

## LESSON-7 CASH BOOK

### SUMMARY

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.

### CASH BOOK : MEANING AND SIMPLE 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.

### 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.

### BANK COLUMN CASH BOOK

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.

### 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:

- Opening balance
- Receipts of cheques
- Contra entries
- Endorsement of cheques
- Bank charges

### Contra Entries

Transactions that relate to both cash and bank and are 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'.

### PETTY CASH BOOK: MEANING AND NEED

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

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.

### 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.