

Problem 2

Allen Clinton is an audit manager with the accounting firm of Bingham & Bingham, CPAs. As part of the routine audit procedures for one of their clients, Allen instructed Myron Altidore, a newly hired staff auditor, to obtain a bank statement directly from the client's bank and prepare an independent reconciliation of the Cash account. Myron did a great job and presented Allen with the following reconciliation. Allen has now forwarded this document directly to you, with a request that you prepare proposed adjusting entries that need to be recorded by the client.

Ending balance per bank statement		\$	203,102.64
Add: Deposits in transit			40,332.36
Deduct: Outstanding checks			
#12221	\$	50,662.02	
#12327		25,651.50	
#12329		398.22	(76,711.74)
Correct cash balance		\$	<u>166,723.56</u>

Ending balance per company records		\$	156,445.65
Add:			
Payment from customer via ETF*	\$	10,337.97	
Interest earnings		1,700.64	12,038.61
Deduct:			
Reject customer credit card/charge back	\$	1,400.70	
Service charges		360.00	(1,760.70)
Correct cash balance		\$	<u>166,723.56</u>

* This payment has yet to be recorded as revenue by the company.

Worksheet 2

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
	<i>To record adjustments necessitated by bank reconciliation</i>		

Solution 2

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
	Cash	10,277.91	
	Accounts Receivable	1,400.70	
	Miscellaneous Expense	360.00	
	Revenues		10,337.97
	Interest Income		1,700.64
	<i>To record adjustments necessitated by bank reconciliation</i>		