

The cash book

The **cash book** is a combination of the cash and bank accounts. It records all cash and bank transactions made by the business. It works in the same way as a double entry account but with two debit columns and two credit columns – one each for cash and for bank.

The cash book is the only book of prime entry which is also a double entry account (two accounts, in reality).

Electronic bank transfers

Cheques can be used to make payments from the bank account of a business to another person or business. However, cheques are used much less than in the past. Electronic transfers of money from one bank account to another are possible. Some of these methods include:

- Direct debits
- Standing orders
- Bank transfers
- Credit transfers

The different methods of electronic transfer are explored in Unit 3.3.

Worked example 1

For April 2018, these cash and bank transactions are made.

- 1 April Balances are as follows: Cash in hand \$102, Cash in bank \$1190
- 8 April Payment of \$200 by cheque to Emma
- 10 April Cash sales of \$89 paid for by cheque
- 12 April Cheque received from Kashi for \$315
- 15 April Cash paid for advertising \$95

The cash book appears as:

Update the cash book by entering the following transactions.

19 April Cash amount of \$45 withdrawn from bank for business use

23 April Payment of \$178 by cheque to Jayden

28 April Electronic transfer made from business bank of \$100 to NW Electricity Ltd

Balance the cash book at the end of the month, stating the closing balances.
