

**ACCOUNTING - 2020 LOCKDOWN RESOURCES (18 MAY 2020- 22 MAY 2020)**

**RECONCILIATIONS (25 marks)**

**QUESTION 1**

**1.1 BANK RECONCILIATION**

The information below was taken from the accounting records of Clara Traders, owned by Clara Johnson.

**REQUIRED**

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| 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. | (8) |
| 1.1.2 | Calculate the correct balance in the Bank Account on 31 October 2019. State whether this balance is favourable or unfavourable. | (5) |
| 1.1.3 | Prepare the Bank Reconciliation Statement on 31 October 2019. | (8) |
| 1.1.4 | **Refer to information E.** Explain TWO internal control measures the business should implement to prevent such incidents in the future.  | (4) |

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| **INFORMATION** |
| A. | Information taken from the Bank Reconciliation Statement on 30 September 2019: |
|  | Favourable balance of the bank statement | R 9 670 |
|  | Outstanding deposit  | R 10 100 |
|  | Outstanding cheques |  |
|  |  | No 1101 (date: 28 April 2019) | R 8 400 |
|  |  | No 1128 (date: 27 Aug 2019) | R 7 800 |
|  |  | No 1134 (date: 23 Sep 2019) | R 7 500 |
|  | Credit unknown debit on statement | R 8 000 |
|  | Debit balance as per Bank account | R 4 070 |

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| B. | Provisional totals: |
|  |  | Cash Receipts Journal: Total R59 035 |
|  |  | Cash Payments Journal: Total R50 760 |
| C. | The Bank Statement for October 2017 reflects the following items which did not appear in the Cash Journals: |
|  |  | A deposit of R10 100 |
|  |  | Cheque No 1128 |
|  |  | A cheque received from H. Andrews, a debtor, R1 500, as settlement of his account of R1 650, marked R/D because of insufficient funds. |
|  |  | Rent received from D. Taylor, R12 400 per electronic transfer. |
|  |  | Stop order for R1 400 in favour of ZZ Insurance for insurance. |
|  |  | An unknown debit entry of R 8 000. An investigation determined that this payment as well as the R8 000 in the September Bank Reconciliation Statement was part of a fraud scheme and was illegally taken from Clara Traders’ bank account. The bank will reverse these amounts in the next bank statement.  |
|  |  | Bank charges, R620 |

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| D. | The following items appear in the October 2019 Cash Journals: |
|  |  | A deposit of R18 000  |
|  |  | Cheque no 1194 (15 October 2019), R3 610. |
|  |  | Cheque no 1126 (18 November 2019), R13 000. |

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| E. | **Additional information**A cash deposit of R5 400 was stolen from the bookkeeper as he was on his way to the bank. This amount must be written off as it will not be recovered. |
| **QUESTION 2: RECONCILIATION AND INTERNAL CONTROL (26 marks)** |
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| 2.1 | **BANK RECONCILIATION** |  |
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|  | The following information relates to Bulls Suppliers for July 2019. |  |
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|  | **REQUIRED:** |  |
|  |  |  |  |
|  | 2.1.1 | Show the entries that must be recorded in the Cash Journals by completing the table provided in the ANSWER BOOK. | (11) |
|  |  |  |  |
|  | 2.1.2 | Prepare the Bank Reconciliation Statement on 31 July 2019. | (9) |
|  |  |  |  |
|  | 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.
 | (6) |
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|  | **INFORMATION:** |  |
|  |  |  |  |
|  | **A.** | Bank Reconciliation Statement on 30 June 2019: |  |
|  |  |  |  |  |  |
|  |  | Favourable balance as per Bank Statement | R 18 450 |  |  |
|  |  | Outstanding deposits:  | Dated 25 June 2019 | R 25 000 |  |  |
|  |  | Dated 10 June 2019 | R 12 675 |  |  |
|  |  | Outstanding Cheques: | No. 502 (dated 19 January 2019) | R 4 800 |  |  |
|  |  | No. 613 (dated 24 July 2019) | R 13 400 |  |  |
|  |  | No. 614 (dated 29 July 2019) | R 6 950 |  |  |
|  |  | Favourable balance as per Bank Account in the Ledger | R 30 975 |  |  |
|  |  |  |  |
|  | **B.** | On 31 July 2019, the provisional totals in the Cash Journals were:* Cash Receipts Journal, R510 607
* Cash Payments Journal, R486 335
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|  |  |  |  |
|  | **C.** | On comparing the July 2019 Bank Statement, received from Sure Bank, with the Bank Reconciliation Statement of June 2019, the following were noted:* The outstanding deposit of R12 675 appeared on the bank statement.
* Cheque No. 614, R6 950, was presented for payment.
* Cheque No. 502 and 613 do not appear on the Bank Statement for July 2019.

**Note:**The outstanding deposit of R25 000 does not appear on the Bank Statement for July 2019. An investigation revealed that this money was never deposited. The cashier cannot account for the cash. |  |
|  |  |  |  |
|  | **D.** | The following items appeared only on the Bank Statement for July 2019: |  |
|  |  | * Bank charges, R1 425
* Interest on favourable bank balance, R145
* A direct deposit of R6 250 from a tenant
* A debit order of R1 850 for the monthly insurance appeared twice on the Bank Statement. The bank will rectify this on the Bank Statement next month.
 |  |
|  |  |  |  |
|  | **E.** | Cheque No. 633 appeared correctly on the Bank Statement as R 6 230. The Cash Journal shows it as R2 630. |  |

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|  | **F.** | The following entries were in the Cash Journals for July 2019 only: |  |
|  |  | * A deposit of R10 000 (dated 24 July 2019)
* Cheque No. 652, R5 650 (dated 31 July 2019)
* Cheque No. 655, R1 443 (dated 18 August 2019)
 |  |
|  |  |  |  |
|  | **G.** | The Bank Statement shows a favourable balance of R43 210 on 31 July 2019. |  |
| **QUESTION 3: RECONCILIATION (21 marks)** |  |
| Zoxolo Traders does reconciliation each month as part of the internal control process.  |  |
|  |  |  |
| **REQUIRED:** |  |
|  |  |  |  |
| 3.1 | **BANK RECONCILIATION** |  |
|  |  |  |
|  | 3.1.1 | Provide ONE reason why Bank Reconciliation is important for a business. | (2) |
|  |  |  |  |
|  | 3.1.2 | **Refer to Information A.** |  |
|  |  |  |
|  |  | * Identify the cheque that is incorrectly entered in the Bank Reconciliation Statement for August 2018. Provide ONE reason for your choice.
 | (2) |
|  |  | * Show the correction of the error by completing the table in the answer book. This cheque was issued to a creditor.
 | (4) |
|  |  | * Calculate the correct balance as per the Bank Account in the General Ledger after taking the error into account. Indicate whether it is a favourable or an unfavourable balance.
 | (7) |

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| 3.2 | **ETHICS AND INTERNAL CONTROL** |  |
|  |  |  |
|  | **You are provided with information on the following invoices:** |  |
|  |  |  |
|  | **(a)** | **Invoice BT101 was for goods that one of the staff members ordered for personal use. The goods were paid for using a business cheque.** |  |
|  |  |  |  |
|  | **(b)** | **Invoice BT109 was for goods that were ordered on behalf of the owner for personal use.** |  |
|  |  |  |  |
|  | 3.2.1 | Explain ONE measure that the business must put in place to avoid the unethical practice that occurred with Invoice BT 101. | (2) |
|  |  |  |  |
|  | 3.2.2 | Refer to Invoice BT109. State ONE case when the transaction will constitute ethical behaviour and ONE case when it will constitute unethical behaviour. | (4) |

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| **INFORMATION:** |
|  |  |  |
| **A.** |

|  |
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| **Bank Reconciliation on 31 AUGUST 2018** |
|  | **R** |
| Favourable Balance as per Bank Statement | 12 000 |
| Outstanding deposits | 7 300 |
| Amount incorrectly debited by bank | 1 400 |
| Outstanding cheques: |  |
|  No: 900 (dated 7 February 2018) | 1 980 |
|  No: 1421 (dated 28 August 2018) | 10 200 |
|  No: 1425 (dated 10 September 2018) | 7 354 |
| Balance as per Bank account in General Ledger | ? |

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| 4.1 | **QUESTION 4 (17 marks)****ANDREWS STORES** |  |
|  |  |  |
|  | The information relates to Andrews Stores on 30 June 2018. |  |
|  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |  |
|  | 4.1.1 | Calculate the correct Bank Account balance on 30 June 2018.  | (7) |
|  |  |  |  |
|  | 4.1.2 | Prepare the Bank Reconciliation Statement on 30 June 2018. | (10) |
|  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |
|  | **A.** | Favourable Bank Account balance (**before information B**) | R45 930 |  |
|  |  | Credit balance as per bank statement on 30 June 2018 | R? |  |
|  |  |  |  |  |
|  | **B.** | **A comparison of the Bank Account of the business with the Bank Statement revealed the following:** |  |
|  |  |  |  |
|  |  | The following errors and omissions were noted by the internal auditor: |  |
|  |  |  |  |  |
|  |  | **(a)** | The Bank Statement was debited with bank charges totaling R1 380. |  |
|  |  |  |  |  |
|  |  | **(b)** | The Bank Statement reflected a credit entry of R123 750 being a fixed deposit that matured on 22 June 2018 plus interest.  |  |
|  |  |  |  |  |
|  |  | **(c)** | Cheque No. 11 for R2 300 issued to Karly-Khwani Welfare Society is stale. The society no longer exists. |  |
|  |  |  |  |  |
|  |  | **(d)** | Cheque No. 72 for R36 590 issued on 5 June 2018 to Sicwetsha Dealers does not appear in the June Bank Statement. |  |
|  |  | **(e)** | Cheque No. 65 for R15 870 issued on 31 May 2018 in favour of Jos-Vanneer Wholesalers is dated 30 August 2018. |  |
|  |  |  |  |  |
|  |  | **(f)** | A deposit of R45 700 made on 30 June 2018 does not appear in the June bank statement. |  |
|  |  |  |  |  |
|  |  | **(g)** | A dishonored cheque of R1 280 received from a debtor in settlement of a debt of R1 350 was mistakenly entered in the Cash Receipts Journal and posted as such.  |  |

**QUESTION 5 (55 Marks)**

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| 5.1 | **CREDITORS' RECONCILIATION** |  |
|  |  |  |
|  | Information from the books of Govender Traders on 30 April 2019 is provided. |  |
|  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |  |
|  | Reconcile the Creditors' Control Account balance with that of the Creditors' List. Indicate an increase with (+) and a decrease with (–) to each amount. | (9) |
|  |  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |  |
|  | **A.** | Balances and totals on 30 April 2019 (before information B). |  |
|  |  |  |  |
|  |  | Creditors' Control Account in the General Ledger | R184 870 |  |
|  |  | Creditors' list total  | R170 490 |  |
|  |  |  |  |
|  | **B.** | Errors and omissions: |  |
|  |  |  |  |
|  |  | **(a)** | The Creditors' Allowances Journal was incorrectly totaled as R15 400 instead of R18 500. |  |
|  |  |  |  |  |
|  |  | **(b)** | An invoice for R20 000 for trading stock bought from a creditor, CRP Suppliers was correctly entered in the respective journal. The bookkeeper forgot to post this to the supplier's account in the Creditors’ Ledger. Take into account that a deposit of 20% was paid on this invoice. |  |
|  |  |  |  |  |
|  |  | **(c)** | The bookkeeper posted a debit note for R2 360 to the wrong side of a creditor's account. Posting to the General Ledger was done correctly.  |  |
|  |  |  |  |  |
|  |  | **(d)** | A credit balance of R27 000 from the debtors' ledger account of SK Traders must be transferred to their account in the creditors' ledger. |  |

**5.2 CREDITORS RECONCILIATION**

The transactions between Restaurant Italia and their creditor, Fresh World for the month of November 2019 are given.

At the end of November 2019, the accountant of Restaurant Italia compared the statement received from Fresh World with their creditor’s ledger account, and noted that the balances did not agree.

**REQUIRED**

|  |  |  |
| --- | --- | --- |
| 5.2.1 | Complete the table in the ANSWER BOOK to show how the differences must be treated to reconcile the Creditor’s Ledger Account balance with the statement balance. Write the amounts in the appropriate columns and indicate the increase or decrease with a (+) of (‒) with each amount.Total the columns to show the correct balances at the end of November 2019.  | (10) |

**INFORMATION**

|  |  |  |
| --- | --- | --- |
| A | Balances on 30 November 2019: |  |
|  | Balance of Fresh World in Creditors’ Ledger of Restaurant Italia  | R32 535 |
|  | Balance on the statement received from Fresh World  | R41 440 |
|  | **Note:**   | The statement only reflects the transactions until 29 November 2019.  |

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| B | A comparison between the Creditors’ Ledger Account of Fresh World and the statement of account showed the following differences: |
|  | (i) | Fresh World included returns of R1 215 on the statement. This was returns by another client, Italian Friends. |
|  | (ii) | The statement includes an invoice for R4 410. Fresh World could not deliver the goods that were ordered. |
|  | (iii) | Returns of R630, was incorrectly recorded as an invoice by Restaurant Italia. |
|  | (iv) | An invoice reflected correctly as R2 250 on the statement, was incorrectly entered by Restaurant Italia’s bookkeeper as R22 500. |
|  | (v) | A discount of R2 220 and a payment of R25 000 were omitted on the statement of account. These matters will be rectified in the next statement. |
| 5.3 | **CREDITORS RECONCILIATION** |  |
|  |  |  |
|  | The Creditors’ Control account and Creditors’ List of Titanic Traders were prepared by an inexperienced bookkeeper. He identified the following figures at the end of the month:* Creditors’ control balance, R74 715
* Creditors list total, R32 595
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|  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |
|  | 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. | (4) |
|  |  |  |  |
|  | 5.3.2 | Use the table provided to indicate the changes that must be made in the Creditors’ Control account and Creditors’ List to take into account the errors and omissions noted. Indicate the increase or decrease with a (+) or (-) with each amount. | (9) |
|  |  |  |  |
|  | 5.3.3 | **Refer to information B**. An investigation into the transaction relating to the credit purchase from Micro Ltd revealed that Vusi Ngomane (purchasing manager) ordered goods for himself. These goods were not taken into stock.State THREE internal control measures that the business can use to prevent similar incidents from happening in future. | (6) |
|  |  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |
|  | Errors and omissions noted: |  |
|  |  |  |  |
|  | **A.** | The total of the Creditors’ List was undercast by R900. |  |
|  |  |  |  |
|  | **B.** | A credit purchase from Micro Ltd for R3 720 was not recorded in the books of the business. |  |
|  |  |  |  |
|  | **C.** | Trading stock returned to Omega Ltd, R720, was entered correctly in the Creditors Allowances Journal (CAJ), but was posted as R270 to the Creditors’ account of Omega Ltd. |  |
|  |  |  |  |
|  | **D.** | The Creditors Control total in the Cash Payments Journal is R16 400. The bookkeeper credited this to the Creditors Control account by mistake.  |  |
|  |  |  |  |
|  | **E.** | An invoice for R8 870 for stock purchased from Mini Market on account has been correctly recorded in the Creditors Journal, but has not been posted to their account in the Creditors ledger. |  |
| **5.4** | **CREDITORS RECONCILIATION** |  |  |
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|  | Zulu Stores buys goods on credit from Zwane Suppliers. |  |  |
|  |  |  |  |
|  | **REQUIRED:** |  |  |
|  |  |  |  |  |
|  | **5.4.1** | Use the table provided to indicate the changes that must be made: |  |  |
|  |  | * In the creditor’s ledger account of Zwane Suppliers in the books of Zulu Stores.
 |  | (7) |
|  |  | * In the statement of account.
 |  | (6) |
|  |  |  |  |  |
|  | **5.4.2** | Explain how the creditor’s reconciliation statement can assist the business in terms of their internal control. State TWO points. |  | (4) |
|  |  |  |  |  |
|  | **INFORMATION:** |  |  |
|  |  |  |  |  |
|  | **A.** | The account of Zwane Suppliers in the Creditors Ledger of Zulu Stores had a balance of R38 100 on 31 May 2019. The statement of account received from Zwane Suppliers showed a balance of R40 800 on 25 May 2019. |  |  |
|  |  |  |  |  |
|  |  | **B.** | **An investigation revealed the following errors and omissions:** |  |  |
|  |  |  |  |  |  |  |
|  |  |  | (i) | Invoice 458, R4 100, appeared only in the Creditors Ledger. It was for goods that Zulu Stores bought from another supplier, Nxumalo Suppliers. |  |  |
|  |  |  |  |  |  |  |
|  |  |  | (ii) | Invoice 431 for R5 300 was recorded correctly on the statement of account. It appeared as R3 500 in the Creditors Ledger. |  |  |
|  |  |  |  |  |  |  |
|  |  |  | (iii) | Invoice 463, R22 000, was erroneously shown by Zwane Suppliers in the statement of account. An investigation revealed that it was for goods supplied to another business. Zwane Suppliers will rectify this error on the next statement of account. |  |  |
|  |  |  |  |  |  |  |
|  |  |  | (iv) | Discount of R900 was shown correctly on the statement of account. Zulu Stores had in error overstated this amount by R400 in the Creditors Ledger.  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | (v) | Merchandise returned by Zulu Stores, R1 800, was in error recorded as an invoice on the statement of account.  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | (vi)  | Merchandise, R21 000, was purchased on credit from Zwane Suppliers after the closing date of the statement of account. The entry appeared only in the Creditors Ledger. **QUESTION 6 (20 Marks)****DEBTORS RECONCILIATION** |  |  |
| 6.1 | **DEBTORS’ RECONCILIATION AND AGE ANALYSIS** |  |
|  |  |  |
|  | **Refer to Information A, B and C.** |  |
|  |  |  |  |
|  | 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) |
|  |  |  |  |
|  | 6.1.2 | 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. | (5) |
|  |  | * State TWO actions that Zoxolo Traders could take in order to encourage debtors to settle their accounts according to the terms.
 | (2) |
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| **A.** |

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| **INFORMATION BEFORE THE DIFFERENCES WERE NOTED ON 31 aUGUST 2018** |
|  | **R** |
| Balance as per Debtors’ Control Account | 83 750 |
| Balance as per Debtors’ Ledger: | 88 550 |
|  Dali – credit limit R15 000 | 23 250 |
|  Derek – credit limit R35 000 | 33 700 |
|  Divya – credit limit R40 000 | 31 600 |
| Difference | ? |

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|  |  |  |  |
| **B.** | **Additional Information** |  |
|  |  |  |  |
|  | A reconciliation of the Debtors’ Control Account with the Debtors’ List revealed the following: |  |
|  |  |  |
|  | (i) | An allowance on damaged goods to Derek, R2 400, was entered on the wrong side of his account. |  |
|  |  |  |  |
|  | (ii) | Interest of R150, was charged to Divya on her overdue account. |  |
|  |  |  |  |
|  | (iii) | A cheque for R10 000 received from Dali was returned by the bank due to insufficient funds. No entries were made. |  |
|  |  |  |  |
| **C.** | **Debtors’ Age Analysis** |  |

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|  | Debtors’ Age Analysis for August 2018 after the above transactions have been taken into account. |  |
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| **TOTAL** | **CURRENT** | **30 DAYS** | **60 DAYS** | **90 DAYS** |
| R98 750 | R16 850 | R18 150 | R36 300 | R27 450 |

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|  | Debtors’ credit terms: 30 days. |  |
|  **6.2** | DEBTORS' AGE ANALYSIS |  |

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|  | You are provided with the Debtors Age Analysis of Plaatjies Stores on 31 May 2018.  |  |
|  |  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |  |
|  | Identify TWO different problems regarding the control over debtors. Provide relevant names and/or figures. In each case provide ONE point of advice to the owner. | (6) |
|  |  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |  |
|  | **A.** | The business grants 30 days credit terms to all its debtors while the credit limit differs for each debtor.  |  |
|  |  |  |  |
|  | **B.** | **Debtors' Age Analysis on 31 May 2018** |  |
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|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Debtor** | **Credit limit** | **Balance** | **Current** | **30 days** | **60 days** | **90 days** | **120+ days** |
| M Mark  | 15 500 | 17 560 | 7 560 | 4 200 | 3 600 | 1 200 | 1 000 |
| T Thabe | 14 000 | 12 480 | 5 480 |  |  | 7 000 |  |
| F Fourie | 10 000 | 11 700 | 3 100 | 5 600 | 3 000 |  |  |
| Total |  | 41 740 | 16 140 | 9 800 | 6 600 | 8 200 | 1 000 |
|  |  | 100% | 38,7% | 23,5% | 15,8%  | 19,6% | 2,4% |

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|  |  |  |