

Errors could go in any of the four reconciling areas depending on who made the error (the company or the bank) and whether we get more money in our account or have to pay more money.

2. The two reconciled balances **MUST** equal. This is the correct balance in cash.
3. Journal Entries

The items on the Book Balance side of the reconciliation have increased or decreased our bank account, so we need journal entries to increase or decrease our cash balance.

- a. Additions DR Cash
 CR Notes Receivable
 CR Interest Income
- b. Deductions DR Miscellaneous Expense (bank svc charge)
 DR Accounts Receivable (NSF check)
 CR Cash

B. Petty Cash Fund

A small amount of cash kept in the office for small or unexpected purchases. The business will decide on an amount, for example \$250, and will start each month with exactly \$250 in the Petty Cash fund.

1. To establish the Petty Cash fund

DR Petty Cash
CR Cash in Bank

2. To record amounts spent from Petty Cash

DR Miscellaneous Expense/Office Expense
CR Cash in Bank

3. The only times the "Petty Cash" account is used in a journal entry:

1. To establish the petty cash fund
2. To increase the petty cash fund amount
for example: the company now wants to start each month with \$300
3. To decrease the petty cash fund amount
for example: the company now wants to start each month with \$200

On April 1, 2024, Terry Yockey Company decides establish a petty cash fund and will start each month with \$250. During April, \$50 was spent at Krispy Kreme for donuts for the office; \$125 was spent on gas for employees to run errands for the company; \$60 was spent on office supplies. On April 30, 2024, Terry Yockey Company decided to increase the monthly amount in the petty cash fund to \$300.

	DATE		DESCRIPTION	POST REF	DEBIT	CREDIT	
1	2024						1
2	Apr	1					2
3							3
4							4
5		30					5
6							6
7							7
8							8
9							9
		30					

C. Cash Over/Short

Companies that make some or all of their sales for cash must start each day with a change fund, a combination of change and small bills to make change for their customers.

To calculate the amount of cash collected during the day, the change fund amount must be deducted from the total cash in the cash register. We hope the amount of cash collected agrees exactly to the amount of sales for the day, but that does not always happen. When the cash is different from the sales, the difference goes to an account called "Cash Over/Short".

Happy Jack Jump Ropes only accepts cash. They start each day with a \$200 change fund. Sales for February 6, 2024, totaled \$639.54; the total cash in the cash drawer at the end of the day was \$843.12. The sales for February 7, 2024, totaled \$419.55; the total cash in the cash drawer at the end of the day was \$617.73.

	DATE		DESCRIPTION	POST REF	DEBIT	CREDIT	
1	2024						1
2	Feb	6					2
3							3
4							4
5							5
6		7					6
7							7
8							8
9							9

General Journal

	DATE	DESCRIPTION	PR	DEBIT	CREDIT	
1						1
2						2
3						3
4						4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
12						12
13						13
14						14
15						15
16						16
17						17
18						18
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31						31
32						32
33						33
34						34
35						35
36						36
37						37
38						38
39						39
40						40
41						41

General Journal

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	DATE	DESCRIPTION	POST REF	DEBIT	CREDIT	
1						1
2						2
3						3
4						4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
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27						27
28						28
29						29
30						30
31						31
32						32
33						33
34						34
35						35
36						36

Balance per Bank Statement:		
Additions:		
Deductions:		
Adjusted Balance		
Balance per Books/Company:		
Additions:		
Deductions:		
Adjusted Balance		

General Journal

	DATE	DESCRIPTION	POST REF	DEBIT	CREDIT	
1						1
2						2
3						3
4						4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
12						12

Balance per Bank Statement:		
Additions:		
Deductions:		
Adjusted Balance		
Balance per Books/Company:		
Additions:		
Deductions:		
Adjusted Balance		

General Journal

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General Journal

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