

# **Chapter 12**

## **Books of Original Entry**

### **Special Purpose**

### **Subsidiary Book**

Cash transactions are recorded in cash book whereas non- cash transactions are recorded in other special purpose subsidiary books. It includes:

1. Purchase Book
2. Sales Book
3. Purchase Return Book
4. Sales Return Book

**(1) Purchase Book:** - This book is used for recording the credit purchases of goods. Goods here means only those things in which firm is dealing. Recording is made on the basis of bills/ invoices issued by suppliers.

Following transactions are not recorded in purchase book: -

- (i) Cash purchase are not recorded in this book since these will be recorded in the cash book.
- (ii) Only credit purchase of goods are recorded in this book. Purchase of assets such as Machinery, Furniture, and Typewriters etc. are not recorded in the purchase books. These are recorded in Journal proper if purchased on credit or in the cash book if purchased for cash.

### **Format of Purchase Book**

**Purchase (Journal) Book**

| Date | Invoice No. | Name of Supplier<br>(Account to be credited) | L.F. | Amount |
|------|-------------|--|------|--------|
|      |             |  |      |        |

**(2) Sales Book:** - This book is used for recording the credit sales of goods. Cash sales are recorded in the cash book and not

in sales book. The source document for recording entries in the sales journal are sales invoice or bill issued by the firm to the customers.

Following transactions are not recorded in sales book: -

(i) Cash sales are not recorded in this book since these will be recorded in the cash book.

(ii) Only credit sales of goods are recorded in this book. Sales of assets such as Machinery, Furniture, and Typewriters etc. are not recorded in the sales books. These are recorded in Journal proper if Sale of assets is on credit, whereas cash sales of assets will be recorded in cash book.

### **Format of Sales Book**

**Sales (Journal) Book**

| Date | Invoice No. | Name of Customer<br>(Account to be debited) | L.F. | Amount |
|------|-------------|---|------|--------|
|      |             |   |      |        |

### **(3) Purchase Return Book or Return Outward Book:**

- When the goods previously purchased on credit are returned to the suppliers, such returns are recorded in this book. These books are also known as Return Outward Book.

There may be various reasons for returning the goods to the supplier: -

(i) When the goods delivered are not according to sample.

(ii) Quality of goods supplied is inferior.

(iii) When the goods are defective or have been damaged in transit.

(iv) When goods have not been delivered in time.

The source document for recording entries in the purchases return journal is generally a debit note. A debit note will contain

the name of the party (to whom the goods have been returned) details of the goods returned and the reason for returning the goods. Each debit note is serially numbered and dated.

### **Format of Purchase Return Book**

#### **Purchase Return (Journal) Book**

| <b>Date</b> | <b>Debit Note No.</b> | <b>Name of Supplier<br/>(Account to be debited)</b> | <b>L.F.</b> | <b>Amount</b> |
|-------------|-----------------------|---|-------------|---------------|
|             |                       |   |             |               |

**(4) Sales Return Book or Return Inward Book:** - When the goods previously sold on credit are returned by the customers, such returns are recorded in this book. These books are also known as Return Inward Book.

When goods are received back, a Credit note is prepared in duplicate and the original copy of the same is sent to the party from whom goods were received. A credit note will contain the name of the customer, details of the goods received back and the amount of return. Each credit note is serially numbered and dated.

### **Format of Sales Return Book**

#### **Sales Return (Journal) Book**

| <b>Date</b> | <b>Credit Note No.</b> | <b>Name of Customer<br/>(Account to be Credited)</b> | <b>L.F.</b> | <b>Amount</b> |
|-------------|------------------------|--|-------------|---------------|
|             |                        |  |             |               |

**(5) Journal proper:** -This book is used for recording the transactions which cannot be recorded in any of the above mentioned books.

**Following types of transactions are recorded in journal proper: -**

- 1. Opening Entry:** In order to open new set of books in the beginning of new accounting year entry is passed to record therein opening balances of assets, liabilities and capital.
- 2. Adjustment Entries:** At the time of preparation of final accounts, entries of certain unrecorded items are made at the end of the accounting period. Such as Rent outstanding, Prepaid insurance, Depreciation and Commission received in advance. Entries of these are called adjustment entries.
- 3. Rectification entries:** To rectify errors in recording transactions in the books of original entry and their posting to ledger accounts this journal is used.
- 4. Transfer entries:** Transfer entries are passed for transferring an amount or the balance of one account to another such as drawing account is transferred to capital account at the end of the accounting year. 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 and Profit and Loss account by recording 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:
  - (i) At the time of a dishonour of a cheque the entry for cancellation for discount received or discount allowed earlier.
  - (ii) Purchase/sale of assets on credit.
  - (iii) Goods withdrawn by the owner for personal use.
  - (iv) Goods distributed as samples for sales promotion.
  - (v) Endorsement and dishonour of bills of exchange.
  - (vi) Transaction in respect of consignment and joint venture, etc.
  - (vii) Loss of goods by fire/theft/spoilage.