

**GRADE 11
CLASS TEST
RECONCILIATION
45 minutes; 22 marks**

A: CREDITORS RECONCILIATION

Mbete Traders received the statement from their creditor (Watson Stores) on 28 February 20.7. A comparison revealed that the balance on the statement did not agree with that on the Creditors ledger account.

INSTRUCTIONS:

Make a comparison of the Creditors Ledger and the Statement and complete the table in the Answer Book in order to reconcile the two balances.

INFORMATION:

STATEMENT RECEIVED FROM WATSON STORES ON 28 FEBRUARY 20.7

WATSON STORES					
			345 Burger Street PRETORIA 24 February 20.7		
DEBTOR: Mbete Traders 45 Bosman Street BOKSBURG					
DATE		DETAILS	DR	CR	BALANCE
Feb	1	Balance			13 560
	3	Credit note no 112		560	13 000
	4	Receipt no 248		2 400	10 600
	5	Invoice 88	3 600		14 200
	10	Credit note 120		1 250	12 950
	12	Invoice 92	1 860		14 810
	14	Invoice 94	1 950		16 760
	20	Receipt 264		3 100	13 660
	24	Delivery charges	150		13 810

CREDITORS LEDGER OF MBETE TRADERS

WATSON STORES

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DATE		DETAILS	FOL	DR	CR	BALANCE
Feb	1	Balance	b/d			8 800
	5	Invoice No. 88	CJ		3 240	12 040
	9	Debit note No. 66	CAJ		1 250	13 290
	14	Invoice No. 94	CJ		1 950	15 240
	19	Cheque No. 1012	CPJ	3 100		12 140
		Discount received	CPJ	310		11 830
	22	Cheque No. 1020	CPJ	1 465		10 365
	26	Debit note No. 72	CAJ	490		9 875
	28	Invoice No. 98	CJ		1 400	11 275

An investigation revealed the following:

1. Credit note No. 112 was entered by Mbete Stores on 30 January 20.7.
2. Receipt No. 248 is for a cheque processed by Mbete on 31 January 20.7. However, Mbete recorded the cheque for R4 200, which was incorrect.
3. Watson Stores did not deduct the trade discount on Invoice No. 88.
4. Invoice No. 92 was for goods sold to John Stores.
5. Mbete Stores did not meet the credit terms so were not entitled to any discount on cheque no. 1012.
6. Cheque no. 1020 was for a payment to Walton Stores.
7. Watson stores charge delivery charges on a monthly basis.
8. All other entries are correct.

B: BANK RECONCILIATION

The following information was extracted from the accounting records of Buzi Stores for January 20.7. The financial year of the business ends in January each year.

INSTRUCTIONS:

Refer to the Answer Sheet.

INFORMATION:

The following Bank Reconciliation Statement was prepared by the bookkeeper of Buzi Stores for January 20.7:

Bank overdraft as per Bank Statement	R33 500
Outstanding deposit on: 10 January 20.7	14 900
28 January 20.7	10 000
Outstanding deposit: Cheque received from A Smith dated 15 February 20.7	1 500
Outstanding cheques:	
No. 1642 (dated 20 July 20.6)	8 000
No. 9172 (dated 25 January 20.7)	9 800
No. 9753 (dated 3 March 20.7)	4 800
Bank charges	280
Balance as per bank account in the General Ledger	?

2.	Explain why the business has entered cheque no. 9753 in the Bank Reconciliation Statement.	(4)
3.	The business has made THREE OTHER errors. Name the amounts and explain why it is an error. Also give the corrective action that should have been taken.	(9)
Amount	Error	Corrective action
4. Construct the corrected Bank Reconciliation Statement for January 20.7.		
(7)		
	Debit	Credit
5. The owner is concerned about the outstanding deposit of R14 900. Explain why? Explain TWO steps he should take to prevent this in future.		
(6)		
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MARKING MEMO/GUIDELINES

A: CREDITORS RECONCILIATION

1.	Name THREE reasons why Reconciliations, of whatever nature, are so important as a means of internal control.	(6)
	<ul style="list-style-type: none"> To update the business books. ✓✓ To check for errors or fraud. ✓✓ To determine outstanding amounts. ✓✓ To ensure the business records and the statement agree. Any other feasible answer. 	
2.	Calculate the amount that Mbete Stores owes to Watson Stores and complete the Creditors Reconciliation Statement.	(16)

	Creditors Ledger		Creditors Reconciliation	
Balance	11 275		13 810	
Rec 248	1 800	✓✓		
Discount / Invoice 88			(360)	✓✓
Invoice 92			(1 860)	✓
Discount / Cheque 1012	310	✓✓		
Cheque 1010	1 465			
Delivery charges	150	✓✓		
Debit note 66	(2 500)	✓✓✓		
Outstanding debit note			(490)	✓
Outstanding invoice			1 400	✓
<i>-1 up to -2 for foreign entries</i>	12 500	✓	12 500	✓

B: BANK RECONCILIATION

1.	Is the opening balance of R33 500 as per the bank statement a debit or credit balance on the bank statement? Why? Explain.	(2)												
	Dr – we are a liability to the bank. ✓✓													
2.	Explain why the business has entered cheque no. 9753 in the Bank Reconciliation Statement.	(4)												
	Although it is post-dated ✓ the business has to enter the payment in terms of prudence (fair representation). They need to enter it in the CPJ and treat it as outstanding in the Bank Reconciliation Statement. ✓✓✓													
3.	The business has made THREE OTHER errors. Name the amounts and explain why it is an error. Also give the corrective action that should have been taken.	(9)												
	<table border="1" style="width: 100%;"> <thead> <tr> <th>Amount</th> <th>Error</th> <th>Corrective action</th> </tr> </thead> <tbody> <tr> <td>R1 500 ✓</td> <td>Post-dated cheque received ✓</td> <td>No entry should have been made. ✓</td> </tr> <tr> <td>R8 000 ✓</td> <td>Stale cheque ✓</td> <td>Has to be cancelled in the CRJ. ✓</td> </tr> <tr> <td>R280 ✓</td> <td>Bank charges ✓</td> <td>Has to be processed in the CPJ. ✓</td> </tr> </tbody> </table>	Amount	Error	Corrective action	R1 500 ✓	Post-dated cheque received ✓	No entry should have been made. ✓	R8 000 ✓	Stale cheque ✓	Has to be cancelled in the CRJ. ✓	R280 ✓	Bank charges ✓	Has to be processed in the CPJ. ✓	
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R8 000 ✓	Stale cheque ✓	Has to be cancelled in the CRJ. ✓												
R280 ✓	Bank charges ✓	Has to be processed in the CPJ. ✓												

4. Construct the corrected Bank Reconciliation Statement for January 20.7. (7)

	Debit	Credit	
Balance as per Bank Statement	33 500 ✓		
Outstanding deposits (14 900 + 10 000)		24 900 ✓✓	
Outstanding cheques:			
No. 9172	9 800 ✓		
No. 9753	4 800 ✓		
Balance as per Bank account		23 200 ✓☑	
	48 100	48 100	

5. The owner is concerned about the outstanding deposit of R14 900. Explain why? Explain TWO steps he should take to prevent this in future. (6)

- The deposit has been outstanding since 10 January which means that cash is not being deposited on time, which could lead to fraud, cash flow problems and theft. ✓✓
- Ensure that TWO people are involved in the receipting and depositing of cash to avoid any issues. ✓✓
- Make use of a cash collection company to ensure money is banked timeously. ✓✓
- Personally check that cash is not lying around.
- Any other feasible reason.