

**ACCOUNTING 2020 LOCKDOWN RESOURCES (18 May 2020 – 22 May 2020**

**RECONCILIATIONS**

**QUESTION 1**

**1.1 BANK RECONCILIATION**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1.1.1** | **Calculate the correct totals for the Cash Receipts Journal and the Cash Payments Journal for October 2019 by completing the table provided.**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **CRJ** | **59 035** |  | **CPJ** | **50 760** |  | | Stale cheque | 8 400 |  | H Andrews | 1 500 |  | | Rent | 12 400 |  | Insurance | 1 400 |  | |  |  |  | Loss of cash | 5 400 |  | |  |  |  | Bank charges | 620 |  | |  | 79 835 |  |  | 59 680 |  | | **8** |

|  |  |  |
| --- | --- | --- |
| **1.1.2** | **Calculate the correct balance in the Bank Account on 31 October 2019. State whether this balance is favourable or unfavourable.**  4 070  + 79 835 🗹 ‒ 59 680 🗹 = 24 225 🗹  Favourable 🗹 | **5** |

**1.1.3 Prepare the Bank reconciliation statement on 31 October 2019.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Bank reconciliation statement on 31 October 2019** | | |  |
|  | **Debit** | **Credit** |  |
| Favourable/Credit balance as per statement |  | 🗹 14 335 |  |
| Credit outstanding deposit |  |  18 000 |  |
| Debit outstanding cheques |  |  |  |
| Nr. 1134 |  7 500 |  |  |
| Nr. 1194 |  3 610 |  |  |
| Nr. 1226 |  13 000 |  |  |
| Credit unknown/fraudulent debits  (8 000 + 8 000) |  |  16 000 |  |
| Debit balance as per bank account | ☑ 24 225 |  | **8** |
|  | 48 335 | 48 335 |  |

|  |  |  |
| --- | --- | --- |
| **1.1.4** | **Refer to information E. Explain TWO internal control measures the business should implement to prevent such incidents in the future.**  **  Award part marks for partial answers**   * Let the bank/cash in transit company collect the money * Use a drop box safe that only the bank can open * Keep money hidden/out of sight. | **4** |

|  |  |  |
| --- | --- | --- |
|  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **QUESTION 2** | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | |
| **2.1** | **BANK RECONCILIATION** | | | | | | | | | | | | | |
|  |  | | | | | | | | | | | | | |
| **2.1.1** | **Show the entries that must be recorded in the Cash Journals by completing the table provided in the ANSWER BOOK.** | | | | | | | | | | | | | |  | | --- | |  | | **11** | |
|  | | | | | | | | | | | | |
| **CASH RECEIPTS JOURNAL** | | | | | | **CASH PAYMENT JOURNAL** | | | | | | |
| **Details** | | **Amount** | | | | **Details** | | | **Amount** | | | |
| **Total** | | **R 510 607** | |  | | **Total** | | | **R 486 335** | |  | |
| Stale cheque | | 4 800 | | 🗸✓ | | Bank charges | | | 1 425 | | 🗸 | |
| Interest | | 145 | | 🗸 | | Insurance | | | 1 850 | | 🗸 | |
| Rent income | | 6 250 | | 🗸 | | Cheque no. 633 | | | 3 600 | | 🗸🗸 | |
|  | |  | |  | | Deposit canc | | | 25 000 | | 🗸 | |
|  | | 521 802 | | ☑ | |  | | | 518 210 | | ☑ | |
|  |  | | | | | | | | | | | | |  |
| **2.1.2** | **Bank Reconciliation Statement on 31 July 2019** | | | | | | | | | | | | |  |
|  |  | | | **Alternative** | | | | **Debit** | | | **Credit** | | |  |
|  | **Balance per Bank Statement** | | | R43 210 | | | |  |  | | R 43 210 | | 🗸 | |  | | --- | |  | | **9** | |
| Credit outstanding deposit | | | 10 000 | | | |  |  | | 10 000 | | 🗸 |
| **Debit outstanding cheques:** | | |  | | | |  |  | |  | |  |
| No. 613 | | | (13 400) | | | | R 13 400 | 🗸 | |  | |  |
| No. 652 | | | (5 650) | | | | 5 650 | 🗸 | |  | |  |
| No. 655 | | | (1 443) | | | | 1 443 | 🗸 | |  | |  |
| Credit amount wrongly debited | | | 1 850 | | | |  |  | | 1 850 | | 🗸🗸 |
| **Balance as per Bank Account** | | | 34 567 | | | | 34 567 | ☑ | | Operation | |  |
|  | | | | | | | 55 060 | ☑ | | 55 060 | |  |
| 🗹 Both totals | | | | | | | | | | | | |
|  |  |  | | | | | | | | | | | |  |
| **2.1.3** | **As the internal auditor you are not happy with the manner in which cash is being controlled in this business.**   * **Identify TWO problems. Quote figures to support your answer** * **Give advice on how each of these problems can be avoided in future.** | | | | | | | | | | | | |  |
|  | **Problem with evidence**  Problem 🗸 🗸 Figure 🗸 🗸 | | | | | **Advice**  Specific advice based on evidence 🗸 ✓ | | | | | | | |  |
|  | R25 000 missing/stolen | | | | | Division of duties: the person writing up the transaction should not make the deposits. / Check that the total of cash slips agree with the total of the deposit slip. | | | | | | | | |  | | --- | |  | | **6** | |
|  | Rolling of cash:   * R12 675 only deposited in July OR * 10 000 still not deposited | | | | | Create a policy for regular, daily depositing. / Internal auditor must check that the cashier is depositing cash daily. / Appoint a different person to do the depositing | | | | | | | |

**QUESTION 3: RECONCILIATION**

|  |  |  |
| --- | --- | --- |
| **3.1 BANK RECONCILIATION** | |  |
| **3.1.1** | **Provide ONE reason why Bank Reconciliation is important for a business.**  **ANY ONE REASON ✓✓**   * Ensures that the Bank Statement agrees with the Bank Account * Ensures that there are no errors and omission of transactions * Helps to detect fraudulent activities and reduce theft * Internal control measure to ensure that all transactions are captured accurately | |  | | --- | |  | | **2** | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **3.1.2** | **Identify the cheque that is incorrectly entered in the Bank Reconciliation Statement for August 2019.**  Cheque 900**✓**  **Provide ONE reason for your choice.**  It is a stale cheque**✓**/ cheque is 6 months old. | |  | | --- | |  | | **2** | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Show the correction of the error by completing the table below.**   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **General Ledger** | | **Effect on Accounting equation** | | | | **Account Debit** | **Account Credit** | **A =** | **E +** | **L** | | **✓**  **Bank** | **✓**  **Creditors’ Control** | **+1 980✓** | **0** | **+1 980✓** | | |  | | --- | |  | | **4** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Calculate the correct balance as per the Bank Account in the General Ledger after taking the error into account.**  R12 000 **✓** + R7 300 **✓** + R1 400 **✓** – R10 200 **✓** – R7 354 **✓**  = R3 146 **🗹 one part correct**  **Indicate whether it is a favourable or unfavourable balance.**  Favourable balance**✓** | |  | | --- | |  | | **7** | |

**3.2 ETHICS AND INTERNAL CONTROL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **3.2.1** | **Explain ONE measure that the business must put in place to avoid the unethical practice that occurred with Invoice BT101.**  ***Possible answer ✓✓***   * Proper authorisation for purchases * Division of duties where one person orders the goods and another pays for the goods * Control over stationery (order books) – only authorised persons | |  | | --- | |  | | **2** | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **3.2.2** | **Refer to Invoice BT109.**  **State ONE case when the above transaction will constitute ethical behaviour.**  **✓✓**  The owner pays for it using a personal cheque.  The owner’s withdrawals will be debited to the Drawings account.  **State ONE case when the above transaction will constitute unethical behaviour**.  **Possible answer✓✓**   * When the owner expects the business to pay for the goods * When it is not recorded as drawings * The VAT is claimed as input tax. | |  | | --- | |  | | **4** | |

**QUESTION 4**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **4.1.1** | **Calculate the correct Bank Account balance on 30 June 2019.**    (1 280 x 2)  45 930🗸 – 1 380🗸 + 123 750🗸 + 2 300🗸 – 2 560🗸🗸 = 168 040🗹    **OR**   |  |  | | --- | --- | | 45 930 | 1 380 | | 123 750 | 2 560 | | 2 300 | 168 040 | | | | | |  | | --- | |  | | **7** | |
|  |  | | | |  |
| **4.1.2** | **Bank Reconciliation Statement on 30 June 2019** | | | |  |
|  |  |  | **Debit** | **Credit** | |  | | --- | |  | | **10** | |
| Credit Balance as per Bank Statement 🗸 | 174 800 |  | 174 800🗹 |
| Credit Outstanding deposit 🗸 | 45 700 |  | 45 700🗸 |
| Debit Outstanding cheques 🗸 65 | (15 870) | 15 870🗸 |  |
| 72 | (36 590) | 36 590🗸 |  |
| Debit Balance as per Bank Account 🗸 | (168 040) | 168 040🗸🗹  (1.2.1) |  |
|  |  | 220 500 | 220 500 |

**QUESTION 5**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5.1 | **Creditors' Reconciliation**   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Creditors' Control** | | **Creditors' List** | | | **Balance/total** | 1. **870** |  | **170 490** |  | | **A** | – 3 100 | 🗸🗸 |  |  | | **B** |  |  | + 16 000 | 🗸🗸 | | **C** |  |  | – 4 720  - 2 360 (1 mark)  - 2 360 (1 mark | 🗸🗸 | | **D** | +27 000 | 🗸 | +27 000 | 🗸 | | **Balance/total** | 208 770 |  | 🗹 208 770 |  | | |  | | --- | |  | | **9** | |

**5.2 CREDITORS RECONCILIATION**

**10**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **5.2.1** | |  |  |  | | --- | --- | --- | |  | **Creditor’s Ledger** | **Creditor’s Reconciliation statement** | | **Balance** | **32 535** | **41 440** | | **i** |  |  + 1 215 | | **ii** |  |  ‒ 4 410 | | **iii** |  ‒ 630   ‒ 630  (or 2 marks for  ‒ 1 260) |  | | **iv** |  ‒ 20 250 |  | | **v** |  |  ‒ 27 220  (or ‒ 2 220 one mark and  ‒ 25 000 one mark) | | **Total** | 🗹 11 025 | 🗹 11 025 | |  |  |  | |  |

|  |  |  |
| --- | --- | --- |
| **5.3** | **CREDITORS RECONCILIATION** |  |
|  |  |  |
| **5.3.1** | **Briefly explain how the preparation of a creditors’ reconciliation as an internal control measure can assist the business in managing their creditors effectively. Provide TWO points.** |  |
|  | Any TWO relevant control measures ✓✓ ✓✓   * Errors and omissions can be detected and corrected. * Fraud can be detected and minimised. * The correct payment can be made to creditors. | |  | | --- | |  | | **4** | |
|  |  |  |
| **5.3.2** | **Use the table provided to indicate the changes that must be made in the Creditors’ Control account and Creditors’ List in the books of Titanic Traders to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount.** |  |
|  |  |  |
|  | |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Creditors’ Control** | | **Creditors’ List** | | | **Provisional balance/total** | **R 74 715** |  | **R32 595** |  | | **A** |  |  | + 900 | ✓ | | **B** | + 3 720 | ✓ | + 3 720 | ✓ | | **C** |  |  | - 450 | ✓✓ | | **D** | - 32 800 | ✓✓ |  |  | | **E** |  |  | + 8 870 | ✓ | |  | 45 635 |  | 45 635 |  | |  | 🗹 Both totals | | | | | |  | | --- | |  | | **9** | |
|  |  |
|  |  |  |
| **5.3.3** | **State THREE internal control measures that the business can use to prevent similar incidents from happening in future.** |  |
|  | Any THREE separate, relevant control measures ✓✓ ✓✓ ✓✓   * Division of duties – Vusi must not be the only person responsible for ordering and recording goods. * Rotate duties so that employees do not have permanent control over an aspect of the business. * Have special order forms to be signed by two people. * Check documents regularly against deliveries. * Do regular/random stock counts to verify stock records. * Physical security – only one mark | |  | | --- | |  | | **6** | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 5.4 |  | | |  |  |
| **5.4.1** |  | **Creditors ledger** | **Creditors reconciliation statement** |  |  |
|  |  | **38 100** | **40 800** |  |  |
|  | (i) | - 4 100🗸🗸 |  |  |  |
|  | (ii) | + 1 800🗸🗸 |  |  |  |
|  | (iii) |  | * 22 000🗸🗸 |  |  |
|  | (iv) | + 400🗸🗸 |  |  |  |
|  | (v) |  | -1 800🗸 - 1 800🗸 or – (3 600) |  |  |
|  | (vi) |  | + 21 000🗸🗸 |  |  |
|  |  |  |  |  |  |
|  |  | 36 200 | 36 200 |  | **13** |
|  |  | | |  |  |
| **5.4.2** | **Explain how the creditor’s reconciliation statement can assist the business in terms of their internal control measures. State TWO points.** | | |  |  |
|  |  | | |  |  |
|  | Any TWO relevant answers 🗸🗸 🗸🗸 | | |  |  |
|  |  | | |  |  |
|  | * It will assist the business in detecting errors/omissions in their books. | | |  |  |
|  | * It will show errors/omissions in the statement received. | | |  |  |
|  | * Detect fraudulent activities and take action against it. | | |  |  |
|  |  | | |  | **4** |

**QUESTION 6**

**6.1 DEBTORS’ RECONCILIATION AND AGE ANALYSIS**

|  |  |  |
| --- | --- | --- |
|  | | |
| **6.1.1** | **Show the corrections that must be made to the Debtors’ Control Account and the Debtors’ List to reconcile the differences noted.** | |  | | --- | |  | | **7** | | |
|  | |  |  |  | | --- | --- | --- | | **No.** | **Debtors’ Control** | **Debtors’ List** | |  | **83 750** | **88 550** | | (i) |  | **✓** **✓** ( 4 800) | | (ii) | **✓**150 | **✓**150 | | (iii) | **✓**10 000 | **✓**10 000 | | **🗹** Both Totals | 93 900 | 93 900 | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **.2** | Zoxolo feels that the debtors are not effectively controlled.  Provide ONE reason why you think he feels this way.  Do a calculation to support your answer  **Calculation ✓✓✓**  **Explanation ✓✓**   * Dali has been allowed to purchase for R23 250 when his credit limit is only R15 000. His account has insufficient funds. Cheque for R10 000 returned by the bank. * 35% of debtors are complying with the credit terms of 30 days.   Other Possible answers   * 28 %  owing by debtors is 90 days overdue. * 65% (R36 300 + R27 450 = ) owing by debtors is more than 60 days overdue. | |  | | --- | |  | | **5** | |
|  | **State TWO actions that Zoxolo Traders could take in order to encourage debtors to settle their accounts according to the terms.**  **ANY TWO ✓ ✓**   * Issue monthly statements in good time/timeously. * Stop selling to debtors until overdue accounts are settled. * Send reminders through text messages (SMS). * Offer discounts to debtors for paying within the 30-day period. * Charge interest on overdue accounts. | |  | | --- | |  | | **2** | |

|  |  |  |
| --- | --- | --- |
|  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **6.2** | **Identify TWO problems with regarding the control over debtors. Provide relevant names and figures. In each case provide ONE point of advice to the owner.**  Do not accept improve internal control   |  |  | | --- | --- | | **PROBLEM** 🗸 🗸  **DEBTOR & FIGURES** 🗸 🗸 | **ADVICE** 🗸 🗸 | | * **Exceeding Credit Limits:**   Mark's limit is R15 500 but owes R17 560, i.e. R2 060 more than the limit;  Fourie exceeded by R1 700 | * Monitor and check debtors' accounts regularly * Don't allow debtors to buy beyond the credit limit | | * **Non-adherence to credit terms:** Debtors are taking long to pay – debts go beyond the 30 day term into 60, 90 and 120 days * All three debtors * 37.8% of debtors not complying. | * Charge interest on overdue accounts; * Issue reminders; Monitor and check debtors' accounts regularly * Handing over for collection; * Grant discounts for early payments | | |  | | --- | |  | | **6** | |

|  |  |  |
| --- | --- | --- |
|  |  |  |