

II. BANK RECONCILIATION

Instructions: Given the following information, do a bank reconciliation for Linda's Video Showcase and make the Journal Entries necessary to adjust the Cash Account.

RELEVANT DATA

1. The company's Cash account had a \$1,800 debit balance while the bank statement revealed a \$4,100 balance.
2. Checks No. 9 for \$100, No. 30 for \$800, and No. 34 for \$300 were outstanding.
3. While analyzing the bank statement listing of processed checks, it was discovered that check No. 6 written for \$290 to purchase equipment had been recorded at \$390.
4. Included was a bank debit memo indicating our account had been charged \$195, the amount of a nonsufficient funds check we had deposited from K. Smith plus a related bank charge of \$15.
5. Also included was a credit memo indicating the collection of a \$2,000 Note Receivable by the bank from K. Smith and a related \$15 bank charge.
6. The account earned \$25 interest during the period.
7. Our deposit of \$800, made on February 23, had not been recorded.

Linda's Video Showcase Bank Reconciliation February 24, 1996			
BOOK BALANCE (1)		\$1,800	
Add:			
Recording Error - Equipment (3)	\$ 100		
Collected Note Receivable (5)	2,000		
Interest Earned (6)	<u>25</u>	<u>2,125</u>	
		\$3,925	
Deduct:			
NSF Check M. Jones (4)	\$ 195		
Bank Charges (4) (5)	<u>30</u>	<u>225</u>	
Adjusted Book Balance		<u>\$3,700</u>	
BANK BALANCE		\$4,100	
Add:			
Late Deposit (7)		<u>800</u>	
		\$4,900	
Deduct:			
Outstanding Check (2)			
No. 9	\$ 100		
No. 30	800		
No. 34	<u>300</u>	<u>1,200</u>	
Adjusted Bank Balance		<u>\$3,700</u>	

BANK RECONCILIATION JOURNAL ENTRIES

		DR.	CR.			DR.	CR.
Feb. 24	Cash	2,125		Feb. 24	Accounts Receivable, M. Jones	195	
	Equipment		100		Miscellaneous Expense	30	
	Notes Receivable		2,000		Cash		225
	Interest Earned		25				

Hint: Cash was debited for \$2,125 and credited for \$225.