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**VIRTUAL COACHING CLASSES  
ORGANISED BY BOS, ICAI**

**FOUNDATION LEVEL  
PAPER 1: PRINCIPLES AND PRATICE OF  
ACCOUNTING**

**Faculty: CA VS Hiranmai**



# CHAPTER 2- Unit 4- Subsidiary books

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- There are 6 units in total for this chapter
- This chapter mainly deals with the basics to the recording, classifying and summarizing steps of accounting.
- This unit 4 completely deals with theory part which is for knowledge and basics building purpose.
- The general process is to pass journal entries and then prepare ledgers as the second step.
- But in few enterprises, there are transactions like sales, purchases which take place on a large scale basis, so instead of entering them as journal entries, we have the concept of subsidiary books, which means that instead of passing the entries, they are directly posted into these books.
- Then the doubt arises as to whether they are ledgers also, but it is important to note that the subsidiary books replace the journals but still ledgers have to be prepared.



# Unit 4- Subsidiary books

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- The **ledgers** are called as **principal book** since they have to be prepared in all cases where the journal entries are prepared.
- The Subsidiary books are of the following types-
  - **CASH BOOK**- To record all the cash receipts (debit) and the cash payments (Credit). Since this book serves the purpose as both the journal as well as the ledger it is termed both as ***a Principal as well as Subsidiary book***.
  - **PURCHASES BOOK**- This records all the credit purchases of regular goods (not assets).
  - **SALES BOOK**- This records all the credit sales of regular goods (not assets).
  - **PURCHASES RETURNS (RETURNS OUTWARD) BOOK**- This records the return of goods purchased on credit basis.
  - **SALES RETURNS (RETURNS INWARD) BOOK** - This records the return of goods sold on credit basis.
  - **BILLS RECEIVABLE BOOK**- It records the receipts of the promissory notes, hundis from debtors/trade receivables.
  - **BILLS PAYABLE BOOK**- It records the issue of the promissory notes, hundis to creditors/trade payables.



# CHAPTER 2- Unit 4- Subsidiary books

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- **Journal proper-** Refers to the subsidiary book which records all the other transactions which cannot be recorded in any other above mentioned subsidiary. The types of entries which can be entered-
  - **Opening entries-** When a business starts for the first time, to post in the entries into the books, the entries passed are termed opening entries.
  - **Closing entries-** Those year end entries passed to transfer the balances to Profit and Loss account and trading accounts.
  - **Rectification entries-** Mistakes committed while preparing the books to be rectified by recording in this books.
  - **Transfer entries-** The entries pertaining to the transfer of amount from one account to another is recorded in proper.
  - **Adjusting entries-** For adjusting the outstanding, advance, interest to capital, depreciation- those accounts which are affecting the balance sheet items are passed through the adjusting entries in the journal proper.



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- **Journal proper-** Refers to the subsidiary book which records all the other transactions which cannot be recorded in any other above mentioned subsidiary. The types of entries which can be entered-
  - **Entries of Dishonour of bills**
  - **Miscellaneous entries-**
    - Credit purchases or sales of assets
    - Transfer of net profit/net loss to the capital
    - Adjustment for the loss of goods by fire/natural calamities
    - Insolvency of customer turning into bad debt.



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- Just answering the MCQ and going through the illustrations given in the BOS material more than sufficient from the exam point of view.



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**THANK YOU**