Topic 8

Petty cash journal and ledger

After studying this topic, you should be able to complete:

- *the petty cash journal*;
- to complete transactions in the cash payments journal when money is paid;
- to post the transactions to the general ledger.

8.1 Introduction

Most businesses will use a petty cash, because:

- it is not cost effective to pay a small amount with and EFT, for example an employee is sent to purchase for a meeting.
- The expense can't be paid using an EFT, for example a person dropping by the office to sell tickets for the school's lucky draw.
- The person with the passwords for the EFT is not available when an emergency expense must be paid, for example an invoice book must be bought urgently.

A responsible personnel member must be given responsibility for the petty cash to ensure that not just anyone has access to the petty cash and that a source document is available for every payment. The petty cashier will ensure that for every transaction, a petty cash voucher is completed and signed for by the person responsible for the purchases paid out of the petty cash. The cash register slip, or cash invoice must also by stapled to the petty cash voucher.

Each business must decide for itself how much money to keep in its petty cash. The petty cash advance will be determined by the following:

- The size of petty cash payments.
- The frequency of petty cash payments.

The following procedure is followed:

- Withdraw cash from the bank or ATM to create a petty cash advance. This advance is then put in the petty cash.
- Each time a payment is made from the petty cash, the amount in the petty cash decreases.
- If the cash is exhausted during the month, money will be withdrawn from the ATM to replenish the amount in the petty cash.
- At the end of the month, it must be calculated how much money was paid from the petty cash to replenish the petty cash advance to the original amount. This is so that the petty cash can start each month at the amount initially decided upon.
- The cash is withdrawn from the business' bank account and placed into the petty cash. An entry is completed in the cash payments journal and posted to the petty cash account in the general ledger.

Question 1

1.1 Why is a petty cash used?

1.2 How is the petty cash controlled to prevent fraud?

1.3 Name three reasons why the petty cash is used.

8.2 Petty cash voucher

A petty cash voucher-book can be bought from a stationery store. Each time money is paid from the petty cash, a petty cash voucher is completed. A petty cash voucher usually has the following information:

- Petty cash voucher number.
- Date of payment.
- Reason for the payment.
- Amount.
- Signature of the recipient of the cash.
- Signature of the petty cash cashier.

Quality Services

Date: 1 November 2025 **PCV 01**
Reason: Refreshments for staff meeting
Amount: R80

Signed: *L Venter* *P Botha*
Person receiving cash: **Petty cash cashier**

8.3 Petty cash journal

The following petty cash journal is completed to record all transactions paid from the petty cash journal.

Quality Services
Petty cash journal for November 2025

Doc	Day	Details	Fol	Petty cash	Wages	Sundry accounts		
						Amount	Fol	Details

A column is completed for regular transactions, ex wages, refreshments, etc. The amount is entered in the petty cash column and one other regular column.

On the last day of the month, the total in the petty cash column will be posted to the credit side of the petty cash account of the general ledger.

On the last day of the month, the wages column's total will be posted to the debit side of the wages account of the general ledger.

Irregular payments are entered in the petty cash column and sundry accounts column.

The amount in the sundry account's column is posted to the debit side of the expense account on the date on which the transaction occurred.

Question 2

2.1 What is a petty cash voucher? How is the petty cash voucher used?

2.2 Why is a petty cash journal used?

2.3 How is the total in the petty cash column in the petty cash journal posted to the general ledger?

2.4 How do you poste the totals of the other columns in the petty cash journal?

2.5 What is the petty cash advance?

2.6 How will the petty cashier determine the amount to replenish the petty cash amount at the end of the month?

2.7 When is the petty cash advance replenished?

2.8 Name three transactions recorded in the petty cash journal and paid out of petty cash.

Example 1

You were appointed the new bookkeeper of Malan Stores. You will also be responsible for any petty cash payments. The owner decided a petty cash advancement of R800 will be used.

Petty cash transactions of Malan Stores for March 2025:

1. Do an EFT for R800 to draw cash from the bank for the petty cash.

2. Petty cash voucher 01 for R190 was issued to pay the telephone account from petty cash.
7. According to a petty cash voucher, R250 was paid to a cleaner as wages.
10. A petty cash voucher for R290 was used to pay for repairs.
12. Withdraw money at the ATM to replenish the petty cash advancement.
19. Pay R250 from petty cash to a casual worker.
20. Pay R200 from petty cash for the courier from Speedy Deliveries for trading stock delivered.
26. A petty cash voucher for R100 was issued to the local school for a donation.
30. Withdraw money at the ATM to replenish the petty cash advancement.

To record the transactions of Malan Stores in the subsidiary journals:

Malan Stores
Cash payments journal for March 2025

Doc	Day	Details	Bank	Wages	Sundry accounts		
					Amount	Fol	Details
BS	01	Cash	800		800	B8	Petty cash
BS	12	Cash (190 + 250 + 290)	730		730	B8	Petty cash
BS	30	Cash (250 + 200 + 100)	550		550	B8	Petty cash

Malan Stores
Petty cash journal for March 2025

Doc	Day	Details	Petty cash	Wages	Sundry accounts		
					Amount	Fol	Details
01	2	Telkom	190		190		Telephone
02	7	Casual worker	250	250			
03	10	Repairs	290		290		Repairs
04	19	Casual worker	250	250			
05	20	Speedy Delivery	200		200		Trading stock
06	26	School	100		100		Donation
			1 280	500	780		
			B8				

Post the applicable entries in the petty cash account to the general ledger. Balance the general ledger account.

Malan Stores
General ledger

		Petty cash					B8
Mar 01	Bank	CPJ	800	Mar 31	Sundry accounts	PCJ	1 280
12	Bank	CPJ	730		Saldo	c/d	800
31	Bank	CPJ	550				
			2 080				2 080
Apr 01	Balance	b/d	800				

Question 3

You were appointed as the new bookkeeper of Cleaning Products. The owner decided a petty cash advancement of R800 will be used.

Petty cash transactions of Cleaning products for March 2024:

1. Withdraw R1 000 cash from the bank for the petty cash.
2. Petty cash voucher 01 for R240 was issued to pay the wages for the cleaner from petty cash.
10. Paid R200 out of petty cash to the courier of Speedy Delivery for the delivery of trading stock purchased.
13. The cashier bought stationery from the CNA for R80. A petty cash voucher was completed for the payment of the stationery.
14. According to a petty cash voucher, R250 was paid to a cleaner as wages.
15. Withdraw money at the ATM to reinstate the petty cash advancement.
19. Pay R250 from petty cash to a casual worker.
24. A petty cash voucher for R290 was used to pay for repairs.
25. A petty cash voucher for R100 to the local school for a donation.
28. A cash register slip for R340 for refreshments purchased from petty cash.
30. Withdraw cash from the ATM to replenish the advancement.

3.1 Use the information of Cleaning Products to record the transactions in the subsidiary journals:

Cleaning Products
Cash payments journal for March 2024

Doc	Day	Details	Bank	Sundry accounts		
				Amount	Fol	Details

Cleaning Products
Petty cash journal for March 2024

Doc	Day	Details	Petty cash	Wages	Sundry Accounts		
					Amount	Fol	Details

3.2 Post the applicable entries to the accounts in the general ledger. Balance the general ledger account.

Cleaning Products
General ledger

				Petty cash		**B5**	
				Bank		**B6**	
				Stationery		**N1**	
				Refreshments		**N2**	
				Wages		**N3**	

Question

1. Why was the petty cash surplus created?
2. When is the petty cash amount replenished?
3. Why is a petty cash voucher used?
4. Why is a petty cash journal used?
5. What is the responsibility of the petty cashier?

Solutions

1. To have cash available in the business to pay small expenses that can't be paid with an EFT.
2. When all the money in the petty is almost used, cash is withdrawn to replace the amount already paid out.
3. The petty cash voucher is a source document used to have control over petty cash payments and to record payments in the petty cash journal.
4. All the payments from the petty cash are recorded in the petty cash journal.
5. The petty cashier will ensure that a petty cash voucher is completed and signed by the person responsible for the purchase's payable from petty cash. The cash register slip. or cash invoice must be stapled to the petty cash voucher.

Terms and concepts

Petty cash voucher:	Every time money is paid out of the petty cash, a petty cash voucher is completed to prevent fraud and to ensure the petty cash is used properly.
Petty cash journal:	The petty cash journal is used to record all the transactions paid out of the petty cash.
Petty cash account:	An account in the general ledger to record money paid in and out of the petty cash.
Petty cash transactions:	Transactions for small amounts paid from the petty cash and paid with an EFT.
Petty cash advancement:	The amount the business decides to have available in the petty cash to make payments during the month.