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- Amounts are withdrawn and vouchers are given to the fund showing what the money is used for.
- When replenished, vouchers are classified, with appropriate expenses debited and cash credited.

Bank Reconciliation

What we don’t know and the bank does know is added or subtracted from the checkbook balance.

- Fees, NSF checks, errors, note collections, interest, etc.
This should match up with the bank statement plus or minus what the bank doesn’t 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

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