

# Accounting I

## Chapter 5

### CASH CONTROL SYSTEMS

Review: Summative Assessment (Ch. 4 Quiz)

Preview: most transactions involve cash. Most cash payments are by check, which provides written evidence of payment.

*--cash itself can be easily transferred/lost or stolen*

Assign Students to Read Ch. 5 and complete the terms p. 116  
(Students may hand-write them on handout or do on word processor)

#### Discuss Section 5-1: Checking Accounts

- A business form ordering a bank to pay cash is called a Check.
- A bank account from which payments can be ordered by a depositor is called a Checking Account.
- A signature is required by all persons authorized to sign checks on a form called a Signature Card.
- A Deposit Slip is prepared each time money is placed into a checking account. (p. 119) Checks are listed by bank number on deposit slip. Deposits are recorded on the check stub as shown on p. 119.
- A signature or stamp on the back of a check transferring ownership is called an Endorsement.
  - limited to amount of space provided on back (1 1/2 inches) --should be signed exactly as appears on face of check.
  - endorsement is a guarantee of payment of the check

#### Three Types of Endorsements (p. 120)

Blank Endorsement: consists only of the endorser's signature

--can be transferred to whomever has possession

Special Endorsement: indicates a new owner of the check

--Pay to the Order of

Restrictive Endorsement: restricts further transfer of check's ownership.

--For deposit only

Consecutive Numbers on checks:

--provide easy way to identify check

--helps keep track of all checks

The Check Stub is the business's record of the cash payments, so the stub is prepared before the check is written.

### Steps to Write Checks:

#### A. Prepare Stub

1. Amount of Check (at top by \$ sign)
2. Date of Check
3. To whom paid
4. Purpose
5. Amount of Check (in amount column)
6. New Balance

#### B. Prepare Check

1. Date
2. To whom paid
3. Amount in Figures
4. Amount in Words
5. Purpose
6. Signature

### VOIDING A CHECK

If any kind of error is made in writing a check, a new check should be prepared. Write the word **VOID** across both the check and stub. Record voided check in journal as shown on page 122

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Practice: Complete Work Together/On Your Own p. 123

Assign: Application Problem 5-1 p. 140

### **Discuss Section 5-2: Bank Statement**

A report of deposits, withdrawals, and bank balances sent to a depositor by a bank is called a Bank Statement.

- Canceled checks (bank paid) are returned
- Outstanding deposits are those recorded but not yet shown on statement.
- Account service charges are shown on statement.
- Differences in records and bank statement balances occur due to: service charges  
outstanding deposits outstanding checks math errors

A bank statement is reconciled **immediately** upon receipt to verify that bank and accounting records are in agreement.

1. Sort canceled check in numerical order
2. Place a check mark on the check stub; those stubs without a check mark are outstanding checks
3. Prepare a reconciliation using form on back of statement and steps on p. 125.
  - a. date of reconciliation
  - b. check stub balance
  - c. bank charges
  - d. adjusted check stub balance
  - e. bank statement balance
  - f. outstanding deposits
  - g. subtotal
  - h. outstanding checks
  - i. adjusted bank balance
  - j. compare adjusted balances **MUST EQUAL!**

Bank Service Charges must be recorded in two places:

1. On Check Stub (p. 126)
2. In Journal--Miscellaneous Expense (p. 127)

Practice: Complete Work Together/On Your Own p. 128

Assign: Application Problem 5-2 p. 140

### **Discuss Section 5-3: Dishonored Checks and Electronic Banking**

A check that a bank refuses to pay is called a Dishonored Check. Reasons for a dishonored check include:

1. Check has been altered
2. Signature does not match signature card
3. Amounts (words/figures) do not agree
4. Postdated
5. Stopped Payment
6. Insufficient Funds
- 7.

Dishonored checks are recorded on the next unused check stub (p. 129) and in the journal as a cash payment (p. 130).

D-Accounts Receivable-Campus Internet Cafe  
C-Cash

A computerized cash payments system that uses electronic impulses to transfer funds is called an Electronic Funds Transfer.

- Record EFT in journal the same as any other cash payment except use a memorandum as a source document (instead of a check). (p. 131)
- Record EFT on check stub under Other.
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A bank card that automatically deducts the amount of purchase from the checking account is called a Debit Card.

- Record transaction similar to EFT on Check Stub and in Journals (p. 132)
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Practice: Complete Work Together/On Your Own p. 133

Assign: Application Problem 5-3 p. 141

### **Discuss Section 5-4: Petty Cash**

An amount of cash kept on hand and used to make small payments in called Petty Cash. Petty Cash is an asset.

To **establish** a petty cash account

D-Petty Cash

C-Cash

A form showing proof of a petty cash payment is called a Petty Cash Slip. (p. 135)

Petty cash must be replenished when it runs low (below \$25.00) or at the end of the month.

Petty Cash must be proved before it is replenished.

Petty Cash Remaining + Amount of Petty Cash Slips = Petty Cash Fund

A check is written to replenish petty cash.

Journalize using accounts and amounts indicated on petty cash slips. Do NOT Debit Petty Cash! (p. 136)

D-Miscellaneous Expense

D-Advertising Expense

C-Cash

Practice: Complete Work Together/On Your Own p. 138

Assign: Application Problem 5-4 p. 141

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Formative Assessment: Assign Mastery Problem 5-5 p. 141

Assign Challenge Problem 5-6 p. 142

Prepare for Summative Assessment: Complete Study Guide 5--handout

Complete Practice Quiz

Summative Assessment--Ch. 5 Quiz--Concept & Application