Bank reconciliation

# ACTIVITY 4.1

You are provided with information relating to Cravenby Traders

# REQUIRED:

1. Refer to information B. The bookkeeper has decided to write off the amount of R40 000.
   * Which GAAP principle will the bookkeeper apply in this case? Briefly explain this principle.
   * The bookkeeper wants to prevent a problem such as this in future. Give TWO solutions to improve internal control in this regard.
2. Prepare the Bank reconciliation statement on 31 May 2012.

# INFORMATION:

1. The following were identified in the books of the business and the Bank Statements:

|  |  |  |
| --- | --- | --- |
|  | **30 April 2012** | **31 May 2012** |
| Bank account in Ledger | R12 720 | ? |
| Bank Statement | R24 700 | R19 310 (overdraft) |

1. Items appearing in the Bank Reconciliation Statement on 30 April 2012:
   * A deposit of R40 000 dated 2 April 2012, does not appear on any Bank Statement. This money cannot be traced, and the cashier has disappeared.
   * Cheque no. 962, for R2 340, dated 10 April 2012, appeared on the Bank Statement on 2 May 2012.
   * Cheque no.967, for R4 790, dated 20 April 2012, has still not been presented at the bank by the payee, S Smith.
2. The Bank statement for Mya, reflected bank charges, R1 850 and interest on an overdraft, R920.
3. Items appearing in the Cash journals but not in the Bank statement:
   * Cheque no. 1122 for R4 650, dated 18 May 2012
   * Cheque no. 11 29 for R8 540, dated 25 August 2012
   * A deposit of R11 550, dated 31 May 2012
4. The bank overcharged on the bank charges for May by R960. The bank has agreed to correct the error during June 2012.

# ACTIVITY 4.2

The following information was extracted from the accounting records of Retief and Ravy Stores on 28 February 2015. Their financial year ends on 28 February 2015. Retief and Ravy Stores have their current banking account at CAPITIK Bank.

# REQUIRED:

Study TABLE A and TABLE B. Match the entry in TABLE a with the explanation in TABLE B.

# INFORMATION:

**TABLE A**

|  |  |  |  |
| --- | --- | --- | --- |
| **BANK RECONCILIATION STATEMENT AS AT 28 FEBRUARY 2015** | | | |
| **No** | **ENTRY** | **Debit** | **Credit** |
| **A** | Debit Balance as per Bank Statement | 4 000 |  |
| **B** | Outstanding deposit – 28 Feb 2015 |  | 15 000 |
| **C** | Outstanding deposit – 10 Feb 2015 |  | 9 500 |
|  | Outstanding cheques |  |  |
| **D** | No. 20 ( 10 August 2014) | 2 000 |  |
| **E** | No. 200 (6 January 2015) | 3 000 |  |
| **F** | No. 291 (21 February 2015) | 1 000 |  |
| **G** | No. 200 ( 4 June 2015) | 7 000 |  |
| **H** | Amount wrongly credited | 5 000 |  |
| **I** | Amount wrongly debited |  | 2 500 |
| **J** | Cancel bank charges wrongly debited |  | 500 |
| **K** | Debit Balance as per Bank account | 5 500 |  |
|  |  | 27500 | 27 500 |

**TABLE B**

|  |  |
| --- | --- |
| **No.** | **TREATMENT OR EXPLANATION** |
| **1** | This balance indicates a favourable balance. |
| **2** | This balance indicates an unfavourable balance. |
| **3** | CAPITIK Bank recorded another client’s deposit in the account of RETIEF AND RAVY STORES in error. |
| **4** | This cheque appeared in the CPJ for January 2015 and not yet presented for payment. |
| **5** | The auditor could be concerned about this entry and could expect fraud or possible rolling of cash. |
| **6** | This entry indicates a stale cheque and should be cancelled in the CRJ and should not be recorded in the Bank reconciliation statement for February 2015. |
| **7** | RETIEF AND RAVY STORES was charged with cost in error and will be reversed by CAPITIK Bank. |
| **8** | This amount will be recorded in the financial statements where the amount will be added to Trade Creditors and to the Bank amount. |
| **9** | CAPITIK Bank recorded another client’s cheque in the account of RETIEF AND RAVY STORES in error. |

|  |  |
| --- | --- |
| **10** | This cheque was recorded in the CPJ for February 2015 but does not appear in the Bank statement received from CAPITIK Bank. |

**ACTIVITY 4.3**

You are provided with information relating to Ace Traders for September 2011.

# REQUIRED:

1. Calculate the correct bank balance of Ace Traders on 30 September 2011, using figures that should be entered in the Cash journals. Show ALL workings.
2. Use the information below to prepare the Bank Reconciliation Statement of Ace Traders on 30 September 2011.
3. Refer to the outstanding deposit of R43 000, dated 11 September 2011. Why should the internal auditor be concerned? State TWO points.

# INFORMATION ON 30 SEPTEMBER 2011:

**Balances prior to doing the bank reconciliation:**

|  |  |  |
| --- | --- | --- |
| Balance of the Bank Account in the Ledger on 30 September  2011 | R60 000 | Favourable |
| Balance per Bank Statement on 30 September 2011 | R17 600 | Favourable |
| Difference | R42 400 |  |
|  |  |  |

**Individual differences noticed between the books of Ace Traders and Bank Statement for September 2011.**

|  |  |  |
| --- | --- | --- |
|  | **DETAILS** | **AMOUNT** |
| 1. | Cheque No. 657, dated 2 March 2011, still not reflected in Bank Statement | R2 000 |
| 2. | Deposit, dated 11 September 2011, not reflected in Bank Statement | R43 000 |
| 3. | Dishonoured cheque, originally received from a debtor on 15 September 2011, reflected in Bank Statement but not in Journals | R9 500 |
| 4. | Cheque No. 931, dated 18 September 2011, not reflected in Bank Statement | R4 800 |
| 5. | Cheque No. 936, dated 30 October 2011, not reflected in Bank Statement | R10 200 |
| 6. | Deposit, dated 28 September 2011, not reflected in Bank Statement | R5 700 |

|  |  |  |
| --- | --- | --- |
| 7. | Bank charges in Bank Statement, but not in Journals | R1 200 |

**ACTIVITY 4.4**

You are provided with information from the accounting records of GATO Stores. Their financial year ends on 30 June 2008.

# REQUIRED:

1. Use the information provided to show the reconciliation by completing the table below. Start with the provisional balances and end with the reconciled balance as per bank account. No details are required.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Balances and  Transactions | Bank | | Bank Reconciliation | | No entry |
| Dr | Cr | Dr | Cr |
| Provisional  Balances |  |  |  |  |  |
| 3.1 |  |  |  |  |  |
| 3.2 |  |  |  |  |  |
| 3.3 |  |  |  |  |  |
| 3.4. |  |  |  |  |  |
| 3.5 |  |  |  |  |  |
| 3.6 |  |  |  |  |  |
| 3.7 |  |  |  |  |  |
| 3.8 |  |  |  |  |  |
| 3.9 |  |  |  |  |  |
| 3.10 |  |  |  |  |  |
| 3.11 |  |  |  |  |  |
| 3.12 |  |  |  |  |  |
| 3.13 |  |  |  |  |  |
| Totals |  |  |  |  |  |
| Reconciled  balances |  |  |  |  |  |

1. Calculate the amount that you would reflect in the financial statements in respect of Bank and Creditors control.
2. Explain the procedure that the clerk was supposed to follow in respect of post-dated chewie received at point 3.12.

# INFORMATION:

1. Bank Reconciliation Statement on 31 May 2008.

|  |  |
| --- | --- |
| Balance as per bank statement | R3 000 (debit) |
| Outstanding deposit | R1 000 |
| Outstanding cheques: |  |
| No. 101 | R250 |
| No. 110 | R300 |
| No. 113 | R320 |
| No. 130 | R130 |
| Balance according to bank account | ? |

1. Additional information
   1. The bank statement showed a favourable balance on 30 June 2008 of R4 170.
   2. Provisional totals in the cash journals on 30 June 2008:
      * Cash Receipt Journal, R25 580
      * Cash Payment Journal, R18 580
   3. Creditors control balance on 30 June 2008, R12 400
2. A comparison of the bank statement for June 2008 with the bank reconciliation statement on 31 May 2008 and the Cash Journals for June 2008, the following differences were discovered;
   1. A deposit of R1 000 appeared in the bank statement on 1 June 2008 and not in the June cash journals.
   2. Cheque 101 was lost in the mail and must be cancelled. It was replaced by cheque 175 in favour of Penny Suppliers for merchandise.
   3. Cheque 110 was paid to Marketing World on 28 December 2007, but the campaign never took place.
   4. Cheque 113 to Midas for repairs was corrected on the bank statement of June 2008 as R230.
   5. Cheque 130 together with the following cheque do not appear on the bank statement of June 2008:
      * 168 in favour of Vooma Garage, R110, dated 27 June 2008.
      * 174 in favour of Ramos Suppliers, a creditor, R890, dated 15 July 2008.
   6. The bank debited the bank statement of June 2008 with cash handling fees of R30 and interest on bank overdraft, R170.
   7. A debit order for the insurance premium appears on the bank statement in favour of Prima Insurers for R800.
   8. The bank statement has a deposit of R1 000 in 1 June 2008 for rent received from Berg Furnitures which does not appear in the cash journals of June 2008.
   9. A deposit of R1 300 appears in the Cash Receipts Journal but not in the bank statement.
   10. An amount of R700 was deposited directly into the bank account of GATO Stores by J Crous, a debtor, in settlement of his account of R720.
   11. The bank statement shows a debit of R440 which is a cheque of a debtor, J Johnson, rejected by the bank as “Refer to drawer” for insufficient funds. This was in settlement of an account of R450.
   12. A cheque of G. Gardner (a debtor) for R560 was returned by the bank as “Post- dated”.
   13. The owner of GATO Stores applied to increase the bank overdraft from R5 000 to R10 000. The bank manager approved the request.

# ACTIVITY REQUIRED:

Read the scenario and answer the questions that follow:

Mr Nel is the financial manager of Tsebo Traders (owner Sam Tsebo) for the past ten years. Mr. Tsebo went on a business trip overseas four months ago. Before leaving he gave Mr. Nel the authority to handle and control the business in his absence. They arranged with the bank that Nr. Nel has the authority to sign all the cheques. Three months ago, Mr. Nel transferred R20 000 per month for three months via the internet to his personal bank account. Mr. Nel also wrote out cheques to the value of R30 000 for his personal use. When Sam returned from overseas he could not understand why the business has cash flow problems. He called the internal auditor to investigate the matter. The internal auditor has found out what Mr. Nel has done. Sam laid a charge against Mr. Nel for “White collar crime” and “Tax evasion”.

# QUESTIONS:

1. Briefly explain the term “Internal Control”.
2. Do you think Sam uses internal control” correctly in this situation? Briefly explain.
3. What disciplinary steps must Sam take against Mr. Nel?
4. Give TWO advantages of internet banking.
5. Explain what is meant by “White collar crime”.
6. Explain the difference between tax avoidance and tax evasion.

# ACTIVITY 4.5

The information below was taken form the accounting records of Yata Traders.

# REQUIRED:

1. Calculate the correct balance of the Bank Account on 28 February 2018.
2. Prepare the Bank reconciliation Statement on 28 February 2018.
3. **Refer to information A.** The owner asked the bookkeeper, Ray Duncan, why the deposit of R2 050 was not yet deposited. Ray said that she was very busy at that time and could

not deposit the money. She kept it in her drawer and forgot about it. She brought it to the owner and said that she will deposit it as soon as possible.

What control measures can the owner put in place to avoid this situation in the future? Provide TWO measures.

1. **Refer to information D.** When the financial statements will be dawn up on 28 February 2018, an adjustment has to be made for cheque no. 1010 where R780 has to be added to Bank and to Trade and other Payables. Explain why this adjustment must be made and why the R780 must be added to Trade and other Payables.

# INFORMATION:

1. Extract of the Bank Reconciliation Statement on 30 January 2018.

|  |  |
| --- | --- |
| Outstanding cheques: |  |
| No. 878 | R540 |
| No. 886 | R1 430 |
| No. 912 | R1 950 |
| No. 928 | R500 |
| Outstanding deposits: |  |
| 23 December 2017 | R2 050 |
| 31 January 2018 | R1 800 |

* + Cheque no. 878 was issued on 18 August 2017 for stationery.
  + Cheques no 886 and 912 were reflected on the Bank Statement for February 2018.

1. The debit balance of the Bank Account in the General Ledger on 31 January 2018 was R12 500.
2. Provisional totals
   * CRJ: Total R34 360
   * CPJ Total R37 480
3. Items reflected in the journals for February 2018, but not on the Bank Statement:
   * A deposit made by Yata Traders on 31 January 2018, R3 400.
   * The following cheques: No 987 for R2 700

No 1010 for R780, dated 4 March 2018

No 1013 for R1 400

**Note:** Cheque no 995 was issued for trading stock purchased. The amount was recorded as R790 in the Cash journals, but the correct amount of R970 is reflected in the Bank Statement.

1. Items on the February Bank statement, but not in the Cash journals:
   * A deposit of R1 80 on 11 February 2018.
   * Bank charges, R780
   * Interest favourable balance, R250
   * A dishonoured cheque originally received from a debtor, R1 750.
   * The tenant made an electronic transfer for the monthly rent, R2 500.
   * A debit order for instalment of the owner’s vehicle, R3 100
2. The bank statement reflected a favourable balance on 28 February 2018.

Activity 1 EC 2019

You are provided with information relating to Simms Traders for July 2019.

# REQUIRED:

1. Calculate the correct totals for the cash Receipts Journal and the Cash Payments Journal for July 2019.
2. Prepare the Bank Reconciliation Statement on 31 July 2019.
3. Explain how cheque No.908 should be treated when preparing the financial statements on 31 July 2019, the end of the financial year.
4. The bookkeeper has decided to write off the amount of R50 000.
   1. Identify the GAAP principle applied by the bookkeeper.
   2. Provide TWO suggestions on how a similar problem can be prevented in the future.
5. Indicate whether the following statements are TRUE or FALSE.
   1. A cheque that is more than six months old will not be cashed by the bank because it is a stale cheque.
   2. Service fees and interest on bank overdraft will be recorded as bank charges in the Cash Payments Journal.
   3. A debit balance on the bank statement reflects an unfavourable balance.
   4. An internal auditor should inspect the bank reconciliation statement at the end of each month.

# INFORMATION:

1. **Bank Reconciliation statement on 30 June 2019**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Balance as per Bank Statement | 19 310 |  |
| Outstanding deposit (10 May 2019) |  | 50 000 |
| Outstanding cheques: |  |  |
| No. 892 (1 January 2019) | 12 340 |  |
| No 897 (22 June 2019) | 8 700 |  |
| Balance as per Bank Account | 9 650 |  |
|  | 50 000 | 50 000 |

1. Before receiving the July 2019 Bank Statement, the following provisional totals appeared in the Cash Journals for July 2019:
   * CRJ - R127 670
   * CPJ – R68 900
2. The Bank Statement for July 2019 reflected the following:
   * Bank charges – R1 300
   * Interest on overdraft – R920
   * Debit order for insurance – R600
   * Direct deposit of R1 800 for rent from a tenant.
3. Cheque No. 892 was issued as a donation. It was not cashed.
4. Cheque No. 897 did not appear in the July 2019 bank statement.
5. The outstanding deposit (10 May 2019) cannot be traced and the cashier at that time has since disappeared. It was decided to write off this amount,
6. A cheque received from Redman Trades dated 25 November 2019 for R15 000 was not recorded in the July 2019 Cash Receipts Journal. It was also not deposited during July.
7. The following items appear in the July 2019 Cash Journals but not on the July Bank Statement:
   * A deposit of R18 000. Dated 27 July 2019.
   * Cheque No. 905, dated 31 July 2019.
   * Cheque No. 908, R3 100, dated 15 December 2019 was issued to a creditor D. Hart for supplying goods.
8. The Bank Statement on 31 July 2019 reflects a credit balance of R44 040.

Activity 2 FS 2019

The following information relates to Rhoda Stores for May 2019

# REQUIRED:

1. Calculate the correct Bank account balance on 31 May 2019.
2. Explain why cheque No. 498 must be reversed in the Cash Receipts Journal.
3. An investigation revealed that the deposit of R5 000 was missing. Since this amount could not be recovered, it was decided that it could be written off.
   1. Identify and explain the GAAP principle which will be applied in this case.
   2. Provide ONE internal control measure that Rhoda can use to prevent such a loss in future.

# INFORMATION:

1. Extract from the Bank Reconciliation statement on 30 April 2019:

|  |  |
| --- | --- |
| Outstanding deposits: 18 April 2019 | R36 640 |
| 29 April 2019 | R25 678 |
| Outstanding cheques: |  |
| No. 498 dated 26 November 2018 | R2 740 |
| No. 934 dated 23 April 2019 | R7 733 |

|  |  |
| --- | --- |
| No. 989 dated 25 May 2019 | R6 480 |
| No. 1010 dated 15 June 2019 | R17 800 |
| Favourable balance as per bank account | R22 270 |

# Note:

* + The outstanding deposit of R36 640 appeared on the May 2019 bank statement.
  + The outstanding deposit of R25 678 on the Bank Reconciliation Statement was correctly reflected as R20 678 in the May Bank Statement. R5 000 was missing.
  + Cheque no. 934 for R7 733 appeared on the Bank Statement for May 2019.
  + The Bank Statement reflected cheque no. 989 correctly as R4 680. This was incorrectly recorded in the relevant Cash Journal.

1. The following information on the May 2019 Bank Statement did not appear in the May 2019 Cash journals:

|  |  |
| --- | --- |
| **DETAILS** | **AMOUNT** |
| Debit order for water and electricity | R3 260 |
| Unpaid cheque – C Crook (debtor) | R5 100 |
| Bank Charges | R635 |

Activity 3 KZN 2019

You are provided with information from Glenwood Traders on 30 June 2019.

# REQUIRED:

1. Prepare the Bank Reconciliation Statement on 30 June 2019.

# INFORMATION:

* 1. Extract from the bank reconciliation statement on 30 May 2019.

|  |  |
| --- | --- |
| Outstanding deposits: dated 10 May 2019 | 25 000 |
| Dated 25 May 2019 | 15 000 |
| Outstanding cheques :402 dated 1 November 2018 | 5 200 |
| 614 dated 11 June 2019 | 1 800 |
| 621 dated 25 July 2019 | 3 200 |

* 1. The outstanding deposit of R15 000 appeared on the Bank statement on 28 June 2019.
  2. The outstanding deposit of R25 000 did not appear on the bank statement for June 2019. An investigation revealed that this money was never deposited. The cashier has left the country and cannot be traced.
  3. Cheque 614, R1 800 was presented for payment.
  4. An unknown debit entry of R8 000 was illegally taken from Glenwood Traders bank account. The bank will reverse this amount in the next bank statement.
  5. Cheque No. 810 for Trading stock purchased from City Traders was recorded as R1 260 in the CPJ for June 2019. The bank statement or June 2019 reflected the correct amount of R1 620.
  6. Cheque No. 821 for R600 issued to Super Stores in Settlement of an account appears neither in the CPJ nor in the bank statement for June 2019.
  7. Cheque No. 910 for R2 400 was issued to Chats Suppliers in part payment of the account. The cheque was lost by Chats Suppliers and payment on the cheque was stopped. Cheque No. 910 was replaced with cheque No. 937 on 30 June 2019. No entries were made.
  8. The deposit of R8 000 made on 30 June 2019, does not appear on the bank statement.
  9. Bank statement reflects a favourable balance of R11 300 on 30 June 2019.
  10. After taking all the above information into account the bank account in general ledger of Glenwood Traders on 30 June 2019, reflected a balance of R?

Activity 4