

- 5) Sales Book
- 6) Sales Return Book (Return Inward Book)
- 7) Journal Proper

## 5.2 Cash Book :

All Cash and Bank transactions are recorded in the Cash Book. The Cash Book has two sides where the left hand side is Receipt Side (Debit-side) and the right hand side is Payment Side (Credit side). When amount is received details are recorded on the Receipt side and when payments are made details are recorded on the Payment side. Cash Book a Journal since it is a Book of Original entries and it also a ledger since it constitutes a classified record of all cash transactions in the form of Ledger and helps in finding out Cash and Bank balance at the end of particular accounting period. Thus, it can be said that cash book serves dual purpose of journal as well as ledger.

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### Format of Simple Cash Book

In the books of \_\_\_\_\_

Dr.					Simple Cash Book					Cr.
Date	Receipts	Receipt No.	L.F.	Amount ₹	Date	Payments	Voucher No.	L.F.	Amount ₹	

#### 1) Prepare a Simple Cash Book

2019 March 1	Cash in hand	₹	2,500
5	Cash paid to Suresh	₹	1,000
7	Cash Purchase	₹	500
14	Cash Received from Prakash	₹	1,000
16	Cash Sales	₹	800
20	Paid Carriage	₹	100
25	Paid Salary	₹	500

In the books of Company

Dr.				Simple Cash Book					Cr.
Date	Receipts	R. No.	L. F.	Amount ₹	Date	Payment	V. No.	L. F.	Amount ₹
2019 March					2019 March				
1	To Balance b/d			2,500	5	By Suresh A/c (Being paid to Suresh)			1,000
14	To Prakash A/c (Being cash received)			1,000	7	By Purchase A/c (Being goods purchased for cash)			500
16	To Sales A/c (Being cash sales)			800	20	By Carriage A/c (Being Carriage paid)			100
					25	By Salary A/c (Being Salary paid)			500
					31	By Balance c/d			2,200
				4,300					4,300
April 1	To Balance b/d			2,200					

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**2. Enter the following transactions in the Simple Cash Book of M/s Sourabh Traders**

2019 July	1	Started business with cash	₹ 1,00,000
	3	Deposited cash into Bank	₹ 80,000
	5	Purchased Stationary for cash	₹ 2,000
	7	Cash Purchases	₹ 15,000
	8	Sold goods for cash ₹ 20,000 at 8% Trade Discount	
	10	Paid Insurance Premium	₹ 5,000
	12	Paid cash to Dixit	₹ 10,000
	15	Received cash from Saxena	₹ 80,000
	17	Received Commission	₹ 2,000
	18	Drew for domestic use	₹ 4,000
	22	Sold old Furniture	₹ 5,000
	25	Paid Salary to Ram	₹ 6,000
	30	Received Interest	₹ 4,000

**Solution :**

**In the books of M/s Sourabh Traders**

Dr.					Cr.				
Simple Cash Book									
Date	Receipts	R. No.	L. F.	Amount ₹	Date	Payments	V. No.	L. F.	Amount ₹
2019 July					2019 July				
1	To Capital A/c (Being business started)			1,00,000	3	By Bank A/c (Being Cash deposited in Bank)			80,000
				18,400					
8	To Sales A/c (Being cash sales)			80,000	5	By Stationary A/c (Being Stationary purchased)			2,000
15	To Saxena A/c (Being received cash)				7	By Purchase A/c (Being goods purchased)			15,000
17	To Commission A/c (Being commission received)			2,000	10	By Insurance Premium A/c (Being Insurance Premium paid)			5,000
22	To Furniture A/c (Being old Furniture sold)			5,000	12	By Dixit A/c (Being Cash paid)			10,000
30	To Interest A/c (Being Interest received)			4,000	18	By Drawings A/c (Being Drawings made)			4,000
					25	By Salary A/c (Being Salary paid)			6000
					31	By Balance c/d			87,400
				2,09,400					2,09,400
Aug. 1	To Balance b/d			87,400					
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**3. Enter the following transactions in a Simple Cash Book of Kamal Traders.**

2018 Aug	1	Cash in hand	₹ 37,400
	4	Cash received from Sakshi	₹ 25,000
	5	Cash purchases	₹ 25,000 at 12% T.D.
	8	Invested in Shares	₹ 25,000
	10	Paid for Sundry Expenses	₹ 3,000
	12	Paid Life Insurance Premium	₹ 8,000
	16	Received Dividend	₹ 2,000
	20	Paid Telephone Bill	₹ 6,000
	22	Received Interest	₹ 1,000
	25	Cash Sales	₹ 25,000 at 20% T.D.
	28	Paid Electricity Bill	₹ 4,500

**Solution :**

**In the books of Kamal Traders**

Dr.										Simple Cash Book										Cr.									
Date	Receipts		R	L	Amount	Date	Payments		V	L	Amount																		

### 5.3 Two column Cash Book (Cash Book with Cash and Bank column)

Bank plays an important role in providing various services to traders. It accepts deposits from customers and allows withdrawals by way of cash or cheque or various net banking transactions. In addition to this bank provides a number of functions, like, payment by cheques and drafts, loan facility, cash credit, collection of cheques and above all safety of cash. Moreover, when a trader opens a current account with the bank he can avail Overdraft facility.

A businessman who indulges in a number of banking transactions opens a Current Account with the bank to take the advantage of Overdraft facility.

#### 5.3.1 Columns in Cash Book with Cash and Bank columns :

Cash book with Cash and Bank columns has one additional column on receipt side and payment side along with cash column. This column is known as 'Bank' column. Only banking transactions are recorded in this column. Bank column represents the Bank Current Account.

#### 5.3.2 Format of Cash Book with Cash and Bank columns :

In the books of -----

##### Two column Cash Book

Date	Receipts	R.No.	L.F.	Cash (₹)	Bank (₹)	Date	Payments	V.No.	L.F.	Cash (₹)	Bank (₹)

#### 5.3.3 Accounting treatment of banking transactions in Cash Book with Cash and Bank columns :

- Opening balance of bank account :** When total of receipt side (debit side) is greater than the total of payment side (credit side) it is known as debit balance. When total of payment side (credit side) is greater than the total of receipt side (debit side) it is known as credit balance. Bank account is a personal account therefore; it can have debit balance or credit balance. Credit balance in bank account means 'Bank Overdraft'.
  - When debit balance of Bank account is given :** When debit balance of Bank account is given it will appear on the receipt side of cash book in the Bank column as : "To Balance b/d"
  - When credit balance of bank account is given or Overdraft in bank account is given:** Credit balance of bank is known as overdraft. Overdraft is a situation when amount withdrawn by account holder exceeds deposits in current account. It is a short term loan given by bank to current account holders. It is recorded on the payment side of the cash book in the bank column as under "By Balance b/d".
- Cheque received :** Cheques can be received for cash sales, commission, dividend, interest or settlement of accounts by debtors.
  - Crossed cheque received :** When crossed cheque is received, it is recorded, on receipt side of cash book in the bank column as "**To Sales/Asset/Income/Debtor's A/c**"

**Journal entry :** Bank A/c.....Dr  
To Sales/Asset/Income/Debtor's A/c

- Bearer cheque received :** Bearer cheque received is treated as cash and recorded on the receipt side in the cash column as "**To Sales/Asset/Income/Debtor's A/c**"

**Journal entry :** Cash A/c.....Dr  
To Sales/Asset/Income/Debtor's A/c

- Cheque received and deposited into bank on the same day :** Cheques received are deposited into the bank for collection. This is recorded on receipt side in the bank column as "**To Sales/Asset/Income/Debtor's A/c**"

**Journal entry :** Bank A/c.....Dr  
To Sales/Asset/Income/Debtor's A/c

- Cheque received dishonoured :** Cheque received has to be presented to the bank for collection within three months from the date of drawing otherwise it becomes worthless. When bank refuses to pay the amount to the payee due to certain reasons the cheque is said to be dishonoured. Dishonoured cheque is recorded on the payment side to cancel the receipt effect in the bank as "**By Person's A/c**"

**Journal entry :** Person's A/c.....Dr  
To Bank A/c

- Cheque issued :** Cheques can be issued for cash purchases, paying commission, paying interest settlement of creditors accounts. It can be used for withdrawing cash from bank. It is recorded on the payment side in the bank column as "**By Purchases/Expenses/Assets/Creditor's A/c**"

**Journal entry :** Purchases/Expenses/Assets/Creditor's A/c.....Dr

**Illustration - 1 Consider the following example.**

**Prepare two column Cash Book of Seema Traders**

			₹
2019 Jan	01	Started business with Cash	60,000
	04	Cash deposited into Bank of India	25,000
	06	Cash Purchases	6,000
	10	Purchased Computer for office use	22,000
	15	Sold goods to Rakesh & Co. and received a bearer cheque.	10,000
	20	Rakesh's cheque deposited into Bank.	
	24	Paid Carriage	300
	25	Cash withdrawn for personal use	3,000
	30	Paid Rent by cheque	1,200

**Solution :**

**In the books of Seema Traders**

Dr.						Cr.					
Cash Book						Cash Book					
Date	Receipts	R. No.	L. F.	Cash ₹	Bank ₹	Date	Payments	V. No.	L. F.	Cash ₹	Bank ₹
2019 Jan.						2019 Jan.					
1	To Capital A/c (Being started business)	-	-	60,000	-	4	By Bank A/c (Being cash deposited)	-	C	25,000	-
4	To Cash A/c (Being cash deposited)	-	C	-	25,000	6	By Purchases A/c (Being cash purchases)	-	-	6,000	-
15	To Sales A/c (Being cash sales made)	-	-	10,000	-	10	By Computer A/c (Being computer purchased)	-	-	22,000	-
20	To Cash A/c (Being cheque deposited into bank)	-	C	-	10,000	20	By Bank A/c (Being cheque deposited)	-	C	10,000	-
						24	By Carriage A/c (Being carriage paid)	-	-	300	-
						25	By Drawing A/c (Being cash withdrawn for personal use)	-	-	3,000	-
						30	By Rent A/c (Being rent paid by cheque)	-	-	-	1,200
						31	By Balance c/d	-	-	3,700	33,800
				70,000	35,000					70,000	35,000
Feb. 1	To Balance b/d			3,700	33,800						

**2) From following transaction related to Sundar and Co. Prepare Cash Book with two columns**

Date	Details	Amount (₹)
2018 Sept 01	Bank Balance	52,000
01	Cash Balance	15,000
04	Purchased goods and payment made by cheque	15,000
08	Sold goods for cash	8,000
13	Purchased Machinery and payment made by cheque	10,000
16	Sold goods and received cheque (deposited same day)	12,000
17	Purchased goods for cash from Mrunal	18,000
20	Purchased Stationery and paid by cheque	2,100
24	Cheque given to Avadhut	1,800
27	Cash withdrawn from Bank	12,000
30	Paid Rent by cheque	500
30	Paid Salary	4,000

**Solution :**

**In the books of Sundar and Co.**

Dr.						Cr.					
Cash Book with two columns						Cash Book with two columns					
Date	Receipts	R. N.	L. F.	Cash ₹	Bank ₹	Date	Payments	V. N.	L. F.	Cash ₹	Bank ₹
2018						2018					

Oct. 1	To Balance b/d		35,000	64,000				35,000	64,000
			13,000	22,600					
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3) Enter the following transactions in cash book with cash and bank columns of Mehta Brothers.

- 2019 Oct. 1 Cash in hand ₹ 13,000 and Bank balance ₹ 24,000
- 3 Cash sales ₹ 80,000 at 10% Traders discount.
- 5 Cash purchases ₹ 60,000 at 10% T.D. and 5% C.D. half the amount was paid in cash and remaining by cheque.
- 7 Deposited cash in to bank ₹ 40,000
- 9 Received bearer cheque from Sumit ₹ 9,500
- 13 Sold goods for cash ₹ 12,000 at 4% T.D.
- 15 Paid Life Insurance premium ₹ 4,000
- 18 Cheque received on 9th Oct. 2019 deposited into bank.
- 22 Received crossed cheque from Prabhakar ₹ 6,000
- 27 Introduced additional capital ₹ 25,000 and deposited the same into Bank A/c
- 28 Paid Electricity bill ₹ 3,000 and Telephone bill ₹ 4,100
- 30 Received crossed cheque for dividend ₹ 6,250.

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Solution :

In the books of Mehta Brothers

Dr.						Cr.					
Cash Book											
Date	Receipts	R. No.	L. F.	Cash ₹	Bank ₹	Date	Payments	V. No.	L. F.	Cash ₹	Bank ₹
2018 Oct.						2018 Oct.					
1	To Balance b/d	-	-	13,000	24,000	5	By Purchase A/c (Being Cash purchases)	-	-	25,650	25,650
3	To Sales A/c (Being goods	-	-	72,000	-						

**Working Note :**

Transaction dated 5th Oct. 2018

$$\begin{aligned}\text{Net cash purchases} &= \text{Cash purchases } 10\% \text{ T.D.} \\ &= 60,000 - 6,000 = 54,000\end{aligned}$$

$$\begin{aligned}\text{Amount paid} &= \text{Net Cash purchases} - 5\% \text{ C.D.} \\ &= 54,000 - 5\% \text{ of } 54,000 \\ &= 54,000 - 2,700 = 51,300\end{aligned}$$

$$1/2 \text{ Amount paid in cash} = 51,300 \times 1/2 = 25,650$$

$$\text{Remaining amount paid by cheque} = 51,300 - 25,650 = 25,650$$

**4) Prepare two columns Cash Book of Guru Dakshina Brothers. (Narrations not required)**

- 2019 March 1) Cash balance ₹ 13,000 and Bank Overdraft ₹ 18,000  
 2) Received from Neha cash ₹ 1,700 and bearer cheque ₹ 500.  
 7) Paid to Dhanraj ₹ 6,000 by cheque.  
 8) Cash Sales ₹ 6,545 and discount allowed ₹ 55  
 10) Cheque received on 2nd March 2019 deposited into Bank.  
 12) Deposited into Bank ₹ 5,000  
 13) Goods purchased from Prachi on credit ₹ 5,000  
 15) Cheque received from Neha returned dishonoured.  
 20) Purchased goods from Sweety ₹5,000 at 7% T.D. and paid half the amount immediately.  
 22) Bank paid insurance premium ₹1,000 and collected interest on investment ₹1,650  
 24) Cheque issued to Dhanraj was dishonoured.  
 26) Gupta stores directly deposited into our Bank A/c ₹7,500  
 30) Deposited cash in excess of ₹3,920 in to Bank.

**Solution :****In the books of Guru Dakshina Brothers****Dr.****Cash Book with Cash and Bank column****Cr.**

Date	Receipt	R. No.	L. F.	Cash ₹	Bank ₹	Date	Payment	V. No.	L. F.	Cash ₹	Bank ₹
2019 Mar .						2019 Mar.					
1	To Balance b/d			13,000		1	By Balance b/d				18,000
2	To Neha A/c			2,200		7	By Dhanraj A/c				6,000
8	To Sales A/c			6,545		10	By Bank A/c		C	500	
10	To Cash A/c		C		500	12	By Bank A/c		C	5,000	
12	To Cash A/c		C		5,000	15	By Neha A/c				500
22	To Int. on Investment A/c				1,650	20	By Purchases A/c			2,325	
24	To Dhanraj A/c				6,000	22	By Ins. Prem. A/c				1,000
26	To Gupta Stores A/c				7,500	30	By Bank A/c		C	10,000	
30	To Cash A/c		C			31	By Balance c/d			3,920	5,150
				21,745	30,650					21,745	30,650