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**11 - Accountancy**  
**Unit - 6 Subsidiary Books - I**

**I. Choose the Correct Answers**

1. Purchases book is used to record  
(a) all purchases of goods (b) all credit purchases of assets  
**(c) all credit purchases of goods** (d) all purchases of assets
2. A periodic total of the purchases book is posted to the  
**(a) debit side of the purchases account** (b) debit side of the sales account  
(c) credit side of the purchases account (d) credit side of the sales account
3. Sales book is used to record  
(a) all sales of goods (b) all credit sales of assets  
**(c) all credit sales of goods** (d) all sales of assets and goods
4. The total of the sales book is posted periodically to the credit of  
**(a) Sales account** (b) Cash account (c) Purchases account (d) Journal proper
5. Purchase returns book is used to record  
**(a) returns of goods to the supplier for which cash is not received immediately**  
(b) returns of assets to the supplier for which cash is not received immediately  
(c) returns of assets to the supplier for which cash is received immediately  
(d) None of the above
6. Sales return book is used to record  
(a) Returns of goods by the customer for which cash is paid immediately  
**(b) Returns of goods by the customer for which cash is not paid immediately**  
(c) Returns of assets by the customer for which cash is not paid immediately  
(d) Returns of assets by the customer for which cash is paid immediately

7. Purchases of fixed assets on credit basis is recorded in  
(a) Purchases book (b) Sales book  
(c) Purchases returns book **(d) Journal proper**
8. The source document or voucher used for recording entries in sales book is  
(a) Debit note (b) Credit note **(c) Invoice** (d) Cash receipt
9. Which of the following statements is not true?  
(a) Cash discount is recorded in the books of accounts  
(b) Assets purchased on credit are recorded in journal proper  
**(c) Trade discount is recorded in the books of accounts**  
(d) 3 grace days are added while determining the due date of the bill
10. Closing entries are recorded in  
(a) Cash book (b) Ledger **(c) Journal proper** (d) Purchases book

## II. Very short answer

### 1. Mention four types of subsidiary books.

- (i) Subsidiary book for entering cash transactions - Cash book
- (ii) Subsidiary books (special journal) for entering non-cash transactions:
  - (a) Purchases book
  - (b) Sales book
  - (c) Purchases returns or returns outward book
  - (d) Sales returns or returns inward book

### 2. What is purchases book?

- (i) Purchases book is a subsidiary book in which only credit purchases of goods are recorded.
- (ii) Goods here mean the items in which the business entity is dealing.

### 3. What is purchases returns book?

- (i) Purchases returns book is a subsidiary book in which transactions relating to return of previously purchased goods to the suppliers, for which cash is not immediately received are recorded.
- (ii) Since goods are going out to the suppliers, they are also known as returns outward and the book is called as 'returns outward book or returns outward journal'.

**4. What is sales book?**

- (i) Sales book is a subsidiary book maintained to record credit sale of goods.
- (ii) Goods mean the items in which the business is dealing.
- (iii) This book is also named as sales day book, sold day book, sales journal or sale register.

**5. What is sales returns book?**

- (i) Sales returns book is a subsidiary book, in which, details of return of goods sold for which cash is not immediately paid are recorded.
- (ii) Goods returned by the customers are known as 'returns inwards'.

**6. Write short note on debit note?**

- (i) A 'debit note' is a document, bill or statement sent to the person to whom goods are returned.
- (ii) It contains the description and details of goods returned, name of the party to whom goods are returned and net value of the goods so returned with reason for return.

**7. Write short note on credit note?**

- (i) A credit note is prepared by the seller and sent to the buyer when goods are returned indicating that the buyer's account is credited in respect of goods returned.
- (ii) It contains details such as the description of goods returned by the buyer, quantity returned and also their value.

**8. What is journal proper?**

- ⇒ Journal proper is a residuary book which contains record of transactions, which do not find a place in the subsidiary books such as cash book, purchases book, sales book, purchases returns book, sales returns book, bills receivable book and bills payable book.

## 9. Define bill of exchange.

⇒ According to the Negotiable Instruments Act, 1881, “Bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument”.

## 10. What is an opening entry?

- (i) At the end of the accounting year, all nominal accounts are closed but the business has to be carried on with previous year's assets and liabilities.
- (ii) Hence, these accounts are to be brought into the accounts of the current year.
- (iii) Journal entry made in the beginning of the current year with the balances of assets and liabilities of the previous year is opening journal entry.

## 11. What is an invoice?

- (i) Invoice is a business document or bill or statement, prepared and sent by the seller to the buyer giving the details of goods sold, such as quantity, quality, price, total value, etc.
- (ii) Thus, the invoice is a source document of prime entry both for the buyer and the seller.

### III. Short answer

#### 1. Give the format of purchases book.

Format of purchases book / purchases journal

Date	Particulars (Name of the suppliers and details of goods purchased)	Invoice No.	L.F.	Amount ₹	
				Details	Total
(i)	(ii)	(iii)	(iv)	(v)	(vi)
	Purchase Dr.				

**2. Mention the subsidiary books in which the following transactions are recorded.**

(i)	Sale of goods for cash	Cash book
(ii)	Sale of goods on credit	Sales book
(iii)	Purchases of goods on credit	Purchase book
(iv)	When the proprietor takes goods for personal use	Proper journal
(v)	Goods returned to suppliers for which cash is not received immediately	Purchase Return book
(vi)	Asset purchased as credit	Proper journal

**3. What are the advantages of subsidiary books?****(i) Proper and systematic record of business transactions**

⇒ All the business transactions are classified and grouped conveniently as cash and non cash transactions, which are further classified as credit purchases, credit sales, returns, etc.

**(ii) Convenient posting**

⇒ All the transactions of a particular nature are recorded at one place, i.e., in one of the subsidiary books.

**(iii) Division of work**

⇒ As journal is sub-divided, the work will be sub-divided and different persons can work on different books at the same time and the work can be speedily completed.

**(iv) Efficiency**

⇒ The sub-division of work gives the advantage of specialisation.

⇒ Thus, specialisation leads to efficiency in accounting work.

**4. Write short notes on:****(a) Endorsement of a bill**

- (i) Endorsement means signing on the face or back of a bill for the purpose of transferring the title of the bill to another person.
- (ii) The person who endorses is called the “Endorser”.
- (iii) The person to whom a bill is endorsed is called the “Endorsee”.
- (iv) The endorsee is entitled to collect the money.

**(b) Discounting of a bill**

- (i) When the holder of a bill is in need of money before the due date of a bill, cash can be received by discounting the bill with the banker.
- (ii) This process is referred to as the discounting of bill.
- (iii) The banker deducts a small amount of the bill which is called discount and pays the balance in cash immediately to the holder of the bill.

Thank You

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