

MAINTENANCE OF CASH/SUBSIDIARY BOOKS AND LEDGER

JOURNAL

This 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.

Journal

Date	Particulars	L.F	Dr. Amount in (₹)	Cr. Amount in (₹)
05/05/2020	Cash A/c Dr. To Proprietor's Capital A/c (Narration: Being the amount invested by Mr.Rohit sharma vide cash for starting the business)		550,000.00	550,000.00
06/05/2020	State Bank of India Current A/c Dr. To Cash A/c (Being Current A/c opened with SBI by depositing Cash)		48,000.00	48,000.00
06/05/2020	Furniture & Fixture A/c Dr. To Cash A/c (Being Furniture and Fixtures purchased from M/s.Dev Wood as per Cash Memo No-1350)		32,500.00	32,500.00
	Total		630,500.00	630,500.00

JOURNAL ENTRY

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

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 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

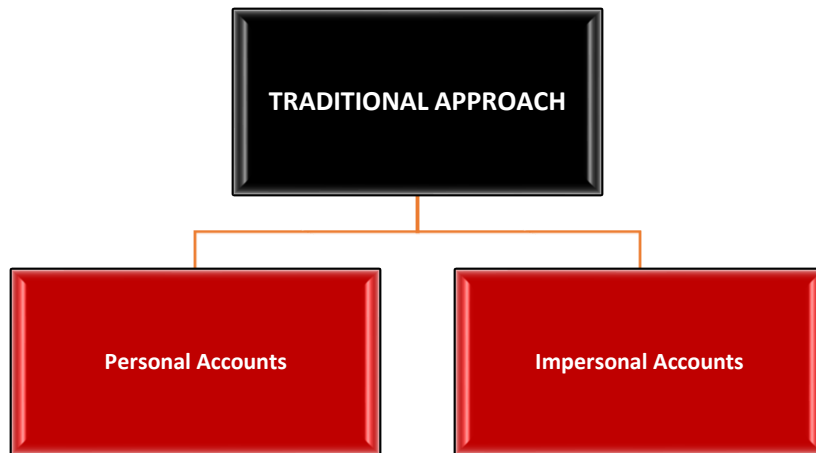
JOURNALISING

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

ACCOUNT

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

Dr		Cash Account		Cr	
Date	Particulars	Amount	Date	Particulars	Amount
2020			2020		
Jan. 01	To balance b/f	10,000	Jun. 10	By expenses a/c	5,000
Apr. 01	To sales a/c	25,000	Aug. 18	By bank a/c	15,000
			Dec. 31	By balance c/f	15,000
		35,000			35,000



PERSONAL ACCOUNT

These account **types** are related to **persons**. These **persons** may be **natural persons** or **artificial persons** like **Raj's account**, Rajesh's account, partnership firms, companies, **bodies corporate**.

PERSONAL ACCOUNTS



Natural personal accounts are accounts of those persons who come into existence naturally



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.



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

IMPERSONAL ACCOUNT

- Accounts which **are not held in the name of person** are known as impersonal accounts.
- These Accounts represents a **specific category** or **type of transaction** rather than a specific individual or entity.

IMPERSONAL ACCOUNTS



Real Accounts are related to tangible or intangible assets of the firm



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

Golden Rules of Accounting

	1. Real Accounts	2. Personal Accounts	3. Nominal Accounts
Debit :-	What comes in	The Receiver	All Expense and Loss
Credit :-	What goes out	The Giver	All Income and Profit
Applicable to :-	This rule is applicable to all assets of the business	This rule is applicable to Persons, artificial persons and representative persons	This rule is applicable to all Expenses, Income and Losses/Profits

Journal Entries

Cash invested by Owner to start Business 500000.

Date	Particulars	L.F	Dr	CR
1 Jan	Cash A/c Dr To Capital A/c		500000	50000

Furniture purchased from Rahul and cash paid 20000.

Date	Particulars	L.F	Dr	CR
1 Jan	Furniture A/c Dr To Cash A/c		20000	20000

Machinery purchased from Mohan on credit 5000.

Date	Particulars	L.F	Dr	CR
1 Jan	Machinery A/c Dr To Mohan A/c		5000	5000

Paid interest 4000, commission 6000 by cheque.

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

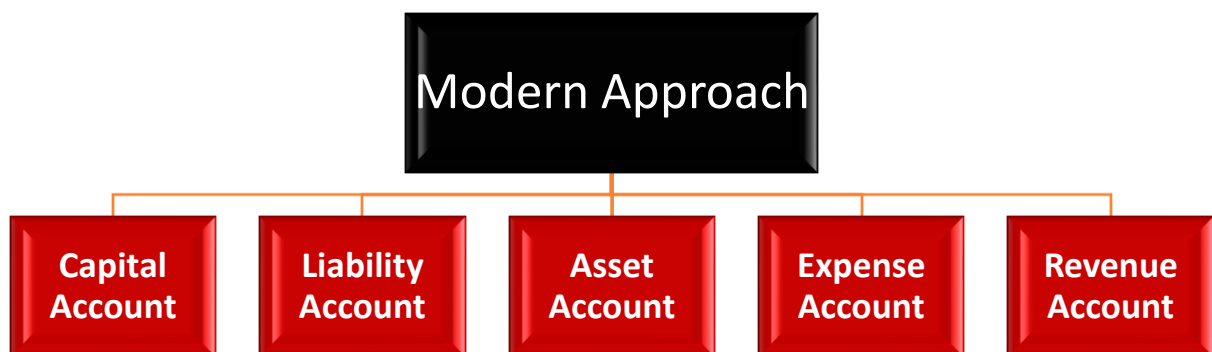
Purchased goods from Mohan for 20000 and cash discount is 5 %.

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

Paid to Mohan 5000 in cash and 5000 by cheque.

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



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

EXPENSE ACCOUNT

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

Example: -Salary A/c, Electricity A/c, Wages A/c

REVENUE ACCOUNTS

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

Example: -Sales A/c, Interest Received A/c etc.

Modern Rules of Accounting					
	1. Capital	2. Assets	3. Liability	4. Expense	5. Income
Debit :-	Decrease	Increase	Decrease	Increase	Decrease
Credit :-	Increase	Decrease	Increase	Decrease	Increase
Applicable to:	This rule is applicable to all Owner's Transactions	This rule is applicable to all assets of the business	This rule is applicable to all Liabilities of the business	This rule is applicable to all Expenses of the business	This rule is applicable to all Incomes of the business

Journal Entries

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Paid to Mohan 5000 in cash and 5000 by cheque.

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

SUBSIDIARY BOOKS

These are **books of Original Entry**. They are also known as **special journals**. We record transactions of a similar nature in Subsidiary Books.

Example

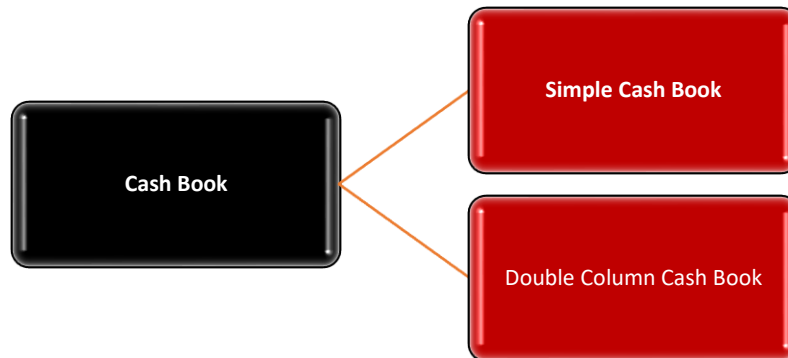
Cash Book, Sales Book, Purchases Book



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 ledger.**



SIMPLE CASH BOOK

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

Simple Cash Book

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

DOUBLE COLUMN CASH BOOK

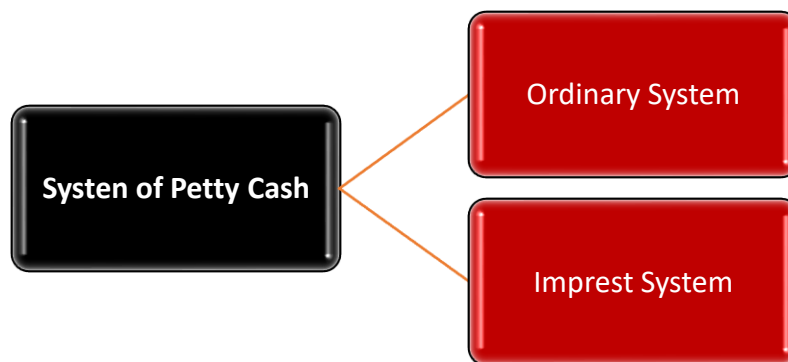
- A double column cash book has **two columns on each side of the cash book**, and it records both **Cash and bank transactions.**
- **Cash transactions** are recorded in **one column** and **bank transactions** are recorded in **another column.**

Double Column Cash Book

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

PETTY CASH BOOK

- It 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.**



Ordinary System of Petty Cash

In this system, a petty **cashier receives an 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**.
- 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**.

PURCHASES BOOK

- It is a subsidiary book which records **credit purchases of goods in which the firm trades in**.
- **Cash purchases of goods and purchases of any assets** are not recorded in the purchase book.
- Purchase book is also known as **invoice book/bought book**.

Basis	Purchase Book	Purchase Account
Meaning	Purchases book is a subsidiary book which records credit purchases of goods in which the firm trade in.	Purchases account is an account in which we record all transactions involving the buying of goods, either on credit or for cash.
Part	It is a part of journal.	It is a part of ledger.
Format	It does not have debit and Credit columns.	It has debit and credit columns.
Content	Only credit purchases of goods are recorded.	Credit as well as cash purchases of goods are recorded.
Balance	Total amount of purchase book is posted to the purchase account periodically.	Balance in the account is transferred to trading account.

SALES BOOK

- It is a subsidiary book which records **credit sales of goods and goods in which the firm trades in.**
- **Cash sales of goods and sale of any assets are not recorded in the sales book.**

Basis	Sales Book	Sales Account
Meaning	It is a subsidiary book which records credit sales of goods in which the firm trade in.	Sales account is an account in which we record all transactions involving selling of goods, either on credit or for cash.
Part	It is a part of journal.	It is a part of ledger.
Format	It does not have debit and Credit columns.	It has debit and credit columns.
Content	Only credit sales of goods are recorded.	Credit as well as cash sales of goods are recorded.
Balance	Total amount of sales book is posted to the sales account periodically.	Balance in the account is transferred to trading account.

PURCHASES RETURN BOOK

- It is a subsidiary book which records **goods returned to the supplier, and which had been purchased on credit.**
- Purchases return book **does not record return of goods purchased on cash and return of any assets purchased.**

SALES RETURN BOOK

- It is a subsidiary book which records **goods returned by the customers, and which have been sold on credit.**
- The sales return book **does not record** the return of goods sold on a cash basis and return of any assets sold.

Q:1 Book of original or prime entry where accountants and bookkeepers keep a record of business transactions known as_____.

- a) Ledger
- b) Journal
- c) Trial balance
- d) None of the above

Q:2 Which of these is a Compound Journal Entry?

- a) Cash invested by Owner to start Business 500000.
- b) Furniture purchased from Rahul and cash paid 20000.
- c) Machinery purchased from Mohan on credit 5000.
- d) Purchased goods from Mohan for 20000 and cash discount is 5 %.

Q:3 Personal accounts are related with_____.

- a) Assets and liabilities
- b) Expense, losses, and income
- c) Customers and creditors
- d) None of the above

Q:4 Which of these is a type of personal account?

- I. Natural Personal Account
- II. Artificial Personal Account
- III. Representative Personal Accounts
- IV. Nominal Account

- a) I, III, IV
- b) II, III, IV
- c) I, II, III**
- d) I, II, III, IV

Q:5 Outstanding commission is known as_____.

- a) Natural Personal Account
- b) Artificial Personal Account
- c) Representative Personal Accounts
- d) All of the above

Q:6 Accounts that relate to incomes, expenses, gains, and losses are known as_____.

- a) Real account
- b) Nominal account
- c) Personal account
- d) None of the above

Q:7 Alice and Bob are the proprietors of Green Grove Supermart. How would you categorize the accounts related to Alice's and Bob's investments in the store?

- a) Capital Account
- b) Liability Account
- c) Asset Account
- d) Expense Account

Q:8 The store has a loan from a financial institution to support its expansion. How would you classify the account related to the business loan in the store's accounting records?

- a) Capital Account
- b) Liability Account
- c) Asset Account
- d) Expense Account

CASE STUDY ON MODERN RULES OF ACCOUNTING

Q: 1 XYZ Company sold goods for cash. Which of the following journal entries correctly records this transaction?

- a) Debit Cash, Credit Sales
- b) Debit Sales, Credit Cash
- c) Debit Cash, Credit Accounts Receivable
- d) Debit Accounts Receivable, Credit Sales

Q: 2 A company paid rent expense for the month. Which of the following journal entries correctly reflects this transaction?

- a) Debit Rent Expense, Credit Cash
- b) Debit Cash, Credit Rent Expense
- c) Debit Rent Expense, Credit Accounts Payable
- d) Debit Accounts Payable, Credit Rent Expense

Q: 3 Company XYZ purchased new machinery worth 50,000 on credit from Supplier ABC Ltd. Which of the following journal entries correctly represents this transaction?

- a) Debit Machinery 50,000, Credit Accounts Payable 50,000
- b) Debit Machinery 50,000, Credit ABC Ltd 50,000
- c) Debit ABC Ltd 50,000, Credit Machinery 50,000
- d) Debit Cash 50,000, Credit Accounts Payable 50,000

CASE STUDY ON SUBSIDIARY BOOKS

Subsidiary Books are books of Original Entry. They are also known as special journals. It used in accounting to record detailed information about specific types of transactions before they are posted to the general ledger. These books help streamline the recording process, improve accuracy, and provide a detailed breakdown of transactions that affect various accounts.

Q: 1 Which of this statement defines Cash Book?

- a) Cash Book is a book of prime entry in which all transactions related to cash and bank are recorded.
- b) In a cash book, all the receipts are recorded on the debit side and all the payments are recorded on the credit side.
- c) Cash book performs the function of both journal and ledger.
- d) All of the above

Q: 2 What is the purpose of a petty cash book in accounting?

- a) To record large and significant business expenses.
- b) To keep track of employee salaries and wages.
- c) To manage transactions related to major purchases.
- d) To record small cash expenses like postage and stationery.

Q: 3 Which of these statements is correct regarding Purchase book?

- I. Purchases book is a subsidiary book.
- II. It records credit purchases of goods in which the firm trade in.
- III. Cash purchases of goods and purchases of any assets are not recorded in the purchase book.
- IV. Purchases book is also known as invoice book/bought book.

- a) I, III, IV
- b) II, III, IV
- c) I, II, III
- d) I, II, III, IV

Q: 4 _____ is a subsidiary book which records credit sales of goods and goods in which the firm trade in. Cash sales of goods and sale of any assets are not recorded in this book.

- a) Sales book
- b) Sales return book
- c) Trial balance
- d) All of the above

Q: 5 _____ is a subsidiary book which records goods returned to the supplier, and which had been purchased on credit. This book does not record return of goods purchased on cash and return of any assets purchased.

- a) Sales Return Book
- b) Purchase Return Book
- c) Sales Book
- d) Purchase Book