

Bank Reconciliation

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

Cash balance per bank	\$3,660.20
Add: NSF check	590.00
Less: Bank service charge	<u>25.00</u>
Adjusted balance per bank	<u>\$4,225.20</u>

Cash balance per books	\$3,875.20
Less: Deposits in transit	530.00
Add: Outstanding Checks	<u>930.00</u>
Adjusted balance per books	<u>\$4,275.20</u>

- 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.....		<u>530.00</u>
		4,190.20
Less: Outstanding checks.....		<u>930.00</u>
Adjusted cash balance per bank.....		<u><u>\$3,260.20</u></u>
Cash balance per books.....		\$3,875.20
Less: NSF check.....	\$590.00	
Bank service charge.....	<u>25.00</u>	<u>615.00</u>
Adjusted cash balance per books.....		<u><u>\$3,260.20</u></u>

(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.....		<u>1,620</u>
		9,040
Less: Outstanding checks.....		<u>762</u>
Adjusted cash balance per bank.....		<u><u>\$8,278</u></u>

3.

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

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