

18. BILLS RECEIVABLE BOOK AND BILLS PAYABLE BOOK:

The other subsidiary books are Bills Receivable Book and Bills Payable Book. As most of the business transactions are credit transactions, bills of exchange are needed to settle accounts. A bill is an order written by a creditor on a debtor to pay a certain sum of money to a particular person or to his order after a specified period of time. Thus, a creditor writes a bill of exchange and the debtor accepts it and returns it to the creditor. This instrument is a bill receivable for the creditor because he will receive money for it after a fixed time period. The same piece of paper becomes a bill payable for the debtor, because he will have to make payment of the bill after a fixed period of time. Bill receivable is an instrument against which money is receivable. Bill payable is an instrument for which money is payable. For recording, such bill transactions, two subsidiary books are needed, which are called Bills Receivable Book and Bills Payable Book. However, such bill books are not very popular.

19. JOURNAL PROPER:

The residue subsidiary book is the Journal Proper, which is the same journal which we have discussed. Those transactions which cannot be recorded in any of the above subsidiary books, are recorded in this book.

20. IMPORTANT POINTS:

(1) It involves a great deal of labour and time in recording numerous transactions taking place daily in modern business only in a book called Journal. To save such labour and time, and to facilitate the writing of subsidiary books and posting of the same to the ledger, the Journal has been subdivided into various subsidiary books.

For recording different types of transactions, different subsidiary books are kept and the remaining transactions, which cannot be recorded in these subsidiary books are recorded in Journal.

(2) A Purchase Book is kept for recording transactions of purchase of goods. Only credit transactions and that too for purchase of goods only are recorded in this book. Purchase of other assets are not recorded in it.

(3) A Sales Book is maintained to record credit sales of goods only.

(4) A Purchase Returns Book is kept for recording transactions of return of goods purchased on credit.

(5) A Sales Returns Book is kept for recording transactions of return of goods sold on credit.

(6) A Debit Note is sent to a person whose account is debited for purchase return or for some other reason.

(7) A Credit Note is sent to a person whose account is to be credited for sales return or for some other reason.

(8) Only net amount of purchase and sale, after deducting trade discount are recorded in Purchase Book and Sales Book.

(9) The sales tax shown in the Purchase Book is a business expense. It is a purchase expense. But sales tax shown in Sales Book is not a selling expense, because it is recovered from customers. It is not income because it is to be paid to government. It is a liability.

► EXERCISES:

A. THEORY:

- (1) Name the various subsidiary books and state their advantages.
- (2) How is Purchases Book written? Give a specimen of Purchase Book.
- (3) (a) What is Columnar Purchase Book? Give its specimen.
(b) Why is a Purchase Book with columns for expenses kept?
- (4) Explain the need for Sales Book. Explain the rules for writing it.
- (5) Give specimen of Sales Book and Sales Returns Book.
- (6) Explain the posting of Purchases Book, with the help of three illustrations.
- (7) Explain the posting of Sales Book, with the help of three illustrations.
- (8) What are Debit Note and Credit Note? When are they written? Give specimen of each of them.
- (9) Explain with illustrations, how Mahajan Lago (association charge), Packing expenses and Sales tax are written in Purchases Book, Sales Book and Returns Books.

B. PRACTICAL:

Ex. 1: Enter the following transactions in the Purchases Book of Animesh Furniture Mart:

April, 2023

- “ 1: Purchased from Ashita Steel Products, 5 Steel cupboards at ₹ 2,000 each less 10% trade discount.
- “ 2: Purchased from Sanket Furniture Mart 10 wooden tables at ₹ 250 each and 5 chairs at ₹ 260.
- “ 3: Purchased from M/s. Dimple Products one Sofa-cum-bed for ₹ 2,500 and paid by cheque.
- “ 4: Purchased from Dhaval Furniture Mart 5 Steel tables at ₹ 2,300 each at 10% trade discount and 5% cash discount and paid cash for half the amount.
- “ 5: Placed an order with Chandan Furniture Mart for 4 steel cabinets at ₹ 2,500 each.
- “ 6: Chandan Furniture Mart sent us goods as per our order.
- “ 7: Purchased from Naval Furniture Mart one teapoy for ₹ 380 on credit for personal use.

[Ans.: Total of the Purchases Book ₹ 33,150.]

Notes: (1) The transaction of 3rd April is a cash transaction and will not be entered in the Purchases Book. (2) In the transaction of 4th, an entry can also be made on assumption that one half the goods have been purchased on credit. (3) There is no transaction on 5th. (4) The transaction of 7th being a personal one, will not be entered in the Purchases Book.]

Ex. 2: Transactions of Shri Dhruvin Jariwala for the month of March, 2023 are given below. Record them in his Sales Book:

- March, 2023
- " 1: Sold 25 sarees to Paritosh at ₹ 120 at 10% trade discount.
 - " 2: Sold shirting metres 100 at ₹15 per metre to Ashutosh.
 - " 3: Sold 10 pant pieces to Abhilash at ₹ 140 per piece.
 - " 4: Sold to Parimal for cash 100 metres sano at ₹ 16 per metre.
 - " 5: Sold to Vimal 100 metres Poplin at ₹ 20 per metre at 10% trade discount and 5% cash discount. He paid half the amount by cheque.
 - " 6: Sold to Parijat old furniture of ₹ 1,000 on credit.
 - " 7: Saurabh placed an order with us for supplying poplin worth ₹ 200.

[Ans.: Total of Sales Book ₹ 7,400.]

Notes: (1) Cash sale of 4th will be recorded in cash book. (2) The transaction of 5th will be treated as a credit sale first and then an entry for half the amount received will be made in Cash Book. (3) Sale of old furniture on 6th will be entered in journal proper, as it is not a sale of goods. (4) There is no transaction on 7th.]

Ex. 3: Prepare Purchases Book, Sales Book and Returns Books of Shri Ramnath from his following transactions:

Feb. 2023

- " 1: Bought goods of ₹ 20,000 at a trade discount of 10% from Shri Kamnath. Half of these goods were sold to Shri Bhimnath at a profit of 20%.
- " 2: Purchased a machine from Shri Somnath on credit ₹ 1,000.
- " 3: Shri Bhimnath returned damaged goods of ₹ 1,200, which we returned to Shri Kamnath.
- " 4: Shri Eknath placed an order with us for supplying goods of ₹ 4,000.
- " 5: Shri Kashinath sold us goods of ₹ 2,000.
- " 6: Sold goods to Shri Premnath of ₹ 2,000. He paid money by cheque.
- " 7: Supplied goods to Shri Eknath as per his order.

[Ans.: Total of Purchases Book ₹ 20,000. Sales Book ₹ 14,800, Purchases Returns Book ₹ 1,000, Sales Returns Book ₹ 1,200.]

Notes: (1) Transaction of 2nd is for credit purchase of an asset and so it will be recorded in Journal. (2) There is no transaction on 4th. (3) Sale to Premnath on 6th is a cash transaction and it will be entered in Cash Book.]

Ex. 4: Enter the following transactions of Shri Rameshwar, a foodgrain merchant, in his Purchases Book, Sales Book and Returns Books.
Sept. 2022

“ 1 : Sold goods as follows to Kameshwar at 10% trade discount:
Wheat 200 kgs. at ₹ 7 and Rice 100 kgs. at ₹ 9.

“ 2 : Bought goods from Shri Trayambakeshwar as follows:

Wheat 400 kgs. at ₹ 7	₹ 2,800
Less: Trade discount at 10%	₹ 280
	<u>₹ 2,520</u>

- “ 3 : Shri Kameshwar returned 80 kgs. of wheat.
“ 4 : Purchased from Bhavaneshwar on credit Weights and Balance etc.
₹ 500.
“ 5 : Sold to Shri Krishneshwar half of the wheat purchased on 2nd at a profit of 20%. Returned to Shri Trambakeshwar 40 kgs. wheat.
“ 6 : Placed an order with Shri Gopeshwar for supplying 500 kgs. rice at ₹ 6.50 per kg.
“ 7 : Sent to Shri Someshwar Ashram food grains of ₹ 500.
“ 8 : Purchased 800 kgs. rice at ₹ 8 per kg. from Shri Vishweshwar and sold it to Shri Maheshwar at a profit of 10%.

[Ans.: Totals: Purchases Book ₹ 8,920, Sales Book ₹ 10,622, Purchase Returns Book ₹ 252, Sales Returns Book ₹ 504.]

Notes: (1) On 4th, the purchase is of Dead Stock and it will be recorded in Journal. (2) There is no transaction on 6th. (3) The transaction of 7th is for charity and so it will be entered in Journal.]

Ex. 5: Sabar Dairy produces and sells its three products: Ghee, Butter and Milk-powder. Record the entries in Dairy's Columnar Sales Journal from the data given below regarding its three sales bills.

Date	Bill No.	Party	Details	₹
(1) Feb. 4, 2023	151	Mukesh Provision Stores	Ghee Tins 10 Butter 100 kgs.	3,500 1,000
(2) Feb. 6, 2023	173	Shreyas Consumers Stores	Butter 50 kgs. Milk Powder Tins 1,000 Ghee Tins 10	500 10,000 3,500
(3) Feb 15, 2023	216	Sahakar Stores	Milk Powder Tins 1,000 Butter 100 kgs.	10,000 1,000

[Ans.: There will be four columns for amounts in the Sales Book, viz, Ghee, Butter, Milk Powder and Total. Total of various columns: Ghee ₹ 7,000; Butter ₹ 2,500; Milk Powder ₹ 20,000; Total ₹ 29,500.]

Ex. 6: From the information given below, prepare Purchases Day Book, Sales Day Book and Returns Day Books of Hiranya Bros. Also show Rajiv's Account in the ledger.

Balances on 1st September, 2022:

Hamir	₹ 3,000 (Cr.)
Chirag	₹ 2,000 (Dr.)
Rajiv	₹ 1,500 (Dr.)

Transactions for the month of September:

Sept., 2022

- " 1: Purchased from Hamir, goods costing ₹ 3,000 at 5% trade discount and 2% cash discount.
 - " 5: Delivered goods costing ₹ 1,000 for flood relief fund as donation.
 - " 8: Sent an order for goods of ₹ 5,000 to Dhawal.
 - " 9: Sold goods for ₹ 4,500 at 15% trade discount to Chirag ₹ 2,000 received in cash.
 - " 11: Dhawal delivered 4/5th of the goods ordered.
 - " 14: Purchased from Gyanendra, goods worth ₹ 3,600 at 5% trade discount and sold them to Rajiv at a profit of 10% and paid Cartage ₹ 10 on his behalf.
 - " 16: A debit note was sent to Hamir for an error of ₹ 25 in the invoice and for the goods returned valued at ₹ 100.
 - " 19: Rajiv returned goods worth ₹ 418, which in turn were returned to Gyanendra.
 - " 23: Withdrawn goods worth ₹ 1,000 for personal use.
 - " 25: Received ₹ 1,500 from Rajiv.
 - " 28: Purchased furniture for shop for ₹ 1,200 from Sunder Furniture Mart and in exchange delivered goods costing ₹ 1,000.
 - " 30: Cash Sales ₹ 4,000. Cash Purchases ₹ 5,000.
- [Ans.: Total of Purchases Book ₹ 10,270, Total of Sales Book ₹ 7,587, Total of Purchase Returns Book ₹ 505, Total of Sales Returns Book ₹ 418, Debit balance of Rajiv's Account ₹ 3,354.]

Note: Transactions dated 5, 8, 23, 25, 28 and 30 will not be recorded in above subsidiary books.]

Ex. 7: Record the following transactions in Purchases Book, Sales Book and Returns Books of a cloth merchant Shri Tulsidas Kilachand.

Dec., 2022

- " 1: Sold following goods to Bharat Cloth Stores at 10% trade discount:
 'Calisynth' Sarees 5, at ₹ 70 per saree
 Goldstar pant pieces 10 at ₹ 45 per piece.

“ 3: Purchased goods from Kantilal Bros. as follows:

Sarees 'Laxmi Vishnu' 10 at ₹ 100 each	₹ 1,000
Less: Trade Discount at 10%	₹ 100
	<u>₹ 900</u>

- “ 5: Bharat cloth stores returned 2 sarees.
 “ 6: Purchased 3 steel racks at ₹ 70 from Alka Steel Furniture Mart.
 “ 7: Out of the sarees purchased from Kantilal Bros. one saree was sold to neighbour Ramaben on 'Sale or Return' basis.
 “ 8: 5 sarees out of those purchased on 3rd were sold to Bombay Stores at a profit of 20%. One saree was returned to Kantilal Bros. as it was defective.
 “ 13: Placed an order to Chhotalal Bros. for purchases of Gwalior Teresilk 24 metres at ₹ 65 per metre.
 “ 14: Sent cloth of ₹ 100 to Bangla Relief Fund for refugees.
 “ 15: Purchased Digjam terewool 40 metres at ₹ 65 per metre from Mehta Bros. and sold half of these goods at a profit of 10% to Sanghavi Stores.

[Ans.: Total of Purchases Book ₹ 3,500, Total of Sales Book ₹ 2,690, Total of Purchase Returns Book ₹ 90, Total of Sales Returns Book ₹ 126.

Notes: (1) Transactions of 6th, 7th, 13th and 14th will not be recorded. (2) The value of sarees sold to Bombay Stores is ₹ 540 in transaction of 8th. (3) The price of goods sold to Sanghavi Bros. on 15th is ₹ 1,430.]

Ex. 8: You are given below the Sales Day Book of a food grain merchant Shri Anubhai Amin. It contains some errors. Correct the errors and rewrite the Sales Book with proper explanation:

Sales Book

Date 2022	Names of the Customer	Outward Inv. No.	L. F.	Amount ₹
Sep. 1	Divya Provision Stores: Wheat			
	Credit Sales 3,000			
	+ Cash Sales 2,000			
				<u>5,000</u>
	– 10% trade discount 500			
				4,500
“ 3	Sarvapakshi Consumers' Co-Op. Stores			2,000
“ 5	Sales of old newspapers			10
“ 7	Jalaram Stores			2,000
“ 8	Saibaba Furniture Mart (Sale of Furniture)			100
“ 10	Deepak Provision Stores (Cash sales)			2,565
“ 11	Gharsansar Vastu Bhandar			100
“ 12	Sajan Provision Stores (Order received)			435
	* Total Credit Sales *			<u>11,710</u>

Notes: (1) On 7th, 50 kgs. rice were sold to Jalaram Stores at ₹ 40 per kg. at 5% trade discount. (2) On 10th, 200 kg. of Bajra was sold to Dipak Provision Stores at ₹ 15 per kg. at 10% trade discount and 5% cash discount.

[Ans.: Total of Sales Day Book ₹ 6,700; (1) In the particulars column, the names of customers will be written instead of names of suppliers. (2) Transactions dated 5, 8, 10 and 12 will not be recorded in Sales Book.]

Ex. 9: Enter the following transactions in Purchases Book, Sales Book and Return Books of Shri Rajendranath:
Feb., 2023

- “ 1: Purchased goods of ₹ 20,000 from Rajesh at 10% trade discount.
Half the goods was sold to Navin at a profit of 20%.
- “ 2: Purchased furniture worth ₹ 1,000 from Vijay.
- “ 3: Navin returned defective goods of ₹ 1,200 which in turn was returned to Rajesh.
- “ 4: Chopra placed an order with an instruction for supplying goods after three days ₹ 4,000. He instructed to send goods of ₹ 500 out of this to his customer Gupta and he sent to us an invoice of ₹ 600 to be sent to Gupta.
- “ 5: Bhaduri sold us goods worth ₹ 2,000.
- “ 6: Sold goods for cash to Mehra ₹ 2,000.
- “ 7: Returned defective furniture of ₹ 200 to Vijay.
- “ 8: Delivered goods to Chopra as per his order and also sent goods to his customer Gupta alongwith the invoice sent by Chopra.
- “ 9: Placed an order with Agarwal for supplying goods of ₹ 2,000 and gave him instruction that goods of ₹ 600 out of these, should be sent to our customer Gorakhnath and we also sent an invoice for ₹ 750 to him to be sent to Gorakhnath alongwith the goods.
- “ 10: Agarwal sent goods to Gorakhnath according to our instruction alongwith the invoice sent to him by us. He also sent remaining goods to us, which were duly received.
- “ 12: Goods of ₹ 1,400 sent to us by Agarwal was defective and we asked for a price reduction of 10%, which he accepted and sent us a credit note for the amount.
- “ 14: For the goods sold to Parshwanath in the month of January, in the invoice sent to him by us, higher price was charged and so there was mistake of calculation for which he has made a request for correction. We accepted his request and sent him a credit note for ₹ 100.

[Ans.: Total of Purchases Book ₹ 22,000, Total of Sales Book ₹ 15,550, Total of Sales Returns Book ₹ 1,300, Total of Purch. Ret. Book ₹ 1,140.]

Ex. 10: From the following particulars, prepare Columnar Purchases Book, Sales Book and Returns Books of Shri Akhilesh:
June, 2022

- “ 1 : Purchased goods as follows from Binish:
 - Pant pieces 10, at ₹ 150 per piece
 - Sarees 15 at ₹ 200.
- “ 5 : Sold goods to Kamlesh as follows:
 - Suiting metres 50 at ₹ 200 per metre.
- “ 7 : Purchased 40 metres of suiting at ₹ 180 per metre from Dinesh.
- “ 10 : Sold goods as follows to Girish:
 - Pant pieces 15 at ₹ 180 per piece.
 - Sarees 20 at ₹ 230.
 - Suiting metres 20 at ₹ 220 per metre.
- “ 15 : Out of sarees purchased from Binish, 2 sarees were given to Nari Suraksha Kendra as donation.
- “ 20 : 2 pant pieces at ₹ 180 per piece were taken away for personal use.
- “ 21 : Returned to Binish 2 sarees and 3 pant pieces out of those purchased on 1st, as they were defective and sent him a debit note for the necessary amount.
- “ 23 : Kamlesh returned suiting metres 10 (out of those purchased on 5th) as being not according to order. We sent him a credit note for the necessary amount.
- “ 24 : Purchased stationery worth ₹ 200 from Naresh Stationery Mart and sold 2 sarees at ₹ 225 for cash to Haresh.
- “ 25 : Urmish placed an order with us for supplying:
 - Sarees 5 at ₹ 230
 - Pant pieces 4 at ₹ 180 per piece.
 - Suiting metres 10 at ₹ 220 per metre.
- “ 26 : Despatched goods to Urmish as per his order.
- “ 27 : Purchased goods as follows from Bhavesh:
 - Sarees 6 at ₹ 190
 - Pant pieces 8 at ₹ 210 per piece.
 - Suiting metres 20 at ₹ 100 per metre.
- “ 28 : Returned suiting meters 5 to Bhavesh (out of the goods purchased from him on 27th) and Urmish returned 1 saree and 1 pant piece to us (out of Sales made to him on 26th.)

[Ans.: Total of Purchases Book: Pant pieces ₹ 3,180, Sarees ₹ 4,140, Suiting ₹ 9,200, Total ₹ 16,520.

Total of Sales Book: Pant pieces ₹ 3,420, Sarees, ₹ 5,750, Suiting ₹ 16,600 and Total ₹ 25,770.

Total of Purchases Returns Book: Pant pieces ₹ 450, Sarees ₹ 400, Suiting ₹ 500, Total ₹ 1,350.

Total of Sales Returns Book: Pant pieces ₹ 180, Sarees ₹ 230, Suiting ₹ 2,000 and Total ₹ 2,410.

Notes: (1) Transaction of 15th is for charity and will be recorded in Journal and transaction of 20th is for drawings, which will also be recorded in Journal.

(2) In transaction of 24th, it is a credit purchase of Stationery and not of goods, so it will be entered in Journal Proper. Similarly, transaction of sale of goods to Harish, is a cash transaction and will be recorded in Cash Book.

(3) There is no transaction on 25th, because only order is received. But on 26th when the goods are despatched, it will be recorded in Sales Book.]

Ex. 11: Patel Bros. had supplied you with the following particulars, from which prepare Purchases Book, Sales Book and Returns Books:
Sept., 2022

- " 1: Purchased goods of ₹ 2,000 from Shah Trading Co. but they sent us invoice by adding ₹ 200 for Sales tax, ₹ 30 for Mahajan Lago and ₹ 50 for Railway freight.
- " 3: Sold goods for ₹ 1,600 to Vora & Sons and sent them invoice by adding ₹ 160 for Sales tax, ₹ 24 for Mahajan lago and ₹ 16 for packing charges.
- " 5: Sold goods of ₹ 500 to Desai & Co. for cash and also recovered from them ₹ 50 for Sales tax, ₹ 75 for Mahajan lago and ₹ 10 for Railway freight.
- " 8: Returned defective goods of ₹ 200 to Shah Trading Co. and a rebate of ₹ 20 for Sales tax and ₹ 5 for Railway freight was due from them.
- " 9: Vora & Sons returned goods of ₹ 320 and a rebate of ₹ 32 for Sales tax was due to them.
- " 11: Goods costing ₹ 100 was burnt by fire.
- " 13: Purchased goods of ₹ 600 from Kalani Stores and they added in the invoice ₹ 60 for Sales tax, ₹ 9 for Mahajan lago and ₹ 10 for Packing charges.
- " 14: Out of the goods purchased from Kalani Stores, half the goods was sold for ₹ 360 to Jogani & Co. and prepared invoice, adding ₹ 36 for Sales tax, ₹ 6 for Mahajan lago and ₹ 10 for Railway freight.
- " 15: Jogani & Co. returned goods of ₹ 120 and a rebate of ₹ 12 for Sales tax was due to them. Goods returned by Jogani & Co. were returned by us to Kalani Stores and a rebate of ₹ 10 for Sales tax was due from them.

[Ans.:						
Total of	Price of goods	Sales tax	Mahajan lago	Freight	Packaging	Total
Purchases Book	2,600	260	39	50	10	2,959
Sales Book	1,960	196	30	10	16	2,212
Pur. Returns Book	300	30	—	05	—	335
Sales Returns Book	440	44	—	—	—	484

Notes: (1) The transaction of 5th is a cash transaction and will be recorded in Cash Book. (2) Transaction of 11th will be recorded in Journal Proper. (3) The price of purchase return on 15th is not given. But these goods are returned by Jogani & Co. and we had charged 20% profit while selling these goods to them. So in the sales price of ₹ 120, our profit is ₹ 20 and the Cost Price is ₹ 100.]

Ex. 12: From the following transactions of Sardar Traders, prepare Purchase Book, Purchase Return Book, Sales Book and Sales Return Book for the month of March, 2023:

March, 2023

- “ 1: Purchased goods of ₹ 8,000 from Tarun for Cash at 10% trade discount.
- “ 2: Purchased furniture against cheque of ₹ 8,000 from Mayur Furniture Mart.
- “ 3: Purchased from Anil goods costing ₹ 10,000 at 10% trade discount.
- “ 5: Half the goods Purchased from Anil was sold to Jayesh at a profit of 25 % on the selling price.
- “ 7: Old furniture of ₹ 15,000 sold to Nayan for ₹ 3,500.
- “ 9: Sold goods to Sejal for ₹ 8,000.
- “ 11: Goods of ₹ 400 was returned back to Sonali as they were defective and received a credit note for it.
- “ 15: Goods of ₹ 800 sold to Parul in February, was received back as they were not according to sample.
- “ 20: Jayesh returned defective goods of ₹ 1,200 which we returned back to Anil.
- “ 27: Purchased goods form Sharad for ₹ 8,000 at 10% trade discount and 5% cash discount. Half the payment was made immediately.

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[Ans: Total of Purchases Book ₹ 16,200; Sales Book ₹ 14,000; Purchase Return Book ₹ 1,300; Sales Return Book ₹ 2,000.]

Notes: (1) The transactions of 1st, 3rd and 7th will not be recorded in these subsidiary books, because they relate to cash sales and to assets. (2) The selling price of goods sold to Jayesh amounts to ₹ 5,400.]