

Accounting I

Chapter 5

CASH CONTROL SYSTEMS

Review: Summative Assessment (Ch. 4 Quiz)

Preview: most transactions involve cash. Most cash payments are by check, which provides written evidence of payment.

--cash itself can be easily transferred/lost or stolen

Assign Students to Read Ch. 5 and complete the terms p. 116
(Students may hand-write them on handout or do on word processor)

Discuss Section 5-1: Checking Accounts

- A business form ordering a bank to pay cash is called a Check.
- A bank account from which payments can be ordered by a depositor is called a Checking Account.
- A signature is required by all persons authorized to sign checks on a form called a Signature Card.
- A Deposit Slip is prepared each time money is placed into a checking account. (p. 119) Checks are listed by bank number on deposit slip. Deposits are recorded on the check stub as shown on p. 119.
- A signature or stamp on the back of a check transferring ownership is called an Endorsement.
 - limited to amount of space provided on back (1 1/2 inches) --should be signed exactly as appears on face of check.
 - endorsement is a guarantee of payment of the check

Three Types of Endorsements (p. 120)

Blank Endorsement: consists only of the endorser's signature

--can be transferred to whomever has possession

Special Endorsement: indicates a new owner of the check

--Pay to the Order of

Restrictive Endorsement: restricts further transfer of check's ownership.

--For deposit only

Consecutive Numbers on checks:

--provide easy way to identify check

--helps keep track of all checks

The Check Stub is the business's record of the cash payments, so the stub is prepared before the check is written.

Steps to Write Checks:

A. Prepare Stub

1. Amount of Check (at top by \$ sign)
2. Date of Check
3. To whom paid
4. Purpose
5. Amount of Check (in amount column)
6. New Balance

B. Prepare Check

1. Date
2. To whom paid
3. Amount in Figures
4. Amount in Words
5. Purpose
6. Signature

VOIDING A CHECK

If any kind of error is made in writing a check, a new check should be prepared. Write the word **VOID** across both the check and stub. Record voided check in journal as shown on page 122

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Practice: Complete Work Together/On Your Own p. 123

Assign: Application Problem 5-1 p. 140

Discuss Section 5-2: Bank Statement

A report of deposits, withdrawals, and bank balances sent to a depositor by a bank is called a Bank Statement.

- Canceled checks (bank paid) are returned
- Outstanding deposits are those recorded but not yet shown on statement.
- Account service charges are shown on statement.
- Differences in records and bank statement balances occur due to: service charges
outstanding deposits outstanding checks math errors

A bank statement is reconciled **immediately** upon receipt to verify that bank and accounting records are in agreement.

1. Sort canceled check in numerical order
2. Place a check mark on the check stub; those stubs without a check mark are outstanding checks
3. Prepare a reconciliation using form on back of statement and steps on p. 125.
 - a. date of reconciliation
 - b. check stub balance
 - c. bank charges
 - d. adjusted check stub balance
 - e. bank statement balance
 - f. outstanding deposits
 - g. subtotal
 - h. outstanding checks
 - i. adjusted bank balance
 - j. compare adjusted balances **MUST EQUAL!**

Bank Service Charges must be recorded in two places:

1. On Check Stub (p. 126)
2. In Journal--Miscellaneous Expense (p. 127)

Practice: Complete Work Together/On Your Own p. 128

Assign: Application Problem 5-2 p. 140

Discuss Section 5-3: Dishonored Checks and Electronic Banking

A check that a bank refuses to pay is called a Dishonored Check. Reasons for a dishonored check include:

1. Check has been altered
2. Signature does not match signature card
3. Amounts (words/figures) do not agree
4. Postdated
5. Stopped Payment
6. Insufficient Funds
- 7.

Dishonored checks are recorded on the next unused check stub (p. 129) and in the journal as a cash payment (p. 130).

D-Accounts Receivable-Campus Internet Cafe
C-Cash

A computerized cash payments system that uses electronic impulses to transfer funds is called an Electronic Funds Transfer.

- Record EFT in journal the same as any other cash payment except use a memorandum as a source document (instead of a check). (p. 131)
- Record EFT on check stub under Other.
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A bank card that automatically deducts the amount of purchase from the checking account is called a Debit Card.

- Record transaction similar to EFT on Check Stub and in Journals (p. 132)
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Practice: Complete Work Together/On Your Own p. 133

Assign: Application Problem 5-3 p. 141

Discuss Section 5-4: Petty Cash

An amount of cash kept on hand and used to make small payments in called Petty Cash. Petty Cash is an asset.

To **establish** a petty cash account

D-Petty Cash

C-Cash

A form showing proof of a petty cash payment is called a Petty Cash Slip. (p. 135)

Petty cash must be replenished when it runs low (below \$25.00) or at the end of the month.

Petty Cash must be proved before it is replenished.

Petty Cash Remaining + Amount of Petty Cash Slips = Petty Cash Fund

A check is written to replenish petty cash.

Journalize using accounts and amounts indicated on petty cash slips. Do NOT Debit Petty Cash! (p. 136)

D-Miscellaneous Expense

D-Advertising Expense

C-Cash

Practice: Complete Work Together/On Your Own p. 138

Assign: Application Problem 5-4 p. 141

Formative Assessment: Assign Mastery Problem 5-5 p. 141
Assign Challenge Problem 5-6 p. 142

Prepare for Summative Assessment: Complete Study Guide 5--handout
Complete Practice Quiz
Summative Assessment--Ch. 5 Quiz--Concept & Application