

CUET · ACCOUNTANCY · CLASS XI · CODE 301

# Recording of Transactions - II

CUET unit: Recording of Transactions

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## Snapshot

- The Journal is sub-divided into **special purpose books** (also called **day books** or **subsidiary books**) so that repetitive transactions can be recorded quickly and division of labour becomes possible (NCERT §4 intro, p. 99).
- Six books are covered: **Cash Book** (Single Column, Double Column, Petty Cash Book), **Purchases (Journal) Book**, **Purchases Return Book**, **Sales (Journal) Book**, **Sales Return Book**, and **Journal Proper** for residual entries (NCERT §4 intro, p. 99).
- Cash Book is **both a journal and a ledger** — when maintained, no separate cash (or bank) account is opened in the ledger (NCERT §4.1, p. 100).
- Covers **contra entries** (cash↔bank), the **imprest system** for petty cash, **debit/credit notes**, the distinction between **trade discount** (not recorded) and **cash discount** (recorded), and analytical Purchases/Sales books with **CGST/SGST/IGST** columns (NCERT §4.1-§4.5, p. 100-133).
- The **Journal Proper** records opening/adjustment/rectification/closing entries (NCERT §4.6, p. 133-134); the **balancing of accounts** procedure follows (NCERT §4.7, p. 135).
- CUET tests "which book records this transaction", balancing of cash/bank columns including overdraft, posting rules and the GST split between intra-state (CGST + SGST) and inter-state (IGST) sales/purchases.

## Detailed Notes

### 2.1 Core concepts

As a business grows, journalising every single transaction in a single book becomes cumbersome and error-prone. For quick, efficient and accurate recording, the Journal is sub-divided into **special journals**, each meant for transactions of a similar nature; these are called **daybooks** or **subsidiary books** (NCERT §4 introduction, p. 99). The six books are the Cash Book, the Purchases (Journal) Book, the Purchases Return (Return Outwards) Book, the Sales (Journal) Book, the Sales Return (Return Inwards) Book, and the Journal Proper for residual transactions (NCERT §4 intro, p. 99). Their benefits are division of labour, quick reference and efficient analysis.

The **Cash Book (§4.1, p. 100)** is the most important subsidiary book because cash is at the centre of every transaction. It records all transactions relating to cash receipts

and cash payments. NCERT highlights a critical dual nature: the cash book serves the purpose of **both the journal and the (cash) ledger account** — it is also called a book of original entry. When a cash book is maintained, cash transactions are not entered in the journal at all, and no separate cash account or bank account is opened in the ledger (NCERT §4.1, p. 100). This is the foundation for the famous CUET MCQ on why no separate cash ledger is opened.

The **Single Column Cash Book (§4.1.1, p. 100)** has only one amount column on each side and records cash transactions in chronological order — receipts on the debit (left) side, payments on the credit (right) side. The posting rule is the mirror of journal posting: accounts that appear on the debit side of the cash book are **credited** in their respective ledgers (because cash was received from them), and accounts that appear on the credit side of the cash book are **debited** in their respective ledgers (because cash was paid to them) (NCERT §4.1.1, p. 101).

The **Double Column Cash Book (§4.1.2, p. 103-108)** adds a second amount column on each side — one for **cash** and one for **bank** — and is used when bank transactions are frequent. Because the bank column serves the purpose of the bank account, no separate bank ledger is opened. Three peculiarities of this format must be remembered. First, a **contra entry**: when cash is deposited into the bank or withdrawn from the bank, both aspects of the entry appear within the cash book itself; such entries are marked with the letter "C" in the L.F. column and are not posted to the ledger again (NCERT §4.1.2, p. 105). Second, the **bank column can show a credit balance** — this is called **Overdraft** and happens when withdrawals exceed deposits; the cash column, in contrast, can never show a credit balance because actual cash payments cannot exceed cash receipts plus opening balance (NCERT §4.1.2, p. 106; §4.1.4, p. 114). Third, **cheques received** have a careful treatment: if deposited in the bank on the same day, they are entered in the bank column (Dr.); if deposited on a later day, they are entered as cash (Dr.) on the date of receipt and then a contra entry is made on the date of deposit. A **dishonoured cheque** is entered on the credit side, bank column, restoring the customer's account (NCERT §4.1.2, p. 105-106).

The **Petty Cash Book (§4.1.3, p. 109)** is maintained by a petty cashier to record the large number of small, repetitive payments — postage, cartage, conveyance, telegrams, refreshments and so on — that would otherwise clutter the main cash book. The **Imprest System** is the bedrock practice: a definite sum (the **imprest amount**) is given to the petty cashier at the start of a period; when he has spent a substantial portion, the head cashier reimburses him exactly the amount spent, so the imprest is restored at the start of the next period (NCERT §4.1.3, p. 109). The petty cash book itself has analytical payment columns — Postage, Telephone & Telegram, Conveyance, Stationery, Miscellaneous — plus a Remarks column. Periodic totals are posted by debiting each expense head and crediting Petty Cash A/c (NCERT §4.1.3, p. 109-114). Worked example: imprest ₹2,000 on May 1, spent ₹1,487 during May, reimbursed ₹1,487 on June 1 — restoring the ₹2,000 imprest.

**Balancing of the Cash Book (§4.1.4, p. 114).** The cash book is balanced like a ledger account — the difference between the two sides is entered on the shorter side as Balance c/d and carried over as Balance b/d. The cash column will always have a debit balance; the bank column may have either a debit balance (favourable) or a credit balance (overdraft).

**Purchases (Journal) Book (§4.2, p. 119-120)** records only credit purchases of goods. Cash purchases go to the cash book; credit purchases of fixed assets (office furniture, machinery, building) go to the **Journal Proper** — not to the Purchases Book — because the Purchases Book is reserved for goods-in-trade. Entries are made at the **net invoice amount**: trade discount is not separately recorded because it has already been deducted on the invoice. Monthly total is posted to the **debit of Purchases A/c**; individual supplier accounts are credited daily (NCERT §4.2, p. 119-121).

**Purchases Return (Return Outwards) Book (§4.3, p. 121-123)** records goods returned to suppliers. The source document is the **Debit Note**, prepared by the buyer to indicate that the supplier's account has been debited for the value of returned goods. Individual supplier accounts are debited; the periodical total is credited to **Purchases Return A/c** — not to Purchases A/c (NCERT §4.3, p. 121-123).

**Sales (Journal) Book (§4.4, p. 124-125)** records only credit sales of merchandise. Cash sales go to the cash book. The source document is the **sales invoice/bill**. Monthly total is credited to **Sales A/c**; individual customer accounts are debited daily.

**Sales Return (Return Inwards) Book (§4.5, p. 125-126)** records goods returned by customers. The source document is the **Credit Note**, prepared by the seller (often in red ink). Customer accounts are credited individually; the periodical total is debited to **Sales Return A/c**.

**Debit Note vs Credit Note (NCERT §4.3 Box 2, p. 122 & §4.5, p. 125).** A Debit Note is prepared by the **buyer** when returning goods to the supplier — it debits the supplier's account. A Credit Note is prepared by the **seller** when goods are received back from the customer — it credits the customer's account. The CUET examiner reverses these regularly.

**GST treatment in subsidiary books (NCERT §4.5 Illustrations 7 & 8, p. 131-133).** Analytical Purchases / Sales Books carry separate columns for **CGST**, **SGST** and **IGST** apart from the basic Purchases/Sales column. For **intra-state** transactions both CGST and SGST are added (at half the GST rate each); for **inter-state** transactions the full rate is charged as IGST. GST is computed on the **net amount after trade discount** — never on the list price. NCERT's Akash-Rajasthan-Kishan-Jaipur worked example shows ₹10,120 net invoice attracting 2.5% CGST + 2.5% SGST = ₹253 + ₹253, total ₹10,626.

**Journal Proper (also Journal Residual) (§4.6, p. 133-134)** is the residual book for transactions that do not fit any special journal: (1) **Opening entries** showing opening balances of assets, liabilities and capital; (2) **Adjustment entries** — outstanding

expenses, prepaid expenses, depreciation, accrued income, income received in advance; (3) **Rectification entries** for correction of errors; (4) **Transfer / closing entries** — drawings to capital, expense and revenue balances to Trading and P&L; (5) Other entries — dishonour of cheque, credit purchase / sale of non-goods items, goods withdrawn by proprietor, goods given as free samples, endorsement and dishonour of bills, consignment / joint venture transactions, loss of goods by fire / theft / spoilage.

**Balancing of Accounts (§4.7, p. 135).** At the end of an accounting period, the two sides of each account are totalled; the difference is written on the shorter side as **Balance c/d** (carried down) and carried as **Balance b/d** (brought down) to the next period. Accounts of expenses, losses, gains and revenues are not balanced — they are closed by transfer to the Trading and Profit & Loss Account, consistent with their classification as temporary accounts.

## 2.2 Definitions to memorise

Term	Definition	Page
Special purpose books / Day books / Subsidiary books	Special journals into which the journal is sub-divided to record similar repetitive transactions (NCERT §4 intro).	99
Cash Book	Book recording all cash receipts and payments; serves the purpose of both journal and (cash) ledger (NCERT §4.1).	100
Single Column Cash Book	Cash book with one amount column on each side; records only cash transactions (NCERT §4.1.1).	100
Double Column Cash Book	Cash book with two amount columns on each side — one for cash and one for bank (NCERT §4.1.2).	103
Contra entry	Entry whose both debit and credit aspects appear within the cash book (cash deposited / withdrawn from bank); marked "C" in L.F. column; not posted to ledger (NCERT §4.1.2).	105
Overdraft	Situation when cash withdrawn from the bank exceeds the amount of deposit; bank column shows a credit balance (NCERT §4.1.2 & §4.1.4).	106
Petty Cash Book	Separate cash book maintained by a petty cashier for small, repetitive payments (NCERT §4.1.3).	109
Imprest System	Definite sum given to the petty cashier; reimbursement equals amount spent so the imprest is restored at the start of the next period (NCERT §4.1.3).	109
Purchases (Journal) Book	Special book recording only credit purchases of goods (NCERT §4.2).	119
Purchases Return / Return Outwards Book	Book recording return of goods to suppliers; source document is the Debit Note (NCERT §4.3).	121

Term	Definition	Page
Sales (Journal) Book	Book recording only credit sales of merchandise (NCERT §4.4).	124
Sales Return / Return Inwards Book	Book recording return of goods by customers; source document is the Credit Note (NCERT §4.5).	125
Debit Note	Document prepared by the buyer to debit the supplier on returning goods (NCERT §4.3).	122
Credit Note	Document prepared by the seller to credit the customer when goods are received back (NCERT §4.5).	125
Journal Proper	Book for transactions not covered by any special journal — opening, adjustment, rectification, transfer/closing and other entries (NCERT §4.6).	133
Trade Discount	Discount allowed on the list price of goods; deducted before recording — no separate entry (NCERT §4.2).	119
Cash Discount	Discount allowed/received for prompt payment in cash; recorded in cash book (NCERT §4.1).	100, 119
Balance c/d	Difference between two sides of an account entered on the shorter side at period-end and carried to the next period as Balance b/d (NCERT §4.7).	135
Imprest Amount	The fixed sum advanced to the petty cashier at the start of the period (NCERT §4.1.3).	109
CGST + SGST	GST split for intra-state transactions, each at half the GST rate (NCERT §4.5 Illus. 8).	132
IGST	Full GST levied on inter-state transactions (NCERT §4.5 Illus. 7).	131
Pay-in-slip	Document used to deposit cash/cheques into a bank account (NCERT Fig. 4.2).	104
Cheque crossing	Markings on a cheque restricting payment route — general, A/c payee only, special (NCERT Fig. 4.4).	105
Dishonoured Cheque	Cheque returned unpaid by the bank; entered on the credit side, bank column, of the cash book (NCERT §4.1.2).	106

### 2.3 Diagrams / processes to remember

**Fig. 4.1 — Single Column Cash Book (NCERT p. 100).** Date / Receipts / L.F. / Amount on the debit side; Date / Payments / L.F. / Amount on the credit side. Receipts on the left, payments on the right.

**Fig. 4.2 — Pay-in-slip (NCERT p. 104).** Used to deposit cash or cheques into a bank account; the counterfoil is retained by the depositor as proof.

**Fig. 4.4 — Types of Cheque Crossing (NCERT p. 105).** General crossing (two parallel lines), A/c Payee only (must be deposited into payee's account), Special crossing (with a named bank).

**Fig. 4.5 — Double Column Cash Book (NCERT p. 106).** Cash and Bank columns on both sides; contra entries marked "C"; the bank column may show overdraft.

**Fig. 4.6 — Purchases (Journal) Book (NCERT p. 119).** Date / Invoice No. / Name of Supplier (to be credited) / L.F. / Amount.

**Fig. 4.7(a) — Purchases Return Book (NCERT p. 121).** Date / Debit Note No. / Name of Supplier (to be debited) / Amount.

**Fig. 4.7(b) and 4.7(c) — Specimen Debit Note and Credit Note (NCERT p. 122).** Memorise the heading on each.

**Fig. 4.8 — Sales (Journal) Book (NCERT p. 124).** Date / Invoice No. / Name of Customer (to be debited) / L.F. / Amount.

**Fig. 4.9 — Sales Return Book (NCERT p. 125).** Date / Credit Note No. / Name of Customer (to be credited) / Amount.

**Petty Cash Book Analytical Layout (NCERT p. 112).** Columns: Postage / Telephone & Telegram / Conveyance / Stationery / Miscellaneous, plus Total Payment and Remarks.

**Analytical Purchases Book with GST (NCERT p. 132).** Columns: Details / Total / Purchases (net of trade discount) / Input CGST / Input SGST / Input IGST. GST is added on the post-trade-discount base.

**Process — Routing a transaction to its correct book.** (i) Is it a cash transaction? → Cash Book. (ii) A credit purchase of goods? → Purchases Book. (iii) A credit sale of goods? → Sales Book. (iv) A return of goods? → Purchases Return Book (outwards) or Sales Return Book (inwards). (v) Everything else (opening, adjustment, rectification, closing, drawing-of-goods, non-goods credit purchase/sale, dishonour) → Journal Proper.

**Process — Posting from subsidiary books.** Individual supplier/customer accounts in the ledger are posted from the daily entries; periodical (usually monthly) totals are posted to the impersonal accounts — Purchases A/c (Dr), Sales A/c (Cr), Purchases Return A/c (Cr), Sales Return A/c (Dr), and the corresponding GST control accounts.

## 2.4 Common confusions / NTA trap points

1. **Cash sales vs credit sales.** Cash sales go to the **Cash Book** (not Sales Book); only credit sales of merchandise go to the **Sales Book**. NTA distractors regularly put "cash sales" in the Sales Book (NCERT §4.4, p. 124).
2. **Trade discount vs cash discount.** Trade discount is **deducted on the invoice** and never appears in any book; cash discount is **recorded** (in cash book as Discount Allowed / Discount Received) (NCERT §4.2 vs §4.1).

3. **Credit purchase of furniture / machinery is NOT in Purchases Book.** It goes to **Journal Proper** because Purchases Book is for goods (merchandise) only (NCERT §4.2, p. 119; §4.6).
4. **Contra entry direction.** Marked "C" in L.F. and **not posted** to the ledger again — the bank/cash column itself serves as the ledger (NCERT §4.1.2, p. 105).
5. **Overdraft = credit balance of bank column.** The cash column can never have a credit balance (NCERT §4.1.4, p. 114).
6. **Debit Note ≠ Credit Note.** Debit Note is sent by the **buyer** on a purchase return; Credit Note is sent by the **seller** on a sales return. Students often swap these (NCERT §4.3 Box 2, p. 122).
7. **Intra-state vs Inter-state GST.** Intra-state → CGST + SGST (each at half the rate); Inter-state → IGST (full rate). NTA loves testing the split with small numerical illustrations (NCERT §4.5 Illus. 7 & 8, p. 131-133).
8. **Periodic total of Returns Books.** Periodic total of Purchases Return Book → **Purchases Return A/c** (not Purchases A/c). Periodic total of Sales Return Book → **Sales Return A/c** (not Sales A/c) (NCERT §4.3 & §4.5).
9. **Imprest reimbursement.** Reimbursement = exact amount spent, not the imprest amount itself. ₹2,000 imprest, ₹1,487 spent → reimburse ₹1,487 (NCERT §4.1.3, p. 109).
10. **GST base.** GST is charged on the **net** invoice (after trade discount), not on the list price (NCERT §4.5 Illus. 8, p. 132).
11. **Cheque deposit timing.** Cheque deposited on date of receipt → bank column. Cheque deposited later → cash column on receipt, then a contra entry on deposit date (NCERT §4.1.2, p. 105).
12. **Sales of an old asset is NOT in Sales Book.** Sale of an old machine on credit goes to **Journal Proper** because Sales Book is only for merchandise sales (NCERT §4.4 & §4.6).

## 2.5 Journal entry templates

The journal entries below complement the subsidiary books — they are the journal equivalents the student should be able to reconstruct on demand, especially for Journal Proper entries that do not have a special book.

### (a) Cash deposited into bank — contra entry (NCERT § 4.1.2, p. 105)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 5	Bank A/c .....Dr.	C	50,000	
	To Cash A/c	C		50,000
	(Being cash deposited into bank — contra entry, marked "C", not posted to ledger)			

**(b) Cheque received and deposited the same day (NCERT § 4.1.2, p. 105)**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 8	Bank A/c .....Dr.		25,000	
	To Anil (Debtor) A/c			25,000
	(Being cheque received from Anil and banked on the same day)			

**(c) Dishonour of cheque (NCERT § 4.1.2, p. 106)**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 12	Anil A/c .....Dr.		25,000	
	To Bank A/c			25,000
	(Being cheque received from Anil dishonoured — bank balance reduced, debtor restored)			

**(d) Reimbursement of petty cashier under imprest system (NCERT § 4.1.3, p. 109)**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Jun 1	Petty Cash A/c .....Dr.		1,487	
	To Cash A/c			1,487
	(Being petty cashier reimbursed the amount spent during May — imprest of ₹2,000 restored)			

**(e) Credit purchase of furniture for office use — Journal Proper (NCERT § 4.6)**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 15	Furniture A/c .....Dr.		40,000	
	To Quality Furniture Ltd. A/c			40,000
	(Being office furniture purchased on credit — NOT in Purchases Book)			

**(f) Goods withdrawn by proprietor for personal use — Journal Proper (NCERT § 4.6)**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 20	Drawings A/c .....Dr.		8,000	
	To Purchases A/c			8,000
	(Being goods withdrawn for personal use; reduces purchases at cost)			

**(g) Credit sale with intra-state GST (NCERT § 4.5 Illus. 8, p. 132)**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 22	Kishan Traders A/c .....Dr.		10,626	
	To Sales A/c			10,120
	To Output CGST A/c			253
	To Output SGST A/c			253
	(Being intra-state sale at 5% GST on net invoice of ₹10,120)			

**(h) Credit sale with inter-state IGST (NCERT § 4.5 Illus. 7)**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Apr 25	Customer A/c .....Dr.		1,18,000	
	To Sales A/c			1,00,000
	To Output IGST A/c			18,000
	(Being inter-state sale at 18% IGST on net invoice of ₹1,00,000)			

## Practice MCQs

**Q1.** M/s Mohan & Co. purchased 10 chairs on credit from M/s Quality Furniture Ltd. for office use. In which book of original entry will this transaction be recorded?

- A. Purchases (Journal) Book
- B. Cash Book
- C. Journal Proper
- D. Purchases Return Book

**Q2.** While preparing a double column cash book, an entry showing cash deposited into the bank is marked with the letter "C" in the L.F. column. This indicates that:

- A. The entry is a cash discount entry
- B. The entry is a contra entry and need not be posted to the ledger
- C. The entry is a closing entry transferred to Trading A/c
- D. The entry has been cancelled

**Q3.** The credit balance of the bank column in the cash book represents:

- A. Cash deposited in the bank
- B. Cash withdrawn from the bank
- C. Bank Overdraft
- D. Favourable bank balance

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## PYQ Alignment

This chapter is one of the highest-weighted in CUET Accountancy — typically 6–9 MCQs per paper across 2023, 2024 and 2025. The dominant question types are: (a) "which book records this transaction" (subsidiary book identification), (b) contra entry and

overdraft identification in cash book balances, (c) imprest system and reimbursement calculations, (d) trade vs cash discount treatment, (e) debit note vs credit note matching, and (f) GST split (CGST/SGST vs IGST) in analytical purchases / sales books — increasingly tested since the 2024 cycle. See [/pyq/accountancy](#) for drill sets.

