

Daniel Scott is an audit manager with the accounting firm of Nelson & Riley, CPAs. As part of the routine audit procedures for one of the firm's 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.