

## 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 22<sup>nd</sup> and 25<sup>th</sup> 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 3<sup>rd</sup> 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 2<sup>nd</sup> 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                                | <b>(14 Marks)</b>       |
| (b) Prepare the Bank Reconciliation Statement as at the end of the period. | <b>(11 Marks)</b>       |
|  | <b>Total = 25 marks</b> |

## 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)**

Prince Daniels Expert Solutions

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Your favorite Tutor:

Q1  
— @ Adjusted Cash Book

	K'000		K'000
Dividends Received	62	Balance b/f	554
Balance b/d Error	50	Bank charges	136
		Sundries	44
		Dishonoured chq	80
		Rates	150
		Stationery	6
Balance c/d	858		
	<hr/>		<hr/>
	970		970
		Balance b/d	858

⑥ Bank Reconciliation Statement

	K600
Balance As the Bank Statement	(1353)
Add Uncredited Cheques	<u>762</u>
	(591)
less Unpresented Cheques	<u>(267)</u>
Balance As the Updated Cb Book	<u><u>(858)</u></u>



Q2

@ Updated Cash Book

	K600		K600
Bal b/f	960	Bank Charges	35
Balance b/d Error	63	Note (2)	94
		Dishonoured Chg	18

Balance f/d 876

1023

1023

Balance b/d

876

PRINCE DANIELS

MBA & Undergraduate Tutor

0972286191 for

Effective Tutorials

LESA PANTANSHI

⑥ Bank Reconciliation Statement

	K/000
Balance As the Bank	(124)
Add deposits Not Credited	<u>1542</u>
	1418
less Unpresented Cheques	
(214 + 370 + 30)	<u>(614)</u>
Balance As the CB	804
Add Bank Error (Bank charge)	<u>72</u>
Balance As Updated CB	<u><u>876</u></u>

Q3

@ Updated Cash Book

	K600		K600
Balance b/f	145 323	Insurance	100
Fred	21 000	DDAE	150
Mwape	3 000	Error (Opening Bal)	1 500
Lweendo	15 000		
Interest	200		
Chq 74	90	Balance b/d	182 863
	<hr/>		<hr/>
	184 613		184 613
	<hr/>		<hr/>
Balance b/d	182 863		

## ⑥ Bank Reconciliation

Balance As Bank

Adjust for: Chq 75

Commission

Chq 76

K600  
175 673

(135)

(180)

(495)

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174 863

Add Uncredited Cheques  
(10000 + 5000)

15000

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189 863

less Unpresented Cheques  
(3000 + 4000)

(7000)

Balance As the Cash Book

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182 863

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Q4

## @ Updated Cash Book

	K		K
Balance b/f ①	176 445	Overstatement ②	3750
		Chq 120 ③	<del>675</del>
		Insurance ④	250
		DDAe ④	375
		Chq 130 ⑤	1375

Bal c/d      170020

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176 445

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176 445

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Balance b/d

170020

⑥ Bank Reconciliation Statement

	K
Balance As Bank Statement	235 975
	150
Adjust for; Note ⑤	<hr/> 236 125
	1895
Add Uncredited Cheques	<hr/> 238 020
	(68 000)
less Unpresented Cheques	<hr/> 170 020
Balance As the Cash Book	<hr/> <hr/>

Q5

① Corrected CashBook

	K'		K
Balana As b/f	311740	Direct Debit	178580
Tamra	256000	Standing Order	136720

Bal c/d 3058110

3373410

3373410

Bal b/d 3058110

② Bank Reconciliation Statement

Balana As the Bank  
less Unpresented Cheques  
(149500 + 236520)

K  
3444130

(286020)

Balana As the CashBook

3058110