

Recording Cash Transactions and Petty Cash in QuickBooks

Aim

The aim of this paper is to give the reader an understanding of how to correctly record cash transactions and petty cash expenditure in QuickBooks.

Specifically, this paper covers these types of transactions:

- You pay for business transactions out of personal funds (cash, or funds from a personal bank or credit card account), and you want to record them in QuickBooks;
- You run a Petty Cash Tin, and you want to record the transactions in QuickBooks.

Versions

This paper was written using QuickBooks 2010-11. The process is largely the same in all versions.

Methods

There are two methods of recording Petty Cash:

- Keep all the Petty Cash Dockets, then write a cheque to reimburse the expenditure;
- Use a Petty Cash bank account in QuickBooks to record the expenses.

Example

Here are the petty cash transactions incurred in December:

<i>Date</i>	<i>Amount</i>	<i>GST</i>	<i>Paid Via</i>	<i>Supplier</i>	<i>Purchase</i>	<i>QB Expense Acct</i>
1/12/09	2.00	0.18	Cash	City Council	Parking	Parking & Tolls
2/12/09	3.00	0.27	Cash	Ezy Park	Parking	Parking & Tolls
2/12/09	15.00	1.00	Cash	Coles	Milk, Tea, Biscuits	Staff Amenities
2/12/09	55.00	5.00	Pers. Visa	Highway Fuels	Petrol	Vehicles:Petrol
3/12/09	2.00	0.18	Cash	City Council	Parking	Parking & Tolls
4/12/09	13.20	1.20	Cash	Officeworks	Stationery	Office Supplies
7/12/09	5.50	0.50	Cash	Ezy Park	Parking	Parking & Tolls
8/12/09	55.00	5.00	Pers. Visa	Bunnings	Shelves for office	Repairs:Building
9/12/09	15.00	1.36	Cash	Freds Couriers	Freight	Freight
9/12/09	2.00	0.18	Cash	City Council	Parking	Parking & Tolls
10/12/09	22.00	2.00	Cash	Clems Cloths	Rags, Degreaser	Workshop Supplies
TOTAL	189.70	16.87				

Note that the transactions were paid from Personal Cash or from a personal Visa Card,

METHOD 1 - WRITE A CHEQUE

A common way of handling these transactions would be to write a cheque from the Business Cheque Account. This is recorded as follows:

Bank Account: ABC Bank Ending Balance: \$9,290.58

No. 138 Date 11/12/2009 \$ 189.70

Pay to the Order of Petty Cash

One hundred eighty-nine dollars and 70 cents*****

Address: Petty Cash

Memo:

Account	Tax	Gross Amt	Tax	Memo	C..	B..	Class
Parking & Tolls	NCG	14.50	1.32	Parking			
Staff Amenities	NCG	11.00	1.00	Tea room supplies - GST			
Staff Amenities	NCF	4.00	0.00	Tea room supplies - GST Free			
Vehicles:Petrol	NCG	55.00	5.00	Reimburse Petrol			
Office Supplies	NCG	13.20	1.20	Stationery			
Repairs:Building Re...	NCG	55.00	5.00	Shelves for Office			
Freight	NCG	15.00	1.36	Freight on Smith Delivery			
Workshop Supplies	NCG	22.00	2.00	Cloths, Degreaser			

Supplier Tax Code: [] Amounts include tax: [x] Total Tax: 16.88

Gross Amount: 189.70

Use QuickBooks Built-in calculator to do the adding for you. On the numberpad: Plus +, Minus -, Multiply *, Divide / Equals-Enter Key. To get 14.50: 2+3+2+5.50+2 Enter

Note rounding issue with GST due to adding parking together. This is quite ok – a few cents out in GST doesn't matter

What do you do with the Cheque

Even though the QuickBooks cheque was recorded as "Petty Cash", the real cheque will normally be written out to the person being reimbursed. This cheque can be cashed, deposited to a normal account, or re-banked into the Business Cheque Account as a deposit (Account => Capital Introduced - an Equity Account). Banks really love the last method as they can charge you a fee on the withdrawal and the deposit.

Note that you can draw more than one cheque: you may want to write 1 cheque out for \$110.00 to pay off your personal credit card and another for \$79.70 to cover the cash transactions.

Disadvantages of this Method

Apart from the banking issues mentioned above, there are a number of disadvantages to this method:

- The expenditure all recorded against the Supplier "Petty Cash". It can therefore be difficult to find a transaction from Bunnings reimbursed via Petty Cash. This issue is particularly significant if you use a Personal Credit Card a lot for business transactions. (Does the ATO know about those frequent flyer points?).
- For GST purposes, the date of the transaction is the Reimbursement date, not the earlier purchase date.

METHOD 2 - SET UP A QUICKBOOKS BANK ACCOUNT

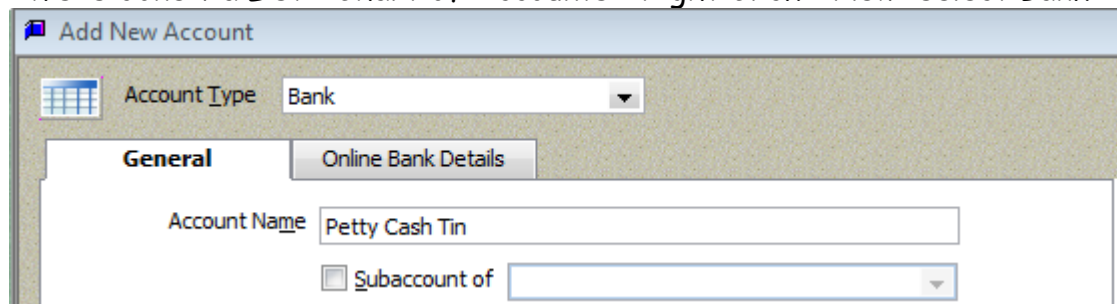
The method I prefer is to set up a QuickBooks Bank or Credit Card Accounts for recording these transactions. Depending on how your business operates, you may even set up more than 1 account.

For the purpose of this exercise, I am going to use two accounts:

- One to record expenditure from the Petty Cash Tin; and
- One to record expenditure against my Personal Credit Card (Visa Flybuys Plus).

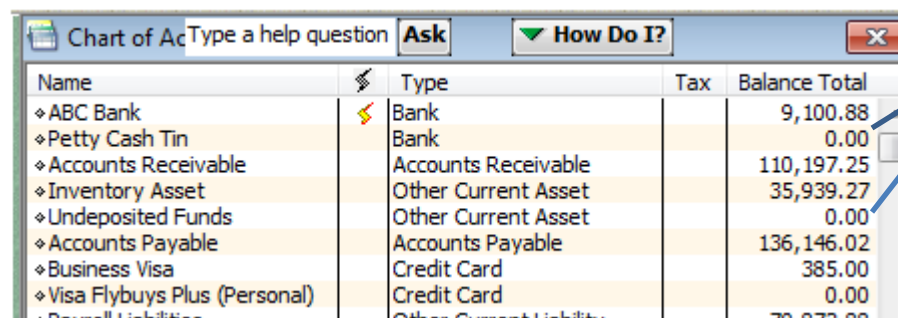
Step 1 - Set up Appropriate Accounts

This is done via List > Chart of Accounts > Right Click > New > select Bank > Continue



The screenshot shows the 'Add New Account' window. The 'Account Type' dropdown is set to 'Bank'. Under the 'General' tab, the 'Account Name' field contains 'Petty Cash Tin'. The 'Subaccount of' checkbox is unchecked, and the dropdown menu is empty.

These accounts should be set up without an opening balance. The chart of Accounts should look a little like this.



Name	Type	Tax	Balance Total
ABC Bank	Bank		9,100.88
Petty Cash Tin	Bank		0.00
Accounts Receivable	Accounts Receivable		110,197.25
Inventory Asset	Other Current Asset		35,939.27
Undeposited Funds	Other Current Asset		0.00
Accounts Payable	Accounts Payable		136,146.02
Business Visa	Credit Card		385.00
Visa Flybuys Plus (Personal)	Credit Card		0.00
Overall Liabilities	Other Current Liability		70,977.88

Note Zero Balances.

Step 2 - Set up Opening Balances

There are a number of scenarios to this, and it is important to get it right:

Scenario 1 - New Petty Cash Tin and we cash a cheque for \$100.

Record as follows:

Write Cheques - ABC Bank

Bank Account: ABC Bank Ending Balance: \$9,000.88

No. 139
Date: 01/12/2009
Pay to the Order of: Petty Cash
\$ 100.00
One hundred dollars and 0 cents

Address: Petty Cash
Memo:

Expenses	\$100.00	Items	\$0.00				
Account	Tax	Net Amt	Ta...	Memo	C..	B..	Class
Petty Cash Tin	X	100.00	0.00	Initial funds for petty cash tin			

Note Account Allocation and Tax Code. The account is the Bank Account that we set up in Step 1.

Scenario 2 - Existing Petty Cash Tin with \$100 balance.

The safest method is to "transfer funds" from the Opening Balance Equity account (or the Suspense Account if you have one). This way your Accountant will find the transaction and deal with it appropriately. The transfer funds function is only available from the menu bar under Banking > Transfer Funds.

Transfer Funds

Date: 01/12/2009

Transfer Funds From: Opening Bal Equity Ending Balance: 149,999.00

Transfer Funds To: Petty Cash Tin Ending Balance: 0.00

Transfer Amt: 100.00

Memo: Balance in Petty Cash Tin at 1/12/09

Scenario 3 - Bank Account/Credit Card to Record Expenses Using Private Funds.

Accounts of this nature will always start off with a zero balance. Any balance (generally a minus on a Bank Account or a plus on a Credit Card) represents either:

- Money owed by the Business to the owner; or
- Capital introduced into the Business by the owner.

Step 3 - Record Transactions

Via Banking > Write Cheque from the Petty Cash Tin...

Bank Account: Petty Cash Tin Ending Balance: \$20.30

No. 1 Date: 02/12/2009 \$ 15.00

Pay to the Order of: Coles

Fifteen dollars and 0 cents*****

Address: Coles

Memo:

Account	Tax	Gross Amt	Ta...	Memo	C..	B..	Class
Staff Amenities	NCG	11.00	1.00	Tea Room Supplies - with GST			
Staff Amenities	NCF	4.00	0.00	Tea Room Supplies - no GST			

Note Bank Account

You can change the colour of Bank Accounts and Credit Card Accounts via Edit > Change Account Colour

And via Banking > Enter Credit Card Transactions from the Personal Visa

Credit Card: Visa Flybuys Plus (Personal) Ending Balance: \$110.00

Purchase/Charge Refund/Credit

Purchased From: Petrol Date: 02/12/2009

Ref No. _____

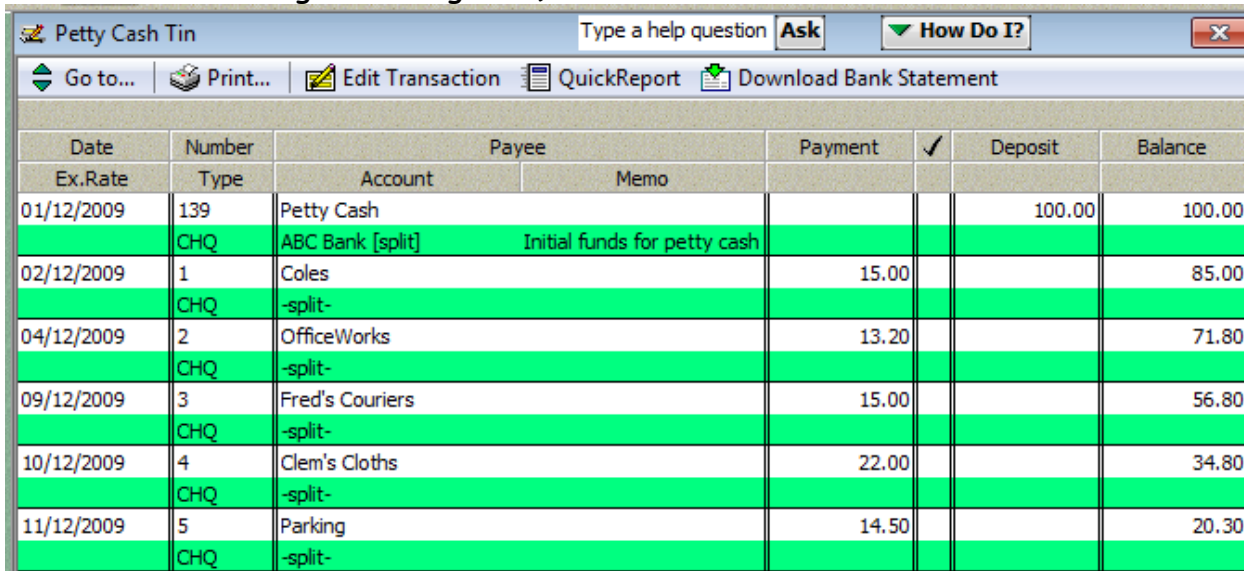
Amount \$ 55.00

Memo: _____

Account	Tax	Gross Amt	Tax Amt	Memo	Customer:
Vehicles:Petrol	NCG	55.00	5.00	Highway Fuels	

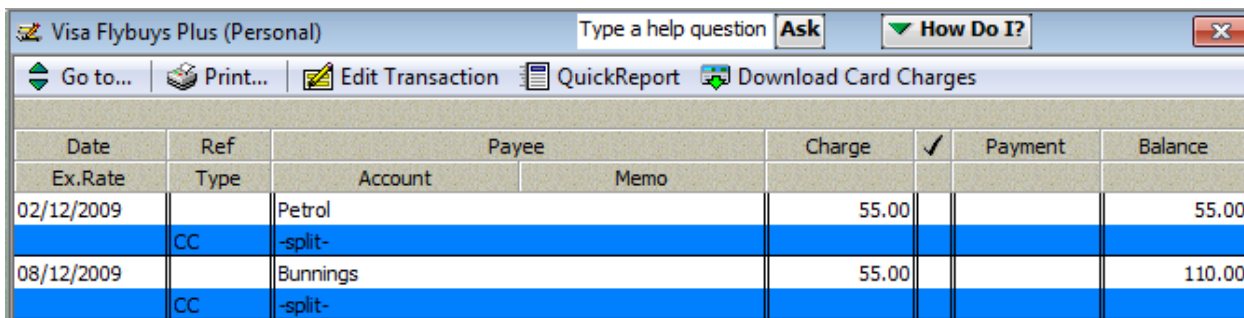
Note Credit Card Account

When all the Transactions have been entered, the ledgers look like this (these can be accessed via Banking > Use Register):



The screenshot shows the 'Petty Cash Tin' ledger in QuickBooks. The window title is 'Petty Cash Tin' and it includes a search bar for help questions and a 'How Do I?' dropdown. The menu bar contains 'Go to...', 'Print...', 'Edit Transaction', 'QuickReport', and 'Download Bank Statement'. The ledger table has columns for Date, Number, Payee, Payment, Deposit, and Balance. The data is as follows:

Date	Number	Payee	Payment	✓	Deposit	Balance
Ex.Rate	Type	Account	Memo			
01/12/2009	139	Petty Cash			100.00	100.00
	CHQ	ABC Bank [split]	Initial funds for petty cash			
02/12/2009	1	Coles	15.00			85.00
	CHQ	-split-				
04/12/2009	2	OfficeWorks	13.20			71.80
	CHQ	-split-				
09/12/2009	3	Fred's Couriers	15.00			56.80
	CHQ	-split-				
10/12/2009	4	Clem's Cloths	22.00			34.80
	CHQ	-split-				
11/12/2009	5	Parking	14.50			20.30
	CHQ	-split-				



The screenshot shows the 'Visa Flybuys Plus (Personal)' ledger in QuickBooks. The window title is 'Visa Flybuys Plus (Personal)' and it includes a search bar for help questions and a 'How Do I?' dropdown. The menu bar contains 'Go to...', 'Print...', 'Edit Transaction', 'QuickReport', and 'Download Card Charges'. The ledger table has columns for Date, Ref, Payee, Charge, Payment, and Balance. The data is as follows:

Date	Ref	Payee	Charge	✓	Payment	Balance
Ex.Rate	Type	Account	Memo			
02/12/2009		Petrol	55.00			55.00
	CC	-split-				
08/12/2009		Bunnings	55.00			110.00
	CC	-split-				

Notes on Entering Transactions

Cheque Numbers - I let QuickBooks automatically generate the cheque numbers. I then write the cheque number as PCT #1 on the receipt. This cross-references the receipt with the entry in QuickBooks.

Grouping Transactions - Transactions are normally entered individually, however if you have a large number of small value transactions for the same amount (eg Parking, daily Milk for tea room, etc) then I will add them up, staple them together, then enter them as a single transaction.

Generic Suppliers - Having a generic supplier like "petrol" saves you ending up with a supplier list with 254 different petrol station names.

Don't use an Excel Spreadsheet to manage Petty Cash - If you have the "Automatically Recall Transaction for this Name preference selected (Edit > Preferences > General), Then entering the transactions in QuickBooks is a faster overall process.

Step 4: 1st Alternative - Topping Up the Petty Cash

You will need to consider the desired level of your Petty Cash Tin before topping it up. Generally, there are two options:

- Top up to a fixed level (eg \$500).
Many larger organisations will require this. The advantage is that you can count the Tin at any time, and Cash + Unprocessed Receipts should equal \$500. The disadvantage is that is inflexible and see you running down the bank to cash a cheque for \$232.45
- Top up to a variable level (eg around \$500)
Flexibility is the big advantage: you can bank a cash sale into the petty cash tin; or top it up with \$50 from the owner's bag/wallet (and record it as Capital Introduced); or get a nice round sum like \$150 from the Bank. At any time - Cash + Unprocessed Receipts should equal the QuickBooks Account Balance.

Either way you choose, QuickBooks will handle it. The reimbursement cheque should look like this. Here, I am replacing \$79.70 used PLUS I am increasing the amount to \$200.

Write Cheques - ABC Bank

Bank Account: ABC Bank Ending Balance: \$8,821.18

No. 140 Date 12/12/2009

Pay to the Order of Petty Cash \$ 179.70

One hundred seventy-nine dollars and 70 cents*****

Address: Petty Cash

Memo: Top up Petty Cash to \$200

Expenses	\$179.70	Items	\$0.00
Account	Tax	Net Amt	Ta... Memo C.. B.. Class
Petty Cash Tin	X	179.70	0.00 Top up Petty Cash to \$200

The cheque register now looks as follows:

11/12/2009	5	Parking	14.50		20.30
	CHQ	-split-			
12/12/2009	140	Petty Cash		179.70	200.00
	CHQ	ABC Bank [split] Top up Petty Cash to \$200			

Step 4: 2nd Alternative - Reimbursing the Personal Visa

More alternatives! You can either pay yourself back, or record the total owing as a capital introduction.

To pay yourself back, record a cheque as follows:

Expenses	\$110.00	Items	\$0.00
Account	Tax	Net Amt	Ta... Memo
Visa Flybuys Plus (Personal)	X	110.00	0.00 Reimburse expenses paid via Personal Visa

The Credit Card register now looks as follows:

08/12/2009		Bunnings	55.00		110.00
	CC	-split-			
12/12/2009	142	Personal Visa		110.00	0.00
	CHQ	ABC Bank [split]	Reimburse expenses paid via Persona		

Alternatively, record purchases as a Capital Introduction, via Banking > Transfer Funds

Transfer Funds

Date: 31/12/2009

Transfer Funds From: Capital Introduced (Ending Balance: -250,000.00)

Transfer Funds To: Visa Flybuys Plus (Pe... (Ending Balance: 110.00)

Transfer Amt: 110.00

Memo: Record purchases from Visa as Capital

The register looks like this using this method. I would normally do this transaction at the end of the quarter or the end of the financial year.

08/12/2009		Bunnings	55.00		110.00
	CC	-split-			
31/12/2009				110.00	0.00
	TRANSFR	Capital Introduced	Record purchases from Visa as Capita		

Step 5 - Reconcile the Accounts.

The Petty Cash Bank Account and the Visa Personal Credit Card can be reconciled like any other Bank Account. Here's what you reconcile to:

Account	Reconciliation
Petty Cash Tin	Reconcile to the counted cash balance at any time. A good time to do this is after you have topped up the Petty Cash
Personal Visa via Reimbursement	After you record the reimbursement, you should be able to reconcile to a zero balance.
Personal Visa via Capital Introduction	There is nothing to reconcile against. The best you can do is to add up the business expenses on the statement and check this against the total of transactions entered.

Losses of Petty Cash

If you have minor discrepancies in Petty Cash, or if the entire Petty Cash Tin gets knocked off in a break & enter, then you can record the loss via a Write Cheque to an expense account called "Losses"

Bank Account: Petty Cash Tin Ending Balance: \$137.50

No. 7
Date 15/12/2009

Pay to the Order of Losses \$ 137.50

One hundred thirty-seven dollars and 50 cents*****

Address: Losses

Memo

Expenses	\$137.50	Items	\$0.00
Account	Tax	Gross ...	Ta... Memo
Losses	X	137.50	0.00 Petty Cash Tin Stolen in Break & Enter

-- End --