

Journal Entries for Petty Cash

First one must establish the petty cash fund.

On March first, John decides that his company could use a \$100 petty cash fund, so he establishes one.

Mar. 1	Petty Cash	100	
	Cash		100

After 14 days, Jeremiah, the petty cash custodian, requests a check for \$87. The fund consists of \$13 cash, and cash receipts for postage of \$44, supplies of \$38, and miscellaneous expenses \$5. These have already been paid for, hence the receipts. Also, note that the petty cash fund is not touched in this journal entry, as its entire purpose is to set the cash back to where it began. The journal entry to record this check, and replenish the cash fund is as follows:

Mar. 15	Postage Expense	44	
	Supplies	38	
	Miscellaneous Expense	5	
	Cash		87

If for some reason, the company needs to recognize a cash overage/shortage then the entry will also include a cash over/short. As one would expect with an asset, it will be a debit if there is an overage and a credit if there is a shortage.

Mar. 15	Postage Expense	44	
	Supplies	38	
	Miscellaneous Expense	5	
	Cash over and shortage	1	
	Cash		88

On March 29th, John decided that he needs more funding in his petty cash fund, so he decides to up the limit to \$150. In order to up the Petty Cash Fund, we will do the same steps as when we established it to begin with, just with \$50 to raise the Petty cash fund to \$150. $\$150 \text{ minus } \$100 = \$50$

Mar. 29	Petty Cash	50	
	Cash		50

After this entry, John's books will state that John now has a petty cash fund of \$150.