

[The following information applies to the questions displayed below.]

Nakashima Gallery had the following petty cash transactions in February of the current year.

- Feb. 2 Wrote a \$400 check, cashed it, and gave the proceeds and the petty cashbox to Chloe Addison, the petty cashier.
- 5 Purchased bond paper for the copier for \$14.15 that is immediately used.
- 9 Paid \$32.50 COD shipping charges on merchandise purchased for resale, terms FOB shipping point. Nakashima uses the perpetual system to account for merchandise inventory.
- 12 Paid \$7.95 postage to express mail a contract to a client.
- 14 Reimbursed Adina Sharon, the manager, \$68 for business mileage on her car.
- 20 Purchased stationery for \$67.77 that is immediately used.
- 23 Paid a courier \$20 to deliver merchandise sold to a customer, terms FOB destination.
- 25 Paid \$13.10 COD shipping charges on merchandise purchased for resale, terms FOB shipping point.
- 27 Paid \$54 for postage expenses.
- 28 The fund had \$120.42 remaining in the petty cash box. Sorted the petty cash receipts by accounts affected and exchanged them for a check to reimburse the fund for expenditures.
- 28 The petty cash fund amount is increased by \$100 to a total of \$500.

1.

award:
10 out of
10.00

points

Required:

1. Prepare the journal entry to establish the petty cash fund.



Date	General Journal	Debit	Credit
Feb. 02	Petty cash ✓	400 ✓	
	Cash ✓		400 ✓

2.

award:
10 out of
10.00

points

2. Prepare a petty cash payments report for February with these categories: delivery expense, mileage expense, postage expense, merchandise inventory (for transportation-in), and office supplies expense. Sort the payments into the appropriate categories and total the expenditures in each category. **(Round your answers to 2 decimal places.)**

show
correct
answer

Nakashima Gallery				
Petty Cash Payments Report (for February)				
Delivery expense				
Feb. 23	✓	Delivery of customer's merchandise	✓	\$ 20.00 ✓
Mileage expense				
Feb. 14	✓	Reimbursement for mileage	✓	68.00 ✓
Postage expense				
Feb. 12	✓	Express delivery of contract	✓	\$ 7.95 ✓
Feb. 27	✓	Purchased postage stamps	✓	54.00 ✓
Merchandise inventory (transportation-in)				
Feb. 9	✓	COD charges on purchases	✓	32.50 ✓
Feb. 25	✓	COD charges on purchases	✓	13.10 ✓
Office supplies expense				
Feb. 5	✓	Purchased paper for copier	✓	14.15 ✓
Feb. 20	✓	Purchased stationery	✓	67.77 ✓
Total				\$ MGMT-026 ✓

3.

award:
10 out of
10.00
points

3. Prepare the journal entries for part 2 to both (a) reimburse and (b) increase the fund amount.
(Round your answers to 2 decimal places.)



show
correct
answer

Date	General Journal	Debit	Credit
Feb. 28	Mileage expense ✓	68.00 ✓	
	Merchandise inventory ✓	45.60 ✓	
	Delivery expense ✓	20.00 ✓	
	Office supplies expense ✓	81.92 ✓	
	Postage expense ✓	61.95 ✓	
	Cash over and short ✓	2.11 ✓	
	Cash ✓		279.58 ✓
Feb. 28	Petty cash ✓	100.00 ✓	
	Cash ✓		100.00 ✓

4.

award:
10 out of
10.00

points

Nolan Company deposits all cash receipts on the day when they are received and it makes all cash payments by check. At the close of business on June 30, 2013, its Cash account shows an \$22,352 debit balance. Nolan's June 30 bank statement shows \$21,332 on deposit in the bank.



- Outstanding checks as of June 30 total \$3,713.
- The June 30 bank statement included a \$41 debit memorandum for bank services; the company has not yet recorded the cost of these services.
- In reviewing the bank statement, a \$90 check written by the Company was mistakenly recorded in the company's books at \$99.
- June 30 cash receipts of \$4,724 were placed in the bank's night depository after banking hours and were not recorded on the June 30 bank statement.
- The bank statement included a \$23 credit for interest earned on the cash in the bank.

Prepare a bank reconciliation for Nolan Company using the above information.

NOLAN COMPANY									
Bank Reconciliation									
June 30, 2013									
Bank statement balance		\$	21,332	✓	Book balance		\$	22,352	✓
Add:					Add:				
Deposit of June 30	✓	\$	4,724	✓	Interest earned	✓	\$	23	✓
	✓		0		Recording error on check	✓		9	✓
	✓		0					0	
			4,724					0	32
			26,056						22,384
Deduct:					Deduct:				
Outstanding checks	✓		3,713	✓	Bank service charges	✓		41	✓
			0					0	41
			3,713						
Adjusted bank balance		\$	22,343		Adjusted book balance		\$	22,343	

[The following information applies to the questions displayed below.]

Palmona Co. establishes a \$220 petty cash fund on January 1. On January 8, the fund shows \$123 in cash along with receipts for the following expenditures: postage, \$41; transportation-in, \$12; delivery expenses, \$14; and miscellaneous expenses, \$30. Palmona uses the perpetual system in accounting for merchandise inventory.

5.

award:
10 out of
10.00

points

(1) Prepare journal entry to establish the fund on January 1.

Date	General Journal	Debit	Credit
jan.1	Petty cash ✓	220 ✓	
	Cash ✓		220 ✓



6.

award:
10 out of
10.00

points

(2) Prepare journal entry to reimburse it on January 8.



Date	General Journal	Debit	Credit
jan.08	Postage expense ✓	41 ✓	
	Merchandise inventory ✓	12 ✓	
	Delivery expense ✓	14 ✓	
	Miscellaneous expenses ✓	30 ✓	
	Cash ✓		97 ✓

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7.

award:
10 out of
10.00

points

(3) Prepare journal entries to both reimburse the fund and increase it to \$270 on January 8, assuming no entry in part 2.

show
correct
answer

Date	General Journal	Debit	Credit
Jan 08	Postage expense ✓	41 ✓	
	Merchandise inventory ✓	12 ✓	
	Delivery expense ✓	14 ✓	
	Miscellaneous expenses ✓	30 ✓	
	Cash ✓		97 ✓
Jan 08	Petty cash ✓	50 ✓	
	Cash ✓		

MGMT-026 © 2014 ✓

8.

award:
10 out of
10.00

points

Del Gato Clinic deposits all cash receipts on the day when they are received and it makes all cash payments by check. At the close of business on June 30, 2013, its Cash account shows a \$11,589 debit balance. Del Gato Clinic's June 30 bank statement shows \$10,555 on deposit in the bank.

show
correct
answer

- Outstanding checks as of June 30 total \$1,829.
- The June 30 bank statement included a \$16 debit memorandum for bank services.
- Check No. 919, listed with the canceled checks, was correctly drawn for \$467 in payment of a utility bill on June 15. Del Gato Clinic mistakenly recorded it with a debit to Utilities Expense and a credit to Cash in the amount of \$476.
- The June 30 cash receipts of \$2,856 were placed in the bank's night depository after banking hours and were not recorded on the June 30 bank statement.

Prepare the adjusting journal entries that Del Gato Clinic must record as a result of preparing the bank reconciliation. (If no entry is required for a particular event, select "No journal entry required" in the first account field.)

Date	General Journal	Debit	Credit
a	No journal entry required ✓		
b	Miscellaneous expenses ✓	16 ✓	
	Cash ✓		16 ✓
c	Cash ✓	9 ✓	
	Utilities expense ✓		9 ✓
d	No journal entry required ✓		

9.

award:
10 out of
10.00

points

Waupaca Company establishes a \$420 petty cash fund on September 9. On September 30, the fund shows \$164 in cash along with receipts for the following expenditures: transportation costs of merchandise inventory purchased, \$47; postage expenses, \$74; and miscellaneous expenses, \$132. The petty cashier could not account for a \$3 shortage in the fund. Waupaca uses the perpetual system in accounting for merchandise inventory.



(1) Prepare the September 9 entry to establish the fund.

Date	General Journal	Debit	Credit
Sept.9	Petty cash ✓	420 ✓	
	Cash ✓		420 ✓



(2) Prepare the September 30 entry to reimburse the fund.

Date	General Journal	Debit	Credit
Sept.30	Merchandise inventory ✓	47 ✓	
	Postage expense ✓	74 ✓	
	Miscellaneous expenses ✓	132 ✓	
	Cash short and over ✓	3 ✓	
	Cash ✓		256 ✓

(3) Prepare an October 1 entry to increase the fund to \$470.

Date	General Journal	Debit	Credit
Oct.1	Petty cash ✓	50 ✓	
	Cash ✓		50 ✓

10.

award:
10 out of
10.00

points

1. For each of the following items, indicate whether its amount affects the bank or book side of a bank reconciliation and represents an addition or a subtraction in a bank reconciliation and whether an adjusting journal entry is required:



	Items	Bank or Book	Addition or Subtraction	Adjusting entry required
a.	Interest on cash balance	Book ✓	Addition ✓	Yes ✓
b.	Bank service charges	Book ✓	Subtraction ✓	Yes ✓
c.	Debit memos	Book ✓	Subtraction ✓	Yes ✓
d.	Outstanding checks	Bank ✓	Subtraction ✓	No ✓
e.	Credit memos	Book ✓	Addition ✓	Yes ✓
f.	NSF checks	Book ✓	Subtraction ✓	Yes ✓
g.	Outstanding deposits	Bank ✓	Addition ✓	No ✓

11. award: 10 out of 10.00 points



Nolan Company deposits all cash receipts on the day when they are received and it makes all cash payments by check. At the close of business on June 30, 2013, its Cash account shows an \$22,352 debit balance. Nolan's June 30 bank statement shows \$21,332 on deposit in the bank.

- Outstanding checks as of June 30 total \$3,713.
- The June 30 bank statement included a \$41 debit memorandum for bank services; the company has not yet recorded the cost of these services.
- In reviewing the bank statement, a \$90 check written by the Company was mistakenly recorded in the company's books at \$99.
- June 30 cash receipts of \$4,724 were placed in the bank's night depository after banking hours and were not recorded on the June 30 bank statement.
- The bank statement included a \$23 credit for interest earned on the cash in the bank.

Prepare a bank reconciliation for Nolan Company using the above information.

NOLAN COMPANY					
Bank Reconciliation					
June 30, 2013					
Bank statement balance		\$	21,332 ✓	Book balance	\$ 22,352 ✓
Add:				Add:	
Deposit of June 30	✓	\$	4,724 ✓	Recording error on check	✓ \$ 9 ✓
	✓		0	Interest earned	✓ 23 ✓
	✓		0		0
			4,724		32
			26,056		22,384
Deduct:				Deduct:	
Outstanding checks	✓		3,713 ✓	Bank service charges	✓ 41 ✓
			0		0
			3,713		41
Adjusted bank balance		\$	22,343	Adjusted book balance	