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# **VIRTUAL LEARNING CLASSES ORGANISED BY BOS, ICAI**

## **FOUNDATION LEVEL PAPER 1: PRINCIPLES AND PRATICE OF ACCOUNTING**

**Faculty: CA VS Hiranmai**



# CHAPTER 2- Unit 5- Cash Book

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- There are 6 units in total for this chapter
- This chapter mainly deals with the basics to the recording, classifying and summarizing steps of accounting.
- This unit 5 deals with preparation of cash book.
- As explained earlier, the cash book is both a principal book as well as a subsidiary since there no journal entries and ledger to be prepared separately.
- The cash book to be prepared can be of three types-
  - **Simple cash book**- which it he regular cash account type
  - **Two column cash book**- There are two columns- discount and cash column respectively. The discount column n the debit is an expense- which means it is given as discount to the debtors while they make early payment of cash. The amount entered in the credit side refers to the discount received by us from the payment made to the creditors. The discount column will not be balanced but transferred to the Profit and loss account.



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- **Three column cash book**

- This is the important concept from the exam point of view. We need to prepare 3 columns- discount, cash and bank columns respectively.
- Now the cash and discount columns is what we have discussed earlier. All the receipts of cash on the debit side of the cash book and the payments to be recorded on the credit side of the book.
- Discount – debit side refers to the expense of discount given by us to the debtors for early payment of the due amount. Credit side refers to the discount received from the creditors while making payment to them. This column is not balanced but totaled and transferred to the profit and loss account.
- Bank column- All the receipts and payments made through cheques and Debit/credit cards will be entered in this column. There are entries called as **contra entries**. In simple words these kind of transactions shall be affecting both cash and bank columns. Meaning withdrawal of cash from the bank for office purposes or depositing the cash received at office into the bank accounts of the business. These transactions are represented using (C) against them.



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- We will try 1-2 illustrations as per the time frame and all the other examples can be tried along with the MCQ and practical questions.



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**THANK YOU**