

Cash Book

All the transactions that are in cash are recorded in this book, including bank transactions. Cash receipts and payments may involve discount as well. As such, cash book maybe of following types:

1. Simple Cash Book:

This cash book has 2 sides like ledger a/c, i.e. left hand side and right hand side. All sums received are entered on the left hand side; it is called debit side or receipt side. All the sums which are paid out are entered on the right hand side and are called credit side or payment side.

Q. Mr Rohit Das had Rs. 1120 as cash in hand on March 31st, 2009. During the first week of April his cash transactions were as under-

Date	Particulars	Amount
2009		
April 2	Paid electricity bill	Rs. 326
April 2	Cash sales	Rs. 500
April 2	Received from Mr. Raghu	Rs. 820
April 3	Paid wages	Rs. 1200
April 4	Paid for stationary	Rs. 150
April 4	Convence charges	Rs. 32
April 5	Sale of old machinery	Rs. 220
April 6	Cash Sales	Rs. 550
April 7	Paid for purchases	Rs. 950

Receipt

Payment

Date	Particulars	L/F	Amt	Date	Particulars	L/F	Amt
April 1	To balance b/d		1120	April 2	By electricity bill		326
April 2	To sales		500	April 3	By wages		1200
April 2	To Raghu		820	April 4	By stationary		150
April 5	To sale of old machinery		220	April 4	By convence		32
April 6	To sales		550	April 7	By purchases		950
				April 30	By balance c/d		542
			3210				3210
May 1	To balance b/d		542				

2. Two Column Cash Book:

In order to record the discount (paid or received) as well as the amount, at the same place, the cash book is provided with one additional column on each side of the cash book. The column on the debit side is used to record discount allowed and the credit column is used to record discount received.

It should be remembered that discount columns are not balanced. These are totalled and totals are directly taken to the trail balance.

Q. Record the following transactions into discount column cash book.

Date	Particulars	Amount (Rs.)
2004 Feb 1	Last year's balance	5500
Feb 3	Received from K. Lal Discount allowed	1300 15
Feb 4	Paid to Kumar Discount received	2000 50
Feb 6	Cash purchases	1000
Feb 8	Cash sales	2500
Feb 10	Amount due on Hari was Rs. 8000, received in full settlement	7800
Feb 13	Drawings	200
Feb 18	Deposited in bank	2000
Feb 24	Amount due to Shiva was Rs. 1800. Payment was made after deducting discount at the rate 2%	1764
Feb 28	Rent paid	400

Date	Particulars	L/F	Disc	Cash	Date	Particulars	L/F	Disc.	Cash
Feb 1	To balance b/d			5500	Feb 4	By Kumar		50	2000
Feb 3	To K. Lal		15	1300	Feb 6	By Purchases			1000
Feb 8	To Sales			2500	Feb 13	By Drawing			200
Feb 10	To Hari		200	7800	Feb 18	By Bank			2000
					Feb 24	By Shiva		36	1764
					Feb 28	By Rent			400
					Feb 28	By Balance b/d			9736
			215	17100				86	17100
Mar 1	By Balance b/d			9736					

3. Three Column Cash Book:

Bank plays a vital role in the modern era of business and finance. Every business plan depends upon the banking services for proper and smooth running of his business. Business man opens their current a/c with the bank and then they do most of their transactions through the bank only.

For their own convenience, business men open another column in their cash book which is known as bank column. And which eliminates the need of a bank a/c in the ledger. The cash book containing the bank column is called bank column cash book or three column cash book.

Methods of recording in 3 column cash book-

1. **Opening balance:** The opening balance of cash in hand and cash at bank should be shown in their respective columns at the debit side of the cash book. By writing, "To balance b/d" in case of bank balance is an overdraft. It should be written on the credit side of the cash book by writing "By balance b/d".
2. **Contra entry:** Entries which are made on both sides of cash books are called contra entry. To distinguish them from the rest of the entries, the letter "C" is written against them in the L/F column. Contra entries are made:

a.) Cash deposited in bank-

At the debit side "To cash" will be written in the particular column and amount will be written in the bank column. At the credit side "By bank" will be written at the particular column and amount will be shown in cash column.

b.) Cash withdrawn from bank-

At debit side "To bank" is written in the particular column and the amount is shown in the cash column. At the credit side "By cash" will be written in the particular column and amount is shown in bank column.

3. Receipt of cheque: If a cheque is received from a customer, is kept in the cash box and not deposited in the bank on the same day, it is treated as cash received from a party and entered in the cash column. When it is sent to the bank for collection, it is considered as a payment from cash to bank and a contra entry is passed in the cash book.

When check required from many customers is sent to the bank on the same day, and then it is entered on the debit side of the cash book in the bank column.

4. Payment by cheque: When payments are made by cheque, they are entered on the credit side of the cash book in bank column. As this transaction will reduce the bank a/c.

5. Dishonoured cheque: If a cheque is deposited and is dishonoured then the customer's a/c is debited (along with

the a/c of discount allowed, if any) and bank a/c and discount allowed is credited.

6. Bank charges: These are the nominal charges, charged by the bank for rendering services and must be shown on the credit side column of the cash book.

4. Petty Cash:

In every business of whatever size, a large no. of small payment such as for postage, stationary, bus fare, taxi fare, cartage, etc. have to be made. These are generally repetitive in nature. In all these payments are made by cashier and are recorded in cash book, the cashier will be over burden with work and the cash book will also become bulk. To avoid this, it is usual to appoint an employee as petty cashier. He is entrusted with the task of taking small payments, say below Rs. 500 and records them in a separate book called petty cash book.

Imprest System of Petty Cash Book

Under the system the petty cashier is given a definite sum, say Rs. 5000 at the beginning of a certain period called Imprest cash and he has to make minor and emergency payments from this fund again proper voucher. At the end of a week or month or as and when, he has exhausted his imprest amount, he submits the a/c to the head accountant and get his imprest

recoup (refill), the accountant passes one transaction of the entire expenditure into his main cash book.

Format of Petty Cash Book

Receipts

Payments

Date	Dr. Amount	Particulars	V. No.	Cr. Amount

Q. Record the following transactions in the petty cash book of M/s XYZ Ltd. Bring down balance as on 31st Jan 2007 and show the money to be received from the head cashier to maintain the imprest of Rs. 100.

Date	Particulars
2007	
Jan 1	Received from cashier Rs. 100 as imprest
Jan 2	Stamp purchases Rs. 20
Jan 3	Paid for conveyance Rs. 10
Jan 5	Paid for refreshment Rs. 25
Jan 12	Paid for postage Rs. 10
Jan 16	Paid for conveyance Rs. 10
Jan 19	Paid for repair of machine Rs. 15

Receipt

Payment

Date	Dr. Amt.	Particulars	V. No.	Cr. Amt.
2007				
Jan 1	100	To cash a/c		
Jan 2		By stamp		20
Jan 3		By conveyance		10
Jan 5		By refreshment		25
Jan 12		By postage		10
Jan 16		By conveyance		10
Jan 19		By repair of machine		15
	100			100
Jan 20	10	To balance b/d		
	90	To cash		

Columnar Petty Cash Book

Usually petty cash book is prepared in the form of columnar or analytical. The headings of columns on payment side may differ from organisation to organisation. The business man always wants to know that how much money is being spent by the petty cashier along with the details under various heads like postage, conveyance, repair, refreshment, welfare etc.

This helps not only in controlling the cost but also helps management in taking decisions regarding future course of action for petty expenses.