

Money and Banking



Me,
Myself,
My Money



Me,
Myself,
My Money



INTRODUCTION

Money and Banking

Learning Objectives

Lesson 1

Time Value of Money: Time is Money!

- Distinguish between simple interest and compound interest.
- Calculate simple interest and compound interest.
- Determine the number of years to double a savings balance.

Lesson 2

Savings and Checking Accounts: Banking 101

- Compare and contrast the features of a checking account, a savings account, and a certificate of deposit.

Lesson 3

Bank Reconciliation: What Do You Mean I'm Overdrawn? There Are Still Checks in My Checkbook!

- Prepare a bank reconciliation.



Learning Standards (grades 9-12)

Business

Connecticut Department of Education

Business and Finance Technology – Accounting

- Prepare bank reconciliations.

Business and Finance Technology – Business Management

- Evaluate savings and investment options to meet short-term and long-term goals.

Cooperative Work Education

- Compare and contrast strategies for personal finance and risk management.

National Business Education Association

Economics & Personal Finance – Saving and Investing

- Distinguish between simple interest and compound interest.
- Describe the advantages and disadvantages of various savings and investing plans.
- Calculate and apply the “Rule of 72.”
- Contrast the impact of simple interest vs. compound interest.
- Analyze the power of compounding and the importance of starting early in implementing a plan of saving and investing.

Economics & Personal Finance – Personal Decision Making

- Differentiate between types of decisions and identify those for which a formal decision-making process should be used.
- Apply the decision-making process to various types of decisions at different stages of the life cycle.

Computation – Savings and Investments

- Using the simple interest equation ($I=PRT$), solve for one of the variables and find maturity value, maturity date, and days between dates.
- Calculate compound interest and the resulting compound amount at the maturity date for savings and investments.

Computation – Cash Management

- Reconcile the bank statement with the check register.

Computation – Number Relationships and Operations

- Solve problems that involve whole numbers, decimals, and fractions, and use appropriate conversions.
- Solve problems that involve percents, ratios, averages, and proportions and use appropriate conversions.

Economics & Personal Finance – Banking and Financial Institutions

- Identify the various types of financial institutions.
- List the basic services provided by financial deposit institutions.
- Compare and contrast the different types of checking accounts offered at various financial institutions.
- Differentiate among the types of electronic monetary transactions.
- Describe and use the steps involved in the bank reconciliation process.



Time Value of Money:

Time is Money!

Interest is the amount, or cost, to borrow money. Interest is also the amount earned on money deposited with a financial institution, such as a bank or credit union.

The amount of interest paid or received is based on three factors:

- (1) the amount borrowed or invested, called the “principal” or “P”
- (2) the percentage (%) of the principal, called the “interest rate” or “R”
- (3) the number of years for which the principal is borrowed or invested, called “time” or “T”

Interest is often expressed as: $Interest = Principal \times Rate \times Time$, or $P \times R \times T$.

There are two methods of calculating interest: **simple interest** and **compound interest**.

Simple interest is based on the principal only, for one period or year, whereas compound interest is based on the principal plus any interest earned on the principal (assuming the interest earned has not been withdrawn and is left on deposit.) **Compound interest** is often explained as “interest on interest.”

Simple Interest

Assume you deposit \$10,000 with the bank, where it will earn simple interest of 5% per year and you leave the money on deposit for three years. Using the interest formula stated above, the interest earned each year is calculated as follows:

$$Interest = Principal \times Rate \times Time \text{ or } (P \times R \times T), \text{ where } P = \$10,000, R = 5\%, \text{ and } T = 1 \text{ year}$$

$$= \$10,000 \times 5\% \times 1 = \$500$$

To calculate interest earned after three years, use the same formula, except time, or ‘T’ is equal to three:

$$Interest = Principal \times Rate \times Time \text{ or } (P \times R \times T), \text{ where } P = \$10,000, R = 5\%, \text{ and } T = 3 \text{ years}$$

$$= \$10,000 \times 5\% \times 3 = \$1,500$$

The following table illustrates the interest calculations. Note that each year the original deposit, \$10,000, is used to calculate interest. At the end of three years, the original investment of \$10,000 has earned \$1,500 in interest, so the amount on deposit is now \$11,500.

Year	Amount Earning Interest	Interest Rate	Interest Earned	Year-End Balance
1	\$10,000	5%	\$500	\$10,500
2	\$10,000	5%	\$500	\$11,000
3	\$10,000	5%	\$500	\$11,500
		Total Interest	\$1,500	

Compound Interest

Now assume you deposit \$10,000 with the bank, where it will earn compound interest of 5% per year, and you leave the money on deposit for three years. Whereas simple interest uses the original investment each year to calculate interest, compound interest is calculated using the prior year's "year-end balance," which is equal to the original investment plus the interest earned to date.

For example, using the interest formula stated above, the interest earned in Year 1 is \$500, calculated as follows:

$$\begin{aligned} \text{Interest} &= \text{Principal} \times \text{Rate} \times \text{Time} \text{ or } (P \times R \times T), \text{ where } P = \$10,000, R = 5\%, \text{ and } T = 1 \text{ year} \\ &= \$10,000 \times 5\% \times 1 = \$500 \end{aligned}$$

Therefore, at the end of Year 1, the amount on deposit is \$10,500. To calculate interest earned for every subsequent year, use the same formula, except principal, or "P," is equal to the prior year's "year-end balance":

Year 2:

$$\begin{aligned} \text{Interest} &= \text{Year-End Balance from Year 1} \times \text{Rate} \times \text{Time} \text{ or } (P \times R \times T), \text{ where } P = \$10,500, \\ &R = 5\%, \text{ and } T = 1 \text{ year} \\ &= \$10,500 \times 5\% \times 1 = \$11,025 \end{aligned}$$

Year 3:

$$\begin{aligned} \text{Interest} &= \text{Year-End Balance from Year 2} \times \text{Rate} \times \text{Time} \text{ or } (P \times R \times T), \text{ where } P = \$11,025, \\ &R = 5\%, \text{ and } T = 1 \text{ year} \\ &= \$11,025 \times 5\% \times 1 = \$11,576.25 \end{aligned}$$

The following table illustrates the interest calculations. Note that the original deposit, \$10,000, is used to calculate interest for the first year and, for year two and three, the prior year's "year-end balance," which includes the original deposit plus any interest earned, is used to calculate interest. At the end of three years, the original investment of \$10,000 has earned \$1,576.25 of interest, so the amount on deposit is now \$11,576.25, or \$76.25 more than if interest is calculated using the simple interest method.

This example illustrates the power of compound interest; interest is based not only on the principal, but also the interest earned over time.

Year	Amount Earning Interest	Interest Rate	Interest Earned	Year-End Balance
1	\$10,000	5%	\$500	\$10,500
2	\$10,500	5%	\$525	\$11,025
3	\$11,025	5%	\$551.25	\$11,576.25
		Total Interest	\$1,576.25	



LESSON 1

When interest is compounded, the following formula can be used to calculate the year-end balance and the interest earned:

$$\text{Year-end Balance} = P \times \left(1 + \frac{R}{n}\right)^{n \cdot T}$$

where:

- P is the principal, the original amount deposited;
- R is the annual interest rate;
- n is the number times interest is compounded per year; and,
- T is the number of years.

For example, using the prior example where P = \$10,000, R = 5%, n = 1, and T = 3 years, the year-end balance is \$11,576.25 and the interest earned is \$1,576.25 (\$11,576.25 - \$10,000):

$$\begin{aligned} \text{Year-end Balance} &= P \times \left(1 + \frac{R}{n}\right)^{n \cdot T} \\ &= \$10,000 \times \left(1 + \frac{.05}{1}\right)^{1 \cdot 3} \\ &= \$10,000 \times (1.05)^3 \\ &= \$10,000 \times 1.157625 \\ &= \$11,576.25 \end{aligned}$$

$$\text{Less: Original Deposit} = \underline{\$10,000.00}$$

$$\text{Interest Earned} = \underline{\underline{\$1,1576.25}}$$

When interest is compounded, the “Rule of 72” can be used to demonstrate the power of compound interest and provide an estimate of the number of years it take will to double your original investment. The Rule of 72 is a formula:

$$\frac{72\%}{\text{Interest Rate}} = \text{Number of years it will take to double your original investment}$$

Using the prior example, it will take approximately 14 and one-half years to double the original investment of \$10,000 at an annual interest rate of 5%:

$$\frac{72\%}{5\%} = 14.4 \text{ years}$$

Activity 1: Keep it Simple? – Maybe Not!

Alexander has just inherited \$250,000 and has decided to deposit the money with his local bank. The bank will pay Alexander interest of 8% per year for 10 years.

Determine the balance of Alexander's investment and the interest earned at the end of 10 years if (1) the interest earned is simple interest, and (2) interest is compounded annually. (Assume Alexander does not withdraw the interest earned each year.)

Activity 2: Twice as Good

Sandra, who is 17, has saved \$5,000 from working a part-time job and has decided to deposit her savings with her local bank. The bank pays a 9% interest rate that is compounded annually. How old will Sandra be when her initial deposit doubles to \$10,000?

Activity 3: Twice as Nice

Lara has deposited \$10,000 with her local credit union, which offers an annual interest rate of 5% on deposits.

Determine the balance of Lara's investment and the interest earned at the end of five years if:

- (1) interest is compounded annually
- (2) interest is compounded semi-annually (twice per year)
- (3) interest is compounded quarterly
- (4) interest is compounded monthly (once a month).

Assume Lara does not withdraw the interest earned each year.



Savings and Checking Accounts: Banking 101

There are two primary types of financial institutions in the United States: banks and credit unions. Both banks and credit unions borrow and lend money and offer a variety of products and services. However, credit unions, unlike banks, are owned and operated by members of the credit union. In addition, whereas banks operate to make a profit, credit unions are not-for-profit organizations.

Most credit unions require that you be a member of an association, group, or union. Credit unions generally offer lower interest rates on loans and provide other financial benefits to its members.

Banks and credit unions offer a variety of services and products, including saving and checking accounts, certificates of deposit, debit cards and credit cards, online banking, and loans (home equity loans, mortgages, automobile loans, and student loans). In addition, banks and credit unions offer business banking services and insurance, investing, and retirement planning services and products.

To select a savings and checking account that meets your financial needs, compare the features of each account. For example, for a savings account, determine if there is a minimum initial deposit or a minimum balance requirement, the annual interest rate, and the manner in which interest is calculated, i.e., how often is interest compounded. In addition, determine if there is a limit on the number of withdrawals that can be made and the fee for exceeding that limit.

DID YOU KNOW?

A deposit accepted by a bank or credit union is money borrowed from the depositor.

A **debit card** is used to make purchases and functions like an electronic check. When a debit card is used to pay for a purchase, the funds are automatically withdrawn (debited) from your bank account.

The **Federal Deposit Insurance Corporation (FDIC)** insures deposits at banks and the **National Credit Union Administration (NCUA)** insures deposits at credit unions. The standard insurance provided by the FDIC and NCUA is \$250,000 per depositor.



Me, Myself, My Money



LESSON 2

For a checking account, you should also determine if there is a minimum initial deposit or a minimum balance requirement and if the account pays interest. Also, determine the fees that can be assessed. For example, in addition to a monthly service fee, you may be charged a fee for:

- Exceeding the number of checks that can be written each month;
- Not maintaining the required minimum balance;
- Automatic (ATM) withdrawals;
- Insufficient funds checks;
- Stop payment orders;
- Overdraft protection; and
- Ordering new checks.

A certificate of deposit (CD) is similar to a savings account, except that a CD has a specific, fixed term, such as three months, six months, or one to five years. In exchange for keeping the money on deposit for the agreed-upon term, banks and credit unions usually offer a higher interest rate on CDs compared to a savings account. Funds may be withdrawn early from a CD; however, a penalty is charged for doing so.

Insufficient funds checks

Checks for which the account holder does not have funds to cover the amount of the check are also called “bad checks,” “bounced checks,” or “rubber checks.”

Stop-payment order

A request by a depositor that instructs the bank to not cash a check written by the depositor.

Overdraft protection

A line of credit, or advance, whereby banks transfer money to a depositor’s account when a check is written for an amount that exceeds the balance in his or her account.



LESSON 2

Activity 1: Know Your Accounts

Visit at least two banks, or a bank and credit union, or visit the website of a bank and/or credit union and compare and contrast the features of the savings accounts and checking accounts offered at each institution.

Savings Accounts

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum initial deposit		
Minimum balance requirement		
Annual interest rate		
Method of compounding interest		
Number of withdrawals allowed		
Fee for excess withdrawals		

Checking Accounts

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum initial deposit		
Minimum balance requirement		
Annual interest rate		
Method of compounding interest		
Monthly service fee		
Fee for exceeding the number of checks that can be written monthly		
Fee for not maintaining the required minimum balance		
Fee for automatic (ATM) withdrawals		
Fee for insufficient funds checks		
Fee for stop-payment orders		
Fee for overdraft protection		
Fee for ordering new checks		



LESSON 2

Activity 2: Know Your Terms

Visit at least two banks, or a bank and credit union, or visit the website of a bank and/or credit union, and compare and contrast the features of the certificates of deposit (CDs) offered at each institution.

Select three CDs with different terms: a six-month CD; a 12-month CD; and, a 24-, 36- or 60-month CD.

Certificate of Deposit: six-month term

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum deposit		
Annual interest rate		
Fee for early withdrawal		

Certificate of Deposit: 12-month term

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum deposit		
Annual interest rate		
Fee for early withdrawal		

Certificate of Deposit: 24-, 36-, or 60-month term

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum deposit		
Annual interest rate		
Fee for early withdrawal		



Bank Reconciliation: What Do You Mean I'm Overdrawn? There Are Still Checks in My Checkbook!

A bank statement, or account statement, is a summary of all financial transactions occurring over a given period of time in an account. For example, a bank statement will report the account balance at the beginning and end of a period, the deposits and withdrawals for the period, and any other transactions and amounts that affected the account balance.

Historically, bank statements were produced once a month. However, online banking allows banks and other financial institutions to provide paperless statements or e-statements on demand. In addition, automated teller machines, or ATMs, are also capable of printing, at any time, a condensed version of a bank statement.

Bank reconciliation is the process of comparing the account balances from your checkbook and the bank statement and matching transactions and amounts from your checkbook to transactions and amounts reported on the bank statement. Bank reconciliation allows companies or individuals to compare their account balance to the balance reported on the bank statement in order to uncover any possible discrepancies, or differences, and errors. By comparing the transactions recorded in your checkbook to those reported on the bank statement, you will be able to reconcile the balances.

The items and transactions to review in a checkbook and on a bank statement include:

- **Checks written and outstanding checks.** When a check is written, the amount is deducted from the checkbook balance. Outstanding checks are checks that have been written but not yet presented and cashed at the bank. As a result, these checks are not reported on the bank statement and the amount is not deducted from the account holder's balance at the bank.
- **Withdrawals, automatic payments, and transfers.** A withdrawal is a transaction that reduces the account holder's balance. Automatic payments are periodic deductions from an account to pay bills, such as a mortgage, credit card bills, and utilities. Transfers move money from one account to another and are used to transfer or move money from a checking account to a savings account or investment account.
- **Deposits and deposits in transit.** Deposits made by the account holder are recorded in his or her checkbook and reflected in the checkbook balance. However, if a deposit is made at the bank but the amount is not immediately added to the account holder's balance at the bank and not reported on the bank statement, it is referred to as a deposit in transit.
- **Direct deposits.** Direct deposits are not made by the account holder, but are made at the direction of the account holder. For example, many employees direct their employer to deposit their pay or earnings directly into their bank account.



- **Fees and charges.** Fees and charges are amounts deducted from an account holder’s balance. Fees and charges may be assessed for writing more checks per period than is allowed or having a balance that is less than the minimum required balance. In addition, a fee is charged if you write a check for more than the balance in your account or you deposit a check from someone who lacks sufficient funds in his or her account to cover the amount of the check. Checks for which the account holder does not have funds to cover the amount of the check are called “bad checks,” “bounced checks,” or “rubber checks” and the penalty is called an “insufficient funds” fee.
- **Interest.** Interest earned on an account increases the account holder’s balance.
- **Errors.** The account holder or the bank can make an error in recording a transaction, or failing to record a transaction. If this occurs, first determine who made the error—the account holder or the bank—and then make an adjustment to the correct the error.

To reconcile the bank statement balance and the checkbook balance, use the following bank reconciliation form. Note that the bank statement balance and checkbook balance are reconciled when the Adjusted Bank Balance and the Adjusted Checkbook Balance are the same amount.

Balance per Bank Statement \$ _____

Add: Deposits in transit \$ _____

Deduct: Outstanding checks

Check #	Payee	Amount	
_____	_____	_____	
_____	_____	_____	
_____	_____	_____	
_____	_____	_____	\$ _____

Correction of an error: Add or deduct the amount of the error \$ _____

Adjusted Bank Balance \$ _____

Balance per Checkbook \$ _____

Add: Interest earned \$ _____

Deduct: Fees and service charges \$ _____

Correction of an error: Add or deduct the amount of the error \$ _____

Adjusted Checkbook Balance \$ _____



Activity 1: Checkpoint #1!

On April 1st, the balance in Juanita's checking account was \$2,000. During the month, the following transactions occurred:

- Direct deposits for her net pay of \$980 were made on April 15th and April 30th.
- Four withdrawals, each for \$100.
- An automatic payment of \$500 for monthly rent was made on April 5th.
- A transfer of \$300 was made to her savings account.
- The following checks were written:
 - Check #214 to ACME Credit Card Company, \$125
 - Check #215 to Auto Dealers, Inc., \$250
 - Check #216 to Metro Utilities, \$75.
- A check for \$350 was deposited on April 29.

What is the balance in Juanita's checking account on April 30th?



Instructor's Solutions

Lesson 1, Activity 1: Keep it Simple? – Maybe Not!

Alexander has just inherited \$250,000 and has decided to deposit the money with his local bank. The bank will pay Alexander interest of 8% per year for 10 years.

Determine the balance of Alexander's investment and the interest earned at the end of 10 years if (1) the interest earned is simple interest, and (2) interest is compounded annually. (Assume Alexander does not withdraw the interest earned each year.)

1. Simple Interest:

**Interest = Principal x Rate x Time, or $P \times R \times T$,
where $P = \$250,000$, $R = 8\%$, and $T = 10$ years**

$$\text{Interest} = \$250,000 \times 8\% \times 10 = \$200,000$$

$$\begin{aligned} \text{Investment balance} &= \text{Principal} + \text{Interest} \\ &= \$250,000 + \$200,000 \\ &= \$450,000 \end{aligned}$$

2. Compound Interest:

$$\text{Year-end Balance} = P \times \left(1 + \frac{R}{n}\right)^{n \cdot T}$$

where $P = \$250,000$, $R = 8\%$, $n = 1$, and $T = 10$ years

$$= \$250,000 \times \left(1 + \frac{.08}{1}\right)^{1 \cdot 10}$$

$$\begin{aligned} &= \$250,000 \times 2.158925 \\ &= \$539,731.25 \end{aligned}$$

$$\begin{aligned} \text{Interest} &= \text{Year-end Balance} - \text{Original Investment} \\ &= \$539,731.25 - \$250,000 \\ &= \$289,731.25 \end{aligned}$$

Lesson 1, Activity 2: Twice as Good

Sandra, who is 17, has saved \$5,000 from working a part-time job and has decided to deposit her savings with her local bank. The bank pays a 9% interest rate that is compounded annually. How old will Sandra be when her initial deposit doubles to \$10,000?

Sandra will be 25 years old (17 years old now + 8 years to double her money).

$$\frac{72\%}{\text{Interest Rate}} = \text{Number of years it will take to double your original investment}$$

$$\frac{72\%}{9\%} = 8 \text{ years}$$



Lesson 1, Activity 3: Twice as Nice

Lara has deposited \$10,000 with her local credit union, which offers an annual interest rate of 5% on deposits.

Determine the balance of Lara's investment and the interest earned at the end of five years if (1) interest is compounded annually, (2) interest is compounded semi-annually (twice per year), (3) interest is compounded quarterly, and (4) interest is compounded monthly (once a month). Assume Lara does not withdraw the interest earned each year.

1. Interest is compounded annually:

$$\begin{aligned}\text{Year-end Balance} &= P \times \left(1 + \frac{R}{n}\right)^{n \cdot T} \\ \text{Where } P &= \$10,000, R = 5\%, n = 1, \text{ and } T = 5 \text{ years} \\ &= \$10,000 \times \left(1 + \frac{.05}{1}\right)^{1 \cdot 5} \\ &= \$10,000 \times (1.05)^5 \\ &= \$10,000 \times 1.276282 \\ &= \$12,762.82\end{aligned}$$

$$\begin{aligned}\text{Interest} &= \text{Year-end Balance} - \text{Original Investment} \\ &= \$12,762.82 - \$10,000 \\ &= \mathbf{\$2,762.82}\end{aligned}$$

2. Interest is compounded semi-annually:

$$\begin{aligned}\text{Year-end Balance} &= P \times \left(1 + \frac{R}{n}\right)^{n \cdot T} \\ \text{Where } P &= \$10,000, R = 5\%, n = 2, \text{ and } T = 5 \text{ years} \\ &= \$10,000 \times \left(1 + \frac{.05}{2}\right)^{2 \cdot 5} \\ &= \$10,000 \times (1.025)^{10} \\ &= \$10,000 \times 1.280085 \\ &= \$12,800.25\end{aligned}$$

$$\begin{aligned}\text{Interest} &= \text{Year-end Balance} - \text{Original Investment} \\ &= \$12,800.25 - \$10,000 \\ &= \mathbf{\$2,800.25}\end{aligned}$$

3. Interest is compounded quarterly:

$$\begin{aligned}\text{Year-end Balance} &= P \times \left(1 + \frac{R}{n}\right)^{n \cdot T} \\ \text{Where } P &= \$10,000, R = 5\%, n = 4, \text{ and } T = 5 \text{ years} \\ &= \$10,000 \times \left(1 + \frac{.05}{4}\right)^{4 \cdot 5} \\ &= \$10,000 \times (1.0125)^{20} \\ &= \$10,000 \times 1.282037 \\ &= \$12,820.37\end{aligned}$$

$$\begin{aligned}\text{Interest} &= \text{Year-end Balance} - \text{Original Investment} \\ &= \$12,820.37 - \$10,000 \\ &= \mathbf{\$2,820.37}\end{aligned}$$

4. Interest is compounded monthly:

$$\begin{aligned}\text{Year-end Balance} &= P \times \left(1 + \frac{R}{n}\right)^{n \cdot T} \\ \text{Where } P &= \$10,000, R = 5\%, n = 12, \text{ and } T = 5 \text{ years} \\ &= \$10,000 \times \left(1 + \frac{.05}{12}\right)^{12 \cdot 5} \\ &= \$10,000 \times (1.004167)^{60} \\ &= \$10,000 \times 1.283359 \\ &= \$12,833.59\end{aligned}$$

$$\begin{aligned}\text{Interest} &= \text{Year-end Balance} - \text{Original Investment} \\ &= \$12,833.59 - \$10,000 \\ &= \mathbf{\$2,833.59}\end{aligned}$$



Lesson 2, Activity 1: Know Your Accounts

Visit at least two banks, or a bank and credit union, or visit the website of a bank and/or credit union and compare and contrast the features of the savings accounts and checking accounts offered at each institution.

Responses will vary.

Savings Accounts

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum initial deposit		
Minimum balance requirement		
Annual interest rate		
Method of compounding interest		
Number of withdrawals allowed		
Fee for excess withdrawals		

Checking Accounts

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum initial deposit		
Minimum balance requirement		
Annual interest rate		
Method of compounding interest		
Monthly service fee		
Fee for exceeding the number of checks that can be written monthly		
Fee for not maintaining the required minimum balance		
Fee for automatic (ATM) withdrawals		
Fee for insufficient funds checks		
Fee for stop-payment orders		
Fee for overdraft protection		
Fee for ordering new checks		



Lesson 2, Activity 2: Know Your Terms

Visit at least two banks, or a bank and credit union, or visit the website of a bank and/or credit union, and compare and contrast the features of the certificates of deposit (CDs) offered at each institution.

Select three CDs with different terms: a six-month CD; a 12-month CD; and, a 24-, 36- or 60-month CD.

Responses will vary.

Certificate of Deposit: six-month term

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum deposit		
Annual interest rate		
Fee for early withdrawal		

Certificate of Deposit: 12-month term

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum deposit		
Annual interest rate		
Fee for early withdrawal		

Certificate of Deposit: 24-, 36-, or 60-month term

	Name of Bank or Credit Union:	Name of Bank or Credit Union:
Minimum deposit		
Annual interest rate		
Fee for early withdrawal		



Lesson 3, Activity 1: Checkpoint #1!

On April 1st, the balance in Juanita's checking account was \$2,000. During the month, the following transactions occurred:

- Direct deposits for her net pay of \$980 were made on April 15th and April 30th.
- Four withdrawals, each for \$100.
- An automatic payment of \$500 for monthly rent was made on April 5th.
- A transfer of \$300 was made to her savings account
- The following checks were written:
 - Check #214 to ACME Credit Card Company, \$125
 - Check #215 to Auto Dealers, Inc., \$250
 - Check #216 to Metro Utilities, \$75.
- A check for \$350 was deposited on April 29.

What is the balance in Juanita's checking account on April 30th?

April 1 balance			\$2,000
Add:	Direct deposits (2 x \$980)	\$1,960	
	Deposit (April 29th check)	<u>\$ 350</u>	
			<u>\$2,310</u>
			\$4,310
Deduct:	Withdrawals (4 x \$100)	\$ 400	
	Automatic payment (rent)	\$ 500	
	Transfer (to savings account)	\$ 300	
	Checks:		
	Check #214	\$125	
	Check #215	\$250	
	Check #216	<u>\$ 75</u>	<u>\$ 450</u>
			<u>\$1,650</u>
April 30th balance			<u>\$2,660</u>



Lesson 3, Activity 2: Checkpoint #2!

On May 1, Juanita reviews her checkbook and discovers that her balance is \$2,633. (Refer to the balance you determined in *Activity 1, Checkpoint #1!*) In addition, she reviews her April 30 bank statement and discovers that the statement reports an available balance of \$2,383 — \$250 less than the balance according to her checkbook! Juanita therefore reviews the transactions recorded in her checkbook and the transactions reported on the bank statement, and she notes the following:

- When she wrote Check #214 for \$125, she incorrectly deducted \$152 from her account.
- Interest of \$3 was earned on her account
- Check #216 to Metro Utilities, for \$75 was not reported on the bank statement
- Monthly services charges of \$5 was reported on the bank statement
- The check for \$350 deposited on April 29 was reported as “pending” and not included in the available balance

Use the following bank reconciliation form to reconcile the bank statement balance and Juanita’s checkbook balance.

Balance per Bank Statement		\$2,383
Add: Deposits in transit		\$ 350
Deduct: Outstanding checks		
Check #	Payee	Amount
216	Metro Utilities	\$75
		\$ 75
Correction of an error: Add or deduct the amount of the error		\$ _____
Adjusted Bank Balance		<u>\$ 2,658</u>
Balance per Checkbook		\$2,633
Add: Interest earned		\$ 3
Deduct: Fees and service charges		\$ 5
Correction of an error: Add or deduct the amount of the error		<u>\$ 27*</u>
Adjusted Checkbook Balance		<u>\$2,658</u>

*Check #214 written for \$125, but deducted as \$152, so add \$27.