

**PEAK FINANCIAL ACTIVITY 3d:
Checking Account Exercises (see answers on the last page)**

Calculate checking account activity

1.) CASH FLOW: Your 18-year-old daughter was given \$1,000 cash as a graduation gift. She wants you to "hold" the money for safekeeping. Over the next week, she "spends" her money as follows:

OPENING BALANCE: \$1,000.00

Monday: \$40 on a movie with friends, her new balance is: _____

Tuesday: \$350 for tires for boyfriend's car, her new balance is: _____

Wednesday: \$200 gift for her best friend, her new balance is: _____

Thursday: \$200 to help save the whales, her new balance is: _____

Friday: \$200 loaned to brother for skateboard, her new balance is: _____

Saturday, \$40 for dinner out and a movie, her new balance is: _____

Sunday, \$30 to actually buy you a birthday gift, her new balance is: _____

If you were a real bank, you would charge her a \$25.00 bad check fee for the activity of Saturday. You would charge her another \$25.00 bad check fee for the activity of Sunday. Include the bad check fees in the appropriate balances.

What is your daughter's balance on the following Monday morning? _____

(See the answer at the end of this Activity - don't peek until you calculate it !)

2.) SURCHARGE: If your daughter carries a negative balance over several days, there is a surcharge the bank will add to the negative balance. Assume the surcharge is \$10 a day each day the account has a negative balance and your daughter had a negative balance of \$110 for six days.

What would her balance be at the end of the sixth day? _____

3.) SHORT FALL: She brings you \$60 to make up for the short fall. You explain that her balance is negative \$170. Once you apply the \$60, her balance will still be negative \$110. She says it will take her 14 days to get that much money, and each day she'll be charged another \$10.

How much will her balance be in two weeks? _____

As her parent and her banker, how would you coach your daughter on her spending habits? On her money management?

Describe your discussions:

A New Example: Tracking Your Transactions with the Bank

Assume that on Friday morning, you have a starting balance of \$815.49. You deposit your paycheck on Friday afternoon in the amount of \$712.12.

4.) PAYCHECK: What's the balance five minutes after you make the deposit? _____

Assume there is no other activity with your account takes place AND the bank validates your deposit...

5.) TUESDAY: What is your balance on Tuesday morning? _____

Next, you pay your bills Tuesday evening and mail them Wednesday morning. Your six bills total \$1,001.16.

6.) WEDNESDAY: What is your balance at the bank Wednesday afternoon? _____

7.) CLEAR: When will each of those bills clear the bank?

Your checking register will look like this on Wednesday morning:

ITEM	Withdrawal	Deposit	Balance
Friday Morning Current Balance			\$815.49
Friday Afternoon Deposit		\$712.12	\$1,527.61
Less Mortgage Payment	\$450.34		\$1077.27
Less Water Bill	\$78		\$999.27
Less Utility Bill	\$111.16		\$888.11
Less Cable Bill	\$45.88		\$842.23
Less Car Payment	\$276.55		\$565.68
Less Credit Card Payment	\$39.23		\$526.45

Be aware that deposits and debits are recorded by your bank at unpredictable times -- always days later than you make the deposits or send the checks. You should manage your record keeping to give transactions time to clear. Here's another look at the example above, showing what would happen if you didn't account for the delay:

ITEM and DAY POSTED	Actual Activity	Your preception of balance	Actual balance at the bank
Friday Morning Current Balance		\$815.49	\$815.49
Friday Afternoon Deposit \$712.12		\$1,527.61	\$815.49
Monday Mortgage Payment	- \$450.34	\$1077.27	\$365.15
Tuesday Water Bill	- \$78.00	\$999.27	\$287.15
Wednesday Utility Bill	- \$111.16	\$888.11	\$175.99
Thursday Cable Bill	- \$45.88	\$842.23	\$130.11
Friday Car Payment	- \$276.55	\$565.68	-\$146.44
<i>\$30 overdraft fee</i>	- \$30.00		-\$176.44
Monday Credit Card Payment	- \$39.23	\$526.45	-\$215.67
<i>\$30 overdraft fee</i>	- \$30.00		-\$245.67
<i>\$10 daily overdraw fee</i>	- \$10.00		-\$255.67
Deposit clears	+ \$712.12		\$456.45
ENDING BALANCE		\$526.45	\$456.45

7.) DIFFERENCE: How much difference is there between the real final balance and your perception of the balance?

Why is there a difference?

Why are the day-to-day balances different? (Select one)

- The bank made mistakes**
- The US mail took too long**
- You didn't account for the delay in the posting of your deposit**

If your account doesn't balance, double check your additions and subtractions

Most bank reconciliation errors are due to simple oversights. It's satisfying to successfully reconcile your accounts. You also protect your credit and your money when you avoid overdrafts and other problems that come from sloppy banking.

Describe how to improve your life by balancing your bank statements and personal check register:

ANSWERS to questions (DON'T PEEK!)

- 1.) CASH FLOW: \$ - 110.00 (a negative balance)
- 2.) SURCHARGE: \$ -170.00
- 3.) SHORT FALL: \$ -250.00
- 4.) PAYCHECK: \$ 815.49
- 5.) TUESDAY: \$1527.61
- 6.) WEDNESDAY: \$1527.61 (the mail payments haven't arrived at the bank yet)
- 7.) CLEAR: Depends on the post office and how long each payee takes to deposit the checks
- 8.) DIFFERENCE: \$70, because the deposit did not clear before the checks came in



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