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.

<table>
<thead>
<tr>
<th>Linda's Video Showcase</th>
<th>Bank Reconciliation</th>
<th>February 24, 1996</th>
</tr>
</thead>
</table>

**BOOK BALANCE (1)**  
$1,800

**Add:**
- Recording Error - Equipment (3)  
  $100
- Collected Note Receivable (5)  
  2,000
- Interest Earned (6)  
  25  
  $2,125

**Deduct:**
- NSF Check M. Jones (4)  
  $195
- Bank Charges (4)(5),  
  30  
  225  

**Adjusted Book Balance**  
$3,700

**BANK BALANCE**  
$4,100

**Add:**
- Late Deposit (7)  
  800

**Deduct:**
- Outstanding Check (2)  
  - No. 9  
    $100
  - No. 30  
    800  
  - No. 34  
    300  
    1,200

**Adjusted Bank Balance**  
$3,700

**BANK RECONCILIATION JOURNAL ENTRIES**

<table>
<thead>
<tr>
<th>Feb. 24</th>
<th>Cash</th>
<th>DR.</th>
<th>CR.</th>
<th>Feb. 24</th>
<th>Accounts Receivable, M. Jones</th>
<th>DR.</th>
<th>CR.</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>2,125</td>
<td></td>
<td></td>
<td>195</td>
<td>M. Jones</td>
<td>30</td>
</tr>
<tr>
<td>Equipment</td>
<td>Notes Receivable</td>
<td>Interest Earned</td>
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<td></td>
<td></td>
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</tr>
</tbody>
</table>

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