11110CH04

Recording of Transactions-II

4

Learning Objectives

After studying this chapter, you will be able to :

- *state the need for special purpose books;*
- *record the transactions in cash book and post them in the ledger;*
- *prepare the petty cash book;*
- *record the transactions in the special purpose books;*
- *post the entries in the special purpose book and to the ledger;*
- *balance the ledger accounts.*

In chapter 3, you learnt that all the business transactions are first recorded in the journal and then they are posted in the ledger accounts. A small business may be able to record all its transactions in one book only, i.e., the journal. But as the business expands and the number of transactions becomes large, it may become cumbersome to jour-nalise each transaction. For quick, efficient and accurate recording of business transactions, Journal is sub-divided into special journals. Many of the business transactions are repetitive in nature. They can be easily recorded in special journals, each meant for recording all the transactions of a similar nature. For example, all cash transactions may be recorded in one book, all credit sales transactions in another book and all credit purchases transactions in yet another book and so on. These special journals are also called daybooks or subsidiary books. Transactions that cannot be recorded in any special journal are recorded in journal called the *Journal Proper*. Special journals prove economical and make division of labour possible in accounting work. In this chapter we will discuss the following special purpose books:

- Cash Book
- Purchases Book
- Purchases Return (Return Outwards) Book
- Sales Book
- Sales Return (Return Inwards) Book
- Journal Proper

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4.1 Cash Book

Cash book is a book in which all transactions relating to cash receipts and cash payments are recorded. It starts with the cash or bank balances at the beginning of the period. Generally, it is made on monthly basis. This is a very popular book and is maintained by all organisations, big or small, profit or not-for-profit. It serves the purpose of both journal as well as the ledger (cash) account. It is also called the *book of original entry*. When a cashbook is maintained, transactions of cash are not recorded in the journal, and no separate account for cash or bank is required in the ledger.

4.1.1 Single Column Cash Book

The single column cash book records all cash transactions of the business in a chronological order, i.e., it is a complete record of cash receipts and cash payments. When all receipts and payments are made in cash by a business organisation only, the cash book contains only one amount column on each (debit and credit) side. The format of single column cash book is shown in figure 4.1.

Cash Book

Dr. **Cr.**

Date	*Receipts*	*L.F.*	*Amount* ₹	*Date*	*Payments*	*L.F.*	*Amount* ₹

Fig. 4.1 : *Format of single column cash book*

Recording of entries in the single column cash book and its balancing is illustrated by an example. Consider the following transactions of M/s Roopa Traders observe how they are recorded in a single column cash book.

Date	*Details*	*Amount* ₹
2017		
Nov. 01	Cash in hand	30,000
Nov. 04	Cash received from Gurmeet	12,000
Nov. 08	Insurance paid (Annual Instalment)	6,000
Nov. 13	Purchased furniture	13,800
Nov. 16	Sold goods for cash	28,000
Nov. 17	Purchased goods from Mudit in cash	17,400
Nov. 20	Purchase stationery	1,100
Nov. 24	Cash paid to Rukmani in full settlement of account	12,500

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Nov. 27	Sold goods to Kamal for cash	18,200
Nov. 30	Paid monthly rent	2,500
Nov. 30	Paid salary	3,500
Nov. 30	Deposited in bank	8,000

Roopa Traders
Cash Book

Dr. **Cr.**

Date	*Receipts*	*L.F.*	*Amount* ₹	*Date*	*Payments*	*L.F.*	*Amount* ₹
2017				2017			
Nov. 01	Balance b/d		30,000	Nov. 08	Insurance		6,000
Nov. 04	Gurmeet		12,000	Nov. 13	Furniture		13,800
Nov. 16	Sales		28,000	Nov. 17	Purchases		17,400
Nov. 27	Sales		18,200	Nov. 20	Stationery		1,100
				Nov. 24	Rukmani		12,500
				Nov. 30	Rent		2,500
				Nov. 30	Salary		3,500
				Nov. 30	Bank		8,000
				Nov. 30	Balance c/d		23,400
			88,200				88,200
Dec.01	Balance b/d		23,400				

Posting of the Single Column Cash Book

As evident from figure 4.1, the left side of the cash book shows the *receipts* of the cash whereas the right side of the cash book shows all the *payments* made in cash. The accounts appearing on then debit side for the cash book are credited in the respective ledger accounts because cash has been received in respect of them. Thus, in our example, an entry 'cash received from Gurmeet' appears on the debit side of the cash book conveys that the cash has been received from Gurmeet. Therefore, in the ledger, Gurmeet's account will be credited by writing 'Cash' in the particulars column on the credit side. Similarly, all the account names appearing on the credit side of the cash book are debited as cash/cheque has been paid in respect of them. Now, notice, how the transactions in our example are posted to the related ledger accounts:

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Books of Roopa Traders
Gurmeet's Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017 Nov.04	Cash		12,000

Sales Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017 Nov. 16 Nov. 27	Cash Cash		28,000 18,200

Insurance Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Nov. 08	Cash		6,000				

Furniture Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Nov. 13	Cash		13,800				

Purchases Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Nov. 17	Cash		17,400				

Stationery Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Nov. 20	Cash		1,100				

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Rukmani's Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Nov.24	Cash		12,500				

Rent Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Nov.30	Cash		2,500				

Salary Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Nov. 30	Cash		3,500				

Bank's Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Nov.30	Cash		8,000				

4.1.2 Double Column Cash Book

In this type of cash book, there are two columns of amount on each side of the cash book. In fact, now-a-days bank transactions are very large in number. In many organisations, as far as possible, all receipts and payments are affected through bank.

A businessman generally opens a current account with a bank. Bank, do not allow any interest on the balance in current account but charge a small amount, called *incidental charges*, for the services rendered.

For depositing cash/cheques in the bank account, a form has to be filled, which is called a *pay-in-slip*. (refer figure 4.2) It contains a counterfoil also which is returned to the customer (depositor) with the signature of the cashier, as *receipt*.

The bank issues blank cheque forms, to the account holder for withdrawing money. (refer figure 4.3) The depositor writes the name of the party to whom payment is to be made after the words *Pay* printed on the cheque. Cheque

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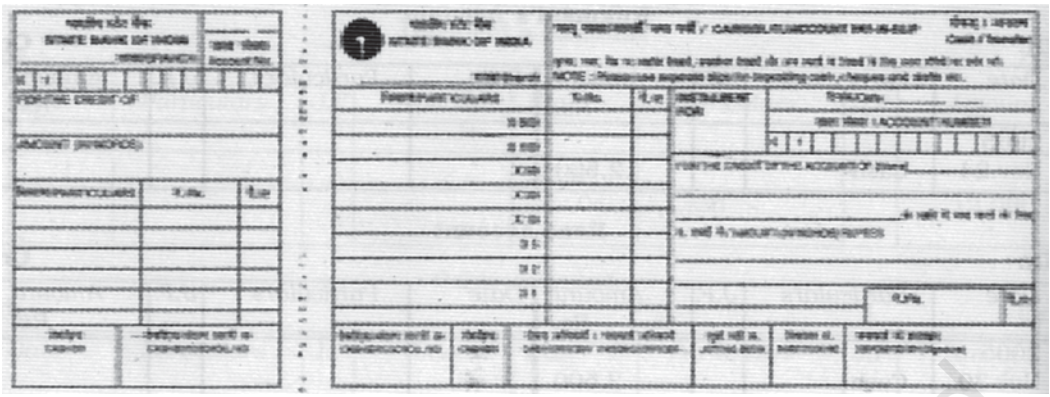


Fig. 4.2 : *A pay-in-slip*

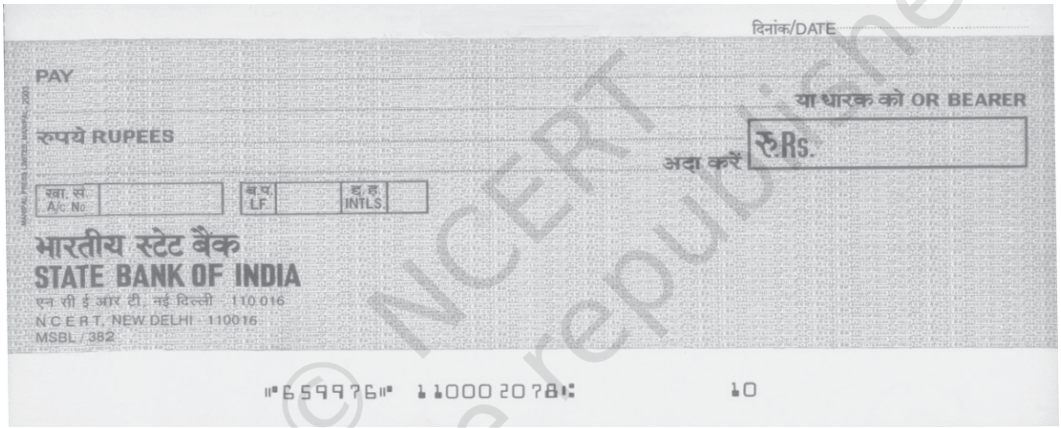


Fig. 4.3 : *A cheque*

forms have the printed word bearer, which means payment is to be made to the person whose name has been written after the words "pay" or the *bearer* of the cheques. When the world 'bearer' is struck off by drawing a line, the cheque becomes an *order cheque*. It means payment is to be made to the person whose name is written on the cheque or to his order after proper identification.

Cheques are generally crossed in practice. The payment of a crossed cheque cannot be made direct to the party on the counter. It is to be paid only through a bank. When two parallel lines are drawn across the cheque, it is said to be crossed. The various types of crossing providing different degrees of safety to the payment are shown in figure 4.4.

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In case of an *A/c payee only* crossing, the amount of the cheque can be deposited only in the account of the person whose name appears on the cheque. When the name of the bank is written between two parallel lines, it becomes a *special crossing* and the payment can be made only to the bank whose name has been written between the two lines.

Though this is rarely done, a cheque can be transferred by the payee (the person in whose favour the cheque has been drawn) to another person, if it is not crossed *A/c payee only*. A bearer cheque can be passed on by mere delivery. An *order cheque* can be transferred by endorsement and delivery. *Endorsement* means the writing of instructions to pay the cheque to a particular person and then singing it on the back of the cheque.

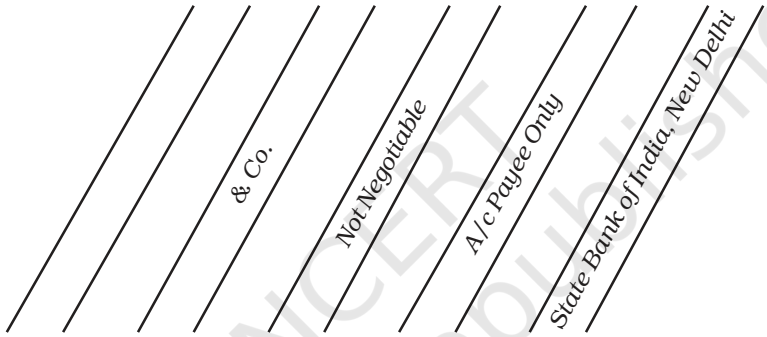


Fig. 4.4 : *Types of crossing*

When the number of bank transactions is large; it is convenient to have a separate amount column for bank transactions in the cash book itself instead of recording them in the journal. This helps in getting information about the position of the bank account from time to time. Just like cash transactions, all payments into the bank are recorded on the left side and all withdrawals/payments through the bank are recorded on the right side. When cash is deposited in the bank or cash is withdrawn from the bank, both the entries are recorded in the cash book. This is so because both aspects of the transaction appear in the cash book itself. When cash is paid into the bank, the amount deposited is written on the left side in the bank column and at the same time the same amount is entered on the right side in the cash column. The reverse entries are recorded when cash is withdrawn from the bank for use in the office. Against such entries the word **C**, which stands for *contra* is written in the L.F. column indicating that these entries are not to be posted to the ledger account.

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The bank column is balanced in the same way as the cash column. However, in the bank column, there can be credit balance also because of overdraft taken from the bank. *Overdraft* is a situation when cash withdrawn from the bank exceeds the amount of deposit. Entries in respect of cheques received should be made in the bank column of the cash book. When a cheque is received, it may be deposited into the bank on the same day or it may be deposited on another day. In case, it is deposited on the same day the amount is recorded in the bank column of the cash book on the receipts side. If the cheque is deposited on another day, in that case, on the date of receipt it is treated as cash received and hence recorded in the cash column on the receipts side. On the day of deposit to the bank, it is shown in the Bank Column on receipt (Dr.) side and in the Cash Column on the payment (Cr.) side. This is a *contra entry*.

If a cheque received from a customer is dishonoured, the bank will return the dishonoured cheque and debit the firm's account. On receipt of such cheque or intimation from the bank, the firm will make an entry on the credit side of the cash book by entering the amount of the dishonoured cheque in the bank column and the name of the customer in the particulars column. This entry will restore the position prevailing before the receipt of the cheque form the customer and its deposit in the bank. Dishonour of a cheque means return of the cheque unpaid, generally due to insufficient funds in the customer's account with the bank.

If the bank debits the firm on account of interest, commission or other charges for bank services, the entry will be made on the credit side in bank column. If the bank credits the firm's account, the entry will be made on the debit side of the cash book in the appropriate column. The format of double column cash book is shown in figure 4.5.

Cash Book

Dr **Cr**

Date	*Receipts*	*L.F.*	*Cash* ₹	*Bank* ₹	*Date*	*Payments*	*L.F.*	*Cash* ₹	*Bank* ₹

Fig. 4.5 : *Format of a double column cashbook*

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We will now learn how the transactions are recorded in the double column cash book.

Consider the following example:

The following transactions related to M/s Tools India :

Date	*Details*	*Amount* ₹
2017		
Sept. 01	Bank balance	42,000
Sept. 01	Cash balance	15,000
Sept. 04	Purchased goods by cheque	12,000
Sept. 08	Sales of goods for cash	6,000
Sept. 13	Purchased machinery by cheque	5,500
Sept. 16	Sold goods and received cheque (deposited same day)	4,500
Sept. 17	Purchase goods from Mriaula in cash	17,400
Sept. 20	Purchase stationery by cheque	1,100
Sept. 24	Cheque given to Rohit	1,500
Sept. 27	Cash withdrawn from bank	10,000
Sept. 30	Rent paid by cheque	2,500
Sept. 30	Paid salary	3,500

The double column cash book based upon above business transactions will prepared as follows :

Cash Book

Dr. **Cr.**

Date	*Receipts*	*L.F.*	*Cash* ₹	*Bank* ₹	*Date*	*Payments*	*L.F.*	*Cash* ₹	*Bank* ₹
2017					2017				
Sept.					Sept.				
01	Balance b/d		15,000	42,000	04	Purchases			12,000
08	Sales		6,000		13	Machine			5,500
16	Sales			4,500	17	Purchase		17,400	
27	Bank	C	10,000		20	Stationery			1,100
					24	Rohit			1,500
					27	Cash	C		10,000
					30	Rent			2,500
					30	Salary		3,500	
					30	Balance c/d		10,100	13,900
			31,000	46,500				31,000	46,500
Oct.									
01	Balance b/d		10,100	13,900					

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When the bank column is maintained in the cash book, the bank account also is not opened in the ledger. The bank column serves the purpose of the bank account. Entries marked **C** (being contra entries as explained earlier) are ignored while posting from the cash book to the ledger. These entries represent debit or credit of cash account against the bank account or vice-versa. We will now see how the transactions recorded in double column cash book are posted to the individual accounts.

Purchases Account

Receipts **Payments**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Sept.04	Bank		12,000				
Sept. 17	Cash		17,400				

Sales Account

Receipts **Payments**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017			
				Sept. 08	Cash		6,000
				Sept. 16	Bank		4,500

Machinery Account

Receipts **Payments**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Sept. 13	Bank		5,500				

Stationery Account

Receipts **Payments**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Sept.20	Bank		1,100				

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Rohit's Account

Receipts **Payments**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Sept.24	Bank		1,500				

Rent Account

Receipts **Payments**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Sept.30	Bank		2,500				

Salary Account

Receipts **Payments**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Sept.30	Cash		3,500				

4.1.3 Petty Cash Book

In every organisation, a large number of small payments such as conveyance, cartage, postage, telegrams and other expenses (collectively recorded under miscellaneous expenses) are made. These are generally repetitive in nature. If all these payments are handled by the cashier and are recorded in the main cash book, the procedure is found to be very cumbersome. The cashier may be overburdened and the cash book may become very bulky. To avoid this, large organisations normally appoint one more cashier (petty cashier) and maintain a separate cash book to record these transactions. Such a cash book maintained by petty cashier is called petty cash book.

The petty cashier works on the *Imprest system*. Under this system, a definite sum, say ₹ 2,000 is given to the petty cashier at the beginning of a certain period. This amount is called imprest amount. The petty cashier goes on making all small payments out of this imprest amount and when he has spent the substantial portion of the imprest amount say ₹1,780, he gets reimbursement of the amount spent from the head cashier. Thus, he again has the full imprest amount in the beginning of the next period. The reimbursement may be made on a weekly, fortnightly or monthly basis, depending on the frequency of small payments. (In certain cases, the petty cash system is operated through the

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main cash book itself. In such instances, the petty cash book is not maintained independently.)

The petty cash book generally has a number of columns for the amount on the payment side (credit) besides the first other amount column. Each of the amount columns is allotted for items of specific payments, which are most common. The last amount column is designated as 'Miscellaneous' followed by a 'Remarks' column. In the miscellaneous column those payments are recorded for which a separate column does not exist. In the 'Remarks' the nature of payment is recorded. At the end of the period, all amount columns are totaled. The total amount column l shows the total amount spent and to be reimbursed. On the receipt (debit) side, there is only one amount column. Columns for the date, voucher number and particulars are common for both receipts and payments.

Box 1

Advantages of Maintaining Petty Cash Book

1. *Saving of Time and efforts of chief cashier*: The chief cashier is not required to deal with petty disbursements. He can concentrate on cash transactions involving large amount of cash. It saves time and labour and helps chief cashier to discharge his duties more effectively
2. *Effective control over cash disbursements:* Cash control becomes easy because of division of work. The head cashier can control big payments directly and petty payments by keeping a proper check on the petty cashier. This way the chances of making frauds and embezzlements become very difficult.
3. *Convenient recording:* Recording of petty disbursements in the main cash book makes it bulky and unmanageable. Further, the materiality principle requires that insignificant details need not be given in the main cashbook. This way the cash book reveals only material and useful information.

   Recording of such small payments becomes easy as the totals of different types of expenses are posted to ledger. It also saves time and effort of posting individual items in the ledger. In nutshell it can be stated that preparation of petty cash book is a cost reduction control measure.

For example, Mr. Mohit, the petty cahier of M/s Samaira Traders received Rupees 2,000 on May 01, 2017 from the Head Cashier. For the month, details of petty expenses are listed here under:

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Date	*Details*	*Amount* ₹
2017		
May		
02	Auto fare	55
03	Courier services	40
04	Postal stamps	105
05	Erasers/Sharpeners/Pencils/Pads	225
06	Speed post charges	98
08	Taxi fare (₹105 + ₹90)	195
08	Refreshments	85
10	Auto fare	60
12	Registered postal charges	42
13	Telegram	34
14	Cartage	25
16	Computer stationery	165
19	Bus fare	24
19	STD call charges	87
20	Office sanitation including disinfectant (₹ 36 + ₹ 24)	60
22	Refreshment	45
23	Photo stating charges	47
28	Courier services	40
29	Unloading charges	40
30	Bus fare	15

Posting from the Petty Cash Book

The petty cash book is balanced periodically. The difference between the total receipts and total payments is the balance with the petty cashier. The balance is carried to the next period and the petty cashier is paid the amount actually spent. A petty cash account is opened in the ledger. It is debited with the amount given to petty cashier. Each expense account is individually debited with the periodic total as per the respective column by writing "petty cash account" and the petty cash account is credited with the total expenditure incurred during the period by writing sundries as per petty cash book. The petty cash account is balanced. It reflect the actual cash with the petty cashier.

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The petty cash book for the month will be prepared as follows :

Book of Samaira Traders

Petty Cash Book

Amount Received	*Date*	*Particulars*	*Voucher No.*	*Amount paid*	*Analysis of Payments*				
₹	*2017 May*			₹	*Postage*	*Telephone & Telegram*	*Conveyance*	*Stationery*	*Misc.*
2,000	01	Cash received							
	02	Auto fare		55			55		
	03	Courier services		40	40				
	04	Postal stamps		105	105				
	05	Erasers/Sharpeners /Pencils		225				225	
	06	Speed post charges		98	98				
	08	Taxi fare (105 + 90)		195			195		
	08	Refreshments		85					85
	10	Auto fare		60			60		
	12	Registered postal charges		42	42				
	13	Telegram		34		34			
	14	Cartage		25					25
	16	Computer stationery		165				165	
	19	Bus fare		24			24		
	19	STD call charges		87		87			
	20	Office sanitation including disinfectant (36+24)		60					60
	22	Refreshment		45					45
	23	Photo stating charges		47					47
	28	Courier services		40	40				
	29	Unloading charges		40					40
	30	Bus fare		15			15		
				1,487	325	121	349	390	302
	31	Balance c/d		513					
2,000				2,000					
	Jun.								
513	01	Balance b/d							
1,487	01	Cash received							

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Books of Samaira Traders
Journal

Date	*Particulars*		*L.F.*	*Debit Amount* ₹	*Credit Amount* ₹
2017					
May 01	Petty cash A/c	Dr.		2,000	
	To Cash A/c				2,000
	(Cash paid to petty cashier)				
May 31	Postage A/c	Dr.		325	
	Telephone & Telegram A/c	Dr.		121	
	Conveyance A/c	Dr.		349	
	Stationary A/c	Dr.		390	
	Miscellaneous expenses A/c	Dr.		302	
	To Petty cash A/c				1,487
	(Petty expenses posted to petty cash account)				
	Petty cash A/c	Dr.		1,487	
	To Cash A/c				1,487
	(Cash paid to petty cashier)				

Petty Cash Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
May 01	Cash		2,000	May 31	Sundries as per petty cash book		1,487
				May 31	Balance c/d		513
			2,000				2,000
Jun. 01	Balance b/d		513				
Jun. 01	Cash		1,487				

Books of Samaria Traders
Postage Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
May 31	Petty cash		325				

Telephone and Telegram Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
May 31	Petty cash		121				

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Conveyance Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 May 31	Petty cash		349				

Stationery Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 May 31	Petty cash		390				

Miscellaneous Expenses Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 May 31	Petty cash		302				

4.1.4 Balancing of Cash Book

On the left side, all cash transactions relating to cash receipts (debits) and on the right side all transactions relating to cash payments (credits) are entered date-wise. When a cash book is maintained, a separate cash book in the ledger is not opened. The cash book is balanced in the same way as an account in the ledger. But it may be noted that in the case of the cash book, there will always be debit balance because cash payments can never exceed cash receipts and cash in hand at the beginning of the period.

The source document for cash receipts is generally the duplicate copy of the receipt issued by the cashier. For payment, any document, invoice, bill, receipt, etc., on the basis of which payment has been made, will serve as a source document for recording transactions in the cash book. When payment has been made, all these documents, popularly known as vouchers, are given a serial number and filed in a separate file for future reference and verification.

Illustration 1

From the following transactions made by M/s Kuntia Traders, prepare the single column cashbook.

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Date	*Details*	*Amount* ₹
2017		
Sept. 01	Cash in hand	40,000
Sept. 02	Deposited in bank	16,000
Sept. 04	Received from Puneet in full settlement of claim of ₹ 12,000.	11,700
Sept. 05	Cash paid to Rukmani in full settlement of claim of ₹7,000	6,850
Sept. 06	Sold goods to Sudhir for cash	14,800
Sept. 06	Paid quarterly insurance premium on policy for proprietor's wife	2,740
Sept. 07	Purchased office furniture	8,000
Sept. 07	Purchased stationery	1,700
Sept. 07	Paid cartage	120
Sept. 10	Paid Kamal, discount allowed by him ₹ 200	6,800
Sept. 11	Received from Gurmeet, discount allowed to him ₹500	14,500
Sept. 12	Amount withdrawn for house hold use	5,000
Sept. 14	Electricity bill paid	1,160
Sept. 17	Goods sold for cash	23,000
Sept. 21	Bought goods from Kamal on cash basis	17,000
Sept. 24	Paid telephone charges	2,300
Sept. 26	Paid postal charges	520
Sept. 28	Paid monthly rent	4,200
Sept. 29	Paid monthly wages and salary	8,250
Sept. 29	Bought goods for cash	11,000
Sept. 30	Sold goods for cash	15,600

Solution

Books of Kuntia Traders
Cash Book

Dr **Cr**

Date	*Receipts*	*L.F.*	*Amount* ₹	*Date*	*Payments*	*L.F.*	*Amount* ₹
2017				2017			
Sept. 01	Balance b/d		40,000	Sept. 02	Bank		16,000
Sept. 04	Puneet		11,700	Sept. 05	Rukmani		6,850
Sept. 06	Sales		14,800	Sept. 06	Drawings		2,740
Sept. 11	Gurmeet		14,500	Sept. 07	Office furniture		8,000
Sept. 17	Sales		23,000	Sept. 07	Stationery		1,700
Sept. 30	Sales		15,600	Sept. 07	Cartage		120
				Sept. 10	Kamal		6,800
				Sept. 12	Drawings		5000
				Sept. 14	Electric charges		1,160
				Sept. 21	Purchases		17,000

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				Sept. 24	Telephone charges		2,300
				Sept. 28	Postal charges		520
				Sept. 29	Rent		4,200
				Sept. 29	Wages & Salary		8,250
				Sept. 30	Purchases		11,000
				Sept. 30	Balance c/d		27,960
			1,19,600				1,19,600
Oct. 01	Balance b/d		27,960				

Illustration 2

Record the following transactions in double column cash book and balance it.

Date	*Details*	*Amount* ₹
2017		
Aug. 01	Cash balance	15,000
	Bank balance	10,000
Aug. 03	Paid insurance premium by cheque	4,200
Aug. 08	Cash sales	22,000
	Cash discount	750
Aug. 09	Payment for cash purchases	21,000
	Cash discount	700
Aug. 09	Cash deposited in bank	15,000
Aug. 10	Telephone bill paid by cheque	2,300
Aug. 14	Withdrawn from bank for personal use	6,000
Aug. 16	Withdrawn from bank office use	14,500
Aug. 20	Received cheque from John in full and final settlement and deposited the same in the bank	10,700
Aug. 23	Received cash from Michael	6,850
	Discount allowed	150
Aug. 24	Stationery purchased for cash	1,800
Aug. 25	Cartage paid in cash	350
Aug. 25	Cheque received from Kumar	4,500
Aug. 28	Cheque received from Kumar deposited in Bank	4,500
Aug. 31	Cheque deposited on Aug. 28 dishonoured and returned by the bank	
Aug. 31	Rent paid by cheque	4,000
Aug. 31	Paid wages to the watchman in cash	3,000
Aug. 31	Paid cash for postage	220

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Solution

Cash Book

Dr. **Cr.**

Date	*Receipts*	*L.F.*	*Cash* ₹	*Bank* ₹	*Date*	*Payments*	*L.F.*	*Cash* ₹	*Bank* ₹
2017					2017				
Aug.					Aug.				
01	Balance b/d		15,000	10,000	03	Insurance			4,200
08	Sales		22,000		09	Purchases		21,000	
09	Cash	**C**		15,000	09	Bank	**C**	15,000	
16	Bank	**C**	14,500		10	Telephone expenses			2,300
20	John			10,700	14	Drawings			6,000
23	Michael		6,850		16	Cash	**C**		14,500
25	Kumar		4,500		24	Printing and stationery		1,800	
28	Cash	**C**		4,500	25	Cartage		350	
31	Balance c/d			6,000	28	Bank	**C**	4,500	
					31	Kumar			4,500
					31	Rent			4,000
					31	Wages		3,000	
					31	Postage		220	
					31	Balance c/d		16,980	4,700
			62,850	40,200				62,850	40,200
Sept.									
01	Balance b/d		16,980	4,700					

Illustration 3

Prepare bank column cash book from the following tansactions of M/s Laser Zone for the month of January 2014 and post them to the related ledger accounts :

Date	*Details*	*Amount* ₹
2017		
Jan. 01	Cash in hand	4,000
	Bank overdraft	3,200
Jan. 04	Wage paid	400
Jan. 05	Cash sales	7,000
Jan. 07	Purchased goods by cheque	2,000
Jan. 09	Purchased furniture for cash	2,200
Jan. 11	Cash paid to Rohit	2,000
Jan. 13	Cash sales	4,500
Jan. 14	Deposited into bank	7,000
Jan. 16	Bank charged interest on overdraft	200

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Jan. 20	Paid telephone bill by cheque	600
Jan. 25	Sale of goods and received cheque (deposited same day)	3,000
Jan. 27	Paid rent	800
Jan. 29	Drew cash for personal use	500
Jan. 30	Paid salary	1,000
Jan. 31	Interest collected by bank	1,700

Solution

Books of Laser Zone
Cash Book

Dr. **Cr.**

Date	*Receipts*	*L.F.*	*Cash* ₹	*Bank* ₹	*Date*	*Payments*	*L.F.*	*Cash* ₹	*Bank* ₹
2017 Jan.					2017 Jan.				
01	Balance b/d		4,000		01	Balance b/d			3,200
05	Sales		7,000		04	Wages		400	
13	Sales		4,500		07	Purchase			2,000
14	Cash	**C**		7,000	09	Furniture		2,200	
25	Sales			3,000	11	Rohit		2,000	
31	Interest			1,700	14	Bank	**C**	7,000	
					16	Overdraft interest			200
					20	Telephone			600
					27	Rent		800	
					29	Drawings		500	
					30	Salary		1,000	
					01	Balance c/d		1,600	5,700
			15,500	11,700				15,500	11,700
Oct. 01	Balance b/d		1,600	5,700					

Wages Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan.04	Cash		400				

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Sales Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017			
				Jan. 05	Cash		7,000
				Jan.13	Cash		4,500
				Jan.25	Bank		3,000

Purchases Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan.07	Bank		2,000				

Furniture Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan. 09	Cash		2,200				

Rohit Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan. 11	Cash		2,000				

Ovedraft Interest (Paid) Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan.16	Bank		200				

Telephone Expenses Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan.20	Bank		600				

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Rent Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan.27	Cash		800				

Drawings Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan.29	Cash		500				

Salary Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Jan.30	Cash		1,000				

Interest (Received) Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017 Jan.31	Bank		1,700

Illustration 4

Prepare double column cash book of M/s Advance Technology Pvt. Ltd. for the month of December 2014 from the following transactions :

Date	*Details*	*Amount* ₹
2017		
Dec. 01	Cash in hand	3,065
	Cash at bank	6,780
Dec. 02	Cash paid to petty cashier	1,000
Dec. 03	Received cheque from Priya	3,000
Dec. 04	Cash sales	2,000
Dec. 05	Deposited into bank	1,200
Dec. 06	Priya's cheque deposited into bank	3,000
Dec. 08	Purchased furniture by cheque	6,500
Dec. 10	Paid trade expenses	400
Dec. 12	Cash sales	9,000

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Dec. 13	Bank charges	300
Dec. 15	Dividend collected by bank	1,200
Dec. 16	Paid electric bill by cheque	600
Dec. 17	Cash purchases	2,000
Dec. 19	Paid for advertising	1,000
Dec. 21	Goods sold and received a cheque (deposited same day)	6,000
Dec. 22	Paid legal charges	500
Dec. 23	Drew from bank for personal use	2,000
Dec. 24	Paid establishment expenses	340
Dec. 25	Paid for printing of bill book	850
Dec. 26	Paid insurance premium by cheque	2,150
Dec. 27	Cash sales	7,200
Dec. 28	Paid salary by cheque	4,000
Dec. 29	Rent paid	3,000
Dec. 30	Commission received by cheque (deposited same day)	2,500
Dec. 31	Paid for charity by cheque	800

Solution

Books of Advance Technology
Cash Book

Dr. **Cr.**

Date	*Receipts*	*L.F.*	*Cash* ₹	*Bank* ₹	*Date*	*Payments*	*L.F.*	*Cash* ₹	*Bank* ₹
2016 Dec.					2016 Dec.				
01	Balance b/d		3,065	6,780	02	Petty Cashier		1,000	
03	Priya		3,000		05	Bank	**C**	1,200	
04	Sales		2,000		06	Bank	**C**	3,000	
05	Cash	**C**		1,200	08	Furniture			6,500
06	Cash	**C**		3,000	10	Trade expenses		400	
12	Sales		9,000		13	Bank charges			300
15	Dividend			1,200	16	Electric charges			600
21	Sales			6,000	17	Purchases		2,000	
27	Sales		7,200		19	Advertisement		1,000	
30	Commission			2,500	22	Legal charges		500	
					23	Drawings			2,000
					24	Establishment expenses		340	
					25	Printing		850	
					26	Insurance premium			2,150
					28	Salary			4,000
					29	Rent		3,000	

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					31	Charity			800
					31	Balance c/d		10,975	4,330
			24,265	20,680				24,265	20,680
2017 Jan. 01	Balance b/d		10,975	4,330					

(ii) Ledger Posting

Petty Cashier's Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec.02	Cash		1,000				

Priya's Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2016 Dec. 03	Cash		3,000

Sales Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2016			
				Dec.04	Cash		2,000
				Dec.12	Cash		9,000
				Dec.21	Bank		6,000
				Dec.27	Cash		7,200

Furniture Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec.08	Bank		6,500				

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Trade Expenses Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec.10	Cash		400				

Bank Charges Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec.13	Bank		300				

Dividend Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2016 Dec.15	Bank		1,200

Electric Charges Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec.16	Bank		600				

Purchases Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 17	Cash		2,000				

Advertisement Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 19	Cash		1,000				

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Legal Charges Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 22	Cash		500				

Drawings Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 23	Bank		2,000				

Establishment Expenses Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 24	Cash		340				

Printing Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 25	Cash		850				

Insurance Premium Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 26	Bank		2,150				

Salary Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 28	Bank		4,000				

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Rent Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 29	Cash		3,000				

Commission Received Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2016 Dec. 30	Bank		2,500

Charity Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2016 Dec. 31	Bank		800				

4.2 Purchases (Journal) Book

All credit purchases of goods are recorded in the purchases journal whereas cash purchases are recorded in the cash book. Other purchases such as purchases of office equipment, furniture, building, are recoded in the *journal* proper if purchased on credit or in the cash book if purchased for cash. The source documents for recording entries in the book are invoices or bills received by the firm from the supplies of the goods. Entries are made with the net amount of the invoice. Trade discount and other details of the invoice need not be recorded in this book. The format of the purchases journal is shown in figure 4.6.

Purchases (Journal) Book

Date	*Invoice No.*	*Name of Supplier (Account to be credited)*	*L.F.*	*Amount* ₹

Fig. 4.6 : *Format of purchases (journal) book*

The monthly total of the purchases book is posted to the debit of purchases account in the ledger. Individual suppliers accounts may be posted daily. Consider the following details obtained from M/s Kanika Traders and observe how the entries are recorded in the purchase journal.

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Date	*Details*
2017	
Aug. 04	Purchased from M/s Neema Electronics (invoice no. 3250): 20 Mini-size T.V. @ ₹2,000 per piece, 15 Tape recorders @ ₹ 12,500 per piece. Trade discount on all items @ 20%.
Aug. 10	Bought from M/s Pawan Electronics (invoice no. 8260): 10 Video cassettes @ ₹ 150 per piece, 20 Tape recorders @ ₹ 1,650 per piece. Trade discout @ 10% on purchases.
Aug. 18	Purchased from M/s. Northern Electronics (invoice no. 4256): 15 Northern stereos @ ₹ 4,000 per piece, 20 Northern colour T.V. @ ₹ 14,500 per piece. Trade discount @ 12.5%.
Aug. 26	Purchased from M/s Neema Electronics (Invoice No. 3294): 10 Mini-size T.V. @ ₹ 1,000 per piece, 5 Colour T.V. @ ₹ 12,500 per piece. Trade discount @ 20%.
Aug. 29	Bought from M/s Pawan Electronics: (Invoice No. 8281) 20 Video cassettes @ 150 per piece 25 Tape recorders @ ₹ 1,600 per piece. Trade discount @ 10% on purchases.

Books of Kanika Traders
Purchases (Journal) Book

Date	*Invoice No.*	*Name of Supplier (Account to be credited)*	*L.F.*	*Amount ₹*
2017				
Aug.04	3250	Neema Electronics		1,82,000
Aug.10	8260	Pawan Electronics		31,050
Aug.18	4256	Northern Electronics		3,06,250
Aug.26	3294	Neema Electronics		54,000
Aug.29	8281	Pawan Electronics		38,700
Aug.31				6,12,000

Posting from the purchases journal is done daily to their respective accounts with the relevant amounts on the credit side. The total of the purchases journal is periodically posted to the debit of the purchases account normally on the monthly basis. However, if the number of transactions is very large, this total may be done and posted at some other convenient time interval such as daily, weekly or fortnightly. The posting from the purchases journal to the ledger from is illustrated as follows:

Books of Kanika Electronics
Neema Electronics

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount ₹*	*Date*	*Particulars*	*J.F.*	*Amount ₹*
				2017			
				Aug.04	Purchases		1,82,000
				Aug. 26	Purchases		54,000

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Pawan Electronics

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017			
				Aug. 10	Purchases		31,050
				Aug. 29	Purchases		38,700

Northern Electronics

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017			
				Aug.18	Purchases		3,06,250

Purchases Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Aug. 31	Sundries as per Purchases Journal		6,12,000				

4.3 Purchases Return (Journal) 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, etc. For every return, a debit note (in duplicate) is prepared and the original one is sent to the supplier for making necessary entries in his book. The supplier may also prepare a note, which is called the credit note. The source document for recording entries in the purchases return journal is generally a debit note. A debit note will contain the name of the party (to whom the goods have been returned) details of the goods returned and the reason for returning the goods. Each debit note is serially numbered and dated. The format of the purchases return journal is shown in figure 4.7(a).

Purchases Return (Journal) Book

Date	*Debit Note No.*	*Name of the Supplier (Account to be debited)*	*L.F.*	*Amount* ₹

Fig 4.7(a) : *Format of Purchases return (journal) book*

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Box 2

Debit and Credit Notes

A *Debit note* is a document evidencing a debit to be raised against a party for reasons other than sale on credit. On finding that goods supplied are not as per the terms of the order placed, the defective goods are returned to the supplier of the goods and a note is prepared to debit the supplier; or when an additional sum is recoverable from a customer such a note is prepared to debit the customer with the additional dues. In these two situations the note is called a debit note (refer figure 4.7(b)).

A *Credit note* is prepared, when a party is to be given a credit for reasons other than credit purchase. It is a common practice to make it in red ink. When goods are received back from a customer, a credit note should be sent to him. The suggested proforma of credit note is shown in figure 4.7(c).

Name of the Firm Issuing the Note

Address of the Firm
No. *Date of Issue .....*

DEBIT NOTE

Against : Supplier's Name
Goods returned as per delivery Amount (₹)
Challan No.
(Details of goods returned)
(Rupees .....only)

Signature of the Manager with date

Fig. 4.7(b) : *Showing a specimen of debit note*

Name of the Firm Issuing the Note

Address of the Firm
No. *Date of Issue .....*

CREDIT NOTE

Against : Customer's Name
Goods returned by the customer Amount (₹)
Challan No.
(Details of goods returned)
(Rupees .....only)

Signature of the Manager with date

Fig. 4.7(c) : *Showing a specimen credit note*

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Refer to the purchases (journal) book of Kanika Traders you will notice that 20 mini size T.V.'s and 15 tape- recorders were bought from Neema Electronics for ₹ 1,82,000 However, on delivery 2 mini T.V.'s and tape recorders were found defective and were returned back vide debit note no. 03/2017. In this case, the purchases return books will be prepared as follows :

Purchases Return (Journal) Book

Date	*Debit Note No.*	*Name of the Supplier (Account to be debited)*	*L.F.*	*Amount* ₹
	03/2017	Neema Electronics		13,200
				13,200

Posting from the purchases returns journal requires that the supplier's individual accounts are debited with the amount of returns and the purchases returns account is credited with the periodical total.

Neema Electronics Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
	Purchases Return		13,200				

Purchases Return Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
					Sundries as per purchase returns book		13,200

4.4 Sales (Journal) Book

All credit sales of merchandise are recorded in the sales journal. Cash sales are recorded in the cash book. The format of the sales journal is similar to that of the purchases journal explained earlier. The source document for recording entries in the sales journal are sales invoice or bill issued by the firm to the customers. The date of sale, invoice number, name of the customer and amount of the invoice are recorded in the sales journal. Other details about the sales transaction including terms of payment are available in the invoice. In fact, two or more than two copies of a sales invoice are prepared for each sale. The book

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keeper makes entries in the sales journal from one copy of the sales invoice. The format of the sales joournal is shown in figure 4.8. In the sales journal, one additional column may be added to record sales tax recovered from the customer and to be paid to the government within the stipulated time. Periodically, at the end of each month the amount column is total led and posted to the credit of sales account in the ledger. Posting to the debit side of individual customer's accounts may be made daily.

Sales (Journal) Book

Date	*Invoice No.*	*Name of the Customer (Account to be debited)*	*L.F.*	*Amount* ₹

Fig. 4.8 : *Format of sales (journal) cash book*

For example M/s Koina Supplies sold on credit:

(i) Two water purifiers @ ₹ 2,100 each and five buckets @ ₹ 130 each to M/s Raman Traders (Invoice no. 178 dated April 06, 2017).

(ii) Five road side containers @ ₹ 4,200 each to M/s Nutan enterprises (Invoice no 180 dated April 09, 2017) .

(iii) 100 big buckets @ ₹ 850 each to M/s Raman traders (Invoice no. 209, dated April 28, 2017).

The above stated transactions will be entered in a sales journal as follows:

Books of Koina Suppliers
Sales (Journal) Book

Date	*Invoice No.*	*Name of the customer (Account to be debited)*	*L.F.*	*Amount* ₹
2017				
April 06	178	Raman Traders		4,850
April 09	180	Nutan Enterprises		21,000
April 28	209	Raman Traders		85,000
April 30				1,10,850

Posting from the sales journal are done to the debit of customer's accounts kept in the ledger. Like the purchases journal, individual customer's accounts are generally posted daily, with the amount involved. The sales journal is also totaled periodically (generally monthly), and this total is credited to sales account in the ledger. The sales (journal) book illustrated above will be posted in the related ledger account in the following manner:

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Raman Traders Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Apr. 06	Sales		4,850				
Apr. 28	Sales		85,000				

Nutan Enterprises Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Apr.01	Sales		21,000				

Sales Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017 Apr. 30	Sundries as per sales book		1,10,850

4.5 Sales Return (Journal) Book

This journal is used to record return of goods by customers to them on credit. On receipt of goods from the customer, a credit note is prepared, like the debit note referred to earlier. The difference between the credit not and the debit note is that the former is prepared by the seller and the latter is prepared by the buyer. Like the debit note, the credit note is also prepared in duplicate and contains detail relating to the name of the customer, details of the merchandise received back and the amount. Each credit note is serially numbered and dated. The source document for recording entries in the sales return book is generally the credit note. The format of the sales return book is shown in figure 4.9

Sales Return (Journal) Book

Date	*Credit No.*	*Name of the customer (Account to be credited)*	*L.F.*	*Amount* ₹

Fig. 4.9 : *Format of sales return (journal) book*

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Refer to the sales (journal) book of Koina Supplier of you will find that two water purifiers were sold to Raman Traders for ₹ 2,100 each, out of which one purifier was returned back due to the manufacturing defect (credit note no. 10/2017). In this case, the sales return (Journal) book will be prepared as follows :

Sales Return (Journal) Book

Date	*Credit No.*	*Name of the customer (Account to be credited)*	*L.F.*	*Amount* ₹
	10/2017	Raman Traders		2,100
				2,100

Posting to the sales return journal requires that the customer's account be credited with the amount of returns and the sales return account be debited with the periodical total in the same way as is done in case of posting from the purchases journal.

Raman Traders Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
					Sales Return		2,100

Sales Return Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
	Sundries as per sales return book		2,100				

Illustration 5

Enter the following transactions of M/s Hi-Life Fashions in purchases and purchases return book and post them to the ledger accounts for the month of September 2014:

Date	*Details*
2017 Sept. 01	Purchase of following goods on credit from M/s Ratna Traders, as per Invoice No.714: 25 Shirts @ ₹300 per shirt 20 Pants @ ₹700 per pant *Less* 10% trade discount
Sept. 08	Purchase of following goods on credit from M/s Bombay Fashion House, as per Invoice No.327 ;

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	10 Fancy Trousers @ ₹500 per trouser 20 Fancy Hat @ ₹ 100 per hat *Less* 5% trade discount
Sept. 10	Goods returned to M/s Ratana Traders, as per debit note No.102 : 3 shirts @ ₹300 per shirt 1 Pant @ ₹700 per pant *Less* 10% trade discount
Sept. 15	Purchase of following goods on credit from M/s Zolta Fashions, as per Invoice No.6781 : 10 Jackets @ ₹1000 per jacket 5 Plain shirts ₹200 per shirts *Less* 15% trade discount.
Sept. 20	Purchase of following goods on credit from M/s Bride Palace, as per Invoice No.1076 : 10 Fancy Lengha @ ₹2,000 per lengha *Less* 5% trade discount.
Sept. 24	Goods returned to M/s Bombay Fashion House as per debit note No.103 : 2 Fancy Trousers @ ₹500 per trouser 4 Fancy Hat @ ₹100 per hat *Less* 5% trade discount.
Sept. 28	Goods returned to M/s Bride Palace as per debit note No.105 : 1 Fancy Lengha @ ₹2,000 per lengha *Less* 5% trade discount.

Solution

Books of Hi-life Fashions
Purchases (Journal) Book

Date	*Invoice No.*	*Name of the Supplier (Account to be credited)*	*L.F.*	*Amount* ₹
2017				
Sept.01	714	Ratana Traders		19,350
Sept.08	327	Bombay Fashion House		6,650
Sept.15	6781	Zolta Fashions		9,350
Sept.20	1076	Bride Palace		19,000
Sept.30				54,350

Purchases Return (Journal) Book

Date	*Invoice No.*	*Name of the Supplier (Account to be debited)*	*L.F.*	*Amount* ₹
2017				
Sept. 10	102	Ratana Traders		1,440
Sept. 24	103	Bombay Fashion House		1,330
Sept. 28	106	Bride Palace		1,900
Sept. 30				4,670

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(ii) Ledger Posting

Books of M/s Hi-Life Fashions
Ratana Traders Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Sept. 10	Purchases return		1,440	2017 Sept.01	Purchases		19,350

Bombay Fashion House Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Sept. 24	Purchases return		1,330	2017 Sept. 08	Purchases		6,650

Zolta Fashions Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017 Sept. 15	Purchases		9,350

Bride Palace Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Sept. 28	Purchases return		1,900	Sept. 20	Purchases		19,000

Purchases Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Sept. 30	Sundries as per purchases journal		54,350				

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Purchases Return Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017 Sept. 30	Sundries as per purchases return book		4,670

Illustration 6

Enter the following transactions in the Sales and Sales Return book of M/s Vineet Stores:

Date	*Details*
2017	Sold goods on credit to M/s Rohit Stores as per invoice no.325 :
Dec.01.	30 Kids Books @ ₹ 60 each.
	20 Animal Books @ ₹ 50 each
Dec. 05	Sold goods on credit to M/s Mera Stores as per invoice no.328 :
	100 Greeting Cards @ ₹12 each.
	50 Musical Cards @ ₹ 50 each
	Less 5% trade discount.
Dec. 10	Sold Goods on credit to M/s Mega Stationers as per invoice no.329 :
	50 Writing Pads @ ₹ 20 each.
	50 Colour Books @ ₹ 30 each
	20 Ink Pads @ 16 each
Dec. 15	Goods Returned from M/s Rohit Stores as per credit note no.201:
	2 Kids Books @ ₹ 60 each
	1 Animal Book @ ₹ 50 each
Dec. 19	Sold goods on credit to M/s Abha Traders as per invoice no.355 :
	100 Cards Books @ ₹ 10 each.
	50 Note Books @ ₹ 35 each
	Less 5% trade discount.
Dec. 22	Goods returned from M/s Mega Stationers as per credit note no.204:
	2 Colour Books @ ₹ 30 each
Dec. 26	Sold goods on credit to M/s Bharti Stores as per invoice no.325 :
	100 Greeting Cards @ ₹ 20 each.
	100 Fancy Envelopes @ ₹ 5 each
Dec. 30	Goods returned from M/s Abha Traders as per credit note no.207 :
	20 Cards Books @ ₹ 10 each
	5 Note Book@ ₹ 35 each
	Less 5% trade discount

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Solution

Books of Veneet Stores
Sales (Journal) Book

Date	*Invoice No.*	*Name of the Customer (Account to be debited)*	*J.F.*	*Amount* ₹
2017				
Dec.01	325	Rohit Stores		2,800
Dec.05	328	Mera Stores		3,515
Dec.10	329	Mega Stationers		2,820
Dec.19	335	Abha Traders		2,375
Dec.26	340	Bharti Stores		2,500
Dec. 31				14,010

Sales Return (Journal) Book

Date	*Credit Note No.*	*Name of the Customer (Account to be credited)*	*L.F.*	*Amount* ₹
2017				
Dec. 15	201	Rohit Stores		170
Dec. 22	204	Mega Stationers		150
Dec. 30	206	Abha Traders		333
Dec. 31				653

(ii) Ledger Posting

Rohit Stores Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Dec. 01	Sales		2800	Dec.15	Sales return		170

Mera Stores Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Dec. 05	Sales		3,515				

Mega Stationers Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Dec.10	Sales		2,820	Dec.22	Sales return		150

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Abha Traders Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Dec.19	Sales		2,375	Dec.30	Sales return		333

Bharti Stores Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Dec.26	Sales		2,500				

Sales Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				Dec. 31	Sundries as per sales book		14,010

Sales Return Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Dec.31	Sundries as per sales return book		653				

Illustration: 7

Prepare Purchases book and Purchases Return Book firm the following transactions:

2017	
Aug. 05	Purchased from M/s Ramakant, Delhi (Invoice No. 6780) 20 Television @ ₹15,000 each, 05 DVD Players @ ₹ 10,000 each, trade discount @ 10%.
Aug. 07	02 Television returned to M/s Ramakant, Delhi (found defective) Debit Note No. 211
Aug. 20	Bought from M/s Samay Electronics, Haryana (Invoice No. 1011) 10 Washing Machines @ 5,000 each and 5 Television @ 25,000 each trade discount @ 5% Rate of GST applicable on above purchase are: CGST @ 9% SGST @ 9% IGST @ 18%

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Purchases Book (Analytical)

Date	*Invoice*	*Name of Supplier*	*L.F.*	*Detail*	*Total (₹)*	*Purchases*	*CGST*	*SGST*	*IGST*
2017 Aug. 05	6780	M/s Ramakant, Delhi 20 T.V. @ ₹ 15,000 each 05 DVD Players @ 10,000 each Less : Trade Discount @ 10% Add : CGST @ 9% SGST @ 9%		3,00,000 50,000 3,50,500 35,000 3,15,000 28,350 28,350	3,71,700	3,15,000	28,350	28,350	——
Aug. 20	1011	M/s Samay Electronics, Haryana 10 Washing Machines @ 5,000 each 5 T.V. @ ₹ 25,000 each Less : Trade Discount @ 5% Add : IGST @ 18%		50,000 1,25,000 1,75,000 8,750 1,66,250 29,925	1,96,175	1,66,250	——	——	29,925
Aug. 31		Total			5,67,875	4,81,250	28,350	28,350	29,925

Purchases Return Book

Date	*Debit Note No.*	*Name of Supplier*	*L.F.*	*Detail*	*Total (₹)*	*Purchases Return*	*CGST*	*SGST*	*IGST*
2017 Aug. 05	311	M/s Ramakant, Delhi 02 T.V. @ ₹ 15,000 each Less : Trade Discount @10% Add : CGST @ 9% SGST @ 9%		30,000 3,000 27,000 2,430 2,430	31,860	27,000	2,430	2,430	—
Aug. 31		Total			31,860	27,000	2,430	2,430	–

Illustration : 8

Prepare Sales book and Sales Return Book of M/s Akash of Rajasthan from the following transactions :

2017	
Aug. 07	Sold to M/s Rahul Bros., Delhi (Invoice No. 3620) 25 shirts @ 300 per shirt 20 pants @ ₹ 700 per pant Trade Discount @ 8%
Aug. 10	Returned 05 Shirts to M/s Rahul Bros., Delhi (Credit Note No. 612)
Aug. 18	Sold to M/s Kishan Traders, Jaipur (Invoice No.-3621 10 jackets @ ₹ 900 per 05 plain shirts @ ₹ 400 per shirt Trade Discount @ 8% GST Rates applicable on Readymade Clothes CGST @ 2.5% SGST @ 2.5% IGST @ 5%

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Sales Book (Analytical)

Date	*Invoice*	Name of Customer	*L.F.*	*Detail*	*Total (₹)*	*Sales*	*CGST*	*SGST*	*IGST*
2017 Aug. 07	3620	M/s Rahul Bros., Delhi 25 Shirt @ ₹ 300 Per Shirts 20 Pants @ ₹ 700 Per Pant		7,500 14,000 21,500					
		Less : Trade Discount @ 8%		1,720 19,780					
		Add : IGST @ 5%		989	10,626	10,120	253	253	——
Aug. 18	3621	M/s Kishan Traders, Jaipur 10 Jackets @ ₹ 900 Per 5 Plain Shirt @ ₹ 700 Per Pant		9,000 2,000 11,000					
		Less : Trade Discount @ 8%		880 10,120					
		Add : CGST @ 2.5% CGST @ 2.5%		253	20,769 253	19,780	——	——	987
Aug. 31		Total			31,395	29,900	253	253	989

Sales Return Book

Date	*Credit Note No.*	*Name of Supplier*	*L.F.*	*Detail*	*Total (₹)*	*Sales Return*	*CGST*	*SGST*	*IGST*
2017 Aug. 10	612	M/s Rahul Bros., Delhi 05 Shirt @ ₹ 300 each		1,500					
		Less : Trade Discount @ 8%		120 1,380					
		Add : CGST @ 9%		69	1,449	1,380	——	——	69
Aug. 31		Total			1,449	1,380	——	——	69

4.6 Journal Proper

A book maintained to record transactions, which do not find place in special journals, is known as Journal Proper or Journal Residual.

Following transactions are recorded in this journal:

1. *Opening Entry*: In order to open new set of books in the beginning of new accounting year and record therein opening balances of assets, liabilities and capital, the opening entry is made in the journal.
2. *Adjustment Entries*: In order to update ledger account on accrual basis, such entries are made at the end of the accounting period. Such as Rent outstanding, Prepaid insurance, Depreciation and Commission received in advance.

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3. *Rectification entries:* To rectify errors in recording transactions in the books of original entry and their posting to ledger accounts this journal is used.
4. *Transfer entries*: Drawing account is transferred to capital account at the end of the accounting year. Expenses accounts and revenue accounts 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, etc., and drawing are closed at the end of the 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*: In addition to the above mentioned entries in the points number 1 to 4, recording of the following transaction is done in the journal proper :
   (i) At the time of a dishonour of a cheque the entry for cancellation for discount received or discount allowed earlier.
   (ii) Purchase/sale of items on credit other than goods.
   (iii) Goods withdrawn by the owner for personal use.
   (iv) Goods distributed as samples for sales promotion.
   (v) Endorsement and dishonour of bills of exchange.
   (vi) Transaction in respect of consignment and joint venture, etc.
   (vii) Loss of goods by fire/theft/spoilage.

Test Your Understanding - I

Select the Correct Answer

(a) When a firm maintains a cash book, it need not maintain ;
   (i) Journal Proper
   (ii) Purchases (journal) book
   (iii) Sales (journal) book
   (iv) Bank and cash account in the ledger

(b) Double column cash book records:
   (i) All transactions
   (ii) Cash and bank transactions
   (iii) Only cash transactions
   (iv) Only credit transactions

(c) Goods purchased on cash are recorded in the :
   (i) Purchases (journal) book
   (ii) Sales (journal) book
   (iii) Cash book
   (iv) Purchases return (journal) book

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(d) Cash book does not record transaction of :
- (i) Cash nature
- (ii) Credit nature
- (iii) Cash and credit nature
- (iv) None of these

(e) Total of these transactions is posted in purchase account :
- (i) Purchase of furniture
- (ii) Cash and credit purchase
- (iii) Purchases return
- (iv) Purchase of stationery

(f) The periodic total of sales return journal is posted to :
- (i) Sales account
- (ii) Goods account
- (iii) Purchases return account
- (iv) Sales return account

(g) Credit balance of bank account in cash book shows :
- (i) Overdraft
- (ii) Cash deposited in our bank
- (iii) Cash withdrawn from bank
- (iv) None of these

(h) The periodic total of purchases return journal is posted to :
- (i) Purchase account
- (ii) Profit and loss account
- (iii) Purchase returns account
- (iv) Furniture account

(i) Balancing of account means :
- (i) Total of debit side
- (ii) Total of credit side
- (iii) Difference in total of debit & credit
- (iv) None of these

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4.7 Balancing the Accounts

Accounts in the ledger are periodically balanced, generally at the end of the accounting period, with the object of ascertaining the net position of each amount. Balancing of an account means that the two sides are totaled and the difference between them is shown on the side, which is shorter in order to make their totals equal. The words 'balance c/d' are written against the amount of the difference between the two sides. The amount of balance is brought (b/d) down in the next accounting period indicating that it is a continuing account, till finally settled or closed.

In case the debit side exceeds the credit side, the difference is written on the credit side, if the credit side exceeds the debit side, the difference between the two appears on the debit side and is called debit and credit balance respectively. The

accounts of expenses losses and gains/revenues are not balanced but are closed by transferring to trading and profit and loss account. The balancing of the an account is illustrated below with the help of an example explaining the complete process of recording the transactions, posting to ledger and balancing there of.

Date	*Details*
2017	
Apr. 01	Commenced business with cash ₹ 1,00,000.
Apr.02	Deposited in bank ₹ 40,000.
Apr. 02	Purchased for cash furniture ₹ 6,000; Land ₹ 42,000.
Apr.l 03	Paid cheque to M/s Malika & Brothers for purchase of electric wires and plugs ₹ 17,000.
Apr. 04	Bought of M/s Handa Co. vide invoice no. 544: (i) 28 Immersion Heaters 1,000 Watt of Smg. Ltd. @ ₹ 50, and (ii) 40 Tube lights @ ₹35. trade discount @ 12.5%.
Apr.l 04	Purchased stationery for cash ₹ 2,300.
Apr. 05	Loan from M/s Dayal Traders. @ 6% ₹ 25,000 and deposited money in the bank on the next day.
Apr. 05	Paid cartage ₹ 80 and other charges ₹ 20.
Apr. 06	Bought of M/s Burari. Ltd. on account vide Invoice No. 125: (i) 50 Table lamps (Universal) @ ₹ 80 : (ii) 20 Electric kettles (General) @ ₹ 125. (iii) 5 Electric iron@ ₹ 300. trade discount 20%.
Apr. 07	Sales to M/s Ramneek on account vide invoice no. 871: (i) 10 Immersion heaters1000 watt @ ₹ 60. (ii) 5 Table lamps @ ₹ 100: (iii) 2 Electric irons @ 320.
Apr. 08	Sales to M/s Kapadia on credit vide invoice no. 880 (i) 15 Immersion heaters @ 60: (ii) 15 Tube lights @ ₹ 38.
Apr. 10	Return inwards from Ramneek : (i) 2 Immersion heaters, (ii) 1 Electric iron.
Apr. 11	Paid rent by cheque ₹ 4,000.
Apr. 11	Purchased from M/s Rungta for cash: (i) 5 Immersion heaters 1000 watt @ ₹ 45.
Apr. 12	Returned goods to Burari Ltd. : (i) 3 Table lamps (Universal) (ii) 2 Electric kettles (iii) 1 Electric iron.
Apr. 15	Purchased on account furniture from quality Furniture Ltd. ₹ 8,000.
Apr. 16	Paid for advertisement ₹ 1,200.

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Apr. 18	Sales to M/s Daman on account vide invoice no. 902: (i) 10 Electric kettles (General) @ ₹ 130.
Apr. 19	Purchased from M/s Kochhar Co. on credit vide invoice no.205: (i) 25 Electric Mixers @ ₹ 600. (ii) 40 Electric irons (Special) @ ₹ 540. trade discount 20%.
Apr. 20	Sales to M/s Ramneek on account vide bill no.925: 4 Electric Mixers @ ₹ 600.
Apr. 21	Received cheque of ₹3,700 from M/s Ramneek for full and final settlement of claim. The cheque deposited in bank after two days.
Apr. 21	Purchased from M/s Burari Ltd. on credit vide invoice no.157: (i) 10 Electric kettles @ ₹ 125 (ii) 20 Electric lamps @ ₹ 80 trade discount @ 20%.
Apr. 23	Sales to M/s Nutan on account vide invoice no.958: (i) 2 Electric Mixers @ ₹ 600.
Apr. 23	Cash sales of Electric wires and plugs ₹ 14,500, cash discount allowed ₹ 200.
Apr. 24	Cash purchases from M/s Hitesh: (i) 5 Electric fans @ ₹ 740.
Apr. 25	Paid electricity bill ₹ 1,320.
Apr. 25	Made full and final payment to M/s Burari Ltd. by cheque discount allowed by them ₹ 320.
Apr. 26	Purchased stationery on account from M/s Mohit Mart ₹ 3,200.
Apr. 27	Sales to M/s Daman on account vide Invoice No. 981: (i) 15 Table lamps @ ₹ 100 (ii) 10 Immersion heaters 1000 watt @ ₹ 80.
Apr. 28	Deposited in bank ₹ 5,000.
Apr. 30	Withdrew ₹ 8,000 for personal use.
Apr. 30	Paid telephone bill ₹ 2700 by cheque.
Apr. 30	Paid insurance ₹ 1,600 by cheque.
Apr. 30	Paid to M/s Handa Co. ₹2,450 by cheque; and ₹ 28,000 to M/s Kochhar and co. by cheque who allowed ₹ 1,280 as discount.

Purchases (Journal) Book

Date	*Invoice No.*	*Name of the Supplier (Account to be credited)*	*L.F.*	*Amount ₹*
2017				
Apr. 04	544	Handa Co.		2,450
Apr. 06	125	Burari Ltd.		6,400
Apr. 19	205	Kochhar Co.		29,280
Apr. 21	157	Burari Ltd.		2,280
Apr. 30				40,410

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Sales (Journal) Book

Date	*Invoice No.*	*Name of the Customer (Account to be debited)*	*L.F.*	*Amount* ₹
2017				
Apr. 07	871	Ramneek		1,740
Apr. 08	880	Kapadia		1,470
Apr. 18	902	Daman		1,300
Apr. 20	925	Ramneek		2,400
Apr. 23	958	Nutan		1,200
Apr. 27	981	Daman		2,300
Apr. 30				10,410

Purchases Return (Journal) Book

Date	*Debit Note No.*	*Name of the Supplier (Account to be debited)*	*L.F.*	*Amount* ₹
2017				
Apr. 12		Burari Ltd.		632
Apr. 30				632

Sales Return (Journal) Book

Date	*Credit Note No.*	*Name of the customer (Account to be credited)*	*L.F.*	*Amount* ₹
2017				
Apr. 10		Ramneek		440
Apr. 30				440

Journal Proper

Date	*Particulars*	*L.F.*	*Debit Amount* ₹	*Credit Amount* ₹
2017				
Apr. 15	Furniture A/c Dr.		8,000	
	To Quality Furniture A/c			8,000
	(Purchase of furniture on credit)			
Apr. 25	Burari Ltd. A/c Dr.		320	
	To Discount A/c			320
	(Discount received)			
Apr. 26	Stationery A/c Dr.		3,200	
	To Mohit Mart A/c			3,200
	(Purchase of Stationery items on credit)			
Apr. 30	Kochhar A/c		1,280	
	To Discount A/c			1,280
	(Discount received)			
	Total		12,800	12,800

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Cash Book

Date	*Particulars*	*L.F.*	*Cash* ₹	*Bank* ₹	*Date*	*Particulars*	*L.F.*	*Cash* ₹	*Bank* ₹
2017 Apr.					2017 April				
01	Capital		1,00,000		02	Bank	**C**	40,000	
02	Cash	**C**		40,000	02	Furniture		6,000	
05	6% Loan		25,000		02	Land		42,000	
06	Cash	**C**		25,000	03	Purchases			17,000
21	Ramneek		3,700		04	Stationery		2,300	
23	Cash	**C**		3,700	05	Miscellaneous expenses		100	
23	Sales		14,500		06	Bank	**C**	25,000	
28	Cash	**C**		5,000	11	Rent			4,000
					11	Purchases		225	
					16	Advertisement		1,200	
					23	Bank	**C**	3,700	
					24	Purchases		3,700	
					25	Electric charges		1,320	
					25	Burari Ltd.			7,728
					28	Bank	**C**	5,000	
					30	Drawings		8,000	
					30	Telephone charges			2,700
					30	Insurance			1,600
					30	Handa Co.			2,450
					30	Kochhar & Co.			28,000
					30	Balance c/d		4,655	10,222
			1,43,200	73,700				1,43,200	73,700
May 01	Balance b/d		4,655	10,222					

The recorded transactions will be posted in the ledger.

Capital Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 30	Balance c/d		1,00,000	2014 Apr. 01	Cash		1,00,000
			1,00,000				1,00,000

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6% Loan Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Apr. 30	Balance c/d		25,000	April 05	Cash		25,000
			25,000				25,000

Ramneek's Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Apr. 07	Sales		1,740	April 10	Sales return		440
Apr. 20	Sales		2,400	April 21	Cash		3,700
			4,140				4,140

Sales Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017			
				Apr. 23	Cash		14,500
				Apr. 30	Sundries		10,410
							24,910

Furniture Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Apr. 02	Cash		6,000	Apr. 30	Balance c/d		14,000
Apr. 15	Quality Furniture		8,000				
			14,000				14,000

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Land Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Apr. 02	Cash		42,000	Apr.30	Balance c/d		42,000
			42,000				42,000

Purchases Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Apr. 03	Bank		17,000				
Apr. 11	Bank		225				
Apr. 24	Cash		3,700				
Apr. 30	Sundries		40,410				
			61,335				

Stationery Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Apr. 04	Cash		2,300				
Apr. 26	Mohit mart		3,200				
			5,500				

Miscellaneous Expenses Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Apr. 05	Cash		100				
			100				

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Rent Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 04	Bank		4,000				
			4,000				

Advertisement Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr.16	Cash		1,200				
			1,200				

Electric Charges Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 25	Cash		1,320				
			1,320				

Drawings Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 30	Cash		8,000				
			8,000				

Telephone Charges Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 30	Bank		2,700				
			2,700				

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Insurance Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 30	Bank		1,600				
			1,600				

Quality Furniture Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 30	Balance c/d		8,000	2017 Apr. 15	Furniture		8,000
			8,000				8,000

Mohit Mart Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 30	Balance c/d		3,200	2017 Apr. 26	Stationery		3,200
			3,200				3,200

Purchases Return Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017 Apr. 30	Sundries		632
							632

Handa Company Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 30	Bank		2,450	2017 Apr. 04	Purchases		2,450
			2,450				2,450

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Burari Ltd. Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Apr. 12	Purchases return		632	Apr. 06	Purchases		6,400
Apr. 25	Bank		7,728	Apr. 21	Purchases		2,280
	Discount		320				
			8,680				8,680

Kochhar Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Apr. 30	Bank		28,000	Apr. 19	Purchases		29,280
	Discount		1,280				
			29,280				29,280

Sales Return Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017							
Apr. 30	Sundries		440				
	.		440				

Kapadia Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Apr. 08	Sales		1,470	Apr. 30	Balance c/d		1,470
			1,470				1,470

Daman Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017				2017			
Apr. 18	Sales		1,300	Apr. 30	Balance c/d		3,600
Apr. 27	Sales		2,300				
			3,600				3,600

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Nutan Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
2017 Apr. 23	Sales		1,200	2017 Apr. 30	Balance c/d		1,200
			1,200				1,200

Discount Received Account

Dr. **Cr.**

Date	*Particulars*	*J.F.*	*Amount* ₹	*Date*	*Particulars*	*J.F.*	*Amount* ₹
				2017 Apr. 25	Burari Ltd		320
				Apr. 30	Kochhar		1,280
							1,600

Test Your Understanding - II

1. Fill in the Correct Words :
   (a) Cash book is a ..... journal.
   (b) In Journal proper, only.....discount is recorded.
   (c) Return of goods purchased on credit to the suppliers will be entered in ..... Journal.
   (d) Assets sold on credit are entered in .....
   (e) Double column cash book records transaction relating to .....and .....
   (f) Total of the debit side of cash book is .....than the credit side.
   (g) Cash book does not record the .....transactions.
   (h) In double column cash book .....transactions are also recorded.
   (i) Credit balance shown by a bank column in cash book is .....
   (j) The amount paid to the petty cashier at the beginning of a period is known as .....amount.
   (k) In purchase book goods purchased on .....are recorded.
2. State whether the following statements are True or False :
   (a) Journal is a book of secondary entry.
   (b) One debit account and more than one credit account in a entry is called compound entry.
   (c) Assets sold on credit are entered in sales journal.
   (d) Cash and credit purchases are entered in purchase journal.
   (e) Cash sales are entered in sales journal.
   (f) Cash book records transactions relating to receipts and payments.
   (g) Ledger is a subsidiary book.
   (h) Petty cash book is a book having record of big payments.

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(i) Cash received is entered on the debit side of cash book.
(j) Transaction recorded both on debit and credit side of cash book is known as contra entry.
(k) Balancing of account means total of debit and credit side.
(l) Credit purchase of machine is entered in purchase journal.

Key Terms Introduced in the Chapter

- Posting
- Day books
- Cash book
- Petty Cash book
- Sales return (Journal) Book
- Sales (Journal) Book
- Balancing of Accounts
- Purchase (Journal) book
- Purchases return (Journal) Book

Summary with Reference to Learning Objectives

1. *Journal* : Basic book of original entry.
2. *Cash book* : A book used to record all cash receipts and payments.
3. *Petty cash book* : A book used to record small cash payments.
4. *Purchase journal* : A special journal in which only credit purchases are recorded
5. *Sales journal :* A special journal in which only credit sales are recorded
6. *Purchases Return Book :* A book in which return of merchandise purchased is recorded.
7. *Sales Return Book* : A special book in which returns of merchandise sold on credit are recorded.

Questions For Practice

Short Answers

1. Briefly state how the cash book is both journal and a ledger.
2. What is the purpose of contra entry?
3. What are special purpose books?
4. What is petty cash book? How it is prepared?
5. Explain the meaning of posting of journal entries?
6. Define the purpose of maintaining subsidiary journal.
7. Write the difference between return Inwards and return ouwards.
8. What do you understand by ledger folio?
9. What is difference between trade discount and cash discount?
10. Write the process of preparing ledger from a journal.
11. What do you understand by Imprest amount in petty cash book?

Long Answers

1. Explain the need for drawing up the special purpose books.
2. What is cash book? Explain the types of cash book.
3. What is contra entry? How can you deal this entry while preparing double column cash book?

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4. What is petty cash book? Write the advantages of petty cash book?
5. Describe the advantages of sub-dividing the Journal.
6. What do you understand by balancing of account?

Numerical Questions

Simple Cash Book

1. Enter the following transactions in a simple cash book for December 2016:

		₹
01	Cash in hand	12,000
05	Cash received from Bhanu	4,000
07	Rent Paid	2,000
10	Purchased goods Murari for cash	6,000
15	Sold goods for cash	9,000
18	Purchase stationery	300
22	Cash paid to Rahul on account	2,000
28	Paid salary	1,000
30	Paid rent	500

(*Ans.* Cash in hand ₹ 13,200)

2. Record the following transaction in simple cash book for November 2016:

		₹
01	Cash in hand	12,500
04	Cash paid to Hari	600
07	Purchased goods	800
12	Cash received from Amit	1,960
16	Sold goods for cash	800
20	Paid to Manish	590
25	Paid cartage	100
31	Paid salary	1,000

(*Ans.* Cash in hand ₹ 12,170)

3. Enter the following transaction in Simple cash book for December 2017:

		₹
01	Cash in hand	7,750
06	Paid to Sonu	45
08	Purchased goods	600
15	Received cash from Parkash	960
20	Cash sales	500
25	Paid to S.Kumar	1,200
30	Paid rent	600

(*Ans.* Cash in hand ₹ 6,765)

Bank Column Cash Book

4. Record the following transactions in a bank column cash book for December 2016:

		₹
01	Started business with cash	80,000
04	Deposited in bank	50,000

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10	Received cash from Rahul	1,000
15	Bought goods for cash	8,000
22	Bought goods by cheque	10,000
25	Paid to Shyam by cash	20,000
30	Drew from Bank for office use	2,000
31	Rent paid by cheque	1,000

(*Ans.* Cash in hand ₹ 5,000: cash at bank ₹ 37,000)

5. Prepare a double column cash book with the help of following information for December 2016:

		₹
01	Started business with cash	1,20,000
03	Cash paid into bank	50,000
05	Purchased goods from Sushmita	20,000
06	Sold goods to Dinker and received a cheque	20,000
10	Paid to Sushmita cash	20,000
14	Cheque received on December 06, 2016 deposited into bank	
18	Sold goods to Rani	12,000
20	Cartage paid in cash	500
22	Received cash from Rani	12,000
27	Commission received	5,000
30	Drew cash for personal use	2,000

(Ans. Cash in hand ₹ 64,500 : Cash at bank ₹ 70,000)

6. Enter the following transactions in double column cash book of M/s Ambica Traders for July 2017:

		₹
01	Commenced business with cash	50,000
03	Opened bank account with ICICI	30,000
05	Purchased goods for cash	10,000
10	Purchased office machine for cash	5,000
15	Sales goods on credit from Rohan and received chaeque	7,000
18	Cash sales	8,000
20	Rohan's cheque deposited into bank	
22	Paid cartage by cheque	500
25	Cash withdrawn for personal use	2,000
30	Paid rent by cheque	1,000

(*Ans.* Cash in hand ₹ 11,000, Cash at bank ₹ 35,500)

7. Prepare double column cash book from the following information for July 2017:

		₹
01	Cash In hand	7,500
	Bank overdraft	3,500
03	Paid wages	200
05	Cash sales	7,000
10	Cash deposited into bank	4,000
15	Goods purchased and paid by cheque	2,000
20	Paid rent	500

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25	Drew from bank for personal use	400
30	Salary paid	1,000

(*Ans.* Cash in hand ₹ 8,800, Bank overdraft ₹ 1,900)

8. Enter the following transaction in a double column cash book of M/s.Mohit Traders for January 2017:

		₹
01	Cash in hand	3,500
	Bank overdraft	2,300
03	Goods purchased for cash	1,200
05	Paid wages	200
10	Cash sales	8,000
15	Deposited into bank	6,000
22	Sold goods for cheque which was deposited into bank same day	2,000
25	Paid rent by cheque	1,200
28	Drew from bank for personal use	1,000
31	Bought goods by cheque	1,000

(*Ans.* Cash in hand ₹ 4,100 Cash at bank ₹ 2,500)

9. Prepare double column cash book from the following transactions for the year August 2017:

		₹
01	Cash in hand	17,500
	Cash at bank	5,000
03	Purchased goods for cash	3,000
05	Received cheque from Jasmeet	10,000
08	Sold goods for cash	7,000
10	Jasmeet'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 trade expenses	500
27	Received commission by cheque	6,000
29	Paid Rent	2,000
30	Withdrew cash for personal use	1,200
31	Salary paid	6,000

(*Ans.* Cash in hand ₹ 8,800 cash at bank ₹ 10,000)

10. M/s Ruchi trader started their cash book with the following balances on July 2017: cash in hand ₹1,354 and balance in bank current account ₹7,560. He had the following transaction in the month of July 2017:

		₹
03	Cash sales	2,300
05	Purchased goods, paid by cheque	6,000
08	Cash sales	10,000
12	Paid trade expenses	700
15	Sales goods, received cheque (deposited same day)	20,000
18	Purchased motor car paid by cheque	15,000

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20	Cheque received from Manisha (deposited same day)	10,000
22	Cash Sales	7,000
25	Manisha's cheque returned dishonoured	
28	Paid Rent	2,000
29	Paid telephone expenses by cheque	500
31	Cash withdrawn for personal use	2,000

Prepare bank column cash book

(*Ans.* Cash in hand ₹ 15,954 cash at bank ₹ 6,060)

Petty Cash Book

11. Prepare petty cash book from the following transactions. The imprest amount is ₹2,000.

2017		₹
January		
01	Paid cartage	50
02	STD charges	40
02	Bus fare	20
03	Postage	30
04	Refreshment for employees	80
06	Courier charges	30
08	Refreshment of customer	50
10	Cartage	35
15	Taxi fare to manager	70
18	Stationery	65
20	Bus fare	10
22	Fax charges	30
25	Telegrams charges	35
27	Postage stamps	200
29	Repair on furniture	105
30	Laundry expenses	115
31	Miscellaneous expenses	100

(*Ans.* Cash balance ₹ 935)

12. Record the following transactions during the week ending Dec.30, 2014 with a weekly imprest ₹ 500.

2017		₹
January		
24	Stationery	100
25	Bus fare	12
25	Cartage	40
26	Taxi fare	80
27	Wages to casual labour	90
29	Postage	80

(*Ans.* Cash balance ₹ 98)

Other Subsidiary Books

13. Enter the following transactions in the Purchase Journal (Book) of M/s Gupta Traders of July 2017:

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01 Bought from Rahul Traders as per invoice no.20041
40 Registers @ ₹60 each
80 Gel Pens @ ₹15 each
50 note books @ ₹20 each
Trade discount 10%.

15 Bought from Global Stationers as per invoice no.1132
40 Ink Pads @ ₹8 each
50 Files @ ₹10 each
20 Color Books @ ₹ 20 each
Trade Discount 5%

23 Purchased from Lamba Furniture as per invoice no. 3201
2 Chairs @ 600 per chair
1 Table @ 1000 per table

25 Bought from Mumbai Traders as per invoice no.1111
10 Paper Rim @ ₹100 per rim
400 drawing Sheets @ ₹3 each
20 Packets waters colour @ ₹40 per packet

(*Ans:* Total of purchases book ₹ 8,299)

14. Enter the following transactions in sales (journal) book of M/s.Bansal electronics:

2014
September

01 Sold to Amit Traders as per bill no.4321
20 Pocket Radio @ 70 per Radio
2, T.V. set, B&W.(6") @ 800 Per T.V.
10. Sold to Arun Electronics as per bill no.4351
5 T.V. sets (20") B&W @ ₹3,000 per T.V.
2 T.V. sets (21") Colour @ ₹ 4,800 per T.V.

22 Sold to Handa Electronics as per bill no.4,399
10 Tape recorders @ ₹ 600 each
5 Walkman @ ₹ 300 each

28 Sold to Harish Trader as per bill no.4430
10 Mixer Juicer Grinder @ ₹ 800 each.

(*Ans*. Total of sales book ₹ 43,100)

15. Prepare a purchases return (journal) book from the following transactions for April 2017.

2017		₹
April		
05	Returned goods to M/s Kartik Traders	1,200
10	Goods returned to Sahil Pvt. Ltd.	2,500
17	Goods returned to M/s Kohinoor Traders. for list price ₹2,000 *less* 10% trade discount.	
28	Return outwards to M/s Handa Traders	550

(*Ans*. Total of purchases return book ₹ 6,150)

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16. Prepare Return Inward Journal (Book) from the following transactions of M/s Bansal Electronics for July 2017:

2017		₹
July		
04	M/s Gupta Traders returned the goods	1,500
10	Goods returned from M/s Harish Traders	800
18	M/s Rahul Traders returned the goods not as per specifications	1,200
28	Goods returned from Sushil Traders	1,000

(*Ans* : Total of sales return ₹ 4,500)

Recording, Posting and Balancing

17. Prepare proper subsidiary books and post them to the ledger from the following transactions for the month of February 2017:

2017		₹
February		
01	Goods sold to Sachin	5,000
04	Purchase from Kushal Traders	2,480
06	Sold goods to Manish Traders	2,100
07	Sachin returned goods	600
08	Returns to Kushal Traders	280
10	Sold to Mukesh	3,300
14	Purchased from Kunal Traders	5,200
15	Furniture purchased from Tarun	3,200
17	Bought of Naresh	4,060
20	Return to Kunal Traders	200
22	Return inwards from Mukesh	250
24	Purchased goods from Kirit & Co. for list price of *less* 10% trade discount	5,700
25	Sold to Shri Chand goods *less* 5% trade discount	6600
26	Sold to Ramesh Brothers	4,000
28	Return outwards to Kirit and Co. *less* 10% trade discount	1,000
28	Ramesh Brothers returned goods ₹ 500.	

Ans : (Total of sales book ₹20,670, purchases book ₹16,870, Purchases return book ₹1,380, sales return book ₹1,350).

18. The following balances of ledger of M/s Marble Traders on April 01, 2017

2017	₹
April	
Cash in hand	6,000
Cash at bank	12,000
Bills receivable	7,000
Ramesh (Cr.)	3,000

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	Stock (Goods)	5,400
	Bills payable	2,000
	Rahul (Dr.)	9,700
	Himanshu (Dr.)	10,000

Transactions during the month were:

April		₹
01	Goods sold to Manish	3,000
02	Purchased goods from Ramesh	8,000
03	Received cash from Rahul in full settlement	9,200
05	Cash received from Himanshu on account	4,000
06	paid to Remesh by cheque	6,000.
08	Rent paid by cheque	1,200
10	Cash received from manish	3,000
12	Cash sales	6,000
14	Goods returned to Ramesh	1,000
15	Cash paid to Ramesh in full settlement	3,700
	Discount received	300
18	Goods sold to Kushal	10,000
20	Paid trade expenses	200
21	Drew for personal use	1,000
22	Goods return from Kushal	1,200
24	Cash received from Kushal	6,000
26	Paid for stationery	100
27	Postage charges	60
28	Salary Paid	2,500
29	Goods purchased from Sheetal Traders	7,000
30	Sold goods to Kirit	6000
	Goods purchased from Handa Traders	5,000

Journlise the above transactions and post them to the ledger.

Checklist to Test Your Understanding

Test Your Understanding - I

a. (iv) b. (ii) c. (iii) d. (ii) e. (ii) f. (iv) g .(ii) h. (iii) i. (iii)

Test Your Understanding - II

1. (a) subsidiary (b) cash (c) purchases return (d) journal proper
   (e) cash, bank (f) more (g) credit (h) bank
   (i) overdraft (j) imprest (k) credit
2. (a) False (b) True (c) False (d) False
   (e) False (f) True (g) True (h) False
   (i) True (j) True (k) False (l) False

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