

8



320en08

SPECIAL PURPOSE BOOKS

In the previous lesson you have learnt that Journal can be divided into different Journals/Books, so that we may get information separately as per the nature of transactions. These journals/books are called Special Purpose Books or subsidiary books. You have already learnt one such special purpose book i.e., Cash Book. In this lesson you will learn other such books like Purchases Book, Purchase Returns Book, Sales Book and Sales Returns Book. A business organisation can divide the journal into many more journals, if the number of transactions of similar nature is quite large.



OBJECTIVES

After studying this lesson, you will be able to :

- state the meaning of Purchases Book and Purchase Returns Book;
- prepare Purchases Book and Purchases Returns Book as per format and its ledger posting;
- state the meaning of Sales Book and Sales Returns Book;
- prepare Sales Book and Sales Returns Book as per format and its ledger posting;
- state the meaning of Bills receivable and bills payable book with its format and
- state the meaning of Journal Proper and its preparation.

8.1 PURCHASES AND PURCHASES 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



Notes

is not recorded in this book. These 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:

Purchases (Journal) Book

<i>Date</i>	<i>Invoice No.</i>	<i>Name of supplier</i>	<i>L.F.</i>	<i>Details</i>	<i>Amount (₹)</i>

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 suppliers account is maintained.

Detail : The amount in respect of each article is written in this column. If the seller has allowed a Trade Discount it is also deducted in this column itself.

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

Illustration 1

Record the following transactions for the Month of August 2014 in the Purchases Book of M/s Harsha Electronics :

Date	Details
2014	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 @ ₹ 1650 per piece
Trade Discount 10% on purchases.
- August 17 Purchased from M/s. East Electronics: (Invoice No. 456)
15 Stereos @ ₹ 4000 per piece
2 Color T.V. 14" @ ₹ 10500 per piece
Trade Discount @5%.
- August 25 Purchased form M/s. Naresh Electronics: (Invoice No. 294)
10 Small T.V. @ ₹ 1,200 per piece
3 Colour T.V. 17" @ ₹ 12000 per piece
Trade Discount 10%.
- August 30 Bought from M/s Pavitra Electronics: (Invoice No. 82)
20 Video cassettes @ ₹ 150 per piece Net.



Notes

Solution:

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

Date	Invoice No.	Name of supplier	L.F.	Detail	Amount (₹)
2014					
August 5	250	Naresh Electronics		5 x 12,500 = 62,500	
		5 Clr. TV. @ 12,500		(-) 20% Discount = <u>12,500</u>	50,000
August 10	826	Capital Electronics		20 x 1,650 = 33,000	
		20 Tap rec. @ 1,650		(-) 10% Discount = <u>3,300</u>	29,700
August 17	456	East Electronics		15 x 4,000 = 60,000	
		15 Stereos @ 4,000		2 x 10,500 = <u>21,000</u>	
		20 Clr. T.V @ 10,500		<u>81,000</u>	
				(-) 5% Discount = <u>4,050</u>	76,950
August 25	294	Naresh Electronics		10 x 1,200 = 12,000	
		10 Small T.V. @ 1,200		3 x 12,000 = <u>36,000</u>	
		3 Clr. T.V @ 12,000		<u>48,000</u>	
				(-) 10% Discount = <u>48,00</u>	43,200
August 30	82	Pavitra Electronics		20 x 150	3,000
		20 Video Cas. @ 150			<u>2,02,850</u>



Notes

Posting of Purchases Journal/Book into Ledger

Posting from the Purchases Journal/Book is done daily to relevant supplier’s accounts 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.

**Books of M/s Harsha Electronics
M/s. Naresh Electronics**

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
				2014			
				Aug.05	Purchases		50,000
				Aug.25	Purchases		43,200

M/s. Capital Electronics

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
				2014			
				Aug.10	Purchases		29,700

M/s.East Electronics

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
				2014			
				Aug.17	Purchases		76,950

M/s.Pavitra Electronics

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
				2014			
				Aug.30	Purchases		3,000

Purchases Account

Dr.

Cr.

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



Notes

Purchase Returns Journal

Return of goods purchased 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.	Deatil	Amount (₹)

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, the page number of the ledger book on which supplier account is prepared is recorded.

Deatil : In this column the details of the goods returned to the supplier is recorded.

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 2014 are as under :



Notes

Date	Details
2014	Goods returned to M/s. Capital Electronics vide Debit note
August 17	No.016/2014
	5 Tape Recorders @ ₹1650 per piece
	Trade Discount @ 10% on purchases.

Solution

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

Date	Debit Note No.	Name of supplier	L.F.	Detail	Amount (₹)
2014					
Aug. 17	016	Capital Electronics		5 x 1,650 = 8,250	
		5 Tape Recorders @ 1,650		(-) 10% Discount = 825	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

M/s.Capital Electronics

Dr. Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014							
Aug. 17	Purchase Returns		7,425				

Purchases Returns Account

Dr. Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
				2014			
				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 2014, prepare Purchases Book and Purchase Returns Book.

Date	Details
2014	
June 01	Purchased from M/s. Seema Stationers as per Invoice No. 031 50 Paper Rim @ ₹ 100 Per Rim. 60 Simple Books @ ₹ 20 Each 100 Pkt Pencils @ ₹ 50 Per Pkt.
June 12	Bought from M/s Nisha Paper Mart as per Invoice No. 1202 200 Files @ ₹ 12 per file Trade Discount @ 5% on purchases.
June 22	Purchased from M/s. Bansal Stationers as per Invoice No. 3211 500 Drawing Paper @ ₹ 4 each 100 Pkt Pencil Color @ ₹ 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 @ ₹ 100 per pkt. Trade Discount 10%
June 27	Purchased form M/s. Sumit Paper Mart as per Invoice No. 2340 100 pkt water Color @ ₹ 50 per pkt. 50 pkt Paint Brushes @ ₹ 40 per pkt. Trade Discount 10%
June 28	Goods Returned to M/s Bansal Stationers as per Debit Note No. 042 50 Pkt Pencil Color @ ₹ 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%

*Notes*

Solution:

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



Notes

Date	Invoice No.	Name of supplier	L.F.	Details (₹)	Amount
2014					
June 01	031	Seema Stationers 50 Paper Rim @ 100 60 Sim. Books @ 20 100 Pkt. Pencil @ 50		50 x 100 = 5,000 60 x 20 = 1,200 100 x 50 = 5,000	11,200
June 12	1202	Nisha Paper Mart 200 files @ 12		200 x 12 = 2,400 (-) 5% Discount = 120	2,280
June 22	3211	Bansal Stationers 500 Draw. Paper @ 4 100 Pkt. Pencil @ 20		500 x 4 = 2,000 100 x 20 = 2,000 4,000 (-) Trade Disc. 5% = 200	3,800
June 24	6783	Stationery Zone 200 Pkt. Pens @ 100		200 x 100 = 20,000 (-) Trade Disc. 10% = 2,000	18,000
June 27	2340	Sumit Paper Mart 100 Pkt. Water Clr. @ 50 50 Pkt Paint Brush @ 40		100 x 50 = 5,000 50 x 40 = 2,000 7,000 (-) Trade Disc. 10% = 700	6,300
June 30	1321	Handa File Trader 200 Plastic Files @ 25		200 x 25 = 5000 (-) Trade Disc. 10% = 500	4,500
					46,080

Purchase Returns (Journal) Book

Date	Debit Note No.	Name of supplier	L.F.	Details (₹)	Amount
2014					
June 22	002	Nisha Paper Mart 50 fiels @ 12		50 x 12 = 600 (-) Trade Disc. 5% = 30	570
June 28	042	Bansal Stationers 50 Pkt. Pencil Clr. @ 20		50 x 20 = 1000 (-) Trade Disc. 5% = 50	950
					1,525



INTEXT QUESTIONS 8.1

Which of the following transactions will be entered in the Purchases Book or Purchase Returns Book? If the transaction is not to be entered in any of the two write None of these.

- i. Furniture purchased from M/s. Modern Furnishers.
- ii. Goods purchased from M/s Sell Well were returned to them as goods were not according to the specifications.
- iii. Goods of ₹ 6,000 were purchased from M/s Rohit Brothers for Cash.
- iv. M/s. Ravi & Sons supplied goods on Credit.
- v. Purchased goods from Himanshu on Credit.



Notes

8.2 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.	Details	Amount (₹)

Column-wise explanation is as follows :

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



Notes

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.

Detail : For each item the amount is recorded in the detail column, after totalling the amount of sale to one customer, charges for packing etc., are added and the trade discount, if any is deducted.

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 2014, from the following details of sale of goods :

Date	Details
2014	
March 4	Sold on Credit to M/s Mena Traders : Vide Invoice No.213 (a) Two Double Beds @ ₹ 7,100 each. (b) Five Chairs @ ₹ 260 each
March 9	Sold on Credit to M/s Kohli Furniture : Vide Invoice No. 278 5 Tables @ ₹ 1,400 Each
March 24	Sold on Credit to M/s Handa Furniture Mart : Vide Invoice No. 302 4 Sofa Sets @ ₹ 18,000 each
March 30	Sold on Credit to M/s Furniture Traders : Vide Invoice No. 327, 6 Single Beds @ ₹ 6,000 each

Solution:

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

Date	Invoice No.	Name of customer	L.F.	Details	Amount (₹)
2014					
March 4	213	Mena Traders 2 Double Bed @ 7,100 5 Chairs @ 260		2 x 7,100 = 14,200 5 x 260 = <u>1,300</u>	15,500
March 9	278	Kohli Furniture 5 Tables @ 1,400		5 x 1,400	7,000
March 24	302	Handa Furniture Mart 4 Sofa Sets @ 18,000		4 x 18,000	72,000

Special Purpose Book

March 30	327	Furniture Traders 6 Single Beds @ 6,000		6 x 6,000	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.



Notes

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

Dr.

Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014 March 4	Sales		15,500				

M/s. Kohli Furniture

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014 March 9	Sales		7,000				

M/s. Handa Furniture Mart

Dr.

Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014 March 24	Sales		72,000				

M/s. Furniture Traders

Dr.

Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014 March 30	Sales		36,000				

Sales Account

Dr.

Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
				2014 Mar. 31	Sundries as per Sales Book		1,30,500



Notes

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

<i>Date</i>	<i>Credit Note No.</i>	<i>Name of customer</i>	<i>L.F.</i>	<i>Detail</i>	<i>Amount (₹)</i>

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.

Detail : For each item the amount is recorded in the detail column, after totalling the amount for the goods received from customer and deducting the amount of discount allowed at the time of sale.

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 2014 are as under :

Date	Details
2014	Returns from M/s Kohli Furniture : 2 Tables @ ₹ 1,400 Each
March 18	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.	Detail	Amount (₹)
2014 March 18	019	Kohli Furniture 2 Tables @ ₹ 1,400		2 x 1400	2,800
					2,800



Notes

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	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
				2014 Mar. 18	Sales Returns		2,800

Sales Return Account

Dr.

Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014 Mar. 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 2015

Date
2015

Details

August 4 Sold on Credit to M/s. Tanaya Electronics as per Invoice No. 1248
12 Set [6"] B.W. T.V. @ ₹ 900 per set.
5 set DVD Players @ ₹ 2,500 per set
Less trade Discount 5%



Notes

- August 10 Sold on Credit to M/s Kanshik Electronics as per Invoice No. 1278
 5 Washing Machines @ ₹ 4,500 Per Machine
 2 Color T.V. 29" @ ₹ 16,500 Per T.V.
 Less 10% Trade Discount

- August 12 M/s.Tanaya Electronics returned goods as per credit Note No.73
 1 Set DVD Player @ ₹ 2,500 per set
 1 Set [6"] BW T.V. @ ₹ 900 per set.
 Trade Discount allowed @ 5%

- August 18 Sold on Credit to M/s Diamond Electronic as per Invoice No. 1290
 5 Tape Recorders @ ₹ 1,000 each
 10 Two-in One @ ₹ 1,800 each
 Less Trade Discount 5%

- August 25 Sold on Credit to M/s Electronic Zone as per Invoice No. 1299
 5 Water cooling Machines @ ₹ 7,000 each

- August 28 Sold on Credit to M/s North East Electronics as per Invoice No. 1308
 10 Music Systems @ ₹ 3,000 each
 Less Trade Discount 10%

- August 31 M/s. Electronic Zone returned goods as per credit Note No.93
 1 Water cooling Machine @ ₹ 7,000 each

Solution

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

<i>Date</i>	<i>Invoice No.</i>	<i>Name of customer</i>	<i>L.F.</i>	<i>Detail</i>	<i>Amount (₹)</i>
2015					
August 4	1248	Tanaya Electronics		12 x 900 = 10,800	
		12 T.V. @ 900		5 x 2,500 = 12,500	
		5 DVD @ 2,500		<u>23,300</u>	
				(-)5% T. Disc. = 1,165	22,135
August 10	1278	Kanshik Electronics		5 x 4,500 = 22,500	
		5 W. Machine @ 4,500		2 x 16,500 = 33,000	
		2 Clr. T.V. @ 16,500		<u>55,500</u>	
				(-)10% T.Disc = 5,550	49,950

Special Purpose Book

August 18	1290	Diamond Electronics 5 Tape Rec. @ 1,000 10 Two in One @ 1,800		5 x 1,000 = 5,000 10 x 1,800 = 18,000 <u>23,000</u> (-) 5% T. Disc. = 1,150	21,850
August 25	1299	Electronic Zone 5 Water Cooling Machine @ 7,000		5 x 7,000	35,000
August 28	1308	North East Electronics 10 Music System @ 3,000		10 x 3,000 = 30,000 (-) T. Disc. 10% = 3,000 <u>27,000</u>	27,000
				Total	1,55,935

MODULE - 1

Basic Accounting



Notes

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

Date	Debit Note No.	Name of supplier	L.F.	Detail	Amount (₹)
2015					
August 12	73	Tanaya Electronics 1 DVD Player @ 2,500 1 T.V. @ 900		1 x 2500 = 2,500 1 x 9 = 900 <u>3,400</u> (-) 5% T. Disc. = 170	3,230
August 31	93	Electronic Zone 1 Water Cooling Machines @ 7,000		1 x 7,000	7,000
				Total	10,230

8.3 BILLS RECEIVABLE BOOK AND BILLS PAYABLE BOOK

Any enterprise which will accept/draw a number of bills will record these transactions in special subsidiary books. Bills receivable are recorded in the Bills Receivable Book. Bills payable are recorded in the Bills payable book.

Bills Receivable Book

Like Purchases Book, where all credit purchases of goods are firstly recorded, the Bills Receivable Book is maintained for recording the receipts of all bills of exchange. Bills Receivable Book is maintained, where the number of bill transactions

is sufficiently large. Each bill received is posted only in the credit side of the party's account from the bills receivable book. At the end of the period, the amount of bills received as per the bills receivable book, is debited in the bills receivable account in the ledger.

Usual Format of Bill Receivable Books is given below :

Bills Receivable Book

<i>S. No.</i>	<i>Date of Receipt</i>	<i>From whom received</i>	<i>Name of Acceptor</i>	<i>Date of Bill Drawn</i>	<i>Term</i>	<i>Date of Maturity</i>	<i>Where Payable</i>	<i>Amount (₹)</i>	<i>How Disposed</i>



Notes

Ledger Posting of Bills Receivable Book

- At the end of a month, total amount of Bills Receivable book is debited to the Bills Receivable Account by writing, 'To sundries as per the Bills receivable book'.
- The debtors or customers account is credited by writing 'By Bills Receivable Account'.

Illustration 7

A received the following Bills of Exchange. Record them in Bills Receivable Book and post them into the Ledger:

2014

- Jan. 1 Drawn on Raman a Bill of Exchange at 3 months which was accepted and returned by him on January 1, 2014. The amount of the bill is ₹ 10,000.
- Jan. 10 Drawn on Savita a Bill of Exchange for ₹ 5,000 at 2 months, which was accepted on the same day. The bill is payable at Punjab National Bank.
- Jan. 12 Raman's acceptance endorsed in favour of Hari Kumar in full settlement of a debt of ₹ 10,250.

Solution :

Bills Receivable Book

<i>S. No.</i>	<i>From whom received</i>	<i>Name of Acceptor</i>	<i>Date of Bill</i>	<i>Term</i>	<i>Date of Maturity</i>	<i>Amount (₹)</i>	<i>How Disposed</i>
	Raman	Raman	2014 Jan. 1	3 months	April 4	10,000	Endorsed to Hari Kumar
	Savita	Savita	Jan. 10	2 months	March 14	5,000	
						15,000	

Dr. **Bills Receivable Accounts** Cr.

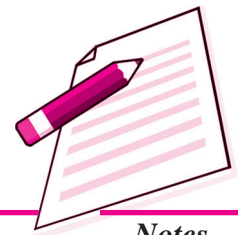
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2014 Jan. 31	To Sundries as per B/R Book		15,000				

Dr. **Raman** Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2014 Jan. 1	By Bills Receiv- able A/c		10,000

Dr. **Savita** Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2014 Jan. 10	By Bills Receiv- able A/c		5,000



Notes

Bills Payable Book

It is a special journal for recording the acceptance of the bills drawn by the creditors. Each Bill payable is entered in this book and from here it is posted to the debit side of creditor's account. The total amount of bills payable for the period is credited in the Bills Payable Account.

Usual Format of Bills Payable Book is given below :

Bills Payable Book

S. No.	Date of issue	To whom given	Payee	Term	Date of Maturity	Where payable	Amount ₹	Remarks

Ledger Posting of Bills Payable Book.

1. The amount column of the Bills Payable Book is totalled and credited to the Bills payable account by writing 'By sundries as per Bills Payable Book.'
2. The creditor's or seller's account is debited writing 'To Bills Payable Account'.

Illustration 8

A accepted the following bills. Enter them in Bills Payable Book and post them into the Ledger :



Notes

2013

April 10 Accepted Vivek's bill for ₹ 20,000 due at 2 months.

April 24 Accepted the bill drawn by Chunnu for ₹10,000 at 1 month payable at Punjab National Bank.

Solution

Bills Payable Book

S. No.	Date of issue	To whom given	Payee	Term	Date of Maturity	Where payable	Amount ₹	Remarks
	2013							
1.	April 10	Vivek	Vivek	2 months	June 13	20,000	
2.	April 24	Chunnu	Chunnu	1 month	May 27	P.N. Bank	10,000	
							30,000	

Posting of Bills Payable Book :

Dr. **Bills Payable Account** Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2013			
				Apr.30	By Sundries as per Bills Payable Book		30,000

Dr. **Vivek Account** Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2013							
Apr.10	To Bills Payable A/c		20,000				

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 made in the journal proper.

*Notes*

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 dishonour 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 dishonour of bills of Exchange.
 - Transactions in respect of consignment and Joint Venture, etc.
 - Loss of goods by fire/theft/spoilage.
 - For recording amounts which have become irrecoverable.

Illustration 9

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

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

Solution

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



Notes

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Debit amount (₹)</i>	<i>Credit amount (₹)</i>
(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/Drawings 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.



INTEXT QUESTIONS 8.2

I. Which of the following transactions will be entered in the Sales Book, Sales Returns Book or Journal Proper? If the transaction can not to be entered in any of the three write None of these.

- (i) Goods sold to Nitin on credit for one month.

- (ii) Old furniture sold to Dinesh on credit.
- (iii) Salary pre-paid.
- (iv) Goods sold to M/s Ramesh Bros.
- (v) M/s.Jindal Traders returned goods.
- (vi) Depreciation charged on Building.
- (vii) Goods destroyed by fire.
- (viii) Discount received from M/s N Zone.
- (ix) Cash received from M/s Ramesh Bros.

II. Multiple Choice questions :

- i. Acceptance by debtors for credit sales of trading items made by the seller have to be recorded in _____ books.

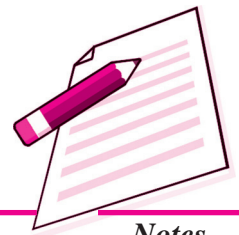
a) Bills Receivable book	b) Bills Payable book
c) Purchases Book	d) Journal
- ii. Acceptance by debtors for credit purchases of trading items made by the purchaser have to be recorded in _____ book.

a) Bills Receivable book	b) Purchases Book
c) Bills Payable book	d) Sales book



WHAT YOU HAVE LEARNT

- **Purchase Journal/Book :** Purchase (journal) book is also a book of original entry. This book records only Credit purchase of goods in which the firm deals.
- **Purchase Returns Journal/Book :** Purchase returns of goods is recorded in this book. Sometimes goods purchased by the supplier are returned for various reasons such as goods are not as per our order, or are defective.
- **Sales Journal :** Transactions relating to Sale of goods dealt-in on credit is recorded in the sales journal.
- **Sale Returns Journal/Book :** Goods returned by the customers are recorded in the Sales return journal/book. The sales returns book does not record the return of goods sold on cash basis.
- When credit sale takes place, a bill of exchange is prepared by the seller of goods and accepted by the purchaser.



Notes



Notes

- A Bill of Exchange received is recorded in Bills Receivable book. It is posted in the credit side of party's account from the Bills Receivable book.
- A Bill payables is recorded in Bills payable book. It is posted on the debit side of creditors account from Bills Payable book.
- **Journal Proper** : A Book maintained to record transactions, which do not find place in Special Journals, is known as Journal Proper.



TERMINAL EXERCISE

1. State the meaning of Purchases Book and draw the format of Purchases Book.
2. State the meaning of Purchase Returns Book. Draw the format of Purchase Returns Book.
3. State the meaning of Sales Book and draw its format.
4. State the meaning of Sales Returns Book. Draw the format of Sales Returns Book.
5. Explain the meaning of Journal proper.
6. State the purpose of preparing Bills Receivable and Bills Payable Books.
7. Enter the following transactions in the proper Book of M/s Tina Traders for the month of July 2014 :

2014

- | | |
|---------|---|
| July 01 | Bought from M/s.Soniya Traders as per Invoice No.10456
100 Note Books @ ₹ 30 each
50 Gel Pen @ ₹ 10 each
100 Pkt. Color Pencil @ ₹ 15 per pkt.
Trade Discount 10% |
| July 14 | Bought from M/s Lazer Stationery as per Invoice No.2301
100 files @ ₹ 12 per file
10 Rim Paper @ ₹ 300 per rim.
Trade Discount 5%. |
| July 21 | Returned Goods to M/s.Soniya Trader as per Debit Note No.0054
10 Pkt. Color Pencil @ ₹ 15 per pkt.
Trade discount 10% |
| July 26 | Bought from M/s.Shimla paper Mart as per Invoice No.9870
50 pkt water color @ ₹ 50 per pkt.net. |
| July 31 | Returned Goods to M/s. Lazer Stationery as per Debit Note No.0152
3 Rim Paper @ ₹ 300 per rim.
Trade Discount 5%. |

8. Enter the following transactions in the proper Book of M/s Electronic Gallery for the month of March 2014 and post them into ledger.

2014

- March 02 Sold to M/s Amisha Electronics as per Bill No.0457
4 machine Air Conditioners @ ₹ 15,000 per machine
Trade discount 3%
- March 09 Sold to M/s Naman Trader as per Bill No.0475
5 Washing Machines @ ₹ 9,000 per machine set.
- March 15 Sold to M/s.Electronic Zone as per Invoice No.486
10 Juicer Mixer Grinders @ ₹ 1,000 each
Trade discount 5%.
- March 20 M/s Amisha Electronics returned the goods as per Credit Note No. 112
1 machine Air Conditioner @ ₹ 15,000 per machine
Trade discount 3%
- March 25 Sold to M/s Bansal Electronics as per Invoice No.486
5 TV set Color @ ₹ 9,500 per set.
Trade discount 4%
- March 31 M/s.Electronic Zone returned the goods as per Credit Note No. 116
2 Juicer Mixer Grinder @ ₹ 1,000 each
Trade discount 5%.

9. Pawan received the following Bills of Exchange. Record them in Bills Receivable Book.

2014

- July 01 Drawn on Manish a Bill of Exchange at 2 months which was accepted and returned by him on July 1, 2014 for a sum of ₹ 15,000
- July 15 Drawn on Sukant Singh a Bill of Exchange for ₹ 12,000 at 2 months, which was accepted on the Same Day.
- July 20 Drawn on Azmat a Bills of Exchange for ₹ 60,000 at 3 months which was accepted and returned by her on July 20 it self.

10. Pawan Singh accepted the following bills. Enter them in Bills Payable Book.

2015

- April 05 Accepted Shifali's bill for ₹ 17,000 due at 2 months.
- April 13 Accepted the bill drawn by Preena for ₹ 19,000 at 45 days Payable at SBI Aligunj, Lucknow.
- April 23 Accepted Rajeev's bill for ₹ 35,000 due at 3 months.



Notes



ANSWERS TO INTEXT QUESTIONS

- 8.1** (i) Purchases Book (ii) Purchase Returns Book
 (iii) None of these (iv) Purchases Book (v) Purchases Book
- 8.2** I. (i) Sales Book (ii) Journal Proper (iii) Journal Proper
 (iv) Sales Book (v) Sales Returns Book
 (vi) Journal proper (vii) Journal proper
 (viii) Journal proper (ix) None of these.
- II. (i) a (ii) c



Notes



ANSWERS TO TERMINAL EXERCISE

7. Total of Purchases Book ₹ 10,990, Total of Purchase Returns Book ₹ 990
8. Total of Sales Book ₹ 1,58,300, Total of Sale Returns Book ₹ 16,450



ACTIVITY

Visit a number of shops/establishments of your areas and enquire whether they are maintaining only journal proper or other special purpose books. Ascertain whether the books maintained by them will serve the purpose or not. If not give suggestions.

	Name of the establishment visited	Number of transactions		Books mentioned	Sufficient/ not sufficient	If not sufficient book to be mentioned
		Quite large	Limited			
1.						
2.						
3.						
4.						
5.						