

Problem Set B

L01 PROBLEM 7.1B
Bank Reconciliation

The cash transactions and cash balances of Dodge, Inc., for November were as follows:

L03

1. The ledger account for Cash showed a balance at November 30 of \$6,750.
2. The November bank statement showed a closing balance of \$4,710.
3. The cash received on November 30 amounted to \$3,850. It was left at the bank in the night depository chute after banking hours on November 30 and therefore was not recorded by the bank on the November statement.
4. Also included with the November bank statement was a debit memorandum from the bank for \$15 representing service charges for November.
5. A credit memorandum enclosed with the November bank statement indicated that a non-interest-bearing note receivable for \$4,000 from Wright Sisters, left with the bank for collection, had been collected and the proceeds credited to the account of Dodge, Inc.
6. Comparison of the paid checks returned by the bank with the entries in the accounting records revealed that check no. 810 for \$430, issued November 15 in payment for computer equipment, had been erroneously entered in Dodge's records as \$340.
7. Examination of the paid checks also revealed that three checks, all issued in November, had not yet been paid by the bank: no. 814 for \$115; no. 816 for \$170; no. 830 for \$530.
8. Included with the November bank statement was a \$2,900 check drawn by Steve Dial, a customer of Dodge, Inc. This check was marked "NSF." It had been included in the deposit of November 27 but had been charged back against the company's account on November 30.

Instructions

- a. Prepare a bank reconciliation for Dodge, Inc., at November 30.
- b. Prepare journal entries (in general journal form) to adjust the accounts at November 30. Assume that the accounts have not been closed.
- c. State the amount of cash that should be included in the balance sheet at November 30.

L02 PROBLEM 7.2B
Protecting Cash

Jason Chain Saws, Inc., had poor internal control over its cash transactions. Facts about the company's cash position at April 30 are described below.

L03

The accounting records showed a cash balance of \$20,325, which included a deposit in transit of \$5,000. The balance indicated in the bank statement was \$14,300. Included in the bank statement were the following debit and credit memoranda:

Debit Memoranda:

Check from customer, deposited but charged back as NSF	\$ 125
Bank service charges for April	50

Credit Memorandum:

Proceeds from collection of a note receivable on company's behalf	\$6,200
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Outstanding checks as of April 30 were as follows:

Check No.	Amount
836	\$ 500
842	440
855	330
859	1,300

Name: _____

Mr. Lasser

Accounting

Petty Cash - Review

Prepare Journal Entries for the Burch Corporation for March 1, March 31 and April 10.

March 1 Burch Corporation established a petty cash fund by cashing a check for \$125.

March 31st Cash in fund is \$26. Receipts: Shipping: \$22, Office Supplies: \$20, Advertising Expense: \$15, Miscellaneous Expense: \$38.

April 10th Burch Corporation increases the fund from \$125 to \$160.

REVIEW Accounting for Marketable Securities – Ch. 7

At December 31, Adam Manufacturing owned the following investments in the capital stock of publicly owned companies:

**Katie's Cakes 2,000 shares: cost \$18 per share;
Market value \$23 per share**

**Aronson Alpaca's 4,000 shares: cost \$40 per share;
Market value \$36 per share**

In 2010, Adam Manufacturing engaged in the following transactions. Journalize the transactions in the general journal provided.

- \$ Purchased 2,000 shares of Miranda Stock at a cost of \$16 per share, plus a brokerage fee of \$250.**
- \$ Sold 1,000 shares of Katie's Cakes for \$23 a share, less a brokerage commission of \$150.**
- \$ Aronson Alpaca's issued a \$.15 dividend per share**
- \$ Sold 500 shares of Aronson Alpaca's for \$37a share, less a brokerage commission of \$300.**
- \$ Prior to making any adjusting entries, Adam Marketable Securities account had a balance of \$172,000. If the current market value is \$177,500, make the adjusting entry required at year end.**

Name: _____

Accounting

Ch. 7 Financial Assets

Graded Problem

Quiz: Using the General Journal provided, record the following transactions.

- a) On January 2 First Period Associates estimates uncollectible accounts expense at 2% of net credit sales. Net credit sales for the fiscal period were \$3,700,000.
- b) On March 15 a \$1,625 accounts receivable, Luke's Law Enforcers is written off.
- c) On April 10, an accounts receivable that was previously written off, Tony and Things, for \$405 is unexpectedly collected.
- d) On December 31 the balance in the Allowance for Doubtful Accounts is \$2,955. The required balance is \$4,800. Make the adjusting entry.

Problem Set B

L01 **PROBLEM 7.1B**
Bank Reconciliation

L03

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**SOLUTIONS TO PROBLEMS SET B
PROBLEM 7.1B
DODGE, INC.**

25 Minutes, Medium

a.		
Balance per bank statement, November 30		\$ 4,710
Add: Deposit in transit		3,850
		\$ 8,560
Deduct: Outstanding checks		
no. 814	\$ 115	
no. 816	170	
no. 830	530	815
Adjusted cash balance		\$ 7,745
Balance per accounting records, November 30		\$ 6,750
Add: Note receivable collected by bank		4,000
		\$ 10,750
Deduct:		
Service charge	\$ 15	
NSF check	2,900	
Check recording error (no. 810)	90	3,005
Adjusted cash balance (as above)		\$ 7,745

b.				
Nov.	30	Cash	4,000	
		Notes Receivable		4,000
		To record collection by bank of note receivable from Wright Sisters.		
	30	Computer Equipment	90	
		Bank Service Charges	15	
		Accounts Receivable	2,900	
		Cash		3,005
		To adjust accounting records for bank service charges, customer's check charged back as NSF, and correct the recorded cost of equipment.		

c. The amount of cash that should be included in the balance sheet at November 30 is the adjusted balance of \$7,745.

Name: _____

Mr. Lasser

Accounting

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3/1	Petty Cash	125	
	Cash		125
3/31	Shipping Expense	22	
	Office Supplies	20	
	Advertising Expense	15	
	Miscellaneous Expense	38	
	Cash Over & Short	4	
	Cash		99
4/10	Petty Cash	35	
	Cash		35

REVIEW Accounting for Marketable Securities – Ch. 7

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General Journal

Date	Account Titles	Ref.	Debit	Credit
1	Marketable Securities		32250 -	
	Cash			32250 -
	(2000.16) + 250			
2.	Cash		22850 -	
	Gain on sale of Investment			4850 -
	Marketable Securities			18000 -
	(1000.23) - 150			
	1000.18			
3	Cash		600 -	
	Dividend Revenue			600 -
	4000.15			
4	Cash		18200 -	
	Loss on Sale of Investment		1800 -	
	Marketable Securities			20000 -
	(500.37) - 300			
	500.40			
5	Marketable Securities		5500 -	
	Unrealized Holding Gain on Investment			5500 -
	177500 - 17200			

Name: _____

Accounting

Ch. 7 Financial Assets

Graded Problem

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- d) On December 31 the balance in the Allowance for Doubtful Accounts is \$2,955. The required balance is \$4,800. Make the adjusting entry.

1/2 Uncollectable Accounts Expense 74,000
 Allowance for Doubtful Accounts 74000
 3,700,000 · .02

3/15 Allowance for doubtful Accounts 1625
 AIR-Luke law 1625

4/10 AIR-Tony 405
 Allowance for doubtful Accounts 405
 Cash 405
 AIR-Tony 405

12/31 Un collectable Accounts Expense 1845
 Allowance for doubtful Accounts 1845
 4800-2955