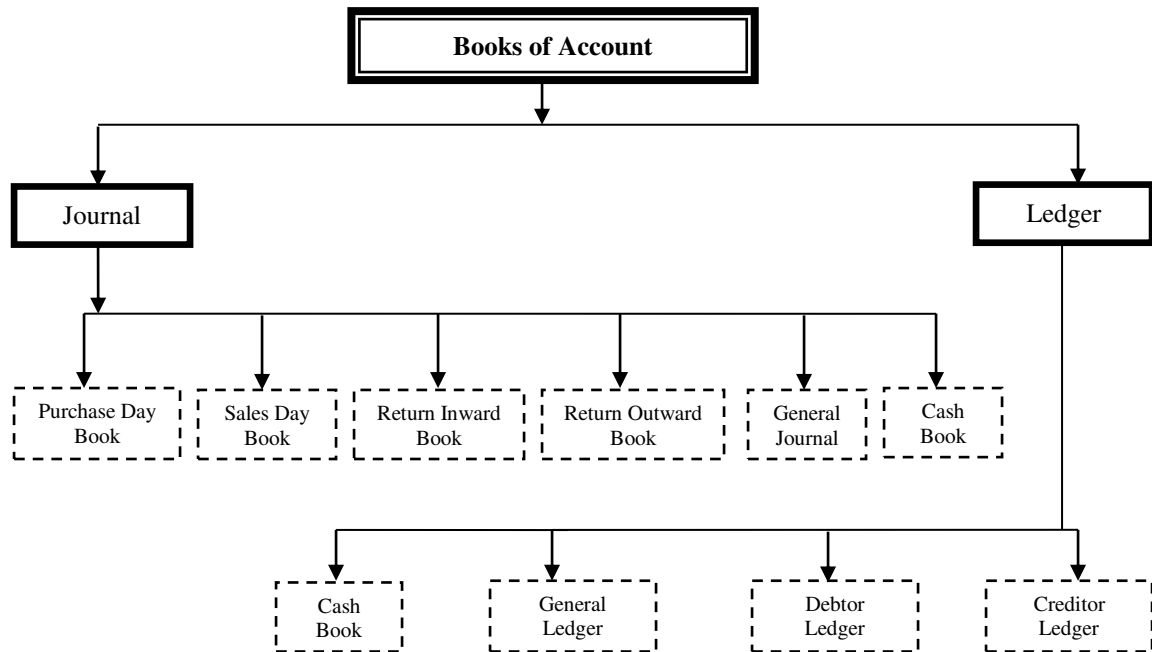


## BOOKS OF ACCOUNTS

- There are two main books of account, Journal and Ledger
- Journal used to record the economic transaction chronologically
- Ledger used to classifying economic activities according to nature



### 11.1 Subdivision of Journal

- ✓ In large business it is found inconvenient to journalize every transaction in one journal
- ✓ Therefore, the journal is sub-divided into different journals known as the subsidiary books
- ✓ The journal is divided in such a way that a separate book is used for each class of transactions. The important subsidiary books used in modern business world are the following

#### 11.1.1 Purchases Day Book

- Purchases book or purchases day book is a book of original entry maintained to record credit purchases
- You must note that cash purchases will not be entered in purchases day book because entries in respect of cash purchases must have been entered in the cash book
- At the end of each month, the purchases book is totaled. The total shows the total amount of goods purchased on credit
- Purchases book is written up daily from the invoices received
- The invoices are consecutively numbered
- The invoice of each number is noted in the purchases book

**Purchase Journal (Format)**

| Date         | Account Credited | Invoice # | Ref | Amount |
|--------------|------------------|-----------|-----|--------|
|              |                  |           |     |        |
|              |                  |           |     |        |
|              |                  |           |     |        |
| <b>Total</b> |                  |           |     |        |

**Example # 11.1:** From the following transactions of a trader prepare the Purchases day book

**2014**

|           |  |           |
|-----------|--|-----------|
| January 5 | Purchased goods from Qurat Ul Ain & Co | Rs. 2,400 |
| " 15      | Purchased goods from Saba Sajjad       | 6,000     |
| " 25      | Purchased goods from Omer Nawaz & Co   | 1,500     |
| " 30      | Purchased goods from Maqbool & Co      | 3,000     |

**Purchase Journal**

| Date         | Account Credited | Invoice # | Ref | Amount |
|--------------|------------------|-----------|-----|--------|
|              |                  |           |     |        |
|              |                  |           |     |        |
|              |                  |           |     |        |
|              |                  |           |     |        |
| <b>Total</b> |                  |           |     |        |

**11.1.2 Sales Day Book**

- A sales book is also known as sales day book in which are recorded the details of credit sales made by a businessman
- Total of sales book shows the total credit sales of goods during the period concerned
- Usually the sales book is totaled every month. The sales day book is written up daily from the copies of invoices sent out

**Sales Journal (Format)**

| Date         | Account Debited | Invoice # | Ref | Amount |
|--------------|-----------------|-----------|-----|--------|
|              |                 |           |     |        |
|              |                 |           |     |        |
|              |                 |           |     |        |
| <b>Total</b> |                 |           |     |        |

**Example # 11.2:** From the following transactions of a trader prepare the sales day book of M. Amin

|       |    |                             |  |         |
|-------|----|-----------------------------|--|---------|
| 2017  |    |                             |  |         |
| March | 5  | Sold goods to Ideal College |  | Rs. 200 |
| "     | 10 | Sold goods to Ahmad & Co    |  | 100     |
| "     | 20 | Credit sales to Ayesha Bibi |  | 400     |
| "     | 31 | Sold goods to Gulbaz Khan   |  | 100     |

### Sales Journal

| Date         | Account Debited | Invoice # | Ref | Amount |
|--------------|-----------------|-----------|-----|--------|
|              |                 |           |     |        |
|              |                 |           |     |        |
|              |                 |           |     |        |
|              |                 |           |     |        |
| <b>Total</b> |                 |           |     |        |

### 11.1.3 Return Inward Book

- Sales returns book is also called returns inwards book. It is used for recording goods returned to us by our customers
- Customers who return goods should be sent a credit note. It is a statement sent by a business to customer showing the amount credited to the account



### Return Inward Journal (Format)

| Date         | Account Credited | Credit Note # | Ref | Amount |
|--------------|------------------|---------------|-----|--------|
|              |                  |               |     |        |
|              |                  |               |     |        |
| <b>Total</b> |                  |               |     |        |

**Example # 11.3:** From the following transactions of a trader prepare the sales returns book

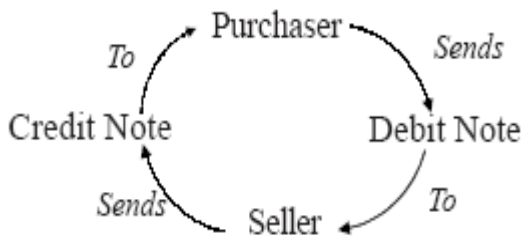
|      |    |                                    |  |        |
|------|----|------------------------------------|--|--------|
| 2016 |    |                                    |  |        |
| June | 8  | Goods returned by Sana Khalid & Co |  | Rs. 40 |
| "    | 20 | Goods returned by Ideal Traders    |  | 52     |

## Return Inward Journal

| Date         |    | Account Credited | Credit Note # | Ref | Amount |
|--------------|----|------------------|---------------|-----|--------|
| 2016         |    |                  |               |     |        |
| June         | 8  |                  |               |     |        |
|              | 20 |                  |               |     |        |
| <b>Total</b> |    |                  |               |     |        |

## 11.1.4 Return Outward Book

- ✓ Purchases returns book is a book in which the goods returned to suppliers are recorded. It is also called returns outward book or purchases returns day book
- ✓ Goods may be returned because they are of the wrong kind or not up to sample or because they are damaged etc.
- ✓ When the goods are returned to the suppliers, intimation is sent to them through what is known as a debit note
- ✓ These debit notes serve as vouchers for these entries. A debit note is a statement sent by a businessman to vendor, showing the amount debited to the account



## Return Outward Journal (Format)

| Date         |  | Account Debited | Debit Note # | Ref | Amount |
|--------------|--|-----------------|--------------|-----|--------|
|              |  |                 |              |     |        |
|              |  |                 |              |     |        |
|              |  |                 |              |     |        |
| <b>Total</b> |  |                 |              |     |        |

**Example # 11.4:** From the following transactions of a trader prepare the purchases returns day book

|         |                   |         |
|---------|-------------------|---------|
| 2016    |                   |         |
| July 14 | Karim & Sons      | Rs. 135 |
| " 27    | Maria Waheed & Co | 150     |
| " 31    | Saeed Bros        | 25      |

## Return Outward Journal

| Date | Account Debited | Debit Note # | Ref | Amount |
|------|-----------------|--------------|-----|--------|
|      |                 |              |     |        |
|      |                 |              |     |        |
|      |                 |              |     |        |
|      |                 |              |     |        |
|      |                 |              |     |        |

## 11.1.5 Proper/ General Journal

- ❖ Journal proper is book of original entry (simple journal) in which miscellaneous credit transactions which do not fit in any other books. It is also called miscellaneous journal or General Journal
- ❖ For example purchase assets on credit, Correcting Entries, Adjusting Entries and Closing Entries etc.

**Example # 11.5:** Record the following transactions in the appropriate journal?

2017

|       |    |   |
|-------|----|---|
| March | 3  | Purchased goods from Ali & Co for Rs. 4,500               |
| “     | 8  | Sold merchandise to Naeem & Sons worth of Rs. 6,000       |
| “     | 12 | Purchase merchandise from B & Brothers Rs. 3,000          |
| “     | 14 | Credit sales of goods to Z & Co for Rs. 2,500             |
| “     | 15 | Naeem & Sons returned goods Rs. 1,000                     |
| “     | 18 | Return merchandise to Ali & Co Rs. 500                    |
| “     | 22 | Purchase Furniture from Mr. Saeed of Rs. 3,200            |
| “     | 24 | Returned goods to B & Brothers of Rs. 200                 |
| “     | 27 | Purchase Machinery on account from MMM Machines Rs. 7,000 |
| “     | 29 | Z & Co returned merchandise of Rs. 300                    |

## Purchase Journal

| Date | Account Credited | Invoice # | Ref | Amount |
|------|------------------|-----------|-----|--------|
|      |                  |           |     |        |
|      |                  |           |     |        |
|      |                  |           |     |        |
|      |                  |           |     |        |
|      |                  |           |     |        |

**Sales Journal**

| Date |  | Account Debited | Invoice # | Ref | Amount |
|------|--|-----------------|-----------|-----|--------|
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |
|      |  |                 |           |     |        |

**Return Inward Journal**

| Date |  | Account Credited | Credit Note # | Ref | Amount |
|------|--|------------------|---------------|-----|--------|
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |
|      |  |                  |               |     |        |

**Return Outward Journal**

| Date |  | Account Debited | Debit Note # | Ref | Amount |
|------|--|-----------------|--------------|-----|--------|
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |
|      |  |                 |              |     |        |

**General Journal**

| Date | Account Titles and Explanation | Ref | Amount (Rs) |        |
|------|--------------------------------|-----|-------------|--------|
|      |                                |     | Debit       | Credit |
|      |                                |     |             |        |
|      |                                |     |             |        |
|      |                                |     |             |        |
|      |                                |     |             |        |
|      |                                |     |             |        |
|      |                                |     |             |        |
|      |                                |     |             |        |
|      |                                |     |             |        |
|      |                                |     |             |        |
|      |                                |     |             |        |

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