

Rankers' Commerce (Kankarbagh Patna)

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SPECIAL PURPOSE BOOKS I—CASH BOOK

Subsidiary Book

When Business transactions are recorded in different books on the basis of nature of transaction in place of one single journal these books are called subsidiary books. They are also known as special journals or Daybooks. In big organizations, it is not easy to record all the transactions in one journal and post them into various accounts. So for the easy and accurate recording of all the transactions, the journal is subdivided into many subsidiary books. For every type of transaction, there is a separate book.

Other word Journal book is subdivided in to a number of special journals to be called subsidiary book. The numbers of subsidiary books depend upon the need of business and depend in the increase in size of business. With the increase in size of business the number of trade transaction also increase, it is very difficult to record all the transaction directly in the journal or ledger. Therefore it is essential to subdivide the journal so that books of Account easily and quickly maintained.

- Nature of Subsidiary Book:

There are basically 8 types of subsidiary books that are used for recording different types of transactions.

- 1. Cash Book:** - It records only the cash transaction therefore all cash or bank receipt as well as all cash or bank payment transaction are recorded in this subsidiary book
- 2. Purchase Book:** - Purchase Book is that book in which we record all the business credit transactions related to the purchase of goods only. Type of Purchase Book shown below:
 - (a) Simple
 - (b) Columnar
- 3. Sales Book:** -Sales Book is that book in which we record all the business credit transactions related to the sale of goods only. Type of Sales Book shown below:
 - (a) Simple
 - (b) Columnar
- 4. Purchase Return Book/ Returned Outward Book:**-Purchase Return Book is the book in which we record the goods returned to the supplier or the vendor. it is also called "Return Outward Book", "Purchase Return Journal" and "Purchases Returns Day Book".
- 5. Sales Return Book/Returned Inward Book:** - Sales Return Book is a book in which we record the goods returned by the customers or buyers. It is also called "Return Inward Book", "Sale Returns Journal" and "Sale Returns Day Book".

**1. (Ds-3 opp Doctors' colony P.N.B building kankarbagh patna)
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6. Bill Receivable Book: - Bill receivable is an instrument of debt written by the seller of goods and services and accepted by the buyer of goods and services. We have recorded all transactions related to Bills receivable in the bill receivable book.

7. Bill Payable Book: - Bill Payable is an instrument of debt written by the seller of goods and services and accepted by the buyer of goods and services. We have recorded all transactions related to Bills Payable in the bill payable book.

8. Journal Proper: - Journal Proper is original entry books like as all subsidiaries Books. All those transactions which cannot record in any of the other subsidiary books are recorded in journal proper

CASH BOOK

Meaning: - The first and most important subsidiary book is the cash book. It records all the transactions related to cash and bank receipts and payments. A book of account in which cash transaction are recorded is called a cash book. In every business whether big or small there is large number of cash transaction. To record them a separate cash book is maintained.

- **Objectives of cash book :-**

The following essential objectives of cash book are as under.

- To record make the payment of expenses well in time such as salary, rent, insurance etc.
- To record make timely payment to creditors.
- To maintain the proper liquidity information either payment capacity of business.
- To check the misappropriations of the cash.

- **Types of cash book:-**

- Simple cash book [Single column cash]
- Double column cash book
- Three column cash book
- Petty cash book

Simple Cash book [Single column cash]: - Such cash book is to be used for recording of only cash receipt and cash payment transaction. Therefore banking as well as discount transaction is not recorded in this cash book. It is simplest form of cashbook. Such book is generally kept by retailer under such cash book, cash receipt transaction is recorded into debit side and all cash payment transaction are recorded in to credit side.

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Cash Book [Single Column]

Date	Receipt	Lf	Amount	Date	Payment	Lf	Amount
			Rs				Rs
	By Balance B/d		xxx		By purchase		Xxx
	To capital A/c		xxx		By Salary		xxx
	To sales		xxx		By Rent A/c		xxx
	To Commission Received		xxx		By Balance C/d		xxx

Assignment 1

Write up a Sharjeel Siraj Khan's single column cash book for the month of April 2021, from the following?

- 1 Cash in hand 1,650
- 2 Cash sales 16,000
- 3 Paid check to creditors..... 4,000
- 4 Wages paid in cash 2,250
- 4 Cash sales 18,000
- 9 Paid cash to TCP 420
- 11 Paid salaries by cash 2,850
- 12 Credit Sales 1,000
- 14 Cash Received from debtor 3,000
- 17 Paid cash for repairing 360
- 19 Sales by cash 11,400
- 21 Paid office expense 180
- 25 Paid rent and rates 3,600
- 26 Cash sales 19,200
- 27 Paid electricity bill..... 900
- 28 Cash collected from debtor..... 4,500
- 29 Goods Purchase 2,000
- 30 Repayment of bank loan 3,000

Requirement: Prepare cash book at April 30, 2021:

Two Column Cash Book/Double column cash book - Under this cash book cash and bank transaction are to be recorded in regular basis. Generally there are two column of amount on each side and that too for cash, and bank. In this case all cash and bank Receipts transaction are to be recorded into debit side

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and all cash and bank Payment transaction are to be recorded into credit side. Contra transactions are also to be recorded in double column cash book

Two Column Cash Book

Date	Receipts	Lf	Cash	Bank	Date	Payment	Lf	Cash	Bank
			Rs	Rs				Rs	Rs
	To Balance B/d		xx	xx		By Salary A/c		xx
	To capital		xx		By Rent A/c		xx	--
	To Sales		xx	---		By creditor		---	xx
	To Shyam		xx	----		By Ram A/c		xx	xx
	To Mohan		--	xx		By Balance C/d		xx	xx
	To Balance c/d(bank OD)			xx					

Contra Entry: There are some transactions, which affect both cash and bank columns of the cash book and are therefore, recorded on both sides of the cash book. Such entries are known as Contra Entries and denoted by word 'C' written in L.F. column on both sides.

Note: The letter 'C' is written in the L.F. column to indicate that these are contra entries and are not posted into the Ledger Account.

Other word, when cash is deposited into the bank or when cash is withdrawn from the bank for use in the office, each such transaction affects both 'cash column' as well as 'bank column' and the transaction is therefore, recorded on both sides of the cash book. Such entries, the double entry of which is complete in the cash book itself, are called "contra entries"

Let us take an example to understand it better, (a) **Cash deposited in Bank Rs. 20,000:-** In this transaction, Bank Account is to be debited and Cash Account is to be credited. Debit aspect is recorded in the receipts or debit side of the Double Column Cash Book in the Bank Column and credit aspect is recorded in the payments or credit side of Double Column Cash Book in the Cash Column.

Bank a/cDr

To Cash a/c

(Being cash deposited in to bank)

(b) **Cash withdrawn from Bank for Office Use Rs. 10,000:-** In this transaction, Cash Account is to be debited and Bank Account is credited. Debit aspect is recorded in the receipts or debit side of the Double

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Column Cash Book in the Cash Column and credit aspect is recorded in the payments or credit side of the Double Column Cash Book in the Bank Column.

Cash a/c.....Dr
 To Bank a/c
(Being cash withdrew from bank)

Important Point

- **Cash Column always shows a Debit Balance:-** Cash columns are balanced in the same manner as in the case of Single Column Cash Book. Cash Column always has a debit balance because cash paid cannot exceed Cash in Hand. So, balance will be shown on the credit side by writing the words, 'By Balance c/d'.
- **Bank Column may show either a Debit Balance or a Credit Balance-:** The bank columns are balanced just like the cash columns. However, the bank column may show either a debit balance or a credit balance.
- If total of bank column on the credit side is more than the debit side, then it is called overdraft as cash withdrawn from bank exceeds the cash deposited into bank. In such a case, the difference will be written on the debit side as "To Balance c/d".
- If total of debit side is more than the credit side, then the difference will be written on the credit side as "By Balance c/d".

Other Word, Cash Column always has a debit balance because cash paid cannot exceed cash in hand. However, bank column can have either debit balance or credit balance. In case of bank overdraft, bank column has credit balance; otherwise it has a debit balance.

Assignment 2

Prepare Two-column Cash Book from the following transactions:

2020

March	1	Cash in Hand Rs. 15,000; Cash at Bank Rs. 50,000
March	3	Purchased goods for cash Rs. 6,000.
March	5	Deposited in bank Rs. 5,000.
March	8	Cash sales Rs. 10,000.
March	10	Cash withdrew from bank for office use Rs. 2,000.
March	12	Received cash from Damini Rs. 3,000,
March	15	Received cheque from Nimrat Rs. 2,000.
March	18	Received cheque from Deepak for Rs. 5,000.
March	23	Cash received from debtor Rs 2500.
March	24	Issued cheque of Rs. 2,500 to Chander,
March	27	Withdrew from bank for personal use Rs. 1,500.

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March 28	Sold goods to Ashok Mitra Rs. 40,000
March 29	Payment to electricity bill by bank cheque Rs 3000
March 30	Payment to Rent Rs 1200
March 30	Purchased goods from Chander Rs. 50,000.
March 31	Received cheque from Ashok Mitra Rs. 2,000 and deposited in the bank.

Three Column Cash Book: - Under this cash book cash and bank transaction are to be recorded as well as cash discount transaction also to be recorded in regular basis. Generally there are three column of amount on each side and that too for cash, bank and discount. In this case all cash and bank payment as well as discount allow are to be recorded into debit side and all cash and bank receipt as well as discount received are to be recorded into credit side.

Three Column Cash Book

Date	Receipts	Lf	Cash	Bank	Discount Allow	Date	Payment	Lf	Cash	Bank	Dis Rece
			Rs	Rs	Rs				Rs	Rs	Rs
	To Balance b/d		xxx	xxx	-----		By Salary A/c		xxx	-----	
	To capital		xxx	-----	-----		By Rent A/c		-----	xxx	
	To Sales		-----	xxx	-----		By creditor		xxx	-----	xxx
	To Shyam		xxx	-----	xxx	xxx	By Ram A/c		-----	xxx	xxx
	To Mohan		-----	xxx	xxx	xxx	By Balance C/d				
			xxx	xxx	xxx				xxx	xxx	

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Assignment 3

Prepare Three-column Cash Book from the following transactions:

2021	
March	1 Cash in Hand Rs. 18,000; Cash at Bank Rs. 60,000
March	3 Purchased goods for cash Rs. 5,000.
March	5 Deposited in bank Rs. 4,000.
March	8 Cash sales Rs. 12,000.
March	10 Cash withdrew from bank for office use Rs. 3,000.
March	12 Received cash from Damini Rs. 4,000, allowed her discount of Rs. 200 against dues.
March	15 Received cheque from Nimrat Rs. 5,000 and allowed her discount Rs. 175 against dues.
March	18 Received a cheque from Deepak for Rs. 6,000.
March	23 Cheque Issue to shyam Rs 3200 and Received Rs 200.
March	24 Issued cheque of Rs. 2,500 to Chander, he allowed discount Rs. 125.
March	27 Withdrew from bank for personal use Rs. 2,500.
March	28 Sold goods to Ashok Mitra Rs. 40,000.
March	30 Purchased goods from Chander Rs. 50,000.
March 30	Payment to Creditor Rs 6000 and received discount Rs 300
March 31	Received a cheque from manish for Rs. 6,000 and allow Rs 400 discount
March	31 Received cheque from Ashok Mitra Rs. 2,000 and deposited in the bank.

Petty Cash Book: - In every business concern several small expenses [petty exps] are made daily. They need to be paid in cash and not by cheque. If these petty expenses are recorded in main cash book. It will become bulky and time consuming. So to assist the cashier such petty exps are recorded in a separate book which is known as petty cash book. It is maintained by a separate employee who is called Petty Cashier and the petty cashier works under the main cashier.

Under this system main cashier is necessary to be transfer particular money to the petty cashier for meet the petty expenses and petty cashier made all the petty expenses from such amount thereafter periodic reports submitted to the main cashier.

- i. When Amount transfer by main cashier to petty cashier.

Petty Cash A/c Dr

To cash A/c

[Being amount transfer by main cashier]

- ii. When petty expenses made by Petty Cashier.

Expenses A/c Dr.

To petty cash A/c

[Being Expenses made]

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iii. When Balance Amount return by petty cashier to main cashier.

Cash A/c Dr

To petty cash A/c

[Being Balance amount return by petty cashier]

Types of Petty Cash Books

Following are the two types of Petty Cash Books:

1. Simple Petty Cash Book

2. Analytical Petty Cash Book.

1. Simple Petty Cash Book: A Simple Petty Cash Book is identical with a Cash Book. Any cash which the Petty Cashier receives is recorded on the left hand side cash column (debit or receipts column) and any cash which he pays out is recorded on the right hand side (credit or payments column). The date and particulars of every transaction is written in the same date and particulars column.

A specimen form of a Simple Petty Cash Book is given below:

SIMPLE PETTY CASH BOOK

Amount ReceivedRs.	L.F.	Cash Book Folio	Date	Particulars	L.F.	Voucher No.	Amount Paid Rs.
Amount Received	
				Heads of Expenses	

2. Analytical Petty Cash Book: An Analytical Petty Cash Book has two sides, left hand side is used for recording receipts of cash and right hand side, is used for recording payments. In this Cash Book, a separate column is provided for recording a particular item of expenditure, i.e., postage, stationery, advertisement, etc. A column is usually provided for 'sundries' to record infrequent payments. When petty expense is recorded on the right hand side total payments column, same amount is also recorded in the appropriate expense column. At the end of a particular period, analysis (expenses) column are added and posted to the debit side of the respective accounts.

Specimen of Analytical Petty Cash Book is given below:

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ANALYTICAL PETTY CASH BOOK

Receipts	Date	Voucher No.	Particulars	Total Payments	Conveyance	Cartage	Stationery	Postage and Courier	Sundries
Rs.				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.

In an Analytical Petty Cash Book, petty expenses are classified into appropriate heads of expenses. Each head of expense can be conveniently transferred to appropriate account head in the ledger. Thus, posting from Petty Cash Book becomes easy.

Balancing the Petty Cash Book

Petty Cash Book is balanced at the end of the month or a specified period. The columns for payments and expenses are totaled and the total equals the total in the 'Total Payments Column. Thereafter, the Petty Cash Book is balanced. The method of balancing the Petty Cash Book is the same as that of a Simple Cash Book.

Assignment 4

Prepare an Analytical Petty Cash Book on the Imprest System from the following:

2020		Rs.
Jan. 1	Received for Petty Cash	10,000
Jan. 2	Paid Metro 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 auto charges	200
Jan. 5	Paid for repairs of chairs	1,500
Jan. 5	Paid Bus fare	100
Jan. 5	Paid Cartage	400
Jan. 6	Paid for Postage	700
Jan. 6	Paid for Conveyance charges	300
Jan. 6	Paid Cartage	300
Jan. 6	Paid telephone bill	200
Jan 7	Paid currier charge	250
Jan8	Paid coolie charge	150
Jan15	Paid Repair exps	100
Jan18	Paid Printing	80
Jan20	Paid Telegram	220
Jan22	Paid tea exps	10
Jan25	Paid coffee charge	25

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