Petty Cash Fund

Some offices have small expenses that are paid in cash; for example, to pay postage, office supplies, and other small items. An amount of cash kept on hand and used for making small payments is called a Petty Cash Account. The Petty Cash Account is considered an asset account. It is recommended that establishment of a Petty Cash Account be approved by the Extension Council.

When money is removed from the Petty Cash box, a receipt for the amount used should be placed in the Box. As disbursements occur, they should be recorded immediately in the QuickBooks (QB) Petty Cash Register.

The Issue with Class Codes
Class codes are NOT identified in the Petty Cash Register. Specify Class codes only when writing the check from the Checking Account to replenish the Petty Cash Account. Follow the outline below and the details in appropriate sections of this document. The recommended procedures for recording petty cash expenditures and replenishing the Petty Cash Box will prevent overstatement of Expenses.

In the Checking Register, you will ...
- use 7001-Petty Cash Disbursement (or another 7xxx expense account)
- record amount in payment column
- use appropriate Class code(s)
- See section "Replenish the Petty Cash Register"

In the Petty Cash Register, you will...
- To show the Deposit to petty Cash from Checking Account
- Create a Deposit transaction using 7001 (or another 7xxx expense account)
- To Record Petty Cash expenses as they occur...
- use the appropriate Expense account (i.e. 5100, 3600....)
- record amount in payment column
- not use Class code
- see section "Record Expenditures in the Petty Cash Register"

Create a Petty Cash Account
- Under Chart of Accounts, Click the Account button at bottom of screen.
- Click New.
- Place checkmark preceding Other Account Types.
- Select Other Current Asset.

- In the Number field, enter 1450
- Enter Petty Cash in the Name field.
- The remaining fields may be left blank. Do NOT enter opening balance in this screen!
Create a Petty Cash Disbursement Expense Account

- Under Chart of Accounts, Click the Account button at bottom of screen.
- Click New.
- Select "Expense".
- In the Number field, enter 7001 (or another 7xxx number)
- Enter Petty Cash Disbursement in the Name field.
- Place a checkmark preceding "Subaccount"
- Select 7000 after "Subaccount of"
- The remaining fields may be left blank.

If your office already has an existing Petty Cash fund, then go to Section A. Establish Opening Balance for an Existing Petty Cash Fund.

If your office is creating a Petty Cash Fund for the first time, then go to Section B. Establish Opening Balance for New Petty Cash Fund.

Section A. -- Establish Opening Balance for an Existing Petty Cash Fund

Note: This assumes that there is cash already in the Petty Cash Box!
1. Under the Chart of Accounts, double-click on 1450-Petty Cash Account.
2. Enter the date of the opening balance transaction.
3. In the Increase column, enter the balance of the Petty Cash Account as of the date specified.
4. Place a checkmark in the checkmark column.
5. In the Account field, select 1600-Balance Transfers
6. In the Memo field, describe the transaction as "Opening Balance."
Note: Do NOT enter a Class code!
7. Click the RECORD button at lower right of Register screen.

For future deposits to the Petty Cash Fund, go to section "Replenish the Petty Cash Register."

Note: Do NOT use a Class Code for the Opening Balance transaction.

<table>
<thead>
<tr>
<th>Date</th>
<th>Ref</th>
<th>Account</th>
<th>Description</th>
<th>Decrease</th>
<th>Increase</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/01/2000</td>
<td>DEP</td>
<td>1600</td>
<td>Balance Transfers</td>
<td>✓</td>
<td>22.00</td>
<td>22.00</td>
</tr>
</tbody>
</table>

**********************************************************

Section B. - Establish Opening Balance for New Petty Cash Fund.

Note: This assumes that your Office wishes to establish a new Petty Cash Fund. You will write a check from the Checking Account (under the Write Checks screen) and create a Deposit Transaction (under the Petty Cash Register screen).
Create a Check Transaction in Checking Account - part 1...

1. Select **Write Checks**.
2. Enter **Date** of check.
3. Select a **Vendor** name (or create a Petty Cash Vendor name as illustrated)
4. Describe transaction in **Memo** field.
5. Select **7001-Petty Cash Disbursement** (or another 7xxx expense account)
6. Enter the amount of the Check.
7. Describe transaction in second **Memo** field.
8. Specify a **Class** code.
9. Click **Save and Close**.  
10. Print the Check. (go to part 2)

Then Create a Deposit Transaction in the Petty Cash Register - part 2

1. Under the **Chart of Accounts**, double-click on **1450-Petty Cash Account**.
2. Enter the **date** of the transaction (use same date as Check date in Checking Account).
3. In the **Increase column**, enter the total amount of the Deposit.
4. Place a checkmark in the checkmark column.
5. In the **Account** field, select **7001-Petty Cash Disbursement** (or another 7xxx expense account)
6. In the **Memo** field, describe the transaction as "Transfer from Checking."
7. Note: Do **NOT** enter a Class code!
8. Click the **RECORD button** at lower right of Register screen.

Record Expenditures in the Petty Cash Register

As disbursements are made from the Petty Cash Account, record the expenses in the Petty Cash Account Register.  The disbursements are recorded in the Petty Cash Account for tracking purposes - similar to the handwritten method.  A **Quick Report** can be generated from the Chart of Accounts Screen and placed in the Petty Cash Fund box.

1. Place Purchase **Receipt** in Petty Cash Box.
2. Open the QB **Petty Cash Register** under Chart of Accounts.
3. Enter **Date** of disbursement.
4. Enter **Payee**
5. Enter the amount in the **Decrease** column.
6. Enter a checkmark in the checkmark column.
7. Select appropriate **Expense account (i.e. 5100, 3600...)**
8. Describe purchase in **Memo** field.
9. Do **NOT** specify a Class code!!!!
10. Click **Record** button.
See sample transactions below. No Class code is specified in the Petty Cash Account.

<table>
<thead>
<tr>
<th>Date</th>
<th>Ref.</th>
<th>Type</th>
<th>Account</th>
<th>Payee</th>
<th>Memo</th>
<th>Expenses</th>
<th>Charge</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/01/2000</td>
<td>DEP</td>
<td>1600</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>22.00</td>
</tr>
<tr>
<td>12/09/2000</td>
<td></td>
<td>GENJ$1</td>
<td>3000</td>
<td>Nail Care</td>
<td></td>
<td>1.25</td>
<td>✓</td>
<td>20.75</td>
</tr>
<tr>
<td>12/11/2000</td>
<td></td>
<td>GENJ$1</td>
<td>5100</td>
<td>Grocer Food Service</td>
<td></td>
<td>5.45</td>
<td>✓</td>
<td>15.30</td>
</tr>
<tr>
<td>12/15/2000</td>
<td></td>
<td>GENJ$1</td>
<td>4600</td>
<td>Special copy services for Real Estate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A Class code is specified only when a check is written from the checking account to replenish the petty cash account.
To replenish the Petty Cash, see next section.

**Replenish the Petty Cash Account**

When the Petty Cash balance is low, **write a Check from the Checking account** and **record the transaction as a Deposit in the Petty Cash Register.**

**Create a Check Transaction in Checking Account - part 1.**
1. Use the **Write Check Screen** to generate and print the Check.
2. Enter the **Date**.
3. Enter the **Payee**, for example "Petty Cash - Staff name"
4. Describe transaction in **Memo** field.
5. Select **7001-Petty Cash** Disbursement (or another 7xxx expense account)
6. Enter Amount.
7. Describe transaction in second **Memo** field.
8. Select appropriate **Class** code(s).
9. Click **Save and Close**.
10. Print the Check.

**Note:** **Class code** is identified only when Writing a Check from the Checking Account. Class Codes are **NOT** used when recording deposit or expense transactions in the Petty Cash Register. This method prevents duplication of expense transactions in the Class codes and avoids overstatement of year-to-date expenses.

**Create a Deposit in the Petty Cash Register - part 2**
1. Under the **Chart of Accounts**, double-click on **1450-Petty Cash Account**.
2. Enter the **date** of the transaction (use same date as Check date in Checking Account).
3. In the **Increase column**, enter the total amount of the Deposit.
4. Place a checkmark in the checkmark column.
5. In the **Account** field, select **7001-Petty Cash Disbursement** (or another 7xxx expense account)
6. In the **Memo** field, describe the transaction as "Transfer from Checking."
7. Note: Do NOT enter a Class code!
8. Click the **RECORD button** at lower right of Register screen.

<table>
<thead>
<tr>
<th>10/31/2020</th>
<th>Ref</th>
<th>Payee</th>
<th>Decrease</th>
<th>Increase</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEP</td>
<td>7000 · Miscellaneous:7001 · Petty C.</td>
<td>Transferred from Checking</td>
<td>✓</td>
<td>✓</td>
<td>21.01</td>
</tr>
</tbody>
</table>

**Transfer Petty Cash Balance to Checking Bank Account.**

In **Petty Cash Register**, create a transaction to remove the balance.

- Use **1600-Balance Transfer** account
- **No class code**.
- Enter amount in Decrease column.
- Explain in Memo where the money will go.
- Record.

<table>
<thead>
<tr>
<th>Date</th>
<th>Ref</th>
<th>Payee</th>
<th>Decrease</th>
<th>Increase</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/2012</td>
<td>GENRNL</td>
<td>7000 · Miscellaneous:7001 · Petty C.</td>
<td></td>
<td>50.00</td>
<td>50.00</td>
</tr>
<tr>
<td>01/04/2012</td>
<td>GENRNL</td>
<td>3600 · Postage</td>
<td>20.00</td>
<td></td>
<td>30.00</td>
</tr>
<tr>
<td>01/10/2012</td>
<td>GENRNL</td>
<td>1600 · Balance Transfers</td>
<td>-30.09</td>
<td></td>
<td>0.00</td>
</tr>
</tbody>
</table>

In **Checking Register**, enter the amount in the Deposit transaction to **add the amount to other money** that will be deposited in the checking account.

- Use **1600-Balance Transfer** account.
- **Select** a class code that will receive the money
- Enter amount in the Amount field
- Explain in Memo where the money came from.
- Record.

<table>
<thead>
<tr>
<th>Received From Account</th>
<th>Memo</th>
<th>Chk No.</th>
<th>Pmt M.</th>
<th>Class</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1600 · Balance Transfers</td>
<td>Transferred from Petty Cash</td>
<td>12345</td>
<td>Check</td>
<td>2000 · Center Operations</td>
<td>20.00</td>
</tr>
<tr>
<td>6990 · Realestate/Reloc Services F...</td>
<td>sold tax</td>
<td></td>
<td></td>
<td>2000 · Education and Services</td>
<td>20.00</td>
</tr>
</tbody>
</table>

**Reconcile the following reports** to be certain the above transactions were created correctly.

- Funds Class Balance Report
- Balance Sheet Report
- Unclassified Transactions Report