Applications

> My problem lies in reconciling my gross habits with my net income.
>
> —Errol Flynn, actor

1. How might the quote apply to this section?

2. Rona filled out this information on her monthly statement. Find Rona's revised statement balance. Does her account reconcile?

$864.52; yes

Checking Account Summary	
Ending Balance	$ 725.71
Deposits	+ $ 610.00
Checks Outstanding	− $ 471.19
Revised Statement Balance	
Check Register Balance	$ 864.52

3. Ken filled out this information on the back of his bank statement. Find Ken's revised statement balance. Does his account reconcile?

$181.95; no

Checking Account Summary	
Ending Balance	$ 197.10
Deposits	+ $ 600.00
Checks Outstanding	− $615.15
Revised Statement Balance	
Check Register Balance	$ 210.10

4. Hannah wants to write a general formula and a comparison statement that she can use each month when she reconciles her checking account. Use the Checking Account Summary at the right to write a formula and a statement for Hannah. $B + D − C = S$; if $S = R$, the account is reconciled.

Checking Account Summary	
Ending Balance	B
Deposits	D
Checks Outstanding	C
Revised Statement Balance	S
Check Register Balance	R

5. Jill has not been able to maintain the $1,000 minimum balance required to avoid fees on her checking account. She wants to switch to a different account with a fee of $0.20 per check and a $12.50 monthly maintenance fee. Jill wants to estimate the fees for her new account. To the right is a summary of the checks she has written from May to August.

Month	Number of Checks on Statement
May	14
June	19
July	23
August	24

a. What is the mean number of checks Jill wrote per month during the last 4 months? 20

b. Based on the mean, estimate how much Jill expects to pay in per-check fees each month after she switches to the new account. $4.00

c. Estimate the total monthly fees Jill will pay each month for the new checking account. $16.50

TEACH

Exercise 6
Students need to first locate or determine the amounts in question. They then should follow the reconciling process as outlined in Example 1 in the lesson.

6. Use Tina Weaver's monthly statement and check register to reconcile her account.
    a. What is the ending balance on the statement? $1,434.19
    b. What is the total of the outstanding deposits? $700.00
    c. What is the total of the outstanding withdrawals? $89.00
    d. What is the revised statement balance? $2,045.19
    e. What is the balance of the check register? $2,045.19
    f. Does the account reconcile? Yes

Tina Weaver
41 Slider Lane
Greenwich, CT 06830

ACCOUNT NUMBER: 766666600A
STATEMENT PERIOD: 3/01 - 3/31

STARTING BALANCE ⟶ $ 871.50

DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
3/3	W/D	395	$ 79.00	$ 792.50
3/4	DEPOSIT		$ 600.00	$ 1,392.50
3/10	W/D	396	$ 51.10	$ 1,341.40
3/14	W/D	393	$ 12.00	$ 1,329.40
3/19	W/D	394	$ 133.81	$ 1,195.59
3/24	DEPOSIT		$ 250.00	$ 1,445.59
3/30	W/D	398	$ 11.40	$ 1,434.19

ENDING BALANCE ⟶ $1,434.19

NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT AMOUNT	✓	FEE	DEPOSIT AMOUNT	$ BALANCE
392	2/20	Conn Telephone Co.	$ 76 80	✓			871.50
393	2/21	Rod's Bike Shop	12 00				859.50
394	3/1	Window's Restaurant	133 81				725.69
395	3/2	Centsible Bank	79 00				646.69
	3/4	Deposit				600 00	1,246.69
396	3/4	Spear's Department Store	51 10				1,195.59
397	3/15	Mary Lewis	50 00				1,145.59
398	3/21	Sea Cliff Records	11 40				1,134.19
	3/23	Deposit				250 00	1,384.19
399	4/2	Ciangiola Motors	39 00				1,345.19
	4/2	Deposit				700 00	2,045.19

ANSWERS

7. Let *x* = the number of checks Donna writes each month; let *F* = fee charged; $F = 9.75 + 0.15x$.

8. No; adding $75 will correct that he subtracted $75 when he should not have. He will also need to add another $75 for the original deposit.

7. Donna has a checking account that charges $0.15 for each check written and a monthly service charge of $9.75. Write a formula that Donna can use each month to find the fees she will be charged. Identify any variable you use in the formula. See margin.

8. Mason discovered that when he recorded a deposit of $75 two weeks ago, he mistakenly subtracted it from the running total in his check register. He decided that he would write a new entry after his most recent entry and add $75. Will this correct his mistake? Explain. See margin.

9. When Payne removed his bank statement from the envelope, it got caught on a staple and a corner was ripped from the page. Now he cannot read his ending balance. Explain the computations he can do to find his ending balance. See margin.

Payne Johnston
1234 Main Street
Miami, FL 33299

ACCOUNT NUMBER: 99887766D
STATEMENT PERIOD: 1/1 - 1/31

STARTING BALANCE ⟶ $754.33

DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
1/08	W/D	5502	121.28	$ 633.05
1/11	W/D	5501	140.00	$ 493.05
1/15	DEPOSIT		998.15	$ 1,491.20
1/24	W/D	5504	107.78	$ 1,383.42
1/27	W/D	5503	12.00	$ 1,371.42
1/30	W/D	5506	58.70	$ 1.

ENDING BALANCE

10. Use Allison Shannon's bank statement and check register to reconcile her account. See margin.

Allison Shannon
3 Honey Drive
Dallas, TX 75372

ACCOUNT NUMBER: 76574709A
STATEMENT PERIOD: 12/01 - 12/31

STARTING BALANCE ⟶ $1,685.91

DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
12/08	W/D	1502	147.28	$ 1,538.63
12/10	W/D	1501	130.00	$ 1,408.63
12/15	DEPOSIT		749.00	$ 2,157.63
12/23	W/D	1504	250.00	$ 1,907.63
12/27	W/D	1503	72.00	$ 1,835.63
12/29	W/D	1506	26.00	$ 1,809.63

ENDING BALANCE ⟶ $1,809.63

ANSWERS

9. On the statement, you can still see that the balance on $\frac{1}{27}$ was $1,371.42, and the check written on $\frac{1}{30}$ was for $58.70. Subtract to find the ending balance. 1,371.42 − $58.70 = 1,312.72

10. Outstanding deposit: $150; outstanding checks: $132; 1,827.63 − 150 + 132 = 1,809.63, which reconciles with the statement balance.

PLEASE BE SURE TO DEDUCT CHANGES THAT AFFECT YOUR ACCOUNT			SUBTRACTIONS			ADDITIONS	BALANCE FORWARD	
ITEM NO. FOR TRANSACTION CODE	DATE	DESCRIPTION OF TRANSACTION	AMOUNT OF PAYMENT OR WITHDRAWAL	✓	OTHER	AMOUNT OF DEPOSIT OR INTEREST	1,685	91
1500	11/20	TO Girl Scouts FOR Cookies	32 00				− 32 00	
							1,653	91
1501	11/30	TO Bank of Seaford FOR Loan Payment	130 00	✓			− 130 00	
							1,523	91
1502	12/2	TO Lacy's Department Store FOR Radio	147 28	✓			− 147 28	
							1,376	63
1503	12/11	TO Charge Tix FOR Concert Tickets	72 00	✓			− 72 00	
							1304	63
	12/15	TO Deposit FOR		✓		749 00	+ 749 00	
							2,053	63
1504	12/16	TO FLASHCARD FOR Monthly payment	250 00	✓			− 250 00	
							1,803	63
1505	12/17	TO Red Cross FOR Donation	100 00				− 100 00	
							1,703	63
1506	12/18	TO Daily Newspaper FOR Subscription	26 00	✓			− 26 00	
							1,677	63
	1/5	TO Deposit FOR				150 00	+ 150 00	
							1,827	63

TEACH

Exercise 11

Review the spreadsheet commands with students before assigning this problem.

11. Fill in the missing balances in Raymond Marshall's check register. Use the spreadsheet from www.cengage.com/financial_alg2e to determine if Raymond's checking account reconciles with his statement. See additional answers.

Raymond Marshall
34 2630 Street
Oaks, NY 11004

ACCOUNT NUMBER: 6732281
STATEMENT PERIOD: 1/01 - 1/30

STARTING BALANCE ⟶ $ 653.30

DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
1/12	W/D	1776	28.00	$ 625.30
1/13	W/D	1778	56.73	$ 568.57
1/13	W/D	1777	120.00	$ 448.57
1/14	DEPOSIT		1,000.00	$1,448.57
1/17	W/D	1774	70.00	$1,378.57

ENDING BALANCE ⟶ $1,378.57

PLEASE BE SURE TO DEDUCT
CHANGES THAT AFFECT YOUR ACCOUNT

ITEM NO. FOR TRANSACTION CODE	DATE	DESCRIPTION OF TRANSACTION	AMOUNT OF PAYMENT OR WITHDRAWAL	✓	OTHER	AMOUNT OF DEPOSIT OR INTEREST	BALANCE FORWARD 728 30
1773	12/28	TO Galaxy Theather / FOR Tickets	75 00	✓			− 75 00
1774	12/30	TO American Electric Company / FOR Electric Bill	70 00				− 70 00
1775	12/30	TO Hillsdake Water Co. / FOR Water Bill	38 50				− 38 50
1776	1/2	TO Barbara's Restaurant / FOR Dinner	28 00				− 28 00
1777	1/3	TO Platter Records / FOR Compact Disc	120 00				− 120 00
1778	1/9	TO A1 Gas Co. / FOR Gas Bill	56 73				− 56 73
1779	1/12	TO Al and Jean Adams / FOR Wedding Gift	100 00				− 100 00
1780	1/12	TO Greene College / FOR Fees	85 00				− 85 00
	1/14	TO Deposit / FOR				1,000 00	+ 1,000 00
1780	1/25	TO Rob Gerver / FOR Typing Fee	80 00				− 80 00
	2/1	TO Deposit / FOR Salary				950 00	+ 950 00

12. When comparing his check register to his bank statement, Donté found that he had failed to record deposits of $55.65, $103.50, and $25.00. What is the total of these amounts and how will he use this information to reconcile his account? $184.15; He should add the deposits to his check register.

13. Alisha has a February starting balance of $678.98 in her checking account. During the month, she made deposits that totalled d dollars and wrote checks that totalled c dollars. Let $E =$ her ending balance on February 28. Write an inequality using E and the starting balance to show the relationship of her starting and ending balances for each condition. a. $E > 678.98$; b. $E < 678.98$
   a. If $d > c$
   b. If $d < c$