

404 AEC Agriculture Accounting

Lecture#3

Subdivision of the Journal

By

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Subdivision of the Journal

Where the number of transactions are many it would be time consuming and cumbersome if each and every transaction were to be entered in a single Journal.

Usually firms maintain subsidiary books to record transactions.

These books are:

1. Cash Book (to record cash and bank transactions)

2. Petty Cash Book (to record cash payments involving small amounts)

3. Sales Book (to record credit sales)

4. Purchase Book (to record Debit purchases)

5. Sales Return Book (to record return from customers)

6. Purchase Returns Book (to record return to suppliers)

7. Bills Receivable Book (to record acceptances received)

8. Bills Payable Book (to record acceptances given)

9. Journal Proper (to record transactions which cannot be entered in any of the above specialized Journals)

1-Cash Book

All transactions relating to each cash are recorded in the cash book, and on the basis of such a record ledger accounts are prepared.

The different types of cash book are:

- (a) Simple Cash Book
- (b) Two Column Cash Book
- (c) Three Column Cash Book:

1-Cash Book

(a) Simple Cash Book

The simple cash book is maintained strictly for cash transactions, a bank book being maintained separately for bank transactions.

| Dr. | Receipts | | | | Payments | | Cr. |
|------|-------------|----|--------|------|-------------|----|--------|
| Date | Particulars | LF | Amount | Date | Particulars | LF | Amount |
| | | | | | | | |

1-Cash Book

(b) Two Column Cash Book

Unlike the simple cash book , the Two Column Cash Book **combines both bank and cash transactions** for the sake of convenience due to the ever increasing bank transactions.

[illegible]

The cash book is so ruled that the debit column of cash and bank are placed alongside each other likewise with the credit column of cash and bank.

The bank column contains details of payment made by cheques and money received and paid into the bank A/c.

[illegible]

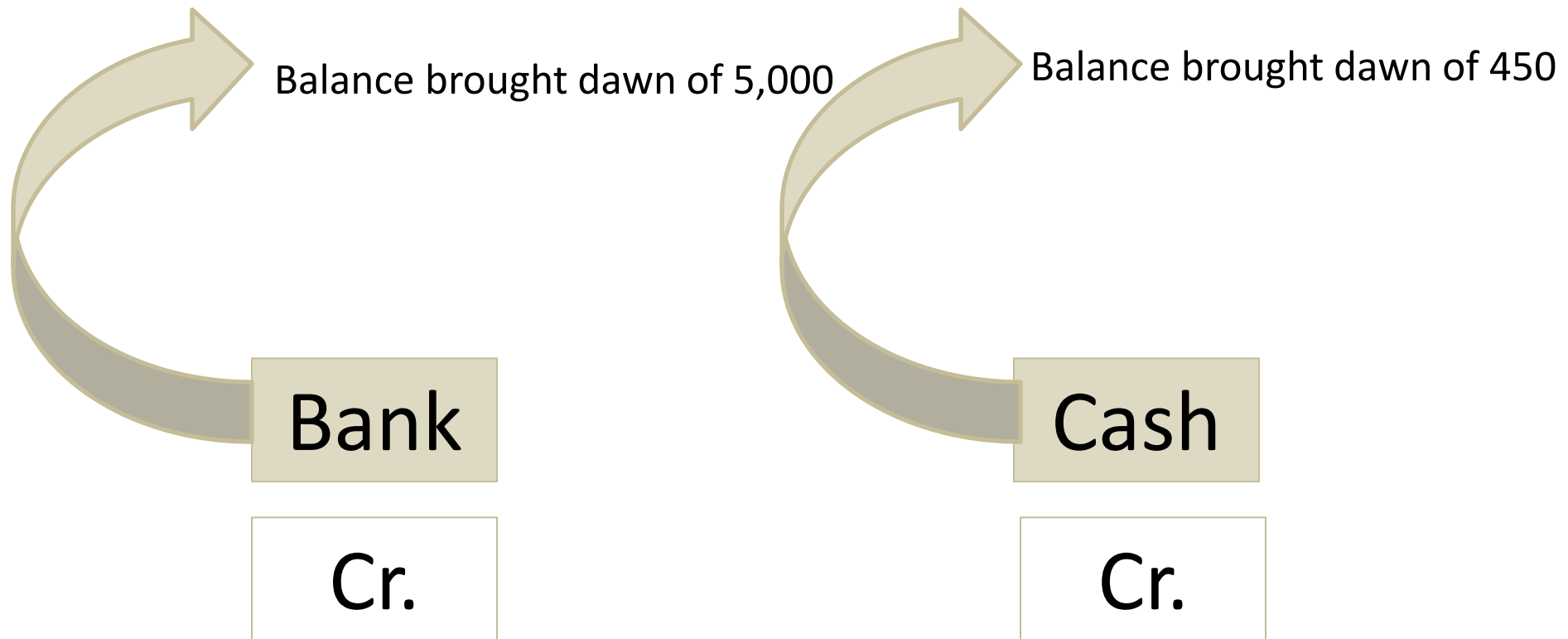
Illustration

Enter the following transactions in a two column cash book, 1997

| | |
|--------|---|
| Jan 1 | Balances brought dawn – bank Rs. 5,000 and cash Rs. 450 |
| Jan 3 | Withdrew Rs. 2,000 from bank |
| Jan 5 | Bought goods for Rs.1,500 paying by cheque |
| Jan 8 | Purchased stationery by cash Rs.50 |
| Jan 11 | Paid electricity bill Rs.100 by cheque |
| Jan 15 | Sold goods for Rs.2,000 and received cheque |
| Jan 20 | Paid into bank Rs.150 |

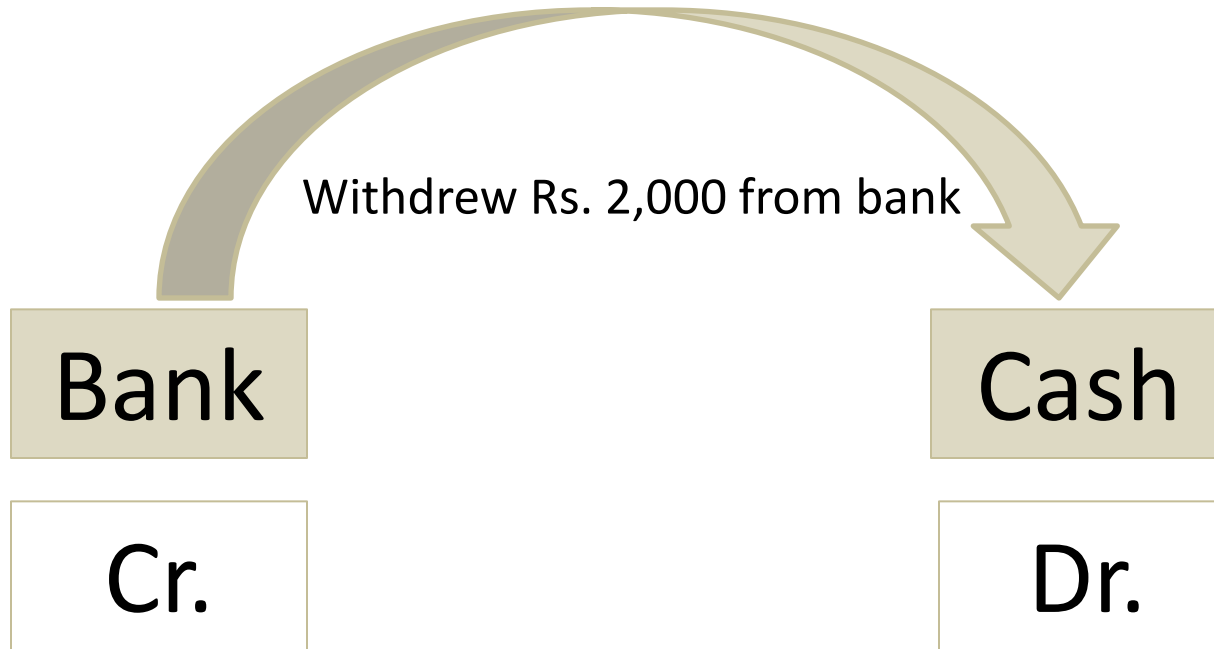
Note that .. Record Debit in Credit and Credit in Debit

First Analyze Transactions



| Dr. | Receipts | | | | | Payments | | | Cr. |
|-------|----------------|----|------|-------|------|-------------|--------|------|------|
| Date | Particulars | LF | Cash | Bank | Date | Particulars | L F | Cash | Bank |
| 1997 | | | | | | | | | |
| Jan 1 | To Balance b/d | | 450 | 5,000 | | | | | |

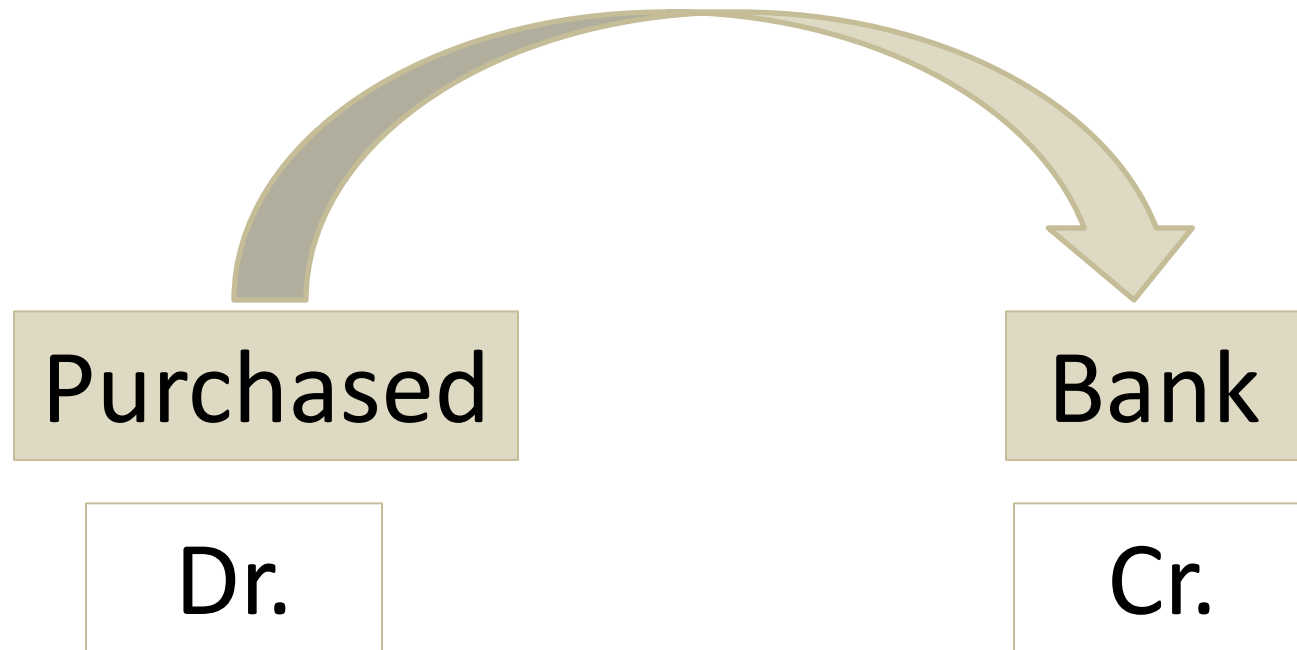
First Analyze Transactions



| Dr. | Receipts | | | | | Payments | | | Cr. |
|--------------|-------------|----|-------|------|-------|-------------|--------|------|-------|
| Date 1997 | Particulars | LF | Cash | Bank | Date | Particulars | L F | Cash | Bank |
| Jan3 | To Bank | C | 2,000 | | Jan 3 | By Cash | C | | 2,000 |

In the folio columns the letter “C” is used whenever cash is being paid into the bank or there is a receipt from the bank, “C” means contra item and described transaction affecting only cash and bank accounts.

Bought goods for Rs.1,500 paying by cheque



| Dr. | Receipts | | | | | Payments | | | Cr. |
|--------------|-------------|----|------|------|-------|--------------|--------|------|-------|
| Date 1997 | Particulars | LF | Cash | Bank | Date | Particulars | L F | Cash | Bank |
| | | | | | Jan 5 | By Purchases | | | 1,500 |

Cash

Cr.

| Dr. | Receipts | | | | | Payments | | | Cr. |
|--------------|-------------|----|------|------|-------|-------------|--------|------|------|
| Date 1997 | Particulars | LF | Cash | Bank | Date | Particulars | L F | Cash | Bank |
| | | | | | Jan 8 | stationery | | 50 | |

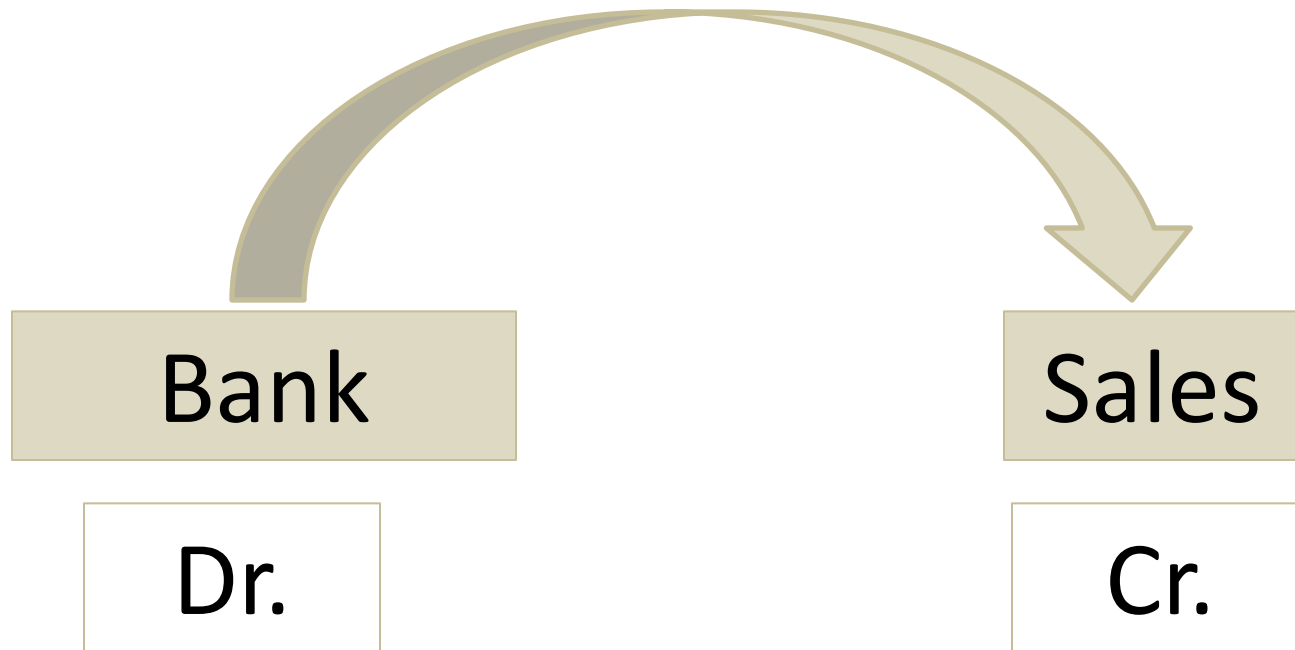


Bank

Cr.

| | | | | | | | | | |
|----------------------------|--------------------|-----------|-------------|-------------|---------------|--------------------|----------------------|-------------|-------------|
| Dr. | Receipts | | | | | Payments | | | Cr. |
| Date 1997 | Particulars | LF | Cash | Bank | Date | Particulars | L F | Cash | Bank |
| | | | | | Jan 11 | electricity | | | 100 |

Sold goods for Rs.2,000 and received cheque



| Dr. | Receipts | | | | | Payments | | | Cr. |
|-------|-------------|----|------|-------|------|-------------|--------|------|------|
| Date | Particulars | LF | Cash | Bank | Date | Particulars | L F | Cash | Bank |
| 1997 | | | | | | | | | |
| Jan15 | To Sales | | | 2,000 | | | | | |

Paid into bank Rs.150



| Dr. | Receipts | | | | | Payments | | | Cr. |
|-------|-------------|----|------|------|-------|-------------|--------|------|------|
| Date | Particulars | LF | Cash | Bank | Date | Particulars | L F | Cash | Bank |
| 1997 | | | | | | | | | |
| Jan20 | To Cash | C | | 150 | Jan20 | By Bank | C | 150 | |

Make Balance

| Dr. | Receipts | | | | | Payments | | | Cr. |
|--------------|----------------|-------|-------|-------|-------|----------------|--------|-------|-------|
| Date 1997 | Particulars | LF | Cash | Bank | Date | Particulars | L F | Cash | Bank |
| Jan 1 | To Balance b/d | | 450 | 5,000 | Jan 3 | By Cash | C | | 2,000 |
| Jan3 | To Bank | C | 2,000 | | Jan 5 | By Purchases | | | 1,500 |
| Jan15 | To Sales | | | 2,000 | Jan 8 | By Stationery | | 50 | |
| Jan20 | To Cash | C | | 150 | Jan11 | By Electricity | | | 100 |
| | | | | | Jan20 | By Bank | C | 150 | |
| | | | | | Jan30 | By Balance | | 2,250 | 3,550 |
| | | | 2,450 | 7,150 | | | | 2,450 | 7,150 |
| Feb 1 | To Balance b/d | 2,250 | 3,550 | | | | | | |

the difference
in smaller side

(c) Three Column Cash Book:

The three column cash book has **the cash and bank discount column**.

Cash discount is an incentive given to customers to pay before the date specified.

It encourages early payment and when given to a customer is a loss and when received from a supplier is a gain.

Since this discount arises only when cash is received or paid it is recorded in the cash book, **discount allowed on the debit side** and **discount received on the credit side** of the cash book.

| Dr. | | Receipts | | Payments | | Cr. | |
|-----|--|----------|----------------|----------|--|-----|--|
| | | | Bank Rs. | | | | |
| | | | Cash Rs. | | | | |
| | | | Disc . Rec. | | | | |
| | | | LF | | | | |
| | | | Particulars | | | | |
| | | | Date (may) | | | | |
| | | | Bank Rs. | | | | |
| | | | Cash Rs. | | | | |
| | | | Disc . allowed | | | | |
| | | | LF | | | | |
| | | | Particulars | | | | |
| | | | Date (may) | | | | |

Illustration

Enter the following transactions in the form of a three column cash book.

- | | |
|--------|---|
| May 1 | Balances Brought down – bank Rs. 3080, cash Rs. 709 |
| May 2 | Paid wages in cash Rs. 218 |
| May 4 | Received Rs. 177 cash from Kiran after allowing him a discount of Rs. 13. |
| May 6 | Paid Ravi Rs.188 after deducting discount of Rs. 12 by cheque. |
| May 8 | Received cheque for Rs. 485 from Ali after allowing him a discount of 3%. |
| May 10 | Received cash from Joshi of Rs. 145.5 a discount 3% being deducted. |

First Analyze Transactions

Balance brought dawn of 3080

► Balance brought dawn of 709

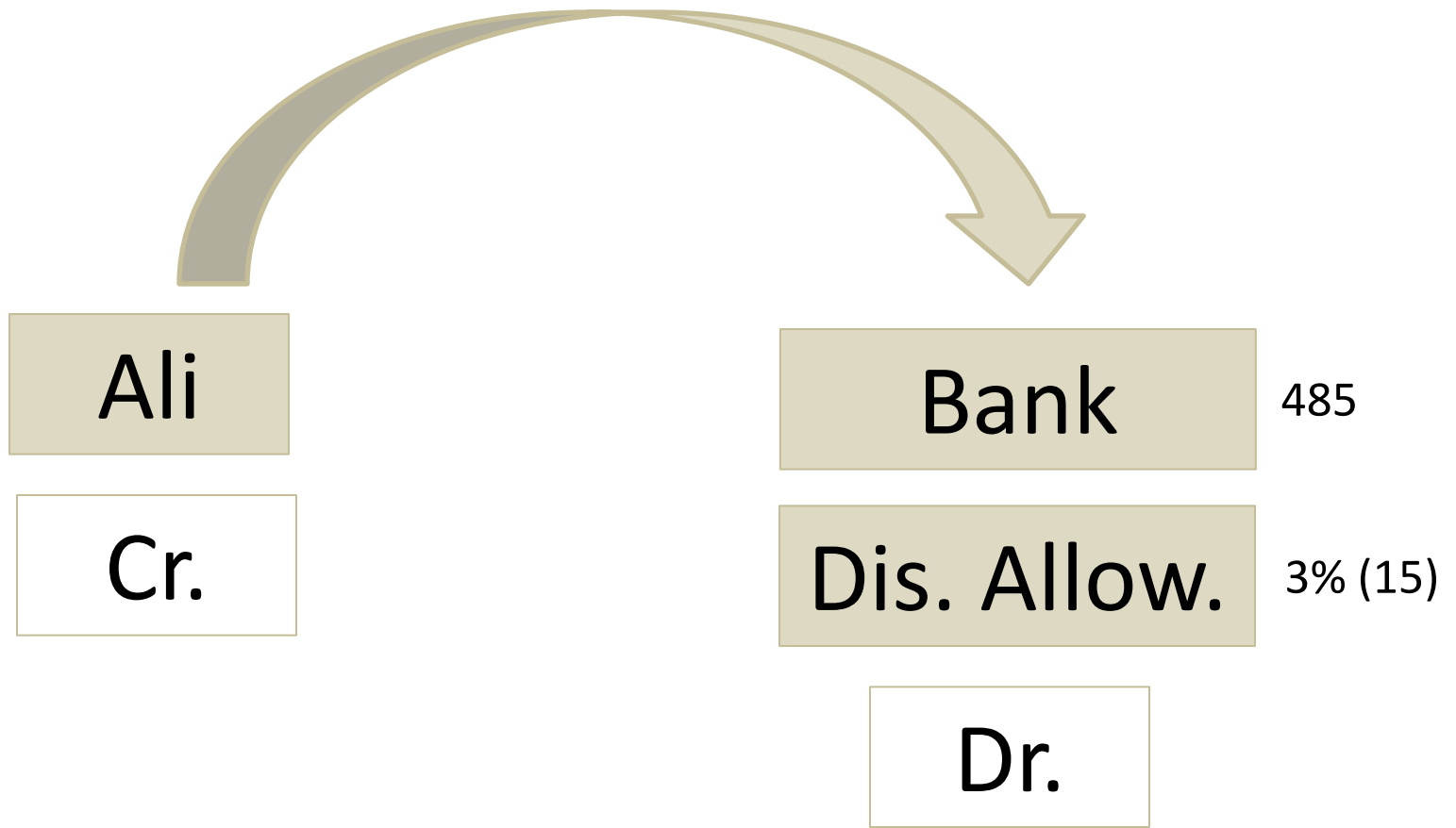
Bank

Cr.

Cash

Cr.

| Dr. | | | | | | Cr. | | | | | |
|----------|--|--|--|--|--|---------------------|--|--|--|--|--|
| Receipts | | | | | | Payments | | | | | |
| | | | | | | Bank Rs. | | | | | |
| | | | | | | Cash Rs. | | | | | |
| | | | | | | Disc Rec. | | | | | |
| | | | | | | LF | | | | | |
| | | | | | | Particulars | | | | | |
| | | | | | | Date (may) | | | | | |
| | | | | | | Bank Rs. | | | | | |
| | | | | | | Cash Rs. | | | | | |
| | | | | | | Disc allowed | | | | | |
| | | | | | | LF | | | | | |
| | | | | | | Particulars | | | | | |
| | | | | | | Date (may) | | | | | |



| Dr. | | Receipts | | Payments | | Cr. | |
|-----|-------------|----------|--|----------|--|-----|--|
| | Bank Rs. | | | | | | |
| | Cash Rs. | | | | | | |
| | Disc Rec. | | | | | | |
| | LF | | | | | | |
| | Particulars | | | | | | |
| | Date (may) | | | | | | |

| Dr. | | | | | | Cr. | | | | | |
|---------------|----------------|-----------------|----------|-------------|---------------|-------------------|--------------|----------|-------------|--|--|
| Receipts | | | Payments | | | Receipts | | | Payments | | |
| Date (may) | Particulars | Disc allowed | Cash Rs. | Bank Rs. | Date (may) | Particulars | Disc Rec. | Cash Rs. | Bank Rs. | | |
| 1 | To balance b/d | | 709 | 3080 | 2 | By wages | | 218 | | | |
| 4 | To kiran | 13 | 177 | | 6 | By ravi | 12 | | 188 | | |
| 8 | To Ali | 15 | | 485 | | | | | | | |
| 10 | To joshi | 4.5 | 145.5 | | 11 | By balance c/d | | 813.5 | 3377 | | |
| | | 32.5 | 1031.5 | 3565 | | | 12 | 1031.5 | 3565 | | |
| 11 | To balance b/d | | 813.5 | 3377 | | | | | | | |

Discount allowed is transferred to the discount allowed account in the ledger.

Similarly, discount received (credit discount column) is transferred to the discount received account in the ledger.

2-Petty Cash Book

In any business there will be numerous small cash payments.

It would be advantageous if these payments could be kept separate from the main cash book.

This separate book is called Petty Cash Book.

In this system the cashier gives the petty cashier a fixed amount of cash to meet his needs for the ensuing period.

At the end of the period the cashier make sure of the amount spent by the petty cashier and repay the same to him.

The petty cash in hand will then be equal to the original amount at the beginning of the period.

example

| | |
|--|---------|
| Amount given by cashier at the beginning | Rs. 200 |
| Expenses during the period | Rs. 142 |
| Petty cash in hand | Rs. 58 |
| Reimbursement from cashier | Rs. 142 |
| Petty cash at the end of the period | Rs. 200 |

Illustration

July 1 The cashier of a firm gives Rs. 200 as imprest to the petty cashier. Payments of petty cash during July are :

July 2 Postage stamps purchased Rs. 10

July 3 Pencils bought Rs. 3

July 4 Bus fare Rs. 3

July 5 Cleaning charges Rs. 15

July 6 Wages to coolie for shifting furniture Rs. 15

July 9 Taxi fare paid Rs. 10

July 10 Refreshments bought for customers for Rs. 17

July 14 Telegram charges Rs. 7

July 15 Stationery bought Rs. 9

July 17 Repair of chair Rs. 12

July 18 Battery for clock purchased Rs. 6

July 21 Stamps bought Rs. 8

July 23 Spare keys made for manager's cabin Rs. 5

July 24 Busfare Rs. 2

July 26 Casual labour Rs. 9

July 27 Carbon paper Rs. 5

July 29 Newspaper (special edition) Rs. 3

July 30 Busfare Rs. 3

Write up the petty cash book, cash book and the necessary ledger accounts.

| | | Petty Cash Book | | | | | | | | |
|--------------|----------------|-----------------|-------------------------|---------------|--------------|---------|------------|------------|---------------------|--------------------------|
| Dr. | | Receipt | | | | | | Payment | | Cr. |
| Date 2003 | Particulars | Amt. Rs. | Receipt Date 2003 | Particulars | Total Rs. | Postage | Stationery | Travelling | Cleaning Payment | Other Expns |
| July1 | To cash book | 200 | | | | | | | | |
| | | | Jul2 | By Postage | 10 | 10 | | | | |
| | | | 3 | By Stationary | 3 | | 3 | | | |
| | | | 4 | By Travelling | 3 | | | 3 | | |
| | | | 5 | By Cleaning | 15 | | | | 15 | |
| | | | 6 | Other Expns. | 15 | | | | | 15 wages to colic |
| | | | 9 | By Travelling | 10 | | | 10 | | |
| | | | 10 | Other Expns. | 17 | | | | | 17 refreshment |
| | | | 14 | By Postage | 7 | 7 | | | | |
| | | | 15 | By Stationary | 9 | | 9 | | | |
| | | | 17 | Other Expns. | 12 | | | | | 12 Repair of chair |
| | | | 18 | Other Expns. | 6 | | | | | 6 battery |
| | | | 21 | By Postage | 8 | 8 | | | | |
| | | | 23 | Other Expns. | 5 | 5 | | | | 5 spare Key |
| | | | 24 | By Travelling | 2 | | | 2 | | |
| | | | 26 | Other Expns. | 9 | | | | | 9 Casual labor |
| | | | 27 | By Stationary | 5 | | 5 | | | |
| | | | 29 | Other Expns. | 3 | | | | | 3Newspaper (spl.Edition) |
| | | | 30 | By Travelling | 3 | | | | | |
| | | | | | 142 | 25 | 17 | 18 | 15 | 67 |
| | | | 31 | ByBalance b/d | 58 | | | | | |
| | | | | | 200 | | | | | |
| Augst1 | To Balance b/d | 58 | | | | | | | | |
| Augst1 | To Cash | 142 | | | | | | | | |

| Dr. | | | Cash Book | | | | | | Cr. |
|------|-------------|----|------------|------------|--------|---------------|----|------------|------------|
| Date | Particulars | LF | Cash | Bank | Date | Particulars | LF | Cash | Bank |
| 2003 | | | <u>Rs.</u> | <u>Rs.</u> | (2003) | | | <u>Rs.</u> | <u>Rs.</u> |
| | | | | | Jul1 | To Petty Cash | | 200 | |

General Ledger

| Dr. Travelling Account | | | | | | Cr. |
|------------------------|---------------|------------|------|-------------|------------|-----|
| Date | Particulars | Amount | Date | Particulars | Amount | |
| 2003 | | <u>Rs.</u> | 2003 | | <u>Rs.</u> | |
| July31 | To Petty Cash | 18 | | | | |

| Dr. Printing & Stationery Account | | | | | | Cr. |
|-----------------------------------|---------------|------------|------|-------------|------------|-----|
| Date | Particulars | Amount | Date | Particulars | Amount | |
| 2003 | | <u>Rs.</u> | 2003 | | <u>Rs.</u> | |
| July31 | To Petty Cash | 17 | | | | |

}

| Dr. Postage & Telegram Account | | | | | | Cr. |
|--------------------------------|---------------|------------|------|-------------|------------|-----|
| Date | Particulars | Amount | Date | Particulars | Amount | |
| 2003 | | <u>Rs.</u> | 2003 | | <u>Rs.</u> | |
| July31 | To Petty Cash | 25 | | | | |

Similarly there will be Clearing Expenses and Other Expenses Accounts.

3-Sales Book

The sales book records all credit sales of goods of business, cash sales are recorded in cash book.

The form of a sales book can be explained with the following example:

| | Sales Book | | | | |
|--------------|-------------|----|----------------|---------------|---------------|
| Date 2003 | Particulars | LF | Invoice No. | Amount Rs. | Amount Rs. |
| | | | | | |

Illustration

Transactions of Beauty Ltd, 2003, June

- 1 Sold to P Ltd. 25 jars of cream @ Rs. 37 and 200 packets of powder @ Rs. 9.50 each less trade discount T.D. @ 10%.
- 2 Sold old books to B Ltd. on credit Rs. 750
- 4 Sold to S stores 35 packets of powder @ Rs. 9.50 for cash. ($35 \times 9.5 = 332.5$)
- 7 Sold to A departmental stores 310 packets of powder @ Rs. 9.50 and 40 jars of cream @ Rs. 36 each less T.D. @ 10%.

Note.

Cash sales and sale of the old books (asset) in cash are not entered in the sales book.

Trade discount is allowed where a customer purchases goods above a certain quantity or amount.

Only the net amount i.e., after deduction of **trade discount** is considered.

No entry is made in the ledger accounts.

| | Sales Book | | | | | |
|--------------|---|----|----------------|----------------|------------------|--|
| Date 2003 | Particulars | LF | Invoice No. | Amount Rs. | Amount Rs. | |
| Jun1 | P. Ltd. - 25 jars of cream@Rs. 37 - 200 packets of powder@Rs.9.5 | | | 925 1,900 | | |
| | | | | 2,825 | | |
| | Less : T.D. @ 10% | | | 282.5 | 2.542.5 | |
| Jun 7 | A Departmental Stores – 40 jars of cream @ Rs. 36 1,440 – 310 packets of powder @ Rs. 9.5 | | | 1,441 2,945 | | |
| | | | | 4,385 | | |
| | Less : T.D. @ 10% | | | 438.5 | 3,946.5 6,489 | |

| Dr. | Sales Account | | | | Cr. |
|--------------|----------------|---------------|--------------|----------------------------|---------------|
| Date 2003 | Particulars | Amount Rs. | Date 2003 | Particulars | Amount Rs. |
| June 1 | To Balance c/d | 6821.5 | 4 | By Cash (35*9.50) | 332.5 |
| | | | 7 | By Sales as per sales book | 6489 |
| | | 6821.5 | | | 6821.5 |

Difference between Trade discount and Cash discount

| Cash Discount | Trade Discount |
|--|--|
| When payment is made earlier than the stipulated date. | It is normally allowed on purchases. |
| Cash discounts allowed/received are accounted for in the ledger. | Trade Discount is not entered in ledger. |
| It is not deducted from the invoice. | The amount of trade discount is deducted from the invoice. |

4-Purchase Book

The purchase book records all credit purchases of goods of business, cash purchases and credit purchases of **assets** are not entered in this book. The form of a purchase book as the following.

| | Purchase Book | | | | |
|--------------|---------------|----|--|---------------|---------------|
| Date 200* | Particulars | LF | | Amount Rs. | Amount Rs. |
| | | | | | |

Illustration

Transaction of M/s Sporting Ltd, 2003

- July 1 Purchased from Indian Sports Co. on credit 75 cricket bats at Rs. 100 each 90 footballs at Rs. 80 each less trade discount at 10%.
- July 3 Purchased from Gripwell Co. 45 hockey sticks at Rs. 85 each for cash.
- July 7 Purchased vacuum cleaner for office use from M/a Spic & Span on credit Rs. 3050
- July 8 purchased on credit from Wicket Pvt. Ltd. 40 Cricket bats at Rs. 105 each 70 footballs at Rs. 82 each less trade discount at 10%
- July 9 Purchased from Green & Co. 15 Hockey sticks at Rs. 75 each on credit.

Notes

- Cash purchases of goods and purchase of assets (i.e., vacuum cleaner) are not entered in the purchase book.
- From the purchase book a purchase account is prepared.
- The Purchase account records the cash purchases also.

| | Purchase Book | | | | |
|--------------|--|----|--|---------------|---------------|
| Date 2003 | Particulars | LF | | Amount Rs. | Amount Rs. |
| Jun1 | Indian Sports Co. 75 Cricket bats @ Rs. 100 each | | | 7,500 | |
| | Footballs @ Rs. 80 each | | | 7,200 | |
| | | | | 14,700 | |
| | Less : Trade Discount 10 % | | | 1,470 | 13,230 |
| Jun 8 | Wicket Pvt. Ltd. 40 Cricket bats @ Rs. 105 each | | | 4,200 | |
| | 70 Footballs @ Rs. 82 each | | | 5,740 | |
| | | | | 9,940 | |
| | Less : T.D. @ 10% | | | 994 | 8,946 |
| Jun 9 | Green and Company 15 Hockey Sticks @ Rs. 75 each | | | | 1,125 |
| | Total | | | | 23,301 |

| Dr. | Purchase Account | | | | | | Cr. |
|--------------------|-----------------------------------|----|---------------|----------------------|----------------|----|---------------|
| Date (Jul, '03) | Particulars | JF | Amount Rs. | Date ((Jul, '03)) | Particulars | JF | Amount Rs. |
| 3 | To Cash | | 3,825 | Oct 9 | By Balance c/d | | 27,126 |
| 9 | To Purchases as per purchase book | | 23,301 | | | | |
| | | | 27126 | | | | 27126 |

| Dr. | Purchase Ledger | | | | Cr. |
|--------------------|-----------------|------------|--------------------|------------------|---------------|
| Date (Jul, '03) | Particulars | Amount Rs. | Date (Jul, '03) | Particulars | Amount Rs. |
| | | | 1 | By Purchases A/c | |
| | | | | Wicket Pvt. Ltd | 8,946 |
| | | | 8 | By Purchases A/c | 23,301 |

5-Sales Return Book:

The sales return book is also known as Returns Inward Book. Where customers frequently return the goods sold to them it would be convenient to record the returns in a separate book called the Sales Return Book.

Where goods are returned by customers a document known as credit note will be sent to them, showing the amount of allowance given in respect of the returns.

The term credit note takes its name from the fact that the customer's account will be credited with the amount of the allowance, so as to show the reduction in the amount owed by him.

5-Sales Return Book:

The Sales Return Book is illustrated below with assumed figures:

| Date (July 2003) | Particulars | JF | Amt. Rs. | Amt. Rs. |
|---------------------|---|----|-------------|-------------|
| 5 | Indian Glassware Co. 20 Glass Cups @ Rs. 8 | | 160 | |
| | Less : Trade Discount @ 10@ | | 16 | 144 |
| | | | | |
| 27 | Hindustan Dept. Stores 15 Coffee Cups @ Rs. 10 | | 150 | |
| | Less : Trade Discount @ 10% | | 15 | 135 |
| | Total | | | 279 |

The form of credit note is illustrated below:

| Date (July 2003) | Particulars | JF | Amt.Rs. | Amt. Rs. |
|-------------------------|--|---|---------|--|
| | | | | Indian Glassware Co. 15,N.S.C.Road Chennai-600 052 |
| to | Bric - A - Brac Co. Ltd. 19, Lal Street, Delhi - 110 103 | | | |
| | | Credit Note No. 8/83 Per unit Rs. | | 166 |
| 20 Glass Cups | | 8 | | 16 |
| Less:Trade discount 10% | | | Total | 144 |

The total of the Sales Return Book is transferred to the sales returns account.

| Dr. | Sales Return Account | | | | | | Cr. |
|----------------|---|----|--------|----------------|----------------|----|--------|
| Date (2003) | Particulars | JF | Rs. P. | Date (2003) | Particulars | JF | Rs. P. |
| Jul 31 | To Sales returns as per sales return book | | 279 | Jul 31 | By Balance c/d | | 279 |
| | | | 279 | | | | 279 |
| Aug 1 | To Balance b/d | | 279 | | | | |

The total of the Sales Return Book is transferred to the sales returns account.

| Dr. | Indian Glassware Co. Account | | | | | | Cr. |
|----------------|------------------------------|----|--------|----------------|---------------------|----|--------|
| Date (2003) | Particulars | JF | Rs. P. | Date (2003) | Particulars | JF | Rs. P. |
| Jul 31 | To Balance c/d | | 144 | Jul 5 | By Sales Returns | | 144 |
| | | | 144 | | | | 144 |
| | | | | Jul 6 | By Balance b/d | | 144 |

The total of the Sales Return Book is transferred to the sales returns account.

| Dr. | Hindustan Departmental Store | | | | | | Cr. |
|----------------|------------------------------|----|--------|----------------|------------------|----|--------|
| Date (2003) | Particulars | JF | Rs. P. | Date (2003) | Particulars | JF | Rs. P. |
| Jul 27 | To Balance c/d | | 135 | | By Sales Returns | | 135 |
| | | | 135 | | | | 135 |
| | | | | Jul 28 | By Balance b/d | | 135 |

6-Purchases Returns Book:

When goods are returned to suppliers these are recorded in the Purchases Returns or Returns Outward Book.

A debit note is sent to the supplier stating the amount of allowance to which the firm returning the goods is entitled.

The term Debit Note stems from the fact that as the liabilities to the supplier is accordingly reduced and his personal account must be debited to record this.

The Return Outward book is illustrated below.

| Date | Particulars | JF | Rs. | Rs. |
|--------|-----------------------------|----|-------|-------|
| May 15 | Travel Luggage Co. | | | |
| | 2 40" Suitcases @ Rs. 500 | | 1,000 | |
| | Less : Trade discount @ 10% | | 100 | 900 |
| May 26 | Bags & Bags Co | | | |
| | One 24" travel bag | | | 200 |
| | | | Total | 1,100 |

The total of the Returns Outward Book is transferred to the Returns Outwards account.

| Dr. | | Return Outward Account | | | | Cr. | |
|-------|----------------|------------------------|--------|--------|---|-----|--------|
| Date | Particulars | JF | Rs. P. | Date | Particulars | JF | Rs. P. |
| May31 | To Balance c/d | | 1,100 | May31 | By Returns | | 1,100 |
| | | | | | Less : Outwards as per Returns Outwards Book | | |
| | | | 1,100 | | | | 1,100 |
| | | | | June 1 | By Balance b/d | | 1,100 |

| Dr. | Travel Luggage Co. | | | | | | Cr. |
|-------|--------------------|--------|--------|-------|----------------|--------|--------|
| Date | Particulars | J F | Rs. P. | Date | Particulars | J F | Rs. P. |
| May15 | To Returns Outward | | 900 | May15 | By Balance c/d | | 900 |
| | | | 900 | | | | 900 |
| May16 | To Balance c/d | | 900 | | | | |

| Dr. | Bags & Bags Co. | | | | | | Cr. |
|-------|--------------------|--------|--------|-------|----------------|--------|--------|
| Date | Particulars | J F | Rs. P. | Date | Particulars | J F | Rs. P. |
| May26 | To Returns Outward | | 200 | May26 | By Balance c/d | | 200 |
| | | | 200 | | | | 200 |
| May27 | To Balance b/d | | 200 | | | | |

7-Bills Receivable Books:

When the number of bills or promissory notes received is large, instead of journalizing each receipt of bills, which would be difficult, a register to record all receipts of bill is maintained.

Every month this register is totaled.

Receipts of cash in respect of bills will be recorded in the cash book.

Only the endorsement of bills in favor of other parties or dishonor (not paid) will be journalized.

Illustration

X received the following bills:

Sept 5

- Drew on A a bill of exchange at 3 months which was accepted and returned by him on 5th Sept. 2002 The amount being Rs. 1,500.

Sept 20

- Drew on C a bill of exchange for Rs. 2,500 at 2 months which was accepted on the same day. The bill was payable at Union Bank of India.

The Bill Receivable Book can be illustrated with the following example :

| Sr. No. | From whom received | Acceptor | Date of bill | Term | Date of maturity | Amount | How disposed of |
|---------|--------------------|----------|--------------|-------|------------------|--------|-----------------|
| 1 | A | A | Sept5 | 3mths | Dec. 8 | 1,500 | |
| 2 | C | C | Sept20 | 2mths | Nov 23 | 2,500 | |
| | | | | | | 4,000 | |

The total of the Bills Receivable is transferred to the Bills Receivable A/c.

8-The Bills Payable Book

The Bills Payable Book recording the acceptances given.

| | Bills Payable Book | | | | | | |
|---------|--------------------|---------------|-------|------------------|----------------|------------|---------|
| Sr. No. | Date of issue | To whom given | Term | Date of maturity | Where maturity | Amount Rs. | Remarks |
| 1 | Aug 13 | P | 1 mth | Sep 16 | --- | 3,000 | |
| 2 | Aug 17 | Q | 2 mth | Nov 20 | Canara Bank | 5,000 | |
| | | | | | | 8,000 | |

Illustration :

M accepted the following bills, 2002

Aug 13 Accepted P's bill for Rs. 3,000 due in one month.

Aug 17 Accepted Q's bill for Rs. 5,000 due in two months payable at Canara Bank

| Bills Payable Book | | | | | | | |
|--------------------|---------------|---------------|-------|------------------|----------------|------------|---------|
| Sr. No. | Date of issue | To whom given | Term | Date of maturity | Where maturity | Amount Rs. | Remarks |
| 1 | Aug 13 | P | 1 mth | Sep 16 | --- | 3,000 | |
| 2 | Aug 17 | Q | 2 mth | Nov 20 | Canara Bank | 5,000 | |
| | | | | | | 8,000 | |

| Dr. | Bills Payable Account | | | | | | Cr. |
|------|-----------------------|--------|--------|--------------|---|--------|--------|
| Date | Particulars | J F | Rs. P. | Date 2002 | Particulars | J F | Rs. P. |
| | | | | Aug 31 | By Sundries as per Bills Payable Book | | 8,000 |

| Dr. | P's Account | | | | | | Cr. |
|--------------|----------------------|--------|--------|--------------|-------------|--------|--------|
| Date 2002 | Particulars | J F | Rs. P. | Date 2002 | Particulars | J F | Rs. P. |
| Aug 13 | To Bills Payable A/c | | 3,000 | | | | |

| Dr. | Q's Account | | | | | | Cr. |
|--------------|----------------------|--------|--------|--------------|-------------|--------|--------|
| Date 2002 | Particulars | J F | Rs. P. | Date 2002 | Particulars | J F | Rs. P. |
| Aug 17 | To Bills Payable A/c | | 5,000 | | | | |

9-Journal Proper:

All transactions which do not find place in the subsidiary books find place in the journal proper.

Opening entries, closing entries, adjustment entries, rectification entries etc. appear in the journal proper.

e.g. Purchase of fixed asset on credit :

Asset A/c Dr.

To Creditor's A/c

e.g. Drawings made by the proprietor

a) Cash drawn

Drawings A/c Dr.

To Bank/Cash A/c

b) Goods withdrawn at sale or purchase price for personal use :

Drawings A/c Dr.

To Purchase/Sale A/c