

Practice Set Instructions

Have you ever heard someone say “My checkbook won’t balance!”? This is a frustrating and time-consuming experience. You won’t have any trouble balancing your own account if you know how to maintain it from month to month. Now that you have a better understanding of the more important aspects of a checking account, you will have the opportunity to maintain your own account. This practice set will give you practical experience in writing checks, keeping checkbook records and reconciling monthly statements. It is the first step in developing the skills that you should have when you open your own account.

To complete the project, follow the steps outlined below:

1. Locate the set of transactions for January on page P2. Record each transaction in the Check Register located at the top of page P3. For each transaction requiring that a check be written, use the checks on pages P4–P5 and P10–P11. (Pay attention to the check number written on the upper right corner of the check.) For deposits, the deposit slip appears with the transaction along with a representation of the check which you will endorse. Your account number is 207983.
2. After you have completed the transactions for January, reconcile your account. The account statement is on the bottom half of page P3. The statement shows the checks and deposits which the bank received in January plus any other items processed during January. From this information you can determine which items are still outstanding plus additional items which must be entered in your check register.
3. After you have completed the reconciliation of your account and corrected any errors, you may go on to the transactions for February on page P6.

Helpful Hints

- *Remember to fill out the check register before you write the check.*
- *Use a pen when you write the checks. A pencil may be used for making entries in the check register.*
- *You are required to write checks and deposit slips for the months of January, February, March and April. For the remaining months you only need to record the transactions in your check register unless directed to do differently by your teacher.*
- *Do not begin a new month of transactions until you have reconciled your account for the previous month.*

Monthly Transactions

TRANSACTIONS FOR JANUARY

- 3 Jan Open your checking account by depositing your paycheck of \$667.20 plus \$50 in cash. Fill out the deposit slip below and endorse the check using an endorsement in full.

CHECKING ACCOUNT DEPOSIT TICKET
 DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

DATE _____ 20 _____

Sign on line above only if cash is received.

⑆05500187⑆ 207983 1⑆

	Dollars	Cents
Cash		
Checks		
Total Deposit		
Less Cash Received		
Net Deposit		

238
1-5
210

JANUARY 3 20 _____

PAY TO THE ORDER OF YOUR NAME \$ 667.20

SIX HUNDRED SIXTY-SEVEN AND 20/100 DOLLARS

FOR PAYROLL Kate Andrews

⑆021005⑆⑆416520

Endorse the check using an endorsement in full (payable to your bank).

ENDORSE HERE

DO NOT WRITE BELOW THIS LINE

- 8 Jan Write Check 101 for \$35.24 to National Electric Company for their bill dated January 3.
- 9 Jan Write Check 102 for \$24.00 to Reader's Service, Inc. for a 12-month subscription to Up-Date Magazine.
- 15 Jan Write Check 103 for \$40.00 to Ticket Forum for concert tickets.
- 15 Jan Write Check 104 for \$41.80 to Verizon for their bill dated January 12.
- 19 Jan Write Check 105 for \$120.24 to Hilltop Garage for service to your car.
- 22 Jan Write Check 106 for \$33.93 to Seasons Unlimited for clothing.
- 28 Jan Write Check 107 for \$314.12 to KMT Insurance for a quarterly car insurance premium.

- 31 Jan Deposit your paycheck but keep \$60 in cash for personal spending. Fill out the deposit slip below and endorse the paycheck using a blank endorsement.

CHECKING ACCOUNT DEPOSIT TICKET
 DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

DATE _____ 20 _____

Sign on line above only if cash is received.

⑆05500187⑆ 207983 1⑆

	Dollars	Cents
Cash		
Checks		
Total Deposit		
Less Cash Received		
Net Deposit		

412
1-5
210

JANUARY 28 20 _____

PAY TO THE ORDER OF YOUR NAME \$ 752.37

SEVEN HUNDRED FIFTY-TWO AND 37/100 DOLLARS

FOR PAYROLL Kate Andrews

⑆021005⑆⑆416520

Endorse the check using a blank endorsement.

ENDORSE HERE

DO NOT WRITE BELOW THIS LINE

The teller will give you \$60 cash.

- 31 Jan Write Check 108 for \$450 to Colonial Apartments, Inc. for February rent.
- 31 Jan Reconcile your account statement for the month of January. (TIP: YOUR CHECKBOOK BALANCE SHOULD BE \$350.24 PRIOR TO DEDUCTING THE \$5.00 SERVICE CHARGE.)

107
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

108
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

109
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

101
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

102
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

103
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

110
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

111
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

112
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

104
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

105
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

106
65-187
550

_____ 20 _____ \$ _____ DOLLARS

PAY TO THE ORDER OF _____

FOR _____

⑆055001⑈7 2079⑈31⑆

Monthly Transactions

TRANSACTIONS FOR FEBRUARY

- 1 Feb *You received a Debit Card from your bank and also set up a Pay-by-Phone account. These allow you to use your checking account without actually writing a check. Be sure to deduct any transactions from your checkbook balance.*
- 3 Feb Write Check 109 for \$108 to Internet Connections for six months on-line service.
- 5 Feb Use your Debit Card to pay \$96.40 to Best Produce for groceries.
- 8 Feb Write Check 110 for \$32.81 to National Electric Company for their bill dated February 3.
- 10 Feb Write Check 111 for \$67.14 to Internal Revenue Service for the balance due on your federal income tax.

- 11 Feb Deposit your paycheck for \$679.52 and a check for \$80 from your part-time sales job. Endorse the smaller check with a restrictive endorsement (the check will be deposited); endorse the larger check with an endorsement of your choosing, and complete the deposit slip.

FEBRUARY 11 20__		238
		1-5 210
PAY TO THE ORDER OF	YOUR NAME	\$ 679.52
SIX HUNDRED SEVENTY-NINE AND 52/100		DOLLARS
FOR	PAYROLL	Kate Andrews
⑆02⑆	⑆005	⑆416520

Endorse the check using an endorsement of your choosing.

ENDORSE HERE
DO NOT WRITE BELOW THIS LINE

FEBRUARY 11 20__		340
		2-7 180
PAY TO THE ORDER OF	YOUR NAME	\$ 80.00
EIGHTY AND 00/100		DOLLARS
FOR	SALES	Ronald Mason
⑆01⑆	⑆042	⑆562420

Endorse the check with a restrictive endorsement. The check will be deposited.

ENDORSE HERE
DO NOT WRITE BELOW THIS LINE

CHECKING ACCOUNT DEPOSIT TICKET		
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL		
DATE _____ 20__	Cash	Dollars Cents
	Checks	
	Total Deposit	
	Less Cash Received	
	Net Deposit	
Sign on line above only if cash is received.		
⑆05500187⑆ 207983 1⑆		

- 12 Feb Write Check 112 for \$60.00 to Dental Associates for a routine check-up.
- 18 Feb You made an ATM withdrawal of \$50 from your checking account for spending money.
- 25 Feb Write Check 113 for \$450 to Colonial Apartments, Inc. for March rent.
- 28 Feb Use Pay-by-Phone to pay \$38.65 to Verizon for their bill dated Feb. 12th.
- 28 Feb Reconcile your account statement for the month of February.

Reconciling the Bank Statement (continued)

Second Step of Reconciliation ~ Add missing items from Account Statement

The next step is to take care of any items which are shown on the bank statement, but are not in your register. In this example, there are two: the debit card transaction with Fast Dry Cleaning and the bank service charge. It is easy to forget to write down a debit card transaction, but if you do not recognize the source or the amount of the transaction, you should check your receipts for the month. If you still can't figure out who the merchant is or disagree on the amount, you should call the merchant. If you still don't feel this is a legitimate transaction, you should call the bank.

For this example, we'll assume that you recognize the transaction and simply forgot to write it down. So you need to enter this item and the bank fee to your check register, and check them off in both the register and the bank statement. At this point, the statement and register would look like this:

Account Statement as of November 30, 20__		
1-Nov	Beginning Balance	\$131.54
	Checks/Debits	-258.99
	Deposits/Credits	387.40
30-Nov	Ending Balance	\$259.95
Debit Summary (checks, withdrawals, fees)		
1-Nov	319	\$16.54
1-Nov	320	\$30.00
5-Nov	321	\$49.95
14-Nov	Pay by Phone – Ace Video	\$75.00
15-Nov	Debit Card – Fast Dry Cleaning	\$18.65
15-Nov	322	\$23.10
15-Nov	323	\$14.80
21-Nov	Debit Card – Adams Garden Ctr	\$25.95
30-Nov	Bank Service Charge	\$5.00
Credit Summary (deposits, interest, adjustments)		
4-Nov		\$200.00
30-Nov		\$187.40

CHECK REGISTER			DEBITS (-)	CREDITS (+)	BALANCE
Number	Date	DESCRIPTION OF TRANSACTION	CHECKS FEES	DEPOSITS INTEREST	\$
					86.74
317	10/21	Cass Dept. Store	12.95		73.79
		Gift			
318	10/22	Fallon's Hair Styling	23.00		50.79
		hair cut			
319	10/25	The Stationery House	16.54		34.25
		paper & envelopes			
	10/27	deposit		80.75	115.00
		part-time job			
320	10/28	Steak & Ale Bistro	30.00		85.00
		dinner			
321	11/2	Miller Shoe Store	49.95		35.05
		Shoes			
	11/3	deposit		200.00	235.05
		Transfer from ATM-Savings			
322	11/5	Verizon	23.10		211.95
		Oct. phone bill			
323	11/10	Cass Dept. Store	14.80		197.15
		gloves			
	11/14	Ace Video	75.00		122.15
		Pay-by-Phone DVD repair			
	11/21	Adams Garden Ctr.	25.95		96.20
		Debit card-houseplants			
	11/29	Deposit		187.40	283.60
		Part-time job			
324	11/30	Sykes Book Barn	12.50		271.10
		Travel Guide			
325	12/5	Jim's House of Flowers	15.00		256.10
		Gift			
326	12/6	Verizon	26.70		229.40
		Nov. phone bill			
	11/15	Debit Card-Fast Dry Cleaning	18.65		210.75
		Dry cleaning			
	11/30	Bank service charge	5.00		205.75
		Nov. service charge			

Reconciling the Bank Statement (continued)

Now, finish the reconciliation

Now your check register has all the information that the bank knows, but it also has some items which have not yet cleared the bank. So we need to create an adjusted bank balance that includes these items. There may be a form on the back of your bank statement to help you do this, but the following “reconciliation process” works just fine:

Statement Ending Balance	\$259.95
Checks written but not cleared	
324 11/30	\$12.50
325 12/5	\$15.00
326 12/6	\$26.70
Deposits not yet cleared	
	\$0.00
Adj. statement balance	\$205.75
Your Register balance	\$205.75
DISCREPANCY	\$0.00

Since the “discrepancy” is \$0, the ending balance of \$259.95 on the statement is the equivalent to (i.e., reconciles with) the ending balance of \$205.75 in your check register. Life is good!!

Frequently, the discrepancy is not equal to \$0 on your first attempt. There are only 3 possible reasons for this:

1. Either the bank has a transaction(s) which you have not added to your register and/or your register has a transaction(s) not reflected in the reconciliation above.
2. The amount of a transaction in the register does not agree with the amount in the bank statement. Usually this means that an item was written in the register incorrectly. (If the discrepancy is divisible by 9, it suggests a possible transposition error. If you wrote a check for \$79.05 but entered it into your register as \$97.05, there would be a discrepancy of \$18.00. Since \$18.00 is divisible by 9, you should look for a transposition error. If you have the correct digits, but really jumbled them up, the “divisible by 9” rule still works: \$79.05 written as \$50.97 produces a discrepancy of \$28.08 which is divisible by 9.)
3. There is a math error in the register or in the reconciliation process. This could also result from a register entry being misread (i.e., a “4” misread as a “9”) when you calculated the balance.

So you’ll have to go back and find the problem and correct the check register and/or add any missing items to the reconciliation process above and try again. You may have to do this a couple of times before you have found all the problems.

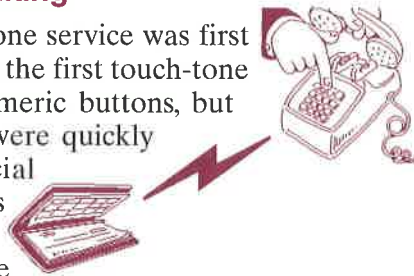
This whole process is pretty easy if you reconcile your account every month, but can get to be a big task if you let it go. It can also become very expensive if you think you have more money in your account than you do: your bank may charge your account a fee every time you write a check which your account cannot cover, and the merchant to whom you wrote the check may have a fee for each check that “bounces” (i.e., not paid by your bank, but returned to the merchant for “insufficient funds”).

21st Century Banking

Thanks to computer technology, banking has never been more convenient. Your bank has a variety of services, offered through your checking account, that are designed to help you manage your money and save time. With most of these services, the basis of security has shifted from your signature and personal identification to use of a Personal Identification Number (PIN) and possibly possession of an access card. Let's look at some of these innovations:

Touch-Tone Banking

Touch-tone telephone service was first introduced in 1963; the first touch-tone phones had 10 numeric buttons, but the # and * keys were quickly added for special services. Banks soon began offering consumers the ability to check account balances, review account activity, pay bills, and transfer money between accounts by using the touch-tone phone. Many of the people who used touch-tone banking have moved on to internet banking. If you have a regular checking account, you can register for this service with most banks. You will be given a PIN: when you call the bank's touch-tone banking number, you will key in your checking account PIN to get access to your account. A recorded message will give you a menu of options: get your checking account balance, get your savings account balance, pay bills, etc. Each merchant you wish to pay must be assigned a numeric code by the bank. Once you have entered the "pay bills" activity, paying a merchant is as easy as keying in the assigned merchant number and the amount to be paid.



Direct Deposit

At the beginning of the last century, people were paid in cash by their employers. Cash was replaced by checks, at least partially because of the security and logistics problems presented by large amounts of cash. In the 1970s, larger companies began giving each employee the option of having his or her wages directly deposited into the employee's checking account. In 1975, the Social Security Administration also began offering this as an option rather than mailing checks to Social Security recipients. Direct Deposit is highly secure; it means you don't have to go to the bank on Friday evening or Saturday to deposit your paycheck, and it means you get your pay deposited on time even if you are absent on the day checks are distributed. (You still get the paycheck "stub" with information that accompanies the check, but the money is already in your account.)

Automatic Teller Machines (ATMs)

You can find ATMs at most shopping malls, many convenience stores, and at most banks for after-hours transactions. At an ATM you can deposit money to your checking and savings account, withdraw cash from your accounts, or transfer money between them. Many are available 24 hours a day, so people do not have to visit their bank except for unusual transactions. At an ATM, you insert a debit card or credit card and then enter your PIN. Obviously, it is very important that you keep your PIN secret and notify the bank immediately if you cannot find your card. Note that you can check your account balances on almost any ATM, but there may be a charge to make a transaction, particularly if the ATM belongs to a bank other than your own.

Automatic Payee-Initiated Payments

Typically, companies send you a bill which you pay by check. Numerous companies (mortgage, utilities, insurance, auto loans, etc.) offer an option where, once you sign up, they essentially write themselves a check on your account each month for the appropriate amount. This avoids missed payments and saves you postage, in exchange for some loss of flexibility on your part. You must make sure that such payments are recorded in your register, otherwise you may be in for a nasty surprise when you receive your bank statement.

Internet Banking

With the growing popularity of personal computers in the 1970s, freeware and shareware programs to help balance checkbooks began to show up. Quicken made its appearance in 1984 as a program to record checks and deposits, and provided the ability to print checks. In 1991, Quicken added electronic bill paying and Microsoft introduced a very similar program named Money. Today, most banks offer "On-line" or "Internet" Banking: you log onto your bank's website using your PIN and you will see something very much like the check register used in this instructional kit. It will show all the checks and deposits received by the bank plus ATM activity, bank fees, transfers, etc. You can also pay bills and transfer money between accounts.

Internet Banking (continued)

A key advantage is that you see up-to-date information whenever you log on rather than waiting for a monthly statement.

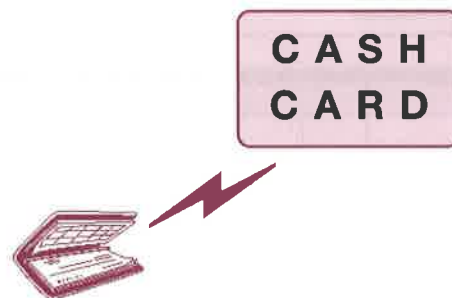
Quicken and Money continue as the top names in “Money Management” software, even though you must purchase them. Most banks allow you to download your banking activity into Quicken and/or Money, and many let you use Quicken or Money as your interface into the bank’s online information. Almost all online banking services use the familiar check register format and have integrated bill paying: you fill out the register as if you had written the check but indicate “send check” rather than providing a check number. The advantages of using these programs are numerous. The following is a list of a few of them:

- The ability to put each expenditure into a category (“entertainment,” “books,” “auto insurance”) which you define, helping you to see how you are spending your money. A single credit card payment can be split among multiple categories.
- You can quickly see all payments to a specific payee or for a specific category, and compare year-to-date spending for this year to last year by payee or category.
- You can create “repeating” payments which will appear at intervals specified by you—weekly, monthly, quarterly, annually, etc. These can be modified and then paid by check or electronically. This can help avoid surprises and missed payments, and can save time. Since these payments show up as part of the register about a month before they are paid, you get a “preview” of your spending and whether you will have enough money in your account to cover your expenses.
- Instead of just getting a monthly statement, you can review your account whenever you wish to see the transactions which have been posted to your account. This can help you immediately spot items you forgot (such as debit card purchases or getting cash from an ATM), charges like bank fees, or interest you have earned.
- Quicken and Money both have features that go well beyond just tracking your checks and deposits. Both have budgeting capabilities to help you plan and control your spending, and both can help you manage investments such as stocks and mutual funds.

Quicken, Money and most banks have web sites where you can get a feel for the software and your bank may very likely provide its software for free. There may be a nominal charge, however, if you want to pay your bills online.

Debit Cards

A debit card (sometimes called a cash card, bank card, ATM card or check card) looks like a credit card and is used like a credit card. The difference is that when you use a credit card, your purchases are totaled up and you are sent a bill by the credit card company every 28 to 30 days; when you use the debit card, the amount of your purchase is immediately deducted from your checking account. (You do have to remember to subtract the amount from your checking account in your check register.) The credit card offers the flexibility of making a purchase (up to the credit limit set by the credit card company) even if you don’t have the money on hand; however, it can be very expensive if not paid off every month and there is the risk of accumulating substantial debt.



Keep all of your debit and credit cards safe. A thief can make purchases on your debit card and, if he has your PIN, can withdraw your cash. Here are some suggestions you can use to protect yourself.

- Never record your PIN on your card or on a piece of paper in your purse or wallet. Memorize it; this is the safest place to keep it.
- Never give your PIN to anyone, and never lend your card to a friend.
- If your card is lost or stolen, report it to your bank or credit card company immediately.
- Keep receipts for all your transactions and match them to your statement each month.
- When you use an ATM, stand close to the machine so others cannot see when you type in your PIN. Do not use an ATM if you feel uncomfortable about the lighting, location or people standing nearby.

Close booklet and turn over to go to Practice Set Instructions.

