

B-06.04

Daniel Scott is an audit manager with the accounting firm of Nelson & Riley, CPAs. As part of the routine audit procedures for one of their clients, Daniel instructed Wanda Mullins, a newly hired staff auditor, to obtain a bank statement directly from the client's bank and prepare an independent reconciliation of the Cash account. Wanda did a great job and presented Daniel with the following reconciliation. Daniel has now forwarded this document directly to you, with a request that you prepare proposed adjusting entries that need to be recorded by the client.

Ending balance per bank statement		\$	67,700.98
Add: Deposits in transit			13,444.12
Deduct: Outstanding checks			
#12221	\$	16,887.34	
#12327		8,550.50	
#12329		<u>132.74</u>	<u>(25,570.58)</u>
Correct cash balance			<u>\$ 55,574.52</u>

Ending balance per company records		\$	52,148.55
Add:			
Payment from customer via ETF*	\$	3,445.99	
Interest earnings		<u>566.88</u>	4,012.87
Deduct:			
Reject customer credit card/charge back		466.90	
Service charges		<u>120.00</u>	<u>(586.90)</u>
Correct cash balance			<u>\$ 55,574.52</u>

* This payment has yet to be recorded as revenue by the company.