

## REVISION: RECONCILIATIONS

19 JUNE 2014



### Lesson Description

In this lesson we:

- revise Bank and Creditors' Reconciliations



### Improve your Skills

#### Bank Reconciliation

#### Question 1

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

#### REQUIRED:

- 1.2 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. (5)
- 1.3 Use the information below to prepare the Bank Reconciliation Statement of Ace Traders on 30 September 2011. (7)

#### 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	<u>R17 600</u>	Favourable
Difference	<u><u>R42 400</u></u>	

##### ▪ Individual differences noticed between the books of Ace Traders and the 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

## Creditors' Reconciliation

### Question 1

You are the internal auditor of Valentine Stores, a gift shop owned by Mark Masuku. The Creditors' Control Account and Creditors' List were prepared by the bookkeeper, Ditzzy Donald. The postings from the journals have been done, but you have noted a number of errors and omissions.

#### REQUIRED:

- 1.1 The Creditors' Control Account reflected a balance of R61 417 while the total of the Creditors' List from the Creditors' Ledger reflected a total of R59 387. Briefly explain why it is important that these two figures agree. (2)
- 1.2 Refer to Information 2: Errors and Omissions below.
  - 1.2.1 List the corrections that the bookkeeper must make to the Creditors' Control Account in the General Ledger. The first one has been done for you as an example. If no entry is applicable, you must write 'NO ENTRY'. (11)
  - 1.2.2 Prepare a correct Creditors' List on 31 July 2009. Show workings in brackets to earn part-marks. (16)
- 1.3 Provide THREE points for good internal control over creditors. (6)

#### INFORMATION:

##### 1. Creditors' List on 31 July 2009

	Debit	Credit
Khan Traders	R563	
Thankful Stores		R30 560
Connel Ltd		R10 890
Yolisa Wholesalers		R18 500
<b>TOTALS</b>	R563	R59 950
	= R59 387	

##### 2. Errors and Omissions

- A. A credit invoice for trading stock purchased from Connel Ltd for R3 400 on 28 July 2009 was not recorded at all. (See solution in ANSWER BOOK.)
- B. Stock purchased on credit from Connel Ltd, R7 200, was incorrectly posted to the account of Yolisa Wholesalers.
- C. Interest of R258 must be brought into account on the overdue account of Connel Ltd.
- D. The debit balance of Khan Traders must be transferred to their account in the Debtors' Ledger.
- E. Goods of R8 350 returned to Thankful Stores were incorrectly treated as a credit purchase and posted accordingly.
- F. A discount of R230 received from Yolisa Wholesalers was incorrectly posted to the Creditors' Ledger as R320. The General Ledger is correct.
- G. The amount of R2 100 reflected as a refund in the Creditors' Control Account was in fact received from a debtor, S Steyn, whose account had previously been written off as bad debt.
- H. An amount of R80 in the Creditors' Allowances Journal for trading stock returned was posted to the wrong side of a creditor's account, Thankful Stores.
- I. VAT of R490 was omitted from an invoice of equipment bought from Yolisa Wholesalers.

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## Answer Book

### Bank Reconciliation

1.2 Calculate the correct bank balance of Ace Traders on 30 September 2011.

Balance prior to doing the bank reconciliation	R60 000
Correct balance on 30 September 2011	

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1.1.3 BANK RECONCILIATION STATEMENT ON 30 SEPTEMBER 2011


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## Creditors' Reconciliation

### Question 1

1.1 Briefly explain why it is important that the balance of the Creditors' Control Account should agree with the total in the Creditors' List.

1.2.1 List the corrections that the bookkeeper must make to the Creditors' Control Account in the General Ledger. The first one has been done for you as an example. If no entry is applicable, you must write 'NO ENTRY'.

<b>Balance</b>	<b>R61 417</b>
<b>A</b>	<b>+ R3 400</b>
<b>B</b>	
<b>C</b>	
<b>D</b>	
<b>E</b>	
<b>F</b>	
<b>G</b>	
<b>H</b>	
<b>I</b>	
<b>Final balance</b>	

notes for...

1.2.1 **CREDITORS' LIST ON 31 JULY 2009**

	<b>Debit</b>	<b>Credit</b>
Khan Traders		
Thankful Stores (		
Connel Ltd (		
Yolisa Wholesalers		

1.3 **Provide THREE points for good internal control over creditors.**