

- Cash Book
- Petty Cash Book and Imprest System
- Other Subsidiary Books and Ledger

## Cash Book

### Concept Explanation:

Cash Book is a book in which all transactions relating to cash receipts and cash payments are recorded. It serves as both a subsidiary book and a principal book of accounts. As a subsidiary book, it records all cash transactions in chronological order, and ledger accounts are prepared based on these records. As a principal book, the cash balance is directly entered in the trial balance from the Cash Book. Hence, it is also known as the *Journalised Ledger*.

### Key Features:

- Records all cash receipts and payments.
- Acts as a book of original entry (subsidiary book).
- Represents the cash account in the ledger (principal book).
- Cash balance is directly posted to the trial balance.

### Types of Cash Book:

- **Single Column Cash Book:** Records only cash transactions in chronological order.
- **Double Column Cash Book:** Records cash and bank transactions with two amount columns on each side. Bank column can have credit balance due to overdraft.
- **Petty Cash Book:** Used for recording small payments like postage, stationery, conveyance, and refreshments.

### Illustrative Example:

A business receives cash of ₹10,000 and pays cash expenses of ₹2,000. These

transactions are recorded in the Cash Book under receipts and payments respectively.

### Practice Set:

- *Level 1:* Define Cash Book and explain its dual nature.
- *Level 2:* Differentiate between Single Column and Double Column Cash Book with examples.
- *Level 3:* Prepare a Double Column Cash Book for the following transactions: Cash sales ₹15,000, Bank deposit ₹10,000, Cash payment for expenses ₹3,000, Bank withdrawal ₹5,000.

### Answer Key:

- *Level 1:* Cash Book records all cash receipts and payments and acts as both subsidiary and principal book.
- *Level 2:* Single Column records only cash; Double Column records cash and bank transactions. Example: Single Column records cash sales ₹5,000; Double Column records cash sales ₹5,000 and bank deposit ₹3,000.
- *Level 3:* (Working shown in ledger format with cash and bank columns, balancing each side.)

**Quick Reference:** Cash Book = Cash Account + Bank Account (if double column).  
Overdraft means bank credit balance.

### Glossary:

- **Subsidiary Book:** Book of original entry recording specific transactions.
- **Principal Book:** Ledger or book where balances are maintained.
- **Overdraft:** When bank withdrawals exceed deposits, resulting in a credit balance.

## Petty Cash Book and Imprest System

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### Concept Explanation:

Petty Cash Book is maintained to record small payments of petty expenses such as postage, stationery, conveyance, and refreshments. It helps in controlling petty expenses and saves the time of the main cashier.

### Advantages of Petty Cash Book:

- Saves main cashier's time.
- Controls petty expenses effectively.
- Simplifies posting by consolidating petty expenses periodically.
- Reduces errors and frauds through reimbursement checks.

### Imprest System:

Under the imprest system, a fixed amount called the *imprest amount* is advanced to the petty cashier for a specific period (week, fortnight, or month). At the end of the period, expenses paid are reimbursed, restoring the imprest amount for the next period. This system ensures proper control and accountability.

### Formats of Petty Cash Book:

- Simple Petty Cash Book (rarely used in practice).
- Analytical Petty Cash Book (commonly used).

### Practice Set:

- *Level 1:* Define Petty Cash Book and list its advantages.
- *Level 2:* Explain the imprest system with an example.
- *Level 3:* Prepare an Analytical Petty Cash Book for petty expenses of ₹500, ₹300, and ₹200 for postage, stationery, and conveyance respectively, with an imprest amount of ₹1,000.

### Answer Key:

- *Level 1:* Petty Cash Book records small payments; advantages include saving time and controlling expenses.
- *Level 2:* Imprest system advances fixed amount; example: ₹1,000 imprest, expenses ₹800, reimbursement ₹800.
- *Level 3:* (Analytical Petty Cash Book prepared with columns for each expense and balancing imprest amount.)

**Quick Reference:** Petty Cash Book controls minor expenses; imprest system maintains fixed cash balance.

### Glossary:

- **Petty Expenses:** Small, frequent expenses of low value.
- **Imprest Amount:** Fixed cash amount given to petty cashier.

## Other Subsidiary Books and Ledger

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### Concept Explanation:

Apart from the Cash Book, businesses maintain various subsidiary books to record specific types of transactions. These include:

- **Purchases Book:** Records all credit purchases of goods.
- **Purchases Returns Book:** Records returns of goods previously purchased.
- **Sales Book:** Records all credit sales of goods. Cash sales are recorded in the Cash Book.

- **Sales Returns Book:** Records returns of goods sold on credit by customers.
- **Journal Proper:** Records transactions not recorded in other subsidiary books.

### Purpose of Maintaining Subsidiary Journals:

- Saves time and effort in recording transactions.
- Enables division of work among accountants, enhancing efficiency.
- Increases accountability for specific books.
- Facilitates availability of information for each transaction type.
- Helps in error detection and fraud prevention.

### Ledger:

The ledger is the principal book of accounts where transactions recorded in journals are classified and grouped under specific accounts. Posting is the process of transferring journal entries to ledger accounts. Ledger accounts are in "T" shape with Debit (Dr.) on the left and Credit (Cr.) on the right. Balances are obtained after posting.

### Balancing of Accounts:

Balancing is done periodically to ascertain the financial position. The difference between debit and credit sides is written on the side with lesser total as "balance c/d" (carried down). This balance is brought down (balance b/d) in the next period. Real and Personal accounts are balanced; Nominal accounts are closed by transferring balances to Profit & Loss account.

### Distinction between Journal and Ledger:

Aspect	Journal	Ledger
Nature	Book of Primary Entry	Book of Final Entry
Evidence	Source documents (vouchers)	Entries from Journal
Need	Records transactions in order	Calculates balances of accounts
Balance	Entries not balanced	Accounts balanced (Real & Personal)
Process	Journalising	Posting
Relation to Final Accounts	Does not directly relate	Forms basis for final accounts

### Practice Set:

- *Level 1:* Define Purchases Book and Sales Book.
- *Level 2:* Explain the purpose of subsidiary journals with examples.
- *Level 3:* Prepare ledger accounts for given journal entries and balance them.

**Answer Key:**

- *Level 1:* Purchases Book records credit purchases; Sales Book records credit sales.
- *Level 2:* Subsidiary journals save time, enable division of work, and improve accuracy.
- *Level 3:* (Ledger accounts prepared with debit and credit entries, balances calculated.)

**Quick Reference:** Subsidiary books classify transactions; ledger groups and balances accounts.

**Glossary:**

- **Posting:** Transferring journal entries to ledger accounts.
- **Balancing:** Calculating difference between debit and credit sides of an account.
- **Nominal Account:** Accounts related to expenses, losses, incomes, and gains.