4.2 | Cash book

- **Cash receipts journal**
- **Cash payments journal**
- **General ledger**
- **Cheque transactions**

Summary

Concept Map
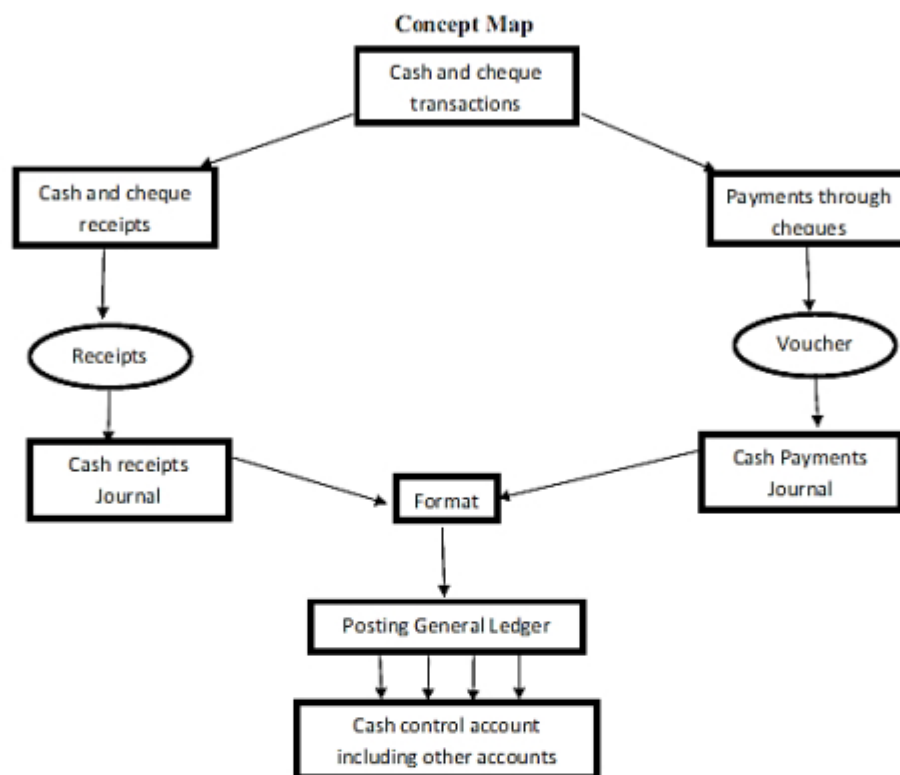
Cash receipts journal

- Cash receipts journal is the prime entry book where receipts of money for whatever reason is recorded for the first time
- Source document: Receipt voucher

						Receipts analysis		
Date	Receipt No.	Description	Discount Allowed (Rs)	Value (Rs.)	Cash Sales	Debtors Receipts	Income	Other Receipts
			xx	xxx	xx	xx	xx	xx
			(1)		(2)	(3)	(4)	(5)

CASH RECEIPTS JOURNAL / RECEIPTS JOURNAL

Cash payments journal

- Cash payments journal is the prime entry book where payments of money for whatever reason is recorded for the first time
- Source document: Payment voucher

			CASH PAYMENTS JOURNAL / PAYMENTS JOURNAL			Payments Analysis		
Date	Voucher No.	Description	Discount Received (Rs)	Value (Rs.)	Cash Purchases	Payments to Creditors	Expenses	Other Payments
			xx	xxx	xx	xx	xx	xx
			(6)		(7)	(8)	(9)	(10)

General Ledger

- After the cash transactions of a business are entered in the Receipts and Payments Journals, they must be posted to the General Ledger following double entry principles
- General Ledger (or nominal ledger) is the main record where all of the company's accounting transactions that take place over its lifetime are held
- A control a/c is a summary-level account in the general ledger, which contains aggregated totals for transactions that are stored individually in subsidiary-level ledgers

Cash account / Cash Control account				(Rs.)
	Balance b/f	xx	(7) Purchases a/c	xx
(2)	Sales a/c	xx	(8) Creditors Control a/c	xx
(3)	Debtors Control a/c	xx	(9) Expenses	xx
(4)	Other Income a/c	xx	(10) Other payments	xx
(5)	Other receipts a/c	xx	Balance c/f	xx
		xxx		xxx
	Balance b/f	xx		

OR

Cash account / Cash Control account			(Rs.)
Balance b/f	xx	Various a/cs - Payments	xx
Various a/cs - Receipts	xx	Balance c/f	xx
	xxx		xxx
Balance b/f	xx		

The columnar totals in the Cash Receipts Journal must be posted to the General Ledger:

Discount allowed column total	Discount allowed a/c - debit	Debtors control a/c - credit
Sum total of each column	Cash control a/c - debit	
Total of cash sales column	Cash control a/c - debit	Sales a/c - credit
Total of Debtors receipts column	Cash control a/c - debit	Debtors control a/c - credit
Total of Income column	Cash control a/c - debit	Respective income a/c's – credit
Total of other income column	Cash control a/c - debit	Respective receipts a/c's – credit

The columnar totals in the Cash Payments Journal must be posted to the General Ledger:

Sum of the Discounts received column	Creditors Control a/c - Debit	Discount received a/c - credit
Sum of the Cash Purchases column	Purchases a/c - Debit	
Sum of the Payments to Creditors Column	Creditors Control a/c - Debit	
Sum of the other expenses column	Individual expense a/c's - Debit	
Sum of the total value column		Cash a/c - credit

Discounts

- There are two types of discounts:
  - Trade discounts
  - Cash discounts

- Trade discounts involve a deduction in value from listed price at the time of transaction. It is not recorded in accounts as a separate entry and the net value of the transaction should be recorded

- Cash discounts occur when credit transactions are being settled. There are two types of cash discounts:
  - Discount allowed
    - The discount given when debtors settle within the agreed period is discount allowed. It is an expense for the business.
    - *DR Discount allowed a/c: CR Debtors a/c*
  - Discount received
    - The discount received when creditors are settled within the agreed period is discount received. It is an income for the business.
    - *DR Creditors a/c; CR Discount received a/c*

- Please note that both the DA & DR columns in the cash book are memorandum columns which are used only for the prime entry book's purpose. They have to be entered in ledgers separately.