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**Manual Accounting - Module 17**

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**Petty Cash Book**

The **Petty Cash Book** is a specialized accounting book used to record small and frequent transactions that involve minor expenses. These expenses are typically too small to justify writing a full-sized cheque or recording in the main cash book.

**Purpose and Importance**

- 1. Management of Small Expenses:** It helps manage and record minor daily expenses efficiently, such as office supplies, postage, or minor repairs.
- 2. Convenience:** It provides a convenient way to track and manage petty cash without disrupting the main cash book.
- 3. Control and Accountability:** Ensures that small cash expenditures are documented and controlled to avoid misuse or mismanagement.
- 4. Simplified Accounting:** Simplifies the accounting process by summarizing petty cash transactions before they are reconciled and entered into the main accounts.

**Form of Petty Cash Book**

| Dr.                          |                       | Cr.  |             |                     | Analysis of Payments   |              |  |                 |                 |  |              |
|------------------------------|-----------------------|------|-------------|---------------------|------------------------|--------------|--|-----------------|-----------------|--|--------------|
| Am-<br>ount<br>Recei-<br>ved | Cash<br>Book<br>Folio | Date | Particulars | Vou-<br>cher<br>No. | Total<br>Pay-<br>ments | Pos-<br>tage | Tele-<br>phone<br>and<br>Tele-<br>gram | Conve-<br>yance | Statio-<br>nery | Misce-<br>llane-<br>ous<br>Expen-<br>ses | Re-<br>marks |
| Rs.                          |                       |      |             |                     | Rs.                    | Rs.          | Rs.                                    | Rs.             | Rs.             | Rs.                                      |              |
|                              |                       |      |             |                     |                        |              |  |                 |                 |  |              |
|                              |                       |      |             |                     |                        |              |  |                 |                 |  |              |
|                              |                       |      |             |                     |                        |              |  |                 |                 |  |              |

**Key Columns in the Petty Cash Book:**

- 1. Date:** The date on which the transaction took place.
- 2. Particulars:** Description of the transaction or the nature of expense.

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3. **Voucher No.:** A unique number assigned to the voucher or receipt for the transaction.
4. **LF:** Ledger Folio, which refers to the page number in the ledger where the transaction is posted.
5. **Cash:** The amount spent in cash for various categories.
6. **Postage:** Expenses related to mailing or postage.
7. **Stationery:** Expenses for office supplies such as pens, paper, etc.
8. **Repairs:** Costs related to maintenance or repair of equipment.
9. **Miscellaneous:** Other small expenses that do not fit into the above categories.
10. **Total:** The total amount spent in the petty cash book for the period.

**Types of Petty Cash Systems**

**1. Imprest System:**

- A fixed amount of cash is kept in the petty cash fund.
- At regular intervals, this amount is replenished by transferring an equivalent sum from the main cash book.
- This system maintains control and ensures that petty cash is only used for intended purposes.

**2. Float System:**

- Cash is replenished periodically or when it falls below a certain amount.
- The total amount of petty cash is not fixed; it varies with expenses.

**Solved Question for Petty Cash Book**

**Question:** Record the following transactions in a Petty Cash Book with suitable columns. The book is kept on imprest system, amount of imprest being ₹ 4,000.

| 2017     |  |
|----------|--|
| April 1  | Petty cash in hand ₹ 540, Received cash to make-up the imprest.<br>Paid for office cleaning ₹ 100. |
| April 4  | Paid railway fare ₹ 320, bus fare ₹ 280, wages ₹ 150.  |
| April 5  | Bought shorthand note books for office ₹ 370.  |
| April 7  | Paid carriage on parcels ₹ 150, paid for wages ₹ 220.  |
| April 10 | Bought stamps for ₹ 300, envelopes for ₹ 450 and an accounts register for ₹ 400.                   |
| April 12 | Paid for repairs ₹ 200, gave tips to office peon ₹ 150.  |
| April 13 | Gave charity ₹ 100, served tea to customers ₹ 250.   |
| April 15 | Paid for wages ₹ 160, rewards to servant ₹ 100.  |

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Solution:

| Petty Cash Book      |            |         |        |                      |                   |            |                       |            |            |            |                        |
|----------------------|------------|---------|--------|----------------------|-------------------|------------|-----------------------|------------|------------|------------|------------------------|
| Amount Received (Rs) | C.B. Folio | Date    | V. No. | Particulars          | Total Amount (Rs) | Conveyance | Printing & Stationery | Postage    | Wages      | Cartage    | Miscellaneous Expenses |
| 540                  |            | 2017    |        | Balance b/d          |                   |            |                       |            |            |            |                        |
| 3,460                |            | Apr. 01 |        | Cash A/c             |                   |            |                       |            |            |            |                        |
|                      |            | Apr. 01 |        | Cleaning Charges A/c | 100               |            |                       |            |            |            | 100                    |
|                      |            | Apr. 04 |        | Conveyance A/c       | 600               | 600        |                       |            |            |            |                        |
|                      |            | Apr. 04 |        | Wages A/c            | 150               |            |                       |            | 150        |            |                        |
|                      |            | Apr. 05 |        | Note Books A/c       | 370               |            | 370                   |            |            |            |                        |
|                      |            | Apr. 07 |        | Carriage A/c         | 150               |            |                       |            |            | 150        |                        |
|                      |            | Apr. 07 |        | Wages A/c            | 220               |            |                       |            | 220        |            |                        |
|                      |            | Apr. 10 |        | Postage A/c          | 300               |            |                       | 300        |            |            |                        |
|                      |            | Apr. 10 |        | Envelopes A/c        | 450               |            | 450                   |            |            |            |                        |
|                      |            | Apr. 10 |        | A/c Books A/c        | 400               |            | 400                   |            |            |            |                        |
|                      |            | Apr. 12 |        | Repairs A/c          | 200               |            |                       |            |            |            | 200                    |
|                      |            | Apr. 12 |        | Misc. Exp. A/c       | 150               |            |                       |            |            |            | 150                    |
|                      |            | Apr. 13 |        | Charity A/c          | 100               |            |                       |            |            |            | 100                    |
|                      |            | Apr. 13 |        | Refreshment A/c      | 250               |            |                       |            |            |            | 25                     |
|                      |            | Apr. 15 |        | Wages A/c            | 160               |            |                       |            | 160        |            |                        |
|                      |            | Apr. 15 |        | Reward A/c           | 100               |            |                       |            |            |            | 100                    |
|                      |            |         |        |                      | <b>3,700</b>      | <b>600</b> | <b>1,220</b>          | <b>300</b> | <b>530</b> | <b>150</b> | <b>900</b>             |
|                      |            | Apr. 15 |        | Balance c/d          | 300               |            |                       |            |            |            |                        |
| <b>4,000</b>         |            |         |        |                      | <b>4,000</b>      |            |                       |            |            |            |                        |
| 300                  |            | Apr. 16 |        | Balance b/d          |                   |            |                       |            |            |            |                        |
| 3,700                |            | Apr. 16 |        | Cash A/c             |                   |            |                       |            |            |            |                        |

**Assignment**

**Question 1:** XYZ Corp. uses the imprest system for its petty cash book. On June 1, 2024, the petty cash balance is ₹8,000. During June, the following transactions occurred:

- June 2:** Paid ₹500 for office cleaning.
- June 7:** Spent ₹1,200 on minor repairs.
- June 10:** Purchased office supplies worth ₹750.
- June 15:** Paid ₹450 for courier charges.
- June 20:** Reimbursed ₹100 for a returned item.
- June 25:** Spent ₹350 on refreshments for a meeting.

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7. June 30: The petty cash is reconciled, showing ₹3,500 in hand.

Calculate the total amount spent during the month and determine the amount needed to replenish the petty cash to its original balance.

**Question 2:** ABC Ltd. started its petty cash book with a balance of ₹4,500 on March 1, 2024. During March, the following transactions occurred:

1. March 2: Paid ₹1,000 for stationery.
2. March 5: Paid ₹600 for postage.
3. March 10: Purchased office equipment worth ₹800.
4. March 15: Paid ₹200 for miscellaneous expenses.
5. March 20: Received ₹250 as reimbursement for a returned purchase.
6. March 30: The petty cash book shows ₹2,050 in hand.

Calculate the total expenditure for the month and the amount required to restore the petty cash to its initial balance.

**Question 3:** PQR Ltd. maintains a petty cash book using the imprest system. The petty cash balance on July 1, 2024 was ₹6,000. During the month, the following transactions occurred:

1. July 2: Paid ₹800 for office cleaning services.
2. July 5: Spent ₹1,500 on minor repairs.
3. July 10: Purchased office supplies for ₹1,200.
4. July 15: Paid ₹300 for postage.
5. July 18: Reimbursed ₹200 for a returned item.
6. July 25: Spent ₹600 on meeting refreshments.
7. July 31: The petty cash book shows ₹1,400 in hand.

Determine the total expenditure and the amount required to replenish the petty cash to its original balance.

**Question 4:** LMN Ltd. uses the imprest system for its petty cash. The petty cash balance on August 1, 2024 was ₹10,000. During August, the following transactions were recorded:

1. August 3: Paid ₹1,200 for office supplies.
2. August 7: Spent ₹1,000 on minor repairs.
3. August 12: Paid ₹700 for courier services.
4. August 18: Purchased refreshments worth ₹400.
5. August 22: Received ₹300 as reimbursement for a returned item.
6. August 30: The petty cash balance is found to be ₹5,000.

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Calculate the total amount spent and the amount needed to restore the petty cash to its original balance.

**Question 5:** DEF Ltd. maintains a petty cash fund with an imprest system. On October 1, 2024, the petty cash balance was ₹7,000. During October, the following transactions occurred:

1. **October 2:** Paid ₹900 for office cleaning.
2. **October 5:** Spent ₹500 on minor repairs.
3. **October 10:** Purchased stationery for ₹650.
4. **October 15:** Paid ₹400 for postage.
5. **October 20:** Received ₹150 as reimbursement for a returned item.
6. **October 25:** Paid ₹250 for miscellaneous expenses.
7. **October 31:** The petty cash book shows ₹3,000 in hand.

Calculate the total expenditure for the month and the amount required to restore the petty cash to its original balance.



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