



Protocol for Issues Involving Prior Period Checks

Situation:

A check from a Prior Year (or prior period) has not cleared the cash account (lost, destroyed, etc.).

Solution:

Do not void the prior year check. Voiding prior period checks will alter cash and expense accounts for a closed period and change reconciled balances. 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 or cannot be reissued:

In some jurisdictions abandoned property rules (also known as escheat rules) apply regarding the disposition of uncashed checks. Please consult your accountant for further instruction before writing off aged uncashed checks.

If the check can be written off, for example, if the payee agrees* to donate back the amount of the check, using the next month-end date this fiscal year, do a Journal Entry:

DR (Debit) Cash / CR (Credit) the appropriate Contributed Revenue account.

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

*Obtain and save documentation of this agreement.

From now on:

- Review outstanding checks during each bank reconciliation process.
- Set a time threshold for “aging” them, preferably no longer than 60 days.
- Investigate the status of each “aged” check.
- Reissue or void-by-journal entry per above as circumstances indicate.