

Chapter 1

Cash and Cash Equivalents

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Assignment 01: Shade the entire CHOICE (letter and its contents) of the best answer with YELLOW.

Example your answer is B.

B. Statement 1 is correct, Statement 2 is incorrect

1. The amount reported as "Cash" on a company's balance sheet normally should exclude
 - a. postdated checks that are payable to the company.
 - b. cash in a payroll account.
 - c. undelivered checks written and signed by the company.
 - d. petty cash.

2. Which of the following would not be classified as cash?
 - a. Personal checks
 - b. Travelers' checks
 - c. Cashiers' checks
 - d. Postdated checks

3. What is the proper accounting treatment for a stale check?
 - a. Revert back to cash and accounts payable.
 - b. Revert back to cash and a credit to gain.
 - c. Ignored
 - d. Either a or b

4. Which of the following is not a basic characteristic of a system of cash control?
 - a. Use of a voucher system
 - b. Combined responsibility for handling and recording cash
 - c. Daily deposit of all cash received
 - d. Internal audits at irregular intervals

5. The principal purpose of a voucher system is to provide assurance that
 - a. All cash receipts are deposited intact in the bank
 - b. All cash disbursements are approved before a check is issued
 - c. All cash receipts are recorded in the accounting records
 - d. All purchase invoices are supported by debit memoranda

6. On January 1, 2002, Kyle Corporation established a petty cash fund of ₱400. On December 31, 2002, the petty cash fund was examined and found to have receipts and documents for miscellaneous expenses amounting to ₱364. In addition, there was cash amounting to ₱44. What entry would be required to record replenishment of the petty cash fund on December 31, 2002?
 - a. Petty Cash..... 364

Cash Short and Over.....		8
Cash in bank		356
b. Miscellaneous Expense.....	364	
Cash Short and Over.....		8
Petty Cash.....		356
c. Miscellaneous Expense.....	364	
Cash Short and Over.....		8
Cash in bank		356
d. Miscellaneous Expense.....	356	
Cash Short and Over.....	8	
Cash in bank		364

7. On December 31, 2009, West Company had the following cash balances:

Cash in banks	P1,800,000
Petty cash funds (all funds were reimbursed on 12/31/09)	50,000

Cash in banks includes P600,000 of compensating balances against short-term borrowing arrangements at December 31, 2009. The compensating balances are not legally restricted as to withdrawal by West. In the current assets section of West's December 31, 2009, balance sheet, what total amount should be reported as cash?

- P1,200,000
- P1,250,000
- P1,800,000
- P1,850,000**

8. Trans Co. had the following balances at December 31, 2009:

Cash in checking account	P 35,000
Cash in money market account	75,000
Treasury bill, purchased 11/1/2009, maturing 1/31/2010	350,000
Treasury bill, purchased 12/1/2009, maturing 3/31/2010	400,000

Tran's policy is to treat as cash equivalents all highly liquid investments with a maturity of three months or less when purchased. What amount should Trans report as cash and cash equivalents in its December 31, 2009, balance sheet?

- P110,000
- P385,000
- P460,000**
- P860,000

9. The cash balance of CAPSIZE OVERTURN Co. comprises the following:

Cash on hand	300,000
Cash in bank - savings - BPI	600,000
Cash in bank - current - BPI	(240,000)
Cash in bank - deposit in escrow - Metrobank	300,000
Cash in bank - current - Metrobank	(60,000)
Cash in bank - current - BDO	(90,000)
<i>Total</i>	<u>810,000</u>

Additional information:

- Cash on hand includes undeposited collections of P60,000.

- The cash in bank – savings maintained at BPI includes a P150,000 compensating balance which is **not** restricted.

What amount of cash is reported in the financial statements?

- a. 660,000
- b. 810,000
- c. 900,000
- d. 960,000

10. As of December 31, 20x1, the petty cash fund of TUMULT COMMOTION Co. with a general ledger balance of P15,000 comprises the following:

Coins and currencies	P 2,550	
<i>Petty cash vouchers:</i>		
Gasoline for delivery equipment	3,000	
Medical supplies for employees	<u>2,040</u>	5,040
<i>IOU's:</i>		
Advances to employees	2,220	
A sheet of paper with names of several employees together with contribution to bereaved employee, attached is a currency of		2,400
<i>Checks:</i>		
Check drawn to the order of the petty cash custodian		3,000
Personal check drawn by the petty cash custodian		2,400

The entry to record the replenishment of the petty cash fund includes

- a. A debit to cash short/overage account of P2,190 and a credit to cash on hand of P9,450.
- b. A credit to cash short/overage account of P810 and a credit to cash of P12,450.
- c. A debit to cash short/overage account of P810 and a credit to petty cash fund of P12,450.
- d. A debit to cash short/overage account of P2,190 and a credit to cash in bank of P9,450.

“There is a time for everything, and a season for every activity under the heavens;”
(Ecclesiastes 3:1)

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