

Name: \_\_\_\_\_

# ACCOUNTING I

## Chapter 5 Reading Guide



### 5-1 CHECKING ACCOUNTS

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Please answer the following questions as you read Chapter 5, pages 123-152.

1. What is a problem associated with the fact that cash transactions occur more frequently than other transactions?
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2. A deposit slip is a form which lists checks, currency, and coins an account holder is adding the bank account. When are these prepared?
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3. A signature or stamp on the back of a check transferring ownership is called an endorsement. List and describe the three types of endorsements. What is a problem associated with losing a check with a blank endorsement?
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4. What are two advantages associated with having consecutive check numbers printed on checks?
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5. A check that cannot be processed because the maker has made it invalid is called a voided check. VOID is written across the check and the check stub. What should be done in the journal?
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### 5-2 BANK RECONCILIATION

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6. What is a bank statement?
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7. What is a canceled check?
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8. What are four reasons a bank's records may differ from a depositor's records?
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9. A bank statement is reconciled by verifying that information on a bank statement and a checkbook are in agreement. When should a bank statement be reconciled?
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10. When reconciling, for each canceled check listed on the bank statement, what should be done in the check book?
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11. An outstanding check is one that has been issued but not yet reported on a bank statement. What does a check stub with no check mark indicate?
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12. The Bank Statement shows that a service charge has been deducted from the checking account. What are two steps that must be taken now that you know how much the service charge is?
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13. Which account should be debited when journalizing the bank service charge? What will the source document be?
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### 5-3 DISHONORED CHECKS AND ELECTRONIC BANKING

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14. What is a dishonored check?
- A dishonored check is a check that a bank refuses to pay.
15. One type of dishonored check is a NSF (Non-sufficient funds). What are five other reasons a bank may dishonor a check?
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16. When a company receives a check, it records the check as a debit to Cash and deposits the check in the bank. If the check bounces, what must be recorded on a check stub to record a dishonored check?
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17. What transaction must be recorded in the journal when a check is dishonored by the bank, and the bank has deducted the amount of the check plus a fee? What would the source document be for Objective Evidence?
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18. What is an electronic funds transfer (EFT) and what source document is used when journalizing?
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19. A debit card is a bank card that automatically deducts the amounts of a purchase from the checking account of the card holder. What is an advantage of using a debit card? What is the source document for journalizing a debit card purchase?

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## 5-24 PETTY CASH

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20. What is Petty Cash? What type of account is Petty Cash, and what is the normal balance side of this account?

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21. When an owner establishes a petty cash account, which account is debited and which account is credited? Please include arrows to show if the accounts are increasing or decreasing.

- Account Debited: Account Credited:

22. What is a petty cash slip? Where are they kept until the petty cash fund is replenished?

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23. When is the Petty Cash fund replenished? When the Petty Cash Fund is replenished, is Petty Cash debited or credited?

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24. A Petty Cash Report is prepared when the petty cash fund needs to be replenished. The Cash Short and Over account is an expense account. Explain the difference between cash short and cash over.

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25. The petty cash report shows \$20 was spent on miscellaneous expense and \$15 was spent on advertising expense, and the fund was short by \$2. Please show the journal entry to record this transaction. What would the source document be?

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26. Please explain this statement: "Unless the petty cash fund is permanently increased or decreased, the balance of the account is always the original amount of the fund."

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