**CASH BOOKS**

A cashbook records all the receipts (cash and cheques from customers and debtors or other sources of income) and all the payments (to creditors or suppliers and other expenses) for a particular financial period. The cashbook will also show us the cash at bank and cash in hand position of the firm.

There are two types of cashbooks:

1. Cash in hand cashbook, which records the cash transactions in the firm or business.
2. Cash at bank cashbook, which records the transactions at/with, the bank.

The cashbook is the most important book of prime entry because it forms part of the general ledger and records the source documents (receipts and cheques). The cash at bank cashbook and cash in hand cashbook are combined together to get a two-column cashbook. The format is as follows:

**Two-column cashbook.**

CASH BOOK

Date Details Cash Bank Date Details Cash Bank

(£) (£) (£) (£)

Additional columns for discounts allowed and discounts received can be included with the cash at bank columns to get a 3 – column cashbook. The format is as follows:

Date Details Discount Cash Bank Date Details Discounts Bank Cash

Allowed (£) (£) Received £) (£)

The balance carried down (Bal c/d) for cash in hand and cash at bank will form part of the ledger balances and the discounts allowed and discounts received columns will be added and the totals posted to the respective discount accounts. The discount allowed total will be posted to the debit side of the discount allowed account in the general ledger and the total of the discount received will be posted to the credit side of the discount-received account of the general ledger.

Cash at bank can have either a credit or debit balance. A debit balance means the firm has some cash at the bank and a credit balance means that the account at the bank is overdrawn. (the firm owes the bank some money).

Example

Write up a two-column cashbook from the following details, and balance off as at the end of the month:

2003

May 1 Started business with capital in cash £1,000.

“ 2 Paid rent by cash £100.

“ 3 F Lake lent us £5,000, paid by cheque.

“ 4 We paid B McKenzie by cheque £650.

“ 5 Cash sales £980.

“ 7 N Miller paid us by cheque £620.

“ 9 We paid B Burton in cash £220.

“ 11 Cash sales paid direct into the bank £530.

“ 15 G Moores paid us in cash £650.

“ 16 We took £500 out of the cash till and paid it into the bank account.

“ 19 We repaid F Lake £1,000 by cheque.

“ 22 Cash sales paid direct into the bank £660.

“ 26 Paid motor expenses by cheque £120.

“ 30 Withdrew £1,000 cash from the bank for business use.

“ 31 Paid wages in cash £970.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash Book | | | | | |
|  | Cash | Bank |  | Cash | Bank |
| Capital | 1000 |  |  |  |  |
| F Lake (loan) |  | 5000 |  |  |  |
| Sales | 980 |  |  |  |  |
| N Miller |  | 620 |  |  |  |
| Sales |  | 530 |  |  |  |
| G Moores | 650 |  |  |  |  |
| Cash C |  |  |  |  |  |
| Sales |  |  |  |  |  |
| Bank C |  |  |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Cash Book** | | | | | |
|  | Cash | Bank |  | Cash | Bank |
| Capital | 1000 |  | Rent | 100 |  |
| F. Lake (Loan) |  | 5000 | B McKenzie |  | 650 |
| Sales |  | 980 | B Burton | 220 |  |
| N Miller |  | 620 | Bank C | 500 |  |
| Sales |  | 530 | F Lake (loan) |  | 1000 |
| G Moores | 650 |  | Motor Expenses | 120 | 100 |
| Cash C |  | 500 | Cash C |  |  |
| Sales |  | 660 | Wages | 970 |  |
| Bank C |  | 1000 | Balances c/d | 1840 | 4540 |
|  | 3630 | 7310 |  | 3630 | 7310 |

Example

A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

19x8

Mar 1 Balances brought forward: Cash £230; Bank £4,756.

“ 2 The following paid their accounts by cheque, in each case deducting 5 percent

discounts: R Burton £140; E Taylor £220; R Harris £800.

“ 4 Paid rent by cheque £120.

“ 6 J Cotton lent us £1,000 paying by cheque.

“ 8 We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black £360; P Towers £480; C Rowse £300.

“ 10 Paid motor expenses in cash £44.

“ 12 H Hankins pays his account of £77, by cheque £74, deducting £3 cash discount.

“ 15 Paid wages in cash £160.

“ 18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston £260; R Wilson & Son £340; H Winter £460.

“ 21 Cash withdrawn from the bank £350 for business use.

“ 24 Cash Drawings £120.

“ 25 Paid T Briers his account of £140, by cash £133, having deducted £7 cash discount.

“ 29 Bought fixtures paying by cheque £650.

“ 31 Received commission by cheque £88.

**Answer**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash Book** | | | | | | | |
|  | Disct | Cash | Bank |  | Disct | Cash | Bank |
| Bank |  |  |  |  |  |  |  |
| Bal b/d |  | 230 | 4756 | Rent |  |  | 120 |
| R Burton | 7 |  | 133 | N Black | 9 |  | 351 |
| E Taylor | 11 |  | 209 | P Towers | 12 |  | 468 |
| R Harris | 15 |  | 285 | C Rowse | 20 |  | 780 |
| J Cotton: loan |  |  | 1000 | Motor expenses |  | 44 |  |
| H Hankins | 3 |  | 74 | Wages | 160 |  |  |
| C Winston | 13 |  | 247 | Cash |  |  | 350 |
| R Wison & Son | 17 |  | 323 | Drawings |  | 120 |  |
| H Winter | 23 |  | 437 | T Briers | 7 | 133 |  |
| Bank |  | 350 |  | Fixtures |  |  | 650 |
| Commission |  |  | 88 | Balances c/d |  | 123 | 4833 |
|  | 89 | 580 | 7552 |  | 48 | 580 | 7552 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Discounts Received | | | | | |
|  |  |  | 3/1 | Sundry Creditors | 48 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Discounts Allowed | | | | | |
| 3/1 | Sundry Debtors | 89 |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

Petty Cash Book and the imprest system of Accounting.

Petty Cash Book is a record of all the petty cash vouchers raised and kept by the cashier. The petty cash vouchers will show summary expenses paid by the cashier and this information is listed and classified in the petty cash book under the headings of the relevant expenses such as:

* Postage and stationery
* Traveling
* Cleaning expenses.

The format is as shown:

Petty Cash Book

Receipts Date Detail Payments Expenses The

Amount Postage Stationery Traveling Ledger

The balance c/d of the petty cash book will signify the balance of cash in hand or form part of cash in hand. The totals of the expenses are posted to the debit side of the expense accounts. If a firm operates another cashbook in addition to the petty cash book, then the totals of the expenses will also be posted on the credit side of the cash in hand cashbook.

**The Imprest system**

This system of accounting operates on a simple principle that the cashier is refunded the exact amount spent on the expenses during a particular financial period. At the beginning of each period, a cash float is agreed upon and the cashier is given this amount to start with. Once the cashier makes payments for the period he will get a total of all the payments made against which he will claim a reimbursement of the same amount that will bring back the amount to the cash float at the beginning of the period.

This is demonstrated as follows:

£

Start with (float) 1,000

Expenses paid (720)

Balance 280

Reimbursement 720

Cash float 1,000

**Example**

A cashier in a firm starts with £2,000 in the month of March (that is the cash float). I n the following week, the following payments are made:

£

1st March – bought stamps for 80

2nd March – paid bus fare for 120

2nd March – cleaning materials 240

3rd March – bought fuel 150

3rd March – cleaning wages 300

4th March – bought stamps 200

4th March – paid L. Thompson (creditor) 400

5th March – fuel costs 150

On the 5th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

**Required:**

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger.

**Answer**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Receipts | Date | Detail | Payments | Expenses | | | The Ledger |
| (£) |  |  | Amount  (£) | Postage (£) | Cleaning (£) | Travel  (£) | (£) |
| 2000 | 1/3 | Bal b/d |  |  |  |  |  |
|  | 1/3 | Stamps | 80 | 80 |  |  |  |
|  | 2/3 | Bus Fare | 120 |  |  | 120 |  |
|  | 2/3 | Cleaning Materials | 240 |  | 240 |  |  |
|  | 3/3 | Fuel | 150 |  |  | 150 |  |
|  | 3/3 | Cleaning wages | 300 |  | 300 |  |  |
|  | 4/3 | Stamps | 200 | 200 |  |  |  |
|  | 4/3 | L Thompson | 400 |  |  |  | 400 |
|  | 5/3 | Fuel | 150 | . | . | 150 | . |
|  |  |  | 1640 | 280 | 540 | 420 | 400 |
| 1640 | 5/3 |  |  |  |  |  |  |
|  | 5/3 | Bal c/d | 2000 |  |  |  |  |
| 3640 |  |  | 3640 |  |  |  |  |
| 2000 | 6/3 | Bal b/d |  |  |  |  |  |