Point Of Sale System / Till / Cash Out

Components of a Typical POS System/Till /Cash Register

Sales

Every sale of a product is entered into the Point Of Sale system, Till or Cash Register.

Sales may be reported by department according to how the register or POS system has been set up. For example, in a restaurant or cafe it is common to show sales by departments such as food, beverage, take-away, grocery products and so on.

All department sales are reported as part of a total sales figure generated per day, and this report is usually produced as a "Z-Read" from the register or POS system.

Adjustments

Different systems use different names for "adjustments", but the key element here is that adjustments are any financial movement **in or out** that affects the balance in the cash drawer, that is **not** a sale.

Examples of adjustments that **increase** the balance of the cash drawer include:

- o Float paid into the till so that change can be given to customers
- o Customers that pay money on an account balance owed to the store
- o Surcharge for out-of-hours or holiday trading
- o Or anything else that is paid into the cash drawer that is not a sale.

Examples of adjustments that **decrease** the balance of the cash drawer include:

- o Monies paid out to suppliers for goods purchased by the store
- o When a customer pays by credit/debit card and takes out extra cash
- o Monies paid out for the boss to go to lunch
- o Monies paid out for staff wages
- o Staff discounts
- o Safe drops where excess funds are taken out of the till and placed in a safe to reduce losses from robbery
- o Or anything else that is paid out of the cash drawer.

Finalisations

Finalisations are the ways in which sales are completed, finalised or paid for. Obvious examples of finalisations include:

- o Cash
- o Cheques
- o Credit Card Payments
- o EFTPOS

However, there are some types of finalisations which are less "obvious". These include:

- o Charge sales to in-store accounts. In this case, the charge to the account finalises a sale, but in accounting terms, a journal entry is then made to a "trade debtors" asset account. With cash and bankable finalisations there is also an entry made the asset account "Cash on Hand".
- o Gift Certificates/Coupons. These could also be handled as an adjustment depending on store policy, but more usually they will be a type of finalisation.
- o Staff Giveaways. If staff are permitted to take stock such as drinks for their own use on the job, this needs to be recorded, otherwise stock will go out of balance. Treating these giveaways as sales that are finalised as "Staff" keeps stock figures accurate and allows you to track the value if what is given away.
- o Breakage/Spoilage. Breakage reduces the quantity and value of stock on hand, and is one form of shrinkage. If this is tracked as a "sale", stock can be kept more accurate, and management is alerted to problems earlier than at a 6 monthly stocktake.
- o Complimentary. This is where management gives something to a customer "on the house". Once again, tracking this is necessary to maintain stock control, and prevent fraud.

The Z-Read shows a listing of the items in each of these categories, along with a subtotal of each of the categories.

The key principle on a Z-Read, is the formula:

Total Sales + Total Adjustments = Total Finalisations.

Balancing the Till

The primary reason for installing a Point of Sale system is so that transactions can be measured accurately so as to enable management to decide what actions to take in certain areas, if any.

Frequently, when implementing a POS system, management will indicate that they are not concerned about something such as:

- One or two drinks that staff take out of the refrigerator for personal consumption
- The $50.00 that the boss takes out of the till on his way to lunch
- The money paid out to the vendor that delivers milk
- Or whatever else they think is unimportant.

Certainly it is the right of management to determine what factors they consider important. However for tax, (and for correct accounting reporting), the above items have to be recorded. There can be no reduction in declared income because the item isn't "important".

The function of the Point of Sale system is to track what is actually happening, so that management can make an informed decision about what they want to monitor and control. Frequently, when management realises how much the various items actually total, they change their minds about what they consider "important".

The first step in balancing the till is to **physically count the till**. This should **not** be done by the staff member that has processed the transactions, because of the risk they would pocket any overage.

The physical count should be recorded on a Daily Takings Sheet that lists the actual denominations of money counted, bills paid, cash taken, etc with the final total compared to the Z-Read of the till.

Ideally, the Daily Count will reconcile to the Z-Read of the till.

Discrepancies will occur from time to time, as no operator is perfect. The key issue is to identify when errors occur and why.   Small amounts of discrepancy can be allocated to an expense account called "Unders/Overs" or similar. Larger discrepancies should be investigated as to why they have occurred. Each business should decide what is an acceptable threshold of "unders and overs" per day according to the size of the business and the proportion of cash sales involved.

The decision about what action to take about discrepancies is a **separate** issue. The key is to accurately determine what happened.

Where there is a difference between the physical count and the amount show on the Z-Read, the reason will **always** be one or a combination of the following:

1. Not all the transactions were processed through the POS.
2. The cash has been miscounted.
3. Incorrect change was physically transacted. For example, the customer received a $20.00 note when they should have been given a $10.00 note.
4. The float figure reported (money in drawer at the beginning of the day to enable change to be given) was not the actual float amount in the drawer.
5. The sale was finalised to the wrong finalisation method. For example, an EFT finalisation is processed as cash. In that case there would be an overage on the EFT reading equating to an underage in cash.
6. An EFT "Cash Out" was entered on a standalone EFT terminal as a sale.
7. If sales figures are higher than reality, it is possible that sales already existed in the system, and it was not zeroed correctly at the beginning of the day

One thing that complicates matters is that during an entire shift, more than one error may have occurred. In cases where proper cash control disciplines have not been in place, the chances of staff mis-keying and skipping transactions are far higher. The following troubleshooting tips can help to resolve cash balancing issues:

- Try balancing the till for smaller periods rather than the entire day. Some POS systems allow an X-Read to be performed throughout the day. Then a Z-Read and final till count would be performed at the end of the day, to reconcile against the periodic counts done throughout the day.
- Ensure that a printed receipt is kept for **every** transaction including adjustments, complimentary sales, and staff usage.
- Keep a spreadsheet if you do not have accounting software. Use two separate columns for "Z-Read" figures and "Actual" and make adjustments as needed.
- Work through the transaction audit trail to identify where errors have occurred.

Finally, remember that **if there is an error in the till count, there will be a corresponding error somewhere else in your sales or adjustment figures.** If you are going to have accurate information on which you can make informed management decisions, then as a **first step**, you must balance the till.

Preventing Fraud and Losses

There is an old saying in retail that, among your staff:-

- 10% will **never** steal from you
- 10% will **always** steal from you, and
- 80% **might** steal from you if they have the opportunity.

By reducing the opportunities for people to steal, you increase the chances of catching those that do the wrong thing, and discourage others from trying. Key steps to follow which will help include:

1. Never let the POS operator print X-Reads or Z-Reads. Honest staff will have till overages just as often as they have underages. If they can get a printout of what should be in the till, the chances are that staff may try to pocket any overage.
2. Never let the POS operator count the till.
3. The person who does count the till should count the till blind. That is, they should **not** know what should be in the till while they are performing the count.
4. Always use a cash drawer that is connected to and controlled by the POS. Manually controlled cash drawers invite the operator to process transactions without the POS, and pocket the money. Cash drawers connected to the POS are monitored in the statistics which will indicate if this is happening.
5. Monitor the statistics on the Z-Reads to track for "No Sale" actions to activate the cash drawer, Voids, and Price Changes.
6. Obtain signatures on all adjustment transactions, staff sales from the staff member, and management on complimentary sales, and have these counted as part of the cash drawer counting process. Failure to monitor these invites misuse.
7. Count stock in various departments at random, so that staff do not know when something will be checked.

The key to informed management decisions is knowing the facts. Even if there some items which your POS system tracks which you currently feel are unimportant, you should continue to track them because they can be leading indicators should a problem develop in future. Just because you don't have a problem in a particular area now, does not mean that such a problem will not develop in future.

Cash Register/Till

There are some retail businesses using a Cash Register in preference to a more expensive and integrated POS system.   If you have a small basic cash register, you might enter the price of the item and press the appropriate department or enter the "PLU" code, (price look up), through the PLU key on the keyboard. However the information is collected, the bookkeeper still needs to include the complete information into the accounting software.

Depending on how the cash register is programmed and how complex the setup is, determines the information available on the reports.

Common reports can include:
- FINANCIAL reports will show total sales, how they were paid (cash, cheques, EFTPOS and credit card) and also amounts paid out (voids, discounts, coupons and returns)
- DEPARTMENT reports will give you total sales for each individual department
- PLU (price look up) reports will give you sales for each individual PLU or sellable item
- HOURLY reports give you total sales for each hour the business is open.

The difference between the X-Read and the Z-Read
X-Read report gives you the current totals for the day without closing them off. This allows you to review during the day how sales are progressing.
Z-Read report gives you a summary of operations that have been performed on that Cash Register, along with a listing of the monies and documents that should be present in the cash register. Then the cash register is reset back to zero.

Bookkeeping Process to bring in POS Details to Accounting Software
If the business is using Point of Sale software then normally a direct journal is transferred from the POS system to the accounting software. However, recognition of the Daily Sales from a Cash Register system requires the bookkeeper to enter the information from the Z read.
When a journal is required, see below example to guide you, showing Clearing accounts for EFTPOS, Cash, Credit Cards, Gift Vouchers and Prepaid Deposits.

Example of POS Daily Takings

Reconciliation		15,849.75
Total	40	0.00
Subtotal Rounding Adjustment		0.00
+ Total Adjustments		15,849.75
= Net Sales Total		1,440.88
Tax 1 (Inc)		0.00
+ Total Tax		15,849.75
= Gross Sales Total	15	715.50
+ Tips		16,565.25
= Grand Total	0	0.00
+ Gift Cards		16,565.25
= All Tenders Total		

Medias	Quantity	Total
Amex	5	2,267.00
Cash	9	1,827.00
Cheque	1	1,348.00
Gift Voucher	1	200.00
Mastercard	11	2,894.25
Prepaid Deposit	2	1,000.00
Promotion	1	41.00
Visa	14	6,988.00
Total Media (inc)	44	16,565.25

Daily Sales & Payments Received	Account	Debit	Credit	Tax
Daily Retail Sales	Income		$14,408.86	GST
GST Collected	Liability		$1,440.89	No Tax
TIPS (Cash/Credit) Liability Account	Liability		$715.50	No Tax
AMEX Clearing Account	Asset	$2,267.00		No Tax
Cash Till Account	Asset	$1,111.50		No Tax
TIPS (Cash Out) Liability Account	Liability	$715.50		No Tax
Bank/Undeposited Funds	Asset	$1,348.00		No Tax
MasterCard Clearing Account	Asset	$2,894.25		No Tax
Visa Clearing Account	Asset	$6,988.00		No Tax
Debtors	Asset	$0.00		No Tax
Promotion	Expense	$41.00		No Tax
Gift Voucher (Used) Clearing	Liability	$200.00		No Tax
Prepaid Deposit (Event Used) Clearing	Liability	$1,000.00		No Tax
	TOTAL	**$16,565.25**	**$16,565.25**	

Tips

There are two types of Tipping, Voluntary and Non-Voluntary. Voluntary has no impact to the financials and tips are distributed to staff, whereas Non-Voluntary is regarded as income and GST applies. Refer to ICB Tipping Services Resource for further explanation.

Cash Transaction Reporting

In dealing with cash received – the POS / Register / Receipting system should be in place to record the sale and identify it as Cash received.

If cash is then used to make payments, the tracking system must be in place to identify and record the payments, as well as match the payments to valid Tax Invoices that have been retained.

Any cash takings that are not accounted for by expenses could be either Owner Drawings, theft by staff or "Cash Out" by customers.

"Cash-Out" Transactions as part of EFTPOS payment

Some businesses allow customers to withdraw cash in addition to their EFTPOS payment for goods. Most notably supermarkets and service stations provide this service, as do some pubs.

Example: Daily Sales of $550 inc GST with Cash-Out

1. Customer purchases $50.00 worth of goods, in addition they take out $100 in cash. The transaction takes $150.00 from customer's bank and that becomes part of your daily deposit from your EFTPOS machine.
2. Second customer purchases $100.00 worth of goods, in addition they take out $100 in cash. The transaction takes $200.00 from customer's bank and that becomes part of your daily deposit from your EFTPOS machine.
3. Third customer purchases $100.00 worth of goods, with no cash out.

Your END OF DAY totals from your Point of Sale Software (or your Z-Read from your till) is:

Sales	$500.00
GST	$ 50.00
Total Sales	$550.00

Business originally received   Cash $300.00
       EFTPOS $250.00

When you count your till/review your EFTPOS, you actually have:
       Cash $100.00
       EFTPOS $450.00

The actual amount still balances to the reported sales figure, however it takes into account the "Cash-Out" transactions.

Daily Sales & Payments Received	Account	Debit	Credit	Tax
Daily Retail Sales	Income		$500	GST
GST Collected	Liability		$50	No Tax
Z-Read Cash into Cash Clearing Account	Asset	$300		No Tax
Z-Read EFTPOS into ETPOS Clearing Acc	Asset	$250		No Tax
Cash Out Movement				
Cash Out transfer from Cash Clearing Acc	Asset		$200	No Tax
Transfer to EFTPOS clearing Acc	Asset	$200		No Tax
Bank Deposit				
Bank Account	Asset	$550		No Tax
Cash deposit into Cash Clearing Account	Asset		$100	No Tax
EFTPOS report into EFTPOS Clearing Acc	Asset		$450	No Tax
	TOTAL	**$1,300**	**$1,300**	

NOTE TIMING ISSUE: It is important to return the Clearing Accounts back to zero. Timing issues can arise if the EFTPOS 'end-of-day' finishes at a different time than the business trading hours. This can mean that the payment for some of your sales appearing on your point of sale software don't reach the bank until the next day. By balancing the clearing account each day, you will identity this issue quickly.

References:
See ICB Gift Vouchers
See ICB Restaurant Tips and GST
See ICB Deposits, Laybys and Part Payments