Petty Cash & Imprest Fund System Cheat Sheet

Establishment, Voucher Disbursement, Replenishment Entries & Cash Over and Short Handling

1. THE 3-PHASE IMPREST CASH CYCLE

Phase	Journal Entry	Key Rule & Accounting Treatment
Phase 1: Establishing the Fund	**Dr. Petty Cash ..... $500** Cr. Cash (Checking) $500	Petty cash custodian receives locked box with cash check. **Petty Cash account is debited ONLY once** (unless fund size is permanently changed).
Phase 2: Cash Disbursements	*NO journal entry recorded at time of disbursement!*	Custodian disburses small cash amounts (office postage, coffee, taxi) and collects a signed **Petty Cash Voucher** with receipt attached. Box Cash + Vouchers must equal $500.
Phase 3: Fund Replenishment	**Dr. Office Supplies Expense ... $120** **Dr. Delivery Expense ..... $80** **Dr. Postage Expense ..... $45** Cr. Cash (Checking) $245	Reimbursement check is written for total receipts. **Individual expenses are debited now**, and Cash (Checking) is credited. Petty Cash account is NOT credited!

2. CASH OVER AND SHORT DISCREPANCIES

Discrepancy Condition	Replenishment Journal Entry	Financial Statement Presentation
Cash Shortage **(Receipts + Cash < Fund)**	Dr. Expenses ..... $200 **Dr. Cash Over & Short ..... $10** Cr. Cash (Checking) $210	Debit balance in Cash Over and Short is treated as a miscellaneous **Operating Expense** on the Income Statement.
Cash Overage **(Receipts + Cash > Fund)**	Dr. Expenses ..... $200 Cr. Cash (Checking) ..... $190 **Cr. Cash Over & Short $10**	Credit balance in Cash Over and Short is treated as **Other Income** on the Income Statement.