

## Chapter 5: Subsidiary Books

### EXERCISE 1 [PAGE 168]

Exercise 1 | Q 1 | Page 168

#### QUESTION

**Answer the following question in one sentence:**

What is Subsidiary Books?

#### SOLUTION

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

Exercise 1 | Q 2 | Page 168

#### QUESTION

**Answer the following question in one sentence:**

What is a Cash Book?

#### SOLUTION

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

Exercise 1 | Q 3 | Page 168

#### QUESTION

**Answer the following question in one sentence:**

State the meaning of 'Contra entry'.

#### SOLUTION

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

Exercise 1 | Q 4 | Page 168

#### QUESTION

**Answer the following question in one sentence:**

State the meaning of Imprest System of Petty Cash Book.

### **SOLUTION**

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

Exercise 1 | Q 5 | Page 168

### **QUESTION**

**Answer the following question in one sentence:**

Which transactions are recorded in Purchase Book?

### **SOLUTION**

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

OR

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

Exercise 1 | Q 6 | Page 168

### **QUESTION**

**Answer the following question in one sentence:**

Which sales are recorded in Sales Book?

### **SOLUTION**

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

Exercise 1 | Q 7 | Page 168

### **QUESTION**

**Answer the following question in one sentence:**

Which transactions are recorded in the Journal Proper?

### **SOLUTION**

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

Exercise 1 | Q 8 | Page 168

## QUESTION

**Answer the following question in one sentence:**

Who is a Petty Cashier?

## SOLUTION

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

## EXERCISE 2 [PAGE 169]

Exercise 2 | Q 1 | Page 169

## QUESTION

**Give word/term or phrase for the following statement:**

Person who maintains Petty Cash Book.

## SOLUTION

Person who maintains Petty Cash Book. - **Petty Cashier**

Exercise 2 | Q 2 | Page 169

## QUESTION

**Give word/term or phrase for the following statement:**

A bank account which the businessman prefer to open.

## SOLUTION

A bank account which the businessman prefer to open. - **Current account**

Exercise 2 | Q 3 | Page 169

## QUESTION

**Give word/term or phrase for the following statement:**

Petty Cash Book in which the payment side is ruled in suitable columns.

## SOLUTION

Petty Cash Book in which the payment side is ruled in suitable columns. - **Analytical petty cash book**

Exercise 2 | Q 4 | Page 169

## QUESTION

**Give word/term or phrase for the following statement:**

Subsidiary book in which only credit purchases of goods is recorded.

**SOLUTION**

Subsidiary book in which only credit purchases of goods is recorded. - **Purchase book**

Exercise 2 | Q 5 | Page 169

**QUESTION**

**Give word/term or phrase for the following statement:**

Subsidiary book in which return of goods sold on credit is recorded.

**SOLUTION**

Subsidiary book in which return of goods sold on credit is recorded. - **Sales Return Book**

Exercise 2 | Q 6 | Page 169

**QUESTION**

**Give word/term or phrase for the following statement:**

The entry which is recorded on both sides of cash book.

**SOLUTION**

The entry which is recorded on both sides of cash book. - **Contra Entry**

Exercise 2 | Q 7 | Page 169

**QUESTION**

**Give word/term or phrase for the following statement:**

Name the account which encourages personal savings.

**SOLUTION**

Name the account which encourages personal savings. - **Savings Account**

Exercise 2 | Q 8 | Page 169

**QUESTION**

**Give word/term or phrase for the following statement:**

A note issued by buyer to seller giving full details of goods returned.

## **SOLUTION**

A note issued by a buyer to the seller giving full details of goods returned. - **Debit Note**

Exercise 2 | Q 9 | Page 169

## **QUESTION**

**Give word/term or phrase for the following statement:**

Note issued by seller on receipt of defective goods from customer.

## **SOLUTION**

Note issued by seller on receipt of defective goods from customer. - **Credit Note**

Exercise 2 | Q 10 | Page 169

## **QUESTION**

**Give word/term or phrase for the following statement:**

Name the bank account on which overdraft facility is given to Account holder.

## **SOLUTION**

Name the bank account on which overdraft facility is given to Account holder. - **Current Account**

## **EXERCISE 3 [PAGE 169]**

Exercise 3 | Q 1 | Page 169

## **QUESTION**

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

Cash column of Cash Book can never have \_\_\_\_\_ balance.

- credit
- debit
- zero
- none of the above

## **SOLUTION**

Cash column of Cash Book can never have **a credit** balance.

### QUESTION

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

Any entry recorded on both sides of Cash Book is known as \_\_\_\_\_ entry

- opening
- rectifying
- transfer
- contra

### SOLUTION

Any entry recorded on both sides of Cash Book is known as **contra** entry

### QUESTION

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

The source document for recording in Sales book is \_\_\_\_\_

- Inward Invoice
- Outward Invoice
- Voucher
- Cash Memo

### SOLUTION

The source document for recording in Sales book is **Outward Invoice.**

### QUESTION

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

Credit purchase of Machinery is recorded in the \_\_\_\_\_

- Purchase Book

- Cash Book
- Journal Proper
- Returns Outward Book

### **SOLUTION**

Credit purchase of Machinery is recorded in the **Journal Proper**.

Exercise 3 | Q 5 | Page 169

### **QUESTION**

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

Sub-division of the journal is known as \_\_\_\_\_ book.

- Subsidiary
- Purchase Return
- Purchase
- Journal Proper

### **SOLUTION**

Sub-division of the journal is known as **a Subsidiary** book.

Exercise 3 | Q 6 | Page 169

### **QUESTION**

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

Additional cash introduced in business is recorded in \_\_\_\_\_

- Purchase Book
- Cash Book
- Journal Proper
- Returns Inwards Book

### **SOLUTION**

Additional cash introduced in business is recorded in **Cash Book**.

Exercise 3 | Q 7 | Page 169

## QUESTION

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

Entry for bad debts is recorded in the \_\_\_\_\_

- Sales Book
- Purchase Book
- Cash Book
- Journal Proper

## SOLUTION

Entry for bad debts is recorded in the **Journal Proper.**

Exercise 3 | Q 8 | Page 169

## QUESTION

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

Direct deposit made by customer into our bank is recorded in the \_\_\_\_\_ side of the Cash Book.

- payments
- credit
- receipts
- both

## SOLUTION

Exercise 3 | Q 9 | Page 169

## QUESTION

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

The person who draws the cheque and signs on it is the \_\_\_\_\_

- drawer
- drawee
- payee

- all of the above

## **SOLUTION**

The person who draws the cheque and signs on it is the **drawee.**

Exercise 3 | Q 10 | Page 169

## **QUESTION**

**Select the most appropriate answer from the alternatives given below and rewrite the sentence:**

A fixed amount is deposited for a fixed period in \_\_\_\_\_ deposit account.

- Current
- Savings
- Fixed
- Recurring

## **SOLUTION**

A fixed amount is deposited for a fixed period in **Fixed** deposit account.

## **EXERCISE Q.4 [PAGE 170]**

Exercise Q.4 | Q 1 | Page 170

## **QUESTION**

**State whether the following statement is True or False with reasons:**

Journal is a book of secondary entry.

- True
- False

## **SOLUTION**

**This statement is False.**

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

Exercise 4 | Q 2 | Page 170

## **QUESTION**

**State whether the following statement is True or False with reasons:**

Assets sold on credit are entered in Sales Journal.

- True
- False

**SOLUTION**

**This statement is False.**

In the sales journal, transactions related to credit sales of goods are recorded and in journal, proper assets sold on credit are recorded.

Exercise 4 | Q 3 | Page 170

**QUESTION**

**State whether the following statement is True or False with reasons:**

Cash and credit purchases are entered in Purchase Book.

- True
- False

**SOLUTION**

**This statement is False.**

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

Exercise 4 | Q 4 | Page 170

**QUESTION**

**State whether the following statement is True or False with reasons:**

Cash sales are entered in Sales Journal

- True
- False

**SOLUTION**

**This statement is False.**

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

Exercise 4 | Q 5 | Page 170

### **QUESTION**

**State whether the following statement is True or False with reasons:**

Cash Book records transactions relating to receipts and payments of cash.

- True
- False

### **SOLUTION**

**This statement is True.**

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

### **EXERCISE Q.5 [PAGE 170]**

Exercise 5 | Q 1 | Page 170

### **QUESTION**

**Do you agree with the following statement:**

Trade discount is recorded in Cash Book.

- Agree
- Disagree

### **SOLUTION**

Trade discount is recorded in Cash Book. - **Disagree**

Exercise 5 | Q 2 | Page 170

### **QUESTION**

**Do you agree with the following statement:**

Petty Cash Book is a book having a record of big payments.

- Agree
- Disagree

## **SOLUTION**

Exercise 5 | Q 3 | Page 170

## **QUESTION**

**Do you agree with the following statement:**

Cash received is entered on the debit side of Cash Book.

- Agree
- Disagree

## **SOLUTION**

Cash received is entered on the debit side of Cash Book. - **Agree**

Exercise 5 | Q 4 | Page 170

## **QUESTION**

**Do you agree with the following statement:**

Transactions recorded on both debit and credit side of Cash Book is known as Contra Entry.

- Agree
- Disagree

## **SOLUTION**

Transactions recorded on both debit and credit side of Cash Book is known as Contra Entry. - **Agree**

Exercise 5 | Q 5 | Page 170

## **QUESTION**

**Do you agree with the following statement:**

Credit purchase of machinery is entered in Purchase Journal.

- Agree
- Disagree

## **SOLUTION**

Credit purchase of machinery is entered in Purchase Journal. - **Disagree**

## EXERCISE 6 [PAGE 170]

Exercise 6 | Q 1 | Page 170

### QUESTION

**Complete the following sentence:**

Cash Book is a \_\_\_\_\_ Journal.

### SOLUTION

Cash Book is a **subsidiary** Journal.

Exercise 6 | Q 2 | Page 170

### QUESTION

**Complete the following sentence:**

In Journal Proper, only \_\_\_\_\_ discount is recorded.

### SOLUTION

In Journal Proper, only **cash** discount is recorded.

Exercise 6 | Q 3 | Page 170

### QUESTION

**Complete the following sentence:**

Return of goods purchased on credit to the suppliers will be entered in \_\_\_\_\_ Journal.

### SOLUTION

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

Exercise 6 | Q 4 | Page 170

### QUESTION

**Complete the following sentence:**

Assets sold on credit are entered in \_\_\_\_\_

### SOLUTION

Assets sold on credit are entered in **journal proper**.

### QUESTION

**Complete the following sentence:**

Double column Cash Book records transactions relating to cash and \_\_\_\_\_

### SOLUTION

Double column cash book records transactions relating to cash and **bank**.

### QUESTION

**Complete the following sentence:**

Credit purchases of goods are recorded in \_\_\_\_\_

### SOLUTION

Credit purchases of goods are recorded in **purchase book**.

### QUESTION

**Complete the following sentence:**

Cash Book does not record the \_\_\_\_\_ Transactions.

### SOLUTION

Cash book does not record the **credit** transactions.

### QUESTION

**Complete the following sentence:**

Credit balance shown by a bank column in Cash Book is \_\_\_\_\_

### SOLUTION

Credit balance shown by a bank column in cash book is **bank**.

### QUESTION

**Complete the following sentence:**

Petty Cash Book is used for recording \_\_\_\_\_ expenses.

**SOLUTION**

Petty cash book is used for recording **petty** expenses.

Exercise 6 | Q 10 | Page 170

**QUESTION**

**Complete the following sentence:**

In Purchase Book goods purchased on \_\_\_\_\_ are recorded.

**SOLUTION**

In Purchase Book goods purchased on **credit** are recorded.