

ACCOUNTING I

Chapter 5--Cash Control Systems

Lesson 5-1: Checking Accounts

Learning Targets:

- Record a deposit on a check stub.
- Endorse checks using blank, special, and restrictive endorsements.
- Prepare a check stub and a check.

A. How Businesses Use Cash

- In accounting, money = _____.
 - And cash usually = a _____ (hint: source doc)
- Errors can occur when using cash, name 2 reasons.
 - 1.
 - 2.

B. Depositing Cash

- Define Checking account:

A business form ordering a _____ to pay cash from a bank account is known as a _____.

- Define Deposit slip:
- A deposit makes the cash balance increase or decrease? (Highlight one)
- Checks are listed on a deposit slip according to the _____ on each check.

JAN 2 20-- D2000.00 HJS

Billings National Bank
Billings, MT

For deposit to the account of
DELGADO WEB SERVICES
25402 Rimrock Road
Billings, MT 59102-1820

Date	January 2, 20--	
Currency		
Coin		
Checks	22-1508	2,000 00
TOTAL		2,000 00

1092921508 706466631835*

CUSTOMER RECEIPT

Deposit Slip

NO. 1 \$ _____

Date: _____ 20__

To: _____

For: _____

BALANCE BROUGHT FORWARD	0 00
AMOUNT DEPOSITED	1 2 -- 2,000 00
SUBTOTAL	2,000 00
OTHER:	
SUBTOTAL	
AMOUNT THIS CHECK	
BALANCE CARRIED FORWARD	

Check Stub

C. Deposit Recorded on a Check Stub

- _____ are journalized at the time _____ is received. No _____ is needed for _____ because the cash receipts have already been journalized.

D. Endorsements

- Define Endorsements:
- _____ of a check can be transferred.
- A check should be endorsed exactly _____.

a. Blank Endorsement

Blank Endorsement

ENDORSE HERE
X <i>Michael Delgado</i>
DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE RESERVED FOR FINANCIAL INSTITUTION USE

- Define Blank endorsement:
- A blank endorsement should only be used _____, as it can be cashed _____.

b. Special Endorsement

Special Endorsement

ENDORSE HERE
X <i>Pay to the order of</i>
<i>Helen Goldsmith</i>
<i>Michael Delgado</i>
DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE RESERVED FOR FINANCIAL INSTITUTION USE

- Define Special endorsement:
- They include the words _____ and the name _____.
- Who signs at the bottom?

c. Restrictive Endorsement

Restrictive Endorsement

ENDORSE HERE
X <i>For deposit only to</i>
<i>the account of</i>
<i>DELGADO WEB SERVICES</i>
<i>Michael Delgado</i>
DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE RESERVED FOR FINANCIAL INSTITUTION USE

- Define Restrictive endorsement:
- This limits use of the check to _____.

E. Completed Check Stub and Check

Preparing check stubs:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

NO. 1	1/2/20
To: Catering	
For: \$2,000.00	
Check No: 100	
BALANCE BROUGHT FORWARD	0.00
AMOUNT DEPOSITED	2,000.00
SUBTOTAL	2,000.00
OTHER	
SUBTOTAL	2,000.00
AMOUNT THIS CHECK	2,000.00
BALANCE CARRIED FORWARD	0.00

- A check stub is a business's _____ of each _____ written for a _____ payment transaction.

Preparing checks:

- 7.
- 8.
- 9.
- 10.
- 11.
- 12.



- Define Postdated check:
- If the amounts in _____ and _____ are not the same, a bank may pay only the amount in _____ or a bank may _____ to pay the check.

F. Recording a Voided Check

- Define Voided check:
- If any kind of _____ is made in _____ a check, a new check should be prepared.

JOURNAL							PAGE 5
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
15	VOID	C24	✓				

1 Date 2 VOID Source Document 3 4 Check Mark Dashes 5

- What word goes in the Account Title of a journal entry for a voided check? _____
- Always complete the _____ before writing the _____. Otherwise you may forget to record the amount of the check on the check stub.

Lesson 5-2: Bank Reconciliation

Learning Targets:

- Complete a bank statement reconciliation.
- Record and journalize a bank service charge.

A. Bank Statement

- Define Bank statement:
- Define Canceled check:
 - Cancelled checks are checks that have been cashed.
- _____ are also listed on a bank statement. These are charged to upkeep the account.
- List two reasons a bank statement balance may not agree with the balance on the last check stub:
 -
 -

STATEMENT OF ACCOUNT FOR						ACCOUNT NUMBER
DELCADO WEBB BRIVIOBB 28408 Rimrock Road Billings, MT 59108-1920						706468231828
						STATEMENT DATE
						January 30, 20--
BALANCE FROM PREVIOUS STATEMENT	NO. OF CHECKS	AMOUNT OF CHECKS	NO. OF DEPOSITS	AMOUNT OF DEPOSITS	SERVICE CHARGES	STATEMENT BALANCE
0.00	10	\$,119.00	10	6,486.00	\$0.00	\$,298.00

DATE	CHECK	AMOUNT	CHECK	AMOUNT	DEPOSIT	BALANCE
01/01/--						0.00
01/02/--					2,000.00	2,000.00
01/03/--	1	185.00				1,815.00
01/08/--	2	600.00				935.00
01/10/--					1,100.00	2,035.00
01/19/--					200.00	2,235.00
01/17/--					240.00	2,475.00
01/18/--	4	80.00	6	380.00	106.00	2,540.00
01/19/--	3	100.00			288.00	2,828.00
01/22/--	5	400.00	7	383.00	310.00	2,055.00
01/23/--					270.00	2,325.00
01/23/--	6	100.00			240.00	2,465.00
01/24/--					218.00	2,683.00
01/25/--					280.00	2,963.00
01/25/--					190.00	3,153.00
01/29/--	9	610.00			148.00	2,691.00
01/29/--					318.00	3,009.00
01/29/--					360.00	3,369.00
01/30/--	10	130.00				3,239.00
01/30/--	8C	25.00				3,214.00
						3,298.00

PLEASE EXAMINE AT ONCE - IF DISCREPANCIES ARE REPORTED WITHIN 10 DAYS, THE ACCOUNT WILL BE CONSIDERED CORRECT. ADVISORY: DISCREPANCY TO OUR ACCOUNTING DEPARTMENT IMMEDIATELY.

B. Bank Statement Reconciliation

RECONCILIATION OF BANK STATEMENT

Date: January 31, 20--
(Date)

Balance on Check Stub No. <u>14</u> \$ <u>2,622.00</u>		Balance on Bank Statement \$ <u>3,292.00</u>																													
DEDUCT BANK CHARGES: <table border="1"> <tr> <th>Description</th> <th>Amount</th> </tr> <tr> <td>Service Charge</td> <td>\$ 25.00</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Total bank charges ▶</td> <td>25.00</td> </tr> </table>		Description	Amount	Service Charge	\$ 25.00							Total bank charges ▶	25.00	ADD OUTSTANDING DEPOSITS: <table border="1"> <tr> <th>Date</th> <th>Amount</th> </tr> <tr> <td>1/31/--</td> <td>\$ 685.00</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td>Total outstanding deposits ▶</td> <td>685.00</td> </tr> </table>		Date	Amount	1/31/--	\$ 685.00							Total outstanding deposits ▶	685.00				
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Service Charge	\$ 25.00																														
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Date	Amount																														
1/31/--	\$ 685.00																														
Total outstanding deposits ▶	685.00																														
Adjusted Check Stub Balance \$ <u>2,597.00</u>		SUBTOTAL \$ <u>3,977.00</u>																													
		<table border="1"> <tr> <th>Ck. No.</th> <th>Amount</th> <th>Ck. No.</th> <th>Amount</th> </tr> <tr> <td>11</td> <td>35.00</td> <td></td> <td></td> </tr> <tr> <td>12</td> <td>800.00</td> <td></td> <td></td> </tr> <tr> <td>13</td> <td>545.00</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total outstanding checks ▶</td> <td>1,380.00</td> <td></td> <td></td> </tr> </table>		Ck. No.	Amount	Ck. No.	Amount	11	35.00			12	800.00			13	545.00											Total outstanding checks ▶	1,380.00		
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13	545.00																														
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Adjusted Check Stub Balance \$ <u>2,597.00</u>		Adjusted Bank Balance \$ <u>2,597.00</u>																													

Compare Adjusted Balances

- Reconciling a bank statement means ensuring the bank balance agrees with the last check stub.
- _____ are checks that haven't been cashed yet.
- _____ are deposits made that aren't yet reflected on the bank statement.
- Be sure to review the steps to reconciling a bank statement.

C. Recording a Bank Service Charge on a Check Stub

- The bank automatically _____ the bank service charge from the checking account each month. Since a check is never written, it hasn't been journalized yet, so it must be journalized when a statement is received.
- To journalize a bank service charge, first enter it on a _____ then journalize.

NO. 14
Date: Jan 31 20__
To: _____
For: _____

BALANCE BROUGHT FORWARD	2,622.00
AMOUNT DEPOSITED	
SUBTOTAL	2,622.00
OTHER:	
Service Charge 25.00	25.00
SUBTOTAL	2,597.00
AMOUNT THIS CHECK	
BALANCE CARRIED FORWARD	

D. Journalizing a Bank Service Charge

- _____ is the account that a bank service charge will be debited.
- What is the source doc for the service charge?

GENERAL JOURNAL							PAGE 2
	DATE	ACCOUNT TITLE	DOC NO.	POST. REF.	DEBIT	CREDIT	
17	31	Miscellaneous Expense	M3		25.00		
18		Cash				25.00	

Lesson 5-3: Dishonored Checks and Electronic Banking

Learning Targets:

- Complete recordkeeping for a dishonored check.
- Journalize an electronic funds transfer.
- Journalize a debit card transaction.

A. Recording a Dishonored Check on a Check Stub

- Define Dishonored check:
- Non-sufficient funds check (NSF):

NO. 52
Date: _____ 20__
To: _____
For: _____

BALANCE BROUGHT FORWARD	2,112.00
AMOUNT DEPOSITED	
SUBTOTAL	2,112.00
OTHER:	
Dishonored Check	225.00
SUBTOTAL	1,887.00
AMOUNT THIS CHECK	
BALANCE CARRIED FORWARD	

Label 1 points to 'Dishonored Check'. Amount 2 points to '225.00'. New Subtotal 3 points to '1,887.00'.

- Reasons a check may be dishonored:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

- Usually a dishonored check becomes a(n) _____ to the business, and banks charge a _____ for handling.
- The transaction will be the amount of the _____ PLUS the _____.

B. Journalizing a Dishonored Check

GENERAL JOURNAL							PAGE 8
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
29	Accts. Rec.—Valley Landscaping	M52		2 2 5 00		13	
	Cash				2 2 5 00	14	

- Journalizing a dishonored check is basically reversing the transaction made to record the check, except the fee is added
- _____ is debited and _____ is reduced by a credit.

C. Journalizing an Electronic Funds Transfer (EFT)

- Define Electronic Funds Transfer:
- Many businesses use _____ to pay _____.
- What source doc is used for an EFT?
- EFT is recorded just as any _____ payment. This keeps the checkbook in balance. It is recorded on the check stub as _____.

June 5. Paid cash on account to Murniak Enterprises, \$380.00, using EFT. Memorandum No. 18.

GENERAL JOURNAL							PAGE 22
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
5	Accts. Pay.—Murniak Enterprises	M18		3 8 0 00		11	
	Cash				3 8 0 00	14	

D. Journalizing a Debit Card Transaction

GENERAL JOURNAL							PAGE 22
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
13 8	Supplies	M21		75 00		13	
14	Cash				75 00	14	

- Define Debit Card:

NOTE: Credit card versus Debit card:

- A credit card is essentially a charge account. The card holder gets a set limit of how much s/he can charge (or basically “borrow” from the company) to the card account.
- Different from a credit card, a _____ automatically pulls the money from the _____.
- Source doc is?
- This is also recorded on the check stub as _____, to keep the checkbook in balance.

Lesson 5-4: Petty Cash

Learning Targets:

- Establish a petty cash fund.
- Prepare a petty cash report.
- Replenish a petty cash fund.

A. Establishing a Petty Cash Fund

- Define Petty Cash:
- Petty cash is an _____ account, with a normal _____ balance.
- A business usually has some small payments for which writing a _____ is not time or _____.
- Only use the account _____ when you are **establishing** the petty cash fund.

January 19. Paid cash to establish a petty cash fund, \$100.00. Check No. 8.

GENERAL JOURNAL							PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
19	Petty Cash	C8		100 00		19	
	Cash				100 00	20	

B. Making Payments from a Petty Cash Fund with a Petty Cash Slip

- Define Petty Cash Slip:
- Petty cash slips are kept in the petty cash box or bag until the fund is _____.
- No _____ are made in the journal for individual petty cash payments.

C. Petty Cash Report

Label the parts of a Petty Cash Report!

Explanation		Reconciliation		Replenish Amount
Fund Total			100.00	
Payments:				
	Miscellaneous Expense 20.00			
	Advertising Expense 14.00			
Less:	Total payments		34.00	34.00
Equals:	Recorded amount on hand		66.00	
Less:	Actual amount on hand		65.00	
Equals:	Cash short (over)		1.00	1.00
	Amount to Replenish			35.00

- Define Cash short:
- Define Cash over:
- _____ petty cash means putting more cash from the cash account into the petty cash account and recording the _____ that have occurred.
- Petty cash is always replenished _____ to ensure all expenses are _____. (It can be done sooner if needed.)
- A _____ is proof of the fund.
- The amount of the total of all the petty cash slips and the amount of actual _____ on hand may vary, due to errors. This can cause more or less money to be in the box than what the petty slips and petty cash report show should be left.

D. Replenishing Petty Cash

January 31. Paid cash to replenish the petty cash fund, \$35.00: Miscellaneous Expense, \$20.00; Advertising, \$14.00, Cash Short and Over, \$1.00. Check No. 11.

GENERAL JOURNAL										PAGE 2
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT		
7 31	Miscellaneous Expense	C11		20 00						7
8	Advertising Expense			14 00						8
9	Cash Short and Over			1 00						9
10	Cash							35 00		10

- What type of account is Cash Short and Over? _____
- If the Petty Cash Report shows you have a cash short then that amount is recorded as a _____ on the journal entry.
- If the Petty Cash Report shows you have a cash over then that amount is recorded as a _____ on the journal entry.
- What is the source doc for replenishing petty cash fund? _____.