

# Accounting for advances

## Advances accounted for on the same day and to the same person

### Method 1

A driver is given (advanced) some cash and sent out to buy supplies. He will be expected to return within a few hours or at the latest the next day with the supplies and receipts plus the balance of any unspent cash.

The driver signs a receipt for the advance when he receives it. The receipt is kept by the person who provided the advance but not entered into any record.

When the driver returns and accounts fully for the advance, the receipt he signed for the advance is destroyed in front of him.

The receipts for the purchases are then recorded in the Cash Book of the person who advanced the cash as if she, not the driver, had made the purchases.

In an established office cash advances and payments are generally small and are made by a Cashier from Petty Cash. Receipts for advances will be kept in the Petty Cash Box until they are accounted for and then destroyed.

For example, many of the purchases made by Petty Cash in the sample '**Petty Cash Book**' were made by a driver using advances, but no advances to drivers appear in the Petty Cash Book, only the purchases themselves.

In an emergency the amount of money may be much higher, but the same system can be used.

## Advances accounted for days or weeks later but to the same person

A relief worker is advanced a large amount of cash to make payments on behalf of the organisation over a number of days or weeks.

The relief worker signs a receipt for the advance and keeps a copy. She records details of the advance in her Cash book.

The book-keeper who advances the money keeps the original signed receipt and records details of the advance into his own Cash Book as for any other payment.

If the book-keeper often advances money, he also keeps an Advances Register, in which he records details of each advance as it is given.

The relief worker will have to account for the payments she has made and return any unspent balance. This can happen in a number of different ways and accounting practices may vary. Three possibilities are shown in Methods 2 – 4 below.

### Method 2 – accounting in full

The relief worker accounts for the advance in full. She accounts for all the payments she has made and returns any unspent balance to the book-keeper. Her accounts are brought into the book-keeper's Cash Book, who records that the Advance has been accounted for in his Advances Register if he maintains one.

This is preferred option if the relief worker concerned will not make any further expenditure on behalf of the programme.

For example see how the advance to Alan Greenspan has been recorded and accounted for in '**Team member cash book AG Zed**', '**Cash and bank book Zed**' and '**Register cash advances**'.

### **Method 3 – top-up**

The relief worker accounts for any expenditure since she last presented her accounts or received an advance (e.g. at the end of the month or when she has little money left but needs to make further payments). She presents a list of all the payments made but keeps the unspent balance. Her accounts are brought into the book-keeper's Cash Book and the relief worker receives an amount of money (top-up) equal to the amount accounted for. This top-up is recorded in both the relief worker's and the book-keeper's Cash Books. But it does not need to be recorded in the book-keeper's Advance Register as the original advance simply remains as unaccounted for.

This is the preferred option if the relief worker concerned will continue to make expenditure on behalf of the programme and is also the best method of operating Petty Cash in an established office.

For example see how only the initial advance is recorded as an advance and how replenishments are recorded and accounted for in '**Petty Cash Book**', '**Cash and bank book Zed**' and '**Advances register**'.

### **Method 4 – further advance asked for without any accounting**

The relief worker does not provide any accounts for the advance he has already received before asking for another advance. If the request is approved, the extra money is still an advance and should be entered in the relief worker's and the book-keeper's Cash Books as an advance and also recorded in the book-keeper's Advance Register.

This is the worst option.

For example see '**Team member cash book BW Zed**', '**Cash and bank book Zed**' and '**Register cash advances**' and compare with Method 3 above. It is unclear for instance how to record in the register that only part of the advance has been accounted for.

## **Advance accounted for weeks later and to a different person**

### **Method 5**

A relief worker is advanced a significant amount of cash in the field but does not account for the advance before leaving the programme at the end of the assignment. The relief worker agrees to account for the advance to Headquarters.

In theory, this can work but in practice, it is complicated and open to errors and even abuse.

Wherever possible, all advances should be accounted for to the same person who provided the advance.