

1. Details of Module and its structure

Module Detail	
Subject Name	Accountancy
Course Name	Accountancy 01 (Class XI, Semester - 1)
Module Name/Title	Special Purpose Books: Cash Book – Part 5
Module Id	keac_10305
Pre-requisites	Basic knowledge of Accounting Process, Concepts, Equations and Journalising
Objectives	After going through this lesson, the learners will be able to understand: <ul style="list-style-type: none">• The need for maintaining cash book• Types of cash book• Recording of transactions in cash book• Petty cash book and Imprest system
Keywords	Cash Book, Single Column Cash Book, Double Column Cash Book, Petty Cash Book, Contra Entry, Imprest System.

2. Development Team

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Table of Contents:

1. Introduction
2. Basis of recording transactions in Cash Book
3. Cash book: Format and Types
4. Specific transactions related to Banks
5. Meaning of Contra entry and its use
6. Imprest system of petty cash book
7. Balancing of Cash book
8. Summary

Cash Book

Cash book is a book in which all transactions relating to cash receipts and cash payments are recorded. It starts with the cash or bank balances at the beginning of the period. Generally, it is made on monthly basis. This is an important book which is maintained by all organizations, either big or small, profit or not-for profit. It serves the purpose of both journal as well as the ledger (cash) account. It is also called the *book of original entry*. When a cashbook is maintained, transactions of cash are not recorded in the journal, and no separate account for cash or bank is required in the ledger. The basis of recording transactions in cash book is the source document for cash receipts. For payment, any document, invoice, bill, receipt, etc., on the basis of which payment has been made, will serve as a source document for recording transactions in the cash book. Bank pass book (bank statement) and Pay-in-slips and e-receipts also help as source documents when receipts and payments are made through cheques or digitally. When payment has been made, all these documents, popularly known as vouchers, are serially arranged and filed in a separate file for future reference and verification.

Single Column Cash Book

The single column cash book records all cash transactions of the business in a chronological order, i.e., it is a complete record of cash receipts and cash payments. When all receipts and payments are made in cash by a business organization only, the cash book contains only one amount column on each (debit and credit) side. The format of single column cash book is shown in figure below:

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Single Column Cash Book

Date	Particulars	L.F.	Amount ₹	Date	Particulars	L.F.	Amount ₹

Consider the following transactions of M/s Roopa Traders and observe how they are recorded in a single column cash book.

Books of Rook Traders

Cash Book

Date	Particulars	Amount (₹)
2017		
Apr. 01	Cash in hand	30,000
Apr. 04	Cash received from Gurmeet	12,000
Apr. 08	Insurance paid (Annual Installment)	6,000
Apr. 13	Purchased furniture	13,800
Apr. 16	Sold goods to Mukesh	28,000
Apr. 17	Purchased goods from Mudit in cash	17,400
Apr. 20	Purchased stationery	1,000
Apr. 24	Cash received from Mukesh in full settlement of account	27,500
Apr. 27	Sold goods to Kamal for cash	18,200
Apr. 30	Paid salary	3,500
Apr. 30	Deposited in bank	8,000

Books of M/s Roopa Traders

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
2017				2017			
Apr. 01	To Balance b/d		30,000	Apr. 08	By Insurance		6,000
Apr. 04	To Gurmmet		12,000	Apr. 13	Premium A/c		13,800
Apr. 24	To Mukesh		27,500	Apr. 17	By Furniture		17,400
Apr. 27	To Sales A/c		18,200	Apr. 20	A/c		1,000
				Apr. 30	By Purchases		3,500
				Apr. 30	A/c		8,000
				Apr. 30	By Stationery		38,000
					A/c		
			87,700				87,700

May 01	To Balance b/d				By Salary A/c		
					By Bank A/c		
					By Balance c/d		

Note: Transaction dated April 16 has not been recorded in the Cash book as it is a credit transaction.

Double Column Cash Book

In this type of cash book, there are two columns of amount on each side of the cash book. In fact, now-a-days bank transactions are very large in number. In many organizations, as far as possible, all receipts and payments are affected through bank.

Double Column Cash Book

Date	Receipts	L.F.	Cash (₹)	Bank (₹)	Date	Payments	L.F.	Cash (₹)	Bank (₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

A businessman generally opens a current account with a bank. Bank, do not allow any interest on the balance in current account but charge a small amount, called *incidental charges*, for the services rendered. For depositing cash/cheques in the bank account, a form has to be filled, which is called a *pay-in-slip*. It contains a counterfoil also which is returned to the customer (depositor) with the signature of the cashier, as *receipt*.

The bank issues blank cheque forms, to the account holder for withdrawing money. The depositor writes the name of the party to whom payment is to be made after the words *Pay* printed on the cheque. Cheque forms have the printed word *bearer*, which means payment is to be made to the person whose name has been written after the words “pay” or the *bearer* of the cheques. When the word ‘bearer’ is struck off by drawing a line, the cheque becomes an *order cheque*. It means payment is to be made to the person whose name is written on the cheque or to his order after proper identification.

Cheques are generally crossed in practice. The payment of a crossed cheque cannot be made direct to the party on the counter. It is to be paid only through a bank. When two parallel lines are drawn across the cheque, it is said to be crossed. Just like cash transactions, all payments

into the bank are recorded on the left side and all withdrawals/payments through the bank are recorded on the right side.

Contra Entries:

When cash is deposited in the bank or cash is withdrawn from the bank, both the entries are recorded in the cash book. This is so because both aspects of the transaction appear in the cash book itself. When cash is paid into the bank, the amount deposited is written on the left side in the bank column and at the same time the same amount is entered on the right side in the cash column. The reverse entries are recorded when cash is withdrawn from the bank for use in the office. Against such entries the word **C**, which stands for *contra* is written in the L.F. column indicating that these entries are not to be posted to the ledger account.

Balancing of Bank Column: The bank column is balanced in the same way as the cash column. However, in the bank column, there can be credit balance also because of overdraft taken from the bank. *Overdraft* is a situation when cash withdrawn from the bank exceeds the amount of deposit. Entries in respect of cheques received should be made in the bank column of the cash book. When a cheque is received, it may be deposited into the bank on the same day or it may be deposited on another day. In case, it is deposited on the same day the amount is recorded in the bank column of the cash book on the receipts side.

If the cheque is deposited on another day, in that case, on the date of receipt it is treated as cheques in hand and hence not recorded in the cash book. On the day of deposit to the bank, it is shown in the Bank Column on receipt (Dr.) side by writing “To cheques in hand”.

Dishonour of cheque: Dishonour of a cheque means return of the cheque unpaid, generally due to insufficient funds in the customer’s account with the bank. If a cheque received from a customer is dishonoured, the bank will return the dishonoured cheque and debit the firm’s account. On receipt of such cheque or intimation from the bank, the firm will make an entry on the credit side of the cash book by entering the amount of the dishonoured cheque in the bank column and the name of the customer in the particulars column.

This entry will restore the position prevailing before the receipt of the cheque from the customer and its deposit in the bank.

Bank Transactions: If the bank debits the firm on account of interest, commission or other charges for bank services, the entry will be made on the credit side in bank column. If the bank credits the firm's account, the entry will be made on the debit side of the cash book in the appropriate column.

When the bank column is maintained in the cash book, the bank account also is not opened in the ledger. The bank column serves the purpose of the bank account. Entries marked C (being contra entries as explained earlier) are ignored while posting from the cash book to the ledger. These entries represent debit or credit of cash account against the bank account or vice-versa.

Now let's take an example and learn how to record transactions in Two-column Cash book.

The following transactions related to M/s Tools India :

Date	Details	Amount
2017		(₹)
Sept. 01	Bank balance	42,000
Sept. 01	Cash balance	15,000
Sept. 04	Purchased goods by cheque	12,000
Sept. 08	Sales of goods for cash	6,000
Sept. 10	Deposited into bank	2,000
Sept. 13	Purchased machinery by cheque	50,000
Sept. 14	Sold goods to Mohit	4,500
Sept. 15	Cheque received from Mohit	
Sept. 16	Mohit's cheque deposited into bank	
Sept. 17	Purchased goods from Mriaula in cash	17,400
Sept. 20	Purchased stationery by cheque	1,000
Sept. 24	Cheque given to Rohit	1,500
Sept. 27	Cash withdrawn from bank	10,000
Sept. 30	Rent paid by cheque	5,000
Sept. 30	Paid salary	3,500

Books of M/s Tools India

Dr.

Double Column Cash Book

Date	Receipts	L.F.	Cash	Bank	Date	Payment	L.F.	Cash	Bank
2017			(₹)	(₹)	2017			(₹)	(₹)

Sept. 01	To Balance b/d		15,000	42,000	Sept. 04	By Purchases			12,000
Sept.08	To Sales		6,000		Sept. 10	By Bank	C	2,000	
Sept. 10	To Cash	C		2,000	Sept. 13	By Machinery			50,000
Sept. 16	To Cheques in hand				Sept. 17	By Purchases		17,400	
	To Bank			4,500	Sept. 20	By Stationery			1,000
Sept. 27	To Bal. c/d	C	10,000		Sept. 24	By Rohit			1,500
Sept. 27				21,000	Sept. 27	By Cash	C		10,000
					Sept. 30	By Rent			5,000
					Sept. 30	By Salary		3,500	
						By Bal. c/d		8,100	
	To Bal. b/d		31,000	79,500				31,000	79,500
Oct. 1			8,100		Oct. 1	By Bal b/d			21,000

Note:

1. Transaction of September 14, 2017 was not recorded in the books because it's a credit sale,
2. Cheque received on September 15, 2017 was not recorded as it was deposited into bank next day.
3. "C" in LF column indicates the contra entries.
4. Bank balance showed an overdraft so its balance b/d is in credit side on Oct. 1, 2017.

Petty Cash Book

In every organization, a large number of small payments such as conveyance, cartage, postage, telegrams and other expenses (collectively recorded under miscellaneous expenses) are made. These are generally repetitive in nature. If all these payments are handled by the cashier and are recorded in the main cash book, the procedure is found to be very cumbersome. The cashier may be overburdened and the cash book may become very bulky.

To avoid this, large organizations normally appoint one more cashier (petty cashier) and maintain a separate cash book to record these transactions. Such a cash book maintained by petty cashier is called petty cash book.

Imprest system of petty cash book: The petty cashier works on the *Imprest system*. Under this system, a definite sum, say ₹ 2,000 is given to the petty cashier at the beginning of a certain period. This amount is called Imprest amount. The petty cashier goes on making all

small payments out of this Imprest amount and when he has spent the substantial portion of the Imprest amount say ₹ 1,780, he gets reimbursement of the amount spent from the head cashier. Thus, he again has the full Imprest amount in the beginning of the next period. The reimbursement may be made on a weekly, fortnightly or monthly basis, depending on the frequency of small payments. (In certain cases, the petty cash system is operated through the main cash book itself. In such instances, the petty cash book is not maintained independently.)

Format of Petty Cash book: There is no fixed format of petty cash book. It may vary from business to business. Analytical petty cash book is commonly used in which columns of frequently paid petty expenses are made and for other expenses a column “Miscellaneous Expenses” is prepared.

Petty Cash Book

Receipts (in ₹)	Date	Voucher No.	Particulars	Total Payment (₹)	Analysis of payment made				
					Conveyance (₹)	Cartage (₹)	Postal Charges (₹)	Miscellaneous / Sundries (₹)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)



The petty cash book generally has a number of columns for the amount on the payment side (credit) besides the first other amount column. Each of the amount columns is allotted for items of specific payments, which are most common. The last amount column is designated as 'Miscellaneous' followed by a 'Remarks' column. In the miscellaneous column those payments are recorded for which a separate column does not exist. In the 'Remarks' the nature of payment is recorded. At the end of the period, all amount columns are totaled. The total amount column shows the total amount spent and to be reimbursed. On the receipt (debit) side, there is only one amount column. Columns for the date, voucher number and particulars are common for both receipts and payments.

Advantages of Maintaining Petty Cash Book

1. ***Saving of Time and efforts of chief cashier:*** The chief cashier is not required to deal with petty disbursements. He can concentrate on cash transactions involving large amount of cash. It saves time and labour and helps chief cashier to discharge his duties more effectively
2. ***Effective control over cash disbursements:*** Cash control becomes easy because of division of work. The head cashier can control big payments directly and petty payments by keeping a proper check on the petty cashier. This way the chances of making frauds and embezzlements become very difficult.
3. ***Convenient recording:*** Recording of petty disbursements in the main cash book makes it bulky and unmanageable. Further, the materiality principle requires that insignificant details need not be given in the main cashbook. This way the cash book reveals only material and useful information.

Recording of such small payments becomes easy as the totals of different types of expenses are posted to ledger. It also saves time and effort of posting individual items in the ledger. In nutshell it can be stated that preparation of petty cash book is a cost reduction control measure.

Balancing of Cash Book

On the left side, all cash transactions relating to cash receipts (debits) and on the right side all transactions relating to cash payments (credits) are entered date-wise. When a cash book is maintained, a separate cash book in the ledger is not opened. The cash book is balanced in the same way as an account in the ledger. But it may be noted that in the case of the cash book, there will always be debit balance because cash payments can never exceed cash receipts and cash in hand at the beginning of the period.

For example, Mr. Mohit, the petty cashier of M/s Samaira Traders received Rupees 2,000 on May 01, 2017 from the Head Cashier. For the month, details of petty expenses are listed here under:

Date	Details	Amount
2017		(₹)
May 02	Auto fare	55
May 03	Courier services	40
May 06	Speed post charges	98
May 08	Taxi fare	195
May 10	Auto fare	60
May 12	Registered postal charges	42
May 14	Cartage	25
May 16	Computer stationery	165
May 19	Bus fare	24
May 20	Office sanitation including disinfectant	60
May 22	Refreshment	45
May 27	Speed post charges	85
May 29	Unloading charges	140

Book of Mr. Mohit

Petty Cash Book

Receipts (in ₹) (1)	Date (2)	V.No (3)	Particulars (4)	Total Payment (₹) (5)	Analysis of payment made				
					Conveyance (₹) (6)	Cartage (₹) (7)	Postal Charge (₹) (8)	Miscellaneous Sundries (₹) (9)	Remarks (10)
2,000	May 01		To Cash						
			By Conveyance	55	55				
			By Courier	40			40		
			By Postage	98			98		

	May 02	By Conveyance	195	195				
	May 03	By Conveyance	60	60				
	May 06	By Postage	42			42		
	May 08	By Cartage	25		25			
	May 10	By Mis. Exp.	165				165	
	May 12	By Conveyance	24	24				
	May 14	By Mis. Exp.	60				60	
	May 16	By Mis. Exp.	45				45	
	May 19	Postage	85			85		
	May 20	By Cartage	140		140			
	May 22	By Conveyance	15	15				
	May 27							
	May 29		1049	349	165	265	270	
	May 30	By Balance c/d	951					
		Total	2000					
2000								
951		To Balance b/d						
1049		To Cash						
	May 30							
	2017							
	June 01							
	1							

Summary

Cash book is a book in which all transactions relating to cash receipts and cash payments are recorded. It serves the purpose of both journal as well as the ledger (cash) account. When a cashbook is maintained, transactions of cash are not recorded in the journal, and no separate account for cash or bank is required in the ledger.

Contra Entries: When cash is deposited in the bank or cash is withdrawn from the bank, both the entries are recorded in the cash book. This is so because both aspects of the transaction appear in the cash book itself. Against such entries the word **C**, which stands for

contra is written in the L.F. column indicating that these entries are not to be posted to the ledger account.

Petty Cash book and Imprest system

To avoid the small expenses to be recorded in main cash book, large organizations normally appoint one more cashier (petty cashier) and maintain a Petty cash book.

Under this system, a definite sum is given to the petty cashier at the beginning of a certain period. This amount is called Imprest amount. The petty cashier goes on making all small payments out of this Imprest amount and when he has spent the substantial portion of the Imprest he gets reimbursement of the amount spent from the head cashier. Thus, he again has the full Imprest amount in the beginning of the next period.