



# CHAPTER 5

## CASH CONTROL SYSTEMS





# CHECKING ACCOUNTS

- Record deposits on check stub.
- Endorse check using multiple endorsement types.
- Prepare a check and check stub.





## HOW BUSINESSES USE CASH

- ✗ Money = cash
  - Cash usually = a check payment
- ✗ Errors when handling cash:
  - Easy to transfer from person to person
  - Loss during transfer
  - Recording errors



## DEPOSITING CASH

- ✗ Check
  - Orders a bank to pay cash from an account
  - Checking account – bank account where cash comes out when using a check
- ✗ Deposit slip – bank form to add checks/money/coins to a bank account
  - Deposits ↑ cash account





## DEPOSITING CASH

### X Deposit slip

|  |                         |           |
|--|-------------------------|-----------|
| JAN 2 20-- D2000.00 HJS  |                         |           |
| <b>Billings National Bank</b>  |                         |           |
| Billings, MT   |                         |           |
| For deposit to the account of<br>DELGADO WEB SERVICES<br>25402 Rimrock Road<br>Billings, MT 59102-1820 |                         |           |
| Date   | <i>January 2,</i> 20 -- |           |
| Currency   |                         |           |
| Coin   |                         |           |
| Checks   |                         |           |
| <i>22-1508</i>   | <i>2,000</i>            | <i>00</i> |
|  |                         |           |
|  |                         |           |
| <b>TOTAL</b>   | <i>2,000</i>            | <i>00</i> |
| CUSTOMER RECEIPT   |                         |           |

⑆092921508⑆ 706466631835⑆

# DEPOSIT RECORDED ON CHECK STUB

1

|             |          |
|-------------|----------|
| NO. 1       | \$ _____ |
| Date: _____ | 20__     |
| To: _____   |          |
| _____       |          |

- 1. Write balance brought forward on stub.
- 2. Write date of deposit on stub.

Cash receipts are journalized  
when cash is received  
so don't journalize when  
deposit them!

|                           |       |       |    |
|---------------------------|-------|-------|----|
| Billings, MT 59102-1820   |       |       |    |
|                           |       |       |    |
|                           | TOTAL | 2,000 | 00 |
| ❏092921508❏ 706466631835❏ |       |       |    |
| CUSTOMER RECEIPT          |       |       |    |

# ENDORSEMENTS

## ✕ Endorsement

- Signature or stamp on back of check transferring ownership
- EXACTLY as name is written on check
- Types
  - Blank (just a signature)
    - \*\*\*CAUTIOUS – ANYONE can cash once back is signed!
  - Special (transfer to someone else)
    - “Pay to the order of... (new owner)”
    - Original owner signs at bottom
  - Restrictive (specific instruction – ie. “SECURITY FIRST BANK MOBILE DEPOSIT ONLY”)

| Restrictive Endorsement  |                        |
|--|------------------------|
| ENDORSE HERE   |                        |
| X  | For deposit only to    |
|  | the account of         |
|  | DELGADO WEB SERVICES   |
|  | <i>Michael Delgado</i> |
| DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE<br>RESERVED FOR FINANCIAL INSTITUTION USE |                        |



# COMPLETING A CHECK STUB

|                              |                            |  |  |
|------------------------------|----------------------------|--|--|
| 1<br>NO. 1 \$ 165.00         |                            | NO. 1 93-2150<br>929   |  |
| 2<br>Date: January 2, 20--   | 3<br>To: Eastside Supplies | DELGADO<br>WEB SERVICES<br>25402 Rimrock Road<br>Billings, MT 59102-1820<br>January 2, 20 -- |  |
| 4<br>For: Supplies           |                            | PAY TO THE<br>ORDER OF Eastside Supplies \$ 165.00   |  |
| BALANCE BROUGHT FORWARD 0 00 |                            |  |  |

**Check stub is a record of each check written for cash payment transactions**

1. ✓
2. ✓
3. WRITE TO WHOM THE CHECK IS TO BE PAID ON THE STUB.
4. RECORD THE PURPOSE OF THE CHECK ON THE STUB.
5. WRITE THE AMOUNT OF THE CHECK ON THE STUB.
6. CALCULATE THE NEW CHECKING ACCOUNT BALANCE AND RECORD THE NEW BALANCE.



# COMPLETING A CHECK

|                              |                             |              |    |
|------------------------------|-----------------------------|--------------|----|
| NO. 1                        |                             | \$ 165.00    |    |
| Date: <u>January 2,</u>      |                             | 20 <u>--</u> |    |
| To: <u>Eastside Supplies</u> |                             |              |    |
| For: <u>Supplies</u>         |                             |              |    |
| BALANCE BROUGHT FORWARD      |                             | 0            | 00 |
| AMOUNT DEPOSITED             | <u>1</u> <u>2</u> <u>--</u> | 2,000        | 00 |
| SUBTOTAL                     |                             | 2,000        | 00 |
| OTHER:                       |                             |              |    |
| SUBTOTAL                     |                             | 2,000        | 00 |
| AMOUNT THIS CHECK            |                             | 165          | 00 |
| BALANCE CARRIED FORWARD      |                             | 1,835        | 00 |

**DELGADO WEB SERVICES**  
 25402 Rimrock Road  
 Billings, MT 59102-1820

NO. 1      93-2150  
929

January 2, 20 --

PAY TO THE ORDER OF Eastside Supplies \$ 165.00

One hundred sixty-five and 10/100 DOLLARS

**Billings National Bank**

FOR Supplies Michael Delgado

⑆092921508⑆ 706466631835⑈ 001

7. WRITE THE DATE THE CHECK IS ISSUED.
8. WRITE TO WHOM THE CHECK IS TO BE PAID.
9. WRITE THE AMOUNT IN FIGURES
10. WRITE THE AMOUNT IN WORDS. **NOTE \_ THIS IS AMOUNT BANK WILL PAY IF FIGURES AND WORDS DON'T MATCH!**
11. WRITE THE PURPOSE OF THE CHECK.
12. SIGN THE CHECK.

# JOURNALIZING A VOIDED CHECK

- ✕ Postdated check
  - check written for a future date
- ✕ Voided check
  - Should be retained and journalized.
  - "VOID" in the ACCOUNT TITLE
  - \*\*\*REMEMBER – Check stub BEFORE check!



# JOURNALIZING A VOIDED CHECK

| JOURNAL |    |               |  |  |          |            |       |  |        | PAGE 5 |    |
|---------|----|---------------|--|--|----------|------------|-------|--|--------|--------|----|
| DATE    |    | ACCOUNT TITLE |  |  | DOC. NO. | POST. REF. | DEBIT |  | CREDIT |        |    |
| 19      | 15 | VOID          |  |  | C24      | ✓          | —     |  | —      |        | 19 |
| 20      |    |               |  |  |          |            |       |  |        |        | 20 |

1. RECORD THE DATE IN THE DATE COLUMN.

2. WRITE THE WORD VOID IN THE ACCOUNT TITLE COLUMN.

3. WRITE THE CHECK NUMBER IN THE DOC. NO. COLUMN.

4. PLACE A CHECK MARK IN THE POST. REF. COLUMN.

5. PLACE A DASH IN BOTH THE DEBIT AND CREDIT COLUMNS.

1. RECORD THE DATE IN THE DATE COLUMN.
2. WRITE THE WORD VOID IN THE ACCOUNT TITLE COLUMN.
3. WRITE THE CHECK NUMBER IN THE DOC. NO. COLUMN.
4. PLACE A CHECK MARK IN THE POST. REF. COLUMN.
5. PLACE A DASH IN BOTH THE DEBIT AND CREDIT COLUMNS.



# CHECK YOURSELF!

**What are the three types of endorsements?**

Blank, Special, Restrictive





# CHECK YOURSELF!

## List steps to complete check stub

1. Write the amount of the check after the dollar sign at the top of the stub.
2. Write the date of the check on the Date line.
3. Write to whom the check is to be paid on the To line.
4. Record the purpose of the check on the For line.
5. Write the amount of the check after the words Amt. This Check.
6. Calculate the new checking account balance and record it in the amount column on the last line of the stub.



# CHECK YOURSELF!

## List steps to complete a check

1. Write the date.
2. Write to whom the check is to be paid following the words Pay to the order of.
3. Write the amount in figures following the dollar sign.
4. Write the amount in words and draw a line through the unused space up to the word Dollars.
5. Write the purpose of the check on the line labeled For.
6. Sign the check.





# BANK RECONCILIATION

- Complete bank statement reconciliation.
- Create memo and journalize bank service charge.

# BANK STATEMENT

**Billings National Bank**  
Billings, MT

STATEMENT OF ACCOUNT FOR

DELGADO WEB SERVICES  
25402 Rimrock Road  
Billings, MT 59102-1820

ACCOUNT NUMBER  
706466631835

STATEMENT DATE  
January 30, 20--

| BALANCE FROM PREVIOUS STATEMENT | NO. OF CHECKS | AMOUNT OF CHECKS | NO. OF DEPOSITS | AMOUNT OF DEPOSITS | SERVICE CHARGES | STATEMENT BALANCE |
|---------------------------------|---------------|------------------|-----------------|--------------------|-----------------|-------------------|
| 0.00                            | 10            | 3,118.00         | 15              | 6,435.00           | 25.00           | 3,292.00          |

| DATE     | CHECK | AMOUNT | CHECK | AMOUNT | DEPOSIT  | BALANCE  |
|----------|-------|--------|-------|--------|----------|----------|
| 01/01/-- |       |        |       |        |          | 0.00     |
| 01/02/-- |       |        |       |        | 2,000.00 | 2,000.00 |
| 01/05/-- | 1     | 165.00 |       |        |          | 1,835.00 |
| 01/08/-- | 2     | 900.00 |       |        |          | 935.00   |
| 01/10/-- |       |        |       |        | 1,100.00 | 2,035.00 |
| 01/16/-- |       |        |       |        | 200.00   | 2,235.00 |
| 01/17/-- |       |        |       |        | 340.00   | 2,575.00 |
| 01/18/-- | 4     | 80.00  | 6     | 350.00 | 195.00   | 2,340.00 |
| 01/19/-- | 3     | 100.00 |       |        | 285.00   | 2,525.00 |
| 01/22/-- | 5     | 400.00 | 7     | 383.00 | 310.00   | 2,052.00 |
| 01/22/-- |       |        |       |        | 270.00   | 2,322.00 |
| 01/23/-- | 8     | 100.00 |       |        | 240.00   | 2,462.00 |
| 01/24/-- |       |        |       |        | 215.00   | 2,677.00 |
| 01/25/-- |       |        |       |        | 280.00   | 2,957.00 |
| 01/26/-- |       |        |       |        | 190.00   | 3,147.00 |
| 01/29/-- | 9     | 510.00 |       |        | 145.00   | 2,782.00 |
| 01/29/-- |       |        |       |        | 315.00   | 3,097.00 |
| 01/29/-- |       |        |       |        | 350.00   | 3,447.00 |
| 01/30/-- | 10    | 130.00 |       |        |          | 3,317.00 |
|          | 80    | 25.00  |       |        |          | 3,292.00 |
|          |       |        |       |        |          | 3,292.00 |

**PLEASE EXAMINE AT ONCE** - IF NO ERRORS ARE REPORTED WITHIN 10 DAYS, THE ACCOUNT WILL BE CONSIDERED CORRECT. REFER ANY DISCREPANCY TO OUR ACCOUNTING DEPARTMENT IMMEDIATELY.

- ✗ Bank statement
  - Report of all deposits, withdrawals, and balances to bank accounts.
- ✗ Canceled check
  - Check that has been cashed
- ✗ Service charge
  - Fee bank charges to manage account
  - Automatically withdrawn monthly
  - Create memo and journalize when receive bank statement
- ✗ Statement and last check stub not balances?
  - Service charge not recorded
  - Outstanding checks or deposits
    - Not yet cashed or put into bank (not shown on bank statement)



# BANK RECONCILIATION

2 CHECK STUB BALANCE

1 DATE

SERVICE CHARGE 3

5 BANK STATEMENT BALANCE

6 OUTSTANDING DEPOSITS

7 SUBTOTAL

8 OUTSTANDING CHECKS

9 ADJUSTED BANK BALANCE

## RECONCILIATION OF BANK STATEMENT

January 31, 20--

(Date)

Balance on Check Stub No. 14 ..... \$ 2,622 00

DEDUCT BANK CHARGES:

| Description          | Amount   |
|----------------------|----------|
| Service Charge       | \$ 25 00 |
|                      |          |
|                      |          |
|                      |          |
| Total bank charges ▶ | 25 00    |

Adjusted Check Stub Balance ..... 2,597 00

Balance on Bank Statement ..... \$ 3,292 00

ADD OUTSTANDING DEPOSITS:

| Date                         | Amount    |
|------------------------------|-----------|
| 1/31/--                      | \$ 685 00 |
|                              |           |
|                              |           |
| Total outstanding deposits ▶ | 685 00    |

SUBTOTAL ..... \$ 3,977 00

| Ck. No.                    | Amount   | Ck. No. | Amount |
|----------------------------|----------|---------|--------|
| 11                         | 35 00    |         |        |
| 12                         | 800 00   |         |        |
| 13                         | 545 00   |         |        |
|                            |          |         |        |
|                            |          |         |        |
| Total outstanding checks ▶ | 1,380 00 |         |        |

Adjusted Bank Balance ..... \$ 2,597 00

4 ADJUSTED CHECK STUB BALANCE

10 COMPARE ADJUSTED BALANCES

# RECORDING BANK SERVICE CHARGE ON CHECK STUB

|                             |       |          |
|-----------------------------|-------|----------|
| NO. <b>14</b>               |       | \$ _____ |
| Date: <u>Jan. 31</u>        |       | 20--     |
| To: _____                   |       |          |
| For: _____                  |       |          |
| BALANCE BROUGHT FORWARD     | 2,622 | 00       |
| AMOUNT DEPOSITED            |       |          |
| SUBTOTAL                    | 2,622 | 00       |
| OTHER:                      |       |          |
| <u>Service Charge 25.00</u> |       |          |
|                             | 25    | 00       |
| SUBTOTAL                    | 2,597 | 00       |
| AMOUNT THIS CHECK           |       |          |
| BALANCE CARRIED FORWARD     |       |          |

1. Write **SERVICE CHARGE** ON THE CHECK STUB UNDER THE HEADING *OTHER*.

2. Write THE AMOUNT OF THE SERVICE CHARGE IN THE AMOUNT COLUMN.

3. CALCULATE AND RECORD THE NEW SUBTOTAL ON THE *SUBTOTAL* LINE.

1. WRITE **SERVICE CHARGE** ON THE CHECK STUB UNDER THE HEADING *OTHER*.
2. WRITE THE AMOUNT OF THE SERVICE CHARGE IN THE AMOUNT COLUMN.
3. CALCULATE AND RECORD THE NEW SUBTOTAL ON THE *SUBTOTAL* LINE.



# JOURNALIZING BANK SERVICE CHARGE

JANUARY 31. RECEIVED BANK STATEMENT  
SHOWING JANUARY BANK SERVICE CHARGE,  
\$25.00. MEMORANDUM NO. 3.

| MISCELLANEOUS EXPENSE |         |
|-----------------------|---------|
| ↑ 25.00               |         |
| CASH                  |         |
|                       | ↓ 25.00 |

| GENERAL JOURNAL |      |                       |          |            |       |  |        |  |    |
|-----------------|------|-----------------------|----------|------------|-------|--|--------|--|----|
| PAGE 2          |      |                       |          |            |       |  |        |  |    |
|                 | DATE | ACCOUNT TITLE         | DOC. NO. | POST. REF. | DEBIT |  | CREDIT |  |    |
| 17              | 31   | Miscellaneous Expense | M3       |            | 25 00 |  |        |  | 17 |
| 18              |      | Cash                  |          |            |       |  | 25 00  |  | 18 |

1. WRITE THE DATE IN THE DATE COLUMN.
2. WRITE THE TITLE OF THE ACCOUNT TO BE DEBITED IN THE ACCOUNT TITLE COLUMN. RECORD THE AMOUNT DEBITED IN THE DEBIT COLUMN.
3. ON THE NEXT LINE, INDENTED, WRITE THE TITLE OF THE AMOUNT CREDITED IN THE ACCOUNT TITLE COLUMN. WRITE THE CREDIT AMOUNT IN THE CREDIT COLUMN.
4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. NO. COLUMN.

# CHECK YOURSELF!

List 4 reasons why depositor's record and bank's record may differ?

1. A service charge may not have been recorded in the depositor's business records.
2. Outstanding deposits may be recorded in the depositor's records but not on a bank statement.
3. Outstanding checks may be recorded in the depositor's records but not on a bank statement.
4. A depositor may have made a math or recording error.

If a check mark is placed on the check stub of each canceled check, what does a check stub with no check mark indicate?

Outstanding check





# DISHONORED CHECKS & ELECTRONIC BANKING

- Complete recordkeeping for a dishonored check.
- Journalize an electronic funds transfer.
- Journalize a debit card transaction.

# DISHONORED CHECKS

## ✕ Dishonored check

- Check bank refuses to cash

- Reasons?

  - Non-sufficient funds (NSF) check

    - Not enough money in account to cash

  - Check altered

  - Signatures don't match

  - Amount and words don't agree

  - Post-dated

  - Stop-payment



# DISHONORED CHECKS

## ✗ Dishonored check

- Becomes an expense to the business
- Bank charges a fee for handling
- Cash is recorded when check is received, a cash payment transaction must be journalized when a check is dishonored
  - Transaction is check amount plus fee

# RECORDING DISHONORED CHECK ON CHECK STUB

|                         |  |          |    |
|-------------------------|--|----------|----|
| NO. <b>52</b>           |  | \$ _____ |    |
| Date: _____             |  | 20__     |    |
| To: _____               |  |          |    |
| For: _____              |  |          |    |
| BALANCE BROUGHT FORWARD |  | 2,112    | 00 |
| AMOUNT DEPOSITED        |  |          |    |
| SUBTOTAL                |  | 2,112    | 00 |
| OTHER:                  |  |          |    |
| <i>Dishonored Check</i> |  |          |    |
|                         |  | 225      | 00 |
| SUBTOTAL                |  | 1,887    | 00 |
| AMOUNT THIS CHECK       |  |          |    |
| BALANCE CARRIED FORWARD |  |          |    |

1. *Dishonored Check*

2. 225 00

3. 1,887 00

1. WRITE DISHONORED CHECK UNDER THE HEADING *OTHER*.
2. WRITE THE TOTAL OF THE DISHONORED CHECK IN THE AMOUNT COLUMN. THIS IS THE AMOUNT OF THE DISHONORED CHECK PLUS THE SERVICE FEE.
3. CALCULATE AND RECORD THE NEW SUBTOTAL.



# JOURNALIZING DISHONORED CHECK ON CHECK STUB

AUGUST 29. RECEIVED NOTICE FROM THE BANK OF A DISHONORED CHECK FROM VALLEY LANDSCAPING, \$185.00, PLUS \$40.00 FEE; TOTAL, \$225.00. MEMORANDUM No. 52.

ACCTS. REC.—VALLEY LANDSCAPING



225.00

CASH



225.00

| GENERAL JOURNAL |      |                                |          |            |        |  |        |  |    |
|-----------------|------|--------------------------------|----------|------------|--------|--|--------|--|----|
| PAGE 8          |      |                                |          |            |        |  |        |  |    |
|                 | DATE | ACCOUNT TITLE                  | DOC. NO. | POST. REF. | DEBIT  |  | CREDIT |  |    |
| 13              | 29   | Accts. Rec.—Valley Landscaping | M52      |            | 225 00 |  |        |  | 13 |
| 14              |      | Cash                           |          |            |        |  | 225 00 |  | 14 |

1. WRITE THE DATE IN THE DATE COLUMN.
2. WRITE THE TITLE OF THE ACCOUNT TO BE DEBITED IN THE ACCOUNT TITLE COLUMN. RECORD THE AMOUNT DEBITED IN THE DEBIT COLUMN.
3. ON THE NEXT LINE, INDENTED, WRITE THE TITLE OF THE AMOUNT CREDITED IN THE ACCOUNT TITLE COLUMN. WRITE THE CREDIT AMOUNT IN THE CREDIT COLUMN.
4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. NO. COLUMN.

# JOURNALIZING AN ELECTRONIC FUNDS TRANSFER (EFT)

## ✕ Electronic Funds Transfer (EFT)

- Computerized (digital – no paper) cash payment
- Many businesses use to pay vendors
- Source doc = memo
- Cash payment
- Write on check stub as “Other”



# JOURNALIZING AN ELECTRONIC FUNDS TRANSFER (EFT)

**JUNE 5. PAID CASH ON ACCOUNT TO MURNIAK ENTERPRISES, \$380.00, USING EFT. MEMORANDUM No. 18.**

ACCTS. PAY.—MURNIAK ENTERPRISES



380.00

CASH



380.00

| GENERAL JOURNAL |      |                                 |          |            |        |        | PAGE 22 |  |
|-----------------|------|---------------------------------|----------|------------|--------|--------|---------|--|
|                 | DATE | ACCOUNT TITLE                   | DOC. NO. | POST. REF. | DEBIT  | CREDIT |         |  |
| 13              | 5    | Accts. Pay.—Murniak Enterprises | M18      |            | 380 00 |        | 13      |  |
| 14              |      | Cash                            |          |            |        | 380 00 | 14      |  |

1. WRITE THE DATE IN THE DATE COLUMN.
2. WRITE THE TITLE OF THE ACCOUNT TO BE DEBITED IN THE ACCOUNT TITLE COLUMN. RECORD THE AMOUNT DEBITED IN THE DEBIT COLUMN.
3. ON THE NEXT LINE, INDENTED, WRITE THE TITLE OF THE AMOUNT CREDITED IN THE ACCOUNT TITLE COLUMN. WRITE THE CREDIT AMOUNT IN THE CREDIT COLUMN.
4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. No. COLUMN.

# JOURNALIZING A DEBIT CARD TRANSACTION

## ✗ Debit Card

- Bank card that pulls money directly from an account
- Source doc – Memo
- Record as “other” on check stub

## ✗ Debit vs Credit

- Credit is borrowing money you DO NOT already have
  - usually pay back with interest



# JOURNALIZING A DEBIT CARD TRANSACTION

JUNE 8. PURCHASED SUPPLIES, \$75.00, USING DEBIT CARD. MEMORANDUM No. 21.

|          |         |
|----------|---------|
| SUPPLIES |         |
| ↑ 75.00  |         |
| CASH     |         |
|          | ↓ 75.00 |

| GENERAL JOURNAL |               |          |            |       |        |  |  |  |  |
|-----------------|---------------|----------|------------|-------|--------|--|--|--|--|
| PAGE 22         |               |          |            |       |        |  |  |  |  |
| DATE            | ACCOUNT TITLE | DOC. NO. | POST. REF. | DEBIT | CREDIT |  |  |  |  |
| 8               | Supplies      | M21      |            | 75 00 |        |  |  |  |  |
|                 | Cash          |          |            |       | 75 00  |  |  |  |  |

1. WRITE THE DATE IN THE DATE COLUMN.
2. WRITE THE TITLE OF THE ACCOUNT TO BE DEBITED IN THE ACCOUNT TITLE COLUMN. RECORD THE AMOUNT DEBITED IN THE DEBIT COLUMN.
3. ON THE NEXT LINE, INDENTED, WRITE THE TITLE OF THE AMOUNT CREDITED IN THE ACCOUNT TITLE COLUMN. WRITE THE CREDIT AMOUNT IN THE CREDIT COLUMN.
4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. NO. COLUMN.

# CHECK YOURSELF!

List six reasons why a bank may dishonor a check.?

1. The check appears to be altered.
2. The signature on the check does not match the signature on the signature card.
3. The amounts written in figures and in words do not agree.
4. The check is postdated.
5. The person who wrote the check has stopped payment on it.
6. The account of the person who wrote the check has insufficient funds to pay the check.



# CHECK YOURSELF!

Which account is credited when electronic funds transfer is used to pay cash on account?

Cash

Which account is credited when a debit card is used to purchase supplies?

Cash



# PETTY CASH

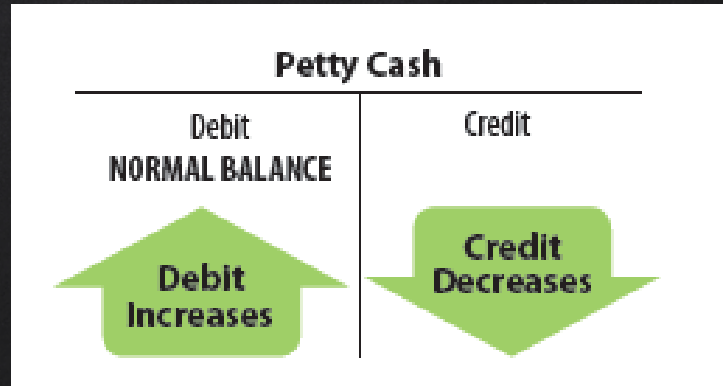
- Establish a petty cash fund.
- Prepare a petty cash report.
- Replenish a petty cash fun.



# JOURNALIZING A DEBIT CARD TRANSACTION

## ✗ Petty cash

- Small amount of cash kept on hand to make small payments (postage, etc.)
- Asset



# ESTABLISHING A PETTY CASH FUND

JUNE 8. JANUARY 19. PAID CASH TO ESTABLISH A PETTY CASH FUND, \$100.00. CHECK No. 8.

| PETTY CASH |          |
|------------|----------|
| ↑ 100.00   |          |
| CASH       |          |
|            | ↓ 100.00 |

| GENERAL JOURNAL |               |  |  |  |        |            |       |         |         |
|-----------------|---------------|--|--|--|--------|------------|-------|---------|---------|
| PAGE 1          |               |  |  |  |        |            |       |         |         |
| DATE            | ACCOUNT TITLE |  |  |  | DOC NO | POST. REF. | DEBIT |         | CREDIT  |
| 19              | Petty Cash    |  |  |  | C8     |            | 1     | 0 0 0 0 |         |
|                 | Cash          |  |  |  |        |            |       |         | 1 0 0 0 |

1. WRITE THE DATE IN THE DATE COLUMN.
2. WRITE THE TITLE OF THE ACCOUNT TO BE DEBITED IN THE ACCOUNT TITLE COLUMN. RECORD THE AMOUNT DEBITED IN THE DEBIT COLUMN.
3. ON THE NEXT LINE, INDENTED, WRITE THE TITLE OF THE AMOUNT CREDITED IN THE ACCOUNT TITLE COLUMN. WRITE THE CREDIT AMOUNT IN THE CREDIT COLUMN.
4. WRITE THE SOURCE DOCUMENT NUMBER IN THE DOC. No. COLUMN.



# MAKING PAYMENTS USING PETTY CASH

## ✗ Petty cash slip

- Form completed when using cash from petty cash fund

- Stay in petty cash box until fund is replenished

- No journal entries until replenishment

| PETTY CASH SLIP                  |                            | No. 1           |
|----------------------------------|----------------------------|-----------------|
| Date:                            | <u>January 19, 20--</u>    |                 |
| Paid to:                         | <u>Dispatch</u>            |                 |
| For:                             | <u>Newspaper ad</u>        | \$ <u>14.00</u> |
| Account:                         | <u>Advertising Expense</u> |                 |
| Approved: <u>Michael Delgado</u> |                            |                 |

# PETTY CASH REPORT

## ✗ Replenish petty cash

- Putting more cash in from cash account

- Journalize petty cash slip (expenses)

  - \*\*NEEDS TO BE DONE MONTHLY so expenses are recorded in correct period

- Petty Cash Report – Proof of fund

- Cash short/Over – cash may not match amount listed on slips (may be short OR over)



  - Cash short – Less money in cash box than what should be left after slips are counted.

  - Cash over – More money in cash box what should be left after slips are counted.



# PETTY CASH REPORT

- ✗ Account title—Cash Short and Over
  - Debited when cash is short
  - Credited when cash is over
- ✗ Account balance
  - Either a debit or credit
  - Usually a debit
  - Petty cash fund more likely to be short than over

| Cash Short and Over   |   |
|---|---|
| Debit<br>NORMAL BALANCE   | Credit  |
|  |  |

# PETTY CASH REPORT

1

DATE AND CUSTODIAN NAME

PETTY CASH REPORT

Date

Fund  
Pay

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**REMEMBER –  
PETTY CASH account  
NEVER used when  
replenishing!**

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ACTUAL CASH ON  
HAND

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SUBTRACT THE ACTUAL CASH ON  
HAND FROM THE RECORDED  
AMOUNT ON HAND.



# REPLENISHING PETTY CASH

JANUARY 31. PAID CASH TO REPLENISH THE PETTY CASH FUND, \$35.00: MISCELLANEOUS EXPENSE, \$20.00; ADVERTISING, \$14.00, CASH SHORT AND OVER, \$1.00. CHECK No. 11.

**PETTY CASH REPORT**

Date: January 31, 20-- Custodian: Michael Delgado

| Explanation                            | Reconciliation | Replenish Amount |
|--|----------------|------------------|
| Fund Total                             | 100.00         |                  |
| Payments: <i>Miscellaneous Expense</i> | 20.00          |                  |
| <i>Advertising Expense</i>             | 14.00          |                  |
|  |                |                  |
| Less: Total payments                   | 34.00          | → 34.00          |
| Equals: Recorded amount on hand        | 66.00          |                  |
| Less: Actual amount on hand            | 65.00          |                  |
| Equals: Cash short (over)              | 1.00           | → 1.00           |
| <b>Amount to Replenish</b>             |                | <b>35.00</b>     |

## MISCELLANEOUS EXPENSE

↑ 20.00

## ADVERTISING EXPENSE

↑ 14.00

## CASH SHORT AND OVER

↑ 1.00

CASH

↓ 35.00

CASH SHORT (A DEBIT)  
OR CASH OVER (A CREDIT)

| GENERAL JOURNAL |                       |          |            |       |        |  |  |  |       | PAGE 2 |
|-----------------|-----------------------|----------|------------|-------|--------|--|--|--|-------|--------|
| DATE            | ACCOUNT TITLE         | DOC. NO. | POST. REF. | DEBIT | CREDIT |  |  |  |       |        |
| 31              | Miscellaneous Expense | C11      |            | 20 00 |        |  |  |  |       |        |
|                 | Advertising Expense   |          |            | 14 00 |        |  |  |  |       |        |
|                 | Cash Short and Over   |          |            | 1 00  |        |  |  |  |       |        |
|                 | Cash                  |          |            |       |        |  |  |  | 35 00 |        |

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# SOURCE DOCUMENT

# CHECK YOURSELF!

**Why do businesses use petty cash funds?**

For making small cash payments for which writing a check is not time- or cost-effective

**Why is Cash rather than Petty Cash credited when a petty cash fund is replenished?**

The check issued to replenish petty cash is a credit to Cash and does not affect Petty Cash.