**Ques**tion 1 **Inte**rnal **Cont**rols

**Sprea**dsheet **In**c. **i**s a **soft**ware **com**pany **th**at **deve**lops **a**nd **des**igns **com**plex **spread**sheets **f**or **fin**ance **profess**ionals. **T**he **com**pany **us**es **i**ts **o**wn **custo**mized **sprea**dsheet **t**o **rec**ord **i**ts **transa**ctions. **T**he **sprea**dsheet **i**s **op**en **f**or **u**se **t**o **a**ll **custome**r-facing **empl**oyees **a**nd **i**s **al**so **us**ed **t**o **is**sue **invo**ices **t**o **custo**mers.

**Q-M**ort **In**c. **i**s a **fina**ncial **insti**tution **specia**lizing **i**n **lo**ans **a**nd **mortg**ages. **T**he **mark**eting **catc**hline **"lo**ans **o**r **mort**gages **appr**oved **i**n **o**ne **ho**ur" **i**s a **camp**aign **t**he **insti**tution **us**es **t**o **incr**ease **i**ts **lo**an **a**nd **mort**gage **portf**olio. **I**n **or**der **t**o **me**et **t**he **one-**hour **appr**oval **proc**ess, **t**he **lo**an **offi**cers **a**re **gi**ven **flexi**bility **t**o **dec**ide **o**n **t**he **cre**dit **a**nd **t**he **lo**an **o**r **mort**gage **amo**unt **wit**hin **o**ne **ho**ur **o**f **t**he **cust**omer **compl**eting **t**he **applic**ation. **T**he **fin**ance **offi**cers **a**re **pa**id a **perce**ntage **o**f **t**he **lo**an **amo**unt **a**s a **bon**us.

**T**he **Lo**cal **Ba**nk **Age**ncy **i**s a **non-p**rofit **organi**zation **prov**iding **me**als **t**o **t**he **le**ss **fortu**nate. **Mo**st **o**f **t**he **agen**cy's **reve**nues **a**re **fr**om **dona**tions **a**nd **gover**nment **gra**nts. **T**he **accou**nting **man**ager **i**s **respo**nsible **f**or **a**ll **t**he **accou**nting **wo**rk, **incl**uding **reco**rding **donat**ions, **appr**oving **invo**ices **f**or **paym**ent, **prep**aring **a**nd **pos**ting **a**ll **ent**ries **in**to **t**he **accou**nting **sys**tem, **a**nd **prep**aring **ba**nk **reconcil**iations.

**Requ**ired: **F**or **ea**ch **o**f **t**he c o **mpa**nies **a**nd **situa**tions **discu**ssed:

**Iden**tify **t**he **con**trol **weak**ness

**Ma**ke a **recomme**ndation **t**o **imp**rove **o**r **cor**rect **t**he **con**trol **weak**ness.

**Ques**tion 2 **Ca**sh **a**nd **Ca**sh **Equiv**alents

A **first**-year **co**-op **stu**dent **i**s **try**ing **t**o **dete**rmine **t**he **ca**sh **a**nd **ca**sh **equiv**alents **th**at **sho**uld **b**e **repo**rted **o**n a **comp**any’s **stat**ement **o**f **fina**ncial **posi**tion. **A**t **year**-end:

**Ca**sh **o**n **ha**nd **i**n **t**he **ca**sh **regi**sters **tot**als **$2,**920.

**T**he **bal**ance **i**n **t**he **sav**ings **acc**ount **i**s **$57**,800 **a**nd **i**n **t**he **cheq**uing **acco**unt, **$25,**000. **T**he **com**pany **al**so **h**as a **U.**S. **ba**nk **acco**unt, **wh**ich **cont**ains **t**he **equiv**alent **o**f **$27**,000 **Cana**dian **a**t **year**-end.

**Amo**unts **d**ue **fr**om **empl**oyees **(tr**avel **adva**nces) **to**tal **$8,**700.

**Tra**ding **inves**tments **he**ld **b**y **t**he **com**pany **inc**lude **$25**,000 **i**n a **te**rm **dep**osit **matu**ring **i**n **1**20 **da**ys, a **Gover**nment **o**f **Can**ada **bo**nd **f**or **$50**,000 **th**at **fa**lls **d**ue **i**n **3**0 **da**ys, **a**nd **$36**,000 **i**n **sha**res **o**f **Lob**law **Comp**anies **Limi**ted.

**T**he **com**pany **h**as **$1,**230 **o**f **N**SF **che**ques **fr**om **cust**omers **th**at **we**re **retu**rned **b**y **t**he **ba**nk. **N**SF **fe**es **cha**rged **b**y **t**he **ba**nk **tot**aled **$5**5.

**Requ**ired:

**Dete**rmine **wh**at **it**ems **lis**ted **a**re **ca**sh **a**nd **wh**ich **ca**sh **equiva**lents.

**Wh**at **comb**ined **amo**unt **wo**uld **b**e **repo**rted **a**s **ca**sh **a**nd **ca**sh **equiv**alents **o**n **fina**ncial **state**ments?

**Iden**tify **wh**ere **it**ems **th**at **a**re **n**ot **ca**sh **a**nd **ca**sh **equiv**alents **wo**uld **b**e **reco**rded.

**Ba**nk **Reconci**liations

A **ba**nk **reconci**liation **i**s **a**n **inte**rnal **con**trol **docu**ment . **T**o **ens**ure **th**at **t**he **com**pany **rec**ords **a**re **cor**rect **a**nd **c**om **ple**te, **t**he **com**pany **comp**ares **i**ts **led**ger **ent**ries **t**o a **neu**tral **th**ird **par**ty’s **rec**ords **(t**he **ban**ks). **T**he **ba**nk **reconci**liation **he**lps **t**he **com**pany **t**o **cor**rect **i**ts **rec**ords **thr**ough **jou**rnal **entr**ies.

**Recon**ciling **it**ems **p**er **ba**nk **(stat**ement **bala**nce):

**St**art **wi**th **Stat**ement **Bala**nce: **$X**XX

**Depo**sits **i**n **tra**nsit **(**+)

**Outst**anding **che**ques **(**−)

**Ba**nk **err**ors **(**+ / **−**)

= **Recon**ciled **Ca**sh **Bal**ance **p**er **Ba**nk $ **Y**YY

**Recon**ciling **it**ems **p**er **bo**ok **(**GL **bala**nce):

**St**art **wi**th **G**L **Bala**nce: **$W**WW

**Depo**sits **sho**wing **i**n **Ba**nk **(**+)

**Paym**ents **sho**wing **i**n **Ba**nk **(**-)

**Bo**ok **err**ors **(**+ / **−**)

= **Adju**sted **Ca**sh **Bal**ance $ **Y**YY

**Ques**tion 3 **Ba**nk **Reconci**liation

**Sha**rper **Manufa**cturing **Lim**ited **h**as **prov**ided **t**he **foll**owing **infor**mation **f**or **Ma**y:

**Ba**nk **stat**ement

**Ca**sh **rece**ipts **Jou**rnal

**Ca**sh **depo**sits **Jou**rnal

**Requ**ired:

**Dete**rmine **t**he **ba**nk **bal**ance **i**n **t**he **reco**rded **led**ger **ba**sed **o**n **t**he **ch**equ e **rece**ipts **sum**mary **(depo**sits) **a**nd **t**he **che**que **sum**mary **(withdr**awals).

**Comp**lete a **ba**nk **reconci**liation **incl**uding **jou**rnal **ent**ries **f**or **Ma**y.

**Ba**nk **reconci**liation:

**Jou**rnal **ent**ries **t**o **cor**rect **reco**rds:

**Ques**tion 4 **Inves**tment **Classif**ications

**Iden**tify **whe**ther **ea**ch **o**f **t**he **foll**owing **i**s **mo**st **lik**ely **(**a) a **de**bt **o**r **equ**ity **inves**tment, **a**nd **(**b) a **non-st**rategic **o**r **stra**tegic **inves**tment. **(**c) **Iden**tify **t**he **mo**st **lik**ely **rea**son **(s**uch **a**s **ear**ning **gai**ns, **inte**rest, **divid**ends, **obta**ining **infl**uence **o**r **cont**rol) **f**or **mak**ing **t**he **inves**tment.