

8. Cheque no. 183 for R450 appears on the Bank statement. The amount of the cheque was mistakenly recorded as R540 in the Cash payments journal.
9. The tenant, G. Kemp, deposited the rent of R1 200 for September 2018 directly into the bank account.
10. Bank charges of R150 and interest of R250 were charged by the bank.
11. A deposit of R1 400 appears on the Bank statement. The bank made a mistake by recording the deposit in the account of the business.
12. On 30 September 2018 the Bank statement showed a credit balance of R4 245.

1.1 Why is it necessary to complete a Bank reconciliation statement every month?

1.2 A cheque dated for 15 December 2018 was received on 10 November 2018. On which date will the cheque be recorded in the Cash receipts journal?

1.3 A cheque dated for 12 December 2018 was issued on 20 November 2018. On which date will the cheque be recorded in the Cash payments journal?

1.4 Determine the balance of the bank account of Kempston Stores on 30 September 2018. Indicate whether this is a favourable or an unfavourable balance.

1.5 Bank reconciliation statement on 30 September 2018.		
	Debit	Credit

RECONCILIATIONS

Question 2 (Debtors' reconciliation and internal control; 25 marks, 15 minutes)

Songi Stores sells goods for cash and on credit. Their credit terms are 30 days and they expect that 80% of all debtors will honor these terms.

REQUIRED:

- 1.1 Explain why the balance of the Debtors' control account and the total of the Debtors' list must be the same? (1)
- 1.2 Determine the correct balance of the Debtors' control account on 31 May 2018. (5)
- 1.3 Complete the correct Debtors' list on 31 May 2018. (12)
- 1.4 Refer to Information 1 and 2 provided to answer the following questions:
- 1.4.1 Does Songi Stores have good control over debtors? Explain by providing figures. (3)
- 1.4.2 Provide two measures that could be implemented to encourage debtors to comply with the set terms. (4)

INFORMATION:

1. Debtors' age analysis for April 2018:

Total	Current	30 days	60 days	90 days
R187 500	R33 700	R26 300	R72 600	R54 900

2. Balances taken from the Debtors' list on 31 May 2018:

Name of debtor	Amount outstanding	Credit limit
R. Nadal	R46 500	R30 000
B. Tsonga	31 800	35 000
L. Nadi	27 000	30 000
K. Stark	63 200	40 000
R. Pedi	8 600	10 000
Total	177 100	

3. The Debtors' control account shows a balance of R167 500 on 31 May 2018.
4. The following errors and omissions must still be rectified:
 - (a) The total of the Debtors' journal shows a shortage of R4 100.
 - (b) Credit sales of R7 600 to R. Pedi were wrongly posted to the account of B. Tsonga.
 - (c) Returns of stock by R. Nadal, R1 400 were posted to the wrong side of his personal account.
 - (d) An invoice issued to L. Nadi for R2 300 had not been recorded in the financial records.
 - (e) A cheque for R8 700, received from R. Pedi as settlement of his account of R9 000 was dishonoured by the bank due to insufficient funds. No entry had been made of this.
 - (f) Credit sales of stock to K. Stark, R4 700, was entered correctly into the relevant subsidiary journal but was posted as R7 400 to his personal account in the Debtors' ledger.

1.1 Explain why the balance of the Debtors' control account and the total of the Debtors' list must be the same?

1.2 Determine the correct balance of the Debtors' control account on 31 May 2018.

1.3 Complete the correct Debtors' list on 31 May 2018.

Name of debtor	Amount outstanding
R. Nadal	
B. Tsonga	
L. Nadi	
K. Stark	
R. Pedi	
Correct total	

1.4 Refer to Information 1 and 2 provided to answer the following questions:
1.4.1 Does Songi Stores have good control over debtors? Explain by providing figures.

1.4.2 Provide two measures that could be implemented to encourage debtors to comply with the set terms.

RECONCILIATIONS

Question 3 (Creditors' reconciliation; 20 marks, 12 minutes)

You are provided with the personal account of Stormers Stores in the Creditors' ledger of Bulls Traders as well as the Statement of Bulls Traders received from Stormers Stores.

REQUIRED:

- 3.1 Explain the importance of completing Creditors' reconciliation statements every month. (2)
- 3.2 Rectify the errors made by Bulls Traders by making additional entries in the personal account of Stormers Stores in the Creditors' ledger. (6)
- 3.3 Complete the Creditors' reconciliation statement of Bulls Traders with Stormers Stores on 31 May 2018. (12)

INFORMATION:

1. Personal account of Stormers Stores in the Creditors' ledger of Bulls Traders:

Creditors' ledger of Bulls Traders					
Stormers Stores					C5
Date	Details / Document no.	Fol.	Debit	Credit	Balance
2018 May	1	Account rendered	b/d		8 500
	8	Invoice 180 (renumbered)	CJ	3 400	11 900
	10	Debit note 511	CAJ	520	11 380
	18	Cheque 333	CPJ	6 200	5 180
		Cheque 333 (Discount received)	CPJ	300	4 880
	25	Invoice 186 (renumbered)	CJ	4 220	9 100
	28	Invoice 193 (renumbered)	CJ	1 900	11 000

2. Statement of Bulls Traders received from Stormers Stores:

STORMERS STORES			
Statement of: Bulls Traders			Date: 30 May 2018
100 Eastwood St. Brooklyn			
Account no.: D12889			
Date	Transaction / Document no.	Debit	Credit
2018 May	1	Outstanding balance	8 500
	8	Credit sales invoice 411	4 300
	10	Credit note 161 (returns)	250
	18	Receipt 632 (payment received)	6 200
	25	Credit sales invoice 420	4 220
	27	Interest charged on account in arrears	500
	30	Outstanding balance	2 630

3. Errors made by the **bookkeeper of Bulls Traders** in the Creditors' ledger:
 - Invoice 411, dated 8 May 2018, was recorded wrongly. The correct amount is R4 300.
 - Invoice 193 (renumbered), dated 28 May 2018 was for purchases from Sharks Ltd. The amount had been wrongly posted to the account of Stormers Stores.

4. Errors **by Stormers Stores** made on the Statement of Bulls Traders:
 - Credit note 161, dated 10 May 2018, was recorded as R250. The correct amount is R520.
 - Stormers Stores forgot to record the discount on 18 May 2018.
 - Invoice 420 was posted to the wrong side of the account of Bulls Traders.

3.1 Explain the importance of completing Creditors' reconciliation statements every month.

3.2 Rectify the errors made by Bulls Traders by making additional entries in the personal account of Stormers Stores in the Creditors' ledger.

Creditors' ledger of Bulls Traders						
Stormers Stores				C5		
Date	Details / Document no.		Fol.	Debit	Credit	Balance
2018 May	1	Account rendered	b/d			8 500
	8	Invoice 180 (renumbered)	CJ		3 400	11 900
	10	Debit note 511	CAJ	520		11 380
	18	Cheque 333	CPJ	6 200		5 180
		Cheque 333 (Discount received)	CPJ	300		4 880
	25	Invoice 186 (renumbered)	CJ		4 220	9 100
	28	Invoice 193 (renumbered)	CJ		1 900	11 000

3.3 Complete the Creditors' reconciliation statement of Bulls Traders with Stormers Stores on 31 May 2018.

Creditors' reconciliation statement of Bulls Traders with Stormers Stores on 31 May 2018		
	Debit	Credit

RECONCILIATIONS

Question 4 (Bank reconciliation and analysis; 50 marks, 25 minutes)

The following information concerns Novak Stores on 30 July 2018.

REQUIRED:

- 4.1 Use the columns to show the effect of each transaction on the bank reconciliation process. Show the amounts that will be recorded in the Subsidiary journals or Bank reconciliation statement. If no entry is required it must be indicated by making a cross (X) in the “No entry” – column. (50)

INFORMATION:

1. A deposit of R6 300 made on 24 July 2018, appears in the CRJ but is not reflected on the bank statement.
2. A cheque for R920, issued to BEELD for an advertisement, was wrongly recorded in the CPJ as R290. The correct amount of the cheque appears on the bank statement.
3. No entry was made of a cheque for R9 800 received from a debtor on 27 July 2018 as settlement of an account of R10 000. The cheque is dated for 8 August 2018.
4. The bank statement shows a direct deposit concerning rent. The tenant deposited the rent for July and August 2018 directly into the bank account. The rent contract states that rent amounts to R216 000 per annum and increases by 12% annually on 1 August.
5. The following appeared on the bank statement: cheque book charges, R180; cash handling charges, R220; interest on debit balance, R1 940.
6. The Bank reconciliation statement on 30 June 2018 showed an outstanding cheque for R4 300, issued to Penna Stores for Stationery. The cheque is dated 21 January 2018. The cheque does not appear on the bank statement of July 2018 either. A new cheque dated 21 Augustus 2018 must be issued to Penna Stores on 30 July 2018.
7. A cheque received from a debtor was returned by the bank with the comment r/d. The cheque was in settlement of an account of R8 300 after discount of 15% had been allowed.
8. The bank statement shows a dishonoured cheque for R54 100 which had been received from B. Habana on 16 July 2018 regarding an old vehicle sold to him. The cheque was dated for 15 August 2018 and had been deposited into the bank by the cashier by mistake. B. Habana had been asked to deposit the amount directly into the bank account on 15 August 2018. He agreed to do so.
9. The following cheques appear in the CPJ but not on the bank statement for July 2018:
 - No. 89 dated 28 January 2018 for R1 650 regarding repairs;
 - No. 245 dated 27 July 2018 for R5 600 issued as settlement of a creditors' account of R6 000.
10. The CRJ for July 2018 shows a depo sit of R7 800 concerning cash sales. The correct amount of the deposit is shown as R8 700 on the bank statement. The cost of sales is shown correctly.
11. The CPJ for July 2018 shows a cheque for R7 300 issued to Outsurance for the monthly insurance of the owners' personal vehicle. The amount is shown wrongly as R3 700 on the bank statement.
12. The bank statement shows a cheque for R1 400, issued to Gilmore Stores. After closer examination it was determined that the cheque had been issued by Djoko Stores and not by Novak Stores. The bank will rectify the mistake on the bank statement of August 2018.
13. A deposit of R28 000 which appeared on the Bank reconciliation statement on 30 Junie 2018 appears on the bank statement of July 2018.

4.1 Use the columns to show the effect of each transaction on the bank reconciliation process. Show the amounts that will be recorded in the Subsidiary journals or Bank reconciliation statement. If no entry is required it must be indicated by making a cross (X) in the "No entry" – column.

No.	Subsidiary journal			Bank reconciliation statement		No entry
	CRJ	CPJ	Name of account	Debit	Credit	
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.						
13.						

Calculations:

RECONCILIATIONS

Question 5 (Creditors' reconciliation; 20 marks, 10 minutes)

The information was taken from the financial records of Loftus Traders. An account statement had been received on 31 May 2018 from a creditor, Puma Stores, indicating that Loftus Traders owed them an amount of R96 203. According to the Creditors' ledger of Loftus Traders the amount owed to Puma Stores is R99 220.

REQUIRED:

- 5.1 Indicate how the differences, found during an investigation, will influence Creditors' ledger account and the Statement received from Puma Stores in order to determine the correct balance. (20)

INFORMATION:

After an investigation had been conducted, the following differences were found:

1. An invoice received from Puma Stores had been recorded correctly as R18 330 by Loftus Traders in the Creditors' ledger but is shown as R1 833 on the statement received.
2. An invoice for R8 400 received from Puma Stores was mistakenly recorded by Loftus Traders as a credit note.
3. Returns of R7 100 in the Creditors' ledger of Loftus Traders appear as R6 390 on the statement received from Puma Stores. Loftus Traders forgot that they received 10% trade discount when the purchase was made.
4. A cheque for R8 800 on 28 May 2018 issued by Loftus Traders to Puma Stores does not appear on the statement received.
5. The payment of R9 310 as settlement of the account for April 2018 which appears in the Creditors' ledger had not been received by Puma Stores within 7 days and therefore the discount of 5% which had been calculated and taken into account by Loftus Traders in the Creditors' ledgers must be cancelled.
6. The statement received from Puma Stores reflects interest charged, R980 on the arrears account of Loftus Traders.
7. Puma Stores mistakenly recorded an invoice of R6 700 regarding stock sold to Loftus Traders as a credit note of R7 600 on the credit side of the statement.

5.1 Indicate how the differences, found during an investigation, will influence Creditors' ledger account and the Statement received from Puma Stores in order to determine the correct balance.		
	Influence on the: Creditors' ledger of Loftus Traders	Influence on the: Statement received from Puma Stores
Balances b/d	R99 220	R96 203
Difference 1		
Difference 2		
Difference 3		
Difference 4		
Difference 5		
Difference 6		
Difference 7		
Correct balances		

RECONCILIATIONS

Question 6 (Bank reconciliation and internal control; 30 marks, 15 minutes)

You are provided with information taken from the financial records of Blossom Stores.

REQUIRED:

- 6.1 Give TWO reasons why the preparation of a Bank reconciliation statement is an important part of the internal control process. (4)
- 6.2 Which adjustments will be made to the figures in the financial statements on 28 February 2018 regarding the postdated cheques issued? Refer to the Bank reconciliation statement on 28 February 2018 and quote actual amounts. (4)
- 6.3 Analyse the differences provided at Information 2 under the headings provided. Show the amount that will appear in the subsidiary journal or Bank reconciliation statement. Indicate no entry with an "X". (9)
- 6.4 Complete the Bank reconciliation statement on 31 March 2018. (8)
- 6.5 During April 2018, the internal auditor discovered that the outstanding deposit of R25 000 on 3 March 2018 appeared as R2 500 on the bank statement for April 2018. The amount on the bank statement is correct. Should the internal auditor be worried about this mistake? Explain. Provide one relevant control measure to prevent this from happening in the future. (5)

INFORMATION:

1. Bank reconciliation statement of Blossom Stores on 28 February 2018:

Unfavourable balance according to bank statement	16 200
Outstanding deposit (26 February 2018)	21 380
Outstanding cheques: No. 186 dated 24 September 2017)	3 500
No. 245 (dated 15 April 2018)	6 400
No. 288 (dated 10 March 2018)	4 600
Unfavourable balance according to bank account	9 320

2. A comparison between the Bank statement for March 2018 and the Cash journals for March 2018 showed the following differences:
 - 2.1 The bank statement shows a favourable balance of R24 300 on 31 March 2018.
 - 2.2 A deposit of R21 380 appears on the bank statement on 2 March 2018, but does not appear in the Cash receipts journal for March 2018.
 - 2.3 A deposit of R25 000 appears in the Cash receipts journal on 3 March 2018, but it does not appear on the bank statement for March 2018.
 - 2.4 An electronic transfer of R12 600 regarding rent received only appears on the bank statement for March 2018.
 - 2.5 Bank charges of R2 300 only appear on the bank statement for March 2018.
 - 2.6 The bank statement indicates a dishonored cheque received from a debtor settling an account of R8 400 after discount of 5% had been allowed.
 - 2.7 Cheque no. 186, issued as a donation to the SPCA had been replaced by cheque no. 310 on 25 March 2018. The donation had been increased by R500 and the cheque was mailed on 1 April 2018. No entries were made.
 - 2.8 Cheque no. 288, dated 10 March 2018, appears on the bank statement but is not reflected in the cash journals for March 2018.
 - 2.9 Cheque no. 307 for R1 750, dated 29 March 2018, appears in the Cash payments journal, but not on the bank statement for March 2018.

