

Problem 8-2A

Establish, reimburse, and adjust petty cash

P2

Kiona Co. set up a petty cash fund for payments of small amounts. The following transactions involving the petty cash fund occurred in May (the last month of the company's fiscal year).

- May 1 Prepared a company check for \$300 to establish the petty cash fund.
- 15 Prepared a company check to replenish the fund for the following expenditures made since May 1.
- a. Paid \$88 for janitorial services.
 - b. Paid \$53.68 for miscellaneous expenses.
 - c. Paid postage expenses of \$53.50.
 - d. Paid \$47.15 to *The County Gazette* (the local newspaper) for an advertisement.
 - e. Counted \$62.15 remaining in the petty cash box.
- 16 Prepared a company check for \$200 to increase the fund to \$500.
- 31 The petty cashier reports that \$288.20 cash remains in the fund. A company check is drawn to replenish the fund for the following expenditures made since May 15.
- f. Paid postage expenses of \$147.36.
 - g. Reimbursed the office manager for business mileage, \$23.50.
 - h. Paid \$34.75 to deliver merchandise to a customer, terms FOB destination.
- 31 The company decides that the May 16 increase in the fund was too large. It reduces the fund by \$100, leaving a total of \$400.

Required

Check (1) Cr. to Cash:
May 15, \$237.85; May 16,
\$200.00

Analysis Component

1. Prepare journal entries (in dollars and cents) to establish the fund on May 1, to replenish it on May 15 and on May 31, and to reflect any increase or decrease in the fund balance on May 16 and May 31.
2. Explain how the company's financial statements are affected if the petty cash fund is not replenished and no entry is made on May 31.