Bank Reconciliation

1. Lisa Beja is unable to reconcile the bank balance at January 31. Lisa’s reconciliation is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash balance per bank</td>
<td>$3,660.20</td>
</tr>
<tr>
<td>Add: NSF check</td>
<td>590.00</td>
</tr>
<tr>
<td>Less: Bank service charge</td>
<td>25.00</td>
</tr>
<tr>
<td>Adjusted balance per bank</td>
<td>$4,225.20</td>
</tr>
<tr>
<td>Cash balance per books</td>
<td>$3,875.20</td>
</tr>
<tr>
<td>Less: Deposits in transit</td>
<td>530.00</td>
</tr>
<tr>
<td>Add: Outstanding Checks</td>
<td>930.00</td>
</tr>
<tr>
<td>Adjusted balance per books</td>
<td>$4,275.20</td>
</tr>
</tbody>
</table>

A) Prepare a correct bank reconciliation.
B) Journalize the entries required by the reconciliation.

2. At July 31, Chevron Company has the following bank information: cash balance per bank $7,420.00, outstanding checks $762.00, deposits in transit $1,620.00 and a bank service charge $20.00. Determine the adjusted cash balance per bank at July 31.

3. At May 31, Delta Company has a cash balance per books of $8,900 and the following additional data from the bank statement: charge for printing Delta Company checks $35.00, interest earned on checking account balance $40.00, and outstanding checks $800.00. Determine the adjusted cash balance per books at May 31.

4. The bank statement of Little’s Floral shows a final balance of $8,966 as of October 31. The present balance of the cash account in the ledger, after Little’s accountant has posted from the journal, is $8,030.50. The accountant took the following steps:

1) Verified that canceled checks were recorded correctly on the bank statement.
2) Discovered that a deposit of $1,003 made on Oct 31 was not recorded on the bank statement.
3) Noted outstanding checks: no. 1916, $461; no. 2022, $119; no. 2023, $827; no. 2024, $67.
4) Noted that a credit memo for a note collected by the bank from Lee and Brock, $600 principle plus $6 interest, was not recorded in the journal.
5) Found that check no. 2001 for $523 payable to Davis, Inc., on account, was recorded in the journal as $532. (The correct amount is $523.)
6) Noted that a debit memo for a collection charge and service charge of $5.50 was not recorded in the journal.
7) Noted that a debit memo for an NSF check for $125 from M.D. Scott was not recorded.
8) Noted that a $20 personal withdrawal by Roberta Little, the owner, using an ATM, was not recorded.

Prepare a correct bank reconciliation.
Journalize the entries required by the reconciliation.
ANSWERS:

1. (a) Cash balance per bank statement ............................................... $3,660.20
    Add: Deposits in transit ............................................................. 530.00
        4,190.20
    Less: Outstanding checks ............................................................ 930.00
    Adjusted cash balance per bank ................................................. $3,260.20

    Cash balance per books ................................................................. $3,875.20
    Less: NSF check ............................................................................ $590.00
    Bank service charge....................................................... 25.00 615.00
    Adjusted cash balance per books ............................................... $3,260.20

(b) Accounts Receivable ................................................................. 590.00
    Cash ..................................................................................................... 590.00
    Miscellaneous Expense ............................................................... 25.00
    Cash ..................................................................................................... 25.00

2. Cash balance per bank ..........................................................................................................<... $7,420
    Add: Deposits in transit ............................................................. 1,620
        9,040
    Less: Outstanding checks ............................................................... 762
    Adjusted cash balance per bank ................................................................. 8,278

3. Cash balance per books ......................................................................................................... $8,900
    Add: Interest earned ................................................................................. 40
        8,940
    Less: Charge for printing company checks ............................................................... 35
    Adjusted cash balance per books ................................................................. 8,905

4. Adjusted bank statement and ledger balance: $8,495.00
    journalize: cash 606 cash 9
                  N/R 600 A/P 9
    Interest 6 error #2001
    Misc exp 5.50 R.L. Drawing 20
    Cash 5.50 cash 5.50
    A/R 125
Cash 125
NSF check