

Three Colum Cash Book

A **three column cash book** or **treble column cash book** is one in which there are three columns on each side - debit and credit side. One is used to record cash transactions, the second is used to record bank transactions and third is used to record discount received and paid.

When a trader keeps a bank account it becomes necessary to record the amounts deposited into bank and withdrawals from it. Fir this purpose one additional column is added on each side of the cash book. One of the main **advantages of a three column cash book** is that it is very helpful to businessmen, since it reveals the cash and bank deposits at a glance

Writing a Three column Cash Book:

Opening Balance:

Put the opening balance (if any) on cash in hand and cash at bank on the debit side in the cash book and bank columns. If the opening balance is credit balance (overdraft) then it will be put in the credit side of the cash book in the bank column.

Cheque/Check or Cash Received:

If a cheque is received from any person and is paid into the bank on the same date it will appear on the debit side of the cash book as "To a Person". The amount will be shown in the bank column. If the cheque received is not deposited into the bank on the same date then the amount will appear in the cash column. Cash received will be recorded in the usual manner in the cash column.

Payment By Cheque/Check or Cash:

When we make payment by cheque, this will appear on the credit side "By a person" and the amount in the bank column. If the payment is made in cash it will be recorded in usual manner in the cash column.

Contra Entries:

If an amount is entered on the debit side of the cash book, and the exact amount is again entered on the credit side of the same account, it is called "contra entry". Similarly an amount entered on the credit side of an account also may have a contra entry on the debit side of the same account.

Contra entries are passed when:

1. **Cash is deposited into bank by office:** It is payment from cash and receipt in bank. Therefore, enter on credit side, cash column "By Bank" and on debit side bank column "To Cash". The reason for making two entries is to comply with the principle of double entry which in such transactions is completed and therefore, no posting of these items is necessary. Such entries are marked in the cash book with the letter "C" in the folio column

2. **Cheque/Check is drawn for office use:** It is payment by bank and receipt in cash. Therefore, enter on the debit side, cash column "To Bank" and on credit side, bank column "By Cash".

Bank Charges and Bank Interest Allowed:

Bank charges appear on the credit side, bank column "Bank Charges." Bank interest allowed appear on the debit side, bank column "To Interest".

Posting:

The method of posting three column cash book into the ledger is as follows:

1. The opening balance of cash in hand and cash at bank are not posted.
2. Contra Entries marked with "C" are not posted.
3. All other items on the debit side will be posted to the credit of respective accounts in the ledger and all other items on the credit side will be posted to the debit of the respective accounts.
4. As regards discounts the total of the discount allowed will be posted to the debit of the discount account in the ledger and total of the discount received to the credit side of the discount account.

Format of the Three Column Cash Book:

Debit Side						Credit Side							
Date	Particulars	V.N.	L.F.	Dis-count	Cash	Bank	Date	Particulars	V.N.	L.F.	Dis-count	Cash	Bank

Example of Three Column Cash Book:

On January 1, 1991 Noorani Stores cash book showed debit balance of cash \$1,550 and bank \$13,575. During the month of January following business was transacted.

1991

- Jan.1 Purchased office typewriter for cash \$750; cash sales \$315
 " Deposited cash \$500
 " 4 Received from A. Hussan a cheque for \$2,550 in part payment of his account
 " 6 Paid by cheque for merchandise purchased worth \$1,005
 " 8 Deposited into bank the cheque received from A. Hussan.
 " 10 Received from Hayat Khan a cheque for \$775 in full settlement of his account and allowed him discount \$15.
 " 12 Sold merchandise to Divan Bros. for \$1,500 who paid by cheque which was deposited in the bank.

- " 16 Paid Salman \$915 by cheque, discount received \$5
- " 27 Paid to Gulzar Ahmad by cheque \$650
- " 30 Paid salaries by cheque \$1,750
- " 31 Deposited into bank the cheque of Hayat Khan.
- " 31 Drew from bank for office use \$250.

You are required to enter the above transactions in three column cash book and balance it.

Solution:

**Noorani Stores
Cash Book**

Debit Side

Credit Side

Date	Particulars	V.N.	L.F.	Dis- count	Cash		Date	Particulars	V.N.	L.F.	Dis- count	Cash	
1991							1991						
Jan.1	To Balance b/d				1,550	13,575	Jan.1	By Office Equip.				750	
" 1	To Sales a/c				1,315		" 3	By Bank		C		500	
" 3	To Cash a/c		C			500	" 6	By Purchases a/c					1,005
" 4	To A Hussan				2,550		" 8	By Bank		C		2,550	
" 8	To Cash		C			2,550	" 16	By Salman			5		915
" 10	To Hayat Khan			15	775		" 27	By Gulzar					650
" 12	To Sales a/c					1,500	" 30	By Salaries a/c					1,750
" 31	To Cash		C			775	" 31	By Bank		C		775	
" 31	To Bank		C			250	" 31	By Cash		C			250
								By Balanced c/d				1,865	14,330
				15	6,440	18,900					5	6,440	18,900
1991	To Balance b/d												
Feb.1					1,865	14,330							