

# **Rankers' Commerce (Kankarbagh Patna)**

Call: 9386035411, 7870266699

## **BOOKS OF ORIGINAL ENTRY - SPECIAL PURPOSE OTHER SUBSIDIARY BOOKS**

The cash transactions are recorded in the cash book whereas non-cash transactions are recorded in other special purpose subsidiary books, which are as follows:—

1. Purchase Book
2. Sales Book
3. Purchase Return Book
4. Sales Return Book
5. Bills Receivable Book
6. Bills Payable Book
7. Journal Proper

It is not necessary for every business to maintain all the above mentioned special purpose subsidiary books but any of the above may be kept depending upon the need of the business.

### **1. PURCHASES BOOK OR PURCHASES JOURNAL**

*Purchases Book records only credit purchase of 'Goods' in which the firm deals. It also records materials and stores used in the factory. However, it does not record cash purchases of goods and purchases of goods other than goods dealt in.*

• **Example for Better Understanding:** Suppose a firm deals in Furniture then, only Credit Purchase of furniture will be recorded in the Purchases Book. Purchases Book will not record:

° Cash Purchase of furniture.

° Cash or Credit purchase of any other items, like furniture, vehicle, equipment, etc.

• **Basis of Recording Transactions:** The entries in the Purchases Book are made on the basis of purchase vouchers like purchase invoices or bills given by the supplier.

• **Treatment of Trade Discount:** The entries in the Purchases Book are made at net figures after Trade Discount. For example, if goods of the list price of ` 5,000 are purchased at trade discount of 10%, then ` 4,000 (= ` 5,000 - ` 1,000) will be recorded.

**1. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

- **Cash Purchases of Goods:** They are recorded in the Cash Book and not in the Purchases Book.

## **FORMAT OF PURCHASES BOOK**\_\_\_\_\_

### **Simple Purchase Book**

| Date | Particulars( suppliers name) | Invoice No. | L.F. | Details ( ) | Amt. ( ) |
|------|------------------------------|-------------|------|-------------|----------|
|      |                              |             |      |             |          |

### **Columnar Purchase Book**

| Date | Particulars( suppliers name) | Invoice No. | L. F. | Details ( ) | Cost ( ) | Input SGST ( ) | Input CGST ( ) | Input IGST ( ) | Total |
|------|------------------------------|-------------|-------|-------------|----------|----------------|----------------|----------------|-------|
|      |                              |             |       |             |          |                |                |                |       |
|      |                              |             |       |             |          |                |                |                |       |

## **Assignment: 1**

**Enter the following transactions in the Purchase Book of Pawan Electric Store, New Delhi assuming CGST @ 6% and SGST @ 6%.** :

**2021**

April 2 Purchased goods from Surya Electric Store, Chandni Chowk, Delhi on credit (Invoice No. 480);

40 Tube lights @ Rs.500 each

15 Table Fans @ Rs.2, 000 each

Trade Discount 20%

10 Bought goods from New Light Traders, Connaught Place, New Delhi on credit (Invoice No. 2310):—

10 Ceiling Fans @ Rs.3,000 each

20 Electric Irons @ Rs.500 each

Trade Discount 10%

**2. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

20 Purchased goods from Ravindra Electric Co., Patel Nagar, New Delhi on credit (Invoice No. 1508):—

100 Dozen Bulbs @ Rs.600 per Dozen

20 Water Heaters @ Rs. 1,000 each

Less : Trade Discount 25%

22 Bought from Sunny Lamp, Lajpat Nagar, New Delhi for cash (Invoice No. 705):— 5 Electric Irons @ Rs.480 each

28 Bought from Fashion Furniture Co., Chitra Gupta Road, New Delhi on credit (Invoice No. 3450):—

12 Chairs @ Rs. 1,500 each

2 Tables @ Rs. 8,000 each

| Difference Between Purchases Book and Purchases Account |                                                |                                                       |
|---------------------------------------------------------|------------------------------------------------|-------------------------------------------------------|
|                                                         | <i>Purchase Book</i>                           | <i>Purchases Account</i>                              |
| 1. Part                                                 | It is a part of Journal.                       | It is a part of the Ledger.                           |
| 2. Contents                                             | It records only credit purchase of goods.      | It records credit as well as cash purchases of goods. |
| 3. Format                                               | It is not divided into debit and credit sides. | It is divided into debit and credit sides.            |

## **2. PURCHASES RETURN OR RETURNS OUTWARD BOOK**

*Purchases Return Book is maintained to record the return of goods or materials purchased on credit basis.* • Reasons for Return of Goods: The goods may be returned to the suppliers for various reasons, like:

- ° Goods delivered are not according to the sample.
- ° Goods are not according to the order.
- ° Quality of the goods supplied is inferior.
- ° Goods are defective or they have been damaged in transit.
- ° Price of goods charged in the invoice is in excess of agreed price.
- ° Goods are not delivered on time.

**3. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

**Note:** It must be noted that following are not recorded in this book: (i) Return of goods originally purchased for cash as they are recorded in the Cash Book; and (ii) Return of items other than goods.

• **Debit Note is the Basis of Recording Transactions:** When goods are returned to the supplier, a note is prepared containing all the details of purchases return. This note is called 'Debit Note'.

° Debit Note works as a source document to record entries in the Purchases Return Book.

° Debit note is always serially numbered and dated.

° It is termed as Debit Note because the party's (supplier's) account is debited with the amount written in this note.

° Debit note is a very important note as it contains all the information related to return of goods to the supplier, like name of the supplier, description of goods returned, reason for return, price of returned goods, etc.

° Debit Note is prepared in duplicate out of which, original copy is sent to the supplier so that the supplier can make the necessary entries in his books of accounts.

• **Format of Purchases Return Book:** The ruling of a Purchases Return Book is similar to the ruling of Purchases Book with the only difference that column of Invoice No. of Purchases Book is replaced with Debit Note No. in Purchases Return Book.

## **Simple Purchase Return Book**

| Date | Particulars(suppliers name) | Debit Note | L.F. | Details<br>( ) | Amt. ( ) |
|------|-----------------------------|------------|------|----------------|----------|
|      |                             |            |      |                |          |

## **Columnar Purchase Return Book**

| Date | Particulars (suppliers name) | Debit Note | L. F. | Details | Cost | Input SGST | Input CGST | Input IGST | Total |
|------|------------------------------|------------|-------|---------|------|------------|------------|------------|-------|
|      |                              | No.        |       | ( )     | ( )  | ( )        | ( )        | ( )        |       |
|      |                              |            |       |         |      |            | ( )        |            |       |

**4. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

## Assignment: 2

Enter the following transactions in the Purchases Return Book of Pawan Electric Store, New Delhi, assuming CGST @ 6% and SGST @ 6%

2021

May 20 purchased Return to Surya Electric Store, Chandni Chowk, Delhi (Debit note No. 180);

10 Tube lights @ Rs.500 each

5 Table Fans @ Rs.2, 000 each

Trade Discount 20%

25 Purchase Return to New Light Traders, Connaught Place, New Delhi (Debit Note. 25)

5 Ceiling Fans @ Rs.3,000 each

2 Electric Irons @ Rs.500 each

Trade Discount 10%.

## 3. SALES BOOK OR SALES JOURNAL

*Sales Book records only credit sale of goods in which the firm deals.* It does not record cash sales of goods and sale of goods other than goods dealt in.

• **Example for Better Understanding:** If a firm deals in readymade kids garments, then, only Credit Sale of readymade kids garments will be recorded in the Sales Book. Sales Book will not record:

° Cash Sales of readymade kids garments.

° Cash or Credit sale of any other items, like furniture, vehicle, equipment, etc.

• **Basis of Recording Transactions:** The entries in the Sales Book are made on the basis of invoices issued to the customers with the net amount after trade discount.

• **Treatment of Trade Discount:** The entries in the Sales Book are made at net figures after Trade Discount. For example, if goods of the list price of ` 10,000 are sold at trade discount of 20%, then ` 8,000 (= ` 10,000 - ` 2,000) will be recorded.

• **Cash Sale of Goods:** They are recorded in the Cash Book and not in the Sales Book.

• **Format of Sales Book:** The ruling in the Sales Book is the same as for the Purchases Book and transactions are also recorded in the same manner.

**5. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

## **FORMAT OF SALES BOOK (Simple)**

| Date | Particulars(Customer name) | Invoice No, | L.F. | Details | Amt. |
|------|----------------------------|-------------|------|---------|------|
|      |                            |             |      | ( )     | ( )  |
|      |                            |             |      |         |      |

## **Columnar Sales Return Book**

| Date | Particulars (Customer name) | Invoice No, | L. F. | Details | Cost | Output SGST | Output CGST | Output IGST | Total |
|------|-----------------------------|-------------|-------|---------|------|-------------|-------------|-------------|-------|
|      |                             | No.         |       | ( )     | ( )  | ( )         | ()          | ( )         |       |
|      |                             |             |       |         |      |             | ( )         |             |       |

## **Assignment: 3**

**Prepare a Sales Book from the following transactions of Navketan Furniture House, Ludhiana (Punjab) assuming CGST @ 6% and SGST @ 6% :—**

2021

May 1 Sold goods to Five Star Furniture Co., Patiala (Punjab), on Credit:—

150 Chairs @ Rs. 1,800 each

36 Tables @ Rs.5,000 each

Trade Discount 20%

15 Sold goods to Vishal Furniture House, Amritsar (Punjab) :—

10 Almirahs @ Rs. 11,000 each

5 Sofa sets @ Rs. 18,000 each

Trade Discount 15%

20 Sold goods to Parkash Furniture House, New Delhi :—

100 Chairs @ Rs.2,000 each

Less : Trade Discount @ 5%

**6. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

25      Sold to Moonlight Furniture Co. for Cash: — 50 Chairs @ Rs. 1,900 each,  
New Delhi

## **4. SALES RETURN BOOK OR RETURNS INWARD BOOK**

*Sales Return Book is maintained to record the goods or materials returned by the customers sold on the credit basis.*

• **Following are not recorded in Sales Return Book:**

° Return of goods originally sold for cash as they are recorded in the Cash Book; and °  
Return of items other than goods.

• **Credit Note is the Basis of Recording Transactions:** When goods are returned by the customers, a note is prepared containing all the details of sales return. This note is called 'Credit Note'.

° Credit Note works as a source document to record entries in the Sales Return Book.

° Credit note is always serially numbered and dated.

° It is termed as Credit Note because the Customer's account is credited with the amount written in this note.

° Credit Note is prepared in duplicate out of which, original copy is sent to the customer while the second copy is retained for record and entry is recorded in the book on its basis.

**Important Note:** *Credit Note is also sent when a sales invoice is overcharged by mistake or some special discount is allowed to the customer because of defective goods.*

.

**Format of Sales Return Book:** This book is prepared in the same way as Purchases Return Book except that Credit Note No. is written in place of Debit Note No.

### **FORMAT OF SALES RETURN BOOK (simple)**

| <i>Date</i> | <i>Particulars(customer name)</i> | <i>Credit Note</i> | <i>LF</i> | <i>Details</i> | <i>Amt,</i> |
|-------------|-----------------------------------|--------------------|-----------|----------------|-------------|
|             |                                   | <i>No.</i>         |           | <i>( )</i>     | <i>( )</i>  |
|             |                                   |                    |           |                |             |

**7. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

## **Columnar Sales Return Book**

| Date | Particulars (Customer name) | Credit Note, | L. F. | Details | Cost | Output SGST | Output CGST | Output IGST | Total |
|------|-----------------------------|--------------|-------|---------|------|-------------|-------------|-------------|-------|
|      |                             | No.          |       | ( )     | ( )  | ( )         | ( )         | ( )         |       |
|      |                             |              |       |         |      |             | ( )         |             |       |

## **Assignment: 4**

**Prepare a Sales Return Book from the following transactions of Navketan Furniture House, Ludhiana (Punjab) assuming CGST @ 6% and SGST @ 6% :—**

2021

May 1 Sales Return From Five Star Furniture Co., Patiala (Punjab),

50 Chairs @ Rs. 1,800 each

6 Tables @ Rs.5,000 each

Trade Discount 20%

15 Sales Return to Vishal Furniture House, Amritsar (Punjab) :—

5 Almirahs @ Rs. 11,000 each

2 Sofa sets @ Rs. 18,000 each

Trade Discount 15%

20 Sales Return to Parkash Furniture House, New Delhi :—

10 Chairs @ Rs.2,000 each

Less : Trade Discount @ 5%

## **5. JOURNAL PROPER OR GENERAL JOURNAL**

*Journal Proper is used to record the transactions for which no special journal has been kept in the business. When the entire journal is subdivided into various subsidiary books, then the Journal Proper acts as a subsidiary book in which only those transactions are recorded which cannot be recorded in any other subsidiary book.*

### **Recording of Transactions when Journal is Subdivided**

As stated before, after the sub-division of journal into various subsidiary books, various special books are maintained to record different transactions:

• **Cash Book** is used to record cash transactions.

**8. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

- **Sales Book** to record credit sales of goods.
- **Purchases Book** to record credit purchases of goods.
- **Sales Return Book** to record goods returned by customers.
- **Purchases Return Book** to record goods returned to suppliers.

In addition to the above transactions, there are 'Other Transactions' also which have to be recorded. Such 'Other Transactions' are recorded in the Journal Proper.

**Example for Better Understanding:** Suppose, a stationery merchant purchased furniture on credit. It can neither be recorded in the Cash Book (as it is not a cash transaction) nor in the Purchases Book (as furniture is not a good for the stationery merchant). Such transaction will be recorded in the Journal Proper.

## **Transactions Recorded in the Journal Proper**

The following types of transactions are recorded in the Journal Proper:

### **1. Opening Entry**

Opening Entry is passed at the beginning of an accounting year to bring out the balances of various assets and liabilities, appearing in the Balance Sheet of the previous year. All assets accounts are debited, while all liabilities accounts and capital are credited.

### **2. Closing Entries**

Closing Entries are recorded at the end of the accounting period for closing the nominal accounts (accounts relating to expenses and gains or incomes). These accounts are closed by transferring their balances either to Trading Account or Profit and Loss Account.

**Example for Better Understanding:** All Direct Expenses (like Wages, Power, Carriage inwards, etc.) are closed by transferring their balances to the Trading Account. Similarly, all Indirect Expenses (like Salary, Repairs, etc.) are closed by transferring their balances to the Profit and Loss Account.

### **3. Rectifying Entries**

These entries are passed to rectify the errors which might have been committed while journalizing, posting, totaling, etc.

**Example for Better Understanding:** Suppose, purchase of machinery of ` 10,000 was debited to Purchases Account. In such a case, Purchases Account was debited instead of Machinery Account. So, to rectify the error, Machinery Account will be debited and Purchases Account will be credited, i.e. following rectifying entry will be passed:

|                  |     |        |        |
|------------------|-----|--------|--------|
| Machinery A/c    | Dr. | 10,000 |        |
| To Purchases A/c |     |        | 10,000 |

**9. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

|                                                          |  |  |  |
|----------------------------------------------------------|--|--|--|
| (Being wrong debit made to Purchases Account, rectified) |  |  |  |
|----------------------------------------------------------|--|--|--|

Such Rectifying Entries have been discussed in detail in the "Chapter 16: Rectification of Errors".

**4. Transfer Entries** Transfer Entries are passed when an amount is to be transferred from one account to another account.

## **5. Adjusting Entries**

Adjustment Entry is an entry passed in the books to give effect to the transactions which should have been recorded in the books of accounts but are not recorded. At the time of preparation of final accounts, adjustment entries are needed to record certain unrecorded items.

## **6. Miscellaneous Entries**

In addition to the above entries, the following entries will also be passed in the Journal Proper:

1. Purchase of an Asset on Credit
2. Sale of an Asset on Credit
3. Goods given away as charity or free samples
4. Goods taken by the proprietor for personal use
5. Loss of goods by fire, theft, accident, etc.
6. Dishonor of bill of exchange (not discounted with the bank)
7. Writing off Bad Debts
8. Discount allowed and discount received

### Format of Journal Proper

| Date | Particulars | L.F. | Amount (Rs.) Dr. | Amount (Rs.) Cr. |
|------|-------------|------|------------------|------------------|
|      |             |      |                  |                  |

**10. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**  
**Accounts by Nitesh Sir**

# Rankers' Commerce (Kankarbagh Patna)

Call: 9386035411, 7870266699

## **6. Bills receivable book**

Bills receivable refers to bills drawn, the payment for which has to be received. In case of credit sales of goods, the entity may draw a bill on the buyer (debtor), for a certain period. This is called bills receivable for the business entity and bills payable for the debtor who has accepted the bill. Where number of bills receivable is large, then a separate bills receivable book may be maintained by a business entity to record the details of bills receivable. Such bills are drawn on debtor for a specified amount payable at sight on or after specified period. Bills receivable book contains the details of bills drawn and its disposal. The format of the bills receivable book is given below:

### **Format**

#### **Bills receivable book**

| Date of receipt of bill | From whom bill is received | Term of the bill | Due date of the bill | L.F. | Amount of the Bill ₹ | Remark |
|-------------------------|----------------------------|------------------|----------------------|------|----------------------|--------|
| (i)                     | (ii)                       | (iii)            | (iv)                 | (v)  | (vi)                 | (vii)  |

**Date:** In this column, the date of the acceptance of the bill is recorded.

**From whom received:** In this column, the name of the debtor, who has accepted the bill and promised to make its payment, is recorded. The bill legally comes into existence after its acceptance.

**Term or period:** The bill is drawn for a specified period. This period may be one month, two months, three months, etc. or even 60 days, 90 days, 120 days, etc. Period of the bill for which the bill has been drawn is mentioned here.

**Due date:** Due date is the date on which the payment of the bill is actually due. It is also known as date of maturity. In order to calculate the due date, three days of grace is added to the term of the bill

**Ledger Folio (L.F.):** This column contains the page number of the ledger in which the account of the acceptor of the bill appears.

**Amount of the bill:** The actual amount of the bill is recorded in this column.

**Remark:** This column contains the details of disposal of the bill, whether the bill has been discounted or endorsed, honoured or dishonoured etc.

**11. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**

# **Rankers' Commerce (Kankarbagh Patna)**

Call: 9386035411, 7870266699

## **7. Bills payable book**

Details recorded in the bills payable book are the names of the parties whose bills are accepted, date of the bills payable, due date, amount, etc. The individual accounts of the parties whose bills are accepted will be debited with the corresponding amount in the bills payable book. The specimen of bills payable book is given below:

**Format**

**Bills payable book**

| Date of acceptance of the bill | To whom acceptance is given | Term of the bill | Due date of the bill | L.F. | Amount of the bill ₹ | Remark |
|--------------------------------|-----------------------------|------------------|----------------------|------|----------------------|--------|
| (i)                            | (ii)                        | (iii)            | (iv)                 | (v)  | (vi)                 | (vii)  |

These columns record almost the same particulars which are recorded in the bills receivable book. When there is credit purchases of goods, the business entity may accept a bill drawn by the supplier or creditor. It is called bills payable for the business entity. Where there are large number of such bills payable, a separate bills payable book may be maintained. Thus, bills payable book is a subsidiary book maintained to record the details of bills payable.

**12. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)**

**Accounts by Nitesh Sir**