

CHAPTER 6: BOOKS OF ACCOUNTS

Journals and ledgers

Journals (Day books):

- **Cash journal** includes all cash, bank and cash discounts transactions. This is part of double entry because acts as both journal and ledger. This is the only journal which have both debit and credit side.
- **Sales journal** includes credit sales of goods.
- **Purchase journal** includes credit purchases of goods
- **Return inward** includes sales return of goods
- **Return outward** records purchases return of goods
- **General Journal or The Journal** records all other transactions.e.g
 - credit sale or purchase of non current assets.
 - Bad debts and provisions.

Ledgers:

- **Sales ledger** includes separate accounts of trade receivables by name.
- **Purchase ledger** includes separate accounts of trade payables.
- **General ledger** includes all other accounts except receivables, payables, cash and bank.

Types of Accounts:

Three types of accounts.

Real Accounts: Assets, owner's equity and liabilities accounts. e.g Plant account, loan account

Nominal accounts: Incomes, revenue and expenses accounts. e.g. Rent account, wages account.

Personal accounts: accounts with the name of person, business or a company. e.g. Javed account, ABC Ltd account.

Practice Question:

Q1: Write the name of relevant book to record the following transactions;

- a) Started business with cash.
- b) Bought inventory on credit from Liaba.
- c) Sold goods to Isra by cheque.
- d) Paid cash to Liaba.
- e) Bought machinery on credit from Shanzay.
- f) Goods returned to Liaba.
- g) Bought goods on credit from Maham.
- h) Sold good on credit to Esha.
- i) Good returned by Esha.
- j) Took loan by cash.
- k) Paid wages by cheque.
- l) Received rent in cash.
- m) Bought two motor vehicles by paying cheque.
- n) Sold one motor vehicle on credit to Haleema.

Q2: Decide the name of book to record the following transactions;

- a) Started business by cheque.
- b) Bought land on credit from Hajra.
- c) Bought motor van on credit from ABC motors.
- d) Paid salaries by cash.
- e) Withdrew cash for business use.
- f) Paid insurance by cheque.
- g) Paid rent by cash.
- h) Bought machinery by cheque.
- i) Paid telephone charges by cash.
- j) Bought goods on credit from Rabbiya.
- k) Sold goods for cash.
- l) Sold goods on credit to Eiman.
- m) Sold goods on credit to Wania.
- n) Bought inventory on credit from Muneeba.
- o) Bought goods on credit from Zaina.
- p) Bought goods by paying cheque.
- q) Bought goods by cheque.
- r) Sold motor van by cheque.
- s) Bought motor van by cheque.
- t) Noor lent us by cheque.
- u) Paid part of loan to Qadar by cash.