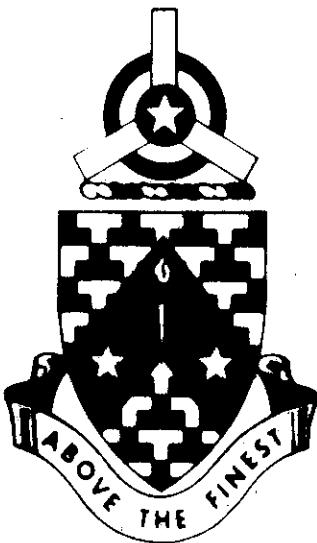


PROGRAMMED TEXT

MANAGEMENT OF PERSONAL FINANCES
Part II - Checking Accounts
WD-21/OD-13



DECEMBER 1968

UNITED STATES ARMY
PRIMARY HELICOPTER SCHOOL
FORT WOLTERS, TEXAS

PROGRAMED TEXT

PROGRAM TEXT**FILE NO.:**

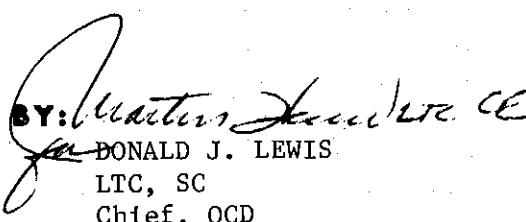
WD-21/OD-13

PROGRAM TITLEMANAGEMENT OF PERSONAL FINANCES
Part II Checking Accounts**POI SCOPE:**

Procedures for establishing and closing out a checking account and problems related to sound checking account management.

INSTRUCTOR REFERENCES:DA Cir 608-12
MF 61-9912**PREPARED BY:**CPT Duggan
Gen. Subj. Br.**DATE:**

May 1968

REVISED BY:**DATE:****APPROVED BY:**
DONALD J. LEWIS
LTC, SC
Chief, OCD**DATE:**

December 1968

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Part II Checking Accounts

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PREFACE

MANAGEMENT OF PERSONAL FINANCES Part II - Checking Accounts

If you have ever had a checking account in the past, you know it is a convenient, relatively safe and low cost way of handling your money. As a busy officer you will come to appreciate the time a checking account can save in paying bills, in addition to providing a receipt for bills paid through cancelled checks.

This programed text will teach you the fundamentals of sound management of your checking account.

Start with frame 1 and work each frame in succession. Each frame will normally ask you a question. The correct answer is printed on the top of the next frame. If you were incorrect, turn back and restudy the frame before continuing on to the next frame. When you have finished the text, complete the self evaluation exercise.

MANAGEMENT OF PERSONAL FINANCES

Part II - Checking Accounts

PERFORMANCE OBJECTIVES

Upon completion of this programmed text, you will be able to:

1. Determine the basis for establishing service charges.
2. Relate the procedures for establishing and closing out a checking account.
3. Solve typical problems related to sound checking account management to include:
 - a. Maintaining a running balance
 - b. Writing checks correctly
 - c. Writing deposit slips
 - d. Reconciling monthly bank statement
4. Relate your responsibilities concerning your checking account and the serious consequences of its mismanagement.

FRAME 1

Why should I have a checking account, you ask, particularly since I've heard there can be so many problems in keeping it balanced, and how about the trouble with the commanding officer whenever someone has a check bounce?

Let's first take a look at the advantages of having a checking account and then we'll go into the proper management of your account so you'll never have a check unknowingly dishonored by the bank.

Some of the advantages of a checking account are as follows:

1. You never have to carry around large amounts of cash.
2. Provides a record of your expenditures.
3. Cancelled checks are receipts for payment.
4. Safe, convenient method to pay bills especially through the mail.

When establishing a checking account you should realize just what your needs will be. In effect, how many checks you will write. Take into consideration how you are going to use this account. Whether you will write many checks or just a few will determine what type account is best for your purposes.

As an example, if you write 3 to 5 checks a month, an account charging a set fee (12¢) per check might be your best choice. This is normally called a special account. However, using checks instead of cash, for the advantages previously stated, may require writing many checks during a month. If your requirements include 20 to 30 or more checks per month, it would be economical to have an account charging a specified service charge per month based on the number of checks written. This is normally referred to as a regular checking account. Some banks offer NO service charge if you maintain a specified minimum balance on deposit.

Before establishing a checking account, be sure you understand the bank service charges. Some banks will charge up to 25¢ for each check written and processed. As a general rule banks will not charge on the first few checks written each month, (a specified number). Checks written over and above the number allowed, the bank will assess a set charge per month or per check. The amount of charge will normally be influenced by the cash balance maintained in your account. It is their intent to pay you or offer services to instill thrift and prevent you from being overdrawn.

TRUE or FALSE

- a. T Service charges will vary with every account.
- b. F The more checks written the less the cost, is never a true statement.
- c. T Banks may offer several accounts for various needs.
- d. T In establishing an account, personal needs and number of checks should be considered.
- e. F If you write 20 checks per month a special account is the type you should have.

ANS: a. True, b. False, c. True, d. True, e. False

FRAME 2

One of the things you will have to do to open a checking account is complete a signature card. This card is used by the bank to verify the signature on checks. Shown below is the signature card WO1 Smith completed to open a joint account with his wife.

JOINT ACCOUNT	
YOUR NATIONAL BANK, HOMETOWN, USA	
The undersigned joint depositors, hereby agree each with the other and with the above bank that all sums now on deposit heretofore or hereafter deposited by either or both of said joint depositors with said bank to their credit as such joint depositors with all accumulations thereon, are and shall be owned by them jointly, with right of survivorship and no subject to the check or receipt of either of them or the survivor of them and payment to or on the check or receipt of either of them or the survivor of them and payment to or on the check of either or the survivor shall be valid and discharge said bank from liability. Each of the undersigned appoint the other attorney, with power to deposit in said joint account moneys of the other and for that purpose to endorse any check, draft, note or other instrument payable to the order of the other or both said joint depositors. Payment to or on check of the survivor shall be subject to the laws relating to inheritance and succession taxes and all rules and regulations made pursuant thereto. The rights of authority of the bank under this agreement shall not be changed or terminated by said depositors or either of them except by written notice to said bank which shall not affect transactions heretofore made. It is agreed that the clause on the reverse side is a part of this contract.	
1 SIGNATURE	<i>George W. Smith</i> 20 Nov. 67
2 SIGNATURE	DATE

PLEASE PRINT COMPLETE NAME OF ACCOUNT

Smith, George W. and Mary L. DATE 20 Nov. 1967
FOR YOUR NATIONAL BANK, HOMETOWN, USA

In receiving items for deposit or collection, this bank acts as depositor's collecting agent and assumes no responsibility beyond the exercise of due care. All items are credited subject to final payment in cash or solvent credits. This bank will not be liable for default or negligence of its duly selected correspondents nor for losses in transit, and each correspondent so selected shall not be liable except for its own negligence. This bank or its correspondents may send items, directly or indirectly, to any bank, including the payor, and accept its draft or credit as conditional payment in lieu of cash; it may charge back any item of any time before final payment, whether returned or not, also any item drawn on this bank not good at close of business on day deposited. Unless otherwise provided herein, the relationship between this bank and depositor shall be in all things governed by the terms and provisions of the Uniform Commercial Code as adopted by the Legislature of the State of Texas and any amendments thereto.

SIGNATURE	<i>George W. Smith</i>		
OTHER PARTIES TO ACCOUNT			
RANK	WO1	SER. NO.	W17537684
ORGANIZATION	FLIGHT G-7		
ADDRESS HERE	1758 WILLOW AVE. MINERAL WELLS		
PERMANENT HOME ADDRESS	75 Shady Lane Yourtown, U.S.A.		

What has WO1 Smith failed to do to make this signature card complete?

FRAME 8

Ans: WO1 Smith's checking account records should now look like this ---

SAMPLE YOUR NATIONAL BANK

Hometown, USA 25 November 1967 NO. 2

81-999
4174

TO THE ORDER OF Sears \$ 37.50

Thirty seven and 50/100 **DOLLARS**

FOR Know Your Endorser • Require Identification

02431

SAMPLE YOUR NATIONAL BANK

Hometown, USA 29 November 1967 NO. 3

81-999
4174

Pay to the order of ABC Furniture Co. \$78.98

Seventy eight and 98/100 DOLLARS

FOR Know Your Endorser • Require Identification

George W. Smith

111302431

ANS: WO1 Smith failed to have his wife also sign the signature card.

FRAME 3

In addition to completing a signature card to open a checking account you will have to make an initial deposit before you can write checks.

Here is the deposit slip WO1 Smith made out to open his account.

DEPOSITED IN		PLEASE LIST EACH CHECK SEPARATELY	
YOUR NATIONAL BANK Hometown, U.S.A.		DOLLARS	CENTS
20 Nov. 1967		10	00
Right is reserved and the bank is authorized to forward items for collection or payment direct to the drawee or payor bank, through any other bank at its discretion, and to receive payment in drafts drawn on the drawee or other banks, and except for negligence this bank shall not be liable for dishonor of drafts so received in payment nor for losses thereon.		2	95
By <u>George W. Smith</u>		CHECKS AS FOLLOWS	
<u>1758 Willow Ave.</u>		STATE BANK, U.S.A.	100 00
<u>Mineral Wells</u>		U.S. TREASURY	87 05
		Turn carbon before listing additional checks on reverse side.	
		Total \$	200 00
Original Deposit Ticket NOT NEGOTIABLE			
Received by <u>XDC</u> ALL CHECKS CREDITED SUBJECT TO FINAL PAYMENT			

A duplicate copy of the deposit slip will always be issued at the time the deposit is received by the bank. This will be true whether the deposit is made in person or sent through the mail to a hometown bank. Having a copy of this slip is your guarantee that your account has been credited with this amount.

This deposit slip shows:

- a. all checks deposited are listed separately.
- b. the teller verified this deposit.
- c. the name of the depositor.
- d. all of the above.

SAMPLE YOUR NATIONAL BANK

Hometown, USA 2 December 1962 NO. 4

TO THE ORDER OF H. W. Smith Officers Open Mess 8.00

Eight and no/100 DOLLARS

FOR Know Your Endorser • Require Identification

1111302430

DEPOSITED IN

YOUR NATIONAL BANK

Hometown, USA

30 November 1967

Right is reserved and the bank is authorized to forward items for collection or payment direct to the drawer or payor bank or through any other bank at its direction and to receive payment in drafts drawn by the drawer or other banks, and except for negligence this bank shall not be liable for dishonor of drafts so received in payment nor for losses thereon.

PLEASE LIST EACH CHECK SEPARATELY		
CURRENCY	DOLLARS	CENTS
SILVER	<u>11</u>	<u>00</u>
CHECKS AS FOLLOWS		
<u>U.S. Treasury</u>	<u>285</u>	<u>72</u>
Turn carbon before listing additional checks on reverse side.		
Total \$ <u>297</u> <u>67</u>		

Original Deposit Ticket NOT NEGOTIABLE

Received by XDC
ALL CHECKS CREDITED SUBJECT TO FINAL PAYMENT

FRAME 9

At the end of each month the bank will send you a statement of your account showing the checks and deposits received and your service charge.

Looking at WO1 Smith's monthly statement on page 9

- What item in his check register is not shown on the bank statement?
- What item in the bank statement is not reflected in the check register?

Answer to 9a and b appear at the top of page 11.

Answer: d. all of the above.

FRAME 4

Checks vary in design format according to what you want for your personal account.

Federal law requires checks to have the bank numbers printed on the bottom of the checks so they can be handled by automatic data processing equipment at the clearing house. Some banks will also require the name or names of persons able to write checks on this account and account number printed on the check. Normally when this is required the number and your name will be printed on the checks by the bank without cost to you.

Personal checks can be purchased at the bank or through the mail with your name, rank, serial number, or other information put on the face of the check. This extra service is provided with additional cost to the normal service charge.

Printed checks displaying special information on the front are not mandatory requirements in opening or maintaining a checking account. You are not obligated to purchase these checks.

Special checks are necessary items in establishing or maintaining a personal checking account.

a. TRUE b. ✓ FALSE

STATEMENT OF ACCOUNT
YOUR NATIONAL BANK
 HOMETOWN USA

Account of: George W. Smith & Mary L. Smith
 1758 Willow Ave.
 Mineral Wells, Texas

PLEASE EXAMINE AT ONCE. IF ERROR IS FOUND NOTIFY US IMMEDIATELY. SAVE YOUR CHECKS. THEY ARE RECEIPTS.

CHECKS IN DETAIL	BALANCE BROUGHT FORWARD	DEPOSITS	DATE		BALANCE
					0.00
	\$37.50	\$200.00	20 Nov 67	\$200.00	
	\$24.37		27 Nov 67	\$162.50	
\$78.98	\$1.30 Service Charge*	\$297.67	28 Nov 67	\$138.13	
			30 Nov 67	\$355.52	

*Service Charge was compiled by the bank as follows:

Service Charge: 1.40 per month plus
 .05 each check .25
 credit per \$100.00
 per month (lowest balance)

Example: 1.40 + 3 checks (15¢) = 1.55
 .25 credit (138.13) 1.55-.25 = \$1.30
 charge for month of November

Ans: b. False

FRAME 5

Now WO1 Smith is ready to write checks on his account. Since a check is an order directing the bank to pay money from your account, it is important that you fill it out correctly.

There are six items that must be completed on each check you write:

- (1) date
- (2) number of the check (number consecutively)
- (3) payee - never leave blank or make out to "Cash".
- (4) the amount of the check in figures; example: \$21.75.
- (5) amount of the check written out; Twenty-one and 75/100 Dollars.
- (6) signature (as it is on your signature card)

SEE SAMPLE BELOW.

SAMPLE ③

YOUR NATIONAL BANK

① Hometown, USA ② 22 November 1967 ③ No. 39 ④

④ 81-999
4174

⑤ To the order of Food Chain Store ⑥ \$21.75 ⑦

⑧ Twenty one and 75/100 DOLLARS

FOR
Know Your Endorser • Require Identification ⑨

10111300024310

Enter Smith's signature in the example above as prescribed by the signature card.

Ans: a. The check to Fort Wolters Officers Open Mess for \$8.00. It was cashed after the bank made up the monthly statement.
b. The monthly service charge of \$1.30 for the checks written during November.

FRAME 10

Since the service charge has not yet been entered in his check register and all the checks he wrote are not shown by the bank, the two balances must be reconciled before WO1 Smith can compare or verify his current bank balance.

a. First he must enter and subtract the service charge from his register balance.
b. Then he subtracts any checks he has written which the bank has not processed from the bank's statement. (Conversely, he must also add any deposits mailed in to the bank that have not been credited to his account and shown in the statement).

Fill in the blanks and complete the reconciliation.

(1) WO1 Smith's register balance \$348.82
minus bank service charge \$.
current register balance \$.

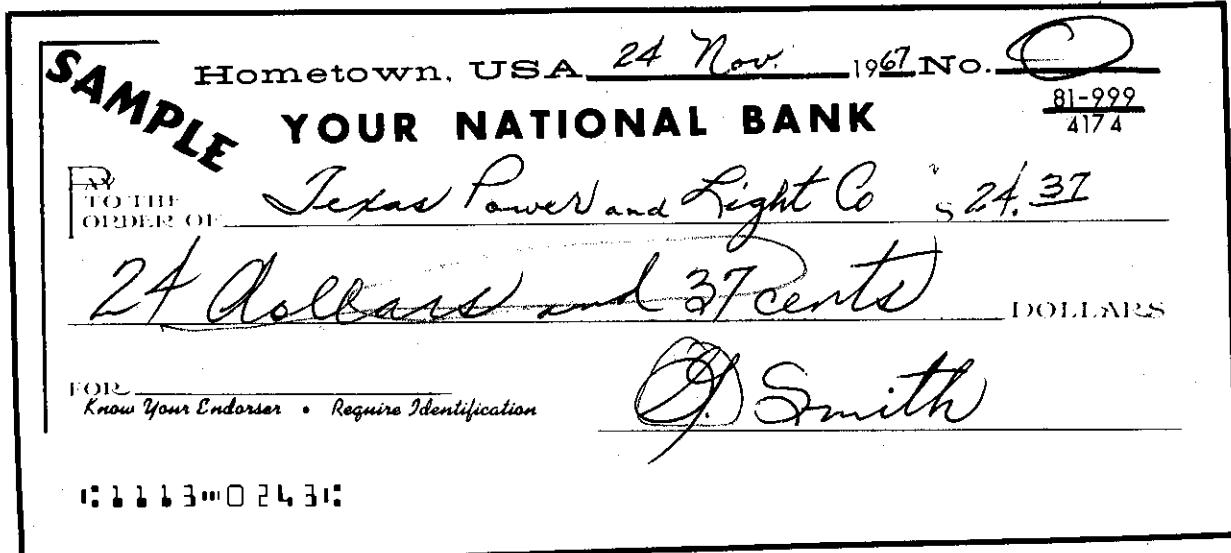
(2) Bank statement balance \$.
minus checks written, but not shown in statement. \$.
correct (verified) bank balance \$.

Does WO1 Smith's checking account balance out correctly? _____

Ans: George W. Smith

FRAME 6

WO1 Smith wrote out his first check on 24 Nov 67 to Texas Power and Light Co. to pay for his electric bill.



What errors in writing this check has WO Smith made?

- a. One
- b. Two
- c. Three
- d. none

List any discrepancies below.

Ans:

(1)	register balance	\$348.82
	bank service charge	1.30
	current register balance	\$347.52
(2)	Bank statement balance	\$395.52
	checks not shown in statement	8.00
	correct (verified) bank balance	\$347.52

These two figures agree, therefore WO1 Smith knows his check register balance is correct. Here is how he has entered the bank service charge for November in his register.

CHECK NO.	DATE	CHECK ISSUED TO	AMOUNT OF CHECK	✓	DATE OF DEP.	AMOUNT OF DEPOSIT	BALANCE	
1	24 NOV	Texas Power and Light	24.37		20 NOV	200.00	200.00	
2	25 Nov	Sears	37.50				175.63	
3	24 Nov	ABC Furniture Co.	78.98				138.13	
4	2 DEC	Ft Wolters Caff. Open Mess	8.00		30 NOV	297.67	356.82	
		Nov. Service Charge	1.30				348.82	
							347.52	

FRAME 11

WO1 Smith is being transferred to Fort Rucker and is closing out his checking account here in Mineral Wells. After informing the bank, he insured that all the checks he had written had been cleared thru his bank account. He knew they would have because he stopped writing checks ahead of time to give them time to process through the bank. Many times this process can take a week or more.

WO1 Smith also went to the finance office prior to the 5th of the month and had them stop sending his monthly check to the bank. If he notified them after the 5th his change of address would not take effect until the following month.

Lastly, as he closed out his account down at the bank, he left them a forwarding address just in case any problems arose with his account.

Ans: c. three errors. Check was not numbered; amount was not written out correctly; it should read \$ Twenty four and 37/100 Dollars; WO1 Smith did not sign his name in full as shown on his signature card.

FRAME 7

To keep a running account of your bank balance as you write checks, you are provided a check register. This is WO1 Smith's register after he wrote his first check -

FRAME 12

Much has been said about "bad checks", but it all boils down to the plain and simple fact that when you sign a check, you put your reputation and good name as an officer on the line if the check is dishonored by the bank for insufficient funds. The fact that you thought you had enough money to cover the check or made a simple error in calculating your balance is no excuse. It will still reflect on your ability to properly manage your personal affairs.

Here is an important point to remember if you have a joint account with your wife. Even though only one of you has to sign the check, both parties are held responsible for any "bad checks". So be sure your wife follows the procedures outlined in this text to insure that your checking account is always balanced and keep it as a useful tool in sound personal management.

CONTINUE TO THE SELF EVALUATION EXERCISE

FRAME 8

WO1 Smith makes the following transactions with his checking account. Complete the blank checks, deposit slip and balance his check register.

- a. On 25 Nov 67 he writes a check to Sears for \$37.50.
- b. He writes a check for \$78.98 to the ABC Furniture Company on 29 Nov 67.
- c. On 30 Nov 67 he deposits his U.S. Treasury pay check for \$285.72 and \$11.95 cash.
- d. On 2 Dec 67 he pays his officer club dues of \$8.00.

SAMPLE

Hometown, USA 25 NOV 1967 NO. 2
81-999
4174

YOUR NATIONAL BANK

Pay to the order of Sears \$ 37.50
Thirty seven dollars and ~~75~~ 50 100 DOLLARS

FOR Know Your Endorser • Require Identification Harry Smith

111302430

SAMPLE

Hometown, USA 29 NOV 1967 NO. 3
81-999
4174

YOUR NATIONAL BANK

Pay to the order of ABC Furniture Co \$ 78.89
Seventy - eight and ~~88~~ 89 100 DOLLARS

FOR Know Your Endorser • Require Identification Harry Smith

111302430

Additional blank
forms on page 3.

RETURN TO PAGE 3 FRAME 8 CON'T

SELF EVALUATION EXERCISE
FINANCIAL BENEFITS AND MANAGEMENT
Part II - Checking Accounts

1. What verification prevents being overdrawn when you write checks on money (or a check) that is mailed to your bank?
 - a. A receipt from the sender
 - b. Deposit slip returned from the bank
 - c. Pay voucher showing that the check was mailed to your bank
 - d. The deposit entered in your check register
2. Checks written on a joint account must be signed by both the husband and wife.
 - a. True
 - b. False
3. Before closing out a checking account you should:
 - a. Inform the bank of your intention.
 - b. Insure all checks you have written have been cleared through your bank.
 - c. Inform the finance office if your check is sent to the bank each month.
 - d. All of the above
4. WO1 Blake and his wife have a joint checking account. Mrs. Blake cashes a fifty dollar check at the PX that is returned marked "Insufficient Funds". Who can be held responsible for making this check good?
 - a. Only Mrs. Blake, who wrote the check
 - b. Both WO1 Blake and Mrs. Blake
 - c. WO1 Blake only
 - d. Neither are responsible
5. Deposit slips should show the amount of currency, silver (coins), checks (listed separately) and the total amount of money being deposited.
 - a. True
 - b. False

6. In reconciling your bank balance, checks written but not included in the bank statement must be _____ to get a correct bank balance.

a. Added to the register balance
b. Subtracted from the bank balance
c. Subtracted from the register balance
d. None of the above are the correct procedure.

7. Which one of the following dollar amounts is correctly written out on the check for \$21.75?

a. 21 Dollars and 75 cents	Dollars
b. Twenty one 75/100	Dollars
c. Twenty one dollars and 75 cents	Dollars
d. Twenty one and 75/100	Dollars

8. In establishing a checking account what two steps are initially required?

a. Deposit money - write checks
b. Signature card - initial deposit
c. Bank statement - signature card
d. Signature card - initial checks

9. Service charges for your account will appear on your monthly bank statement. In reconciling your account you should

a. subtract this charge from the bank statement.
b. add this charge to your check register balance.
c. subtract this charge from the register balance.
d. ignore this figure as the bank has already added it to the monthly statement balance.

10. Service charges are determined by (SELECT CORRECT CHOICE(S))

a. type of checking account
b. number of checks written
c. minimum balance or specified balance maintained.

FINANCIAL BENEFITS AND MANAGEMENT

Part II. Checking Accounts

ANSWERS TO CRITERION TEST

1. b
2. b *cut out*
3. d
4. b
5. a
6. b
7. d
8. b
9. c
10. a, b and c