

ACCOUNTING

CASH BOOK

GRADE – EIGHT

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Cash Book

Cash book: Cash book is a book of original entry. It consist of cash account and bank account put together in one book. It is a book in which we are entering cash receipt and payments. Therefore it is known as a journal at the same time it is written in the form of an account and it is not necessary to open a cash and bank account after preparing a cash book. Therefore cash book is both a journal and ledger.

Contra entry: Contra entries are items in which both the debit and credit entries are shown in the same book. Contra transactions in cash book increases cash and decreases bank or vice versa.

Cash discounts in the cash book: In firms discount allowed and discount received occur frequently. The usual method is to add additional discount column to the two column cash book and make it three column cash book. On the debit side you add a column called discount allowed and the credit side you add a column called discount received and enter the amounts in these column.

Discount allowed: A reduction given by the business to the customers who pay their accounts before the time allowed. Cash discount is given to customers to encourage prompt payment.

Discount received: A reduction given to the business by a supplier when the business pays their accounts before the time allowed.

Format of Three column cash book:

Three column Cash book format

Dr.

Cr.

Date	Details	Discount allowed (\$)	Cash (\$)	Bank (\$)	Date	Details	Discount received (\$)	Cash (\$)	Bank (\$)

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EXERCISE -1: Write up two column cash book from the following details and balance off at the end of the month.

2018

May-1	Started business with capital in cash \$100
May-2	Paid rent by cash \$10
May-3	F. Lake send us by cheque \$500
May-4	We paid S. Thompson by cheque \$65
May-5	Cash sales\$98
May-7	N. Miles paid us by cheque 62
May-9	We paid B. Burton in cash \$22
May-11	Cash sales paid direct in the bank \$53
May-15	G. Moore paid us in cash \$65
May-16	We took \$50 out of the cash paid it into the bank account \$50
May-19	We paid F. Lake by cheque \$100
May-22	Cash sales paid direct into the bank \$66
May-26	Paid motor expenses by cheque \$12
May-30	Withdraw \$100 from the bank for business use and put it into the cash box \$100
May-31	Paid wages in cash \$97

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EXERCISE -2: A three column cash book is to be written up from the following details. Balance of account and show the relevant discounts accounts in the general ledger.

2018

- March -1 Balance brought forward cash \$ 230, bank \$ 4756
- March -2 The following paid their accounts by cheque, in each case deducting 5% cash discounts R. Burton\$140, E. Taylor \$220, H. Harris \$300
- March -4 Paid rent by cheque \$120
- March -6 G. Cotton lend us \$1000 paying by cheque
- March -8 We paid the following accounts by cheque , in each case deducting 2.5% cash discounts N. Black \$ 360, P. Towers \$ 480, C. Rowse \$800
- March -10 Paid motor expenses in cash \$44
- March -12 H. Hankings pays his account of \$77, by cheque \$74, deducting \$3 cash discount.
- March -15 Paid wages in cash \$160
- March -18 The following paid their accounts by cheque. In each case deducting 5% cash discount C.Winston\$260, R, Wilsonand sons \$340, A. Winter \$460
- March -21 Cash withdrawn from the bank \$350 for business use
- March -24 Cash drawings \$120
- March -25 Paid T. Brown his account of \$ 140, by cash \$133 having deducted \$7 cash discount
- March -29 Brought fixtures paying by cheque \$650
- March -31 Received commission by cheque \$88

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Home Work

EXERCISE-3: Write up a two –column cash book for a second hand bookshop from the following:

2019

- | | | |
|-----|----|--|
| Nov | 1 | Balance brought forward from last month: cash \$295, bank \$4240 |
| | 2 | Cash sales \$310 |
| | 3 | Took \$ 200 out of the cash till and paid it into the bank |
| | 4 | F. Bell paid us by cheque \$194 |
| | 5 | We paid for postage stamps in cash \$80 |
| | 6 | Bought office equipment by cheque \$310 |
| | 7 | We paid L Root by cheque \$94 |
| | 9 | Received business rates refund by cheque \$115 |
| | 11 | Withdraw \$150 from the bank for business use |
| | 12 | Paid wages in cash \$400 |
| | 13 | Cash sales \$430 |
| | 14 | Paid motor expenses by cheque \$81 |
| | 16 | J Bull lent us by \$1500 in cash |
| | 20 | K. Brown paid us by cheque \$174 |
| | 28 | We paid general expenses in cash \$35 |
| | 30 | Paid insurance by cheque \$320 |

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