

MEANING OF KEY TERMS USED IN THE CHAPTER

1. **Purchases Book** It is a subsidiary book in which goods purchased on credit are recorded.
2. **Purchases Return Book** It is a subsidiary book in which returns outward, *i.e.*, returns of goods purchased on credit is recorded.
3. **Sales Book** It is a subsidiary book in which goods sold on credit are recorded.
4. **Sales Return Book** It is a subsidiary book in which returns inward, *i.e.*, returns of goods sold on credit are recorded.
5. **Journal Proper** It is a book in which transactions that are not recorded in any of the other Subsidiary Books, are recorded.
6. **Debit Note** It is the document prepared to debit the account of the person. For example, purchaser of goods prepares a Debit Note when goods are returned to the seller.
7. **Credit Note** It is the document prepared to credit the account of the person. For example, seller of goods prepares a Credit Note when goods are returned by the purchaser.
8. **Trade Discount** Trade discount is the discount allowed by the seller to the buyer on purchase of goods in large quantity. It is recorded in the Purchases Book and Sales Book. But, in the ledger, purchases and sales are accounted at net amount.

CHAPTER SUMMARY

Table showing the Nature of Transactions Recorded in Subsidiary Books and their Effect on Ledger Accounts

Name of the Book	Nature of Transaction Entered	Effect on Ledger Accounts	
		Debit (Dr.)	Credit (Cr.)
1. Cash Book	All cash and bank transactions.	Cash and Bank A/c for receipts of Cash and Cheques.	Cash and Bank A/c for Payments of Cash and Cheque.
2. Purchases Book	All credit purchases of goods.	Purchases A/c	Suppliers' A/cs
3. Sales Book	All credit sale of goods.	Customers' A/cs	Sales A/c
4. Purchases Return Book	All returns of goods purchased by us from suppliers.	Suppliers' A/cs	Purchases Return/Returns Outward A/c
5. Sales Return Book	All returns of goods sold by us to customers.	Sales Return/Returns Inward A/c	Customers' A/cs
6. Journal Proper	All such transactions that can not be entered in the above five books.	Account affected by transactions.	Account affected by transactions.

- **Purchases Book** is a book of primary entry, used for recording credit purchases of goods, *i.e.*, goods in which the firm deals or uses for manufacturing goods. Cash purchases are not recorded in the Purchases Book. They are recorded in the Cash Book.
 - **Sales Book** is used for the purposes of recording the sale of merchandise on credit.
 - **Purchases Return Book** (also known as **Returns Outward Book**) is used for recording all return of goods purchased.
 - **Sales Return Book** (also known as **Returns Inward Book**) is used for the purposes of recording the return of goods sold.
 - **Journal Proper** is used for making the original record of those transactions which do not find a place in any other subsidiary book. Entries recorded in the Journal Proper are:
 - (i) Opening Entry; (ii) Closing Entry; (iii) Transfer Entries; (vi) Credit Purchase of Assets;
 - (v) Rectifying Entries; (iv) Adjustment Entries; (vii) Credit Sale of Worn-out or Obsolete Assets.
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