

CLASS: JSS2

SUBJECT: BUSINESS STUDIES

TOPIC: PETTY CASH BOOK

WEEK: 5

Meaning of Petty Cash Book:

Petty means small. Petty cash means an amount of money or cash given on hand and used for making small payments. A ledger or financial book used separately for the purpose of recording all small payments made in cash out of an agreed sum of money is called a petty cash book. Petty cash book is a book used to record small expenses such as postage stamps, envelopes, transport fare, newspaper, stationary and small items needed in the office.

Reasons for using a petty cash book are as following:

1. To record small payments like postage, travelling expenses, stationary, repairs, and so on.
2. To give separate account for small amount of cash given out for the business operation.

The person (clerk) who handles the petty cash book is called a petty cashier.

Systems of Petty Cash Book-keeping are as following:

1. **Open System:** Under this system, the petty cashier at first receives from the chief cashier a fixed amount of money for meeting petty expenses. As soon as the said amount is spent, the chief cashier again pays the required sum to the petty cashier.
2. **Fixed Advance System:** Under this system, the petty cashier receives from the chief cashier a fixed sum of money for a fixed period of time: for example, #50,000 per month. The chief cashier pays this #50,000 to the petty cashier every month irrespective of whether the petty cashier spends the total sum or not.
3. **Imprest System:** This consists of a cash balance which is replenished at the end of a given period.

Advantages of imprest system

1. It acts as a healthy check on the petty cashier, as he or she has to show the chief cashier the books for inspection.
2. The petty cashier has to account for the expenses before he or she is given money, the petty cash book remains up-to-date.
3. This book is used for small items record thereby given way for bigger records in other ledger books.

Columns in a petty cash book

1. Debit Side which is (left hand side), we have
 - a. Amount received
 - b. Date given
 - c. Particulars of expenses
 - d. Voucher number
 - e. Total number

2. Credit Side which is (right hand side), on this side we have the analysis of a ledger account. This has different columns for different expenses such as Stationary, postage, travelling, folio, miscellaneous etc.

Analysis of items of expenditure

- 1. Stationary, this includes pen, , staplers, pins, envelopes, printings.
- 2. Postage, stamps and parcels
- 3. Travelling expenses includes airplane, railways, bus and taxi fares.
- 4. Miscellaneous expenses include repairs carried out in the facility, refreshments and telephone bills.

Preparing a petty cash book: When the petty cashier is given an amount of money as imprest for an agreed period, the chief cashier posts the amount of cash given on the credit side of the cash book (cash column), while the petty cashier enters the same amount on the debit side of the petty cash book.

Example:

Rule a suitable petty cash book with analysis columns for postage and fax, stationary, travelling expenses, carriage and sundry office expenses. Enter the following transactions.

Aug. 1	Petty cash balance at hand	120,000.00
2	Paid bus fare	2,250.00
3	Paid postage	3,100.00
4	Bought ink	4,500.00
8	Paid postage	500.00
10	Paid bus fare	4,000.00
25	Paid windows cleaner	10,000.00
28	Office cleaner’s wages	10,000.00
30	Paid bus fare	4,200.00

Show the balance at hand as at 30 August.

Preparation of a Petty Cash Book

Balance at hand										
Balance	Cash Book Folio	Date	Particulars	Voucher Number	Total Amount	Postages & fax	Stationary	Travelling expenses	Folio	Carriage and sundry expenses
120,000.00	CB	Aug 2	Paid bus fare	1	2,250.00			2,250.00		
		Aug 3	Paid postage	2	3,100.00	3,100.00				
		Aug 4	Bought ink	3	4,500.00		4,500.00			
		Aug 8	Paid postage	4	500.00	500.00				
		Aug 10	Paid bus fare	5	4,000.00			4,000.00		
		Aug 25	Paid window cleaner	6	4,000.00					4,000.00
		Aug 28	Office cleaner's wages	7	10,000.00					10,000.00
		Aug 30	Paid bus fare	8	4,200.00			4,200.00		
120,000.00		Aug 30	Balance c/d		32,550.00					
					87,450.00					
					120,000.00	3,600.00	4,500.00	10,450.00		14,000.00
87,450.00										

The balance at hand as at 30 August is #87,450.00.

