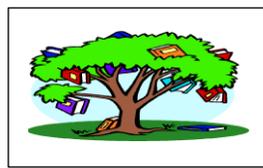


# Toward Business Literacy: Accounting Outlines



## CASH

A medium of exchange available to pay obligations and is free from restriction.

### Types of Cash

- ❖ Coin, currency and bank deposits (on which to draw a personal check)
- ❖ Money Orders (backed by deposits)
- ❖ Certified Check (guaranteed check of a bank who is liable)
- ❖ Cashier's Check (drawn on customer's account; bank is primary obligor)
- ❖ Bank draft (draft is signed by a person ordering someone or their agent to pay on demand (a sight draft) or on a fixed future date.

**Cash Equivalents** are short-term, highly liquid investments that are readily convertible to cash with no interest rate risk (maturity < 3 months)

- ❖ Treasury bills, commercial paper, and money market funds

### Not cash

- ❖ Money market fund: a mutual fund composed of short term securities
- ❖ Certificates of deposit (CD's): certain sum deposited with a fixed maturity date, up to 5 years, and an interest rate, with penalty for early withdrawal.

### Questionable cash

- ❖ Postdated checks: a check payable and negotiable at a future date
- ❖ Travel advances: employees collect or amount is deducted from salary
- ❖ Postage stamps on hand (prepaid asset or office supplies)
- ❖ Petty cash fund (current asset)

### Petty Cash

- ❖ A fund set up to pay for small expenses.
- ❖ A check is drawn to set up the fund with cash in a safety box.
- ❖ Amounts are withdrawn and vouchers show what the money is used for.
- ❖ When replenished, vouchers are classified; expense debited & cash credited.

### Bank Reconciliation

What we don't know and the bank does know will adjust the checkbook balance.

- ❖ Fees, NSF checks, errors, note collections, interest, etc.

The bank statement is adjusted for what they do not know.

- ❖ Checks outstanding and deposits in transit

Ending balance per books      ←      →      Ending balance per bank

### Cash Controls

Keep enough cash to pay for purchases; limit number of people with access to cash; designate people responsible to handle cash; bond employees with access to cash; use register, safes and cages; verify; record and deposit promptly; pay by check