

SECTION 5. CASH RECEIPTS AND CASH DISBURSEMENTS

Dealership Accounting Training Manual
Chrysler, Plymouth, Jeep & Dodge
--VERSION 1.0--





MAIN FOCUS AND OBJECTIVES OF SECTION 5.

This section introduces the student to accounting for cash receipts using a daily cash clearing account. Additionally, we will be reviewing the accounting entries for the DaimlerChrysler Electronic Funds Transfer (EFT) system. Finally, we will be reviewing sample cash disbursements with some comments on the importance of using the correct control number for transactions originated in the Cash Receipts Journal (Journal 50), the EFT Transactions Journal (Journal 55) and the Cash Disbursements Journal (Journal 60).

The Table of Contents for Section 5. Cash Receipts and Cash Disbursements is shown below. You may find it useful to find a specific subject quickly.

Table of Contents		Page
5.1	Introduction	1
5.2	Introduction to Cash Clearing Accounts	1
5.3	Daily Cash Receipts Examples	3
5.4	Understanding Account 117 – Cash Sales Clearing	10
5.5	Bank Deposits and Account 102 – Undeposited Cash Clearing	13
5.6	Summary on Cash Clearing Accounts	15
5.7	Introduction to Electronic Funds Transfers	17
5.8	Credit Card Transactions	17
5.9	DaimlerChrysler Financial Services' EFT	20
5.10	Summary on DaimlerChrysler Financial Services' EFT	25
5.11	Cash Disbursements	26
5.12	Accounts Payable Checks	29
5.13	Section Summary	30
5.14	Review Questions	31

After you have completed this section, you should have a basic understanding of how the two cash clearing accounts work together on a daily basis. Additionally, you should have a basic understanding of the how incoming and outgoing fund transfers through the DIAL system are posted into accounting.

SECTION 5. CASH RECEIPTS AND DISBURSEMENTS

5.1 INTRODUCTION:

In this section, we will be reviewing cash receipts, cash disbursements (checks) and electronic funds transfers (EFT) at Hallmark Motors. These transactions are posted in the Cash Receipts Journal (Journal 50), the Electronic Funds Transfer Journal (Journal 55) and the Cash Disbursements Journal (Journal 60). We will begin with a review of cash clearing accounts.

5.2 INTRODUCTION TO CASH CLEARING ACCOUNTS:

Dealerships receive large amounts of cash, checks and credit card deposits during the month. It is not uncommon to record a daily bank deposit of \$100,000.00 or more. Therefore, office managers are understandably concerned about maintaining good internal control of such large amounts of funds.



The use of cash clearing accounts allows the office manager to maintain daily cash control. In this section, we will be reviewing two cash clearing accounts. These accounts are:

- Account 102 – Undeposited Cash – used by the Office cashier at Hallmark Motors.
- Account 117 – Cash Sales Clearing – used by the Service and Parts cashier at Hallmark Motors.

We will begin by reviewing the DUAS definition for account 102 – Undeposited Cash, which is shown below.

Account 102 – Undeposited Cash

This is a clearing account for all cash received in the ordinary course of business and not yet deposited in the bank. All cash received, regardless of the source, should pass through the hands of the Cashier, or other responsible person, for proper recording. It is recommended that individual, pre-numbered Cash Receipts ... be used. ...All cash received should be deposited each banking day, intact as received. No money should be paid out of the Undeposited Cash Account.

Debit (this account) with (1) all cash received, (2) cash overages. Credit with (1) all daily bank deposits.

Excerpted from the Dealer Uniform Accounting System Manual
The DaimlerChrysler Motors Corporation

Account Name Modification Note: Since the term *Undeposited Cash* as defined above does not contain the term *Clearing* in it, Hallmark's office manager (like many other office managers) has modified the standard name for this account into a more specific title, *Undeposited Cash Clearing*. Alternatively, account 102 is also often referred to as *Cash on Hand Clearing* by computer vendor installers and multi-franchise dealer office managers. **With these more specific terms, the emphasis is placed on the concept of cash clearing, a temporary, in and out account used to track daily cash transactions and deposits.**

Account 102 - Undeposited Cash Clearing			
<i>Money received = Money deposited!</i>			
DR			CR
All monies received during the day.	100.00	All monies deposited at day's end.	100.00
		Ending Daily Balance	<u>\$0.00</u>

SECTION 5. CASH RECEIPTS AND DISBURSEMENTS

To record cash receipts, dealerships typically use some type of cash receipt systems. These include:

- Computerized Cash Receipt software, which generates an on-demand printed cash receipt for the customer.
- Spiral bound notebook of handwritten cash receipts with multiple copies for customer and office use. The cash receipt shown earlier was a sample of this type of receipt.
- Cash Receipt board and receipt system, such as this example from Reynolds and Reynolds.

The image shows a 'CASH RECEIPTS JOURNAL SOURCE 50101' form. The form is a grid with columns for 'DATE', 'RECEIPT NO.', 'RECEIVED FROM', 'AMOUNT', and 'GENERAL'. A receipt board is attached to the left side of the form, which is used to write the receipt while it is still attached to the journal. The receipt board has fields for 'YOUR NAME', 'STREET ADDRESS', 'CITY, STATE, ZIP', and 'TELEPHONE NUMBER'. It also has a section for 'MEMO' with checkboxes for 'CASH', 'CHECK', 'MONEY ORDER', and 'DEBIT CARD'. The receipt board is shown in a partially open position, revealing the receipt form underneath. The receipt form has a header with 'YOUR NAME', 'STREET ADDRESS', 'CITY, STATE, ZIP', and 'TELEPHONE NUMBER'. It also has a section for 'MEMO' with checkboxes for 'CASH', 'CHECK', 'MONEY ORDER', and 'DEBIT CARD'. The receipt form is attached to the journal with a metal fastener.

With a cash receipt board system, the cash receipt is written while still attached to the board as shown in the example above. The receipt is then detached and given to the customer. The second copy of the receipt is used as a numerical control copy. Using carbonless receipt forms, the cash receipt information is also recorded on the left side of the large cash receipt sheet underneath the receipts.

Thus, the cash receipt sheet becomes the source document for the cash receipt entry, rather than a copy of the cash receipt itself. An illustrative example of this Cash Receipt Journal sheet is shown on the next page.

SECTION 5. CASH RECEIPTS AND DISBURSEMENTS

5.3 DAILY CASH RECEIPTS EXAMPLE:

This cash receipt sheet lists the cash receipts for October 10, XXXX and includes cash receipt # 8005 for Service and Parts Cash. The left side of the receipt sheet is shaded, indicating the part of the sheet covered by the cash receipt form.

CASH RECEIPT JOURNAL SOURCE 50(0)									
DATE	RECEIPT No.	CUST. No.	RECEIVED FROM: NAME	UNDEP. CASH	ACCT #	ACCT #	ACCT #	OTHER ACCT #	AMOUNT
				+ 102	- 106	- 111	- 110		
BROUGHT FORWARD									
Oct 10	7998	5015	J. Johnson	12,150.00	12,150.00				
Oct 10	7999	4503	Edwards Auto Parts	586.00			586.00		
Oct 10	8000	6025	J. Smith	5,000.00		5,000.00			
Oct 10	8001	6011	T. Gonzales / Finance Co.	18,560.00	18,560.00				
Oct 10	8002	6080	ABC Garage	236.25			236.25		
Oct 10	8003	7821	R. Tilly / 1st National Bank	22,965.00	22,965.00				
Oct 10	8004	8015	K. Beverly	1,800.00		1,800.00			
Oct 10	8005		Service & Parts Cash	1,515.00				117	-1,515.00
Oct 10	8006	8815	Turner Body Shop	655.00			655.00		
Oct 10	8007		Soda / Candy Vending	18.50				609	-18.50
Oct 10	8008		Bank Deposit - Oct 10	-63,485.75				103	+63,485.50
								709	+.25

This cash receipt sheet lists ten cash receipts written by the office cashier. Each payment has been debited to account 102 – Undeposited Cash Clearing with an offsetting credit to either a receivable or another account. Note that the majority of receipts required a control number. We will review these receipts first and then review the cash receipts to non-scheduled accounts.

Here is the first cash receipt, number 7998 for J. Johnson.

HALLMARK MOTORS, INC. 77 North Lake St. Somewhere, MI 00000		CASH RECEIPT		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%;">RECEIPT NO.</th> <th style="width: 50%;">CUST. NO.</th> </tr> <tr> <td style="text-align: center;">7998</td> <td style="text-align: center;">5015</td> </tr> <tr> <th colspan="2" style="text-align: center;">CASH RECEIPTS JOURNAL - SOURCE 50</th> </tr> <tr> <th style="width: 30%;">ACCOUNT</th> <th style="width: 20%;">ACCT NO.</th> <th style="width: 20%;">AMOUNT</th> <th style="width: 30%;">KEY</th> </tr> <tr> <td>FIN. CONTRACTS</td> <td style="text-align: center;">106</td> <td style="text-align: right;">12,150.00</td> <td style="text-align: center;">-</td> </tr> <tr> <td>ACCTS. REC. PTS & SVC.</td> <td style="text-align: center;">110</td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td>VEH. ACCT. REC.</td> <td style="text-align: center;">111</td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td>CUST. NOTES REC.</td> <td style="text-align: center;">112</td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td>CASH SALES</td> <td style="text-align: center;">117</td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td>CASH (UNDEPOSITED)</td> <td style="text-align: center;">102</td> <td style="text-align: right;">12,150.00</td> <td style="text-align: center;">+</td> </tr> </table>		RECEIPT NO.	CUST. NO.	7998	5015	CASH RECEIPTS JOURNAL - SOURCE 50		ACCOUNT	ACCT NO.	AMOUNT	KEY	FIN. CONTRACTS	106	12,150.00	-	ACCTS. REC. PTS & SVC.	110		-	VEH. ACCT. REC.	111		-	CUST. NOTES REC.	112		-	CASH SALES	117		-				-				-	CASH (UNDEPOSITED)	102	12,150.00	+
RECEIPT NO.	CUST. NO.																																														
7998	5015																																														
CASH RECEIPTS JOURNAL - SOURCE 50																																															
ACCOUNT	ACCT NO.	AMOUNT	KEY																																												
FIN. CONTRACTS	106	12,150.00	-																																												
ACCTS. REC. PTS & SVC.	110		-																																												
VEH. ACCT. REC.	111		-																																												
CUST. NOTES REC.	112		-																																												
CASH SALES	117		-																																												
			-																																												
			-																																												
CASH (UNDEPOSITED)	102	12,150.00	+																																												
77 North Lake St. Somewhere, MI 00000				October 10, XXXX																																											
RECEIVED OF: <u>J. Johnson</u>		\$ <u>12,150.00</u>		DOLLARS																																											
Twelve thousand, one hundred fifty and 00/100 for finance contract payment on stock number 5015																																															
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>DETAIL</th> <th>ACCOUNT</th> <th>NOTE</th> <th>HOW PAID</th> </tr> </thead> <tbody> <tr> <td>AMOUNT DUE</td> <td></td> <td></td> <td>CASH</td> </tr> <tr> <td>AMOUNT PAID</td> <td></td> <td></td> <td>CHECK <input checked="" type="checkbox"/></td> </tr> <tr> <td></td> <td></td> <td></td> <td>DRAFT</td> </tr> <tr> <td>BALANCE DUE</td> <td></td> <td></td> <td>C-CARD</td> </tr> </tbody> </table>		DETAIL	ACCOUNT	NOTE	HOW PAID	AMOUNT DUE			CASH	AMOUNT PAID			CHECK <input checked="" type="checkbox"/>				DRAFT	BALANCE DUE			C-CARD	HALLMARK MOTORS, INC. BY: <u>Office Cashier</u> <small>THANK YOU!</small>																									
DETAIL	ACCOUNT	NOTE	HOW PAID																																												
AMOUNT DUE			CASH																																												
AMOUNT PAID			CHECK <input checked="" type="checkbox"/>																																												
			DRAFT																																												
BALANCE DUE			C-CARD																																												

Note that account 102- Undeposited Cash Clearing is debited and account 106 – Finance Contracts in Transit is credited for \$12,150.00 to J. Johnson’s control number. The entry for cash receipt 7998 is shown below in our four-column entry format.

Journal: Cash Receipts Journal (Journal 50)				
Reference #: 7998 - Cash Receipt number				
Entry Date: 10-10-XX				
Account Description	Acct #	Control #	Debit	Credit
Undeposited Cash Clearing	102		12,150.00	
Contracts in Transit	106	5015		12,150.00
TOTAL DEBITS & CREDITS			12,150.00	12,150.00

SECTION 5. CASH RECEIPTS AND DISBURSEMENTS

Here is cash receipt 7999 for Edwards Auto Parts.

HALLMARK MOTORS, INC. 77 North Lake St. Somewhere, MI 00000		CASH RECEIPT <i>October 10, XXXX</i>		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">RECEIPT NO.</td> <td style="width: 50%;">CUST. NO.</td> </tr> <tr> <td style="text-align: center;">7999</td> <td style="text-align: center;"><i>4503</i></td> </tr> <tr> <td colspan="2" style="text-align: center;">CASH RECEIPTS JOURNAL - SOURCE 50</td> </tr> <tr> <td style="text-align: center;">ACCOUNT</td> <td style="text-align: center;">ACCT NO.</td> <td style="text-align: center;">AMOUNT</td> <td style="text-align: center;">KEY</td> </tr> <tr> <td>FIN. CONTRACTS</td> <td style="text-align: center;">106</td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td>ACCTS. REC. PTS & SVC.</td> <td style="text-align: center;">110</td> <td style="text-align: right;"><i>586.00</i></td> <td style="text-align: center;">-</td> </tr> <tr> <td>VEH. ACCT. REC.</td> <td style="text-align: center;">111</td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td>CUST. NOTES REC.</td> <td style="text-align: center;">112</td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td>CASH SALES</td> <td style="text-align: center;">117</td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">-</td> </tr> <tr> <td>CASH (UNDEPOSITED)</td> <td style="text-align: center;">102</td> <td style="text-align: right;"><i>586.00</i></td> <td style="text-align: center;">+</td> </tr> </table>		RECEIPT NO.	CUST. NO.	7999	<i>4503</i>	CASH RECEIPTS JOURNAL - SOURCE 50		ACCOUNT	ACCT NO.	AMOUNT	KEY	FIN. CONTRACTS	106		-	ACCTS. REC. PTS & SVC.	110	<i>586.00</i>	-	VEH. ACCT. REC.	111		-	CUST. NOTES REC.	112		-	CASH SALES	117		-				-				-	CASH (UNDEPOSITED)	102	<i>586.00</i>	+
RECEIPT NO.	CUST. NO.																																														
7999	<i>4503</i>																																														
CASH RECEIPTS JOURNAL - SOURCE 50																																															
ACCOUNT	ACCT NO.	AMOUNT	KEY																																												
FIN. CONTRACTS	106		-																																												
ACCTS. REC. PTS & SVC.	110	<i>586.00</i>	-																																												
VEH. ACCT. REC.	111		-																																												
CUST. NOTES REC.	112		-																																												
CASH SALES	117		-																																												
			-																																												
			-																																												
CASH (UNDEPOSITED)	102	<i>586.00</i>	+																																												
RECEIVED OF: <u>Edwards Auto Parts</u> \$ <u>586.00</u> DOLLARS <u>Five hundred eighty six and 00/100</u> <u>for payment on parts account.</u>		HALLMARK MOTORS, INC. BY: <u>Office Cashier</u> THANK YOU!																																													
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>DETAIL</th> <th>ACCOUNT</th> <th>NOTE</th> <th>HOW PAID</th> </tr> </thead> <tbody> <tr> <td>AMOUNT DUE</td> <td></td> <td></td> <td>CASH</td> </tr> <tr> <td>AMOUNT PAID</td> <td></td> <td></td> <td>CHECK <input checked="" type="checkbox"/></td> </tr> <tr> <td></td> <td></td> <td></td> <td>DRAFT</td> </tr> <tr> <td>BALANCE DUE</td> <td></td> <td></td> <td>C-CARD</td> </tr> </tbody> </table>		DETAIL	ACCOUNT	NOTE	HOW PAID	AMOUNT DUE			CASH	AMOUNT PAID			CHECK <input checked="" type="checkbox"/>				DRAFT	BALANCE DUE			C-CARD																										
DETAIL	ACCOUNT	NOTE	HOW PAID																																												
AMOUNT DUE			CASH																																												
AMOUNT PAID			CHECK <input checked="" type="checkbox"/>																																												
			DRAFT																																												
BALANCE DUE			C-CARD																																												

Here is the four column accounting entry for cash receipt 7999.

Journal: Cash Receipts Journal (Journal 50)				
Reference #:7999 - Cash Receipt number				
Entry Date: 10-10-XX				
Account Description	Acct #	Control #	Debit	Credit
Undeposited Cash Clearing	102		586.00	
Accts Receiv. - Parts & Service	110	4503		586.00
TOTAL DEBITS & CREDITS			586.00	586.00

As in our previous example, account 102 – Undeposited Cash Clearing is debited for \$586.00 with an offsetting credit to account 110 – Accounts Receivable. It is exactly the same as our first example, except that this entry records Edwards Auto Parts \$586.00 payment on their accounts receivable balance.