### **Bank Reconciliation Statements** (With answers)

A. Purpose of a bank reconciliation  
 It should be prepared regularly as part of the internal control system of the business to check:

1. the accuracy of the cash book
2. the accuracy of the bank statement
3. that undue delay is not occurring between payments, receipts and their clearance by the bank
4. to discover payments made and items received by the bank not entered in the cash book

B. Reasons for differences in bank statement and cash book

1. The causes of difference will be fall into one of the following classes:
2. Items (not consisting of errors) which appear in the bank statement but which are not in the cash book, e.g., dishonoured cheques or bills, interest and bank charges, standing order (an order made to the bank to make a regular payment), dividends or interest income credited direct to the bank and payments by customers which are paid direct to the bank.
3. Items (not consisting of errors) which appear in the cash book but which do not appear in the bank statement. These are confined to outstanding cheques and outstanding deposits.
4. Errors made in the compilation of the cash book or the bank statement.

C. Two forms of bank reconciliation are in common usage:

1. The bank balance is reconciled to the balance in the depositor’s records (or the balance in the depositor’s records to the bank balance)
2. Both the bank balance and the balance per depositor’s records are reconciled to a correct balance.

# Illustration

|  |
| --- |
| The cash book of J.Jones showed a balance at the bank of $570 in hand on 31 January 19X1. At the same date, the bank statement balance of J.Jones’ account was $446 overdrawn. The difference was accounted for as follows:   1. Cheques for $1 555 sent to creditors on 30 January were not paid by the bank until 8 February. 2. Cheques amounting to $2 520 paid into the bank on 31 January were not credited by the bank until 1 February. 3. A standing order for a charitable subscription of $60 had been paid by the bank on 21 January but no entry had been made in the cash book. 4. A cheque paid by J.Jones for rent on 15 January for $345 had been entered in his cash book as $354. |

Prepare the bank reconciliation statement.

## Method 1

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation Statement as at 31 January 19X1 | | |
|  | $ | $ |
| Balance per cash book  Add: Correction of error on rent paid\*  Unpresented cheques (outstanding)  Less: Standing order (subscription paid)\*  Uncredited deposits (outstanding)  Balance per Bank statement | 9  1 555  60  2 520 | 570  1 564  2 134  2 580 O/D (446) |

\* Adjustments in cash book:

Unadjusted cash book balance 570

Add: correction of error on rent paid 9

Less: Standing order (Subscription paid) (60)

Adjusted cash book balance 519

## Method 2

|  |  |
| --- | --- |
| Bank Reconciliation Statement as at 31 January 19X1 | |
|  | $ |
| Balance per cash book  Add: Correction of error on rent paid  Less: Charitable subscription paid so Corrected cash book balance  Balance per Bank statement  Add: Uncredited deposits (outstanding)  Less: Unpresented cheques (outstanding)  Corrected cash book balance  The journal entry needed is:  Dr. Donation 60  Cr. Rent 9  Cr. Cash 51 | 570  9  579  60  519  O/D (446)  2 520  2 074  1 555  519 |

Exercise One

Kay Rogan’s Cash Book at 30th November 1982 showed an overdrawn position of £3,630 which did not match with her bank statement. Detailed examination of the two records revealed the following:

1. The debit side of the cash book had been undercast by £300.
2. A cheque for £1,560 in favour of Z Suppliers Ltd., had been omitted by the bank from its statement, the cheque having been debited to another customer’s account.
3. A lodgement of £1080 on 30th November had not been credited by the bank.
4. Interest amounting to £228 had been debited by the bank but not entered in the cash book.

Required:

1. Reconcile the balance of the cash book and bank statement to the corrected bank balance. (Method 2)
2. Reconcile the cash book balance to the balance of the bank. (Method 1)

i)

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation Statement as at 30.11.82 | | |
|  | $ | $ |
| Balance as per cash book |  | (3630) |
| Add: Debit side of cash book undercast |  | 300 |
|  |  |  |
|  |  |  |
|  |  | (3330) |
| Less: Interest not entered in cash book |  | 228 |
|  |  |  |
|  |  |  |
| Balance as per corrected cash book balance |  | 3558 |
|  |  |  |
|  | $ | $ |
| Balance as per bank statement |  | (3078) |
| Add: Uncredited deposite (Bank lodgement) |  | 1080 |
|  |  |  |
|  |  |  |
|  |  | (1998) |
| Less: Cheque omitted (Bank error) |  | 1560 |
|  |  |  |
|  |  |  |
| Balance as per corrected cash book balance |  | (3558) |

ii)

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation Statement as at 30.11.82 | | |
|  | $ | $ |
| Balance as per cash book |  | (3630) |
| Add: Debit side of cash book undercast | 300 |  |
| Less: Unpresented cheque (Bank error) | 1560 | 1860 |
|  |  | (1770) |
|  |  |  |
| Less: Interest not entered in cash book | 228 |  |
| Add: Uncredited deposite (Bank lodgement) | 1080 | 1788 |
|  |  | \_\_ |
| Balance as per bank statement |  | 4038 |

## Exercise Two

Hay has received his bank pass sheets for the year to 30 September 1993. At the date, his balance at the bank amounted to £14,130 whereas his own cash book showed a balance of £20,000. His accountant investigated the matter, and discovered the following discrepancies:

1. Hay had brought down his opening cash book balance of £6,585 as a debit balance instead of as a credit balance.
2. Hay had entered a payment of £560 in his cash book as £650.
3. Cheques drawn by Hay in July 1993 had not been presented to the bank.
4. One of Hay’s customers had agreed to settle their debts £450 by direct debit though nothing was entered in the cash books yet. Unfortunately, the bank had credited the direct debit to another customer’s account.

Required:

1. Make any necessary entries in the cash book as at 30September 1993.
2. Prepare a bank reconciliation statement as at 30 September 1993.

i)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Cash Book | | | | | | | |
|  |  |  |  |  | | |  |
|  | Balance b/d | 20,000 | (a) | Suspense-error of carrying | | | 13,170 |
| (b) | Expense – error of payment | 90 |  | down (6,585 x 2) | | |  |
|  | (650-560) |  |  |  | | |  |
| (d) | Debtors – direct transfer |  |  |  | | |  |
|  | from a customer | 450 |  | Balance c/d | | | 7,370 |
|  |  | 20,540 |  |  | | | 20,540 |
|  |  |  |  |  | | |  |
| ii) Bank Reconciliation Statement as at 30 September 1993 | | | | | | | |
|  | | | | |  | $ | |
| Balance as per bank statement | | | | |  | 14,130 | |
| Add: Bank error – credited to wrong account | | | | |  | 450 | |
|  | | | | |  | 14,580 | |
|  | | | | |  |  | |
| Less: Unpresented cheque | | | | | (b.f) | 7,210 | |
|  | | | | |  |  | |
|  | | | | |  |  | |
| Balance as per corrected bank balance | | | | |  | 7,370 | |

## Exercise Three

Leslie, a sole trader, received a bank statement for the month of May as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| May |  | Dr. | Cr. | Balance |  |
| 1 | Opening balance |  |  | 85 |  |
| 3 | 123456 | 150 |  | 65 | O/D |
| 9 | 123450 | 42 |  | 107 | O/D |
| 14 | Sundry credit |  | 210 | 103 |  |
| 18 | Interest | 24 |  | 79 |  |
| 20 | Sundry credit |  | 350 | 429 |  |
| 22 | 123457 | 220 |  | 209 |  |
| 23 | 123448 | 100 |  | 109 |  |
| 24 | Standing order – rent | 10 |  | 99 |  |
| 25 | Sundry credit |  | 531 | 630 |  |
| 26 | Credit transfer – Mills |  | 25 | 655 |  |
| 28 | 423460 | 100 |  | 555 |  |
| 30 | 123459 | 405 |  | 150 |  |
| 31 | Closing balance |  |  | 150 |  |

For the corresponding period, Leslie's own records contained the following bank account:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Bank | | | | | | |
| May |  | $ | May | |  | $ |
| 14 | Cheque from G. Smith | 210 | 1 | Balance b/d |  | 57 |
| 20 | Cash Sales | 350 | 3 | Electricity | 123456 | 150 |
| 25 | Cheque from F Jones | 410 | 22 | Wages | 123457 | 222 |
| 25 | Cheque from R Black | 121 | 23 | Purchases | 123458 | 415 |
| 31 | Cheque from W Wayne | 196 | 30 | Rent | 123459 | 405 |
| 31 | Balance c/d | 9 | 31 | Purchases | 123460 | 47 |
|  |  | 1 296 |  |  |  | 1 296 |

Required:

Prepare the bank reconciliation statement as at 31 May 1993 from the cash book and the bank statement to the corrected bank balance.

Workings: (reconciliation of beginning balances of cash book and bank statement)

The beginning balance of the bank statement $ 85

Less: Unpresented cheques – last month (42+100) 142

The beginning balance of the cash book (57) O/D

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation Statement as at 31 May 1993 | | |
|  | $ | $ |
| Balance as per cash book |  | (9) O/D |
| Add: Credit transfer - Mills | 25 |  |
| Error related to a payment in the cash book | 2 | 27 |
|  |  | 18 |
|  |  |  |
| Less: Bank interest charge | 24 |  |
| Standing order | 10 | 34 |
| Corrected bank balance |  | (16) O/D |
|  |  |  |
|  |  |  |
| Balance as per bank statement |  | 150 |
| Add: Uncredited deposit | 196 |  |
| Bank error – cheque drawn by the other client | 100 | 296 |
|  |  | 446 |
|  |  |  |
| Less: Unpresented cheques - 123458 | 415 |  |
| - 123460 | 47 | 462 |
| Corrected bank balance |  | (16) O/D |
|  |  |  |

Exercise Four (This example is the continuation of exercise three.)

Leslie continued his business in June 1993 and his bank account was given as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Bank | | | | | | |
| June |  | $ | June | |  | $ |
| 1 | Cheque from A Smith | 190 | 1 | Balance b/d |  | 16 |
| 15 | Cheque from B Roy | 100 | 9 | Rates | 123462 | 230 |
| 16 | Cash Sales | 450 | 19 | Purchases | 123463 | 505 |
| 30 | Cheque from X York | 110 | 29 | Wages | 123464 | 120 |
| 30 | Cheque from Z Rock | 301 | 30 | Balance c/d |  | 280 |
|  |  | 1 151 |  |  |  | 1 151 |
|  |  |  |  |  |  |  |

The corresponding bank statement for the month of June 1993 was:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| June |  | Dr. | Cr. | Balance |
| 1 | Opening balance |  |  | 150 |
| 1 | Sundry credit |  | 196 | 346 |
| 1 | Sundry credit |  | 190 | 536 |
| 3 | Adjustment |  | 100 | 636 |
| 9 | 123462 | 230 |  | 406 |
| 25 | Sundry credit |  | 550 | 956 |
| 29 | 123464 | 120 |  | 836 |
| 30 | Closing balance |  |  | 836 |

Additional information:

It was found that the details for the cheques received on 30th June 1993 were:

Drawer of the cheque Date on the cheque Amount

X York 15th December 1992 $110

Z Rock 15th July 1993 301

You are required to:

a) Update and correct the cash book on 30th June 1993.

b) Draw up a bank reconciliation statement at 30th June 1993.

c) Are there any irregularities to be reported after the reconciliation?

d) What would we do if a cheque drawn by us remained unpresented for over six months?

(a)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Cash Book (Bank column) | | | | | | |
| Balance b/d |  | 280 | X. York | (stale cheque) | | 110 |
| Balance c/d |  | 131 | Debtors – Z Rock | (postdated cheque) | | 301 |
|  |  | 411 |  |  | | 411 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| b) Leslie  Bank Reconciliation Statement as at 30 June 1993 | | |
|  | $ | $ |
| Balance as per bank statement |  | 863 |
| Less: Unpresented cheques - 123458 | 415 |  |
| - 123460 | 47 |  |
| - 123463 | 505 | 967 |
|  |  |  |
|  |  |  |
| Corrected bank balance |  | (131) O/D |
|  |  |  |

Workings: (reconciliation of beginning balances of cash book and bank statement)

The beginning balance of the bank statement $ 150

Add: Adjustment for the bank error 100

Uncredited deposit – last month 196 296

446

Less: Unpresented cheques – last month and still unpresented (415+47) 462

The beginning balance of the cash book (16) O/D

c) i) Deposits of money received on 15 / 16 of June only appeared on the bank statement only on 25 of June. The unreasonable delay of 10 days is not acceptable.

ii) The cheque no. 123461 is missing.

d) The stale cheque must be written back in the cash book:

Dr. Bank xx

Cr. Creditors xx

## Exercise Five

Kay Rogan’s Cash Book at 30th November 1982 showed an overdrawn position of £3,630 although her bank statement showed only £2,118 overdrawn. Detailed examination of the two records revealed the following:

1. The debit side of the cash book had been undercast by £300.
2. A cheque for £1,560 in favour of Z Suppliers Ltd., had been omitted by the bank from its statement, the cheque having been debited to another customer’s account.
3. A cheque for £182 drawn in payment of the telephone account had been entered in the cash book as £128 but was shown correctly on the bank statement.
4. A cheque for £210 from A. brooks having been paid into the bank was dishonoured and shown as such on the bank statement although no entry relating to the dishonour had been made in the cash book.
5. The bank had debited a cheque for £126 to Kay’s account in error; it should have been debited by them to Ray Kogan’s account.
6. A dividend of £90 on Kay’s holding of Ordinary Shares has been paid direct to her bank account and no entry made in the cash book.
7. Cheques totaling £1260 drawn on 29th November had not been presented for payment
8. A lodgement of £1080 on 30th November had not been credited by the bank.
9. Interest amounting to £228 had been debited by the bank but not entered in the cash book.

Required:

* 1. Make any necessary entries in the cash book.
  2. Prepare a statement reconciling Kay Rogan’s corrected cash book with her bank statement at 30th November 1982.

1.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash Book | | | | | |
| 1982 |  | $ | 1982 |  | $ |
|  | Suspense - undercast | 300 |  | Balance b/d | 3630 |
|  | Dividend received | 90 |  | Telephone | 54 |
|  | Balance c/d | 3732 |  | A Brooks- dishonoured cheque | 210 |
|  |  |  |  | Interest | 228 |
|  |  | 4122 |  |  | 4122 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

2.

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation Statement as at 30 September 1993 | | |
|  | $ | $ |
|  |  |  |
| Balance as per bank statement |  | (2,118) |
| Add: Error by the bank | 126 |  |
| Uncredited deposit | 1,080 | 1,206 |
|  |  | (912) |
| Add: Cheque omitted - Z Suppliers | 1,560 |  |
| Unpresented Cheque | 1,260 | 2,820 |
| Balance per adjusted / corrected cash book |  | (3,732) |
|  |  |  |
|  |  |  |

## Exercise Six

Hay has received his bank pass sheets for the year to 31st October 1983. At the date, his balance at the bank amounted to £14,130 whereas his own cash book showed a balance of £47,330. His accountant investigated the matter, and discovered the following discrepancies:

1. Bank charges of £60 had not been entered in the cash book.
2. Cheques drawn by Hay and totaling £450 had not yet been presented to the bank.
3. Hay had not entered receipts of £530 in his cash book.
4. The bank had not credited Hay with receipts of £1,970 paid into the bank on 31st October 1983.
5. Standing order payments amounting to £1,240 had not been entered in the cash book.
6. Hay had entered a payment of £560 in his cash book as £650.
7. A cheque received for £300 from a debtor had been returned by the bank marked “refer to drawer”, but this had not been written back in the cash book.
8. Hay had brought down his opening cash book balance of £6,585 as a debit balance instead of as a credit balance.
9. An old cheque payment amounting to £880 had been written back in the cash book, but the bank had already honoured it.
10. Some of Hay’s customers had paid to settle their debts by direct debit. Unfortunately, the bank had credited some direct debits amounting to £16,650 to another customer’s account.

Required:

(i) Prepare a statement showing Hay’s adjusted cash book balance as at 31stOctober 1983.

1. Prepare a bank reconciliation statement as at 31st October 1983.

(i)

|  |  |  |
| --- | --- | --- |
| Statement adjusting cash book balance as at 31.10.83 | | |
|  | $ | $ |
| Balance per cash book |  | 47,330 |
| Add: Receipts not entered | 530 |  |
| Error of original entry in cash book (650-560) | 90 | 620 |
|  |  | 47,950 |
| Less: Standing order payments | 1,240 |  |
| Bank charges | 60 |  |
| Dishonoured cheque | 300 |  |
| Error in balance b/d (6,585 x 2) | 13,170 |  |
| Old cheque written back being honoured | 880 | 15,650 |
| Corrected cash balance |  | 32,300 |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

(ii)

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation statement as at 31.10.83 | | |
|  | $ | $ |
|  |  |  |
| Balance per Bank Statement |  | 14,130 |
| Add: Uncredited deposit | 1,970 |  |
| Direct debits posted to another customer | 16,650 | 18,620 |
|  |  | 32,750 |
| Less: Unpresented cheque |  | 450 |
| Balance per cash book (corrected) |  | 32,300 |
|  |  |  |
|  |  |  |

Exercise Seven

The bank account for the month of September 1983 for the firm of Rivers and Co. was as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Bank Account | | | | | | |
|  | Receipts |  |  | Payments |  |  |
| Sept  1  1  1  13  20  Oct  1 | Balance b/d  T. Hames  Dove Enterprises  Isis PLC  Colne Electronics  Balance b/d | £  271.94  53.40  62.85  1793.48  2404.37    4586.04    1189.70 | Sept.  3  4  8  9  13  20  24  26  26  27  28  30 | Derwent Ltd.  Severn Bros.  Clyde and Co.  Ribble Merchants  Swale Associates  Don Engineering  Humber Water Authority  Arun Decorators  Tyne Borough  Council  Salaries transfers  Wye and sons Ltd.  Balance c/d | Cheque no.  052316  052317  052318  052319  052320  052321  Direct  Debit  052322  Standing  Order  --  052323 | £  25.08  31.72  121.86  1374.29  10.35  642.13  32.00  90.44  123.57  940.60  4.30  1189.70  4586.04 |

In early October the firm’s bank sent a statement for the month of September 1983, as shown below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Statement of account with Mersey Bank Plc  Name: Rivers and Co. Current Account Date Issued: 1st October 1983 | | | | |
| Sept.  1  2  5  8  12  13  13  15  16  20  22  23  26  28  20  30  30  30 | Description  BCE  052315  052314  052316  DD (Medway Insurance)  CR  052318  052319  052317  CR  DD (Humber Water Authority)  052320  SO  TRFR  INT (Loan Account)  Bank charges  052321  BCE | Debit  £  85.16  100.34  25.08  26.26  121.86  1374.29  31.72  32.00  10.35  123.57  940.60  11.19  7.37  642.13 | Credit  £  1793.48  2404.37 | Balance  £  592.45  507.29  406.95  381.87  355.61  2146.09  2027.23  652.94  621.22  3025.59  2993.59  2983.24  2859.67  1919.07  1907.88  1900.51  1258.38  1258.38 |

Abbreviations: BCE = Balance SO = Standing Order CR = Credit TRFR = Transfer.

INT = Interest. DD = Direct debit (to Current Account).

Required:

Prepare the firm’s Bank Reconciliation Statement as at 30th September 1983.

(You should make reasonable assumptions in order to explain some items in the question. The answers may vary according to your assumptions.)

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation statement as at 30.9.1983 | | |
|  | £ | £ |
| Balance per cash book |  | 1,189.7 |
| Less: Direct Debit | 26.26 |  |
| Interest charged | 11.19 |  |
| Bank charges | 7.37 |  |
| Cheques not yet deposited (53.4+62.85) \*\*1 | 116.25 | 161.07 |
|  |  |  |
| Corrected cash book balance |  | 1,028.63 |
|  |  |  |
| Balance per bank statement |  | 1,258.38 |
| Less: Unpresented cheque ~ 052322 | 90.44 |  |
| ~ 052323 | 4.30 |  |
| Unpresented cheques outstanding at 31 Aug 1983 \*\*2 | 135.01 | 229.75 |
| Balance as per corrected cash book balance |  | 1,028.63 |
|  |  |  |
| Workings to reconcile the difference between the opening balances: |  |  |
|  |  |  |
| Balance per bank statement as at 1983 |  | 592.45 |
| Less: Unpresented cheques as at 31 Aug 1983: 052314 | 100.34 |  |
| Unpresented cheques as at 31 Aug 1983: 052315 | 85.16 | 185.5 |
|  |  | 406.95 |
| Balance per cash book as at 1983 |  | 271.94 |
| Missing Balance \*\*2 |  | 135.01 |
|  |  |  |
| \*\*1 : Assuming that the cheques were accidentally left behind in the drawer or being stolen after debiting the cash book. |  |  |
|  |  |  |
| \*\*2 : Assuming the missing balance represented the unpresented cheques as at 31 Aug 1983 which were still not presented as at 30 Sept. 1983 |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

# Exercise Eight

From the information given below relating to PWW Limited you are required to:

1. Make such additional entries in the cash at bank account of PWW Limited as you consider necessary to show the correct balance at 31st October 1982.
2. Prepare a statement reconciling the correct balance in the cash at bank account as shown in (a) above with balance at 31st October 1982 that is shown on the bank statement from Z Bank Limited.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Cash at bank account in the ledger of PWW Limited | | | | | | |
| October |  | $ |  | October |  | $ |
| 1 | Balance b/f | 274 |  | 1 | Wages | 3146 |
| 8 | Q Manufacturing | 3443 |  | 1 | Petty Cash | 55 |
| 8 | R Cement | 1146 |  | 8 | Wages | 3106 |
| 11 | S Limited | 638 |  | 8 | Petty Cash | 39 |
| 11 | T & sons | 512 |  | 15 | Wages | 3029 |
| 11 | U & Co | 4174 |  | 15 | Petty Cash | 78 |
| 15 | V Limited | 1426 |  | 22 | A & Sons | 929 |
| 15 | W Electrical | 887 |  | 22 | B Limited | 134 |
| 22 | X and Associates | 1202 |  | 22 | C & Company | 77 |
| 26 | Y Limited | 2875 |  | 22 | D & E | 263 |
| 26 | Z Limited | 982 |  | 22 | F Limited | 1782 |
| 29 | ABC Limited | 1003 |  | 22 | G Associates | 230 |
| 29 | DEE Corporation | 722 |  | 22 | Wages | 3217 |
| 29 | GHI Limited | 2461 |  | 22 | Petty Cash | 91 |
| 31 | Balance c/f | 14 |  | 25 | H & Partner | 26 |
|  |  |  |  | 26 | J Sons & Co. Ltd | 868 |
|  |  |  |  | 26 | K & Co | 107 |
|  |  |  |  | 26 | L, M & N | 666 |
|  |  |  |  | 28 | O Limited | 112 |
|  |  |  |  | 29 | Wages | 3191 |
|  |  |  |  | 29 | Petty Cash | 52 |
|  |  |  |  | 29 | P & Sons | 561 |
|  |  | 21759 |  |  |  | 21759 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Z Bank Limited  Statement of Account with PWW Limited | | | | | |
| October |  | Payment | Receipts |  | Balance |
| 1 |  |  |  |  | 1135 |
| 1 | 937407 | 55 |  |  |  |
| 1 | 937406 | 3146 |  |  |  |
| 1 | 937372 | 421 |  | O/D | 2487 |
| 2 | 937384 | 73 |  |  |  |
| 2 | 937379 | 155 |  | O/D | 2715 |
| 6 | 937391 | 212 |  | O/D | 2927 |
| 8 | Sundry credit |  | 4589 |  |  |
| 8 | 937408 | 3106 |  |  |  |
| 8 | 937409 | 39 |  | O/D | 1483 |
| 11 | Sundry credit |  | 5324 |  | 3841 |
| 15 | Sundry credit |  | 2313 |  |  |
| 15 | 937411 | 78 |  |  |  |
| 15 | 937410 | 3029 |  |  | 3047 |
| 22 | Sundry credit |  | 1202 |  |  |
| 22 | 937418 | 3217 |  |  |  |
| 22 | 937419 | 91 |  |  | 941 |
| 25 | 937416 | 1782 |  |  |  |
| 25 | 937413 | 134 |  | O/D | 975 |
| 26 | 937412 | 929 |  |  |  |
| 26 | Sundry credit |  | 3857 |  |  |
| 26 | 937417 | 230 |  |  | 1723 |
| 27 | 937415 | 263 |  |  |  |
| 27 | 937414 | 77 |  |  | 1383 |
| 29 | Sundry credit |  | 4186 |  |  |
| 29 | 937426 | 52 |  |  |  |
| 29 | 937425 | 3191 |  |  |  |
| 29 | 937420 | 26 |  |  |  |
| 29 | Dividends on investments |  | 2728 |  |  |
| 29 | 937423 | 666 |  |  | 4362 |
| 31 | Charges | 936 |  |  | 3426 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash Book | | | | | |
| 1982 |  | $ | 1982 |  | $ |
| 31/10 | Dividends on investment | 2,728 | 31/10 | Balance b/d | 14 |
|  |  |  |  | Charges | 936 |
|  |  |  |  | Balance c/d | 1,778 |
|  |  | 2,728 |  |  | 2,728 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation statement as at 31.10.1982 | | |
|  | $ | $ |
| Balance per bank statement |  | 3,426 |
| Less: Unpresented cheques: J sons & co Ltd. | 868 |  |
| K & Co | 107 |  |
| O Ltd | 112 |  |
| P & Sons | 561 | 1,648 |
| Balance per cash book (corrected) |  | 1,778 |
|  |  |  |
| Workings to reconcile the difference in the opening balances: |  |  |
| Balance as per bank statement as at Oct 1 |  | 1,135 |
| Less: Unpresented Cheque |  |  |
| ~ 937372 | 421 |  |
| ~ 937384 | 73 |  |
| ~ 937379 | 155 |  |
| ~ 937391 | 212 | 861 |
| Balance as per cash book as at Oct 1 |  | 274 |
|  |  |  |

## Exercise Nine

On 3 February 1983, Mr. J. Sheffield received the following monthly current account bank statement for January 1983 from his bank.

Mr. Sheffield liked to keep a full record of all his personal transactions including cash purchases by completing a note book of all monies received and paid. The following is an extract of his note book for the month of January 1983. The balance on 1st January 1983 included his personal cash which amounted to £26.30 (twenty six pounds thirty pence) as well as his current bank account balance. The cash drawn from the bank for own use was used immediately for personal expenditure.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ILOMAN BANK LIMITED  Bank Statement Current Account January 1983  Account: Mr. J. Sheffield a/c number 16508324 | | | | |
| Date | Particulars | Payments | Receipts | Balance |
| 1983 |  | £ | £ | £ |
| 1 Jan | Balance |  |  | 246.00 |
| 2 | Cheque 5923 | 26.00 |  | 220.00 |
| 5 | Cash | 55.00 |  | 165.00 |
| 8 | Standing Order | 52.00 |  | 113.00 |
| 9 | Cheque 21804 | 36.18 |  | 76.82 |
| 10 | K. Roberts cheque receipt |  | 56.26 | 133.08 |
| 12 | cheque 21805 | 72.40 |  | 60.68 |
| 14 | Dishonoured cheque | 56.26 |  | 4.42 |
| 16 | Cheque 21807 | 46.27 |  | O/D 41.85 |
| 20 | Standing Order | 26.00 |  | O/D 67.85 |
| 24 | Cash |  | 100.00 | 32.15 |
| 26 | Salary |  | 563.00 | 595.15 |
| 27 | Charges | 16.82 |  | 578.33 |
| 28 | Transfer | 250.00 |  | 328.33 |
| 28 | Salary Mrs. Sheffield |  | 235.00 | 563.33 |
| 30 | Interest | 0.62 |  | 562.71 |

Note Book (containing cash and current account transactions).

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Particulars |  | Balance |
| 1983  1 Jan | Balance brought forward | £ | £  272.30 |
| 4 | Cash for own use from bank | 55.00 | 217.30 |
| 5 | Telephone cheque 21804 | 36.18 | 181.12 |
| 6 | Car repair cheque 21805 | 72.40 | 108.72 |
| 7 | Cheque from K. Roberts | 56.26 | 164.98 |
| 8 | Deposit for holiday cheque 21806 | 100.00 | 64.98 |
| 11 | Standing order – mortgage | 52.00 | 12.98 |
| 12 | Cash from M. Short | 131.62 | 144.60 |
| 13 | Cash in hand spent on housekeeping | 55.00 | 89.60 |
| 18 | New tyres cheque 21807 | 46.27 | 43.33 |
| 19 | Electricity cheque 21808 | 62.34 | O/D 19.01 |
| 20 | Standing Order | 26.00 | O/D 45.01 |
| 21 | Cash to bank current a/c | 100.00 | -- |
| 22 | Cheque from K. Knowall | 64.80 | 19.79 |
| 26 | Salary cheque received | 563.00 | 582.79 |
| 28 | Transfer to deposit a/c | 250.00 | 332.79 |
| 28 | Wife salary cheque to deposit a/c | 235.00 | -- |
| 31 | Balance carried forward |  | 332.79 |

Required:

1. A bank reconciliation statement for the month of January 1983.
2. Suggest to Mr. J. Sheffield how he can make the work of reconciliation easier. What items would you query with the bank, if any and why?

(a)

|  |  |  |
| --- | --- | --- |
| Bank Reconciliation statement as at 31.1.83 | | |
|  | £ | £ |
| Balance as per bank and personal cash |  | 332.79 |
| Add: Cash spent on housekeeping | 55.00 |  |
| Cash Banked | 100.00 | 155.00 |
|  |  | 487.79 |
| Less: Opening balance of personal cash | 26.30 |  |
| Cash from M short | 131.62 | 157.92 |
| Balance as per bank only (not including cash) |  | 329.87 |
| Less: Dishonoured cheque | 56.26 |  |
| Charges | 16.82 |  |
| Interest | 0.62 | 73.70 |
| Corrected bank balance |  | 256.17 |
|  |  |  |
| Balance as per bank statement |  | 562.71 |
| Add: Uncredited deposit: K knowall | 64.80 |  |
| Error made by the bank (cheque 5923) | 26.00 | 90.80 |
|  |  | 653.51 |
| Less: Unpresented cheque: 21806 | 100.00 |  |
| 21808 | 62.34 |  |
| Mrs. Sheffield’s salary cheque wrongly entered | 235.00 | 397.34 |
| Corrected bank balance |  | 256.17 |
|  |  |  |
|  |  |  |
|  |  |  |

b) Suggestions to make the reconciliation easier:

1) Distinguish the receipts or payments of cash in hand and cash at bank. e.g. separate the note book into cash column and bank column.

2) Avoid recording irrelevant information in the note book such as the transactions for the deposit account.

We should query with the bank for two items:

1) Who was the drawer of the cheque no. 5923? Most probably, it was not drawn by us.

2) Why was Mrs. Sheffield’s salary cheque entered in the current a/c instead of deposit a/c?