

ACCOUNTING FOR CASH

Because of an increase in the number of employees involved with the purchasing process, Darin Jones felt it would be appropriate to introduce a voucher system and other financial controls. A system of internal controls would protect resources from waste and fraud, insure the accuracy and reliability of accounting reports, enhance compliance with company policy, and aid in performance evaluation.

I. VOUCHER SYSTEM DOCUMENTATION

Google "Free Quick Notes Books" for your copies of Quick Notes Accounting,

- | | |
|--------------------------|-----------------------------------|
| 1st Purchase Requisition | - approval to purchase |
| 2nd Purchase Order | - sent to vendors |
| 3rd Invoice | - from vendor describing shipment |
| 4th Receiving Report | - warehouse documentation |
| 5th Invoice Approval | - approved for payment |
| 6th Voucher Issued | - order to pay |

II. INTERNAL CONTROL PROCEDURES

Google "Free Business Books" for a complete library covering many business subjects.

1. Establish Responsibilities Clearly
2. Bond Employees, Insure Assets
3. Maintain Adequate Records
4. Separate Record Keeping and Custody of Assets
5. Separate Related Transactions
(receiving cash, storing cash, depositing cash)
6. Require Internal and External Audits

Google "Business Book Mall" for material to enhance your career potential.

III. ACCOUNTING FOR PETTY CASH

On January 2, a Petty Cash system was set up to handle incidental expenses. A \$100 check was cashed, petty cash slips and a petty cash box purchased, and the fund was locked in Darin's desk. A review of the petty cash slips revealed the following information.

Office Supplies Purchased	\$ 12
Contributions	16
Stamps Purchased	29
Freight Paid on Incoming Merchandise	32

In addition, a count of funds on hand revealed a balance of \$10 and it was decided to increase the fund to \$125.

	DR.	CR.
Jan. 2 Petty Cash	100	
Cash		100
Petty Cash Fund established.		
Feb. 1 Office Supplies	12	
Contributions	16	
Postage Expense	29	
Transportation-In	32	
Cash Over and Short	1	
Petty Cash	25	
Cash		115
To replenish Petty Cash and increase Fund to \$125.		

Note: A debit balance for cash over and short is an administrative expense, a credit balance is considered a miscellaneous revenue.