
College Accounting



Chapter 5: Cash Control Systems

Goals of Chapter 5:




- Define accounting terms related to using a checking account and a petty cash fund
- Identify accounting concepts and practices related to using a checking account
- Prepare business papers related to using a checking account
- Reconcile a bank statement
- Journalize dishonored checks and electronic banking transactions
- Establish a petty cash fund

5-1: Checking Accounts

- Checking Account: a bank account from which payments can be ordered by a depositor
- Check: a business form that orders a bank to pay cash from a bank account to another party
- Deposit Slip: used each time cash or checks are deposited
- Depositing Cash – should be done by businesses on a daily basis
- Checks listed on slip by Bank routing number

AUG 1 20-- D5000.00 RDS

 Pacific national bank
Portland, OR 97203

For deposit to the account of

TECHKNOW CONSULTING
7549 Broadway
Portland, OR 97202-2531

24-317
1230

Date August 1 20--

Currency			
Coin			
Checks			
	<u>24-108</u>	<u>5,000</u>	<u>00</u>
TOTAL		<u>5,000</u>	<u>00</u>

⑆ 23003 ⑆ 75⑆ 43⑆ 452119⑆

CUSTOMER RECEIPT

5-1: Checking Accounts

- Deposits recorded on a check stub

NO. 1		\$ _____
Date _____	20 ____	
To _____		

For _____		

BAL. BRO'T. FOR'D.		0 00
AMT. DEPOSITED ...	8 1 -- Date	5,000 00
SUBTOTAL		5,000 00
OTHER:		

SUBTOTAL:		
AMT. THIS CHECK		
BAL. CAR'D. FOR'D.		

5-1: Checking Accounts

- Endorsement: a signature or stamp on the back of a check transferring ownership of the check

- 3 Types

The diagram illustrates three types of check endorsements on a check back. Each type is shown with a sample endorsement and a corresponding label in a green box.

- Blank Endorsement:** The sample shows the words "Endorse here" and "X" followed by a handwritten signature "Kim Park".
- Special Endorsement:** The sample shows "Endorse here" and "X" followed by the handwritten phrase "Pay to the order of", the name "Eleanor Johnson", and the name "Kim Park".
- Restrictive Endorsement:** The sample shows "Endorse here" and "X" followed by the printed phrase "For deposit only to the account of TECHKNOW CONSULTING" and the signature "Kim Park".

At the bottom of the check back, there is a line that reads: "DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE Reserved for Financial Institution Use".

Blank Endorsement – only the signature of the endorser

Special Endorsement – an endorsement stating a new owner (specifically by name) the words “Pay to the Order of.....”

Restrictive Endorsement – limits use of check to purpose stated in the endorsement... “For Deposit OnlyAcct#”

5-1: Checking Accounts

NO. 1 \$ 275.00 **1**

2 Date August 3, 20--

To Port City Supply Co. **3**

For Supplies **4**

BAL. BRO'T. FOR'D.		0 00
AMT. DEPOSITED	8 1 --	5,000 00
SUBTOTAL	Date	5,000 00
OTHER:		
SUBTOTAL:		5,000 00
AMT. THIS CHECK		275 00
BAL. CAR'D. FOR'D.		4,725 00

5

6

COMPLETING CHECK STUB

1. Write the amount of the check.
2. Write the date of the check.
3. Write to whom the check is to be paid.
4. Record the purpose of the check.
5. Write the amount of the check.
6. Calculate the new checking account balance.

The stub must be completed first before the check – source document (objective evidence) for journal entry

5-1: Checking Accounts

COMPLETING CHECKS

8 TechKnow Consulting
7549 Broadway
Portland, OR 97202-2531

7 NO. 1 **9** 24-317
1230

August 3, 20 --

PAY TO THE ORDER OF **8** Port City Supply Co. **9** \$ 275.00

Two hundred seventy-five and ¹⁰⁰/₁₀₀ **10** DOLLARS

11 Pacific national bank
Portland, OR 97203

FOR Supplies **12** m Park

⑆ 23003 ⑆ 75⑆ 43⑆ 452⑆ ⑆ 9⑆

7. Write the date.
8. Write to whom the check is to be paid.
9. Write the amount in figures.
10. Write the amount in words.
11. Write the purpose of the check.
12. Sign the check.

Postdated Checks: a check with a future date (most banks won't accept b/c money can't be withdrawn from the account)

5-1: Checking Accounts

RECORDING A VOIDED CHECK

GENERAL JOURNAL							PAGE 5	
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT			
15	VOID	C20	✓	—	—			

1. Record the date in the Date column.
2. Write the word *VOID* in the Account Title column
3. Write the check number in the Doc. No. column.
4. Place a check mark in the Post. Ref. column.
5. Place a dash in both the Debit and Credit columns.

5-2: Bank Reconciliation

Bank Statement:

a report of the deposits, withdrawals, and bank balances....sent to a depositor from its bank

•Outstanding checks: a check written by company and deducted in company's books, but not yet deducted by bank

•Outstanding deposits: deposits recorded in the company records, but not yet recorded in the bank's records.

Pacific national bank Portland, OR 97203						
STATEMENT OF ACCOUNT FOR TECHKNOW CONSULTING 7549 Broadway Portland, OR 97202-2531					ACCOUNT NUMBER 43-452-119	STATEMENT DATE August 30, 20--
BALANCE FROM PREVIOUS STATEMENT	NO. OF CHECKS	AMOUNT OF CHECKS	NO. OF DEPOSITS	AMOUNT OF DEPOSITS	SERVICE CHARGES	STATEMENT BALANCE
0.00	11	2,821.00	14	8,125.00	8.00	5,304.00
DATE	CHECK	AMOUNT	CHECK	AMOUNT	DEPOSIT	BALANCE
08/01/--						0.00
08/01/--					5,000.00	5,000.00
08/04/--	1	275.00				4,725.00
08/07/--	2	1,200.00				3,525.00
08/12/--					495.00	4,020.00
08/13/--	4	300.00	6	125.00		3,595.00
08/14/--	3	300.00				3,295.00
08/15/--					250.00	3,545.00
08/16/--					195.00	3,740.00
08/17/--	5	40.00			175.00	3,875.00
08/18/--	7	78.00			205.00	4,002.00
08/19/--	8	100.00			180.00	4,082.00
08/20/--	9	125.00			210.00	4,167.00
08/21/--					225.00	4,392.00
08/24/--					205.00	4,597.00
08/25/--					275.00	4,872.00
08/26/--					290.00	5,162.00
08/27/--					205.00	5,367.00
08/28/--					215.00	5,582.00
08/29/--	10	70.00				5,512.00
08/30/--	11	200.00				5,312.00
	SC	8.00				5,304.00

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.

5-2: Bank Reconciliation

BANK STATEMENT RECONCILIATION

1. Date
2. Check Stub Balance
3. Service Charge
4. Adjusted Check Stub Balance
5. Bank Statement Balance
6. Outstanding Deposits
7. Subtotal
8. Outstanding Checks
9. Adjusted Bank Balance
10. Compare Adjusted Balances

RECONCILIATION OF BANK STATEMENT August 31, 20--
(Date)

<p>Balance on Check Stub No. <i>14</i> \$ 4,972 00</p> <p>DEDUCT BANK CHARGES:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Description</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td><i>Service Charge</i></td> <td>\$ 8 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>8 00</td> </tr> </tbody> </table> <p>Adjusted Check Stub Balance \$ 4,964 00</p>	Description	Amount	<i>Service Charge</i>	\$ 8 00							Total bank charges ▶	8 00	<p>Balance on Bank Statement \$ 5,304 00</p> <p>ADD OUTSTANDING DEPOSITS:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td><i>8/31/--</i></td> <td>\$ 190 00</td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td>Total outstanding deposits ▶</td> <td>190 00</td> </tr> </tbody> </table> <p>SUBTOTAL \$ 5,494 00</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Ck. No.</th> <th>Amount</th> <th>Ck. No.</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td><i>12</i></td> <td><i>30 00</i></td> <td> </td> <td> </td> </tr> <tr> <td><i>13</i></td> <td><i>500 00</i></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> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td>Total outstanding checks ▶</td> <td>530 00</td> <td> </td> <td> </td> </tr> </tbody> </table> <p>Adjusted Bank Balance \$ 4,964 00</p>	Date	Amount	<i>8/31/--</i>	\$ 190 00					Total outstanding deposits ▶	190 00	Ck. No.	Amount	Ck. No.	Amount	<i>12</i>	<i>30 00</i>			<i>13</i>	<i>500 00</i>															Total outstanding checks ▶	530 00		
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Total outstanding checks ▶	530 00																																																		

10

5-2: Bank Reconciliation

RECORDING A BANK SERVICE CHARGE ON A CHECK STUB

NO. 14	\$ _____
Date _____	20 ____
To _____	
For _____	
<hr/>	
BAL. BRO'T. FOR'D.	4,782 00
AMT. DEPOSITED ... 8 31 --	190 00
SUBTOTAL <small>Date</small>	4,972 00
OTHER:	
1 <u>Service Charge 8.00</u>	
	8 00
SUBTOTAL:	4,964 00
AMT. THIS CHECK	
BAL. CAR'D. FOR'D.	

1. Write *Service Charge \$8.00* on the check stub under the heading "Other."
2. Write the amount of the service charge in the amount column.
3. Calculate and record the new subtotal on the Subtotal line.

2

3

5-2: Bank Reconciliation

JOURNALIZING A BANK SERVICE CHARGE

August 31. Received bank statement showing August bank service charge, \$8.00. Memorandum No. 3.

GENERAL JOURNAL										PAGE 2
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT					
16	31	Miscellaneous Expense	M3	8 00					16	
17		Cash			8 00				17	

The diagram illustrates the journal entry for a bank service charge. It shows a General Journal page with columns for DATE, ACCOUNT TITLE, DOC. NO., POST. REF., DEBIT, and CREDIT. The entry is as follows:

DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT
31	Miscellaneous Expense	M3		8 00	
	Cash				8 00

Numbered callouts indicate the following steps:

1. Write the date (31).
2. Write the title of the account debited (Miscellaneous Expense) and record the debit amount (8 00).
3. Write the title of the account credited (Cash) and record the credit amount (8 00).
4. Write the source document number (M3) in the Doc. No. column.

1. Write the date.
2. Write the title of the account debited. Record the debit amount.
3. Write the title of the account credited. Record the credit amount.
4. Write the source document number in the Doc. No. column.

5-3: Dishonored Checks & Electronic Banking

Dishonored Check: a check that a bank refuses to pay

NO. 41	\$ _____
Date _____	20__
To _____	
For _____	
<hr/>	
BAL. BRO'T. FOR'D.	6,128 00
AMT. DEPOSITED ...	
SUBTOTAL Date	6,128 00
OTHER: <i>Dis. Check 105.00</i>	
1 _____	105 00 2
SUBTOTAL:	6,023 00 3
AMT. THIS CHECK	
BAL. CAR'D. FOR'D.	

RECORDING A DISHONORED CHECK ON A CHECK STUB

1. Write Dishonored check \$105.00 on the line under the heading "Other."
2. Write the total of the dishonored check in the amount column.
3. Calculate and record the new subtotal on the Subtotal line.

5-3: Dishonored Checks & Electronic Banking

JOURNALIZING A DISHONORED CHECK

November 29. Received notice from the bank of a dishonored check from Campus Internet Café, \$70.00, **plus \$35.00 fee**; total, \$105.00. Memorandum No. 55.

GENERAL JOURNAL							PAGE 8
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
19	29	Accts. Rec.—Campus Internet Cafe	M55	10500		19	
20		Cash			10500	20	
21						21	

1. Write the date.
2. Write the title of the account debited. Write the debit amount.
3. Write the title of the account credited. Write the amount credited.
4. Write the source document number in the Doc. No. column.

5-3: Dishonored Checks & Electronic Banking

JOURNALIZING AN ELECTRONIC FUNDS TRANSFER

Electronic Funds Transfer (EFT) – a computerized cash payments system that transfers funds without the use of checks, currency or other paper. Can use phone or computer.

September 2. Paid cash on account to Kelson Enterprises, \$350.00, using EFT. Memorandum No. 10.

GENERAL JOURNAL							PAGE 17
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
7	2 Accts. Pay.—Kelson Enterprises	M10		350 00		7	
8	Cash				350 00	8	
9						9	

The diagram illustrates the journal entry process with four numbered steps: 1. Write the date (pointing to the DATE column). 2. Write the title of the account debited and record the amount debited (pointing to the ACCOUNT TITLE and DEBIT columns). 3. Write the title of the account credited and record the amount credited (pointing to the ACCOUNT TITLE and CREDIT columns). 4. Write the source document number in the Doc. No. column (pointing to the DOC. NO. column).

1. Write the date.
2. Write the title of the account debited. Record the amount debited.
3. Write the title of the account credited. Record the amount credited.
4. Write the source document number in the Doc. No. column.

5-3: Dishonored Checks & Electronic Banking

JOURNALIZING A DEBIT CARD TRANSACTION

page 132

Debit Card – a bank card that, when making purchases, automatically deducts the amount of the purchase from the checking account of the cardholder.

*September 5. Purchased supplies, \$24.00, using debit card.
Memorandum No. 12.*

GENERAL JOURNAL							PAGE 17
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT		
12	5 Supplies	M12	4	2400		12	
13	Cash				2400	13	
14						14	

1. Write the date.
2. Write the title of the account debited. Record the amount debited.
3. Write the title of the account credited. Record the amount credited.
4. Write the source document number in the Doc. No. column.

5-4: Petty Cash

Petty cash – an amount of cash kept on hand and used for making small payments. Asset account. 3 components: **Establishing** the fund; **Using** the Funds and **Replenishing** the fund.

August 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						
29	19	Petty Cash					C8		1	0	0	0			29		
30		Cash											1	0	0	0	30
31																31	

1. Write the date.
2. Write the title of the account debited. Record the amount debited.
3. Write the title of the account credited. Record the amount credited.
4. Write the source document number in the Doc. No. column.

5-4: Petty Cash

USING OR MAKING PAYMENTS FROM THE PETTY CASH FUND

Petty Cash Slip – form used to show proof of a petty cash payment

PETTY CASH SLIP		No. 1
Date:	<u>August 19, 20--</u>	
Paid to:	<u>Tribune</u>	
For:	<u>Newspaper Ad</u>	\$ <u>10.00</u>
Account:	<u>Advertising Expense</u>	
Approved:	<u>Kim Park</u>	

5-4: Petty Cash

REPLENISHING PETTY CASH

Replenishing the Fund – when fund gets too low, putting money back in to it and journalize amounts paid for with petty cash funds.

August 31. Paid cash to replenish the petty cash fund, \$30.00: miscellaneous expense, \$20.00; advertising, \$10.00. Check No. 12.

GENERAL JOURNAL							2	PAGE 2
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT			
9 31	Miscellaneous Expense	C12		20 00		9		
10	Advertising Expense			10 00		10		
11	Cash				30 00	11		

1. Write the date.
2. Write the title of the first account debited. Write the debit amount. Write the title of the second account. Record the debit amount.
3. Write the title of the account credited. Record the credit amount.
4. Write the source document number in the Doc. No. column.

TERMS REVIEW

- checking account
- endorsement
- blank endorsement
- special endorsement
- restrictive endorsement
- postdated check
- dishonored check
- electronic funds transfer
- debit card
- bank statement
- petty cash
- petty cash slip