

Research Article

Evaluation of Petty Cash Accounting: A Case Study at a Job Training Institution

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ORCIDDestian Villania Putri: <https://orcid.org/0009-0009-0098-6838>**Abstract.**

This research aims to evaluate the petty cash recording process at the SCK job training institution. Researchers used qualitative methods, namely interviews, observation, and analysis of the petty cash accounting system. The implementation of petty cash has been carried out by procedures and the recording has been carried out according to the flow established by the institution. However, several things are inaccurate and not by the accounting information system that should be implemented by petty cash users using the imprest fund method. In order not to experience a shortage of petty cash funds, companies should use an imprest system that meets standards. Companies must pay attention to the principles of internal control so that the institution's operational activities run according to the expected goals and avoid misappropriation of petty cash funds.

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1. Introduction

Based on observations, LPK SCK is a job training institution that was only founded in 2021. Even though it was just founded, this job training institution almost every day's operational activities involve petty cash. Therefore, the role of petty cash here is very important. Not only LPK SCK, but in a company there is usually petty cash because with petty cash the company's operational activities can be lighter and more organized. In implementing petty cash (Petty Cash) the LPK SCK Job Training Institute uses a fixed fund method (Imprest Fund System). The aim and purpose of a fixed fund system is a system or process for disbursing funds also known as the amount to be disbursed is fixed and does not change [1]. In managing petty cash the company should establish a routine petty cash fund, namely a petty cash fund provided in the same amount, and carried out at a certain period, which can be done weekly or monthly. The use of a fixed method in managing petty cash at the company is held by a cashier, or petty cash

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admin [2]. However, the application of petty cash in this institution is not good, filling up petty cash is done in one or two weeks when the petty cash balance is reported to be low and experiencing a shortage so that the shortfall is temporarily borne by the employee. There is only one staff holding petty cash because this staff does not only hold petty cash and expenditures are unexpected, sometimes petty cash reporting or replenishment is delayed resulting in the petty cash balance becoming negative. [3] every organization must implement a special control system for petty cash funds so that processing can proceed according to predetermined procedures. Therefore, to apply appropriate control, especially control over petty cash, organizations need systematic management to achieve more effective management, and also to prevent things such as theft or misappropriation from occurring.

Here are some previous studies on petty cash. [4] explain that in the use of petty cash PT MNI Entertainment Central Jakarta uses a fixed fund method or system (imprest system), in which in this method the determination of petty cash funds is always fixed in its period. The implementation of petty cash recording only involves 2 parties, namely the cashier and finance SPV, so that the cashier does a double job. The company should place employees to post petty cash into journal vouchers. So that the implementation of petty cash recording can be more thorough and not experience errors in naming.

[5] said that the information system for managing petty cash funds at Pt Sinar Sosro Bandar Lampung uses the method (imprest system) of a fixed fund system designed using Use Case Diagrams. This system can facilitate the applicant in making claims with evidence of claims given to the admin to be managed, so that the registration made by the applicant runs well and makes it easier to provide useful information for the applicant. Based on the test results using black box testing functionally this system can run well without any errors generated from the application.

[6] said that PT PLN (Persero) UIP SULBAGUT uses the imprest fund system method where the funds in petty cash used by the transaction value remain the same or do not change and filling petty cash based on proposals at the beginning of each month whose amount has been determined to finance expenses of relatively small value. PT PLN (Persero) North Sulawesi Development Master Unit petty cash management has been carried out properly and in accordance with the policies applicable to UIP and all financing is accompanied by proof of receipts, notes and receipts and verified first and if the document is incomplete it must be completed and will be verified again.

[7] said that PT Kallista Alam Medan Office in the accounting treatment of petty cash uses the non-fixed fund method (Fluctuation Fund System). PT Kallista Alam Medan Office does not determine the minimum balance limit for petty cash. If PT Kallista Alam

determines the minimum balance limit, there will be no petty cash emptiness so that it does not interfere with the company's operational activities. PT Kallista Alam Medan office also does not separate the use of petty cash. If the separation of expenses is carried out in its management, the amount of petty cash is not so large.

[8] said that PT Es Hupindo South Lampung in recording petty cash flows uses the fixed fund method (imprest system) and still uses Microsoft excel formulas, although the results of petty cash flow reporting are quite good, but the management of petty cash flows still takes a long time and in petty cash control has not been implemented optimally. For the design of developing an internal control system using the Extreme Programming method. In system analysis and design, there are design techniques that include problem identification using PIECES, system requirements analysis, BAD (Document Flow Chart), Use Case Diagrams, Activity Diagrams, and Class Diagrams.

[9] said that PT Bank BRI Syariah Madiun regarding the accounting information system for the use and management of petty cash has not implemented the system effectively, as evidenced by the lack of separation of functions regarding the management of petty cash funds so that there needs to be a clear separation of functions because GA (General Affairs) carries out double functions/dual responsibilities.

[10] said that PT. Sungai Budi already has an organizational structure that separates functional responsibilities. Implementing an internal control system in the organizational structure, namely by establishing an organizational structure that assigns responsibilities according to each functional function. Employees holding cash funds are divided into two, namely petty cash cashiers and large cash cashiers.

[11] said that the problem found at the research location was that it had not been able to produce financial reports regarding petty cash expenditures precisely, quickly and accurately. This is because no accounting information system covers the process of receiving and disbursing petty cash. Currently, when presenting petty cash financial reports, Microsoft Office Excel 2007 is still used, where additional errors can occur due to accidental deletion of formulas, resulting in additional errors that are more difficult for beginners to learn.

Reviewing the previous research that has been described, the authors are interested in conducting research on the method of recording petty cash at LPK SCK whether it is in accordance with the Standard Operating Procedure (SOP) and the petty cash recording system is in accordance with the theory. The novelty of this research is that because it has just been established, there are no researchers who have examined the method of recording petty cash at LPK SCK. So based on the background that has

been described by the author, the purpose of this study is to evaluate the method of recording petty cash at LPK SCK.

2. Method

In examining the method of recording petty cash at LPK SCK, researchers use a qualitative method with information collection taken using interviews, observation and analyzing data. Interviews were conducted with parties directly involved in recording petty cash. Observations are made directly at the company by collecting information related to the implementation of petty cash recording. Analyzing data is by observing the implementation of petty cash recording. See whether the implementation of the recording carried out is in accordance with the actual theory and SOP, making conclusions or analyzing the implementation of petty cash recording. The reason researchers choose this research method is because researchers need data analysis, observations when recording petty cash and statements from petty cash fund holders to obtain relevant data.

3. Result and Discussion

Petty cash is money provided to pay for expenses that are relatively small in amount and not economical if paid by check. Examples include purchasing office stationery, paying for electricity and telephone, paying for PDAM, paying for transport costs and other payments. Apart from financing small nominal expenses, petty cash (Petty Cash) can be used for small, sudden payments without having to issue a check for payment. [12] said that petty cash is cash that is used to make payments for routine expenses of a company and company agency with a relatively small amount. Thus, a company must select selected staff to manage petty cash funds well so that the company's operational activities are not hampered and run smoothly. Cash plays an important role in the operational payment process. [13] Generally, the effectiveness of cash control is very much needed in carrying out business activities as well as for maintaining the viability (continuity) of the company [14].

As a newly established institution in 2021, LPK SCK is arguably just pioneering the development of this job training institution so that it is not inferior to long-established institutions. So that activities involving cash are always operating almost every day. Therefore, the leadership of LPK SCK established a petty cash fund to facilitate the

institution's operational activities every day. The policy taken by the head of the institution is to form a petty cash fund with a fixed fund system (Imprest Fund System).

LPK SCK determines that petty cash is replenished once a week or fortnight after reporting. The petty cash fund is used to finance day-to-day operational activities with a small nominal value. The budget limit of the petty cash fund is set at IDR3,000,000. If in one week there are obstacles in reporting, usually the petty cash fund holder reports replenishing the petty cash fund the following week. So it could be that the petty cash fund will experience a minus due to a shortage in the petty cash fund. However, the shortage of funds will be borne by employees first and after replenishing the money will be replaced by the petty cash holder. Replenishment of petty cash will adjust the required expenses and if there is a shortage of funds due to duplicate reporting, replenishment according to the nominal including the shortage borne by the employee.

If there are no reporting constraints within one week, the petty cash fund holder will report for petty cash replenishment. So that petty cash does not experience a shortage of funds. The petty cash holder doubles the reporting for replenishing petty cash only if the large cash fund holder is absent or has other activities outside the office. So that the reporting is not approved and will automatically follow the reporting the following week. That is what causes the petty cash fund to be minus or underfunded. However, replenishment of petty cash is indeed done when the petty cash balance is running low. In recording and replenishing petty cash funds, several stages of the procedure must be carried out.

3.1. Petty Cash Recording Procedure at LPK SCK

The procedure stage for recording petty cash until it is replenished requires several steps which the author describes in the form of a Flowchart as follows:

In addition to the Flowchart above, the author also includes a procedure for recording petty cash at LPK SCK which contains the following steps:

1. Employees fill out a money request form.
2. After filling out the form, it is submitted to the petty cash holder along with proof documents.
3. The cash holder checks the form filled out by the employee to check the equality between the nominal written on the form and the documentary evidence attached.
4. The petty cash holder receives forms and documentary evidence from employees.

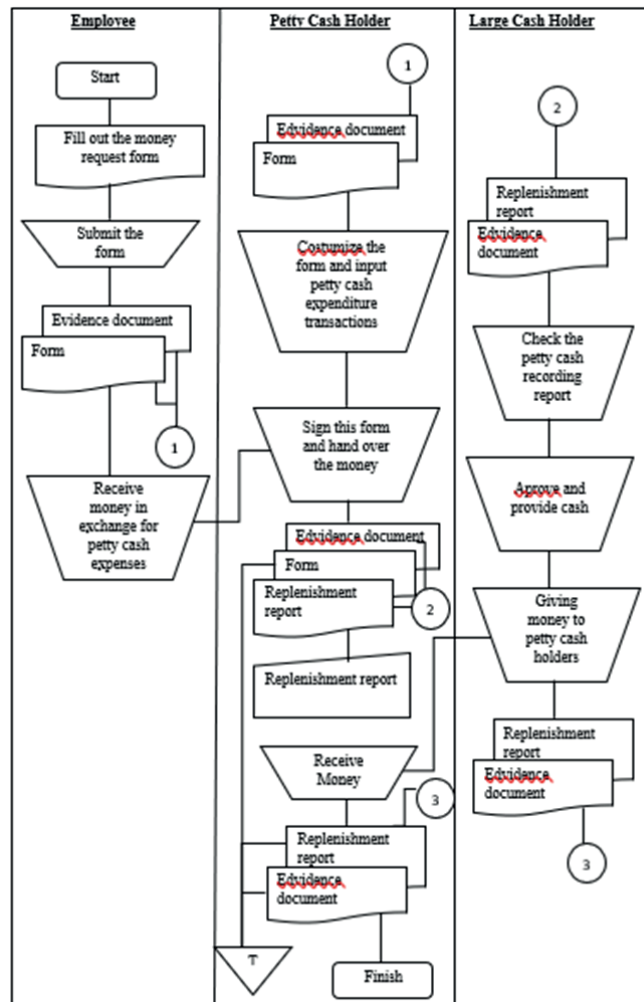


Figure 1: Flowchart of recording and replenishing petty cash funds.

5. Forms and documentary evidence are adjusted by the petty cash fund holder, if it is appropriate then input the petty cash expenditure transaction into the report.
6. Once inputted, the document is signed along with the reimbursement to the employee.
7. The form is kept temporarily by the petty cash fund holder.
8. After the petty cash runs low, the petty cash fund is replenished with the flow of the petty cash holder making a report on replenishing the petty cash fund which is then submitted to the financial manager or large cash holder.
9. The petty cash fund holder submits a replenishment report attached with proof of fund expenditure transaction documents to be checked by the cashier or finance manager.

10. After the holder of the large cash fund approves, marked by giving a signature on the report, the petty cash holder is given cash in the amount written on the report for replenishment. The replenishment report and proof of transaction are returned to the petty cash fund holder for filing.
11. The petty cash holder receives the cash followed by filing the replenishment report document and evidence document by date.

After seeing the stages of the procedure above, the author can see the advantages and disadvantages that exist from the stages of the procedure that are passed. The advantages are that employees carry out the stages and comply with the SOP correctly, always include a receipt or receipt document. The disadvantage is that employees do not have any archives after the petty cash expenditure transaction. When there is a mismatch or the petty cash fund holder is negligent in archiving, employees will find it difficult to find proof of bon or note. Because there will be obstacles in replenishing petty cash.

3.2. Parties Involved in the Implementation of Petty Cash at LPK SCK

When a company has a petty cash fund holder, there are parties involved to support the implementation of petty cash. If one of the parties is missing, petty cash will not be implemented because the parties are mutually needed and related. As with the management of petty cash at LPK SCK, there are several parties involved in the management of petty cash, namely employees, petty cash fund holders, large cash fund holders (financial managers) and heads of institutions as approvers when replenishing petty cash. The following researchers will explain the parties involved:

1. Employee

Employees are people who work in an agency or institution who sell their energy (physical and mental) and get compensation according to the agreement. In LPK Selna Cipta Karya, employees have the right to request money from the petty cash fund holder as long as the money is used for the benefit of the institution. With the condition that when using money, employees request proof documents such as: receipts, notes or receipts to be given to the petty cash fund holder as proof when requesting money. Not only one employee is allowed to request petty cash funds, but other employees are also allowed to request petty cash funds if the funds are used for the benefit of the institution.

2. Petty cash fund holder

Petty cash fund holders are employees who are given the responsibility of holding petty cash funds. At LPK SCK, the petty cash fund holder has the right to give the money needed by the employees for the benefit of the institution. He also has the right not to give money if the money is used for interests that are outside the interests of the institution. The petty cash fund holder not only holds the money, he also records the transactions of funds issued for anything.

3. Financial managers or large cash fund holders and heads of institutions

The financial manager or cash holder is the party with an interest in holding the finances of an agency or institution and is responsible for the entry or exit of money in an agency or institution. At LPK SCK he is responsible for checking all financial transactions including the recording of petty cash transactions that have been issued by the petty cash fund holder. The financial manager will replenish the petty cash fund if the petty cash fund holder has reported the replenishment.

3.2.1. Records Involved in Recording Petty Cash at LPK SCK

In recording petty cash, there must be records involved in it. The records will serve as supporting documents or evidence to disburse the money used when buying the needs that have been needed. Therefore the document is very important and needed in a petty cash recording. The following notes or documents are involved in the implementation of petty cash at LPK SCK:

1. Petty Cash Expenditure Request Form

This document is used by petty cash users or employees to request a certain amount of money to the petty cash fund holder. Before requesting a certain amount of money, employees fill out a form that will be submitted to the petty cash fund holder for disbursement. This form contains the date at the time of the request, the amount of money requested or needed and a description of the use of money accompanied by the signature of the employee submitting the request for money. Usually employees already have the form. So do not have to ask the petty cash fund holder first.

2. Evidence of petty cash expenditure

This evidence is used by employees to be attached when submitting a petty cash expenditure request form to the petty cash fund holder. This evidence document

can be in the form of notes, receipts, payment receipts and others. The proof document of the note, receipt and receipt contains the date when the purchase was made, the number of items purchased, the name of the item purchased, and the nominal price of the item purchased. This evidence is used by users of petty cash funds to account for the use of money spent, besides that it is also attached when replenishing petty cash funds which will be submitted to the large cash fund holder. After the expenditure is adjusted, the employee will get a reimbursement in accordance with what is written on the receipt, note or receipt.

3. Petty Cash Replenishment Request

This document is used by the petty cash fund holder to request replenishment of petty cash funds to the large cash fund holder or financial manager. Proof of replenishment request is made in two forms, namely in the form of a physical document and in the form of a database. But what is submitted to the large cash fund holder to replenish the petty cash fund is a physical document (printout). Proof of request for replenishment of petty cash contains transaction data on money issued by petty cash funds for operational activities up to the time of replenishment. Usually the manager provides a cheque to be cashed at the bank by the petty cash fund holder. Unlike in LPK SCK, the petty cash fund holder or finance manager directly gives cash to replenish the petty cash fund.

3.3. Evaluation Of Petty Cash System

The advantages of this system require a short time, employees and all parties involved agree and run according to the rules set. Shopping and disbursement of funds does not require a long time because charging is directly given cash. Good and correct petty cash is seen from the functions involved, among others, (1) cash function, (2) accounting function, (3) petty cash fund holder function, (4) functions that require cash payments, (5) internal audit function (Mulyadi, 2018). The documents that should be used are (1) proof of cash out, (2) request for replenishment of petty cash, (3) proof of petty cash expenditure which consists of (a) submission of cash requests and submission of goods, (b) receipts, (c) proof of cash out (Mulyadi, 2018).

The weakness is that employees still involve employees' personal money for purposes that are used for the benefit of the institution. There is no separation of duties performed by petty cash fund holders. Petty cash fund holders still have other responsibilities besides holding petty cash funds. Supposedly if using a fixed fund system (imprest fund system) the petty cash balance is always fixed because all cash receipts

or vouchers are considered cash. At the time of replenishing Petty Cash, the check or voucher is debited as an expense and cash / bank is reduced to credit (Suharli, 2006).

(Mulyadi, 2018) While the flowchart of petty cash expenditure procedures with a good and correct fixed fund system (imprest fund system) should be described as follows.

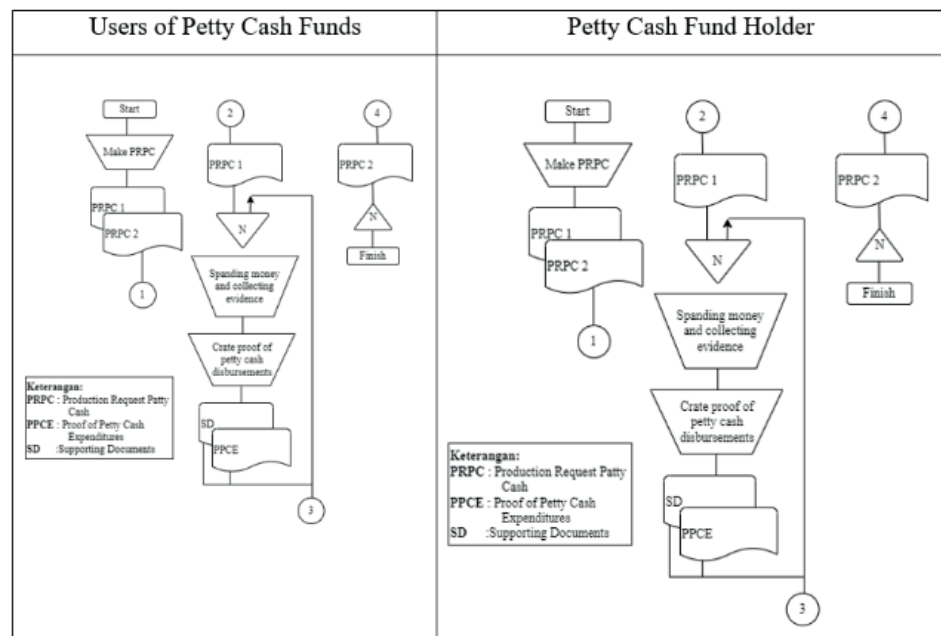


Figure 2: Mulyadi. 2016. Accounting System. 4th edition. Jakarta. Fourth Edition.

Financial management in a company is the main key to the company’s operational activities and cannot be separated from activities related to cash. In carrying out its operational activities, one of the systems that is expected to support the company’s success is a system of control and supervision of cash and the formation and management of petty cash [15]. Apart from those mentioned above, internal control principles also need to be considered, such as determining responsibilities, task verification, documentation and physical, mechanical and electronic control.

4. Conclusion

In the application of petty cash that is carried out in accordance with the procedure and in recording it has been carried out according to the flow determined by the institution. But there are some that are less precise and not in accordance with the accounting information system that should be applied by users of the petty cash imprest fund system seen from the principle of internal control, namely the determination of responsibility, the petty cash fund holder at LPK SCK is still doing a double job. In addition to holding petty cash funds, he is also responsible for coordinating new students. Separation of

duties should be done so that there is no fraud, errors or fraud that can occur. Different jobs should be done by different employees. In addition, the use of petty cash still involves employees' personal money.

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