

5. SUBSIDIARY BOOKS

Q. 1. Answer the following questions in one sentence.

1) What is Subsidiary Books?

Ans. The subdivision of journal on the basis of nature of transaction is known as subsidiary books.

2) What is Cash Book?

Ans. A subsidiary book in which cash transactions and transactions with the banks are recorded is called Cash Book.

3) State the meaning of Contra Entry.

Ans. Certain transactions affect cash account and bank account simultaneously but with opposite effect. They are to be recorded on both the sides of cash book. Entries of this kind of transaction are known as Contra entry.

4) State the meaning of Imprest System of Petty Cash Book.

Ans. By estimating amount for petty expenses, petty cashier is given some amount in the beginning of period. At the end of the period, after checking the account, petty cashier is once again given amount equal to the expenses to start with a new period. This system is known as Imprest System of Petty Cash Book.

5) Which transactions are recorded in purchase book?

Ans. With an intention to earn profit on goods, when goods are purchased on credit for manufacturing or for resale, are only recorded in purchase book.

OR Goods purchased on credit from the supplier are only recorded in Purchase Book.

6) Which sales are recorded in Sales Book?

Ans. Goods sold on credit to the customer are only recorded in Sales Book.

7) Which transactions are recorded in the Journal Proper?

Ans. Transactions that cannot find place in any particular subsidiary book are recorded in journal proper.

8) Who is Petty Cashier?

Ans. The person who is maintaining Petty Cash Book is known as Petty Cashier.

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

Statements	Ans.
(1) Person who maintain Petty Cash Book.	Petty Cashier
(2) A bank account which the businessman prefer to open.	Current account



(3) Petty Cash Book in which the payment side is ruled in suitable	Analytical petty cash book
(4) Subsidiary book in which only credit purchases of goods is recorded.	Purchase book
(5) Subsidiary book in which return of goods sold on credit is recorded.	Sales Return Book
(6) The entry which is recorded on both sides of cash book.	Contra Entry
(7) Name the account which encourages personal savings.	Savings Account
(8) A note issued by buyer to seller giving full details of goods returned.	Debit Note
(9) Note issued by seller on receipt of defective goods from customer.	Credit Note
(10) Name the bank account on which overdraft facility is given to account holder.	Current Account

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 credit.
- 2) Any entry recorded on both sides of cash book is known as contra.
- 3) The source document for recording in sales book is Outward Invoice.
- 4) Credit purchase of machinery is recorded in the Journal Proper.
- 5) Subdivision of journal is known as Subsidiary book.
- 6) Additional cash introduced in business is recorded in Cash Book.
- 7) Entry for bad debts is recorded in the Journal Proper.
- 8) Direct deposit made by customer into our bank is recorded in the receipts side of the Cash Book.
- 9) The person who draws the cheque and signs on it is the drawee.
- 10) A fixed amount is deposited for a fixed period in fixed deposit account.

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

1) Journal is a book of secondary entry.

Ans. This statement is False.



All the business transactions are recorded in the journal in chronological order of their occurrence. therefore journal is known as book of original entry or primary entry.

2) Assets sold on credit are entered in sales journal.

Ans. This statement is False.

In the sales journal, transactions related to credit sales of goods are recorded and in journal

proper assets sold on credit are recorded.

3) Cash and credit purchases are entered in purchase book.

Ans. This statement is False.

Credit purchases of goods are recorded in purchase book while cash purchases are entered in cash book and credit purchases of assets are entered in journal proper.

4) Cash sales are entered in sales journal.

Ans. This statement is False.

Credit sales of goods are entered in sales journal and cash sales transactions are to be recorded in cash book in receipt side.

5) Cash book records transactions relating to receipts and payments of cash.

Ans. This statement is True.

Purpose of preparing cash book, a subsidiary book, is to record cash transactions of business relating to receipts and payments of cash.

Q. 5. Do you agree with the following Statements?

1) Trade discount is recorded in cash book.

Ans. Disagree.

2) Petty cash book is a book having record of big payments.

Ans. Disagree.

3) Cash received is entered on the debit side of cash book.

Ans. Agree.

4) Transactions recorded on both debit and credit side of cash book is known as Contra Entry.

Ans. Agree.

5) Credit purchase of machinery is entered in Purchase Journal.

Ans. Disagree.

Q. 6. Complete the following sentences.

1) Cash Book is a subsidiary Journal.

2) In Journal Proper, only cash discount is recorded.

3) Return of goods purchased on credit to the suppliers will be entered in purchase return.

4) Assets sold on credit are entered in journal proper.

5) Double column cash book records transactions relating to cash and bank.



- 6) Credit purchases of goods are recorded in **purchase book**.
- 7) Cash book does not record the **credit** transactions.
- 8) Credit balance shown by a bank column in cash book is **bank**.
- 9) Petty cash book is used for recording **petty** expenses.
- 10) In Purchase Book goods purchased on **credit** are recorded.