



Implementation of Petty Cash Limit Policy Through Internal Control System Planning

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ABSTRACT

Purpose: This study explores the implementation of petty cash policies and internal control systems at PT Link Net Tbk. As petty cash is commonly used to support routine and urgent operational expenses, this research emphasizes its role in ensuring efficiency, transparency, and accountability in financial management.

Methodology/approach: A descriptive research method was applied, using observation during an internship and analysis of company documents such as standard operating procedures, vouchers, and financial reports. This approach provided insights into the company's fluctuating fund system, authorization mechanisms, and internal control practices.

Findings: The study finds that PT Link Net Tbk adopts a fluctuating fund system with defined limits and accountability mechanisms. Internal controls such as segregation of duties, authorization processes, and regular reviews are in place. However, challenges remain in standardizing allocation methods across business units, ensuring compliance with documentation requirements, and reducing reporting delays.

Practical implications: The results suggest that companies can improve petty cash management by implementing technology-based systems to enhance transparency, accuracy, and efficiency. Policymakers and practitioners should focus on strengthening internal controls to reduce risks of misuse.

Originality/value: This study provides structured insights into the role of petty cash policies in corporate internal control, contributing both to academic literature and to practical improvements in financial governance for organizations.

1. Introduction

Companies as economic entities are required to manage resources effectively and efficiently in order to survive in a competitive environment. One crucial aspect in supporting smooth operations is cash management, both on a large and small scale. Petty cash plays a vital role in financing routine, sudden, and relatively small operational needs, so its control mechanisms must be properly regulated. Without a proper system, petty cash funds have the potential to be misused, recorded incorrectly, or even lost due to weak internal controls. Therefore, internal controls are an

important instrument used by management to monitor and control company assets and ensure that the accounting information produced is reliable (Mardiyah, 2015; Wehantouw & Tinangon, 2015).

In the context of modern business, internal control systems not only safeguard assets, but also support strategic decision-making processes. Petty cash funds, despite their small value, still have a significant impact on the credibility of financial reports in the event of irregularities. Previous research shows that weaknesses in internal control often stem from poorly documented or non-standardized petty cash procedures (Yunita & Kusmilawaty, 2020). Therefore, a petty cash limit policy is considered a preventive measure that can reduce the risk of fund misuse while improving cash management effectiveness. This limit provides control over the amount of funds used and encourages stricter authorization and recording mechanisms (Mulyadi, 2016).

PT Link Net Tbk, as a telecommunications and internet service provider in Indonesia, implements a petty cash management system in each business unit and branch. The company uses a fluctuating fund system that allows petty cash balances to fluctuate as needed. However, the prevailing practice still depends on the needs of each business unit without a standard method for determining limits. This condition has the potential to cause inconsistencies, reporting errors, and the risk of fraud due to limited visibility by the head office. Although the company conducts regular reviews, there are still weaknesses in documentation, especially regarding the conformity of transaction evidence with the company's standard operating procedures (SOP) (Wulandari & Epi, 2021; Yunita & Kusmilawaty, 2024). This emphasizes that the implementation of internal controls needs to be continuously evaluated to maintain accountability and efficiency.

From an academic perspective, research on petty cash generally focuses on technical procedural aspects, while discussions on petty cash limit policies as an internal control strategy are relatively rarely explored. In fact, limit policies are an important instrument that can link accounting practices with good corporate governance (Hall, 2011). By examining the experience of PT Link Net Tbk, this study attempts to provide empirical contributions on how petty cash limit policies are implemented in the context of large companies, while also evaluating the effectiveness of the internal control systems in place. This is relevant because telecommunications companies have high operational complexity and require adaptive, transparent, and accountable financial systems (Arens & Loebbecke, 2003).

Based on this background, this study aims to analyze petty cash management procedures at PT Link Net Tbk and evaluate the extent to which internal control systems play a role in minimizing the risk of fund misuse. This study also offers recommendations for the development of a technology-based petty cash management information system to improve efficiency, accuracy, and transparency in fund management. Theoretically, this study enriches the literature on petty cash internal control (Hery, 2014; Martani et al., 2016), while practically it can be used as evaluation material for companies in refining their petty cash limit policies. Thus, this study provides dual benefits, namely strengthening the academic framework while presenting real solutions for business practices.

2. Literature Review

2.1 Petty Cash and Its Importance

Petty cash is a special fund provided by companies to finance small or routine expenses that would be inefficient if paid by check or bank transfer. According to Yuniarwati et al.(2017), petty cash is used for daily expenses such as purchasing stationery or small transportation costs, while Erhans (2016) emphasizes its role as a reserve fund for quick transactions. From an accounting perspective, petty cash makes it easier for companies to maintain smooth operations without incurring large additional administrative costs.



In addition, the use of petty cash is closely related to the risk of misuse due to its cash-based nature. Mulyadi (2016) explains that the mechanism for establishing petty cash must be accompanied by disciplined recording so that accountability is maintained. This is in line with the opinion of Wulandari & Epi (2021), who state that even though the amount is relatively small, petty cash management must be properly supervised so as not to cause losses to the company. Thus, the existence of petty cash not only supports operational efficiency but also requires the implementation of strict internal controls.

2.2 Petty Cash Systems

In practice, there are two main methods of petty cash management, namely the imprest fund system and the fluctuating fund system. According to Mulyadi (2016), the imprest fund system requires the petty cash balance to always be equal to the predetermined amount, while in the fluctuating fund system, the balance can fluctuate according to the transactions that occur. The main difference lies in the recording of transactions; the imprest system records transactions when the fund is replenished, while the fluctuating system records each expenditure directly.

The choice of method depends on company policy and the level of control required. According to Yunita & Kusmilawaty (2020), the imprest system is considered safer because it facilitates supervision, but the fluctuating system is more flexible for companies with high transaction intensity. This is in line with the opinion of Karlina et al. (2019), who emphasize that whatever system is used, its effectiveness is greatly influenced by the discipline of recording and compliance with SOPs. Thus, the success of the petty cash system is not only determined by the type of method, but also by its practical implementation in the field.

2.3. Characteristics and Objectives of Petty Cash

Petty cash has a number of characteristics that distinguish it from other operational funds. According to Savsavubun Regina et al. (2021), the amount of petty cash is limited according to operational needs, used for small routine transactions, and managed by junior financial staff. Meanwhile, Wulandari & Epi (2021) add that the amount of petty cash is determined by management based on the scale of the company and the nature of the transactions. These characteristics show that petty cash is flexible but highly susceptible to mismanagement if not properly supervised.

The main purpose of establishing petty cash is to expedite the payment of small operational expenses, address sudden needs, and avoid the inefficient use of checks. According to Purwantini (2023), petty cash allows companies to overcome payment delays and streamline customer service. In line with this, Mulyadi (2001) emphasizes that limiting petty cash is an important mechanism to ensure its use remains reasonable and accountable. Thus, petty cash functions not only as reserve funds but also as an instrument for controlling routine expenses.

2.4. Functions and Documents in Petty Cash Management

Petty cash management involves various organizational functions, ranging from cash, accounting, petty cash holders, to internal auditors. According to Mulyadi (2016), the cash function is responsible for authorizing checks, the accounting function is responsible for recording transactions, while petty cash holders are tasked with storing and disbursing funds based on approval. Martani et al. (2016) emphasize the importance of separating duties to prevent conflicts of interest and fraud. This separation ensures that there is a check and balance mechanism in every transaction.

In addition to functions, the documents used also play an important role in maintaining accountability. According to Mulyadi (2016), the documents used include cash out receipts, petty cash expenditure receipts, and replenishment requests. Hery (2014) adds that the validity of documents is the basis for reliable accounting records, so that without physical evidence, companies



will find it difficult to account for transactions. Thus, complete and valid documentation is an integral part of petty cash internal control.

2.5. Internal Control and Petty Cash Limit Policies

Internal control is a system of policies and procedures designed to protect company assets, ensure the accuracy of financial reports, and guarantee compliance with the law. According to [Arens & Loebbecke \(2003\)](#), effective internal control must include operational efficiency and compliance with management policies. This is also emphasized by [Hery \(2014\)](#), who states that internal control is key to protecting the most liquid assets, namely cash, from the risk of theft or misuse.

Specifically related to petty cash, the implementation of a limit policy is an important strategy. According to [Hall \(2011\)](#), limiting petty cash prevents excessive use of funds and minimizes the opportunity for fraud. [Mulyadi \(2001\)](#) adds that the limit policy must be supported by a disciplined authorization and recording mechanism so that every expenditure can be accounted for. Thus, the petty cash limit policy is not only an administrative rule but also an integral part of an effective internal control system.

3. Method

This study uses a descriptive method to analyze the implementation of petty cash limit policies in the business units of PT Link Net Tbk. The descriptive method was chosen because it is suitable for describing phenomena that occur factually without manipulating the research variables. According to [Creswell \(2013\)](#), the descriptive method provides a comprehensive understanding of actual conditions through the collection and analysis of relevant data. In the context of this study, this method was used to describe petty cash management procedures, internal control mechanisms, and challenges faced by the company in practice. This approach allowed researchers to present a realistic picture of the effectiveness of the petty cash limit policy based on empirical experiences during internships at the company.

The data used in this study was secondary data obtained through direct observation and documentation. Observations were made by observing operational processes in the Finance Division of PT Link Net Tbk, while documentation included cash outflow evidence, petty cash expenditure evidence, accountability reports, and company SOPs related to petty cash procedures. According to [Krippendorff \(2018\)](#), document analysis provides reliable information because it comes from official organizational records that can be verified. To ensure data validity, the researcher triangulated the results of observations and available documents so that the information obtained could be academically accountable. With this methodological design, the study is expected to be able to describe the implementation of petty cash internal control clearly, accurately, and objectively.

4. Results and Discussion

4.1. Petty Cash System at PT Link Net Tbk

PT Link Net Tbk uses a fluctuating fund system in managing petty cash, which is a system where the fund balance fluctuates according to expenses incurred. This system allows flexibility in providing funds for business units, but requires strict recording to prevent discrepancies in reports. According to [Mulyadi \(2016\)](#), the fluctuating system requires consistent documentation control to prevent misuse, while [Karlina et al. \(2019\)](#) emphasize the importance of aligning procedures with operational needs so that funds can be used efficiently. Meanwhile, [Yunita & Kusmilawaty \(2020\)](#) remind us that the weakness of this system lies in the potential for manual recording errors, so internal audits must be conducted regularly.

The implementation of the fluctuating system at PT Link Net is in line with the practices of companies that have high transaction intensity. In this case, the limit policy is determined based on



the operational needs of each business unit. This supports [Purwantini's \(2023\)](#) opinion that petty cash should be adjusted to daily operational needs to maintain smooth activities. However, [Wulandari & Epi \(2021\)](#) highlight that flexibility in determining the amount of funds also poses a risk if it is not accompanied by standard criteria. In addition, according to [Hall \(2011\)](#), ambiguity in limits can weaken the effectiveness of internal controls because it opens up opportunities for the use of funds outside the provisions.

4.2. Petty Cash Procedures

The procedures for applying for, using, and replenishing petty cash at PT Link Net Tbk are carried out through a mechanism that has been regulated in the SOP. Each business unit has a PIC (Person in Charge) who is responsible for applying for and reporting on the use of funds. According to [Mulyadi \(2001\)](#), the involvement of different parties in this process aims to create a layered control system that reduces the risk of fraud. This is reinforced by [Arens & Loebbecke \(2003\)](#), who emphasize the importance of segregation of duties in financial systems. In addition, [Hery \(2014\)](#) asserts that every petty cash transaction must be accompanied by valid evidence so that accounting records can be accounted for.

Although procedures have been established, observations show that there are still weaknesses in compliance with SOPs, especially regarding the completeness of transaction evidence. This is in line with the research by [Yunita & Kusmilawaty \(2024\)](#), who found that companies often face documentation problems in petty cash transactions. According to [Wehantouw & Tinangon \(2015\)](#), weak compliance with procedures can reduce the reliability of financial reports. Meanwhile, [Martani et al. \(2016\)](#) add that recording errors in petty cash, even if the amount is small, can have a significant impact if they occur repeatedly. Thus, even though procedures are in place, their effectiveness depends on implementation and discipline.

4.3. Internal Control Implementation

The results of the study show that PT Link Net Tbk has implemented a number of internal controls in petty cash management, including setting fund limits, dividing authorization functions, and routinely evaluating fund usage. According to [Arens & Loebbecke \(2003\)](#), limiting funds is an important step in strengthening the internal control system so that funds are used for their intended purposes. This is in line with [Mulyadi's \(2016\)](#) view that fund limits serve as a protective mechanism to prevent waste. In addition, [Martani et al. \(2016\)](#) emphasize that regular evaluations are necessary to ensure that the control system remains relevant to the company's conditions.

However, the effectiveness of internal control at PT Link Net still faces challenges, especially in terms of transparency in the use of funds. According to [Hery \(2014\)](#), effective internal control must ensure full accountability through accurate recording. [Wulandari & Epi \(2021\)](#) highlight that delays in petty cash reporting in several units can reduce the effectiveness of controls. In addition, [Yunita & Kusmilawaty \(2020\)](#) add that manual systems are prone to delays and recording errors. Therefore, even though the control framework is good, its implementation needs to be strengthened with an information technology-based system.

4.4. Challenges in Petty Cash Management

The main obstacle in managing PT Link Net Tbk's petty cash is the lack of a standard method for determining limits for each business unit. This condition makes fund allocation highly dependent on subjective assessments of unit needs. According to [Hall \(2011\)](#), uncertainty in limit policies opens up opportunities for inconsistencies in fund usage. Meanwhile, [Wehantouw & Tinangon \(2015\)](#) emphasize that clear standards are needed to ensure compliance. In line with this, [Yunita & Kusmilawaty \(2024\)](#) mention that the absence of standard guidelines increases the risk of differences in treatment between units in financial reporting.



Apart from allocation issues, another challenge is the weakness of transaction evidence documentation. The results of the study show that some petty cash transactions are not accompanied by adequate receipts or invoices. According to Hery (2014), the absence of transaction evidence can reduce the credibility of financial reports. Arens & Loebbecke (2003) add that weak documentation opens up opportunities for fraud. Meanwhile, Martani et al. (2016) emphasize the importance of spot checks to reduce the risk of misuse. Therefore, improvements in documentation are key to improving the accountability of petty cash management.

4.5. Implications for Practice and Future Development

The findings of this study have significant practical implications for companies. First, there is a need to implement a technology-based information system to monitor petty cash usage in real time. According to Krippendorff (2018), the use of information technology in data analysis improves reliability and transparency. This is reinforced by Wulandari & Epi (2021), who state that digital systems facilitate automatic cash reconciliation. In addition, Yunita & Kusmilawaty (2020) emphasize that the implementation of electronic systems can reduce the risk of human error that often occurs in manual systems.

Second, from a managerial perspective, petty cash limit policies need to be standardized to ensure consistency across all business units. According to Mulyadi (2001), the setting of limits must consider operational needs and the potential risk of misuse. Hall (2011) adds that consistent financial policies strengthen the credibility of company reports in the eyes of stakeholders. Meanwhile, Arens & Loebbecke (2003) assert that clear standards support compliance with the principles of good corporate governance. Thus, this study confirms that effective petty cash management requires the integration of strict policies, accurate documentation, and information technology support.

5. Conclusions

This study concludes that PT Link Net Tbk has implemented a fluctuating fund system in petty cash management with the support of internal control mechanisms such as setting fund limits, separation of functions, and routine evaluations. This is in line with the views of Arens & Loebbecke (2003) that limit restrictions and separation of functions are important elements in cash control. Mulyadi (2016) also emphasizes that petty cash limits can prevent waste and maintain accountability for the use of funds. However, this study found weaknesses in practice, such as the absence of a standard method for determining limits between units, weak documentation of transaction evidence, and delays in reporting. This condition reinforces the findings of Yunita & Kusmilawaty (2020) that weaknesses in manual systems increase the risk of recording errors and fraud.

Theoretically, this study reinforces the literature on the relationship between petty cash limit policies and the effectiveness of internal controls. Hery (2014) emphasizes that accurate documentation is key to maintaining the credibility of financial reports, while Hall (2011) shows that consistent financial policies support the implementation of good corporate governance. From a practical perspective, this study recommends the implementation of an information technology-based system to improve the transparency and accuracy of petty cash recording, as Krippendorff (2018) asserts that the use of technology strengthens data reliability. Thus, the results of this study not only contribute to theoretical development but also provide practical recommendations for companies in strengthening financial governance.

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