

FINANCIAL ACCOUNTING 1

- a. correcting entry in the depositor's own records
 - b. The cash amount shown in the balance sheet must be the balance
 - c. Outstanding checks will cause the cash balance per ledger to be greater than the balance reported by the bank, all other things being equal
 - d. An error made by the bank by charging an amount to the depositor's account requires a correcting entry in the depositor's own records
 - e. The cash amount shown in the balance sheet must be the balance reported in the bank statement
1. A proof of cash
 2. with adjusted cash balance?
 - a. Deposit in transit
 - b. Outstanding check
 - c. Reduction of loan charged to the account of the depositor
 - d. Certified check
 3. If the balance shown on a company's bank statement is less than the correct cash balance and neither the company nor the bank has made any errors, there must be
 - a. Deposits credited by the bank but not yet recorded by the company
 - b. Outstanding checks
 - c. Deposits in transit
 - d. Bank charges not yet recorded by the
 - f. entry in the depositor's own records
 - g. The cash amount shown in the balance sheet must be the balance reported in the bank statement
 4. A proof of cash
 - a. Is a physical count of currencies on hand on balance sheet date
 - b. Is a formal statement showing that total cash receipts during the year
 - c. Is a four-column bank reconciliation showing reconciliation of cash balances per book and per bank at the beginning and end of the current month and reconciliation of cash receipts and cash disbursements of the bank and the depositor during the current month
 - d. Is a summary of cash receipts and cash payments
 5. The following statements relate to cash. Which statement is true?
 - a. The term cash equivalent refers to demand credit instruments such as money order and bank drafts
 - b. The purpose of establishing a petty cash fund is to keep enough cash on hand to cover all normal operating expenses for a period of time
 - c. Classification of a restricted cash balance as current or noncurrent should parallel the classification of the related obligation for which cash was restricted
 - d. Compensating balance required by a bank should always be excluded from cash and cash equivalents
 6. Which is not considered as a cash equivalent?
 - a. A three-year treasury note maturing on May 30 of the current year purchased by the entity on April 15 of the current year
 - b. A three-year treasury note maturing on May 30 of the current year purchased by the entity on January 15 of the current year
 - c. A 90-day T-bill
 - d. A 6-day money market placement

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7. As of December 31 of the current year, an entity had various checks and papers in its safe. Which item should not be in its cash account in the current year-end balance sheet?
- US\$ 20,000 cash
 - Past due promissory note issued in favor of the entity by its President
8. Another entity's P150,000 check payable to the entity dated Decash. Which statement is true?
- The term cash equivalent refers to demand credit instruments such as money order and bank drafts
 - The purpose of establishing a petty cash fund is to keep enough cash on hand to cover all normal operating expenses for a period of time
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- US\$ 20,000 cash
 - Past due promissory note issued in favor of the entity by its President
 - Another entity's P150,000 check payable to the entity dated December 15 of the current year
 - The entity's undelivered check payable to a supplier dated December 31 of the current year
11. Which item should be excluded from cash and cash equivalent on the current year-end balance sheet of an entity?
- The minimum cash balance in the entity's current account which is maintained to avoid service charges
12. A check issued by the entity on December 27 of the current year but dated Januarcash. Which statement is true?
- The term cash equivalent refers to demand credit instruments such as money order and bank drafts
 - The purpose of establishing a petty cash fund is to keep enough cash on hand to cover all normal operating expenses for a period of time
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- g. US\$ 20,000 cash
 - h. Past due promissory note issued in favor of the entity by its President
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- m. The term cash equivalent refers to demand credit instruments such as money order and bank drafts
 - n. The purpose of establishing a petty cash fund is to keep enough cash on hand to cover all normal operating expenses for a period of time
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- q. The term cash equivalent refers to demand credit instruments such as money order and bank drafts
 - r. The purpose of establishing a petty cash fund is to keep enough cash on hand to cover all normal operating expenses for a period of time
 - s. Classification of a restricted cash balance as current or noncurrent should parallel the classification of the related obligation for which cash was restricted
 - t. Compensating balance required by a bank should always be excluded from cash and cash equivalents
21. Which is not considered as a cash equivalent?
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 - p. Past due promissory note issued in favor of the entity by its President
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 - r. The entity's undelivered check payable to a supplier dated December 31 of the current year
23. Which item should be excluded from cash and cash equivalent on the current year-end balance sheet of an entity?
- d. The minimum cash balance in the entity's current account which is maintained to avoid service charges
 - s. A check issued by the entity on December 27 of the current year but dated January 15 of the current year
 - t. The entity's undelivered check payable to a supplier dated December 31 of the current year
24. Which item should be excluded from cash and cash equivalent on the current year-end balance sheet of an entity?
- e. The minimum cash balance in the entity's current account which is maintained to avoid service charges
 - f. A check issued by the entity on December 27 of the current year but dated January 15 of next year
 - g. Time deposit which matures in one year
 - h. A customer's check denominated in a foreign currency
25. At December 31 of the current year, an entity had cash accounts at three different banks. One account balance is segregated solely for payment into a bond sinking fund. A second account, used for branch operations, is overdrawn. The third account, used for regular corporate operations, has a positive balance. How should these accounts be reported in the December 31 classified balance sheet?
- a. The segregated account should be reported as a non-current asset, the regular account should be reported as a current asset, and the overdraft should be reported as a current liability

- b. The segregated and regular accounts should be reported as current assets, and the overdraft should be reported as a current liability
- c. The segregated account should be reported as a non-current asset and the regular account should be reported as a current asset net of the overdraft
- d. The segregated and regular accounts should be reported as current assets net of the overdraft

PROBLEMS

1. San Miguel Corporation provided the following data on December 31, 2014:

Checkbook balance.....	.....
P 4,000,000	
Bank statement balance.....	.....
5,000,000	
Check drawn on San Miguel’s account, payable to supplier, dated and recorded on December 31, 2015 but not mailed until until January 2016.....	.....
500,000	
Cash in sinking fund.....	.....
2,000,000	

On December 31, 2015, what amount of cash should be reported as cash under current assets?

- a. P 4,500,000
- b. P 5,500,000
- c. P 3,500,000
- d. P 6,500,000

2. On December 31, 2015, DALTA Inc. reported cash accounts with the following details:

Undeposited collections.....	.....
P 60,000	
Cash in bank - PCIB checking account.....	.....
500,000	
Cash in bank - PNB (overdraft).....	.....
(50,000)	
Undeposited NSF check received from customer dated 12/01/14.....	.....
15,000	
Undeposited customer check, dated 01/15/25.....	.....
25,000	
Cash in bank - PCIB (fund for payroll).....	.....
150,000	
Cash in bank - PCIB (savings deposit).....	.....
100,000	
Cash in bank - PCIB (90-day money market instrument).....	.....
2,000,000	
Cash in foreign bank - restricted.....
100,000	
IOUs from officers.....
30,000	
Sinking fund cash.....
450,000	

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Financial asset held for trading.....
120,000

On December 31, 2014, what total amount should be reported as cash and cash equivalents?

- a. P 2,660,000
- b. P 2,810,000**
- c. P 2,770,000
- d. P 810,000

3. SMART Telecoms had the following balances on December 31, 2014:

Cash in bank.....
P 2,250,000

Cash on hand.....
125,000

Cash restricted for plant addition.....
1,600,000

Cash in bank included P600,000 of compensating balances against short-term borrowing agreement. The compensating balance is not legally restricted as to withdrawal. On December 31, 2015, what total cash should be reported under current assets?

- a. P 1,775,000
- c. P 2,375,000**
- b. P 2,250,000
- d. P 3,975,000

4. Petron Tri-Activ had the following account balances on December 31, 2015:

Cash in bank.....
P 2,250,000

Cash on hand.....
125,000

Cash restricted for plant acquisition
(to be disbursed in 2016).....
1,600,000

Cash in bank included P600,000 of compensating balance against long-term borrowing. The compensating balance is *not legally restricted* as to withdrawal. On December 31, 2015, what is the total cash to be reported under current assets?

- a. P 1,775,000**
- b. P 2,250,000
- c. P 2,375,000
- d. P 3,950,000

5. F2 Logistic Cargo reported that the cash had a balance on December 31, 2015 of P 4,415,000 which consisted of the following:

Petty cash fund.....
P 24,000

Undeposited receipts including PDC for P70,000.....
1,220,000

Cash in PNB, per bank statement, with P40,000 outstanding checks.....
2,245,000

Bonds in sinking fund.....
850,000

Vouchers paid out of collection, not yet recorded.....
43,000

IOUs signed by employees.....
33,000

What amount of cash should be reported as cash on December 31, 2015?

- a. P 3,379,000**

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- b. P 3,419,000
- c. P 3,489,000
- d. P 3,449,000

6. Apple Co. provided the following information with respect to the cash and cash equivalents on December 31, 2015:

Checking account at first bank.....	P (200,000)
Checking account at second bank.....	3,500,000
Treasury bonds.....	1,000,000
Payroll account.....	500,000
VAT account.....	400,000
Foreign bank account - in peso (unrestricted).....	2,000,000
Postage stamps.....	50,000
Employee's postdated check.....	300,000
IOU from president.....	750,000
Credit memo from a vendor for purchase returns.....	80,000
Travelers check.....	300,000
NSF check.....	150,000
Petty cash fund (P20,000 cash & P30,000 vouchers).....	50,000
Money order.....	180,000

What amount should be reported as unrestricted cash on December 31, 2015?

- a. P5,900,000
- b. P4,600,000
- c. P4,900,000
- d. P6,900,000**

7. Nike reported petty cash fund with the following details:

Currencies.....	P 20,000
Coins.....	2,000
Petty cash vouchers	
Gasoline payment for delivery of equipment.....	3,000
Medical supplies for employees.....	1,000
Repairs of office equipment.....	1,500

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Loans to employees.....	
	3,500
Check drawn by the entity payable to the order of Grace de la Cruz, the petty cash custodian, representing her salary.....	
	15,000
NSF employee check.....	
	3,000
A sheet of paper with names of several employees together With contribution for a birthday gift of a co-employee.....	
	5,000

The petty cash general ledger account has an imprest balance of P50,000. What is the amount of petty cash fund that should be reported in the Statement of Financial Position?

- a. P 27,000
- b. P 37,000**
- c. P 22,000
- d. P 42,000

8. On December 31, 2015, Cignal HD had the following cash balances:

Cash in bank.....	P
	1,800,000
Petty cash fund (all funds were reimbursed on 12/31/15).....	
	50,000
Time deposit (due February 1, 2016).....	
	250,000

Cash in bank included P600,000 of compensating balance against short-term borrowing arrangement on 12/31/15. The compensating balance is *legally restricted* as to withdrawal. On December 31, 2015, what is the amount that is to be reported as cash and cash equivalents?

- a. P 2,100,000
- b. P 1,950,000
- c. P 1,500,000**
- d. P 1,250,000

9. New San Jose Builders Inc. reported petty cash fund which comprised the following:

Coins and currencies.....	
P	3,300
Paid vouchers	
Transportation.....	
600	
Gasoline.....	
400	
Office supplies.....	
500	
Postage stamps.....	
300	
Due from employees.....	
<u>1,200</u> 3,000	
NSF managers check.....	
	1,000
Checks drawn by the order of the custodian.....	
	2,700

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What is the correct amount of petty cash fund for financial statement presentation purposes?

- a. P 10,000
- b. P 7,000
- c. P 6,000
- d. P 9,000

10. Megaworld Co. established a P3000 petty cash fund. You found the following items in the fund:

Cash & Currency.....					
	P	1683.80			
Expense Vouchers.....					
		829.80			
Advances to employees.....					
		200.00			
IOU from employees.....					
		300.00			

In the entry to replenish the fund, what amount should be debited to the cash short or over account?

- a. P 13.60
- b. P 300.00
- c. P 500.00
- d. P 0

11. Stark Industry's accountant is preparing its October bank reconciliation and has collected the following data:

	<i>Per Books</i>	<i>Per</i>
	<i>Bank</i>	
Oct. 1 balance.....	P11600	
P10,000		
Oct. deposits.....	24,600	
21,200		
Oct. checks.....		27,800
29,000		
Note Collected (plus 10% interest).....		0
4,400		
Oct. service charge.....	0	
20		
Oct. 31 balance.....		8,400
6,580		

Additionally, deposits in transit and outstanding checks from September reconciliation were P4,400 and P2,800, respectively.

The correct cash balance at October 31 should be:

- a. P10,960
- b. P12,780
- c. P11,180
- d. P 3,980

12. [Fédération Internationale de Volleyball](#) provided the following information in preparing the August 31, 2015 bank reconciliation:

Balance per bank statement.....					
	P	1,805,000			
Deposit in transit.....					
		325,000			

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NSF customer check.....
 60,000
 Outstanding checks.....
 275,000
 Bank service charge for August.....
 10,000

On August 31, 2015, how much is the adjusted cash balance?

- a. P 1,855,000
- b. P 1,795,000
- c. P 1,785,000
- d. P 1,755,000

13. FIBA prepared the following bank reconciliation on December 31, 2015:

Balance per bank statement.....					
	P	2,800,000			
Add: Deposit in transit.....		195,000			
Checkbook printing charge.....		5,000			
Error made in recording check no. 45 last December.....		35,000			
NSF check.....		110,000			
Less: Outstanding checks.....		100,000			
Note collected by bank.....		215,000			
		215,000			
Balance per book.....	P	2,830,000			

The entity had P200,000 cash on hand on 12/31/15. How much should be reported as cash in the statement of financial position?

- a. P 2,930,000
- b. P 3,095,000
- c. P 2,895,000
- d. P 3,130,000

14. When a company's bookkeeper started to prepare the monthly bank reconciliation, the cash account showed a balance of P528,600. At the end of the month, the following information was available from the company records and the monthly bank statement:

Customers NSF check listed in the bank statement.....					
		P	40,800		
Bank service charge.....					
			2,400		
Outstanding check.....					
			178,000		
Deposit of 45,000 was erroneously credited in the bank statement as.....			54,000		
Company wrote 1,700 but recorded it as.....					7,100
Customer default on account.....					12,600

The correct cash balance should be:

- a. P 572,400
- b. P 490,800
- c. P 581,400
- d. P 561,600

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15. Samsung Inc. uses four-column bank reconciliation. The bank reconciliation for March shows outstanding checks for P300. During April, the company wrote check totaling P23,600. The bank statement for April shows P23,010 of checks clearing the company's account. The amount of outstanding checks on April bank reconciliation must be:
- P 890
 - P 600
 - P 300
 - P 1,200
16. Nitendo Co. reported a balance of P14,300 in its cash account at the end of the month. There were P12,000 deposits in transit and P11,500 of checks outstanding. The bank statement showed a balance of P15,000. Service charge of P600, and the collection of a note plus interest. The note had a face value of P1500. How much interest did the company collect?
- P 1,800
 - P 300
 - P 2,400
 - P 1,200
17. Sony uses four-column bank reconciliation. The bank statement for May shows payments of P13,150, including service charge of P200. At the beginning of May, there were P900 of checks outstanding. At the end of May, there were P1,200 of checks outstanding. Before recording the bank service charge, Sony must have recorded May payments of:
- P13,250
 - P12,650
 - P13,050
 - P13,650
18. A company received its monthly bank statement, which showed an ending balance of P150,000. Adjustment on the bank reconciliation included a deposit in transit of P20,000; outstanding checks of P30,000; NSF check of P5,000; bank service charge of P300; proceeds of a note collected by the bank of P40,000. What was the correct cash balance to be shown in the statement of financial position?
- P134,700
 - P105,300
 - P140,000
 - P174,700
19. Using the same information in no. 18, how much is the unadjusted cash balance per books?
- P134,700
 - P105,300
 - P140,000
 - P174,700
20. GIC Enterprise's cash account had a balance of P96,200 on August 31. This included a bank deposit of P8,700 that was in transit on the 31st. The August 31 bank statement contained the following information:
- | | | | |
|-----------------------------|---|---------|---------------|
| Bank statement balance..... | P | 108,900 | NSF |
| check..... | P | 1,600 | |
| Bank service charge..... | | 1,700 | Collection of |
| note..... | | 8,600 | |
- GIC also had an outstanding check of P16,100. What is GIC's reconciled balance?
- P92,900
 - P96,200
 - P104,700
 - P101,500