

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

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- <u>Checking Account</u>: a bank account from which payments can be ordered by a depositor
- <u>Check</u>: 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 <u>daily</u> basis
- Checks listed on slip by <u>Bank routing number</u>

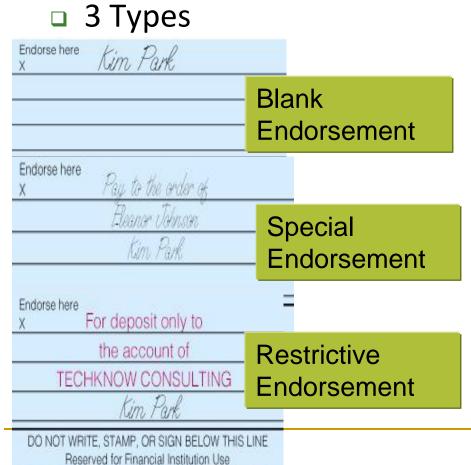
AUG 1 20 D5000.00 RDS		Date_August	<u>, 1</u> 20	
Pacific national bank		Currency		
Portland, OR 97203		Coin		
	24-317	Checks 24-108	5,000	00
TECHKNOW CONSULTING	1200			
7549 Broadway	8			
Portland, OR 97202-2531				
		TOTAL	5,000	00
11230031751 43#452119#		CUST	OMER REC	EIPT

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Deposits recorded on a check stub

NO. 1 Date To	\$		_ 20
For			
AMT. DEPOSI	FOR'D	5,000	00 00 00
AMT. THIS CH	IECK		

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



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....."

<u>Restrictive Endorsement</u>-

limits use of check to purpose stated in the endorsement...

"For Deposit OnlyAcct#"

NO. 1 \$ <u>275.00</u> Date <u>August 3</u> To Part City Supply Co.	3	20
For_Supplies 4		
BAL. BRO'T. FOR'D	5.000	00
SUBTOTAL	5,000	00
OTHER:	-	1
SUBTOTAL:	- 5.000	00
AMT THIS CHECK	275	00
BAL. CAR'D. FOR'D	4,725	m

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 (<u>objective evidence</u>) for journal entry

COMPLETING CHECKS

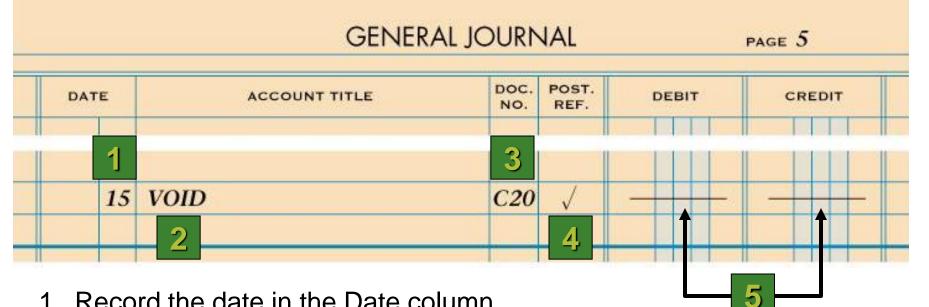
TechHnow Gronsulting	7 NO. 1 24-317 1230
7549 Broadway Pertied OB 97202-2531	<u>August 3, 20</u>
PAY TO THE Port City Supply Co.	<u>\$ 275.00</u>
Two hundred seventy-five and	100 DOLLARS
Pacific national bank	For Classroom Use Only
FOR Supplies	12n Park
:123003175: 43#452119#	

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

Postdated Checks: a check with a future date (most banks won't accept b/c money can't be withdrawn from the account)

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RECORDING A VOIDED CHECK



- 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.

LESSON 5-2

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5-2: Bank Reconciliation

Bank Statement:

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

•<u>Outstanding checks</u>: 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.

		TECHKNOW 7549 Brc Portland	CONSU CONSU			43	OUNT NUMBER
BALANCE - FROM PREVIOU STATEMENT	IS (AMOUNT OF CKS CHECKS		OF DEPOSITS	OF DEPOSITS		BALANCE
0.00	1	2,821.0	00	14	8,125.00	8.00	5,304.00
DATE	CHECK	AMOUNT	СНЕСК	AM	NOUNT	DEPOSIT	BALANCE
08/01/							0.
08/01/						5,000.00	5,000.
08/04/	1	275.00					4,725.
08/07/	2	1,200.00					3,525.
08/12/						495.00	4,020.
08/13/	4	300.00	6		125.00		3,595.
08/14/	3	300.00					3,295.
08/15/						250.00	3,545.
08/16/		200000000				195.00	3,740.
08/17/	5	40.00				175.00	3,875.
08/18/	7	78.00				205.00	4,002.
08/19/	8	100.00				180.00	4,082.
08/20/	9	125.00				210.00	4,167.
08/21/						225.00	4,392.
08/24/						205.00	4,597.
08/25/						275.00	4,872.
08/26/						290.00	5,162.
08/27/						205.00	5,367.
08/28/		1100-08010-000				215.00	5,582.
08/29/	10	70.00					5,512.
08/30/	11	200.00					5,312.
	SC	8.00					5,304.

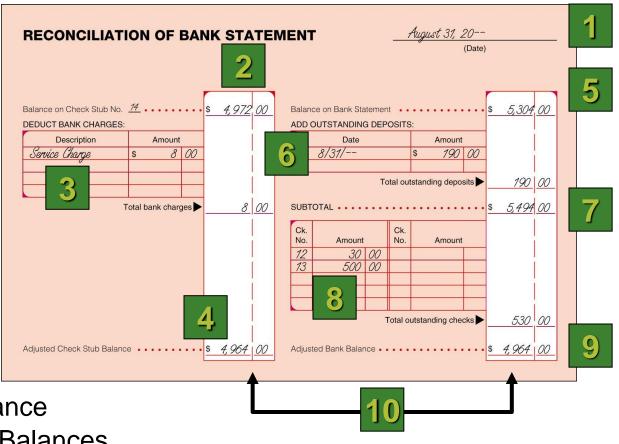
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5-2: Bank Reconciliation

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- 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

BANK STATEMENT RECONCILIATION



5-2: Bank Reconciliation

RECORDING A BANK SERVICE CHARGE ON A CHECK STUB

NO. 14	\$		20	
			_ 20	
For				
BAL, BRO'T.	FOR'D	4, 782	00	j
AMT. DEPOS SUBTOTAL.	Data	190 4,972	00	
	ice Charge 8.00	1.1	00	2
AMT. THIS C	HECK		00	3

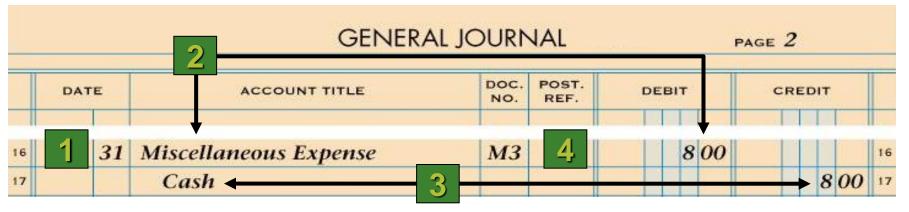
- 1. Write Service Charge \$8.00 on the check stub under the heading "Other."
- 2. Write the amount of the service charge in the amount column.
- 3. Calculate and record the new subtotal on the Subtotal line.

5-2: Bank Reconciliation

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JOURNALIZING A BANK SERVICE CHARGE

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



- 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
T .			_ 20
For			
BAL, BRO'T.	FOR'D	6,128	00
AMT. DEPOS		1 100	
SUBTOTAL.		0,120	00
OTHER: De	Check 105.	00	
1	0000 100.0	73034	00
		- 105	00
SUBTOTAL:		6,023	00
AMT. THIS C	HECK		
BAL. CAR'D.	FOR'D		

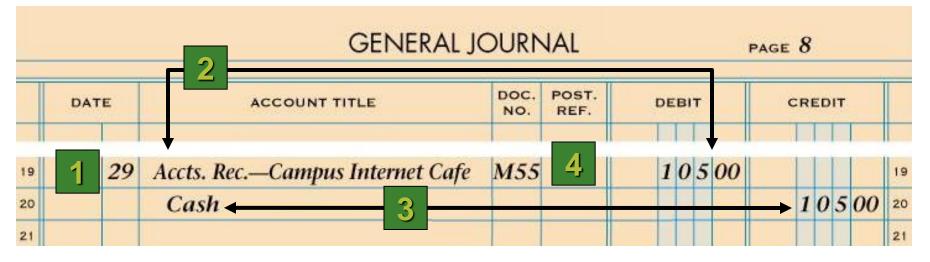
RECORDING A DISHONORED CHECK ON A CHECK STUB

- 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.



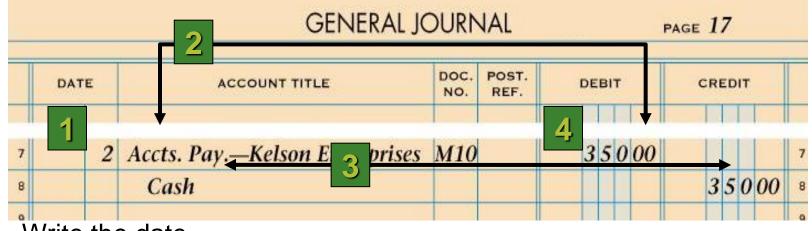
- 1. Write the date.
- 2. Write the title of the account debited. Write the debit amount.
- 3. Write the title of the account credited. Write the amount credited.
- 4. Write the source document number in the Doc. No. column.

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.

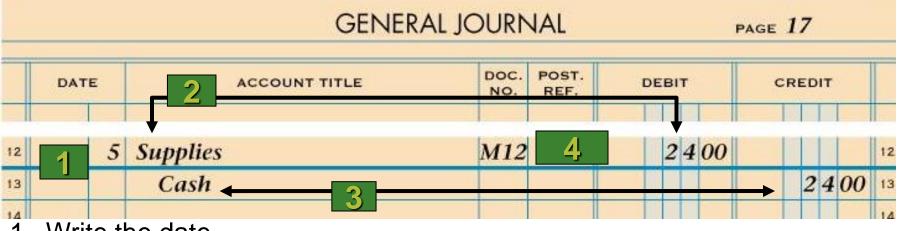


- 1. Write the date.
- 2. Write the title of the account debited. Record the amount debited.
- 3. Write the title of the account credited. Record the amount credited.
- 4. Write the source document number in the Doc. No. column.

5-3: Dishonored Checks & Electronic Banking JOURNALIZING A DEBIT CARD TRANSACTION

<u>**Debit Card**</u> – 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.



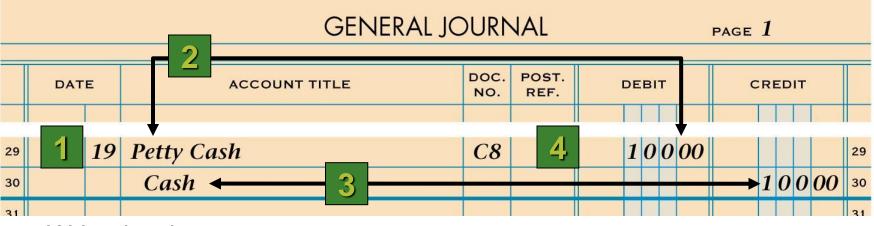
1. Write the date.

- 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

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

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



- 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

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Using or making payments from the petty cash fund

<u>**Petty Cash Slip**</u> – form used to show proof of a petty cash payment

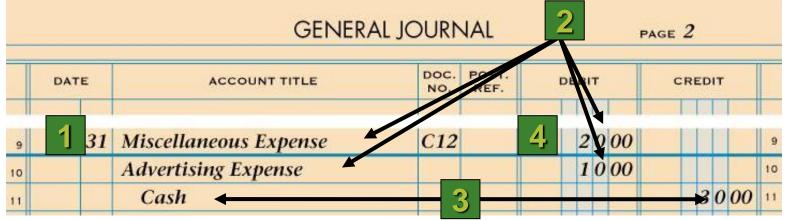
PETTY CASH SLIP	No. 1
Date: August 19, 20	
Paid to: Tribune	
For: <u>Newspaper</u> Ad	\$ <u>10.00</u>
Account: Advertising Expense	e
Approved: Kim	Park

5-4: Petty Cash

REPLENISHING PETTY CASH

<u>Replenishing the Fund</u> – 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.



- 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

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- 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