



CASH BOOK

Meaning :

Cash book is the book of prime entry in which cash and bank transaction are recorded in a chronological order i.e. they occur. Cash receipts are recorded on the debit side of the cash book and cash payments on the credit side. A balance is struck by deducting total cash payments from total cash receipts to know the cash in hand. Cash transaction in a firm are generally numerous, therefore ,it is convenient to maintain separate cash book.

A Cash Book has the following features:

1. It plays a dual role. It is both a **book of original entry** as well as a **book of final entry**.

All cash transactions are primarily recorded in it as soon as they take place; so it is a journal (**a book of original entry**).

On the other hand, the cash aspect of all cash transactions is finally recorded in the Cash Book (no posting in Ledger); so a Cash Book is also a Ledger (**a book of final entry**).
2. Only one aspect of transaction is recorded..
3. It has two identical sides-left hand side, the debit side and right hand side, the credit side.
4. All the items of cash receipts are recorded on the left hand side and all items of cash payments on the right hand side in order of date.
5. The difference between the total of two sides shows cash in hand.
6. It always shows debit balance. It can never show credit balance.

Advantages :

1. Daily cash receipts and cash payments are easily ascertained.
2. Cash in hand at any time can easily be ascertained through Cash Book balance.
3. Any mistake in the book can be easily detected at the time of verification of cash.
4. Any defalcation of money can be detected while verifying cash.
5. Since cash is verified daily, Cash Book is always kept up-to-date.

Specimen/format of Simple Cash Book:

Date	Particular	V. No.	L. F.	Amount\$	Date	Particulars	V. No.	L. F.	Amount\$

The Columns of the Cash Book are Explained Below:

1. Date:

The date of transaction is written in this column in two lines—in the first line, the year and in the second line, the name of the month followed by the actual date.



2. Particulars:

In this column the name of the opposite account is written (the second aspect of cash transaction). Below this is written the narration of the transaction.

3. L.F. (Ledger Folio):

The page number of the Ledger where the concerned (opposite) account has been opened, is written in this column. This will help to locate the account from the Ledger. It may be noted that in a Ledger account J.F. is written as reference, while in a Cash Book L.F. is written. It is so, because cash transactions are not recorded in any Journal.

4. Amount:

The amount of the transaction is recorded in this column. The amount of cash received is recorded on the debit side in amount column and the amount of cash paid is recorded on the credit side in amount column.

5. V. NO. (Voucher Number):

The voucher number of each item of receipt and payment is also written. A voucher is necessary for each item of receipt and payment. Generally, a voucher has a serial number and this number-is written in this column (V. No).

When cash is received from a debtor or customer, generally a receipt or 'cash memo' is issued to the debtor which is called Receipt Voucher. Again, when money is paid to a creditor or supplier a receipt is obtained from him which is called 'Payment Voucher, Cash transactions are recorded in the Cash Book on the basis of Receipt Voucher and Payment Voucher.

Thus, a document evidencing cash receipts and payments and forming the basis for making entries in the Cash Book is called Cash Voucher.

There are three types of cash books:

1. **Simple Column Cash Book:** For recording cash transaction only.
2. **Double Column Cash Book:** For recording and cash discount transaction.
3. **Triple Column Cash Book:** For recording cash , bank and discount transaction.

Petty Cash Book with Imprest System (simple and tabular forms) :

Petty Cash Book is the book which is used for the purpose of recording expenses involving small amounts. Beside petty expenses ,receipts from main cash are recorded. Petty Cash Book is maintained by Petty Cashier and acts as the petty cash account.

Petty cash book may be maintained by **ordinary system or by imprest system.**

Ordinary System: Petty cashier is given appropriate amount of cash and after spending the whole of that amount ,he submits the account to the head cashier.

Imprest System Of Petty Cash : Under this system, an estimate is made of amount required for petty expenses for a period (say a week, a fortnight, or a month). The amount so ascertained is given



to the Petty cashier in the beginning of a period. The amount paid by him during the period . Thus he will again have the fixed amount in the beginning of a new period reimbursed. The amount is called imprest money. This system of paying advance in the beginning and reimbursing the amount spent from time is called imprest system.

A petty cash book is one in which all petty or small payments made through petty cash fund are recorded systematically. Petty cash book is maintained by the petty cashier. Petty cash book can be maintained either in a simple or in analytical way.

Importance

- Petty cash book maintains records of all petty payments systematically.
- Petty cash book supplies information regarding petty payments made on different heads more easily and quickly.
- Petty cash book makes possible for making comparison of the petty expenses between two periods and helps in controlling such petty expenses more effectively.
- Petty cash reduces the burden of head cashier as he is not required to handle petty transactions. Hence, the head cashier will have enough time to manage and control major cash transactions more effectively.
- Petty cash book helps in making the main cash book more informative, clean and clear by including only major transactions.
- Petty cash book helps in making the records of cash transactions up-to-date because of division of labour in recording cash transactions.
- Petty cash book saves time because each payment under particular head is not posted into the ledger separately. The posting is made with the periodical total at a time.

1. Simple Petty Cash Book

A simple petty cash book is one in which there is only one amount column on its both sides with common date and particular column. The debit column is used for entering the balance of cash in the hand of petty cashier at the beginning of the period and the amount received from the head cashier. The credit amount column is used for entering the petty payments in order of date. It is balanced like a ledger account.



Simple petty cash book

Amount received	Cash book folio	Date	particulars	Voucher No.	Ledger folio	Amount paid
Rs.		2007				Rs.
700		Feb. 2	To bank			
		Feb. 3	By postage			50
		Feb. 6	By taxi hire			100
		Feb. 8	By wages			125
		Feb. 13	By telegram			40
		Feb. 17	By cart hire			60
		Feb. 19	By stationary			120
		Feb. 25	By tiffin charges			60
		Feb. 31	By Smith			80
		Feb. 31	By balance c/d			65
<hr/> 700 <hr/>						<hr/> 700 <hr/>
65		Mar. 1	To balance b/d			

2. Analytical Petty Cash Book

An analytical petty cash book is one in which there is one amount column in its debit side and a number of columns on its credit side for different heads of expenses. Since the petty cash book analysis the expenses into a number of heads of expenses, the name given to it is analytical petty cash book. Each payment is recorded on it twice, one on total amount column and next on individual expense column. In fact, it is an extension of simple petty cash book. The total amount column is balanced and individual expense columns are totalled.



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Amount received	Date	Particulars	V.N	Total	postage	Printing and stationary	cartage	Travelling expenses	Misc.
Rs	1986								
Rs.100	Aug-4	To cash							
	Aug-6	By printing		5					
	Aug-8	By stationary		8		5			
	Aug-10	By postage		6		8			
	Aug-12	By furniture		11	6				
	Aug-14	By travelling charges		7			11		
	Aug-15	By general expenses		4				7	
	Aug-17	By taxi fare		12					4
	Aug-31	By balance c/d		47					12
100									
47	Sep-1	To balance b/d							
				100	6	13	11	7	12
53	Sep-1	To cash a/c							
