

## Chapter 3

# Original Entry - Journal and Subsidiary Books

### Learning Points:

After studying this unit, you will come to know :

- What is the meaning of Book of Original Entry?
- How accounts based on accounting equation are classified and what are their names and rules of debit and credit?
- How accounting equation is used in analysis of transactions?
- What is the origin of transaction? What are the sources of vouchers and how voucher is prepared?
- What is the meaning of Journal, advantages, types of accounts and rules for recording in journal?
- What is the format of Journal and what is the process of Journalising. How entries are made in journal?
- What are the subsidiary books? Advantages of subsidiary books and preparation of various subsidiary books ?

### Book of Original Entry: Meaning

The transactions relating to the economic activities of the business are recorded in the books of accounts on the basis of double entry system. The double entry system is based on the well-defined rules, in which both the aspects of each transaction (either cash or credit) are considered. This system is considered to be scientific, complete and progressive. The book in which any transaction is written first and foremost datewise and in chronological order is known as daybook or journal or book of original entry. Small traders use only journal due to fewer transactions, whereas large traders use subsidiary books due to large number of transactions. With the help of book of original entry, all the items in the ledger are posted in various accounts. The accuracy of accounts is tested by preparing trial balance. Trading & Profit and Loss account are prepared with help of trial balance to know the financial results of a certain period and balance sheet is prepared to know the financial position on a certain date.

### Classification of Accounts based on Accounting Equation

An accounting equation refers to equating assets with the capital and liabilities in every situation. An accounting equation is the basis of double entry system which can be presented in the following manner:

Gross liabilities = Assets

OR

Capital + Liabilities = Assets

Thus, we can say that the accounting equation represents equality between all the resources of business and the sources which finance the resources. The accounting equation is also known as balance sheet equation. It

is very important to know the details of the balance sheet for explaining an accounting equation properly. The format of a fictitious balance sheet is being given hereunder:

**Balance Sheet of Mr. Hari as on 31/3/2016**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	4,00,000	Goodwill	30,000
Loan	2,00,000	Land and Buildings	2,20,000
Creditors	1,80,000	Plant & Machinery	1,75,000
Bills payable	1,70,000	Furniture	95,000
Bank overdraft	50,000	Investments	1,30,000
		Stock in trade	70,000
		Sundry Debtors	90,000
		Bills Receivables	30,000
		Cash at Bank	1,20,000
		Cash in Hand	40,000
	10,00,000		10,00,000

On the basis of the above balance sheet, it can be said that assets are written in the right side of the balance sheet and the capital and liabilities are written in the left side of the balance sheet. The sum of both the sides of the balance sheet is always equal because any asset exist in business is either purchased from the capital employed by the proprietor or from the money given by other parties. According to the above balance sheet, the business has total assets of ₹10,00,000 out of which assets of ₹4,00,000 have been purchased from the capital given by the owner and remaining assets of ₹6,00,000 have been purchased from the money given by other parties.

Assets	=	Capital	+	Liabilities
₹10,00,000	=	₹4,00,000	+	₹6,00,000

Capital	=	Assets	-	Liabilities
₹4,00,000	=	₹10,00,000	-	₹6,00,000

Liabilities	=	Assets	-	Capital
₹6,00,000	=	₹10,00,000	-	₹4,00,000

Each transaction involves changes in Assets, Capital and Liabilities, but the sum total of both sides of the balance sheet always remains the same. Accounts based on accounting equation may be divided into

following titles:

1. **Assets Accounts:** Accounts which are related to tangible and intangible assets are called assets account. Land and buildings, machinery, furniture, stock, debtor, cash, bank balance accounts are examples of tangible assets and goodwill, patents, trade mark, copyrights are examples of intangible assets.
2. **Liabilities Accounts:** The accounts of external creditors and financial institutions providing finance and credit facilities for assets except the funds provided by the owner of the business, is included under liability accounts. Creditor, bank loan, bank Overdraft, bills payable or a loan given by any person are examples of liabilities accounts.
3. **Capital Accounts:** This account represents the claim of an owner on business assets. The accounts related to owner of the business e.g., Capital account and Drawings account are included in it
4. **Income and profit accounts:** Those accounts which are related to amount received from sale, rendering services and from the permission to use of business resources are known as income and profit accounts. Sales Account, Discount received account, Dividend received account, Royalty received Accounts, Interest received etc. are the examples of this account.
5. **Expense and Losses Account:** The accounts related to expenses incurred for earning income and losses incurred in process of earning income are known as Expenses and losses accounts. Purchases account, Royalty paid account, Rent paid account, Bad debts account, Loss of stock by fire account etc., are examples of this account.

Rules for doing Debit and Credit based on Accounting Equation

### 1. Assets Accounts

(Debit the increase in assets and Credit the decrease in assets)

Dr.	Asset Account		Cr.
Increase	Amount ₹	Decrease	Amount ₹

### 2. Liabilities Accounts

(Credit the increase in liabilities and Debit the decrease in liabilities)

Dr.	Liability Account		Cr.
Decrease	Amount ₹	Increase	Amount ₹

### 3. Capital Account

(Credit the increase in capital and Debit the decrease in capital)

It is important to note here that the balance of the capital account has usually credit balance. The amount withdrawn for the personal expenditure by the owner is Drawings which is presented as a reduction in Capital account.

Capital Account			
Dr.			Cr.
Decrease	Amount ₹	Increase	Amount ₹

### 4. Income and Profit Accounts

(Credit the increase in Income & Profit and Debit the decrease in Income & profit)

It is important to note here that the increase in income and profit increases the capital and decrease in income and profit reduces capital.

Income & Profit Account			
Dr.			Cr.
Decrease	Amount ₹	Increase	Amount ₹

### 5. Expenses and Losses Accounts

(Debit the increase in expenses and losses and Credit the decrease in expenses and losses)

Increase in expenditure and losses leads to a decrease in capital and reduction in expenditure and loss leads to increase in capital.

Expenses and Losses Account			
Dr.			Cr.
Increase	Amount ₹	Decrease	Amount ₹

On the basis of the above mentioned rules the debit or credit do not reflect favourable or unfavourable and increment or reduction, rather nature of the account reflects the favourable or unfavourable situation. In case of assets or expenses debit represents increment and credit represents reduction. In the same way, in case of liabilities or income debit represents reduction and credit represents increment.

## Use of Accounting Equation in Analysis of transaction

Every transaction affects the balance sheet of the business. Generally, the following eight types of transactions influence the accounting equation:

1. Increase in an asset and increase in capital, such as, business started with cash.
2. Increase in an asset and decrease in other asset such as purchased machinery for cash.
3. Increase in asset and capital simultaneously such as rent received.



4. Decrease in asset and capital simultaneously such as owner withdrew in cash.
5. Increase in asset and liabilities simultaneously such as purchased goods on credit.
6. Decrease in asset and liabilities simultaneously such as paid to creditors.
7. Decrease in one liability and Increase in another liability such as Acceptance of bills payable to creditor.
8. Increase or decrease in capital only such as paid of interest on capital.

We will now study the effect of transactions on accounting equation practically:

### Illustration 1:

Suppose Mahendra started a business and he has done the following transaction:

Transaction 1: Mahendra started business with the capital of ₹ 1, 00,000.

The transaction will have affect on business in the manner that the business has received an asset of ₹ 1, 00,000 in the form of cash and the business has to give ₹ 1, 00, 000 in the form of capital to the proprietor.

This transaction will be represented in the form of an accounting equation in this way:

Assets	=	Liabilities	+	Capital
Cash				
₹1, 00, 000	=	0	+	₹1, 00, 000

Transaction 2: Mahendra purchased furniture worth ₹ 10,000 for cash.

Purchasing furniture for cash in business only affect the asset side. This transaction will affect accounting equation in the following manner:

Assets							
	Cash	+	Furniture	=	Liabilities	+	Capital
Old equation	1, 00, 000	+	0	=	0	+	1, 00,000
Transaction	(-) 10,000	+	10,000	=	0	+	0
New Equation	90,000	+	10,000	=	0	+	1, 00, 000

Transaction 3: Mahendra purchased goods of ₹ 25000 on credit.

Goods have been received in the form of assets from this transaction and credit purchases lead to increase in liabilities. This transaction will have the following effect on accounting equation:

	Assets								
	Cash	+	Furniture	+	Stock	=	Liabilities	+	Capital
Old Equation	90,000	+	10,000	+	0	=	0	+	1, 00, 000
Transaction	0	+	0	+	25,000	=	25,000	+	0

New Equation	90,000	+	10,000	+	25,000	=	25,000	+	1, 00, 000
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#### Transaction 4: Salary Paid ₹5,000

This transaction will reduce the asset in the form of cash and the payment of expense will reduce the profit, which ultimately decreases the capital . This transaction will have the following effect on the accounting equation:

	Assets								
	Cash	+	Furniture	+	Stock	=	Liabilities	+	Capital
Old Equation	90, 000	+	10,000	+	25,000	=	25,000	+	1, 00, 000
Transaction	(-) 5, 000	+	0	+	0	=	0	+	5, 000
New Equation	85,000	+	10,000	+	25,000	=	25,000	+	95000

### Illustration 2:

Show the Accounting Equation on the basis of the following transactions and prepare Balance Sheet on the basis of the last new equation:

	₹
1. Started Business with cash	1,50,000
2. Purchased goods for cash	60,000
3. Purchased furniture for cash	37,500
4. Purchased goods on credit	30,000
5. Sold goods for cash	15,000
6. Sold goods on credit cost price ₹ 60,000	75,000
7. Received commission	1,500
8. Paid salary	1,500
9. Cash withdrawn for personal use	15,000
10. Paid to creditors	15,000

**Solution:**

**Effects of Transactions on Accounting Equation**

S. No.	Transaction	Assets							=	Liabilities	+	Capital
		Cash	+	Stock	+	Debtors	+	Furniture		Creditors		Capital
1.	Started business with cash	1,50,000	+	0	+	0	+	0	=	0	+	1,50,000
2.	Equation	1,50,000	+	0	+	0	+	0	=	0	+	1,50,000
	Purchase Goods for cash	-60,000	+	60,000	+	0	+	0	=	0	+	0
3	New Equation	90,000	+	60,000	+	0	+	0	=	0	+	1,50,000
	Purchased furniture for cash	-37,500	+	0	+	0	+	37,500	=	0	+	0
4	New Equation	52,500	+	60,000	+	0	+	37,500	=	0	+	1,50,000
	Purchased goods on credit	0	+	30,000	+	0	+	0	=	30,000	+	0
5	New Equation	52,500	+	90,000	+	0	+	37,500	=	30,000	+	1,50,000
	Goods sold for cash	15,000	+	-15,000	+	0	+	0	=	0	+	0
6	New Equation	67,500	+	75,000	+	0	+	37,500	=	30,000	+	1,50,000
	Sold goods on credit	0	+	-60,000	+	75,000	+	0	=	0	+	15,000 (Profit)
	<small>Cost      Price</small>											
	<small>75      60,000</small>											
7	New Equation	67,500	+	15,000	+	75,000	+	37,500	=	30,000	+	1,65,000
	Received commission	1500	+	0	+	0	+	0	=	0	+	1500
8	New Equation	69,000	+	15,000	+	75,000	+	37,500	=	30,000	+	1,66,500
	Paid salary	-1500	+	0	+	0	+	0	=	0	+	-1500

9	New Equation	67,500	+	15,000	+	75,000	+	37,500	=	30,000	+	1,65,000
	Cash withdrawn for personal use	-15,000	+	0	+	0	+	0	=	0	+	-15000
10	New Equation	52,500	+	15,000	+	75,000	+	37,500	=	30,000	+	1,50,000
	Paid to creditors	-15,000	+	0	+	0	+	0	=	-15,000	+	0
	Final Equation	37,500	+	15,000	+	75,000	+	37,500	=	15,000	+	1,50,000

### Summary

S.No.	Transactions	Accounts Affected	
		Assets	Liabilities & Capital
1.	Started business with Cash	Cash Increases	Capital Increases
2.	Purchased goods for Cash	Cash Decreases Stock Increases	
3.	Purchased Furniture for Cash	Cash Decreases Furniture Increases	
4.	Purchased Goods on Credit	Stock Increases	Creditors Increases
5.	Sold Goods for Cash	Cash Increases Stock Decreases	
6.	Sold Goods on Credit ₹ 75000, Cost Price ₹ 60000	Debtors Increases by ₹ 75000 Stock Decreases by ₹ 60000	Capital Increases by ₹ 15000
7.	Received Commission	Cash Increases	Commission=Income, Hence Capital Increases
8.	Paid Salary	Cash Decreases	Salary= Expenses, Hence Capital Decreases
9.	Cash withdrawn for personal use	Cash Decreases	Capital Decreases
10.	Paid to Creditors	Cash Decreases	Creditors Decreases

On the basis of final equation, balance sheet will be prepared in the following manner:

**Balance sheet as on.....**

Liabilities	Amount ₹	Assets	Amount ₹
Creditors	15,000	Cash	37,500
		Debtors	75,000
Capital	1,50,000	Stock	15,000
		Furniture	37,500
	1,65,000		1,65,000

**Illustration 3:**

Ashu started a business on April 1, 2016 with a capital of ₹ 3,00,000. On 31<sup>st</sup> March, 2017 her assets and liabilities were of ₹ 5,90,000 and ₹ 2,80,000 respectively. Find out her closing capital and profit earned during the year.

**Solution:**

Closing Capital	=	Closing Assets – Closing Liabilities
	=	₹ 5, 90, 000 - ₹ 2, 80, 000
Closing Capital	=	₹ 3, 10, 000
Profit	=	Closing Capital - Opening Capital
	=	₹ 3, 10, 000 - ₹ 3, 00, 000
Profit	=	₹ 10,000

Note: It should be noted here that if other information such as withdrawn cash for personal use, additional capital introduced etc., are given in question, then, following formula will be used:

Opening Capital – Drawings + Additional Capital + Profit = Closing Capital

1. Opening capital = Closing capital + Drawings – Additional capital – Profit

2. Profit = Closing capital + Drawings – Additional capital – Opening capital

**Illustration: 4**

On March 31, 2017 the total assets and outside liabilities of a business concern were ₹ 9, 00, 000 and ₹ 4,20,000 respectively. During the year, the owner introduced additional capital of ₹ 90,000 and withdrawn ₹ 1,90,000 for personal use. The firm earned a profit of ₹ 1,25,000 during the year. You are required to calculate opening capital.

**Solution:**

$$\begin{aligned}\text{Closing capital} &= \text{Closing Assets} - \text{Closing liabilities} \\ &= ₹ 9,00,000 - ₹ 4,20,000 \\ &= ₹ 4,80,000 \\ \text{Opening capital} &= \text{Closing capital} + \text{Drawings} - \text{additional capital} - \text{Profit} \\ &= ₹ 4,80,000 + ₹ 1,90,000 - ₹ 90,000 - ₹ 1,25,000 \\ &= ₹ 4,55,000\end{aligned}$$

**Illustration 5:**

On which side the increase in the following Accounts will be recorded? Also mention the nature of Account:

1. Furniture
2. Cash
3. Proprietor's Account
4. Debtors
5. Creditors
6. Rent Paid
7. Commission Received
8. Interest Paid

**Solution:**

Side	Nature
1. Debit	Assets
2. Debit	Assets
3. Credit	Capital
4. Debit	Assets

5. Credit	Liabilities
6. Debit	Expenses
7. Credit	Incomes
8. Debit	Expenses

### Illustration 6:

On which side the decrease in the following Accounts will be recorded? Also mention the nature of account.

1. Machinery
2. Proprietors Account
3. Salary Paid
4. Ramesh a Customer

### Solution:

Side	Nature
1. Credit	Assets
2. Debit	Capital
3. Credit	Expenses
4. Credit	Assets

### Journal: Origin of Transaction

When two parties exchange cash or cash equivalent goods and services in return for goods and services for discharging an economic activity is known as transaction. Whether the transaction is in cash or credit, it changes the financial position of the business. Due to the large number of financial transactions in the business, they are recorded in the book of original entry 'Journal' with the help of vouchers and memorandum book.

### Source Document

According to the 'Verifiable Objective Evidence principle' of accounting, every business transaction must be certified by a written document. Any document that forms the basis of the recording transaction in the books is called 'original document of accounting'. These documents are used as a written proof to check authenticity of the transactions written in the books. Cash Memo, Invoice and Bill, Receipt, Debit Note, Credit Note, Pay in slip and cheque are examples of original documents. With the help of these documents, information of name of the related persons, nature of transaction (cash or credit), date and amount of transaction can be obtained. Here we will study about these documents:

1. **Invoices and bills:** When a seller sells goods on credit, the document that he sends to the customer is called a Sales Invoice. In the sales invoice, the name of the customer, quantity of goods, rate, total

price and other information are written. The original copy of the invoice is sent to the customer and the duplicate copy is kept with him for future reference and accounting in the books. The document that is received by the trader for purchasing goods on credit is known as bill. Invoices and bills are used in similar sense; the only difference is of situation.

2. **Cash Memo:** The document used for the cash transaction of goods is called cash memo. On selling goods for cash, the seller gives cash memo and buyer receives cash memo on purchasing goods for cash. Cash purchases and cash sales are recorded in books on the basis of cash memo. In cash memo, the quantity of goods, rate, total price, trade discount and value added tax etc. are written.
3. **Receipt:** When the seller receives any amount of money from a customer, the document given as a proof of the amount received to the customer is known as receipt. Serial Number, amount, date of receipt, the name of the customer, the amount of money, in case of cheque or draft, its number, date, name of the related bank etc., are written on a receipt. The original copy of the receipt is given to the customer and the duplicate copy is kept for recording in the customer's account and in the cash book. The trader also receives the receipt when he makes payment.
4. **Pay in slip:** Pay in slip is a printed form given by the bank which is used to deposit the money in the bank. Each pay in slip is divided into two parts. One part is called foil and the second part is called counter foil. The date of deposit, account number and amount of money are written on pay in slip. The cashier of the bank puts seal and signs on the counterfoil of pay in slip on depositing the cash into bank and returns it to the customer. Now a days, cheques are dropped into the box rather than giving it to the cashier. Therefore, customers do not have signature of cashier on counter foil.
5. **Cheque:** Cheque is a written order letter to the bank which orders the bank to pay the amount written on it to the person whose name is written on it or to its bearer. The date, amount in figures and words are written on a cheque containing a signature of account holder. Nowadays, counterfoil is not given in the cheque, rather an annexure is attached to it separately which can be used for accounting or for future reference.
6. **Debit Note:** Generally, when a buyer returns goods to seller due to specific reason, when seller charges higher price or give is less discount, the letter is sent which is called a debit note. The buyer debits the name of the seller in the own books after sending the debit note. The original copy of the debit note stating the reason for debiting is sent to the seller. The duplicate copy is kept in the office for the purpose of accounting. Sometimes the debit note is sent to the buyer either because of giving more discount on goods or charging less price on goods. The format of debit note is as follows:



## Debit Note

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Debit Note No.....

Sender's (Purchaser Address)  
.....

Date.....

To  
(Name of Seller).....  
Address.....

We debit your account with the following amount:

Reasons	Particulars	Amount ₹
.....	.....	.....
.....	.....	.....
Total		

---

E.& O.E.

For (Name of Purchaser)  
Name of sender with designation

1. **Credit Note:** When a buyer returns the goods purchased on credit to seller because of specific reasons, the seller informs about the receipt of goods by sending credit note to the buyer. The seller credits the name of the buyer in his books and credit note is also prepared in two copies. The format of credit note is as follows:

## Credit Note

Credit Note No.....

Sender's (seller) Address

To  
Name of Purchaser.....  
Address .....

We credit your account with the following amount:

Reasons	Particulars	Amount ₹
.....	.....	.....
Total		

---

E.& O.E.

For (Name of Seller)  
Name of sender with designation

**1. Vouchers:** First of all, accounting is done on vouchers with the help of original documents. Generally, all firms get their vouchers printed separately with their name on it. A separate voucher is prepared for every transaction. Vouchers have two sides, debit and credit. Every voucher contains serial number and a document gets attached to it. These vouchers prepared by an accountant after transaction analysis get signed by an authorized person. Accounting is done in journal and subsidiary books on the basis of the vouchers only. The vouchers are of two types:

1. For cash transactions
2. For other transactions

The description of both types of vouchers is as follows:

**1. Vouchers for cash transactions:** Cash vouchers are prepared for cash receipts and cash payments. Receipts and payments through cheque are also included in it. These vouchers are of two types: 1. Debit Voucher and 2. Credit Voucher.

**i. Debit Voucher:** Debit vouchers are prepared in case of cash payments. Debit voucher contains name of the business, voucher number, date of voucher, title of the account to be debited, description of transaction, description of original documents, net amount of transaction, signature of person who prepared voucher, signature of competent officer.

**ii. Credit Voucher:** Credit vouchers are prepared in case of cash receipts and withdrawal of cash from bank because that individual or institution accounts from whom receipt of money is taking place gets credit. Everything related to cash receipt is written on credit voucher like a debit voucher.

**2. Vouchers for other transactions:** Non-cash vouchers are prepared for non-cash transactions. It includes accounts of credit purchases, credit sales, purchases return, sales return, bad debts, and depreciation. These vouchers contain all those things that are written in cash vouchers. Also, those accounts are written which are to be debited and credited both.

The format of cash and non-cash vouchers are same; the only difference between them is of colour. The format of both the types of vouchers is as follows:

**M/s. VINOD & SONS KOTA**  
**VOUCHER**

Voucher No.....

Date: .....

Received ₹	Debit.....	Amount (₹)
	.....	
	.....	
	Total ₹ .....	
	Credit.....	Amount (₹)
	.....	
	.....	
Signature	Total ₹ .....	
	Sd.	Sd/-
	Manager / Partner	Accountant

**Preparation of Voucher**

Vouchers are prepared on the basis of original documents for every transaction. It is prepared after analyzing nature of account and debit and credit side of the account. Now we will learn to prepare vouchers with the help of examples:

**Illustration 7:**

Prepare Debit vouchers from the following transactions of Hari Traders:-

Date	Description	Amount (₹)
(1) 2016 Nov. 5	Purchased Machinery for cash vide Cash Memo No. 201	35,000
(2) Nov. 10	Purchased goods for cash vide cash Memo no. 202	20,000
(3) Nov. 25	Paid cash for stationery vide cash Memo no. 203	1,500

**Solution:****Debit Voucher**

<p style="text-align: center;">Hari Traders</p> <p style="text-align: center;">Kumher Gate, Bharatpur</p> <p>No. 53 <span style="float: right;">Date: 5/11/2016 ₹</span></p>	
Debit - Machinery a/c	35,000
Being machinery purchased for Cash vide cash memo no. 201	
Total ₹	35,000
Sd/- Manager/ Partner	Sd/- Accountant

**Debit Voucher**

<p style="text-align: center;">Hari Traders</p> <p style="text-align: center;">Kumher Gate, Bharatpur</p> <p>No. 54 <span style="float: right;">Date: 10/11/2016    ₹</span></p>	
Debit - Purchases a/c	20,000
Being goods purchased for Cash vide cash memo no. 202	
Total ₹	20,000
Sd/- Manager/ Partner	Sd/- Accountant

### Debit Voucher

<b>Hari Traders</b> <b>Kumher Gate, Bharatpur</b>	
No. 55	Date: 25/11/2016 ₹
Debit- Stationery a/c Being paid for Cash vide cash memo no. 203	1,500
Total ₹	1,500
Sd/- Manager/ Partner	Sd/- Accountant

### Illustration 8:

Prepare Credit vouchers from the following transaction of Ravi Electronics Talwandi Kota:-

Date	Description	Amount ₹
2016 (i) Dec. 10	Sold goods for cash vide cash memo no. 87	30,000
(ii) Dec. 15	Received Interet vide cash receipt no. 206	1,200

### Solution:

### Credit Voucher

<b>Ravi Electronics, Talwandi Kota</b>		<b>Amount</b>
No. 256	Date: 10/12/2016	₹
Credit – Sales a/c Being cash sales vide Cash memo no. 87		30,000
Total ₹		30,000
Sd/- Manager/ Partner		Sd/- Accountant

### Credit Voucher

Ravi Electronics, Talwandi Kota	<b>Amount</b>
No.257 <span style="float: right;">Date: 15/12/2016</span>	₹
Credit – Interest a/c	1,200
Being received interest vide cash receipt no. 206	
Total ₹	1,200
Sd/-	Sd/-
Manager/ Partner	Accountant

#### Illustration 9:

Prepare non cash voucher from the following invoice:

### INVOICE

<b>Saurabh Enterprises</b>			
Surajpole Gate, Udaipur			
No. 475			Date: 27/11/2016
Mr. Harish Udaipur			
Quantity	Description	Rate	Amount ₹
1	Fridge	₹ 17000	17000
		Total	17000
E& O.E.			Sd/-
			For Saurabh Enterprises

#### Solution:

### Non-cash Voucher

<b>Saurabh Enterprises</b>	
Surajpole Gate, Udaipur	
No. 335	Date: 27/11/2016
Debit- Harish's A/c	Amount ₹
	17,000/-
Credit- Sales A/c	17000/-
Being goods sold to Harish vide Invoice No. 475 dates 27/11/2016	
Sd/-	Sd/-
Manger/Partner/Proprietor	Accountant

**Meaning of Journal:** The word journal is meant to be derived from French word 'Jour' which means a day. Thus, journal means to do accounting on daily basis. According to Carter, “The journal or daily record as originally used was a book of prime entry in which transactions were copied in the order of date from a memorandum or waste book. The entries as they were copied, were classified into debits and credits, so as to facilitate they are being correctly posted afterwards in the ledger.”

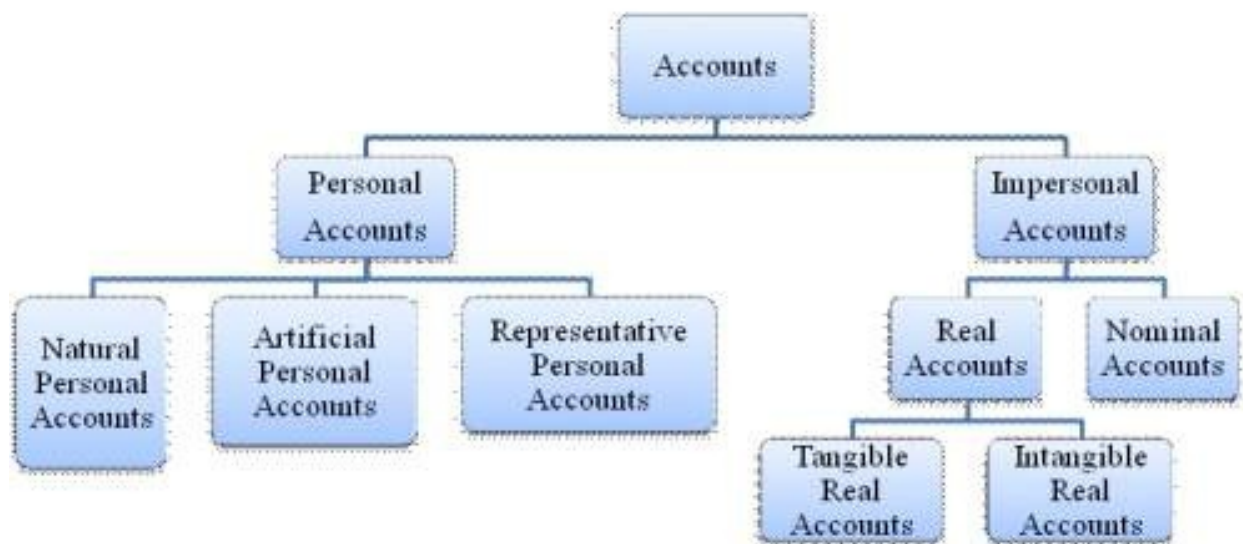
### **Advantages of Journal:**

1. **As a Proof:** The transaction recorded in journal can be presented as proof in situations of conflicts or in case of error and omission in business.
2. **Chronological Record:** The transactions in journal are recorded date and serial wise by which information of transactions can be obtained easily in future.
3. **Explanation of Transactions:** A narration related to transaction is given beneath every entry which is helpful to provide information regarding transaction.
4. **Helpful in Posting in Ledger:** The chances of error are less when ledgers are prepared from journal. It is more convenient to prepare ledger from journal than preparing with the help of memorandum or voucher.
5. **Knowledge of Accounting Principles:** According to dual concept of accounting, every transaction has two aspects. A transaction is accounted in journal in two sides i.e. debit and credit.

### **Types of Accounts**

Two approaches are prevalent in relation to the classification of accounts. Classification of accounts based on accounting equation has been explained at the beginning of this chapter. According to traditional approach the classification of accounts is as follows:-

Now, we will study these accounts in detail:-



**1. Personal Accounts:** - Those Accounts which are opened in the name of a person, firm, company or organization are known as personal accounts. Personal Accounts can be classified into the following three categories-

(i) **Natural Personal Accounts:** Those accounts which are related to human beings are called natural personal accounts. For example, Banwari's account, Capital account, Drawings account, Debtors accounts, Creditors account are included under it.

(ii) **Artificial Personal Accounts:** Those accounts which do not have physical existence like human beings, but they are considered as individual accounts are called artificial personal accounts. The accounts of all firms, companies, insurance companies, banks, co-operative societies, government departments etc are included under it. Mittal Brother's Account, Vedanta Limited Account, Life Insurance Corporation of India Account, Kota University Account are the examples of this account.

(iii) **Representative Personal Accounts:** Accounts that represent a person or group of individuals are called Representative personal accounts. Outstanding rent represents the owner of the building, therefore it is considered as a personal account. Prepaid insurance, Accrued interest, unearned interest etc. are the examples this type of accounts.

**2. Real Accounts-**Accounts related to things or assets which could be measured in monetary terms, they are called real accounts. Real accounts can be classified as tangible real accounts and intangible real accounts.

(i) **Tangible Real Accounts:** Those objects or assets which have physical existence and which can be touched and seen are included under Tangible Real accounts. Land, building, machinery, furniture, stock and cash are examples of it. Here, it is important to keep in mind that the bank account is a personal account because banking company is an artificial person.

(ii) **Intangible Real Accounts:** Those things or assets which do not have physical existence and cannot be touched and seen but can be felt, can be sold or purchased and can be measured in the monetary terms are included under Intangible Real accounts. Goodwill, patent, copyright and trade mark are its examples.

**2. Nominal Accounts:** These accounts are opened in books only to show the nature of transaction. These are opened specially for the particular financial year and closed at the end of the year. Accounts related to income-expenditure of the business are nominal accounts. Wages account, carriage account, salary account, commission account and interest account, etc., are its examples.



## Rules for Recording in Journal

While recording the transaction in the journal, one account is debited and the other is credited. The origin of the word debit has been derived from the Latin word 'Debere', which means 'to owe'. The credit word has been derived from the Latin word 'Credere' which means 'to believe'. The debit is written as Dr. and credit is written as Cr. The rules for recording in journal in personal account, real account and nominal account are as follows;

### 1. Personal Accounts:

Debit account of receiver

Credit account of the giver

Examples: If Rajesh is paid ₹ 25000 then Rajesh's account will be debited because Rajesh is the receiver. If business receives ₹ 25000 from Girdhari then Girdhari's account will be credited because he is the giver.

### 3. Real Accounts:

Debit the account of what comes in.

Credit the account of what goes out.

Example: Business purchased furniture of ₹ 75000. In this transaction both furniture and cash are Real accounts. Furniture is being acquired in business so furniture account will be debited and Cash is going out of business so the cash account will be credited.

### 4. Nominal Accounts:

Debit the account of all expenses and losses

Credit the account of all incomes and profits

The business has paid the rent of ₹ 15000 since in this transaction rent being an expense so it will be debited.

## Format of Journal

### Journal of Shri/Ms.....

Date	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
Year	Name of Account to be debited Dr.		_____	
Month	To Name of Account to be credited			_____
Date	(Narration.....)			

The description of each column in the above format is as follows:

1. **Date:** In this first column of the journal, the transactions are written according to the year, month and date. At the top of the column year and date is written once. (Unless there is any change in them)
2. **Particulars:** Both sides entry is done related to one transaction. In this column, the account which is to be debited is written in first line and the word Dr. is written at the end of that line. The account which is to be credited is written below the first line by giving a few empty space in the beginning followed by the word 'To'. Cr. word is not used for this account. Below the entry a short and understandable narration is written in brackets. After this a line is drawn which shows that the entry is completed. Same method is followed for next transactions.
3. **Ledger Folio or L.F.:** All the entries in the journal are posted in Ledger. The page of the ledger in which posting is done that page number is written in this column of the journal. Based on the page number written against the entries, posting related to that entry can be seen for future reference. If the page number is not written against the entry, it means posting has not been done for it. If trial balance is not matched then on the basis of the page numbers it can be checked whether all the entries have been posted or not. This column is not used at the time of entry in journal but used when posting is done.
4. **Debit Amount:** In this column, the amount related to the account being debited is written.
5. **Credit Amount:** In this column amount related to account being credited is written.

## Process of Journalising

- First of all, it must be noticed that which accounts are affected by the transaction?
- What is the nature of affected accounts? These accounts are related to which type of accounts whether personal, real or nominal?
- What are the rules for debit and credit related to these accounts?
- It should be determined which account will be debited and which account will be credited.

## Important points to be kept in mind while journalising

1. A/c word is not written with the personal account .By adding 'S with the name of person A/c word can be written. For example:

Bharat A/c ☐

Bharat's A/c ☒

1. Two accounts are opened in the books of accounts related to the proprietor of business. According to the concept of separate entity, the business proprietor and business are separate entities. Therefore on bringing cash ,goods,assets by the proprietor in business capital account is credited which represents liability of business. In the same way, when goods, cash or asset are withdrawn by the proprietor 'Drawings account' is opened.

2. Those items which are purchased for the purpose of sale at a fixed profit are kept in the category of goods. For example, Businessman of furniture when purchases furniture purchase account is opened in books because for him furniture is treated as goods. When a businessman who owns a medical store purchases furniture, furniture account is opened because for him furniture is not goods, but an asset for him. For the purpose of making entries related to goods in books of account, goods can be classified in following five parts-
  1. Purchases account
  2. Purchases return account
  3. Sales account
  4. Sales return account
  5. Stock account
  - (i) Opening Stock Account      (ii) Closing Stock Account
3. While determining cash or credit transaction the following points should be considered:
  - i. If with the receipt or payment name of the purchaser or seller is given then it is treated as cash transaction. For example, Goods purchased for cash from Ashish.
  - ii. If in any transaction the name of seller and purchaser are written along with the word sold or purchased but nothing is clear about cash or credit then it will be treated as credit. For example, Goods purchased from Ashish.
  - iii. If in any transaction name of the purchaser or seller is not given and only goods purchased or goods sold are given then it is treated as cash transaction. For example, Goods purchased.
  - iv. In case of Nominal account, name of the person is given along with the receipt or payment then it is treated as cash transaction and personal account will not be opened. For example, Rent paid to Ajay.
4. While passing entries in the journal a line is drawn at the end of every page in the column of particulars and amount. In the column of particulars the word Total c/f (Total Carried Forward) is written which means total is carried forward. In both the columns of amount sum total of that page is written. On the next page, first of all in the column of particulars Total b/f (Total brought forward) word is written which means total has been brought forward. In both the columns of amount, sum total of the previous page is written. When all the entries are completed then in the column of particulars Grand Total word is written and Debit and Credit columns are totalled. This process of making total is known as Casting. **Illustration 10:**  
 Prem Prakash has started a new business. Prepare the analytical table of the following transactions for November, 2016 and state which Accounts will be affected by each transaction. Also state with rules that which account will be debited and which account will be credited?

**Solution:**

Date of Transaction	Affected Accounts	Type of Accounts	Rule of Journalising	Dr. Cr.	Amount ₹
2016 Nov.1	Cash Account Capital Account	Real Personal	Debit what comes in Credit the giver	Dr. Cr.	1,00,000 1,00,000
3	Purchases Account Cash Account	Real Real	Debit what comes in Credit what goes out	Dr. Cr.	40,000 40,000
5	Cash Account Sales Account	Real Real	Debit what comes in Credit what goes out	Dr. Cr.	25,000 25,000
8	Purchases Account Mahesh	Real Personal	Debit what comes in Credit the giver	Dr. Cr.	30,000 30,000
11	Furniture Account Ravi	Real Personal	Debit what comes in Credit the giver	Dr. Cr.	10,000 10,000
14	Vijay Sales Account	Personal Real	Debit the receiver Credit what goes out	Dr. Cr.	35,000 35,000
18	Mahesh Cash Account	Personal Real	Debit the receiver Credit what goes out	Dr. Cr.	30,000 30,000
20	Drawings Account Cash Account	Personal Real	Debit the receiver Credit what goes out	Dr. Cr.	5,000 5,000
24	Cash Account Vijay	Real Personal	Debit what comes in Credit the giver	Dr. Cr.	35,000 35,000
27	Wages Account Cash Account	Nominal Real	Debit the expenses and losses Credit what goes out	Dr. Cr.	4,000 4,000
29	Salary Account Cash Account	Nominal Real	Debit the expenses and losses Credit what goes out	Dr. Cr.	5,000 5,000
30	Rent Account Cash Account	Nominal Real	Debit the expenses and losses Credit what goes out	Dr. Cr.	5,000 5,000

Note: The above analysis table is not part of the journal. It has been shown only to understand the process of journalising.

**Illustration 11:**

Pass Journal entries in the books of Prem Prakash for the transactions given in illustration 10:

### Journal of Prem Prakash

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2015 Nov.1	Cash a/c Dr. To Capital a/c (For started business with cash.)		1,00,000	1,00,000
3	Purchases a/c Dr. To Cash a/c (Being goods purchased for cash.)		40,000	40,000
5	Cash a/c Dr. To Sales a/c (Being goods sold for cash.)		25,000	25,000
8	Purchases a/c Dr. To Mahesh (For goods purchased from Mahesh.)		30,000	30,000
11	Furniture a/c Dr. To Ravi (For furniture purchases from Ravi.)		10,000	10,000
14	Vijay Dr. To Sales a/c (For goods sold to Vijay.)		35,000	35,000
18	Mahesh Dr. To Cash a/c (For cash paid to Mahesh.)		30,000	30,000
20	Drawings a/c Dr. To Cash a/c (Withdrew cash for personal use.)		5,000	5,000
24	Cash a/c Dr. To Vijay a/c (For cash received from Vijay.)		35,000	35,000
27	Wages a/c Dr. To Cash a/c (Being wages paid.)		4,000	4,000
29	Salary a/c Dr. To Cash a/c (Being Salary paid.)		5,000	5,000
30	Rent a/c Dr. To Cash a/c (For Rent paid.)		3,000	3,000
	<b>Total</b>		<b>3,22,000</b>	<b>3,22,000</b>

## Compound Entries:

If two or more than two transactions occurs on same date and related to the same account then instead of making different entries of every transaction only single entry is passed. This type of entry is known as Compound entry.

Example: On December 15, 2016, Goods sold to Banwari and Murari for ₹ 10,000 and ₹ 15,000 respectively. In this, the following compound entry may be passed instead of making separate entries of selling goods to Banwari and Murari.

2016			₹	₹
Dec.2015	Banwari	Dr.	10,000	
	Murari	Dr.	15,000	
	To Sales a/c			25,000
	(For goods sold to Banwari and Murari on credit.)			

The following situations may be for compound entries:

1. When an account is debited and two or more accounts are credited.
2. When one account is credited and two or more than two accounts are debited.
3. When two or more accounts are debited and two or more accounts are credited.

**Example : Opening entry.**

### Illustration: 12

Pass compound entries in the books of Rakesh from the following transactions:

2016

December

- 1 Rakesh started business with cash ₹ 50,000 Goods ₹ 20,000 and Furniture ₹ 10,000.
- 10 Purchased goods from Praveen ₹ 15,000 and from Pramod ₹ 20,000.
- 17 Paid Trade expenses ₹ 1,800 and Travelling expenses ₹ 700.
- 25 Sold goods to Dinesh for ₹ 25,000 out of which goods of ₹ 15,000 sold on credit.
- 31 Paid Rent ₹ 3000 and Salary ₹ 6000.

**Solution:**

**Journal of Rakesh**

<b>Date</b>	<b>Particulars</b>	<b>L.F .</b>	<b>Dr. Amount ₹</b>	<b>Cr. Amount ₹</b>
2016 Dec.1	Cash a/c Dr. Stock a/c Dr. Furniture a/c Dr. To Capital a/c (For started business with cash, goods, and furniture )		50,000 20,000 10,000	80,000
10	Purchases a /c Dr. To Praveen To Pramod (For goods purchased from Praveen and Pramod on credit.)		35,000	15,000 20,000
17	Trade Expenses a/c Dr. Travelling Expenses a/c Dr. To Cash a/c (Being trade expenses ₹ 1800 and travelling expenses of ₹ 700 Paid .)		1,800 7,00	2,500
25	Cash a/c Dr. Dinesh Dr. To Sales a/c (Being goods worth ₹ 25000 sold to Dinesh out of which sold on credit for ₹ 15000 .)		10,000 15,000	25,000
31	Rent a/c D r. Salaries a/c D r. To Cash a/c (Being rent ₹ 3000 and salaries ₹ 6000 Paid .)		3,000 6,000	9,000
	<b>Total</b>		<b>1,51,500</b>	<b>1,51,500</b>

## Journal Entries Relating to Some Special Transactions

### 1. Some Special Transactions relating to Goods

#### (i) Goods Withdrawn by proprietor for personal use :

Many times the proprietor of the business takes the goods from the business for personal use. According to the concept of separate entity, his account will be debited as the name of drawings account because of businessman and business are separate entities. Here goods have not been sold but leads to decrease in goods purchased. Therefore, purchased account will be credited with the cost price of goods. The following entry for this transaction will be made:

Drawings	A/c	Dr.
To Purchases	A/c	

(For goods withdrawn for personal use.)

#### (ii) Distribution of goods as free sample :

Many times the proprietor with the objective of increasing volume of sales distributes in the form of advertisement some of the goods as free samples so this is treated as expenses of the business and this is deducted at cost price from the purchases. Free sample account being an expense is debited and purchases account is credited due to decrease in purchases account according to rules of Real account. The following entry for this transaction will be made:

Free sample	A/c	Dr.
To purchases	A/c	

(For goods distributed as free sample.)

#### (iii) Goods given away as charity:

This is not the sale of goods, but it is an expense for the business. Therefore, the cost price is deducted from purchases. The following entry for this transaction will be made:

Charity	A/c	Dr.
To purchases	A/c	

(For goods given away as charity.)

#### (iv) Loss of goods by theft, fire or other reasons :

Sometimes the goods are destroyed due to theft, fire, earthquake, flood etc. so this is considered as a loss for business. The following entries are made in all these situations:

Loss by theft/fire/earthquake/flood	A/c	Dr.
To Purchases	A/c	

(Goods Lost.)

If goods are insured, then following entry will be made:

Insurance Co.	A/c	Dr.
---------------	-----	-----



To loss by theft/fire/earthquake/flood  
(Insurance Claimed.)

If partial claim is accepted

Cash A/c	Dr. (Amount Received)
Profit & Loss A/c	Dr. (Loss)
To Insurance Co.A/.c	(Total Amount)

(Received insurance claim partly.)

## 2. Bad Debts

When the goods are sold to the customer on credit then it is treated as debtor to the business. If the amount is not received from the debtor due to insolvency, death or other reason, then this non receivable amount is called a Bad Debt. Bad debt is a loss for business and due to which bad debt account is debited and debtor account is credited.

The following entry for this transaction will be made:

Bad Debts A/c	Dr.
To Debtor's personal A/c	

(For amount due written off as bad debts.)

If any amount is received under pro-rata distribution on insolvency of debtor, then the following entry will be made:

Cash A/c	Dr.
Bad DebtsA/c	Dr.
To Debtor's personal A/c	

[For receipt of.....paisa in a rupee from (name of debtor)]

Many times it happens that a debtor's account has been written off with the bad debt account, but after some time full or partial amount is received from that debtor then, it is called bad debts recovered. In this context, it should be kept in mind that the bad debts recovered account will be credited. Debtor account will not be credited because at the time of entry for bad debts this account has already been credited. The following entry for this transaction will be made:

CashA/c	Dr.
To Bad Debts Recovered A/c	

(Bad Debts recovered.)

## 3. Discount: These are of two types: -

- Trade Discount
- Cash Discount

- (i) **Trade Discount:** When a seller gives discount at a fixed percentage on the listed price of the goods to the trader on similar business then it is known as trade discount. Entry of trade discount is not passed in the books of both seller and purchaser instead written as amount deducted from the selling price in invoice or cash memo. The objective of trade discount is to increase the volume of sales. If goods sold at trade discount is returned then on sales return net amount (trade discount deducted from listed price) is written. Sale of goods on trade discount can be understood with the help of following example.

Example: Subodh sold goods of ₹ 30,000 at a trade discount of 10%. The following entries will be made:

Subodh	Dr.	27,000	
To Sales A/c			27,000
(For goods sold on credit.)			

Note: Here entry of trade discount of ₹ 3000 will not be done.

- (ii) **Cash Discount:** When trader gives discount to customer with the objective of prompt recovery of payment, it is known as Cash discount. In order to get cash discount it is necessary that payment should be made within a fixed period. The entry of cash discount is done along with the payment only. Cash discount is a nominal account, hence on giving discount it gets debited being an expense and on receiving discount it gets credited being an income.

We can understand it with the help of following examples:

- (i) In the previous example, if ₹ 26,000 are received from Subodh and he is given discount of ₹ 1000, then following entry will be made:

Cash A/c	Dr.	26,000	
Discount A/c	Dr.	1000	
To Subodh's A/c			27,000
( For cash received from Subodh and discount allowed.)			

- (ii) Paid ₹ 28,000 to Akshay in full settlement of ₹ 30,000

Akshay's A/c	Dr.	30,000	
To Cash A/c			28,000
To Discount A/c			2000

( For cash paid to Akshay and discount received)

Note: If trade discount and cash discount is given to any customer together, then first of all trade discount gets deducted from list price of goods and cash discount is calculated on remaining amount afterwards. For example, Sold goods to Suyash of ₹ 20000 for cash. Trade discount of 10% and cash discount of 5% is given on it. The entry of this transaction will be made as follows:

Cash A/c	Dr.	17,100	
Discount A/c	Dr.	900	
	To Sales A/c		18,000

(For goods sold for cash less trade discount and cash discount allowed.)

**4. Sales Tax:** If the trader recovers the amount of sales tax along with the sales amount from the customer. The following entries are made: -

(i) On sale:

Cash A/c	Dr.	
	To Sales A/c	
	To Sales Tax A/c	

(For Sold goods for cash and collected sales tax.)

(ii) On deposit of sales tax to the Government:

Sales Tax A/c	Dr.	
	To Cash A/c	

(For sales tax deposited to Government.)

If the amount of sales tax has not been deposited to the government fund, then it is shown in the liability side of the Balance sheet being the Representative Personal Account.

### Illustration 13:

Pass journal entries for the month of August 2016 in the books of Manish for the following transactions:  
2016

- August 1 Manish started business with cash ₹ 60,000, Furniture ₹ 10,000, Machinery ₹ 20,000 and Stock ₹ 5,000.
- August 2 Cash Purchases ₹ 35,000.
- August 4 Sold goods to Shyam of the list price of ₹ 20,000 at trade discount of 5%
- August 6 Goods purchased from Rajendra of ₹ 30,000 at 10% trade discount.
- August 9 Goods worth ₹ 3000 was distributed as free samples.
- August 11 Shyam returned goods worth ₹ 3000.
- August 14 Returned goods to Rajendra worth ₹ 4000.
- August 17 Withdrew cash ₹ 1000 and goods worth ₹ 3000 for personal use.
- August 18 Received from Shyam ₹ 15,500 in full settlement.
- August 21 Cash paid to Rajendra in full settlement ₹ 22,400.
- August 22 Sold goods to Pramod ₹ 15,000.
- August 24 Received an order for goods from Hiralal ₹ 10,000.

- August 25 Goods given away in charity ₹ 2000.
- August 26 Goods sold for cash to Pradeep for ₹ 5000 and collected 10% sales tax on it.
- August 27 Received commission ₹ 1500
- August 29 Pramod was declared insolvent and received only ₹ 3000 from him.
- August 31 Paid rent ₹ 3000 and salaries ₹ 7000.

**Solution :**

**Journal of Manish**

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
<b>2016</b>				
<b>Aug. 1</b>	Cash a/c Dr. Furniture a/c Dr. Machinery a/c Dr. Stock a/c Dr. To Capital a/c (For started business with cash, furniture, machinery, and stock.)		60,000 10,000 20,000 5,000	95,000
Aug. 2	Purchases a/c Dr. To Cash a/c (Being goods purchased for cash.)		35,000	35,000
Aug. 4	Shyam Dr. To Sales a/c (For goods sold less trade discount.)		19,000	19,000
Aug. 6	Purchases a/c Dr. To Rajendra (For goods purchases less trade discount.)		27,000	27,000
Aug. 9	Free samples a/c Dr. To Purchases a/c (For goods distributed as free samples.)		3,000	3,000
Aug. 11	Sales returns a/c Dr. To Shyam (For goods returned by Shyam and trade discount adjusted.)		2,850	2,850
	Total C/F		1,81,850	1,81,850

Aug. 14	Total B/F Rajendra Dr. To Purchase returns a/c (For goods returned to Rajendra and trade discount adjusted.)		1,81,850 3,600	1,81,850 3,600
Aug. 17	Drawings a/c Dr. To Cash a/c To Purchases a/c (For cash and goods taken away for personal use.)		4,000	1,000 3,000
Aug. 18	Cash a/c Dr. Discount a/c Dr. To Shyam (For cash received and discount allowed.)		15,500 650	16,150
Aug. 21	Rajendra Dr. To Cash a/c To Discount a/c (For cash paid and discount received.)		23,400	22,400 1,000
Aug. 22	Pramod Dr. To Sales a/c (For goods sold to Pramod on credit.)		15,000	15,000
Aug. 24	No Entry		--	--
Aug. 25	Charity a/c Dr. To purchases a/c (For goods given away as charity.)		2,000	2,000
Aug. 26	Cash a/c Dr. To Sales a/c To Sales tax a/c (For goods sold for cash and sales tax collected.)		5,500	5,000 500
Aug. 27	Cash a/c Dr. To Commission a/c (For received commission.)		1500	1,500
Aug. 29	Cash a/c Dr. Bad Debts a/c Dr. To Pramod (For pramod became insolvent and only ₹ 3000 received from his as final payment.)		3,000 12,000	15,000
Aug. 31	Rent a/c Dr. Salaries a/c Dr. To Cash a/c (For rent and salaries paid.)		3,000 7,000	10,000
	Grand Total		2,78,000	2,78,000

**Illustration 14:**

Journalise the following transactions in the books of Sanjay:

2016

- December 1 Purchased goods for ₹ 70,000 and paid ₹ 3000 as carriage on these goods.  
 December 3 Wages paid ₹ 2,000.  
 December 4 Sold goods costing ₹ 60,000 to Kedar, issued invoice at 10% above cost and trade discount allowed 5% on it.  
 December 6 Purchased goods from Gajendra for cash ₹ 50,000 and on credit ₹ 30,000.  
 December 8 Purchased stationery for cash ₹ 5,000.  
 December 11 Paid Postage ₹ 500.  
 December 15 Purchased furniture for cash ₹ 20,000.  
 December 17 Paid for Newspaper ₹ 500.  
 December 20 Goods destroyed by fire and insurance company accepted the claim ₹ 8,000.  
 December 21 Goods returned to Gajendra ₹ 5,000.  
 December 23 Received the amount of claim from insurance company ₹ 8,000.  
 December 24 Sold goods to Badri for cash ₹ 40,000 and allowed 5% trade discount and 10% cash discount.  
 December 27 Goods worth ₹ 6,000 and cash ₹ 4,000 were stolen by an employee.  
 December 31 Paid Salaries ₹ 20,000.

Solution :

**Journal of Sanjay**

Date	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
2016 Dec.1	Purchases A/c Dr. Carriage A/c Dr. To Cash A/c (For goods purchased and carriage paid.)		70,000 3,000	73,000
Dec. 3	Wages A/c Dr. To Cash A/c (For wages paid.)		2,000	2,000

Dec. 4	Kedar To Sales A/c (For goods sold to Kedar at 10% above cost and allowed 5% trade discount.)	Dr.		62,700	62,700
Dec. 6	Purchases A/c To Cash A/c To Gajendra (Being goods purchased for cash and credit from Gajendra.)	Dr.		80,000	50,000 30,000
Dec. 8	Stationery A/c To Cash A/c (For stationery paid.)	Dr.		5,000	5,000
Dec. 11	Postage A/c To Cash A/c (Being postage paid.)	Dr.		500	500
Dec. 15	Furniture A/c To Cash A/c (For furniture purchased for ₹ 20,000)	Dr.	.	.	. 20,000
Dec. 17	Miscellaneous Expenditure A/c or Newspaper A/c To Cash A/c (For amount paid for News paper.)	Dr.	.	500	. 500
Dec. 20	Insurance Company A/c To Purchases A/c (Goods destroyed by fire and the claim accepted by insurance company.)	Dr.	.	8,000	. 8,000

Dec. 21	Gajendra To Purchases return A/c (Goods returned to Gajendra.)	Dr.	5,000	5,000
Dec. 23	Cash A/c To Insurances Company A/c (Amount of claim received.)	Dr.	8,000	8,000
Dec. 24	Cash A/c Discount A/c To Sales A/c (For sold goods worth ₹40,000 at 5% trade discount and 10% cash discount.)	Dr. Dr.	34,200 3,800	38,000
Dec. 27	Loss by theft A/c To Purchases A/c To Cash A/c (For goods and cash stolen by an employee.)	Dr.	10,000	6,000 4,000
Dec. 31	Salaries A/c To Cash A/c (For Salaries paid.)	Dr.	20,000	20,000
	Grand Total		3,32,700	3,32,700

### Recording of Banking Transactions

All the traders open their account in the bank because most of the receipts and payments are now made through the bank. Savings Bank Account, Current Account, Recurring Deposit Account and Fixed Deposit Account are opened in the bank. The term "bank" refers to the current account while making entry related to bank transactions in books of accounts of business. Bank is a personal account since, bank is the receiver so bank account will be debited and if bank is the payer then bank account will be credited. Following entries will be made in case of various bank transactions.

- (i) On opening a Bank Account or on depositing cash in bank:

Bank A/c                      Dr.  
To Cash A/c

- (ii) Withdrawal of cash from the bank for business use:

Cash A/c                      Dr.  
To Bank A/c



- (iii) Withdrawn cash from business for personal use:  
 Drawings A/c Dr.  
                     To Bank A/c
- (iv) Cheques, drafts etc. received from any customer and deposited in the bank on the same day:  
 Bank A/c Dr.  
                     To Debtor's Personal A/c
- (v) a. Cheques, drafts etc. received from any customer and is not deposited in the bank on the same day:  
 Cash A/c Dr.  
                     To Debtors' Personal A/c
- b. Above cheque, draft deposited on any day except the day of receipt.  
 Bank A/c Dr.  
                     To Cash A/c
- (vi) Cheque deposited by a customer directly into our bank account  
 Bank A/c Dr.  
                     To Debtor's personal A/c
- (vii) On dishonour of a deposited cheque  
 Debtor's personal A/c Dr.  
                     To Bank A/c
- (viii) On payment of purchase of goods by cheque  
 Purchases A/c Dr.  
                     To Bank A/c
- (ix) On payment of purchase of a particular Asset by cheque  
 (Particular) Assets A/c Dr.  
                     To Bank A/c
- (x) On making payment to any person by cheque  
 Personal A/c Dr.  
                     To Bank A/c
- (xi) On payment of expenses by cheque  
 Expenses A/c Dr.  
                     To Bank A/c
- (xii) On recovery of interest by bank  
 Interest A/c Dr.  
                     To Bank A/c

- (xiii) On giving interest on deposits by bank  
Bank A/c Dr.  
To Interest A/c
- (xiv) On collecting bank charges by bank for services rendered by them  
Bank Charges A/c Dr.  
To Bank A/c

### Illustration 15:

Pass journal entries for the following transactions:

2016

- |         |  |
|---------|--|
| July 1  | Opened a bank account with the State Bank of India ₹ 75,000.   |
| July 2  | Purchased goods from Manmohan of list price ₹ 40,000 at a trade discount of 10% and cash discount of 2%. Paid 60% amount immediately by cheque.        |
| July 4  | Sold goods to Sushil ₹ 20,000.   |
| July 5  | Withdrew ₹ 2000 for personal use and ₹ 3000 for official use.  |
| July 8  | Cheque received from Sushil ₹ 20,000.  |
| July 10 | Sushil's cheque deposited into bank.   |
| July 12 | Purchased a Horse for business and paid by cheque ₹ 15,000.  |
| July 15 | Deposited into bank ₹ 20,000.  |
| July 17 | Purchased goods from Sunil ₹ 40,000.   |
| July 19 | Sold goods to Ramnath ₹ 30,000.  |
| July 20 | Received a cheque of ₹ 28000 from Ramnath in full settlement of his account which was deposited into bank on the same day.                             |
| July 23 | Purchased a machinery for cash ₹ 40,000 and paid ₹ 3000 wages for its installation. Goods for ₹ 2000 were also used from business on its installation. |
| July 24 | Bought Stationery and paid by cheque ₹ 1000.   |
| July 27 | Received an order of ₹ 20,000 from Radhey shyam for supply of goods and received ₹ 15,000 as an advance together with order.                           |
| July 28 | Goods worth ₹ 20,000 supplied to Radhey shyam against the order.   |
| July 29 | Proprietor introduced additional cash in business ₹ 60,000.  |
| July 30 | Bank collected the amount for its service ₹ 500.   |
| July 31 | Paid salary ₹ 80,000 and rent ₹ 5000 by cheque   |

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2016				
July 1	Bank a/c Dr. To Cash a/c (Being cash deposited into bank to open account.)		75,000	75,000
July 2	Purchases a/c Dr. To Bank a/c To Discount a/c To Man Mohan (For goods purchased and discount received.)		36,000	21,168 432 14,400
July 4	Sushil Dr. To Sales a/c (For goods sold to Sushil)		20,000	20,000
July 5	Drawings a/c Dr. Cash a/c Dr. To Bank a/c (For withdrawn ₹ 2,000 for personal use and ₹ 3000 for official use.)		2,000 3,000	5,000
July 8	Cash a/c Dr. To Sushil (For Cheque received from Sushil.)		20,000	20,000
July 10	Bank a/c Dr. To Cash a/c (For Sushil's cheque deposited into bank.)		20,000	20,000
July 12	Live Stock a/c Dr. To Bank a/c (For horse purchased and paid by cheque.)		15,000	15,000
July 15	Bank a/c Dr. To Cash a/c (For cash deposited into bank.)		20,000	20,000
July 17	Purchases a/c Dr. To Sunil (Being goods purchased from Sushil on credit.)		40,000	40,000
July 19	Ram Nath Dr. To Sales a/c (Being goods sold to Ram Nath on credit.)		30,000	30,000
July 20	Bank a/c Dr. Discount a/c Dr. To Ramnath (For cheque received from Ram Nath and deposited into bank on the same day and allowed discount to him.)		28,000 2,000	30,000
July 23	Machinery a/c Dr. To Cash a/c To Purchase a/c (For Machinery purchased for ₹ 40,000 and paid wages ` 300 for its installation. Goods worth ₹ 2,000 were also used on its installation.)		45,000	43,000 2,000
	Total C/F		3,56,000	3,56,000

July 24	Total B/f Stationery a/c To Bank a/c (For stationery purchased and paid by cheque.)	Dr.		3,56,000 1,000	3,56,000 1,000
July 27	Cash a/c To Advance from Radhey Shyam (For advance received from Radhey Shyam against the order.)	Dr.		15,000	15,000
July 28	Radhey Shyam Advance from Radhey Shyam To Sales a/c (For goods supplied to Radhey Shyam against advance received previously.)	Dr. Dr.		5,000 15,000	20,000
July 29	Cash a/c To Capital a/c (Proprietor introduced additional cash.)	Dr.		60,000	60,000
July 30	Bank Charges a/c To Bank a/c (For bank charges debited by Bank.)	Dr.		500	500
July 31	Salaries a/c Rent a/c To Bank a/c (For salaries and rent paid by cheque.)	Dr. Dr.		8,000 5,000	13,000
	<b>Total</b>			4,65,500	4,65,500

**Illustration: 16**

Complete the journal entries corresponding to the narration given below:

Journal of.....

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2016				
Sept. 1	..... Dr. Stock a/c Dr. Furniture a/c Dr. To..... (Being started business with cash, stock and furniture.)		50,000 ..... 20,000	1,00,000
Sept. 7	..... Dr. To..... (Being purchased goods from Arvind.)		15,000	.....
Sept. 8	..... Dr. To..... (Being goods sold to Sonu.)		.....	20,000
Sept. 15	..... Dr. ..... Dr. To..... (Being sold goods of list price of ₹10,000 at 10% trade discount and 2% cash discount.)		..... .....	.....

Sept.18	..... Dr To..... (Being goods given away as free samples.)		.....	600
Sept. 21	..... Dr. To..... (for deposited cash ₹ 25,000 into bank.)		.....	.....
Sept.27	..... Dr. ..... Dr. To..... (Being vijay become insolvent and 50 paisa in a rupee is received against ₹ 12,000.)		..... .....	.....
Sept.30	..... Dr. ..... Dr. To..... (Being Salary ₹ 5,000 and rent ₹ 2,000 paid by cheque.)		..... .....	.....

Solution :

**Journal of.....**

Date	Particulars	L.F	Dr. Amount ₹	Cr. Amount ₹
2016 Sept. 1	Cash A/c Dr. Stock A/c Dr. Furniture A/c Dr. To Capital A/c (Being started business with cash, stock and furniture.)		50,000 30,000 20,000	1,00,000
Sept. 7	Purchases A/c Dr. To Arvind (Being purchased goods from Arvind.)		15,000	15,000
Sept. 8	Sonu Dr. To Sales A/c (Being goods sold to Sonu.)		20,000	20,000
Sept. 15	Cash A/c Dr. Discount A/c Dr. To Sales A/c (Being goods sold of list price of ₹ 10,000 at 10% trade discount and 2% cash discount.)		8,820 180	9,000
Sept.18	Free Samples a/c Dr. To Purchases A/c (Being goods given away as free samples.)		600	600

Sept. 21	Bank a/c To Cash A/c (For deposited cash ₹ 25,000 into bank.)	Dr.	25,000	25,000
Sept.27	Cash a/c Bad debts a/c To Vijay (Being vijay become insolvent and 50 paisa in a rupee is received against ₹ 12,000.)	Dr. Dr.	6,000 6,000	12,000
Sept.30	Salaries a/c Rent a/c To Bank A/c (Being salary ₹5000 and rent ₹2,000 paid by cheque.)	Dr. Dr.	5,000 2,000	7,000

### Limitations of Journal:

If the number of transactions is large in a business then it becomes practically difficult to write all the transactions because of the following reasons:

- 1. No information about cash balance:** Transactions are only entered in Journal. Information about cash balance is obtained by preparing cash book and cash account.
- 2. Large size of journal:** Book of journal becomes extremely bulky and voluminous in size since all types of transactions are entered in a single book. One has to face difficulty in writing and keeping this book.
- 3. No internal check:** Only single person enters the transactions in a journal which does not lead to internal check of transactions. Therefore, the possibility of errors and frauds increases.
- 4. Wastage of Time and Expensive:** On writing a name of an account each time for every transaction and debiting and crediting in posting leads to wastage of time and increase in cost.

Therefore, Journal is sub- divided into special journal because of limitations of Journal. Sub-division of Journal is done in such a way that the large number of repetitive transactions of same nature may be entered in each separate book.

**Subsidiary Books :** In Current scenario, number of transactions are increasing with the constant increase in structure of business whereas in order to record transactions simply, conveniently and rapidly in books of account special journals are prepared related to various nature of transactions which is known as special journal or subsidiary books Recording in subsidiary books similar nature of specific transactions benefits and reduction in errors, division of work and time saving can be attained.

For Example, Cash transactions are entered in cash book and credit sales are entered in sales book. Business transactions are primarily recorded in subsidiary books and then posted in ledger.

### **Advantages of subsidiary books:**

1. **Division of Work according to ability:** A division of accounting work is done among various individuals according to their ability because of having many subsidiary books. A work can be completed rapidly as work is done in different subsidiary books simultaneously by various individuals. An ability and capacity of a particular employee increases by constantly working on a particular book.
2. **Fixation of Responsibility:** Every employee is related to a specific subsidiary book therefore he will be held responsible in case of any error occurs in that subsidiary book.
3. **Facility in checking:** If the sum total of trail balance does not match due to any error then errors can be detected with the help of subsidiary books. A specific type of transaction is written in a particular subsidiary book.
4. **Easiness in posting:** A subsidiary book is related to similar type of transactions. Instead of posting in ledger repeatedly posting is done only once therefore it saves time and energy.
5. **Flexibility:** The subsidiary books are kept in the business according to its requirements. Initially only cash books can be kept but afterwards other subsidiary books can be kept. It is not necessary to keep every type of subsidiary book.
6. **Full information at one place:** By maintaining subsidiary books, the information of similar type of transactions can be availed at one place. It helps the managers in decision making.
7. **Protection from fraud:** The task of recording transactions in books of accounts is not performed by only a single person. There is no possibility of frauds because many people perform the task. The internal check system may also be implemented.

### **Types of Subsidiary Books**

1. **Cash Book:** This book is compulsorily kept whether the size of the business is a small or large. All the cash receipts and cash payments are recorded in cash book. All receipts and payments related to banking transaction are recorded in this book.
2. **Purchases Book:** Credit purchases are recorded in this book.
3. **Purchases Return Book:** Return of purchased goods are recorded in this book.
4. **Sales Book:** Credit sales are recorded in this book.
5. **Sales Return Book:** Return of goods sold are recorded in this book.
6. **Bills Receivable Book:** Bills receivable received from various parties are recorded in this book. Trader has to receive the amount of these bills.

7. **Bills payable Book:** Bills payables given to various parties are recorded in this book. Trader has to pay amount of these bills.
8. **Journal proper:** In this book only those transactions are written which are not entered in any of the above subsidiary books.

Here, we will study in detail all subsidiary books except bills receivable and bills payable book. Presently, there is negligible prevalence of bills receivable and bills payable (Promisory Notes, Hundies etc.). Therefore these have not been included in the study. The study of cash book has been explained in the next chapter in detail.

### Purchases Book

The book of original entry in which only credit purchases of goods are recorded is known as Purchases book or Purchase Journal. Goods refer to those commodities which are purchased for resale on profit. In other words, those commodities are included in goods in which firm is dealing. Books will be considered as goods for the trader of books. Furniture purchased by a book trader will not be considered to be part of goods.

Cash purchases or assets purchased on credit or cash are not recorded in this book. This book is also known as invoice book or purchases day book. In this book entries are made on the basis of invoice. At the time of making entry in purchases book from invoice trade discount, sales tax, packaging and carriage charges are also considered. The format of the purchase book is given below:

#### Format of Purchases Day Book

Date	Particulars	Invoice No.	L.F.	Amount (₹)	
				Details	Total

The various columns of purchases book and entries in them are being explained here in detail:

1. **Date:** The date of credit purchases on the basis of invoice is written in this column. First of all year then month and date are written.
2. **Particulars:** The name and address of the trader from whom goods are purchased are written in the first line of this column. A line is drawn below the name and address. After that quantity of goods, name, rate of goods, trade discount, sales tax and expenses are written.



3. **Invoice Number:** In this column the number of that invoice is written on the basis of which entry is made in purchase book.
4. **Ledger Folio or L.F.:** In this column the page number of that ledger is written on the basis of which transaction is recorded in this book.
5. **Details of Amount:** In this column the values of different goods are written separately. In this column trade discount is deducted and sales tax and expenses are added in the value of goods.
6. **Total Amount:** The net amount of every transaction are written in this column. This column is totalled up at the end of every month or at the end of certain period. The balance of this book is not calculated, but this book is closed by writing Purchases a/c Dr. in particulars column along with the total amount. The information of credit purchases of certain period can be obtained from purchases book. Purchases account is debited in the ledger by the sum total of this book.

**Illustration 17:**

Enter the following transactions in the purchases book of Harchand Electricals, Jaipur:

2016

Solution :

**Purchases Book of Harchand Electrical, Jaipur**

Date	Particulars	Invoice No.	L.F.	Amount ₹	
				Details	Total
2016 Dec.1	Raju Electric Store , Chandpole Jaipur 2000 Tubelights @ ₹ 50/- each. 500 Table fans @ ₹ 400/- each. 200 Celing fans @ ₹600/- each.	75		1,00,000 2,00,000 120000 4,20,000	
Dec. 18	Less: Trade Discount 15% Viswajeet Electric Co. , BapuBajar 1200 Dozen Bulbs @ ₹ 80/- per dozen. 200 Water Heater @ ₹ 120/- per each.  Less: Trade discount 10%  Add. Packing and delivery charges □500	88		63,000 96,000 24,000 1,20,000 12,000 1,08,000 500	3,57,000      1,08,500
Dec. 30	Jain Electricals. Choura Rasta 2000 table fans@` 500 each. 400 Heaters@` 100 each. 100 Electric Irons@` 200 each.  Less: Trade Discount 20%  Sales tax 12%	106		1,00,000 40,000 20,000 1,60,000 32,000 1,28,000 15,360	      1,43,360
Dec. 31	Purchases A/c Dr.				6,08,860

### Multi column purchases book

If business consists of two or more departments and number of transactions are large then keeping general purchase book is impractical. In this situation a separate book is kept for each department or a multi column purchase book is kept. In multi column purchases book a separate column is prepared for each commodity. Date, name of purchaser, invoice number and total amount are written in multi column purchases book. The detailed description of goods is not necessary. The complete description can be seen in invoice. The method of multi column purchase book can also be applied to purchases return book, sales book and sales return book.

#### Illustration: 18

Enter the following transactions in multi -column purchases book of Vijay Kirana Store Kota :

2017

Jan. 5 Purchased goods from Hariom Bros. Baran on Credit

06 Tins Ghee @ ₹1000 per tin

09 Tins Oil @ ₹ 600 per tin

40 Bags Sugar @ ₹ 350 per bag

Invoice No. 63

Jan. 22 Purchased goods from Jai Prakash & Sons Bundi on Credit.

05 Tins Ghee @ ₹1200 per tin

07 Tins Oil @ ₹700 per tin

25 Bags Sugar @ ₹400 per bag

Invoice No. 112

Jan. 29 Purchased goods from Naresh Bros. Kota on Credit.

03 Tins Ghee @ ₹ 1100 per tin

08 Tins Oil @ ₹ 650 per tin

30 Bags Sugar @ ₹350 per bag

Trade discount 10%

Invoice No. 305

Solution :

### Multi-Column Purchases Book

Date	Particulars	Invo ice No.	L. F.	Total Amount ₹	Ghee Amount ₹	Oil Amount ₹	Sugar Amount ₹
2017 Jan.5	Hari Om Bros. Baran	63		25,400	6,000	5,400	14,000
Jan. 22	Jai Prakash & Sons. Bundi	112		20,900	6,000	4,900	10,000
Jan. 29	Naresh Bros. Kota	305		17,100	2,970	4,680	9,450
Jan. 31	Purchases a/c Dr.			63,400	14,970	14,480	33,450

### Difference between Purchases book and Purchases account

Purchases book and purchases account are not synonymous. The difference between the two are:-

1. Purchases book are included in original books of entries whereas purchases account is an account opened in ledger.
2. Only credit purchases are entered in purchases book whereas in purchases account both cash and credit purchases are recorded.
3. Purchases book does not have Dr. or Cr. Side whereas Purchases account has Dr.and Cr. Side.
4. Purchases book is only totalled and is not balanced whereas balance of purchases account is calculated.

### Purchases Return Book

A book in which a return of purchased goods is recorded ,is known as purchases return book.Any allowance because of any other reason except return of goods is received from seller is also recorded in this book.The following may be the reasons for returning of goods:

- 1.Goods are defective or of inferior quality.
- 2.Goods are not according to the sample.
- 3.Goods have not been sent in a certain period or sent late.
- 4.Goods have not been sent as per the specifications.
- 5.Goods have been damaged in transit.

Sometimes the situation is that it is not possible to return goods,invoice is overcasted,goods are entered in invoice but have not been sent,rate of goods has been charged higher then discount is given to purchaser from the amount of invoice by the seller.Purchaser sends the Debit Note to the seller in the above situation in which Name of the seller,particulars of goods and reason of returning goods are mentioned. Debit Note represents that purchaser has debited the account of seller with the required amount of discount.In this relation a Credit Note is sent by the seller to the purchaser. Credit Note represents that the seller has credited

the account of purchaser with the amount of discount. In case of purchases return a debit note is prepared in two copies by the purchaser in which original copy is sent to the seller and duplicate copy works as an original document. On its basis transaction is recorded in purchases return book.

Here it is to be noted that purchaser inspite of recording transactions on the basis of Debit note should record after receiving Credit note from the seller.

### Format of Purchases Return Book

The format of purchases return book is same as purchases book; the only difference is of the column of invoice number. In purchase return book Debit note or Credit note number is written in this column. At the time of closing purchases return book Purchase Return a/c Cr. is written.

### Illustration 19:

Prepare Purchases Returns Book of Garg Pustak Mandir from the following transactions:

2016

- June 6            5 Books of Physics by Paranjape @ ₹ 200 each  
                      10 Books of Chemistry by Goyal @ ₹ 250 each  
                      Trade Discount 10%, Credit Note No. 35.
- June 20           Allowance received from Agarwal Book Depot on account of mistake in  
                      invoice ₹ 700. Debit Note No. 8
- June 25           Returned Goods to Geetaram & Sons  
                      5 Books of Accountancy by Pareek @ ₹400 each book. Debit Note No. 10.

### Purchases Returns Book of Garg Pustak Mandir

Date	Particulars	Debit / Credit Note No.	L.F.	Amount ₹	
				Details	Total
2016	<b><u>Sumit Bros.</u></b>	35			
June 6	5 Books of Physics @ ₹ 200 each 10 Books of Chemistry @ ₹250 each	(Cr. Note)		1,000 2,500	
	Less: Trade Discount @ 10%			3,500 350	3150
June 20	<b><u>Agarwal Book Depot</u></b>	8 (Dr. Note)		700	700
June 25	<b><u>Geeta Ram &amp; Sons</u></b>	10 (Dr. Note)			
	5 Books of Accountancy @ ₹400			2,000	2,000
June 30	Purchases Returns a/c            Cr.				5,850

## Sales Book

Only credit sales of those goods which are traded by the firm are recorded in sales book. Cash sales or sale of an asset whether in cash or in credit is not recorded in this book. The transactions are recorded on the basis of invoice in this book. Sales book is also known as Sales invoice book, Sales journal, or Sales day book. The format of sales book and method of recording are same as purchases book; the only difference is that name of those traders are written in particulars column to whom goods have been sold on credit. In this, amount is written after deducting trade discount and adding packaging expenses and sales tax (if any). This book is closed by writing Sales a/c Cr. at the end.

### Illustration 20:

Prepare a Sales Book from the following transactions of Sharma Furniture House:  
2016

- November 1    Sold goods on Credit to Gupta Furniture Bhilwara:  
                   1500 Chairs @ ₹ 300 each  
                   400 Tables @ ₹ 600 each  
                   Trade Discount 10%
- November 12   Sold goods on Credit to Furniture Mart Shahpura  
                   100 Almirah @ ₹ 3,000 each  
                   50 Sofa sets @ ₹ 5,000 each  
                   Trade Discount 20%
- November 23   Sold goods for cash to Verma Furniture Nathdwara  
                   800 Chairs @ ₹ 400 each
- November 27   Sold on Credit to Subodh Machinery  
                   25 old Machine @ ₹ 1000 each  
                   5 old Typewriter for ₹ 3500

### Solution:

#### Sales Book of Sharma Furniture House

Date	Particulars	Invoice No.	L.F.	Amount ₹	
				Details	Total
2016 Nov.1	<b>Gupta FurnituresBhilwara</b> 1500 chairs @ ₹300 each 400 Tables @ ₹ 600 each			4,50,000 2,40,000	
	Less: Trade discount @ 10%			6,90,000 69,000	6,21,000
Nov.12	<b>Furniture Mart,Shahpura</b> 100 Almirah @ ₹ 3000 each 50 Sofa sets@₹ 5000 each  Less: Trade Discount 20%			3,00000 2,50,000 5,50,000 1,10,000	4,40,000
Nov.30	Sales a/c                      Cr.				10,61,000

**Note:**

1. Goods sold for cash on November 23; hence it has not been recorded in this book.
2. Only Credit sales are recorded in sales return book. Therefore, sale of old machinery and typewriter on November 27 have not been recorded in books.

**Sales Returns Book**

When goods purchased on credit by buyer are returned to seller, due to some specific reason then it is recorded by the seller in Sales Returns book. This book is also known as Return Inward book. The reasons of returning goods and availing discount in invoice are same as purchase return, which have already been described earlier. The recording in sales return book is similar as to purchases return book. A credit note is prepared in two copies on receiving returned goods. An original copy of credit note is sent to the related customer and his personal account gets credited in the books. The transaction is recorded in sales return book on the basis of credit note. The sales return book is closed by writing Sales Return Dr. at the end of a certain period. The format of sales return book is same as purchases return book.

**Illustration 21:**

Prepare Sales Return Book in the books of Amarnath & Sons form the following transactions:

**2017**

Jan.7 Goods returned by Murari & Sons

20 coolers @ ₹ 2000 each

Trade Discount 10% ; Credit Note No.14

Jan.18 Banwari Bros. returned defective goods valued ₹ 5000 ; Credit Note No. 15

Jan. 27 Allowance allowed to Kailash & Sons on account of mistake in the invoice ₹ 350; Credit Note No. 16

**Solution:****Sales Returns Book of Amarnath & Sons**

Date	Particulars	Debit/ Credit Note No.	L.F.	Amount ₹	
				Details	Total
2017 Jan. 7	<b><u>Murari &amp; Sons</u></b> 20 Coolers @ ₹ 2000 each Less : Trade Discount @10 %	14		40,000 4,000	36,000
Jan. 18	<b><u>Banwari Bros.</u></b>	15		5,000	5,000
Jan. 27	<b><u>Kailash &amp; Sons</u></b>	16		350	350
Jan. 31	Sales Returns a/c Dr.				41,350

## Journal Proper

As small business have less number of transactions, all the entries are made in journal only, therefore journal is called book of original entry. The large business houses because of having a large number of transactions record them in subsidiary books. From this point of view, journal is also treated as subsidiary book here. Those transactions which cannot be recorded in other subsidiary books are recorded in that book which is known as journal proper. The format and rules for recording in journal proper is same as journal which has been described earlier. The description of transactions which are to be entered in journal proper is as follows:

1. **Opening Entry:** The entry is made for carrying forward the balances of assets and liabilities from the balance sheet of previous year by writing in the starting point of new accounting year is known as opening entry. The following entry is made in this regard:

Assets a/c	Dr.
To Liabilities a/c	
To Capital a/c	

2. **Rectification Entries:** The entries made to rectify the error occurred while posting, totalling and balancing or any other reason are known as rectification entries.
3. **Transfer Entries:** Those accounts which are the part of other accounts are written in this book for transferring it at the end of the year. Transferring Purchases return account in purchases account, sales return account in sales account, drawings account in capital account are the examples of these entries.
4. **Adjustment Entries:** The items which have not been recorded upto the end of the year or which have not been adjusted, then the entry is passed in this book through adjustment entries. Closing stock, outstanding expenses, prepaid expenses, accrued income etc. are the examples of these entries.
5. **Closing Entries:** Those entries which are passed while transferring goods or nominal accounts to Trading & P. & L. account at the time of preparation of final accounts are known as closing entries.
6. **Miscellaneous Entries:** Those items which have not been recorded in other subsidiary books and are of non-recurring nature are recorded in journal proper. Credit purchases and sale of an asset, goods lost by theft, goods given as charity, goods lost by fire, goods used by proprietor for personal use, goods distributed as sample, bad debts are the examples of these entries.

**Illustration 22:**

Enter the following transactions in the Journal proper of Sachin & Co.

**2016**

₹

Dec.4	Distributed goods as free sample	2,000
Dec.10	Purchased Machinery form Anurag on credit	42,500
Dec.17	Old furniture sold on credit to Pradeep	2,500
Dec.24	The proprietor took goods for personal use	4,000
Dec.27	1600 received form Tarun was wrongly credited in the account of Varun	
Dec.30	Brijkishore was declared insolvent and a sum of ₹ 10,000 was written off as bad debts.	

**Journal Proper of Sachin& Co .**

Date	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
2016 Dec. 4	Free Samples a/c Dr. To Purchases a/c (For goods distributed as free samples.)		2,000	2,000
Dec. 10	Machinery a/c Dr. To Anurag (For machinery purchased on credit.)		42,500	42,500
Dec 17	Pradeep Dr. To Furniture A/c (For furniture sold on credit.)		2,500	2,500
Dec. 24	Drawings a/c Dr. To Purchases a/c (Being goods withdrawn for personal use)		4,000	4,000
Dec. 27	Varun Dr. To Tarun (For amount wrongly credited in Varun account.)		1,600	1,600
Dec. 30	Bad Debts a/c Dr. To Brijkishore (Amount written off as bad debts in Brijkishore's account.)		10,000	10,000
	Total		62,600	62,600



**Illustration 23:** Enter the following transactions in proper books of original entry :

**2016**

June		₹
2	Goods purchased from Anil & Co. , Trade Discount 15%	60,000
6	Goods sold to Navneet Bros on credit , Trade Discount 10%	70,000
8	Goods returned to Anil & Co.	5,000
11	Goods returned by Navneet Bros.	3,000
17	Goods purchased on credit , Devendra & Sons.	40,000
23	Goods sold on credit to Sitaram Bros.	50,000
24	Goods given away as charity.	2,000
25	Goods returned to Devendra & Sons.	3,000
27	Goods returned by Si taram Bros .	2,000
28	Insured Goods worth ₹ 5,000 destroyed by fire, Insurance Co. admitted claim of	
30	Rent outstanding	6,000

**Solution:**

**Purchases Book**

Date	Particulars	Invoice No.	L.F.	Amount (₹ )	
				Details	NetAmount
2016	Anil & Co.			60,000	
June 2	Less : Trade Discount 15%			9,000	51,000
June 17	Devendra& Sons.			40,000	40,000
June 30	Purchases a/c. Dr.				91,000

**Sales Book**

Date	Particulars	Invoice No.	L.F.	Amount (₹ )	
				Details	NetAmount
2016	Navneet Bros.			70,000	
June 6	Less : Trade Discount 10%			7,000	63,000
June 23	Sitaram Bros.			50,000	50,000
June 30	Sales a/c Cr.				1,13,000

### Purchases Returns Book

Date	Particulars	Debits/ Credit  No.	L.F.	Net Amount (₹)	
				Details	Amount
2016	Anil & co.			5,000	
June 8	Less : Trade Discount 15%			750	4250
June 25	Devendra & Sons.			3,000	3,000
June 30	Purchases returns a/c. Cr.				7,250

### Sales Returns Book

Date	Particulars	Debits/ Credit  No.	L.F.	Net Amount (₹)	
				Details	Amount
2016	Navneet Bros.			3,000	
June 11	Less : Trade Discount 10%			300	2,700
June 27	Sitaram Bros.			2,000	2,000
June 30	Sales Returns a/c Dr.				4,700

### Journal Proper

Date	Particulars	L.F.	Dr. Amount (₹)	Cr. Amount (₹)
2016	Charity a/c Dr.		2,000	
June 24	To Purchases a/c (For goods given away as charity.)			2,000
June 28	Insurance co. a/c Dr.		4,500	
	Loss by fire a/c Dr. To Purchases a/c (For goods worth ` 5000 destroyed by fire, insurance co. admitted claim ` 4500.)		500	5,000
June 30	Rent a/c Dr.		6,000	
	To outstanding Rent a/c (For rent outstanding. )			6,000
	Total		13,000	13,000

## Summary

The transactions related to economic activities of business are recorded in original books of entries on the basis of double entry system. The small traders records only in journal whereas big traders uses subsidiary books. Ledger accounts, trial balance and final accounts are prepared by using original books of accounts. According to accounting equation accounts are classified into assets account, capital account, liabilities account, income and profit account and expenditure & losses account. Accounting equation is based on the assumption that gross liabilities are equal to gross assets.

Following are the rules of Debit and Credit on the basis of accounting equation

1. **Assets Account** – Debit the increase in value of assets and credit the decrease in the value of assets.
2. **Liabilities Account** – Debit the decrease in the liabilities and credit the increase in liabilities.
3. **Capital Account** – Debit the decrease in the capital and credit the increase in capital.
4. **Income and profits Account** – Debit the decrease in the income and profits and credit the increase in income and profits.
5. **Expenses and losses Account** – Debit the increase in expenses and losses and credit the decrease in expenses and losses.

The financial transactions are written in original book of entries i.e. journal on the basis of vouchers and memorandum books. The original documents of accounting includes Cash memo, invoice, receipt, Debit note, credit note, slip and cheque which are used as a proof to check authenticity of recorded transactions in books. The entries on vouchers are made on the basis of original documents. A separate voucher is prepared for each transaction. The transaction is recorded in journal and subsidiary books on the basis of the vouchers. Debit voucher and credit voucher are prepared for cash transaction and non cash vouchers are prepared for other transactions.

Journal refers to recording for day to day transactions in which transaction is classified in debit and credit so that it would be convenient for posting in ledger. The advantages of journal includes as a proof, chronological record, explanation of transactions, helpful in posting in ledger and knowledge of accounting principles. According to traditional approach accounts are classified as personal accounts and impersonal accounts. Personal Accounts includes Natural Personal Accounts, Artificial Personal Accounts and Representative Personal Accounts. Impersonal Accounts includes Real Account and Nominal Account. Real account includes Tangible and Intangible Real Accounts.

Rules for recording in journal according to Traditional Approach are as follows;

1. **Personal Account** – Debit the receiver and credit the giver.
2. **Real Account** – Debit what comes in and credit what goes out.

### 3. Nominal Account- Debit all expenses and losses and credit all incomes and profits

While journalizing it should be kept in mind that accounts which get affected, nature of account, rules of debit and credit and which account to be debited and which to be credited. The accounts related to the proprietor of business are opened in the form of capital account and drawings account. The accounts related to goods are classified into purchases account, sales account, purchases return account, sales return account and stock account. The decision regarding the nature of goods i.e. cash or credit should be taken on the basis of information given in transaction. The purchases account is credited at its Cost Price on occurrence of drawings by proprietor distribution of Goods as free sample, Goods given as charity, Goods destroyed by fire, theft or any other reason. The amount not received from debtors due to any reason are recorded in bad debts account. If after sometime partial or full amount is received from that debtor is credited to bad debts recovered account. A Trade discount and Cash discount both can be given by the trader. Trade discount is given with the objective to increase volume of sales whose entries are not made while cash discount is given for prompt payment, which is recorded on debit side. The sales tax is credited on recovery of sales tax from customer whose amount if not deposited into Government Fund, will be shown in liabilities side of balance sheet. While making entries of bank related transactions the entries are recorded by considering bank account as a Personal Account.

The information of cash balance is not acquired from journal. The journal is subdivided into special journal and subsidiary books because of large size of journal, no internal check arrangement, wastage of time and being expensive. The advantages obtained from subsidiary books are like division of work according to ability, fixation of responsibility, facility in checking, easiness in posting, flexibility, full information at one place and protection from fraud. Subsidiary books include Cash Book, Purchases Book, Purchases Return Book, Sales Book, Sales Return Book, Bills receivable, Bills Payable and Journal Proper. Only Credit purchases are recorded in purchases book. Purchases book is different from purchases account. The goods purchased on cash or credit are recorded by writing on Dr. or Cr. side of purchases account. The balance of purchases account is also obtained.

In purchase return book, return of goods due to special reasons are recorded on the basis of debit note and credit note. Only credit sales is recorded on the basis of invoice in sales book. In Sales return book, the return of goods to the seller purchased by a buyer on credit are recorded. Those transactions which are not recorded in subsidiary books are recorded in journal proper. Opening entry, rectification entry, transfer entries, adjustment entries, closing entries and miscellaneous entries and Credit Purchase or Sale of fixed assets, goods lost by theft, goods given as charity, goods destroyed by fire, drawings of goods, bad debts etc. are recorded in journal proper.

### Important Words:

Journal	Source Document
Subsidiary Books	Invoice
Accounting Equation	Cash Memo
Vouchers	Recepit
Personal Accounts	Pay in Slip
Impersonal Accounts	Cheque
Bad Debts	Debit Note
Discount	Credit Note
Sales tax	

### Questions for Practice

#### Objective Questions:

- Which of the following is correct?  
(A) Assets = Capital – Liabilities  
(B) Assets = Liabilities – Capital  
(C) Assets = Liabilities + Capital  
(D) Liabilities = Assets + Capital
- Bharat is having assets of ₹ 15000 and liabilities of ₹ 6000, his capital will be:  
(A) ₹21000  
(B) ₹15000  
(C) ₹ 9000  
(D) ₹ 6000
- Opening Capital ₹ 60,000, Closing Capital ₹ 30,000, Loss during the year ₹16,000, Drawings ₹ 14,000. Additional Capital will be:  
(A) Zero  
(B) ₹ 16000  
(C) ₹ 32000  
(D) ₹ 46000
- Which of the following document is used for exchange of goods in cash?  
(A) Invoice  
(B) Debit Note  
(C) Cash Memo  
(D) Credit Note
- Which of the following is the main objective of Journal?  
(A) Information of Financial Position  
(B) Information of Profit and Loss  
(C) Recording of all transactions  
(D) None of the above

6. Which of the following is a credit transaction?
 

(A) Good Sold	(B) Goods sold for cash
(C) Goods sold to Ram for cash	(D) Goods sold to Ram
7. Drawings Account is:
 

(A) Personal	(B) Real
(C) Nominal	(D) None of the above
8. Goods sold to Madhusudhan for ₹ 5,000 on cash
 

(A) Debit Madhusudhan's account	(B) Credit Madhusudhan's account
(C) Debit Cash account	(D) Credit Cash account
9. Goods given as charity will be entered in which book?
 

(A) Purchases Book	(B) Journal Proper
(C) Sales Book	(D) Cash Book
10. Who prepares the Debit Note?
 

(A) Buyer	(B) Seller
(C) Agent	(D) Manager

### **Very Short Answer type Questions:**

1. What does accounting equation refer to?
2. Write the formula for calculating for profit earned during the year?
3. The Assets of any business is ₹5,00,000 and liabilities is of ₹3,50,000. Calculate the capital of business?
4. Explain the meaning of Source Document.
5. Define Debit Voucher.
6. What do you mean by Journal?
7. What is Personal Account?
8. What are the types of Real Account.
9. Goods amounted to ₹ 1000 destroyed by fire, claim of ₹ 800 accepted by an insurance company. Pass compound entry. (Sec. Edu. Board, 1982)
10. What is the type of Drawings account? (Sec. Edu. Board, 1986)

11. Which entry is passed in seller's books for trade discount?

12. What is B/F (Brought Forward)?

13. What are the different names of Goods Account?

14. What is Bad Debts?

15. Correct the following entry:

Sameer	Dr.	₹ 5000
To Cash A/c		₹ 5000

(Salary paid to Sameer.)

16. What is Debit Note?

17. Draft the format of Purchase Return Book.

18. Define Journal Proper?

19. Pass the necessary journal entry for Goods given as Charity.

20. What is meant by Opening entry?

### Short Answer Type Questions:

1. Explain the classification of Accounts on the basis of Accounting Equation.
2. Write the rules related to Assets Account.
3. Rameshwar started business with ₹ 3,00,000. He took a loan of ₹ 1,00,000 from bank. His assets were ₹ 6,00,000 and creditors ₹ 20,000 (except bank loan) at the end of the year. Calculate the capital of Rameshwar at the end of the year and profit earned during the year  
(Answer: Closing capital ₹4,80,000; Profit ₹1,80,000)
4. "The sum total of assets is always equal to the sum of capital and liabilities." Why?
5. Write the rules for passing entry in Real and Nominal accounts.
6. What do you mean by compound entries? Pass one compound entry using any imaginary example.
7. Explain the difference between Trade Discount and Cash Discount.
8. Describe the advantages of Journal.
9. Write an explanation on format of Journal.
10. State the nature of following accounts  
(1) Capital Account (2) Bank Account (3) Rent Account (4) Purchases Account (5) Patent Account  
(6) Building Account (7) Interest Received Account (8) Outstanding Salary Account (9) Cash Account (10) Life Insurance Company Account.

11. Which entries are passed in relation to Sales Tax.
12. How many types of subsidiary books are there? State their names.
13. Explain the difference between purchases book and purchases account.
14. State the reasons for returning of purchased Goods .
15. What do you mean by Credit Note? Draft the format of Credit Note.
16. Draft the format of Sales Return Book.
17. Explain the difference between purchases book and sales book.
18. Which transactions are recorded in Journal Proper.
19. Explain the entries of Bad Debts and Bad Debts recovered with the help of an imaginary example.
20. Explain any four advantages of subsidiary books.

### Essay Type Questions

1. What do you mean by accounting Equation? Explain the rules of debiting and crediting the various accounts on the basis of accounting equation along with the examples.
2. Explain the classification of accounts in detail. Explain the rules of entries related to various accounts along with the examples.
3. What is meant by original document? Describe the various types of original documents.
4. How Goods Account is classified? Give the journal entries of specific transactions related to Goods.
5. Describe the advantages of subsidiary books while stating the limitations of Journal. Also state, which transactions are recorded in subsidiary books.

### Answers of objective type questions

1.(C) 2.(C) 3.(A) 4.(C) 5.(C) 6.(D) 7.(A) 8.(C) 9.(B) 10.(A)

### Numerical Questions

1. Show the accounting equation from the following transactions:

	₹
Started business with cash	1, 40, 000
Purchased Goods on Credit	28,000
Purchased Goods for cash	20,000
Sold Goods on credit, Cost price ₹24,000	30,000
Received from Debtors	30,000
Sold Goods for cash cost Price ₹6000	8,000



Withdrew for private use	3,400
Paid wages	600
Allowed interest on capital	700
Purchased furniture	1,000
Paid to creditors	20,000

2. Show the accounting equation on the basis of the following transactions and present a Balance sheet on the basis of last new equation balance:

- (i) Started business with cash ₹40,000, Goods ₹1,00,000 and furniture ₹60,000.
- (ii) Purchased goods from Raghuveer on credit ₹80,000.
- (iii) Purchase Furniture for office use for cash ₹20,000.
- (iv) Sold goods for Cash ₹80,000(costing ₹60,000.)
- (v) Withdrew goods for personal use costing ₹10,000.
- (vi) Purchased Computer for personal use of the proprietor ₹40,000.
- (vii) Sold Goods to Krishna Kumar on Credit ₹1,30,000 costing ₹1,00,000.
- (viii) Introduced additional capital ₹ 80,000.
- (ix) Paid to Raghuveer ₹60,000.
- (x) Paid for stationery ₹ 1,000 and received commission ₹2,400.

(Answer: Cash ₹ 81,400 ,Stock ₹10,000 ,Furniture ₹80,000,Debtors ₹1,30,000, Creditors ₹20,000,Capital ₹2,81,400,Balance sheet total ₹3,01,400)

3. Pass journal entries on the basis of transactions given in question no.1.

4. Pass journal entries on the basis of transactions given in question no.2.

5. Pass the journal entries for the following transactions in the journal of Kamal Kumar:

2016

- 1 Kamal Kumar started business with cash ₹1,50,000 ,Furniture ₹10,000 and Goods ₹60,000
- 5 Sold goods to Vikas of the list price of ₹20,000 at trade discount of 10%
- 7 Vikas returned goods of list price of ₹2,000
- 9 Received from Vikas ₹16,000 in full settlement of his account.
- 11 Purchased Furniture for ₹12000.Purchased goods from Narendra of the list price of ₹50,000 at 12% Trade Discount.
- 14 Returned Goods to Narendra of the list price of ₹4000
- 16 Cleared the account of Narendra by paying cash as a discount of 5%
- 18 Sold goods to Amit ₹20,000 and Sumit ₹32,000.

- 21 Received cash from Amit ₹19600 in full settlement of his account. Paid insurance premium ₹1500
- 23 Paid ₹2400 for insurance premium for proprietor.
- 25 Purchased goods for ₹16000 for cash at a trade discount of 10% and cash discount of 2%.
- 28 Received full payment from Sumit at a discount of 5% in full settlement of his account.
- 30 Paid for advertisement ₹ 2,000, salaries ₹ 8,000 and rent ₹ 1,600
- 31 Received Commission ₹1,000

(Answer: Sum total ₹4,90,900)

6. Journalize the following transactions in the books of Prakash.

1. Opened a current account with Punjab National Bank ₹1,00,000.
2. Goods sold for cash ₹20,000 to a customer and collected 10% sales tax on it.
3. Received a cheque of ₹12,900 from Chandradev and allowed discount ₹300 to him. The cheque was deposited into Bank on the same day.
4. Purchased machinery for ₹1,00,000, payment made by cheque. Installation charges of Machinery ₹6000 paid in cash.
5. Purchased a horse for business for ₹20,000.
6. Goods sold to Gokul at a list price of ₹4,000. Trade discount 10% and cash discount 5%. He paid the amount on the same day and availed the cash discount.
7. Purchased goods for ₹10,000 and paid 400 for carriage on these goods.
8. Additional cash introduced by the proprietor ₹40,000.
9. Purchased Stationery ₹ 800 and postal stamps ₹100.
10. Withdrawn from bank ₹20,000.
11. Received an order to supply goods of ₹40,000 from Manu and received ₹10,000 in advance together with the order.
12. Cash ₹10,000 and goods worth ₹4,000 were stolen.
13. Purchased goods from Devendra for ₹40,000 and the payment was made by cheque.
14. Sold  $\frac{1}{4}^{\text{th}}$  of the above goods at a profit of 25% on cash.

(Answer: Grand total of Journal ₹4,12,600)

7. Give Journal entries on the basis of the narration:

Date	Particulars	L.F	Dr. Amount ₹	Cr. Amount ₹
2016 Dec.1	..... Dr. To..... (For Deposited Cash into Bank)		.....	20,000
Dec.5	..... Dr. ..... Dr. To..... (For Goods of the list Price of 30,000 sold at 10% Trade Discount and Cash Discount)		..... .....	.....
Dec.13	..... Dr. To..... (For Goods used by the proprietor for personal use.)		8,000	.....
Dec.18	Cash A/c Dr. ..... Dr. To..... (For 30 paisa per rupee received from the estate of vipin on his insolvency)		5,040	.....
Dec.25	..... Dr. To..... (For Bank charges debited bank)		200	.....
Dec.27	..... Dr. To..... (For Goods destroyed by Fire)		5000	.....
Dec.31	..... Dr. To..... (Paid Salaries ₹ 2500)			.....

8. Prepare the Purchases Book of Shri Ramesh from the following transactions;

2017

Jan.14 Purchased Goods from M/S Ram Prasad on credit

200 Tables @ ₹300 each

100 Chairs @ ₹500 each

Trade Discount @ 5% Invoice No. 32

Jan. 21 Purchased a computer from Shiv Prakash Computers on credit ₹35,000

Jan. 29 Purchased Goods from Muralidhar & Sons for Cash

300 Tables @ ₹250 each

200 Chairs @ ₹400 each, Invoice No. 74

(Answer: Total of Purchases book : ₹2,59,500)

9. Prepare the Purchases Return book of Gupta Book House from the following transactions:  
2016

July 11 Goods Returned to Rajesh Bros.

10 Books of Accountancy rate ₹200 each book

6 Books of Statistics rate ₹180 each book

Trade Discount @ 10%, Credit Note No.25

July 24 Books Returned to Chandak Book Depot:

10 Books of Business Administration @ ₹150 each book, Debit Note No.11

(Answer: Total of Purchases Return Book : ₹4272)

10. Prepare Sales Book of Anand & Sons from the following transactions:  
2016

Sep.8 Sold goods to Sharma Bros. on credit.

50 Bags of Wheat @ ₹4000 per bag

100 Bags of Gram @ ₹5000 per bag

Trade Discount @ 10%, Invoice No.55

Sep.19 Sold Old Furniture to Furniture House on credit ₹2000

Sep.28 Sold Goods to Sujeet & Co. for cash.

18 Bags of Wheat @ ₹4300 per bag

25 Bags of Gram @ ₹5200 per bag

(Answer: Total of Sales Book: ₹6,30,000)

11. Prepare the Sales Return Book in the books of Harilal & Sons from the following transactions :

2016

Oct.12 Goods Returned by Brijendra & Co.

4 Table Fans @ ₹700 each

Trade Discount 15%

Oct.20 Allowance allowed to Heeralal Bros. due to mistake in invoice 300.

(Answer: Total of Sales Return Book: ₹2680)

12. Prepare Journal Proper from the following transactions:

2016

Nov.4 Proprietor withdrew Goods worth ₹20,000 for personal use.

Nov.7 Received ₹45000 from Anil, wrongly credited to account of Sunil.

Nov.10 Purchased Furniture from Sanju ₹30,000 on credit.

Nov.17 Goods worth ₹6,000 destroyed by fire.

Nov.19 Insurance Company accepted the claim.

Nov.27 Akhil has been declared insolvent and ₹75,000 could not be realized from him.

Nov.29 Interest on Capital ₹8000.

Nov.30 Goods sold to Rajeev for cash ₹5000.

(Answer: Total of Journal Proper: ₹1,97,000)

13. Prepare Purchases Book, Purchases Return Book, Sales Book , Sales Return Book, and Journal Proper in the Books of Ashutosh Bros. from the following transactions:

Dec.2 Purchased goods from M/S Dayachand on credit ₹ 21,000.

Dec.5 Goods sold to Anis Bros. on credit ₹33,000.

Dec.8 Goods returned to M/S Dayachand ₹4500.

Dec.10 Goods returned by Anis Bros. ₹3600.

Dec.14 Sold old furniture to Anshul on credit ₹10,000.

Dec.18 Purchased Goods from Karunesh & Co. on credit ₹45,000, Trade Discount 10%.

Dec.21 Goods withdrawn for personal use ₹7500.

Dec.24 Goods returned to Karunesh & Co. ₹6000.

Dec.25 Goods Sold to Prem Prakash & Co. on credit ₹45,000, Trade Discount 5%

Dec.27 Prem Prakash & Co. returned Goods ₹9,000.

Dec.27 Sold goods to Hansraj for cash ₹10,000.

(Answer: Total of Purchases Book ₹61,500, Total of Sales Return Book ₹9,900, Total of Sales Book ₹75,750, Total of Sales Return Book ₹12,150, Total of Journal proper ₹17,500)