

Frequently Asked Questions

General Accounting – Petty Cash Coding

Why don't I code my petty cash reimbursements to the petty cash account?

- Petty cash is called an imprest account – set up for a specific amount, always reimbursed back up to that amount, we'll say \$200 for our example. First, an account is set up in the asset section of the chart of accounts. This account is debited when the petty cash fund is set up. It's not directly debited or credited again unless the fund is increased, decreased or closed. During the course of the month, the person responsible for the fund will reimburse other employees for small purchases, like postage, parking or donuts for a sales meeting. A petty cash reimbursement form is filled out, noting the date, purpose, and GL account number of the expense. The person receiving the cash and the person approving the expenditure sign the form.

At any time, the total of the completed petty cash slips and the remaining cash should equal the original fund balance, in our example, \$200. Each month, the slips are summarized by account number, and the fund is replenished for the amount used.