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शक्तिउत्थानआश्रमलखीसरायबिहार

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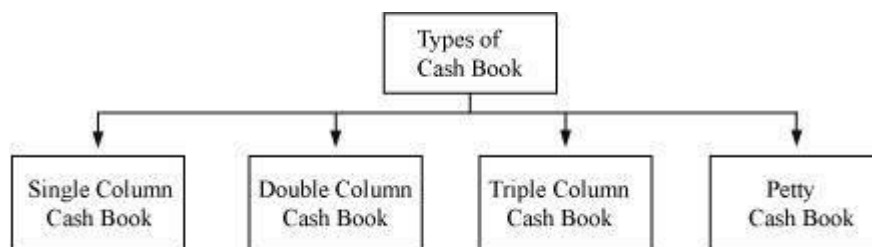
Recording of Transactions-II

Question 3

What is cash book? Explain the types of cash book.

ANSWER:

Cash Book is a book of original entry. It records all transactions related to receipts and payments of cash and deposits in and withdrawals from a bank in a chronological order. In the debit side of the cash book, the cash receipts are recorded in the cash column while all deposits into bank account are recorded in the bank column. On the contrary, in the credit side of the cash book, all cash payments are recorded in the cash column, while all payments through cheques are recorded in the bank column. Usually, it is prepared on monthly basis. Cash book also serves the purpose of principle book (i.e. cash account and bank account).



- 1. Single Column Cash Book:** A single column Cash Book contains one column of amount on both sides, i.e., one in the debit side and other in the credit side. In the single column Cash Book, only cash transactions are recorded. In the debit side of the Cash Book, all cash receipts are recorded, while in the credit side all cash payments are recorded.
- 2. Double Column Cash Book:** A double column Cash Book contains two columns of amount, namely cash column and bank column on both sides. In the cash column of Cash Book, all cash receipts and payments are recorded, according to the rule of Real Accounts. All deposits either in cash or through cheques into the bank account of the business are debited in the bank column and all withdrawals of cash and payments through cheques are credited in the bank column.

Cash Book

Dr.

Cr.

Date	Particulars	L.F.	Cash Rs	Bank Rs	Date	Particulars	L.F.	Cash Rs	Bank Rs
	Cash	(C)		-		Bank	(C)	-	

3.

3. **Triple Ccolumn Cash Book:** In a triple column Cash Book, there are three columns of amount namely, cash, bank and discount. Discount allowed and discount received are recorded in the discount column. While in the debit side, discount allowed is recorded along with the receipts, either in cash or through cheque; whereas, in the credit side, discount received is recorded, along with the payments made either in cash or by issuing cheques.
4. **Petty Cash Book:** This book is used for recording payment of petty expenses, which are of smaller denominations like, postage, stationery, conveyance, refreshment, etc. is known as Petty Cash Book.

Question 4

What is contra entry? How can you deal this entry while preparing double column cash book?

ANSWER:

The transaction that is entered in either sides of the double column or three column cash book, affecting both cash and the bank balances concomitantly is called contra entry. These entries result in increase in cash balances and decrease in bank balances or vice versa. In other words, a debit of bank account leads to a credit of cash account and a credit of bank account leads to a debit of cash account. For example, Rs 200 cash deposited into bank. This transaction increases the bank amount on one hand; whereas, on the other hand reduces the cash balance. In this entry, in the debit side of the cash book, 'Cash' will be recorded with a balance of Rs 200 in the bank column and in the credit side of the cash book, 'Bank' will be recorded with a balance of Rs 200 in the cash column. This entry is a contra entry as it affects both cash and bank balance together. The contra entries are denoted by 'C'.

Some transactions that lead to contra entry are given below.

1. Opening a bank account
2. Depositing cash into bank
3. Withdrawal from bank

These transactions are recorded in a double column Cash Book as done below.

Cash Book

Dr.

Date	Particulars	L.F.	Cash Rs	Bank Rs	Date	Particulars	L.F.	Cash Rs
	Cash	(C)		-		Bank	(C)	-