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…
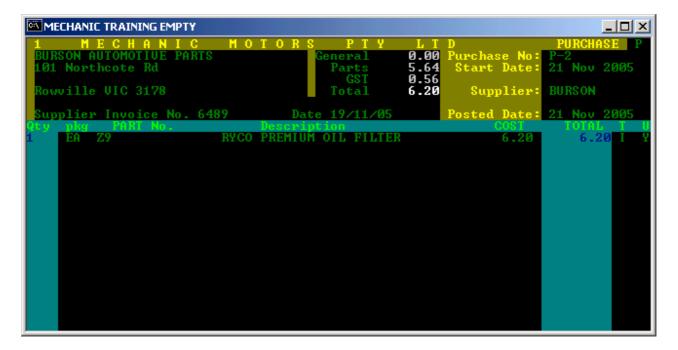>   In the petty cash tin keep any receipts and…
>   In the petty cash book, record the supplier purchase with the amount.

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.

STEP 3:
Enter the supplier payment into the petty cash book – just like any other purchase.

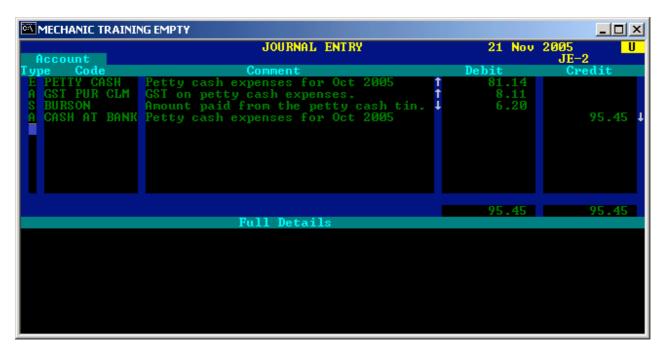| Date	Details	Amount Paid	Comment
01-10-05	Milk	2.30	
03-10-05	Stationary - inc binders.	59.65	
06-10-05	Milk	2.30	
12-10-05	Bursons - Z9 filter	6.20	NOTE: Supplier Payment
12-10-05	Pizza for the boys.	25.00	
	TOTAL	95.45	

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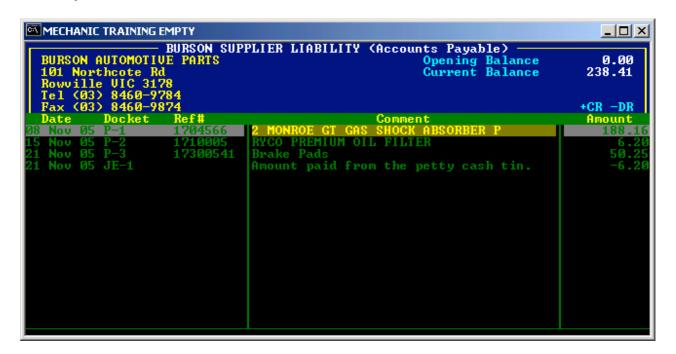
The following example shows that of the $95.45 total, $6.20 is applied to the Burson supplier as its payment.

> 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.