

Special Purpose of Books I- Subsidiary Books

What are Subsidiary Books

What are Subsidiary Books? Subsidiary Books are books of Original Entry. They are also known as Day Book or special journals. We record transactions of similar nature in Subsidiary Books. They are helpful in overcoming the limitations of journal book or journal entries. In this article, we will see different types of Subsidiary Books.

Different Types of Subsidiary Books

We can divide the subsidiary books into the following types:

1. Cash book
2. Purchases book
3. Sales book
4. Purchases return or return outwards book
5. Sales return or return inwards book
6. Bills receivable book
7. Bills payable book
8. Journal proper

Cash Book

It records all the cash and bank receipts and payments. It is a book of original entry as we record transactions in it for the first time from the source documents such as vouchers, invoices, etc.

A cash book has a debit and a credit side both. Thus, it is similar to a ledger account. Hence, it acts as a subsidiary book as well as a ledger account.

An organization can maintain a single column, double column or triple column cash book as per its requirements. A single column cash book consists of only cash column.

A double column cash book consists of cash and bank column. While the triple column cash book consists of cash, bank, and discount column. Usually, the firms use triple column cash book.

Some organizations also maintain a petty cash book which records the petty or small cash expenses of the firm.

Format of Cash Book

[illegible]

Purchases book

A firm records all its credit purchases of goods in Purchase Book or Purchase Day Book. While it records all the cash purchases of goods in the Cash Book.

We do not record Purchases of assets in Purchase Book. Thus, they are recorded in the Journal Proper.

Purchase Book Format

Date	Name of the supplier and details of purchases	Invoice ref.	L.F.	Amount (₹)	Remarks

Sales Book

A firm records all credit sales of goods in the Sales Book or Sales Day Book. It records cash sales of goods in the Cash Book. We do not record the sale of assets in the Sales Book.

Thus, we shall record them in the Journal Proper. In this case, also we record entries from the source documents. Also, we record entries with the net amount of the invoice.

Sales Book Format

Date	Particulars	Invoice ref.	L.F.	Amount (₹)	Remarks

Purchase Return or Return Outward Book

We record the return of goods purchased in the Purchase Return Book. A Debit Note is prepared for every return of goods in duplicate.

It contains the name of the supplier, details of goods returned and reason thereof. It needs to be dated and serially numbered.

Purchase Return Book

Date	Particulars	Debit Note no.	L.F.	Details	Totals	Remarks

Sales Return or Return Inwards Book

We record the return of goods sold in the Sales Return Book. A Credit Note is prepared for every return of goods in duplicate.

The Credit Note contains the name of the customer, details of goods returned and reason thereof. It also needs to be dated and serially numbered.

Sales Return Book

Date	Particulars	Outward Invoice	L.F.	Details	Totals	Remarks

Bills Receivable Book

We record all the acceptance of the bills in our favor in the Bills receivable book. We need to post the total of bills receivable book to the Bills receivable A/c. Also, we need to post the individual accounts of the customers.

Bills Receivable Book Format

No. of bills	Daye of Receipt	From whom	Name of the Receiver	Name of the Drawer	Name of the acceptors	Date of bill	Due Date	L.F.	Amount of bill	How disposed off

Bills Payable Book

We record all the acceptance of the bills that we issue in favor of others in the Bills payable book.

We need to post the total of bills payable book to the Bills payable A/c. Also, we need to post the individual accounts of the suppliers.

Bills Payable Book Format

No. of bills	Daye of acceptance	To whom	Name of drawer	Name of the payee	Where payable	Date of bill	Term	L.F.	Amount of bill how disposed of

Journal Proper

It includes transactions relating to credit purchase and sale of assets, depreciation, outstanding and pre-paid expenses, accrued and unearned income, opening and closing entries, adjustment entries and rectification entries.

Example 1: State the appropriate subsidiary book to record the following transactions:

1. Purchase of goods from Ram
2. Purchase of furniture in cash
3. 3. Depreciation on plant and machinery
4. 4. Sale of goods for cash
5. 5. Bad debts from Dolly

Ans.

1. Purchases Book
2. Cash Book
3. Journal proper
4. Cash book
5. Journal proper

Special Purpose Books II - Other Books

PURCHASES AND PURCHASE RETURNS BOOK

Purchases (journal) book is also a book of original entry. This book records only Credit purchases of goods in which the firm deals. Cash purchases of goods are recorded in the cash book. Credit purchases of items not for resale are not recorded in the Purchases Book e.g. If a firm deals in Computer parts, any item of furniture purchased on credit is not recorded in the book. They are recorded in another book which is known as 'journal proper'.

In case of Purchase of goods on credit, an Invoice or Bill prepared by the supplier is received. It contains information about the date of transaction, details of items purchased at List Price less trade discount, if any, Invoice Number, and the net amount payable. Trade discount and other details of invoice need not be recorded in this book. Format of Purchases Book is as under:

Purchase (Journal) Book

Date	Invoice No.	Name of supplier	L.F.	Amount (Rs)

Column-wise explanation is as follows :

Date : In this column Year, Month and Date of transactions are recorded in chronological order.

Invoice Number : In this column, Invoice number is entered.

Name of Supplier : In this column, the name of the supplier from whom the goods were purchased is written.

Ledger Folio : In this column, it records the page number of the ledger book in which supplier account is maintained.

Amount : In this column, it records the net amount payable to the supplier.

Illustration 1

Record the following transactions for the Month of August 2006 in the Purchases Book of M/s Harsha Electronics :

Date	Details
2006	Purchased from M/s.Naresh Electronics (Invoice No. 250)
August 5	5 Colour T.V @ 12500 per piece. Trade Discount on all items @20%.
August 10	Bought from M/s Capital Electronics: (Invoice No. 826)

20 Tape Recorders @ Rs.1650 per piece
Trade Discount 10% on purchases.

August 17 Purchased from M/s. East Electronics: (Invoice No. 456)

15 Stereos @ Rs.4000 per piece
2 Color T.V. 14" @ Rs. 10500 per piece
Trade Discount @5%.

August 25 Purchased form M/s. Naresh Electronics: (Invoice No. 294)

10 Small T.V. @ Rs.1,200 per piece
3 Colour T.V. 17" @ Rs.12000 per piece
Trade Discount 10%.

August 30 Bought from M/s Pavitra Electronics: (Invoice No. 82)

20 Video cassettes @ Rs.150 per piece Net.

Solution:

Books of M/s Harsha Electronics Purchase (Journal) Book

Date	Invoice No.	Name of supplier	L.F.	Amount (Rs)
2006				
August 5	250	Naresh Electronics Capital		50,000
August 10	826	Electronics East Electronics		29,700
August 17	456	Naresh Electronics Pavitra		76,950
August 25	294	Electronics		43,200
August 30	82			3,000
				2,02,850

Posting of Purchases Journal/Book into Ledger

Posting from the Purchases Journal/Book is done daily to relevant supplier account on the credit side with the Invoice amount At the end of the month, the grand total of the Purchases Journal/Book is posted to the Debit side of Purchases account in the ledger, and written in the Particulars column "Sundries as per Purchases Book".

For the posting of Purchase Journal/ Book items into the ledger refer to Illustration No. 1.

Dr.				Books of M/s Harsha Electronics M/s. Naresh Electronics				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)				
				2006							
				Aug.05	Purchases		50,000				
				Aug.25	Purchases		43,200				

Dr. M/s. Capital Electronics				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
				2006 Aug.10	Purchases		29,700

Dr. M/s.East Electronics				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
				2006 Aug.17	Purchases		76,950

Dr. M/s.Pavitra Electronics				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
				2006 Aug.30	Purchases		3,000

Dr. Purchases Account				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006 Aug.31	Sundries as per Purchases Book		2,02,850				

Purchase Returns Journal

Purchase Return of goods is recorded in this book. Sometimes Goods purchased from the supplier are returned for various reasons such as goods are not as per our order, or are defective. These goods are returned to the supplier. For this purpose a debit note is prepared and sent to the supplier for making necessary entries. The record of such return of goods in a journal is called Purchase Returns journal, the format of which is as under :

Purchase Return (Journal) Book

Date	Debit Note No.	Name of supplier	L.F.	Amount (Rs)

Column-wise explanation is as follows :

Date : In this column Year, Month and Date of transactions are recorded in chronological order.

Debit Note Number : In this column, the debit note number is written.

Name of supplier : In this column, the Name of the supplier from whom the goods were purchased is written.

Ledger Folio : In this column, it records the page number of the ledger book on which supplier account is prepared.

Amount : In this column, it records the amount of the total goods returned to the supplier.

Illustration 2

The Details submitted by M/s. Harsha Electronics for the month of August 2006 are as under :

Date	Details
2006	Goods returned to M/s. Capital Electronics vide Debit note No. 016/2006.
August 17	5 Tape Recorders @ Rs.1650 per piece Trade Discount @ 10% on purchases.

Solution.

Books of M/s Harsha Electronics Purchase Returns (Journal) Book

Date	Debit Note No.	Name of supplier	L.F.	Amount (Rs)
2006 August 17	016	Capital Electronics		7,425 7,425

Posting of Purchase Returns Journal/Book into Ledger

The monthly total of Purchase Returns Journal/Book is credited to the Purchase Return account in the ledger. Supplier account to whom the goods are returned is debited with the net amount of goods returned.

For the posting of Purchase Returns Journal/Book into the ledger refer illustration no.2.

Solution.

Dr.				M/s.Capital Electronics				Cr.	
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)		
2006 Aug. 17	Purchases Returns		7,425						

Dr.				Purchases Returns Account				Cr.	
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)		
				2006 Aug.31	Sundries as Per Purchase returns Book		7,425		

Illustration 3

Enter the following transactions in the Special Journal/Books of M/s Mohit Stationery Mart of June 2006, prepare Purchases Book and Purchase Returns Book.

Date	Details
2006	Purchased from M/s.Seema Stationers as per Invoice No. 031
June 01	50 Paper Rim @ Rs.100 Per Rim. 60 Simple Books @ Rs.20 Each 100 Pkt Pencils @ Rs.50 Per Pkt.
June 12	Bought from M/s Nisha Paper Mart as per Invoice No. 1202 200 Files @ Rs. 12 per file Trade Discount @ 5% on purchases.
June 22	Purchased from M/s. Bansal Stationer's as per Invoice No. 3211 500 Drawing Paper @ Rs.4 each 100 Pkt Pencil Color @ Rs. 20 per pkt. Trade Discount 5%.
June 23	Goods Returned to M/s Nisha paper Mart as per Debit Note No. 002 50 Files @ 12 each Trade Discount 5%.
June 24	Purchased from M/s. Stationery Zone as per Invoice No. 6783 200 pkt Pens @ Rs. 100 per pkt. Trade Discount 10%
June 27	Purchased form M/s. Sumit Paper Mart as per Invoice No. 2340 100 pkt water Color @ Rs. 50 per pkt. 50 pkt Paint Brushes @ Rs. 40 per pkt. Trade Discount 10%
June 28	Goods Returned to M/s Bansal Stationer's as per Debit Note No. 042 50 Pkt Pencil Color @ Rs. 20 per pkt. Trade Discount 5%.
June 30	Bought from M/s Handa File Trader as per Invoice No. 1321 200 Plastic Files @ 25 per file Trade Discount 10%

Solution:

Books of M/s Mohit Stationery Mart Purchase (Journal) Book

Date	Invoice No.	Name of supplier	L.F.	Amount (Rs)
2006				
June 01	031	Seema Stationers Nisha		11,200
June 12	1202	Paper Mart Bansal		2,280
June 22	3211	Stationers Stationery Zone		3,800
June 24	6783	Sumit Paper Mart Handa		18,000
June 27	2340	File Trader		6,300
June 30	1321			4,500
				46,080

Purchase Returns (Journal) Book

Date	Debit Note No.	Name of supplier	L.F.	Amount (Rs)
2006				
June 22	002	Nisha Paper Mart Bansal		570
June 28	042	Stationers		950
				1,525

SALES JOURNAL/BOOK AND SALES RETURNS JOURNAL

Transactions relating to Sale of goods on credit are recorded in the Sales Journal. Cash sales are recorded in the Cash Book. It means that Sales Journal records only credit sales of goods. For example sale of old furniture by a firm which is dealing in computers is not treated as goods and items relating to computer are regarded as goods.

In case of sale of goods on credit, one copy of an Invoice or Bill prepared by the vendor firm is given to the customer. It contains information about the date of transaction, details of items sold at List Price less trade discount if any. Invoice Number and the amount receivable or payable by customer.

When a customer purchases goods in bulk, the vendor may allow him a discount, which is called trade discount. In the invoice, trade discount is deducted from the list price of the goods and the customer is debited only with the net amount. This discount is quite different from the cash discount, which is allowed for payment within a stipulated period. The format of the Sales Journal/Book is given as under :

Sales (Journal) Book

Date	Invoice No.	Name of customer	L.F.	Amount (Rs)

Column-wise explanation is as follows :

Date : In this column Year, Month and Date of transactions are recorded in chronological order.

Invoice No. : In this column, Invoice number is written.

Name of Customer : In this column, Name of the Customer is recorded.

L.F. : In this Column, page number of the ledger book in which debtor's account is maintained.

Amount : In this column, the amount of the total goods sold to the customer is recorded.

Illustration 4 : M/s Furniture Mart wants you to prepare Sales journal for the month ended March 2006, from the following details of sale of goods :

Date

Details

2006

March 4 Sold on Credit to M/s Mena Traders : Vide Invoice No.213

(a) Two Double Beds @ Rs.7100 each.

(b) Five Chairs @ Rs.260 each

March 9 Sold on Credit to M/s Kohli Furniture : Vide Invoice No. 278

5 Tables @ RS.1400 Each

March 24 Sold on Credit to M/s Handa Furniture Mart : Vide Invoice No. 302 4 Sofa Sets @ Rs.18000 each

Sold on Credit to M/s Furniture Traders : Vide Invoice No. 327,

March 30 6 Single Beds @ Rs.6,000 each

Solution:

Books of M/s Furniture Mart Sales (Journal) Book

Date	Invoice No.	Name of customer	L.F.	Amount (Rs)
2006				
March 4	213	Mena Traders		15,500
March 9	278	Kohli Furniture Handa Furniture		7,000
March 24	302	Mart Furniture Traders		72,000
March 30	327			36,000
				1,30,500

Posting of Sales Journal/Book into Ledger

The monthly total of the Sales Book is posted to the credit side of the Sales account in the ledger. The net amount due from each customer is debited to customer account individually.

The customer's account is generally posted daily. For the posting of Sales Journal/Book into the ledger refer to Illustration No. 4.

Books of M/s Furniture Mart M/s. Mena Traders

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006							
March 4	Sales		15,500				

Dr.				M/s. Kohli Furniture				Cr.	
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)		
2006									
March 9	Sales		7,000						

Dr. M/s. Handa Furniture Mart				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006 March 24	Sales		72,000				

Dr. M/s. Furniture Traders				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006 March 30	Sales		36,000				

Dr. Sales Account				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
				2006 March 31	Sundries as per Sales Book		1,30,500

Sales Returns Journal/Book

Goods returned by the customers are recorded in the Sales returns journal/book. The Sales returns Book does not record the return of goods sold on cash basis. Goods supplied to the customer (Debtors) may not be as per specifications of the order, or some of the goods may get damaged during transit. The Customer returns these goods. For this purpose a credit note is made in favour of the customer. The format of Sales returns Book is as under :

Sales Return (Journal) Book

Date	Credit Note No.	Name of customer	L.F.	Amount (Rs)

Column-wise explanation is as follows :

Date : In this column, Year, Month and Date of transactions are recorded in chronological order.

Credit Note No. : In this column, the Credit note number is written.

Name of customer : In this column, the Name of the customer is written.

Ledger Folio : In this column, it records the page number of the ledger book on which customer account is prepared.

Amount : In this column, it records the amount of the total goods returned from customer.

Illustration 5

The Details submitted by M/s Furniture Mart for the month of March 2006 are as under :

Date

2006

March 18

Details

Returns from M/s Kohli Furniture : 2 Tables @ Rs.1400 Each Vide Credit Note No. 019

Solution:**Books of M/s Furniture Mart Sales Returns (Journal) Book**

Date	Debit Note No.	Name of supplier	L.F.	Amount (Rs)
2006 March 18	019	Kohli Furniture		2,800
				2,800

Posting of Sales Returns Journal/Book into Ledger

The total of the Sales Returns Journal/Book is debited to the Sales Returns account in the ledger. Each customer account from whom the goods are returned is credited with the net amount of the returns.

For the posting of Sales Journal/Book into the ledger refer to illustration No.5.

Solution.**Books of M/s furniture Mart M/s. Kohli Furniture**

Dr.

Cr.

Date	Particular	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
				2006 March 18	Sales Returns		2,800

Sales Return Account

Dr.

Cr.

Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006 March 31	Sundries as per Sales Returns Book		2,800				

Illustration 6

Enter the following transactions in Special Purpose Book of M/s Goel Electronic for the month of August 2006

Date	Details
2006 August 4	Sold on Credit to M/s.Tanaya Electronics as per Invoice No. 1248 12 Set [6"] B.W. T.V. @ Rs.900 per set.
August 10	5 set DVD Players @ Rs.2,500 per set Less trade Discount 5% Sold on Credit to M/s Kanshik Electronic as per Invoice No. 1278
August 12	5 Washing Machines @ Rs.4,500 Per Machine 2 Color T.V. 29" @ Rs. 16,500 Per T.V. Less 10% Trade Discount
August 18	M/s.Tanaya Electronics returned goods as per credit note no.73 1 Set DVD Player @ Rs.2,500 per set 1 Set [6"] BW T.V. @ Rs.900 per set. Trade Discount allowed @ 5%
August 25	Sold on Credit to M/s Diamond Electronic as per Invoice No. 1290 5 Tape Recorders @ Rs.1,000 each 10 Two-in One @ Rs.1,800 each Less Trade Discount 5%
August 28	Sold on Credit to M/s Electronic Zone as per Invoice No. 1299 5 Water cooling Machines @ Rs.7,000 each Sold on Credit to M/s North East Electronic as per Invoice No. 1308
August 31	10 Music Systems @ Rs.3,000 each Less Trade Discount 10% M/s. Electronic Zone returned goods as per credit note no.93. 1 Water cooling Machine @ Rs.7,000 each

Solution

Books of M/s Goel Electronic Sales (Journal) Book

Date	Invoice No.	Name of customer	L.F.	Amount (Rs)
2006				
August 4	1248	Tanaya Electronics Kanshik		22,135
August 10	1278	Electronic Diamond		49,950
August 18	1290	Electronic		21,850
August 25	1299	Electronic Zone North East		35,000
August 28	1308	Electronic		27,000
Total				1,55,935

Books of M/s Goel Electronic Sales Returns (Journal) Book

Date	Debit Note No.	Name of supplier	L.F.	Amount (Rs)
2006				
August 12	73	Tanaya Electronics		3,230
August 31	93	Electronic Zone		7,000
Total				10230

Journal Proper

A Book maintained to record transactions, which do not find place in Special Journals is known as Journal Proper. Following transactions are recorded in the Journal proper:

1. **Opening Entry** : In order to open new set of books at the beginning of new accounting year and record therein opening balances of Assets, Liabilities and Capital, one opening entry is made in the journal.
2. **Adjustment Entries** : In order to update ledger accounts on accrual basis, entries are made at the end of the accounting period. Entry for Rent outstanding, Prepaid insurance, Depreciation and Commission received in advance is made in the journal.
3. **Rectification entries** : To rectify any accounting error, entries are to be made in the journal proper.
4. **Transfer entries** : Drawing account is transferred to capital account at the end of the accounting year. Expenses accounts and revenue accounts which are not balanced at the time of balancing are opened to record specific transactions. Accounts relating to operation of business such as Sales, Purchases, Opening Stock, Income, Gains and Expenses etc and drawing are closed at the end of the year and their Total/balances are transferred to Trading, Profit and Loss account by making the journal entries. These are also called **closing entries**.
5. **Other entries** : In addition to the above mentioned entries recording of the following transaction is done in the journal proper :
 - At the time of a dishonor of a cheque the entry for cancellation of discount received or discount allowed earlier.
 - Purchase/sale of items other than goods dealt- in on credit.
 - Goods withdrawn by the owner for personal use.
 - Goods distributed as samples for sales promotion.
 - Endorsement and dishonor of bills of Exchange.
 - Transaction in respect of consignment and Joint Venture, etc. ● Loss of goods by fire/ theft/spoilage.
 - For recording amounts which have become irrecoverable.

Illustration 7

Record the following transactions in the Journal Proper of M/s Nishant Electronics:

- (i) Purchased on account furniture from M/s Furniture House for Rs.6,000.
- (ii) Purchased stationery for office use from M/s Stationery Mart Rs.700.
- (iii) Made full and final payment to M/s Furniture House by Cheque. Discount allowed by them Rs. 200.
- (iv) Prepaid Insurance Rs. 1,000.
- (v) Depreciation on Machinery Rs.3,000.
- (vi) Goods Rs.5,000 withdrawn by the partner for personal use.(vii) Rs.600 not recovered from a debtor.

Solution:**Books of M/s Nishant Electronics Journal Proper**

Date	Particulars	LF	Debit amount (Rs.)	Credit amount (Rs)
(i)	Furniture A/c Dr. To M/s Furniture House (Purchase of Furniture on Credit)		6,000	6,000
(ii)	Stationery A/c Dr. To M/s Stationery Mart (Purchase of Stationery on Credit)		700	700
(iii)	M/s Furniture House Dr. To Discount Received A/c (Discount received)*		200	200
(iv)	Prepaid Insurance A/c Dr. To Insurance Premium A/c (Insurance premium prepaid)		1,000	1,000
(v)	Depreciation A/c Dr. To Machinery A/c (Depreciation charged on Machinery)		3,000	3,000
(vi)	Partner's Capital A/c Dr. To Purchases A/c (Goods withdrawn for personal use)		5,000	5,000
(vii)	Bad Debts A/c Dr. To Debtors A/c (Amount not recovered from Debtors)		600	600

* Entry for payment to M/s Furniture House by Cheque is made in the Bank column Cash Book.