

BANK RECONCILIATION

SPECIFIC OUTCOMES

- c Compare entries in the bank statement with entries in the cash receipts journal, cash payments journal and the bank reconciliation statement of the previous month.
- c Make supplementary entries in the cash receipts journal and the cash payments journal.
- c Prepare a bank reconciliation statement.

1. FORMAT

BANK RECONCILIATION STATEMENT OF MBEKI STORES ON 30 NOVEMBER 2011

		Dr	Cr
		R	R
	Debit/Credit balance as per bank statement	Overdrawn	Favourable
	Credit deposits not yet credited by bank		xx
	Debit cheques drawn but not yet presented for payment:		
	No. 100	xx	
	No. 200	xx	
	Debit amount incorrectly credited	xx	
	Credit amount incorrectly debited		xx
	Debit/Credit balance as per bank account	Favourable	Overdrawn
		xxx	xxx

ACTIVITY 1

The information below was taken from the records of Tshabalala Traders.

INSTRUCTION

2. Compare the bank statement for July 2011 with the bank reconciliation statement of June 20.1 and the cash journals for July 2011. Make the additional entries in both journals and close them off.
2. Post to the bank account and balance the account on 31 July 2011

3. Prepare the bank reconciliation statement on 31 July 2011

BANK RECONCILIATION STATEMENT ON 30 JUNE 2011

		DR	CR
		R	R
	Credit balance according to bank statement		5 750
	Credit outstanding deposit		7 432
	Debit cheques not yet presented for payment:		
	No. 219	739	
	No. 225	1 210	
	No. 226	2 340	
	Debit balance according to bank account	8 893	
		13 182	13 182

TSHABALALA TRADERS

Cash receipts journal - July 2011

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Debtors control	Discount allowed	Sales	Sundry accounts		
									Amount	Fol	Details
150	2	K. Kgoba		174		188	14				
151		M. Mokoe		240		250	10				
		Sales		5 370	5 784			5 370			
152	8	S. Spuru		330		344	14				
153		A. Ayitey		230		241	11				
		Sales		5 450	6 010			5 450			
154	15	J. Jali		270		283	13				
155		M. Malule		124		131	7				
		Sales		4 770	5 164			4 770			
	22	Sales		5 640	5 640			5 640			
156	31	T. Thenga		220		231	11				
		Sales		7 069	7 289			7 069			
					29 887	1 668	80	28 299			

Cash payment journal - 2011

Doc no	Day	Name of Payee	Fol	Bank	Trading stock	Creditors control	Discount received	Sundry accounts		
								Amount	Fol	Details
227	2	Telkom		240				240		Telephone
228	3	AB Traders		6 629	5 500			1 129		Stationery
230	10	EF Traders		3 899		4 000	101			
231	14	Cash		5 539				5 539		Wages
232	16	H Printers		1 289				1 289		Advertising
233	22	JK Traders		3 849		4 100	251			
234	26	MN Ltd		4 390	4 390					
235	29	W. Mandela		6 599				6 599		Salaries
236	30	XY Repairs		1 189				1 189		Repairs
				33 623	9 890	8 100	352	15 985		

STAR BANK BANK STATEMENT OF TSHABALALA - JULY 2011

Day	Description		Balance
		R	R
1	Balance brought forward		5 750
	Credit	7 432 +	13 182
	Cheque 226	2 340 -	10 842
2	Credit	5 784 +	16 626
3	Cheque 227	240 -	16 386
4	Cheque 225	1 210 -	15 176
5	Service fees	126 -	15 050
7	City Treasurer	310 -	14 740
	Cheque 228	6 629 -	8 111
	Cheque 229	1 089 -	7 022
8	Credit	1 320 +	8 342
	Credit	6 010 +	14 352
9	Unpaid cheque	240 -	14 112
10	Tax levy on debit transactions	21 -	14 091
11	Cheque 230	3 899 -	10 192

12	Top Insurers	110 -	10 082
14	Cheque 231	5 539 -	4 543
15	Credit	5 164 +	9 707
16	Cheque book	13 -	9 694
18	Cheque 232	1 289 -	8 405
22	Cheque 233	3 849 -	4 556
	Credit	5 640 +	10 196
29	Cheque 235	5 699 -	4 497
30	Interest	122 +	4 619

Notes

1. The unpaid cheque was received from M. Makoe on 2 July 2011.
2. The correct amount of cheque no. 235 is R5 699.
3. On 8 July 2011 Penpoint Stationers deposited their rent directly in the bank account of Tshabalala Traders.
4. The payment to the City Treasurer was a debit order for water and electricity.
5. The payment to Top Insurers was a stop order for the insurance premium.
6. The accountant neglected to enter cheque 229 drawn by the owner, N. Nkosi, to pay his sons' rent.

	31	Total receipts	CRJ				Balance	c/d	
Aug	1	Balance	b/d						

BANK RECONCILIATION STATEMENT ON 31 JULY 2011

		Dr	Cr
		R	R
	Credit balance according to bank statement		
	Credit outstanding deposits		
	Debit outstanding deposits		
	No.		
	No.		
	No.		
	Debit balance according to bank account		

ACTIVITY 2

The given information was taken from the books of Thabo Traders

INSTRUCTION

1. Complete the cash receipts journal and the cash payments journal for March 2012
2. Prepare the bank reconciliation statement on 31 March 2012

INFORMATION

- A. Information from the bank reconciliation statement for February 2012, received from RSA Bank:

	R
Favourable balance according to the bank statement	10 100
Outstanding deposits	4 300
Outstanding cheques No. 240	800
No. 631	6 900
No. 632	2 400

No. 633	1 700
Credit amount wrongly debited	2 800
Favourable balance according to the bank account	5 500

B. Sub-totals of the analysis cash journals on 31 March 2012

Receipts:

	R
Bank	37 400
Sales	25 300
Cost of sales	12 000
Debtors control	10 250
Discount allowed	650
Sundry accounts	?

Payments:

	R
Bank	41 000
Trading stock	17 400
Stationery	3 250
Debtors control	450
Creditors control	17 400
Discount received	1 900
Sundry accounts	?

C. After comparing the bank reconciliation statement of February with the cash journals and bank reconciliation statement for March 2012, the following was noted:

1. The outstanding deposit appeared in the bank statement for March 2012.
2. Cheque no. 240 was issued on 1 September 2011 to Mandela Children Fund as a donation.
3. The error was corrected by the bank.
4. Cheques no. 632 and 633 appeared on the bank statement for March 2012.
5. Cheque no. 658 for R136 is correct according to the bank statement and was wrongly recorded in the cash payments journal as R226. It was issued to SNA Stationers for stationery bought.
6. The following entries appeared only on the bank statement:
 - 6.1 A deposit of R2 000 by our tenant LA Jeans.
 - 6.2 A debit order for R1 200 representing the part payment on the mortgage loan to Pepe Investments.
 - 6.3

Service fees	R73
Levy	R12
Cash deposit fee	R15

Interest on credit balance	R150
Commission on credit card sales	R20

7. An unpaid cheque, R250, was received from M. Mokoena in settlement of his account of R320, was dishonoured because of insufficient funds.

8. According to the analysis cash book the outstanding deposit amounts to R23 500. It does not appear on the bank statement for March 2012.
9. The following entries did not appear on the bank statement for March:

Cheque No. 665	R3 600 (dated 28 March 2012)
Cheque No. 666	R2 000 (dated 30 March 2012)
Cheque No. 667	R1 000 (dated 5 April 2012)
10. Cheque no. 660, R2 100, issued to PE Promotions for advertising was lost. Payment of the cheque was stopped and the cheque was replaced with cheque no. 668 on 31 March 2012.
11. A cheque received from C. Cele, a debtor, for R600 was post dated to 10 April 2012.
12. The bank had incorrectly recorded a deposit made by the owner, T. Thabo, into his personal bank account, in the business' account, R800.
13. A dishonoured cheque of S. Sorry, a debtor, was received together with the bank statement. This cheque, R650, was received as payment for a cash sale and was deposited on 12 March 2012. The reason for the dishonouring was that a second signature was required.
14. The bank statement for March 2012 was received on 31 March 2012 and showed an unfavourable balance of R4 380.

GENERAL LEDGER OF THABO TRADERS

Dr	Cr					Bank		B
Mar	1	Balance	b/d		Mar	31	Total payments	CPJ
	31	Total receipts	CRJ				Balance	c/d
Apr	1	Balance	b/d					

BANK RECONCILIATION STATEMENT OF THABO TRADERS FOR MARCH 2012

		Dr	Cr
		R	R
	Debit balance according to bank statement		
	Credit outstanding deposits		
	Debit outstanding cheques		
	No.		
	No.		
	No.		
	No.		
	No.		
	Debit amount wrongly credited		
	Debit balance according to bank account		

ACTIVITY 3

INSTRUCTION

Use the given information to do the following in the books of Atlantis Stores:

- 2.1 Complete the bank account in the general ledger by making any entries that you may seem necessary directly in the bank account. Your entry must show the correct contra account. Balance the account.
- 2.2 Prepare the bank reconciliation statement on 31 August 2011

Atlantis Stores compared their bank statement, received from GAAP Bank, for August with the cash journals for August and found the following differences:

1. The bank account in the general ledger had a favourable balance of R700 on August 2011. The bank statement had a debit balance of R5 666 on the same date.
2. The following cheques posted to the relevant creditors during July 2011 and not posted, appear on the bank statement:

No 497	for R420
499	for R2 960
503	for R5 648
3. M Haze's cheque for R600 which was deposited on 10 August 2011, was returned marked R/D. No entry has been made for this returned cheque.
4. A deposit of R6 520 on 31 August 2011 does not appear on the bank statement.
5. A deposit of R2 190 was entered in the cash receipts journal as R2 910. It had been received for sales.
6. Debtor A. Jacobs paid his cheque for R1 000 in settlement of his debt of R1 100 directly into the bank account at Atlantis Stores.
7. The annual insurance premium of R1 440 was paid by the bank by means of a debit order.
8. The following cheques have not been presented for payment to the bank:

No	239	R640 (dated 10 February 2011 and issued to Judo Club as a donation)
	537	R158 (dated 10 August 2011)
	549	R1 420 (dated 28 August 2011)
9. Service fees, R48, cash handling fee, R32 and interest on overdraft, R60 appear on the bank statement.
10. Cheque no 540 issued for R60, appears on the bank statement as R6.
11. A cheque in payment of purchases of R5 820 (cheque 538) was entered in the cash payments journals as R5 280.
12. A deposit of R4 290 was cast in the deposit book as R4 190, but the bank showed the correct amount on the bank statement on 24 August 2011.

ACTIVITY 3

ANSWER SHEET

GENERAL LEDGER OF ATLANTIS STORES

Dr				Bank				Cr	
Aug	31	Balance	b/d		Aug	31	Debtors control		
		Debtors control					Sales		
		Donation					Insurance		
		Deposit					Bank charges		
		Balance	c/d				Interest on overdraft		
							Trading stock		
					Sept	1	Balance	b/d	

BANK RECONCILIATION STATEMENT OF ATLANTIS STORES ON 31 AUGUST 2011

	Debit	Credit
	R	R
..... balance according to bank statement		
..... outstanding deposit		
..... outstanding cheques		
..... correction of error on		
..... balance according to bank account		

ACTIVITY 4

The following items appeared in the Bank reconciliation statement of Ndi-Ndo Stores at their year end, 30 June 2014:

	R
Debit balance as per Bank statement	3 215
Deposit not credited by the bank	5 308
Outstanding cheques	
No. 515 (dated 15 December 2013)	500
No. 891 (dated 9 April 2014)	240
No. 945 (dated 20 July 2014)	2 225
No. 946 (dated 30 June 2014)	493
Incorrect credit on Bank statement	1 131
Balance as per Bank account	?

INSTRUCTION

Answer the following questions:

1. Prepare a correct Bank reconciliation statement at 30 June 2014.
2. One of the listed cheques not presented to the bank has been treated incorrectly. Which cheque is it, give a reason for your choice and explain the correct course of action.
3. Does Ndi-Ndu Stores have a favourable bank balance or an overdraft according to the bank's records? Give the amount and a reason for your answer.
4. A cheque received by Ndi-Ndu Stores on 25 June 2014 but dated 14 August 2014, does not appear in the Bank reconciliation statement. Give an explanation.
5. Explain how cheque no. 945 should be treated when preparing the financial statements.
6. What action would Ndi-Ndu Stores take if a cheque issued by another business, appears on their Bank statement?
7. Explain why cheque no. 945 is not treated in the same way as cheque no. 946 when preparing the financial statements.
8. What would the procedure be if cheque no. 891 does not appear on the Bank statement for July 2014?
9. Give two possible reasons for a dishonoured cheque received by Ndi-Ndu Stores.

10. Give an explanation why the stop orders of a business do not appear in their Bank reconciliation statement.

ACTIVITY 4

ANSWER SHEET

1. BANK RECONCILIATION STATEMENT OF NDI-NDU STORES ON 30 JUNE 2014

	Debit	Credit
	R	R
Debit balance according to Bank statement		
Credit outstanding deposits		
Debit outstanding cheques		
No.		
No.		
No.		
No.		
Debit incorrect entry on Bank statement		
Credit balance according to bank account		

2.		
3.		
4.		
5.		

6.

7.

8.

9.

10.

BANK RECONCILIATION

ACTIVITY 1

SOLUTION

TSHABALALA TRADERS

Cash receipts journal - 2011

Sundry accounts

Doc no	Day	Details	Fol	Analysis of receipts	Bank	Debtors control	Discount allowed	Sales	Amount	Fol	Details
	31	Totals			29 887	1 668	80	28 299			
B/S		W. Mandela (cheque 235)			900				900		Salaries
B/S		Penpoint Stationers			1 320				1 320		Rent income
B/S		Star Bank			122				122		Interest received on current account
					32 229	1 668	80	28 299	2 342		

Cash payments journal - 20.1

Sundry accounts

Doc no	Day	Name of payee	Fol	Bank	Trading stock	Payments	Discount received	Amount	Fol	Details
	31	Totals		33 623	9 890	8 100	352	15 985		
B/S		M. Makoe (Cheque R/D)		240				240		Debtors control
B/S		City Treasurer		310				310		Water and electricity
B/S		Top Insurers		110				110		Insurance
229		N. Nkosi		1 089				1 089		Drawings
B/S		Star Bank		160				160		Bank charges
				35 532	9 890	8 100	352	17 894		

GENERAL LEDGER OF TSHABALALA TRADERS

Dr		Bank				B		Cr	
Jul	1	Balance	b/d	8 893	Jul	31	Total payments		35 532
	31	Total receipts		32 229			Balance	c/d	5 590
				41 122					41 122
Aug	1	Balance	b/d	5 590					

BANK RECONCILIATION STATEMENT ON 31 JULY 2011

		Dr	Cr
		R	R
	Credit balance according to bank statement		4 619
	Credit outstanding deposits		7 289
	Debit outstanding cheques		
	No. 219	739	
	No. 234	4 390	
	No. 236	1 189	
	Debit balance according to bank account	5 590	
		11 908	11 908

ACTIVITY 2

SOLUTION

Cash receipts journal of Thabo Traders for March 2012

Doc no	Date	Details	Fol	Analysis of receipts	Bank	Sales	Cost of sales	Debtors control	Discount allowed	Sundry accounts		
										Amount	Fol	Details
	29	Totals	b/d		37 400	25 300	12 000	10 250	650	2 500		
	31	Mandela Children Fund (cheque cancelled)			800					800		Donations
		SNA Stationers (cheque 658 corrected)			90					90		Stationery
B/S		LA Jeans			2 000					2 000		Rent income
B/S		RSA Bank			150					150		Interest on current account
		PE Promotions (cheque 660 cancelled)			2 100					2 100		Advertising
					42 450	25 300	12 000	10 250	650	7 640		

Cash payments journal of Thabo Traders for March 2012

Doc no	Date	Details	Fol	Bank	Trading stock	Stationery	Debtors control	Creditors control	Discount received	Sundry accounts		
										Amount	Fol	Details
	29	Totals	b/d	41 000	17 400	3 250	450	17 400	1 900	4 400		
B/S	31	Pepe Investments		1 200						1 200		Mortgage loan
B/S		RSA Bank		120						120		Bank charges
		M. Mokoena (R/D insufficient funds)		250			250					
668		PE Promotions		2 100						2 100		Advertising
		S. Sorry (R/D signature)		650			650					
				45 320	17 400	3 250	1 350	17 400	1 900	7 820		

GENERAL LEDGER OF THABO TRADERS

Dr		Bank					B		
Cr									
Mar	1	Balance	b/d	5 500	Mar	31	Total payments	CPJ	45 320
	31	Total receipts	CRJ	42 540			Balance	c/d	2 720
				48 040					48 040
Apr	1	Balance	b/d	2 720					

BANK RECONCILIATION STATEMENT OF THABO TRADERS FOR MARCH 2012

	Dr	Cr
	R	R
Debit balance according to bank statement	4 380	
Credit outstanding deposits		23 500
Debit outstanding cheques		
No. 631	6 900	
No. 665	3 600	
No. 666	2 000	
No. 667	1 000	
No. 668	2 100	
Debit amount wrongly credited	800	
Debit balance according to bank account	2 720	
	23 500	23 500

ACTIVITY**3****SOLUTION****GENERAL LEDGER OF ATLANTIS STORES**

Dr					Bank				
Cr									
Aug	1	Balance	b/d	700	Aug	31	Debtors control		600
		Debtors control		1 000			(M Haze cheque R/D)		
		(A. Jacobs)					Sales		720
		Donation		640			(correction of error)		
		(cheque cancelled)					Insurance		1 440
		Deposit		100			Bank charges		80
		(correction of error)					Interest on overdraft		60
		Balance	c/d	1 000			Trading stock		540
							(correction of cheque 538)		
					Sept	1	Balance	b/d	1 000

BANK RECONCILIATION STATEMENT OF ATLANTIS STORES ON 31 AUGUST 2011

	Debit R	Credit R
Debit balance according to bank statement	5 888	
Credit outstanding deposit		6 520
Debit outstanding cheques: No 537	158	
549	1 420	
Debit correction of error on cheque 540	54	
Credit balance according to bank account		1 000
	7 520	7 520

ACTIVITY**4****SOLUTION****1. BANK RECONCILIATION STATEMENT OF NDI-NDU STORES ON 30 JUNE 2014**

	Debit	Credit
	R	R
Debit balance according to Bank statement	3 215	
Credit outstanding deposits		5 308
Debit outstanding cheques		
No. 891	240	
No. 945	2 225	
No. 946	493	
Debit incorrect entry on Bank statement	1 131	
Credit balance according to bank account		1 996
	7 304	7 304

2. Cheque 515. The cheque is stale (older than 6 months) and must be cancelled by means of an entry on 16 June 2014 in the CRJ.
3. Overdraft of R3 215. A debit balance according to the bank statement means an overdraft.
4. The cheque received on 25 June 2014 is a post-dated cheque and should be kept in a safe place. The receipt will only be issued on 14 August 2014. On that day the cheque will be receipted and thereafter recorded into the CRJ.
5. All post-dated cheques must be shown in the balance sheet as creditors. The post-dated cheque amounts will be added to the bank balance (or deducted from the bank overdraft) and creditors increased accordingly.
6. Show the amount as a credit on the bank reconciliation statement in anticipation of the correction by the bank.
7. The payee of cheque 945 may not present the cheque for payment before 14 August 20.4 (the next accounting period). The payee of cheque 946 may present the cheque for payment as from 30 June 2014 (the current accounting period).
8. The cheque has not been presented for payment yet and will have to be shown as an outstanding cheque in the bank reconciliation statement.
9. The payment of a cheque can be refused because of various reasons:
 - insufficient funds in the drawer's account
 - the signature of the drawer is queried or omitted
 - the amount in words and the amount in figures differ
 - the cheque is older than six months (stale)
 - the cheque is post-dated.

10. The entry in the CPJ is done after the stop order payment has appeared on the bank statement. The stop orders will not appear in the bank reconciliation statement.