

CONSUMER MATHEMATICS 4

FAMILY FINANCES II

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II. BANKING

OBJECTIVES

Read these objectives. When you have completed this section, you will be able:

7. To write a check.
8. To keep a record for a checking account.
9. To balance a bank statement.
10. To calculate simple and compound interest on a savings account.
11. To calculate interest on a loan.
12. To list various other services provided by a bank.

Do you have any dealings with a bank? If not, you certainly will soon because much of the commerce in the United States is handled by, and based on, the banking system. Banks are service institutions, set up to render both to businesses and to individuals certain services that they need. We shall discuss several of these services in two classifications: services offered by the bank for you to use your money and services offered by the bank for you to use the bank's money. Other types of bank services will also be presented.

YOUR MONEY

The two most common services offered by banks to help you use your money are checking accounts and savings accounts. Checking accounts enable you to write checks for money you have in the bank; savings accounts enable you to earn interest on money you have in the bank.

CHECKING ACCOUNTS

One of the most common and useful services of a bank is a checking account. A checking account operates very simply. You put your money in the bank. When you wish to use some of your money, you write a check. This check tells the bank to take money from your account and pay it to the person who holds the check. The bank keeps track of how much money you have left in your account and sends you a statement each month.

A charge is usually made for this service; however, some banks offer free checking accounts, and others do not charge if the minimum balance in the account does not fall below a certain amount.

CITY BANK
MAIN AND CENTRAL OFFICE
PHOENIX, ARIZONA

1 → 2001
2-631
710

1 → 20

2 → PAY TO THE ORDER OF

3 → \$

3 → DOLLARS

5 → MEMO

7 →

4 →

0631 9088

000000775

Figure 6



Figure 6 shows a typical check. Note several features of the check.

1. The check has a place for the date to be written in.
2. The words "Pay to the order of" are followed by a blank, on which is written the name of the person or firm to whom the check is to be paid.
3. The amount of the check is written in numbers on one blank and in words on another blank. This duplication is to prevent anyone from changing the amount of the check. Both of these entries should be started at the extreme left of the blank space provided.
4. The check has a place for your signature. The check is not valid unless it is signed by the owner of the account.


5. The check has a place to write in any memos or comments, such as your bill number or the purpose of the check.
6. The check is numbered so that you can keep track of it.
7. Some oddly-shaped numbers are along the bottom of the check. These numbers are to be read by a computer. Almost all banks now handle checking accounts with a computer. The numbers tell the computer your account number, the identification number of your bank, and the amount of the check.

Using the check in Figure 6 as an example, complete the following checks. Use today's date, and sign the checks with your own signature.

- 2.1 Make check #1456 payable to Grand Avenue Food Market. Make it for \$37.50.

 <p>CITY BANK MAIN AND CENTRAL OFFICE PHOENIX, ARIZONA</p>	<div style="float: right; text-align: left;"> 1456 <u>2-631</u> 710 </div> <div style="clear: both;"></div>
<p>  PAY TO THE ORDER OF </p>	<p>_____ 20 _____</p> <p style="text-align: center;">\$ _____</p> <p style="text-align: right;">_____ DOLLARS</p>
<p>MEMO _____</p>	
<div style="display: flex; justify-content: space-between;"> ⑆10⑉0631⑆ ⑉0631⑉9088⑉⑆ ⑆00003750⑆ </div>	

- 2.2 Make check #1457 payable to Glendale Community Church.
Make it for \$47.98. In the memo, write "tithe."

 <p>CITY BANK MAIN AND CENTRAL OFFICE PHOENIX, ARIZONA</p>	<p style="font-size: 1.5em;">1457</p> <p style="text-align: center;">2-631 710</p>	<p>_____ 20 _____</p>
<p> P AY TO THE ORDER OF \$ </p> <p style="text-align: right; margin-top: 10px;">_____ DOLLARS</p>		
<p>MEMO _____</p>		
<p> ⑆710⑉0631⑆ ⑉0631⑉9088⑉ ⑆00004798⑆ </p>		

Every time you write a check, you must record how much money you have left in your account so that you will not overdraw your account. To write a check that you do not have money in the bank to cover is illegal. For this reason you must keep careful records of the checks you write. Your bank will provide you with a record book. When you make a deposit, you write it in your record book and *add* the amount to your account. When you write a check, you write it in your record book and *subtract* it from your account. A typical record book is shown in Figure 7.

CHECK NO.	DATE	CHECKS ISSUED TO OR DESCRIPTION OF DEPOSIT	AMOUNT OF CHECK		AMOUNT OF DEPOSIT		BALANCE FORWARD	
							6 75	32
1042	12/18	To <i>Lucky's</i>	13	24			Check or Dep.	73 24
		For <i>food</i>					Bal.	602 08
	12/20	To <i>DEPOSIT</i>			434	00	Check or Dep.	434 00
		For <i>PAYCHECK</i>					Bal.	1036 08
1043	12/22	To <i>Kinney's</i>	27	58			Check or Dep.	27 58
		For <i>shoes</i>					Bal.	1008 50
		To					Check or Dep.	
		For					Bal.	
		To					Check or Dep.	
		For					Bal.	
		To					Check or Dep.	
		For					Bal.	

Figure 7

On the following checking account record, enter the figures and add or subtract them to keep the running total correct.

2.3 The balance forward is \$358.27.

- a. Check #3427 for \$23.42 to Adam's Meat Market for food
- b. Check #3428 for \$14.95 to West High School for books and supplies
- c. Deposit of \$276.50, a paycheck
- d. Check #3429 for \$219.93 to Saguaro Mortgage Company for house payment
- e. Check #3430 for \$76.84 to Alamo Power and Light for last month's electricity

CHECK NO.	DATE	CHECKS ISSUED TO OR DESCRIPTION OF DEPOSIT	AMOUNT OF CHECK		AMOUNT OF DEPOSIT		BALANCE FORWARD	
							Check or Dep.	Bal.
		To						
		For						
		To						
		For						
		To						
		For						
		To						
		For						
		To						
		For						
		To						
		For						
		To						
		For						

At the end of each month, the bank sends you a statement of the activity in your checking account. The bank also sends you all of the checks that they have paid for you during the month. These checks are marked *PAID*, and are called *cancelled* checks. You should always save all your cancelled checks, because they can serve as proof of payment if a question ever arises about whether you have paid a certain bill.