

DAY-BOOK AND SUBSIDIARY DAY-BOOKS

11.1 INTRODUCTION

You have already learnt that the record of business transaction is maintained through the system of vouchers. Vouchers may be classified as (a) Supporting Vouchers and (b) Accounting Vouchers. But the accounting vouchers have two limitations (i) the information contained in these vouchers is not comprehensive and consolidated (ii) the vouchers are not in bound form like a register. Hence there is a need of recording the transactions in a systematic manner at one place. The register in which the business transactions are originally recorded with the help of accounting vouchers is called a Day-Book.

In this lesson, you will learn about the Day-Book and various Subsidiary Day-Books.

11.2 OBJECTIVES

After studying this lesson, you will be able to :-

- give the meaning and utilities of Day-Book and Subsidiary Day-Books;
 - identify the various Day-Books;
 - draw up the formats of Day-Book and Subsidiary Day-Books;
-

- prepare Day-book and Subsidiary Day-Books with the help of accounting vouchers.

11.3 DAY-BOOK : MEANING, ADVANTAGES AND ITS TYPES

Meaning

Many business transactions take place during a day. All these transactions are recorded in a book with the help of Accounting vouchers in the order in which they take place. This book is called a Day-Book. So, a Day-Book may be defined as a book that contains a chronological record of all transactions which take place during a day. A Day-Book is also known as the 'Book of Original Entry'. It is prepared with the help of accounting vouchers.

Advantages of Day-Book

You have learnt that accounting begins with recording of business transactions in the Accounting Vouchers. The recording of Voucher in the Day-Book becomes a useful permanent record of business. The Day-Book is the first book of original record. Its importance becomes clear if we go through its advantages which are explained as follows:

1. A Chronological record

Transactions are recorded in the Day-Book in the chronological order. Hence, they are recorded permanently in the order in which they occur. This helps in tracing the records easily. It also simplifies the checking of omission of an entry.

2. Reduces the possibility of error

Transactions are first recorded in the accounting Voucher. From these vouchers they are entered in the Day-Book. Thus, the amount of a transaction is debited or credited in the vouchers and is then entered in the Day-Book. It reduces the possibility of errors.

3. A permanent, comprehensive and consolidated record

Transactions are recorded in the Day-Book in a systematic way and at one place. Moreover, the records are in bound form and

not in loose leaf form as in the case of vouchers. If any information is required at any time, it can be easily obtained.

4. Serves the purpose of Cash Book

Day-book records all cash receipts and cash payments. So cash in hand can be ascertained at any time.

A Day-Book may be of following types :

- A. Simple Day-Book
- B. Day-Book with Transfer Column
- C. Day-Book with a Bank and Transfer Column.

Let us explain them as:

A. Simple Day-Book

Business transactions can be broadly classified into two categories (i) Cash Transactions i.e. the transactions in which either cash is received or paid and (ii) Non-Cash transactions i.e. transactions which do not involve any Cash payment or receipt. In a Day-Book both cash and non-cash transactions, are recorded. A Day Book has two sides-Receipts and Payments. Left hand side of the Day-Book is the Receipts side and the right hand side is the Payment side. Receipts of cash are recorded on the Receipts side while payments of cash are recorded on the payment side. These transactions will be recorded on the basis of their respective accounting vouchers. For every cash receipts, there is a Credit voucher and for every cash payment there is a Debit Voucher. Suppose, the proprietor has sold goods for cash Rs.2,000. Now a credit voucher will be prepared. This transaction will be recorded on the Receipts side of the Day-Book. Similarly, if he has paid Rs.500 as rent for the month, a Debit voucher will be prepared and will be recorded on the Payment side of the Day-Book.

Non-cash transactions such as credit sales, credit purchases, etc. do not affect the cash-balance. These transactions will be recorded on both sides of the Day-Book through transfer vouchers.

Bank transactions may also be through cash or cheque. Transactions from bank involving cash may be either deposit of cash or withdrawal of cash. Cash deposit in the bank is recorded on the payment side of the Day-Book and withdrawal is recorded on the Receipt side of the Day-Book.

Transactions through cheque can be either receipts of cheques or payments made through cheques. Both these transactions are considered non-cash transactions because these transactions don't affect the cash balance. These transactions are recorded on both the sides of the Day-Book. A transfer voucher is prepared for such transactions.

Format of the Simple Day-Book

Following is the format of a Simple Day-Book:

Receipts					DAY-BOOK					Payments	
Month/ Date	Vr No.	Particulars	LF	Amount Rs.	Month/ Date	Vr. No.	Particulars	LF	Amount Rs.		

Let us explain the various columnar headings of Day-Book :

(i) Month and Date

In this column, we write the Date of the transactions. At first we write the year at the top, then the month and then side by side the date. It may be shown as :

Month & Date :

1996

Jan. 1

Jan. 2

(ii) Voucher No.

It has already been explained that for each transaction, we prepare a voucher and the Day-Book is prepared with the help of these vouchers. At first, these vouchers are arranged in chronological order. Then a serial number is given to each of these Vouchers. This number is recorded in the Vr. No. Column.

(iii) Particulars

In this column we write the name of the account mentioned in the Accounting Vouchers. Just below the title of the account we write a brief description of the transaction alongwith the number of the

supporting voucher. This may be presented as :

Particulars

By Purchases A/C
(Being Goods Purchased Vide
cash memo No. 10)

(iv) L.F. (Ledger Folio)

Every businessman maintains a separate book called Ledger. In this book, transactions pertaining to a particular account recorded in the Day-Book on various dates are brought at one place under the heading of that account. This process is called posting. When a transaction recorded in the Day-Book is posted to the concerned account in the ledger, the page number of that account in the ledger is recorded in the L.F. column against the given transaction. For example, if the purchase transaction is posted in the Purchase Account on page No.20 in the ledger, then this page No.'20' will be written against this transaction in the Day-Book.

(v) Amount

The amount of the transaction is written in this column.

Note : These five columns are drawn on both sides of the Day-Book.

Illustration 1

Prepare Simple Day-Book with the following business transactions :

1996

Jan. 10 Goods purchased for cash vide bill No.210 for Rs.8,000/-
Accounting Voucher No. 8

Jan. 12 Goods sold and amount received vide cash Memo No.28
Rs.5000/- accounting Voucher No.10.

Jan. 20 Rent paid vide rent Receipt No. 22 Rs.500/- Voucher No.15.

Solution

Day-Book

Receipts					Day-Book					Payments	
Month/ Date	Vr No.	Particulars	L F	Amount Rs.	Month/ Date	Vr No.	Particulars	L F	Amount Rs.		
1996 Jan.12	10	To Sales A/c (Being amount received vide cash Memo No.28)		5,000	1996 Jan.10	8	By Purchases A/c (Being amount paid vide Bill No.210)		8,000		
					Jan.20	15	By Rent A/c vide Rent Rece- ipt No.22		500		

(B) Day-Book with a Transfer Column

You have noted that both cash as well as non-cash transactions are recorded in a Simple Day Book which has single 'Amount' column on both sides. But when the number of non-cash transactions is very large, this practice may not be useful. It is better to have a separate column for non-cash transactions on both side of the Day-Book. This column is called Transfer Column and such transactions are recorded through Transfer voucher.

The format of a Day-Book with a Transfer Column is given below :

Receipts						DAY-BOOK						Payments	
Month/ Date	Vr No.	Particulars	L F	Trans- fer Rs.	Amount Rs.	Month/ Date	Vr No.	Particulars	L F	Trans- fer Rs.	Amount Rs.		

From the above format, it is clear that the amount of cash and non-cash transactions can be easily shown separately through 'Amount' and 'Transfer' columns respectively.

Illustration 2

Prepare Day-Book with Transfer Column transactions:

Feb. 4 Purchased goods from Bharat Traders vide Bill No.218 for Rs.5,000/- Vr. No. 29

Feb.9 Sold Machinery to Raj & Co. on credit Rs.4000/- vide Bill No.220 Voucher No.35

Solution

Receipts			Day-Book (with Transfer column)					Payments			
Month/ Date	Vr No.	Particulars	L F	Trans- fer Rs	Amount Rs.	Month/ Date	Vr No.	Particulars	L F	Trans- fer Rs.	Amount Rs.
1996						1996					
Feb.4	29	To Bharat Traders (Being goods purchased on credit)		5,000	-	Feb.4	29	By PurchasesA/c (Being goods purchased vide Bill No. 218)		5,000	-
Feb.9	35	To Machinery A/c (Being machine sold on credit vide Bill No. 2201)		4,000	-	Feb.9	35	By Raj & Co (Being Machine sold on credit)		4,000	-

C. Day-Book with a transfer and a Bank column

Every businessman keeps a bank account. Payments, particularly of large amount, are made through cheques. Transactions through banks have become very common. If the number of bank transaction is very large, it is better to have a separate column for bank transactions on both the sides of the Day-Book. Deposit of cash, withdrawal of cash, deposits of cheques and payments by cheques are all recorded through bank column of the Day-Book.

Thus, in this Day-Book there are three Amount columns: Transfer, Bank and Amount.

You know all non-cash transactions like credit sales, credit purchases, return of goods and other transactions not involving cash will be recorded in Transfer column on both sides through the transfer vouchers as in the case of Day-Book with Transfer column. Cash drawn from Bank will be recorded through two Accounting Vouchers. A Debit Voucher for withdrawing cash from bank will be entered in the Bank Column on the Payment side. A credit Voucher for receiving cash will

be entered in the amount column of the Receipt side. Similarly cash deposited into bank will be recorded through two Accounting Vouchers. A debit Voucher will be made when cash is taken from the business. This will be recorded on the Payment side in the Amount Column. A credit voucher will be made when cash is deposited into bank. This will be recorded on the Receipts side in the Bank column of the Day-Book.

On the other hand, bank transactions like cheque deposited into bank are recorded on the Receipt-side and cheques issued for payments will be recorded on the payment side of this Day-Book.

NOTE : Recording transactions in the Day-Book will be discussed in detail in the next lesson.

Following is the format of the Day-Book with a Transfer and a Bank Column.

DAY-BOOK

Receipts							Payments						
Month/ Date	Vr No.	Particulars	L F	Trans- fer Rs	Bank Rs.	Amount Rs	Month/ Date	Vr No.	Particulars	L F	Trans- fer Rs	Bank Rs	Amount Rs.

Illustration 3

Prepare Day-Book with Transfer and Bank Column with the following Transactions :

1996

March 8 Paid to Bharat Traders vide cheque No.8610512 for Rs.5,000 Vr. No.102

March 12 Sold goods to Vikram & Sons vide invoice No.115 for Rs.10,000 Vr. No.132.

March 13 Cash withdrawn from bank vide cheque No. 8610513 Rs.1,500 Voucher No.105.

March 14 Cash deposited into bank vide Bank Counterfoil No.16 Rs.2,200 Voucher No.107.

Solution

DAY-BOOK

Receipts

(with Transfer & Bank column)

Payments

Month/ Date	Vr No.	Particulars	L F	Trans fer Rs.	Bank Rs.	Amount Rs.	Month/ Date	Vr No.	Particulars	L F	Transf- er Rs.	Bank Rs.	Amount Rs.
1996 Mar.12	132	To Sales A/c (Being goods Sold on credit vide invoice No. 115)		10,000	-	-	1996 Mar.8	102	By Bharat Traders (Being amount paid by cheque No 8610512)		-	5,000	-
Mar.13	105	To Bank A/c (Being amount withdrawn vide cheque No.8610513)		-	-	1,500	Mar.12	132	By Vikram and Sons (Being goods sold on credit)		10,000	-	-
Mar.14	107	To Cash (Being amount deposited into Bank vide counter foil No. 16)		-	2,200	-	Mar.13	104	By Cash A/c (Being amou- nt withdrawn vide Cheque No.8610513)		-	1,500	-
							Mar.14	107	By Bank A/c (Being amount deposited vide counter Foil No.16)		-	2,200	-

INTEXT QUESTIONS 11.1

A. Match the terms given in the following two columns:

- | A | B |
|--|---|
| (i) It indicates the original reference to the transaction | (a) Ledger Folio |
| (ii) This number helps in locating the account in the ledger | (b) Voucher Number |
| (iii) This is called the book of original entry. | (c) Day Book |
| (iv) Bank Column | (d) It is to record transactions not involving cash |
| (v) Transfer Column | (e) It is to record all bank transactions |

- B. The following is the format of Day Book with Transfer column.
Give the headings of columns.

11.4 SUBSIDIARY DAY-BOOKS : MEANING, PURPOSES AND TYPES

We have learnt that all types of transactions can be recorded in the Day-Book. When the transactions increase in number and the business expands, the Day-Book becomes voluminous. It becomes inconvenient to handle such a Day-Book. In order to take the benefit of division of labour and to get different types of information, this Day-Book may be divided into many more books. Separate books are maintained for such transactions which are large in number, for example credit sales, credit purchases, Sales>Returns and Purchase returns. It will be more convenient to maintain separate books for the above transactions. These books are called Subsidiary Day-Books.

Purposes of Subsidiary Day Books

The following points will help in bringing out the purposes of keeping these subsidiary Day-Books :-

1 Division of Work

Since in place of one Day-Book there will be four Subsidiary Day-Books, the accounting work can be divided amongst a number of persons.

2. Better Availability of information

Since separate books are maintained for different transactions, such as credit sales, credit purchases etc., the information relating to each class of transactions will be available at one place.

3. Facility in checking and detecting errors

The location of errors is facilitated by the existence of separate books.

Even the commission of errors and frauds will be checked by the use of various subsidiary Day-Books.

4. Convenience of Posting

All the amounts of a particular type of transactions such as credit sales, credit purchases, etc. will be totalled as one figure in the concerned Account. It saves posting time.

Types of Subsidiary Day-Books

Subsidiary Day-Books may be classified as :

- (a) Sales Day-Book
- (b) Purchase Day-Book
- (c) Sales Return Day-Book
- (d) Purchases Return Day-Book

(a) Sales Day Book

Goods sold on credit are recorded in Sales Day-Book. Here goods means those commodities which are purchased for sale. That means goods here don't include fixed assets like furniture, machine, etc. Cash Sales are not recorded in the Sales Day-Book. Format of Sales-Day Book is as follows:

Sales Day Book

Month & Date	Vr.No.	Inv. No.	Particulars	LF	Details Rs.	Amount Rs.
			Total Credit Sales			

In the above format of Sales Day Book, the 'Particulars' column is meant to record the name of the customer alongwith the details of the goods sold to him. In the 'Details' column we write the details of amounts and Trade Discount of the different items sold. In the 'Amount' column we write the net amount i.e., Total amount less Trade Discount (if any). In the 'Voucher No.' column the number of the Transfer Voucher will be written and the number of the sales invoice will appear in the 'Invoice No.' column.

Illustration 4

Prepare Sales Day-Book from the following business transaction:

1996

April 2 Sold to Janata-Book Store,
10 Books Principles and
Practices of Accountancy @ Rs.50 Per book.
20 Books Functional Management @ Rs.40 per Book
Trade Discount 20%
Invoice No.43 Transfer Voucher No.72

Sales Day Book

Month & Date	Vr. No.	Invoice No.	Particulars	LF	Details Rs.	Amount Rs.
1996 April 2	72	43	Janata Book Store i) 10 Books Principles & Practices of Accountancy @ Rs.50 per book ii) 20 Books - Functional Management @ Rs.40 per book		500	
					800	
					1300	
			Less Trade Discount @ 20%		-260	1,040

(b) Purchases Day Book

As we prepare a Sales Day-Book to record the credit sales so do we prepare the 'Purchases Day-Book' to record the credit purchases. Remember, in this book no cash purchases and no asset purchases will be recorded. The columns of the 'Purchases Day-Book' are similar to those of the 'Sales Day-Book'. Format of a 'Purchase Day-Book' is as follows:

Purchases Day-Book

Month & Date	Vr. No.	Invoice No.	Particulars	LF	Details Rs.	Amount Rs.
			Total Credit Purchases			

In the 'Particulars' column we write the name of the suppliers along with the details of the goods supplied by them. In the 'Details' Column

We write in detail the amount of various items of goods purchased deducting the Trade discount, if any. In the 'Amount' column, the net amount of the goods purchased will appear. The 'Voucher' number and the purchases invoice number will appear in the columns provided for this purpose in this Day-Book.

(c) Sales Returns Day Book or Returns Inward Day Book

Sometimes the goods sold on credit are returned by the customers. Reasons may be either (i) the goods were defective or (ii) the goods were damaged in transit or (iii) the goods did not agree with the sample or there may be any other reason. In case the return of goods sold are frequent, a separate book will be maintained to record such transactions. The book in which items relating to the return of goods sold are recorded is called the 'Sales Returns Day-Book' or 'Returns Inward Book'. The format of Sales Returns Day Book is as follows :

Month & Date	Vr. No.	Debit\ Credit Note No.	Particulars	LF	Details Rs.	Amount Rs.
			Total Sales Returns			

(d) Purchases Return Day Book or Returns outward Day Book

Sometimes goods purchased on credit have to be returned. If the return of goods to the suppliers are very frequent and are of considerable amount, a separate Day-Book is prepared to record such transactions. This book is called Purchases Returns Day-Book or Returns outward Day Book. The Format of this book is as follows :

Month & Date	Vr. No.	Debit\ Credit Note No.	Particulars	LF	Details Rs.	Amount Rs.
			Total Purchases Returns			

The formats of the two Returns Day Books are identical. In the 'Particulars' column of Sales Return Day Book, we write the name of the customer, who has returned the goods with some details of the

goods returned. On the other hand, in the 'Particulars' column of 'Purchases>Returns Day-Book' we write the name of the supplier to whom goods are being returned. Details of goods returned will also be written.

In the two Returns Day Books, there is another column 'Debit/Credit Note No.' which needs explanation. In case of sales Return, the customer sends Debit note to the supplier indicating that the supplier stands debited in customer's books for the amount of goods returned to the supplier. If a note is prepared by the supplier for the same transaction and he sends it to the customer who has been credited with the amount of goods returned by him to the supplier, this note is known as 'Credit Note'. In case of Purchases Return, same Debit and Credit Notes are prepared. The purchaser prepares the Debit Note and the Supplier prepares the Credit Note.

Illustration 5

Prepare Purchases Return Day Book from the following transaction:

1996

April 1 Returned the following goods to M/S Decorative Furnitures.

2 Tables of Teak wood @ Rs. 350 each

Trade Discount 20%

Debit Note No. 25 and Voucher No. 85

Purchases Return Day- Book

Month & Date	Vr. No.	Debit Note No.	Particulars	LF	Details Rs.	Amount Rs.
April 1 1996	85	25	M/S Decorative Furniture 2 Tables of Teak wood @ Rs.350 per table		700	
			Less Trade Discount @ 20%		-140	
						560

TEXT QUESTIONS 11.2

Tick the correct answer in each of the following sets;

Purchases Day Book is kept to record;

- a. Cash Purchase of goods
- b. Credit purchase of goods
- c. Credit purchase of fixed assets
- d. All credit purchases

Sales Day Book records;

- a. Cash sales of goods
- b. Credit sales of goods
- c. Sale of fixed Assets

Sales Return Day Book is kept to record;

- a. Return of goods sold on credit
- b. Return of goods purchased on credit
- c. Return of any assets sold
- d. All Returns.

Purchases Day Book records;

- a. Cash purchase returns
- b. Return of goods purchased on credit
- c. Return of goods sold on credit
- d. Return of any asset purchased

5 WHAT YOU HAVE LEARNT

A Day-Book is a book that contains a chronological record of all transactions which take place during a day. It is prepared for permanent and consolidated record of the business transactions.

TYPES OF DAY-BOOK

SIMPLE DAY BOOK	DAY BOOK WITH A TRANSFER COLUMN	DAY BOOK WITH A BANK AND A TRANSFER COLUMN
--------------------	---------------------------------------	--

2. Subsidiary Day Books

- (i) Purchase Day Book-records the credit purchases of goods.
- (ii) Sales Day Book-records the credit sales of goods.
- (iii) Purchases Return Day Book or the Returns outwards Day Book-records the return of goods purchased on credit.
- (iv) Sales Return Day Book or the Inwards Returns Day Book-records the return of goods sold on credit.

11.6 TERMINAL QUESTIONS

1. Give two objectives of a Simple Day-Book.
2. State the type of transactions that are recorded in a Day-Book with transfer column.
3. Why are Purchases and Sales Day-books maintained?
4. State the type of transactions that are recorded in Purchases Returns Day-Book.
5. State the meaning of a Day Book and Explain its utility.
6. Name the various types of Subsidiary Day Books and give the specimen of each of them.
7. Give the specimen of different types of Day-Books.
8. Show the following transactions in Day-Book:

1996

Jan.1 Kishore Started business with cash.	Rs.20,000
Jan.2 Purchased goods for Cash.	Rs.5,000
Jan.3 Sold goods for Cash.	Rs.8,000
Jan.31 Paid Salary.	Rs.1,500

9. Enter the following transactions in a Day-Book with a transfer and a Bank column.

1996

Jan.1 Amar Singh commenced business with Cash.	Rs.40,000
Jan.5 Paid into Bank.	Rs.15,000
Jan.8 Purchased a Machine for Cash.	Rs.10,000
Jan.10 Purchased goods & paid by Cheque.	Rs.8,000
Jan.12 Purchased goods from Jacob on credit.	Rs.12,000
Jan.15 Sold goods to Naseem on credit.	Rs.11,800

10. Enter the following transactions in Sales Day-Book.

1996

April 4 Sold to Mahesh & Co. 50 Mtrs Linen @ 25/- per meter Less 15% Trade Discount. Bill No. 4	
April 8 Sold to M/S Fashion Wears 100 reels superfine @ Rs. 5/- per reel 5 Dozen shoulder Pads @ 180 per dozen. Less 20% Trade Discount. Bill No. 55.	

11. Enter the following transactions in the Purchases Day Book.

1996

Jan. 1 Purchased the following Goods from M/S Janta Bros. vide their Bill No. 4210	
20 Shirts @ Rs.210	4,200
15 Pants @ Rs.320	4,800
	9,000
Less 10% Trade Discount	900
	8,100

Jan. 10 Purchased the following goods from M/S Kota Stores vide their Bill No.3170

10 Trousers @ Rs.150	1,500
12 dozens Socks @ Rs.30 per dozen	360
	1,860

12. Enter the following returns in the proper Day Book vide our Debit Note No. 316

1996

Jan. 4 Goods returned to M/S. Janta Bros.
2 Shirts @ Rs. 210
Trade Discount 10%

13. Enter the following returns in the proper Day Book vide our Credit Note No. 326

1996

Jan. 12 Goods returned by Mahesh & Co.
2 dozens Buttons @ Rs.5 per dozen.
Trade Discount 20%

11.6 ANSWERS TO INTEXT QUESTIONS

11.1 A. (i) b, (ii) a, (iii) c,
(iv) e, (v) d.

B.

Month/ Date	Vr No.	Particulars	LF	Trans fer Rs	Bank Rs.	Amount Rs	Month/ Date	Vr No.	Particulars	LF	Trans- fer Rs	Bank Rs	Amount Rs.

11.2 1. b, 2. b, 3.a, 4.b