

SUBSIDIARY BOOKS

Journal is a book of prime entry in which all transactions are to be recorded first. But, in practice, the number of transactions happens to be so large that it becomes difficult to record them in one book. Hence, the journal is sub-divided into a number of special journals, called subsidiary books.

Subsidiary Books are those books of original entry in which transactions of similar nature are recorded at one place and in chronological order. In a big concern, recording of all transactions in one Journal and posting them into various ledger accounts will be very difficult and involve a lot of clerical work.

This is avoided by sub-dividing the journal into various subsidiary journals or books. The subdivisions of journal into various subsidiary journals for recording transactions of similar nature are called as ‘Subsidiary Books.’

In practice, the journal is sub-divided in such a way that a separate book is used for each category of transactions which are repetitive in nature and are sufficiently large in number. **In any large business the following subsidiary books are generally used:**

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 recorded 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 suppliers 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 monthly total of the purchases book is posted to the debit of purchases account in the ledger. Individual suppliers accounts may be posted daily.

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.

PURCHASES RETURN BOOK

Date	Debit Note	Particulars	L.F.	Details	Total Amount
				₹	₹
		Purchases Return A/c	Cr.		

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 keeper makes entries in the sales journal from one copy of the sales invoice. The format of the sales journal 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.

SALES BOOK

Date	Invoice No.	Name of the Customers (Account to be debited)	L.F.	Details	Total Amount
				₹	₹
		Sales A/c	Cr.		

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 note 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.

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-forprofit. 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.

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.
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 point's number 1 to 4, recording of the following transaction is done in the journal proper:
 - (i) At the time of a dishonor of a cheque the entry for cancellation for discount received or discount allowed earlier
 - (i) Purchase/sale of items on credit other than goods.

- (ii) Goods withdrawn by the owner for personal use.
- (iii) Goods distributed as samples for sales promotion.
- (iv) Endorsement and dishonor of bills of exchange.
- (v) Transaction in respect of consignment and joint venture, etc.
- (vi) Loss of goods by fire/theft/spoilage.

Bills Receivable Journal: It is used for recording bills of exchange and promissory notes received from the debtors.

BILLS RECEIVABLE BOOK

No of Bill	Date of Received	Date of Bill	From whom Received	Drawer	Acceptor	Where Payable	Term	Due Date	Ledger Folio	Amount ₹	Cash Book Folio	Remarks

Bills Payable Journal: It is used for recording bills of exchange and promissory notes accepted by the business in favour of creditors.

BILLS PAYABLE BOOK												
No of Bill	Date of Bill	To whom Given	Drawer	Payee	Where Payable	Term	Due Date	L.F	Amount Paid ₹	Date	Cash Book Folio	Remarks

Advantages of Subsidiary Books

The following are the advantages of having a number of subsidiary books:

- i) **Classification of transactions becomes automatic:** As there is a separate book for each type of transactions, the transactions of same nature are automatically brought at one place. For example, all credit purchases of goods are recorded in Subsidiary Books: Cash Book in the Purchases Book.
- ii) **Reference becomes easy:** If any reference is required, it can be traced easily by referring to the appropriate subsidiary book. You do not have to go through all the transactions recorded in the journal.
- iii) **Facilitates division of work:** The division of journal into various subsidiary books facilitates division of work among many persons. This, in turn, facilitates prompt recording of transactions and saves a lot of time.
- iv) **More particulars:** More details about the transactions can be given in subsidiary books than would be possible in one book.
- v) **Responsibility can be fixed:** The work of maintaining a particular book can be entrusted to a particular person. He will be responsible for keeping it up-to-date and in order.
- vi) **Facilitates checking:** When the Trial Balance does not agree, the location of errors will be relatively easy.

ILLUSTRATION 1. (Purchase Book) Enter the following transactions in the Purchases Book of M/s Khanna Garments :

- 2011
- Sept. 5 Purchased from Gupta Bros. as per Invoice No. 171
120 White Shirts @ ₹ 95 each
60 School Tie @ ₹ 40 each
- Sept. 19 Purchased a Computer for office use from M/s Hari. Tech. for ₹ 30,000 as per Invoice No. 207.
- Sept. 20 Purchased from Jain Bros. as per Invoice No. 180
70 pairs Socks @ ₹ 18 each
90 Skirts @ ₹ 130 each
Less : Trade Discount 10%
- Sept. 22 Purchases from Verma & Co. as per Invoice No. 261
65 T-Shirts @ ₹ 115 each
80 Trousers @ ₹ 180 each
Less : Trade Discount 20%

SOLUTION

**Books of M/s Khanna Garments
PURCHASE BOOK**

Date	Invoice No.	Name of the Supplier (Account to be credited)	LF	Details ₹	Total Amount ₹
2011					
Sept. 5	171	Gupta Bros. 120 White Shirts @ ₹95 each 60 School Tie @ ₹ 40 each		11,400 2,400	13,800
Sept. 20	180	Jain Bros. 70 pairs socks @ ₹ 18 90 Skirts @ ₹ 130		1,260 11,700	
		Less : Trade Discount 10%		12,960 1,296	11,664
Sept. 22	261	Verma & Co. 65 T-Shirts @ ₹ 115 80 Trousers @ ₹ 180		7,475 14,400	
		Less : Trade Discount 20%		21,875 4,375	17,500
Sep. 30		Purchases A/c	Dr.		<u>42,964</u>

ILLUSTRATION 2. (Sales Book) As per the Rough Book, following transactions of M/s Jain Fashion Wears are given. You are required to make out the Sales Book. 2011

- Feb. 1 Sold to M/s Om & Sons on credit as per Invoice No. 182
 72 Kurtas @ ₹ 175 each.
 45 Trousers @ ₹ 225 each.
 Less: Trade Discount @ 5%.
- Feb. 5 Sold to Deepti & Co. as per Invoice No. 282
 50 Long Shirts @ ₹ 185 each.
 65 Jeans @ ₹ 235 each.
- Feb. 18 Sold to M/s Gupta & Sons for Cash as per Invoice No. 173
 20 Ladies suits @ ₹ 115 each.
 30 T-Shirts @ ₹ 405 each.
 Less: Trade Discount @ 5%.
- Feb. 20 Sold 5 Chairs @ ₹ 50 each to M/s Kapil & Co. as per Invoice No. 381

SOLUTION

Books of M/s Jain Fashion Wears
SALES BOOK

Date	Invoice No.	Particulars	LF	Details	Total Amount
				₹	₹
2011					
Feb. 1	182	M/s Om & Sons. 72 Kurtas @ ₹ 175 each. 45 Trousers @ ₹ 225 each.		12,600 10,125 22,725	21,589
		Less: Trade Discount @ 5%		1,136	
Feb. 5	282	M/s Deepti & Co. 50 Long Shirts @ ₹ 185 each. 65 Jeans @ ₹ 235 each.		9,250 15,275	24,525
Feb 28		Sales A/c	Cr.		46,114

ILLUSTRATION 6. (Sales Return Book) Prepare Sales Return Book of Ram Lal Electricals from the following transactions :

- 2011
- Oct. 1. Goods returned by Sharma & Sons.
10 Table Fans @ ₹ 100
Less: Trade Discount @ 10%
- Oct. 15. Kapil Brothers returned
20 Table Fans @ ₹ 110
Less: Trade Discount @ 10%
- Oct. 18. Saxena Ltd. returned a typewriter worth ₹ 10,000

SOLUTION

**Books of Ram Lal Electricals
SALES RETURN BOOK**

Date	Credit Note No.	Particulars	L.F.	Details ₹	Amount ₹
2011 Oct. 1		Sharma & Sons 10 Table Fans @ ₹ 100 Less : Trade Discount @ 10%		1,000 100	900
Oct. 15		Kapil Brothers 20 Table Fans @ ₹ 110 Less : Trade Discount @ 10%		2,200 220	1,980
Oct. 31		Sales Return A/c Dr.			2,880

ILLUSTRATION 5. (Purchase Return Book) Enter the following transactions in the Purchases return Book of Sh. Subash Chandra, a saree dealer

- 2011
- July 10. Singhal Mills, accepted the returns of goods (which were purchased for cash). 10 silk sarees @ ₹ 100
- July 15. Returned to Aggarwal Mills—
100 silk sarees @ ₹ 110.
Less: Trade discount @ 10%
- July 18. Returned one typewriter (being defective) @ ₹ 3,500 to Garg & Co.
- July 25. Returned to Grover & Sons –
50 Kota sarees @ ₹ 60
Less : Trade Discount @ 10%

SOLUTION:

**Books of Shri Subash Chandra
PURCHASE RETURN BOOK.**

Date	Debit Note No.	Particulars	L.F.	Details ₹	Amount ₹
2011 July 15		Aggarwal Mills 100 Silk sarees @ Rs 110 Less: Trade Discount 10%		11,000 1,100	9,900
July 25		Grover & Sons 50 Kota sarees @ ₹ 60 Less: Trade Discount @ 10%		3,000 300	2,700
July 31		Purchase Return A/c Cr.			12,600

Mar. 9	Sold 280 CD's to J.V.M. Graphics for ₹ 4,000.
Mar. 12	Sold 5 Computers to Vig & Sons @ ₹ 25,000 each Less 10% Trade Discount.
Mar. 17	Returned 2 Printer's to Rajeev & Co., Market price ₹ 6,500 each. Less :15% trade discount.
Mar. 21	Sent 5 CD Writers to Intex Software @ ₹ 4,500 each, Less : 5% Trade Discount.
Mar. 23	Sold old Furniture for ₹ 1,200.
Mar. 27	1 Computer returned by Vig & Sons for ₹ 18,000.
Mar. 30	Sold 1 Printer to Gupta & Co. @ ₹ 8,500 for Cash.

SOLUTION
**Books of M/s ABC Computers
PURCHASE BOOK**

Date	Invoice No.	Particulars	L.F.	Details ₹	Amount ₹
2011 Mar. 3		Rajeev & Co. 12 printers @ ₹ 10,000 Less : Trade discount @ 15%		1,20,000 18,000	1,02,000
Mar. 31		Purchase A/c Dr.			1,02,000

SALES BOOK

Date	Invoice No.	Particulars	L.F.	Details ₹	Amount ₹
2011 Mar. 9		J.V.M. Graphics 280 CD's			4,000
Mar. 12		Vig & Sons 5 Computers @ ₹ 25,000 each. Less: 10% Trade Discount		1,25,000 12,500	1,12,500
Mar. 21		Intex Software 5 CD writers @ ₹ 4,500 each. Less : 5% Trade discount		22,500 1,125	21,375
Mar 31		Sales A/c Cr.			1,37,875

PURCHASE RETURN BOOK

Date	Debit Note No.	Particulars	L.F.	Details ₹	Amount ₹
2011 Mar. 17		Rajeev & Co. 2 printers @ ₹ 6,500 each Less: 15% trade discount		13,000 1,950	11,050
Mar. 31		Purchases Returns A/c Cr.			11,050

SALES RETURN BOOK

Date	Credit Note	Particulars	LF	Details ₹	Amount ₹
2011 Mar. 27		Vig & Sons. 1 Computer			18,000
Mar.31		Sales Returns A/c Dr.			18,000

ILLUSTRATION 8. (Bills Receivable Book) Prepare a Bills Receivable Book from the following transactions related to M/s Ajit & Company :

2011

- Jan 8 Received from H. Singh bill duly accepted for ₹ 10,000 dated 3.1.2011, payable at three months.
 Jan 14 Drew on Vijay at one month for ₹ 12,000 and he accepted the next day.

SOLUTION

Books of M/s Ajit & Company
BILLS RECEIVABLE BOOK

No. of Bill	Date of Receipt	Date of Bill	From whom Received	Drawer	Acceptor	Where Payable	Term	Due Date	Ledger Folio	Amount ₹	Cash Book Folio	Remarks
1	8.1.11	3.1.11	H. Singh	Self	H. Singh		3 Months	6.4.11		10,000		
2	15.1.11	14.1.11	Vijay	Self	Vijay		1 Month	17.2.11		12,000		
							Total			22,000		

ILLUSTRATION 9. (Bills Payable Book) Prepare a Bills Payable Book from the following transactions related to M/s Sheetal Prasad & Company :

2011

- Jan 14 Accepted A's draft for ₹ 25,000 at two months.
 Jan 17 Gave acceptance at two months for ₹ 1,00,000 to C.

SOLUTION :

Books of M/s Sheetal Prasad & Company
BILLS PAYABLE BOOK

No. of Bill	Date of Bill	To whom Given	Drawer	Payee	Where Payable	Term	Due Date	l. F	Amount Paid ₹	Date	Cash Book Folio	Remarks
1	14.1.11	A	A			2 Months	17.3.11		25,000			
2	17.1.11	C	C			2 Months	20.3.11		1,00,000			
						Total			1,25,000			