

---

# 1.13

---

---

## Using Skill for Business

---

---

### Analysed Cash Book

---

---

#### Learning Outcome Notes

---

---

LO 1.13 - Monitor and calculate income and expenditure data, determine the financial position, recommend appropriate action and present the analysis in tabular and graphic formats.

---

**QUESTIONS**

By the end of this learning outcome, you should be able to answer the following -

1. Explain why households and business keep financial records?
2. Outline and demonstrate the rules that apply to cash books entries?
3. Complete an analysed cash book?
4. Balance and total an analysed cash book?
5. Explain the difference between opening and closing balance in an analysed cash book?
6. Interpret and evaluate an analysed cash book?
7. Account for opening and closing bank overdraft in an analysed cash book?

**WHY KEEP INCOME AND EXPENDITURE RECORDS**

Households and businesses keep income and expenditure records for several reasons:

1. Financial planning

By keeping track of their income and expenses, households and businesses can create a budget and plan their finances accordingly. They can see where they are spending money and identify areas where they can cut back on expenses or invest more.

2. Tax reporting

In many countries, individuals and businesses are required to file tax returns based on their income and expenses. Keeping accurate records makes it easier to calculate taxes owed and ensure compliance with tax laws. For example, paying corporation tax of 12.5%

3. Legal requirements

Businesses are often required by law to keep financial records for a certain period of time. These records may be needed for audits, legal disputes, or regulatory compliance.

4. Monitoring cash flow

Keeping track of income and expenses helps households and businesses monitor their cash flow, which is essential for managing day-to-day operations and ensuring financial stability.

### 5. Performance evaluation

Businesses can use income and expense records to evaluate their performance and make informed decisions about future investments and business strategies. They can identify areas where they are making a profit and areas where they may need to make changes.

Overall, keeping income and expenditure records is crucial for financial planning, tax reporting, legal compliance, cash flow management, and business performance evaluation.

Regenerate response

## THE ANALYSED CASH BOOK

This book records all the money that is received and spent. It differs from a budget as a budget shows the estimated income and expenditure. It is called an analysed cash book (Bank) because the income and expenditure are shown under categories (Headings). This helps to identify patterns of spending and identifying areas of overspending.

An analysed cash book is a financial record that tracks all cash transactions made by a business or an individual, organized by category or account. In other words, it is a detailed version of a regular cash book that not only records cash inflows and outflows, but also categorizes them based on their purpose or nature.

For example, a business may use an analysed cash book to record and categorize cash transactions related to sales, expenses, salaries, rent, and other categories. By analysing the cash book, the business can get a better understanding of where their money is coming from and going to, and make informed decisions based on that information.

Analysing the cash book can also help identify any discrepancies or errors in the cash transactions and help reconcile the accounts. It is a useful tool for managing cash flow, budgeting, and financial planning.

<b>THE RULES</b>
------------------

The analysed cash book is divided into Debit (Left hand side) and Credit (Right hand Side).

**Debit**            *Def* This is money that is received. It goes on the left-hand side. It includes money received (Income) and Receipts.

**Credit**            *Def* This is money spent. It goes on the right-hand side. It included money spent (Expenditure) and payments.

The cash book is used to show all money receive and paid out. It can be shown in a T-Account.

For Example

Dr	Cash Book (ACB)	Cr
	Debit Money Received / Money In	Credit Money Spent / Money Out

### What does an analysed cash book look like?

The analysed cash book used columns to record detailed information about each transaction.

#### Household

Dr	ANALYSED CASH BOOK										Cr
Date	Details	Bank	Wages	Child Benefit	Date	Details	Bank	Groceries	Rent	Groceries	Light & Heat

#### Business

Dr	ANALYSED CASH BOOK											Cr
Date	Details	Bank	Sales	Grant	Vat	Date	Details	Bank	Purchases	VAT	Insurance	Light & Heat

**Date**                            This is the date the transaction took place.

**Details**                        This identifies from whom the money was paid to or received from

**Cash/Bank**                    The amount of cash received or paid.

**Analysis Columns**        These are used to records exactly where the income came (Wages) form or expenditure was spent on (Groceries)

### BALANCING AND TOTALLING THE ACCOUNTS

The benefit of preparing cash account is that you can see how much money we have left over at the end of each month. When we balance the account, we are calculating the difference between how much money we received (Debit Side) and how much money we spent (Credit Side). In other word the debit side must equal the credit side

**Balance** <sup>Def</sup> is the difference between the amounts of money on the debit and credit of an account.

The balance figure is our closing figure and is labelled Balance c/d. C/D means carried down to the next period. The closing balance for one period is the opening balance for the next period.

*Tip* - this is the same as the household budget and the closing balance for one period became the opening balance for the next period

Dr	CASH BOOK						Cr
Date	Details	F	Cash	Date	Details	F	Cash
2017				2017			
20/04	Cash Received		200	19/04	Expenditure		150
				31/04	Balance	c/d	50
			200				200
10/03	Balance	b/d	50				

*The steps involved in balancing and totalling the cash account.*

- Step 1      Add up the amounts on both sides and work out which has the biggest total.  
Write this figure on both sides on the same line. Underline this figure with a double red line.
- Step 2      Calculate how much we need to bring both sides to the same figure.
- Step 3      Show the balance c/d on the smaller side.
- Step 4      Bring the balance down to the opposite side. This is the opening figure for the next period.

**Remember**

Use the day/month/year for the date column.

**THE BENEFITS OF KEEPING AN ANALYSED CASH BOOK**

There are several benefits to keeping an analysed cash book:

1. Better cash management.

By categorizing and analysing cash transactions, an analysed cash book provides a detailed view of how cash is being used and helps to identify areas where cash is being wasted or could be better utilised. This helps to improve cash management and overall financial performance.

2. Accurate record-keeping.

An analysed cash book provides a clear and accurate record of all cash transactions, making it easier to track income and expenses, prepare financial statements, and comply with tax regulations.

3. Improved financial planning.

An analysed cash book helps to identify trends in cash flow and allows for more accurate financial forecasting and planning. It helps to anticipate future cash needs, set realistic financial goals, and make informed investment decisions.

4. Better decision-making

An analysed cash book provides the information needed to make informed financial decisions. By analysing cash flow trends and identifying areas of strength and weakness, businesses can make better decisions about investments, cost-cutting measures, and other financial strategies.

Overall, an analysed cash book is a valuable tool for managing cash flow, improving financial performance, and making informed financial decisions.

**BANK OVERDRAFT****Bank Overdraft**

**Def** A bank overdraft is short-term borrowing where a bank allows its customer to withdraw more money from their account than they actually have, up to an agreed limit. It is a credit facility that allows customers to borrow money from the bank when they don't have sufficient funds in

their account to cover a transaction. It can be used to buy groceries in a household and pay wages in a business.

This may be arranged in advance and the bank will put a limit on how much more you can withdraw. It is a short-term source of finance. You don't have to spend all the overdraft and only be used when it is needed. This means that you have a minus figure in your bank account as you owe it back to the bank.

A bank overdraft balance figure will be on the debit side of the *Analysed Bank Account* and will be brought down to the next month on credit side.

In the trial balance a bank overdraft will be on the credit side. Remember this will go in the balance sheet under creditors due within one year. If the bank is on the debit side in the trial balance it will go in the balance sheet as a current asset.

---

# 1.13

---

---

## Using Skill for Business

---

---

### Analysed Cash Book

---

---

## Past Exam Questions and Answers

---

#### **NOTE - Very Important**

It is very important when answering exams question that you use the following steps -

1. That you know the information for the learning outcome
2. That you understand the information form the learning outcome
3. That you can apply the information form the learning outcome to the question
4. Be able to give at least two full sentences for your answer (Fill up the space)

Questions are changing from rote learning to applying the knowledge to the Question



**QUESTIONS****2019 - Question 17 - Part A**

Food2Go Ltd is a fast-food retailer which operates in 10 locations in Dublin. Complete the Analysed Cash Book of Food2Go Ltd for the month of May from the information provided below and balance the account.

Date	Transaction	Amount (€)
01/05/2019	Shareholders invested in company	21,500
04/05/2019	Sold goods	12,000 + VAT at 13.5%
06/05/2019	Paid wages	3,000
15/05/2019	Purchased goods for resale	5,600 + VAT at 13.5%
23/05/2019	Paid electricity	670
27/05/2019	Paid wages	2,850

(i)

Dr	Analysed Cash Book for Food2Go Ltd											Cr
Date	Details	Bank	Sale	VAT	Capital	Date	Details	Bank	Purchases	VAT	Wages	Electricity
2019		€	€	€	€	2019		€	€	€	€	€

(ii) How much money is in the Food2Go Ltd bank account at the end of the month?

€
---

(iii) Post all totals and balances from the analysed cash book of Food2Go Ltd to the relevant ledger accounts below.

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

**2019 - Sample Paper - Question 17 - Part C**

(c) Karina monitors her expenses in the restaurant and has provided a partially complete Analysed Cash Book for the month of July.

(i) Balance the Analysed Cash Book below for Waves restaurant and complete all totals.

**Analysed Cash Book for Waves Restaurant**

Date	Details	Bank	Sale	VAT	Capital	Date	Details	Bank	Purchases	VAT	Light & Heat	Wages
July		€	€	€	€	July		€	€	€	€	€
1	Capital	15,000			15,000	4	Purchases	2,943	2,700	243		
7	Sales	3,052	2,800	252		15	Light & Heat	2,620			2,620	
19	Sales	2,180	2,000	180		21	Wages	1,750				1,750
						30	Purchases	1,962	1,800	162		
						31	Balance c/d					

(ii) Post all the totals and balances from the analysed cash book of Waves restaurant to the relevant ledgers accounts below. Two ledgers have been completed for you.

Dr Light and Heat A/C Cr

Date	Details	Total	Date	Details	Total
15/07/18	Bank	2,620	31/07/18	Balance c/d	2,620
		2,620			2,620
01/08/18	Balance b/d	2,620			

Dr Wages A/C Cr

Date	Details	Total	Date	Details	Total
21/07/18	Bank	1,750	31/07/18	Balance c/d	1,750
		1,750			1,750
01/08/18	Balance b/d	1,750			

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

Dr \_\_\_\_\_ A/C Cr

Date	Details	Total	Date	Details	Total

- (iii) Using the previous ledger balances complete the trail balance below for Waves restaurant

Trial Balance for Waves restaurant 31/July/2018		
	Dr	Cr



**SUGGESTED SOLUTION****2019 - Question 17 - Part A**

Food2Go Ltd is a fast-food retailer which operates in 10 locations in Dublin. Complete the Analysed Cash Book of Food2Go Ltd for the month of May from the information provided below and balance the account.

Date	Transaction	Amount (€)
01/05/2019	Shareholders invested in company	21,500
04/05/2019	Sold goods	12,000 + VAT at 13.5%
06/05/2019	Paid wages	3,000
15/05/2019	Purchased goods for resale	5,600 + VAT at 13.5%
23/05/2019	Paid electricity	670
27/05/2019	Paid wages	2,850

(i)

Dr		Analysed Cash Book for Food2Go Ltd										Cr
Date	Details	Bank	Sale	VAT	Capital	Date	Details	Bank	Purchases	VAT	Wages	Electricity
2019		€	€	€	€	2019		€	€	€	€	€
01/05	Capital	21,500			21,500	06/05	Wages	3,000			3,000	
05/05	Sales	13,620	12,000	1,620		15/05	Purchases	6,356	5,600	756		
						23/05	Electricity	670				670
						27/05	Wages	2,850			2,850	
						31/05	Balance c/d	22,244				
		35,120	12,000	1,620	21,500			35,120	5,600	756	5,850	670

(ii) How much money is in the Food2Go Ltd bank account at the end of the month?

€ 22,244
----------

- (iii) Post all totals and balances from the analysed cash book of Food2Go Ltd to the relevant ledger accounts below.

Dr Sales A/C Cr

Date	Details	Total	Date	Details	Total
31/05/19	Balance c/d	12,000	31/05/19	Bank	12,000
			01/06/19	Balance b/d	12,000

Dr VAT A/C Cr

Date	Details	Total	Date	Details	Total
31/05/19	Purchases	756	31/05/19	Sales	1,620
31/05/19	Balance c/d	864			1,620
			01/06/19	Balance b/d	864

Dr Capital A/C Cr

Date	Details	Total	Date	Details	Total
31/05/19	Balance c/d	21,500	31/05/19	Bank	21,500
			01/06/19	Balance b/d	21,500

Dr

Purchases A/C

Cr

Date	Details	Total	Date	Details	Total
31/05/19	Bank	5,600	31/05/19	Balance c/d	5,600
01/06/19	Balance b/d	5,600			

Dr

Wages A/C

Cr

Date	Details	Total	Date	Details	Total
31/05/19	Bank	5,850	31/05/19	Balance c/d	5,850
01/06/19	Balance b/d	5,850			

Dr

Electricity A/C

Cr

Date	Details	Total	Date	Details	Total
31/05/19	Bank	670	31/05/19	Balance c/d	670
01/06/19	Balance b/d	670			

**2019 - Sample Paper - Question 17 - Part C**

(c) Karina monitors her expenses in the restaurant and has provided a partially complete Analysed Cash Book for the month of July.

(i) Balance the Analysed Cash Book below for Waves restaurant and complete all totals.

**Analysed Cash Book for Waves Restaurant**

Date	Details	Bank	Sale	VAT	Capital	Date	Details	Bank	Purchases	VAT	Light & Heat	Wages
July		€	€	€	€	July		€	€	€	€	€
1	Capital	15,000			15,000	4	Purchases	2,943	2,700	243		
7	Sales	3,052	2,800	252		15	Light & Heat	2,620			2,620	
19	Sales	2,180	2,000	180		21	Wages	1,750				1,750
						30	Purchases	1,962	1,800	162		
						31	Balance c/d	10,957				
		20,323	4,800	432	15,000			20,323	4,500	405	2,620	1,750

- (ii) Post all the totals and balances from the analysed cash book of Waves restaurant to the relevant ledgers accounts below. Two ledgers have been completed for you.

Dr Light and Heat A/C Cr

Date	Details	Total	Date	Details	Total
15/07/18	Bank	2,620	31/07/18	Balance c/d	2,620
		2,620			2,620
01/08/18	Balance b/d	2,620			

Dr Wages A/C Cr

Date	Details	Total	Date	Details	Total
21/07/18	Bank	1,750	31/07/18	Balance c/d	1,750
		1,750			1,750
01/08/18	Balance b/d	1,750			

Dr Sales A/C Cr

Date	Details	Total	Date	Details	Total
31/07/18	Balance c/d	4,800	31/07/18	Bank	4,800
			01/08/18	Balance b/d	4,800

Dr

VAT A/C

Cr

Date	Details	Total	Date	Details	Total
31/07/19	Purchases	405	31/07/19	Sales	432
31/07/109	Balance c/d	27			
		432			432
			01/08/19	Balance b/d	432

Dr

Capital A/C

Cr

Date	Details	Total	Date	Details	Total
31/07/19	Balance c/d	15,000	31/07/19	Bank	15,000
			01/08/19	Balance b/d	15,000

Dr

Purchases A/C

Cr

Date	Details	Total	Date	Details	Total
31/07/19	Bank	4,500	31/07/19	Balance c/d	4,500
01/08/19	Balance b/d	4,500			

- (iii) Using the previous ledger balances complete the trail balance below for Waves restaurant

Trial Balance for Waves restaurant 31/July/2018		
	Dr	Cr
Bank	10,957	
Light and Heat	2,620	
Wages	1,750	
Sales		4,800
VAT		27
Capital		15,000
Purchases	4,500	
	19,827	19,827