

## LESSON-8 SPECIAL PURPOSE BOOKS

### SUMMARY

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.

### PURCHASES AND PURCHASES RETURNS BOOK

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

### 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

### 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.

### 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.

### 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.

### 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.

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*

### 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.