

CONCEPT: BANK RECONCILIATION

- Cash is the most liquid asset and easiest to steal. Specific internal controls for cash are necessary.
 - **Bank Reconciliation** – checking the bank cash balance and book records and adjusting for the differences
 - The bank records and the Cash account generally show a difference due to a _____

Bank Column of Reconciliation – Some events are recorded by the company before the bank records the transactions:

Deposits in transit	The Company has deposited a check and increased its cash balance, but the bank has not shown this deposit yet.	_____ deposits in transit to the bank balance
Outstanding checks	The Company has written a check and reduced its cash balance, but the bank has not shown the payment yet.	_____ outstanding checks from the bank balance
Bank errors	The bank occasionally makes errors, especially in accounting problems.	_____ effects of errors

Book Column of Reconciliation (cash account) – Some events are recorded by the bank before the company finds out:

Bank collections	Bank collects cash on our behalf but the Company did not know the cash was received until the bank statement arrived	_____ bank collections to book
Electronic Funds Transfer (EFT)	Bank collects (or pays) cash on our behalf but the Company did not know the cash was received until the bank statement arrived	_____ EFT receipts and _____ EFT payments from the book
Service Charge	The bank charged us a fee, but we never recorded it	_____ fees from book
Interest revenue	The company earned interest in the bank account, but never recorded it	_____ interest revenue to book
Nonsufficient Funds (NSF) Checks	Company recorded that a customer paid them, but the check did not go through	_____ NSF checks from book
Book errors	The accountant occasionally makes errors, especially in accounting problems.	_____ effects of errors

PRACTICE: A company has a current balance in its Cash account of \$3,400. The bank statement arrived showing a bank balance of \$5,900. Prepare the cash reconciliation noting the following events:

- Deposits in transit total \$600
- EFT receipt of dividend revenue of \$900
- Bank error: the bank deducted \$100 for a check written by another company.
- Service charge \$20
- NSF check from a customer \$50
- Book error: Company Check no. 333 was recorded for \$510. The actual amount paid on account was \$150.
- Outstanding checks total \$2,010