Chapter 6 Alternate Demonstration Problem

**The Betsy Dough Company wants to prepare a bank reconciliation for the month of June. When the bank statement for the month of June arrives from the bank, the following steps are performed:**

1. **The deposits to the bank account, as recorded on the bank statement, are compared to the deposit slips retained by the company. It is noted that the last deposit, of $400, occurred after banking hours on the day of the bank statement and therefore has not been recorded by the bank on this bank statement.**
2. **Checks returned with the bank statement are compared to the checks written and listed in checkbook. This comparison shows that there are checks outstanding amounting to $1,456.**
3. **The ending balances on the statement and in the company’s books are determined. The ending bank statement balance is exactly $10,129 whereas the books show $9,000.**
4. **Other information contained on the bank statement, not previously known to the company, is determined. This includes the following: (a) a note of $180 plus $20 interest from a customer for a total of $200 has been collected by the bank and credited to our account; (b) a check from Frank Ony for $120 previously deposited by us has been returned for lack of sufficient funds; (c) the bank has charged us $25 for its services (this includes a $10 fee for the NSF check). The $10 fee for the NSF check will be charged to the customer.**
5. **A bank reconciliation is prepared; it does not balance! The difference is $18, so a transposition error is looked for (whenever the difference is a multiple of 9, there is a very good chance that there has been an inadvertent exchange of two digits (for example, writing 29 when it should have been 92). An error is found. Check number 141 was written for $235 for Advertising Expense and cleared the bank for $235, but was recorded in the company records as $253.**

**Required:**

**Prepare a bank reconciliation for the Betsy Dough Company at June 30.**

Chapter 6 Solution: Alternate Demonstration Problem

BETSY DOUGH COMPANY

Bank Reconciliation

June 30

|  |  |  |
| --- | --- | --- |
| **Bank Statement** | | |
|  |  |  |
| **Bank statement balance** |  | **$10,129** |
|  |  |  |
| **Add:** |  |  |
| **Deposit of June 30** |  | **400** |
|  |  | **10,529** |
| **Deduct:** |  |  |
| **Outstanding checks** |  | **1,456** |
|  |  | **$ 9,073** |

Depositor’s Books

|  |  |  |
| --- | --- | --- |
| **Book balance of cash** |  | **$ 9,000** |
| **Add:** |  |  |
| **Proceeds of customer note collected   by bank** |  | **200** |
| **Error in recording Check No. 141** |  | **18** |
|  |  |  |
| **Deduct:** |  |  |
| **NSF check from Frank Ony** | **$ 120** |  |
| **Bank service charges** | **25** | **145** |
|  |  | **$ 9,073** |
|  |  |  |
| **Journal entries based on the Bank Reconciliation (made by depositor)**  **Cash………………………………………………………………. 218  Notes Receivable …………………………………………. 180  Interest Revenue ………………………………………….. 20**  **Advertising Expense ……………………………………… 18**  **Accounts Receivable – F. Ony ……………………………….. 130 Miscellaneous Expense ………………………………………... 15**  **Cash 145** | | |