

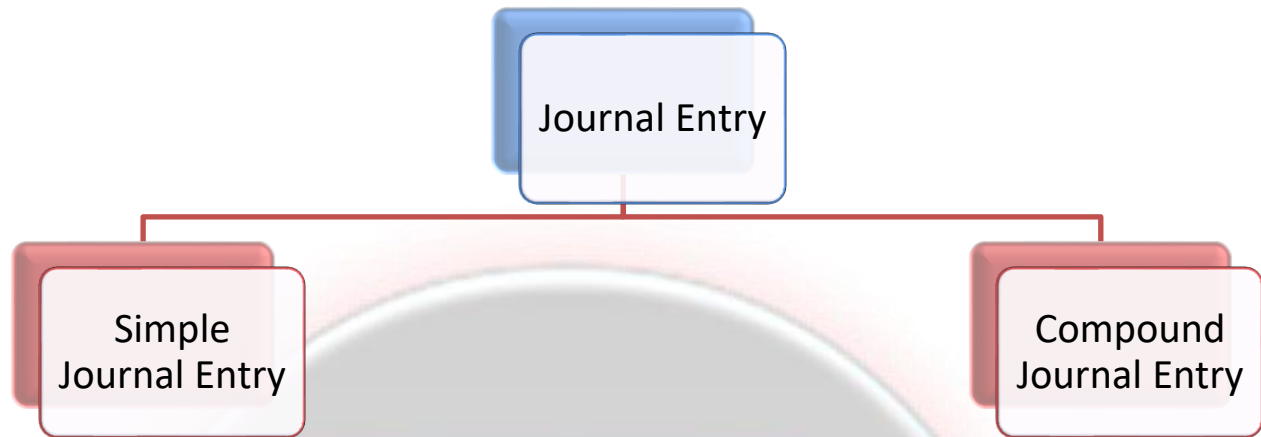
MAINTENANCE OF CASH/SUBSIDIARY BOOKS AND LEDGER

JOURNAL

- Journal is book of prime entry or original entry in which all the business transactions are recorded the first in the sequence in which the transactions had actually occurred.
- It records both the aspects of a transaction i.e., debit and credit using Double Entry System of Book Keeping. It gives complete details of a transaction in one entry.

JOURNAL ENTRY

Journal entry records a business transaction in the accounting system for an organization.



TYPES OF JOURNAL ENTRIES

Simple Journal Entry

Simple journal entry is the type of entry in which only two accounts are affected where one account is debited and another account is credited with an equal amount.

Compound Journal Entry

Compound journal entry is the type of entry in which more than two accounts are affected i.e., one or more accounts are debited and/or one or more accounts are credited or vice versa.

JOURNALISING

A process in which we record business transactions into journal is called Journalising.

Mr. John's Journal				
Date	Description	PR	Amount	
			Dr. (\$)	Cr. (\$)
2019				
Jan. 1	Cash Account Capital Account (Started business with cash)		3,00,000	3,00,000
Jan. 5	Purchases Account Cash Account (Purchased goods for cash)		1,500	1,500
Jan. 7	Cash Account Sales Account (Sold goods for cash)		2,000	2,000
Jan. 9	Purchases Account Harry's Account (Purchased goods on credit)		3,000	3,000
Jan. 11	Cash Account Interest Account (Interest received in cash)		2,500	2,500
Jan. 13	Warn Account Sales Account (Sold goods on credit)		5,000	5,000
Jan. 18	Harry's Account Purchases return account (Goods returned to supplier)		500	500
Jan. 20	Sales return account Warn's Account (Goods returned from customer)		1,000	1,000
Jan. 25	Drawings Account Cash Account (Withdrew cash for household expenses)		2,200	2,200
Jan. 31	Rent Account Cash Account (Paid rent)		3,500	3,500

MULTIPLE CHOICE QUESTIONS

Purchased goods from Mohan for 20000 and cash discount is 5 %.

Date	Particulars	L.F	Dr	CR
1 Jan	Purchase A/c Dr		20000	
	To Cash A/c			19000
	To Discount Received A/c			1000

Paid interest 4000, commission 6000 by cheque.

Date	Particulars	L.F	Dr	CR
1 Jan	Interest A/c Dr		4000	
	Commission A/c Dr		6000	
	To Bank A/c			10000

Paid to Mohan 5000 in cash and 5000 by cheque.

Date	Particulars	L.F	Dr	CR
1 Jan	Mohan A/c Dr		10000	
	To Cash A/c			5000
	To Bank A/c			5000

ACCOUNTING PROCEDURES

- Meaning of Account
- Traditional Approach of Account classification
- Modern Approach of Account classification
- Golden rules of accounting

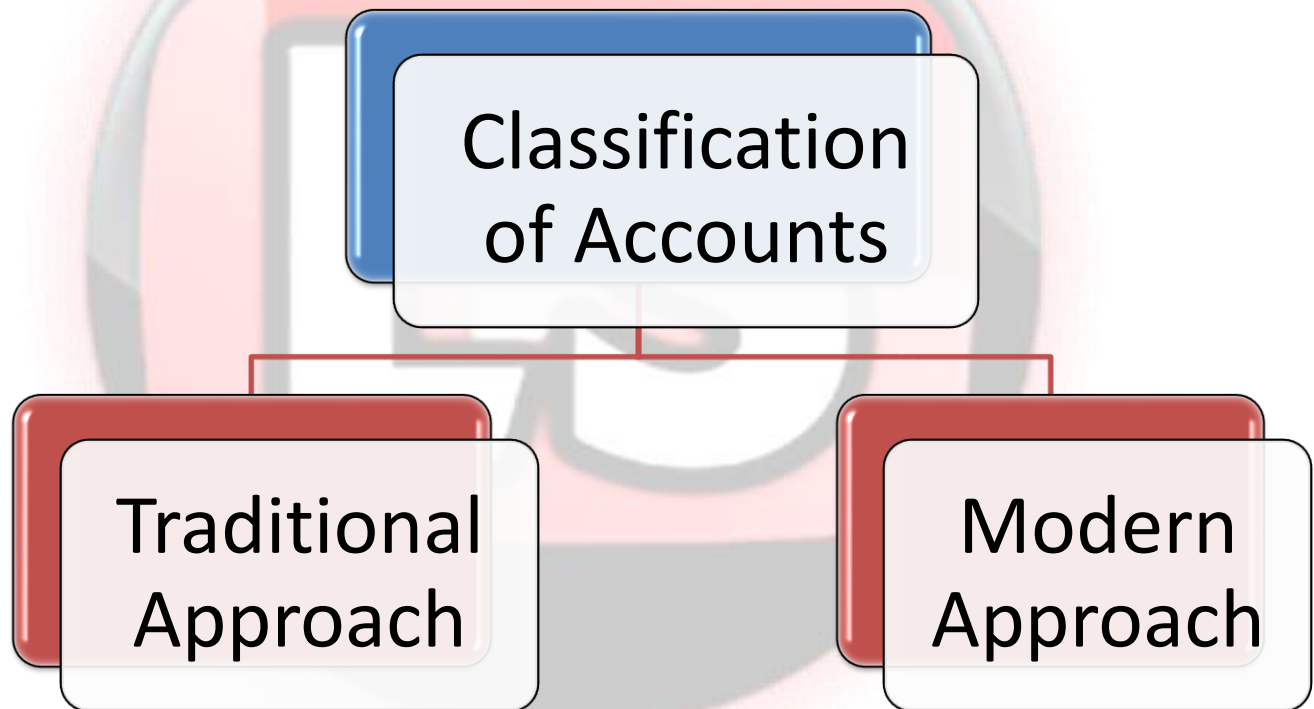
ACCOUNT

- An account is a record in an accounting system that tracks the financial activities of a specific asset, liability, equity, revenue, or expense.

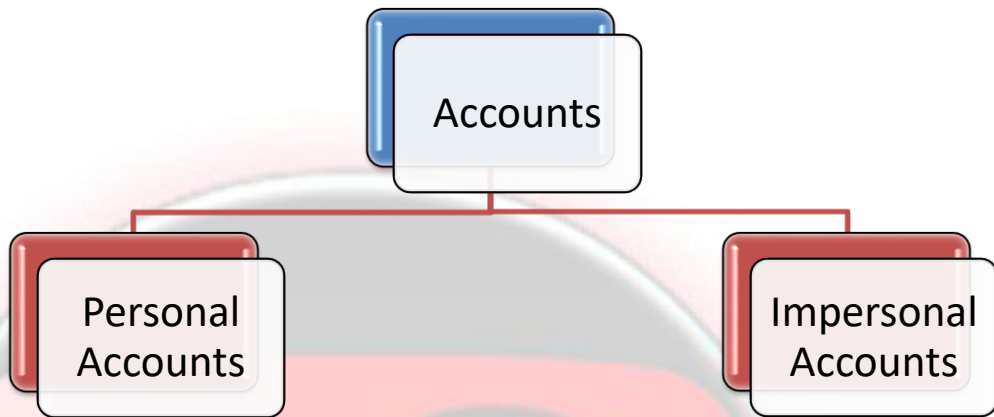


- ❑ It is divided into two parts and presented in a T format, where the left-hand side is known as debit and the right-hand side is known as credit.

CLASSIFICATION OF ACCOUNTS

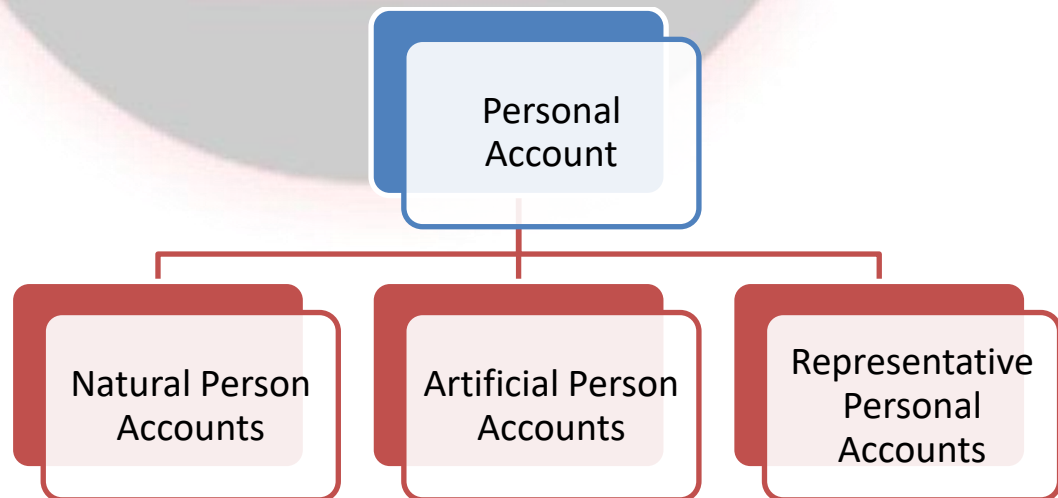


TRADITIONAL APPROACH



PERSONAL ACCOUNTS

Personal Accounts related with persons such as individuals, firms, companies, etc. These are prepared to determine the balance due to or due from persons or organisations.



NATURAL PERSONAL ACCOUNTS

The term natural person means persons who are the creation of God. Therefore, these are the accounts of those persons who come into existence naturally.

Example

Rahul A/c , Mohan A/c , Anjali A/c etc.

ARTIFICIAL PERSONAL ACCOUNTS

Artificial person is an entity created by law and given similar legal rights and duties to that of a human being. Therefore, these are the accounts of institutions or corporate bodies which includes Company's Account, Society's Account, etc.

Example

Reliance Industries, Tata Consultancy Services (TCS), HDFC Bank Limited.

REPRESENTATIVE PERSONAL ACCOUNTS

Representative Personal Accounts are the accounts that represent a certain person or group of persons.

Example

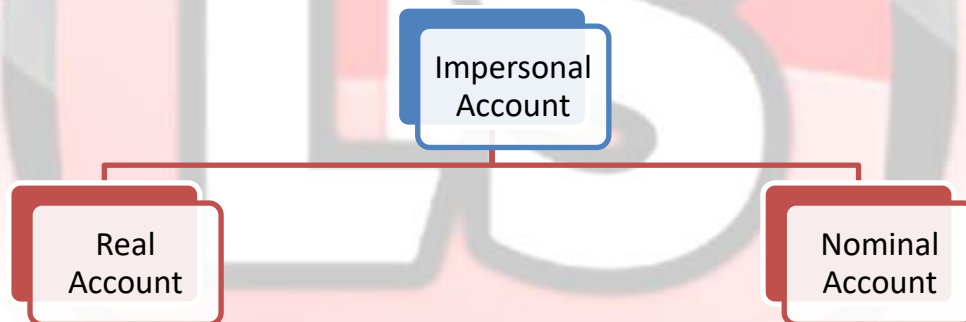
commission outstanding A/c, wages outstanding A/c etc.

IMPERSONAL ACCOUNTS

Impersonal Accounts represents accounts other than Personal Accounts.

Example

Land A/c, Building A/c, Purchase A/c, Sales A/c.



NOMINAL ACCOUNTS

Nominal Accounts are accounts related to and associated with losses, expenses, income, or gains.

Example

Purchase A/c, Sales A/c, Salary A/c, Wages A/c etc.

GOLDEN RULES OF ACCOUNTING

Golden Rule For Personal Accounts

- Debit the receiver
- Credit the giver

Golden Rule For Real Accounts

- Debit What Comes in
- Credit What Goes Out

Golden Rule For Nominal Accounts

- Debit all expenses and losses
- Credit all incomes and gains

MODERN APPROACH

Account

- Capital Account
- Liability Account
- Asset Account
- Expense Account
- Revenue Account



CAPITAL ACCOUNTS

These are the accounts of proprietors/partners who have invested amount in the business which includes both Capital and Drawings Account.

LIABILITY ACCOUNTS

Liabilities refers to the financial obligations or debt which a business owes to others and liable to pay others. So liability accounts are related with lenders, creditors, etc.

Example

Creditors Account, Loan Account etc.

ASSET ACCOUNT

Asset Accounts are related to tangible or intangible assets of the firm.

Example

Land A/c, Building A/c, Patents A/c, Trademarks A/c

REVENUE ACCOUNTS

These are the accounts of incomes and gains that include Sales, Interests received, Bad Debts recovered, etc.



Example

Sales A/c, Interest Received A/c etc.

EXPENSE ACCOUNT

These are the accounts of expenses and losses that include Purchases, Wages, Depreciation, etc.

Example

Salary A/c, Electricity A/c, Wages A/c

RULES OF DEBIT CREDIT UNDER MODERN APPROACH

Asset account

Debit the Increases & Credit the Decreases

Liability Accounts

Debit the Decreases & Credit the Increases

Capital Accounts

Debit the Decreases & Credit the Increases

Revenue Accounts

Debit the Decreases & Credit the Increases



Expense Account

Debit the Increases & Credit the Decreases

SUBSIDIARY BOOKS

- Subsidiary Books are books of Original Entry. They are also known as special journals. We record transactions of similar nature are in Subsidiary Books.
- Journal entry is not passed for the transactions recorded in those books but they are posted to the ledger accounts.

Example

Cash Book, Sales Book, Purchases Book, Purchase Returns Book, Sales Returns Book

SUBSIDIARY BOOKS



CASH BOOK

- Cash Book is a book of prime entry in which all transactions related to cash and bank are recorded. The cash and bank columns are created to enter their respective transactions.
- In a cash book, all the receipts are recorded on the debit side and all the payments are recorded on the credit side.
- Cash book performs the function of both journal and the ledger.

TYPES OF CASH BOOK

- Cash Book
- Simple Cash Book
- Double Columnar Book

SIMPLE CASH BOOK

In a simple cash book only cash transactions are recorded and all the receipts of cash are recorded on the debit side and all the payments are recorded on credit side.

Dr.						Cr.				
Date	Particulars	V.No.	L.F.	₹	Date	Particulars	V.No.	L.F.	₹	

DOUBLE COLUMN CASH BOOK

- A double column cash book is a cash book with two columns on each side of the cash book and it records both Cash and bank transactions.
- Cash transactions are recorded in one column and bank transactions are recorded in another column;



Dr.					Cr.				
Date	Particulars	L.F.	Cash ₹	Bank ₹	Date	Particulars	L.F.	Cash ₹	Bank ₹

PETTY CASH BOOK

- A petty cash book is maintained to record small expenses such as postage, stationery, and telegrams.
- Petty cash book is a book prepared by a petty cashier for the purpose of recording payment of petty cash expenses.

SYSTEM OF PETTY CASH BOOK

- System Of Petty Cash Book
- Ordinary System
- Imprest System

ORDINARY SYSTEM OF PETTY CASH

In this system, a petty cashier receives appropriate amount of cash to make small payments and submits the accounts to the chief cashier regarding all those expenses.



IMPREST SYSTEM OF PETTY CASH

- ❑ In this system, a definite amount is given to a petty cashier by the chief cashier in the beginning of an accounting period and this amount is called Imprest amount.
- ❑ The petty cashier makes payment for all expenses out of the Imprest amount. When a major portion of the amount is spent by the petty cashier, she/he can get reimbursement of the amount spent from the chief cashier.

Petty Cash Book

- Simple Petty Cash Book
- Analytical Petty Cash Book

SIMPLE PETTY CASH BOOK

Simple petty cash book is a book in which any cash, the petty cashier receives, is recorded on the left-hand side of the cash column and any cash, the petty cashier pays out, is entered on the right-hand side cash column. Every transaction's date and particulars are entered in the same date and particulars column.



Amount Received ₹	Cash Book Folio	Date	Particulars	V. No.	Amount Paid ₹
Amount Received	---	---	---	---	---
			Head of Expenses	---	---

ANALYTICAL PETTY CASH

An analytical petty cash book is used for entering receipts of cash on the left-hand side and for recording payments on the right hand side. A separate column is created for entering particular item of expenditures such as conveyance, telephone and postage.

Amt Rec eived	C B Fo lio	D at e	Parti cular s	V . N o	Total Pay men ts	Pos tag e & cou rier	Stati oner y	Wa ges & sal ary	Conve & Carta ge	carr iage	Mi sc.

