

SESSION 9: BANK RECONCILIATION

KEY CONCEPTS:

In this session we will look at:

- Bank Reconciliations

X-PLANATION:

- 1) Why a bank reconciliation statement must be done.**
- 2) Why balances are on opposite sides (from the bank's point of view) in the Bank Reconciliation Statement.**
- 3) Dealing with amounts left out of the journals and what these could be.**
 - Interest Paid and Charged
 - Bank Charges
 - Dishonoured Cheques
 - Debit Orders
 - Stop Orders
 - Electronic Money Transfers and Direct Deposits
- 4) Dealing with amounts left out of the bank statement and what these could be.**
 - Outstanding Deposits
 - Outstanding Cheques
 - Errors made by the Bank

X-AMPLE QUESTIONS:

QUESTION 1:

BANK RECONCILIATIONS AND INTERPRETATION

You are provided with information relating to Trial Traders

REQUIRED

- 1.1 Explain why it is important for a business to prepare a bank reconciliation statement each month (3)
- 1.2 Calculate the correct totals for the Cash Receipts Journal and the Cash Payments Journal for August 2009 (12)
- 1.3 Complete the bank account in the General Ledger on 31 August 2009. (6)
- 1.4 Prepare the Bank Reconciliation Statement on 31 August 2009. (10)
- 1.5 **Refer to information 3 below**
 - Calculate the amount invested in the fixed deposit (3)
 - What advice would you provide in order to avoid interest on the overdraft? Explain briefly. (2)
- 1.6 **Refer to information 4 below**
 - Explain why the internal auditor should be concerned about the outstanding deposit of R23 456 (3)
 - Explain how cheque No.599 should be treated when the financial Statements are prepared on 31 August 2009. Provide a reason for your answer (3)

INFORMATION

1. At the end of the previous month, 31 July 2009 , the following items were reflected in the Bank Reconciliation Statement:
 - Favourable balance in the ledger of Happy Traders, R6 325
 - Favourable balance on the bank statement, R2 575
 - Outstanding deposit(dated 31 July 2009,R19 700
 - Outstanding cheques:
 - No. 001(Dated 12 February 2009), R8 900
 - No.213 (Dated 1 April 2009), R3 400
 - No.313 (Dated 28 August 2009), R7 860

Note: Only cheque No.313 appeared on the Bank Statement in August 2009.
2. On 31 August 2009, the provisional totals in the Journals were:
 - Cash receipts journal R87 000
 - Cash payments journal R109 000
3. The following items were reflected on the Bank Statement but not in the journals for August 2009:
 - Direct deposit by a debtor, T.Twala, R3 400
 - Bank charges,R656

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- Interest on fixed deposit for August (10%p.a) R900
 - Interest on overdraft for August, R989
 - Debit order in favour of Safeway insurance Co. R770
 - Dishonoured cheque on 31 August 2009, originally presented by a debtor, C.Cheat, R2 600
4. The following differences were noticed:
- Cheque no.415 for repairs was shown in the CPJ as R1 779 but on the August bank statement as R1 997. The bank statement is correct.
 - A deposit of R19 700 appeared on the bank statement on 1 August 2009, but did not appear in the August CRJ.
 - A deposit of R23 456 dated 27 August 2009 appeared in the August CRJ but not on the August bank statement.
 - The following cheques appeared in the August CPJ but not on the Bank Statement:
No. 555(Dated 23 August 2009), R5 678
No.599 (Dated 31 December2009), R4 999
5. On 31August 2009 the Bank Statement reflected unfavourable balance of R17 087

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