

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्तिउत्थानआश्रमलखीसरायबिहार

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### Recording of Transactions-II

Question 6:

Define the purpose of maintaining subsidiary journal.

**ANSWER:**

The process of accounting starts from identification of financial and non-financial events. Financial events are first recorded in a Journal. A small business has lesser number of transactions and thereby it may be possible to record these transactions through Journal entry. However, on the contrary, as the business grows, there will be voluminous number of transactions and the firm may experience difficulty, thereby it becomes tedious to record through Journal entry. Thus, in order to save time and effort, it is recommended to sub-divide Journal. Sub-division of Journal provides scope for division of work. This leads to the improvement of efficiency and effectiveness and infuses higher degree of accountability to the accountants for the specific subsidiary Journal assigned to them. The purposes of maintaining subsidiary Journal are given below.

1. It saves time and efforts in recording.
2. It enables division of work, leading to an enhancement of efficiency and effectiveness, as particular accountant takes care of particular books.
3. It also makes each accountant more responsible and accountable for the books assigned to them.
4. It records routine and repetitive transactions at one place, which leads to easy accessibility of information and hassle-free communication.

Question 7:

Write the difference between return inwards and return outwards.

**ANSWER:**

Basis of Difference	Return Inwards	Return Outwards
Meaning	Goods sold to the customers, are returned by them.	Goods purchased are returned to the suppliers.
Balance	It has debit balance.	It has credit balance.
Treatment	It is deducted from Sales in the Trading Account.	It is deducted from Purchases in the Trading Account.

Issued	Credit note is prepared by the seller.	Debit note is prepared by the buyer.
Reduction	It reduces the payment from the Debtors.	It reduces the payment made to the Creditors.
Term	It is also termed as Sales Returns.	It is also termed as Purchases Returns.

Question 8:

What do you understand by ledger folio?

**ANSWER:**

Ledger folio is a page number of an account in ledger that is written in the L.F. column of a journal format. In journal entry, ledger folio number is written corresponding to the name of the account in the L.F. column. It helps in easy locating of the account in the ledger book. It reduces the time in recording and rechecking.

Question 9:

What is difference between trade discount and cash discount?

**ANSWER:**

Basis of Difference	Trade Discount	Cash Discount
Meaning	It is allowed when goods are purchase or sold.	It is allowed at the time of payment.
Recording in books	It is recorded in invoice/bill but <b>not</b> in the books.	It is recorded in the discount column of the Cash Book's debit side, if allowed, and credit side, if received.
Purpose	It is allowed to increase sale.	It is allowed for earlier payment.
Deduction	It is deducted from the price-list of the goods.	It is <b>not</b> deducted from the price-list of the goods.

Question 10:

Write the process of preparing ledger from a journal.

**ANSWER:**

The process of preparing ledger from Journal can be explained with the help of an example. Let us suppose that machinery is purchased from Mr. X, so, the journal entry will be:

Machinery A/c	Dr.
To Mr. X Account	

In this example, Machinery Account is debited and Mr. X Account is credited. Let us understand the process of preparing ledger from the journal entry.

**Account which is debited in the entry:**

**Step 1:** Identify the account in ledger that is debited, i.e., 'Machinery Account'.

**Step 2:** Enter date in the debit side of the 'Machinery Account' in the 'Date' column.

**Step 3:** Enter the name of the account as 'Mr. X Account' (which is credited in the entry) in the 'Particulars' column in the debit side of the Machinery Account.

**Step 4:** Enter the page number of the journal, where the entry is recorded in the 'J.F.' (journal folio) column.

**Step 5:** Post the corresponding amount in the 'Amount' column, which is recorded against 'Machinery Account' in the journal entry.

**Account which is credited in entry:**

**Step 1:** Identify the account in ledger that is credited, i.e., 'Mr. X Account'.

**Step 2:** Enter date in the credit side of 'Mr. X Account' in the 'Date' column.

**Step 3:** Enter the name of the account as 'Machinery Account' (which is debited in the entry) in the 'Particulars' column in the credit side of the 'Machinery Account'.

**Step 4:** Enter the page number of the journal where the entry is recorded in the 'J.F.' (journal folio) column.

**Step 5:** Post the corresponding amount in the 'Amount' column, which is recorded against 'Mr. X Account' in the journal entry.

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