LO 2

Exercise 6-5A *Features of internal control procedures for cash*

Required

List and discuss effective internal control procedures that apply to cash.

LO 1

Exercise 6-6A *Internal controls for equipment*

Required

List the internal control procedures that pertain to the protection of business equipment.

LO 3

Exercise 6-7A *Treatment of NSF check*

The bank statement of Stone Supplies included a $300 NSF check that one of Stone's customers had written to pay for services that were provided by Stone.

Required

a. Show the effects of recognizing the NSF check on the financial statements by recording the appropriate amounts in a horizontal statements model like the following one:

Assets			=	Liab.	+	Equity	Rev.	−	Exp.	=	Net Inc.	Cash Flow
Cash	+	Accts. Rec.										

b. Is the recognition of the NSF check on Stone's books an asset source, use, or exchange transaction?

c. Suppose the customer redeems the check by giving Stone $325 cash in exchange for the bad check. The additional $25 paid a service fee charged by Stone. Show the effects on the financial statements in the horizontal statements model in Requirement *a.*

d. Is the receipt of cash referred to in Requirement *c* an asset source, use, or exchange transaction?

e. Record in general journal form the adjusting entry for the NSF check and the subsequent entry for redemption of the check by the customer.

LO 3

Exercise 6-8A *Adjustments to the balance per books*

Required

Identify which of the following items are added to or subtracted from the unadjusted *book balance* to arrive at the true cash balance. Distinguish the additions from the subtractions by placing a + beside the items that are added to the unadjusted book balance and a − beside those that are subtracted from it. The first item is recorded as an example.

Reconciling Items	Book Balance Adjusted?	Added or Subtracted?
Automatic debit for utility bill	Yes	−
Charge for printing new checks		
NSF check from customer		
ATM fee		
Outstanding checks		
Interest revenue earned on the account		
Deposits in transit		
Service charge		

LO 3

Exercise 6-9A *Adjustments to the balance per bank*

Required

Identify which of the following items are added to or subtracted from the unadjusted *bank balance* to arrive at the true cash balance. Distinguish the additions from the subtractions by placing a + beside the items that are added to the unadjusted bank balance and a − beside those that are subtracted from it. The first item is recorded as an example.

Reconciling Items	Bank Balance Adjusted?	Added or Subtracted?
Credit memo	No	N/A
ATM fee		
Petty cash voucher		
NSF check from customer		
Interest revenue		
Bank service charge		
Outstanding checks		
Deposits in transit		
Debit memo		

Exercise 6-10A *Adjusting the cash account*

LO 3

As of May 31, 2013, the bank statement showed an ending balance of $26,100. The unadjusted Cash account balance was $27,350. The following information is available:

1. Deposit in transit, $6,981.
2. Credit memo in bank statement for interest earned in May, $36.
3. Outstanding check, $5,720.
4. Debit memo for service charge, $25.

Required

a. Determine the true cash balance by preparing a bank reconciliation as of May 31, 2013, using the preceding information.
b. Record in general journal format the adjusting entries necessary to correct the unadjusted book balance.

Exercise 6-11A *Determining the true cash balance, starting with the unadjusted bank balance*

LO 3

The following information is available for Young Company for the month of August:

1. The unadjusted balance per the bank statement on August 31 was $35,200.
2. Deposits in transit on August 31 were $3,750.
3. A debit memo was included with the bank statement for a service charge of $35.
4. A $2,120 check written in August had not been paid by the bank.
5. The bank statement included a $1,550 credit memo for the collection of a note. The principal of the note was $1,500, and the interest collected was $50.

Required

Determine the true cash balance as of August 31. (*Hint:* It is not necessary to use all of the preceding items to determine the true balance.)

Exercise 6-12A *Determining the true cash balance, starting with the unadjusted book balance*

LO 3

Sanders Company had an unadjusted cash balance of $8,120 as of April 30. The company's bank statement, also dated April 30, included a $200 NSF check written by one of Sanders's customers. There were $1,525 in outstanding checks and $900 in deposits in transit as of April 30. According to the bank statement, service charges were $50, and the bank collected a $500 note receivable for Sanders. The bank statement also showed $31 of interest revenue earned by Sanders.

Required

Determine the true cash balance as of April 30. (*Hint:* It is not necessary to use all of the preceding items to determine the true balance.)