ACCA F3
Sources, records and books of prime entry (2)

Ashely

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The Cash book

It records all transaction that go through the bank account.

(Some cash kept on the business premises in order to make occasional payments. This cash is usually accounted for separately in a **petty cash book**.)

Example:

At the beginning of 1 September, Robin Plenty had $900 in the bank. During 1 September 20X7, Robin Plenty had the following receipts and payments.

(a) Cash sale: receipt of $80

(b) Payment from credit customer Hay $400 less discount allowed $20

(c) Payment from credit customer Been $720

(d) Payment from credit customer Seed $150 less discount allowed $10

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(e) Cheque received from Len Dinger $1,800 to provide a short-term loan

(f) Second cash sale: receipt of $150

(g) Cash received for sale of machine $200

(h) Payment to supplier Kew $120

(i) Payment to supplier Hare $310

(j) Payment of telephone bill $400

(k) Payment of gas bill $280

(l) $100 in cash withdrawn from bank for petty cash

(m) Payment of $1,500 to Hess for new plant and machinery

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The Cash book

CASH BOOK (RECEIPTS)

Date	*Narrative*	*Total*
20X7		$
1 Sept	Balance b/d*	900
	Cash sale	80
	Accounts receivable: Hay	380
	Accounts receivable: Been	720
	Accounts receivable: Seed	140
	Loan: Len Dinger	1,800
	Cash sale	150
	Sale of non-current asset	200
		4,370

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The payments part of the cash book for 1 September would look like this.

CASH BOOK (PAYMENTS)

Date	*Narrative*	*Total*
20X7		$
1 Sept	Accounts payable: Kew	120
	Accounts payable: Hare	310
	Telephone	400
	Gas bill	280
	Petty cash	100
	Machinery purchase	1,500
	Balance c/d (balancing figure)	1,660
		4,370

Weekly or monthly, a business will receive a **bank statement**. Bank statements should be used to check that the amount shown as a balance in the cash book agrees with the amount on the bank statement.

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Petty Cash

a small amount of cash for eg staff refreshments, postage stamps, to pay the office cleaner, taxi fares, etc.

PETTY CASH BOOK

Receipts	*Date*	*Narrative*	*Total*	*Milk*	*Postage*	*Travel*	*Other*
$	20X7		$	$	$	$	$
250	1 Sept	Bal b/d					
		Milk bill	25	25			
		Postage stamps	5		5		
		Taxi fare	10			10	
		Flowers for sick staff	15				15
		Bal c/d	195				
250			250	25	5	10	15

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The imprest system

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Imprest system, the amount of money in petty cash is kept at an agreed sum or 'float' (say $250).

The total float is replenished regularly by means of a cash payment from the bank account into petty cash. The amount of the 'top-up' into petty cash will be the total of the voucher payments since the previous top-up.

Example:

During February 20X9, the following petty cash transactions took place.

2.2.X9 Stamps	12.00
3.2.X9 Milk	25.00
8.2.X9 Taxi fare	15.00
17.2.X9 Stamps	5.00
18.2.X9 Received from staff for photocopying	8.00
28.2.X9 Stationery	7.50

The amount remaining in petty cash at the end of the month was $93.50. What is the imprest amount?

A. $166.00 B. $150.00 C. $72.50 D. $56.50

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The imprest system

Answer:

Remaining petty cash 93.5

Total expenditure: 64.5 (12+25+15+5+7.5)

Total receipt 8

Opening balance of imprest amount=93.5+64.5-8=150

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Conclusion

- 1 The role of source documents
- 2 The need for books of prime entry
- 3 Sales and purchase day books
- 4 Cash book
- 5 Petty cash

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