Cash Book

Cash Book

Cash book is a book in which all transactions relating to cash receipts and cash payments are recorded. It starts with the cash or bank balances at the beginning of the period. Generally, it is made on monthly basis. This is a very popular book and is maintained by all organisations, big or small, profit or not-forprofit. It serves the purpose of both journal as well as the ledger (cash) account. It is also called the book of original entry. When a cashbook is maintained, transactions of cash are not recorded in the journal, and no separate account for cash or bank is required in the ledger.

Advantages of Cash Book

A cash book has simplified the entry cash transactions for accounting purpose to a great extent.

Following are the various other benefits of maintaining a cash book:

Traces Mistakes: The balance of the cash book can be verified by matching it with the actual cash in hand; thus, mistakes and errors can be easily detected.

Daily Record: The cash transactions are recorded promptly in a cash book daily, which helps in maintaining a regular record of the cash receipts and payments.

Ascertain Receipts and Payments: The cash receipts and the payments made in cash on a specific date can be easily determined with the help of a cash book.

Identifies Default: Any default, theft, failure in payment or cash evasion can be easily identified while verifying the cash book balance with the actual cash balance.

Determines Cash in Hand: It provides a clear picture of the remaining balance or cash in hand left with the organization.

Saves Time, Cost and Labour: Recording the cash transactions first in a journal and then posting it in the cash account of the ledger is a hefty task.

A cash book initiates creating of a single book of accounts and thus saves a lot of time, efforts and expense incurred while preparing these two separate books.

Types of Cash Book

A cash book varies based on its complexity and the needs and requirements of the business. Following are the two major categories into which a cash book can be bifurcated:
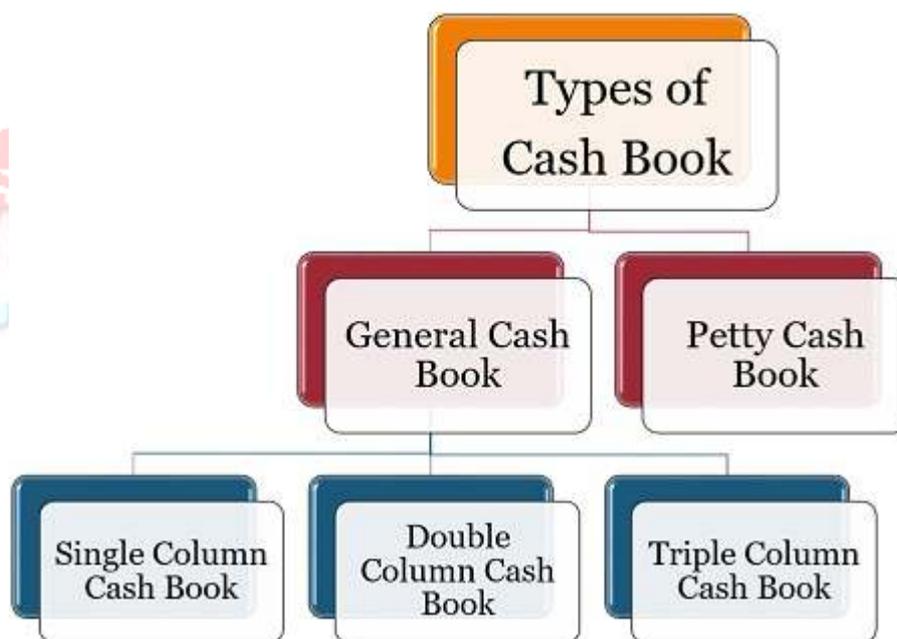
General Cash Book

The cash book, which serves as a journal for the first recording of the cash transactions and also replaces the cash account in a ledger, is called a general cash book.

It is further subdivided into three different categories:

Single column Cash Book

The single column cash book records all cash transactions of the business in a chronological order, i.e., it is a complete record of cash receipts and cash payments. When all receipts and payments are made in cash by a business organisation only, the cash book contains only one amount column on each (debit and credit) side.

2002		Rs.
March 1	Balance of cash in hand	15,000
4	Received from Kanna	10,000
7	Purchased goods for cash	17,000
11	Cash Sales	18,000
15	Deposited into Bank	3,000
18	Bought furniture for cash	4,000
22	Paid Salaries	1,500
25	Withdrew from Bank	2,500
27	Cash Sales	14,000
30	Paid to Ram	8,000
31	Rent paid	1,000

Cash Book

Date	Particulars	LF	Amount	Date	Particulars	LF	Amount
2002 March 1				2002 March 7			
	To balance b/d		15,000		By Purchase a/c		17,000
4	To kanna a/c		10,000	15	By Bank a/c		3,000
11	To Sales a/c		18,000	18	By Furniture a/c		4,000
25	To Bank a/c		2,500	22	By Salaries a/c		1,500
27	To Sales a/c		14,000	30	By Ram a/c		8,000
				31	By Rent a/c		1,000
				31	By balance c/d		25,000
			59,500				59,500
April 1	To balance b/d		25,000				

Double Column Cash Book

This type of cashbook has two columns, viz., cash column and discount column. Usually cash discount is allowed or received when payment is made. So, it is necessary to record this fact at the same place where the cash transaction is recorded.

This type is similar to Simple Cash Book, except that one additional column on each side is provided for recording cash discount. As discount is a nominal account, discount

allowed being a loss is shown on the debit side and discount received being a gain is shown on the credit side.\

2002. March		Rs.
1	Cash in hand	11,000
5	Received from Krishna	38,000
	Allowed him discount	2,000
7	Bought goods for cash	40,000
9	Cash paid to Yusuf	7,000
	Discount allowed by him	500
12	Goods sold for cash	17,000
14	Withdrawn from Bank	52,000
18	Credit purchases from Mukesh	25,000
22	Paid to Mukesh in full settlement	24,000
25	Received interest on investments	27,000
28	Deposited into Bank	40,000
31	Paid salaries	5,000

Cash Book

Date	Receipts	LF	Dis. Rs.	Amount Rs.	Date	Payments	LF	Dis. Rs.	Amount Rs.
2002					2002				
Mar 1	To balance b/d			11,000	Mar 7	By Purchase a/c			40,000
5	To Krishna a/c		2000	38,000	9	By Yusuf a/c		500	7,000
12	To Sales a/c			17,000	22	By Mukesh a/c		1000	24,000
14	To Bank a/c			52,000	28	By Bank a/c			40,000
25	To Interest a/c			27,000	31	By Salaries a/c			5,000
					31	By balance c/d			29,000
			2000	145000				1500	145000
Apr 1	To balance b/d			29,000					

Three Column Cash Book.

In modern times, banking habit has become so widespread and is so convenient and safe that a large number of payments of big concerns are made and received through cheques. In such cases, the Cash Book with bank column in addition to the cash and discount columns is found convenient. Such type of cashbook is known as three-column cashbook. In such a Cash Book, cash columns and bank columns represent cash a/c and bank a/c respectively.

Contra Entries:

When a transaction affects both the sides of the Cash Book, such a transaction is entered on both the sides and is called as contra entry. For example, when cash is deposited into bank, it is entered in the debit side of the Cash Book by writing "To Cash" and entering the amount in the bank column.

The other entry is on the credit side by writing "By Bank" and entering the amount in the Cash column.

When the cash is withdrawn from the bank, the reverse entry is made, i.e., by writing "To Bank" in the debit side and entering the amount withdrawn in the cash column and the other entry is on the credit side by writing "By Cash" and entering the amount in the bank column of the Cash Book. Entering the letter "C" in the L.F. column indicates such entries.

As the double entry is complete for such transactions in the Cash Book itself, no further posting is required in the ledger.

Rules for recording transactions in the Cash Book:

1. All items of cash receipts are entered in the cash column of the receipt side; cash payments in the payment side. Discount allowed on the debit side and discount received on the credit side of the Cash Book [in the discount columns].

2. When cheques are received from customers and deposited immediately they are entered in the bank column of the Cash Book [debit side]. If they are sent to the bank at a later date, it becomes deposit of money into bank and, therefore, a 'contra' entry.

It is shown on the bank column on the debit side and cash column on the credit side.

2. If cheques are received by the business and endorsed to creditors, they are taken into cash columns as cash receipt and cash payment.

   Illustration 3:

Enter the following transactions in a three-column Cash Book and find out the balances as on 16th January, 2002:

2002 Jan. 1	Cash in hand Rs.3,000; balance at bank Rs.10,000.
3	Sold goods for cash Rs.10,000.
4	Deposited into bank Rs.8,000.
5	Received from Nattu Rs.4 000; And allowed him discount Rs.100.
6	Paid House rent by cheque Rs.1,000
7	Paid to Shyam Rs.5,000; and received discount Rs.50
9	Withdrew from bank for office use Rs.5,000.
10	Received a cheque of Rs.470 from Mohan in full settlement of his account Rs.500.
11	Cash sales deposited into bank Rs.2,500.
12	Cash sales Rs.1,000.
13	Paid Arun by cheque against his claim of Rs.2,000. @ a discount 5 %.
14	Paid traveling expenses Rs.700.
15	Draw a cheque for personal use Rs.1,000.

Cash Book

[With Cash, Bank, and Discount columns]

Date	Particulars	LF	Dis.	Cash	Bank	Date	Particulars	LF	Dis.	Cash	Bank
2002						2002					
Jan.1	To bal b/d			3000	10000	Jan.4	By Bank	C		8000	
3	To Sales			10000		6	By Rent				1000
4	To Cash	C			8000	7	By Shyam		50	5000	
5	To Nattu		100	4000		9	By Cash	C			5000
9	To Bank	C		5000		13	By Arun		100		1900
10	To Mohan		30		470	14	By T. exps			700	
11	To Sales				2500		By Drawing				1000
12	To Sales			1000		16	By bal. C/d			9300	12070
	Total		130	23000	20970		Total		150	23000	20970
16	To bal b/d			9300	12070						

Illustration 4:

Make out a Cash Book with discount, cash and bank columns.

2002 March	
1	Cash in hand Rs.2800; Cash at bank Rs.8100.
3	Received from Jaya Rs.1500 and allowed her discount of Rs.20.
7	Paid into bank Rs.4000.
8	Received for sales cash Rs.100 and cheque Rs.190.
10	Paid Guhan by cheque Rs.570 in full settlement of his account Rs.600.
11	Cash purchases by cheque Rs.700.
15	Drew for office use Rs.350.
17	Advertisement expenses Rs.50.
20	Somu paid direct into our bank account Rs.620.
22	Withdrew cash for personal use Rs.170.

26	Paid rent by cheque Rs.200.
27	Received from Raja a cheque for Rs.490 and allowed him discount Rs.10.
29	Received commission by cheque Rs.220.
30	Cash in excess of Rs.400 was paid into bank.

Solution:

Cash Book with Cash, bank, and Discount columns

Date	Particulars	LF	Dis. Rs.	Cash Rs.	Bank Rs.	Date	Particulars	LF	Dis. Rs.	Cash Rs.	Bank Rs.
2002 May						2002, May					
1	To balance B/d			2800	8100	7	By Bank	C		4000	
3	To Jaya		20	1500		10	By Guhan		30		570
7	To Cash	C			4000	11	By Purchase				700
8	To Sales			290		15	By Cash	C			350
15	To Bank	C		350		17	By Advt.				
20	To Somu				620	22	By Drawings			50	
27	To Raja		10	490		26	By Rent			170	200
29	To Commission			220		30	By Cash	C		1030	
30	To Cash	C			1030	31	By Balance b/d			400	11930
	Total		30	5650	13750		Total		30	5650	13750
Jun.1	To Balance c/d			400	11930						

Problem 1:

On April 1, 2017, Hassan Sajjad Store Cash Book showed debit balances of Cash Rs. 1,550 and Bank Rs. 13,575. During the month of April following business was transacted. You are required to prepare Cash Book?

April 2017

02   Purchased Office Type-Writer for Cash Rs. 750; Cash Sales Rs. 1,315.

07   Deposited Cash Rs. 500 to bank.

10   Received from A. Hussain a check for Rs. 2,550 in part payment of his account (not deposited).

16 Paid by check for merchandise purchased worth Rs. 1,005.

20 Deposited into Bank the check received from A. Hussain.

22 Received from customer a check for Rs. 775 in full settlement of his accounts (not deposited).

24 Sold merchandise to sweet Bros. for Rs 1,500 who paid by check which was deposited into bank.

26 Paid creditor a Salman Rs. 915 by check.

28 Deposited into Bank the check of customer of worth Rs. 775 was dated 22nd April.

29 Paid wages by cash Rs. 500 and salary Rs. 1,000 by bank.

30 Drew from Bank for Office use Rs. 250 and Personal use Rs. 150.

Solution:

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Hassan Sajjad Store

Cash Book (Double Column)

For the month ended April,2017

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			Receipts						**Payments**			
Date		**Description**	**Ref**	**Cash**	**Bank**	**Date**		**Description**	**Ref**	**Cash**	**Bank**
2017						2017					
April	1	*Balance b/d*		1,550	13,375	April	2	Type-Writer		750	
	2	Sales		1,315			7	Bank (c)		500	
	7	Cash (c)			500		16	Purchases			1,005
	10	A/R_ A. Hassan		2,550			20	Bank (c)		2,550	
	20	Cash (c)			2,550		26	A/P_ Salman			915
	22	A/R		775			28	Bank (c)		775	
	24	Sales			1,500		29	wages		500	
	28	Cash (c)			775		29	Salary			1,000
	30	Bank (c)		250			30	Cash (c)			250
							30	Drawing			150
								Balance c/d		1,365	15,580
		Total		6,440	18,900			**Total**		6,440	18,900
May	1	*Balance b/d*		1,365	15,580						

Problem 2:

From the following particulars make cash book of Ghulam Fatima Trading Co. for the month of November, 2016:

1. Cash balance (Cr) Rs. 2,000; Bank balance Rs. 40,000.
4   Cash sales Rs. 3,700; Credit sales Rs. 1,800 would be received at near future.
6   Paid Ahmed & Bros. by cash Rs. 500; Received cash by debtors Rs. 1,800.
12   Paid to vendor by means of check worth Rs. 2,700.
13   Paid Utility bills in cash Rs. 250; Bought goods by check Rs. 750.
19   Drew from Bank for office use Rs. 160; Personal withdrawal of cash Rs. 1,000.
20   Received a check from Hamid Rs. 2,700 and deposited into the bank.
21   Received by check from Munir Rs. 1,360; Discount Rs. 140 (not deposited).
25   Cash sales Rs. 2,100; Paid wages by bank Rs. 1,500.
28   Deposited Munir's check into bank.
29   Payment by check to Anees for Rs. 17
30   Munir's check has been dishonored and return by bank.

Solution

Ghulam Fatima

Cash Book

For the month ended November 30th, 2016

		Receipt side						Payment side				
Date	Description	Ref	Cash	Bank	Dis.	Date	Description	Ref	Cash	Bank	Dis.
2016						2016					
Nov. 1	Balance b/f			40,000		Nov. 1	Balance b/f		2,600		
4	Sales		3,700			6	Ahmed & Bro.		500		
6	Debtors		1,800			12	Vendor			2,700	
19	Bank (c)		160			13	Utility Bills		250		
20	Hamid			2,700		13	Purchases			750	
21	Munir		1,360		140	19	Cash (c)			160	
25	Sales		2,100			19	Drawings		1,000		
28	Cash (c)			1,360		25	Wages			1,500	
						28	Bank (c)		1,360		
						29	Anees			175	25
						30	Dishonour			1,360	
							Balance c/d		4,010	37,415	
	Total		9,120	44,060	140		Total		9,120	44,060	25
Dec. 1	Balance b/d		1,010	37,415							

Problem 3:

Enter the following transactions in the Cash Book with Cash, Bank and Discount column for A R Khan and Co. for December, 2016 (all figures in Rupees):

1	Cash in hand	400		14	Electricity charges paid	70
1	Balance at bank (Overdraft)	5,000		16	Drew check for personal use	700
4	Invested further owner's equity	10,000		17	Cash sales	2,500
4	Deposited into bank	6,000		18	Collected from Umer by check (n.d)	4,000
5	Sold goods for cash	3,000		19	Umer's check deposited into bank	4,000
6	Collected from debtor Imran and Co.	8,000		22	Drew check for business use	150
6	Discount allowed to Imran and Co.	200		24	Dividend received by check and deposited	50
10	Purchased goods for cash	5,500		25	Commission received by check (n.d)	250
11	Paid to Kamran and Co. our creditor	2,500		27	Paid from Bank, salary of the office staff	1,500
11	Discount received from Kamaran and Co.	65		28	Check of 25th deposited into bank	250
13	Commission paid to agent	530		29	Paid salary of the manager by cash	500
14	Office furniture purchased	200		30	Deposited cash into bank	1,000
14	Rent paid	50				

Receipt side						Payment side					
Date	Description	Ref	Cash	Bank	Dis	Date	Description	Ref	Cash	Bank	Dis
2016						2016					
Dec 1	Balance b/d		400			Dec 1	Balance b/d			5,000	
4	OF		10,000			4	Bank (c)		6,000		
4	Cash (c)			6,000		10	Purchases		5,500		
5	Sales		3,000			11	Kumam & Co.		2,500		65
6	Imran and Co.		8,000		200	13	Commission		530		
17	Sales		2,500			14	O. Furniture		200		
18	Umer		4,000			14	Rent		50		
19	Cash (c)			4,000		14	Electricity		10		
22	Bank (c)		150			16	Drawing			700	
24	Dividend			50		19	Bank (c)		4,000		
25	Commission		250			22	Cash (c)			150	
28	Cash (c)			250		27	Salary			1,500	
30	Cash (c)			1,000		28	Bank (c)		230		
						29	Salary		500		
						30	Bank (c)		1,000		
							Balance c/d		7,760	3,930	
	Total		28,280	11,280	200		Total		28,280	11,280	65
Jan 1	Balance b/d		7,760	3,930							

Petty Cash Book

In every organisation, a large number of small payments such as conveyance, cartage, postage, telegrams and other expenses (collectively recorded under miscellaneous expenses) are made. These are generally repetitive in nature. If all these payments are handled by the cashier and are recorded in the main cash book, the procedure is found to be very cumbersome. The cashier may be overburdened and the cash book may become very bulky. To avoid this, large organisations normally appoint one more cashier (petty cashier) and maintain a separate cash book to record these transactions. Such a cash book maintained by petty cashier is called petty cash book. The petty cashier works on the Imprest system. Under this system, a definite sum, say Rs. 2,000 is given to the petty cashier at the beginning of a certain period. This amount is called imprest amount. The petty cashier goes on making all small payments out of this imprest amount and when he has spent the substantial portion of the imprest amount say Rs.1,780, he

gets reimbursement of the amount spent from the head cashier. Thus, he again has the full imprest amount in the beginning of the next period. The reimbursement may be made on a weekly, fortnightly or monthly basis, depending on the frequency of small payments. (In certain cases, the petty cash system is operated through the main cash book itself. In such instances, the petty cash book is not maintained independently.) The petty cash book generally has a number of columns for the amount on the payment side (credit) besides the first other amount column. Each of the amount columns is allotted for items of specific payments, which are most common. The last amount column is designated as 'Miscellaneous' followed by a 'Remarks' column. In the miscellaneous column those payments are recorded for which a separate column does not exist. In the 'Remarks' the nature of payment is recorded. At the end of the period, all amount columns are totaled. The total amount column l shows the total amount spent and to be reimbursed. On the receipt (debit) side, there is only one amount column. Columns for the date, voucher number and particulars are common for both receipts and payments.

Imprest System:

Under the imprest system, a fixed amount say Rs. 5,000 is given to the petty cashier for incurring small and petty expenses. This amount is called imprest money. The petty cashier makes all the payments for which he is authorized out of the imprest amount. After a specific period or as soon as he exhausts the full imprest amount, whichever is earlier, he gets reimbursement for the actual amount spent by him from the main cashier.

Thus at the beginning of the next period he once again has the full imprest amount. Keeping in view the quantum of amount involved and frequency of transactions, reimbursement of amount is made on a weekly, fortnightly, monthly basis. Sometimes the petty cash system is operated through the main cash book and in that case petty cash book is not maintained independently.

Advantages:

(i) Reduces the labour:

Petty cash book is based on the division of labour and works on imprest system; hence, it reduces the work and labour of main cashier.

(ii) Controls irregular expenses:

One of the famous principles of management is 'control by exception' which means that if one person tries to control everything, he may end up controlling nothing. Based on this principle, a petty cashier is appointed who can control the irregular expenses. In the absence of petty cashier, it is very difficult to watch and control the necessities of incurring any expenses.

(iii) Main cash book does not become over bulky:

Petty cash book helps to keep the main cash book in a compact form because numerous entries for small and petty items are recorded in the petty cash book itself.

(iv) Quick payment possible:

In petty cash book, payments for petty items are recorded. Though they are small, yet they are essential. Sometimes they are so urgent that they cannot wait for approval of the higher authority. In that case quick payment is required and this can be made by the petty cashier.

Types of Petty Cash Books:

There are the two methods of preparing petty cash book:

(i) Simple Petty Cash Book

(ii) Analytical Petty Cash Book or Columnar Petty Cash Book

I. Simple Petty Cash Book:

In simple petty cash book there is one column each for recording of receipt of cash from the main cashier and for payment of petty expenses. 'Date' and 'Particulars' column is same for receipts and payments. In the 'C.B. Folio' column, page number of cash book in which payment to petty cashier is made is to be recorded.

In the particular column heads of the items are to be mentioned. In 'V .No' column, voucher number of the transactions are recorded. 'L.F.' column shows where the posting of these items have been made in respective ledgers. 'Amount' column shows the money value of the transactions.

The format of simple petty cash book is as under:

FORMAT OF SIMPLE PETTY CASH BOOK

Receipts ₹	C.B.Folio	Date	Particulars	V.No	L.F.	Amount ₹

II. Analytical Petty Cash Book:

Analytical Petty Cash Book or Columnar Petty Cash Book is different from the simple petty cash book in the sense that in this type of petty cash book, an analytical presentation of cash payment is made. All petty payments are to be classified into different heads and different columns are maintained.

The format of the analytical petty cash book is as under:

FORMAT OF ANALYTICAL PETTY CASH BOOK

Amount Received ₹	C.B. Folio	Date	Voucher No.	Particulars	Total Amount ₹	Postage ₹	Cartage ₹	Refreshments ₹	Mis Exp ₹	Remarks

Explanations to the Various Columns & Balancing the Analytical Petty Cash Book:

Receipts are recorded in one amount column on the receipts (debit) side known as 'Amount Received' column. However, for recording receipts and payments the column for date, voucher number and particulars are common. For recording petty expenses, petty cash book has one column on the payment (credit) side which is known as 'Total Amount' column.

In this column total of various expenses paid by same voucher and on the same day are recorded at one place. The total amount column is followed by number of columns for recording the heads of items which are most common in the business enterprise.

After allotting the columns to most common heads, one column is allotted for recording miscellaneous items which are known as "Miscellaneous' column. Payments for which a separate column does not exist are recorded in this column.

The last column is allotted for 'Remarks'. The nature of payments is recorded in this column. All amount columns are totaled at the end of the period. The total amount spent and the amount reimbursed shall be shown in the total amount column.

Illustration 3: (Petty Cash Book)

Sharma Sports Goods Co. follows the imprest system of petty cash under which, Rs 6,000 was handed over to the petty cashier as on 1st March 2011.

The expenses during the month were as follows:

Date 2011	Voucher No.	Particulars	₹
Mar. 1	11	Stationery purchased	80
	12	Postage paid	75
	13	Bus fare	85
	14	Snacks	640
Mar. 3	15	Telegram charges	25
	16	Cartage paid	100
Mar. 6	17	Cleaning expenses	67
	18	Revenue stamps	105
Mar. 12	19	Refreshments	110
	20	Postage stamps	35
	21	Courier charges	10
Mar. 16	22	Pen & Pencils purchased	135
	23	Cartridge purchased	1,200
Mar. 21	24	Bus fare	110
	25	Trunk calls made	135
Mar. 31	26	Refreshments charges	110

Prepare Petty Cash Book to show the above transactions.

SOLUTION

Books of Sharma Sports Goods Co.
PETTY CASH BOOK

Amount Received ₹	C.B Folio	Date	Voucher No.	Particulars	Total Amt. ₹	Stationery ₹	Postage ₹	Conveyance ₹	Refreshments ₹	Cartage ₹	Cleaning expenses ₹	Misc. Expenses ₹	Remarks
6,000		2011 Mar 1		To Cash received									
		Mar 1	11	By Stationery	80	80							
			12	By Postage	75		75						
			13	By Bus fare	85			85					
			14	By Snacks	640				640				
		Mar 3	15	By Telegram	25		25						
			16	By Cartage	100					100			
		Mar 6	17	By Cleaning exp	67						67		
			18	By Revenue stamps	105		105						
		Mar 12	19	By Refreshments	110				110				
			20	By Stamps	35		35						
			21	By Courier	10							10	
		Mar 16	22	By Pen and Pencils	135	135							
			23	By Cartridge	1,200							1,200	
		Mar 21	24	By Bus fare	110			110					
			25	By Trunk calls	135							135	
		Mar 31	26	By Refreshments	110				110				
6,000				Total	3,022	215	240	195	860	100	67	1,345	
2,978				By Balance c/d									
		2008											
2,978		Apr 1		To Balance b/d									
3,022		Apr 1		To Cash									

Problem 4:

Prepare Petty Cash Book on imprest system from the following particulars for Minha Shukat Ltd.

September 2016

1. Received for petty cash payments Rs. 1,000

4. Paid for stationery Rs. 140

9. Paid for postage Rs. 80

10. Paid for printing charges Rs. 150

11. Paid for carriage Rs. 125

17. Paid for telegrams Rs. 25

20. Purchased envelops Rs. 30

21. Paid for coffee to office staff Rs. 30

22. Paid for office cleaning Rs. 50

30. Paid to Faiza Munir Rs. 200

Minha Shukat Ltd.

Petty Cash Book

For the month ended September, 2016

Amount Received	Date		Description	VN	Total Payments	Postage	Printing & Stationery	Carriage	Travelling Expenses	Miscellaneous Expenses
	2016									
1,000	Sep	1	Cash							
		1	Stationery		140		140			
		9	Postage		80	80				
		10	Printing		150		150			
		11	Carriage		125			125		
		17	Telegrams		25	25				
		20	Envelops		30	30				
		21	Coffee to staff		30					30
		22	Office cleaning		50					50
		30	Faiza Munir		200					200
			Total		830	135	290	125	-0-	280
			Balance c/d		170					
170	Oct	1	Balance b/d							
830		1	Cash							