

The following information is available to reconcile Clark Company's book balance of cash with its bank statement cash balance as of July 31, 2005:

- a. After all posting is complete on July 31, the company's Cash account has a \$26,193 debit balance, but its July bank statement shows a \$28,020 cash balance.
- b. Check No. 3031 for \$1,380 and Check No. 3040 for \$552 were outstanding on the June 30 bank reconciliation. Check No. 3040 is listed with the July canceled checks, but Check No. 3031 is not. Also, Check No. 3065 for \$336 and Check No. 3069 for \$2,148, both written in July, are not among the canceled checks on the July 31 statement.
- c. In comparing the canceled checks on the bank statement with the entries in the accounting records, it is found that Check No. 3056 for July rent was correctly written and drawn for \$1,250 but was erroneously entered in the accounting records as \$1,230.
- d. A credit memorandum enclosed with the July bank statement indicates the bank collected \$9,000 cash on a noninterest-bearing note for Clark, deducted a \$45 collection fee, and credited the remainder to its account. Clark had not recorded this event before receiving the statement.
- e. A debit memorandum for \$805 lists a \$795 NSF check plus a \$10 NSF charge. The check had been received from a customer, Jim Shaw. Clark has not yet recorded this check as NSF.
- f. Enclosed with the July statement is a \$15 debit memorandum for bank services. It has not yet been recorded because no previous notification had been received.
- g. Clark's July 31 daily cash receipts of \$10,152 were placed in the bank's night depository on that date, but do not appear on the July 31 bank statement.

Required

1. Prepare the bank reconciliation for this company as of July 31, 2005.
2. Prepare the journal entries necessary to bring the company's book balance of cash into conformity with the reconciled cash balance as of July 31, 2005.

Analysis Component

3. Assume that the July 31, 2005, bank reconciliation for this company is prepared and some items are treated incorrectly. For each of the following errors, explain the effect of the error on (i) the adjusted bank statement cash balance and (ii) the adjusted cash account book balance.
 - a. The company's unadjusted cash account balance of \$26,193 is listed on the reconciliation as \$26,139.
 - b. The bank's collection of the \$9,000 note less the \$45 collection fee is added to the bank statement cash balance on the reconciliation.

Problem 8-4A

Prepare a bank reconciliation and record adjustments

P3



Excel

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Check (1) Reconciled balance, \$34,308; (2) Cr. Note Receivable \$9,000