prabhakar Traders
- 05 Veena sold goods of ₹ 16,000 to us at 5% Trade Discount as per our order dated 28th July, 2018.
- 08 Sent a Debit Note to Vikas Stores ₹ 1,600 (Gross) for goods returned.
- 10 Sold goods of ₹ 12,000 on credit to Shamal & Sons at 6% Trade Discount.
- 18 Received Credit Note from Veena ₹ 900 (Gross) for goods returned.
- 22 Sent Credit Note to Prabhakar Traders for ₹ 1,500 for goods returned. Received Debit note from Shamal & Sons for ₹ 1,200 (Net) for goods returned.
- 23 Purchased goods of ₹ 16,600 from Priya Stores and paid for Carriage ₹ 150.
- 25 Purchased goods from Sadhana Stores ₹ 12,000 and sold the same to Aradhana Stores at a profit of 20% on cost.
- 28 Aradhana Stores returned goods of ₹ 2,400 as they were defective and the same were returned to Sadhana Stores.
- 31. Purchased Furniture for office use ₹ 30,000 from Art Furniture Works on credit.

8. Mr. Akash gives you the following information and asks you to prepare Purchase Book, Sales Book, Purchase Returns Book and Sales Return Book for the month of January 2018.

2018 Jan.

- 01 Purchased goods on credit from Dhanal Traders for ₹ 15,000 and sold the same to Kunal Traders at a profit of 25% on cost.
- 05 Placed an order with Sunetra for goods of ₹ 10,000 less 5% Trade discount.
- 08 Purchased goods of ₹ 20,000 at 10% Trade Discount from Saurabha Traders.
- 13 Sold goods to Vinayak Stores ₹ 8,000 at 5% Trade Discount.
- 15 Vinayak Stores returned goods to us ₹ 200
- 18 Sunetra executed our order placed on 5th Jan. 2018.
- 20 Sold goods to Vishnu Traders ₹ 21,000 less 5% Trade Discount.
- 22 Returned goods to Sunetra ₹ 1,000 (Gross).
- 28 Kunal Traders returned goods to us ₹ 500
- 30 Returned goods to Sourabh Traders ₹ 1,500.



9. Enter the following transactions in the Subsidiary Book of Kamal Traders.

2018 Apr

- 01 Bought from Suhas goods of ₹ 12,000 as per his Invoice No. 41.
- 04 Purchased from Virat goods of ₹ 11,870 less 10% Trade Discount vide Bill No. 12.
- 07 Bought from Kuldip goods of ₹ 11,000 less 25% Trade Discount vide Bill No. 12.
- 08 Bought from M/s. Art Furniture Works, Furniture for ₹ 13,000 vide Invoice No. 84.
- 12 Sold to Dhiraj goods of ₹ 11,500 vide Sales Invoice No. 27
- 13 Sold to Raja goods of ₹ 12,780 less 5% Trade Discount, vide invoice No. 88
- 21 Sold to Suresh goods of ₹ 8,000 less 20% Trade Discount
- 23 Dhiraj returned goods of ₹ 500 vide our Credit note No. 14
- 26 Suresh returned goods of ₹ 150 (gross) vide our Credit Note No. 115
- 28 Returned to Suhas goods ₹ 1,200 vide our Debit Note No. 09
- 30 Returned to Virat goods of ₹ 1,300 (Gross) vide our Debit Note No. 10.
- 30 Returned to Kuldip goods of ₹ 1,100 (Gross) vide our Debit Note No. 11.

10. Enter the following transactions in the Subsidiary Books of Navyug Traders :

2018 Mar

- 01 Sold to Bharat Patil goods ₹ 10,000 at 10% Trade discount.
- 04 Purchased from Naresh goods of ₹ 11,000 less 10% Trade discount.
- 06 Purchased Furniture from M/s. Sham Furniture Works, of ₹ 15,000 for office use.
- 07 Bharat Patil returned 20% of the goods bought by him on 1st March above and we gave him fresh goods in exchange.
- 08 Sold to Sundar goods of ₹ 13,000 less 15% Trade Discount.
- 10 Sold to Sumit Computer for ₹ 23,800 with a book value of ₹ 24,000.
- 12 Placed an order with Sajan for goods of ₹ 12,000.
- 17 Purchased from Naresh goods of ₹ 14,000 and sold them to Kamesh for ₹ 16,000.
- 19 Kamesh returned us goods of ₹ 1,600 and immediately returned the same to Naresh.
- 23 Sold to Rakesh for ₹ 4,500 old Furniture with a book value of ₹ 4,800.
- 26 Returned to M/s. Sham Furniture Works, office Furniture of ₹ 4,500.
- 28 Sajan executed our order dated 12th March, 2018.





Activity

- 1) Collect actual Invoices from trader and Prepare Purchase & Sales Book.
- 2) Collect actual Debit & Credit notes from any business organization.
- 3) Prepare Petty Cash book of your house hold expenses for the month
- 4) Prepare Petty Cash book for a month of your pocket money.
- 5) Collects documents of Petty expenses of any business organization & prepare Petty Cash Book.
- 6) Make list of 20 transactions and find out in which type of Subsidiary Book these transactions are recorded.
- 7) Visit a Bank get a KYC form fill it and open your Saving Account.

