

## Unit II

### SUBSIDIARY BOOKS

#### SUBSIDIARY BOOKS

Subsidiary Books refers to books meant for specific transactions of similar nature. Subsidiary Books are also known as Special journals or day books. To overcome shortcoming of the use of the journal only as a book of original entry, the journal is subdivided into specific journals or subsidiary books.

The sub-division of journal is done as follows:

Transaction	Subsidiary Book
All cash and bank transactions	Cash Book - has columns for cash, bank and cash discount
All credit purchase of goods	Purchase Day Book
All credit sale of goods	Sales Day Book
All purchase returns – i.e. return of goods back to suppliers due to defects	Purchase Return Book or Return Outward Book
All sales returns – i.e. return of goods back from Customers	Sales Return Book or Return Inward Book

#### PURCHASE DAY BOOK

The purchase day book records the transactions related to credit purchase of goods only. It follows that any cash purchase or purchase of things other than goods is not recorded in the purchase day book. Periodically, the totals of Purchase day book are posted to Purchase account in the ledger. The specimen Purchase day book is given below:

**In the Books of .....**

#### Purchase Day Book

Date	Name of the Suppliers and details of Goods Purchased	Invoice reference	L. F.	Amount (₹)	Remarks
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### Illustration

1. Bought 20 tables @ ` 500 per table from M.M Appliances on credit @ 12% trade discount as per invoice number 22,334 on 2nd March.
2. Purchased three dozen chairs @ ` 250 each from Metro chairs as per invoice number 1112 on 4th March.
3. Second hand furniture bought from Golden Furnitures on credit as per invoice number 375 for ` 1200 on 7th March.
4. Purchased seven book racks from Mayur Furnitures for ` 4,900 paid for in cash on 6th March.
5. Purchased Machinery for ` 30,000 from Kirloskar Ltd on 9th March as per invoice number 37.

### Solution:

#### In the Books of Furniture Shop Purchase Day Book

Date	Name of the Suppliers and Details of goods purchased	Invoice reference	L. F.	Amount (₹)
2 <sup>nd</sup> Mar.	M.M Appliances 20 tables @ 500 and 12% trade discount (20 * 500) = 10000 less 12% discount	22334		8,800
4 <sup>th</sup> Mar.	Metro Chairs (3 dozen chairs @ 250 per chair)	1112		9,000
7 <sup>th</sup> Mar.	Golden Furniture	375		1,200
	Total			19,000

### SALES DAY BOOK

The sales day book records transaction of credit sale of goods to customers. Sale of other things, even on credit, will not be entered in the sales day book but will be entered in Journal Proper. If goods are sold for cash, it will be entered in cash book. Total of sales day book is periodically posted to sales account in the ledger. The specimen of a sales day book is given below.

#### In the books of .....

#### Sales Day Book

Date	Particulars	Invoice reference	L. F.	Amount	Remarks
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**Illustration**

- 1st July            Sold Tip Top clothing 50 suits of ` 2,200 each on two months credit on invoice number -2
- 11th July           Sold to New India Woolen 100 sweaters @ ` 250 each on invoice number 55
- 13th July          Received an order from Modern clothing for 100 trousers @ ` 500 at trade discount of 10%
- 17th July           Sold 50 sarees to Lunkad brothers @ ` 750 each
- 25th July           Sold T-shirts at exhibition hall for cash for ` 7,500

**Solution:**

**In the books of Cloth Marchant**  
**Sales Day Book**

Date	Particulars	Invoice reference	L. F.	Amount
1st July	Tip Top Clothing (50 suits @ ` 2,200)	2		1,10,000
11th July	New India Woolen (100 sweaters @ ` 250)	55		25,000
17th July	Lunkad brother 50 sarees @ ` 750			37,500
	Total			1,72,500

**OTHER SUBSIDIARY BOOKS – RETURNS INWARD, RETURN OUTWARD**

**Return Inward Book-** The transactions relating to goods which are returned by the customers for various reasons, such as not according to sample, or not up to the mark etc. contain in this book.

It is also known as Sales Return Book.

Generally when a customer returns good to suppliers he issues a Debit Note for the value of the goods returned by him. Similarly the supplier who receives those goods issues a Credit Note.

**Returns Inward Day Book**

Date	Particulars	Outward Invoice	L.F.	Details	Totals	Remarks

**Return Outward Book-** This book contains the transactions relating to goods that are returned by us to our creditors e.g. goods broken in transit, not according to the sample etc. It's also known as Purchase Return Book.

#### **Return Outward Day Book**

Date	Particulars	Debit Note	L.F	Details	Totals	Remarks
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### **RECORDING OF CASH AND BANK TRANSACTIONS**

#### **Cash Book**

A Cash Book is a special journal which is used for recording all cash receipts and all cash payments. Cash Book is a book of original entry since transactions are recorded for the first time from the source documents. The Cash Book is larger in the sense that it is designed in the form of a Cash Account and records cash receipts on the debit side and cash payments on the credit side. Thus, the Cash Book is both a journal and a ledger.

#### **Illustration**

Write up a single column Cash Book of Mr. Y for the month of April 2015.

1. Balance in hand ` 5,000
4. Sold goods to Mr. Z on credit ` 3,000
6. Sold goods for Cash ` 1,000
8. Purchased goods on credit from Mr. P for ` 3,000
12. Paid to Mr. P for ` 2,000 and Received Discount ` 200
15. Returned goods to Mr. P for ` 800
20. Goods Returned by Mr. Z for ` 300
25. Z settled his account for ` 2,500
26. Paid salary by cheque for ` 1,000
30. Received interest for ` 1,000

#### **Solution:**

**In the books of Mr. Y**

#### **Cash Book (as the only Book of Single Entry)**

Date	Particulars	L/F	Amount `	Date	Particulars	L/F	Amount `
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2015 Apr.1	To Balance b/d		5,000	2015 12	To, Mr. P A/c (paid to Mr. P)		2.000
6	Sales A/c (Goods sold for cash)		1,000	30	By, Balance c/d		7.500
25	To, Z's A/c (Z settled his account)		2.500				
30	To, Interest A/c (Received interest)		1.000				
			9,500				9,500
May 1	To, Balance b/d		7,500				

### Types of Cash Book

There are different types of Cash Book as follows:

**Single Column Cash Book-** Single Column Cash book has one amount column on each side. All cash receipts are recorded on the debit side and all cash payments on the payment side, this book is nothing but a Cash Account and there is no need to open separate cash account in the ledger.

**Double Column Cash Book-** The Double Column Cash Book having two amounts. Columns on each side as under:

- (a) Cash and discount columns
- (b) Cash and bank columns
- (c) Bank and discount columns

**Triple Column Cash Book-** Triple Column Cash Book has three amount columns, one for cash, one for Bank and one for discount , on each side. All cash receipts, deposits into book and discount allowed are recorded on debit side and all cash payments, withdrawals from bank and discount received are recorded on the credit side. In fact, a triple-column cash book serves the purpose of Cash Account and Bank Account both. Thus, there is no need to create these two accounts in the ledger.

**Dr.****Specimen of Single Column Cash Book****Cr.**

Receipts				Payments			
Date	Particulars	L.F.	Cash	Date	Particulars	L.F.	Cash

**Dr.****Specimen of Double Column Cash Book****Cr.**

Receipts					Payments				
Date	Particulars	L.F.	Cash	Disc. Allowed	Date	Particulars	L.F.	Cash	Disc. Received

**Dr.****Specimen of Triple Column Cash Book****Cr.**

Receipts						Payments				
Date	Particulars	L.F.	Cash	Bank	Discount Allowed	Date	Particulars	L.F. Cash	Bank	D i s c o u n t Received

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