

Protocol for Issues Involving Outstanding Prior Year Checks

Situation:

A check from a Prior Year has not cleared the cash account (lost, destroyed, etc.) and must be replaced or written-off.

Solution:

Do not void the prior year check. Voiding prior year checks will alter cash and expense accounts for a closed period. Rather:

If the check will be reissued:

Do a Journal entry for the date of the reissue:

DR (Debit) Cash / CR (Credit) Suspense (or some other holding account)

Reissue the new check:

DR (Debit) Suspense (or whatever holding account you used) / CR (Credit) Cash

During the next Bank Reconciliation, clear BOTH the old check and the Journal Entry.

Clear the new (reissued) check when it actually clears.

If the check will not be reissued:

Using the next month-end date this fiscal year, do a Journal Entry:

DR (Debit) Cash / CR (Credit) Miscellaneous (Earned) Income

Clear BOTH the old check and the Journal Entry during the next bank reconciliation.

Please note that if the check was for a material amount, you may need to consult your accountant for further instruction.

From now on:

- Review outstanding checks during each bank reconciliation process.
- Set a time threshold for “aging” them, preferably no longer than 90 days.
- Investigate the status of each “aged” check.
- Reissue or void-by-journal entry per above as circumstances indicate.