

Chapter 8

Cash Book

LEARNING OBJECTIVES

- Advantages of cash book
- Kinds of Cash Book
- Single column cash book
- Double Column Cash Book
- Triple Column Cash Book

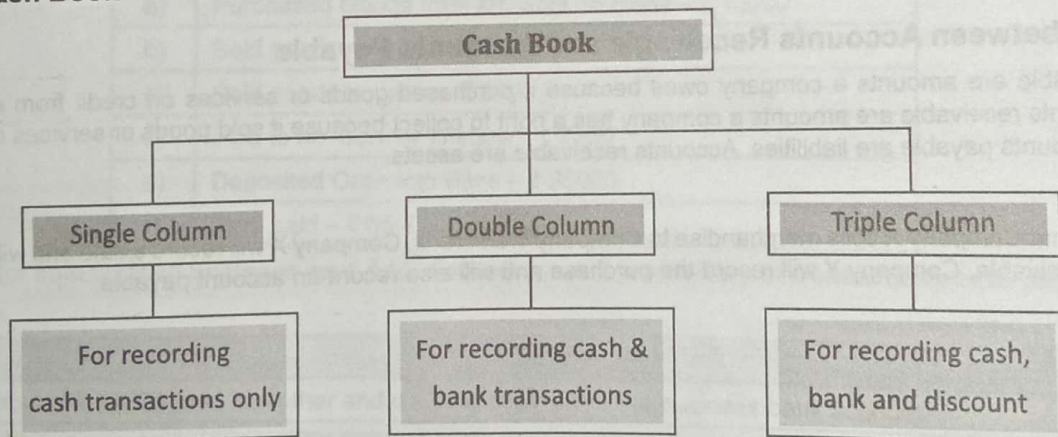
In any business, cash transactions are numerous. It is therefore necessary to use a separate book to record the cash transactions. All cash transactions are first recorded in the cash book and then posted into the ledger.

So, *Cash Book may be defined as the book in which detailed particulars of all the receipts and payments are recorded.* Practically, cash book is a substitute for Cash Account in the ledger.

Advantages of Cash Book

- It prevents duplication of work in entering cash transactions in the journal and then posting them into the ledger.
- Both cash and bank transactions can be recorded in the cash book.
- It enables the trader to find out the daily cash and bank balances without the usual delay for posting from journal.

Kinds of Cash Book



Single Column Cash Book

Single column cash book is used for recording cash receipts and cash payments. It is very simple to operate and is suitable for concerns having numerous cash transactions and few bank transactions. In single column cash book, there is only one amount column in each side. All cash receipts are recorded on the Receipt side (Left hand side) and all cash payments are recorded on the Payment side (Right hand side). The difference between the total of receipts and the total of payments represents the balance, i.e. the amount of cash in hand.

Example

From the following transactions, prepare a single column cash book in the books of Mr. Abir:

		₹
2014		
Jan 1	Cash in hand	
4	Sold goods for cash	4,000
		30,000

9	Purchased goods for cash	21,000
14	Commission paid	4,200
20	Cash withdrawn for personal use	12,000
25	Cash collected from B. Basu	3,500

Solution

In the books of Mr. Abir

Dr. Cash Book (Single Column)				Cr.			
Date	Particulars	L F	Amount ₹	Date	Particulars	L F	Amount ₹
2014 01.01	To, Balance b/d		4,000	2014 09.01	By, Purchases A/c (Being goods purchased for cash)		21,000
04.01	To, Sales A/c (Being goods sold for cash)		30,000	14.01	By, Commission A/c (Being commission paid)		4,200
25.01	To, B.Basu A/c (Being cash collected from B.Basu)		3,500	20.01	By, Drawings A/c (Being cash drawn for personal use)		12,000
				31.01	By, Balance c/d		300
			37,500				37,500
01.02	To, Balance b/d		300				

Double Column Cash Book

Sometimes, the organisation maintains cash book with two columns in both the sides to record bank transactions as well as cash transaction so that the management can know both the cash and bank balances from a single book.

The cash column contains details of the receipts and payments made in cash whereas the bank column contains details of payments made by cheque and money received through bank (i.e. through cheque, DD, PO etc.) and deposited into bank account.

Contra Entry: The term "Contra" refers to the opposite side. When both debit and credit aspects of a transaction are recorded in the same account but in different column, each entry, whether in the debit side/ credit side shall be deemed to be the contra entry of the other e.g. Cash withdrawn from bank and cash deposited into bank.

In case of a contra entry, in the column of L.F. (i.e. Ledger folio), we have to mention "C" as a sign of contra entry, to remove any future confusion.

Example

From the following particulars, prepare a double column cash book and find out the balance as on 7.4.2009 :

2009			₹
Apr 1	Cash in Hand		1,500
1	Cash at Bank		9,000
2	Sold goods for cash		4,000
2	Received from P. Malhotra by cheque and deposited into bank		5,000
3	Withdrew from bank		2,000



- 3 Paid wages by cash
- 4 Deposited cash into Bank
- 5 Paid S. Deolankar by cheque

1,500
1,800
4,000

Solution

In the books of

Cr.

Cash Book (Double Column)

Cash Book (Double Column)									
Dr.								Cash	Bank
Date	Particulars	L F	Cash ₹	Bank ₹	Date	Particulars	L F	₹	₹
2014 01.04	To, Balance b/d		1,500	9,000	2014 03.04	By, Cash A/c (Being cash withdrawn from Bank)	©		2,000
02.04	To, Sales A/c (Being sold goods for cash)		4,000		03.04	By, Wages A/c (Being wages paid by cash)		1,500	
02.04	To, A. Maity A/c (Being cheque received from A. Maity)			5,000	04.04	By, Bank A/c (Being cash deposited into bank)		1,800	
03.04	To, Bank A/c (Being cash withdrawn from Bank)	©	2,000		05.04	By, S. Deolankar A/c (Being amount paid by cheque)			4,000
04.04	To, Cash A/c (Being cash Deposited into Bank)			1,800	07.04	By, Balance c/d		4,200	9,800
			7,500	15,800				7,500	15,800
08.04	To, Balance b/d		4,200	9,800					

Triple Column Cash Book

The most comprehensive cash book is Triple Column Cash Book where a third column is added both to the debit and credit side in order to accommodate the details of cash discount allowed and received.

Example

Enter the following transactions of B. Thaper in his cash book and balance the same:

- 2014 Aug
1. Opening balance of cash ₹ 5,000 and bank ₹ 18000.
 4. Cash Sales ₹ 58,600.
 5. Purchased goods from Rajib worth ₹ 24,000, paid by cash ₹ 4,000 and by cheque ₹10,000.
 6. Cash deposited into bank ₹ 25,000.
 9. Received cheque from Mr. Rahim ₹ 24,000 and allowed him a discount of ₹1,000.
 16. Paid Electric bill for ₹ 500 and telephone bill ₹ 900 in cash.
 18. Received a cheque from B. Bose on account ₹ 1,600.
 20. Paid to Rajib in full by cheque and received a discount of 10%.
 30. Salary paid to the staff for the month ₹12,000 by cheque.

BOOK KEEPING

In the books of B. Thaper

Date	Particulars	L F	Cash ₹	Bank ₹	Discount ₹	Date	Particulars	L F	Cash ₹	Bank ₹	Discount ₹
2014 01.08	To, Balance b/d		5,000	18,000		2014 05.08	By, Rajib A/c (Being amount paid to Rajib)		4,000	10,000	
04.08	To, Sales A/c (Being goods sold for cash)		58,600			06.08	By, Bank A/c (Being cash deposited into Bank)	©	25,000		
06.08	To, Cash A/c (Being cash deposited into Bank)	©		25,000		16.08	By, Electric charges A/c (Being amount paid in cash)		500		
09.08	To, Mr. Rahim A/c (Being amount received in cheque & allowed discount)			24,000	1,000	16.08	By, Telephone charges A/c (Being amount paid in cash)		900		
18.08	To, B. Bose A/c (Being amount paid by cheque)			1,600		20.08	By, Rajib A/c (Being amount paid after allowing discount)			9,000	1,000
						30.08	By, Salary A/c (Being salary paid by cheque)			12,000	
						31.08	By, Balance c/d		33,200	37,600	
			63,600	68,600	1,000				63,600	68,600	1,000
01.09	To, Balance b/d		33,200	37,600							

Class Exercise

1. Prepare a **double column cash book** from the following transactions –

Date	Transactions	Amount (₹)
2015 Jan 1	Cash in hand	16,320
	Cash at Bank	1,10,340
2	Cash deposited into Bank	15,000
3	Received cash from Ketan	6,500
5	Purchased furniture for cash	3,200
8	Paid to Ravan by cheque	8,600
10	Cash sales	16,500
11	Deposited into Bank	9,800
12	Received from Satyen by cheque	9,600
15	Purchased machinery and paid by cheque	1,35,300
18	Withdrew from bank for office use	4,000
25	Withdrew from bank for personal use	2,500
30	Paid rent in cash	1,500