



March 30- April 3, 2020

SUPPLEMENTARY LESSON

TOPIC: Bank Documents and Bank Transactions Related to Bank Deposits

Bank Account – is a financial record maintained by the bank's client set up by the bank

How to Open a Bank Account

1. Filling up the information sheet about the details of the clients (Name, address, contact number, date of birth, occupation, family details, etc.)
2. Submission of two valid ID issued by the government or employment ID
3. Signing in a signature card if more than one signatory in the account all signatories are required to sign
4. Making an initial deposit to open an account

Types of Bank Account

1. Savings Account – money deposited in a bank for safekeeping and withdrawals can be made anytime and earned interest
2. Checking Account - money deposited in a bank and withdrawals made through issuance of a check also known as “current account”
3. Time Deposit – an interest bearing bank deposit with a specified period of maturity also known as “certificate of deposit”

Bank Documents

- A. Deposit Slip – document used by a bank client or depositor if he/she wants to put her money in the bank for safekeeping

How to fill out a deposit slip

1. Write the date
2. Write the name of the account holder
3. Write the account number
4. Write the amount of check/s or cash to be deposited
5. Sign the deposit slip

- B. Withdrawal Slip – document used by a bank client if he/she wants to withdraw or get cash from his/her account

How to fill out a withdrawal slip

1. Write the date
 2. Write the name of the account holder
 3. Write the account number
 4. Write the amount of cash to be withdrawn (amount in words and in figures)
 5. Sign the withdrawal slip
- C. Check – it is a written order directing the person's bank to pay a certain amount of money to be drawn against the person's checking account

How to write a check

1. Write the date of the check on the upper right beside the word date.
2. Write the complete name of the payee or recipient on the line beside the words "Pay to the Order of." When the check is intended to be encashed by just any person, the word "Cash" can be written instead the name of a person. If the payee or recipient is an organization or company write the complete name of the company or organization.
3. Write the exact amount of the check beside the peso sign.
4. Write the exact amount of the check in words on the line beside the word Pesos. Write only the word "only" after the amount so that nothing can be written after the amount.
5. Sign the check on the line at the bottom right corner.

Kinds of Checks

1. Cancelled Checks - checks paid by the bank that were deducted from the depositor's account and returned together with the monthly bank statement
2. Stale Check - check issued but not yet presented to the bank for payment and has been outstanding
3. Certified Check - check certified by the bank as to sufficiency in funds and guaranteed to be honored when presented for payment.
4. Crossed Check - check cannot be encashed by the payee and can only be deposited in his account
5. Post-dated Check - check which is dated sometime in the future
6. Dishonored Check - a check not accepted for deposit or not for payment due to some defects.

Activity 1

- Directions: 1. Prepare a soft copy of your own sample deposit slip, withdrawal slip, and check. three documents for each.
2. Fill out correctly the documents.

Activity 2

- Directions: Prepare a soft copy of your own sample checks to illustrate and to distinguish Crossed Check, Post-dated check, and Dishonored Check.



SUPPLEMENTARY LESSON

TOPIC: BANK RECONCILIATION STATEMENT

Cash is a medium of exchange to buy goods and services. However it is not advisable to carry big amount of money anywhere. Likewise it is not safe for a company to keep their cash in the business place that is why cash is deposited in the bank. Companies usually opened a checking account to pay check in payments of assets or merchandise bought while collections are deposited in the checking account.

At the end of the month the bank furnishes the company a bank statement. It shows the details of deposits, checks drawn by the depositor and paid by the bank, bank charges and other transactions affecting the depositor's account. Preferably the bank statement should be in agreement with company's record. However, it is not always the case. Certain items in the bank statement do not appear the same with the company's record. Because of this, a bank reconciliation statement is prepared. Bank reconciliation is a schedule prepared to bring the depositor's cash balance and the bank's cash balance into agreement. It shows the items causing the discrepancies between the balance per bank and the balance per book.

Methods in Preparing Bank Reconciliation Statement

1. Bank to Book Balance. Under this method, reconciliation will start from the bank records/bank statement balance to arrive at the book balance.
2. Book to Bank Balance. In this method reconciliation will start from the balance per books to arrive at the balance per bank
3. Adjusted Balance Method. This method adjusts both balances (balance per bank and balance per book) to the corrected cash balance.

Reconciling Items – are items to be considered in the preparation of Bank Reconciliation statement

Types of Reconciling Items

1. Bank Reconciling Items. These are items taken up in the records of the depositor but not yet taken up in the bank records.

Examples:

- a. Deposit in transit – these are deposits already recorded in the company's book thereby increasing the cash balance but not yet recorded in the bank records. This represents collection of the company depositor during the last day of the month and can only be deposited and/or will only be credited by the bank on the following business or banking day of the ensuing month.

Computation for Deposits in Transit

Deposit in transit beginning of the month	P xxx
Add: Deposit made per books	<u>xxx</u>
Total amount that should have been deposited	P xxx
Less: Deposits as shown in the bank statement	<u>xxx</u>
Deposit in transit at the end of the month	<u>P xxx</u>

- b. Outstanding Checks – these checks issued by the company but not yet presented for payment or encashment with bank.

Computation for Outstanding Checks

Outstanding Checks, beginning of the month	P xxx
Add: Checks issued per book	<u>xxx</u>
Total Checks that should have been issued	P xxx
Less: Checks paid by the bank	<u>xxx</u>
Outstanding Checks	<u>P xxx</u>

- 2. Book Reconciling Items. These are reconciling items for the company depositor which had been taken up by the bank for the depositor and will only be taken up by a depositor upon the receipt of the corresponding credit memo (CM) and debit memo (DM).

Examples:

- a. Bank Service Charges – amount deducted by the bank from the depositor’s account for the cost of blank checks booklet (Debit Memo)
- b. Collection – if the bank was authorized by the company depositor to receive payment or collection for him (Credit Memo)
- c. Interest – amount earned and added by the bank to the company depositor for lending the money (Credit Memo)

Procedures in Preparing a Bank Reconciliation Statement

- 1. Determine the Bank and Book Ending Balances
 - a. Bank ending balance can be found in the bank statement balance column
 - b. Book ending balance can be found in the general ledger of the cash in bank account of the company depositor

To illustrate: Assumed that Marzan Trading opened a checking account from BDO on July 1, 2018. At the end of the month the bank statement showed: Prepare the Bank Reconciliation statement under the following Method: Bank to Book Method, Book to Bank Method and Adjusted Balance Method

Marzan Trading

DATE	CHECK	WITHDRAWALS	DEPOSITS	BALANCE
July 1, 2018			P 350,000	P 350,000
3			25,000	375,000
5	0001434401	P 32,000		343,000
7	0001434402	5,000		338,000
11			10,000	348,000
15	0001434403	3,000		345,000
20			5,000 Collection	350,000
27			12,000	362,000
31		250 Bank Charges		361,750
			125 Interest	361,875

Debit Memo

Credit Memo

Bank ending cash balance

CASH IN BANK (BDO)

Dr.			Cr.
July 1 Deposit	P 350,000	July 3 0001434401	P 32,000
3 Deposit	25,000	6 0001434402	5,000
11 Deposit	10,000	13 0001434403	3,000
27 Deposit	12,000	26 0001434404	7,000
31 Deposit	15,000		
	P 412,000		P 47,000
	<u>P 365,000</u>		

↓ Deposit In Transit

↓ Book Ending Cash Balance

↓ Outstanding Check

2. Determine the Bank and Book Reconciling Items

a. Book Reconciling Items could be found in the bank statement withdrawals and deposits columns supported by corresponding debit and credit memos.

b. Bank Reconciling Items can be computed or determined by comparing the records of the bank and the book.

b1. Deposit in transit can be determined by comparing the record of deposits made by the depositor and deposits made by the bank. Those deposits made by the depositor but not reflected in the bank is called deposit in transit.

b2. Outstanding checks can be determined and computed by comparing the checks drawn by the depositor against the checks drawn in the bank. Those checks drawn made by the depositor

but not reflected in the bank for encashment is called outstanding checks.

B3.Errors- example deposit of P 350 was recorded as P 530

3. Reflect the determined reconciling items by adding or deducting them from book and bank ending balances depending on the method to be used.

Solution: Method 1 Bank to Book Method

MARZAN TRADING
BANK RECONCILIATION STATEMENT
July 31, 2018

Balance per Bank		P 361,875
Add: Deposit in transit.....	P 15,000	
Bank Charges	<u>250</u>	<u>15,250</u>
		P 377,125
Less: Outstanding Checks	P 7,000	
Interest Income	125	
Collection	<u>5,000</u>	<u>12,125</u>
Balance per Book		<u>P 365,000</u>

Solution: Method 2 Book to Bank Method

MARZAN TRADING
BANK RECONCILIATION STATEMENT
July 31, 2018

Balance per Book		P 365,000
Add: Outstanding Checks.....	P 7,000	
Interest Income	125	
Collection	<u>5,000</u>	<u>12,125</u>
		P 377,125
Less: Deposit in Transit	P 15,000	
Bank Charges.....	<u>250</u>	<u>15,250</u>
Balance per Bank		<u>P 361,875</u>

Solution: Method 3 Adjusted Balance Method

MARZAN TRADING
BANK RECONCILIATION STATEMENT
July 31, 2018

	BANK	BOOK
Balance per	P 361,875	P 365,000
Add: Deposit in Transit.....	15,000	
Interest Income		125
Collection	<u>5,000</u>	<u>5,000</u>
	P 376,875	P 370,125
Less: Outstanding Check	15,000	
Bank Charges.....	<u>250</u>	<u>250</u>
Adjusted Balance	<u>P 361,875</u>	<u>P 361,875</u>

ACTIVITY 1

Alfa Grocery store opened a checking account from Far East Bank on March 1, 2016. At the end of the month the cash in bank ledger showed a total deposits amounted to P 490,000 and the total checks issued amounted P 199,000. The bank statement showed the total bank credits amounted to P 450,000 which includes collection of P 3,000 and an interest of P 450 while the total debits amounted to P 183,000 which includes Bank Charges amounted to P 750.

Required:

- a. Compute for the deposit in transit and outstanding checks
- b. Prepare the Bank Reconciliation Statement under the three methods

Activity 2

From the following data, compute for the correct cash balance or prepare the adjusted balance method.

Balance per Bank P 32,100
Balance per Book P 31,245
Deposit in Transit P 1,750

Outstanding Check P 2,420
A check for P 375 was recorded in the book as P 735
Bank Charges P 175