Student: Cheryl Gracie **Date:** 3/18/10 **Time:** 8:05 AM	**Instructor:** Cheryl Gracie **Course:** ACC 111 Section 04 (CRN 10080) **Book:** Horngren: Accounting, 8e	**Assignment:** Chapter 7 Homework

P7-27a (book/static).

The April cash records of Donald Insurance follow:

(Click the icon to view the checkbook.)

Donald's Cash account shows a balance of $17,040 at April 30. On April 30, Donald Insurance received the following bank statement.

(Click the icon to view the April bank statement.) (Click the icon to view the additional data for the bank reconciliation.)

Requirements

1. Prepare the bank reconciliation of Donald Insurance at April 30, 2011.

2. Journalize any required entries from the bank reconciliation.

Requirement 1. Prepare the bank section of the bank reconciliation.

Donald Insurance

Bank Reconciliation

April 30, 2011

BANK:				
Balance, April 30				$ 18,430
Add:	Deposits in transit			1,860
Less:	Outstanding checks:			
	Check No.			
		1420	1,450	
		1421	800	
		1422	660	(2,910)
Adjusted bank balance				$ 17,380

Prepare the book section of the bank reconciliation.

BOOKS:			
Balance, April 30			$ 17,040
Add:	EFT collection of rent	$ 500	
	Bank collection of note receivable	1,600	2,100
Less:	NSF check	900	
	EFT payment of insurance	200	
	Service charge	30	
	Correction of book error	630	(1,760)
Adjusted book balance, April 30			$ 17,380

Requirement 2. Journalize any required entries from the bank reconciliation. Begin with the EFT collection.

P7-27a (book/static). (cont.)

Journal Entry			
Date	**Accounts**	**Debit**	**Credit**
April 30	Cash	500	
	Rent revenue		500

Journalize the collection of the note.

Journal Entry			
Date	**Accounts**	**Debit**	**Credit**
April 30	Cash	1,600	
	Note receivable		1,600

Journalize the NSF check.

Journal Entry			
Date	**Accounts**	**Debit**	**Credit**
April 30	Accounts receivable	900	
	Cash		900

Journalize the EFT payment.

Journal Entry			
Date	**Accounts**	**Debit**	**Credit**
April 30	Insurance expense	200	
	Cash		200

Journalize the service charge.

Journal Entry			
Date	**Accounts**	**Debit**	**Credit**
April 30	Miscellaneous expense	30	
	Cash		30

P7-27a (book/static). (cont.)

Journalize the entry to correct the error.

Journal Entry				
Date		**Accounts**	**Debit**	**Credit**
April	30	Rent expense	630	
		Cash		630

Data Table

Cash Receipts (CR)			Cash Payments (DR)	
Date	**Cash Debit**		**Check No.**	**Cash Credit**
Apr. 4	$ 4,160		1416	$ 890
9	530		1417	140
14	520		1418	670
17	2,170		1419	1,290
30	1,860		1420	1,450
			1421	800
			1422	660

More Info

P7-27a (book/static). (cont.)

Bank Statement for April

Beginning balance					$ 13,700
Deposits and other Credits:					
Apr.	1		EFT	500	
	5			4,160	
	10			530	
	15			520	
	18			2,170	
	22		BC	1,600	9,480
Checks and other Debits:					
Apr.	8		NSF	$ 900	
	11	(check no. 1416)		890	
	19		EFT	200	
	22	(check no. 1417)		140	
	29	(check no. 1418)		670	
	30	(check no. 1419)		1,920	
	30		SC	30	4,750
Ending balance					$ 18,430

Explanations: BC−bank collection; EFT−electronic funds transfer; NSF−nonsufficient funds checks; SC−service charge.

More Info

a. The EFT credit was a receipt of rent. The EFT debit was an insurance payment.
b. The NSF check was received from a customer.
c. The $1,600 bank collection was for a note receivable.
d. The correct amount of check number 1419 for rent expense is $1,920. Donald's controller mistakenly recorded the check for $1,290.

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P7-27a (book/static). (cont.)

YOU ANSWERED:

Donald Insurance
Bank Reconciliation
April 30, 2011

BANK:			
Balance, April 30			nothing
Add:	nothing		nothing
Less:	nothing		
	Check No.		
	nothing	nothing	
	nothing	nothing	
	nothing	nothing	nothing
nothing			nothing

BOOKS:			
Adjusted book balance, April 30			nothing
Add:	nothing	nothing	
	nothing	nothing	nothing
Less:	nothing	nothing	
	nothing	nothing	
	nothing	nothing	
	nothing	nothing	nothing
nothing			nothing

Journal Entry

Date		Accounts	Debit	
April	30	Prepaid rent	nothing	
		nothing	nothing	
		nothing	nothing	
		nothing	nothing	

Journal Entry

Date		Accounts	Debit	
April	30	Prepaid rent	nothing	
		nothing	nothing	
		nothing	nothing	
		nothing	nothing	

P7-27a (book/static). (cont.)

Journal Entry

Date		Accounts	Debit	
April	30	Salary expense	nothing	
		nothing	nothing	
		nothing	nothing	
		nothing	nothing	

Journal Entry

Date		Accounts	Debit	
April	30	Rent revenue	nothing	
		nothing	nothing	
		nothing	nothing	
		nothing	nothing	

Journal Entry

Date		Accounts	Debit	
April	30	Salary expense	nothing	
		nothing	nothing	
		nothing	nothing	
		nothing	nothing	

Journal Entry

Date		Accounts	Debit	
April	30	Rent revenue	nothing	
		nothing	nothing	
		nothing	nothing	
		nothing	nothing	