

IV. BANK RECONCILIATION

A bank statement's cash balance will not agree with a check book's cash balance because clearing checks takes time, mistakes may be made, and the bank may be performing activities the company does not learn

about until the arrival of the bank statement. Bank adjustments will happen automatically with the passage of time while book adjustments, for varied reasons, require Adjusting Journal Entries.

RELEVANT DATA

Google "Excel Internet Library" for beginning to advanced learning materials.

1. The company's Cash account had a \$1,400 debit balance while the bank statement revealed a \$2,400 balance.
2. Checks No. 8 for \$200, No. 29 for \$700, and No. 30 for \$100 were outstanding.
3. Bank Statement analysis revealed that check No. 6 written for \$390 to purchase equipment had been recorded at \$300.
4. Included was a bank debit memo indicating our account had been charged \$295, the amount of a nonsufficient funds check we had deposited from M. Jones and a related bank charge of \$15.
5. Also included was a credit memo indicating the collection of a \$1,000 Note Receivable collected by the bank from M. Jones and a related \$15 bank charge.
6. The account earned \$15 interest during the period.
7. Our deposit of \$600, made on February 23, had not been recorded by the bank.

Google "Software Tutorial Internet Library" for help learning many software packages.

Google " Statistics Internet Library" for free help learning Statistics

Note: The number of the relevant data has been placed next to the appropriate section on the bank reconciliation.

Darin's Music Emporium Bank Reconciliation February 24, 1996			
BOOK BALANCE (1)		\$1,400	
Add:			
Collection of Note Receivable (5)	\$1,000		
Interest Earned (6)	<u>15</u>	<u>1,015</u>	
		\$2,415	
Deduct:			
Recording Error (3)	\$ 90		
NSF Check (4)	295		
Bank Charges (4) (5)	<u>30</u>	<u>415</u>	
Adjusted Book Balance			<u>\$2,000</u>
BANK BALANCE (1)		\$2,400	
Add:			
Late Deposit (7)		<u>600</u>	
		\$3,000	
Deduct			
Outstanding Checks (2)			
No. 8	\$200		
No. 29	700		
No. 30	<u>100</u>	<u>1,000</u>	
Adjusted Bank Balance			<u>\$2,000</u>

BANK RECONCILIATION JOURNAL ENTRIES

		DR.	CR.
Feb. 24	Cash	1,015	
	Notes Receivable		1,000
	Interest Earned		15
Feb. 24	Equipment	90	
	Accounts Receivable	295	
	Miscellaneous Expense	30	
	Cash		415