

Ch-21 Accounting Books and Statement
Good Morning Students,

This lesson is of class 9th for the subject of Commercial Studies. The topic for today is Cash Book which is covered in chapter 21 titled "Accounting Books and Statements" of your book Commercial Studies. This lesson is being submitted to you on 18/11/24 and the voice is of Mr Lokesh Arora.

All the students now please open page number 195 of your book and listen attentively.

In every business most of the transactions relate to receipts and payments of cash. It is necessary and useful for a business to have a continuous knowledge of cash or bank balance in hand. For this purpose and for facilitating the record of cash transactions, a separate book is maintained which is known as cash book.

Cash Book:-

Cash Book is a special journal in which all cash transactions are directly recorded. All cash receipts and cash payments are straightaway recorded in the Cash Book. This book enables us to know the balance of cash in hand or at bank at any point of time. The main points about cash book are

as under:-

- (i) Cash Book is a book of original entry as ^{all} entries relating to cash are recorded directly into cash book without passing through journal.
- (ii) Cash Book is maintained in the form of a ledger account. It has two sides, namely left hand or debit side and right hand or credit side. Receipts of cash are recorded on the debit side and payments of cash are recorded on the credit side.
- (iii) The amount of two sides are totalled. Generally the total of the debit side is greater than the total of the credit side. The difference indicates cash in hand. In case the totals of two sides are equal, there will be no balance and cash in hand will be nil.
- (iv) Cash Book can never show a credit balance of cash i.e. total of credit side of cash book can never be greater than total of debit side (Cash balance) because we cannot spend more money than we receive.
- (v) Cash Book serves a double purpose. As a primary record it serves as a special journal. It also serves as a substitute for Cash Account in the ledger and therefore it is a book of final entry. Thus, Cash Book is both a principal book and a subsidiary book.

(vi) Entries in Cash Book are made from Cash Memos, Receipt Book and Payment Vouchers

Difference between Cash Book and Cash Account
In fact, Cash Book is a perfect substitute of Cash Account. In both of these, Cash transactions are recorded datewise in order of occurrence. Both of these enable a businessman to know the cash balance on any desired date. However, there are some differences between the two which are as follows.

Cash Account	Cash Book.
(1) It is an account in the ledger.	It is a separate book maintained for recording cash transactions.
(2) Cash Account is opened in the ledger and posting is done in this account from Journal.	Cash Book is a book of original entry because all cash transactions are first of all recorded in Cash Book and then posted from cash book to various accounts in the ledger.
(3) When cash transactions are recorded in journal, it is necessary to open a cash account in ledger.	When cash transactions are recorded in cash book, there is no necessity for opening a cash account in the ledger.
(4) It records only one aspect of transaction, i.e. cash.	It records both the aspects of a transaction

Advantages of Cash Book

(1) Economy of Time and Labour:-

In the absence of Cash Book, every cash transaction will be first recorded in the Journal and then posted in the ledgers. Cash book avoids the need for posting each and every transaction. Thus, it saves considerable time and labour. There is no need for maintaining separate cash and bank accounts in the ledgers.

(2) Systematic Record:-

Cash Book enables the firm to keep a systematic record of all the cash transactions. All receipts and payments of cash can be known from one place, i.e. the Cash Book.

(3) Prompt Balancing!

Every Businessman wants to know the cash in hand from time to time. Cash Book is balanced daily. Therefore, the cash balance can be ascertained everyday. Cash Book provides useful information about the liquidity of business.

(4) fixation of Responsibility!:-

The task of handling cash and making record of cash transactions can be entrusted to a reliable and responsible employee. The employee can be held responsible for any discrepancy in cash.

(5) Check on Cash!:-

The actual cash in hand can be compared daily with the balance in

Cash Book. This helps to detect and prevent errors and frauds. A check is provided on the manner in which cash is spent.

Before going further let me ask you few questions. You may pause the audio for few minutes and write the answers in your note-books.

Ques 1. What is Cash Book?

Ques 2. Give two difference between Cash Book and Cash Account.

Ques 3. Explain various advantages of Cash Book.
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Types of Cash Book :-

Cash Book can be of three types:-

- (1) Simple Cash Book or Single Column Cash Book
- (2) Double Column Cash Book or Cash Book with Cash and Discount columns
- (3) Three Column Cash Book or Cash Book with Cash, Bank and Discount Columns.

Simple Cash Book:-

This is the simplest kind of Cash Book. In it only cash transactions are recorded. Cash receipts are recorded on the debit side and cash payments are recorded on the credit side. This form of Cash Book has the same ruling as that of a ledger account.

The format of simple cash book is given below:-

Dr				Cr			
Cash Book							
Date	Particulars	£	Amount	Date	Particulars	£	Amount

The columns of this Cash Book are described below:-

- (i) Date:- In this column the date of cash receipt or payment is recorded.
- (ii) Particulars:- In this column the name of the other account is written. On the debit side the word 'To' is written along with the name of the account from which cash is received. On the credit side, the word 'By' is written before the account to which cash is paid.
- (iii) L. F. (Ledge folio):- In this column the page number of the ledger on which the concerned account appears is written. This will help to locate the concerned account in the ledger at the time of posting the entry from the cash book.
- (iv) Amount:- The amount of cash receipts or cash payments is written in this column.

Balancing of Simple Cash Book

The cash book is balanced like a ledger account. Cash book always shows a debit balance because the total cash payments can never exceed the total cash receipts.

The difference of totals of debit and credit sides is written on the credit side as "By Balance c/d". The totals are then entered in the two amount columns. Then on the debit side the balance is carried forward to the next period as "To Balance b/d". The balance as per Cash Book must tally with the actual cash in hand.

I will explain the process of preparation of simple Cash Book with the help of following example:

Prepare a single column cash book from the following transactions:

		₹
2020		
Jan. 1	Started business with cash	50,000
Jan. 3	Bought goods for cash	15,000
Jan. 5	Sold goods for cash	20,000
Jan 7	Received cash from Anand	5,000
Jan 10	Paid into bank	4,000
Jan 14	Paid cash to Labesh	6,000
Jan. 16	Paid for Stationery	1,000
Jan. 18	Purchased office furniture	8,000
Jan. 20	Received from Krishan	7,000
Jan. 21	Received Rent	1,200
Jan. 22	Paid for Advertising	1,800
Jan 24.	Paid salaries.	3,500
Jan 25	Paid electricity charges	1,200
Jan 27	Withdrawn for personal use	3,000
Jan 30	Paid wages	600

Before starting with preparation of Cash Book, it is important to note that only cash transactions are recorded in cash book. Non-cash transactions like credit purchase and credit sale of goods are not recorded in cash book. Receipts of cash are recorded on debit side and payments of cash are recorded on credit side.

First transaction Jan. 1, started business with cash. Business is receiving cash. It is a receipt and receipts are shown on debit side. So it will be written as "To Capital A/c" on debit side.

Second transaction dated 3rd Jan. Bought goods for cash. Goods are purchased for cash. Cash is going out. It is payment of cash. So it will be recorded on credit side as "By Purchases A/c".

Next transaction dated 5th Jan. Sold goods for cash. We are receiving cash by selling goods. So it will be recorded on debit side as "To Sales Account".

Next transaction dated 7th Jan. Received cash from Anand. It is receipt of cash so it will be recorded on debit side as "To Anand A/c".

Next transaction dated 10th Jan. Paid into bank. Cash is going out of business. It is payment of cash. It will be recorded on credit side as "By Bank Account".

Next transaction dated 14th Jan. Paid Cash to Rehash. It is payment of cash. It will be recorded on credit side as "By Rehash Account".

Next transaction dated 16th Jan. Paid for stationery. It is payment of cash. It will be recorded on credit side of cash book as "By Stationery Account".

Next transaction dated 18th Jan. Purchased office furniture. It is payment of cash. It will be recorded on credit side of cash book as "By Furniture Account".

Next transaction dated 20th Jan. Received from Krishan. It is receipt of cash. It will be recorded on debit side of cash book as "To Krishan Account".

Next transaction dated 21st Jan. Received Rent. It is receipt of cash. It will be recorded on debit side as "To Rent Ac".

Next transaction dated 22nd Jan. Paid for Advertising. It is payment of cash. It will be recorded on credit side as "By Advertising Ac".

Next transaction dated 24th Jan. Paid salaries. It is payment of cash. It will be recorded on credit side as "By salaries Account".

Next transaction dated 25th Jan. Paid electricity charges. It is payment of cash. It will be recorded on credit side of cash book as "By Electricity Charges A/c".

Next transaction dated 27th Jan. Withdraws for personal use. It is withdrawal of cash from business. Cash is going out of business. It will be recorded on credit side of cash book as "By Drawings A/c".

Last transaction dated 30th Jan. Paid wages. It is payment of cash. It will be recorded on credit side of cash book as "By wages A/c".

Following is the Cash Book.

Dr				Cr			
Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2020				2020			
Jan 1	To Capital A/c		50,000	Jan. 3	By Purchases A/c		15,000
Jan 5	To Sales A/c		20,000	Jan. 10	By Bank A/c		4,000
Jan 7	To Anand A/c		5,000	Jan. 14	By Rakesh A/c		6,000
Jan 20	To Krishan A/c		7,000	Jan. 16	By Stationery A/c		1,000
Jan 21	To Rent A/c		1,000	Jan. 18	By Furniture A/c		8,000
				Jan. 22	By Advertising A/c		1,800
				Jan. 24	By Salaries A/c		3,500
				Jan 25	By Electricity charges A/c		1,200
				Jan. 27	By Drawings A/c		3,000
				Jan. 30	By wages A/c		600

This is simple cash book as prepared from the transactions in the example. Now we will find totals of two sides and find the difference. The difference will be written on credit side as 'By Balance c/d'.

Total of debit side is £ 83,200 and of credit side is 44,100. The difference £ 39,100 will be written on credit side as 'By Balance c/d' on the last date.

Complete Cash book as prepared from above example is as follows:-

Dr				Cash Book		Cr	
Date	Particulars	£	Amount	Date	Particulars	£	Amount
2020 Jan 1	To Capital A/c		50,000	2020 Jan 3	By Purchases A/c		15,000
Jan 5	To Sales A/c		20,000	Jan 10	By Bank A/c		4,000
Jan 7	To Anand A/c		5,000	Jan 14	By Robert A/c		6,000
Jan 20	To Kishan A/c		7,000	Jan 16	By Stationery A/c		1,000
Jan 21	To Rent A/c		1,200	Jan 18	By Furniture A/c		8,000
				Jan 22	By Advertising A/c		1,800
				Jan 24	By Salaries A/c		3,500
				Jan 25	By Electricity Charges A/c		1,200
				Jan 27	By Drawings A/c		3,000
				Jan 30	By Wages A/c		600
				Jan 31	By Balance c/d		39,100
			<u>83,200</u>				<u>83,200</u>
Feb 1	To Balance b/d		39,100				

With this, I am ending my topic here. I have given you two questions. You are required to make cash book in your note books.

Ques 1. Prepare a Simple Cash Book from the following transactions.

		₹
2020 Jan. 1	Started business with Cash	50,000
Jan. 2	Purchased Goods for Cash	20,000
Jan. 4	Purchased Furniture for Cash	5,000
Jan. 6	Paid Rent to landlord	2,000
Jan. 7	Sold Goods for Cash	22,000
Jan. 9	Paid to Suresh	3,000
Jan. 15	Received Commission	2,500
Jan. 18	Received from Mohit	4,500
Jan. 24	Paid Salaries	7,000
Jan. 27	Paid for Advertisement	3,200

Ques 2. Prepare a Simple Cash Book from the following transactions.

		₹
2020 April 1	Started business with Capital of	65,000
April 3	Opened a Bank Account or Deposited into bank	12,000
April 5	Purchased Goods for Cash	10,000
April 7	Paid to Mohan Lal	3,000
April 9	Received Interest	2,000
April 15	Sold Goods for Cash	15,000
April 20	Withdrawn for personal use	5,000
April 22	Received from Amit	4,000
April 24	Paid Salaries	4,000
April 25	Paid Electric charges	2,500
April 28	Received Commission	1,000
April 30	Paid Wages	1,200