

## CHAPTER 4

# Recording of Transactions - II

CBSE Class 11 · Financial Accounting Part I · Chapter 4

CBSE · Accountancy · Class 11

### WHAT THIS CHAPTER DOES

**A** Post journal entries to the ledger and balance an account (c/d and b/d).

**B** Tell a debit balance from a credit balance and what each means.

Boards prep that builds confidence, not anxiety.

**TODAY'S MISSION**

# Today's mission

- 1** Post journal entries to the ledger and balance an account (c/d and b/d).
- 2** Tell a debit balance from a credit balance and what each means.
- 3** Prepare a double-column cash book and spot every contra entry.
- 4** Know which special purpose book records which transaction.

## WHY THIS MATTERS

# Why this chapter matters

1

The ledger turns a chronological list of entries into account-wise totals you can actually use.

2

Balancing every account is the bridge to the trial balance and the final accounts ahead.

3

Special purpose books are how every real business divides recording work and keeps it fast and accurate.

TOPIC

A

# The ledger

**THEOREM · LOAD-BEARING RESULT**

# Meaning and role of the ledger

“ A LEDGER is the principal book of account that contains all the accounts (assets, liabilities, capital, income and expenses) in a classified, account-wise form. POSTING is the process of transferring entries from the journal/subsidiary books to the relevant accounts in the ledger.

**STATEMENT**

Journal records transactions in chronological order (date-wise); the ledger re-arranges the same data in analytical order (account-wise) and is balanced periodically to show the net position of each

**WHY THIS MATTERS**

- A journal alone cannot tell you how much a particular customer owes or how much rent has been paid in total — the entries are scattered across dates
- The ledger gathers every entry of one account in one place and balances it, so you can read the net result of each account at a glance.

**WATCH OUT FOR**

**NOTE** Posting never flips the side: an account DEBITED in the journal is posted to the DEBIT side of its ledger account ('To ...'), and an account CREDITED is posted to the CREDIT side ('By ...'). The name written in Particulars is the OTHER account of the entry.

TOPIC

**B**

# Journal vs ledger, posting and balancing

TOPIC

# From journal to a balanced account

## JOURNAL VS LEDGER

The JOURNAL is the book of ORIGINAL entry: every transaction is recorded in it first, in chronological (date) order, as a debit-and-credit entry with a narration. The LEDGER is the book of FINAL entry: the journalised data is re-sorted account-wise, so that all dealings of one account sit together. The

## POSTING TO THE LEDGER

POSTING is transferring each journal entry into the ledger. For the account that was DEBITED in the journal, you go to its ledger account and write the entry on the DEBIT side beginning with 'To' followed by the name of the OTHER (credited) account. For the account that was CREDITED you

## BALANCING AN ACCOUNT

BALANCING finds the net result of an account at period-end. Total both the debit and credit sides; the DIFFERENCE between them is the balance. Write this difference as 'Balance c/d' (carried down) on the SHORTER side so that the two totals become equal, then rule the account off. In the next

## DEBIT VS CREDIT BALANCE

If the DEBIT side total exceeds the credit side, the account has a DEBIT balance — typical of assets, expenses, cash, and debtors (a debtor owes the firm money). If the CREDIT side total exceeds the debit side, it has a CREDIT balance — typical of liabilities,

TOPIC

**C**

# Posting and balancing — a worked ledger account

**WORKED EXAMPLE**

# Ram's Account — post and balance

- 1 Suppose during the month Ram (a customer) was sold goods on credit ₹20,000 and ₹5,000, and he paid ₹17,000 by cheque. Open 'Ram's Account' in the ledger.
- 2 Both credit sales increase the amount Ram owes, so they are posted to the DEBIT side: 'To Sales A/c ₹20,000' and 'To Sales A/c ₹5,000' (debit total so far ₹25,000).
- 3 The ₹17,000 received reduces what Ram owes, so it is posted to the CREDIT side: 'By Bank A/c ₹17,000'.
- 4 Total both sides: debit ₹25,000; credit ₹17,000. The difference is ₹8,000, and the debit side is larger.
- 5 Insert the difference on the SHORTER (credit) side as 'By Balance c/d ₹8,000'. Now both sides total ₹25,000 — rule the account off.

TOPIC

**D**

# Special purpose (subsidiary) books

TOPIC

# Why and how the journal is subdivided

## NEED FOR SUBDIVISION

In a small business a single journal can record everything, but as transactions grow into hundreds each day, recording them all in one journal becomes slow, bulky and prone to error, and it makes division of labour impossible. So the journal is SUBDIVIDED into several SPECIAL PURPOSE (subsidiary)

## PURCHASES AND SALES BOOKS

The PURCHASES BOOK (purchases day book) records ONLY the CREDIT purchase of GOODS in which the firm deals — cash purchases and the credit purchase of assets are excluded. The SALES BOOK records ONLY the CREDIT sale of those GOODS — cash sales and

## RETURN BOOKS

When goods are returned, two more subsidiary books are used. The PURCHASES RETURN BOOK (also called the Return Outward Book) records goods RETURNED TO SUPPLIERS — goods that were bought on credit and sent back, supported by a debit note. The SALES RETURN BOOK

## JOURNAL PROPER

The JOURNAL PROPER (general journal) records every transaction that does NOT fit into any of the special purpose books. This includes OPENING entries, CLOSING entries, ADJUSTING entries, RECTIFYING (error-correction) entries, TRANSFER entries, and the credit purchase or

TOPIC

**E**

# The cash book

**THEOREM · LOAD-BEARING RESULT**

# What the cash book is

“ A CASH BOOK is a special purpose book that records ALL cash and bank receipts and payments. Receipts are entered on the DEBIT (left) side and payments on the CREDIT (right) side.

**STATEMENT**

The cash book plays a **DUAL** role: it is a book of **ORIGINAL ENTRY** (a journal), because cash/bank transactions are recorded in it first; and it is simultaneously a **LEDGER ACCOUNT** — it serves as the

**WHY THIS MATTERS**

- Cash and bank transactions are the most frequent in any business, so recording them first in a journal and then posting to a separate cash account would double the work
- The cash book merges the two steps into one, saving time while still keeping a balanced cash/bank record.

**WATCH OUT FOR**

**NOTE** Never open a separate Cash A/c or Bank A/c in the ledger when a cash book exists — the cash book IS that account. This 'journal-and-ledger' dual nature is the single most tested theory point of the chapter.

TOPIC

# From single-column to petty cash

## SINGLE-COLUMN CASH BOOK

The SIMPLE or single-column cash book has just ONE amount column on each side and records only CASH transactions (no bank, no discount columns). Cash received is entered on the debit side ('To ...') and cash paid on the credit side ('By ...'). It is balanced like any account: the

## DOUBLE-COLUMN CASH BOOK

The DOUBLE-COLUMN (two-column) cash book has TWO amount columns on each side — CASH and BANK — to record both cash and bank transactions in one book. Cash items go in the cash column and cheque/bank items in the bank column, receipts on the debit side and

## CONTRA ENTRIES

A CONTRA ENTRY arises when a transaction affects BOTH the cash and the bank column of the same cash book — namely, cash DEPOSITED into the bank, or cash WITHDRAWN from the bank for office use. One column is debited and the other credited within the same book, so the double effect is already

## PETTY CASH BOOK (IMPREST)

The PETTY CASH BOOK records small, routine payments (postage, stationery, conveyance, refreshments) handled by a petty cashier, freeing the main cashier from tiny entries. It is usually kept on the IMPREST SYSTEM: the petty cashier is given a FIXED float (the imprest

TOPIC

**F**

# A double- column cash book — worked

**WORKED EXAMPLE**

# Double-column cash book — cash and bank

- 1** Rule the cash book with Date · Particulars · L.F. · Cash · Bank on BOTH the debit (receipts) and credit (payments) sides.
- 2** Enter receipts on the DEBIT side: opening cash and bank balances ('To Balance b/d'), cash sales in the cash column, and cheques received in the bank column.
- 3** Enter payments on the CREDIT side: cash expenses in the cash column ('By ...') and payments by cheque in the bank column.
- 4** For cash paid INTO the bank: debit the bank column, credit the cash column, and write 'C' in the L.F. column of both legs — a contra entry, not re-posted to the ledger.
- 5** For cash drawn FROM the bank for office use: debit the cash column, credit the bank column, again marking 'C'.

TOPIC

# The five mistakes that lose marks here

## FLIPPING THE SIDE ON POSTING

The most common slip is posting a debited account to the credit side of its ledger account. The side NEVER changes during posting: an account debited in the journal is posted to the DEBIT side ('To ...') and an account credited is posted to the CREDIT side ('By ...'). The name

## C/D AND B/D ON THE SAME SIDE

Balance c/d and balance b/d must sit on OPPOSITE sides. The balance c/d is placed on the SHORTER side to close the period and equalise the totals; the SAME amount is then brought down as balance b/d on the OTHER side to open the next period. A debit balance c/d

## OPENING A SEPARATE CASH ACCOUNT

Because the cash book is BOTH a journal and a ledger, it already serves as the cash account and the bank account. Opening a fresh Cash A/c or Bank A/c in the ledger when a cash book exists is wrong and wastes time. Likewise, contra entries are completed entirely within

## WRONG BOOK FOR THE TRANSACTION

Cash purchases belong in the CASH BOOK, not the purchases book; the credit purchase of an asset belongs in the JOURNAL PROPER, not the purchases book; cash sales belong in the cash book, not the sales book. Only the CREDIT purchase or sale of GOODS goes in the

## TOPIC

# Cash book is only a journal

## TRAP → TRUTH

× **MISTAKE** The cash book is just a subsidiary book (a journal) and entries from it must still be posted to a separate cash account in the ledger.

✓ **CORRECT** The cash book is BOTH a journal AND a ledger. It is a book of original entry (a journal) because cash/bank transactions are first recorded in it, AND it serves as the cash account / bank account (a ledger) at the same time. Therefore NO separate cash account or bank account is opened in the ledger — the cash book itself IS that account. This dual role is its single most tested feature.

## TOPIC

# Contra entry

## TRAP → TRUTH

× **MISTAKE** Depositing cash into the bank or withdrawing cash from the bank is an ordinary entry that affects an outside party.

✓ **CORRECT** It is a CONTRA ENTRY. When cash is paid INTO the bank or drawn OUT of the bank for office use, BOTH the cash column and the bank column of the same double-column cash book are affected (one debited, one credited). Because the transaction is between the firm's own cash and its own bank, the letter 'C' is written in the L.F. column to show it is a contra entry and is NOT posted again to the ledger.

## TOPIC

# Posting direction

## TRAP → TRUTH

- × **MISTAKE** An account debited in the journal is posted to the CREDIT side of its ledger account.
- ✓ **CORRECT** It is posted to the SAME side. An account debited in the journal entry is posted to the DEBIT side of that account in the ledger (written as 'To ...'), and an account credited is posted to the CREDIT side (written as 'By ...'). The side never flips during posting — debit stays debit, credit stays credit. The cross-reference name written is the OTHER account in the entry.

## TOPIC

# Balance c/d vs balance b/d

## TRAP → TRUTH

- × **MISTAKE** Balance c/d and balance b/d are written on the same side of the account.
- ✓ **CORRECT** They are on OPPOSITE sides. To balance an account, the difference (balance carried down, 'balance c/d') is written on the SHORTER side to make both totals equal; then in the next period the SAME amount is brought down (balance b/d) on the OTHER, opposite side as the opening balance. A debit balance c/d becomes a debit balance b/d that opens on the debit side. The c/d closes the period; the b/d opens the next.

## TOPIC

# Which book — purchases book scope

## TRAP → TRUTH

× **MISTAKE** All purchases, and the buying of any asset, are recorded in the Purchases Book.

✓ **CORRECT** The PURCHASES BOOK records ONLY the CREDIT purchase of GOODS (the stock-in-trade the firm deals in). CASH purchases go in the cash book, and the credit purchase of an ASSET (machinery, furniture) goes in the journal proper — never in the purchases book. The same logic applies to the sales book: only credit sale of goods.

## TOPIC

# Trade discount in subsidiary books

## TRAP → TRUTH

- × **MISTAKE** Trade discount is shown as a separate column / separate entry in the purchases or sales book.
- ✓ **CORRECT** TRADE DISCOUNT is NOT recorded separately anywhere. In the purchases/sales book the trade discount is deducted on the invoice and only the NET amount is entered. (CASH discount, by contrast, is recorded — it appears in the discount column of a three-column cash book.) Trade discount = off the invoice, no entry; cash discount = for prompt payment, has an entry.

## TOPIC

# Imprest system

## TRAP → TRUTH

× **MISTAKE** Under the imprest system the petty cashier is given a fresh, arbitrary sum every period.

✓ **CORRECT** Under the IMPREST system the petty cashier starts each period with a FIXED amount (the imprest). At the end of the period the head cashier reimburses EXACTLY the amount spent, restoring the petty cash float back to the same fixed imprest amount for the next period. So the opening balance is always the same fixed sum — that fixed-float reimbursement IS the imprest system.

TOPPER TEMPLATE · MARK-BY-MARK

# 6 mark: 'Prepare a double-column (cash and bank) cash book and balance both columns.'

- 1** **RULE THE FORMAT CORRECTLY**  
1 m

Draw the two-sided cash book with Date, Particulars, L.F., CASH and BANK columns on BOTH the debit (receipts) and credit (payments) sides. Just ruling it right and heading the columns earns the format mark.
- 2** **ENTER RECEIPTS ON THE DEBIT SIDE, PAYMENTS ON THE CREDIT SIDE**  
2 m

Cash/cheques RECEIVED go on the LEFT (debit) side in the relevant column; cash/cheques PAID go on the RIGHT (credit) side. Write 'To ...' on the debit side and 'By ...' on the credit side. Place each amount in the cash or the bank column as appropriate.
- 3** **MARK THE CONTRA ENTRIES WITH 'C'**  
2 m

For cash deposited into bank or cash withdrawn from bank, debit one column and credit the other of the SAME cash book, and write 'C' in the L.F. column of both legs. Explicitly identifying the contra entries is where the mark-rich part sits.
- 4** **BALANCE BOTH COLUMNS AND BRING DOWN**  
1 m

Total both sides; insert 'By Balance c/d' (cash) and 'By Balance c/d' (bank) on the shorter side so each column's totals agree; then show 'To Balance b/d' on the opposite side as the opening balance. State the closing balances, e.g. Cash ₹15,000 Dr and Bank ₹42,000 Dr.

TOPPER TEMPLATE · MARK-BY-MARK

# 3-4 mark: 'Prepare and balance a ledger account (e.g. Ram's Account) from the given

- 1 OPEN THE T-ACCOUNT AND POST TO THE CORRECT SIDES**  
1 m

Draw the T-format (Date · Particulars · J.F. · Amount on each side). Post each transaction to the SAME side it was debited/credited in the journal — debit stays debit ('To ...'), credit stays credit ('By ...').
- 2 TOTAL BOTH SIDES AND FIND THE DIFFERENCE**  
1 m

Add up both sides. The difference between the larger and smaller total is the closing balance. State which side is bigger so the reader sees whether it is a debit or a credit balance.
- 3 INSERT BALANCE C/D ON THE SHORTER SIDE**  
1 m

Write 'To/By Balance c/d' for the difference on the SHORTER side so both totals become equal; rule off the account with equal totals on both sides.
- 4 BRING THE BALANCE DOWN + INTERPRET**  
1 m

Bring the same amount down on the OPPOSITE side as 'Balance b/d' (the opening balance for next period). State the result, e.g. 'Ram's A/c shows a balance c/d of ₹8,000 on the debit side — a debit balance, meaning Ram is a debtor who owes the firm ₹8,000.' (Totals ₹25,000 on each side.)

**TOPPER TEMPLATE · MARK-BY-MARK**

# 3 mark: 'Name the special purpose books and state what each records' OR 'Why is the journal

- 1 STATE THE NEED FOR SUBDIVISION**  
1 m  
Open with the reason: when transactions are numerous, recording everything in one journal is slow and cumbersome, so the journal is SUBDIVIDED into special purpose (subsidiary) books, each for one type of transaction. This framing fetches the structure mark.
- 2 NAME THE BOOKS AND THEIR USE**  
1 m  
List with one-line use: Cash Book (all cash/bank receipts and payments), Purchases Book (credit purchase of goods), Sales Book (credit sale of goods), Purchases Return / Return Outward Book, Sales Return / Return Inward Book, Bills Receivable/Payable Books, and the Journal Proper for everything else.
- 3 STATE WHAT THE JOURNAL PROPER CATCHES + ADVANTAGE**  
1 m  
Add that the JOURNAL PROPER records transactions that fit no other book (opening, closing, adjusting, rectifying entries, credit purchase/sale of assets). Close with an advantage: division of labour, speed and easier reference. One example anchors the mark.

**PYQ PATTERNS**








# Top PYQ patterns to drill

<b>#1</b>	Prepare a ledger account (e.g. a debtor's account) from given transactions and balance it, showing balance c/d and balance b/d. (3-6 marks)	Most papers
<b>#2</b>	Prepare a double-column (cash and bank) cash book and balance both columns, identifying the contra entries marked 'C'. (4-6 marks)	Most papers
<b>#3</b>	What is a contra entry? Give an example and state how it is marked in the cash book. (1-3 marks)	Frequent
<b>#4</b>	Name the special purpose book in which a given transaction is recorded (credit purchase of goods, sale of an asset, return of goods, etc.). (1 + 3 marks)	Almost every paper
<b>#5</b>	Distinguish between (a) journal and ledger, OR (b) trade discount and cash discount in the cash book, OR explain the imprest system of petty cash. (3 marks)	Frequent

**MARKS DISTRIBUTION**

# 10-year marks distribution

**10-YEAR PYQ MARKS DISTRIBUTION**

Ledger — meaning, format, posting and balancing of accounts		<b>22%</b>
Distinguish journal and ledger		<b>10%</b>
Cash Book — simple and double-column (cash + bank), contra entries		<b>24%</b>
Petty cash book on the imprest system		<b>10%</b>
Purchases / Sales / Returns books — which book records which transaction		<b>18%</b>
Journal proper — what is recorded in it		<b>8%</b>
Balancing of accounts (balance c/d, balance b/d) and Dr/Cr balance interpretation		<b>16%</b>

**RECAP · MEMORISE THESE**

# Recap

- 1** Ledger — Post journal entries account-wise (debit→debit, credit→credit); balance c/d on the shorter side, b/d on the opposite side next period; read Dr vs Cr balances.
- 2** Special purpose books — Cash Book, Purchases / Sales Books, Purchases Return / Sales Return Books, and the Journal Proper for everything left over (incl. credit purchase of assets).
- 3** Cash book traps — Cash book is a journal AND a ledger (no separate cash a/c). Contra = both columns + 'C'. Imprest = fixed float reimbursed by the amount spent. Cash ₹15,000 Dr, Bank ₹42,000 Dr.

**WHAT'S NEXT**

# What's next

- Chapter 5 — Bank Reconciliation Statement: matching the cash book bank column with the bank passbook.
- Sit the 15-MCQ Quick Drill under a 20-min timer.
- Then attempt the school-pattern mini paper — 30 marks, 60 minutes.

# You can now post, balance and run a cash book.

Every account you balance brings the trial balance one step closer.

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