

Chapter 6

Cash Book & Petty Cash Book

Cash Book is a subsidiary book as well as a Ledger in which all Cash & Bank transactions are recorded. Cash Book is a Subsidiary book as well as a Principal book.

Cash Book are of three types:

- (I) **Simple Cash Book:** Only actual cash transactions are recorded in this book. It is exactly like Cash A/c. On the debit side of cash book we record cash coming in or cash received so it is also known as Receipts side. On the credit side of Cash Book we record cash going out or cash paid so it is also known as Payment side.
Narration is compulsory in Cash Book. No Cash A/c. will be prepared in the ledger.
 - (II) **Double Columnar Cash Book:** There are two amount columns – Cash and Discount in this cash book. Discount column on the debit side is called Discount allowed
Discount column on the credit side is called Discount received
Discount column should never be balanced as Discount column of Debit side is an expense and discount column on credit side is an income.
Discount column will never have an opening or closing balance.
 - (III) **Triple Columnar Cash Book**
There are three amount columns: -
(1) Cash (2) Bank (3) Discount
All cash and bank transactions are recorded in this book
- (I) **Opening Balance:**
 - (A) Discount – No balance at any time
 - (B) Cash – Always a debit balance
 - (C) Bank – Bank Balance – Debit Balance
Bank Overdraft – Credit BalanceBank Overdraft means bank payments are more than the Bank receipts
 - (II) **Transactions:**
Cash to be recorded in cash column
Cheque to be recorded in bank column
Discount to be recorded in discount column
Cash / cheque received will be recorded on the receipts side and Cash/cheque paid will be recorded on the payment side.

(III) **Contra Entry:** It is an entry whose both debit as well as credit effect is recorded in the cash book only. It is denoted by writing „C“ in the L.F. column

There are only two examples of Contra Entry

- | | |
|---|---|
| <p>(i) Cash deposited in the Bank
Bank A/cDr.
To Cash A/c</p> | <p>(ii) Cash withdrawn from the Bank for office use
Cash A/cDr.
To Bank A/c</p> |
|---|---|

(IV) Certain transaction where cash should be remembered instead of cheque:

(A) Cheque received but deposited in the bank at a future date:

<p>13/1 Cheque received from Manan 3,000deposited in the Bank 13/1 Cash A/c Dr. 3,000 To Manan A/c3,000 Manan)</p>	<p>14/1 Cheque received from Manan 14/1 Bank A/c Dr. 3,000 To Cash A/c3,000 (Being cheque received from Manan deposited in the Bank)</p>
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(B) Cheque received but endorsed:

<p>15/1 Chq. received from Monty 8,000 15/1 Cash A/c Dr. 8,000 To Monty A/c 8,000 (Being cheque received from Monty)</p>	<p>16/1 Monty"s cheque endorsed to Sunita 16/1 Sunita A/c Dr. 8,000 To Cash A/c8,000 (Being Monty"s cheque endorsed to Sunita)</p>
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(C) Bearer cheque received:

Cash A/c Dr.
To Party A/c

Bearer cheque issued

Party A/c Dr.
To Bank A/c

(V) Dishonour of a cheque:

- (a) When a cheque is dishonoured, dishonour entry should be recorded on the opposite side.
- (b) On dishonour the discount related to the cheque should also be cancelled.
- (c) Dishonour should always be recorded in the Bank column except
 - (i) Cheque received and endorsed (ii) Bearer cheque received.
- (d) On dishonour of endorsed cheque two cancellation entries to be passed
 - (i) for cheque received; (ii) for cheque endorsed

Cheque received – Receipts side
Cheque issued – Payment side

Cheque received dishonoured–Payment side
Cheque issued dishonoured–Receipts side

(VI) Order of closing the cash book:

1. Discount Allowed Column.
3. Cash Column.

2. Discount Received Column.
4. Bank Column

Petty Cash Book

All day to day Petty Expenses are recorded in Petty Cash Book.

Petty Cash Book is maintained (Kept) by petty cashier. Balance in Petty cash Book represent balance of petty cash in hand. It is an asset.

Analytical Petty Cash Book is prepared with various columns for common expenses. Petty Cash Book is maintained to record day to day small payment of expenses in cash.

Petty Cashier receives money from Main Cashier

Petty Cashier can receive money in two ways:

- (i) **Fixed sum:** Every month Petty Cashier receives a fixed amount of money. The total amount with the petty cashier keeps on changing.
- (ii) **Imprest System:** Every month a fixed amount is kept with Petty Cashier. This amount is fixed in advance. Petty Cashier receives only that much money which he actually spends. This system is known as Imprest System.

Petty Cash received
Petty Cash A/cDr.
 To Cash / Bank A/c
(Being In Cash Book)

Recording Petty Expenses paid
Expenses A/cDr.
 To Petty Cash A/c
(Being In Journal Proper)