

2 Jacques is a sole trader.

On 31 January 2019, the balance on the bank statement was \$1875 debit. This did not agree with Jacques's cash book balance of \$4327 credit.

The following transactions were included **only** on the bank statement.

- 1 A payment for wages of \$850.
- 2 A transfer of \$3500 from Smith, a credit customer.

The following transactions were included **only** in the cash book.

- 1 A cheque payment to a supplier for \$340.
- 2 A receipt of \$560 from a customer.

The following errors have also been identified.

- 1 A direct debit payment for insurance of \$180 had been incorrectly recorded on the bank statement as \$108.
- 2 A standing order for electricity of \$175 had been incorrectly recorded in the cash book as \$275.
- 3 Bank interest paid of \$75 had been recorded as interest received in the cash book.

REQUIRED

(a) Prepare the updated cash book at 31 January 2019. Dates are **not** required.

[5]

(b) Prepare the bank reconciliation statement at 31 January 2019.

[4]

(c) State **two** reasons why a business would prepare a bank reconciliation statement.

1

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[2]

Additional information

Jacques calculated a draft profit for the year ended 31 January 2019 of \$10 340. He has identified the following.

- 1 An item of inventory had been included at cost, \$800. It was found to be damaged. It could be sold for \$900 if repairs costing \$150 were carried out.
- 2 On 25 January 2019 Jacques had sent goods to a customer on a sale or return basis. These had been invoiced to the customer at \$2800. Jacques marks up his goods at 40%. The customer had not decided whether to keep the goods.
- 3 On 4 February 2019 Jacques received an invoice for \$3600 relating to rental of storage space for three months ending 31 March 2019.

REQUIRED

- (d)** Prepare a statement to show the revised profit for the year ended 31 January 2019, after adjusting for items 1, 2 and 3.

[4]