

# CASH BOOK

## 9.1 INTRODUCTION

In the previous lesson, we have discussed the various Special Journals. These are subdivided into various journals/Books depending upon the nature and type of transaction like Cash Book, Purchase Book, Sales Book, etc.

Out of these special Journals, Cash Journal or Cash Book is the most important one. As the number of Cash transactions in a business is very large, so it becomes necessary and convenient to record such transactions in a separate book known as Cash Book. This book helps us in knowing the balance of cash in hand or/and at bank at any point of time.

## 9.2 OBJECTIVES

After studying this lesson, you will be able to -

- give the meaning and types of Cash Book,
  - give the meaning and format of Simple Cash Book,
  - give the meaning and format of Two Column Cash Book
  - prepare Simple Cash Book from the given transactions
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- explain the significance of 'Discount' column of the Two Column Cash Book;
- enter the amounts of discount in the debit and credit side of the Cash Book;
- give the format of a Three-column Cash Book;
- explain the method of preparing Three-column Cash Book;
- give the meaning of a contra entry;
- recognise the transactions containing contra entries;
- prepare Three-column Cash Book from the given transactions;
- draw out the Cash and Bank Balances;
- describe the meaning and need of Petty Cash Book.

### **9.3 SIMPLE CASH BOOK- MEANING AND PREPARATION**

A Cash Book is an accounts book exclusively maintained for keeping the record of Cash transactions. It is the most important subsidiary book. It helps the businessman in knowing the Cash balance at any point of time. In other words, we can say that Cash Book is the record of transactions involving Cash receipts and Cash payments.

#### **Types of Cash Book**

Cash book may be of the following types;

- I. Simple Cash Book or Single column cash book with cash column only;
- II. Two column cash book with cash and discount columns;
- III. Three-column Cash book with Cash, Bank and discount columns;
- IV. Petty Cash Book

In this section, we are mainly concerned with Simple Cash Book.

## I. Simple Cash Book

This type of Cash Book is mainly prepared by small business concerns. This is also known as one-column cash book. This book has two sides, namely debit side and credit side. On its debit side, all cash receipts are recorded and on its credit side, all cash payments are recorded.

The format of a Cash Book is given below :

Dr.				Simple Cash book			Cr.
Receipts							Payments
Date	Particulars	F	Amount Rs.	Date	Particulars	L.F.	Amount Rs.

In the above format of Cash Book, there are four columns on each side. These are explained as under :

### 1 Date

In this column we write the date of cash receipt and payment on the debit and credit sides respectively in the order of their occurrence. Date of Cash receipt is written on the debit side and that of cash payment on the credit side.

### Particulars

In this column, the name of the account, in respect of which cash has been received or payment has been made, is written. Accounts pertaining to the receipt of cash are entered on the debit side and those pertaining to payment of cash on the credit side.

On the debit side, before writing the name of the account, the preposition 'To' is written. And on the credit side, 'By' is written before writing the name of the account. For example, if cash is received on sale of goods, we shall write on the debit side 'To Goods Account' and if payment is made to Mohan, we will write on the credit side 'By Mohan Account'.

### 3. Ledger Folio (L.F.)

In this column, we write page number on which the account appears in the ledger. You will learn more about L.F. in the lesson on 'Ledger-Posting'.

### 4. Amount

On the debit side, we write the amount of cash receipts and on the credit cash payments.

## PREPARATION OF CASH BOOK

Cash Book is prepared by following these steps :

- (i) Since Cash is an Asset account, apply the rule applicable to assets. This rule is 'Debit the increase in asset and Credit the decrease in it'. This implies that receipt of cash is debited and payment of cash is credited.
  - Date of receipt under the 'Date column'
  - The name of account (starting with the preposition 'To') under the particulars column.
  - L.F. Column may be left blank for the time being or the page number of the Ledger is recorded.
  - Figures in Rs..... under the Amount column.
- (ii) In Cash of Receipt of Cash, write the following details on the debit side :
  - Date of receipt under the 'Date column'
  - The name of account (starting with the preposition 'To') under the particulars column (starting with preposition 'To').
  - L.F. Column may be left blank for the time being.
  - Figures in Rs \_\_\_\_\_ under the 'Amount' Column.
- (iii) In Cash of 'payment of cash' write the following details on the Credit side.
  - Date of payment under the 'Date column'
  - The name of account due to which cash has been paid, under the 'Particulars Column' (starting with preposition 'By').
  - L.F. Column may be left blank for the time being.
  - Figures in Rs \_\_\_\_\_ under the 'Amount' Column.

## BALANCING OF CASH BOOK

For finding out the closing Balance of Cash in hand at any point of time, the following steps are taken :

- (a) Firstly, find the total of the debit side i.e., receipts side.
- (b) Find the total of the credit side i.e. payments side.
- (c) Deduct the total of credit side from the total of debit side. The difference so calculated is known as balance of Cash in hand.
- (d) Write this balance on the credit side in the Amount column, with the words 'By Balance carried down' or 'By Bal c/d' in the Particulars column.
- (e) This balance is also known as debit balance as the total of debit side is more than that of the credit side.
- (f) The debit balance so calculated will be written in the Amount column on the debit side of the Cash book with the words 'To Balance brought down' or 'To Balance b/d' in the Particulars column on the next day.
- (g) These totals will be written in both the Amount columns after placing a single horizontal line. After writing the totals, two horizontal lines will be placed in the amount columns on both the sides.

With the help of the above steps, you will be able to prepare Cash Book and to calculate the Balance of Cash in hand at a particular point of time.

The above can be illustrated with the help of the following illustration

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**Illustration :** Enter the following transactions in a Simple Cash Book:

1996		Rs.
Jan 1	Cash in Hand	10,000
5	Received from Satish	5,000
7	Paid Rent	2,500
8	Purchased goods for Cash from R.K. Sons & Co.	9,000
10	Sold goods for Cash	12,000
15	Purchased Furniture	2,000
18	Received Interest	600
22	Paid Cash to Rohit on account	750
25	Paid Salaries	800
30	Paid Miscellaneous Expenses	450

**Solution :**

Cash Book

Dr. Receipts				Payments C			
Date	Particulars	L.F.	Amount Rs.	Date	Particulars	L.F.	Amount Rs
1996	-			1996			
Jan 1	To Balance B/d		10,000	Jan 7	By Rent A/c		2,500
" 5	To Satish's A/c		5,000	" 10	By Goods A/c		9,000
" 10	To Goods A/c		12,000	" 10	By Furniture A/c		2,000
" 18	To Interest A/c		600	" 22	By Rohit A/c		750
				" 25	By Salaries A/c		800
				" 30	By Mis-Exp A/c		450
				" 31	By Balance c/d		2,100
			27,600				27,600
Feb 1	To Balance b/d		12,100				

## INTEXT QUESTIONS 9.1

- I. Complete the following sentences with suitable words :-
- (i) Cash book records transactions relating to Cash \_\_\_\_ and Cash \_\_\_\_\_
  - (ii) Cash book helps in knowing \_\_\_\_\_ at any point of time.
  - (iii) The debit side of the Cash book is generally \_\_\_\_\_ than the credit side.
  - (iv) After calculating the balance the end of a period in a Cash book it is written as \_\_\_\_\_ on the next day.
  - (v) Cash book does not record transactions of \_\_\_\_\_ nature.
- 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)	Ramesh started business with Cash		
(ii)	He Purchased goods		
(iii)	Opening Cash Balance		
(iv)	Sold goods on Credit		
(v)	Made payment of Loan		
(vi)	Sold goods for Cash		
(vii)	Paid Salaries to Mohan		
(viii)	Purchased Machinery		

II Calculate and Record balance of Cash Book given below in a proper way :-

Dr. Receipts				Payments Cr.			
Date 1995	Particulars	L.F.	Amount Rs.	Date 1995	Particulars	L.F.	Amount Rs.
July 1	To Capital A/c		15,000	July 4	By Rent A/c		2,200
" 9	To Sales A/c		4,000	" 7	By Purchases A/c		3,000
" 15	To Commission A/c		1,300	" 24	By Salaries A/c		2,500
" 25	To Sohan A/c		2,000	" 29	By R.K. Sons A/c		7,000

#### 9.4 TWO COLUMN CASH BOOK

An additional feature of the Two-column Cash book is that the discount allowed by the firm to customers and discount allowed to the firm by outsiders can be recorded in it. This Cash Book, besides recording the cash receipts and cash payments, also provides for recording the details of cash discount.

You are already familiar with the columns of Simple Cash Book. Two column Cash Book has an additional 'Discount' column on each side. Its format is given below:

#### Two Column Cash Book

Dr.					Cr.				
Date	Particulars	L.F.	Discount	Amount Rs.	Date	Particulars	L.F.	Discount	Amount Rs.

Two-column Cash Book is prepared in the same way as Simple Cash Book is prepared. The only difference is that 'Cash Discount' is also recorded in it.

The treatment of Cash discount is explained as :—

**i) Cash discount allowed**

Credit sale of goods is a common practice in business. When goods are sold on credit, the customers are required to make the payment on a future date. In order to encourage them to make an early payment, a deduction is offered to the customers which is known as Cash discount. When the customers make an early payment (before the due date), they are allowed discount by the business. The actual amount received is written in the 'Amount' column on the debit side of Cash Book. The discount allowed to them is written in the discount column on the same side.

Cash discount allowed is a loss or expense of the business and is, thus, debited.

Suppose Akshay pays Rs.900 and Rs.10 is allowed as discount to him. The transaction shows that Akshay was a debtor to the extent of Rs.1,000. As he made early payment, the firm allowed him Rs.10 as discount. This will be entered on the debit side of the Cash Book as follows :

Dr.		Cash Book		
Date	Particulars	L.F.	Discount Rs.	Amount Rs.
	To Akshay's A/c		10	900

**ii) Cash discount Allowed to the Firm**

When a business makes payments to a creditor before the expiry of a certain specified period, discount is generally allowed to it by the supplier. In such a case, discount allowed to the business will be a gain for it. So the amount paid will be written in the Cash column on the credit side of the Cash Book.

Cash discount allowed to the firm is a gain or income for the business, and, thus, is credited and recorded in the 'Discount' column.

In case of payment of Rs.1980 to Mohit, who allows a discount of Rs.20, the transaction will be recorded on the credit side, because it is a payment, Discount received being an income will be credited. This will be entered on the credit side of the Cash Book as follows :

### Cash Book

Date	Particulars	L.F.	Discount Rs.	Amount Rs.
	By Mohit's A/c		20	1,980

## PREPARATION OF TWO COLUMN CASH BOOK

Rules for recording transactions in Two column Cash Book are as follows :

- (1) The details of Date and Particulars' columns are entered as discussed earlier in Simple column Cash Book.
- (2) Enter the amount received in the debit side and amount paid in the credit side under the heading 'Amount'. In case discount is allowed by the firm or allowed to it, net amount after deducting the discount should be written in the 'Amount' column.
- (3) Discount on the debit side is entered in the 'Discount' column against the name of the party who have given cash to the firm.  
  
Discount on the Credit side is recorded in the 'Discount' column against the name of party to whom cash has been given
- (4) Discount columns are never balanced. They are just totalled. From these totals, total discount allowed by the firm or total discount allowed to it by its creditors can be ascertained.

- (5) The other amount columns on the receipts and payments sides are balanced as totals as in Simple column Cash Book.

### Illustration I

Enter the following transactions in Two-column Cash Book:

1995

Jan	1	Cash in Hand	1,500
	5	Paid to Ram	300
		Discount allowed by him	10
	8	Purchased goods	400
	10	Received from R. Gupta	980
		Discount Allowed	20
	16	Sold goods	400
	21	Paid to S. Sharma	295
		Discount received	5
	25	Paid wages	50
	31	Paid to Narayan in full settlement of his account which shows a credit balance of Rs. 400	400
			390

Solution:

Dr.		Two Column Cash Book						Cr	
Date	Particulars	L. F.	Discount Rs.	Amount Rs.	Date	Particulars	L. F.	Discount Rs.	Amount Rs.
Jan 1	To Balance b/d		—	1,500	Jan 5	By Ram's A/c		10	300
10	To R. Gupta's A/c		20	980	" 8	By Purchases A/c		—	400
"	To Sales A/c		—	400	" 21	By S.Sharma's A/c		5	295
					" 25	By Wages A/c		—	50
					" 31	By Narayan's A/c		10	390
					" 31	By Balance c/d			1,445
			20	2,880				25	2,880
Feb	To Balance b/d			1,445					

## Illustration II

Enter the following transactions in Two-Column Cash Book :

1996

July	1	Balance of cash in hand	10,000
	1	Received cash from Arjun	3,000
	3	Paid into Bank	4,800
	9	Paid to Satish Bros. for goods purchased in June, Rs. 4000 and discount received	80
	10	Received Rs. 2,800 for cash sales	
	15	Paid to Narayan Rs.1930 in full settlement of his account of Rs. 2,000	
	18	Withdrew for personal use	2,000
	19	Received Rs.3,140 from Ramesh Bros. in full settlement of his account of Rs.3,200	
	20	Withdrew from Bank for office use	2,000
	25	Paid cash for electricity charges	620
	26	Paid rent for May & June	2,600
	29	Cash Sales	3,400
	30	Deposited into Bank	200
	31	Paid cash for advertisement	200
	31	Salaries paid in cash	1,300

**Solution**

Dr.					Two Column Cash Book					Cr.				
Date 1996	Particulars	L. F.	Disco- unt Rs.	Amount Rs.	Date 1996	Particulars	L. F.	Disco- unt Rs.	Amount Rs.					
July 1	To Bal. b/d		—	10,000	July 3	By Bank A/c			4,800					
" 1	To Arjun's A/c		—	3,000	" 9	By Satish Bros.		80	4,000					
" 10	To Sales A/c		—	2,800	" 15	By Narayan's A/c		70	1,930					
" 19	To Ramesh Bros.		60	3,140	" 18	By Drawing A/c		—	2,000					
" 20	To Bank A/c		—	2,800	" 25	By E. charges		—	620					
" 29	To Sales A/c		—	3,400	" 26	By Rent A/c		—	2,600					
					" 30	By Bank A/c		—	2,000					
					" 31	By Advertis- ement A/c		—	200					
					" 31	By Salaries A/c		—	1,300					
					" 31	By Bal. C/d			5,690					
			60	25,140				150	25,140					
Aug 1	To Bal. b/d			5,690										

**INTEXT QUESTIONS 9.2**

- I. To which side of the Cash Book will the following be recorded:
- (i) Started Business with Cash
  - (ii) Deposited into Bank
  - (iii) Sold Goods for Cash.
  - (iv) Received Cash from Lalit
  - (v) Discount allowed to Lalit
  - (vi) Cash Paid to Gupta Bros.
  - (vii) Discount allowed by Gupta Bros.



### Preparation of Three-column Cash Book

Preparation of Three-column Cash Book has been discussed under the following heads :

#### 1. Opening Cash and Debit Bank balances

The opening Cash and Bank balances are recorded on the debit side of the Cash Book in their respective Amount columns with the words 'To Balance b/d' in the Particulars column.

Suppose, if a business has Rs. 5,000 as Cash in hand and Rs. 3,000 as Cash at Bank on Jan 1 1996. Then these will be entered as follows in the Cash Book.

Dr. Receipt

Cash Book

Date	Particulars	L.F.	Discount Rs.	Amount Cash Rs.	Amount Bank Rs.
1996 Jan1	To Balance b/d		—	5,000	3,000

#### 2. Opening Credit Bank Balance

Sometimes, a businessman withdraws more than what he has deposited in his Bank account. This facility is given by the Banks to its customers on some security or guarantee given by the businessman. This is known as overdraft facility. In such a case the businessman will have a credit balance in the Amount (Bank) column of the Cash Book.

Whenever, the businessman has an opening credit Bank balance. Then it will be recorded on the credit side of the Cash Book by writing 'By balance b/d' in the 'Particulars' column.

If a businessman for example, has Rs.5,000 as Cash in hand and Rs.2,000 as overdraft (credit balance) in the Bank, then it will be recorded as follows :

**Three Column Cash Book**

Dr.						Cr.					
Date	Particulars	L. F.	Disco- unt	Cash Rs.	Bank Rs.	Date	Particulars	L. F.	Disco- unt Rs.	Cash Rs.	Bank Rs.
1996 Jan.1	To Bal. B/d		—	5,000	—	1996 Jan.1	By Bal. b/d		—	—	200

### 3. Cash Receipts and Cash Payments

As you know, amount received in cash is recorded on the debit side of the Cash Book and amount paid is recorded on the credit side of the Cash Book.

In case any discount is allowed by the firm or discount is allowed to the firm, then it will be recorded in the respective Discount columns with the name of the party and amount in the respective columns on both the sides.

This has already been discussed in the Two-column Cash Book.

### 4. Receipt of Cheques

When a business concern receives cheques from customers, it records them in the following manner :

#### Case 1

When cheque is received and deposited into the bank on the same day. For example, a cheque of Rs.1,000 received on 1-4-96 from Rakesh and deposited into the bank on the same day.

This transaction will be recorded on the debit side in the Amount (Bank) column of the Cash Book as follows :

Dr. Receipts		Cash Book			
Date	Particulars	L.F.	Discount Rs.	Amount Cash Rs.	Amount Bank Rs.
1996 April 1	To Rakesh's A/c				1,000

### Case - II

When cheque is received but is not deposited into the bank on the same day. Such a cheque is treated as cash and is entered on the debit side of the Cash Book in the Cash column.

When the cheque is deposited into the bank, they are entered on both the sides of the Cash Book - on the Debit side in Bank Column (as bank is the receiver) and on the Credit side in Cash column (as the Cheque goes out). This is a 'Contra Entry'.

Contra Entries are, therefore; those which appear at the same time on both the sides of Cash Book. These entries are distinguished from other entries by Writing the word 'C' against them in L.F. Column. They are not required to be posted to ledger. These entries either increase Bank Amount and decrease Cash Amount or increase Cash amount and decrease Bank Amount. These are mainly under two conditions :

- a) When cash is withdrawn from bank.
- b) When cash is deposited into bank.

### 5. Payment by cheque

All payments made by cheques are entered on the credit side in the Amount (Bank) column of the Cash Book. This will reduce the balance at Bank.

If some discount is allowed by the party receiving the payment, it is entered in the Discount column on the credit side against the name of that party.

For example, Payment made to Rohit by cheque for Rs.1,980 in full settlement of his account of Rs.2,000. This transaction will be recorded in the Cash Book as :

Dr.		Cash Book		Cr.	
Date	Particulars	L.F.	Discount Rs.	Amount Cash Rs.	Amount Bank Rs.
	By Mohit's A/c		20	—	1,980

Whenever cash is **withdrawn** from Bank for use in the office, both the Cash and Bank amounts are affected in the Cash Book. In such a case, the amount withdrawn will be entered on the debit side in the Cash column and on the credit side in the Bank column. This is so because Cash in hand is increasing and Cash at Bank is decreasing.

Similarly, when Cash is deposited into Bank, it will again be recorded on the both the sides of the Cash Book. Therefore, as the balance at Bank is increasing, the amount will be written on the debit side in the bank column of the Cash Book. And as the Cash in hand is decreasing, the amount will be written in the cash column on the credit side of the Cash Book.

**Example :** Enter the following transactions in Three Column Cash Book.

July 10	Cash deposited into Bank	Rs.5,000
July 14	Cash withdrawn from Bank for office use	Rs.3,500
July 18	Cash withdrawn from Bank for private purpose	Rs.500
July 21	Received cheque from Mohan	Rs.4,500
July 24	Mohan's cheque deposited into Bank	

Dr.		Three Column Cash Book										Cr.	
Date	Particulars	L.	Disco-	Cash	Bank	Date	Particulars	L.	Disco-	Cash	Bank		
		F.	unt	Rs.	Rs.			F.	unt	Rs.	Rs.		
1996						1996							
July						July							
10	To Cash A/c	C	—	—	5,000	10	By Bank A/c	C	—	5,000	—		
14	To Bank A/c	C	—	3,500	—	14	By Cash A/c	C	—	—	3,500		
21	To Mohan's A/c	C	—	4,500	—	18	By Drawings A/c	C	—	—	500		
24	To Cash A/c	C	—	—	4,500	24	By Bank A/c	C	—	4,500	—		

**Note:-**

- (1) Transactions pertaining to July 18 is not a contra entry, as the amount withdrawn is not for office use.
- (2) On July 21, a cheque is received from Mohan. As the cheque is not being sent to the bank for collection the same day, therefore, it will be entered in the Cash column.
- (3) On July 24, the same cheque received on July 21 is sent to the Bank for collection. Therefore, the entry for depositing of cash into bank will be made. Thus, the entry on July 24 is a contra entry.

**6. Endorsement (Transfer) of cheques received**

Sometimes, a businessman does not send a cheque received by it to the bank for collection. He may endorse or transfer this cheque in favour of some creditor for making the payment of his debt. In such a case, when the cheque was received, it must have been entered in the cash column. Now, when the cheque is transferred, it will be taken as payment by cash. For example, if on April 10, a cheque was received from Satish for Rs. 5,000 and it was endorsed on April 15 in favour of Ramprakash, a creditor or business, the entries in the Cash Book will appear as follows :-

Dr. Three Column Cash Book Cr.

Date	Particulars	L. F.	Disco- unt	Cash Rs.	Bank Rs.	Date	Particulars	L. F.	Disco- unt Rs.	Cash Rs.	Bank Rs.
1996 April 10	To Satish's A/c		—	5,000	—	1996 April 14	By Ram Prakash A/c		—	5,000	—

7. **Bank charges, interest etc.** If bank deducts any interest or charges, the same will be entered on the credit (payments) side in the Amount (Bank) column. Similarly, if bank gives interest, collects commission or receives a cheque directly from a customer, these will be recorded on the debit (receipts) side in the Amount (Bank) column.

### 8. Balancing the Three-column Cash Book

You have learnt how to balance a single column cash book, in the same way, bank column in Three-column cash book is balanced.

Let us learn how to record transactions in Three-column cash book with the help of the following illustration.

**Illustration :** Prepare Three Column Cash Book from the following:

1996		Rs.
Mar 1.	Cash Balance	7,000
	Bank Balance	10,000
3.	Cash Sales	10,000
6	Rent Paid by cheque	500
7	Cash deposited into bank	1,000

10. Wages Paid	1,000
11. Salaries paid by cheques	3,000
12. Received cheque from Mohan and Discount allowed, the cheque was deposited into the Bank on the same day	7,800 200
14. Goods purchased With awn from bank for office use	3,000 500
18. Issued cheque on Hari and discount received	590 10
20 Interest Credited by Bank	200
21 Received a cheque from Ram	1,000
30 Salaries paid	200

Dr. Three Column Cash Book Cr.

Date	Particulars	L.	Disco- Funt Rs.	Cash Rs.	Bank Rs.	Date	Particulars	L.	Disco- unt Rs.	Cash Rs.	Bank Rs.
1996 Mar.						1996 Mar.					
1	To Bal. b/d		—	7,000	10,000	6	By Rent A/c		—	—	500
3	To Sales A/c		—	10,000	—	7	By Bank A/c		—	1,000	—
7	To Cash A/c	C	—	—	1,000	10	By Wages A/c		—	1,000	—
12	To Mohan A/c		200	—	7,800	11	By Salaries A/c		—	—	3,000
16	To Bank A/c	C	—	500	—	14	By Purchases A/c		—	3,000	—
20	To Interest A/c		—	—	200	16	By Cash A/c	C	—	—	500
21	To Ram A/c		—	1,000	—	18	By Hari A/c		10	—	590
						20	By Salaries A/c		—	200	—
						31	By Bal. c/d			13,300	14,410
			200	18,500	19,000				10	18,500	19,000
Apr.											
1	To Bal b/d		—	13,300	14,410						

## PETTY CASH BOOK - MEANING AND NEED

A Business organisation often has to incur many expenses which are of small amounts but of repetitive nature. Examples of such payments are conveyance, postage, telegram, stationery, cartage and other miscellaneous expenses, etc. Such expenses are called Petty Expenses.

Recording of such small expenses in the Cash Book will make it very bulky. It will also become very difficult, burdensome and time consuming for the Head Cashier.

In order to avoid all this, many organisations appoint one more cashier, who is known as Petty Cashier. He is responsible for making and recording all such small payments i.e. petty expenses in a book known as Petty Cash Book.

The Petty Cashier is normally given a fixed amount of money which is sufficient for meeting petty expenses for a particular period. This amount is given to the Petty Cashier in the beginning of a certain period say a week or a month. At the end of the specified period, the Petty Cashier ascertains the total amount spent from Petty Cash Book. The Petty Cashier submits the account of petty expenses to the Head Cashier. The Head Cashier after examining the accounts, makes the payment to the Petty Cashier. Thus, at the beginning, of the next period, he gets the same amount as he had at the beginning of the first period. This is known as reimbursement of petty expenses.

If, for example, Head Cashier, gives to the Petty Cashier Rs. 1,000 at the beginning of January 1996. Petty expenses during the month of January amounted to Rs.850. Thus, the petty cashier, will have Rs.150 (1,000-850) as cash Balance at the end of the period January 1996. Now, the Head Cashier will handover or reimburse Rs.850 to the Petty Cashier, so that at the beginning of February, 1996, he will again have Rs.1,000 as opening Cash Balance.

Thus, the amount which is paid to the Petty Cashier at the beginning of a period is called 'Imprest amount' and this system of maintaining Petty Cash book is known as Imprest System' of keeping a Petty Cash Book.

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**INTEXT QUESTIONS 9.3**


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Fill in the blanks with suitable words:

- (i) The Additional column in Three column Cash Book represents \_\_\_\_\_.
- (ii) If an entry is completely recorded in the Cash Book itself, such entry is known as \_\_\_\_\_.
- (iii) 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.
- (iv) The two balances shown by a three Column Cash Book are \_\_\_\_\_ and \_\_\_\_\_.
- (v) Under Imprest System of Petty Cash Book, the Petty Cashier is reimbursed with the amount equivalent to what he spent during the \_\_\_\_\_.
- (vi) The amount which is paid to the petty cashier at the beginning of a period is known as \_\_\_\_\_.

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**9.6 WHAT YOU HAVE LEARNT**

1. Meaning : A Book in which transactions involving Cash receipts and Cash payments are recorded is known as Cash Book.

Type of Cash Book :

- (1) Simple Cash Book
- (2) Two Column Cash Book
- (3) Three Column Cash Book
- (4) Petty Cash Book

- 3 Simple Cash Book :- A Cash Book, which has only one amount column on both sides for recording receipts and payments of cash is called Simple Cash Book.
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- 4 Two Column Cash Book :- A Cash Book which has two columns, one for recording discount and the other for recording cash on its both sides is called Two-column Cash Book.
- 5 Three Column Cash Book :- A Cash Book which has Discount, Cash and Bank Column on its both sides is called Three-column Cash Book.
- 6 Contra Entry
- An accounting entry which is recorded on both the debit and credit sides of the Cash Book is known as Contra entry. As no posting is required for such an entry in the ledger, the letter 'C' is put in the ledger folio column on both the sides of the Cash Book. This includes the recording of the following two types of transactions:-
- (a) Cash deposited into Bank from office.
  - (b) Cash withdrawn from Bank for office use.
- 7 Petty Cash Book :- A book having record of small payments or expenses for a particular period of time maintained by Petty Cashier.

## 9.7 TERMINAL QUESTIONS

Answer the following questions (in 1-10 words).

- a. Name the book which keeps record of Cash receipts and Cash payments.
- b. How many columns are there on each side of a simple Cash Book?
- c. What difference do you observe in the columns of the simple, two and three column Cash Books?
- d. On which side of the Cash Book are the receipts entered?
- e. What does 'C' stand for in a Three Column Cash Book?
- f. What does the total of discount in the credit side of the cash Book show?

2. Answer the following (in 30-40 words)
  - a. How is a Cash Book balanced?
  - b. What is a Contra Entry?
  - c. What is meant by Imprest System of maintaining Petty Cash Book?
  - d. Prepare the format of 'Three-column' Cash Book.
3. What is Cash Book? How is it important for a business?
4. What do you mean by Petty Cash Book ? Also explain the need the imprest system of petty cash book with suitable example.
5. Enter the following transactions in the Simple column cash book of Mr. Mittal.

1996	Rs.
July 1 Started business with Cash	20,000
" 2 Purchased Furniture	1,500
" 2 Purchased Electrical fittings	500
" 4 Purchased goods	4,500
" 6 Sold goods for Cash	750
" 8 Paid for goods	1,500
" 9 Cash Sales	800
" 12 Paid interest	20
" 15 Paid Miscellaneous expenses	20
" 16 Withdrawn for personal expenses	500
" 18 Sold goods for Cash	2,000
" 26 Paid rent	1,400
" 28 Received Commission	150

6. Enter the following transactions in Cash Book with Discount columns/ Two Column Cash Book

1995		Rs.
Jan 1	Cash in Hand	1,500
" 6	Paid to Rohit	300
	Discount allowed by him	10
" 10	Purchased goods	400
" 12	Received from R. Kalra	980
	Discount allowed to him	20
" 16	Sold goods for Cash	400
" 21	Paid to Shrey	295
	Discount received	5
" 25	Paid wages	50
" 31	Paid to Murty in full settlement of his account which showed a credit balance of Rs.400	390

7. Enter the following transactions in Two column Cash Book

1996		Rs
April 1	Mr. Satish Commenced business with Cash	65,000
" 4	Bought goods for Cash	6,850
" 6	Paid Mr. Lalit Cash	1,950
	Discount allowed	60
" 8	Deposited in Bank	40,000
" 8	Paid for office Furniture Cash	4,650
" 12	Sold goods for Cash	3,000
" 13	Paid Wages in Cash	1,200

"	14	Paid for stationery	400
"	15	Sold goods for Cash	8,500
"	17	Paid for Miscellaneous Expenses	450
"	19	Received Cash from A. Kumar & Sons	4,850
		Allowed him discount	150
"	21	Purchased a Stereo	2,500
"	22	Paid Salary	4,000
"	23	Paid Amit	4,850
		Discount allowed by him	50
"	28	Paid Electricity Bill	350
"	29	Paid for advertising	400
"	30	Received from Arun Rs. 3950 in full settlement of his A/c of	4,000
"	31	Paid into Bank	5,000

8. Prepare Three column Cash Book from the following transactions:-

1996

June 1	Cash in Hand	1,6000	
	Cash at Bank	10,000	
"	4	Received cheque from Anand & Co. in full settlement of his account of	5,000
		Discount allowed to him	50
"	5	Bought goods by cheque	8,000
"	7	Anand & Co's cheque deposited into Bank	
"	8	Bought goods for cash	200
"	12	Paid Trade expenses	100

"	17	Paid into Bank	1,000
"	18	Man Singh, who owed Rs.2,000 became bankrupt and paid us 50 paise in a rupee	
"	20	Received from Gautam	100
		Allowed him discount	2
"	21	Paid Rs.250 to Mohan and he allowed us discount	5
"	22	Withdrew from Bank for Private use	200
"	26	Sold goods for Cash	100
"	27	Received a cheque for goods sold	900

9. Prepare Three-column Cash Book from the following transactions:

1995		Rs.
Jan 1	Cash in hand	567
	Cash in Bank	12,675
"	2 Deposited into Bank	500
"	5 Received from Ajay and allowed discount	790 10
"	7 Purchased furniture for cash	250
"	8 Paid by cheque to Sanjay and discount allowed by him	745 5
"	13 Received from Sameer by cheque and deposited into Bank	500
"	15 Cash Sales	785
"	Deposited into bank	1,000

"	17	Purchased a motor-car and paid by cheque	5,240
"	19	Paid by cheque to Dilip and received discount	367 3
		withdrew from Bank for office use	250
"	22	Purchased goods for Cash	350
"	25	Paid establishment expenses through Bank	450
"	31	Paid rent in Cash	50

### 9.8 ANSWER TO INTEXT QUESTIONS

- 9.1 I. (i) Receipts, Payments  
(ii) Cash Balance  
(iii) More  
(iv) To Balance b/d  
(v) Credit or non-cash

II.	S. No.	Debit Side	Credit Side
	1.	√	—
	2.	—	√
	3.	√	—
	4.	—	—
	5.	—	√
	6.	—	√

III. Under Credit side – By balance c/d 7,600

Totals of Debit and Credit side 22,300

9.2 I. (i) Debit (ii) Credit (iii) Debit  
(iv) Debit (v) Debit (vi) Credit  
(vii) Credit

II. (i) R (ii) NR (iii) R  
(iv) NR (v) R. (vi) R

9.3 (i) Bank (ii) Contra entry  
(iii) Debit, Cash (iv) Cash and Bank  
(v) Previous month (vi) Imprest Amount