

Little Flower Matriculation Higher Secondary School
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11 - Accountancy
Unit - 7 Subsidiary Books - II

I. Choose the Correct Answers

1. Cash book is a
(a) Subsidiary book (b) Principal book
(c) Journal proper **(d) Both subsidiary book and principal book**
2. The cash book records
(a) All cash receipts (b) All cash payments
(c) Both (a) and (b) (d) All credit transactions
3. When a firm maintains a simple cash book, it need not maintain
(a) Sales account in the ledger (b) Purchases account in the ledger
(c) Capital account in the ledger **(d) Cash account in the ledger**
4. A cash book with discount, cash and bank column is called
(a) Simple cash book (b) Double column cash book
(c) Three column cash book (d) Petty cash book
5. In Triple column cash book, the balance of bank overdraft brought forward will appear in
(a) Cash column debit side (b) Cash column credit side
(c) Bank column debit side **(d) Bank column credit side**
6. Which of the following is recorded as contra entry?
(a) Withdrew cash from bank for personal use
(b) Withdrew cash from bank for office use
(c) Direct payment by the customer in the bank account of the business
(d) When bank charges interest

7. If the debit and credit aspects of a transaction are recorded in the cash book, it is
(a) **Contra entry** (b) Compound entry (c) Single entry (d) Simple entry
8. The balance in the petty cash book is
(a) An expense (b) A profit (c) **An asset** (d) A liability
9. Petty cash may be used to pay
(a) **The expenses relating to postage and conveyance**
(b) Salary to the Manager
(c) Purchase of furniture and fixtures (d) Purchase of raw materials
10. Small payments are recorded in a book called
(a) Cash book (b) Purchase book (c) Bills payable book (d) **Petty cash book**

II. Very short answer

1. What is cash book?

- (i) Cash book is the book in which only cash transactions are recorded.
- (ii) The cash book is the book of original entry or prime entry.
- (iii) Cash receipts are recorded on the debit side while cash payments are recorded on the credit side.

2. What are the different types of cash book?

- (i) Simple or single column cash book (only cash column).
- (ii) Cash book with cash and discount column (double column cash book).
- (iii) Cash book with cash, discount and bank columns (three column cash book).
- (iv) Petty cash book

3. What is simple cash book?

- (i) Single column cash book or simple cash book, like a ledger account has only one amount column, i.e., cash column on each side.
- (ii) Only cash transactions are recorded in this book.
- (iii) All cash receipts and payments are recorded systematically in this book.

4. Give the format of 'Single column cash book'.

Dr. **Simple Cash Book** **Cr.**

Date	Receipts	R.N.	L.F.	Amount	Date	Payments	V.N.	L.F	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

5. What is double column cash book?

- It is a cash book with cash and discount columns.
- As there are two columns, i.e., discount and cash columns, both on debit and credit sides, this cash book is known as 'double column cash book'.

6. Give the format of 'Double column cash book'.**Cash book with cash and discount columns**

Date	Receipts	R.N	L.F	Amount		Date	Payments	R.N	L.F	Amount	
				Discount	Cash					Discount	Cash

7. What is three column cash book?

- A three column cash book includes three amount columns on both sides, i.e., cash, bank and discount.
- This cash book is prepared in the same way as simple and double column cash books are prepared.
- The transactions which increase the cash and bank balance are recorded on the debit side of the cash and bank columns respectively.

8. What is cash discount?

- Cash discount is allowed to the parties making prompt payment within the stipulated period of time or early payment.
- It is discount allowed (loss) for the creditor and discount received (gain) for the debtor who makes payment.
- The discount is allowed when payment is received or made.
- Hence, the entry for discount is also passed with the entry of payment.

9. What is trade discount?

- (i) Trade discount is a deduction given by the supplier to the buyer on the list price of the goods.
- (ii) It is given as a trade practice or when goods are purchased in large quantities.
- (iii) It is shown as a deduction in the invoice.

10. What is a petty cash book?

- (i) Business entities have to pay various small expenses like taxi fare, bus fare, postage, carriage, stationery, etc.
- (ii) If all these small payments are recorded in the main cash book, it will be loaded with lot of entries.
- (iii) Hence, all petty payments of the business may be recorded in a separate book, which is called as petty cash book.

III. Short answer**1. Explain the meaning of imprest system of petty cash book.**

- (i) The amount given to the petty cashier in advance is known as “Imprest Money”.
- (ii) The word imprest means payment in advance.
- (iii) The petty cashier makes payments from this amount and records them in petty cash book.
- (iv) At the end of a particular period, the petty cashier submits the petty cash book to the head cashier.
- (v) The head cashier scrutinises the petty payments and gives amount equal to the amount spent by petty cashier.
- (vi) Under the system, the total cash with the petty cashier never exceeds the imprest at any time during the period.

2. Bring out the differences between cash discount and trade discount.

S.No	Basis	Cash discount	Trade discount
1.	Purpose	Cash discount is allowed to encourage the buyers of goods to make payment at an early date.	Trade discount is allowed to encourage buyers to buy goods in large quantities.
2.	Time of Allowance	Cash discount is allowed by the seller or creditor to the buyer or debtor at the time of making payment.	Trade discount is allowed by the seller to the buyer when goods are sold.
3.	Amount of Discount	Cash discount is related to time. The earlier the payment, the more will be the cash discount.	Trade discount is generally related to the quantity of purchase or sale. The more the purchases, the more will be the rate and amount of discount.
4.	Deduction from invoice value	Cash discount is not deducted from the invoice value of goods.	Trade discount is deducted from the list price of the goods.

3. Write the advantages of maintaining petty cash book.

- (i) There can be better control over petty payments.
- (ii) There is saving of time of the main cashier.
- (iii) Cash book is not loaded with many petty payments.
- (iv) Posting of entries from main cash book and petty cash book is comparatively easy.

4. Write a brief note on accounting treatment of discount in cash book.

- (i) Discount column represents discount allowed on the debit side and discount received on the credit side.
- (ii) For the seller who allows cash discount, it is a loss and hence it is debited and shown on the debit side of the cash book.

- (iii) For the person making payment, discount received is a gain because less payment is made and it is credited and shown on the credit side of the cash book.
- (iv) The cash columns are balanced.
- (v) Discount columns are not balanced, since debit represents discount allowed and credit represents discount received.
- (vi) They are totalled, separately.

5. Briefly explain about contra entry with examples.

- (i) When the two accounts involved in a transaction are cash account and bank account, then both the aspects are entered in cash book itself.
- (ii) As both the debit and credit aspects of a transaction are recorded in the cash book, such entries are called contra entries.

Example:

- (a) When cash is paid into bank, it is recorded in the bank column on the debit side and in the cash column on the credit side of the cash book.
- (b) When cash is drawn from bank for office use, it is entered in cash column on the debit side and in the bank column on the credit side of the cash book.

Thank You

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