

Monyetla Project – Accounting Gr 11

Lesson 1: Reconciliation

EXAMPLE 1: KIMBERLEY TRADERS

Bank Reconciliation

KIMBERLEY TRADERS

The following information was extracted from the accounting records of Kimberley Traders on 31 August 2014.

Instructions:

1. Complete the Cash Journals for August 2014.
2. Post to the Bank account in the General Ledger. Close off the account properly.
3. Prepare the Bank Reconciliation Statement on 31 August 2014.

Information:

1. **Bank Reconciliation Statement on 31 July 2014**

Favourable balance as per Bank Statement		R8 910
Credit outstanding deposit		4 240
Debit outstanding cheques		
No 201	R1 900	
214	2 700	
219	5 550	
Balance as per Bank account	?	

2. The following totals appeared in the Cash Journals prior to receiving the August Bank Statement:
CRJ: R54 320
CPJ: R61 290
3. A comparison of the August Bank statement, received from Grey Bank with both the Bank Reconciliation statement of July 2014 and the Cash journals for August 2014 revealed the following differences:
4. Entries on the August Bank statement which did not appear in the August Cash Journals:
 - Cheque no 214 for R2 700.
 - Deposit of R4 240 recorded on 1 August.
 - A deposit of R290 made on 25 August 2014 by a debtor, C Krige, in settlement of his account of R320.
 - Unpaid cheque for R1 370 marked R/D with the comments "insufficient funds". This cheque was received from our tenant, E Gareth.
 - A debit order of R230 in favour of AA Insurance Company to pay the personal insurance of the owner.

- A credit of R100 made by Grey Bank being monthly interest on the fixed deposit.
- The following charges made by Grey Bank:
 - Government levy on debit entries, R15
 - Interest on bank overdraft, R140
 - Cash handling fees, R30
 - Service fees, R145

5. Entries in the August Cash journals which did not appear in the August Bank statement:

- A deposit of R10 760 made on 31 August 2014.
- The following cheques which were issued:
 - No 341 (dated 14 September 2014) for R5 120
 - No 349 (dated 29 August 2014) for R890

6. **Additional information:**

- An investigation revealed that cheque no 306 for R5 930, issued in favour of creditor P Paulse in part payment of account, was incorrectly recorded as R5 390 in the CPJ.
- Cheque no 201 for R1 900 was issued to Operation Hunger as a donation. The cheque was lost in the post and must be cancelled. On 31 August 2014 a new cheque, no 353 for R2 500 was issued in favour of Operation Hunger as a donation.
- An investigation revealed that Grey Bank incorrectly deducted R410 from Kimberley Traders' account. It was a cheque from Kimberly & Co.
- A cheque for R350, dated 25 September 2014 was received from M Schoeman, a debtor. No entry has been made.
- The Bank statement received from Grey Bank reflected a bank overdraft of R3 760 on 31 August 2014.

KIMBERLEY TRADERS

1. CASH RECEIPTS JOURNAL OF KIMBERLEY TRADERS – AUGUST 2014

Doc	Day	Details	Bank	Sundry accounts	
				Amount	Details

CASH PAYMENTS JOURNAL OF KIMBERLEY TRADERS – AUGUST 2014

Doc	Day	Name of payee	Bank	Sundry accounts	
				Amount	Details

KIMBERLEY TRADERS

1. CASH RECEIPTS JOURNAL OF KIMBERLEY TRADERS – AUGUST 2014

Doc	Day	Details	Bank	Sundry accounts	
				Amount	Details
	31	Total	54 320		
BS		C Krige	290	290	Debtors control
BS		Grey Bank	100	100	Interest on fixed deposit
BS		Operation Hunger (201)	1 900	1 900	Donation
			56 610		

CASH PAYMENTS JOURNAL OF KIMBERLEY TRADERS – AUGUST 2014

Doc	Day	Name of payee	Bank	Sundry accounts	
				Amount	Details
	31	Total	61 290		
RD		E Gareth	1 370	1 370	Rent income
BS		AA Insurance Company	230	230	Drawings
BS		Grey Bank	330	140	Interest on overdraft
				190	Bank charges
BS		P Paulse (5 930 – 5 390)	540	540	Creditors control
353		Operation Hunger	2 500	2 500	Donation
			66 260		

2.

GENERAL LEDGER OF KIMBERLEY TRADERS

Bank

2014 Aug	1	Balance	b/d	3 000	2014 Aug	31	Total payments	CPJ	66 260
	31	Total receipts	CRJ	56 610					
		Balance	c/d	6 650					
				66 260					66 260
					Sept	1	Balance	b/d	6 650

**3. BANK RECONCILIATION STATEMENT OF KIMBERLEY TRADERS ON
31 AUGUST 2014**

	Debit	Credit
Debit balance as per Bank Statement	3 760	
Credit outstanding deposit		10 760
Debit outstanding cheques no 219	5 550	
no 341	5 120	
no 349	890	
no 353	2 500	
Credit incorrect debit		410
Credit balance as per Bank account		6 650
	17 820	17 820

Lesson 1: Reconciliation

EXAMPLE 2: CARRIM CONVERTERS

(16 marks, 12 minutes)

Creditors Reconciliation

The information was taken from the financial records of Carrim Converters for May 2019.

A Statement of Account had been received from a creditor, Smith Stores, indicating that Carrim Converters owed them an amount of R1 440. According to the Creditor's Ledger of Carrim Converters, the amount owed to Smith Stores is R19 165.

REQUIRED:

1. Indicate how the differences, found during an investigation, will influence the Creditor's Ledger account and the statement received from Carrim Converters, in order to determine the correct balance at the end of the month.
Show positive amounts with a "+" and negative amounts in brackets. (13)
2. The invoice mentioned in information (f) was for goods purchased by the owner for his personal use. What advice would you offer the owner about this transaction? Quote a relevant GAAP principle in your response. (3)

INFORMATION:

- (a) An invoice received from Smith Stores had been recorded correctly as R15 600 by Carrim Converters, but is shown as R1 560 on the statement received.
- (b) An invoice for R3 220 received from Smith Stores was mistakenly recorded by Carrim Converters as a credit note.
- (c) Returns of R8 300 in the Creditor's Ledger of Carrim Converters appear as R7 055 on the statement received from Smith Stores. Carrim Converters forgot that they received 15% trade discount when the purchase was made.
- (d) The payment of R6 270 as settlement of the account for April 2019, which appears in the Creditor's Ledger, had not been received by Smith Stores within 7 days, as per the terms and conditions of their contract. Therefore the discount of 5% which had been calculated and taken into account by Carrim Converters in the Creditor's Ledger, must be cancelled.
- (e) Smith Stores mistakenly recorded an invoice of R5 400 regarding stock sold to Carrim Converters, as a credit note of R4 500.
- (f) An invoice for R1 800, entered in the Creditor's Ledger account of Smith Stores, was for goods purchased by Carrim Converters from another supplier, Smith & Sons.

CARRIM CONVERTERS

1.	Adjustments to the Creditor's Ledger of Carrim Converters, in the account of Smith Stores	Creditors Reconciliation – adjustments to the statement received from Smith Stores
Balance	19 165	1 440
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		
Totals		

(13)

2.	What advice would you offer the owner about this transaction? Quote a relevant GAAP principle in your response.	3
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TOTAL MARKS		16
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CARRIM CONVERTERS

1.	Adjustments to the Creditor's Ledger of Carrim Converters, in the account of Smith Stores	Creditors Reconciliation – adjustments to the statement received from Smith Stores	
Balance	19 165	1 440	
(a)		+ 14 040 √√	
(b)	+ 6 440 √√ (+ 3 220 √ + 3 220 √)		
(c)	+ √ 1 245 √√		
(d)	+ √ 330 √√		
(e)		+ 9 900 √√ (+ 4 500 √ + 5 400 √)	
(f)	(1 800) √		
Totals	25 380	25 380	(13)

2.	<p>What advice would you offer the owner about this transaction? Quote a relevant GAAP principle in your response.</p> <p>Name the principle √ Comment √√ (satisfactory explanation √√ weak √)</p> <p>Business entity principle</p> <ul style="list-style-type: none"> - It is not good business practice to combine personal transactions with business information. - The records of the business must reflect only business transactions so that the performance of the business can be accurately assessed. - The owner's engagement with the business must be recorded as drawings to reflect a decrease in his equity. <p style="text-align: right;"><i>No marks when the principle is wrong</i></p>	3
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TOTAL MARKS		16
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