

Bank Reconciliation

1. Chicago Company has hired you to reconcile its bank statement and cash account. There were neither outstanding checks nor deposits in transit at **May 31, 2014**. At **June 30, 2014**, the Cash account on the books showed the following:

Cash account				
Date	Explanation	Debits	Credits	Balance
June 1	Balance			\$ 5,600
June 1-30	Deposits	\$32,000		37,600
June 1-30	Checks		\$29,700	7,900
June 30	Balance			7,900

The June bank statement, just received, showed the following:

June 1, balance	\$ 5,600
Deposits made in June	29,000
Interest paid by the bank in June	120
Checks paid in June	(27,500)
Bank service charge for June	(50)
NSF Charged (Brad Jolie, check returned for nonsufficient funds)	<u>(150)</u>
June 30, balance	<u>\$ 7,020</u>

Required:

- A. Prepare the bank reconciliation at June 30, 2014.
- B. Prepare the adjusting journal entries needed as a result of preparing the bank reconciliation.

KEY

A.			
Chicago Company Bank Reconciliation June 30, 2014			
Balance per Books:	\$7,900	Balance per bank statement:	\$7,020
Additions:		Additions:	
Interest paid by bank	120	Deposits in transit	
		(\$32,000 – \$29,000)	3,000
Deductions:		Deductions:	
Bank service charge	(50)	Outstanding checks	
NSF check of B. Jolie	<u>(150)</u>	(\$29,700 – 27,500)	<u>(2,200)</u>
Correct cash balance:	<u>\$7,820</u>	Correct cash balance:	<u>\$7,820</u>

B.

Cash	120	
Interest income		120
Bank service charge expense	50	
Cash		50
Accounts receivable, Brad Jolie	150	
Cash		150