

Dr.

Purchase Return Account

Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 March 31	To Balance c/d		200	2003 Mar. 3	By Sharma		200
			200				200
				Feb. 1	To Balance b/d		200

Dr.

Sales Return Account

Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2003 March 5	To Varma		400	2003 Mar. 31	By Balance c/d		600
16	To Murugan		200				600
			600				
Feb. 1	To Balance b/d		600				

(7) **Cash Book** : Cash Book is used for recording the transactions relating to cash receipts and cash payments. In order to adjust the cash book according to the needs and convenience, the Cash Book has divided into two sides for recording the cash receipts and payments. Accordingly cash receipts are recorded on one side (Debit Side) and cash payments are recorded on the other side (Credit Side). Thus, Cash Books is used in practice and it services the purpose of original entry as well as a book of ledger account.

The following are the classification of Cash Book such as:

- (1) Simple Cash Book (Single Column)
- (2) Two Column Cash Book (Cash Book with Discount Column)
- (3) Three Column Cash Book (Cash Book with Bank and Discount Column)
- (4) Petty Cash Book

(1) Simple Cash Book

This type of cash book is usually used like an ordinary cash account. It refers to recording of transactions relating to all receipts and payments of cash during a particular period. The specimen ruling of the Simple Column Cash Book is as follows :

Dr.

Simple Cash Book (Single Column)

Cr.

Date	Receipts Particulars	R.N.	L.F.	Amount Rs.	Date	Payment Particulars	R.N.	L.F.	Amount Rs.

From the above specimen of Simple Cash Book Journal the following points can be observed :

- (1) It has divided into two parts, i.e., Debit Side and Credit Side.
- (2) All receipts of cash are recorded in Debit Side and all payments of cash are recorded in Credit Side of Cash Book.
- (3) L.F. – Stands for Ledger Folio, i.e., reference to Main Book
- (4) R.N. – Stands for Receipt No., i.e., reference for Receipts.
- (5) V.N. – Stands for Voucher No., i.e., reference for Payments

Illustration: 19

From the information given below, you are required to prepare Simple Cash Book of Mr. John :

2003

- Jan. 1 Cash in hand Rs. 10,000
 1 Cash paid into Bank Rs. 20,000
 3 Goods purchased for cash Rs. 15,000
 5 Cash received from David Rs. 10,000
 7 Goods sold for cash Rs. 30,000
 9 Paid for stationery Rs. 5,000
 10 Paid to rent Rs. 4,000
 13 Paid into Bank Rs. 15,000
 15 Cash received from Govind Rs. 7,000
 17 Paid for advertisement Rs. 5,000
 18 Sold goods for cash Rs. 10,000
 20 Dividend received Rs. 3,000
 23 Paid Interest Rs. 2,000
 25 Bought goods for cash Rs. 10,000
 27 Cash received from Ram Rs. 15,000
 31 Paid for repair charges Rs. 1,000

Solution:

Dr.

Cash Book of John (Single Column)

Cr.

Date	Receipts Particulars	V.N.	L.F.	Amount Rs.	Date	Payment Particulars	V.N.	L.F.	Amount Rs.
2003					2003				
Jan.1	To Balance b/d			10,000	Jan.1	By Bank			20,000
5	To David			10,000	3	By Purchases			15,000
7	To Sales			30,000	9	By Stationery			5,000
15	To Govind			7,000	10	By Rent			4,000
18	To Sales			10,000	13	By Bank			15,000
20	To Dividend			3,000	17	By Advertisement			5,000
27	To Ram			15,000	23	By Interest			2,000
					25	By Purchases			10,000
					31	By Repair Charges			1,000
					31	By Balance c/d			8,000
				85,000					85,000
Feb.1	To Balance b/d			8,000					

Illustration: 20

Enter the following transactions in the cash book of James & Co.:

2003	
Mar. 1	James & Co. commences business with Rs. 60,000 in cash
3	Goods purchased for cash from Pande & Co. Rs. 7,400
16	Cash Sales Rs. 9,000
25	Paid cash to Chandra & Co. Rs. 3,000
26	Paid cash for furniture Rs. 4,000
27	Paid commission Rs. 300
28	Paid salaries to office staff Rs. 500
29	Paid for Advertising Rs. 400
30	Received commission Rs. 500
31	Paid office rent Rs. 1,000

Solution:

Dr.				Simple Cash Book				Cr.	
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.		
2003				2003					
Mar. 1	To Capital		60,000	Mar. 3	By Purchases		7,400		
" 16	To Sales		9,000	" 25	By Chandra & Co.		3,000		
" 30	To Commission		500	" 26	By Furniture A/c		4,000		
				" 27	By Commission		300		
				" 29	By Salaries		500		
				" 29	By Advertising		400		
				" 31	By Office Rent		1,000		
				" 31	By Balance c/d		52,900		
			69,500				69,500		
Apr. 1	To Balance b/d		52,900						

(2) Two Column Cash Book

It is also known as Cash Book with Discount Column. This Cash Book is meant for recording transactions relating to all receipts and payments of cash and discount. In the two column cash book, on each side there are two columns which are as follows :

- (1) Two columns with each side:
Cash and Discount Columns with Debit Side.
Cash and Discount Columns with Credit Side.
- (2) Discount Column indicates: recording all discounts allowed and received:
Debit Side: recording all discounts allowed by firm.
Credit Side: recording all discounts received by firm.
- (3) Cash Column indicates : recording all cash receipts and cash payments:
Debit Side: recording all cash receipts.
Credit Side: recording all cash payments.

Illustration: 21

From the following transactions, you are required to prepare a Cash Book with Cash and Discount Columns:

- 2003
- March 1 Balance of cash in hand Rs. 10,000
- 2 Paid into Bank Rs. 8,000
- 3 Purchased goods and paid by cheque Rs. 2,000
- 4 Paid for advertising Rs. 100
- 5 Purchased furniture and paid by cheque Rs. 200
- 6 Received for cash sales Rs. 1,000
- 7 Received a cheque for Rs. 1,400 from Mr. M and allowed him a discount of Rs. 15
- 8 Gave a cheque for Rs. 1,700 and was allowed a discount of Rs. 20
- 10 Mr. R directly paid into Bank in our account Rs. 900
- 14 Paid into Bank Rs. 2,000
- 17 Withdraw for office use Rs. 100
- 27 Received from Mr. K by money order Rs. 95
- 29 Withdraw by cheque for personal use Rs. 75

Solution:

Dr.					Cr.				
Cash Book (Double Columns)									
Date	Particulars	L.F.	Discount Rs.	Cash Rs.	Date	Particulars	L.F.	Discount Rs.	Cash Rs.
2003					2003				
Mar.1	To Balance b/d			10,000	Mar.2	By Bank			8,000
6	To Sales			1,000	3	By Purchases			2,000
7	To Mr. M		15	1,400	4	By Advertisement			100
17	To Bank			100	5	By Furniture			200
27	To Mr. K			95	8	By Bank		20	1,700
					10	By Mr. R			900
31	To Balance c/d			2,380	14	By Bank			2,000
					29	By Drawings			75
			15	14,975				20	14,975
					Apr.1	By Balance b/d			2,380

Illustration: 22

From the following particulars, you are required to prepare a Cash Book with Cash and Discount Columns only :

- 2003
- Jan.1 Cash in hand Rs. 20,000
- 2 Paid into Bank Rs. 10,000
- 3 Purchase office furniture by cheque Rs. 5,000
- 4 Sold goods for cash Rs. 3,000
- 7 Paid Sharma Rs.1,000 and was allowed a discount of Rs. 60
- 10 Received Rs. 2,000 from cash Sales
- 11 Paid for cash purchases Rs. 2,840 and received Rs. 160 as discount
- 13 Withdrawn for personal use Rs. 2,000
- 20 Drawn from bank for office use Rs. 500

- 25 Paid salaries in cash Rs. 500
 29 Received for cash sales Rs. 1,500
 31 Deposited in bank Rs. 5,000

Solution:

Dr. Cash Book (Double Columns)					Cr.				
Date	Particulars	L.F.	Discount Rs.	Cash Rs.	Date	Particulars	L.F.	Discount Rs.	Cash Rs.
2003					2003				
Jan.1	To Balance b/d			20,000	Jan.2	By Bank			10,000
4	To Sales			3,000	3	By Furniture			5,000
10	To Sales			2,000	7	By Sharma		60	1,000
20	To Bank			500	11	By Purchases		160	2,840
29	To Sales			1,500	13	By Drawings			2,000
					25	By Rent			500
					31	By Bank			5,000
					31	By Balance c/d			660
				27,000				220	27,000
Feb.1	To Balance b/d			660					

Illustration: 23

From the following transactions of Chandha & Co., you are required to prepare a Double Column Cash Book :

2003

- Mar.1 Balances of cash in hand Rs. 3,200
 4 Paid to Srivastava (discount allowed Rs. 40) Rs. 1,460
 6 Goods sold to Ram for cash Rs. 800
 8 Brought furniture for cash Rs. 3,000
 10 Sale of old newspapers Rs. 40
 12 Received cash from Basu & Co. in full settlement of his debt Rs. 1,200 (Rs. 1,140)
 13 Received cash from Shukla & Co. (discount allowed Rs. 30) Rs. 800
 15 Paid Salaries to office staff Rs. 1,000
 20 Received from Tandan & Co. against debt previously written off Rs. 300
 25 withdraw from bank Rs. 800
 31 Sale of old furniture Rs. 600

Dr. Cash Book (Double Column)					Cr.				
Date	Particulars	L.F.	Discount Rs.	Cash Rs.	Date	Particulars	L.F.	Discount Rs.	Cash Rs.
2003					2003				
Mar.1	To Balance b/d			3,200	Mar.4	By Srivastava A/c		40	1,560
"6	To Sales A/c			800	" 8	By Furniture A/c			3,000
"10	To Old Newspaper's A/c (Sales for Cash)			40	" 15	By Salaries A/c			1,000
"12	To Basu & Co. A/c		60	1,140	" 31	By Balance c/d			3,120
"13	To Shukla & Co. A/c		30	800					

"20	To Bad Debts A/c		300				
"25	To Bank A/c		800				
	(Withdrawals)						
"31	To Old Furniture A/c		600				
	(Sale of Old furniture)						
		90	7,680			40	7,680
Apr. 1	To Balance b/d		3,120				

(3) Three Column Cash Book

Three Column Cash Book is also known as "Cash Book with Discount and Bank Column." This cash book has divided into three columns on each side which are as follows :

- (1) **Three Columns with Each Side:**
 - (a) Cash, Discount and Bank Columns with Debit Side.
 - (b) Cash, Discount and Bank Columns with Credit Side.
- (2) **Cash Column Indicates :** Recording all Cash Receipts and Cash Payments.

Debit Side : Recording all Cash Receipts.

Credit Side : Recording all Cash Payments.
- (3) **Discount Column Indicates :** Recording all discounts allowed and discounts received.

Debit Side : Recording all discounts allowed by firm.

Credit Side : Recording all discounts received by firm.
- (4) **Bank Column Indicates :** Recording all deposits and withdrawals made in the bank.

Debit Side : Recording all deposits (both cash and cheque) are made in the bank.

Credit Side : Recording all withdrawals from the bank.
- (5) **'C'** – Stands for reference.
- (6) **L.F.** – Stands for Ledger Folio reference to main book.
- (7) **Contra Entries :** When the deposit is made in the bank, it is entered in debit side (receipts side) and credited in cash column on the credit side of the cash book. Similarly, when any amount withdrawn from bank for business purposes, it is recorded in debit side (receipts side) of cash column and bank column is credited on the payment side. Thus, both cash column and bank column in the cash book serves as Cash Account and Bank Account. There is no need to post them in ledger. Such type of entry appearing on both sides of the cash book is known as "Contra Entry." The capital letter 'C' is used for this purpose.
- (8) **Cheque Received :** When the cheque is received and it is encashed or deposited on the same day then it is directly recorded in the transactions on the debit side of bank column without entering in the cash column. If the cheques are received and they are encashed or deposited on the different dates, Contra Entry will be recorded in the cash book by entering debited in bank column and credited in cash column on the debit side of the cash book. Similarly, cheque payments are recorded on the credit side of the bank column in cash book.
- (9) **Cheques Dishonoured :** When the cheque is dishonoured, it should be recorded transactions credited in the bank column on the credit side of the cash book.

Illustration: 24

From the following transactions, you are required to Prepare Three Column Cash Book of Ramesh for the month of Jan. 2003:

2003

- Jan.1 Cash balance Rs. 10,000
 1 Bank balance Rs. 5,000
 2 Paid into Bank Rs. 2,000
 3 Paid office rent by cheque Rs. 500
 5 Paid Salaries Rs. 5,000
 7 Goods sold for cash Rs. 10,000
 8 Goods purchased by cheque Rs. 7,000
 11 Deposited into bank Rs. 5,000
 14 Goods purchased by cash Rs. 2,000
 17 Withdrawn from bank for office use Rs. 500
 18 Withdrawn from bank for personal use Rs. 400
 20 Nancy settled her account for Rs. 4,000 by giving a cheque for Rs. 3,850
 23 Received from Sharma Rs. 4,900 in full settlement of Rs. 5,000
 25 Paid into bank Rs. 4,000
 26 Goods purchased from Murugan for Rs. 1,500 by cheque
 30 Paid telephone charges Rs. 500

Solution:

CASH BOOK OF RAMESH (Three Columns)

Date	Particulars	V.N.	L.F.	Dis- count Rs.	Cash Rs.	Bank Rs.	Date	Particulars	V.N.	L.F.	Dis- count Rs.	Cash Rs.	Bank Rs.
2003							2003						
Jan.1	To Balance b/d				10,000	5,000	Jan.2	By Bank A/c (c)				2,000	
2	To Cash A/c (c)					2,000	3	By Rent					500
7	To Sales A/c				10,000		5	By Salaries A/c				5,000	
11	To Cash (c)					5,000	8	By Purchase					7,000
17	To Bank (c)				500		11	By Bank A/c (c)				5,000	
20	To Nancy A/c			150		3,850	14	By Purchase				2,000	
23	To Sharma A/c			100		4,900	17	By Cash A/c (c)					500
25	To Cash A/c (c)					4,000	18	By Drawings					400
							25	By Bank A/c (c)				4,000	
							26	By Murugan					1,500
							30	By Telephone Charges					500
						500	31	By Balance c/d				2,500	14,350
				250	20,500	24,750						20,500	24,750
Feb 1	To Balance b/d				2,500	14,350							

Illustration: 25

Enter the following transactions in Cash Book with Bank and Discount Columns :

2003

- Jan. 1 Jhon commenced business with Rs. 4,500 ✓
 3 Remitted in to current account with Indian Bank Rs. 3,500 ✓
 5 Issued a cheque to William for acquired a building Rs. 2,500 ✓
 8 Paid to Ram for office furniture by cheque Rs. 500
 12 Purchased goods by cheque Rs. 400
 14 Drawn Rs. 50 from bank
 17 Goods sold to Kumar for Rs. 600
 22 Deposits in to bank Rs. 1,000
 24 Goods purchased for Rs. 500 ✓
 25 Goods sold to Wilson by Cheque Rs. 750 ✓
 27 Paid Rs. 50 by cheque as the premium for insuring building against fire
 28 Paid office rent Rs. 25
 29 Withdrew from bank for personal use Rs. 250
 30 Paid wages Rs. 45
 31 Paid to James Rs. 540 in full settlement by cheque we owed to James Rs. 550 for goods purchased
 31 Received from Ravi & Co. a cheque for Rs.740 in full settlement of Rs. 755

Solution:

Dr.

Cash Book (Three Column)

Cr.

Date	Particulars	L.F.	Dis- count Rs.	Bank Rs.	Cash Rs.	Date	Particulars	L.F.	Dis- count Rs.	Bank Rs.	Cash Rs.
2003						2003					
Jan. 1	To Capital				4,500	Jan. 3	By Bank	C			3,500
" 3	To Cash	C		3,500		" 5	By Building			2,500	
" 14	To Bank	C			50	" 8	By Office Furniture			500	
" 17	To Sales				600	" 12	By Purchases			400	
" 22	To Cash	C		1,000		" 14	By Cash	C		50	
" 25	To Sales		15	750		" 22	By Bank	C			1,000
" 31	To Ravi & Co			740		" 24	By Purchases				500
						" 27	By Insurance Premium			50	
						" 28	By Office rent				25
						" 29	By Drawings			250	
						" 30	By Wages				45
						" 31	By James		10	540	
						" 31	By Balance c/d			1,700	80
			15	5,990	5,150				10	5,990	5,150
Feb. 1	To Balance b/d			1,700	80						

Illustration: 26

Enter the following transactions in the appropriate type of cash books :

2003

- Mar. 1 Opening balance :
 Cash in hand Rs. 15,000
 Cash at Bank Rs. 20,000
 3 Rent paid by cheque Rs. 10,000
 5 Cash received on account of sale of merchandise Rs. 15,000
 10 Paid to Mahesh & Co. by cheque Rs. 10,000 and earned Rs. 1,000 as cash discount

- 14 Received from Gupta & Co. by cheque Rs.10,000 and allowed him Rs. 500 as cash discount
 17 Cash Sales Rs. 1,00,000
 25 Good purchased for cash Rs. 75,000
 31 Salaries paid to office staff Rs. 25,000

Solution :

Dr.						Cr.					
Cash Book (Three Column)											
Date	Particulars	L.F.	Dis- count Rs.	Cash Rs.	Bank Rs.	Date	Particulars	L.F.	Dis- count Rs.	Cash Rs.	Bank Rs.
Mar. 1	To Capital			15,000	20,000	Mar. 3	By Rent A/c				10,000
"5	To Cash			15,000		"10	By Mahesh & Co. A/c		1,000	75,000	10,000
"14	To Bank				10,000	"25	By Purchase A/c			25,000	
"17	To Sales					"31	By Salaries A/c			30,000	10,000
"22	To Cash		500	1,00,000		"31	By Balance c/d				
			500	1,30,000	30,000				1,000	1,30,000	30,000
Apr. 1	To Balance b/d			30,000	10,000						

Petty Cash Book

Petty Cash Book has been designed in order to minimize the recording of numerous transactions in the cash book. This is also termed as "Analytical Petty Cash Book." In a business concern many small expenses incurred frequently relating to postage, stationery, carriage, cleaning, and travelling etc. These small expenses are recorded and maintained in a separate cash book is known as "Petty Cash Book."

A person who is responsible for recording and maintaining this Petty Cash Book is known as "Petty Cashier." Accordingly all small payments supported by vouchers or receipts are recorded in the petty cash book during a particular period.

To ensure the more convenient and efficient method of recording petty payments, it has divided in to separate column according to their respective heads of expenses in the petty cash book. This is used to record the total expenses incurred under each head is debited to the concerned expenses account (Nominal A/c) and credited to the Petty Cash Account.

Specimen Ruling of Petty Cash Book

The following is a specimen ruling of Petty Cash Book:

Dr.										Dr.
Petty Cash Book										
Cash Received Rs.	Date	Particulars	Vr. No Rs.	Total Amt. Paid Rs.	Postage & Telegram	Printing & Stationery	Carriage Rs.	Traveling Expenses Rs.	Sundry Expenses Rs.	

Illustration: 27

Enter the following transactions in a columnar Petty Cash book of Ram & Co. The cashier Mr. Anand started with an imprest of Rs. 250 on 1st March 2003, and was reimbursed the total amount expected at the end of the month.

2003

March 2	Typing papers Rs. 10, Telegrams Rs. 15
3	Postage Rs. 6, Conveyance Rs. 17
5	Traveling Rs. 18, Postage Rs. 14
7	Postage Rs. 10
10	Typing Papers Rs. 7
12	Telephone Charges Rs. 10
15	Office Cleaning Rs. 8
17	Telegrams Rs. 9
19	Miscellaneous Expenses Rs. 15
20	Stationery Rs. 16
23	Conveyance Rs. 15
27	Postage Rs. 16
29	Ink and Typing Paper Rs. 10
30	Telegrams Rs. 10