

Cash Book

Q1. Enter the following in the three-column cash book of a Book shop. Balance off the cash book at the end of the month and show the discount accounts in the general ledger.

20X8

June 1 Balances brought forward: Cash \$420; Bank \$4,940.

2 The following paid us by cheque, in each case deducting a 5 per cent cash discount: Ali \$820; Asghar \$320; Akram \$440; Amir \$1,040.

3 Cash sales paid direct into the bank \$740.

5 Paid rent by cash \$340.

6 We paid the following accounts by cheque, in each case deducting 2.5% per cent cash discount: Amar \$360; Afraz \$960; Akshay \$400.

8 Withdrew cash from the bank for business use \$400.

10 Cash sales \$1,260.

12 Bashir paid us their account of \$280 by cheque less \$4 cash discount.

14 Paid wages by cash \$540.

16 We paid the following accounts by cheque: Raza \$310 less cash discount \$15; Anis \$412 less cash discount \$12.

20 Bought fixtures by cheque \$4,320.

24 Bought Van paying by cheque \$14,300.

29 Received \$324 cheque from Arun.

30 Cash sales \$980.

30 Bought stationery paying by cash \$56.

Q2. A three-column cash book for a fish wholesaler is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

20X8

Mar 1 Balances brought forward: Cash \$620; Bank \$7,142.

2 The following paid their accounts by cheque, in each case deducting 5 per cent cash discounts: Ghaffar \$260; Amar \$320; Ahmed \$420 (all amounts are pre-discount).

4 Paid rent by cheque \$430.

6 A Samad lent us \$5,000 paying by cheque.

8 We paid the following accounts by cheque in each case deducting a 3% per cent cash discount: Raheel \$720; Faizan \$960; Anis \$1,600 (all amounts are pre-discount).

10 Paid motor expenses in cash \$81

Mar 12 Waqar pays his account of \$90, by cheque \$88, deducting \$2 cash discount.

15 Paid wages in cash \$580.

18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: Agha \$540; Hamza \$700; Zohaib \$520 (all amounts are pre-discount).

21 Cash withdrawn from the bank \$400 for business use.

24 Cash Drawings \$200.

25 Paid Zeeshan his account of \$160, by cash \$155, having deducted \$5 cash discount.

29 Bought fixtures paying by cheque \$720.

31 Received commission by cheque \$120.

May 2008

George Gale had the following transactions for the week ended 31 May 2008:

- May 25 The balance of \$80 cash was transferred to the bank account.
- 26 Withdrew \$860 by cheque for personal use. This represented half the balance at the bank.
- 27 Cash sales, \$900, were made.
- A cheque for \$450 was also received from Sally Jones in full settlement of a debt of \$500. The cheque was paid immediately into the bank. George allowed a discount for early settlement.
- 28 A bank loan for \$2000 was paid into George's business bank account.
- 29 Paid \$3500 by cheque for new fixtures and fittings.
- 30 George opened a bank deposit account, transferring \$600 from cash.
- 31 Paid wages \$100 in cash.

REQUIRED

- (a) Complete the three column cash book for George Gale for the week ended 31 May 2008. Use the page opposite. [16]
- (b) Distinguish between cash and trade discounts.
- (c) Identify how **each** of the following would be treated in George Gale's accounts at 31 May 2008. The first item has been completed as an example.

	Asset	Liability
Fixtures and fittings	√	
Bank		
Cash		
Bank deposit		
Bank loan		

Three Column Cash Book

Date	Particulars	Discount Allowed	Bank	Cash	Date	Particulars	Discount Received	Bank	Cash
		\$	\$	\$			\$	\$	\$

Three Column Cash Book

Date	Particulars	Discount Allowed	Bank	Cash	Date	Particulars	Discount Received	Bank	Cash
		\$	\$	\$			\$	\$	\$

Three Column Cash Book

Date	Particulars	Discount Allowed	Bank	Cash	Date	Particulars	Discount Received	Bank	Cash
		\$	\$	\$			\$	\$	\$

Petty Cash Book

There is a second type of cash book, called the **Petty Cash Book**, which many businesses use to record small amounts paid for in cash. Every business has a number of transactions of very small value which, were they all recorded in the Cash Book, would only serve to make it more difficult to identify the important transactions that businesses need to keep a close eye upon. **Just like the Cash Book, the Petty Cash Book is both a book of original entry and a ledger account.**

The **advantages** of using a Petty Cash Book can be summarized as follows:

- ❖ The task of handling and recording small cash payments can be given by the cashier (the person responsible for recording entries in the Cash Book) to a junior member of staff. This person is known as the 'Petty Cashier'. The cashier, who is a more senior and, consequently, higher paid member of staff would be saved from routine work.
- ❖ If small cash payments were entered into the main Cash Book, these items would then need posting one by one to the ledgers. For example, if travelling expenses were paid to staff on a daily basis, this could mean approximately 250 postings to the staff travelling expenses account during the year, i.e. 5 days per week × 50 working weeks per year. However, by using a Petty Cash Book, it would only be the monthly totals for each period that need posting to the General Ledger. If this were done, only twelve entries would be needed in the staff travelling expenses account instead of approximately 250.

The imprest system

It is all very well having a Petty Cash Book but, where does the money paid out from it come from? The **imprest system** is one where the cashier gives the petty cashier enough cash to meet the petty cash needs for the following period. Then, at the end of the period, the cashier finds out the amounts spent by the petty cashier, by looking at the entries in the Petty Cash Book. At the same time, the petty cashier may give the petty cash vouchers to the cashier so that the entries in the Petty Cash Book may be checked. The cashier then passes cash to the value of the amount spent on petty cash in the period to the petty cashier. In other words, the cashier tops up the amount remaining in petty cash to bring it back up to the level it was at when the period started. This process is the imprest system and this topped-up amount is known as the petty cash **float**.

Mr ARD
Petty Cash Book for the month ended June 2019

Total Received	Date	Details	Total Paid	Motor Expense	Postage & Stationery	Ledger Accounts
\$	2019		\$	\$	\$	\$
X	1 June	Balance b/d				
XX	2 June	Bank				
	3 June	Car fuel	X	X		
	8 June	Stamps	X		X	
	11 June	Mr X (Supplier)	XX			XX
			XX	XX	XX	XX
	30 June	Balance c/d	XX			
XX			XX			
X	1 July	Balance b/d	X			

Exercise 1

The following is a summary of the petty cash transactions of a School for Sep 2018.

Sept 2018

1 The head teacher gives \$300 as float to the petty cashier Payments out of petty cash during September:

	\$
2 Petrol: School bus	16
3 J Green – travelling expenses of staff	23
3 Postage	12
4 D Davies – travelling expenses of staff	32
7 Cleaning expenses	11
9 Petrol: School bus	21
12 K Jones – travelling expenses of staff	13
14 Petrol: School bus	23
15 L Black – travelling expenses of staff	5
16 Cleaning expenses	11
18 Petrol: School bus	22
20 Postage	12
22 Cleaning expenses	11
24 G Wood – travelling expenses of staff	7
27 Settlement of C Brown's account in the Purchases Ledger	13
29 Postage	12

30 The head teacher reimburses the petty cashier the amount spent in the month.

Exercise 2

The following is a summary of the petty cash transactions of Jock field Ltd for May 2019.

May 1 Received from Cashier \$300 as petty cash float	\$
2 Postage	18
3 Travelling	12
4 Cleaning	15
7 Petrol for delivery van	22
8 Travelling	25
9 Stationery	17
11 Cleaning	18
14 Postage	5
15 Travelling	8
18 Stationery	9
18 Cleaning	23
20 Postage	13
24 Delivery van 5,000 mile service	43
26 Petrol	18
27 Cleaning	21
29 Postage	5
30 Petrol	14

You are required to:

(a) Rule up a suitable petty cash book with analysis columns for expenditure on cleaning, motor expenses, postage, stationery, travelling.

(b) Enter the month's transactions.

(c) Enter the receipt of the amount necessary to restore the imprest and carry down the balance for the commencement of the following month.

Exercise 3

(a) Why do some businesses keep a petty cash book as well as a cash book?

(b) Kathryn Rochford keeps her petty cash book on the imprest system, the imprest being \$25.

For the month of April 2019 her petty cash transactions were as follows:

	\$
April	
1 Petty cash balance	1.13
2 Petty cashier presented vouchers to cashier and obtained cash to restore the imprest	23.87
4 Bought postage stamps	8.50
9 Paid to Courtney Bishop, a creditor	2.35
11 Paid bus fares	1.72
17 Bought envelopes	0.70
23 Received cash for personal telephone call	0.68
26 Bought petrol	10.00

(i) Enter the above transactions in the petty cash book and balance the petty cash book at 30 April, bringing down the balance on 1 May.

(ii) On 1 May Kathryn Rochford received an amount of cash from the cashier to restore the imprest. Enter this transaction in the petty cash book.

(c) Open the ledger accounts to complete the double entry for the following:

(i) The petty cash analysis columns headed *Postage and Stationery* and *Travelling Expenses*;

(ii) The transactions dated 9 and 23 April 20X9.

Exercise 4

Rule up a petty cash book with analysis columns for office expenses, motor expenses, cleaning expenses, and casual labour. The cash float is \$600 and the amount spent is reimbursed on 30 June.

June 20X7	\$
1 F Black – casual labour	18
2 Letter headings	41
2 Abel Motors – motor repairs	67
3 Cleaning materials	4
6 Envelopes	11
8 Petrol	22
11 P Lyon – casual labour	16
12 T Upton – cleaner	8
12 Paper clips	3
14 Petrol	19
16 Adhesive tape	2
16 Petrol	25
21 Motor taxation	95
22 F Luck – casual labour	19
23 T Upton – cleaner	14
24 J Lamb – casual labour	27
25 Copy paper	8
26 Lively Cars – motor repairs	83
29 Petrol	24
30 F Tred – casual labour	21

Exercise 5

Oakhill Printing Cost Ltd operates its petty cash account on the imprest system. It is maintained at a figure of \$80, with the balance being restored to that amount on the first day of each month. At 30 April 20X6 the petty cash box held \$19.37 in cash.

During May 20X6, the following petty cash transactions arose:

	\$
May	
1 Cash received to restore imprest (to be derived)	?
1 Bus fares	0.41
2 Stationery	2.35
4 Bus fares	0.30
7 Postage stamps	1.70
7 Trade journal	0.95
8 Bus fares	0.64
11 Tippex	1.29
12 Typewriter ribbons	5.42
14 Parcel postage	3.45
15 Paper clips	0.42
15 Newspapers	2.00
16 Photocopier repair	16.80
19 Postage stamps	1.50
20 Drawing pins	0.38
21 Train fare	5.40
22 Photocopier paper	5.63
23 Display decorations	3.07
23 Tippex	1.14
25 Wrapping paper	0.78
27 String	0.61
27 Sellotape	0.75
27 Biro pens	0.46
28 Typewriter repair	13.66
30 Bus fares	2.09
June 1 Cash received to restore imprest (to be derived)	?

Required:

- (a)** Open and post the company's analysed petty cash book for the period 1 May to 1 June 20X6 inclusive.
- (b)** Balance the account at 30 May 20X6.
- (c)** Show the imprest reimbursement entry on June 1.

Exercise 6

Saffie is a trader. She maintains a three column cash book and also a petty cash book. The imprest amount is \$150. All payments below \$100 are made from petty cash.

Saffie had the following transactions in September 2017.

September

- 1 Petty cash imprest restored from the business bank account
- 1 Opening Balances Cash in hand \$120, Cash at Bank \$3841 Cr
- 3 Paid taxi fare, \$12
- 7 Paid \$461 by cheque for repairs to office machinery
- 11 Purchased office stationery, \$64
- 15 A cheque for \$210 received from SL Stores in August was dishonoured by the bank
- 21 Paid Faariqa, a credit supplier, \$29
- 26 Received a cheque from Thushari, \$392, in settlement of the amount due less 2% cash discount
- 28 Cash sales, \$4840, of which \$4800 was immediately paid into the bank
- 29 Paid Sopitha's account of \$480 after deducting a cash discount of 2½%
- 30 Paid postage, \$22

REQUIRED

- (a) Record the above transactions in the following.
- (b) Balance each book and bring down the balances on 1 October 2017.

(i) Petty cash book

[9]

(ii) Cash book

[10]

1. Elisa Chen is a trader. Her financial year ends on 30 April. She maintains a three column cash book and a petty cash book. The imprest amount is \$120. All payments under \$90 are made from petty cash.

Elisa Chen had the following transactions in April 2019. 2019

- April 1 Petty cash imprest restored from the business bank account
3 Paid Batool, a credit supplier, \$58
8 Areeba, a credit customer, paid her account of \$350 by bank transfer after deducting 2% cash discount
11 Paid for taxi fare, \$14
15 Bought stationery, \$24
19 Paid for office expenses by cheque, \$115
24 Paid for bus fare, \$9
27 Paid Hania, a credit supplier, \$585, by cheque, after deducting 2½% cash discount
28 Received a cheque for \$100 from Khadija for rent.
29 Cash sales, \$820, of which \$800 was paid directly into the bank

REQUIRED

Record these transactions in the following books which appear on the next two pages. Balance the books and bring down the balances on 1 May 2019.

- (i) Petty cash book [10]
(ii) Three-column cash book [10]

Elisa Chen
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Travel \$	Postage and stationery \$	Ledger accounts \$
18	2019 April 1	Balance b/d				
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Elisa Chen
Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2019	Balance b/d	\$	250	\$	2019	Balance b/d	\$	\$	\$ 1119
April 1					April 1				