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CASH BOOK

A person after passing his/her senior secondary examination started a grocery store. The transactions were limited in number and he/she maintained only one register to record them i.e., Journal. As the business grows, the number of business transactions increases. Recording all the transactions only in the Journal becomes very inconvenient and cumbersome. It needs to be divided into many books. There are various kinds of books that are maintained where the transactions will be recorded in these books according to their nature, such as Cash book for cash transactions, Sales Book for credit sales; Purchases Book for credit Purchases and so on. Out of these books, Cash Book plays a significant role because it records large number of cash items of a business concern. In this lesson you will learn about Cash Book, its meaning and preparation.



OBJECTIVES

After studying this lesson, you will be able to:

- state the meaning of Cash Book;
- enumerate the types of Cash Book;
- state the meaning and draw Simple Cash Book as per format;
- state the meaning and draw Cash Book with Bank Column as per format;
- prepare Simple Cash Book and Cash Book with Bank column;
- posting of Cash Book in the ledger;
- describe the meaning and need of Petty Cash Book;
- prepare the Petty Cash Book.

7.1 CASH BOOK : MEANING AND SIMPLE CASH BOOK

On your birthday you got gift in the form of cash from your parents, grand parents and some of your relatives. In the meantime, you got back some money that you have given to your friend as a loan. You spent this money in buying books and clothes. You went to see movies with your friends. You purchased some toys for your niece. As per habit you noted down all receipts and payments in your note book. At the end of the month, you calculated the balance of cash in hand and tallied it with the actual cash balance with you. You may maintain separate book to record these items of receipts and payments, this book is known as Cash Book.

Cash Book is a Book in which all cash receipts and cash payments are recorded. It is also one of the books of original entry. It starts with the cash or bank balance at the beginning of the period. In case of new business, there is no cash balance to start with. It is prepared by all organisations. When a cash book is maintained, cash transactions are not recorded in the Journal, and no cash or bank account is required to be maintained in the ledger as Cash Book serves the purpose of Cash Account.

Cash Book : Types and Preparation

Cash Books may be of the following Types:

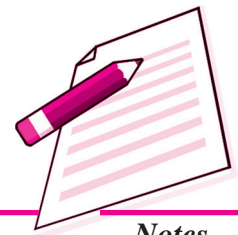
- Simple Cash Book
- Bank Column Cash Book
- Petty Cash Book

Simple Cash Book

A Simple Cash Book records only cash receipts and cash payments. It has two sides, namely debit and credit. Cash receipts are recorded on the debit side i.e. left hand side and cash payments are recorded on the credit side i.e. right hand side. In this book there is only one amount column on its debit side and on the credit side. The format of a Simple Cash Book is as under:

Format of a Simple Cash Book

Dr				Cr			
Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)



Notes



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Column-wise explanation is as follows :

Date : In this column Year, Month and Date of transactions are recorded in chronological order.

Particulars : In this column, the name of the account in respect of which cash has been received or payment has been made is written. Account pertaining to the receipts of cash is recorded on the debit side and those pertaining to cash payments on the credit side.

Ledger Folio : In this column, it records the page number of the ledger book on which relevant account is prepared.

Amount : In this column, it records the amount received on debit side and cash paid on its credit side.

Preparation of Simple Cash Book

Cash Book is in a way, a cash account with debit and credit side and Cash account is an asset account, so the rule followed is 'Increase in assets to be debited and Decrease in asset is to be credited'. This implies that Cash Book is a book where all the receipts in terms of cash are recorded on the debit side of the Cash Book and all the payments in terms of cash are recorded on its credit side. This means:

Cash Book records all transactions related to receipts and payments in terms of Cash only.

On the debit side in the particulars column, the name of the account, for which cash is received is recorded. Similarly, on the credit side, the name of account for which cash is paid, is recorded. In the amount column the actual cash paid or received is recorded. At the end of the month, cash book is balanced. The cash book is balanced in the same manner an account is balanced in the ledger. The total of the debit side of the cash book is compared with the total of the credit side and the difference, if any, is entered on the credit side of the cash book under the particulars column as 'balance c/d'. In case of Simple Cash Book, the total of debit side is always more than the total of the credit side, since the payment can never exceed the available cash. The difference is written in the amount column and total of the both sides of the cash book becomes equal. The closing balance of the credit side becomes the opening balance for the next period and is written as Balance b/d on the Debit side of the Cash Book for the following period.

Recording of cash transactions in the Simple Cash Book and its balancing is illustrated with the help of the following illustrations :

Illustration 1

Enter the following transactions in the cash book of M/s. Rohan Traders:

Date	Details	(₹)
2014		
December 01	Cash in Hand	27,500
December 05	Cash received from Nitu	12,000
December 08	Insurance Premium paid	2,000
December 10	Furniture purchased	6,000
December 14	Sold Goods for cash	16,500
December 18	Purchased Goods from Naman for cash	26,000
December 22	Cash paid to Rohini	3,200
December 25	Sold Goods to Kanika for cash	18,700
December 28	Cash Deposited into Bank	5,000
December 30	Rent paid	4,000
December 31	Salary paid	7,000

*Notes***Solution:****Books of M/s. Rohan Traders****Cash Book**

Dr.

Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014				2014			
Dec.01	Balance b/d		27,500	Dec.08	Insurance premium		2,000
Dec.05	Nitu		12,000	Dec.10	Furniture		6,000
Dec.14	Sales		16,500	Dec.18	Purchases		26,000
Dec.25	Sales		18,700	Dec.22	Rohini		3,200
				Dec.28	Bank A/c		5,000
				Dec.30	Rent		4,000
				Dec.31	Salary		7,000
				Dec.31	Balance c/d		21,500
			74,700				74,700
2015							
Jan. 01	Balance b/d		21,500				



Notes

Illustration 2

Prepare Cash Book for the month of April 2014 from the following particulars :

Date	Details	(₹)
2014		
April 01	Cash in hand	17,600
April 03	Purchased Goods for cash from Rena	7,500
April 06	Sold Goods to Rohan	6,000
April 10	Wages paid in cash	500
April 15	Cash paid to Neena	3,500
April 17	Cash Sales	10,000
April 19	Commission paid	700
April 21	Cash received from Teena	1,500
April 25	Furniture Purchased for cash	1,700
April 28	Rent paid	3,000
April 30	Paid Electricity bill in cash	1,300

Solution:

Cash Book

Dr.

Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014				2014			
Apr. 01	Balance b/d		17,600	Apr. 03	Purchases		7,500
Apr. 17	Sales		10,000	Apr. 10	Wages		500
Apr. 21	Teena		1,500	Apr. 15	Neena		3,500
				Apr. 19	Commission		700
				Apr. 25	Furniture		1,700
				Apr. 28	Rent		3,000
				Apr. 30	Electricity Bill		1,300
				Apr. 30	Balance c/d		10,900
			29,100				29,100
2014							
May 01	Balance b/d		10,900				

Note : Credit transactions are not recorded in cash book (i.e. a credit sales to Rohan ₹ 6,000 on April 6, 2014)

Posting of Cash Book in the Ledger

As we know that cash receipts are shown on debit side of Cash Book and the cash payments are shown on the credit side of Cash Book. Account appearing on the debit side of the Cash Book is posted on the credit side in the relevant ledger. Similarly, account appearing on the credit side of Cash Book is posted on the debit side of the relevant ledger.

Cash Book in itself is a Cash account, so no separate cash account will be maintained in the ledger.

For the posting of various cash book entries in the ledger, refer illustration No. 2.

(a) Posting of Debit side of Cash Book :**Sales Account**

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
				2014			
				April 17	Cash		10,000

Teena Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
				2014			
				April 21	Cash		1,500

(b) Posting of credit sides of cash Book**Purchases Account**

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
2014							
April 03	Cash		7,500				

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Wages Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
2014							
April 10	Cash		500				

Neena's Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
2014							
April 10	Cash		3,500				

Commission Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
2014							
April 19	Cash		700				

Furniture Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
2014							
April 25	Cash		1,700				

Rent Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount</i> (₹)
2014							
April 28	Cash		3,000				

Electricity Bills Account

Dr.

Cr.

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2014							
April 30	Cash		1,300				



Notes



INTEXT QUESTIONS 7.1

I. Complete the following sentences with the suitable words:

- Cash Book starts with the _____ Balance at the beginning of the period.
- When a Cash Book is maintained, cash transactions are not recorded in _____.
- Simple Cash Book records only Cash _____ and Cash _____.
- The total of _____ side of the Simple column Cash Book is always more than the total of its _____ side.
- Closing Balance of Cash Book becomes the opening balance of next period and is written as _____.

II. Some transactions are given below. On which side of the Cash Book would you record them. Tick [✓] the correct side:

S.No.	Transactions	Debit side	Credit side
i.	Saniya started business with Cash		
ii.	Goods Purchased for cash		
iii.	Goods sold for Cash		
iv.	Cash deposited into Bank		
v.	Rent paid		
vi.	Purchased Computer		
vii.	Closing Cash Balance		
viii.	Cash received from Mohit.		

7.2 BANK COLUMN CASH BOOK

When the number of bank transactions is large in an organisation, it is necessary to have a separate book to record bank transactions. Instead of having a separate book to record bank transactions, a column is added on each side of the Simple Cash Book. This type of cash book is known as Bank column Cash Book. All payments into bank are recorded on the debit side and all withdrawals/payments through the bank are recorded on the credit side of the cash book. The format of a Bank column cash Book is as under :

Format of a Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)

Preparation of Bank Column Cash Book

In Bank column Cash Book, the cash transactions are recorded in a similar manner as are recorded in the Simple cash book. The difference is that Bank column cash book records transactions relating to Bank also. There are some special business transactions which need special treatment in the Bank column of the Cash Book:

- (i) Opening balance
- (ii) Receipts of cheques
- (iii) Contra entries
- (iv) Endorsement of cheques
- (v) Bank charges

The treatment given to these special transactions is as under :

Opening Balance

The opening cash and bank balances are recorded on the debit side of the cash book. Sometimes a businessman withdraws excess amount from the bank (from his bank account) and the closing bank balance of a month is a credit balance. This balance amount is called 'Bank overdraft'. It is written on the credit side of the bank column of the cash book as opening balance. For example, if a business firm has ₹ 12,000 as cash in hand and ₹15,000 as overdraft (credit balance) in the bank, it will be recorded as under:



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Bank Column Cash Book

Dr.

Cr.

Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
	Balance b/d		12,000			Balance b/d			15,000

Receipt of Cheques

All cash receipts are entered in the cash column and cheques received in the bank column of Cash Book. If the cheques deposited in bank on the same date, it is entered on the debit side of bank column of the cash book. If the cheques received from customer are not deposited in the bank on same day, they are included in cash and written on the debit side in the cash column of cash book. For example: On May 2, 2014 a cheque received from Tarun for ₹ 7,000 and deposited on same date.

Bank Column Cash Book

Dr.

Cr.

Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
2014									
May 2	Tarun			7,000					

In case, this cheque is deposited on May 10, 2014 the entry on May 02, 2014 is as under:

Bank Column Cash Book

Dr.

Cr.

Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
2014									
May 2	Tarun		7,000						

Contra Entries

When there is a transaction that relates to both cash and bank, this will be written on one side of Bank Column and on other side of Cash Column, Such transactions are known as 'Contra entries'. In case, cash is withdrawn from bank for office use, it is entered on the credit side of bank column and also in the debit side of cash column of the cash Book. In case, cash is deposited in the bank, the amount is recorded on the



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debit side of bank column and on the credit side of cash column of the cash book. The letter 'C' is written in the LF column on both sides against these entries. These entries are not to be posted into ledger. For example: On May 15, 2014 Cash withdrawn from bank for office use is ₹2,000. In this case the transaction recorded is as under:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
2014									
May					May				
15	Bank	C	2,000		15	Cash	C		2,000

Endorsement of Cheques

When cheque received from customer is given to some other party i.e. endorsed, on receipt, it is recorded on the debit side of cash column. On endorsement of cheque, the amount is recorded on the credit side of the cash column of Cash Book. For example, on May 22, 2014 a cheque of ₹ 8,000 is received from M/s J.P Traders. On May 27,2014 it was endorsed in favour of M/s Kapila Traders. In this case the transaction recorded is as under:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
2014					2014				
May					May				
22	J.P.Traders (Cheque)		8,000		27	Kapila Traders (Cheque)		8,000	

Bank Charges

If bank charges any interest, outstation cheque collection charges etc., are entered on the credit side of the Bank column of the Cash Book. Similarly, if bank gives interest, collects commission etc., these will be recorded on the debit side on the Bank column of Cash Book.

Illustration 3

Record the following transactions in the Bank column Cash Book of M/s Time Zone for the month of January 2014.

Date	Details	(₹)
2014		
January 01	Bank Balance	32,500
01	Cash Balance	12,300
03	Purchased Goods by cheque	5,300
08	Goods Sold for cash	9,500
10	Purchased Typewriter by Cheque	5,400
15	Sold Goods and received Cheque (deposited on the same day)	7,900
17	Purchased Stationery by Cheque	1,000
20	Cash deposited into bank	10,000
22	Paid Cartage	500
24	Cheque given to Mudit	7,000
28	Rent paid by Cheque	3,000
30	Paid Salary	3,500



Notes

Solution

Bank Column Cash Book

Dr

Cr

Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
2014					2014				
Jan.1	Balance b/d		12,300	32,500	Jan.3	Purchases			5,300
Jan.8	Sales		9,500		Jan.10	Typewriter			5,400
Jan.15	Sales			7,900	Jan.17	Stationery			1,000
Jan.20	Cash	C		10,000	Jan.20	Bank	C	10,000	
					Jan.22	Cartage		500	
					Jan.24	Mudit			7,000
					Jan.28	Rent			3,000
					Jan.30	Salary		3,500	
					Jan.31	Balance c/d		7,800	28,700
			21,800	50,400				21,800	50,400
Feb 1	Balance b/d		7,800	28,700					



Illustration 4

Enter following transactions in the Bank column cash Book of M/s Tea Traders for April 2014

Date	Details	Amount (₹)
2014		
April 01	Commenced business with Cash	60,000
April 03	Opened Bank account with SBI	45,000
April 05	Purchased Goods by Cash	7,000
April 10	Purchased Office Machine for cash	5,000
April 15	Sold Goods to Manjula and received cheque	6,000
April 18	Cash Sales	10,000
April 20	Manjula's Cheque deposited into Bank	
April 22	Paid Wages by cheque	300
April 25	Cash withdrawn from Bank for personal use	3,000
April 30	Rent paid by Cheque	2,000

Solution

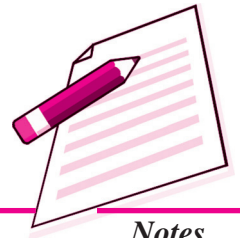
Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
2014					2014				
Apr. 1	Capital A/c		60,000		Apr. 3	Bank	C	45,000	
Apr. 3	Cash	C		45,000	Apr.5	Purchases		7,000	
Apr. 15	Sales		6,000		Apr.10	Office Machine		5,000	
Apr. 18	Sales		10,000		Apr.20	Bank (Cheque)	C	6,000	
Apr. 20	Cash (cheque)	C		6,000	Apr.22	Wages			300
					Apr.25	Drawings			3,000
					Apr.30	Rent			2,000
					Apr.30	Balance c/d		13,000	45,700
			76,000	51,000				76,000	51,000
May 1	Balance b/d		13,000	45,700					

Illustration 5

Prepare Bank Column Cash Book from the following information for December 2014

Date	Details	(₹)
2014		
Dec 1	Cash in hand	10,500
1	Bank Overdraft	9,500
4	Paid Wages	400
6	Cash Sales	10,000
9	Cash deposited into Bank	5,000
13	Purchased Goods and paid by cheque	6,000
15	Cash deposited into Bank	4,000
18	Paid Trade Expenses by cheque	1,200
22	Rent paid	2,300
25	Received Cash from Rahul	1,500
27	Commission paid	2,000
29	Salary paid	3,500
31	Bought Goods by Cheque	3,000



Notes

Solution

Bank Column Cash Book

Dr

Cr

Date	Particulars	L.F	Cash (₹)	Bank (₹)	Date	Particulars	L.F	Cash (₹)	Bank (₹)
2014					2014				
Dec 1	Balance b/d		10,500		Dec 1	Balance b/d			9,500
Dec.6	Sales		10,000		Dec.4	Wages		400	
Dec.9	Cash	C		5,000	Dec.9	Bank	C	5,000	
Dec.15	Cash	C		4,000	Dec.13	Purchases			6,000
Dec.25	Rahul		1,500		Dec.15	Bank	C	4,000	
Dec.31	Balance b/d			10,700	Dec.18	Trade Expenses			1,200
					Dec.22	Rent		2,300	
					Dec.27	Commission		2,000	
					Dec.29	Salary		3,500	
					Dec.31	Purchases			3,000
					Dec.31	Balance c/d		4,800	
2015			22,000	19,700	2015			22,000	19,700
Jan 1	Balance b/d		4,800		Jan 1	Balance b/d		–	10,700



Notes

Posting of Bank column Cash book in the Ledger

Like Cash account no separate Bank account will be opened. Account relating to Contra entries on either side of Cash book need not be posted. Other accounts on either side of Bank column of the Cash book will be maintained in the ledger in the same manner which we adopted in the case of Simple cash Book.

For the posting of various cash book items in the ledger refer to illustration No.5.

(a) Posting of Debit side of Bank column Cash Book

Sales Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F</i>	<i>Amount</i> (₹)
				2014			
				Dec. 6	Cash		10,000

Rahul's Accounts

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F</i>	<i>Amount</i> (₹)
				2014			
				Dec. 25	Cash		1,500

(b) Posting of Credit Side of Bank Column Cash Book

Purchases account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F</i>	<i>Amount</i> (₹)
2014							
Dec.13	Bank		6,000				
Dec.31	Bank		3,000				

Wages Account

Dr.

Cr.

<i>Date</i>	<i>Particulars</i>	<i>L.F</i>	<i>Amount</i> (₹)	<i>Date</i>	<i>Particulars</i>	<i>L.F</i>	<i>Amount</i> (₹)
2014							
Dec. 4	Cash		400				

Trade Expenses Account

Dr.

Cr.

Date	Particulars	L.F	Amount (₹)	Date	Particulars	L.F	Amount (₹)
2014							
Dec.18	Bank		1,200				

Commission Account

Dr.

Cr.

Date	Particulars	L.F	Amount (₹)	Date	Particulars	L.F	Amount (₹)
2014							
Dec. 27	Cash		2,000				

Salary Account

Dr.

Cr.

Date	Particulars	L.F	Amount (₹)	Date	Particulars	L.F	Amount (₹)
2014							
Dec.29	Cash		3,500				

Rent Account

Dr.

Cr.

Date	Particulars	L.F	Amount (₹)	Date	Particulars	L.F	Amount (₹)
2014							
Dec. 22	Cash		2,300				



INTEXT QUESTIONS 7.2

Fill in the blanks with suitable word/words:

- In Bank Column Cash Book _____ columns are shown on each side.
- The Bank column Cash book records transactions relating to _____ as well as _____.
- Credit balance of Bank Column of Cash Book is called _____.



Notes



Notes

- iv. When a cheque is received from a customer but not deposited into the Bank on the same day, it will be recorded on _____ side in _____ column.
- v. When transactions relate to both cash and bank side of Bank Column Cash Book, Such transactions are known as _____.
- vi. When cheque received from customer is given to some other party it is called _____.

7.3 PETTY CASH BOOK : MEANING AND NEED

In big business organisations, a large number of repetitive small payments such as, for conveyance, cartage, postage, telegrams, courier and other expenses are made. These organisations appoint an assistant to the Head Cashier. The appointed cashier is known as petty cashier. He makes payments of these expenses and maintains a separate cash book to record these transactions. Such a cash book is called Petty Cash Book. The petty cashier works on the imprest system. Under this system, a definite sum, say ₹ 4000/- is given to the petty cashier at the beginning of the period. This amount is called imprest money. The petty cashier meets all small payments out of this imprest amount, At the end of the period say one month he presents the account to the Head Cashier and gets reimbursed from the Head Cashier. Suppose out of ₹ 4,000 he has spent ₹ 3,850 by the end of the month. He will get ₹ 3,850 from the head cashier. Thus, again he has the full imprest amount in the beginning of the next period. The process of reimbursement can be weekly, fortnightly or monthly depending upon the frequency of small payments. The Petty Cashier is authorised to sanction and disburse small payments. Assignment of the task of making of petty expenses to a person and the maintenance of petty cash book by him reduces the burden of the Head Cashier.

The petty cash book has a number of columns for the amount on the payment side. Each of the amount columns is allotted to items of specific payments, which are common. The last column is allotted for miscellaneous payments. At the end of the period, all amount columns are totalled. The total of the amount paid shown in column 5 is deducted from the column 1. At the opening of the month the total amount paid in the previous month is reimbursed by the Head Cashier.

Format of a Petty Cash Book is given as under:

Petty Cash Book (Format)

Amount Received	Date	Particulars	Voucher No,	Amount paid (Rs)	Analysis of Payments				
					Postage	Tele phone Telegram	Conveyance	Stationery	Miscellaneous Expenses
1	2	3	4	5	6	7	8	9	10

Illustration 6

Mr. Sumit the Petty Cashier of M/s Travels India received ₹ 2,000 on April 1, 2014 from the Head Cashier. Prepare Petty Cash Book on Imprest System from the petty payments during the month of April 2014 for the following items:

Date	Details	(₹)
2014		
April 2	Auto fare	200
3	Courier services	50
4	Postage stamps	95
5	Pencils/Pads	65
6	Speed Post Charges	40
8	Taxi fare (205+90)	295
9	Refreshments	310
11	Auto fare	60
13	Telegram	64
16	Computer stationery	165
19	Bus fare	40
21	STD Call Charges	205
23	Refreshment	80
25	Photostat Charges	45
28	Courier services	40
30	Bus fare	40



Notes

Solution:

Petty Cash Book

Amount Received	Date	Particulars	Voucher No.	Amount paid (₹)	Analysis of Payments				
					Postage	Telephone & Telegram	Conveyance	Stationery	Miscellaneous Expenses
2,000	2014								
	April								
	01	Cash received							
	02	Auto fare		200			200		



Notes

	03	Courier services		50	50				
	04	Postage stamps		95	95				
	05	Pencils/Pads		65				65	
	06	Speed Post Charges		40	40				
	08	Taxi fare		295			295		
	09	Refreshments		310					310
	11	Auto fare		60			60		
	13	Telegram		64		64			
	16	Computer stationery		165				165	
	19	Bus fare		40			40		
	21	STD Call Charges		205		205			
	23	Refreshment		80					80
	25	Photostat Charges		45					45
	28	Courier services		40	40				
	30	Bus fare		40					
				1,794	225	269	595	230	435
	30	Balance c/d		206					
2,000				2,000					
206	May	Balance b/d							
1,794	01	Cash received							



INTEXT QUESTIONS 7.3

Fill in the blanks with suitable word/words:

- i. The assistant of the Head Cashier is known as
- ii. A separate cash book to record small transactions is called
- iii. The amount which is paid to the petty cashier at the beginning of a period is known as
- iv. Under Imprest system of Petty Cash Book, the Petty Cashier is reimbursed with the amount equivalent to what he spent during the



WHAT YOU HAVE LEARNT

- Cash Book is a Book in which all cash receipts and cash payments are recorded. It is also one of the books of original entry.

Type of Cash Book

Simple Cash Book Bank Column Cash Book Petty Cash Book

- **Simple Cash Book :** A Simple Cash Book records only cash receipts and cash payments. It has two sides, namely debit and credit.
- **Bank Column Cash Book :** In this type of Cash Book, Bank and Cash columns are shown on each side.
- **Contra Entries :** Transactions that relate to both cash and bank and are entered on cash column of one side and bank column of other side of 'Bank Column Cash Book'. Recording of such transactions is known as 'Contra entries'.
- In big business organisations, a large number of repetitive small payments such as, for conveyance, cartage, postage, telegrams and other expenses are made. These organisations appoint an assistant to the Head Cashier. The so appointed cashier is known as petty cashier. He makes payment of these expenses and maintains a separate cash book to record these transactions. Such a cash book is called Petty Cash Book.



TERMINAL EXERCISE

1. What is Cash Book? Explain the different types of Cash Book.
2. Draw the format of 'Bank Column Cash Book' and write at least five items in it.
3. What is Contra entry? How will you deal with this entry while preparing Bank Column Cash Book?
4. What do you mean by Petty Cash Book ? Explain the imprest system of Petty Cash Book.
5. Enter the following transactions in the Simple Cash Book of M/s Golden Traders:

2014			₹
April	1	Started Business with Cash	30,000



Notes

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Basic Accounting



Notes

Cash Book

April	2	Goods Purchased for Cash	10,000
April	3	Furniture Purchased	1,000
April	6	Goods Sold for Cash	7,000
April	9	Cartage paid	200
April	10	Postage	100
April	12	Cash Sales	3,000
April	14	Cash withdrawn for Personal use	2,000
April	18	Deposited into Bank	10,000
April	22	Goods purchased for Cash	13,000
April	25	Wages paid	500
April	27	Rent paid	3,000
April	28	Cash Sales	2,000
April	30	Commission received	500

6. From the following transactions prepare Simple Cash Book :

2014			₹
March	01	Cash in hand	32,500
March	08	Cash paid to Rohan	8,000
March	12	Goods Purchased	3,000
March	15	Cash received from Tanaya	2,000
March	18	Cash Sales	4,000
March	22	Paid wages	4,000
March	25	Salary paid	3,000
March	28	Cash paid to Manish	3,500
March	31	Rent paid	2,500

7. Prepare Bank Column Cash Book from the following transactions:

2014			₹
July	1	Cash in hand	18,000
		Cash at Bank	27,500
July	3	Goods sold for cash	10,000

Cash Book

July	6	Bought Goods by Cheque	16,000
July	8	Cash deposited into Bank	20,000
July	10	Paid Trade Expenses through Cheque	2,000
July	12	Paid Audit Fee for Cash	1,000
July	14	Cheque received from Garima and deposited into bank	4,700
July	18	Withdrew from bank for personal use	2,000
July	20	Purchased office machine by Cheque	5,000
July	22	Wages paid	1,000
July	26	Cash Sales	5,000
July	28	Received Cheque from Mahesh	2,000
July	29	Salary Paid	5,000
July	30	Mahesh's Cheque deposited into Bank	
July	31	Rent paid	2,000

8. Prepare Bank column Cash Book of M/s Style India from the following transactions for the month of April 2014 :

2014		₹	
August	1	Cash in hand	18,000
		Cash at Bank	27,500
August	3	Cash Sales	10,000
August	5	Furniture purchased by cheque	8,700
August	8	Paid by cheque to Sonu	13,500
August	12	Received Cheque from Ashima and deposited into Bank	13,000
August	15	Cash Sales	7,000
August	18	Deposited into Bank	8,000
August	20	Withdrawn from Bank for personal use	7,000
August	22	Cheque received from Naveen	7,000
August	24	Rent paid	5,000

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Notes

August 26	Naveen's Cheque deposited into Bank	
August 28	Withdrawn from Bank for office use	5,000
August 29	Salary paid	3,000
August 31	Cash paid for Electric Bill	500
August 31	Cash paid for Telephone bill	1,000

9. Prepare Bank Column Cash Book from the following transactions for the month of March 2014 :

2014		₹
March 1	Cash in hand	3,200
	Bank Overdraft	16,500
March 4	Cash Sales	4,000
March 7	Cheque received from Babli	6,000
March 10	Goods Purchased by Cheque	2,000
March 12	Babli's Cheque deposited into Bank	
March 14	Cash Sales	5,000
March 18	Cash deposited into Bank	8,000
March 20	Salary paid	2,000
March 22	Wages paid	150
March 23	Interest charged by Bank	300
March 27	Cash Sales	2,500
March 29	Telephone Bill paid by cash	100
March 31	Purchase of Goods on cash	2,000

10. Prepare Petty Cash Book on imprest system for the month of September 2014 from the following items of petty payments:

2014		₹
Sept. 2	Postage	130
Sept. 4	Stationery	50
Sept. 6	Auto fare	60
Sept. 8	Refreshments	210
Sept. 10	Courier Services	60

Cash Book

Sept. 12	Speed Post Charges	90
Sept. 15	Telegram	20
Sept. 18	Bus fare	30
Sept. 19	Postage	20
Sept. 21	Photostat Charges	30
Sept. 23	Bus fare	20
Sept. 25	STD Call Charges	35
Sept. 27	Taxi fare	110
Sept. 29	Cartage	35
Sept. 30	Computer Stationery	120

The petty cashier received ₹ 1200 from the Head cashier on September 01, 2014.



ANSWERS TO INTEXT QUESTIONS

- 7.1** I. (i) Cash (ii) Journal (iii) Receipts, Payments
(iv) Debit, Credit (v) Balance b/d

II.

S.No	Debit Side	Credit Side
(i)	√	
(ii)		√
(iii)	√	
(iv)		√
(v)		√
(vi)		√
(vii)		√
(viii)	√	

- 7.2** (i) Bank/Cash (ii) Cash, Bank (iii) Overdraft
(iv) Debit, Cash (v) Contra entry (vi) endorsement

- 7.3** (i) petty cashier (ii) petty cash book (iii) Imprest amount
(iv) previous month

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Basic Accounting



Notes

**ANSWERS TO TERMINAL EXERCISE**

5. Closing Cash in hand ₹ 2,700
6. Closing Cash in hand ₹ 14,500
7. Closing Cash in hand ₹ 4,000, Closing Bank Balance ₹ 29,200
8. Closing Cash in hand ₹ 3,060, Closing Bank Balance ₹ 48,300
9. Closing Cash in hand ₹ 2,550, Bank overdraft ₹ 4,800
10. Closing Cash Balance ₹ 480

**ACTIVITY**

If you ask your friends you may come across a friend who gets pocket allowance on regular basis from his parents and who spends it judiciously and maintains a record of the money spent. He may also be receiving money from his grand parents and/or from grand maternal parents. Procure the note book/diary in which your friend keeps the notes regarding receipts and payments and prepare a Cash Book on the basis of the given information.



Notes