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Recording of Transactions-II

Double Column Cash Book

In this type of cash book, there are two columns of amount on each side of the cash book. In fact, now-a-days bank transactions are very large in number. In many organisation, as far as possible, all receipts and payments are affected through bank.

A businessman generally opens a current account with a bank. Bank, do not allow any interest on the balance in current account but charge a small amount, called incidental charges, for the services rendered.

For depositing cash/cheques in the bank account, a form has to be filled, which is called a pay-in-slip. (refer figure 4.2) It contains a counterfoil also which is returned to the customer (depositor) with the signature of the cashier, as receipt.

The bank issues blank cheque forms, to the account holder for withdrawing money. (refer figure 4.3) The depositor writes the name of the party to whom payment is to be made after the words Pay printed on the cheque.

Fig. 4.2 : A pay-in-slip

Fig. 4.3 : A cheque

forms have the printed word bearer, which means payment is to be made to the person whose name has been written after the words “pay” or the bearer of the cheques. When the word ‘bearer’ is struck off by drawing a line, the cheque becomes an order cheque. It means payment is to be made to the person whose name is written on the cheque or to his order after proper identification.

Cheques are generally crossed in practice. The payment of a crossed cheque cannot be made direct to the party on the counter. It is to be paid only through a bank. When two parallel lines are drawn across the cheque, it is said to be crossed. The various types of crossing providing different degrees of safety to the payment are shown in figure 4.4.

In case of an A/c payee only crossing, the amount of the cheque can be deposited only in the account of the person whose name appears on the cheque. When the name of the bank is written between two parallel lines, it becomes a special crossing and the payment can be made only to the bank whose name has been written between the two lines. Though this is rarely done, a cheque can be transferred by the payee (the person in whose favour the cheque has been drawn) to another person, if it is not crossed A/c payee only. A bearer cheque can be passed on by mere delivery. An order cheque can be transferred by endorsement and delivery. Endorsement means the writing of instructions to pay the cheque to a particular person and then signing it on the back of the cheque.

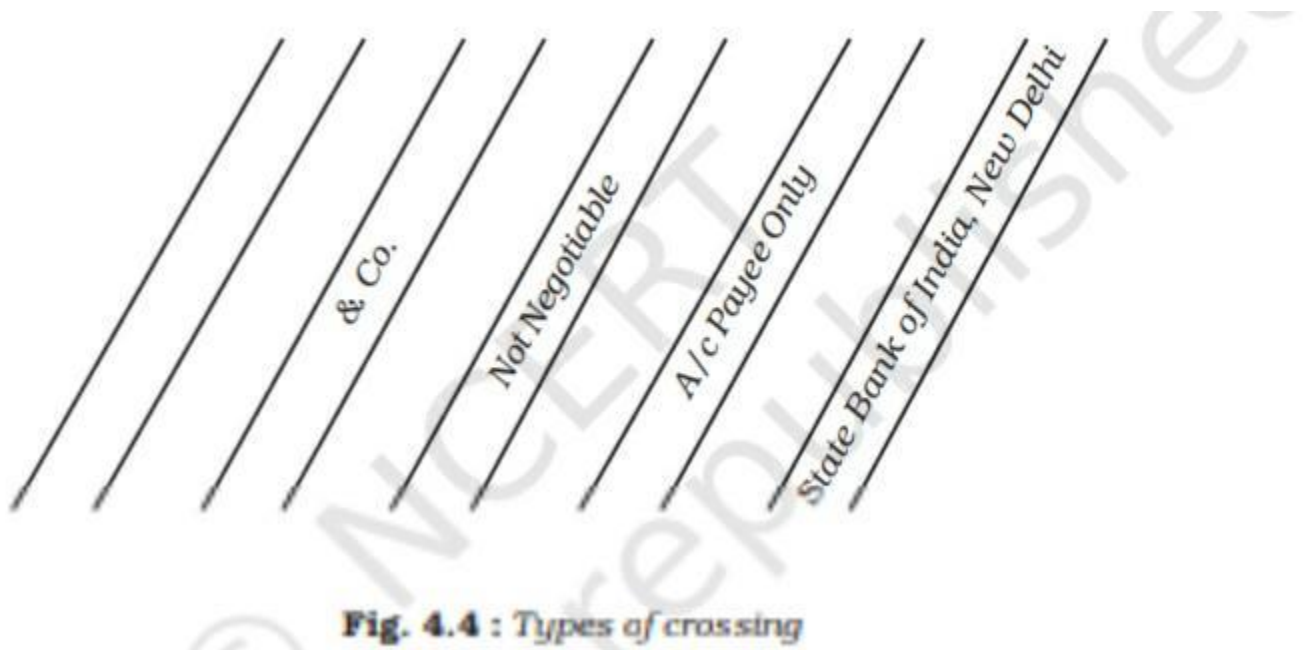


Fig. 4.4 : Types of crossing

When the number of bank transactions is large; it is convenient to have a separate amount column for bank transactions in the cash book itself instead of recording them in the journal. This helps in getting information about the position of the bank account from time to time. Just like cash transactions, all payments into the bank are recorded on the left side and all withdrawals/payments through the bank are recorded on the right side. When cash is deposited

in the bank or cash is withdrawn from the bank, both the entries are recorded in the cash book. This is so because both aspects of the transaction appear in the cash book itself. When cash is paid into the bank, the amount deposited is written on the left side in the bank column and at the same time the same amount is entered on the right side in the cash column. The reverse entries are recorded when cash is withdrawn from the bank for use in the office. Against such entries the word C, which stands for contra is written in the L.F. column indicating that these entries are not to be posted to the ledger account.