

SECOND TERM E-LEARNING NOTE

SUBJECT: FINANCIAL ACCOUNTING

CLASS: SS 1

SCHEME OF WORK

WEEK	TOPIC
1. - 2	Cash Book – Single Column Cash Book/Double Column Cash Book
3. - 4	Three Column Cash Book
5. - 6	Petty Cash Book
7.	Accounts: Meaning and Classifications: The Ledger: Meaning and Classification
8. - 9	The Trial Balance – Preparation, Uses etc. Errors not disclosed by the Trial Balance Errors that will affect the agreement of the Trial Balance
10.	Correction of Errors

WEEK ONE AND TWO

DATE

TOPIC: THE CASH BOOK

CONTENT

- Types of Cash Book
- Single Column Cash Book
- Two Column Cash Book
- Contra Entries
- Bank Overdraft

The Cash Book is a subsidiary book of account that is used to record the payments and receipts of money (cash or cheques) to or by a business organisation. The cash book is part of the double entry system. It therefore functions both as a ledger and a subsidiary book of account

Types of Cash Book

1. Single Column Cash Book
2. Two Column Cash Book (or Double Column Cash Book)
3. Three Column Cash Book
4. Petty Cash Book

Single Column Cash Book

This is the simplest form of Cash Book operated by a business and it is used to record all cash transactions. The cash transactions recorded in the cash book can be for cash sales, cash purchases, payment of cash to suppliers, receipt of cash from customers, acquisition of properties (fixed assets) by cash and all other transactions that involved the receipt and payment of cash.

Illustration:

Prepare a Cash Book from the following information for the month of March 2017

		₦
March 1	Balance of cash in hand	14, 130
2	Received Cash from Adesola a credit customer	3, 600
4	Paid rent for the month	1, 750
5	Paid cash to Lawal, a supplier	3, 200
9	Cash Sales	22, 110
10	Cash Purchases	15, 235
12	Cash received from D. Bright as a loan	10, 000
18	Paid Ayodele a supplier on account	6, 250
19	Received cash from Bonik Ventures, a customer	14, 000
22	Credit sales to Owoyemi	42, 000
24	Purchases on credit from F. Lawal	18, 550
26	Paid wages to shop clerk	4, 500
28	Paid electricity bills	1, 200
30	Paid carriage on purchases	2, 500

Cash Book

Date	Narration	Folio	Amount	Date	Narration	Folio	Amount
2017			₦	2017			₦
Mar 1	Balance	b/d	14, 130	Mar 4	Rent		1, 750
Mar 2	Adesola		3, 600	Mar 5	F.Lawal		3, 200
Mar 9	Sales		22, 110	Mar 10	Purchases		15, 235
Mar 12	D. Bright – Loan		10, 000	Mar 18	Ayodele		6, 250
Mar 19	Bonik Ventures		14, 000	Mar 26	Wages		4, 500
				Mar 28	Electricity		1, 200
				Mar 30	Carriage Inwards		2, 500
				Mar 31	Balance	c/d	29, 205
			63, 840				63, 840

Note: The credit sale of March 22 and credit purchases of March 24 are not posted to the cash book because they do not involve movement of cash. The two transactions can only be posted in the Sales Journal and the Purchases Journal respectively. Students should watch out for transactions like these during examinations.

Two Column Cash Book

As a business grows, the owner will realize the need to open a bank account where the business money can be kept. The business will therefore prepare a two column (or double column) Cash Book to record the movements of money. The Cash Account and the Bank Account will appear side-by-side in the Cash Book.

The rules of double entry bookkeeping are still applied. Any money received is debited in the Cash Book. If the money is placed in the cash till, it will be entered in the cash column and if it is paid into the bank or received as cheque, it will be entered in the bank column.

Any money paid out is credited in the Cash Book. If the money is paid in cash it will be entered in the cash column and if it is paid by cheque, it will be entered in the bank column.

The Cash Account and the Bank Accounts must be balanced separately at appropriate interval to determine the Cash in Hand and the Cash at Bank.

ContraEntries

Sometimes surplus cash is paid into the bank, or money may be withdrawn from the bank to the office. Such transactions are known **contra entries** because they appear on both sides of the Cash Book.

A contra entry occurs when the double entry records of a transaction occurs in the same ledger.

To record cash removed from the office and paid into the bank:

Debit Bank Account

Credit Cash Account

To record cash withdrawn from the bank for office use:

Debit Cash Account

Credit Bank Account

In each case, the letter “**c**” is usually entered in the folio column of the cash book to indicate that the double entry is on the opposite side of the same book.

EVALUATION

1. List four features of the Cash Book
2. Explain using suitable example the meaning of the term – Contra Entries

Illustration

The following information has been extracted from the books of C.Bintu for...