

CHAPTER 3

Managing money

Learning objectives

After studying this chapter and doing Exercises 49 and 50 on pages 246–248, the health worker should be able to:

- **keep accounts (i.e. make the necessary entries in a ledger)**
- **use a petty-cash imprest system.**

Managing money in a health service is complex and responsible work, which is done mainly by accountants or finance officers. The health-worker manager of a small unit such as a health centre usually has very little responsibility for spending money. Sometimes, however, a health worker may be asked to record the spending of money (i.e. to keep accounts).

There are two types of money:

- *Invisible money, or budgetary allocation.* This is money that is not seen or handled. It is a 'paper credit' given as an allowance, allocation or warrant of funds.

For example, the government may give a health centre an allocation of \$500 to draw drugs from the government medical stores. The health centre accounts for the drugs drawn from this store, with a paper called an order or requisition to be charged against the allocation. Actual money does not pass through the health centre, but a written account must be kept of each order or requisition used against the allocation (in this case \$500).

- *Visible money, or cash.* This is money that is seen and handled. It is advanced to the health worker to spend for the work of the health service. It is called cash. It is not safe to have a large amount of cash at

the health centre as it may be stolen. For this reason 'visible' money is usually small in amount and is called 'petty cash'.

3.1 Keeping an allocations ledger (or spending 'invisible' money)

The government (or any other organization) may allocate an amount of 'invisible' money to a health unit. It is usually for a definite purpose and can be spent only for that purpose, e.g. for drugs, equipment or transport. Accurate records of how this allocation is spent must be kept in an allocations ledger (accounts book). An allocations ledger should show the amount allocated and the detailed use of the allocation.

The layout of a typical allocations ledger is shown below.

Date	Description/Purpose	Document reference (folio no.)	Order or requisition (debit)	Allocation (credit)

Filling in an allocations ledger

The allocation of 'invisible' money may be granted either monthly, quarterly or annually. When the amount is granted, the date, the purpose and the amount are recorded in the allocations ledger. The reference number of the document that confirms the grant of the money is written in the column headed "Document reference (folio no.)", in order that the original document can be found again when necessary.

When a purchase is made, the date, the order (or requisition) and the amount are also immediately recorded. The number of the requisition form or order-form is written in the "Document reference (folio no.)" column. From this number the order (or requisition) can be found again in the files that hold copies of the order-forms or requisitions.

At certain intervals, perhaps monthly or quarterly, the amount paid out is totalled and deducted from the amount allocated (or received).

The unused balance of allocation is then 'brought forward' (B/F) and added to the new allocation for the next month, quarter or year, according to the interval chosen.

Example: An allocations ledger where a sum of \$500 is granted every three months for drugs

Date	Description/Purpose	Document reference (folio no.)	Order or requisition (debit)	Allocation (credit)
1.7	Allocation for 3 months (July–Sept.)	36		500.00
3.7	Requisition	54	253.20	
15.7	Requisition	55	26.70	
1.8	Requisition	56	134.30	
5.9	Requisition	57	69.00	
	Totals		483.20	500.00
	Balance		16.80	
30.9	Balance brought forward (B/F)			16.80
1.10	Allocation for 3 months (Oct.–Dec.)	37		500.00
5.10	Requisition	58	276.80	

Note: Drugs that have been ordered will be found by referring to the file containing copies of requisitions numbers 54 to 58.

3.2 Using a petty-cash imprest system (or spending 'visible' money)

'Petty cash' means a small amount of money. Most workplaces find it convenient to have some petty cash. 'Invisible' money (allocations) can be

used for large purchases such as drugs and equipment, but there are many small items that cannot be paid for with allocations, e.g. bus fares.

Petty cash is advanced to the health worker to be used exclusively for certain authorized health service needs. What the health worker is allowed to buy or pay for with petty cash may vary from one place to another. The following are some examples of the types of item that are sometimes paid for with petty cash.

Transport:	bus fares, mending bicycle punctures, petrol
Postage:	stamps, telegrams, calls from a public telephone box
Cleaning needs:	soap, detergent, antiseptic, furniture polish
Office needs:	paper, envelopes, glue, string, adhesive tape, pins
Sundries:	matches, paraffin, candles, tea, emergency supplies.

The imprest system

An imprest is an advance of cash given for a particular purpose and replenished as necessary. An imprest is always restored to its original level. In this way it is different from a grant, which is a definite amount for a definite period. An imprest may be replenished at any time when the cash balance is becoming low.

Thus, if special needs arise, the imprest cash may be spent within a week, but at other times it may last for one or two months. Whatever the period, the imprest will be replenished to the original level, provided that the money spent has been accounted for.

Suppose that a health worker is given an imprest of \$40. He finds his office supplies are low, so he buys some stationery (carbon paper, stamps, glue, paper-clips) all in one week. He spends a total of \$32.20, leaving an unspent balance of \$7.80. He then takes his receipts and petty-cash book to his finance officer, who will give him \$32.20 in cash to make the imprest up to \$40 again. The imprest is now replenished. It may now take several weeks before he uses all the office supplies he bought, so that he may not need to replenish the imprest for a month or more.

An imprest is replenished only against original receipts for money spent; this prevents misuse of funds.

At any time unused cash plus disbursements must add up to the imprest level.

The petty-cash voucher

Each time money is spent from the petty-cash box, it must be recorded on a form. This form is called a petty-cash voucher. Each petty-cash voucher is numbered and is kept and filed in order.

Each petty-cash voucher must have a receipt attached to it from the person who sold the goods. If this is not possible, the voucher must be signed by the health worker in charge of the petty cash. Vouchers must be kept carefully because the finance officer, chief cashier or auditor may ask to see them at any time.

Example: A petty-cash voucher (PCV)

Voucher No.	PCV 17
Date	11.12.1992
<i>PETTY CASH VOUCHER</i>	
<i>Goods</i>	<i>Amount</i>
	\$
1 packet candles	4.25
1 box matches	0.50
	4.75
Encl. receipt (to attach to the PCV)	
(by health worker who made the purchase)	
Signed
(by finance officer)	
Passed

Keeping petty-cash records

There are two ways of keeping petty-cash books, as described below.

The simple petty-cash book

The simple petty-cash book is used to record small amounts and where there is no need to show the breakdown of expenditure by category.

A simple petty-cash book has five columns, as shown in the following example.

Example: A simple petty-cash book

Date	Details	Voucher no.	Amount	
			Received \$	Paid out \$
1.4	To imprest (original funding)	—	40.00	
2.4	Stamps	1		8.40
3.4	Bus fares	2		5.30
8.4	Telegram	3		4.20
11.4	Stamps	4		2.20
	Bicycle puncture	5		2.70
	Stationery	6		5.60
12.4	Kerosene	7		3.80
15.4	TOTAL		40.00	32.20
	Balance			7.80
16.4	Balance B/F		7.80	
	To imprest (replenishment)		32.20	

In the example above an imprest of \$40 is established; seven payments have been made, totalling \$32.20, using seven petty-cash vouchers, leaving a balance of \$7.80. At this point the imprest is restored to the original \$40 by adding the amount replenished (\$32.20) to the remaining balance (\$7.80).

The columnar petty-cash book

A columnar petty-cash book provides more details than the simple type. It has the advantage that each type of expenditure is recorded in a separate column. It shows not only the total spent but also how much is spent on separate items such as stamps, bus fares, office stationery, etc.

An example of a page of a columnar petty-cash book is given below. It shows the same items as the simple petty-cash example above, but in this case the amount spent is recorded in separate headed columns according to the type of expenditure. Each column is added vertically. The totals of the "Paid out (details)" columns are added horizontally. These must tally.

The original imprest level minus the total expenditure gives the balance in hand. The balance in the petty-cash book must agree with the cash held in the box.

Example: A columnar petty-cash book

Date	Details	Voucher no.	Amount		Paid out (details)			
			Received	Paid out (total)	Postage	Transport	Office	Sundry
1.4	To imprest (original funding)	1	40.00					
2.4	Stamps	2		8.40	8.40			
3.4	Bus fare	3		5.30		5.30		
8.4	Telegram	4		4.20	4.20			
11.4	Stamps	5		2.20	2.20			
	Bicycle puncture	6		2.70		2.70		
	Stationery	7		5.60			5.60	
12.4	Kerosene	8		3.80				3.80
15.4	TOTALS		40.00	32.20	14.80	8.00	5.60	3.80
	Balance			7.80				
16.4	Balance B/F To imprest (replenishment)	9	7.80 32.20					

The imprest level is given in the 'Received' column. The number of each petty-cash voucher form is written in the appropriate column. In the example above, the imprest is replenished after 16 days. A larger imprest would be a serious responsibility in view of the risk of theft.

KEEP THE PETTY CASH UNDER LOCK AND KEY!