

4.3 | Petty cash book

- Source documents
- Petty cash imprest
- Petty cash reimbursement
- Posting petty cash payments to the ledger

Petty cash book

The low value transactions that take place when conducting daily activities of a business must be identified and recorded in a separate prime entry book called the Petty Cash Payments Journal (*Examples: postal expenses, cleaning expenses, transport*)

Functions of the petty cash book	<ul style="list-style-type: none"> • As a prime entry book – records receipt of the petty cash imprest and records cash payments of small value • As a ledger account – follows double entry principle for assets, with all receipts being recorded on the DR side and all payments recorded on the CR side
Need for a petty cash book	<ul style="list-style-type: none"> • For a business without a current a/c: to record petty cash transactions • For a business with a current a/c: to record cash payments
Source documents	<ul style="list-style-type: none"> • Petty cash payments: petty cash voucher • Receipt of petty cash imprest: receipt

Petty cash imprest system

Petty cash imprest	<ul style="list-style-type: none"> • The amount of money given to the petty cashier at the beginning of a period, to cover the likely expenses as decided by the management <ul style="list-style-type: none"> ◦ DR Petty cash a/c; CR Cash control a/c
Petty cash reimbursement	<ul style="list-style-type: none"> • The amount of money spent by the petty cashier will be obtained back at the end of the period from the chief cashier <ul style="list-style-type: none"> ◦ DR Petty cash a/c; CR Cash control a/c
Petty cash payments	<ul style="list-style-type: none"> • Petty cashier makes the payments from the imprest and raises a petty cash voucher for each payment (<i>DR Expense a/c; CR Petty Cash a/c</i>) • At the end of the period, these vouchers are submitted to the chief cashier who will reimburse the spent amount so that the imprest can be maintained • If the imprest amount is insufficient, then the amount reimbursed will be more than the amount spent during the period, such that the imprest can be increased for the following period
Analysis columns	<ul style="list-style-type: none"> • Similar types of petty expenses are grouped together so that they can be posted to ledger accounts easily • Petty cash payments that cannot be classified under the main analysis columns are posted to sundry/miscellaneous/other
Other ledger accounts	<ul style="list-style-type: none"> • If a payment that should be made by the chief cashier is made by the petty cashier, then this must be entered in the ledger a/c column • Such payments must be entered directly in the relevant ledger account on the same day • The petty cash payments made in respect of an account that already exists must be entered in the ledger column

