

Bank Reconciliation Problem:  
ACCOUNTING

The cash transactions and cash balances of Gray, Inc., for July were as follows:

1. The ledger account for Cash showed a balance at July 31 of \$125,568.
2. The July bank statement showed a closing balance of \$114,828.
3. The cash received on July 31 amounted to \$16,000. It was left at the bank in the night depository chute after banking hours on July 31 and therefore was not received by the bank on the July statement.
4. Also included with the July bank statement was a debit memorandum from the bank for \$50 representing service charge for July.
5. A credit memorandum enclosed with the July bank statement indicated that a non-interest-bearing note receivable for \$4,000 from Rene Manes, left with the bank for collection, had been collected and the proceeds credited to the account of Gray, Inc.
6. Comparison of the paid checks returned by the bank with the entries in the accounting records revealed that check no. 821 for \$519, issued July 15 in payment for office equipment, had been erroneously entered in Gray's records as \$915.
7. Examination of the paid checks also revealed that three checks, all issued in July, had not yet been paid by the bank; no. 811 for \$314; no. 814 for \$625; no. 823 for \$175.
8. Included with the July bank statement was a \$200 check drawn by Howard Williams, a customer of Gray, Inc. This check was marked "NSF." It had been included in the deposit of July 27 but has been charged back against the company's account on July 31.

Directions:

- A. Prepare a bank reconciliation for Gray, Inc., at July 31
- B. Prepare journal entries to adjust the accounts at July 31. Assume that the accounts have not been closed.

Bank Reconciliation

Cash balance per bank statement

Cash balance per books

Gray Inc.		
Bank Reconciliation		
July 31, 2017		
Cash balance per bank statement		114,828
Add: Deposit in transit 7/31		16,000
Deduct: Outstanding check 811	314	
	814	625
	823	1,114
Adjusted cash balance		129,714
Cash balance per books		125,568
Add: Credit Memo - Note Receivable	4,000	
Error on check 821	396	4,396
Deduct: Debit Memo - Service Charge	50	
NSF Check	200	250
Adjusted Cash Balance		129,714

7/31

Cash	4396	
Note Receivable		4000
Office Equipment		396
Bank Service Charge	50	
A/R	200	
Cash		250