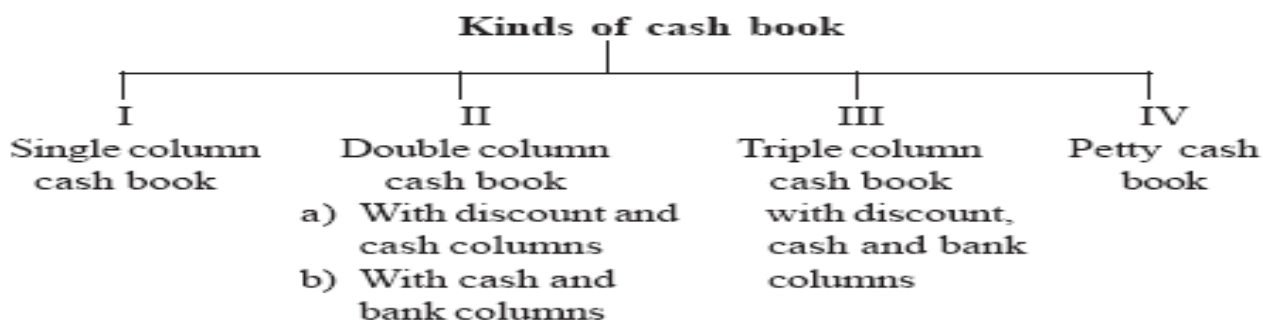


CASH BOOK (I)

- ◆ Cash book is a book of original entry in which transactions relating only to cash receipts and payments are recorded
- ◆ When cash is received it is entered on the debit or left hand side
- ◆ Similarly, when cash is paid out it is recorded on the credit or right hand side of the cash book
- ◆ Cash Book is dual purpose book; it is Journal as well as Ledger
- ◆ It is journal as cash transactions are chronologically recorded in it. It is a ledger as it contains a classified record of all cash transactions. It Journalized Ledger
- ◆ As for as cash is concerned, consists of coins, currency, checks, money orders, and money on hand or on deposit in a bank
- ◆ Cash is reported in both the balance sheet and the statement of cash flows. The balance sheet shows the amount of cash available at a given point in time. The statement of cash flows shows the sources and uses of cash during a period of time
- ◆ Cash on hand, cash in banks, and petty cash are often combined and reported simply as Cash
- ◆ Cash is the most liquid asset and is listed first in the current assets section of the balance sheet
- ◆ Many companies use the designation “Cash and cash equivalents” in reporting cash. Cash equivalents are short-term, highly liquid investments (Marketable Security) that are both:
 1. Readily convertible to known amounts of cash, and
 2. So near their maturity that their market value is relatively insensitive to changes in interest rates
- ◆ A negative balance in the cash account should be rare. If so, it should be reported among current liabilities
- ◆ This book enables us to know the balance of cash in hand and at bank at any point of time
- ◆ Cash book consists of cash and bank accounts taken out of ledger and maintained separately
- ◆ For Every entry made in the cash book there must be a proper voucher
- ◆ Being the cash book with the balance brought forward from the preceding period or with what we start. It appears at the top of the left side as "Balance b/d" or "Capital b/d" in case of a new business
- ❖ It should be balanced at the end of a given period

12.1 Kinds of Cash Book

The type of cash book to be used by any business will depend upon its nature and requirements. It may be any one of the following



12.1.1 Single Column Cash Book (Cash Column)

- Single column cash book records only cash receipts and payments
- It has only one money column on each of the debit and credit sides of the cash book

- Cheque/Check is drawn for office use
- Cash is deposited into bank by office
- Not deposited check when deposited
- If an amount is entered on the debit side of the cash book, and the exact amount is again entered on the credit side of the cash book, it is called "contra entry"
- Such entries are marked in the cash book with the letter "C"

Example # 12.2: On January 1, 2017, Humna Faisal’s cash book showed debit balance of cash Rs. 1,500 and bank Rs. 12,500. During the month of January following business was transacted
2017

- Jan.1 Deposited cash Rs. 500 to business bank account
- " 7 Purchased office furniture for cash Rs. 700; cash sales Rs. 2,000
- " 9 Received from Mr. Shabir a cheque for Rs. 2,550 in part payment of his account and not deposited
- " 12 Paid by cheque for goods purchased to Mr. Gulzar worth Rs. 1,000
- " 18 Drew from bank for owner domestic use Rs. 200
- " 21 Sold merchandise to Zeshan Bros. for Rs. 1,500 who paid by cheque which was deposited in the bank
- " 24 Paid to Mr. Salman Rs. 900 by cheque
- " 28 Deposited into bank the cheque received from Mr. Shabir
- " 29 Paid salaries by cash Rs. 950
- " 30 Drew from bank for office use Rs. 450

Requirement: Draw up Cash Book with Cash and Bank Columns

Humna Faisal
Cash Book (Double Column)
For the month ended January, 2017

Receipts					Payments				
Date	Description	Ref	Cash	Bank	Date	Description	Ref	Cash	Bank
2017					2017				
Jan					Jan				
	Total					Total			

Practice MCQs
www.accountancyknowledge.com/cash-book-mcqs-1/

Practice Problems with Solutions
www.accountancyknowledge.com/single-column-cash-book-problems-and-solutions/