SSC

SMIT SIR COMMERCE

GSEB | ENGLISH MEDIUM

ELEMENTS OF BOOK-KEEPING & ACCOUNTANCY

STANDARD 11

CHAPTER 6

Subsidiary Books

Day Books | Purchase-Sales Books | Returns | Debit-Credit Notes | GST | Worked Formats

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Learn the Concept. Understand the Logic. Write Better Answers.

How This Chapter Is Built

The uploaded GSEB textbook structures this chapter around Introduction, Meaning, Types, Advantages and Subsidiary Books for Goods. These notes preserve that sequence but expand every practical rule with worked examples and decision logic.

TEXTBOOK / SOURCE NOTE

The GSEB source calls subsidiary books Day Books and uses them to separate frequently recurring transactions. It also treats Purchase Book, Sales Book, Purchase Return Book and Sales Return Book as the core goods subsidiary books.

DEEP RESEARCH - CONCEPT ENRICHMENT

ICAI similarly explains subsidiary books as books of original/prime entry used to record recurring classes of transactions separately. This improves efficiency, division of work and posting control.

1. Why Subsidiary Books Are Needed

When a business is small, all transactions can be written in one Journal. As the number of transactions increases, the Journal becomes bulky and repetitive. Recording every credit purchase, every credit sale and every return in the same book wastes time and makes internal control difficult.

- Repeated account names must be written again and again.
- Ledger posting becomes repetitive and slower.
- One person cannot comfortably handle a very large journal.
- Information about one class of transaction is not available quickly.
- Year-end work becomes slower and more error-prone.

EXAM IMPORTANT

The solution is division of journal into specialised books. Each book records one frequently recurring class of transactions.

2. Meaning of Subsidiary Books

Simple meaning: Subsidiary books are separate books of original entry maintained for specific classes of similar transactions.

REMEMBER THIS

Subsidiary Books = specialised Day Books used before posting to Ledger.

3. Types of Subsidiary Books

Group	Books	Main Use
Cash transactions	Cash Book / Petty Cash Book	Cash, bank and small cash expenses
Goods transactions	Purchase Book, Sales Book, Purchase Return Book, Sales Return Book	Credit transactions relating to goods
Bills	Bills Receivable Book, Bills Payable Book	Bills accepted/received/payable
Residual transactions	Journal Proper	Items not fitting other subsidiary books

4. Advantages of Subsidiary Books

Advantage	Why It Matters
Division of labour	Different employees can handle different books simultaneously.
Specialisation	Repeated work improves speed and expertise.
Quick information	Credit purchases, sales and returns can be known immediately.
Better internal control	Responsibility is assigned book-wise.
Less journal bulk	The main journal is not overloaded.
Faster ledger posting	Totals can be posted periodically instead of every transaction separately.
Error detection	Cross-checking between source documents, books and ledgers becomes easier.
Timely accounts	Large volume can be processed faster.

5. The Rule That Saves Students from 80% of Errors

EXAM IMPORTANT

Purchase Book and Sales Book record only CREDIT transactions of GOODS. Cash purchase/sale goes to Cash Book. Credit purchase/sale of an ASSET goes to Journal Proper.

Transaction	Where Recorded?	Reason
Credit purchase of trading goods	Purchase Book	Goods + credit
Cash purchase of trading goods	Cash Book	Cash transaction
Credit purchase of furniture	Journal Proper	Asset, not goods
Credit sale of trading goods	Sales Book	Goods + credit
Cash sale	Cash Book	Cash transaction
Credit sale of old machine	Journal Proper	Asset, not goods

6. Purchase Book

Purchase Book records only credit purchases of goods in which the business deals. The supplier is later credited in the personal ledger; the total of Purchase Book is posted to Purchases A/c.

Date	Particulars / Supplier	Invoice No.	L.F.	Amount
10 Apr	Shree Traders	INV-114		18,000
15 Apr	Narmada Stores	INV-205		9,500

SMIT SIR'S NOTE

Trade discount is deducted before the amount is entered. Cash discount is not deducted at this stage because it depends on later payment conditions.

7. Purchase Book - What Is NOT Recorded

- Cash purchase of goods - Cash Book.
- Purchase of furniture, machinery, vehicle or other asset on credit - Journal Proper.
- Goods ordered but not yet supplied - no accounting entry yet.
- Returns to supplier - Purchase Return Book.
- Expenses such as freight or labour may be treated separately according to the textbook problem and accounting policy.

8. Worked Purchase Book Example

A trader purchases goods from A for list price Rs.20,000 less 10% trade discount, and from B for Rs.8,000. Both are on credit.

A: Rs.20,000 - Rs.2,000 trade discount = Rs.18,000. B: Rs.8,000. Purchase Book total = Rs.26,000.

REMEMBER THIS

Trade discount changes the book amount. Cash discount is considered later when the creditor is paid.

9. Sales Book

Sales Book records only credit sales of goods. Customer accounts are debited individually; the total of Sales Book is credited to Sales A/c.

Date	Customer	Invoice No.	L.F.	Net Amount
4 May	Krishna Stores	S-1514		17,000
10 May	Amba Stores	S-4140		9,000

10. Purchase Return Book

When goods bought on credit are returned to the supplier, the transaction is entered in the Purchase Return Book.

REMEMBER THIS

Purchase Return = supplier liability decreases. Supplier account is debited.

11. Debit Note

A Debit Note is generally prepared by the purchaser when the supplier account is debited, for example because goods purchased on credit are returned or an overcharge/rebate claim is made.

Point	Debit Note
Prepared by	Purchaser / customer
Sent to	Supplier
Common reason	Purchase return, excess invoice, rebate claim
Effect	Supplier account is debited
Source book link	Purchase Return Book

12. Sales Return Book

When a customer returns goods that were sold on credit, the transaction is entered in the Sales Return Book.

REMEMBER THIS

Sales Return = customer receivable decreases. Customer account is credited.

13. Credit Note

A Credit Note is generally prepared by the seller when the customer account is credited because goods are returned or an allowance is granted.

Point	Credit Note
Prepared by	Seller / trader
Sent to	Customer
Common reason	Sales return, excess billing, rebate
Effect	Customer account is credited
Source book link	Sales Return Book

14. Debit Note vs Credit Note

Basis	Debit Note	Credit Note
Prepared by	Purchaser	Seller
Sent to	Supplier	Customer
Main event	Purchase return	Sales return
Person account effect	Supplier debited	Customer credited
Book	Purchase Return Book	Sales Return Book

15. GST in Subsidiary Books - GSEB Exam Logic

TEXTBOOK / SOURCE NOTE

GSEB examples often record the goods value in Purchase/Sales/Return Books and handle GST components separately as required by the question. Always follow the exact treatment shown in the question and your teacher/textbook format.

For concept clarity: GST on eligible purchases is Input GST; GST on sales is Output GST. Returns reverse the related GST proportionately.

DEEP RESEARCH - CONCEPT ENRICHMENT

CBIC rules make invoices, debit notes and credit notes important GST documents. Actual GST treatment is rule-based; school exercises use simplified assumptions.

16. Columnar Subsidiary Books

When a trader deals in multiple product categories or needs quantity-wise information, the book may contain separate columns for different items or classes of goods.

Example: A sports shop may keep separate quantity/amount columns for balls, bats and stumps. The total amount column gives the book total; product columns provide management information.

17. Posting from Purchase Book

1. Credit each supplier account individually with that supplier amount.
2. At the end of the period, debit Purchases A/c with the total of Purchase Book.
3. The subsidiary book therefore saves repeated Purchases A/c entries in Journal.

18. Posting from Sales Book

1. Debit each customer account individually.
2. At period end, credit Sales A/c with total Sales Book.
3. Customer-wise details remain available in personal ledger.

19. Posting from Return Books

Book	Individual Posting	Total Posting
Purchase Return Book	Debit each supplier	Credit Purchase Return A/c
Sales Return Book	Credit each customer	Debit Sales Return A/c

20. Complete Transaction Decision Map

Question	Yes	No / Next
Is it cash/bank?	Cash Book	Go next
Is it goods?	Go next	Asset/other -> Journal Proper
Credit purchase of goods?	Purchase Book	Go next
Credit sale of goods?	Sales Book	Go next
Purchase return?	Purchase Return Book	Go next
Sales return?	Sales Return Book	Other special book / Journal Proper

21. 10 Classification Drills

Transaction	Correct Book
Credit purchase of cloth from Riya Traders	Purchase Book
Cash purchase of cloth	Cash Book
Credit purchase of computer for office	Journal Proper
Credit sale of cloth to Kiran	Sales Book
Cash sale of cloth	Cash Book
Customer Kiran returns goods	Sales Return Book
Goods returned to Riya Traders	Purchase Return Book
Order placed with supplier	No entry until transaction occurs
Bill receivable accepted by customer	Bills Receivable Book / relevant prescribed book
Small postage paid cash	Petty Cash Book where maintained

COMMON MISTAKE

Wrong idea: All purchases go to Purchase Book.
Correct idea: Only credit purchases of goods go there.

COMMON MISTAKE

Wrong idea: Credit purchase of furniture goes to Purchase Book.
Correct idea: It is an asset purchase; record in Journal Proper.

COMMON MISTAKE

Wrong idea: Cash discount is deducted in Purchase Book.
Correct idea: Trade discount is deducted; cash discount depends on later settlement.

COMMON MISTAKE

Wrong idea: Debit Note is made by seller for sales return.
Correct idea: Purchaser generally issues Debit Note for purchase return.

COMMON MISTAKE

Wrong idea: Credit Note is made by purchaser.
Correct idea: Seller generally issues Credit Note to customer.

COMMON MISTAKE

Wrong idea: Cash sales belong in Sales Book.
Correct idea: Cash sales belong in Cash Book.

COMMON MISTAKE

Wrong idea: An order placed is a purchase.
Correct idea: No accounting transaction until supply/financial effect occurs.

Board-Style Question Bank

- Define subsidiary books and explain why they are required.
- Explain types of subsidiary books.
- State advantages of subsidiary books.
- Explain Purchase Book and items excluded from it.
- Explain Sales Book and items excluded from it.
- Explain Purchase Return Book and Debit Note.
- Explain Sales Return Book and Credit Note.
- Distinguish Debit Note and Credit Note.
- Prepare Purchase/Sales/Return Books from a set of transactions.
- Classify transactions into correct subsidiary books.

Practice MCQs - 30

1. Subsidiary books are also called:

- A. Day Books
- B. Balance Sheet
- C. Ledger only
- D. Trial Balance

2. Credit purchase of goods is recorded in:

- A. Purchase Book
- B. Cash Book
- C. Sales Book
- D. Trial Balance

3. Cash purchase of goods is recorded in:

- A. Cash Book
- B. Purchase Book
- C. Sales Return Book
- D. Ledger only

4. Credit purchase of furniture goes to:

- A. Journal Proper
- B. Purchase Book
- C. Cash Book
- D. Sales Book

5. Credit sale of goods goes to:

- A. Sales Book
- B. Cash Book
- C. Purchase Book
- D. Journal Proper

6. Cash sale goes to:

- A. Cash Book
- B. Sales Book
- C. Purchase Return Book
- D. Journal Proper

7. Purchase return goes to:

- A. Purchase Return Book

- B. Sales Book
- C. Cash Book
- D. Purchase Book

8. Sales return goes to:

- A. Sales Return Book
- B. Purchase Book
- C. Cash Book
- D. Journal Proper

9. Debit Note is generally prepared by:

- A. Purchaser
- B. Seller
- C. Bank
- D. Auditor

10. Credit Note is generally prepared by:

- A. Seller
- B. Purchaser
- C. Bank
- D. Government

11. Debit Note commonly supports:

- A. Purchase Return
- B. Sales
- C. Cash receipt
- D. Capital

12. Credit Note commonly supports:

- A. Sales Return
- B. Purchase
- C. Drawings
- D. Loan

13. Trade discount is:

- A. deducted before book amount
- B. always recorded separately
- C. a bank charge
- D. capital

14. A goods order not yet supplied is:

- A. normally no entry
- B. Purchase Book
- C. Sales Book
- D. Cash Book

15. Purchase Book total is posted to:

- A. Purchases A/c
- B. Sales A/c
- C. Cash A/c
- D. Capital

16. Sales Book total is posted to:

- A. Sales A/c
- B. Purchases A/c
- C. Drawings
- D. Bank loan

17. Supplier accounts from Purchase Book are:

- A. credited
- B. debited
- C. ignored
- D. closed immediately

18. Customer accounts from Sales Book are:

- A. debited
- B. credited
- C. ignored
- D. capitalised

19. Purchase Return total is generally:

- A. credited to Purchase Return A/c
- B. debited to Sales
- C. banked
- D. ignored

20. Sales Return total is generally:

- A. debited to Sales Return A/c
- B. credited to Cash
- C. capitalised
- D. ignored

21. Main purpose of subsidiary books is:

- A. specialise recurring transactions
- B. remove ledger
- C. remove vouchers
- D. avoid accounts

22. Subsidiary books improve:

- A. division of labour
- B. confusion
- C. duplication
- D. no control

23. Credit purchase of office vehicle is:

- A. Journal Proper
- B. Purchase Book
- C. Sales Book
- D. Petty Cash Book

24. Cash sale of old machine is:

- A. Cash Book
- B. Sales Book
- C. Purchase Book
- D. Sales Return Book

25. Bills Receivable Book records:

- A. bills received/accepted in our favour
- B. cash sales
- C. purchases
- D. wages

26. Bills Payable Book records:

- A. bills accepted by us/payable
- B. cash receipts
- C. debtors only
- D. capital

27. Petty Cash Book records:

- A. small cash expenses
- B. credit sales
- C. credit purchase of assets
- D. capital

28. Journal Proper records:

- A. transactions not fitting specialised books
- B. every cash sale
- C. only wages
- D. only purchases

29. GST on purchase is conceptually:

- A. Input GST
- B. Output GST
- C. capital
- D. drawings

30. GST on sales is conceptually:

- A. Output GST
- B. Input GST
- C. asset
- D. expense

MCQ Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	A	2	A	3	A	4	A	5	A
6	A	7	A	8	A	9	A	10	A
11	A	12	A	13	A	14	A	15	A
16	A	17	A	18	A	19	A	20	A
21	A	22	A	23	A	24	A	25	A
26	A	27	A	28	A	29	A	30	A

5-Minute Revision

Only credit purchase of GOODS -> Purchase Book.

Only credit sale of GOODS -> Sales Book.

Purchase return -> Debit Note -> Purchase Return Book.

Sales return -> Credit Note -> Sales Return Book.

Cash transaction -> Cash Book.

Credit asset transaction / special item -> Journal Proper.

EXAM IMPORTANT

Fast memory: Cash? Cash Book. Goods on credit? Purchase/Sales Book. Return? Return Book. Anything special? Journal Proper.

Master Revision Sheet

Topic	Rule
Subsidiary Books	Specialised books of original entry
Purchase Book	Credit purchase of goods only
Sales Book	Credit sales of goods only
Purchase Return	Credit goods returned to supplier
Sales Return	Credit goods returned by customer
Debit Note	Purchaser -> supplier
Credit Note	Seller -> customer
Trade Discount	Deduct before recording
Cash Discount	Record at settlement, not in goods book
Asset on credit	Journal Proper
Cash purchase/sale	Cash Book

Chapter Mastery Checklist

Tick these only when you can explain the idea without looking at the notes.

- [ ] I can identify the correct book for any transaction.
- [ ] I know what is excluded from Purchase and Sales Books.
- [ ] I can explain Debit Note and Credit Note.
- [ ] I can prepare simple purchase/sales/return books.
- [ ] I can explain advantages of subsidiary books.
- [ ] I understand the posting logic from each book.

CHAPTER 6 COMPLETE

Subsidiary Books

SMIT SIR'S FINAL MESSAGE

Do not memorise formats without understanding the flow. Ask: what transaction happened, where is it first recorded, how is it classified, and what information should the book finally provide? That logic is what makes Accounts easy.

Research & concept-enrichment sources:
GSEB Std. 11 Elements of Accounts Chapter 6 (primary exam source)
ICAI Accounting Process - Subsidiary Books
CBIC invoice/debit-note/credit-note concepts for enrichment

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