SSC

SMIT SIR COMMERCE

GSEB | ENGLISH MEDIUM

ELEMENTS OF BOOK-KEEPING & ACCOUNTANCY

STANDARD 11

CHAPTER 7

Cash Book and Its Types

Simple | Two-Column | Three-Column | Contra | Electronic Banking | Bank Book | Petty Cash

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Learn the Concept. Understand the Logic. Write Better Answers.

Source-Aligned Roadmap

TEXTBOOK / SOURCE NOTE

The GSEB chapter sequence is: Introduction, Meaning of Cash Book, Utility/Importance, Types of Cash Book, Electronic Banking Transactions, Bank Book, Petty Cash Book, and Types of Petty Cash Book.

DEEP RESEARCH - CONCEPT ENRICHMENT

ICAI treats Cash Book as both a book of original entry and, because it contains the Cash/Bank accounts, a ledger-like principal record. RBI material is used here only to modernise the explanation of NEFT and RTGS.

1. Meaning of Cash Book

A Cash Book is a subsidiary book used to record cash and bank transactions. It is unique because it performs a dual role: it acts as a book of original entry and also contains the Cash/Bank account record.

REMEMBER THIS

Cash Book records transactions where cash or bank changes. Credit sales/purchases without cash do not appear there.

2. Why Cash Book Is Important

Utility	Explanation
Time saving	Cash entries need not first pass through ordinary Journal.
Division of labour	Cash work can be assigned to a cashier.
Cash control	Daily cash balance can be known.
Bank control	Bank balance/overdraft can be monitored.
Fraud/error control	Physical cash can be compared with book cash.
Quick information	Receipts and payments are available together.

3. Basic Cash Book Rule

Debit side: cash/bank received. Credit side: cash/bank paid.

EXAM IMPORTANT

Cash balance can never normally be a credit balance. Bank column can show a credit balance when there is bank overdraft.

4. Types of Cash Book

Type	Columns / Use
Simple Cash Book	One amount column; cash only
Two-Column Cash Book	Any two: Cash+Discount, Cash+Bank, Bank+Discount
Three-Column Cash Book	Cash + Bank + Discount
Petty Cash Book	Small routine expenses
Bank Book	Bank transactions only; format similar to cash book

5. Simple Cash Book

Simple Cash Book records only cash receipts and cash payments. It does not record credit transactions or bank-only transactions.

Date	Particulars	R.No./L.F.	Cash Received
1 Apr	Capital		50,000
5 Apr	Cash Sales		8,000

Payments are written on the credit side. The difference gives closing cash balance.

6. Balancing a Simple Cash Book

1. Total the receipt side.
2. Total the payment side.
3. Find the difference.
4. Write Balance c/d on the smaller/payment side.
5. Next period, bring it down as Balance b/d on the receipt side.

REMEMBER THIS

Cash Book balance is normally debit/favourable, because a business cannot pay more physical cash than it has.

7. Two-Column Cash Book - Cash and Discount

This type records cash plus settlement discounts. Discount Allowed is written on the debit side (because it is given to customers); Discount Received is written on the credit side (because it is received from suppliers).

Side	Discount Column	Meaning
Debit	Discount Allowed	Expense/loss to business
Credit	Discount Received	Income/gain to business

8. Two-Column Cash Book - Cash and Bank

Cash and Bank columns allow cash transactions and bank transactions in one book. Some transactions affect both columns at the same time; these are contra transactions.

9. Contra Transactions

KEY TERM - CONTRA TRANSACTION

A transaction in which both Cash and Bank columns of the Cash Book are affected.

Transaction	Debit Side	Credit Side
Cash deposited into bank	Bank column	Cash column
Cash withdrawn from bank for office use	Cash column	Bank column

REMEMBER THIS

Contra entry is commonly marked C in the ledger-folio column because both effects are already inside the Cash Book.

10. Cash Withdrawal for Personal Use Is NOT Contra

If the owner withdraws cash from bank for personal use, the debit is Drawings, not Cash. Only the bank column appears in Cash Book on the payment side.

COMMON MISTAKE

Do not classify every bank withdrawal as contra. It is contra only when money moves between business cash and business bank.

11. Three-Column Cash Book

Three-column Cash Book records Cash + Bank + Discount. It is widely used because it combines daily cash, bank and settlement discount information.

Debit Side	Credit Side
Cash receipts	Cash payments
Bank receipts / deposits	Bank payments / withdrawals
Discount Allowed	Discount Received

12. How Discount Works in Three-Column Cash Book

Suppose customer owes Rs.10,000 and pays Rs.9,800 in full settlement. Debit side: Cash/Bank Rs.9,800 and Discount Allowed Rs.200. The customer account is credited with Rs.10,000 through posting.

If creditor of Rs.10,000 is paid Rs.9,700 in full settlement, credit side: Cash/Bank Rs.9,700 and Discount Received Rs.300; creditor is debited Rs.10,000.

13. Cheque - Basic Concept

A cheque is a negotiable instrument through which a customer instructs a bank to pay a specified amount.

Party	Meaning
Drawer	Person who issues/signs the cheque
Drawee	Bank on which cheque is drawn
Payee	Person who receives payment

14. Cheque Received - When to Debit Bank?

If a cheque received from a customer is deposited into bank immediately, Bank is debited. If cheque is first kept as cash/cheque-in-hand depending on prescribed textbook practice, follow the question wording.

TEXTBOOK / SOURCE NOTE

GSEB exercises generally specify whether a cheque is deposited immediately or later. Read that timing carefully.

15. Electronic Banking Transactions

Electronic banking allows money to move without physical cash or paper cheque. The accounting effect is still a Bank transaction.

DEEP RESEARCH - CONCEPT ENRICHMENT

RBI defines NEFT as a nation-wide centralised payment system operated by RBI. RBI describes RTGS as continuous, real-time settlement on a transaction-by-transaction basis. Modern availability/timing can change; for exams use the textbook definitions.

16. NEFT vs RTGS - Conceptual Difference

Point	NEFT	RTGS
Full form	National Electronic Funds Transfer	Real Time Gross Settlement
Processing idea	Electronic transfer through NEFT system	Real-time, transaction-by-transaction settlement
Accounting effect	Bank receipt/payment	Bank receipt/payment
Exam focus	Meaning and use	Meaning and use

17. Bank Book

A Bank Book is maintained when a business wants a separate book exclusively for bank transactions. Its form resembles the Cash Book but focuses on bank receipts and payments.

18. Petty Cash Book

Petty Cash Book records small and recurring cash expenses such as postage, local conveyance, stationery, refreshments and minor repairs.

KEY TERM - PETTY CASHIER

Person responsible for making and recording small cash payments.

19. Why Petty Cash Is Necessary

- Main cashier is not burdened with tiny payments.
- Small expenses are classified and controlled.
- Time is saved in the main Cash Book.
- Responsibility for small cash is fixed.
- Monthly/weekly petty expense patterns can be reviewed.

20. Types of Petty Cash Book

Type	Meaning
Simple Petty Cash Book	All small payments are recorded in one amount column.
Columnar / Analytical Petty Cash Book	Separate columns for postage, conveyance, stationery, etc.
Imprest System	Petty cashier is restored to a fixed amount at the beginning of each period.

21. Imprest System - Easiest Example

Imprest amount = Rs.2,000. During the week petty cashier spends Rs.1,350. At the next replenishment, Rs.1,350 is given so the petty cashier again starts with Rs.2,000.

REMEMBER THIS

Imprest = fixed opening float restored by the amount spent.

22. Worked Cash Book Classification

Transaction	Cash Book Treatment
Cash sales Rs.8,000	Debit Cash
Salary paid Rs.3,000	Credit Cash
Cheque from debtor deposited	Debit Bank
Cheque issued to creditor	Credit Bank
Cash deposited in bank	Debit Bank + Credit Cash (Contra)
Cash withdrawn for office	Debit Cash + Credit Bank (Contra)
Owner withdraws from bank personally	Credit Bank; Drawings is counter account
Discount allowed at collection	Debit-side Discount Allowed column

COMMON MISTAKE

Wrong idea: Every bank withdrawal is contra.
Correct idea: Only movement between business Cash and Bank is contra.

COMMON MISTAKE

Wrong idea: Discount Allowed is income.
Correct idea: It is an expense/loss and appears in debit-side discount column.

COMMON MISTAKE

Wrong idea: Discount Received is expense.
Correct idea: It is income/gain and appears on credit side.

COMMON MISTAKE

Wrong idea: Credit sale is written in Cash Book.
Correct idea: No cash/bank movement, so it belongs elsewhere.

COMMON MISTAKE

Wrong idea: Cash Book can show credit cash balance.
Correct idea: Cash column normally cannot be negative; bank column may show overdraft.

Board-Style Question Bank

- Define Cash Book and explain its utility.
- Explain types of Cash Book.
- Prepare Simple Cash Book and balance it.
- Explain two-column Cash Book.
- What is a contra transaction? Give examples.
- Explain three-column Cash Book.
- Explain cheque and its parties.
- Write a note on electronic banking transactions.
- Explain Bank Book.
- Explain Petty Cash Book and imprest system.

Practice MCQs - 30

1. Cash Book is a:

- A. subsidiary book and cash account record
- B. trial balance
- C. final account
- D. voucher

2. Cash received is recorded on:

- A. debit side
- B. credit side
- C. nowhere
- D. trial balance

3. Cash paid is recorded on:

- A. credit side
- B. debit side
- C. capital side
- D. sales side

4. Cash balance normally is:

- A. debit
- B. credit
- C. both always
- D. zero only

5. Bank overdraft can appear as:

- A. credit bank balance
- B. debit cash balance
- C. sales
- D. asset only

6. Contra entry affects:

- A. Cash and Bank
- B. Sales and Purchase
- C. Capital only
- D. Expense only

7. Cash deposited into bank is:

- A. contra

- B. credit sale
- C. expense
- D. drawings

8. Cash withdrawn from bank for office is:

- A. contra
- B. income
- C. credit purchase
- D. sales return

9. Personal withdrawal from bank is:

- A. drawings, not contra
- B. contra
- C. income
- D. sales

10. Discount Allowed is:

- A. expense/loss
- B. income
- C. asset
- D. liability

11. Discount Received is:

- A. income/gain
- B. expense
- C. asset
- D. drawings

12. Three-column Cash Book has:

- A. Cash, Bank, Discount
- B. Sales, Purchase, Cash
- C. Debtor, Creditor, Stock
- D. Capital, Loan, Cash

13. Drawer of cheque is:

- A. issuer
- B. bank
- C. payee only
- D. auditor

14. Drawee of cheque is usually:

- A. bank
- B. customer
- C. supplier
- D. owner

15. NEFT is:

- A. electronic fund transfer system
- B. ledger
- C. tax
- D. account

16. RTGS stands for:

- A. Real Time Gross Settlement
- B. Real Transfer General System
- C. Rapid Tax Gross Service
- D. Retail Trade General Settlement

17. Petty Cash Book records:

- A. small cash expenses
- B. credit sales
- C. credit purchases of assets
- D. capital

18. Petty cashier is responsible for:

- A. small cash payments
- B. final accounts only
- C. sales book only
- D. audit only

19. Imprest system maintains:

- A. fixed petty cash float
- B. fixed sales
- C. fixed profit
- D. fixed stock

20. Columnar petty cash book:

- A. classifies expenses by columns
- B. records only sales
- C. has no details
- D. records capital

21. Cash + Bank book is a:

- A. two-column cash book
- B. journal proper
- C. trial balance
- D. ledger

22. Cash + Discount book is a:

- A. two-column cash book
- B. three-column always
- C. sales book
- D. purchase book

23. Bank + Discount can be:

- A. two-column cash book
- B. petty book only
- C. ledger only
- D. final account

24. Cash, Bank and Discount together is:

- A. three-column cash book
- B. purchase book
- C. trial balance
- D. journal proper

25. Cheque deposited immediately generally:

- A. debits Bank
- B. credits Bank
- C. debits Sales
- D. credits Capital

26. Cheque issued to creditor generally:

- A. credits Bank
- B. debits Bank
- C. credits Cash
- D. debits Sales

27. Bank charges are:

- A. bank payment/expense
- B. income
- C. capital
- D. sales

28. Bank interest credited is:

- A. bank receipt/income
- B. expense
- C. drawings
- D. purchase

29. Credit sale appears in Cash Book?

- A. No
- B. Yes always
- C. Only if profit
- D. Only if GST

30. Main reason to keep Cash Book:

- A. control and record cash/bank efficiently
- B. avoid ledger
- C. avoid vouchers
- D. avoid accounting

MCQ Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	A	2	A	3	A	4	A	5	A
6	A	7	A	8	A	9	A	10	A
11	A	12	A	13	A	14	A	15	A
16	A	17	A	18	A	19	A	20	A
21	A	22	A	23	A	24	A	25	A
26	A	27	A	28	A	29	A	30	A

5-Minute Revision

Debit side = receipts. Credit side = payments.

Contra = business Cash <-> business Bank.

Discount Allowed = debit-side expense; Discount Received = credit-side income.

Cash balance debit; bank may be debit or overdraft.

Petty Cash + Imprest = small expenses under fixed float.

EXAM IMPORTANT

Fast memory: Money comes in -> left. Money goes out -> right. Between Cash and Bank -> Contra.

Master Revision Sheet

Topic	Must Remember
Cash Book	Records cash/bank transactions
Simple	Cash only
Two-column	Any two of cash/bank/discount
Three-column	Cash + Bank + Discount
Contra	Cash deposited / office cash withdrawn from bank
Discount Allowed	Debit-side discount
Discount Received	Credit-side discount
NEFT	Electronic transfer
RTGS	Real-time gross settlement
Petty Cash	Small routine expenses
Imprest	Fixed float restored periodically

Chapter Mastery Checklist

Tick these only when you can explain the idea without looking at the notes.

- [ ] I can balance a simple cash book.
- [ ] I can identify contra entries correctly.
- [ ] I can handle discount columns.
- [ ] I can distinguish office withdrawal from personal withdrawal.
- [ ] I can explain NEFT and RTGS conceptually.
- [ ] I can explain and prepare petty cash under imprest system.

CHAPTER 7 COMPLETE

Cash Book and Its Types

SMIT SIR'S FINAL MESSAGE

Do not memorise formats without understanding the flow. Ask: what transaction happened, where is it first recorded, how is it classified, and what information should the book finally provide? That logic is what makes Accounts easy.

Research & concept-enrichment sources:
GSEB Std. 11 Elements of Accounts Chapter 7 (primary exam source)
ICAI Accounting Process - Cash Book / Petty Cash Book
RBI NEFT & RTGS FAQs for modern concept enrichment

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