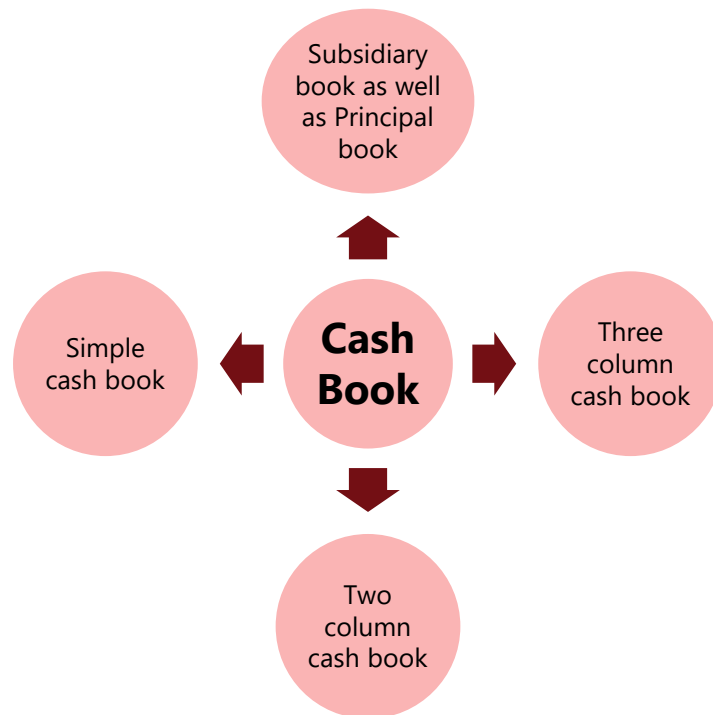


## UNIT 5 : CASH BOOK

### LEARNING OUTCOMES

**After studying this unit, you will be able to:**

- ◆ Understand that a Cash Book is a type of subsidiary book but treated as a principal book.
- ◆ Be familiar with various kinds of Cash Books, viz., Simple Cash Book, Two-column Cash Book and Three-column Cash Book.
- ◆ Learn the technique of preparation of Simple Cash Book and how to balance it.
- ◆ See how Double-Column Cash Book is prepared adding discount column alongwith cash column.
- ◆ Understand the techniques of preparing Three-column Cash Book.
- ◆ Understand what is a Petty Cash Book and the Imprest System of Petty Cash.
- ◆ Note the advantages of the Petty Cash Book.
- ◆ Learn how to maintain a Petty Cash Book and how to post the entries of the Petty Cash Book in the ledger.
- ◆ Understand the accounting of credit/debit sales transactions.

**UNIT OVERVIEW**

## 5.1 CASH BOOK - A SUBSIDIARY BOOK AND A PRINCIPAL BOOK

Cash transactions are straightaway recorded in the Cash Book and on the basis of such a record, ledger accounts are prepared. Therefore, the Cash Book is a subsidiary book. But the Cash Book itself serves as the cash account and the bank account; the balances are entered in the trial balance directly. The Cash Book, therefore, is part of the ledger also. Hence, it has also to be treated as the principal book. The Cash Book is thus both a subsidiary book and a principal book.



## 5.2 KINDS OF CASH BOOK

The main Cash Book may be of the three types:

- (i) Simple Cash Book;
- (ii) Two-column Cash Book;
- (iii) Three-column Cash Book.

In addition to the main Cash Book, firms also generally maintain a petty cash book but that is purely a subsidiary book.

### SIMPLE CASH BOOK

Such a cash book appears like an ordinary account, with one amount column on each side. The left-hand side records receipts of cash and the right-hand side the payments.

**Balancing:** The cash book is balanced like other accounts. The total of receipts column is always greater than total of payments column. The difference is written on the credit side as 'By balance c/d'. The totals are then entered in the two columns opposite one another and then on the debit side the balance is written as "To Balance b/d", to show cash balance in hand in the beginning of next period.

### ILLUSTRATION 1

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

2022		₹
Jan. 1	Cash in hand	1,200
" 5	Received from Ram	300
" 7	Paid Rent	30
" 8	Sold goods for cash	300
" 10	Paid to Shyam	700
" 27	Purchased Furniture	200
" 31	Paid Salaries	100
" 31	Rent due, not yet paid, for January	30

### SOLUTION

Dr.		Cash Book						Cr.
Date 2022	Receipts	L.F.	Amount ₹	Date 2022	Payments	L.F.	Amount ₹	
Jan. 1	To Balance b/d		1,200	Jan. 07	By Rent A/c		30	
" 5	To Ram A/c		300	" 10	By Shyam A/c		700	
" 8	To Sales A/c		300	" 27	By Furniture A/c		200	

				" 31	By Salaries A/c		100
				" 31	By Balance c/d		770
			1,800				1,800
2022							
Feb. 1	To Balance b/d		770				

**Note :**

- (i) In the simple cash book only the cash receipts and cash payments are recorded.
- (ii) The total of debit side is always greater than the total of credit side since the payment cannot exceed the available cash.
- (iii) The simple cash book is like an ordinary account.
- (iv) Rent due not yet paid for January has not been recorded in the cash book because no cash has been paid, hence it will be recorded through normal Journal entry.

**DOUBLE-COLUMN CASH BOOK**

If along with column for "Amount" to record cash receipts and cash payments another column is added on each side to record the cash discount allowed or the discount received, or a column on the debit side showing bank receipts and another column on the credit side showing payments through bank. It is a double-column cash book.

Cash discount is an allowance which often accompanies cash payments. For example, if a customer owes ₹ 500 but is promised that 2% will be deducted if payment is made within a certain period, the customer can clear his account by paying promptly ₹ 490. Cash received will be ₹ 490 and ₹ 10 will be the discount for the firm receiving the payment and discount is a loss; for the person making the payment it is a gain. Since cash discount is allowed only if cash is paid, it is convenient to add a column for discount allowed on the receipt side of the cash book and a column for discount received on the payment side of the cash book.

**Balancing:** It should be noted that the discount columns are not balanced. They are merely totalled. The total of the discount column on the receipts side shows total discount allowed to customers and is debited to the Discount Account. The total of the column on the payments side shows total discount received and is credited to the Discount Account. The Cash columns are balanced, as already shown. The bank columns are also balanced and the balancing figure is called bank balance. Thus a double column cash book should have two columns on each side comprising of either cash and discount transaction or cash and bank transactions.

In the cash column on the debit side, actual cash received is entered; the amount of the discount allowed, if any, to the customer concerned is entered in the discount column. Similarly, actual cash paid is entered in the cash column on the payments side and discount received in the discount column. Also the bank column on the debit side records all receipts through bank and the same column on the credit side shows payment through bank.

### ILLUSTRATION 2

Ganesh commenced business on 1st April, 2022 with ₹ 2,000 as capital. He had the following cash transactions in the month of April 2022:

		₹			₹
April 1	Purchased furniture and paid cash	250	April 7	Paid for petty expenses	15
" 2	Purchased goods	500	" 8	Cash purchases	150
" 4	Sold goods for cash	950			
			13	Paid for labour	1,000
" 5	Paid cash to Ram Mohan	560			
" 6	He allowed discount	10	" "	Paid Ali & Sons	400
" 6	Received cash from Krishna & Co.	600	" "	They allowed discount	8
	Allowed discount	20			

Make out the two-column Cash Book (Cash and discount column) for the month of April, 2022.

### SOLUTION

#### Cash Book

Dr. Date 2022	Receipts	L.F.	Discount ₹	Amount ₹	Date 2022	Payments	L.F.	Discount ₹	Cr. Amount ₹
April 1	To Capital A/c			2,000	April 1	By Furniture A/c			250
" 4	To Sales A/c			950	" 2	By Purchases A/c			500
" 6	To Krishna A/c		20	600	" 5	By Ram Mohan		10	560
					" 7	By Petty Expenses A/c			15

				" 8	By Purchases A/c			150
				" 13	By wages A/c			1,000
				" 13	By Ali & Sons		8	400
				" 30	By Balance c/d			675
			20	3,550			18	3,550
May 1	To Balance b/d			675				

To summarise:

- (i) the discount columns in the cash book are totalled;
- (ii) they are not balanced; and
- (iii) their totals are entered in the discount received/paid account in the ledger.

**Note:** The person who pays, is credited by both the cash paid by him and the discount allowed to him. Similarly, the person to whom payment is made, is debited with both the amount paid and the discount allowed by him.

### THREE-COLUMN CASH BOOK

A firm normally keeps the bulk of its funds at a bank; money can be deposited and withdrawn at will if it is current account. Probably payments into and out of the bank are more numerous than strict cash transactions. There is only a little difference between cash in hand and money at bank. Therefore, it is very convenient if, on each side in the cash book, another column is added to record cash deposited at bank (on the receipt side of the cash book) and payments out of the bank (on the payment side of the cash book).

For writing up the three-column cash book the under mentioned points should be noted:

1. While commencing a new business, the amount is written in the cash column if cash is introduced and in the bank column if it is directly put into the bank with the description "To Capital Account". If a new cash book is being started for an existing business, the opening balances are written as : "To Balance b/d".
2. All receipts are written on the receipts side, cash in the cash column and cheques in the bank column. If any discount is allowed to the party paying the amount, the discount is entered in the discount column. In the particulars column the name of the account in respect of which payment has been received is written.
3. All payments are written on the payments side, cash payment in the cash column and payments by cheques in the bank column. If some discount has been received from the party receiving the payment, it is entered in the discount column.

4. *Contra Entries:* Often cash is withdrawn from bank for use in the office. In such a case the amount is entered in the bank column on the payments side and also in the cash column on the receipts side. In the reverse case of cash being sent to the bank, the amount is recorded in the bank column on the receipts side and in cash column on payment side. Against such entries, the letter "C" should be written in the L.F column, to indicate that these are contra transaction and no further posting is required for them.

Note: If initially cheques received are entered in the cash column and then sent to the bank, the entry is as if cash has been sent to the bank.

While recording contra entries, the basic but important rules should be followed -

- |     |                   |     |
|-----|-------------------|-----|
| (a) | The Receiver      | Dr. |
|     | The Giver         | Cr. |
| (b) | All what comes in | Dr. |
|     | All what goes out | Cr. |

e.g. where a Cash Book with separate columns for Bank Account is maintained.

- |     |  |
|-----|--|
| (a) | If cash is deposited in Bank Account, the Bank will be the Receiver, hence it will be Debited and as the cash is going out, cash will be credited.     |
| (b) | If cash is withdrawn from the Bank Account, the Bank will be the Giver, hence it will be Credited and, as the cash is coming in, cash will be Debited. |
5. If some cheque sent to the bank is dishonoured, i.e., the bank is not able to collect the amount, it is entered in the bank column on the credit side with the name of the concerned party in the particulars column.
6. If some cheque issued by the firm is not paid on presentation, it is entered in the Bank column on the debit side with the name of the party to whom the cheque was given.
7. In a rare case, a cheque received may be given to some other party, i.e., endorsed. On receipt, it must have been entered in the bank column on the debit side; on endorsement the amount will be written in the bank column on the credit side.

The advantages of such type of Cash Book are that -

- (a) the Cash Account and the Bank Account are prepared simultaneously, therefore the double entry is completed in the Cash Book itself. Thus the contra entries can be easily cross-checked in Cash column in one side and the Bank column in the other side of the Cash Book. Also the chances of error are reduced.

- (b) the information regarding Cash in Hand and the Bank Balance can be obtained very easily and quickly as there is no need to prepare Ledger of the Bank Account.

In case of maintaining more than one Bank Account, separate column can be add for each Bank Account. Transactions between these two or more Bank Accounts can be recorded and tallied with a much less effort.

Suppose, there are two Bank Accounts namely PNB Current Account and SBI-Cash Credit Account. Now, if a cheque is issued from PNB cheque Book to SBI Account, the receiver - i.e., SBI Account will be debited and the giver i.e. the PNB Account shall be credited.

**Balancing:** The discount columns are totalled but not balanced. The cash columns are balanced exactly in the same manner as indicated for the simple cash book. The process is similar for balancing the bank columns also. It is possible, however, that the bank may allow the firm to withdraw more than the amount deposited i.e., to have an overdraft, In such a case, the total of the bank column on the credit side is bigger than the one on the debit side. The difference is written on the debit side as "To Balance c/d." Then the totals are written on the two sides opposite one another, the balance is then entered on the credit side as "By Balance b/d."

However, in usual cases debits into the bank will exceed the withdrawals or payments out of the bank. Then the bank columns are balanced just like the cash columns.

### ILLUSTRATION 3

Enter the following transactions in Cash Book with Discount and Bank Columns. Cheques are first treated as cash receipt.

2022		₹
Jan. 1	Chandrika commences business with Cash	20,000
" 3	He paid into Current A/c	19,000
" 4	He received cheque from Kirti & Co. on account	600
" 7	He pays in bank Kirti & Co.'s cheque	600
" 10	He pays Rattan & Co. by cheque and is allowed discount ₹ 20	330
" 12	Tripathi & Co. pays into his Bank A/c	475
" 15	He receives cheque from Warshi and allows him discount ₹ 35	450



"	20	He receives cash ₹ 75 and cheque ₹ 100 for cash sale	
"	25	He pays into Bank, including cheques received on 15th and 20th	1,000
"	27	He pays for cash purchase	275
"	30	He pays sundry expenses in cash	50

**SOLUTION**

Dr.

**Cash Book**

Cr.

Date	Receipts	L.F.	Discount ₹	Cash ₹	Bank ₹	Date	Payments	L.F.	Discount ₹	Cash ₹	Bank ₹
2022						2022					
Jan. 1	To Capital A/c			20,000		Jan. 3	By Bank A/c	C		19,000	
3	To Cash	C			19,000	7	By Bank A/c	C		600	
4	To Kirti & Co.			600		10	By Ratan & Co.		20		330
7	To Cash	C			600	25	By Bank A/c	C		1,000	
12	To Tripathi & Co.				475	27	By Purchases A/c			275	
15	To Warshi		35	450		30	By S. Exp. A/c			50	
20	To Sales A/c			175							
25	To Cash	C			1,000	31	By Balance c/d			300	20,745
			35	21,225	21,075				20	21,225	21,075
Feb. 1	To Balance b/d			300	20,745						

**5.3 POSTING THE CASH BOOK ENTRIES**

Students would have seen that the cash columns in the cash book is actually the cash account and the bank column is actually bank account. Also, the discount columns are memorandum columns, meant only to provide information about the total discount allowed and total discount received.

The debit side columns for cash and bank indicate receipts. Therefore, the amounts debited in the cash book should be put to the credit of the account in respect of which cash or cheque has been received. For instance, in the cash book given above we see that ₹175 have been received for sale of goods. For posting, the amount is credited to the Sales Account as "By Cash ₹175." We also see M/s. Warsi have paid ₹450 and also they have been allowed ₹ 35 as discount; thus they have discharged a debt of ₹485. In the account of M/s. Warsi, the posting is on the credit side as

By Cash	₹ 450
By Discount	₹ 35
or as:	
By Sundries	₹ 485

All payments are recorded on the credit side. The particulars columns show on what account payments have been made. In the ledger accounts concerned the amount is put on the debit side. For example, the cash book shows that a cheque for ₹ 330 has been issued to M/s. Ratan & Co. and also that they have allowed a discount of ₹ 20; thus an obligation of ₹ 350 has been met. In the account of M/s. Ratan & Co. the posting is:

To Bank	₹ 330
To Discount	₹ 20
Or	
To Sundries	₹ 350

The rule thus develops: From the debit side of the cash book, credit the various accounts with their respective amounts (including any discount that may have been allowed); from the credit side of cash book, the posting will be to the debit of the accounts mentioned in the particular column with their respective amounts (including the discount which may have been received).

As has been shown already, the total of the discount columns on the debit side is debited to the discount account; the total of the column discount on the credit side is credited to the discount account. From the cash book given on the previous page ₹ 35 is debited and ₹ 20 be credited to the discount account.



## 5.4 PETTY CASH BOOK

In the firm a number of small payments, such as for telegrams, taxi fare, cartage, etc., have to be made. If all these payments are recorded in the cash book, it will become unnecessarily heavy. Also, the main cashier will be overburdened with work. Therefore, it is usual for firms to appoint a person as 'Petty Cashier' and to entrust the task of making small payments say below ₹ 200, to him. Of course he will be reimbursed for the payments made. Later, on an analysis, the respective account may be debited.

### IMPREST SYSTEM OF PETTY CASH

It is convenient to entrust a definite sum of money to the petty cashier in the beginning of a period and to reimburse him for payments made at the end of the period. Thus, he will have

again the fixed amount in the beginning of the new period. Such a system is known as the imprest system of petty cash.

The system is very useful specially if an analytical Petty Cash Book is used. The book has one column to record receipt of cash (which is only from the main cashier) and other columns to record payments of various types. The total of the various columns show why payments have been made and then the relevant accounts can be debited.

- (i) The amount fixed for petty cash should be sufficient for the likely small payments for a relatively short period, say for a week or a fortnight.
- (ii) The reimbursement should be made only when petty cashier prepares a statement showing total payments supported by vouchers, i.e., documentary evidence and should be limited to the amount of actual disbursements.
- (iii) The vouchers should be filed in order.
- (iv) No payment should be made without proper authorisation. Also, payments above a certain specified limit should be made only by the main cashier.
- (v) The petty cashier should not be allowed to receive any cash except for reimbursement.

In the petty cash book the extreme left-hand column records receipts of cash. The money column towards the right hand side shows total payments for various purposes; a column is usually provided for sundries to record infrequent payments. The sundries column is analysed. At the end of the week or the fortnight the petty cash book is balanced. The method of balancing is the same as for the simple cash book.

#### ILLUSTRATION 4

*Prepare a Petty Cash Book on the imprest System from the following:*

2022			₹
Jan.	1	Received ₹100 for petty cash	
"	2	Paid bus fare	.50
"	2	Paid cartage	2.50
"	3	Paid for Postage	5.00
"	3	Paid wages for casual labourers	6.00
"	4	Paid for stationery	4.00
"	4	Paid Bus charges	2.00
"	5	Paid for the repairs to chairs	15.00
"	5	Bus fare	1.00

"	5	Cartage	4.00
"	6	Postage	7.00
"	6	Bus charges	3.00
"	6	Cartage	3.00
"	6	Stationery	2.00
"	6	Refreshments to customers	5.00

**SOLUTION****Petty Cash Book**

Receipts ₹	Date 2022	V. No.*	Particulars	Total ₹	Con- veyance ₹	Cartage ₹	Statio- nery ₹	Postage ₹	Wages ₹	Sundries ₹
100	Jan.1		To Cash							
	2	1	By Conveyance	.50	.50					
		2	By Cartage	2.50		2.50				
	3	3	By Postage	5.00				5.00		
		4	By Wages	6.00					6.00	
	4	5	By Stationery	4.00			4.00			
		6	By Conveyance	2.00	2.00					
	5	7	By Repairs to Furniture	15.00						15.00
		8	By Conveyance	1.00	1.00					
		9	By Cartage	4.00		4.00				
	6	10	By Postage	7.00				7.00		
	"	11	By Conveyance	3.00	3.00					
	"	12	By Cartage	3.00		3.00				
	"	13	By Stationery	2.00			2.00			
	"	14	By General Expenses	5.00						5.00
				60.00	6.50	9.50	6.00	12.00	6.00	20.00
			By Balance c/d	40.00						
100				100.00						
40.00			To Balance b/d							
60.00	8		To Cash							

\* Voucher Numbers

### ADVANTAGES OF PETTY CASH BOOK

There are mainly three advantages:

- (i) Saving of time of the chief cashier;
- (ii) Saving in labour in writing up the cash book and posting into the ledger; and
- (iii) Control over small payments.

### POSTING THE PETTY CASH BOOK

In the ledger, a petty cash account is maintained, when an amount is given to the petty cashier, the petty cash account is debited. Each week or fortnight, the total of the payments made is credited to this account. The petty cash account will then show the balance in the hand of the cashier; on demand he should be able to produce it for counting. At the end of the period/year, the balance is shown in the balance sheet as part of cash balance.

Of course, the payments must be debited to their respective accounts as shown by the petty cash book. For this two methods may be used:

- (i) From the petty cash book the total of the various columns may be directly debited to the concerned accounts; or
- (ii) A journal entry may first be prepared on the basis of the petty cash book, debiting the accounts shown by the various analysis columns, and crediting the total of the payment of the petty cash accounts.

For Illustration 4 the journal entry and relevant accounts are as follows:

2022		Dr. ₹	Cr. ₹
Jan. 6	Conveyance Account	6.50	
	Cartage Account	9.50	
	Stationery Account	6.00	
	Postage Account	12.00	
	Wages Account	6.00	
	Repairs Account	15.00	
	General Expenses Account	5.00	
	To Petty Cash Account		60.00
	(Being the analysis of the Petty Cash Book for the week ending Jan. 6)		

Entry for cash handed over to the Petty Cashier		
Petty Cash Account	60	
To Cash Account		60
(Being Cash received)		

**Petty Cash Account**

Date 2022	Particulars	Folio	Amount ₹	Date 2022	Particulars	Folio	Amount ₹
Jan.1	To Cash		100.00	Jan. 6	By Sundries:		
"6	To Cash		60.00		Conveyance		6.50
					Cartage		9.50
					Stationery		6.00
					Postage		12.00
					Wages		6.00
					Repairs		15.00
					General Expenses		5.00

**ILLUSTRATION 5**

Enter the following transaction in Cash Book with Discount and Bank columns. Cheques are first treated as cash receipts –

2022		₹
March 1	Cash in Hand	15,000
	Overdraft in Bank	500
2	Cash Sales	3,000
3	Paid to Sushil Bros. by cheque	3,400
	Discount received	100
5	Sales through credit card	2,800
6	Received cheque from Srijan	6,200
7	Endorsed Srijan's cheque in favour of Adit	
9	Deposit into Bank	6,800
10	Received cheque from Aviral and deposited the same into Bank by allowing discount of ₹ 50	3,600

12	Adit informed that Srijan's cheque is dishonoured. Now cash is received from Srijan and amount is paid to Adit through own cheque	
15	Sales through Debit Card	3,200
24	Withdrawn from Bank	1,800
28	Paid to Sanchit by cheque	3,000
30	Bank charged 1% commission on sales through Debit/Credit Cards	

**SOLUTION**

Dr.

**Cash Book**

Cr.

Date	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹	Date	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹
2022						2022					
March 1	To Balance b/d			15,000		March 1	By Balance b/d				500
2	To Sales			3,000		3	By Sushil Bros.		100		3,400
5	To Sales				2,800	7	By Adit			6,200	
6	To Srijan			6,200		9	By Bank	C		6,800	
9	To Cash A/c	C			6,800	12	By Adit				6,200
10	To Aviral		50		3,600	24	By Cash A/c	C			1,800
12	To Srijan			6,200		28	By Sanchit				3,000
15	To Sales A/c				3,200	30	By Commission				60
24	To Bank A/c	C		1,800		31	By Balance c/d			19,200	1,440
			50	32,200	16,400				100	32,200	16,400

**Note:** If the received cheque is endorsed to the other party on the same day, then no entry is required. However, in the above case posting has been done through cash column as the endorsement is done on next day.



## 5.5 ENTRIES FOR SALE THROUGH CREDIT/DEBIT CARDS

Now-a-days sales through Credit/Debit Cards are issued by almost every Bank in India either directly or with collaboration of some other agencies. HSBC Card, SBI Card, BOB Card, ICICI Bank Card, HDFC Card and Andhra Bank Card are some of the popular Cards.

The procedure for issuing Credit/Debit Cards are as follows -

- ## ACCOUNTING FOR CREDIT/DEBIT CARD SALE

1. Bank A/c Dr.  
    To Sales Account  
(Sales made through Credit/Debit Card)
2. Commission Account Dr.  
    To Bank Account  
(Commission charged by bank)



## SUMMARY

- ♦ Cash book contains cash transactions and also bank transactions, if it has a separate book column. It is both a subsidiary book and a principal book.
- ♦ Cash book can be prepared with discount column also.
- ♦ For small payments, petty cash book is maintained separately for recording the particulars of payment and its amount. The fixed amount is given to the petty cashier for making small payments in the beginning of the period. The amount spent is replenished so that he will have again the fixed sum in the beginning of the next period. This system is known as imprest system of petty cash book.

## TEST YOUR KNOWLEDGE

### True and False

1. *Cash book is a subsidiary book as well as a principal book.*
2. *Two column cash book consists of two columns cash column & bank column.*
3. *Discount column of cash book is never balanced.*
4. *Contra entry is passed in a two column cash book.*
5. *If the bank column is showing the opening balance on credit side, it is an overdraft.*
6. *A cash book records cash transactions as well as credit transactions.*
7. *Discount column of cash book records the trade discount.*

### Multiple Choice Questions

1. *The total of discounts column on the debit side of the cash book, recording cash discount deducted by customers when paying their accounts, is posted to the \_\_\_\_\_*
  - (a) *Credit of the discount allowed account.*
  - (b) *Debit of the discount allowed account*
  - (c) *Credit of the discount received account.*
2. *Cash book is a type of \_\_\_\_\_ but treated as a \_\_\_\_\_ of accounts.*
  - (a) *Subsidiary book, principal book*
  - (b) *Principal book, subsidiary book*
  - (c) *Subsidiary book, subsidiary book*

3. Which of the following is not a column of a three-column cash book?
  - (a) Cash column
  - (b) Bank column
  - (c) Petty cash column
4. Contra entries are passed only when \_\_\_\_\_
  - (a) Double-column cash book is prepared
  - (b) Three-column cash book is prepared
  - (c) Simple cash book is prepared
5. The Cash Book records \_\_\_\_\_
  - (a) All cash receipts
  - (b) All cash payments
  - (c) All cash receipts and payments
6. The balance in the petty cash book is \_\_\_\_\_
  - (a) An expense
  - (b) A profit
  - (c) An asset
7. If Ram has sold goods for cash, the entry will be recorded \_\_\_\_\_
  - (a) In the Cash Book
  - (b) In the Sales Book
  - (c) In the Journal

### Theory Questions

1. Is cash book a subsidiary book or a principal book? Explain.
2. What are the various kinds of cash book?
3. What are the advantages of a three column cash book?

### Practical Questions

1. Shri Ramaswamy maintains a Columnar Petty Cash Book on the Imprest System. The imprest amount is ₹500. From the following information, show how his Petty Cash Book would appear for the week ended 12th September, 2022:

₹

7-9-2022	Balance in hand	134.90
	Received Cash reimbursement to make up the imprest	365.10
	Stationery	49.80
8-9-2022	Miscellaneous Expenses	20.90
9-9-2022	Repairs	156.70
10-9-2022	Travelling	68.50
11-9-2022	Stationery	71.40
12-9-2022	Miscellaneous Expenses	6.30
13-9-2022	Repairs	48.30

## ANSWERS/HINTS

### True and False

1. True: Since the balance is directly taken to the Trial balance from cash book. Hence, it is a subsidiary book as well as principal book.
2. False: Two column cash book consists of two columns either cash column & discount column or cash column & bank column.
3. True: Discount column is totalled and transferred to the discount allowed or received account.
4. True: Contra entry can be passed in a two column cash book which includes bank and cash columns.
5. True: The debit side of opening balance shows a favourable balance, whereas the credit balance is an unfavourable balance and treated as overdraft.
6. False: A cash book records only cash transactions.
7. False: Discount column of cash book records the cash discount. Trade discount is not shown in the books of accounts.

### Multiple Choice Questions

1.	(b)	2.	(a)	3.	(c)	4.	(b)	5.	(c)	6.	(c)
7.	(a)										

## Theoretical Questions

- Cash transactions are straightaway recorded in the Cash Book and on the basis of such a record, ledger accounts are prepared. Therefore, the Cash Book is a subsidiary book. But the Cash Book itself serves as the cash account and the bank account, if bank column is also included; the balances are entered in the trial balance directly. The Cash Book, therefore, is part of the ledger also. Hence, it is also treated as the principal book. The Cash Book is thus both a subsidiary book and a principal book.
- The main Cash Book may be of the three types:
  - Simple Cash Book;
  - Two-column Cash Book;
  - Three-column Cash Book.

In addition to the main Cash Book, firms also generally maintain a petty cash book but that is purely a subsidiary book.
- The advantages of three column Cash Book are that -
  - the Cash Account and the Bank Account are prepared simultaneously, therefore the double entry is completed in the Cash Book itself. Thus the contra entries can be easily cross-checked in Cash column in one side and the Bank column in the other side of the Cash Book. The chances of error are also reduced.
  - the information regarding Cash in Hand and the Bank Balance can be obtained very easily and quickly as there is no need to prepare Ledger of the Cash and Bank Account.

## Practical Problems

### 1. Petty Cash Book

Date 2022	Receipts	Amount ₹	Date 2022	Payments	Total Amount ₹	Stationery ₹	Travelling ₹	Misc Exps. ₹	Repairs ₹
Sept. 7	To Balance b/d	134.90	7	By Stationery	49.80	49.80			
	To Reimbursement	365.10	8	By Misc. Expenses	20.90			20.90	
			9	By Repairs	156.70				156.70
			10	By Travelling	68.50		68.50		
			11	By Stationery	71.40	71.40			
			12	By Misc. Expenses	6.30			6.30	
			13	By Repairs	48.30				48.30
					421.90	121.20	68.50	27.20	205.00
				By Balance c/d	78.10				
		500.00			500.00				
	To Balance b/d	78.10							