

Objectives

At the end of this chapter, students should be able to:

- Identify the forms of single and double column cash books;
- Post transactions into single and double column cash book;
- Distinguish between cash discount and trade discount;
- Identify the forms of the three-column cash book;
- Post transactions into a three-column cash book;
- Post transactions into a petty cash book on imprest account;
- Distinguish between an ordinary petty cash book and a cash book on imprest system;
- Post cash transactions to the ledger.

6.1 Introduction

Like all other accounts, it is possible to keep all cash accounts together in the general ledger. However, by the nature of these accounts, business organisations require them to be handled with great care by trust-worthy officials. For security reasons, cash accounts and bank accounts are taken out of the ledger and kept separately in a book. Furthermore, there are certain transactions which go along with receipts and payments of cash. A form of cash book has also been devised to record such transactions which takes the form of discounts allowed or received.

6.2 Types of Discount

Discount Allowed and Discount Received

Cash discount is an allowance made by traders for prompt payment. It is an inducement to debtors to settle their accounts within a reasonable time instead of waiting till the end of the month or the time limit given. Cash discount can be classified into two for accounting purposes namely: Discount Allowed

and Discount Received. It is the cash discount allowed to a debtor. Discount is deducted from the amount he owes when making payments.

For example, assuming Mazi is a debtor to Chuks for N1,000,000 and Mazi is allowed a discount of 5 percent for 14 days. If Mazi pays his debts within ten days, he is expected to issue a cheque or pay cash for N950,000 only. The discount allowed is a gain to Chuks for prompt payment and a form of trade expense to Mazi.

6.3 Terminologies

1. **Cheque:** This is an order to a bank to pay certain sum of money from a current account with the bank. In most cases, the customer is made to maintain a credit balance in his current account

in the bank to be able to draw a cheque

in the account. However, when the account is in the red having debit balance, a customer may be granted an agreed overdraft to enable him draw on his account. An overdraft is an agreed sum of money granted to a customer

over and above the amount in his account to enable him meet urgent expenses. Banks charges interest for this service.

2. Pay-in-Slip: This is a document used for depositing money into current account. It gives details of the amount paid in and the particulars of the account to which deposit is made. A customer is given a stamped copy of the pay-in-slip for his own record. This document is used very often by businesses as they have to pay in money into the bank as many times as possible daily from the till boxes to prevent robbery.

3. Current Account: This is a bank account which allows the customers to draw upon the account without giving a notice. Withdrawals are made by means of cheques. Current account is used for day -to-day activities. Business men pay

money into this account from time to time and withdraw from the account according to their needs. Except for petty cash, most transactions are done by means of cheque. The customer is required to pay bank charges for services provided by the bank.

4. Contra Entries: As noted above, businesses need to take money from the till box and pay to the bank as frequently as possible. On the other hand, there are occasions when businesses need to withdraw money from the bank into the till box for office use. These operation forms opposite entries and the transactions are known as contra entries. In other words, contra entries occur when the office cash and bank accounts are affected in the same cash book for the same amount.

Examples 6.1

March 13 Withdrew cash N80,000 from bank for the office use.

March 27 Withdrew N430,000 cash from bank for business use.

Cash Book									
Dr					Cr				
Date	Particulars	Folio	Cash N	Bank	Date	Particulars	Folio	Cash	Bank N
Mar.13	Bank	C	80,000		Mar.13	Cash	C		80,000
Mar.17	Bank	C	430,000		Mar.27	Cash	C		430,000

Note: Contra entries are usually denoted by letter C in the cash book.

Use of Folio: This is the column that shows the name of the other book in an abbreviated form and the number of the page in the other books where double entry has been completed.

6.3 Single-Column Cash Book

A cash book is the book for recording all money received and paid in cash or cheque. Every transaction by cash or cheque must pass through the cash book. It performs the function of a ledger account and a subsidiary book. In the treatment of the cash book, the principle of double-entry should be maintained

and no credit transaction should be recorded in the cash book. The balance in the cash book is referred to as cash-in-hand or cash-at-bank. All cash received must be debited while each cash paid will be credited to the cash account. We have doublecolumn and three -column cash book. Below is an example of a single-column cash book.

Example 6.2

Enter the following transactions in the cash account of Daniel T. O:

			N
August 1	Cash in hand		150,000
" 3	Paid cash to Lara		20,000
" 5	Cash sales		500,000
" 6	Cash purchases		75,000
" 7	Bought stationery		13,000
" 9	Paid insurance		12,800
" 10	Paid wages		22,000
" 12	Cash sales		30,000
" 16	Received from Wale		21,000
" 21	Paid rent		51,200

Dr				Cash Account				Cr			
Date	Particular	Folio	Amount N	Date	Particular	Folio	Amount N				
Aug. 1	Capital		150,000	Aug. 3	Lara		20,000				
" 5	Sales		500,000	" 6	Purchases		75,000				
" 12	Sales		30,000	" 7	Stationery		13,000				
" 16	Wale		21,000	" 9	Insurance		12,800				
				" 10	Wages		22,000				
				" 21	Rent		51,200				
					Balance c/d		507,000				
			<u>701,000</u>				<u>701,000</u>				
	Balance b/d		507,000								

Figure 6.1: Specimen of a single column cash book

6.5 Two-Column Cash Book

The two-column cash book is an integration of the cash and bank accounts in one book. It shows the usual receipts and payments sides with a column for cash and one for bank on either side. In this type of cash book, two separate accounts which are the cash and bank are combined for convenience and to prevent fraud.

Format

Date	Particulars	Folio	Cash	Bank	Date	Particulars	Folio	Cash	Bank

Fig. 6.2: Specimen of a two-column cash book

Debit	Credit
1. Opening balances in appropriate column for cash and bank accounts	1. Payment in appropriate column for cash and bank account
2. Receipts for cash and bank accounts	2. Purchases in appropriate column
3. Receipts in appropriate column.	3. Bank account when money is withdrawn from the bank to the till box.
4. Cash sales in appropriate column.	4. Appropriate accounts for drawings.
5. Cash account when till box receives money from the bank.	

Example 6.3

Write up a two-column cash book from the following details and balance off as at the end of the month. Post into the appropriate ledger accounts.

July 1 Started business with cash N650,000

July 2 The following paid us by cheque: Ajayi N140,000
Mulak N60,000

July 4 Cash sales paid directly into the bank N170, 000

" 5 Paid rent by cash N48,000

" 6 Paid the following by cheque: Chuks N52,000;
Abegunde N 35,000

" 7 Withdrew cash from the bank for office use N 30 000

" 8 Commission received by cheque N16 ,350

" 10 Banked cash N 23,000

" 12 Withdrew cash from bank for personal use N12,000

" 15 Paid wages by cash N 62,000

" 16 Bought motor van by cheque N50,000

" 18 Cash sales N10,000

" 20 Bought stationery paying by cash N7 300

" 22 Received N350,000 cheque from Mazi

" 23 Cash purchases N16,000

- " 24 Cash Drawings N10,000
- " 25 Bought goods by cheque N13 ,500
- " 27 Loan from Abegunde N42,000 by cash
- " 28 Paid motor expenses by cheque N18,000
- " 30 Proprietor puts further cash N450,000 into the business as capital.

Solution

Dr					Cash Book					Cr	
Date	Particulars	Folio	Cash ₦	Bank ₦	Date	Particulars	Folio	Cash ₦	Bank ₦		
Jul.1	Capital		650,000		Jul.5	Rent		48,000			
" 2	Ajayi			140,000	Jul.6	Chuks			52,000		
	Mulak			60,000	Jul.6	Abegunde			35,000		
" 4	Sales			170,000	Jul.7	Cash	C		30,000		
" 7	Bank	C	30,000		" 10	Bank	C	23,000			
" 8	Commission			16,350	" 12	Drawings			12,000		
" 10	Cash	C		23,000	" 15	Wages		62,000			
" 18	Sales		10,000		" 16	Motor van			50,000		
" 22	Mazi			350,000	" 20	Stationery		7,300			
" 27	Abegunde		42,000		" 23	Purchases		16,000			
" 30	Capital		450,000		" 24	Drawings		10,000			
					" 25	Purchases			13,500		
					" 28	Motor expenses			18,000		
						Balance c/d		1,015,700	548,850		
	Balance b/d		1,182,000	759,350				1,182,000	759,350		
	Balanced b/d		1,015,700	548,850							

6.6 Posting to the Ledgers

A cash book is a part of the double-entry system. In the preparation of accounts, it is necessary to write up the cash book first, then transfer the items to the individual ledgers so as to complete the double-entry system.

However, all items on the debit side of the cash book must be recorded to the credit side of individual ledgers while all items on the credit side of the cash book must be transferred to the debit side of individual ledgers. Using the question above, the ledgers will appear thus:

Ledger Account

Dr				Capital a/c				Cr	
Date	Particulars	Folio	Amount	Date	Particulars	Folio	Amount		
July 31	Balance c/d		1,100,000	July 1	Cash		650,000		
				July 30	Cash		450,000		
			<u>1,100,000</u>				<u>1,100,000</u>		
					Balance b/d		1,100,000		

Dr				Ajayi a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N				
July 31	Balance c/d		140,000	July 2	Bank		140,000				
					Balance b/d		140,000				

Dr				Mulak a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N				
July 31	Balance c/d		60,000	July 2	Bank		60,000				
					Balance b/d		60,000				

Dr				Sales a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N				
July 31	Balance c/d		180,000	July 4	Bank		170,000				
				July 18	Cash		10,000				
			180,000				180,000				
					Balance b/d		180,000				

Dr				Rent a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N				
July 5	Cash		48,000	July 31	Balance c/d		48,000				
	Balance c/d		48,000								

Dr				Commission a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N				
July 31	Balance c/d		16,350	July 8	Bank		16,350				
					Balance b/d		16,350				

Loan: Abegunde a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 31	Balance c/d		42,000	July 27	Cash		42,000
					Balance b/d		42,000

Drawings a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 12	Bank		12,000	July 31	Balance c/d		22,000
July 24	Cash		10,000				22,000
			22,000				
	Balance b/d		22,000				

Chuks a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 6	Bank		52,000	July 31	Balance c/d		52,000
	Balance b/d		52,000				

Abegunde a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 6	Bank		35,000	July 31	Balance c/d		35,000
	Balance b/d		35,000				

Wages a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 15	Bank		62,000	July 31	Balance c/d		62,000
	Balance b/d		62,000				

Motor Van a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 16	Bank		50,000	July 31	Balance c/d		50,000
	Balance b/d		50,000				

Dr Stationary a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 16	Bank		7,300	July 31	Balance c/d		7,300
July 25	Alance b/d		7,300				

Dr Drawings a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 23	Cash		16,000	July 31	Balance c/d		29,500
July 25	Bank		13,500				29,500
			29,500				
	Balance b/d		29,500				

Dr Chuks a/c				Cr			
Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
July 28	Bank		18,000	July 31	Balance c/d		18,000
	Balance b/d		18,000				

6.4 Three-Column Cash Book

The three-column cash book is a cash book with three columns that combines cash, bank and discount accounts into one book. It follows the same principle as that of a two-column cashbook but there is just an additional column for discount on the debit and credit sides with cash and bank accounts. There must be a column for discount allowed on the debit side and discount received column on the credit side of the cash book.

Format

Date	Particulars	Folio	Cash	Bank	Discount Allowed	Date	Particulars	Folio	Cash	Bank	Discount Allowed

Fig. 6.3: Specimen for three-column cash book

The procedure for making entries in the cash book is as follows:

- Debit amount received from debtors in bank or cash column as appropriate and enter discount allowed in discount allowed column immediately.
- Credit amount paid to creditor in bank or cash column as appropriate and enter discount received in discount received column immediately.

Example 6.4

Mr. S.O. Akinleye started business with 460,000 on 2/5/2009 and paid it into the bank on 3/5/2009. His transactions for the rest of the month were as follows:

May 4 Purchase by cheque N80,000

“ 5 Received a cash loan from Odunsi N32,000

“ 7 Paid wages in cash N25,000

“ 9 Cash drawings N10,500

“ 10 Cash sales N200,000

- " 11 Received commission by cheque N12 ,000
 - " 12 Paid the following accounts by cheque, in each case deducting 10% discount: Sola N10 ,000 ; Bisola N 25 ,000
 - " 13 Cash sales paid directly into the bank N 38,000
 - " 14 Received from customers cheque for N136,000 and allowed discount of 5%
 - " 15 Paid rent in cash N40,000
 - " 18 Cash withdrawn from the bank N150,000
 - " 21 Received from Temi cheque in settlement of his account N18 500 having deducted N2 ,000 cash discount.
 - " 25 Paid insurance by cheque N 24,000
 - " 28 Cash lodged in bank N300,000
- You are required to prepare a three-column cash book for Mr S.O. Akinleye for the month of May 2009

Solution

Three Column Cash Book											
Dr						Cr					
Date	Particulars	Folio	Cash N	Bank N	Discount allowed N	Date	Particulars	Folio	Cash N	Bank N	Discount allowed N
May	Capital		460,000			May	Bank	C	460,000		
2	Cash	C		460,000		4	Purchases			80,000	
5	Odunsi		32,000			7	Wages	GL	25,000		
10	Sales		200,000			9	Drawings		10,500		
11	Commission			12,000		12	Sola	PL		9,000	1,000
13	Sales			38,000		12	Bisola	PL		22,500	2,500
14	Customers	SL		129,200	6,800	15	Rent		40,000		
18	Bank	C	150,000			18	Cash	C		150,000	
21	Temi	SL		18,500	2,000	25	Insurance			24,000	
28	Cash	C		300,000		28	Bank	C	300,000		
							Balance c/d		6,500	672,200	
			842,000	957,700	8,800				842,000	964,500	3,500
	Balance b/d		7,000	679,000							

6.8 The Petty Cash Book With Imprest System

1. Petty Cash Book: In order to save time and for the general ledger not to be overburdened with a large number of small items, expenditures occurring frequently are classified under various headings, the totals are posted at the end of a period to the appropriate expenses account in the ledger.

Therefore, the book of original or prime entry which is used for recording small expenses or disbursement like postages, petrol, transport, stationery and sundry expenses is known as "Petty Cash Book" It is a part of the double-entry books and its source document is the petty cash expenses voucher, receipts and invoices. It is purposely prepared to reduce numerous cash payments.

2. Imprest System: This is a conventional system for recording petty cash transactions with a specified sum of money given to the petty cashier at the start of an accounting period to cover all the petty or small expenses. This specified sum is called float. The petty cashier will pay money

from the float for all authorized vouchers and he will be reimbursed for the amount spent from time to time.

Under this system, the petty cashier is given a fixed amount at the beginning of a period for petty expenses which are debited in his petty cash book. At the end of the period, he balances the account and checks the balance on hand with the amount in the office. The exact amount spent would be restored to him by the cashier to add to the balance on hand leaving him with the same amount to begin the next period.

The period may be weekly, fortnightly or monthly, For example, if a petty cashier spends ₦2,000, with a remaining balance of ₦3,000, the cashier will reimburse the petty cashier to the tune of ₦2,000 to restore the imprest. An analytical petty cash book kept on imprest system.

Advantages of Imprest System

- i. It reduces fraud in an organisation because there is accountability for every expenditure has documentary evidence.
- ii. It reduces the burden of the main cashier.
- iii. It ensures that every voucher is supported by documentary evidence of expenditure such as receipts or invoices from outside bodies and there is no room for unauthorized payments.

Format

Dr									Or
Receipts	F	Date	Details	Voucher no	Total	Postage stamp	Transport	Cleaning	Ledger

Fig. 6.5: Specimen of the petty cash book

6.9 Procedures for Petty Cash Book

- i. Credit cash book with the amount drawn on the main cash book.
Debit petty cash book with the amount of float.
- ii. Credit petty cash book with payments made and analyse them.
- iii. All payments made out of the petty cash book must be supported by authorized vouchers.
- iv. Total of analysis columns must be transferred to the debit of nominal ledgers.
- v. Reimburse the petty cash every week or monthly using the imprest system.

Example 6.5

The following is a summary of the petty cash transactions of Laniawo Ltd for Oct. 2009:

Oct. 1 Received from cashier ₦100,000 as petty cash float

“ 2 Petrol ₦5,000

“ 3 Postages ₦3,500

“ 4 Traveling ₦6,200

“ 5 Postages ₦1,250

“ 7 Petrol ₦1,000

- " 10 Daniel Settlement of account N7,000
- " 11 Cleaning N2,400
- " 15 Stationery N3,700
- " 16 Motor expenses N4,000
- " 17 Office cleaning materials N1,600
- " 20 Car polish N2,000
- " 21 Postage stamp N750.00
- " 29 Refund of a clerk's bus fares N3 ,800
- " 29 One ream of typing paper N4,300

You are required to:

- i. Draw-up a suitable petty cash book with analysis columns for cleaning, motor expenses, postage, stationery, traveling and ledger.
- ii. Post the entries into the corresponding ledger accounts.

Solution

Dr						Cr					
Receipt	F	Date	Details	Total	Voucher	Cleaning	Motor Expenses	Postages	Stationery	Travelling	Ledger
N				N	No	N	N	N	N	N	N
100,000	C	Oct. 1	Balance b/d								
	B	2*	Petrol	5,000	1		5,000				
		* 3	Postage	3,500	2			3,500			
		* 4	Travelling	6,200	3					6,200	
		* 5	Postages	1,250	4			1,250			
		* 7	Petrol	1,000	5		1,000				
		* 10	Daniel	7,000	6						7,000
		* 11	Cleaning	2,400	7	2,400					
		* 15	Stationery	3,700	8				3,700		
		* 16	Motor expenses	4,000	9		4,000				
		* 17	Office cleaning	1,600	10	1,600					
		* 20	Car polish	2,000	11		2,000				
		* 21	Post age stamp	750	12			750			
		* 29	Clerks bus fare	380	13					3,800	
		* 29	Typing paper	3,300					4,300		
				46,500		4,000	12,000	5,500	8,000	10,000	7,000
100,000			Balance b/d	53,500							
53,500				100,000							

Posting petty cash into the ledgers account

Dr		Cash Book			Cr
	Date	Particulars	Folio	Amount	
	₹			₹	
	Oct. 1			100,000	
	" 31	Petty Cash			
		Petty cash		46,500	

Dr		Cleaning a/c			Cr
	Date	Particulars	Folio	Amount	
				₹	
	Oct.31	Petty Cash		4,000	

Dr		Motor expenses a/c			Cr
	Date	Particulars	Folio	Amount	
				₹	
	Oct.31	Petty Cash		12,000	

Dr		Postage a/c			Cr
	Date	Particulars	Folio	Amount	
				₹	
	Oct.31	Petty Cash		5,500	

Dr		Stationary a/c			Cr
	Date	Particulars	Folio	Amount	
				₹	
	Oct.31	Petty Cash		8,000	

Dr		Travelling a/c			Cr
	Date	Particulars	Folio	Amount	
				₹	
	Oct.31	Petty Cash		10,000	

Dr		Daniel a/c						Cr
Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹	
Oct.31	Petty Cash		7,000					

6.10 Summary

In this chapter, students have learnt that:

- A cash book is kept separately to allow the cashier keep the account up-to-date without interfering with the use of ledger for further purpose.
- A two-column cash book enables cash and bank transactions to be recorded in the same book.
- By means of contra entry, opposite entries can be made in a two-column cash book.
- A three-column cash book makes it possible to record discount allowed and discount received.
- The total of discount allowed and discount received columns in the cash book are transferred to the same side of the accounts in the ledger. There is no balance carried down or brought

forward from discount allowed and discount received side from this account.

vi. An analytical petty cash book is used to show at a glance the totals of numerous items of small expenses in a business organization.

vii. The imprest system is a method by which the petty cashier maintains a round sum by means of periodic reimbursement of the exact amount spent by him.

viii. The petty cash book is an extension of the cash book columnal system and the analysis column merely lists out the expenses account on which the petty cash is spent.

ix. A specified sum is given to the petty cashier at the start of the accounting period known as a float.

x. At the end of the period, the petty cashier balances his book carrying out the balance of cash to the beginning of the next period.

Revision Questions

1. Which of the following is an advantage of the imprest system?

- A. Enabling the trial balance to agree
- B. Making high profits in the business
- C. Rewarding the imprest holder
- D. Meeting small items of expenditure.

2. Which of the following is not a petty cash book item?

Purchase of _____.

- A. machinery
- B. stamps
- C. milk
- D. office pins

3. The petty cash book can have _____.

- A. a debit balance
- B. a credit balance only
- C. both debit and credit balance
- D. a nil balance only

4. A fixed amount of money set aside for petty expenses is _____.

- A. float
- B. receipt
- C. imprest
- D. find

5. The sum of money given to a petty cashier out of which small payments are made is a/an _____.

- A. bonus
- B. loan
- C. advance
- D. Float

6a. Explain the term imprest system.

b. State three reasons for honoring a cheque.

Differentiate between discount allowed and discount received.

7. Explain three significances of cash book-keeping and accounting.

8. The following information has been extracted from the book of C. Bintu:

Jan.1 Balance at the bank : N683

" 1 Drew and cashed cheque for N300

" 1 Bought for cash 14 model coats for N282

" 3 B. Aluko paid by cheque for N100 .

" 5 Sold for cash two costumes at N36 and N33 respectively.

" 5 Paid by cash, wages N72 and office expenses N10

" 9 Paid by cheque H. Abba account N282 less 5% discount .

" 10 Cash sales to date N76

" 12 Paid by cheque M. Harrison Account N300

" 14 Paid in cash carriage N33

" 18 Paid by cheque B. Banjo account N82

" 18 Gave H. Abba a cheque on account N100

" 18 Cash sales for the week N190

" 18 B. Musa paid N250 by cheque. Paid cheque into the bank.

" 21 Purchase of 7 packets of office pins at N1.17 per packet.

" 22 Paid cash into bank N100.

You are required to prepare a three-column cash book to record the above transactions.

(WASSCE)

9. The following information was extracted from the books of Adjuah Enterprises for the month of January, 2007.

Jan. 1 Cash in hand ₦500,000; cash at bank ₦59 500

" 3 Bought goods cash ₦2,500

" 5 Withdrew ₦6 700 from bank for private use

" 9 Received from the following, cheque in full settlement of their accounts in each case

deducting cash discount of 5% -Nana ₦ 5,000, Ngiah ₦7,000, Prince ₦13,00

" 15 Paid ₦ 8,500 to Sarah by cheque in full settlement of a debt of ₦9 ,000

" 17 Received ₦15,000 cheque from Johnson stores in full settlement of a Debt of ₦16,000

" 19 Paid ₦45 cash into bank

" 21 Bought 200 shares in Mauwadeka Ltd for ₦241 500. Payment was in cash

" 22 Cash sales paid direct into bank ₦9,000

" 24 Paid the following by cheque in each cash

deducting 2% cash discount Yayra ₦22,000; Kekele

₦ 37,000 Klenam

" 25 Withdrew ₦5,000 from bank for office use

" 29 Paid salaries in cash ₦115,000

" 31 Cash drawings ₦4,000

10. Write up a two-column cash book for Komolafe Ltd for the month of September, 2000

Sept.1 Balance at this date: cash in hand N3,000; bank overdraft N24,800

" 3 Cash sales N5,400; Oni paid cheque on account N2,500

" 4 Paid cash sales and Oni's cheque of the 3rd sept. into bank

" 8 Paid sundry expenses in cash N1,100

" 11 Cash sales paid into bank N10,600

" 14 Received cheque N4,000 from Martins; received cash N2,000 from Alonzo

" 15 Paid cheque and cash received on the 14th into the bank

" 17 Mr. Martins cheque was returned marked DAR

" 18 Bought goods by cheque N19,100

" 21 Cash sales N9,400

" 22 Paid cash into banks N8,000

" 25 Paid rent in cash N1,500

" 26 Received cheque from Nnaka N2,000

" 27 Received cash from Fabunmi N1,000

" 27 Paid wages by cheque N4,600

" 30 Cash sales paid into bank N7,900

Balance the cash book on the 30th September, 2000.

10b. State three advantages of the imprest system.

11. List and explain four benefits that can be derived from the imprest system of accounts.

12. Explain the relationship between an imprest system of accounting and a petty cash.

13. Joana Bonnah operates an imprest system with analysed petty cash book. There are columns for stationery, transport, postage and medical expenses. A float of N200,000 is maintained by the petty cashier who is reimbursed as and when necessary.

The following transactions were recorded in the month of 14 September, 1998.

			N
Sept.	2	Balance on hand	200,000
"	6	Bought postage stamps	28,000
"	7	Paid medical expenses	48,000
"	12	Bought stationery	28,500
"	16	Paid transport expenses	68,000
"	20	Paid medical expenses	40,800
"	22	Paid for postage stamps	6,200
		Paid transport expenses	32,600
"	28	Bought postage stamps	8,500
"	30	Paid medical expenses	26,500

You are required to enter the details above in a columnar petty cash book.
(WASSCE)

14. The following transactions were extracted from the book of Mercyland Trading Company as at 31st January, 2005.

All payments were made by cheque and all receipts were paid to the bank. The company maintains a float of N21,000

			N
Jan.	2	Cash at Eaglet Bank	20,000
"	2	Petty cash in hand	1,400
"	3	Drew cheque for petty cash	19,600
"	5	Received from Anthony, cheque in settlement of his debt N32,600 less 10% discount.	
"	6	Settled Tunde's account of N25,900 less 10% discount	
"	7	Sold for cash 20 MTN cards at N750 each	
"	8	Transferred to current account from deposits account N70,000	
"	10	Paid Olu	4,800
"	16	Paid cheque for motor repairs	8,000
"	17	Paid Ade	3,800
"	24	Paid Kofi	4,050
"	27	Paid Kwane	4,200
"	29	Payments from petty cash during the month were:	
		Salaries and wages	8,000
		Trade expenses	2,000
		Sundry purchases	9,200

You are required to prepare:

(i) A two-column cash book (showing discounts and bank columns only) for the month ended 31st January, 2005.

(ii) Petty cash book for the same period. (WASSCE)

15. Draw up a petty cash book with four analysis columns for postages and stationery, traveling expenses, carriage and office expense and enter up the following transactions. The book is kept on the imprest system; the amount of the imprest being N1,000.

Jan. 4 Petty cash in hand N150 Received cash to make up the imprest

“ 5 Bought stamps N150

“ 6 Paid railway fares N 19 , bus fares N10 , telegrams N30 , bought shorthand notes for office N50.

“ 7 Paid carriage on small parcels N27, railway fare N25 and envelopes N62

“ 8 Paid for repairs to typewriter N25 paid traveling expenses N128

“ 9 Paid office cleaner N120

Balance the petty cash book on the 9th January, 1998 and carry down the balance as at that date.