

Name: _____

Lesson 5-1: Checking Accounts

Objectives: LO1: _____
 LO2: _____
 LO3: _____

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

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
CUSTOMER RECEIPT		

- Checking account:
- The checking account is where cash comes out when a _____ is written out.
- Deposit slip:
- A deposit makes the cash balance increase or decrease? (Circle one)

C. Deposit Recorded on a Check Stub

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		

- _____ are journalized at the time _____ is received so we don't journalize them again when we finally deposit them into the bank.

D. Endorsements

- 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	

- 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	

- 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>
	DELGADO WEB SERVICES
	<i>Michael Delgado</i>
DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE RESERVED FOR FINANCIAL INSTITUTION USE	

- Restrictive endorsement:

- This limits use of the check to _____.

E. Completed Check Stub and Check

NO. 1 \$ 165.00		DELGADO WEB SERVICES 25402 Rimrock Road Billings, MT 59102-1820		NO. 1 93-2150 929	
Date: <u>January 2,</u> 20--		January 2, 20--			
TO: <u>Eastside Supplies</u>		PAY TO THE ORDER OF <u>Eastside Supplies</u>		\$ 165.00	
For: <u>Supplies</u>		<u>One hundred sixty-five and ⁰⁰/₁₀₀</u>		DOLLARS	
BALANCE BROUGHT FORWARD		0 00			
AMOUNT DEPOSITED <u>1</u> <u>2</u> --		2,000 00			
SUBTOTAL		2,000 00			
OTHER:					
SUBTOTAL		2,000 00			
AMOUNT THIS CHECK		165 00			
BALANCE CARRIED FORWARD		1,835 00			
		Billings, MT			
		FOR <u>Supplies</u>		<u>Michael Delgado</u>	
		⑆09292⑆508⑆ 70646663⑆835⑆ 00⑆			

Preparing check stubs:

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

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

Preparing check

Remember, these must match or a bank could refuse payment! (Generally, bank will pay the WRITTEN amount if they don't match)

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

- Postdated check:

F. Recording a Voided Check

JOURNAL										PAGE 5
DATE	ACCOUNT TITLE				DOC. NO.	POST. REF.	DEBIT		CREDIT	
15	VOID				C24	✓				
19										
20										

1 Date 2 VOID Source Document 3 C24 4 Check Mark Dashes 5

- Voided check:
- All unused checks should _____ for records and be _____ in the GJ.
- What word goes in the Account Title of a journal entry for a voided check? _____
- Remember ALWAYS fill out the _____ before the check!
-

Check yourself!

1. List the three types of endorsements.
2. List the steps for preparing a check stub.
3. List the steps for preparing a check.

Lesson 5-2: Bank reconciliation

Objectives: LO4: _____
LO5: _____

A. Bank Statement

Billings National Bank Billings, MT						
STATEMENT OF ACCOUNT FOR					ACCOUNT NUMBER	STATEMENT DATE
DELGADO WEB SERVICES 28402 Rimrock Road Billings, MT 59102-1820					706466631838	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	3,118.00	18	6,438.00	28.00	3,292.00

DATE	CHECK	AMOUNT	CHECK	AMOUNT	DEPOSIT	BALANCE
01/01/--						0.00
01/02/--					2,000.00	2,000.00
01/08/--	1	185.00				1,835.00
01/08/--	2	900.00				935.00
01/10/--					1,100.00	2,035.00
01/16/--					200.00	2,235.00
01/17/--					340.00	2,575.00
01/18/--	4	80.00	6	380.00	195.00	2,340.00
01/19/--	3	100.00			285.00	2,825.00
01/22/--	5	400.00	7	383.00	310.00	2,052.00
01/22/--					270.00	2,322.00
01/23/--	8	100.00			240.00	2,462.00
01/24/--					215.00	2,677.00
01/25/--					280.00	2,957.00
01/26/--					190.00	3,147.00
01/29/--	9	810.00			145.00	2,782.00
01/29/--					315.00	3,097.00
01/29/--					350.00	3,447.00
01/30/--	10	130.00				3,317.00
	8C	25.00				3,292.00
						3,292.00

PLEASE EXAMINE AT ONCE - IF NO ERRORS ARE REPORTED WITHIN 10 DAYS, THE ACCOUNT WILL BE CONSIDERED CORRECT. REFER ANY DISCREPANCY TO OUR ACCOUNTING DEPARTMENT IMMEDIATELY.

- Bank statement:
- Cancelled 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:
 - 1.
 - 2.

B. Bank Statement Reconciliation

RECONCILIATION OF BANK STATEMENT

January 31, 20--
(Date)

<p>Balance on Check Stub No. <u>14</u> \$ 2,622.00</p> <p>DEDUCT BANK CHARGES:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Description</th> <th style="width: 30%;">Amount</th> </tr> </thead> <tbody> <tr> <td><u>Service Charge</u></td> <td style="text-align: right;">\$ 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 style="text-align: right;">25.00</td> </tr> </tbody> </table> <p>Adjusted Check Stub Balance \$ 2,597.00</p>	Description	Amount	<u>Service Charge</u>	\$ 25.00							Total bank charges ▶	25.00	<p>Balance on Bank Statement \$ 3,292.00</p> <p>ADD OUTSTANDING DEPOSITS:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Date</th> <th style="width: 70%;">Amount</th> </tr> </thead> <tbody> <tr> <td><u>1/31/--</u></td> <td style="text-align: right;">\$ 685.00</td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td>Total outstanding deposits ▶</td> <td style="text-align: right;">685.00</td> </tr> </tbody> </table> <p>SUBTOTAL \$ 3,977.00</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Chk. No.</th> <th style="width: 25%;">Amount</th> <th style="width: 25%;">Chk. No.</th> <th style="width: 25%;">Amount</th> </tr> </thead> <tbody> <tr> <td><u>11</u></td> <td style="text-align: right;">35.00</td> <td> </td> <td> </td> </tr> <tr> <td><u>12</u></td> <td style="text-align: right;">800.00</td> <td> </td> <td> </td> </tr> <tr> <td><u>13</u></td> <td style="text-align: right;">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 style="text-align: right;">1,380.00</td> <td> </td> <td> </td> </tr> </tbody> </table> <p>Adjusted Bank Balance \$ 2,597.00</p>	Date	Amount	<u>1/31/--</u>	\$ 685.00					Total outstanding deposits ▶	685.00	Chk. No.	Amount	Chk. No.	Amount	<u>11</u>	35.00			<u>12</u>	800.00			<u>13</u>	545.00											Total outstanding checks ▶	1,380.00		
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Adjusted Check Stub Balance Adjusted Bank Balance

Compare Adjusted Balances

- Reconciling a bank statement means ensuring the 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.
- The steps to reconciling a bank statement:
 1. _____
 2. _____
 3. _____
 4. _____
 5. _____
 6. _____
 7. _____
 8. _____
 9. _____
 10. _____

C. Recording a Bank Service Charge on a Check Stub

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

Check yourself!

1. List four reasons why a depositor's records and a bank's records may differ.
2. If a check mark is placed on the check stub of each canceled check, what does a check stub with no check mark indicate?

Lesson 5-3: Dishonored Checks and Electronic Banking

Objectives: LO6: _____
 LO7: _____
 LO8: _____

A. Recording a Dishonored Check on a Check Stub

- Dishonored check:
- Non-sufficient funds check (NSF):
 - Reasons a check may be dishonored:
 - 1.
 - 2.
 - 3.
 - 4.
 - 5.

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 the 'Dishonored Check' entry.
 2 Amount points to the 225.00 amount.
 3 New Subtotal points to the 1,887.00 subtotal.

- Usually a dishonored check becomes a(n) _____ to the business, and banks charge a _____ for handling.
- Since cash is recorded when a _____ is received, a _____ transaction must be journalized when a check is _____.
- This 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	
13	29	Accts. Rec.—Valley Landscaping				M52		225 00		
14		Cash							225 00	

1 Date

2 Debit

3 Credit

4 Source Document

- 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)

- EFT:

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

- 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 _____.

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		1	
14	Cash				75 00	2	

- Debit Card:
- **SIDENOTE: 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.

Check yourself!

1. List six reasons why a bank may dishonor a check.
2. What account is credited when electronic funds transfer is used to pay cash on account?
3. What account is credited when a debit card is used to purchase supplies?

Lesson 5-4: Petty Cash

Objectives: LO9: _____
 LO10: _____
 LO11: _____

A. Establishing a Petty Cash Fund

GENERAL JOURNAL							PAGE 1
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
19	Petty Cash	C8		100.00			29
30	Cash				100.00		30

- Petty Cash:
- Petty cash is essentially like having an envelope of cash to use to buy pop or stamps, it is for making _____.
- Petty cash is a(n) _____ account, with a normal _____ balance.

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

- Petty Cash Slip:
- Petty cash slips are kept in the petty cash box or envelope until the fund is _____.
- No _____ are made until the replenishment.

C. Petty Cash Report

Label each area that arrows point to!

PETTY CASH REPORT				
Date: <u>January 31, 20--</u>		Custodian: <u>Michael Delgado</u>		
Explanation		Reconciliation		Replenish Amount
Fund Total		100.00		
Payments: <u>Miscellaneous Expense</u>	20.00			
<u>Advertising Expense</u>	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

- _____ 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 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.
- Cash short:
- **DEBIT OR CREDIT CASH SHORT AND OVER IF CASH SHORT (circle one)?**
- Cash over:
- **DEBIT OR CREDIT CASH SHORT AND OVER IF CASH OVER (circle one)?**
 - What account is associated with Cash Short and Cash Over? (What account is used to make up the difference when we replenish?) _____
 - What is this account's Normal Balance? _____
 - What is it classified as? _____

D. Replenishing Petty Cash

****REMEMBER THE PETTY CASH ACCOUNT IS **NEVER** USED WHEN RECORDING THE EXPENSES! IT IS ONLY USED FOR 1. OPENING THE ACCOUNT OR 2. ADDING MORE MONEY TO THE ACCOUNT IF A HIGHER DOLLAR AMOUNT IS NEEDED! (I.e. The petty cash fund is first established for \$50, but that wasn't enough for stamps or miscellaneous small expenses, so it is increased to \$100)****

GENERAL JOURNAL									
PAGE 2									
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT				
7 31	Miscellaneous Expense	C11		2 0 00					7
8	Advertising Expense			1 4 00					8
9	Cash Short and Over			1 00					9
10	Cash				3 5 00				10

- What is the source doc for replenishment of the petty cash fund? _____.
- What accounts are affected in the journal for replenishment?
- If the cash left in the box is MORE than what the petty cash report states it should be, is Cash Short and Over debited or credited? (Circle one)
- If the cash left in the box is LESS than what the petty cash report states it should be, is Cash Short and Over debited or credited? (Circle one)

Check yourself!

1. Why do businesses use petty cash funds?
2. Why is cash rather than petty cash credited when a petty cash fund is replenished?