

---

## OverNet Computer Services

### Mechanic helpdesk query

---

#### How To Pay A Supplier With Petty Cash.

---

This following process shows a simple way to pay a supplier with Petty Cash instead of a cheque or a 30 day account.

Petty cash is used to simplify the use of all the small purchase amounts that occur. The actual transaction is no different to any other petty cash purchase...

In the petty cash tin keep any receipts and...

In the petty cash book, record the supplier purchase with the amount.

#### STEP 1:

In the Mechanic system, if it does not already exist, we need to create a PETTY CASH ledger. Normally, petty cash is a "T"axable ledger so ensure the GST TYPE is "T". This is because 99% of purchases are taxable. However it can certainly be a GST "F"ree ledger. Or you may want to have two separate ledgers, one for "T"axable purchases and another for GST "F"ree ones – refer to your accountant.

#### STEP 2:

Enter the purchase into the Mechanic system as you normally do – but do not press F11 to pay for the purchase.

The screenshot displays the MECHANIC TRAINING EMPTY software interface. The main window shows a purchase entry for BURSON AUTOMOTIVE PARTS. The entry includes the following details:

- Supplier:** BURSON
- Supplier Invoice No.:** 6489
- Date:** 19/11/05
- Posted Date:** 21 Nov 2005
- Purchase No.:** P-2
- Start Date:** 21 Nov 2005

The purchase is categorized as a "PURCHASE P" and is taxable. The total amount is 6.20. The entry is as follows:

Qty	pkg	PART No.	Description	COST	TOTAL	T	U
1	EA	Z9	RYCO PREMIUM OIL FILTER	6.20	6.20	1	Y

### STEP 3:

Enter the supplier payment into the petty cash book – just like any other purchase.

Date	Details	Amount Paid	Comment
01-10-05	Milk	2.30	NOTE: Supplier Payment
03-10-05	Stationary - inc binders.	59.65	
06-10-05	Milk	2.30	
12-10-05	Bursons - Z9 filter	6.20	
12-10-05	Pizza for the boys.	25.00	
TOTAL		95.45	

The above is an example of the cash book entries for the month of October, 2005. This example shows all the normal petty cash expenses – including the \$6.20 amount that was paid to the Burson supplier.

### STEP 4:

At the end of the month use a journal entry to update the petty cash account.

The normal journal entry for this would be to update the Petty Cash with the full amount of \$95.45. The change required by this process is to modify the journal entry to separate the supplier purchase amount and the “true” petty cash amount – but ensure that they still sum to the full cash at bank total.

The following example shows that of the \$95.45 total, \$6.20 is applied to the Burson supplier as its payment.

MECHANIC TRAINING EMPTY					
JOURNAL ENTRY					
21 Nov 2005					
JE-2					
U					
Account	Type	Code	Comment	Debit	Credit
E PETTY CASH			Petty cash expenses for Oct 2005	81.14	
A GST PUR CLM			GST on petty cash expenses.	8.11	
S BURSON			Amount paid from the petty cash tin.	6.20	
A CASH AT BANK			Petty cash expenses for Oct 2005		95.45
				95.45	95.45
Full Details					

NOTE: If you are using the "CASH" method of GST / BAS reporting, you will need to remove the GST line from this journal entry.

#### STEP 4: VERIFY THE DATA:

This transaction will update the supplier correctly – even if other transactions are paid on a 30 day account.

MECHANIC TRAINING EMPTY					
BURSON SUPPLIER LIABILITY <Accounts Payable>					
BURSON AUTOMOTIVE PARTS			Opening Balance		0.00
101 Northcote Rd			Current Balance		238.41
Rowville VIC 3178					
Tel <03> 8460-9784					
Fax <03> 8460-9874					
Date	Docket	Ref#	Comment	+CR	-DR
08 Nov 05	P-1	1704566	2 MONROE GT GAS SHOCK ABSORBER P		188.16
15 Nov 05	P-2	1710005	RYCO PREMIUM OIL FILTER		6.20
21 Nov 05	P-3	17300541	Brake Pads		50.25
21 Nov 05	JE-1		Amount paid from the petty cash tin.		-6.20

© Copyright Notice:

This document is copyright to OverNet Computer Services. Reproduction in any way whatsoever without the express written permission of OverNet Computer Service is strictly prohibited. Any infringement will be pursued to the full extent of the law.



OverNet Computer Services 9 Cerutti Way, Wantirna South, Victoria, Australia, 3152.  
Ph. 1300-880-193 Fax.(03) 9801-6114 Website. [www.overnet.net.au](http://www.overnet.net.au)