



St. Lawrence High School



A Jesuit Christian Minority Institution

Study Material 17

Sub: ACCOUNTANCY

Class 11

Chapter: Unit 3: Recording of Transactions

Date: 06/03/2021

Topic: Special Purpose Books

Subdivision of Journal

When the volume of business transactions rises to a great extent it becomes clear that a single journal is inadequate as the sole book of original entry. It was found advantageous to have a separate book for the different activities, like purchases, sales, purchases return, sales return and so on. This would facilitate a considerable saving time, labour and space. The main type of journal are as follows:

1. Cash Book: For recording cash & bank transactions
2. Purchase Day Book: For recording goods purchased on credit
3. Sales Day Book: For recording goods sold on credit
4. Purchase Return Book: For recording goods return to supplier
5. Sales Return Book: For recording goods return from debtors
6. Journal Proper: Those transactions which are not recorded in the above mentioned books are recorded in this book.

Purchases Day Book

All credit purchases are recorded primarily in a book is known as Purchase Day Book.

The ruling of purchase day book is given below:

Purchase Day Book

Date	Particulars	Inward Invoice No.	L.F.	Details (Rs)	Total (Rs)

Utilities of Purchase Day Book

1. It reduces the volume of work required to pass journal entry for each credit purchase.
2. It is possible to have a careful checking of the goods to see that the same are in accordance with the order.
3. It becomes easier to check the price charged and other calculations.
4. It is also possible to check easily whether the goods have actually been received.
5. Ledger posting becomes easier since all the credit purchases are recorded in a single book.
6. It is possible to have periodic total of credit purchases of goods.

Sales Day Book

All credit sales are recorded primarily in a book is known as Sales Day Book.

The ruling of sales day book is given below:

Sales Day Book

Date	Particulars	Outward Invoice No.	L.F.	Details (Rs)	Total (Rs)

Utilities of Sales Day Book

1. It reduces the volume of work required to pass Journal Entry for each credit sale.
2. It is possible to have a careful checking of the goods to see that the same are in accordance with the order.
3. It becomes easier to check whether the price charged are according to the catalogue or not.
4. It is also possible to check easily whether the goods have actually been delivered.
5. Ledger posting become easier since all the credit sales are recorded in a single book.
6. It is possible to have a periodic total of credit sales of goods.

Purchase Return Book

It is necessary to return some goods to the supplier due to different reasons. When a firm returns goods to its supplier it prepares a Debit Note and send it along with the goods returned. The supplier in turn will prepare a Credit Note.

The specimen of Purchase Return Book as follows:

Purchases Return Book

Date	Particulars	Credit Note No.	L.F.	Details (Rs)	Total (Rs)

Sales Return Book

Goods may be returned by the customers for a variety of reasons such as wrong quantity and/or quality. All goods returned by the customers are primarily recorded in this book.

Specimen of Sales Return Book as follows:

Sales Return Book

Date	Particulars	Credit Note No.	L.F.	Details (Rs)	Total (Rs)

Journal Proper

Journal Proper is used for making the original record of those transactions which do not find a place in any of the day books or cash book. Entries recorded in the journal proper are:

1. Opening Entries
2. Closing Entries
3. Transfer Entries
4. Rectification Entries
5. Adjusting Entries

Opening Entries

Opening entries are used at the beginning of the year to open the books by recording the assets, liabilities and capital, appearing in the Balance Sheet of the previous year. The rule to be applied is:

Assets A/C Dr.

To, Liabilities A/C

To, Capital A/C

Closing Entries

Closing entries used at the end of the accounting year for closing off accounts relating to expenses and revenues. These accounts are closed off by transferring their balances to the Trading and Profit and Loss Accounts. The entries are as follows

- 1) Trading A/C Dr.

To, Opening Stock A/C

To, Purchases A/C

To, Sales Return A/C

To, Direct Expenses A/C (eg. Wages, Carriage Inward; Freight & Duty etc.)

2. Sales A/C Dr.

Purchase Return A/C Dr.

Closing Stock A/C Dr.

To, Trading A/C

3. Trading A/C Dr.

To, Profit & Loss A/C (Gross Profit)

4. Profit & Loss A/C Dr.

To, All Indirect Expenses A/c

5. All Indirect Incomes A/C Dr.

To, Profit & Loss A/C

6. Profit & Loss A/C Dr.

To, Capital A/C (Net Profit)

Transfer Entries

Transfer entries are passed in the journal proper for transferring an item, entered in one account, to another account. Some examples are as follows:

1. Net Profit transfer to General Reserve:

Profit & Loss A/C Dr.

To, General Reserve A/C

2. Set off between debtors and creditors:

Creditors A/C Dr.
To, Debtors A/c

Adjustment Entries

Adjustment entry is an amendment to an accounting figure which is basically correct but which needs to allow for some circumstances not recorded in the book-keeping system. Adjustments entries are as follows:

1. Outstanding Expenses:

Expenses A/C Dr.
To, Outstanding Expenses A/C

2. Pre-paid Expenses:

Pre-paid Expenses A/C Dr.
To, Expenses A/C

3. Accrued Incomes:

Accrued Incomes A/C Dr.
To, Incomes A/C

4. Pre-received Incomes:

Incomes A/CDr.
To, Pre-received Incomes A/C

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