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शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 17.11.2020

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Recording of Transactions-II

Question 1:

Briefly state how the cash book is both journal and a ledger?

ANSWER:

Transactions are recorded directly from source documents in the Cash Book, so there is no need to record transactions in the Journal book. Further, on the basis of the cash transactions recorded in the Cash Book, cash and bank balances can be determined, and so there is no need to prepare cash account (which is a part of ledger) separately. Thus, the Cash Book serves the purpose of both Journal as well as ledger.

Question 2:

What is the purpose of contra entry?

ANSWER:

Contra entry represents deposits or withdrawals of cash from bank or vice versa. The purpose of contra entry is to indicate the transactions that effect both cash and bank balances. This entry does **not** affect the financial positions of a business. A contra entry is recorded in both sides of a two column Cash Book and is denoted by 'C' in the ledger folio column.

Question 3:

What are special purpose books?

ANSWER:

Business transactions are large in number and difficult to record; so, journal is sub-divided for quick, efficient and accurate recording of the business transactions. Special purpose books like, sales book and purchases book are maintained for those transactions that are routine and repetitive in nature. Recording through these books is economical and enables division of work among accountants.

Question 4:

What is petty cash book? How it is prepared?

ANSWER:

Petty Cash Book is used for recording payment of petty expenses, which are of smaller denominations like postage, stationery, conveyance, refreshment, etc. Person who maintains petty cash book is known as petty cashier and these small expenses are termed as petty expenses.

It is prepared by two methods:

1. **Ordinary system:** In this case, a fixed sum of money is paid to petty cashier for the payment of petty expenses and after spending the whole amount, the account is submitted by the petty cashier to the main cashier.
2. **Imprest system:** In this case, a fixed sum of the money is given to the petty cashier in the beginning of a period and at the end of the period the amount spent by him is reimbursed, so that he has a fixed amount in the beginning of every new period.

Question 5:

Explain the meaning of posting of journal entries?

ANSWER:

Posting is the process of transferring the business transactions from Journal to ledgers.

Every transaction is first recorded in the Journal and subsequently transferred to their respective accounts.
