# **Week 11 Workbook Cash Control**

## Control of cash receipts is VIP. Why?

## Control measures include:



## Other cash control



## Procedures for banking cash receipts could include

## Bank Reconciliation

We need to compare our cash journals to our Bank’s records to avoid errors.

* The Bank prepares a Statement on a regular basis (monthly) for the business
* The Bank Statement records all transactions with the Bank but from the Bank’s view
* Increases in cash (cash& chq deposits, EFTPOS, direct credits) are recorded in the Deposit column in the Bank Statement (BS)
* Decreases in cash (chq, direct debit, charges) are recorded as a withdrawl or Debit column.



## Bank Statement See ppt slide

## Transaction to reconcile

There can be many transactions that are conducted directly to and from our Bank Account with the bank.

Deposits

* EFTPOS
* Credit card sales
* Commission
* Interest earned

Payments

* Bank fees
* Interest paid to the bank
* Direct payment etc….

## Steps to reconcile

We must check the Bank’s records with our Cash Journals records to detect any variations

* Tick ✓ items common to both
* **Note** the items that are only in one of – Bank Statement or CRJ,CPJ
* We can’t change the Bank’s records but we CAN adjust our own cash journals records
* We must add to OUR CRJ and CPJ any unticked items in the Bank Statement

## JJ is owner of Heating business. Received a Bank Statement showing a balance of $400. His own records in the Cash at Bank ledger account show only $75 balance.

He noted 2 differences:

* A deposit of $80 on 31 July does not appear in the Bank Statement
* 2 cheques written on 26/7 are missing. They are chq no 4561 for $180 and 4562 for $225

Prepare a Bank Reconciliation statement at 31/7/2018

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Heater Installations: Bank reconciliation statement as at 31 July 2018** | | | | | |
|  |  |  |  |  |  |
| Balance as per bank statement | | |  | x | CR |
| plus | Deposits not yet credited | |  | x |  |
|  |  |  |  |  |  |
| less | Unpresented cheques | |  |  |  |
|  | Chq. No. |  | Amount |  |  |
|  | x |  | x |  |  |
|  | x |  | x |  |  |
| Balance as per cash records of business | | |  |  |  |

## Bank Reconciliation Task

The cash journals shown below were prepared for Lappin Glaziers for the month of March 2018. On 1 March the business had $2400 in the bank.

1. Compare the Bank statement and the Cash Journals (simplified) and update the cash journals if required.
2. Calculate the cash at bank balance in the ledger at 31/3
3. Prepare bank reconciliation as at 31/3

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash Receipts Journal | | |  |  |  |
| Date | Details | Rec. No. | Total banked | Amount received | GST received |
|  |  |  | $ | $ | $ |
| Mar-01 | Cash fees | 865 | 253 | 230 | 23 |
| 2 | Cash fees | 866 | 176 | 160 | 16 |
| 5 | Cash fees | 867 | 396 | 360 | 36 |
| 7 | Cash fees | 868 | 121 | 110 | 11 |
| 9 | Cash fees | 869 | 231 | 210 | 21 |
| 10 | Cash fees | 870 | 396 | 360 | 36 |
| 14 | Cash fees | 871 | 473 | 430 | 43 |
| 18 | Cash fees | 872 | 99 | 90 | 9 |
| 22 | Cash fees | 873 | 594 | 540 | 54 |
| 25 | Cash fees | 874 | 231 | 210 | 21 |
| 31 | Cash fees | 875 | 198 | 180 | 18 |
| 30 | Totals |  | 3168 | 2880 | 288 |
|  |  |  |  |  |  |
| Cash Payments Journal | | |  |  |  |
| Date | Details | Chq. No. | Total paid | Amount paid | GST paid |
|  |  |  | $ | $ | $ |
| Mar-01 | Rent | 24135 | 1595 | 1450 | 145 |
| 4 | Wages | 24136 | 800 | 800 |  |
| 7 | Insurance | 24137 | 341 | 310 | 31 |
| 12 | Drawings | 24138 | 1000 | 1000 |  |
| 18 | Wages | 24139 | 800 | 800 |  |
| 27 | Petrol | 24140 | 154 | 140 | 14 |
| 30 | Stationery | 24141 | 253 | 230 | 23 |
| 31 | Totals |  | 4943 | 4730 | 213 |
|  |  |  |  |  |  |

Bank Statement from ABC Bank for Lappin



|  |  |  |  |
| --- | --- | --- | --- |
| Dr | Cash at Bank | | Cr |
| 1/3 | Bal 2400 |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Bank reconciliation statement as at 31 March 2018** | | | | | |
|  |  |  |  |  |  |
| Balance as per bank statement | | |  | x | CR |
| plus | Deposits not yet credited | |  | x |  |
|  |  |  |  |  |  |
| less | Unpresented cheques | |  |  |  |
|  | Chq. No. |  | Amount |  |  |
|  | x |  | x |  |  |
|  | x |  | x | ! |  |
| Balance as per cash records of business | | | |  |  |
|  |  |  |  |  |  |

## Cash budget Problem

Components of Cash Budget:

Cash balance at start

*+* Cash Receips

*=* Cash Available

*-* Cash Payments

*=* Estimated cash balance at end

Think about how businesses could use cash budgets.

## Schedule of Cash collections and payments