

# Accounting for programme advances

These are typical examples of how programme advances are accounted for.

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

### Method 1

A team-member gives (advances) some cash to a driver, and sends him out to buy supplies. The driver is expected to return within a few hours with the supplies, receipts for each item, and any unspent cash.

The driver signs a temporary receipt for the advance when he receives it. The team member keeps the temporary receipt until the advance is accounted for but she does not enter it into her cash book.

On his return, the driver accounts for the advance by producing the actual receipts and giving back any unspent cash to the team member. She then destroys the temporary receipt which he signed for the advance in front of him.

The team member records each payment in her cash book as if she, not the driver, had made the purchases.

In an established office such advances are generally small and are made by a cashier from petty cash. The cashier keeps the temporary receipts for these advances in the petty cash box until they are accounted for and then destroys them.

In an emergency the amount of cash given out as advances may be much higher, but the same system can be used. If there are a large number of advances, it is useful to record each advance in a programme advance register. This helps to make sure all advances are accounted for.

### Example

Many of the purchases made from petty cash in the sample petty cash book in systems resources were made by a driver using advances, but no advances to a driver appear in the petty cash book, only the purchases themselves.

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

A book-keeper advances a large amount of cash to a team member to make payments on behalf of the organisation over a number of days or weeks.

The team member signs a receipt for the advance, keeps a copy, and records details of the advance in her cash book.

The book-keeper keeps the original signed receipt and also records details of the advance in his cash book as for any other payment.

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

The team member will have to account for the payments she makes and eventually return any unspent cash. There are a number of different ways to do this. Three possibilities are given in Methods 2 – 4 below.

### Method 2 – accounting in full

The team member accounts for the advance in full by presenting a copy of her cash book with the original receipts attached and returning any unspent cash to the book-keeper. The book-keeper does not write her individual payments into his cash book but instead uses the copy of her cash book and attached receipts to justify the total amount spent, rather like a receipt. He enters the unspent cash as negative expenditure in his cash book and also records that the advance has been accounted for in his programme advance register, if he keeps one.

This is the best method if the team member will not make any further expenditure on behalf of the programme.

### 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 in Zed
- Programme advance register

in systems resources.

### **Method 3 – top-up**

The team member accounts for any expenditure since she last presented her accounts. This may be 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 with supporting vouchers to the book-keeper but keeps the unspent balance. The book-keeper gives her an amount of money (top-up or replenishment) equal to the amount accounted for.

They both record the top-up in their cash books. The book-keeper does not however have to record each individual payment in his cash book; he simply uses the team member's list of payments and the attached vouchers like a receipt to justify the top-up payment. He does not record the top-up in his programme advance register but the original advance remains as unaccounted for.

This is the best method if the team member will continue to make payments for the programme. It is also the best method of operating petty cash in an established office. This method is sometimes called an imprest system of accounting.

#### **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
- programme advance register

in systems resources.

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

The team member 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 another advance and is entered in both the team member's and the book-keeper's cash books as an advance, and also recorded in the book-keeper's programme advance register.

This is the worst option.

#### **Example**

See the advances to Bill Whitelaw in:

- team member cash book BW Zed
- cash and bank book Zed
- programme advance register

in systems resources and compare with Method 3 above. It is unclear 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 team member is advanced a large amount of cash in the field but does not account for the advance before leaving the programme at the end of the assignment. The team member says that he will account for the advance to head office.

This can work in theory, 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.