

# Subsidiary Book

In a business most of the transactions are related to receipt and payment of cash, sale of goods and purchase of goods. Hence separate books are maintained for recording these transactions. The journal is subdivided into different books. These books are known as Subsidiary Books. These are the books of prime or original entry. All transactions are first recorded in the subsidiary books and then posted to the ledger.

- (1) **Purchases book** : It records only the credit purchase of goods .Cash purchase of goods are not recorded in this book as these will be recorded in the cash book. **Credit purchase of assets will be recorded in the journal proper** and not in the purchase book.

The Purchase Book shows the names of the parties from whom goods have been purchased on credit. These parties are known as creditors. The Creditors accounts will be credited individually for the respective amounts shown in the purchase book. The total of the Purchase Book at the end of the month will be posted to the debit of the Purchase A/c in the ledger. Transactions are recorded in the Purchases book on the basis of the **Purchases invoices that is inward invoice.**

- (2) **Sales Book** : It records only the credit sale of goods. Cash sale of goods are recorded in the Cash Book and not in the Sales Book. **Credit sales of assets will be recorded in the Journal Proper** and not in the Sales Book.

The names appearing in the Sales Book are of those parties to whom goods are sold. They are the debtors. The accounts of these debtors have to be debited with the respective amounts. The total of the Sales Book shows the credit sales made during the period and this amount is posted at the end of the month to the credit of Sales A/c in the ledger. Transactions are recorded in the Sales book on the basis of the sales invoices that is outward invoice.

- (3) **Sales Returns Book or Returns inward Book** :

If customers return the goods sold to them, it is recorded in the Sales Return Book or the Return Inward Book. The debtors A/c is credited with the respective amount and the total amount the sales returned goods is posted to the debit of the Sales Return A/c in the ledger. When the goods are returned by the customer a credit note is issued to them. Transactions are recorded in the Sales Return Book on the basis of the credit notes. Credit notes is issued by the creditor (Seller) to the debtor (Buyer).

**\*Return of Cash Sales and Cash Purchases will be recorded through the Cash Book.**

- (4) **Purchase Returns or Returns outward Book** :

When we return the goods purchased to the suppliers it is recorded in the Purchase Return Book or the Return Outward Book. The Creditors A/c is debited with the respective amount and the total amount the Purchase Return Book is posted to the credit of the Purchase Return A/c in the ledger. When the goods are returned to the supplier a debit note is issued to them. Transactions are recorded in the Purchase Return Book on the basis of the debit notes. Debit notes are issued by the debtor (Buyer) to the creditor (Seller).

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**(5) Bills Receivable Books :**

If the firm business draws a number of bills on its customers then a separate book may be kept to record these bills drawn. Posting will be done to individual Party A/c on the Credit Side and at the end of the month the total of Bills Receivable book will be posted to Bills Receivable A/c on the Debit side. This book records only bills drawn. No other transaction related to Bills i.e. dishonour / endorsed / honoured will be recorded in this Book.

**(6) Bills Payable Book** – If the business frequently accepts bills drawn by suppliers then a separate book may be maintained to record these bills accepted. Posting is done to individual party A/c on the debit side and total of Bills Payable Book at the end of the month is credited to Bills payable A/c. No other transaction other than bills accepted are recorded in this book.

**(7) Cash Book** – All cash & Bank Transaction are recorded in this Book eg.

Cash Purchases, Cash Sales, Purchase or sale of Asset for cash, expenses paid, incomes received, money received, money paid.

**(8) Petty Cash Book** – Day to Day Petty (small) expenses paid in cash are recorded in this book.

**(9) Journal Proper :** If there is no special book meant to record a transaction, it is recorded in the journal (proper). The following types of entries are recorded in this book.

- (a) **Opening entries** : When books are started for the new year, the opening balance of assets and liabilities are journalized.
- (b) **Closing Entries:** At the end of the year transfer of balances from one account to another account.
- (c) **Rectification entries** : If an error has been committed, it is rectified through a journal entry.
- (d) **Transfer entries** : Transfer of Drawing.
- (e) **Adjusting Entries** : At the end of the year amount of expenses or income may have to be adjusted. i.e. outstandings / Prepaid / Pre-received.
- (f) **Entries on dishonour of Bills** : If Bill is accepted and it is not paid on the due date a journal entry will be necessary to record the non payment or dishonour.
- (g) **Miscellaneous entries** :
  - (a) Credit purchase of Assets. / Credit Sale of Assets
  - (b) An allowance to be given to the customers or a charge to be made to them after the issue of the invoice
- (h) Entries for drawing & accepting of Bills (If Seperate books are not maintained)
- (i) Bad Debts w/off on the customer becoming insolvent.
- (J) Effects of accidents such as loss of property by fire.
- (k) Transfer of net profit to capital account.

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**(10) Posting of Subsidiary Books :**

	<b>Subsidiary Book</b>	<b>Individual A/c</b>		<b>Total of Subsidiary Book</b>	
(a)	Purchase Book	Party A/c	Cr. side	Purchase A/c	Dr. side
(b)	Sales Book	Party A/c	Dr. side	Sales A/c	Cr. Side
(c)	Purchase Returns Book	Party A/c	Dr. side	Pur. Returns A/c	Cr. side
(d)	Sales Returns Book	Party A/c	Cr. side	Sales Returns A/c	Dr. side
(e)	Bills Receivable Book	Party A/c	Cr. side	Bills Rec. A/c	Dr. side
(f)	Bills Payable Book	Party A/c	Dr. side	Bills Pay. A/c	Cr. side

## MULTIPLE CHOICE QUESTIONS

- The total of the Purchase Day Book is posted periodically to the :  
(a) Debit of Purchases A/c  
(b) Credit of Purchases A/c  
(c) Cash Book  
(d) None of these
- Total of the sales book for March indicates :  
(a) Total sales for the month  
(b) Total Credit sales for the month  
(c) Total cash sales for the month  
(d) Total sales less sales return
- Goods sold for cash ₹10,000 plus 10% sales tax. Sales A/c will be credited by :  
(a) ₹11,000  
(b) ₹10,000  
(c) ₹9,000  
(d) None
- Purchase Book is used to record :  
(a) All purchase of goods  
(b) All credit purchases  
(c) All credit purchases of goods  
(d) All credit purchases of assets
- A \_\_\_\_\_ is sent to a customer when he returns goods :  
(a) Debit Note  
(b) Credit Note  
(c) Proforma Invoice  
(d) None of the above
- Purchase of Fixed Assets on credit basis is recorded in :  
(a) Purchase Book  
(b) Cash Book  
(c) Journal Proper  
(d) Journal
- The source document or voucher used for recording entries in Sales Book is :  
(a) Invoice received  
(b) Invoice sent out  
(c) Credit notes sent out  
(d) Debit notes received
- Trade discounts are :  
(a) Recorded in the books  
(b) Not Recorded in the books  
(c) Not used for determining the net price  
(d) Used for specific purposes in accounting

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9. Total of Sales Book will be posted :  
(a) On Debit side of Sales Account (b) On Credit side of Purchases Account  
(c) On Credit side of Sales Account (d) On Debit side of Sales return account
10. A note sent by buyer on return of goods is :  
(a) Debit Note (b) Credit Note (c) Return Note (d) None
11. Bills Receivable Book is a part of  
(a) Ledger (b) Journal (c) Balance Sheet (d) None of these
12. Purchase of office furniture on account is recorded in  
(a) Purchase Book (b) Journal Proper  
(c) Cash Book (d) Petty Cash Book
13. While posting the Purchase Book  
(a) Only the total of the purchases book is posted to the debit of purchases account  
(b) Only the accounts of the suppliers are credited with the amounts appearing against their respective names  
(c) The accounts of the suppliers are debited as well as the total of the purchases book is posted to the credit of the purchases account.  
(d) The total of the purchases book is posted to the debit of purchases a/c as well as the accounts of individual suppliers are credited with the amounts appearing against their names.
14. Returns inward from Rahim is entered in  
(a) Sales return book (b) Purchases return book  
(c) Journal (d) Sales Book
15. Returned goods to Bajaj and Co. is recorded in  
(a) Purchase return book (b) Sales return book (c) Journal (d) Purchase Book
16. Sales on account is recorded in:  
(a) Cash book (b) Sales book (c) Journal (d) Sales return book
17. Purchase of Electric Kettles on account by Electric Appliance Co. is recorded in  
(a) Journal (b) Purchase Book (c) Cash book (d) Purchase Return Book
18. In order to determine the amount of sales, to which of the following records one should refer?  
(a) Sales Book (b) Sales Account (c) Journal (d) Total Debtors account
19. Which of the following books would be used to record purchase of goods on account?  
(a) Cash book (b) Purchase book (c) Sales book (d) Journal
20. Which of the following books should be used to record purchase of merchandise on account?  
(a) Cash book (b) Purchase book (c) Sales book (d) Journal
21. Journal proper is used to record  
(a) all purchases of goods (b) all sales of goods  
(c) all business expenses paid in cash (d) all adjusting and rectification entries

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22. The Sales Day-Book is a part of the.  
(a) Journal      (b) Trial Balance      (c) Ledger      (d) Final Account
23. Purchases Book records all credit purchase of  
(a) Goods      (b) Assets      (c) Stationery      (d) None
24. Which one of the following entry is not recorded in the journal  
(a) Opening entry      (b) Closing entry      (c) Adjustment entry      (d) Credit sales
25. Bills payable book is a  
(a) Subsidiary book      (b) Principal book      (c) Ledger      (d) Memorandum book
26. Posting is done from  
(a) One subsidiary to another      (b) Ledger to subsidiary book  
(c) Subsidiary to ledger      (d) Ledger to ledger
27. The Purchase Day Book is a part of the.  
(a) Journal      (b) Balance Sheet      (c) Ledger      (d) Cash flow statement
28. The debit note issued are used to prepare  
(a) Sales return book      (b) Purchase return book      (c) Sales book      (d) Purchase book
29. A debit note for ₹ 2,000 issued to Mr. F for goods returned by us is to be accounted for  
(a) Bills Receivable Book      (b) Purchase Book  
(c) Journal Proper      (d) Purchase Return Book
30. Purchases day book records :  
(a) All cash purchases      (b) All credit purchases  
(c) Credit purchases of goods in trade      (d) None of the above
31. Goods withdrawn for personal use will be recorded in  
(a) Purchase Book      (b) Sales Book      (c) Return outward Book      (d) Journal Proper
32. Sale of Machinery for cash will be recorded in  
(a) Cash Book      (b) Sales Book      (c) Journal Proper      (d) None.
33. Spot purchase of goods of ₹10,000 will be recorded in  
(a) Purchase Book      (b) Journal Proper      (c) Cash Book      (d) Returns Inward Book
34. Computer repairs payable to Arvind will be recorded in  
(a) Cash Book      (b) Journal Proper      (c) Return Inward Book      (d) None.
35. Appointment of typist on a monthly salary of ₹5,000 p.m. will be recorded in  
(a) Cash Book      (b) Journal Proper      (c) Petty Cash Book      (d) None.
36. Credit note is used to record  
(a) Purchase Book      (b) Sales Book      (c) Return Inward Book      (d) Return outward Book
37. Inward invoice is used to record  
(a) Purchase Book      (b) Sales Book      (c) Return Inward Book      (d) Return outward Book
38. Outward invoice is used to record  
(a) Purchase Book      (b) Sales Book      (c) Return Inward Book      (d) Return outward Book

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39. Which accounting entry is to be made for issuing a purchase order for ₹ 9,000 to K. Verma?
- (a) Purchase A/c                      Dr.            9,000  
                    To Cash A/c    9,000
- (b) Purchase A/c                      Dr.            9,000  
                    To K. Verma A/c    9,000
- (c) Purchase order A/c              Dr.            9,000  
                    To K. Verma A/c    9,000
- (d) None
40. Goods previously ordered from K. Verma were delivered and an invoice for ₹ 9,000 received Accounting entry is:
- (a) Goods A/c                          Dr.    9,000  
                    To K. Verma A/c    9,000
- (b) Invoice A/c                          Dr.    9,000  
                    To K. Verma A/c    9,000
- (c) Goods A/c                          Dr.    9,000  
                    To Cash A/c    9,000
- (d) Purchase A/c                          Dr.    9,000  
                    To K. Verma A/c    9,000
41. What is the accounting entry for a cheques issued for ₹ 8,820 to K. Verma for full settlement of account of ₹ 9,000
- (a) K. Verma A/c                      Dr.    8,820  
                    To Bank A/c    8,820
- (b) K. Verma A/c                      Dr.    9,000  
                    To Bank A/c    9,000
- (c) K. Verma A/c                      Dr.    9,000  
                    To Bank A/c    8,820  
                    To Discount A/c    180
- (d) None of these
42. Which of the following books should be used to record purchase of a typewriter on a/c?
- (a) Cash books                      (b) Purchase book    (c) Sales book                      (d) Journal Proper
43. Which of the following books should be used to record an adjusting entry for depreciation?
- (a) Cash book                      (b) Sales book                      (c) Purchase book    (d) Journal Proper
44. Which of the following is recorded in the journal?
- (a) Paid bills payable by cheques  
(b) Depreciation provided on plant and machinery  
(c) Purchased machinery on cash basis  
(d) Sold old furniture of ₹ 500 and cheque received in payment
45. The appropriate books to record credit purchase of Machinery is
- (a) Purchase book                      (b) Journal proper                      (c) Cash book                      (d) Petty Cash book

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46. Opening and closing entries are recorded in :  
(a) Journal Proper (b) Purchase Book  
(c) Sales book (d) Bill Receivable book
47. A debit note for ₹500 issued by Mr. Marshall to Mr. Fisher for goods returned by Mr. Marshall is to be accounted for  
(a) Bill receivable Book (b) Purchases Return Book  
(c) Purchase Book (d) Journal Proper
48. When the goods are returned to a supplier  
(a) A Debit note is sent to him (b) An Account sale is sent to him  
(c) A receipt is sent to him (d) Either (b) or (c)
49. Credit purchase of cotton by dealer worth ₹10,000 will be entered in  
(a) Sales book (b) Bill Receivable Book (c) Purchase book (d) None of the above
50. The monthly total of the purchase book is  
(a) Posted to the Debit of the purchase A/c (b) Posted to the credit of the purchase A/c  
(c) Posted to the credit of the bill payable A/c (d) None of the above
51. .... is recorded in purchase book  
(a) Credit purchases of goods dealt in by firm (b) Cash purchases of goods dealt in by firm  
(c) All purchases of goods dealt in by firm. (d) None of the above
52. Return Inwards books records .....  
(a) Purchase returns (b) Sales returns (c) Cash Sales returns (d) Bill Receivable book
53. Credit purchases of goods worth ₹30,000 by a dealer will be recorded in  
(a) Cash book (b) Journal Proper (c) Sales Book (d) Purchases book
54. Returns of Cash Sales is recorded in  
(a) Purchase Book (b) Sales Book (c) Cash Book (d) Sales Returns Book
55. Total of Sales Book is posted periodically to credit of  
(a) Journal proper (b) Purchase Book (c) Sales Account (d) Cash Book
56. Ram Motors will debit purchases of Motor in  
(a) Motor A/c (b) Purchase A/c (c) General expenses A/c (d) None of the above
57. Purchase of Plant & Machinery on credit basis is recorded in  
(a) Cash Book (b) Journal proper (c) Purchases (d) Both (a) and (b)
58. Accounting for partial recovery from Mr. C of an amount of ₹2,000 earlier written off as bad debt.  
(a) Journal Proper (General Journal) (b) Sales Book (c) Purchases Book (d) Cash Book
59. Credit purchase of stationery worth ₹5,000 by a stationery dealer.  
(a) Purchase Book (b) Sales Book (c) Cash Book (d) Journal Proper (General Journal)
60. A bills receivable of ₹1,000, which was received from a debtor in full settlement for a claim of ₹1,100, is dishonoured.  
(a) Purchases Return Book (b) Bills Receivable Book  
(c) Purchases Book (d) Journal Proper (General Journal)

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61. Purchased goods from E worth ₹5,000 on credit basis.  
(a) Bills Receivable Book (b) Purchase Book  
(c) Journal Proper (General Journal) (d) Purchase Return
62. Unpaid salary for ₹340 is to be provided for in the accounts.  
(a) Bills Receivable Book (b) Purchase Book  
(c) Journal Proper (General Journal) (d) Purchase Return
63. Goods Outward Journal is meant for recording all returns of goods  
(a) Sold on credit (b) Purchased on credit  
(c) Purchased on cash (d) None of the above
64. The total of the purchases day book is posted periodically to the debit of:  
(a) Purchases account. (b) Cash book. (c) Journal proper. (d) None of these.
65. Purchases day book records:  
(a) All cash purchases. (b) All credit purchases  
(c) Credit purchases of goods in trade. (d) None of the above
66. Closing entries are recorded in  
a) Cash Book            b) Ledger            c) Journal Proper            d) Balance Sheet
67. Total of Journal Proper is debited to  
a) Cash A/c            b) Customers A/c            c) Suppliers A/c            d) None of the above
68. Who can make use of Subsidiary Book  
a) Only large business concerns            b) Only huge multinationals  
c) Only small units            d) All type of business units
69. Which of the following statement is true?  
a) The sale of Assets is recorded in Sales Book  
b) Total of Return outward is debited to return outward A/c  
c) The balance of Petty Cash Book is a Liability.  
d) Cash Book is a Subsidiary book as well as a Ledger.

