



Chapter 11

Books of Original Entry

Cash Book

SPECIAL PURPOSE SUBSIDIARY BOOKS

If the size of business is a small one, it may be possible to enter each and every transaction in one book only, i.e., Journal, which is generally known as the book of original entry. But when the size of the business grows and the number of transactions become very large, it is no longer possible to record all transactions in one Journal only. As such, the Journal is sub-divided into a number of Special Journals. These special journals are also known as 'day books or special purpose books or Subsidiary Books' or the 'Books of Original Entry'. Following subsidiary books are most commonly used in a business:-

(1) Cash Book: - This book is used for recording all transactions relating to cash receipts and cash payments. All banking transactions relating to receipts and payments are also recorded in this book.

(2) Purchase Book: - This book is used for recording the credit purchases of goods.

(3) Sales Book: - This book is used for recording the credit sales of goods.

(4) Purchase Return Book or Return Outward Book:

- When the goods previously purchased on credit are returned to the suppliers, such returns are recorded in this book.

(5) Sales Return Book or Return Inward Book: - When the goods previously sold on credit are returned by the customers, such returns are recorded in this book.

(6) Bills Receivable Book: - This book is used for recording the receipts of bills receivables, promissory notes or hundis from various parties. The trader is to receive payment for these bills.

(7) Bills Payable Book: - This book is used for recording the issue of bills payables, promissory notes or hundis to various parties. The trader is to make payment for these bills.

(8) Journal proper: -This book is used for recording the transactions which cannot be recorded in any of the above mentioned books.

Advantages of Special Purpose Subsidiary Books or Advantages of Sub-Division of Journal

(1) Division of work according to ability: - Since there will be eight subsidiary books in place of one journal, the accounting work can be divided among different persons according to their ability.

(2) Increase in Efficiency: - Because each person is entrusted the work of a particular book over a period of time, he becomes efficient in handling it. This will lead to the work being completed quickly and more accurately.

(3) Easiness in Posting: - Since all transactions of a particular nature are already collected at one place, it facilitates the posting into the ledger.

(4) Easiness in Checking: - In case the trial balance does not agree, the existence of separate books helps in the detection of errors quickly.

(5) Protection from Frauds: - If only one book, i.e., Journal is maintained, only one person will be in charge of it. In such a case it is easier to commit a fraud. By the use of subsidiary books the work is divided among various persons, as such, the possibility of forgery and manipulation is greatly reduced.

CASH BOOK

Cash book is a book in which all transactions relating to cash receipts and cash payments are recorded. It starts with the cash or bank balances at the beginning of the period. This is a very popular book and is maintained by all organisations, big or small, profit or not-for profit.

It serves the purpose of both journal as well as the ledger (cash) account. It is also called the book of original entry. When a cashbook is maintained, transactions of cash are not recorded in the journal, and no separate account for cash or bank is required in the ledger.

Advantages of Maintaining a Cash Book

1. Cash book is a journal as well as a ledger. When a Cash book is maintained, no separate 'Cash Account' is opened in the ledger. Hence, it prevents duplication of work in recording Cash transactions in the journal and then posting them into the ledger.

2. Since Cash Account is not opened in the ledger, it prevents the size of the ledger from becoming too voluminous.

3. Both Cash and Bank transactions can be entered in the Cash book.

4. It enables a businessman to know the balance of Cash in hand and at bank at any point of time without waiting for posting from the journal.

5. It gives information about daily receipts, payments and the closing cash and bank balance at the end of each day.

6. The Cash balance, as shown in Cash Book, must be equal to the actual (physical) Cash in hand. By a regular verification of actual Cash in hand with the balance shown by the Cash book the possibility of defalcation is reduced to the minimum.

TYPES OF CASH BOOK

Single Column Cash Book

The single column cash book records all cash transactions of the business in a chronological order, i.e., it is a complete record of cash receipts and cash payments. When all receipts and payments are made in cash by a business organisation only, the cash book contains only one amount column on each (debit and credit) side.

Format of single column cash book

Cash Book

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Date	Receipts	L.F.	Amount	Date	Payments	L.F.	Amount

Double Column Cash Book

In this type of cash book, there are two columns of amount on each side of the cash book namely 'Cash and Bank'. In fact, now-

The bank column is balanced in the same way as the cash column. Cash column in such a case will record actual cash received in the debit side and payment in the credit side. Cheque received should be entered on the debit side of the bank column when it deposited in the bank. The payment of cheques should be entered on the credit side in the bank column.

These entries affect cash and bank column both at the same time. When cash is deposited in the bank or cash is withdrawn from the bank, both the entries are recorded in the cash book. This is so because both aspects of the transaction appear in the cash book itself. When cash is paid into the bank, the amount deposited is written on the left side in the bank column and at the same time the same amount is entered on the right side in the cash column. The reverse entries are recorded when cash is withdrawn from the bank for use in the office. Against such entries the word C, which stands for contra is written in the L.F. column indicating that these entries are not to be posted to the ledger account.

Entries in respect of cheque received should be made in the bank column of the cash book. When a cheque is received, it may be deposited into the bank on the same day or it may be deposited on another day.

If the cheque is deposited on another day, in that case, No entry is to be recorded at the time of receiving the cheque. Entry is to be made when cheque is deposited into the bank, as bank column is debited.

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TRIPLE COLUMN CASH BOOK

It is a combination of double column cash book with bank column and discount column. Hence, we can say that it gives benefit of referring all the transactions simultaneously i.e. cash, bank and discount received or allowed at the same time.

PETTY CASH BOOK

In every organisation, a large number of small payments such as conveyance, cartage, postage, telegrams and other expenses (collectively recorded under miscellaneous expenses) are made. These are generally repetitive in nature. If all these payments are handled by the cashier and are recorded in the main cash book, the procedure is found to be very cumbersome. The cashier may be overburdened and the cash book may become very bulky. To avoid this, large organisations normally appoint one more cashier (petty cashier) and maintain a separate cash book to record these transactions. Such a cash book maintained by petty cashier is called petty cash book.

Advantages of Maintaining Petty Cash Book

- 1. Saving of Time and efforts of chief cashier:** The chief cashier is not required to deal with petty disbursements. He can concentrate on cash transactions involving large amount of cash. It saves time and labour and helps chief cashier to discharge his duties more effectively
- 2. Effective control over cash disbursements:** The head cashier can control big payments directly and petty payments by keeping a proper check on the petty cashier. This way the chances of making frauds and embezzlements become very difficult.
- 3. Convenient recording:** Recording of such small payments becomes easy as the totals of different types of expenses are posted to ledger. It also saves time and effort of posting individual items in the ledger.