

MEANING OF KEY TERMS USED IN THE CHAPTER

1. **Special Purpose Books or Subsidiary Books** Sub-division of the Journal into various books recording transactions of similar nature are called **Subsidiary Books**.
2. **Cash Book** Cash Book is a Special Purpose Subsidiary Book or Journal in which cash receipts and cash payments are recorded.

Types of Cash Book
 - (i) **Simple Cash Book** It is a cash book in which only cash transactions are recorded. It has only one column on each side of the cash book.
 - (ii) **Double Column or Two-column Cash Book: Cash Book with Bank Column** It is a cash book which has two columns on each side to record cash receipts and payments and Bank transactions. It has two columns, *i.e.*, Cash and Bank on each side.
 - (iii) **Petty Cash Book** It is a cash book in which payments of small amounts are recorded.
3. **Imprest System of Petty Cash** It is a system whereby an estimate of expenditure is made and the estimated amount is given to the Petty Cashier. Thereafter, he submits the statement of expenses at the end of the period decided (a week, Fortnight or Month), which is reimbursed to him to make the petty cash equal to the original petty cash amount.
4. **Cash Discount** Cash discount is the amount of discount received or allowed on cash payments and cash receipts respectively. Discount received is an income for the business while discount allowed is an expense.
Note: Discount Received, Discount Allowed and Cancellation of Discount Received or Discount Allowed (in case of dishonour of cheque) is recorded through Journal Proper.
5. **Cheques in Hand** It means cheques which have been received but not deposited in bank.
6. **Contra Entry** It means a transaction involving both cash and bank. Such transactions though recorded in the cash book are not posted in the ledger. In the folio for ledger letter 'C' is written to indicate that it is a contra entry.

CHAPTER SUMMARY

- **Cash Book:** Cash Book records cash transactions. Even banking transactions can be recorded in the Cash Book. When a Cash Book is maintained, a separate Cash Account is not opened in the Ledger as the purpose of opening a Cash Account is served by maintenance of a Cash Book. Thus, the Cash Book plays a dual role as a *Journal* as well as a *Ledger*.
- **Contra Entries:** *Contra entries* mean entries that are made on both sides of the Cash Book.
- **Petty Cash Book:** This book is maintained for recording petty payments or expenses in cash.
- **Imprest System of Petty Cash:** Under this system, the Petty Cashier is given a certain amount of cash for a particular period (say for a week, a fortnight or a month) to meet various petty expenses for the period. At the end of the period, the amount actually spent by the Petty Cashier is reimbursed to him by the Chief Cashier.