

## CBSE Class 11 Accountancy

### Revision Notes

#### Chapter 4 Recording of Transactions -II Cash Books and other Books

##### Books of Original Entry/Special Purpose Books

As the business grows and number of transactions increase, it becomes necessary for the necessary for the business to divide the recording work. The books maintained are illustrated below:

Transactions	Further classification	Subsidiary Books Maintained
Cash & Bank Related Transactions	Only Cash	Simple Cash Book
	Cash & Bank Transactions	Double Column Cash book
	Cash payment of small amount	Petty Cash Book
Transaction Other than Cash & Bank	Credit Sale	Sales Book
	Credit Purchases	Purchases Book
	Sales Returns/ Returns Inward	Sales returns Book
	Purchases Returns /Returns outward	Purchases Returns Book
	Any other transaction	Journal Proper

##### Advantages of Maintaining Subsidiary Books

- Division of work
- Leads to Specialization
- Easy to maintain Ledger
- Check on frauds
- Easy to fix responsibility
- Quick availability of required information.

##### Cash Book

Cash book shows all the transactions related to cash receipts and payments. Cash book serves

two purposes. First, all the cash transactions are recorded first time in cash book it becomes Book of original entry. Second, there is no need to prepare Cash a/c in ledger it also play the role of Principal Book.

### Simple Cash Book

All the cash receipts are shown in left hand side i.e. Debit side and all the cash payments are shown in right hand side i.e. Credit Side.

### Points to Remember

- Cash in hand/opening balance of cash is shown in Dr. side of the Cash book as “To Balance b/d”
- Only transactions of cash receipts and payments are recorded in this book.
- This book never shows a credit balance because one can't pay more than the cash one have.

### Cash Book with Cash and Bank Column

In this case the Cash Book is ruled with two amount columns on either side of the cash book namely, "Cash and Bank". Cash columns in such a case will record actual cash received in the debit side and payments in the credit side. Cheques received should be entered on the debit side of the bank column when it deposited in the bank. The payments by cheques should be entered on the credit side in bank column and also when cash is withdrawn from the bank.

### Important Entries

**1. Contra Entries :** These entries affect cash and bank columns both at the same time. To indicate contra entry “C” is mentioned in the L.F. column of the cash Book. Following two cases result in Contra entries.

**(a) Depositing cash into Bank Rs. 1,000 It will increase bank balance, so bank column is debited and flash balance will decrease, so cash column is credited.**

Cash Book (with Cash & Bank Column)													
Dr.													
Date	Particulars	V.N.	L.F.	Cash Rs.	Bank Rs.	Disc out	Date	Particulars	V.N.	L.F.	Cash Rs.	Bank Rs.	Di ou
2015													
Apr	To Cash A/c				1,000		2015	By Bank A/c		C	1,000		

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**(b) Withdrawn from Bank for office use Rs. 1,000. It will increase cash balance, so cash column is debited and bank balance will decrease, so bank column is credited.**

Dr.	Cash Book (with Cash & Bank Column)												Cr.
Date	Particulars	V.N.	L.F.	Cash Rs.	Bank Rs.	Disc out	Date	Particulars	V.N.	L.F.	Cash Rs.	Bank Rs.	Disc out
2015 Apr 01	To Bank A/c		C	1,000			2015	By Cash A/c		C		1,000	

## (2) Entries relating to cheques :

- When any payment is made by cheque : It will reduce the bank balance and thus bank column will be credited.
- When any payment is received in the form of cheque and no information about its deposit into bank is given. In this case it is assumed that the cheque is deposited into bank on the same day, when it is received & so bank A/c will be debited.
- When any payment is received in the form of cheque and it is deposited into bank on same day than bank A/c will be debited.

When payment is receive in the form of cheque on one day & its is deposited into Bank on other day i.e. when two dates, one for the receipt of cheque and the other for deposit. In this case no entry it to be recorded at the time of receiving the cheque. Entry is to made when cheque deposited in the bank, as bank column is debited.

## Petty Cash Book

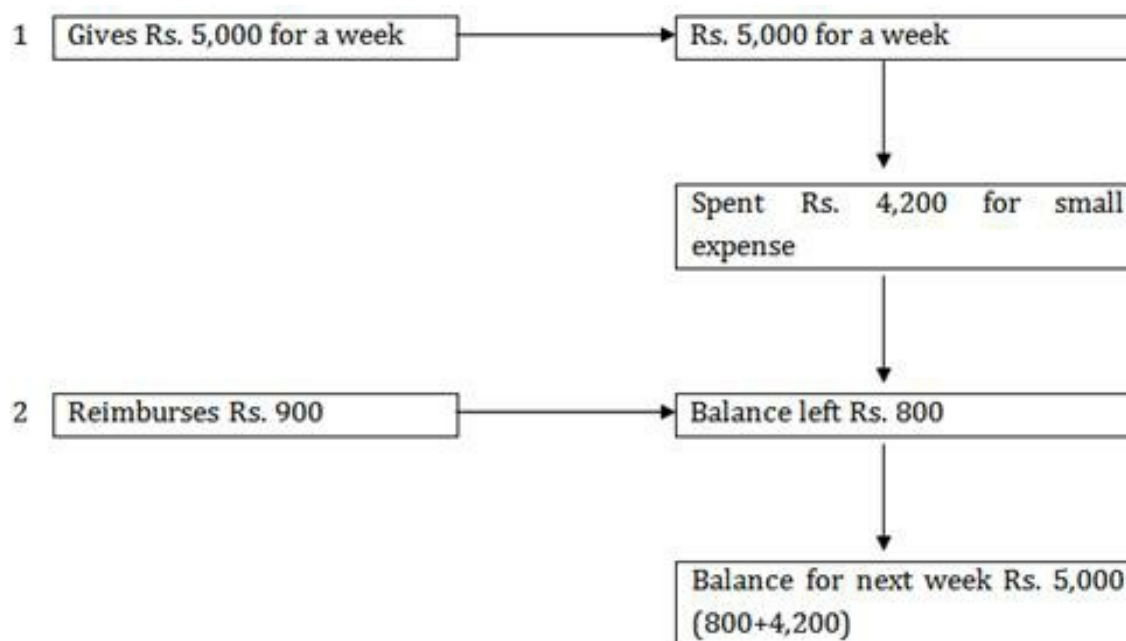
Business has to incur small expenses which are repetitive in nature. To save the time and efforts of head cashier, business appoints a petty cashier. He is entrusted with the duty of paying these expenses.

## Imprest System of Petty Cash Book

Under this system, Head cashier gives a fixed amount to petty cashier for a definite period. At the end of given period, Head cashier reimburses the amount actually spent by the petty cashier resulting the same amount with petty cashier which he had in the beginning of the period.

This can be illustrated as under.

Head Cashier → Petty Cashier



### Advantage of Petty Cash Book

- Saving of time and efforts of Head cashier
- Control on Petty expenses.
- Less chances of fraud.

### Special Purpose Subsidiary Books

#### Purchases Book

In this book, only those transactions are recorded which are related to credit purchases of goods in which the business deals in. Recording is made on the basis of Bills/ Invoices issued by the Suppliers.

#### Transactions not recorded in purchases Book

- Purchases of goods for cash.
- Purchases of Assets meant for long term, not for resale.

#### Sales Books/Sales Journal

In this book, transactions for credit sales of goods are recorded. The source documents for this book is duplicate copy of invoice/bills issued to the customers.

### **Transactions not recorded in Sales Book**

- Sales of goods for cash
- Sales of Assets.

### **Purchases Returns/Returns Outward Book**

This book includes only those transactions which are related to returns of goods bought on credit. The goods may be returned due to various reasons such as goods bought being defective, supply of inferior quality goods etc. Entries in this book are made on the basis of Debit Note. A Debit note contains the name of the supplier to whom good are returned, details of goods returned

### **Sales Returns Book**

This book includes all the returns by customers of credit sales of goods. The Credit Note is used for recording entries in this book. The credit note contains the details of customers and goods returned.