

Manahan Corporation received its August 31 bank statement showing total funds on deposit of \$288,090.09. This amount was \$149,158.22 in excess of the balance in the general ledger Cash account. Additional information consists of the following:

The company has a 1-year, \$100,000, certificate of deposit. This amount is included in the total funds listed on the bank statement. Manahan classifies this security in a separate investment account in its general ledger.

Interest earned on the CD was \$475 during the month. This interest is free for withdrawal and is automatically posted to the regular checking account. Manahan's first notification of the amount of interest for the month is via the bank statement, and the interest income has not yet been recorded in the general ledger Cash account.

Manahan Corporation received a \$50,000 draft for an oil and gas lease from XTX Exploration. This draft was presented to the bank in early July. Drafts are not cash until the maker (XTX) honors them (at their option), and this process can take as long as several weeks. The bank statement included notification that XTX had honored and funded the draft in mid August. This is the first notification to Manahan of actual funding, and Manahan has not previously recorded this transaction.

Manahan made a deposit late in the afternoon of August 31. The amount of the deposit was \$3,666.04, but this amount did not appear on the August 31 bank statement. The bank has a sign in its lobby that says "Deposits after 3 pm will be processed on the next following business day."

Manahan has authorized automatic payments to its utility company for monthly charges. Withdrawals of \$1,445.99 appear in the bank statement for such utilities. This is the first notification to Manahan, and Manahan has not previously recorded this transaction.

Late in August, Manahan did an online authorization for a credit card company payment. Due to a timing issue, the bank statement does not yet reflect the payment for \$4,446.09. Manahan has appropriately recorded the reduction in cash in the general ledger.

Manahan prepared a \$3,000 payment to Sims via check #12234. Due to a bookkeeping error, Sims reported that it had not received payment. Manahan issued a \$3,000 replacement check #12257. Both checks cleared the bank in August, and Sims has admitted its error. Sims will be returning \$3,000 to Manahan.

The bank statement included monthly service charges of \$125. Manahan has not previously recorded these charges.

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At the end of July, three checks were outstanding (#12170, \$245.55; #12200, \$1,889.66; and #12202, \$75). At the end of August, three checks were outstanding (#12170, \$245.55; #12290, \$1,333.07, and #12291, \$1,117.54).

A review of deposits clearing the bank revealed that Manahan had recorded a \$2,000.22 deposit as \$2,222.22 in the general ledger Cash and Revenue accounts.

- (a) Prepare Manahan's bank reconciliation as of August 31, 20X5.
- (b) What is the correct balance for Cash in the August 31 balance sheet?
- (c) Prepare the journal entry suggested by the reconciliation.