Chapter 4 (week 5 lecture)

Tutorial question (P4-2A, P4-3A)

P4–2A Oscar's Red Carpet Store maintains a checking account with Academy Bank. Oscar's sells carpet each day but makes bank deposits only once per week. The following provides information from the company's cash ledger for the month ending February 28, 2024.

	Date	Amount		NO.	Date	Amount
Deposits:	2/4	$2,700	Checks:	323	2/12	$ 2,500
	2/11	2,300		324	2/19	2,200
	2/18	3,200		325	2/27	200
	2/25	4,100		326	2/28	700
Cash receipts:	2/26–2/28	1,600		327	2/28	1,900
		$13,900				$7,500
Balance on February 1		$6,800				
Receipts		13,900				
Disbursements		(7,500)				
Balance on February 28		$13,200				

Information from February's bank statement and company records reveals the following additional information:

a. The ending cash balance recorded in the bank statement is $13,145.

b. Cash receipts of $1,600 from 2/26–2/28 are outstanding.

c. Checks 325 and 327 are outstanding.

d. The deposit on 2/11 includes a customer's check for $200 that did not clear the bank (NSF check).

e. Check 323 was written for $2,800 for advertising in February. The bank properly recorded the check for this amount.

f. An EFT withdrawal for Oscar's February rent was made on February 4 for $1,100

g. Debit card transactions include $4,700 for legal fees expense and $400 for entertainment expenses.

h. In January, one of Oscar's suppliers, Titanic Fabrics, borrowed $6,000 from Oscar. On February 24, Titanic paid $6,250 ($6,000 borrowed amount plus $250 interest) directly to Academy Bank in payment for January's borrowing.

i. Academy Bank charged service fees of $125 to Oscar's for the month.

Required:

1. Prepare a bank reconciliation for Oscar's checking account on February 28, 2024.

2. Record the necessary cash adjustments.

P4–3A The cash records and bank statement for the month of May for Diaz Entertainment are shown below.

DIAZ ENTERTAINMENT
Cash Account Records
May 1, 2024, to May 31, 2024

Cash Balance May 1, 2024	+	Cash Receipts	–	Cash Disbursements	=	Cash Balance May 31, 2024
$5,280		$12,040		$12,220		$5,100

Cash Receipts

Date	Desc.	Amount
5/3	Sales	$ 1,460
5/10	Sales	1,890
5/17	Sales	2,520
5/24	Sales	2,990
5/31	Sales	3,180
		$12,040

Cash Disbursements

Date	Desc.	Memo	Amount
5/7	DC	Legal fees	$ 1,300
5/12	DC	Property tax	1,670
5/15	DC	Salaries	3,600
5/22	DC	Advertising	1,500
5/30	CHK #471	Supplies	550
5/31	CHK #472	Salaries	3,600
			$12,220

P.O. Box 162647
Bowlegs, OK 74830
(405) 369-CASH

Midwest Bank
Looking Out For You

Member FDIC

Account Holder: Diaz Entertainment
124 Saddle Blvd.
Bowlegs, OK 74830

Account Number: 7772854360
Statement Date: May 31, 2024

Account Summary

Beginning Balance May 1, 2024	Deposits and Credits No.	Deposits and Credits Total	Withdrawals and Debits No.	Withdrawals and Debits Total	Ending Balance May 31, 2024
$6,260	7	$10,050	9	$10,100	$6,210

Account Details

Deposits and Credits Date	Amount	Desc.	Withdrawals and Debits Date	No.	Amount	Desc.	Daily Balance Date	Amount
5/4	$ 1,460	DEP	5/1	469	$ 550	CHK	5/1	$5,710
5/11	1,890	DEP	5/2	470	430	CHK	5/2	5,280
5/18	2,520	DEP	5/7		1,300	DC	5/4	6,740
5/20	1,100	NOTE	5/11		400	NSF	5/9	5,440
5/20	60	INT	5/12		1,670	DC	5/11	6,930
5/25	2,990	DEP	5/15		3,600	DC	5/12	5,260
5/31	30	INT	5/20		600	EFT	5/18	4,180
			5/22		1,500	DC	5/20	4,740
			5/31		50	SF	5/25	6,230
	$10,050				$10,100		5/31	$6,210

Desc. **DEP** Customer deposit **INT** Interest earned **SF** Service fees
NOTE Note collected **CHK** Customer check **NSF** Nonsufficient funds
EFT Electronic funds transfer **DC** Debit card

P4–3A

Additional information:

a. The difference in the beginnning balances in the company's records and the bank statement relates to checks #469 and #470, which are outstanding as of April, 30 2024 (prior month).

b. The bank made the EFT on May 20 in error. The bank accidentally charged Diaz for payment that should have been made on another account.

Required:

1. Prepare a bank reconciliation for Diaz's checking account on May 31, 2024.
2. Record the necessary cash adjustments.

Take-home question (E4-9, E4-10, E4-11)

E4–9 Spielberg Company's general ledger shows a cash account balance of $23,220 on July 31, 2024. Cash sales of $1,885 for the last three days of the month have not yet been deposited. The bank statement dated July 31 shows bank service fees of $55 and an NSF check from a customer of $250. The bank processes all checks written by the company by July 31 and lists them on the bank statement, except for one check totaling $1,460. The bank statement shows a balance of $22,490 on July 31.

Required:

1. Prepare a bank reconciliation to calculate the correct ending balance of cash on July 31, 2024.

2. Record the necessary entry(ies) to adjust the balance for cash.

E4–10 On August 31, 2024, the general ledger of The Dean Acting Academy shows a balance for cash of $7,944. Cash receipts yet to be deposited into the checking account total $3,338. The company's balance of cash does not reflect a debit card payment for the purchase of postage expense ($75) or an electronic funds transfer for rent expenses ($1,500). The bank statement also revealed the company recoreded a debit card transaction for supplies $400, but the acutal amount was $500. These amounts are included in the balance of cash $2,931 reported by the bank as for the end of August.

Required:
1. Prepare a bank reconciliation to calculate the correct ending balance of cash on August 31, 2024.

2. Record the necessary entry(ies) to adjust the balance for cash.

E4–11 On October 31, 2024, Damon Company's general ledger shows a cash account balances of $8,397. The company's cash receipts for the month total $74,320, of which $71,295 has been deposited in the bank. In addition, the company has written checks for $3,467, of which $1,982 has been processed by the bank.

The bank statement reveals an ending balance of $11,727 and includes the following items not yet recorded by Damon: bank services fees of $150, note receivable collected by the bank of $5,000, and interest earned on the note of $320. After closer inspection, Damon realizes that the bank incorrectly charged the company's account $300 for an automatic withdrawal that should have been charged to another customer's account. The bank agrees to the error.

Required:

1. Prepare a bank reconciliation to calculate the correct ending balance of cash on October 31, 2024.
2. Record the necessary entries to adjust the balance for cash.