

CASH TRANSACTIONS

BUSINESS ADVISORY ACTIONABLE PRINCIPLES



727-530-0036
www.busadvisory.com
2641 McCormick Dr. Suite 103
Clearwater, FL 33759



TRACKING CASH TRANSACTIONS

Benefits of tracking



Improved transparency

- » Provide better financial statements to investors and creditors



Reduced risk of cash loss

- » Better able to monitor cash in and out of business



Accurate accounting records

- » Make decisions based on a complete set of numbers



Minimize audit risk

- » Make decisions based on a complete set of numbers
- » Generate an accurate tax return and avoid or stand up under audit

Need comprehensive system to track cash in and out

- » Use a ledger that tracks all activity
 - Can be manual or digital
 - Categorized for type of transaction



DOCUMENTATION NEEDED

Items to document in a cash transaction



Date



Amount



Invoice or transaction number (if applicable)



Description of transaction



Name of payee (or payor)

TOOLS TO TRACK

Ways to track transactions

» Sales and cash receipts journal

- Money received for the day

» Daily cash sheet

- Reconcile cash received and paid out for the day
- Should reconcile with daily deposits made to the bank

» Cash disbursements journal

» Bank reconciliation

- Reconcile cash with monthly bank statement
- Helps detect irregularities or fraud

» Petty cash fund

- Used to pay for miscellaneous small expenses
- Establish a balance for the fund
- As money is spent retain receipts
- Replenish fund for the total amount of receipts



CONTROLS FOR CASH HANDLING



Include the following to reduce the risk of fraud

-  Segmented duties with respect to handling
-  Document all cash transactions
-  Daily (or regular) reporting
-  Keep cash locked up or secure
-  Independent verification
-  Monitor bank accounts and deposits regularly



FAQS

» Do I have to report cash sales in my business on my tax return?

- » Yes, you must report all cash sales as income on your tax return. This includes any income you receive in the form of cash, checks, payment apps or any other forms of payment.

» How do you write a receipt for a cash payment?

- » If you are writing out a receipt for a cash payment, include the date, items purchased, quantity of each item, price of each item, total price, type of payment and payment amount, and your business name and contact information.

» Does the IRS know if you have cash?

- » The IRS does not know if you have cash and would not likely determine if you do from your basic tax return. If you are audited the IRS will request your bank statements and trace the deposits to and withdrawals from the account.

» Can I pay my employees “cash under the table?”

- » No, paying employees cash under the table is illegal and constitutes tax fraud. As an employer you must follow the rules and regulations related to paying employees and issuing paychecks that include withholdings for taxes.

» If I pay a contractor in cash, do I have to report this in my business?

- » Yes, you must report all cash payments to contractors on your business tax return. If the amount exceeds \$600 in a give year you must also issue a 1099 to that recipient.

» How do you record business expenses paid in cash?

- » Business expenses paid in cash should be recorded by logging the expense in an accounting software or spreadsheet as a debit to an operating expense account and a credit to cash. It is important to document the date, merchant, amount, and purpose of the expense. It is also advisable to keep receipts or copies of any documentation of the expense.

