

## Sub-Division of Journal (Purchases Book, Sales Book, Purchases Return Book, Sales Return Book and Journal Proper)

### MEANING OF KEY TERMS USED IN THE CHAPTER

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|--|---|
| 1. <b>Purchases Book</b>                           | It is a subsidiary book in which credit purchase of goods traded in are recorded.   |
| 2. <b>Purchases Return or Returns Outward Book</b> | It is a subsidiary book in which returns outward, <i>i.e.</i> , returns of goods purchased is recorded.   |
| 3. <b>Sales Book</b>                               | It is a subsidiary book in which goods sold on credit are recorded.   |
| 4. <b>Sales Return or Returns Inward Book</b>      | It is a subsidiary book in which goods returned by the customers are recorded.  |
| 5. <b>Journal Proper</b>                           | It is one of the subsidiary books, which is used to record those transactions which cannot be recorded in any other subsidiary book such as (1) Cash Book, (2) Purchases Book, (3) Sales Book, (4) Purchases Return Book and (5) Sales Return Book. |
| 6. <b>Debit Note</b>                               | It is the document prepared to debit the account of the seller. For example, purchaser of goods prepares a Debit Note when goods are returned to the seller.  |
| 7. <b>Credit Note</b>                              | It is the document prepared to credit the account of the buyer. For example, seller of goods prepares a Credit Note when goods are returned by the purchaser.   |
| 8. <b>Trade Discount</b>                           | Trade discount is the discount allowed by the seller on goods sold. It is recorded in the Purchases Book by the purchaser and Sales Book by the seller. But, in the ledger, purchases and sales are accounted at net amount.                        |

### CHAPTER SUMMARY

- **Purchases Book** (also known as **Purchases Journal**) is used for the purpose of recording goods purchased on credit with the purpose to resell or use them in production.  
Cash purchases are not recorded in the Purchases Book. They are recorded in the Cash Book.
- **Sales Book** (also known as **Sales Journal**) is used for the purpose of recording the sale of goods on credit.
- **Purchases Return Book** (also known as **Returns Outward Book**) is used for recording return of goods purchased on credit.

- **Sales Return Book** (also known as **Returns Inward Book**) is used for the purpose of recording the return of goods sold on credit.
- **Journal Proper.** Journal Proper is used for recording those transactions which do not find a place in any other subsidiary book such as (i) Cash Book, (ii) Purchases Book, (iii) Sales Book, (iv) Purchases Return Book and (v) Sales Return Book.

Entries recorded in the Journal Proper are:

- |                         |                                   |
|-------------------------|-----------------------------------|
| (i) Opening Entry       | (vi) Miscellaneous Entries:       |
| (ii) Closing Entry      | • Credit Purchase of Assets       |
| (iii) Transfer Entries  | (vii) Credit Sale of Assets:      |
| (iv) Adjustment Entries | • Writing off Bad Debts           |
| (v) Rectifying Entries  | • Endorsement of Bills Receivable |

**Table showing the Nature of Transactions Recorded in Subsidiary Books and their Effect on Ledger Accounts**

Name of the Book	Nature of Transaction Entered	Effect on Ledger Accounts	
		Debit	Credit
1. <b>Cash Book</b>	All cash and bank transactions.	Cash and Bank A/c for receipt of Cash and Cheques.	Cash and Bank A/c for Payment of Cash and Cheques.
2. <b>Purchases Book</b>	All credit purchases of goods.	Purchases A/c	Suppliers' A/c
3. <b>Sales Book</b>	All credit sales of goods.	Customers' A/c	Sales A/c
4. <b>Purchases Return Book</b>	Return of goods to suppliers.	Suppliers' A/c	Purchases Return A/c or Returns Outward A/c
5. <b>Sales Return Book</b>	Return of goods by customers.	Sales Return A/c or Returns Inward A/c	Customers' A/c
6. <b>Journal Proper</b>	All such transactions that cannot be entered in the above five books.	Account affected by transactions.	Account affected by transactions.

### Format of Purchases Book or Purchases Journal

#### PURCHASES BOOK OR PURCHASES JOURNAL

Date	Particulars	Invoice No.	L.F.	Details	Cost	Freight, Cartage, etc.	Total
(1)	(2)	(3)	(4)	₹	₹	₹	₹
				(5)	(6)	(7)	(8)

The Purchases Book has eight columns:

1. *Date.* The date of transaction is written.
2. *Particulars.* The name of the seller of goods, description of the articles, price per unit payable and quantities purchased are written.
3. *Invoice No.* Invoice number of the goods purchased is written.

4. *Ledger Folio (L.F.)*. When the Purchases Book is posted to the ledger, the page number of the ledger is written.
5. *Details*. The amount in respect of each article is written in this column. If trade discount is allowed by the seller, it is deducted from the gross amount. Thereafter, expenses payable, if any (say, freight/cartage) are added. It is shown as follows:

Quantity × Price per Article	₹
	...
Less: Trade Discount	...
	—
	...
Add: Expenses (Freight/Cartage, etc.)	...
<b>Invoice Price</b>	—
	—
	=

6. *Cost*. Cost of goods purchased.
7. *Expenses*. The expenses say freight, cartage and/or packing material, etc., payable to the seller of goods is written.
8. *Total*. The amount of invoice and expenses payable is written.

**Format of Sales Book or Sales Journal**

SALES BOOK OR SALES JOURNAL							
Date	Particulars	Invoice No.	L.F.	Details	Sale Value	Freight, Cartage, etc.	Total
(1)	(2)	(3)	(4)	₹	₹	₹	₹
				(5)	(6)	(7)	(8)

**Format of Purchases Return Book or Returns Outward Book**

Date	Particulars	Debit Note No.	L.F.	Details	Amount
				₹	₹

**Format of Sales Return Book or Returns Inward Book**

Date	Particulars	Credit Note No.	L.F.	Details	Amount
				₹	₹

## Solved Questions

### Illustration 1.

On the closing date of an accounting period of Mr. Singh that is on 31st March, 2020, make the following transfer entries:

- (i) Debtors include ₹ 2,000 due from A, whereas creditors include ₹ 1,000 due to A;
- (ii) Gross profit ₹ 70,400;
- (iii) Net profit ₹ 36,000, out of which 10% is to be transferred to reserve.

### Solution:

### JOURNAL PROPER

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020 March 31	Creditors A/c (WN 1) <span style="float: right;">...Dr.</span> To Debtors' A/c (Being the amount transferred from Creditors' A/c to Debtors' A/c)		1,000	1,000
	Trading A/c <span style="float: right;">...Dr.</span> To Profit and Loss A/c (Being the gross profit transferred to Profit and Loss A/c)		70,400	70,400
	Profit and Loss A/c <span style="float: right;">...Dr.</span> To General Reserve A/c (Being the amount transferred to general reserve)		3,600	3,600

### Working Notes:

1. Amount due from A is ₹ 2,000 and amount due to A is ₹ 1,000. Therefore, ₹ 1,000 is to be deducted from the Debtors' balance as well as from the Creditors' balance.
2. Adjustment entries are passed before they are transferred to the Trading and Profit and Loss Account and the Balance Sheet. This is because adjustment entries always have a dual effect. They affect either the Trading Account or the Profit and Loss Account but definitely the Balance Sheet.

### Illustration 2.

Pass Adjustment Entries of the following transactions in the books of Rehman at the end of the accounting year on 31st March, 2020:

- (i) Annual insurance premium of ₹ 20,000 paid up to 30th June, 2020.
- (ii) Salary of ₹ 10,000 for the month of March, 2020 is outstanding.
- (iii) Rent @ ₹ 8,000 p.m. for April and May, 2020 received in advance.
- (iv) Salary due to an employee but not received by him ₹ 2,500.
- (v) Interest due on loan but not paid. Loan on ₹ 25,000 was taken at 8% per annum on 1st July, 2019.

**Solution:**

## JOURNAL PROPER

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020 March 31	Prepaid Insurance A/c ...Dr. (i) To Insurance A/c (Being the adjustment of prepaid insurance)		4,000	4,000
	(ii) Salaries A/c ...Dr. To Outstanding Salaries A/c (Being the adjustment of salaries due but not paid)		10,000	10,000
	(iii) Rent Received A/c (₹ 8,000 × 2) ...Dr. To Rent Received in Advance A/c (Being the adjustment of rent received in advance)		16,000	16,000
	(iv) Salaries A/c ...Dr. To Outstanding Salaries A/c (Being the adjustment of salaries due but not paid)		2,500	2,500
	(v) Interest on Loan A/c (₹ 25,000 × 9/12 × 8/100) ...Dr. To Outstanding Interest A/c (Being the adjustment of outstanding interest for 9 months)		1,500	1,500

**Unsolved Questions**

1. (*Opening Entries*). Following balances appeared in the Balance Sheet of Ram Stores on 31st March, 2020. Pass necessary Journal entries for opening the books for the year 2019–20:

*Debit Balances:* Furniture ₹ 4,000; Machinery ₹ 20,000; Debtors ₹ 5,000; Bills Receivable ₹ 11,800; Cash ₹ 14,200.

*Credit Balances:* Capital ₹ 30,000; Bills Payable ₹ 15,000; Creditors ₹ 10,000.

2. Record the following transactions into proper subsidiary books, close the subsidiary books on 31st January, 2020 and post them into Ledger:

2020		₹
Jan. 1	Purchased goods from Mahinder of the list price of ₹ 40,000 less Trade Discount 10%	
Jan. 5	Sold goods to Moti	10,000
Jan. 6	Returned goods to Mahinder of the list price	5,000
Jan. 7	Sold goods to Shyam Singh	30,000
Jan. 8	Sold goods to Harish	12,000
Jan. 19	Sold goods to Moti	6,000
Jan. 27	Sold goods to Mahesh	8,000

**GUIDE TO ANSWER**

2. Total of Purchases Book—₹ 1,27,200; Total of Sales Book—₹ 43,437.50.