

**7**

CASH BOOK

A person after passing his/her senior secondary examination started a grocery store. The transactions were limited in number and he/she maintained only one register to record them i.e., Journal. As the business grows, the number of business transactions increases. Recording all the transactions only in the Journal becomes very inconvenient and cumbersome. It needs to be divided into many books. There are various kinds of books that are maintained where the transactions will be recorded in these books according to their nature, such as Cash book for cash transactions, Sales Book for credit sales; Purchases Book for credit Purchases and so on. Out of these books, Cash Book plays a significant role because it records large number of cash items of a business concern. In this lesson you will learn about Cash Book, its meaning and preparation.

**OBJECTIVES**

After studying this lesson, you will be able to:

- state the meaning of Cash Book;
- enumerate the types of Cash Book;
- state the meaning and draw Simple Cash Book as per format;
- state the meaning and draw Cash Book with Bank Column as per format;
- prepare Simple Cash Book and Cash Book with Bank column;
- posting of Cash Book in the ledger;
- describe the meaning and need of Petty Cash Book;
- prepare the Petty Cash Book.



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7.1 CASH BOOK : MEANING AND SIMPLE CASH BOOK

On your birthday you got gift in the form of cash from your parents, grand parents and some of your relatives. In the meantime, you got back some money that you have given to your friend as a loan. You spent this money in buying books and clothes. You went to see movies with your friends. You purchased some toys for your niece. As per habit you noted down all receipts and payments in your note book. At the end of the month, you calculated the balance of cash in hand and tallied it with the actual cash balance with you. You may maintain separate book to record these items of receipts and payments, this book is known as Cash Book.

Cash Book is a Book in which all cash receipts and cash payments are recorded. It is also one of the books of original entry. It starts with the cash or bank balance at the beginning of the period. In case of new business, there is no cash balance to start with. It is prepared by all organisations. When a cash book is maintained, cash transactions are not recorded in the Journal, and no cash or bank account is required to be maintained in the ledger as Cash Book serves the purpose of Cash Account.

Cash Book : Types and Preparation

Cash Books may be of the following Types:

- Simple Cash Book
- Bank Column Cash Book
- Petty Cash Book

● Simple Cash Book

A Simple Cash Book records only cash receipts and cash payments. It has two sides, namely debit and credit. Cash receipts are recorded on the debit side i.e. left hand side and cash payments are recorded on the credit side i.e. right hand side. In this book there is only one amount column on its debit side and on the credit side. The format of a Simple Cash Book is as under:

Format of a Simple Cash Book

Dr				Cr			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)



Column-wise explanation is as follows :

Date

In this column Year, Month and Date of transactions are recorded in chronological order.

Particulars

In this column, the name of the account in respect of which cash has been received or payment has been made is written. Account pertaining to the receipts of cash is recorded on the debit side and those pertaining to cash payments on the credit side.

Ledger Folio

In this column, it records the page number of the ledger book on which relevant account is prepared.

Amount

In this column, it records the amount received on debit side and cash paid on its credit side.

Preparation of Simple Cash Book

Cash Book is in a way, a cash account with debit and credit side and Cash account is an asset account, so the rule followed is Increase in assets to be debited and Decrease in asset is to be credited. This implies that Cash Book is a book where all the receipts in terms of cash are recorded on the debit side of the Cash Book and all the payments in terms of cash are recorded on its credit side. This means :

Cash Book records all transactions related to receipts and payments in terms of Cash only.

On the debit side in the particulars column, the name of the account, for which cash is received is recorded. Similarly, on the credit side, the name of account for which cash is paid, is recorded. In the amount column the actual cash paid or received is recorded. At the end of the month, cash book is balanced. The cash book is balanced in the same manner an account is balanced in the ledger. The total of the debit side of the cash book is compared with the total of the credit side and the difference if any is entered on the credit side of the cash book under the particulars column as balance c/d. In case of Simple Cash Book, the total of debit side is always more

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than the total of the credit side, since the payment can never exceed the available cash. The difference is written in the amount column and total of the both sides of the cash book becomes equal. The closing balance of the credit side becomes the opening balance for the next period and is written as Balance b/d on the Debit side of the Cash Book for the following period.

Recording of cash transactions in the Simple Cash Book and its balancing is illustrated with the help of the following illustrations :

Illustration 1

Enter the following transactions in the cash book of M/s. Rohan Traders:

Date	Details	Amount (Rs.)
2005		
December 01	Cash in Hand	27,500
December 05	Cash received from Nitu	12,000
December 08	Insurance Premium paid	2,000
December 10	Furniture purchased	6,000
December 14	Sold Goods for cash	16,500
December 18	Purchased Goods from Naman for cash	26,000
December 22	Cash paid to Rohini	3,200
December 25	Sold Goods to Kanika for cash	18,700
December 28	Cash Deposited into Bank	5,000
December 30	Rent paid	4,000
December 31	Salary paid	7,000

Solution:

**Books of M/s. Rohan Traders
Cash Book**

Dr.				Cr.			
Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
2005				2005			
Dec.01	Balance b/d		27,500	Dec.08	Insurance premium		2,000
Dec.05	Nitu		12,000	Dec.10	Furniture		6,000
Dec.14	Sales		16,500	Dec.18	Purchases		26,000
Dec.25	Sales		18,700	Dec.22	Rohini		3,200
				Dec.28	Bank A/c		5,000

Cash Book

			Dec.30	Rent	4,000
			Dec.31	Salary	7,000
			Dec.31	Balance c/d	21,500
		74,700			74,700
2006					
Jan. 01	Balance b/d	21,500			

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Illustration 2

Prepare Cash Book for the month of April 2006 from the following particulars :

Date	Details	Amount (Rs.)
2006		
April 01	Cash in hand	17,600
April 03	Purchased Goods for cash from Rena	7,500
April 06	Sold Goods to Rohan	6,000
April 10	Wages paid in cash	500
April 15	Cash paid to Neena	3,500
April 17	Cash Sales	10,000
April 19	Commission paid	700
April 21	Cash received from Teena	1,500
April 25	Furniture Purchased for cash	1,700
April 28	Rent paid	3,000
April 30	Paid Electricity bill in cash	1,300

Solution:

Cash Book

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006				2006			
April 01	Balance b/d		17,600	April 03	Purchases		7,500
17	Sales		10,000	10	Wages		500
21	Teena		1,500	15	Neena		3,500
				19	Commission		700

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Cash Book

			25	Furniture	1,700
			28	Rent	3,000
			30	Electricity Bill	1,300
			30	Balance c/d	10,900
2006		29,100			29,100
May 01	Balance b/d	10,900			

Note : Credit transactions are not recorded in cash book (i.e. a credit sales to Rohan Rs.6,000 on April 6, 2006)

Posting of Cash Book in the Ledger

As we know that cash receipts are shown on debit side of Cash Book and the cash payments are shown on the credit side of Cash Book. Account appearing on the debit side of the Cash Book is posted on the credit side in the relevant ledger. Similarly, account appearing on the credit side of Cash Book is posted on the debit side of the relevant ledger.

Cash Book in itself is a Cash account, so no separate cash account will be maintained in the ledger.

For the posting of various cash book entries in the ledger, refer illustration No. 2.

(a) Posting of Debit side of Cash Book :

Sales Account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
				2006			
				April 17	Cash		10,000

Teena Account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
				2006			
				April 21	Cash		1,500



(b) Posting of credit sides of cash Book

Purchases account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006							
April 03	Cash		7,500				

Wages Account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006							
April 10	Cash		500				

Neena's Account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006							
April 10	Cash		3,500				

Commission Account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006							
April 19	Cash		700				

Furniture Account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006							
April 25	Cash		1,700				

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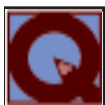
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Rent Account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006							
April 28	Cash		3,000				

Electricity bills Account

Dr.				Cr.			
Date	Particulars	L.F.	Amount (Rs)	Date	Particulars	L.F.	Amount (Rs)
2006							
April 30	Cash		1,300				



INTEXT QUESTIONS 7.1

- I. Complete the following sentences with the suitable words:
- Cash Book starts with the Balance at the beginning of the period.
 - When a Cash Book is maintained, cash transactions are not recorded in
 - Simple Cash Book records only Cash and Cash
 - The total of side of the Simple column Cash Book is always more than the total of its side.
 - Closing Balance of Cash Book becomes the opening balance of next period and is written as
- II. Some transactions are given below. On which side of the Cash Book would you record them. Tick [✓] the correct side:
- | S.No. | Transactions | Debit side | Credit side |
|-------|-----------------------------------|------------|-------------|
| (i) | Saniya started business with Cash | | |
| (ii) | Goods Purchased for cash | | |
| (iii) | Goods sold for Cash | | |

- (iv) Cash deposited into Bank
- (v) Rent paid
- (vi) Purchased Computer
- (vii) Closing Cash Balance
- (viii) Cash received from Mohit.



7.2 BANK COLUMN CASH BOOK

When the number of bank transactions is large in an organisation, it is necessary to have a separate book to record bank transactions. Instead of having a separate book to record bank transactions a column is added on each side of the Simple Cash Book. This type of cash book is known as Bank column Cash Book. All payments into bank are recorded on the debit side and all withdrawals/payments through the bank are recorded on the credit side of the cash book. The format of a Bank column cash Book is as under :

Format of a Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash	Bank	Date	Particulars	L.F	Cash	Bank
			(Rs)	(Rs)				(Rs)	(Rs)

Preparation of Bank column cash book

In Bank column Cash Book, the cash transactions are recorded in a similar manner as are recorded in the Simple cash book. The difference is that Bank column cash book records transactions relating to Bank also. There are some special business transactions which need special treatment in the Bank column of the Cash Book :

- (i) Opening balance
- (ii) Receipt of cheques
- (iii) Contra entries
- (iv) Endorsement of cheque
- (v) Bank charges

The treatment given to these special transactions is as under :

(i) Opening Balance

The opening cash and bank balances are recorded on the debit side of the cash book. Sometimes a businessman withdraws excess amount from the



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bank (from his bank account) and the closing bank balance of a month is a credit balance. This balance amount is called 'Bank overdraft'. It is written on the credit side of the bank column of the cash book as opening balance. For example, if a business firm has Rs.12,000 as cash in hand and Rs.15,000 as overdraft (credit balance) in the bank, it will be recorded as under:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F.	Cash (Rs)	Bank (Rs)	Date	Particulars	L.F.	Cash (Rs)	Bank (Rs)
	Balance b/d		12,000			Balance b/d			15,000

(ii) Receipt of Cheques

All cash receipts are entered in the cash column and cheques received in the bank column of Cash Book. If the cheques deposited in bank on the same date, it is entered on the debit side of bank column of the cash book. If the cheques received from customer are not deposited in the bank on same day, they are included in cash and written on the debit side in the cash column of cash book. For example: On May 2, 2006 a cheque received from Tarun for Rs.7,000 and deposited on same date.

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F.	Cash (Rs)	Bank (Rs)	Date	Particulars	L.F.	Cash (Rs)	Bank (Rs)
2006									
May 2	Tarun			7,000					

In case, this cheque is deposited on May 10, 2006 the entry on May 02, 2006 is as under:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F.	Cash (Rs)	Bank (Rs)	Date	Particulars	L.F.	Cash (Rs)	Bank (Rs)
May 2	Tarun		7,000						



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(iii) Contra entries

When there is a transaction that relates to both cash and bank, this will be written on one side of Bank Column and on other side of Cash Column, Such transactions are known as 'Contra entries'. In case cash is withdrawn from bank for office use, it is entered on the credit side of bank column and also in the debit side of cash column of the cash Book. In case cash is deposited in the bank, the amount is recorded on the debit side of bank column and on the credit side of cash column of the cash book. The letter 'C' is written in the LF column on both sides against these entries. These entries are not to be posted into ledger. For example: On May 15, 2006 Cash withdrawn from bank for office use is Rs.2,000. In this case the transaction recorded is as under:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (Rs)	Bank (Rs)	Date	Particulars	L.F	Cash (Rs)	Bank (Rs)
2006									
May					May				
15	Bank	C	2,000		15	Cash	C		2,000

(iv) Endorsement of Cheque

When cheque received from customer is given to some other party i.e. endorsed, on receipt, it is recorded on the debit side of cash column. On endorsement of cheque, the amount is recorded on the credit side of the cash column of Cash Book. For example, on May 22, 2006 a cheque of Rs.8,000 is received from M/s J.P.Traders. On May 27,2006 it was endorsed in favour of M/s Kapila Traders. In this case the transaction recorded is as under:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (Rs)	Bank (Rs)	Date	Particulars	L.F	Cash (Rs)	Bank (Rs)
2006									
May					May				
22	J.P.Traders (Cheque)		8,000		27	Kapila Traders (Cheque)		8,000	



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(v) Bank Charges

If bank charges any interest, outstation cheque collection charges etc. are entered on the credit side of the Bank column of the Cash Book. Similarly, if bank gives interest, collects commission etc., these will be recorded on the debit side on the Bank column Cash Book.

Illustration 3

Record the following transactions in the Bank column Cash Book of M/s Time Zone for the month of January 2006.

Date	Details	Amount (Rs.)
2006		
January 01	Bank Balance	32,500
01	Cash Balance	12,300
03	Purchased Goods by cheque	5,300
08	Goods Sold for cash	9,500
10	Purchased Typewriter by Cheque	5,400
15	Sold Goods and received Cheque (deposited on the same day)	7,900
17	Purchased Stationery by Cheque	1,000
20	Cash deposited into bank	10,000
22	Paid Cartage	500
24	Cheque given to Mudit	7,000
28	Rent paid by Cheque	3,000
30	Paid Salary	3,500

Solution:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (Rs)	Bank (Rs)	Date	Particulars	L.F	Cash (Rs)	Bank (Rs)
2006									
Jan 1	Balance b/d		12,300	32,500	Jan 3	Purchases			5,300
8	Sales		9,500		10	Typewriter			5,400
15	Sales			7,900	17	Stationery			1,000

Cash Book

20	Cash	C		10,000	20	Bank	C	10,000
					22	Cartage		500
					24	Mudit		7,000
					28	Rent		3,000
					30	Salary		3,500
					31	Balance c/d		7,800
			21,800	50,400				28,700
Feb 1	Balance b/d		7,800	28,700				21,800
								50,400

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Illustration 4

Enter following transactions in the Bank column cash Book of M/s Tea Traders for April 2006

Date	Details	Amount (Rs.)
2006		
April 01	Commenced business with Cash	60,000
01	Opened Bank account with SBI	45,000
05	Purchased Goods by Cash	7,000
10	Purchased Office Machine for cash	5,000
15	Sold Goods on credit to Manjula and received cheque	6,000
18	Cash Sales	10,000
20	Manjula Cheque deposited into Bank	
22	Paid Wages by cheque	300
25	Cash withdrawn from Bank for personal use	3,000
30	Rent paid by Cheque	2,000

Solution:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (Rs)	Bank (Rs)	Date	Particulars	L.F	Cash (Rs)	Bank (Rs)
2006					2006				
April 1	Capital A/c		60,000		April 3	Bank	C	45,000	
3	Cash	C		45,000	5	Purchases		7,000	
15	Manjula		6,000		10	Office Machine		5,000	
18	Sales		10,000		20	Cash (Cheque)	C	6,000	
20	Bank (cheque)	C	6,000		22	Wages			300

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Cash Book

					25	Drawings			3,000
					30	Rent			2,000
					30	Balance c/d		13,000	45,700
May 1	Balance b/d		76,000	51,000				76,000	51,000
			13,000	45,700					

Illustration 5

Prepare Bank Column Cash Book from the following information for December 2006

Date	Details	Amount (Rs.)
2006		
Dec 1	Cash in hand	10,500
1	Bank Overdraft	9,500
4	Paid Wages	400
6	Cash Sales	10,000
9	Cash deposited into Bank	5,000
13	Purchased Goods and paid by cheque	6,000
15	Cash deposited into Bank	4,000
18	Paid Trade Expenses by cheque	1,200
22	Rent paid	2,300
25	Received Cash from Rahul	1,500
27	Commission paid	2,000
29	Salary paid	3,500
31	Bought Goods by Cheque	3,000

Solution:

Bank Column Cash Book

Dr					Cr				
Date	Particulars	L.F	Cash (Rs)	Bank (Rs)	Date	Particulars	L.F	Cash (Rs)	Bank (Rs)
2006					2006				
Dec 1	Balance b/d		10,500		Dec 1	Balance b/d			9,500
6	Sales		10,000		4	wages		400	
9	Cash	C		5,000	9	Bank	C	5,000	
15	Cash	C		4,000	13	Purchases			6,000
25	Rahul		1,500		15	Bank		4,000	

Cash Book

31	Balance b/d		—	10,700	18	Trade Expenses		1,200
					22	Rent	2,300	
					27	Commission	2,000	
					29	Salary	3,500	
					31	Purchases		3,000
					31	Balance c/d	4,800	
			22,000	19,700			22,000	19,700
Jan 1	Balance b/d		4,800		Jan 1	Balance b/d	—	10,700

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Posting of Bank column Cash book in the ledger

Like Cash account no separate Bank account will be opened. Account relating to Contra entries on either side of Cash book need not be posted. Other accounts on either side of Bank column of the Cash book will be maintained in the ledger in the same manner which we adopted in the case of Simple cash Book.

For the posting of various cash book items in the ledger refer to illustration No.5.

(a) Posting of Debit side of Bank column Cash Book

Sales Account

Dr.				Cr.			
Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
				2006			
				Dec. 6	Cash		10,000

Rahul Account

Dr.				Cr.			
Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
				2006			
				Dec. 25	Cash		1,500



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(b) Posting of credit side of Bank column Cash Book

Purchases account

Dr.				Cr.			
Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
2006							
Dec.13	Bank		6,000				
Dec.31	Bank		3,000				

Wages Account

Dr.				Cr.			
Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
2006							
Dec. 4	Cash		400				

Trade Expenses Account

Dr.				Cr.			
Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
2006							
Dec.18	Bank		1,200				

Commission Account

Dr.				Cr.			
Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
2006							
Dec. 27	Cash		2,000				

Salary Account

Dr.				Cr.			
Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
2006							
Dec.29	Cash		3,500				



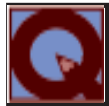
Rent Account

Dr.

Cr.

Date	Particulars	L.F	Amount (Rs)	Date	Particulars	L.F	Amount (Rs)
2006							
Dec. 22	Cash		2,300				

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**INTEXT QUESTIONS 7.2**

Fill in the blanks with suitable word/words:

- (i) In Bank Column Cash Book columns are shown on each side.
- (ii) The Bank column Cash book records transactions relating to as well as
- (iii) Credit balance of Bank Column of Cash Book is called
- (iv) When a cheque is received from a customer but not deposited into the Bank on the same day, it will be recorded on side in column.
- (v) When transactions relate to both cash and bank side of Bank Column Cash Book, Such transactions are known as
- (vi) When cheque received from customer is given to some other party it is called

7.3 PETTY CASH BOOK : MEANING AND NEED

In big business organisations, a large number of repetitive small payments such as, for conveyance, cartage, postage, telegrams, courier and other expenses are made. These organisations appoint an assistant to the Head Cashier. The appointed cashier is known as petty cashier. He makes payments of these expenses and maintains a separate cash book to record these transactions. Such a cash book is called Petty Cash Book. The petty cashier works on the imprest system. Under this system, a definite sum, say Rs. 4000/- is given to the petty cashier at the beginning of the period. This amount is called imprest money. The petty cashier meets all small payments out of this imprest amount, At the end of the period say one month he presents the account to the Head Cashier and gets reimbursed from the Head Cashier. Suppose out of Rs.4,000 he has spent Rs.3,850 by the end of the month. He will get Rs.3,850 from the head cashier. Thus, again he has the



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full imprest amount in the beginning of the next period. The process of reimbursement can be weekly, fortnightly or monthly depending upon the frequency of small payments. The Petty Cashier is authorised to sanction and disburse small payments. Assignment of the task of making of petty expenses to a person and the maintenance of petty cash book by him reduces the burden of the Head Cashier.

The petty cash book has a number of columns for the amount on the payment side. Each of the amount columns is allotted to items of specific payments, which are common. The last column is allotted for miscellaneous payments. At the end of the period, all amount columns are totalled. The total of the amount paid shown in column 5 is deducted from the column 1. At the opening of the month the total amount paid in the previous month is reimbursed by the Head Cashier.

Format of a Petty Cash Book is given as under:

Petty Cash Book (Format)

Amount Received	Date	Particulars	Voucher No,	Amount paid (Rs)	Analysis of Payments				
					Postage	Telephone & Telegram	Conveyance	Stationery	Miscellaneous Expenses
1	2	3	4	5	6	7	8	9	10

Illustration 6

Mr. Sumit the Petty Cahier of M/s Travels India received Rs 2000 on April 1, 2006 from the Head Cashier. Prepare Petty Cash Book on Imprest System from the petty payments during the month of April 2006 for the following items:

Date	Details	Amount (Rs)
2006		
April 2	Auto fare	200
	3 Courier services	50
	4 Postage stamps	95
	5 Pencils/Pads	65
	6 Speed Post Charges	40

Cash Book

8	Taxi fare (205+90)	295
9	Refreshments	310
11	Auto fare	60
13	Telegram	64
16	Computer stationery	165
19	Bus fare	40
21	STD Call Charges	205
23	Refreshment	80
25	Photostat Charges	45
28	Courier services	40
30	Bus fare	40

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Solution:

Petty cash Book

Amount Received	Date	Particulars	Voucher No.	Amount paid (Rs)	Analysis of Payments				
					Postage	Telephone & Telegram	Conveyance	Stationery	Miscellaneous Expenses
	2006								
	April								
2000	01	Cash received							
	02	Auto fare		200			200		
	03	Courier services		50	50				
	04	Postage stamps		95	95				
	05	Pencils/Pads		65			65		
	06	Speed Post Charges		40	40				
	08	Taxi fare		295			295		
	09	Refreshments		310					310
	11	Auto fare		60			60		
	13	Telegram		64		64			



Notes

16	Computer stationery	165				165	
19	Bus fare	40			40		
21	STD Call Charges	205		205			
23	Refreshment	80					80
25	Photostat Charges	45					45
28	Courier services	40	40				
30	Bus fare	40					
		1794	225	269	595	230	435
30	Balance c/d	206					
2000		2000					
206	May 1 Balance b/d						
1794	01 Cash received						



INTEXT QUESTIONS 7.3

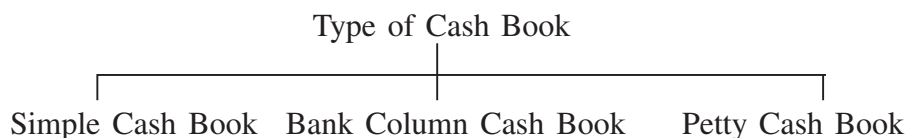
Fill in the blanks with suitable word/words:

- (i) The assistant of the Head Cashier is known as
- (ii) A separate cash book to record small transactions is called
- (iii) The amount which is paid to the petty cashier at the beginning of a period is known as
- (iv) Under Imprest system of Petty Cash Book, the Petty Cashier is reimbursed with the amount equivalent to what he spent during the



WHAT YOU HAVE LEARNT

- Cash Book is a Book in which all cash receipts and cash payments are recorded. It is also one of the books of original entry.





Notes

- **Simple Cash Book**

A Simple Cash Book records only cash receipts and cash payments. It has two sides, namely debit and credit.

- **Bank Column Cash Book**

In this type of Cash Book, Bank and Cash columns are shown on each side.

- **Contra entries**

Transactions that relate to both cash and bank and is entered on cash column of one side and bank column of other side of Bank Column Cash Book. Recording of such transactions is known as 'Contra entries'.

- In big business organisations, a large number of repetitive small payments such as, for conveyance, cartage, postage, telegrams and other expenses are made. These organisations appoint an assistant to the Head Cashier. The so appointed cashier is known as petty cashier. He makes payment of these expenses and maintains a separate cash book to record these transactions. Such a cash book is called Petty Cash Book.

**TERMINAL QUESTIONS**

1. What is Cash Book? Explain the different types of Cash Book.
2. Draw the format of 'Bank Column Cash Book' and write at least five items in it.
3. What is Contra entry? How will you deal with this entry while preparing Bank Column Cash Book?
4. What do you mean by Petty Cash Book ? Explain the imprest system of Petty Cash Book.
5. Enter the following transactions in the Simple Cash Book of M/s Golden Traders:

2006		Rs.
April	1 Started Business with Cash	30,000
"	2 Goods Purchased for Cash	10,000
"	3 Furniture Purchased	1,000

MODULE - 1

Basic Accounting



Notes

Cash Book

”	6	Goods Sold for Cash	7,000
”	9	Cartage paid	200
”	10	Postage	100
”	12	Cash Sales	3,000
”	14	Cash withdrawn for Personal use	2,000
”	18	Deposited into Bank	10,000
”	22	Goods purchased for Cash	13,000
”	25	Wages paid	500
”	27	Rent paid	3,000
”	28	Cash Sales	2,000
”	30	Commission received	500

6. From the following transactions prepare Simple Cash Book :

2006			Rs.
March	01	Cash in hand	32,500
”	08	Cash paid to Rohan	8,000
”	12	Goods Purchased	3,000
”	15	Cash received from Tanaya	2,000
”	18	Cash Sales	4,000
”	22	Paid wages	4,000
”	25	Salary paid	3,000
”	28	Cash paid to Manish	3,500
”	31	Rent paid	2,500

7. Prepare Bank Column Cash Book from the following transactions:

2006			Rs.
July	1	Cash in hand	18,000
		Cash at Bank	27,500
”	3	Goods sold for cash	10,000
”	6	Bought Goods by Cheque	16,000
”	8	Cash deposited into Bank	20,000

Cash Book

”	10	Paid Trade Expenses through Cheque	2,000
”	12	Paid Audit Fee for Cash	1,000
”	14	Cheque received from Garima and deposited into bank	4,700
”	18	Withdrew from bank for personal use	2,000
”	20	Purchased office machine by Cheque	5,000
”	22	Wages paid	1,000
”	26	Cash Sales	5,000
”	28	Received Cheque from Mahesh	2,000
”	29	Salary Paid	5,000
”	30	Mahesh Cheque deposited into Bank	
”	31	Rent paid	2,000

8. Prepare Bank column Cash Book of M/s Style India from the following transactions for the month of April 2006 :

2006		Rs.	
August	1	Cash in hand	18,000
		Cash at Bank	27,500
”	3	Cash Sales	10,000
”	5	Furniture purchased by cheque	8,700
”	8	Paid by cheque to Sonu	13,500
”	12	Received Cheque from Ashima and deposited into Bank	13,000
”	15	Cash Sales	7,000
”	18	Deposited into Bank	8,000
”	20	Withdrawn from Bank for personal use	7,000
”	22	Cheque received from Naveen	7,000
”	24	Rent paid	5,000
”	26	Naveen Cheque deposited into Bank	
”	28	Withdrawn from Bank for office use	5,000
”	29	Salary paid	3,000
”	31	Cash paid for Electric Bill	500
”	31	Cash paid for Telephone bill	1,000

MODULE - 1

Basic Accounting



Notes



Notes

9. Prepare Bank Column Cash Book from the following transactions for the month of March 2006 :

2006		Rs.
March	1 Cash in hand	3,200
	Bank Overdraft	16,500
"	4 Cash Sales	4,000
"	7 Cheque received from Babli	6,000
"	10 Goods Purchased by Cheque	2,000
"	12 Babli Cheque deposited into Bank	
"	14 Cash Sales	5,000
"	18 Cash deposited into Bank	8,000
"	20 Salary paid	2,000
"	22 Wages paid	150
"	23 Interest charged by Bank	300
"	27 Cash Sales	2,500
"	29 Telephone Bill paid by cash	100
"	31 Purchase of Goods on cash	2,000

10. Prepare Petty Cash Book on imprest system for the month of September 2006 from the following items of petty payments:

2006		Rs.
September	2 Postage	130
"	4 Stationery	50
"	6 Auto fare	60
"	8 Refreshments	210
"	10 Courier Services	60
"	12 Speed Post Charges	90
"	15 Telegram	20
"	18 Bus fare	30
"	19 Postage	20
"	21 Photostat Charges	30
"	23 Bus fare	20
"	25 STD Call Charges	35
"	27 Taxi fare	110
"	29 Cartage	35
"	30 Computer Stationery	120

The petty cashier received Rs 1200 from the Head cashier on September 01, 2006.



ANSWERS TO INTEXT QUESTIONS



Notes

Intext Questions 7.1

- I. (i) Cash (ii) Journal (iii) Receipt, Payment
(iv) Debit, Credit (v) Balance b/d

II. S.No	Debit Side	Credit Side
(i)	√	
(ii)		√
(iii)	√	
(iv)		√
(v)		√
(vi)		√
(vii)		√
(viii)	√	

Intext Questions 7.2

- (i) Bank/Cash (ii) Cash, Bank (iii) Overdraft
(iv) Debit, Cash (v) Contra entry (vi) endorsement

Intext Questions 7.3

- (i) petty cashier (ii) petty cash book (iii) Imprest amount
(iv) previous month

Answers to Terminal Questions

- Closing Cash in hand Rs.2,700
- Closing Cash in hand Rs.14,500
- Closing Cash in hand Rs.4,000, Closing Bank Balance Rs.29,200
- Closing Cash in hand Rs.3,060, Closing Bank Balance Rs.48,300
- Closing Cash in hand Rs.2,550, Bank overdraft Rs.4,800
- Closing Cash Balance Rs.480



Notes

**Activity**

If you ask your friends you may come across a friend who gets pocket allowance on regular basis from his parents and who spends it judiciously and maintains a record of the money spent. He may also be receiving money from his grand parents and/or from grand maternal parents. Procure the note book/diary in which your friend keeps the notes regarding receipts and payments and prepare a Cash Book on the basis of the given information.

**Do you know?****Do mosquitoes and other insects spread HIV?**

No. The evidence clearly shows that HIV is not spread by mosquitoes and other insects. The malaria parasite lives in the body of the mosquito, and is introduced into the human body when the mosquito bites. HIV lives in some cells of the human body, but it does not live in the cells of insects. Therefore, mosquitoes and other insects cannot transmit HIV. For example, bedbugs, lice, and fleas in the household of persons living with HIV/AIDS (PLWHA) do not spread the virus among other members of the household.

The incidence of HIV infection is the highest among the sexually active in the 15-45 age group. If mosquitoes and other insects were a means of spreading HIV, the incidence of HIV infection would have been uniformly high among all age groups.

