

(a)

Record the November petty cash transactions as appropriate.

(b)

Assume the company has a November 30 fiscal year end and that you did not have time to replenish the fund until early December. What impact, if any, would this have on the financial statements?

## TAKING IT FURTHER

What things should the company owner check to ensure the fund is being properly administered?

P7-7A

Prepare bank reconciliation and related entries. (LO 4) AP

On October 31, 2017, Lisik Company had a cash balance per books of \$8,946. The bank statement on that date showed a balance of \$10,155. A comparison of the statement with the Cash account revealed the following:

1. The statement included debit memos of \$35 for the printing of additional company cheques and \$30 for bank service charges.
2. Cash sales of \$417 on October 12 were deposited in the bank. The journal entry to record the cash receipt and the deposit slip were incorrectly made out and recorded by Lisik as \$741. The bank detected the error on the deposit slip and credited Lisik Company for the correct amount.
3. The September 30 deposit of \$985 was included on the October bank statement. The deposit had been placed in the bank's night deposit vault on September 30.
4. The October 31 deposit of \$960 was not included on the October bank statement. The deposit had been placed in the bank's night deposit vault on October 31.
5. Cheques #1006 for \$415 and #1072 for \$975 were outstanding on September 30. Of these, #1072 cleared the bank in October. All the cheques written in October except for #1278 for \$555, #1284 for \$646, and #1285 for \$315 had cleared the bank by October 31.
6. On October 18, the company issued cheque #1181 for \$457 to Helms & Co., on account. The cheque, which cleared the bank in October, was incorrectly journalized and posted by Lisik Company for \$574.
7. A review of the bank statement revealed that Lisik Company received electronic payments from customers on account of \$1,875 in October. The bank had also credited the account with \$25 of interest revenue on October 31. Lisik had no previous notice of these amounts.
8. Included with the cancelled cheques was a cheque issued by Lisik Company for \$585 that was incorrectly charged to Lisik Company by the bank.
9. On October 31, the bank statement showed an NSF charge of \$805 for a cheque issued by W. Hoad, a customer, to Lisik Company on account. This amount included a \$16 service charge by the bank. The company's policy is to pass on all NSF fees to the customer.

Instructions

(a)

Prepare the bank reconciliation at October 31.

(b)

Prepare the necessary adjusting entries at October 31.

## TAKING IT FURTHER

What are the risks of not performing bank reconciliations? Why not just rely on the bank records?

P7-8A

Prepare bank reconciliation and related entries. (LO 4) AP

On May 31, 2017, Forester Theatre's cash account per its general ledger showed the following balance:

CASH		No. 101			
Date	Explanation	Ref	Debit	Credit	Balance
May 31	Balance				6,841

The bank statement from Canada Bank on that date showed the following balance:

CANADA BANK			
Cheques and Debits	Deposits and Credits	Daily	Balance
XXX	XXX	5/31	6,804

A comparison of the details on the bank statement with the details in the Cash account revealed the following facts.

- 1. The statement included a debit memo of \$45 for the monthly bank service charges.
- 2. Cash sales of \$836 on May 12 were deposited in the bank. The bookkeeper recorded the deposit in the cash journal as \$846.
- 3. Outstanding cheques on May 31 totalled \$515 and deposits in transit were \$1,436.
- 4. On May 18, the company issued cheque #1581 for \$685 to M. Datz on account. The cheque, which cleared the bank in May, was incorrectly journalized and posted by Forester Theatre for \$658.
- 5. A \$2,500 note receivable was wired to the bank account of Forester Theatre on May 31. Interest was not collected for the note.
- 6. Included with the cancelled cheques was a cheque issued by Bohr Theatre for \$600 that was incorrectly charged to Forester Theatre by the bank.
- 7. On May 31, the bank statement showed an NSF charge of \$934 for a cheque issued by Tyler Bickell, a customer, to Forester Theatre on account.

Instructions

(a)

Prepare the bank reconciliation at May 31.

(b)

Prepare the necessary adjusting entries at May 31.

## TAKING IT FURTHER

Sue Forester is contemplating implementing an EFT process for all supplier payments as she believes EFT is less expensive for a company because there is a reduced need for internal control as compared with writing cheques. Is Sue correct? Why or why not?

P7-9A

Prepare bank reconciliation and related entries. (LO 4) AP