Section 1: Cash Receipts

Section Objectives

1. Record cash receipts in a cash receipts journal.

2. Account for cash short or over.

3. Post from the cash receipts journal to subsidiary and general ledgers.
Cash Transactions
QUESTION: What is cash?

ANSWER: In accounting, cash refers to currency, coins, checks, money orders, and funds on deposit in a bank.
Cash Receipts
The type of cash receipts depends on the nature of the business.

- Supermarkets receive checks as well as currency and coins.
- Department stores receive checks in the mail from charge account customers.
- Wholesalers usually receive cash in the form of checks.
Cash Payments
For safety and convenience, most businesses make payments by check.

Sometimes a limited number of transactions are paid with currency and coins.
A petty cash fund is a special-purpose fund used to handle payments involving small amounts of money.
The Cash Receipts Journal
A cash receipts journal is a special journal used to record and post transactions involving the receipt of cash.
Recording Transactions in the Cash Receipts Journal
Objective 1

Record cash receipts in a cash receipts journal.
The cash receipts journal has separate columns for accounts that are frequently used.

### CASH RECEIPTS JOURNAL

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION</th>
<th>POST. REF.</th>
<th>ACCOUNTS RECEIVABLE CREDIT</th>
<th>SALES TAX PAYABLE CREDIT</th>
<th>SALES CREDIT</th>
<th>OTHER ACCOUNTS CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
<td></td>
<td></td>
<td>ACCOUNT NAME</td>
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<td>AMOUNT</td>
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<td></td>
<td>CASH DEBIT</td>
</tr>
</tbody>
</table>

**Debits to Cash**
## Credits to Accounts Receivable for payments received on account

### CASH RECEIPTS JOURNAL

<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION</th>
<th>POST. REF.</th>
<th>ACCOUNTS RECEIVABLE CREDIT</th>
<th>SALES TAX PAYABLE CREDIT</th>
<th>SALES CREDIT</th>
<th>OTHER ACCOUNTS CREDIT</th>
<th>CASH DEBIT</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

There are columns for:

- Credits to Accounts Receivable for payments received on account
There are columns for:

Credits to Sales and Sales Tax Payable for cash sales
At the end of the month, the totals of all these columns are posted to the general ledger.
The Other Accounts Credit section includes entries that do not fit into the special columns.
Consider the cash sales entries for January 8 in the cash receipts journal for The Style Shop.
The sales tax collected is entered in the Sales Tax Payable Credit column.
The sales is entered in the Sales Credit column.
<table>
<thead>
<tr>
<th>DATE</th>
<th>DESCRIPTION</th>
<th>POST. REF.</th>
<th>ACCOUNTS RECEIVABLE CREDIT</th>
<th>SALES TAX PAYABLE CREDIT</th>
<th>SALES CREDIT</th>
<th>OTHER ACCOUNTS CREDIT ACCOUNT NAME</th>
<th>POST. REF.</th>
<th>AMOUNT</th>
<th>CASH DEBIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>20--</td>
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<tr>
<td>Jan. 7</td>
<td>Roy Anderson</td>
<td></td>
<td></td>
<td></td>
<td>432.00</td>
<td></td>
<td></td>
<td></td>
<td>432.00</td>
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<tr>
<td>8</td>
<td>Cash Sales</td>
<td></td>
<td></td>
<td></td>
<td>360.00</td>
<td>4,500.00</td>
<td></td>
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<td>4,860.00</td>
</tr>
</tbody>
</table>

The cash received is entered in the Cash Debit column.
Confirm that total credits equal total debits.
Thank You
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