

Unit 5: CASH BOOK

"If you want to enjoy anything, always think today is the first day, But if you want to achieve anything, always think today is the last day."

MEANING AND FEATURES

- Meaning of Cash Book:** Cash Book is one of the Subsidiary Books which directly records transactions involving cash. Hence, it groups together all cash related transactions.
- Features:**
 - Subsidiary Book:** On the occurrence of cash transactions, they are recorded in Cash Book directly. Hence, no Journal Entry is passed. From cash book, the other aspect of the same transaction is posted to Ledger Accounts.
 - Principal Book:** The Cash Book itself serves as an Account since the balances are entered in the Trial Balance directly. Hence, the Cash Book is part of the Ledger also and should also be regarded as a Principal Book. The format of cash book is also in the form of a ledger account.
 - The Cash Book is thus both a Subsidiary Book and a Principal Book
- Various types of Cash Book:** The main Cash Book may be of three types –
 - Simple Cash Book** – Having Cash Column only on both sides.
 - Two Column Cash Book** – Having Cash and Discount Columns / Cash and Bank Columns on both sides
 - Three Column Cash Book** – Having Cash, Bank and Discount columns on both sides.

Certain enterprises maintain "Petty Cash Book" on imprest basis, which is purely a Subsidiary Book.
- Debit and Credit Aspects:**
 - Debit Side of Cash Book is for recording Receipts of Cash / Cheques (by way of Capital introduced, Loans taken, Cash Sales, Collection from Debtors, Income by way of Interest / Rent etc. received, Bad Debts recovered, Sale of Fixed Assets or Investments, etc.)
 - Credit Side of Cash Book is for recording Payments of Cash / Cheques (by way of Drawings, Loans repaid, Cash Purchases, Payment to Creditors, Expenses like Salary, Rent, Advertisement paid, Purchase of Fixed Assets or Investments, etc.)

SIMPLE CASH BOOK

- Meaning:** Simple Cash Book is also called as Single Column Cash Book. It appears like an ordinary Ledger Account with one amount column on each side.
- Contents:** Dr. Side is for recording all Cash Receipts while Cr. Side is for recording all Cash Payments.
- The difference between Debit and Credit side (i.e. Closing Balance) is written as "By balance c/d" on the credit side of the Cash Book. [Note: Cash balance cannot be negative, i.e. Cash Payments cannot exceed Cash Receipts]
- The Closing Balance of this period will be brought forward to the subsequent period by writing as "To Balance b/d" on debit Side of the Cash Book in the next period.

5. Format of Single Column Cash Book:

Dr.		Cash Book for the period ended				Cr.	
Date	Receipts	L.F.	Amount	Date	Payments	L.F.	Amount
Beginning	To Balance b/d		XXX	During the month	By Payments		XXX
During the month	To Receipts		XXXX	Month End	By Balance c/d		XXX
	Total		XXXX		Total		XXXX

[Note: There is no Journal Entry passed for recording in Cash Book. One aspect involving cash is directly recorded in Cash Book & another aspect is directly recorded in relevant ledger A/c]

DOUBLE COLUMN CASH BOOK

- Meaning:** Double Column Cash Book has two amount columns on both side, i.e. two each on Dr. and Cr. Side.
- Types:** Double Column Cash Book may be maintained in any of the following ways –

Type of Double Column	Dr. Side is for recording	Cr. Side is for recording
(a) Cash & Bank Columns	Cash and Bank Receipts	Cash and Bank Payments
(b) Cash & Discount Columns	Cash Receipts & Discount Allowed to Customers /Debtors	Cash Payments & Discount Received from Suppliers/Creditors

Notes:

- If Cash and Bank Columns are maintained in Cash Book, then discount transactions are recorded in Journal Proper
- If Cash and Discount Columns are maintained in Cash Book, then bank transactions are recorded in Journal Proper

3. Nature of Accounts / Columns:

Column	Nature	Closing Balance
Cash	Cash Column represents Cash Account.	<ul style="list-style-type: none"> Cash balance cannot be negative, since cash payments cannot exceed receipts. This column will always have Dr. balance. Closing Balance is written on the credit side as "By balance c/d".
Bank	Bank Column represents Bank Account.	<ul style="list-style-type: none"> If Dr. Side > Cr. Side, it means there is a favourable Bank Balance, written on the credit side as "By balance c/d". If Cr. Side > Dr. Side, it means that there is an Overdraft balance, written on the debit side as "To balance c/d".
Discount	Discount Column represents Discount Allowed/Received.	<ul style="list-style-type: none"> Discount Columns are not balanced. They are totaled and entered in the Discount Account in the Ledger. Total of Discount Column on the Receipts Side (i.e. Dr. Side) shows total Discount Allowed to Customers. Total of Discount Column on Payments Side (i.e. Cr. Side) shows total Discount Received from Suppliers.

Notes:

- Cash/Bank is account since they have debit & credit columns on both sides of cash book
- However, discount allowed and discount received are not accounts as they do not have columns on both sides. For discount allowed, one column exists on debit side and for discount received one column exists on credit side. Hence, a separate ledger account is to be opened for Discount Received/ Discount allowed in the ledger.

4. Format of Two—Column Cash Book:**(a) Cash and Discount Columns**

Date	Receipts	L.F.	Discount allowed	Cash	Date	Payments	L.F.	Discount Received	Cash
	To Bal. b/d			xxx		By Payments			xxxx
	To Receipts			xxxx		By Creditors		xx	xxxx
	To Debtors		xx	xxxx		By Bal. c/d			xxx
	Total		xx	xxxx		Total		xx	xxxx

(b) Cash and Bank Columns

Date	Receipts	L.F.	Bank	Cash	Date	Payments	L.F.	Bank	Cash
	To Bal. b/d		xxx	xxx		By Bal. b/d		xxx	N.A.
	To Receipts		xxxx	xxxx		By Payments		xxxx	xxxx
	To Debtors			xxxx		By Creditors		xxxx	xxxx
	To Bal. c/d		xxx	N.A.		By Bal. c/d		xxx	xxx
	Total		xxxx	xxxx		Total		xxxx	xxxx

Note: Opening / Closing Balances of bank may be debit or credit balance. Both debit and credit balance cannot exist at the same time. However, for cash, it's always debit balance only.

TRIPLE COLUMN CASH BOOK

- Meaning:** Three Column Cash Book has three amount columns on both sides i.e. Cash, Bank and Discount amounts.
[Note: The principles for recording are the same as for Two Column Cash Book as described in the previous question.]

2. Format:

Date	Receipts	L.F.	Discount allowed	Bank	Cash	Date	Payments	L.F.	Discount Received	Bank	Cash

3. Advantages:

- Cash and Bank Accounts are prepared simultaneously, so there is saving in time.
- Information regarding Cash in Hand and Bank Balances can be obtained simultaneously.
- If there are two or more Bank Accounts, the Firm can introduce multi-column Cash Book, one each for the various Bank Accounts.

CONTRA ENTRY

- Meaning:** Inter -Column transactions, i.e. Cash deposited into Bank, Cash withdrawn from Bank for business etc. are recorded on both Dr. and Cr. sides of the same Cash Book in appropriate columns. They are called "Contra Entries".
- Need:** Contra Entries arise in two -Column Cash Book (with Cash and Bank Columns) or Three- Column Cash Book.
- Treatment:** In case of Contra Entries, the amount is entered in Bank Column & Cash Column on the appropriate (Dr. or Cr) sides. Such entries will be marked as "C" in the Ledger Folio Column to indicate that these are contra transactions and no further posting is required.

Transaction	In Bank Column	In Cash Column
Cash deposited into Bank	Debit Bank Column of Cash Book	Credit Cash Column of Cash Book
Cash withdrawn from Bank	Credit Bank Column of Cash Book	Debit Cash Column of Cash Book

Note: Cash withdrawn from bank for personal purposes will be treated as drawings and is not a contra entry. Credit Bank Column of Cash Book; Debit Drawings A/c

PETTY CASH BOOK AND IMPREST SYSTEM

- 1. Meaning:** Petty Cash Book is used to maintain the record of all petty cash expenses, i.e. expenses of small amount say upto ₹ 100, e.g. Auto Fare, Postage Stamps purchase Minor Repairs, etc. Petty Cash balance is an asset for the business and shown directly on the assets side of the balance sheet under "Cash Balances".
- 2. Purposes / Advantages:**
 - (a) Saving of time of the Chief Cashier.
 - (b) Saving in labour in writing up the Cash Book and posting into the Ledger, and
 - (c) Effective Control over small payments.
- 3. Format:**

ANALYTICAL PETTY CASH BOOK

Receipts ₹	Date	Voucher Number	Particulars	Total Payments ₹	Expense 1 ₹	Expense 2 ₹	Expense 3 ₹	Expense 4 ₹

Note: Generally, a "Sundries" Column is provided on right side, which is analysed at the end of the month or week.

- 4. Imprest System:** The Petty Cashier is entrusted with a certain amount of Cash, say ₹ 500 to pay petty expenses during a period, say a week. After that week, the Petty Cashier submits a statement of expenses paid by him, e.g. ₹ 430, which will be reimbursed to him by the Main Cashier. Thus, the Petty Cashier will have 500 again with him (₹ 70 Petty Cash in Hand + ₹ 430 Reimbursement received), to meet expenses during the next week. This reimbursement system is called Imprest System.

SALE THROUGH CREDIT / DEBIT CARDS

- 1. Card Contents:** Credit Card / Debit Card issued by a Bank is a small plastic card containing - (a) Name of the Cardholder (b) Card Number (16 digit Number), (c) Date of Issue, (d) Date of Expiry, and (e) Magnetic Strip at the back.
- 2. Debit vs Credit Card:** In a Credit Card, the Cardholder can buy now & pay later, whereas in a Debit Card, the Cardholder has to pay earlier (i.e. have a minimum balance in his account) in order to buy now. Nowadays, ATM Card issued by a Bank can also be used as Debit Card
- 3. Parties involved:**
 - (a) Cardholder (Who buys goods using a Credit / Debit Card)
 - (b) Merchant (Who sells goods to a customer using a Credit / Debit Card)
 - (c) Issuing Bank (A bank who has issued a card to Cardholder Eg: ICICI Bank)
 - (d) Acquiring Bank (A bank with whom the merchant has an account Eg: HSBC Bank)
 - (e) Member Service Provider (Visa / Master)

Note: The bank issuing Card, charges commission for each such transaction, which varies between 1% to 4% & is debited to Seller/merchant bank account

4. Accounting Entries in the books of the Merchant:

For recording Sales	For recording Commission charged by Bank
Bank Account Dr. To Sales Account	Commission Account Dr. To Bank Account Commission charged by the bank treated as selling expense

ASSIGNMENT QUESTIONS

Question 1 *(ICAI Study Material)* _____ Pg no. _____

Enter the following transactions in Cash Book with Discount and Bank Columns. Cheques are first treated as cash receipt.

2023	Particulars	Amount
Jan. 1	Ravi commences business with Cash	20,000
Jan. 3	He paid into Current A/c	19,000
Jan. 4	He received cheque from Kirti & Co. on account	600
Jan. 7	He pays in bank Kirti & Co.'s cheque	600
Jan. 10	He pays Rattan & Co. by cheque and is allowed discount ₹ 20	330
Jan. 12	Tripathi & Co. pays into his Bank A/c	475
Jan. 15	He receives cheque from Warshi and allows him discount ₹ 35	450
Jan. 20	He receives cash ₹ 75 and cheque ₹ 100 for cash sale	-
Jan. 25	He pays into Bank, including cheques received on 15th and 20th	1,000
Jan. 27	He pays for cash purchase	275
Jan. 30	He pays sundry expenses in cash	50

Question 2 *(ICAI Study Material)* _____ Pg no. _____

Enter the following transaction in Cash Book with Discount and Bank columns. Cheques are first treated as cash receipts

2023	Particulars	Amount
March 1	Cash in Hand	15,000
	Overdraft in Bank	500
March 2	Cash Sales	3,000
March 3	Paid to Sushil Bros. by cheque	3,400
	Discount received	100
March 5	Sales through credit card	2,800
March 6	Received cheque from Srijan	6,200
March 7	Endorsed Srijan's cheque in favour of Adit	
March 9	Deposit into Bank	6,800
March 10	Received cheque from Aviral and deposited the same into Bank by allowing discount of ₹50	3,600
March 11	Adit informed that Srijan's cheque is dishonoured. Now cash is received from Srijan and amount is paid to Adit through own cheque	
March 15	Sales through Debit Card	3,200
March 24	Withdrawn from Bank	1,800
March 28	Paid to Sanchit by cheque	3,000
March 30	Bank charged 1% commission on sales through Debit/Credit Cards	

Question 3 *(ICAI Study Material)* Pg no. _____

Shri Ramaswamy maintains a Columnar Petty Cash Book on the Imprest System. The imprest amount is ₹ 500. From the following information, show how his Petty Cash Book would appear for the week ended 13th September, 2023:

Date	Particulars	Amount
7-09-2023	Balance in hand	134.90
	Received Cash reimbursement to make up the imprest	365.10
	Stationery	49.80
8-09-2023	Miscellaneous Expenses	20.90
9-09-2023	Repairs	156.70
10-09-2023	Travelling	68.50
11-09-2023	Stationery	71.40
12-09-2023	Miscellaneous Expenses	6.30
13-09-2023	Repairs	48.30

PRACTICE QUESTIONS

MULTIPLE CHOICE QUESTIONS

- 1) The total of discounts column on the debit side of the cash book, recording cash discount deducted by customers when paying their accounts, is posted to the _____
 - (a) Credit of the discount allowed account.
 - (b) Debit of the discount allowed account
 - (c) Credit of the discount received account.

- 2) Cash book is a type of _____ but treated as a _____ of accounts.
 - (a) Subsidiary book, principal book
 - (b) Principal book, subsidiary book
 - (c) Subsidiary book, subsidiary book

- 3) Which of the following is not a column of a three-column cash book?
 - (a) Cash column
 - (b) Bank column
 - (c) Petty cash column

- 4) Contra entries are passed only when _____
 - (a) Double-column cash book is prepared
 - (b) Three-column cash book is prepared
 - (c) Simple cash book is prepared

- 5) The Cash Book records _____
 - (a) All cash receipts
 - (b) All cash payments
 - (c) All cash receipts and payments

- 6) The balance in the petty cash book is _____
 - (a) An expense
 - (b) A profit
 - (c) An asset

- 7) If Ram has sold goods for cash, the entry will be recorded _____
 - (a) In the Cash Book
 - (b) In the Sales Book
 - (c) In the Journal

ANSWERS MCQs

1. (b) 2. (a) 3. (c) 4. (b) 5. (c) 6. (c) 7. (a)

TRUE / FALSE

State with reasons whether the following statement is true or false:

- 1) Cash book is a subsidiary book as well as a principal book. *(July 2021)*
- 2) Two column cash book consists of two columns cash column & bank column.
- 3) Discount column of cash book is never balanced. *(Dec 2021)*
- 4) Contra entry is passed in a two column cash book.
- 5) If the bank column is showing the opening balance on credit side, it is an overdraft.
- 6) A Cash book records cash transactions as well as credit transactions.
- 7) Discount column of cash book records the trade discount. *(Dec 2023)*
- 8) The balance in the Cash Book shows net income.
- 9) Discount account should be balanced in the Cash Book.
- 10) The balance in the Petty Cash Book represents the amount spent.
- 11) Petty cash is an expense.
- 12) The balance in petty cash book represents an asset
- 13) A crossed cheque is always payable across the bank counter.
- 14) If a cheque received is further endorsed, it must be entered on both sides of the Cash Book.

Solution

- 1) **True:** Cash transactions are straightaway recorded in the Cash Book and on the basis of such a record, ledger accounts are prepared. Therefore, the Cash Book is a subsidiary book. But the Cash Book itself serves as the cash account and the bank account; the balances are entered in the trial balance directly. The Cash Book therefore, is part of the ledger also. Hence, it has also to be treated as a principal book. The Cash Book is thus both a subsidiary book and a principal book.
- 2) **False:** Two column cash book consists of two columns either cash column and discount column or cash column and Bank column.
- 3) **True:** Discount column is totalled and transferred to Discount Allowed/Received Account
- 4) **True:** Contra Entry can be passed in 2 column cash book which includes cash and bank columns
- 5) **True:** The debit side of opening balance shows a favourable balance, whereas the credit balance is an unfavourable balance & treated as overdraft
- 6) **False:** Cash book records only cash transactions
- 7) **False:** Discount column of cash book records the cash discount. Trade discount is not shown in the books of accounts.
- 8) **False:** The balance in the Cash Book shows cash in hand.
- 9) **False:** Discount account is maintained in Double columnar or Three columnar Cash Book. These columns are not balanced but are only totalled.
- 10) **False:** The balance in the Petty Cash Book represents the cash balance lying with the Petty Cashier.
- 11) **False:** Petty cash is real account & current asset, and it is shown on asset side of the balance sheet.
- 12) **True:** The balance represents the cash physically in existence and is therefore an asset.
- 13) **False:** A crossed cheque is always payable to the recipient's account directly.
- 14) **True:** When the cheque is received it is debited and when further endorsed it is credited.

HOMEWORK QUESTIONS

Question 1 *(ICAI Study Material)* Pg no. _____

Enter the following transactions in a Simple Cash Book:

2023	Particulars	Amount
Jan.1	Cash in hand	1,200
Jan.5	Received from Ram	300
Jan.7	Paid Rent	30
Jan.8	Sold goods for cash	300
Jan.10	Paid to Shyam	700
Jan.27	Purchased Furniture	200
Jan.31	Paid Salaries	100
Jan.31	Rent due, not yet paid, for January	30

Question 2 *(ICAI Study Material)* Pg no. _____

Ganesh commenced business on 1st April, 2023 with ₹ 2,000 as capital. He had the following cash transactions in the month of April 2023:

Date	Particulars	Amount
April 1	Purchased furniture and paid cash	250
April 2	Purchased goods	500
April 4	Sold goods for cash	950
April 5	Paid cash to Ram Mohan	560
April 5	He allowed discount	10
April 6	Received cash from Krishna & Co. & allowed discount ₹ 20	600
April 7	Paid for petty expenses	15
April 8	Cash purchases	150
April 13	Paid for labour	1,000
April 14	Paid Ali & Sons	400
April 14	They allowed discount	8

Make out the two-column Cash Book (Cash and discount column) for the month of April, 2023.

Question 3 *(RTP May 2023)/(May 18)/(Nov 18)/(May 20)/(May 21)/(Nov 23) (Similar)* Pg no. _____

Prepare a Triple Column Cash Book for the month of April 2022 from the following transactions and bring down the balance for the start of next month:

Date	Particulars	Amount
1	Cash in hand	9,000
1	Cash at bank	36,000
2	Paid into bank	3,000
5	Bought furniture and issued cheque	4,500
8	Purchased goods for cash	1,500
12	Received cash from Ms. Kamini	2,940
	Discount allowed to her	60
14	Cash sales	15,000
16	Paid to Ms. Shikha by cheque	4,350
	Discount received	150
19	Paid into Bank	1,500
20	Sales through Credit Card	4,000
23	Withdrawn from Bank for Private expenses	1,800

24	Received cheque from Ms. Reema	4,290
	Allowed her discount	60
26	Deposited Reema's cheque into Bank	
28	Withdraw cash from Bank for Office use	6,000
30	Paid rent by cheque	2,400
30	Bank charged 1% commission on sales through Debit/Credit Cards	

Question 4 **(ICAI Study Material)** Pg no. _____

Prepare a Petty Cash Book on the Imprest System from the following:

2023	Particulars	Amount
Jan. 1	Received ₹10000 for petty cash	
Jan. 2	Paid bus fare	50
Jan. 2	Paid cartage	250
Jan. 3	Paid for Postage	500
Jan. 3	Paid wages for casual labourers	600
Jan. 4	Paid for stationery	400
Jan. 4	Paid bus charges	200
Jan. 5	Paid for the repairs to chairs	1,500
Jan. 5	Bus fare	100
Jan. 5	Cartage	400
Jan. 6	Postage	700
Jan. 6	Bus charges	300
Jan. 6	Cartage	300
Jan. 6	Stationery	200
Jan. 6	Refreshments to customers	500

Question 5 **(RTP May 2019) / (RTP Nov 2021) (Similar) / (RTP May 2022) (Similar)** Pg no. _____

Prepare a Petty Cash Book on the Imprest System from the following:

Date (2021)	Particulars	Amount
April 1	Received ₹20000 for petty cash	
April 2	Paid auto fare	500
April 3	Paid cartage	2,500
April 4	Paid for Postage & Telegrams	500
April 5	Paid wages	600
April 5	Paid for stationery	400
April 6	Paid for the repairs to machinery	1,500
April 6	Bus fare	100
April 7	Cartage	400
April 7	Postage and Telegrams	700
April 8	Cartage	3,000
April 9	Stationery	2,000
April 10	Refreshments to customers	5,000

Question 6 **(CA Foundation June 2022) (5 Marks)** Pg no. _____

What is petty cash book? Write it's any two advantages.

Question 7 **(CA Foundation Dec 2022) (5 Marks) / (RTP Sep 2024)** Pg no. _____

Prepare a Triple Column Cash Book from the following transactions of M/s Raj Agencies and bring down the balance for the start of next month:

2022		₹
March 1	Cash in hand	30,000
1	Cash at bank	1,20,000
2	Paid into bank	10,000
5	Bought furniture and issued cheque	15,000
8	Purchased goods for cash	5,000
12	Received cash from Mohan	9,800
	Discount allowed to him	200
14	Cash sales	50,000
16	Paid to Lata by cheque	14,500
	Discount received	500
19	Paid into Bank	5,000
23	Withdrawn from Bank for Private expenses	6,000
24	Received cheque from Gupta	14,300
	Allowed him discount	200
26	Deposited Gupta's cheque into Bank	
28	Withdrew cash from Bank for Office use	20,000
30	Paid rent by cheque	8,000

Question 8 **(CA Foundation Dec 2023) (5 Marks)** Pg no. _____

Prepare a Triple Cash Book from the following transactions of G. Enterprises for the month of Jan 2023.

Date	Particulars	Amount (₹)
01.01.2023	Cash in hand	14,500
	Cash in Bank	1,95,000
03.01.2023	Received from K	
	- Cash	7,300
	- Cheque	15,000
	Discount allowed to him	400
06.01.2023	Goods sold for cash	9,100
07.01.2023	Withdrew from bank by self cheque	3,000
12.01.2023	Issued a cheque to B	10,590
	Discount received	410
14.01.2023	Received a cheque from R (in full settlement of her account ₹ 6,500) by cheque	6,350
17.01.2023	Withdrew from bank for personal use	15,000
18.01.2023	Paid electricity bill by cheque	5,000
20.01.2023	Cash purchases of stationary	1,200
31.01.2023	Deposit the entire cash in bank in excess of ₹ 10,000	