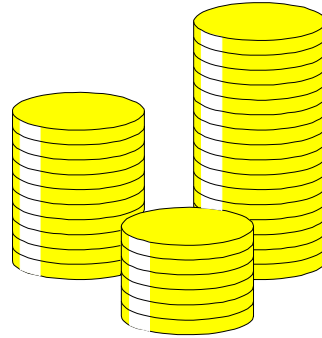


PETTY CASH 7 RULES



- 1. Keep incoming and outgoing money separate.** *Never* use cash income as petty cash. If you do, the overall effect is to understate your income *and* your expenditure. Always bank your cash income.
- 2. Always get a receipt.** It may be hard at first, but if you impose a 'no receipt, no cash' rule you will eventually get a receipt every time. If a receipt is *impossible* to obtain (and this is very rare) then some other documentation to justify the expenditure should be found.
- 3. Always use petty cash vouchers.** Each time cash is issued a voucher should be made out. Attach any receipts to the voucher. Make sure it is **dated** the person receiving the cash has **signed** it and that the **amount** of cash issued is clearly stated. *Always* write a description of the purchase on the slip. Many receipts are not explicit, and it may prove difficult to remember what the cash was issued for at a later date.
- 4. Make out a slip every time cash is issued.** If you make out a cash advance (i.e. give someone cash in the expectation of a receipt and change later) complete a petty cash slip in the usual way and mark it 'cash advance'. When the change and receipt are returned destroy the original slip and make out a new slip in the usual way. If you ever allow I.O.U.'s (which is not recommended) then a petty cash slip should also be completed.
- 5. Always number each slip.** This makes record keeping easier.
- 6. Enter transactions into your petty cash book at regular intervals.** Keeping your records up to date is essential.
- 7. Reconcile your petty cash account on a regular basis.** How often you do this is a matter of choice and depends on how many transactions are made. It is far easier to discover errors amongst twenty or so transactions than amongst several hundred. *You should always reconcile your petty cash **immediately before** collecting further cash from the bank.*

How to reconcile your Petty Cash

1. Your petty cash float should always be constant. In other words, decide whether it will be £50, £100, £200, etc.
2. Add up the total of all the petty cash issued since the last reconciliation. *Do not include advances and I.O.U.'s.*
3. Count the cash in your petty cash box.
4. Add up the total of all advances and I.O.U.'s. You should treat these as if they were cash.
5. The total of all cash issued *plus* the total of advances and I.O.U.'s *plus* the total of cash remaining in your petty cash box should equal your petty cash float.

Example.

Imagine your petty cash float is £200.00.

| | |
|-------------|---------|
| Cash | £24.52 |
| IOU | £20.00 |
| Expenditure | £155.48 |
| | |
| TOTAL | £200.00 |

When you reconcile your petty cash you find that you have cash of £24.52, an I.O.U. for £20.00, and that you have issued £155.48 for expenses .

To bring the petty cash level back to £200.00 you need to cash a cheque for £155.48, in other words for the total you have issued for expenses since the last reconciliation. By keeping you petty cash float at a fixed level it is easier to spot mistakes.

For example, the cash remaining may only be £19.52. If this is the case either £5.00 has gone missing, or there is a mistake in your figures. You should go back and check your calculations again.