

QUESTION ONE

The following is a summary of a credit balance cash book as presented by G Ltd for the month of October:

| | K'000 | | K'000 |
|-------------|--------------|-------------|--------------|
| Receipts | 4,469 | Balance b/d | 761 |
| Balance c/d | 554 | Payment | 1,262 |
| | <u>2,023</u> | | <u>2,023</u> |

All receipts are banked and all payments are made by cheque.

On investigation you discover the following:

- 1) Bank charges of K136, 000 entered on the bank statement have not been entered in the cash book.
- 2) Cheques drawn amounting to K267, 000 had not been presented to the bank for payment.
- 3) Cheques received totalling K762, 000 had been entered in the cash book and paid into the bank but not been credited by the bank until 3 November.
- 4) A cheque for K22, 000 for sundries had been entered in the cash book as a receipt instead of as a payment.
- 5) A cheque received from K. J Ltd for K80, 000 had been returned by the bank and marked 'No Funds Available'. No adjustment has been made in the cash book.
- 6) A standing order for a business rates instalment of K150, 000 on 30 October had not been entered in the cash book.
- 7) All dividends received are credited directly to the bank account. During October amounts totalling K62, 000 were credited by the bank but no entries were made in the cash book.
- 8) A cheque drawn for K66, 000 for stationery had been incorrectly entered in the cash book as K60, 000.
- 9) The balance brought forward in the cash book should have been K711, 000, not K761, 000.
- 10) The balance on the bank statement was also an overdraft of K1, 353,000.

Required:

- a) Show the adjustments required in the cash book.
- b) Prepare a bank reconciliation statement as at 31 October.

25 Marks

QUESTION TWO

The following is a summary from the cash book of spanners ltd for the month of October.

CASH BOOK

| | K'000 | | K'000 |
|-------------|---------------|-------------|---------------|
| Balance b/d | 1,407 | Payments | 15,520 |
| Receipts | 15,073 | Balance c/d | 960 |
| | <u>16,480</u> | | <u>16,480</u> |

On investigation you discover that:

- 1) Bank charges of K35, 000 shown on the bank statement have not been entered in the cash book.
- 2) A cheque drawn for K47, 000 has been entered in error as a receipt.
- 3) A cheque for K18, 000 has been returned by the bank marked 'Refer to Drawer', but it has not been written back in the cash book.
- 4) The balance brought forward in the cash book should have been K1, 470,000.
- 5) Three cheques paid to suppliers for K214, 000, K370, 000 and K30, 000 have not yet been presented to the bank.
- 6) Takings of K1, 542,000 were placed in a night safe deposit on 31 October but were not credited by the bank until 3 November.
- 7) The bank charged a cheque for K72, 000 in error to the company's account.
- 8) The bank statement shows an overdraft of K124, 000.

Required:

- a) Show what adjustments you would make in the cash book.
- b) Prepare a bank reconciliation statement as at 31 October.

25 marks

QUESTION THREE

You are given the cash book and bank statement for the month of august as follows:

Cash book for the month of December

| Date | Details | K'000 | Date | Details | K'000 |
|----------|----------|----------------|----------|-------------|----------------|
| 01/12/10 | balb/f | 10,000 | 05/12/10 | chq 73 | 1,000 |
| 03/12/10 | Teza | 120,000 | 05/12/10 | chq 74 | 320 |
| 08/12/10 | Interest | 100 | 07/12/10 | chq 75 | 150 |
| 10/12/10 | Edward | 10,000 | 11/12/10 | chq 76 | 550 |
| 12/12/10 | Eustus | 10,000 | 11/12/10 | Commission | 750 |
| 20/12/10 | Chewe | 5,000 | 12/12/10 | chq 77 | 3,000 |
| | | | 13/12/10 | Bank charge | 7 |
| | | | 24/12/10 | chq 78 | 4,000 |
| | | | 30/12/10 | Bal c/d | 145,323 |
| | | <u>155,100</u> | | | <u>155,100</u> |

Bank Statement for the month of December

| Date | Details | K'000 | Date | Details | K'000 |
|----------|-------------|----------------|----------|----------|----------------|
| 07/12/10 | chq 73 | 1,000 | 01/12/10 | Bal b/d | 8,500 |
| 09/12/10 | chq 74 | 230 | 03/12/10 | Teza | 120,000 |
| 09/12/10 | chq 75 | 15 | 08/12/10 | Fred | 21,000 |
| 11/12/10 | Commission | 570 | 08/12/10 | Mwape | 3,000 |
| 13/12/10 | chq 76 | 55 | 10/12/10 | Lweendo | 15,000 |
| 13/12/10 | Bank charge | 7 | 08/12/10 | Interest | 100 |
| 18/12/10 | Insurance | 100 | 10/12/10 | Interest | 200 |
| 20/12/10 | DDACC | 150 | 12/12/10 | Eustus | 10,000 |
| 30/12/10 | Bal c/d | 175,673 | | | |
| | | <u>177,800</u> | | | <u>177,800</u> |

Notes:

- 1) Preliminary investigations revealed that the balance brought forward on the cashbook was wrong.

- 2) Chq 73 was payment to Theo for the supply of services invoiced K1, 000,000.
- 3) Chq 74 related to interest fees amounting to K230, 000.
- 4) Chq 75 relates so security charges which are 15% of invoices from Theo.
- 5) Eustus was paying to return the K10, 000,000 he had received as a soft loan from the company.
- 6) Chq 76 relates to water charges over 10 months. The monthly bill is K55, 000.
- 7) The company pays monthly insurance premiums to ZSIC.
- 8) The company agreed to pay a commission to the person that helped them open the account. It is calculated at 75% of invoices from Theo.
- 9) Chq 78 was a prepayment for rent for the premises for five months. Monthly rentals are K800, 000.

Required:

- a) Update the cash book
- b) Prepare a Bank reconciliation statement for December.

25 marks

QUESTION FOUR

You are given Stone Point Plc's bank statement for the month of March which is the last month of the accounting period as follows:

Bank statement for the month of March

| | | Dr | Cr | Balance |
|----------|-------------|-------|---------|---------|
| 01/03/13 | Balance b/d | | | 21,250 |
| 03/03/13 | Mukuba | | 100,000 | 121,250 |
| 06/03/13 | Luyando | | 97,500 | 218,750 |
| 07/03/13 | Cheque 110 | 2,500 | | 216,250 |
| 08/03/13 | Cheque 120 | 1,850 | | 214,400 |
| 09/03/13 | Kazpen | | 25,250 | 239,650 |
| 10/03/13 | Commission | 1,425 | | 238,225 |
| 10/03/13 | Bank Charge | 750 | | 237,475 |
| 10/03/13 | Interest | | 500 | 237,975 |
| 15/03/13 | Cheque 130 | 1,375 | | 236,600 |
| 22/03/13 | Insurance | 250 | | 236,350 |
| 25/03/13 | DDACC | 375 | | 235,975 |

The following additional information is given;

- 1) The draft accounts for the year ended 31 March of Stone Point's Plc shows a balance at bank according in the cash book as K176, 445.
- 2) Preliminary investigations reveal that the balance brought forward on the cash book was overstated by K3, 750.
- 3) Cheque 120 is a payment for electricity but the accountant in charge of the cashbook made an error in recording it on the cashbook and recorded it as K1, 175.
- 4) The last two bank transactions for the 22nd and 25th of March, 2013 were only discovered after receiving the bank statement and so were not captured by Stone Point Plc in its records.
- 5) The commission was a payment to an agent that assisted the company in sourcing a cheaper supplier. It was calculated as 15% of the invoice from the supplier. The invoice from the supplier was K8, 500. This was correctly recorded on the cash book.
- 6) Amounts received in the last few days of March 2013 totaling K1, 895 and recorded in the cash book have not been included in the bank statements until 3rd April, 2013.
- 7) Cheques paid according to the cash book during March and totaling K68, 000 were not presented for payment to the bank until 2nd April, 2013.
- 8) Cheque 130 is a standing order payment to Countryside cleaners which has been recorded in the bank statement but is not mentioned in the cash book.

Required:

- | | |
|--|-------------------|
| (a) Calculate the correct cash book balance | (14 Marks) |
| (b) Prepare the Bank Reconciliation Statement as at the end of the period. | (11 Marks) |
| Total = 25 marks | |

QUESTION FIVE

The following statement was received from the bank indicating Gilbee Johns' position during January.

Bank Statement as at 31 January 2010

| Date January | Details | Dr | Cr | Balance |
|-----------------|---------------------|---------|---------|-----------|
| 1 | Balance | | | 1,421,550 |
| 3 | Sundries | | 880,000 | 2,301,550 |
| 5 | Direct Debit | 136,720 | | 2,164,830 |
| 9 | Bank credit (Tamra) | | 256,000 | 2,420,830 |
| 10 | Cheque | 86,420 | | 2,334,410 |
| 13 | Cheque | 130,500 | | 2,203,910 |
| 17 | Sundries | | 975,000 | 3,178,910 |
| 20 | Standing Order | 178,580 | | 3,000,330 |
| 22 | Cheque | 236,200 | | 2,764,130 |
| 25 | Cheque | 78,440 | | 2,685,690 |
| 29 | Cheque | 128,320 | | 2,557,370 |
| 30 | Sundries | | 886,760 | 3,444,130 |

On 31 January Gilbee's Cash Book showed a balance of K3, 117,410. Comparing these items with his Cash Mr Johns finds that:

- There was a direct debit in the bank statement of K136, 720 and a standing order of K178 580.
- His account was also credited with an amount from Tamra worth K256, 000.
- Two cheques, sent to Industrial Services Limited of K236, 520 and Electronics Limited of K149, 500, had not yet been presented for payment by the firms.

Required

(c) Calculate the correct cash book balance

(d) Prepare the Bank Reconciliation Statement as at 31 January 2010.

(25 marks)