

CHAPTER OUTLINE

- ❖ Purpose of the cash book
- ❖ Types of cash book
- ❖ Main cash book
- ❖ Petty Cash book
- ❖ Trade and cash discounts
- ❖ Posting of cash book to ledger

Learning Objectives

At the end of this chapter, the student should be able to:

- Explain the meaning of a cash book
- Identify and explain the source documents of a cash book
- Identify the different types of cash book
- Explain the basic principles of posting transaction to the cash book
- Demonstrate how to extract information from a cash book to the ledger
- Explain the relationship among different columns of the cash book.
- Differentiate between trade and cash discounts.

### 5.1 PURPOSE OF THE CASH BOOK

The cashbook is a unique subsidiary book as it serves dual purpose. It is seen as a subsidiary book and equally a ledger account that forms an integral part of the double entry system. The cash book is used to record every transaction involving cash receipt or cash payment. Any transaction that involves immediate cash or cheque is recorded in the cash column or the bank column of the cash book.

### 5.2 TYPES OF CASH BOOK

There are two basic types of cash book namely;

1. Main cash book
2. Petty cash book

### 5.3 MAIN CASH BOOK

The main cash book can be differentiated by the nature of the transactions it is meant to accommodate. Consequent upon this, we have Single Column, Two Column and Three Column cash books. The difference among these is the number of columns contained in the cash book as will be seen in the illustrations below. The general format of the main cash book remains the same except for the differences in the number of columns.

#### Single column cash book

This is the simplest form of cash book whenever transaction is done purely with cash. The page is divided into two halves. The left hand side is known as debit (Dr) side while the right hand side is known as credit (Cr) side. The basic principle is to debit every cash receipt and credit every cash payment or cash disbursement. The single column cash book may sometimes be called simple cash book

#### Format of a simple cash book

Dr

DATE	PARTICULARS	FOLIO	AMOUNT	DATE	PARTICULARS	FOLIO	AMOUNT

Cr

### Illustration 5.1

Mr Ekwe's business transaction for the Month of January, 2011 is as follows:

		N
January 1:	Cash balance b/f	500,000
3:	Cash received from Happiness	200,000
4:	Purchased goods for cash	150,000
10:	Bought stationery for cash	50,000
12:	Purchased goods for cash	45,000
13:	Cash sales to date	65,000
15:	Cash withdrawn	10,000
18:	Cash sales to date	12,000
22:	Purchased goods for cash	100,000
25:	Cash sales to date	70,000
30:	Paid wages in cash	15,000
31:	Paid rent in cash	40,000

You are required to prepare a simple cash book of Mr Ekwe from the above transactions.

Mr Ekwe's  
Simple Cash Book

#### Solution 5.1

DATE	PARTICULARS	FOLIO	AMOUNT N	DATE	PARTICULARS	FOLIO	AMOUNT N
Jan 1	Bal b/d		500,000	Jan 4	Purchases		150,000
3	Happiness		200,000	10	Stationery		50,000
13	Sales		65,000	12	Purchases		45,000
18	Sales		12,000	15	Withdrawal		10,000
25	Sales		70,000	22	Purchases		100,000
				30	Wages		15,000
				31	Rent		40,000
				31	Bal c/d		437,000
			847,000				847,000

Feb 1 Bal b/d 437,000

#### Points to note:

Date: This indicates the date of transaction.

Particulars: This is a simple guide to the source of income or cause of the expenditure.

