

Accounting Notes

Bank Reconciliation, Petty Cash

Bank Reconciliation:

- Step 1: Identify outstanding deposits and bank errors that need to be added to the current bank statement balance.
- Step 2: Identify outstanding checks and bank errors that need to be subtracted from the current bank statement balance.
- Step 3: Identify amounts collected by the bank (notes), amounts added to our balance by the bank (interest on account), and any errors made by the company, when recording the transactions, that need to be added to the current book balance.
- Step 4: Identify bank service charges, NSF checks, and any errors made by the company that need to be subtracted from the current book balance.

Bank Reconciliation format:

Bank		Books	
Balance	\$X	Balance	\$X
Add:		Add:	
Outstanding Deposits	X	Bank Collections	X
Bank Errors	X	Interest Revenue	X
		EFT Receipts	X
		Book Errors	<u>X</u>
Subtotal	<u>\$X</u>	Subtotal	<u>\$X</u>
Less:		Less:	
Outstanding Checks	X	Service Charges	X
Bank Errors	X	NSF Checks	X
		EFT Payments	X
		Book Errors	<u>X</u>
Adjusted Bank Balance	<u><u>\$X</u></u>	Adjusted Book Balance	<u><u>\$X</u></u>

Amounts must balance

Journal entries must be done to record all adjustments made to the book balance. For all of the adjustments made to increase the book balance cash will be shown as a debit in the entries. For all of the adjustments made to decrease the book balance cash will be shown as a credit in the entries.

Accounting Notes

Bank Reconciliation, Petty Cash

Cash Short and Over

Any differences between the cash register tape totals and the actual cash receipts is charged against the cash short and over account.

If the ending balance of the account is a debit it is shown on the Income Statement as a miscellaneous expense.

If the ending balance of the account is a credit it is shown on the Income Statement as Other Revenue.

Journal Entry:

For a cash shortage:

Cash	Actual cash received	
Cash Short and Over	Difference	
Sales Revenue		Cash register tape totals

For a cash overage:

Cash	Actual cash received	
Cash Short and Over	Difference	
Sales Revenue		Cash register tape totals

Petty Cash:

Petty cash is a fund containing a small amount of cash that is used to pay for minor expenses. The amount of the petty cash fund is dependent on how much a company feels it needs to have on hand to pay for this expenses. The fund is replenished on a regular basis, normally at the end of the month unless it is necessary to replenish it sooner. The amount of the fund may be increased or decreased after it is setup, if necessary.

Journal Entries:

For the setup of Petty Cash:

Petty Cash	Amount of fund	
Cash in bank		Amount of fund

Accounting Notes

Bank Reconciliation, Petty Cash

Petty Cash:

Journal Entries:

For replenishment of petty cash:

Office Supplies	Amount spent	
Delivery Expense	Amount spent	
⋮	⋮	
Postage Expense	Amount spent	
Misc. Expense	Amount spent	
Cash in bank		Total of receipts