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Recording of Transactions-I

Business Transactions and Source Document

After securing good percentage in your previous examination, as promised, your father wishes to buy you a computer. You go to the market along with your father to buy a computer. The dealer gives a cash memo along with the computer and in exchange your father makes cash payment of Rs. 35,000. Purchase of computer for cash is an example of a transaction, which involves reciprocal exchange of two things: (i) payment of cash, (ii) delivery of a computer. Hence, the transaction

involves this aspect, i.e. *Give and Take*. Payment of cash involves *give* aspect and delivery of computer is a *take* aspect. Thus, business transactions are exchanges of economic consideration between parties and have two-fold effects that are recorded in at least two accounts.

Business transactions are usually evidenced by an appropriate documents such as Cash memo, Invoice, Sales bill, Pay-in-slip, Cheque, Salary slip, etc. A document which provides evidence of the transactions is called the *Source Document or a Voucher*. At times, there may be no documentary for certain items as in case of petty expenses. In such case voucher may be prepared showing the necessary details and got approved by appropriate authority within the firm. All such documents (vouchers) are arranged in chronological order and are serially numbered and kept in a separate file. All recording in books of account is done on the basis of vouchers.

Transaction Voucher	
Name of Firm :	
Voucher No :	
Date :	
Debit account :	
Credit account:	
Amount (Rs.) :	
Narration :	
Authorised By :	Prepared By :

3.1.1 Preparation of Accounting Vouchers

Accounting vouchers may be classified as cash vouchers, debit vouchers, credit vouchers, journal vouchers, etc. There is no set format of accounting vouchers. A specimen of a simple transaction voucher is used in practice is shown in figure 3.1.

These must be preserved in any case till the audit of the accounts and tax assessments for the relevant period are completed. Now a days, accounting is computerised and the necessary accounting vouchers showing the code number and name of the accounts to be debited and credited are prepared for the purpose of necessary recording of transactions. A transaction with one debit and one credit is a simple transaction and the accounting vouchers prepared for such transaction is known as *Transaction Voucher*, the format of

which is shown in figure 3.1. Voucher which records a transaction that entails multiple debits/credits and one credit/debit is called compound voucher. Compound voucher may be: (a) *Debit Voucher* or (b) *Credit Voucher*, the specimen is shown in figure 3.2.

Debit Voucher				
Voucher No :		Name of Firm :		Date :
Credit Account :				
Amount :				
Debit Accounts				
S. No.	Code	Account Name	Amount Rs.	Narration (i.e. Explanation)
Authorised By :		Prepared By :		

Credit Voucher				
Voucher No :		Name of Firm :		Date :
Debit Account :				
Amount :				
Credit Accounts				
S. No.	Code	Account Name	Amount Rs.	Narration (i.e. Explanation)
Authorised By :		Prepared By :		

Fig. 3.2 : Showing debit and credit vouchers

Transactions with multiple *debits* and multiple *credits* are called complex transactions and the accounting voucher prepared for such transaction is known as *Complex Voucher/ Journal Voucher*. The format of a complex transaction voucher is shown in figure 3.3.

Journal Voucher				
Voucher No :		Name of Firm :		Date :
Debit Accounts				
S. No.	Code	Account Name	Amount Rs.	Narration (i.e. Explanation)
Credit Accounts				
S. No.	Code	Account Name	Amount Rs.	Narration (i.e. Explanation)
Authorised By :		Prepared By :		

Fig. 3.3 : Showing specimen of complex transaction voucher

The design of the accounting vouchers depends upon the nature, requirement and convenience of the business. There is no set format of an accounting voucher. To distinguish various vouchers, different colour papers and different fonts of printing are used. Some of the specimen of the accounting vouchers are given in the earlier pages. A accounting voucher must contain the following essential elements :

- It is written on a good quality paper;
- Name of the firm must be printed on the top;
- Date of transaction is filled up against the date and not the date of recording of transaction is to be mentioned;
- The number of the voucher is to be in a serial order;
- Name of the account to be debited or credited is mentioned;
- Debit and credit amount is to be written in figures against the amount;
- Description of the transaction is to be given account wise;
- The person who prepares the voucher must mention his name along with signature; and
- The name and signature of the authorised person are mentioned on the voucher.

