

Cash Book & Petty Cash Book

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- 4 Karl is a sole trader who keeps full double entry accounting records including Sales, Purchases and Nominal Ledgers.

On 1 April 2003, balances in Karl's books included the following.

	\$
Debit balances brought forward from 31 March 2003	
Cash	200
Bank	2500
Debtor's accounts (in the Sales Ledger)	
M Fynne	200
J Bildt	1500
Creditor's accounts (in the Purchases Ledger)	
S Ghalli	615
T Daktyl	830

Karl's transactions for the month of April 2003 included the following.

April	4	M Fynne paid the amount he owed by cheque after deducting cash discount of \$10.	
	6	Cash was withdrawn from bank for office use	300
	8	Paid S Ghalli by cheque after deducting cash discount of \$15.	
	10	Paid wages in cash.	250
	14	J Bildt paid the amount he owed by cheque, deducting cash discount, \$40.	
	17	Cash was withdrawn from bank for office use.	400
	21	Paid T Daktyl by cheque after deducting cash discount of \$30.	
	25	Paid wages in cash.	350
	28	Cash sales.	800
	30	Cash was paid into bank.	500

- (a) Enter the above transactions in Karl's cash book on the page opposite (the cash and bank balances on 1 April 2003 have been entered for you).

Balance the cash and bank accounts at 30 April 2003 and bring down the balances on 1 May 2003.

[21]

4 (b) Total the discounts columns in the cash book.

Make the entries required in the discounts accounts on 30 April 2003 in Karl's nominal ledger below.

Karl
Nominal Ledger

Discounts Allowed account

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Discounts Received account

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[4]

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- 2 Loretto started a business on 1 April 2006. On that day he introduced the following into the business:

Stock \$12 000, office furniture \$1500, and cash \$2500, of which \$200 was kept on hand for petty cash and the balance, \$2300, was paid into a business bank account.

On the same day his cousin Hassan paid \$3000 into the business bank account as a loan to the business.

REQUIRED

- (a) Show the opening journal entry to record these transactions. A narrative is **not** required.

Loretto Journal			Dr \$	Cr \$
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[8]

Loretto decided to keep his petty cash book on the imprest system. In the month of April 2006 he paid the following expenses from his cash balance.

		\$
3 April	Stationery	35
8 April	Refreshments	40
13 April	Cleaning	50
20 April	Travelling	20

On 1 May he withdrew the appropriate amount from the bank to restore the imprest amount.

REQUIRED

- (b) Write up Loretto's petty cash book, on the page opposite, for the month of April and show the amount transferred from the bank on 1 May.

- 1 Tarek Wahid is a sole trader who keeps full double entry records including a three column cash book.

On 1 April 2006 his cash book showed the following debit balances:

	\$
Cash	125
Bank	6750

Tarek's transactions for the month of April 2006 included the following:

- April 5 Cheque for \$230, received from Asmaa El Zein in March, was dishonoured by the bank.
- 10 Received a cheque from Mohammed Riyas in settlement of his account of \$480, after deducting cash discount of 2½%.
- 16 Paid cheques totalling \$9980 for a new motor vehicle costing \$9900, and repairs to existing motor vehicle costing \$80.
- 24 Paid Salma Abbas a cheque for \$546 to settle the amount due, after deducting cash discount of \$14.
- 29 Cash sales amounted to \$2150.
- 30 Paid all the cash into the bank except \$100.

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REQUIRED

- (a) Enter the above transactions in Tarek Wahid's cash book on the page opposite.

Balance the cash book at 30 April and bring down the balances on 1 May 2006.

[11]

- 2 Tanita has a retail shop and sells clothes. Some of her customers pay cash and some have credit accounts which they settle each month. Tanita had the following transactions in March 2006:

Date		\$
March		
4	Sale on credit to Vanni	110
7	Cash sale	55
10	Sale on credit to Saska	200
15	Returns from Vanni	30
31	Cash received from Saska	190
31	Discount allowed to Saska	10

REQUIRED

- (a) Show the entries for these transactions in the following accounts in Tanita's ledger. Enter the transfers to the Trading and Profit and Loss Account for the month.

Sales account

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.....

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Sales Returns account

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Vanni account

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Saska account

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Discount Allowed account

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Cash book

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[15]

(b) From your answer to (a), complete items (i), (ii), (iii) and (iv) in the following extract from Tanita's Trading and Profit and Loss Account for the month of March 2006.

Trading and Profit and Loss Account (extract)

\$

Sales	(i)	<input type="text"/>
Less: sales returns	(ii)	<input type="text"/>

Net sales	(iii)	<input type="text"/>
Expenses		
Discount allowed	(iv)	<input type="text"/>

[4]

[Total: 19]

- 5 Sohara has a shop and sells goods for cash and on credit. She keeps the cash book herself but her accountant writes up her ledger each month.

Sohara puts her cash receipts in a till and enters them into her three-column cash book each week. She offers a cash discount of 3% to her debtors for payment within 15 days.

She buys stock in bulk from Apollo for cash and receives trade discount of 5% for orders in excess of \$1000.

She pays wages each week in cash.

On 1 September 2010 Sohara's cash book showed cash in hand of \$700 and cash at bank of \$3000.

Sohara had the following transactions in one week in September 2010.

		\$
September 6	Cheque received from Juno for goods sold on 24 August	291
7	Sold goods on credit to Hercules	100
8	Paid cash to Apollo for goods purchased	1900
9	Cheque received from Minos for goods sold on 29 June	85
10	Cash sales for the week	1850
10	Wages paid for the week	350

REQUIRED

- (a) (i) State the type and amount of discount allowed to Juno by Sohara.

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.....

..... [3]

- (ii) State the type and amount of discount received by Sohara on paying Apollo.

.....

..... [3]

- (b) Make the necessary entries in Sohara's cash book to record the above transactions for the week ended 10 September 2010. You are **not** required to balance the cash book.

The cash book is on the next page.

Sohara also keeps a petty cash book on the imprest system with an imprest of \$300.

On 30 September 2010 there was \$20 in the petty cash box and vouchers for expenses totalling \$270.

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Examiner's
Use

REQUIRED

(c) (i) State the amount of cash there should have been in the petty cash box.

..... [2]

(ii) Suggest **one** reason why there was a difference in the petty cash between the amount actually in the box and the expected amount.

.....
..... [2]

(iii) State the amount which was transferred from the bank on 1 October to restore the imprest.

..... [2]

[Total: 24]

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3 Amanda's cash book for the month of April 2012 is shown below.

For
Examiner's
Use

Amanda
Cash Book

Date	Details	Discount	Cash	Bank	Date	Details	Discount	Cash	Bank
April		\$	\$	\$	April		\$	\$	\$
1	Balances b/d		60	100	6	Mitchell		120	
9	Julian	6		194	21	Sylvia (Dis. chq)			180
14	Sylvia			180	26	Equipment			2000
28	Sales		1300		29	Bank		1100	
29	Cash			1100	30	Balance c/d		140	
30	Balance c/d			606					
		6	1360	2180				1360	2180
May					May				
1	Balance b/d		140		1	Balance b/d			606

REQUIRED

(a) Explain the following entries in the above cash book.

April 6 Mitchell

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..... [1]

April 9 Julian

..... [2]

April 14 Sylvia

..... [1]

April 21 Sylvia

..... [1]

April 26 Equipment

.....
..... [1]

April 28 Sales

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..... [1]

(b) Explain the transaction which took place on 29 April.

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..... [2]

(c) (i) Explain the significance of the cash balance and the bank balance on 1 May.

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.....
..... [2]

(ii) State the section of Amanda's balance sheet on 30 April in which the balances shown in the cash book would appear.

Cash balance

Bank balance [2]

(iii) State why the cash column of a cash book can never have a balance brought down on the credit side.

.....
..... [2]

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(d) Using the information in the extract from Amanda's cash book above, write up the following accounts in her ledger for April.

For
Examiner's
Use

Amanda
Mitchell account

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.....

Julian account

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Sylvia account

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Equipment account

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Sales account

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Discount allowed account

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[9]

[Total: 24]

- 1 Stewart Hanson is a sole trader who maintains a full set of accounting records including a three-column cash book.

REQUIRED

- (a) Explain why the cash book is both a book of prime (original) entry and also part of the double entry system.

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.....
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..... [2]

On 1 January 2012 Stewart Hanson had the following debit balances in his cash book:

	\$
Cash	100
Bank	1942

Stewart Hanson's transactions for the month of January 2012 included the following:

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- Jan 3 Paid Paul Yim \$398 by cheque in full settlement of his account of \$410
- 8 Purchased office equipment, \$1795, and paid by cheque
- 13 Withdrew \$250, by cheque, to pay personal motor expenses
- 20 A cheque received in December 2011 for \$115 from Sue West was dishonoured and returned by the bank
- 28 Cash sales, \$1970
- 30 Paid all the remaining cash into the bank except \$50

REQUIRED

- (b) Enter the above transactions in Stewart Hanson's cash book on the page opposite.

Balance the cash book at 31 January 2012 and bring down the balances on 1 February 2012.

[10]

Stewart Hanson
Cash Book

Bank	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Cash	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Discount received	\$	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Details	
Date	
Bank	\$
Cash	\$
Discount allowed	\$
Details	
Date	

For
Examiner's
Use

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(c) Stewart Hanson's bank statement for January 2012 showed that his bank account was overdrawn for most of the month.

(i) Explain why this overdraft occurred.

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 [2]

(ii) Explain how the overdraft could have been prevented.

.....

 [2]

(d) Explain how the business entity principle has been applied in the treatment of the personal motor expenses.

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 [2]

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(e) On 20 March 2012 Stewart Hanson decided to write off \$115 owed by Sue West as a bad debt.

Prepare the journal entry Stewart Hanson would make to record this. A narrative is required.

Journal

	Debit \$	Credit \$
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.....

[3]

(f) On 14 May 2012 Stewart Hanson received a cheque for \$115 from Sue West.

Name the ledger accounts in which Stewart Hanson would record this transaction.

For
Examiner's
Use

Account debited	Account credited
.....

[2]

(g) Suggest **two** ways in which Stewart Hanson could reduce the risk of bad debts in the future.

(i)

.....

(ii)

.....

[2]

[Total: 25]

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- 3 Walek sells goods for cash and on credit. He puts the cash receipts in a box and pays the total into his bank account each month. He pays the cheques received from his credit customers into the bank on the day he receives them.

On 1 September 2012 Walek's cash book showed a debit balance at the bank of \$2400.

Walek had the following transactions in September 2012.

September		\$
3	Cheque received from Lashki	640
4	Sold goods on credit to Sharon	420
9	Purchased goods on credit from Bruton	1980
14	Paid two weeks' wages by cheque	250
16	Cheque received from Yovell	370
28	Paid two weeks' wages by cheque	280
29	Paid cheque to Bruton	1980
30	Cash sales for the month	3560

On 21 September the bank returned Yovell's cheque dishonoured.

REQUIRED

- (a) Make the necessary entries in the bank columns of Walek's cash book to record the above transactions. Balance the cash book and bring down the balance on 1 October 2012.

Walek
Cash Book (bank columns only)

Date	Details	\$	Date	Details	\$
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[8]

(b) From the information given on page 8 and the entries in the cash book, make the entries in the following accounts in Walek's ledger to record the transactions for September 2012.

For
Examiner's
Use

Walek
Sales account

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Purchases account

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Wages account

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Lashki account

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Sharon account

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Yovell account

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Bruton account

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[11]

At 30 September Walek had recorded the cash sales in his cash book, but had not deposited the money in the bank. The cheque payable to Bruton dated 29 September was not cleared by the bank until 6 October.

For
Examiner's
Use

The bank statement at 30 September showed a balance at the bank of \$2510.

REQUIRED

(c) Prepare a bank reconciliation statement for Walek at 30 September 2012.

Walek
Bank Reconciliation Statement 30 September 2012

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(d) Explain why items are recorded on the opposite side of the cash book to that on which they appear on the bank statement.

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..... [4]

[Total: 27]