

**Brief Exercise 7-06**

The cash register tape for Marin Industries reported sales of \$7,283.70.

Record the journal entry that would be necessary for each of the following situations. (a) Sales per cash register tape exceeds cash on hand by \$53.79. (b) Cash on hand exceeds cash reported by cash register tape by \$30.01. *(Round answers to 2 decimal places, e.g. 52.75. Credit account titles are automatically indented when amount is entered. Do not indent manually.)*

Transactions	Account Titles and Explanation	Debit	Credit
(a)	enter an account title	enter a debit amount rounded to 2 decimal places	enter a credit amount rounded to 2 decimal places
	<input type="text"/>	<input type="text"/>	<input type="text"/>
	enter an account title	enter a debit amount rounded to 2 decimal places	enter a credit amount rounded to 2 decimal places
	<input type="text"/>	<input type="text"/>	<input type="text"/>
	enter an account title	enter a debit amount rounded to 2 decimal places	enter a credit amount rounded to 2 decimal places
	<input type="text"/>	<input type="text"/>	<input type="text"/>
(b)	enter an account title	enter a debit amount rounded to 2 decimal places	enter a credit amount rounded to 2 decimal places
	<input type="text"/>	<input type="text"/>	<input type="text"/>
	enter an account title	enter a credit amount rounded to 2 decimal places	enter a credit amount rounded to 2 decimal places
	<input type="text"/>	<input type="text"/>	<input type="text"/>
	enter an account title	enter a credit amount rounded to 2 decimal places	enter a credit amount rounded to 2 decimal places
	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Exercise 7-03**

Listed below are five procedures followed by Eikenberry Company.

Indicate whether each procedure is an example of good internal control or of weak internal control. If it is an example of good internal control, indicate which internal control principle is being followed. If it is an example of weak internal control, indicate which internal control principle is violated. Use the table below.

Procedure	IC Good or Weak?	Related Internal Control Principle
1. Several individuals operate the cash register using the same register drawer.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>
2. A monthly bank reconciliation is prepared by someone who has no other cash responsibilities.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>
3. Joe Cockrell writes checks and also records cash payment entries.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>
4. One individual orders inventory, while a different individual authorizes payments.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>
5. Unnumbered sales invoices from credit sales are forwarded to the accounting department every four weeks for recording.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>

**Brief Exercise 7-04**

The internal control procedures in Dayton Company result in the following provisions.

Identify the principles of internal control that are being followed in each case.

- (a) Employees who have physical custody of assets do not have access to the accounting records. Select the principle of internal control
- (b) Each month, the assets on hand are compared to the accounting records by an internal auditor. Select the principle of internal control
- (c) A prenumbered shipping document is prepared for each shipment of goods to customers. Select the principle of internal control

**Brief Exercise 7-10**

The following reconciling items are applicable to the bank reconciliation for Forde Co.

Indicate how each item should be shown on a bank reconciliation.

- (a) Outstanding checks. Select how the item should be shown on a bank reconciliation
- (b) Bank debit memorandum for service charge. Select how the item should be shown on a bank reconciliation
- (c) Bank credit memorandum for collecting from customer an electronic funds transfer. Select how the item should be shown on a bank reconciliation
- (d) Deposit in transit. Select how the item should be shown on a bank reconciliation

**Problem 7-03A**

On July 31, 2022, Blossom Company had a cash balance per books of \$6,295.00. The statement from Dakota State Bank on that date showed a balance of \$7,845.80. A comparison of the bank statement with the Cash account revealed the following facts.

1. The bank service charge for July was \$24.00.
2. The bank collected \$1,675.00 from a customer for Blossom Company through electronic funds transfer.
3. The July 31 receipts of \$1,349.30 were not included in the bank deposits for July. These receipts were deposited by the company in a night deposit vault on July 31.
4. Company check No. 2480 issued to L. Taylor, a creditor, for \$354.00 that cleared the bank in July was incorrectly entered in the cash payments journal on July 10 for \$345.00.
5. Checks outstanding on July 31 totaled \$1,988.10.
6. On July 31, the bank statement showed an NSF charge of \$730.00 for a check received by the company from W. Krueger, a customer, on account.

Prepare the bank reconciliation as of July 31. *(List items that increase balance as per bank & books*

first.)

BLOSSOM COMPANY  
Bank Reconciliation

choose the accounting period

select an opening name for section one

\$enter a dollar amount

select between addition and deduction  
select a reconciling item

enter a dollar amount

enter a subtotal of the two previous amounts

select between addition and deduction  
select a reconciling item

enter a dollar amount

select a closing name for section one

\$enter a total amount for the first section

select an opening name for section two

\$enter a dollar amount

select between addition and deduction  
select a reconciling item

enter a dollar amount

enter a subtotal of the two previous amounts

select between addition and deduction

select a reconciling item

\$enter a dollar amount

select a reconciling item

enter a dollar amount

select a reconciling item

enter a dollar amount

enter a subtotal of the three previous amounts

select a closing name for section two

\$enter a total amount for the second section

Prepare the necessary adjusting entries at July 31. (Credit account titles are automatically indented when amount is entered. Do not indent manually.)

Date.	Account Titles and Explanation	Debit	Credit
July	enter an account title to record electronic funds	enter a debit amount	enter a credit amount
31.	transfer received by bank	<input type="text"/>	<input type="text"/>

	<b>enter an account title to record electronic funds transfer received by bank</b>	<input type="text"/>	enter a debit amount	enter a credit amount
	(To record electronic funds transfer received by bank)		<input type="text"/>	<input type="text"/>
31.	<b>enter an account title To record NSF check</b>	<input type="text"/>	enter a debit amount	enter a credit amount
	(To record NSF check)		<input type="text"/>	<input type="text"/>
	<b>enter an account title To record NSF check</b>	<input type="text"/>	enter a debit amount	enter a credit amount
	(To record NSF check)		<input type="text"/>	<input type="text"/>
31.	<b>enter an account title for the adjusting entry to correct error in recording check</b>	<input type="text"/>	enter a debit amount	enter a credit amount
	(To correct error in recording check)		<input type="text"/>	<input type="text"/>
	<b>enter an account title for the adjusting entry to correct error in recording check</b>	<input type="text"/>	enter a debit amount	enter a credit amount
	(To correct error in recording check)		<input type="text"/>	<input type="text"/>
31.	<b>enter an account title to record bank service charge</b>	<input type="text"/>	enter a debit amount	enter a credit amount
	(To record bank service charge)		<input type="text"/>	<input type="text"/>
	<b>enter an account title to record bank service charge</b>	<input type="text"/>	enter a debit amount	enter a credit amount
	(To record bank service charge)		<input type="text"/>	<input type="text"/>

**Exercise 7-12**

This information relates to the Cash account in the ledger of Sheridan Company.

Balance September 1—\$18,810; Cash deposited—\$64,000  
 Balance September 30—\$20,010; Checks written—\$62,800

The September bank statement shows a balance of \$18,910 at September 30 and the following memoranda.

<u>Credits</u>		<u>Debits</u>	
Collection from customer of electronic funds transfer	\$2,020	NSF check: H. Kane	\$750
Interest earned on checking account	55	Safety deposit box rent	70

At September 30, deposits in transit were \$4,938 and outstanding checks totaled \$2,583.

Prepare the bank reconciliation at September 30, 2022. *(List items that increase balance as per bank & books first.)*

**SHERIDAN COMPANY**  
 Bank Reconciliation

<b>choose the accounting period</b>		<input type="text"/>
<b>select an opening name for section one</b>		enter a dollar amount
<input type="text"/>		<input type="text"/>
select between addition and deduction	<b>select a reconciling item</b>	enter a dollar amount
<input type="text"/>	<input type="text"/>	<input type="text"/>
		enter a subtotal of the two previous amounts
		<input type="text"/>

select between addition and deduction **select a reconciling item**

:

enter a dollar amount

**select a closing name for section one**

\$enter a total amount for the first section

**select an opening name for section two**

\$enter a dollar amount

select between addition and deduction

:

**select a reconciling item**

\$enter a dollar amount

**select a reconciling item**

enter a dollar amount

enter a subtotal of the two previous amounts

enter a subtotal of the two previous amounts

select between addition and deduction

:

**select a reconciling item**

enter a dollar amount

**select a reconciling item**

enter a dollar amount

enter a subtotal of the two previous amounts

**select a closing name for section two**

\$enter a total amount for the second section

Prepare the adjusting entries at September 30, assuming the NSF check was from a customer on account. *(Credit account titles are automatically indented when amount is entered. Do not indent manually.)*

Date	Account Titles and Explanation	Debit	Credit
Sept. 30	enter an account title to record electronic funds transfer received by bank on September 30 <input type="text"/>	enter a debit amount <input type="text"/>	enter a credit amount <input type="text"/>
	enter an account title to record electronic funds transfer received by bank on September 30 <input type="text"/>	enter a debit amount <input type="text"/>	enter a credit amount <input type="text"/>
	(To record electronic funds transfer received by bank)		
Sept. 30	enter an account title to record interest earned on checking account on September 30 <input type="text"/>	enter a debit amount <input type="text"/>	enter a credit amount <input type="text"/>

enter an account title to record interest earned on checking account on September 30

enter a debit amount    enter a credit amount

(To record Interest earned on checking account)

Sept.  
30

enter an account title To record NSF check on

enter a debit amount    enter a credit amount

September 30

enter an account title To record NSF check on

enter a debit amount    enter a credit amount

September 30

(To record NSF check)

Sept.  
30

enter an account title to record charges for safety deposit box rent on September 30

enter a debit amount    enter a credit amount

enter an account title to record charges for safety deposit box rent on September 30

enter a debit amount    enter a credit amount

(To record charges for safety deposit box rent)

### Exercise 7-06 a

The following control procedures are used in Bunny's Boutique Shoppe for cash disbursements.

(a) For each procedure, explain the weakness in internal control and identify the internal control principle that is violated.

	<u>Procedure</u>	<u>Weakness</u>	<u>Principle Violated</u>
1.	Each week, 100 company checks are left in an unmarked envelope on a shelf behind the cash register.	select a weakness <input type="text"/>	select a principle violated <input type="text"/>
2.	The store manager personally approves all payments before she signs and issues checks.	select a weakness <input type="text"/>	select a principle violated <input type="text"/>
3 (i).	The store purchases used goods for resale from people that bring items to the store. Since that can occur anytime that the store is open, all employees are authorized to purchase goods for resale by disbursing cash from the register.	select a weakness <input type="text"/>	select a principle violated <input type="text"/>
3 (ii).	The purchase is documented by having the store employee write on a piece of paper a description of the item that was purchased and the amount that was paid. The employee then signs the paper and puts it in the register.	select a weakness <input type="text"/>	select a principle violated <input type="text"/>
4.	After payment, bills are "filed" in a paid invoice folder.	select a weakness <input type="text"/>	select a principle violated <input type="text"/>
5.	The company accountant who records cash transactions also prepares the bank reconciliation and reports any discrepancies to the owner.	select a weakness <input type="text"/>	select a principle violated <input type="text"/>

### Exercise 7-08

The following information pertains to Carla Vista Company.

1. Cash balance per books, August 31, \$7,424.
2. Cash balance per bank, August 31, \$7,388.
3. Outstanding checks, August 31, \$707.
4. August bank service charge not recorded by the depositor \$59.
5. Deposits in transit, August 31, \$3,660.

In addition, \$2,976 collected for Carla Vista Company in August by the bank through electronic funds transfer. The accounts receivable collection has not been recorded Carla Vista Company.

Prepare a bank reconciliation at August 31, 2022. *(List items that increase balance as per bank & books first.)*

**CARLA VISTA COMPANY**  
Bank Reconciliation

<b>Choose the accounting period</b> <input style="width: 150px;" type="text"/>	\$Enter a dollar amount
<b>Select an opening section 1 name</b> <input style="width: 150px;" type="text"/>	<input style="width: 150px;" type="text"/>
Select between addition and deduction <input style="width: 150px;" type="text"/> :	<b>Select a reconciling item</b> <input style="width: 150px;" type="text"/>
	Enter a dollar amount
	Enter a subtotal of the two previous amounts <input style="width: 150px;" type="text"/>
Select between addition and deduction <input style="width: 150px;" type="text"/> :	<b>Select a reconciling item</b> <input style="width: 150px;" type="text"/>
	Enter a dollar amount
	\$Enter a total amount for section one <input style="width: 150px;" type="text"/>
<b>Select a closing section 1 name</b> <input style="width: 150px;" type="text"/>	<input style="width: 150px;" type="text"/>
	\$Enter a dollar amount
<b>Select an opening section 2 name</b> <input style="width: 150px;" type="text"/>	<input style="width: 150px;" type="text"/>
Select between addition and deduction <input style="width: 150px;" type="text"/> :	<b>Select a reconciling item</b> <input style="width: 150px;" type="text"/>
	Enter a dollar amount
	Enter a subtotal of the two previous amounts <input style="width: 150px;" type="text"/>
Select between addition and deduction <input style="width: 150px;" type="text"/> :	<b>Select a reconciling item</b> <input style="width: 150px;" type="text"/>
	Enter a dollar amount
	\$Enter a total amount for section two <input style="width: 150px;" type="text"/>
<b>Select a closing section 2 name</b> <input style="width: 150px;" type="text"/>	<input style="width: 150px;" type="text"/>

Journalize the adjusting entries at August 31 on the books of Carla Vista Company. *(Credit account titles are automatically indented when amount is entered. Do not indent manually.)*

Date	Account Titles and Explanation	Debit	Credit
July 31	<b>Enter an account title to record electronic funds transfer received by bank on July 31</b> <input style="width: 150px;" type="text"/>	Enter a debit amount <input style="width: 150px;" type="text"/>	Enter a credit amount <input style="width: 150px;" type="text"/>
	<b>Enter an account title to record electronic funds transfer received by bank on July 31</b> <input style="width: 150px;" type="text"/>	Enter a debit amount <input style="width: 150px;" type="text"/>	Enter a credit amount <input style="width: 150px;" type="text"/>
	(To record electronic funds transfer received by bank)		
July 31	<b>Enter an account title to record bank service charge on July 31</b> <input style="width: 150px;" type="text"/>	Enter a debit amount <input style="width: 150px;" type="text"/>	Enter a credit amount <input style="width: 150px;" type="text"/>
	<b>Enter an account title to record bank service charge on July 31</b> <input style="width: 150px;" type="text"/>	Enter a debit amount <input style="width: 150px;" type="text"/>	Enter a credit amount <input style="width: 150px;" type="text"/>
	(To record bank service charge)		

**Exercise 7-04**

Listed below are five procedures followed by Gilmore Company.

Indicate whether each procedure is an example of good internal control or of weak internal control. If it is an example of good internal control, indicate which internal control principle is being followed. If it is an example of weak internal control, indicate which internal control principle is violated. Use the table below.

Procedure	IC Good or Weak?	Related Internal Control Principle
1. Employees are required to take vacations.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>
2. Any member of the sales department can approve credit sales.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>
3. Paul Jaggard ships goods to customers, bills customers, and receives payment from customers.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>
4. Total cash receipts are compared to bank deposits daily by someone who has no other cash responsibilities.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>
5. Time clocks are used for recording time worked by employees.	Select a weakness in internal control <input type="text"/>	Select a control principle that is violated <input type="text"/>

**Brief Exercise 7-08**

Tott Company has the following internal control procedures over cash disbursements.

Identify the internal control principle that is applicable to each procedure.

- |   |  |
|---|--|
| (a) Company checks are prenumbered.   | Select the principle of internal control<br><input type="text"/> |
| (b) The bank statement is reconciled monthly by an internal auditor.        | Select the principle of internal control<br><input type="text"/> |
| (c) Blank checks are stored in a safe in the treasurer's office.            | Select the principle of internal control<br><input type="text"/> |
| (d) Only the treasurer or assistant treasurer may sign checks.              | Select the principle of internal control<br><input type="text"/> |
| (e) Check-signers are not allowed to record cash disbursement transactions. | Select the principle of internal control<br><input type="text"/> |

**Brief Exercise 7-05**

Jolson Company has the following internal control procedures over cash receipts.

Identify the internal control principle that is applicable to each procedure.

- |  |  |
|--|--|
| (a) All over-the-counter receipts are entered in cash registers. | Select the principle of internal control<br><input type="text"/> |
|--|--|

- (b) All cashiers are bonded. Select the principle of internal control
- (c) Daily cash counts are made by cashier department supervisors. Select the principle of internal control
- (d) The duties of receiving cash, recording cash, and having custody of cash are assigned to different individuals. Select the principle of internal control
- (e) Only cashiers may operate cash registers. Select the principle of internal control

**Brief Exercise 7-07**

While examining cash receipts information, the accounting department determined the following information: opening cash balance \$183, cash on hand \$1,373.40, and cash sales per register tape \$1,206.12.

Prepare the required journal entry based upon the cash count sheet. *(Round answers to 2 decimal places, e.g. 52.75. Credit account titles are automatically indented when amount is entered. Do not indent manually.)*

Account Titles and Explanation	Debit	Credit
<b>enter an account title</b> <input type="text"/>	enter a debit amount rounded to 2 decimal places <input type="text"/>	enter a credit amount rounded to 2 decimal places <input type="text"/>
<b>enter an account title</b> <input type="text"/>	enter a debit amount rounded to 2 decimal places <input type="text"/>	enter a credit amount rounded to 2 decimal places <input type="text"/>
<b>enter an account title</b> <input type="text"/>	enter a debit amount rounded to 2 decimal places <input type="text"/>	enter a credit amount rounded to 2 decimal places <input type="text"/>

**Brief Exercise 7-12**

At July 31, Blossom Company has this bank information: cash balance per bank \$7,455, outstanding checks \$760, deposits in transit \$1,350 and a bank service charge \$10.

Determine the adjusted cash balance per bank at July 31.

The adjusted cash balance per bank at July 31  \$enter the adjusted cash balance per bank at July 31 in dollars