

IGCSE Accounting Cash Book & Petty Cash Book

(a) A bank statement showed a credit balance of \$300 on 31 March. On that date unpresented cheques amounted to \$120.

What was the cash book balance on 31 March?

- A \$180 credit
- B \$180 debit
- C \$420 credit
- D \$420 debit

Answer: B. \$180 debit

(b) Pedro spent \$8410 buying a new vehicle. The invoice showed

Vehicle	\$ 8000
Number plates	50
Insurance for 24 months	360

How much was the capital expenditure?

- A \$8050
- B \$8180
- C \$8230
- D \$8360

Answer: A. \$8050

(c) Samuel buys a new computer and pays the following amounts.

	\$
Computer system	8000
Ink cartridges	350
5 year maintenance contract	1200
Delivery cost	70

How much is capital expenditure?

- A \$8070
- B \$8240
- C \$8420
- D \$9620

Answer: A. \$8070

1 Kuda Maposa maintains a petty cash book using the imprest system.

REQUIRED

(a) State one advantage of the imprest system of petty cash.

Answer: *Control/limit/keep track of petty cash expenditure*
The cash remaining and the vouchers received should equal the imprest
Can help to reduce fraud
Or other suitable advantage

On 1 March 2015 the balance of Kuda Maposa's petty cash book was \$100 which was equal to the amount of the imprest.

Her transactions for the month of March 2015 were as follows.

March 6	Paid for postage costs	\$ 13
11	Bought tea and coffee	5
14	Purchased stationery	27
18	Paid T Masuka, a credit supplier	15
21	Received refund for damaged stationery	10
26	Paid window cleaner	12
29	Paid P Zhonga, a credit supplier	16

REQUIRED

(b) Enter these transactions in Kuda Maposa's petty cash book on the page opposite.

Balance the petty cash book and bring down the balance on 1 April 2015.

Answer:

Kuda Maposa – Petty Cash
Book

Total Received	Date	Details	Total Paid	Postage	Stationery	General Expenses	Ledger accounts
\$ 100	2015		\$	\$	\$	\$	\$
10	Mar 1	Balance b/d					
	6	Postage	13	13			
	11	Tea and coffee	5			5	
	14	Stationery	27		27		
	18	T Masuka Refund for stationery	15				15
	21	Window cleaner	12			12	
	26	P Zhonga	16				16
			88	13	27	17	31
	30	Balance c/d	22				
110			110				
22 (10.f)	April 1	Balance b/d					

(c) (i) State the amount required to restore the imprest on 1 April 2015.

Answer: \$78

(ii) Name the account which would be credited with this amount.

Answer: Bank (or Cash)

(iii) Name the ledger account in which the transaction of 21 March would be recorded.

Answer: Stationery

- 2 On 31 January 2015 David Jones balanced his cash book and brought down a debit balance of \$114 on 1 February. The bank statement showed a credit balance of \$154 on 31 January 2015.

A comparison of the cash book and the bank statement revealed the following.

	\$
1 Items appearing only in the cash book	
Cash from sales paid into the bank on 28 January	235
Cheque paid to M Sharp, a credit supplier	490
2 Items appearing only on the bank statement	
Bank charges	62
Cheque received from K Taylor, a credit customer, dishonoured	143
Insurance premium paid by standing order	40
Interest on deposit account paid directly into the bank	130
3 The total of the debit side of the cash book had been overcast	100

REQUIRED

- (a) Update the cash book of David Jones. Bring down the updated bank balance on 1 February 2015.

David Jones
Cash book (bank columns only)

Date	Details	\$	Date	Details	\$
2015 Feb 1	Balance b/d	114
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Answer:

David Jones	
Bank Reconciliation Statement at 31 January 2015	
	\$
Balance on bank statement	154
Add Amounts not credited – cash sales	235
	<u>389</u>
Less Cheques not presented – M Sharp	490
Balance in cash book	<u>(101)</u>

Alternative presentation

David Jones	
Bank Reconciliation Statement at 31 January 2015	
	\$
Balance in cash book	(101)
Add Cheques not presented – M Sharp	490
	<u>389</u>
Less Amounts not credited – cash sales	235
Balance on bank statement	154

(c) (i) State whether the cash book balance or the bank statement balance should be shown in David Jones' statement of financial position at 31 January 2015.

Answer: Cash book balance

(ii) Give a reason for your answer in (i).

Answer: (ii) Either

The statement of financial position would not balance if the bank statement balance was included

Or

Only balances on the books of the business can be included in the statement of financial position of the business

(d) State two reasons why David Jones' bank manager would be interested in his financial statements.

1 _____

2 _____

Answer: Assess prospects of any requested loan/overdraft being repaid when due Assess prospects of any interest on loan/overdraft being paid when due Assess security available to cover any loan/overdraft Or other acceptable reason

3 John is a trader. On 1 February his bank account had a debit balance of \$450. The following transactions then took place.

- February 1 Bought goods, \$600, on credit from Abdul.
- 2 Made cash sales of goods, \$150, cost \$90.
- 3 Paid cash, \$100, into the bank.
- 4 Took drawings, \$50, in cash.
- 5 Sold goods, cost \$300, on credit to Sara for \$510.
- 6 Paid Abdul in full by cheque.

(a) Prepare John's cash book (bank columns only) for the first week of February. Balance the cash book and bring down the balance on 8 February.

John
Cash book (bank columns)

Date	Details	\$	Date	Details	\$
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Answer:

John Cash book (bank columns)					
Date	Details	\$	Date	Details	\$
Feb 1	Balance b/d	450	Feb 6	Abdul	600
3	Cash	100			
7	Balance c/d	50			
		600			
		600	Feb 8	Balance b/d	50

(b) Identify the transaction which reduced John's capital.

Answer: Drawings

4 Paul Chew is a trader. He made the following entries in his cash book in September 2015.

Paul Chew
Cash Book for September 2015

	Discount	Cash	Bank		Discount	Cash	Bank
Sept	\$	\$	\$	Sept	\$	\$	\$
1 Balances b/d		30	117	4 W Law (dishonoured cheque)			90
11 Bank		70		11 Cash			70
27 Sales		20	560	19 General expenses		80	
30 Yeung & Co	3		267	24 K Tan	13		507

REQUIRED

(a) (i) Suggest one reason why the cheque on 4 September was dishonoured.

Answer: *Lack of funds No signature
Amount in words and figures differ
No date
Or other suitable reason*

(ii) Explain the entry on 11 September.

Answer: *This is a contra entry
Cash has been withdrawn from the bank for business use*

(iii) Explain the entry on 27 September.

Answer: *Money received from sales: some retained in cash and some paid into the bank*

(iv) Calculate the percentage of the discount on 24 September.

Answer:
$$\frac{13}{(507 + 13)} = \frac{100}{1} = 2\frac{1}{2}\%$$

(v) State how the total of the discount column on the debit side of the cash book would be entered in the ledger on 30 September.

Answer: *Debited to the discount allowed account*

(vi) Calculate the bank balance on 30 September.

Answer: $944 - 667 = 277$

On 30 September 2015 Paul Chew's bank statement showed an overdrawn balance of \$43.

On comparing the bank statement and the cash book it was found that the bank had not recorded the transactions shown in the cash book on the following dates:

24 September
27 September
30 September

REQUIRED

(b) Prepare a bank reconciliation statement at 30 September 2015.

Paul Chew
Bank Reconciliation Statement at 30 September 2015



Answer:

Paul Chew		
Bank Reconciliation Statement at 30 September 2015		
	\$	\$
Balance shown on bank statement		(43)
Add Amounts not credited	560	
<u>Cheque not yet credited – Yeung & Co</u>	<u>267</u>	<u>827</u>
		<u>784</u>
Less <u>Cheque not yet presented – K Tan</u>		<u>507</u>
Balance shown in cash book		<u>277</u>

Alternative form of presentation acceptable

- 4 Shahid Ayub is a trader who maintains a full set of accounting records including a three column cash book.

On 1 August 2015 Shahid Ayub had the following balances in his cash book:

	\$
Cash	50
Bank overdraft	7150

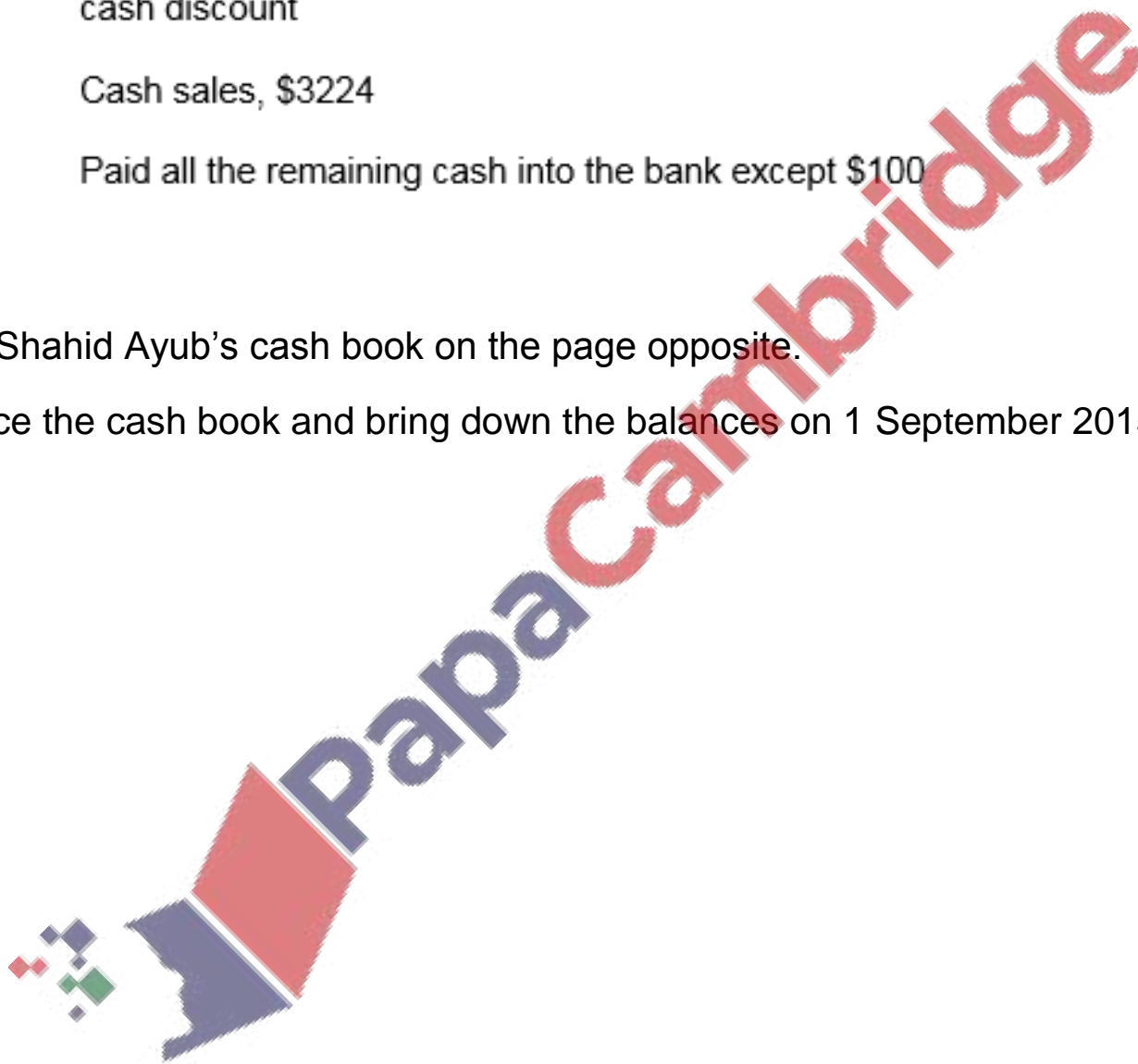
Shahid Ayub's transactions for August 2015 included the following.

August 9	A cheque received in July for \$362 from El Nil Supply Company was dishonoured by the bank
18	Paid \$54 by cheque for fuel of private motor vehicle
24	Received a cheque from Mariam Soliman to settle her debt of \$520, less 2½% cash discount
30	Cash sales, \$3224
31	Paid all the remaining cash into the bank except \$100

REQUIRED

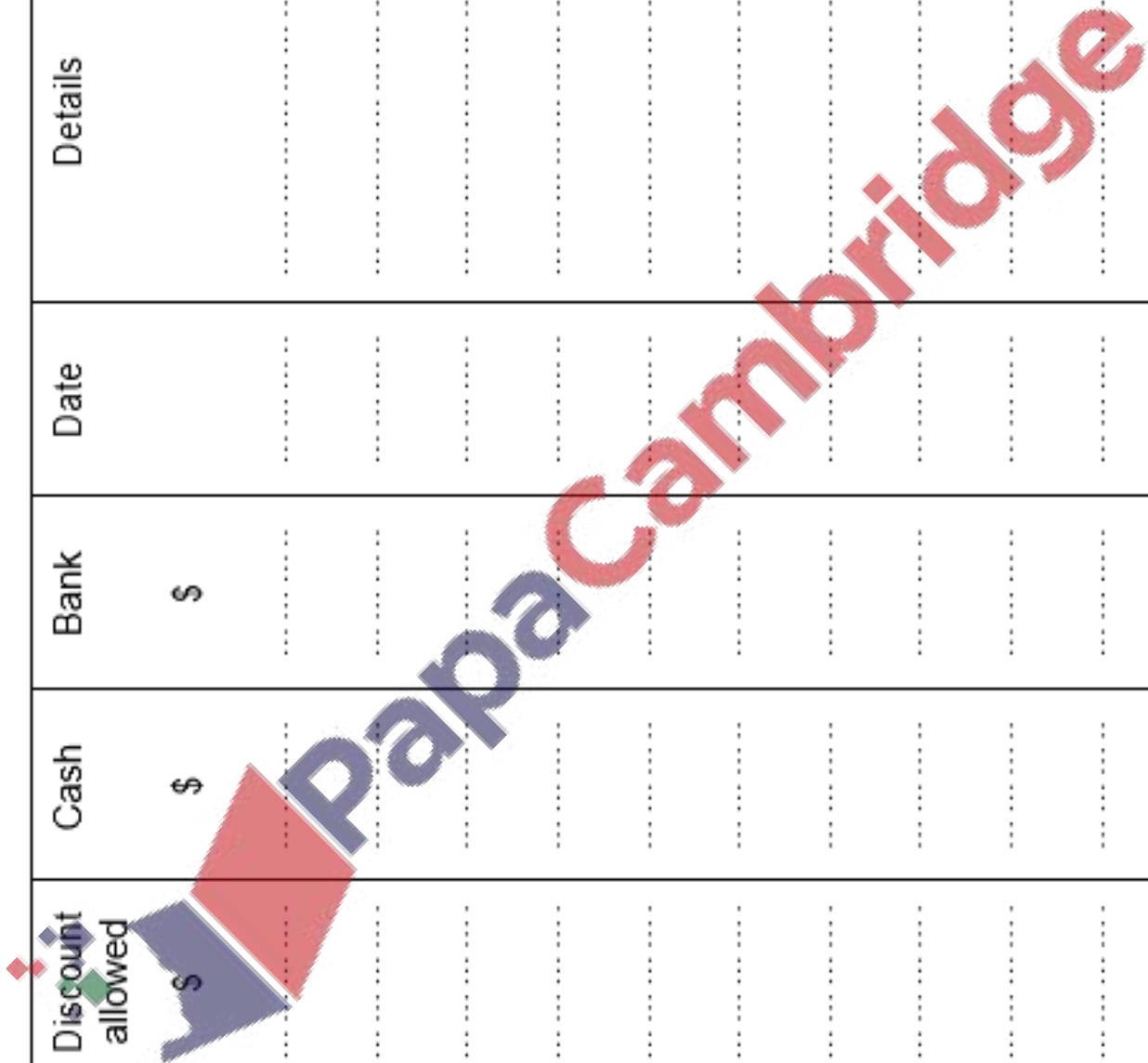
(a) Complete Shahid Ayub's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 September 2015.



Shahid Ayub - Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
		\$	\$	\$			\$	\$	\$



Answer:

Shahid Ayub
Cash Book

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
2015 Aug 1	Balance b/d	\$	\$ 50	\$	2015 Aug 1	Balance b/d	\$	\$	\$ 7150
24	Mariam Soliman	13		507	9	El Nil Supply Company (dis cheque)			362
30	Sales		3224		18	Drawings			54
31	Cash c			3174	31	Bank c		3174	
	Balance c/d			3885		Balance c/d		100	
		13	3274	7566				3274	7566
2015 Sept 1	Balance b/d				2015 Sept 1	Balance b/d			
			100						3885

- 5 Elliott started a business selling machinery on 1 May 2015. He opened a business bank account with \$12 000 of his own money and transferred his own vehicle to be retained and used in the business at a valuation of \$1800.

He provided the following summary of the transactions in the first month of trading.

Paid \$3000 by standing order for three months' rent.

Bought 6 machines at \$300 each and 8 machines at \$400 each, paying by credit transfer.

Sold 5 of the cheaper machines for \$450 each in cash.

Sold 6 of the more expensive machines for \$700 each receiving the funds by cheque.

Withdrew \$3600 from the bank as drawings.

Paid sundry expenses, \$150, in cash.

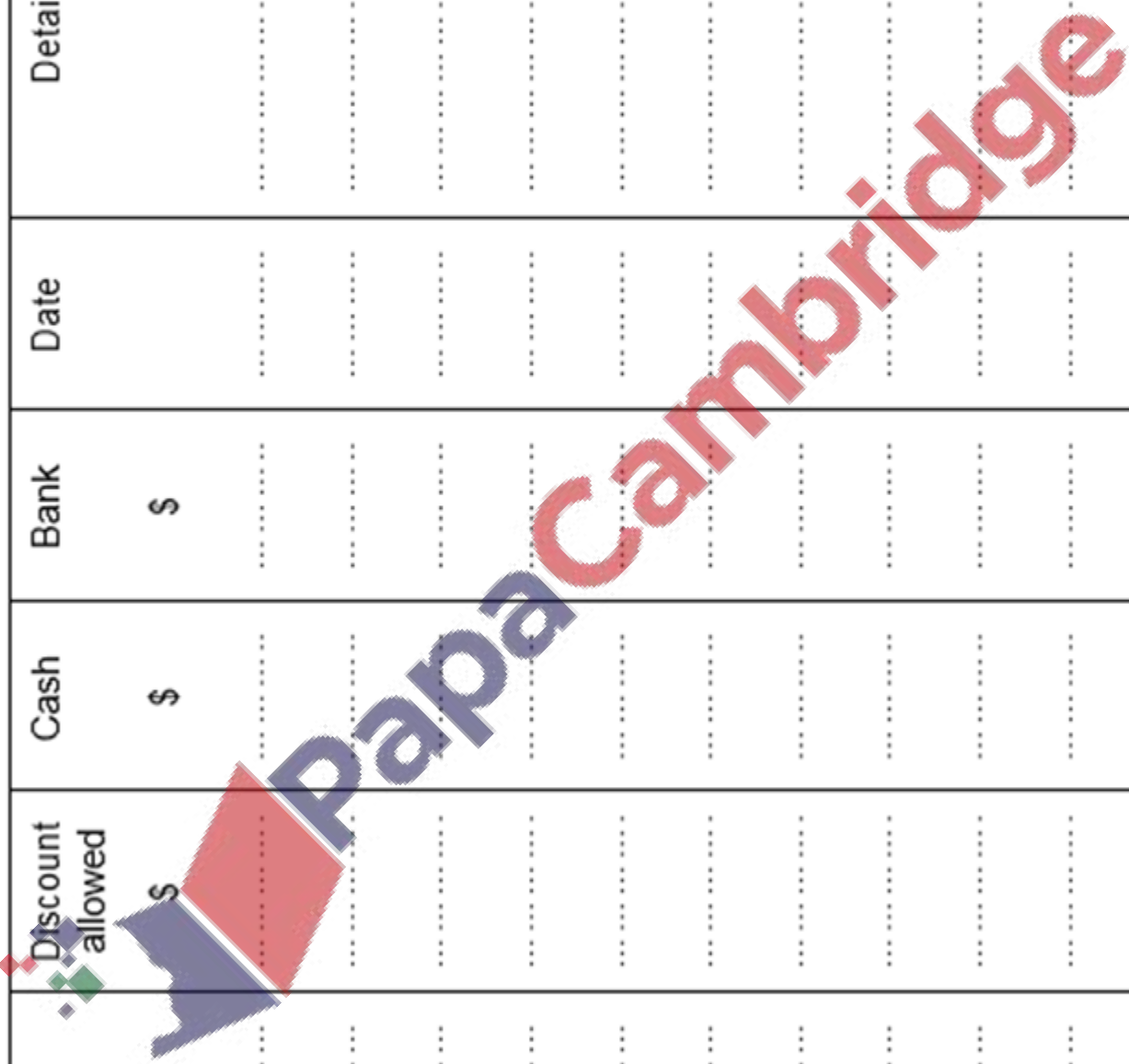
Paid cash, \$2000, into the bank.

Used, but did not pay for, electricity, \$80.

REQUIRED

- (a) Prepare Elliott's cash book for May 2015. Balance the cash book and bring down the balances on 1 June 2015. The cash book is on the opposite page.

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
.....	\$	\$	\$	\$	\$	\$
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Answer:

Elliott
Cash Book

Date	Details	Cash \$	Bank \$	Date	Details	Cash \$	Bank \$
2015 May 1	Capital		12 000	2015 May 31	Rent		3 000
May 31	Sales	2 250	4 200		Purchases		5 000
	Cash		2 000		Drawings		3 600
					Sundry expenses	150	
					Bank	2 000	
					Balance c/d	100	6 600
		<u>2 250</u>	<u>18 200</u>			<u>2 250</u>	<u>18 200</u>
June 1	Balance b/d	100	6 600				

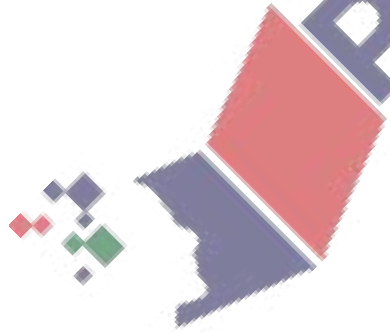
(b) Calculate the following for May 2015.

Cost of sales _____

Expenses _____

Profit for the month _____

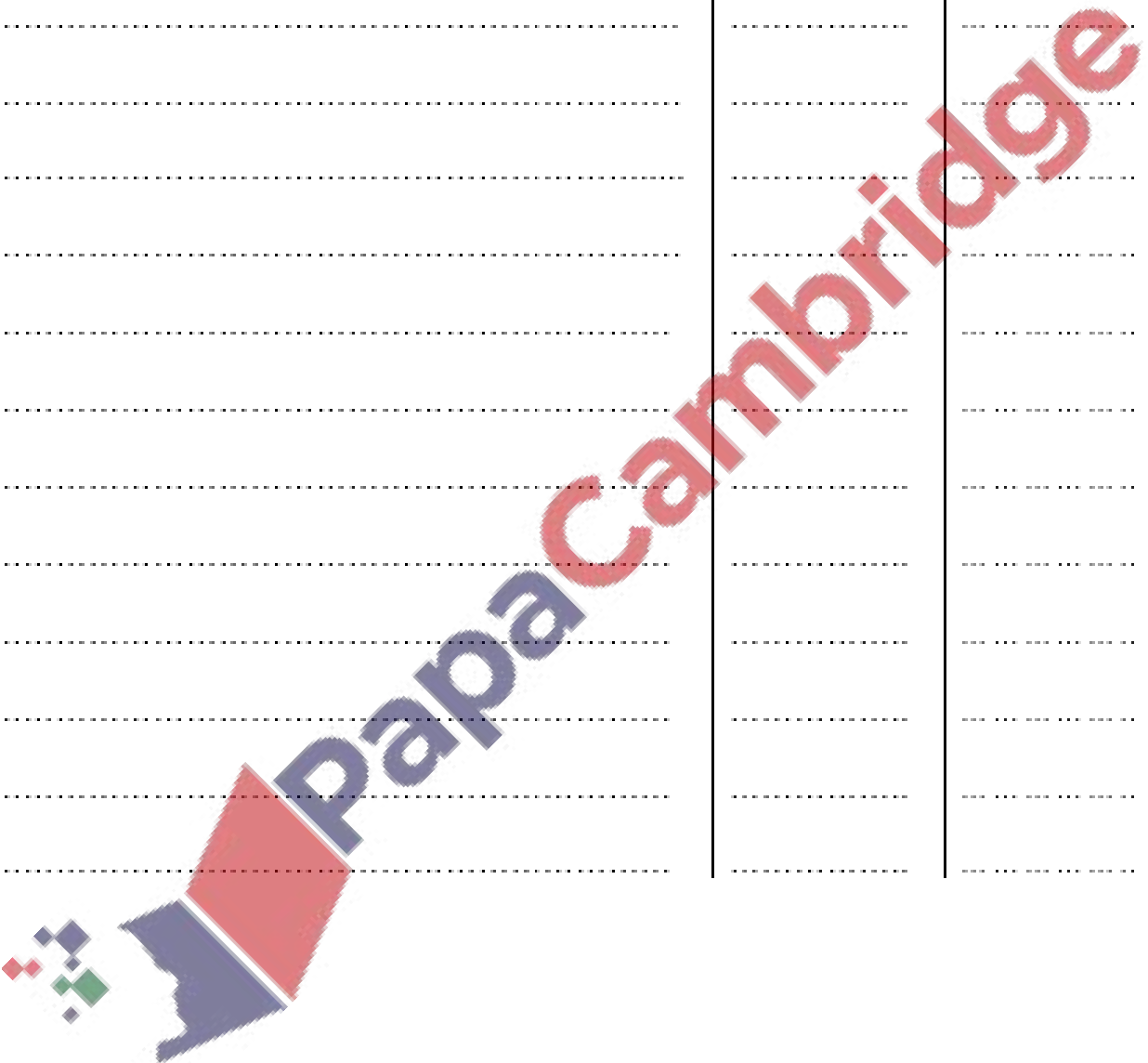
Answer: Cost of sales $Purchases\ 5000 - closing\ inventory\ 1100 = 3900$
OR $(5 \times 300) + (6 \times 400) = 3900$
Expenses $Rent\ 1000 + other\ expenses\ (150 + 80) = 1230$
Profit for the month $Sales\ 6450 - (3900 + 1230) = 1320$



(c) Prepare Elliott's statement of financial position at the end of the first month of trading.

Elliott
Statement of Financial Position at 31 May 2015

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Answer:

Elliott	
Statement of Financial Position at 31 May 2015	
\$	
<i>Non-current assets</i>	
Vehicle	<u>1 800</u>
<i>Current assets</i>	
Inventory	1 100
Other receivable	2 000
Bank	6 600
Cash	<u>100</u>
	<u>9 800</u>
Total assets	<u>11 600</u>
Capital at 1 May 2015	13 800
Profit	<u>1 320</u>
	15 120
Drawings	<u>3 600</u>
Capital at 31 May 2015	<u>11 520</u>
<i>Current liabilities</i>	
Other payable	<u>80</u>
Total liabilities	<u>11 600</u>

(d) Suggest one reason, based on your answer to (c), why Elliott might face financial difficulties in the future.

Answer: *Elliott's drawings are greater than his profit*

6 Give one example of each of the following.

(a) An item in the cash book not in the bank statement

(b) An item in the bank statement not in the cash book.

Answer: (a) *Unpresented cheque/uncredited deposit/book-keeper error*

(b) *Bank charges/bank interest/dishonoured cheque/standing order/credit transfer/direct debit/bank error/dishonoured cheque*

- 7 The total of the discount received column of the cash book, \$80, was posted in error to the credit side of the discount allowed account.

Which entries correct this error?

	debit account(s)	\$	credit account(s)	\$	
A	discount allowed	80	discount received	80	<input type="checkbox"/>
B	discount allowed suspense	80 80	discount received	160	<input type="checkbox"/>
C	discount allowed	160	discount received suspense	80 80	<input type="checkbox"/>
D	discount received	80	discount allowed	80	<input type="checkbox"/>

Answer: A.

- 8 Zameer's purchases journal for the week ended 28 February 2017 was as follows:

Zameer
Purchases Journal

Date	Name	\$
Feb 22	Qasim	500
25	Farid	270
27	Qasim	190
		<u>960</u>

Zameer's cash book recorded a payment, \$1800, made on 25 February by credit transfer. This payment was for rent for the three months ending 30 April 2017.

REQUIRED

- (a) Name the type of book of which the cash book and the purchases journal are examples.

Answer: Book of prime (original) entry

- (b) Prepare the following ledger accounts in the books of Zameer. Balance the accounts and where necessary show any balance brought down on 1 March 2017.

Zameer
Purchases account

Date	Details	\$	Date	Details	\$

Rent payable account

Date	Details	\$	Date	Details	\$

Answer:

Zameer Purchases account			
	\$		\$
Feb 21 Balance b/d	67 210	Feb 28 Income statement	68 170
28 Purchases for the week	960		
	<u>68 170</u>		<u>68 170</u>
Rent payable account			
	\$		\$
Feb 21 Balance b/d	6 600	Feb Income 28 statement	7 200
25 Bank	1 800	Balance c/d	1 200
	<u>8 400</u>		<u>8 400</u>
Mar 1 Balance b/d	1 200		

(c) State whether Zameer's payments were capital expenditure or revenue expenditure.

Purchases _____
Rent _____

Answer: *Revenue,
Revenue*

(d) (i) Give one example of a revenue receipt.

(ii) Give one example of a capital receipt.

Answer: (i) *sales
commission received
rent received
interest received*

(ii) *capital introduced
proceeds of sale of non-current asset
receipt of loan*

9 Yeo is a trader. On 30 April 2017 his cash book showed cash in the bank, \$2890. When he compared this with the bank statement balance at the same date he found the following.

- a) A credit transfer for \$340, paid by Yeo, had been recorded in his cash book as \$430.
- b) Bank charges, \$50, were shown on the bank statement but had not been recorded in the cash book.
- c) A cheque to a supplier, \$400, had not been presented.
- d) A cheque paid into the bank, \$180, had not yet been credited.
- e) A cheque, \$200, received from a customer, had been dishonoured.

These items accounted for the difference between the cash book balance and the bank statement balance.

REQUIRED

(a) State what is meant by a bank statement.

Answer: *A copy of the customer's account as it appears in the books of the bank.*

(b) State which two items 1 to 5 resulted from timing differences.

Answer: 3 and 4

(c) Calculate the bank balance in the cash book after it had been updated.

Answer:

	\$
<i>original balance</i>	2890
<i>correction of error</i>	90
<i>bank charges</i>	(50)
<i>dishonoured cheque</i>	<u>(200)</u>
<i>updated balance</i>	<u>2730</u>

(d) Prepare Yeo's bank reconciliation statement at 30 April 2017.

Yeo
Bank Reconciliation Statement at 30 April 2017

Answer:

	\$
<i>Balance in cash book</i>	2730
<i>Add unpresented cheque</i>	<u>400</u>
	3130
<i>Less uncredited deposit</i>	<u>(180)</u>
<i>Balance on bank statement</i>	<u>2950</u>

(e) State the amount for bank which would appear in Yeo's statement of financial position at 30 April 2017. Name the section of the statement of financial position in which it would be shown.

Amount \$ _____
Section _____

Answer: \$2730
current assets

(f) State one reason why a cheque may be dishonoured.

Answer: *insufficient funds in account
no signature on cheque
wrong signature
no date
words and figures do not agree
cheque is out of date*

(g) Name one method, other than preparing a bank reconciliation statement, which Yeo could use to check for errors in his books of account.

Answer: *preparing of trial balance OR preparing of control account*

10 Amjad is a furniture wholesaler. He maintains a three column cash book.

On 1 March the bank column of his cash book showed a debit balance brought down of \$2750. On the same day the bank statement showed a credit balance of \$2750.

REQUIRED

(a) State why the bank statement balance is on the opposite side to that shown in the cash book.

Answer: *The bank statement is a copy of the account of the business as it appears in the books of the bank / the bank statement is prepared from the viewpoint of the bank,
The bank account in the cash book is prepared from the viewpoint of the business.*

The following transactions took place in March 2017.

- March 6 Paid \$950 by cheque. This included \$790 for a new computer system, and the balance was for repairs to existing office equipment
- 13 Received a cheque from XY Limited for \$196 to settle its account after deducting 2% cash discount
- 21 Paid Furniture Store a cheque for \$351 in full settlement of the balance owing of \$360
- 29 Made cash sales, \$2148
- 30 Paid cash into bank, \$2000

Amjad received his bank statement for March 2017.

The following items appeared on the bank statement but had not been recorded in his accounting records.

	\$
Bank charges	29
Insurance paid directly by the bank	50
A credit customer, Idris, had paid his account by credit transfer	474

The bank had not yet recorded the transactions which took place on 21 March and 30 March.

REQUIRED

(b) Complete Amjad’s cash book.

Balance the cash book and bring down the balances on 1 April 2017.

Cash Book

2017					2017				
Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
		\$	\$	\$			\$	\$	\$
2017 Mar 1	Balances b/d		38	2750					

Answer:

Amjad
Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
		\$	\$	\$			\$	\$	\$
2017 Mar 1	Balances b/d		38	2750	2017 March 6	Office Equipment			790
13	XY Limited	4		196		Repairs to office equipment			160
29	Sales		2148		21	Furniture Store	9		351
30	Cash			2000	30	Bank c		2000	
31	Idris			474	31	Bank charges			29
						Insurance			50
						Balances c/d			4040
		4	2186	5420			9	2186	5420
2017 April 1	Balances b/d		186	4040					

(c) Prepare a bank reconciliation statement for Amjad at 31 March 2017 to determine the balance on the bank statement.

Amjad
Bank Reconciliation Statement at 31 March 2017

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Answer:

Amjad	
Bank Reconciliation Statement at 31 March 2017	
	\$
<i>Balance in cash book</i>	4 040
<i>Cheques not yet presented</i>	351
	4 391
<i>Amounts not yet credited</i>	2 000
<i>Balance on bank statement</i>	2 391
 Alternative presentation	
	\$
<i>Balance on bank statement</i>	2 391
<i>Amounts not yet credited</i>	2 000
	4 391
<i>Cheques not yet presented</i>	351
<i>Balance in cash book</i>	4 040

Amjad wishes to compare his financial statements with those of another furniture wholesaler. He has been told that financial statements have limitations and will not reveal everything about the other business.

REQUIRED

(d) Explain why Amjad should consider the following when he is looking at the financial statements of the other business.

(i) Historical cost _____

(ii) Non-financial aspects _____

Answer: (i) The financial transactions are recorded at the actual cost.

Because of this it is difficult to compare transactions taking place at different times.

(ii) The accounting records only show information which can be expressed in monetary terms/non-monetary items cannot be recorded.

There are many other factors which affect the performance of the business.

11 Shiromi is a trader in office equipment. She maintains a full set of accounting records. Shiromi made the following entries in her cash book, purchases journal and purchases returns journal in April 2017.

		Shiromi Cash Book				Shiromi Cash Book		
		Cash	Bank			Discount Received	Cash	Bank
		\$	\$			\$	\$	\$
April				April				
	1 Balances b/d	90	2 954		4 Rent and rates			495
	21 Sales	600	6 000		10 Motor vehicle			5 500
	30 Balance c/d		3 785		18 Lincy	66		3 234
					24 Gail	90		3 510
					26 Drawings		150	
					30 Balance c/d		540	
		<u>690</u>	<u>12 739</u>			<u>156</u>	<u>690</u>	<u>12 739</u>

		Shiromi Purchases Journal	
		\$	\$
April	5 Lincy Goods	4825	
	Less Trade discount	<u>965</u>	3860
	16 Gail Goods	4800	
	Less Trade discount	<u>1200</u>	3600
	30 Total for month		<u>7460</u>

		Shiromi Purchases Returns Journal	
		\$	\$
April	7 Lincy Goods	700	
	Less Trade discount	<u>140</u>	560
	30 Total for month		<u>560</u>

REQUIRED

(a) Enter the transactions for April in the following ledger accounts. It is not necessary to balance or total any of the accounts.

Shiromi
General Ledger

Rent and rates account

Date	Details	\$	Date	Details	\$
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.....
.....

Motor vehicle account

Date	Details	\$	Date	Details	\$
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Sales account

Date	Details	\$	Date	Details	\$
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Drawings account

Date	Details	\$	Date	Details	\$
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Purchases account

Date	Details	\$	Date	Details	\$
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Purchases returns account

Date	Details	\$	Date	Details	\$
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.....
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Discount received account

Date	Details	\$	Date	Details	\$
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Purchases Ledger

Lincy account

Date	Details	\$	Date	Details	\$
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.....
.....
.....

Gail account

Date	Details	\$	Date	Details	\$
.....
.....
.....

Answer:

Shiromi General Ledger Rent and Account

2017		\$			
April 4	Bank	495			

Motor Vehicle Account

2017		\$			
April 10	Bank	5 500			

Sales Account

2017				\$
April 21	Cash			600
	Bank			6 000

Drawings Account

2017		\$		
April 26	Cash	150		

Purchases Account

2017		\$		
April 30	Total for Month	7 460		

Purchases Returns Account

2017		\$		
April 30	Total for month			560

Discount received Account

2017		\$		
April 30	Total for month			156

Purchases Ledger			
<u>Lincy account</u>			
2017		\$	2017
April 7	Returns	560	April 5
April 18	Bank	3 234	Purchases
	Discount	66	
			\$
			3 860

Gail Account			
2017		\$	2017
April 24	Bank	3 510	April 16
	Discount	90	Purchases
			\$
			3 600

11 A trader compared his cash book (bank column), which had a debit balance of \$70, with his bank statement. He found that bank charges, \$10, had not been recorded in his books, and that a cheque for \$18 which he had issued had not been presented.

What was the balance on his bank statement?

- A \$62 credit
- B \$62 debit
- C \$78 credit
- D \$78 debit

Answer: C. \$78 credit

- 12 On 1 February 2017 Simran had the following transactions.
- 1 Took cash, \$100, as drawings.
 - 2 Paid remaining cash into the bank.
 - 3 Transferred her private motor vehicle, value \$2500, to the business.
 - 4 Sent a cheque, \$48, to Neel, a credit supplier. Simran received 4% cash discount when making this payment.
 - 5 Paid wages, \$350, for January 2017, by credit transfer.

REQUIRED

(a) Complete the following table stating the double entry needed to record each transaction. The first has been completed as an example.

	account debited	\$	account credited	\$
1	drawings	100	cash	100
2				
3				
4				
5				

Answer:

	account debited	\$	account credited	\$
1	drawings	100	cash	100
2	bank	150	cash	150
3	vehicle	2500	capital	2500
4	Neel	50	bank discount received	48 2
5	wages	350	bank	350

(b) Identify the following:

- (i) the transaction which increased profit and Simran's capital
Transaction number _____
- (ii) the transaction which increased Simran's capital but not profit
Transaction number _____
- (iii) the transaction which increased working capital.
Transaction number _____

Answer: (i) Transaction number 4
(ii) Transaction number 3
(iii) Transaction number 4

(c) State where the wages owed at 31 January 2017 were shown in the statement of financial position. Name the item and the section.

Item _____

Section _____

Answer: item – other payables
section – current liabilities

(d) Prepare the bank column of the cash book on 1 February 2017. Bring down the balance on 2 February.

Simran
Cash book (bank column only)

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....

Answer:

Simran
Cash book (bank column only)

Date	Details	\$	Date	Details	\$
Feb 1	Balance b/d	180 }	Feb 1	Neel	48
	Cash	150 }		Wages	350
	Balance c/d	68			
		398			398
			Feb 2	Balance b/d	68

13 Mandeep is a trader who maintains a full set of accounting records including a three column cash book.

His transactions for December 2016 included the following:

- December 4 Paid \$387 by cheque for repairs to office equipment
- 11 Received a cheque from Jabin to settle his account of \$300 less 2% cash discount
- 15 Paid a cheque, \$702, to Rama, after deducting a cash discount of 2½%
- 27 Made cash sales, \$6795
- 29 Withdrew cash, \$5000, for personal use
- 31 Paid all the cash into the bank except \$200

REQUIRED

(a) Complete Mandeep's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 January 2017.

Mandeep
Cash Book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2016		\$	\$	\$	2016		\$	\$	\$
Dec 1	Balance b/d	150	Dec 1	Balance b/d	2590
.....
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Answer:

Mandeep – Cash Book									
Date	Details	Discount allowed	Cash	Bank	Date	Details	Discount received	Cash	Bank
2016		\$	\$	\$	2016		\$	\$	\$
	Dec 1 Balance b/d		150			Dec 1 Balance b/d			2 590
	11 Jabin	6		294		4 Repairs			387
	27 Sales		6 795			15 Rama	18		702
	31 Cash c			1 745		29 Drawings		5 000	
	Balance c/d			1 640		31 Bank c		1 745	
						Balance c/d		200	
		6	6 945	3 679			18	6 945	3 679
2017					2017				
	Jan 1 Balance b/d		200			Jan 1 Balance b/d			1 640

14 The bank columns of Kang-Dae's cash book had a debit balance brought down of \$1310 on 1 June 2017. The bank statement at the same date showed a credit balance of \$790. When Kang-Dae compared the cash book with the bank statement he found the following.

Items on the bank statement not in the cash book bank charges, \$60
 credit transfer, \$540, from Nigel, a credit customer standing order for rent payable, \$1000
 direct debit paid to electricity company, \$400

Items in the cash book not on the bank statement cheque to Hachiro, a supplier, \$700
 cash paid in, \$620

Kang-Dae also discovered that a payment, \$320, for insurance had been entered in the cash book twice in error.

REQUIRED

(a) State what is meant by a 'bank statement'.

Answer: A bank statement is a copy of the customer's account as it appears in the books of the bank.

(b) Update the bank columns of Kang-Dae's cash book on 1 June 2017. Balance the cash book and bring down the balance.

Kang-Dae
Cash book (bank columns only)

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Answer:

Kang-Dae Cash book (bank columns only)					
2017		\$		2017	\$
June 1	Balance b/d	1 310	June 1	Bank charges	60
	Nigel	540		Rent	1 000
	Insurance	320		Electricity	400
	(error)			Balance c/d	710
		2 170			2 170
June 1	Balance b/d	710			

(c) Prepare the bank reconciliation statement at 1 June 2017.

Kang-Dae
Bank reconciliation statement at 1 June 2017

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Answer:

Kang-Dae	
Bank reconciliation statement at 1 June 2017	
	\$
Balance per cash book	710
Add unpresented cheque	<u>700</u>
	1 410
Less uncredited deposit	<u>620</u>
Balance per bank statement	<u>790</u>

OR

Kang-Dae	
Bank reconciliation statement at 1 June 2017	
	\$
Balance per bank statement	790
Add uncredited deposit	<u>620</u>
	1 410
Less unpresented cheque	<u>700</u>
Balance per cash book	<u>710</u>

(d) State two differences between a bank overdraft and a bank loan.

1 _____

2 _____

Answer: *A loan is of fixed amount but an overdraft is of varying amount.
A loan is for a fixed term but an overdraft may be paid back at any time.
A loan may require security but an overdraft may be unsecured.
A loan may have a fixed rate of interest but an overdraft will have a variable rate.*

(e) Name the section of the statement of financial position where a 5-year bank loan would appear.

Answer: *Non-current liabilities*

- 15** Saffie is a trader. She maintains a three column cash book and also a petty cash book. The imprest amount is \$150. All payments below \$100 are made from petty cash.

Saffie had the following transactions in September 2017.

- September 1 Petty cash imprest restored from the business bank account
3 Paid taxi fare, \$12
7 Paid \$461 by cheque for repairs to office machinery
11 Purchased office stationery, \$64
15 A cheque for \$210 received from SL Stores in August was dishonoured by the bank
21 Paid Faariqa, a credit supplier, \$29
26 Received a cheque from Thushari, \$392, in settlement of the amount due less 2% cash discount
24 Cash sales, \$4840, of which \$4800 was immediately paid into the bank
25 Paid Sopitha's account of \$480 after deducting a cash discount of 2½%
26 Paid postage, \$22

REQUIRED

(a) Record the above transactions in the following books which appear on the next page. Balance each book and bring down the balances on 1 October 2017.

- (i) Petty cash book
- (ii) Cash book

Saffie
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Travel \$	Postage and stationery \$	Ledger accounts \$
63	2017 Sept 1	<i>Balance b/d</i>				

Saffie
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2017 Sept 1	<i>Balance b/d</i>		120		2017 Sept 1	<i>Balance b/d</i>			3841

Answer:

Saffie
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Travel \$	Postage & stationery \$	Ledger accounts \$
63	2017 Sept 1	Balance b/d				
87	3	Bank	12	12		
	11	Taxi fare	64		64	
	21	Stationery	29			29
	30	Faariqa	22		22	
		Postage				
			127	12	86	29
		Balance c/d	23			
150			150			
23	2017 Oct 1	Balance b/d				

Saffie
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2017 Sept 1	Balance b/d		120		2017 Sept 1	Balance b/d			3 841
26	Thushari	8		392		Petty cash			87
28	Sales		40	4 800	7	Repairs			461
					15	SL Stores (dis. chq.)			210
						Sopitha	12		468
					29	Balances c/d		160	125
					30				
		8	40	5 192			12	160	5 192
2017 Oct 1	Balances b/d		160	125					

On 30 September 2017 Saffie's bank statement showed an overdraft of \$4649. She compared the cash book with her bank statement and found that the bank had not recorded the transactions shown in the cash book on the following dates.

September 26
28
29

In addition, the bank had debited Saffie's business bank account with \$50 which should have been debited to her personal bank account.

REQUIRED

(b) Prepare a bank reconciliation statement at 30 September 2017.

Saffie
Bank Reconciliation Statement at 30 September 2017

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Answer:

Saffie		
Bank Reconciliation Statement at 30 September 2017		
	\$	\$
<i>Balance shown on bank statement</i>		(4 649)
<i>Add Cheque not credited – Thushari</i>	392	
<i>Amount not credited – cash sales</i>	4 800	
<i>Bank error</i>	50	5 242
		593
<i>Less Cheque not presented – Sopitha</i>		468
<i>Balance shown in cash book</i>		125

Alternative presentation

Bank Reconciliation Statement at 30 September 2017		
	\$	\$
<i>Balance shown in cash book</i>		125
<i>Add Cheque not presented – Sopitha</i>		468
		593
<i>Less Cheque not credited – Thushari</i>	392	
<i>Amount not credited – cash sales</i>	4 800	
<i>Bank error</i>	50	5 242
<i>Balance shown on bank statement</i>		(4 649)

16 Meena is a trader. On 31 December 2017 Meena's cash book (bank columns) showed an overdrawn balance of \$2450. The balance on the bank statement at the same date was \$2623 debit. Meena checked the cash book against the bank statement and discovered the following differences.

- 1 Cash sales, \$362, paid into the bank on 31 December, did not appear on the bank statement.
- 2 Interest charged by the bank, \$20, had not been recorded in the cash book.
- 3 A cheque for \$94 from a customer, Anjana, had been paid into the bank but had been returned as dishonoured.
- 4 The bank had received \$140 by credit transfer from Rohan, a customer, which had been omitted from the cash book.
- 5 Cheques totalling \$198, issued by Meena, had not been presented for payment.
- 6 The bank had paid a standing order, \$35, to a supplier on 30 December by mistake.

REQUIRED

(a) Update Meena's cash book (bank columns) at 31 December 2017. Bring down the updated balance on 1 January 2018.

Meena
Cash book (bank columns)

Date	Details	\$	Date	Details	\$

Answer:

Meena
Cash book (bank columns)

Date	Details	\$	Date	Details	\$
2017 Dec 31	Rohan Balance c/d	140 2424	2017 Dec 31	Balance b/d	2450
				Bank interest	20
				Anjana (dishonoured cheque)	94
		2564	2018 Jan 1	Balance b/d	2564
					2424

(b) Prepare a bank reconciliation statement at 31 December 2017.

Meena
Bank Reconciliation Statement at 31 December 2017

	\$	\$
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Answer:

Meena		
Bank Reconciliation Statement at 31 December 2017		
	\$	\$
<i>Debit balance on bank statement *</i>		(2623)
<i>Add:</i>		
<i>amounts not yet credited: Cash sales</i>	362	
<i>Bank error</i>	35	
		397
<i>Less: cheques not yet presented</i>		(198)
<i>Adjusted cash book balance *</i>		(2424)

Alternative presentation

	\$	\$
<i>Adjusted cash book balance *</i>		(2424)
<i>Add:</i>		
<i>amounts not yet credited: Cash sales</i>	362	
<i>Bank error</i>	35	
		397
<i>Less: cheques not yet presented</i>		(198)
<i>Debit balance on bank statement *</i>		(2623)

(c) State the amount which will be shown as the bank balance in the statement of financial position at 31 December 2017 and the section in which it will be shown.

Amount \$ _____
Section of statement of financial position _____

Answer: \$2424
Current liabilities

(d) State what is meant by a 'dishonoured cheque'. Suggest two possible reasons why a cheque might be dishonoured.

Meaning _____

Reasons _____

1 _____

2 _____

Answer: *Meaning - A cheque which has been returned unpaid by the bank*
Reasons - Drawer has insufficient funds in the account
Incomplete details on the cheque (e.g. missing date, signature)
Cheque is out of date/stale
Cheque may be post-dated
Inconsistent details on the cheque (e.g. signature does not match that on file, amount in figures does not agree with amount in words)

Meena maintains a petty cash book using the imprest system. The amount of the imprest is \$200.

During the month of December Meena paid the following expenses from petty cash.

	\$
Stationery	18
Taxi fares	5
Office tea and biscuits	4

REQUIRED

(e) Explain the meaning of the 'imprest system'.

Answer: *At any time the amount paid out from the float (represented by vouchers/receipts) plus remaining cash must equal the fixed amount of the float.*

- (f) State the double entry to record the reimbursement to the petty cash imprest on 1 January 2018.

debit entry	\$	credit entry	\$

Answer:

debit entry	\$	credit entry	\$
petty cash	27	bank/cash	27

- 17 Amira owns an advertising agency. Her financial year ends on 30 April.

On 1 April 2018 she decided to use a petty cash book with a monthly imprest of \$80 which would be restored on the first day of each month.

REQUIRED

- (a) State one reason for using a petty cash book.

Answer: *Reduces the number of entries in the main cash book
Removes the small cash payments from the main cash book
Reduces the number of entries in the ledger
Allows the chief cashier to delegate some of the work
Provides training for junior staff members*

- (b) State one advantage of the imprest system of petty cash.

Answer: *Control/limit petty cash expenditure
The cash remaining and the vouchers received should equal the imprest
Can help to reduce fraud*

On 1 April 2018 Amira put \$80 cash in the petty cash box.

Her transactions for the month of April 2018 were as follows.

	\$
April 4 Bought stamps	3
7 Purchased printing paper	8
11 Purchased ink cartridges	12
19 Paid window cleaner	10
22 Paid KK Limited, a trade payable	35
29 Purchased flowers for reception desk	7

REQUIRED

(c) Enter these transactions in Amira’s petty cash book.

Balance the petty cash book and bring down the balance on 1 May 2018.

Amira
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Postage \$	Computer supplies \$	General expenses \$	Ledger accounts \$
80	2018 April 1	Cash					

Answer:

Amira
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Postage \$	Computer supplies \$	General expenses \$	Ledger accounts \$
80	2018 April 1	Cash					
	4	Stamps	3	3			
	7	Printing paper	8		8		
	11	Ink cartridges	12		12		
	19	Window cleaner	10			10	
	22	KK Limited	35				35
	29	Flowers	7			7	
			75	3	20	17	35
			5				
80	30	Balance c/d	80				
5	May 1	Balance b/d					

(d) Complete the following table to show the double entry to restore the petty cash imprest on 1 May 2018.

debit	\$	credit	\$

Answer:

debit	\$	credit	\$
<i>petty cash (book)</i>	75	<i>cash/bank/cash book</i>	75

(e) Show the entry which would be made in the computer supplies account in April 2018. It is not necessary to close or balance the account.

Amira
Computer supplies account

Date	Details	\$	Date	Details	\$
.....
.....

Answer:

Amira
Computer supplies account

Date	Details	\$	Date	Details	\$
2018 April 30	<i>Petty cash</i>	20			

Amira balanced her cash book on 30 April 2018. The bank column showed that she had \$17 620 in the bank.

On the same date the bank statement showed a different balance.

REQUIRED

(f) State two reasons for preparing a bank reconciliation statement.

Reasons _____
1 _____
2 _____

- Answer:** *Obtain the correct bank balance*
Identify errors in the bank account
Identify errors on the bank statement
Assist/helps in discovering fraud and embezzlement
Identify amounts not credited
Identify cheques not presented
Identify any stale cheques or dishonoured cheques

A comparison of the cash book and the bank statement revealed the following.

	\$
1 Items appearing only on the bank statement	
Bank charges	28
Dishonoured cheque, Jabir	153
Business rates paid by direct debit	95
2 Items appearing only in the cash book	
Cheque received from Shadya	824
Cheque paid to Abasi	1075
3 Debit side of cash book was undercast	100

REQUIRED

(g) Update the cash book of Amira found on the next page.

Bring down the updated balance on 1 May 2018.

Amira
Cash Book (bank columns only)

Date	Details	\$	Date	Details	\$
2018 April 30	Balance b/d	17 620
.....
.....
.....
.....
.....
.....
.....
.....
.....

Answer:

Amira
Cash Book (bank columns) only

Date	Details	\$	Date	Details	\$
2018 April 30	Balance b/d	17 620	2018 April 30	Bank charges	28
	(Cash book) error*	100		Jabir(dis.chq)	153
		17 720		Rates	95
		17 720		Balance c/d	17 444
2018 May 1	Balance b/d	17 444			17 720

- (h) Prepare a bank reconciliation statement for Amira at 30 April 2018 to determine the balance shown on the bank statement.

Amira
Bank Reconciliation Statement at 30 April 2018

		\$

Answer:

Amira	
Bank Reconciliation Statement at 30 April 2018	
	\$
Balance shown on bank statement	17 695
Add Cheque not credited – Shadya	824
	<u>18 519</u>
Less Cheque not presented – Abasi	1 075
Balance shown in cash book	<u>17 444</u>
Alternative presentation	\$
Balance shown in cash book	17 444
Add Cheque not presented – Abasi	1 075
	<u>18 519</u>
Less Cheque not credited – Shadya	824
Balance shown on bank statement	<u>17 695</u>

- (i) State the bank balance which would appear in the statement of financial position on 30 April 2018. Name the section in which it would appear.

Amount of bank balance \$ _____
Section of statement of financial position _____

Answer: \$17 444
Current assets

- (j) Suggest two possible reasons why the cheque from Jabir was dishonoured.

1 _____
2 _____

Answer: Not enough money in account
Cheque unsigned
Amount in words and figures disagree
Takes account into unauthorised overdraft

18 Sophia maintains a full set of books of prime (original) entry including a three column cash book.

REQUIRED

(a) Explain why Sophia’s cash book is both a book of prime (original) entry and also part of the ledger.

Answer: *It is a book of prime (original) entry because it is written up from business documents It is part of the double entry system as it acts as ledger accounts for cash and bank*

The bank columns of Sophia’s cash book for the month of April 2018 were as follows.

Cash book (bank columns only)

Date	Details	\$	Date	Details	Cheque number	\$
2018			2018			
April 1	Balance b/d	950	April 2	Petty cash	000198	106
8	Goodfoods	140	15	Expenses	000199	25
28	CD Limited	280	21	Lowlands Farm	000200	44
30	Sales	311	29	FF Limited	000201	90

Sophia’s business bank statement for April 2018 was as follows.

Bank Statement for the month of April 2018

2018		Debit	Credit	Balance
		\$	\$	\$
April 1	Balance			850 Cr
5	000198	106		744 Cr
9	Credit		140	884 Cr
12	Standing order (insurance)	50		834 Cr
18	000199	25		809 Cr
20	Dishonoured cheque (Goodfoods)	140		669 Cr
27	000200	44		625 Cr
30	Charges	15		610 Cr
	Direct debit (rates)	400		210 Cr

The following errors were discovered.

- Sophia had brought down the cash book balance on 1 April 2018 incorrectly. It should have been \$850.
- The bank had incorrectly entered a standing order for insurance in Sophia’s business bank account instead of her personal bank account.

REQUIRED

(b) Select the items required to update Sophia’s cash book on 30 April 2018 and write these items in the table. Indicate how each item would be entered in the cash book. The first one has been completed as an example.

item	entry required in cash book	
	debit \$	credit \$
<i>cash book error</i>		100
.....		
.....		
.....		
.....		
.....		

Answer:

item	entry required in cash book	
	debit \$	credit \$
<i>cash book error</i>		100
<i>dishonoured cheque charges</i>		140
<i>rates (direct debit)</i>		15
		400

Sophia prepared a bank reconciliation statement on 30 April 2018. She started with the credit balance shown on the bank statement at that date.

REQUIRED

(c) Select the items which would be entered in Sophia's bank reconciliation statement on 30 April 2018 and write these items in the table.

Place a tick (✓) in the correct column to indicate how each item would be recorded in the bank reconciliation statement.

item	entry in bank reconciliation statement	
	added to bank statement balance	deducted from bank statement balance
.....		
.....		
.....		
.....		
.....		

Answer:

item	entry in bank reconciliation statement	
	added to bank statement balance	deducted from bank statement balance
CD Limited	✓	
sales	✓	
FF Limited		✓
Bank error (standing order)	✓	

19 Carol is a trader. She maintains a three column cash book and also a petty cash book. The imprest amount is \$100. All payments below \$50 are made from petty cash.

REQUIRED

(a) State two reasons for maintaining a petty cash book.

- 1 _____
- _____
- 2 _____
- _____

Answer: *Reduce the number of entries in the main cash book*
Removes the small cash payments from the main cash book
Reduces the number of entries in the ledger
Allows the chief cashier to delegate some of the work
Provides training for junior staff members

Carol had the following transactions during April 2016.

- April 1 Petty cash imprest restored from the business bank account.
- 4 Purchased tea and coffee for office staff, \$11.
- 9 Paid K Mzolo's account of \$450, by cheque, after deducting a cash discount of 2%.
- 16 Bought stationery, \$25.
- 19 Paid taxi fare, \$8.
- 20 Received a cheque from B Mamba in settlement of his account of \$920, less 2½% cash discount.
- 23 Paid T Nhete, a credit supplier, \$38.
- 28 Cash sales, \$2970.
- 29 Paid all the cash in the main cash account, except \$100, into the bank account.

Answer: (i)

Carol
Petty Cash Book

Total received	Date	Details	Total paid	Postage & stationery	General expenses	Ledger accounts
\$ 23 77	2016 April 1	Balance/d Bank	\$	\$	\$	\$
	4	Tea and coffee	11		11	
	16	Stationery	25	25		
	19	Taxi fare	8		8	
	23	T Nhete	38			38
	30	Balancec/d	82 18	25	19	38
100	2016 May 1	Balance/d	100			
18						

(ii)

Carol
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2016 Apl 1	Balance/d		210		2016 Apl 1	Balance/d			1437
20	B Mamba	23	2970	897	9	Petty cash	9		77
28	Sales			3080	29	K Mzolo		3080	441
29	Cashc				30	Bankc		100	2022
		23	3180	3977		Balancec/d			
2016 May 1	Balanceb/d		100	2022					

20 Sue's cash book for the month of April 2016 was as follows.

Sue
Cash Book

Date	Details	Dis.* \$	Cash \$	Bank \$	Date	Details	Dis.* \$	Cash \$	Bank \$
2016 April 1	Balance b/d		120		2016 April 1	Balance b/d			3842
9	Bank loan			3000	9	J Foy (cheque dishonoured)			116
19	A Meyer	8		392	14	K Mzolo	15		585
28	Sales		1940		21	Repairs		58	
29	Cash			2000	24	Bank charges			211
					29	Bank		2000	

*Dis. stands for Discount

REQUIRED

(a) (i) State the significance of each of the balances on 1 April 2016.

Balance in cash column _____

Balance in bank column _____

Answer: *Cash represents the cash the trader possesses
Bank represents an overdraft/what the trader owes the bank*

(ii) Suggest two possible reasons why the cheque from J Foy was dishonoured on 9 April.

1 _____
2 _____

Answer: *Not enough money in the account Cheque unsigned
Amount in words and figures disagree Cheque undated/out of date
Takes account into unauthorised overdraft Or other acceptable reason*

(iii) State whether Sue allowed or received the discount on 14 April.

Answer: *Received*

(iv) Calculate the percentage the discount on 14 April represents correct to two decimal places.

Answer: $\frac{15}{(585 + 15)} \times \frac{100}{1} = 2.50\%$

(v) Explain the entries on 29 April.

Answer: *This is a contra entry
Money was transferred from the cash into the bank*

(vi) State whether the total of the discount column on the debit side of the cash book is debited or credited to the discount account on 30 April.

Answer: *Debited*

(vii) Calculate the balances which would appear in the cash book on 1 May 2016. State whether they would be debit or credit balances.

Balance in cash column on 1 May \$.....

Type of balance (debit or credit)

Balance in bank column on 1 May \$.....

Type of balance (debit or credit)

Answer: *Cash balance \$2 debit*
Bank balance \$638 debit

21 A trader's cash book had a debit balance of \$50. When the bank statement arrived he saw that a customer's cheque for \$80 had been dishonoured, and that the bank had charged him \$10 in bank charges.

What was the balance on the cash book when it had been updated?

- A \$20 credit
- B \$40 credit
- C \$120 debit
- D \$140 debit

Answer: *B. \$40 credit*

22 Jolindi is a trader who maintains a full set of accounting records including a three column cash book.

Her transactions for September 2016 included the following.

- September 5 Cash sales, \$515, of which \$400 was paid directly into the bank
- 10 A cheque received in August for \$190 from C Barnes was dishonoured
- 27 Received a cheque from H Magagula to settle her debt of \$480, less 2½% cash discount
- 27 Paid \$324 by cheque, for new office equipment, \$280, and repairs to existing office equipment, \$44
- 28 Paid all the cash into the bank except \$50

REQUIRED

(a) Complete Jolindi's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 October 2016.

Jolindi decided to compare the bank column of her cash book with her bank statement and to prepare a bank reconciliation statement.

REQUIRED

(c) State two reasons for preparing a bank reconciliation statement.

1 _____

2 _____

Answer: Obtain the correct bank balance Identify errors in the bank account Identify errors on the bank statement.

Assist in discovering fraud and embezzlement Identify cheques not credited by the bank Identify cheques not presented.

Identify any stale cheques

Understand/reconcile the differences between cash book and bank statement

(d) Suggest two items which may appear in the cash book but not on the bank statement.

1 _____

2 _____

Answer: Cheques not presented

Cheques not credited

Cash book errors

