

Sub-Division of Journal—Cash Book

MEANING OF KEY TERMS USED IN THE CHAPTER

1. **Special Purpose Books or Subsidiary Books** Sub-division of the Journal into various books recording transactions of similar nature are called **subsidiary books**.
2. **Cash Book** Cash Book is a Special Purpose Subsidiary Book or Journal in which cash receipts and cash payments are recorded.

Kinds of Cash Book

 - (i) **Simple Cash Book** It is a Cash Book in which only cash transactions are recorded. It has only one column on each side.
 - (ii) **Triple-Column Cash Book** It is a Cash Book which has three columns, one column each for cash, bank and discount on each side of the cash book. In this book both cash and bank transactions are recorded together with discount allowed and received.
 - (iii) **Petty Cash Book** It is a Cash Book maintained for recording petty expenses.
3. **Cash Discount** Cash discount is the amount of discount received or allowed on cash payments and cash receipts. Discount received is an income for the business while discount allowed is an expense.
4. **Contra Entry** It means a transaction involving both cash and bank. Such transactions though recorded in the Cash Book are not posted into ledger. In the column for ledger folio letter 'C' is written to show that it is a contra entry.

CHAPTER SUMMARY

- **Subsidiary Books (Sub-Division of Journal)**

When the volume of transactions of a business firm becomes voluminous, a single Journal becomes inadequate as the sole book of original entry. It is better to have separate books for different activities like cash, purchase, sales, purchase return, sales return, and so on. In other words, for convenience, the Journal is, therefore, divided into a number of subsidiary books. The subsidiary books used are:

<i>Subsidiary Book/Special Journal</i>	<i>Category of Business Transactions Recorded</i>
1. Cash Book	All cash and bank transactions.
2. Purchases Book	All Credit purchases of goods only.
3. Sales Book	All Credit sales of goods only.
4. Purchases Return Book (Returns Outward Book)	All returns of goods purchased by us from suppliers, <i>i.e.</i> , Returns Outward.
5. Sales Return Book (Returns Inward Book)	All returns of goods sold by us to customers, <i>i.e.</i> , Returns Inward.
6. Journal Proper	All such transactions which cannot be recorded in the above five books.

- **Cash Book.** Cash Book records cash transactions. Even banking transactions can be recorded in the Cash Book.

When a Cash Book is maintained, there is no need to open a separate Cash Account in the Ledger as the purpose of Cash Account is served by Cash Book. Thus, the Cash Book plays a *dual role* as a Journal as well as a Ledger.

- **Kinds of Cash Book.** There are different kinds of Cash Book, such as:
 - Simple or Single Column Cash Book—For recording cash transactions only.
 - Triple-column Cash Book—In this type of Cash Book, which in addition to Cash Column, has columns for discount and bank on each side. Cash transactions are recorded in the Cash Column and bank transactions are recorded in Bank Column.

If a firm maintains Triple-column Cash Book, there is no need to open Cash and Bank Accounts in the Ledger.

- **Contra Entries:** Contra entries mean entries that are made on both sides of the book.

Dr. FORMAT OF CASH BOOK SHOWING POSSIBLE ENTRIES IN Dr. (RECEIPTS) AND Cr. (PAYMENTS) SIDE Cr.

Particulars	Discount Allowed	Cash	Bank	Particulars	Discount Received	Cash	Bank
To Balance <i>b/d</i>		✓	✓	By Balance <i>b/d</i> *			✓
To Sales A/c	✓	✓	✓	By Cash A/c (C)			✓
To Cash A/c (C)			✓	By Wages A/c		✓	✓
To Cheques in Hand A/c			✓	By Freight A/c		✓	✓
To Bank A/c (C)		✓		By Purchases A/c	✓	✓	✓
To Deepak (Debtor)	✓	✓	✓	By Commission A/c		✓	✓
To Alok (Debtor) (Cheque Received but not Deposited on Same Day)	✓	✓		By Salary A/c		✓	✓
To Cash A/c (Chequed from Alok Deposited)			✓	By Rent A/c		✓	✓
To Loan A/c		✓	✓	By Advance to Staff A/c		✓	✓
To Capital A/c		✓	✓	By Advance for Purchases A/c		✓	✓
To Investments A/c (Sale)		✓	✓	By Advance for Purchase of Fixed Assets A/c		✓	✓
To Rent Received A/c		✓	✓	By Office Exp. A/c		✓	✓
To Bad Debts Recovered A/c		✓	✓	By Bank A/c (Cheque from Alok)		✓	✓
To Furniture A/c (Sale)		✓	✓	By Electricity Exp. A/c		✓	✓
To Scrap Sale A/c		✓	✓	By Telephone Exp. A/c		✓	✓
To Interest Received A/c		✓	✓	By Prepaid Exp. A/c		✓	✓
To Arun (Cheque Issued Dishonoured)			✓	By Bank A/c (C)		✓	✓
To Balance <i>c/d</i>			✓**	By Drawings A/c		✓	✓
				By Chander (Creditors)		✓	✓
				By Loan A/c (Repayment)		✓	✓
				By Investments A/c		✓	✓
				By Stationery A/c		✓	✓
				By Petty Cash A/c		✓	✓
				By Interest A/c (Paid)		✓	✓
				By Furniture A/c		✓	✓
				By Subhash (Cheque Deposited Dishonoured)			✓
				By Balance <i>c/d</i>		✓	✓
To Balance <i>b/d</i>		✓	✓	By Balance <i>b/d</i>			✓

* Overdraft Opening Balance

** Overdraft Closing Balance

Solved Questions

Illustration 1.

Record the following transactions in the Cash Book of Smith, Kolkata and show the balance:

2020		₹
March	1 Balance of cash in hand	15,000
March	8 Purchased goods for cash from Peter	3,200
March	15 Sold goods to Angella	4,800
March	20 Received commission	650
March	20 Paid commission	550
March	28 Paid to Samuel on account	7,150
March	31 Paid salary to the office clerk ₹ 1,000 and office rent ₹ 600	

Solution:**In the Books of Smith**

Dr.				CASH BOOK				Cr.			
Date	Particulars	L.F.	₹	Date	Particulars	L.F.	₹				
2020				2020							
March 1	To Balance b/d		15,000	March 8	By Purchases A/c		3,200				
March 20	To Commission Received A/c		650	March 20	By Commission Paid A/c		550				
				March 28	By Samuel		7,150				
				March 31	By Salary A/c		1,000				
				March 31	By Office Rent A/c		600				
				March 31	By Balance c/d		3,150				
			15,650				15,650				
April 1	To Balance b/d		3,150								

Note: Credit transactions are not recorded in the Cash Book. Transaction of 15th March, 2020 is a credit sale hence, is not recorded in the cash book.

Illustration 2.

Enter the following transactions in Triple-column Cash Book with Cash, Bank and Discount Columns:

2020		₹
Jan. 1	Chander commences business with Cash	20,00,000
Jan. 3	He paid into Bank Current A/c	19,00,000
Jan. 4	He receives cheque from Kirti & Co. on account.....	60,000
Jan. 7	He deposits Kirti & Co.'s cheque into Bank	
Jan. 10	He pays Ratan & Co. by cheque and is allowed discount ₹ 2,000	33,000
Jan. 12	Tripathi & Co. pays into his Bank A/c	47,500
Jan. 15	He receives cheque from Warsi and allows him discount ₹ 3,500.....	45,000
Jan. 20	He receives cash ₹ 7,500 and cheque ₹ 10,000 for sales	
Jan. 25	He pays into Bank, including cheques received on 15th and 20th January.....	1,00,000
Jan. 27	He pays by cheque for cash purchases	27,500
Jan. 30	He pays sundry expenses in cash.....	5,000
Jan. 30	He pays John & Co. in cash and is allowed discount ₹ 3,500	37,500
Jan. 31	He pays office rent by cheque.....	20,000
Jan. 31	He draws a cheque for personal use.....	25,000
Jan. 31	He pays staff salaries by cheque.....	30,000
Jan. 31	He draws a cheque for office use	40,000
Jan. 31	He purchases stationery in cash.....	2,500
Jan. 31	He purchases goods for cash.....	12,500
Jan. 31	He pays Jagpal by cheque for commission	30,000
Jan. 31	He issues cheque to Ram Saran for purchase of furniture for office.....	1,57,500
Jan. 31	He receives cheque for commission from Raghubir & Co. and pays the same into bank.....	50,000
Jan. 31	Cash Sales	45,000

Solution:**In the Books of Chander**

Dr.						Cr.					
TRIPLE-COLUMN CASH BOOK											
Date	Particulars	L.F.	Discount Allowed ₹	Cash ₹	Bank ₹	Date	Particulars	L.F.	Discount Received ₹	Cash ₹	Bank ₹
2020						2020					
Jan. 1	To Capital A/c			20,00,000	...	Jan. 3	By Bank A/c	C		19,00,000	...
Jan. 3	To Cash A/c	C		...	19,00,000	Jan. 7	By Bank A/c	C		60,000	...
Jan. 4	To Kirti & Co.			60,000	...	Jan. 10	By Ratan & Co.		2,000	...	33,000
Jan. 7	To Cash A/c	C		...	60,000	Jan. 25	By Bank A/c	C		1,00,000	...
Jan. 12	To Tripathi & Co.			...	47,500	Jan. 27	By Purchases A/c			...	27,500
Jan. 15	To Warsi		3,500	45,000	...	Jan. 30	By Sundry Exp. A/c			5,000	...
Jan. 20	To Sales A/c			17,500	...	Jan. 30	By John & Co.		3,500	37,500	...
Jan. 25	To Cash A/c	C		...	1,00,000	Jan. 31	By Rent A/c			...	20,000
Jan. 31	To Bank A/c	C		40,000	...	Jan. 31	By Drawings A/c			...	25,000
Jan. 31	To Commission Received A/c			...	50,000	Jan. 31	By Salaries A/c			...	30,000
Jan. 31	To Sales A/c			45,000	...	Jan. 31	By Cash A/c	C		...	40,000
						Jan. 31	By Stationery A/c			2,500	...
						Jan. 31	By Purchases A/c			12,500	...
						Jan. 31	By Commission A/c			...	30,000
						Jan. 31	By Furniture A/c			...	1,57,500
						Jan. 31	By Balance c/d			90,000	17,94,500
			3,500	22,07,500	21,57,500				5,500	22,07,500	21,57,500
Feb. 1	To Balance b/d			90,000	17,94,500						

Illustration 3.

Write the following transactions in Triple-column Cash Book with Cash, Bank and Discount Columns:

Date	Particulars	₹
2020		
Jan. 1	John commences business with ₹ 50,000 in cash out of which he deposits ₹ 20,000 each in Garden Bank and Your Bank.	
Jan. 2	He transfers by cheque ₹ 1,00,000 and ₹ 75,000 from his savings account to Garden Bank and Your Bank respectively.	
Jan. 3	Pays by cheque on Garden Bank towards rent to landlord for the month of January, 2020.....	5,000
Jan. 4	Purchases furniture for office by issuing cheque drawn on Your Bank.....	10,000
Jan. 4	Purchases goods for sale from Kay & Co. and issues a cheque drawn on Your Bank.....	25,000
Jan. 4	Purchases goods for sale from Iban & Co. against cheque on Garden Bank.....	35,000
Jan. 5	Sale of goods against cash.....	10,500
Jan. 5	Sale of goods on credit to Soho & Co. amounting to ₹ 25,000 at Trade Discount of 5%	
Jan. 6	Receives cheque from Robin & Co. as advance for supply of goods ordered by it.....	10,000
Jan. 6	Receives cheque from Soho & Co. for sale of goods on 5th January, 2020 allowing cash discount of ₹ 1,000. The cheque was deposited on the same day in Your Bank.	
Jan. 11	Purchased goods from Rahul & Co. for ₹ 40,000 and availed Trade Discount of 5% and issued cheque of current date on Garden Bank and availed further cash discount of 2%.	
Jan. 11	Deposited cash in Your Bank; being sale of January 5, 2020.....	10,500
Jan. 11	Withdrew from Garden Bank for office use.....	10,000
Jan. 11	Deposited cheque of Robin & Co. in Garden Bank	
Jan. 15	Paid petty expenses.....	1,000
Jan. 16	Paid advance against salary.....	1,000
Jan. 17	Paid for stationery.....	2,500
Jan. 20	Paid commission to agent against sale.....	1,500
Jan. 21	Withdrew from Your Bank for personal use.....	5,000
Jan. 25	Cash sale.....	5,000
Jan. 29	Paid Municipal Taxes.....	750
Jan. 31	Paid salaries, after adjusting advance.....	5,000

Solution:

In the Books of John													
TRIPLE-COLUMN CASH BOOK													
Dr.						Cr.							
Date	Particulars	L.F.	Discount Allowed ₹	Cash ₹	Garden Bank ₹	Your Bank ₹	Date	Particulars	L.F.	Discount Received ₹	Cash ₹	Garden Bank ₹	Your Bank ₹
2020							2020						
Jan. 1	To Capital A/c			50,000	...	...	Jan. 1	By Bank A/c	C		40,000	...	...
Jan. 1	To Cash A/c	C		...	20,000	20,000	Jan. 3	By Rent A/c			...	5,000	...
Jan. 2	To Capital A/c			...	1,00,000	75,000	Jan. 4	By Furniture A/c			...	...	10,000
Jan. 5	To Sales A/c			10,500	...	...	Jan. 4	By Purchases A/c			...	...	25,000
Jan. 6	To Robin & Co.			10,000	...	...	Jan. 4	By Purchases A/c			...	35,000	...
Jan. 6	To Soho & Co.		1,000	...	...	22,750	Jan. 11	By Purchases A/c		760	...	37,240	...
Jan. 11	To Cash A/c	C		...	...	10,500	Jan. 11	By Your Bank	C		10,500	...	...
Jan. 11	To Garden Bank A/c	C		10,000	...	...	Jan. 11	By Cash A/c	C		...	10,000	...
Jan. 11	To Cash A/c	C		...	10,000	...	Jan. 11	By Garden Bank A/c	C		10,000	...	...
Jan. 25	To Sales A/c			5,000	...	...	Jan. 15	By Petty Exp. A/c			1,000	...	...
							Jan. 16	By Advance against Salary A/c			1,000	...	...
							Jan. 17	By Stationery A/c			2,500	...	...
							Jan. 20	By Commission A/c			1,500	...	...
							Jan. 21	By Drawings A/c			...	...	5,000
							Jan. 29	By Municipal Taxes A/c			750	...	...
							Jan. 31	By Salaries A/c			5,000	...	...
							Jan. 31	By Balance c/d			13,250	42,760	88,250
			1,000	85,500	1,30,000	1,28,250				760	85,500	1,30,000	1,28,250
Feb. 1	To Balance b/d			13,250	42,760	88,250							

Note: Entry of 5th January, 2020 for sale of goods on credit shall not be recorded in the Cash Book. Credit Sales will be recorded in the Sales Book.

Unsolved Questions

1. Prepare Three-column Cash Book with Cash, Bank and Discount Columns from the following transactions and balance the Cash Book on 31st January, 2020:

2020		₹	2020		₹
Jan. 1	Cash in Hand	5,670	Jan. 17	Purchased a car and paid by cheque	47,990
Jan. 1	Cash at Bank	1,26,750	Jan. 17	Purchased goods for ₹ 5,000 and availed Trade Discount of 10% Cash Discount of 2% was offered on immediate payment. The offer made was availed. Payment was made through cheque.	
Jan. 2	Deposited in Bank	5,000	Jan. 17	Paid by cheque to D and received discount	3,670
Jan. 5	Received from A and allowed discount	7,900 100	Jan. 19	Withdrew from Bank for office use	2,500
Jan. 7	Purchased Furniture for cash	2,500	Jan. 22	Purchased goods for cash	3,500
Jan. 8	Paid to B by cheque and received discount	7,450 50	Jan. 25	Paid Establishment expenses through Bank	4,500
Jan. 13	Received from C by cheque and deposited into Bank	5,000	Jan. 31	Paid rent in cash	500
Jan. 15	Cash sales	7,850			
Jan. 15	Deposited into Bank	10,000			

2. Enter the following transactions in suitable Triple-column Cash Book of Bhaskar Reddy and strike the balance at the end of the month:

2020		₹
Jan. 1	Cash in Hand.....	50,000
Jan. 2	Opened a bank account and deposited office cash therein.....	37,500
Jan. 3	Purchased office furniture and paid off by a cheque.....	2,500
Jan. 6	Purchased stationery.....	500
Jan. 8	Cash purchases.....	2,000
Jan. 9	Paid to Mani Lal for goods purchased by cheque.....	10,000
Jan. 10	Received from Kartar Singh payment for goods in cash ₹ 5,000 and by cheque ₹ 12,500 and deposited into bank.....	17,500
Jan. 12	Cash sales.....	3,500
Jan. 16	Kartar Singh's cheque returned dishonoured by the bank	
Jan. 18	Purchases made and availed 5% cash discount (payment in cash ₹ 5,000 and by cheque ₹ 4,500)	9,500
Jan. 20	Withdrew cash from Bank for personal use.....	1,000
Jan. 22	Sold goods for cash and deposited the cash into bank.....	12,000
Jan. 27	Kartar Singh paid cash in lieu of dishonoured cheque.....	12,500
Jan. 28	Paid office rent by cheque.....	5,000
Jan. 30	Paid salary to staff.....	10,000
	A fire occurred in godown and goods costing ₹ 10,000 were destroyed.	
	A claim was lodged with Insurance Co., which is yet to be received.	

3. Prepare Three-column Cash Book from the following transactions of Mani, Kochi:

2020	
March 1	Cash in Hand ₹ 15,000; Cash at Bank ₹ 5,000
March 3	Purchased goods of ₹ 6,000 settled the account by cash and received discount of ₹ 220
March 5	Deposited into bank ₹ 5,000
March 7	Cash sales ₹ 10,000
March 10	Cash withdrawn from Bank for Office use ₹ 2,000
March 15	Received three months post dated cheque of ₹ 20,000 from Raj and deposited in the bank on the same day, discounted from bank paying discounting charges ₹ 750
March 18	Received cheque from Deepak for ₹ 5,000 (not banked), allowed discount ₹ 200
March 20	Cheque received from Deepak deposited in Bank
March 22	Paid to Chandra by cheque ₹ 2,500; received discount ₹ 100
March 25	Withdrew from bank for personal use ₹ 1,000
March 28	Sold goods to Ashok Mitra, Kolkata ₹ 10,000
March 30	Purchased goods from Chander, Delhi ₹ 20,000
March 31	Received cheque from Ashok Mitra ₹ 5,000 and deposited in bank, allowed him discount ₹ 200

4. Yash operates two Bank Accounts both of which are maintained in three columnar Cash Book itself. You are required to draw up the Cash Book and show how the following transactions relating to 31st January, 2020 will appear therein and close the Cash Book for the day:

- | | |
|---|-------------------|
| (i) Opening Balance: | ₹ |
| Cash | 2,000 |
| State Bank of India (SBI) | 8,000 (Overdraft) |
| Punjab National Bank (PNB) | 60,000 |
| (ii) Received cheque for ₹ 12,500 in respect of sales. The cheque was deposited in SBI, which credited the net amount after deducting ₹ 30 as discounting charges. | |
| (iii) Purchased goods for ₹ 20,000 and a cheque issued on the PNB. | |
| (iv) Paid rent ₹ 1,500 and ₹ 200 for stationery. | |
| (v) Out of cash sales of ₹ 15,000 a sum of ₹ 10,000 was deposited in the SBI. | |
| (vi) Credit purchases of ₹ 15,000 were made from Mr. Shyam who sent the documents relating to the goods through the PNB for 90% of their value. The bank charged ₹ 150 for releasing the documents. | |
| (vii) Deposited ₹ 5,000 in SBI. | |
| (viii) A 'Bill Receivable' for ₹ 10,000 was discounted with PNB, which charged 1% towards discounting. The bank credited the net amount after deducting discount. | |
| (ix) Withdrew ₹ 6,000 from the PNB. | |
| (x) A Demand Draft was purchased for ₹ 3,000 from a bank after paying ₹ 10 towards their charges and paid to the MTNL as security deposit. | |
| (xi) Interest of ₹ 120 and ₹ 50 were credited and debited respectively by the PNB and SBI. | |
| (xii) An amount of ₹ 4,000 was withdrawn from PNB and salaries paid in cash to that extent. | |
| (xiii) Manager's salary of ₹ 7,000 was paid by cheque drawn on SBI. | |
| (xiv) PNB collected dividend of ₹ 2,500. | |
| (xv) An amount of ₹ 10,000 was transferred from PNB to SBI | |

GUIDE TO ANSWERS

- Cash Balance—₹ 2,420; Bank Balance—₹ 76,230; Discount Allowed—₹ 100; Discount Received—₹ 170.
- Cash Balance—₹ 11,000; Bank Balance—₹ 31,500; Discount Received—₹ 500.
[Hint: Entry will not be passed for loss of goods by fire in the Cash Book.]
- Cash Balance—₹ 16,220; Bank Balance—₹ 33,750; Discount Allowed—₹ 400; Discount Received—₹ 320.
- Cash Balance—₹ 3,290; SBI—₹ 22,420; PNB—₹ 18,870.