

## Unit II

### Subsidiary Books:

Subsidiary Books are those books of original entry in which transactions of similar nature are recorded at one place and in chronological order.

Subsidiary Books are **books of Original Entry**. They are also known as Day Book or special journals, Which record transactions of similar nature are in Subsidiary Books. They are helpful in overcoming the limitations of journal book or journal entries.

Subsidiary books are **special-purpose accounting books** that record transactions belonging to the same category in a particular book in a sequential manner. Also, the transactions are recorded in their original form, i.e. as and when the transactions occur, they are entered in the subsidiary book before posting them anywhere that is why they are also known as the book of original entry.

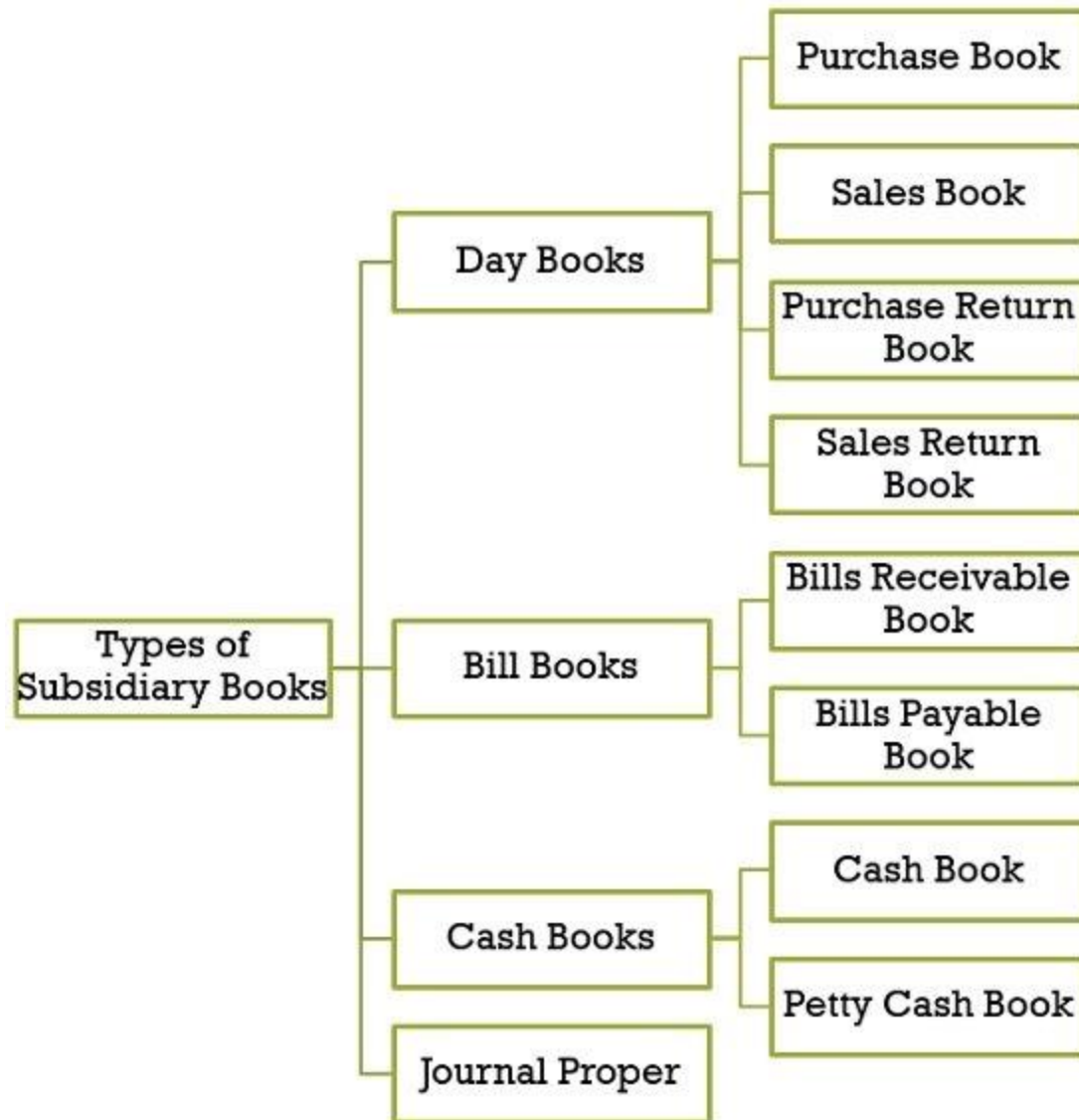
### Advantages of Subsidiary Books

- **Automatic classification of transaction:** As a separate book exists for every category of the transaction, so the transactions belonging to a specific category are recorded in one place.
- **Facilitates division of work:** As the journal is divided into multiple subsidiary books, the work of recording the transactions is divided among different employees, which helps in the instant recording of transactions. And so the responsibility of maintaining the book can be entrusted to an employee who will keep it up to date.
- **Identification of Error:** In case the Trial Balance does not tally, the errors can be easily located and rectified.
- **Internal Check system:** As the recording of different transactions is done by different employees, the work is divided in a manner in which it the work performed by one person is automatically checked by another person. In this way, it enables internal checks and prevents the occurrence of errors and frauds.
- **Ease in transfer:** When the entries are made in separate books, they can be easily transferred to their concerned [ledger](#) account.

- **Classification of transaction:** Transactions can be easily classified into cash transactions and credit transactions.
- **Helpful in Decision Making:** Subsidiary books provide accurate and complete details about each type of transaction separately. Thus, the management can use the information as the basis for deciding the future actions.
- **Efficiency:** The work is being divided here which gives the advantage of specialization. When the same work is done by a person repeatedly and continuously the person becomes efficient in handling it.
- **Convenience While Posting:** The transactions of a nature are recorded at a single place, in one of the subsidiary books. Example, all the credit purchases of the goods are recorded in the purchases book while all the credit sales of goods are recorded in the sales book.

**Easy to obtain required information:** Subsidiary books used separate books for recurring transactions. One can quickly get the necessary information at any time on such vital business transactions.

### **Types of Subsidiary Book:**



**The different subsidiary books and their purpose are shown below:**

1. Purchases Day Book – Purchases Day Book is a book for recording credit purchase of goods only. Cash purchase or assets purchased on credit are not entered in this book.
2. Sales Day Book – Sales Day Book is a book for recording credit sales of goods only. Assets sold or cash sales are not recorded in this book.
3. Purchases Returns Book – Purchases Returns Book is a book for recording the goods returned to the suppliers when purchased on credit.

4. Sales Returns Books – Sales Returns Books is a book for recording goods returned by the customers when sold on credit.
5. Bills Receivable Book – Bills Receivable Book is a book for recording the bills received [Bills Receivables] from customers for credit sales.
6. Bills Payables Book – Bills Payables Book is a book for recording the acceptances [Bills Payables] given to the suppliers for credit purchases.
7. Cash Book – Cash Book is a book for recording all receipts and payments of cash.

#### **TYPES OF CASH BOOK** [Simple cash book and Triple column cash book]:

1. **Single Column Cash Book:** This is also known as a Simple Cash Book. This cash book will only record cash transactions. The cash receipts will be on the left-hand side i.e. Debit Side and the cash payments will be on the right-hand side.
2. **Double Column Cash Book:** In Double Column Cash Book, additional to cash column there will be column for discounts. So along with the cash transactions, discounts also recorded in the same cash book. So, both discounts received and the discount allowed is recorded here.
3. **Triple Column Cash Book:** The triple column cash book (also referred to as three column cash book) is the most exhaustive form of cash book which has three money columns on both receipt (Dr) and payment (Cr) sides to record transactions involving cash, bank and discounts. A triple column cash book is usually maintained by large firms which make and receive payments in cash as well as by bank and which frequently receive and allow cash discounts.
4. **Petty cash book:** The petty cash book is the record of petty cash expenditures that are sorted by date. In most cases, this petty cash book is a ledger book and not a computer record. This book is a part of the manual record-keeping system in the accounting department. There are two primary types of entries in the petty cash book
  - Which is a debit to record the cash that is being received by the petty cash clerk, which is usually in a single block of cash at infrequent times.

- A large number of credits reflect the cash withdrawals from the petty cash fund, which are such transactions as payments for meals, flowers, office supplies, stamps, and henceforth.