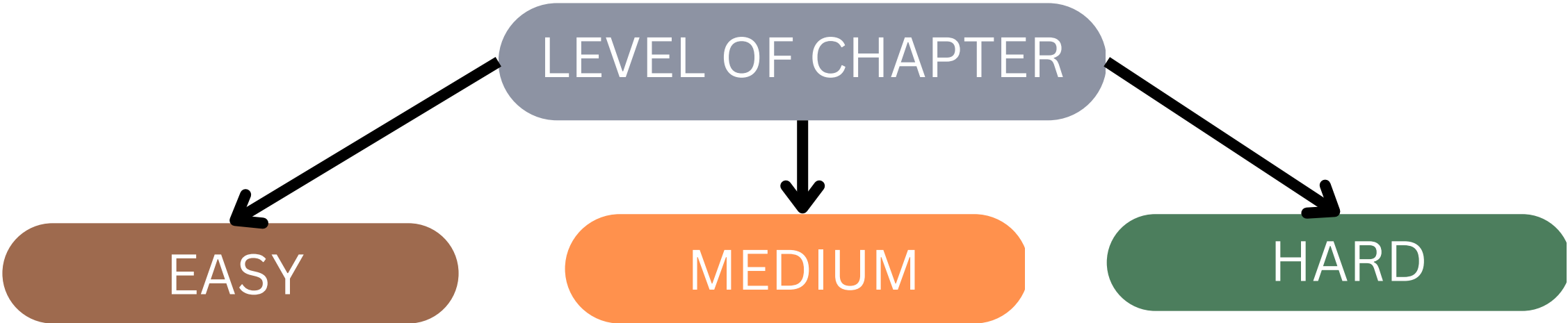


CASH BOOK, BANK BOOK, PETTY CASH BOOK

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Cash Book

Cash is an essential medium of conducting transactions taking place in a business and needs to be recorded for maintaining proper bookkeeping of the transactions. Cash is a current asset, and examples of cash transactions can be bank overdraft, money orders, demand deposits.

This leads to the need for maintaining all cash transactions in one place for the business and necessitates the use of a cash book.

Cash Book definition

Cash book is a special type of book that is only concerned with the recording of cash transactions of an organisation. It performs the dual role of both journal and a ledger for all the cash transactions taking place in a business organisation. A cash book records all the cash receipts on the debit side and all the cash payments of the organisation on the credit side.

Features of Cash Book

Cash book has the following features:

1. Acts as both a journal and a ledger.
2. Can be used as an alternative to a cash account for recording transactions.
3. It follows the dual entry system of accounting (i.e. Debit and credit side in cash book).
4. The debit side should be identical to the credit side.
5. Cash book should always have a debit balance.

Types of Cash Book

There are four types of cash books used for accounting purposes. Let us have a look at the types of cash books.

1. Single column cash book
2. Double column cash book
3. Triple column cash book
4. Petty cash book

Single column cash book:

Single column cash book is also called a simple cash book. It presents entries for cash received (receipts) on the left side or debit side and cash payments on the right hand side or credit side.

The bank transactions and the discounts that are given for transactions will be featured in separate ledger accounts in case of single-column cash books.

Cash books are updated on a daily basis in some business firms. The most striking feature of a cash book is that it can never have a credit balance. It should always show a debit balance.

Double Column cash book:

In a double column cash book, there is an additional column that is reserved for the discounts. Therefore, in a double-column cash book, also known as two-column cash book, the cash receipts and transactions are recorded in one column while the second column records discounts received and discounts provided.

Discount being a nominal account the discount provided is placed on the debit side of the cash book while discount received is placed on the credit side of the cash book.

At the end of the accounting period, both the columns are balanced, and the closing balances are transferred appropriately.

Triple column cash book:

In a triple column cash book, the two columns are similar to the double column cash book. While the additional column is for bank transactions.

Due to the advances in the banking industry, most firms deal in cheques and therefore, the presence of a bank column in a cash book is helpful in understanding the transactions properly.

Petty cash book:

Petty cash book, as the name suggests, is for very small transactions that take place in an organisation. Such transactions can occur in a day and are repetitive in nature, which can put undue load on the general cash book. For this reason, it is maintained separately.

Examples of such transactions are: stationery, postage, food bills, etc.

Advantages of Cash Book

- 1.It offers easy verification of cash by matching the balance in the cash book with actual cash in hand and is therefore helpful in identifying mistakes in the entry.
- 2.It helps in creating a regular record of transactions date wise for the convenience of accounting personnel.
3. As it is maintained date wise, any cash payments or the transaction can be correctly traced back in the cash book.
4. It is helpful in detecting any cash frauds in the organisation.
- 5.It helps in saving time and labour by reducing the workload

Bank Book

Deviating from the traditional method of keeping an additional column for bank transactions in a double and triple column cash book, today organisations keep a separate subsidiary book similar to cash book to record all receipts and payments made through the bank. This is known as Bank Book or Bank Journal.

Usually, big companies maintain this book where the volume of bank transactions is very high. Small businesses may still continue to record their bank transactions along with the cash book in an additional column.

Similar to a Single Column Cash Book, a Bank Book consists of two sides, receipts side and payment side. Receipts are debited and payments are credited in the bank book.

Maintaining a Bank Book or Bank Journal helps to ease the process of bank reconciliation. It also helps to decrease the chances of missing entries or any mistake. Separate Bank Books can be maintained for each bank account.

Thus, Bank Book can be distinguished from a Pass Book and a Bank Statement. These are basically the copy of a client's account (as it appears in the book's personal ledger).