

BAFS – Bank Reconciliation HKAL past paper

1. AL.2010.P1.Q2(a)(b) (modified) (*Attempt this question after completion of "Correction of errors"*)

The draft financial statements of Sky Ltd are as follows:

Sky Ltd	
Statement of Financial Position as at 31 December 2009 (extract)	
	\$
Current Assets	
Cash at bank	4 213 000
Current liabilities	
Suspense	13 000

The balance as per bank statement as at 31 December 2009, instead of the closing balance extracted from the cash book, was shown on the statement of financial position as "Cash at bank". Because of this, a suspense account was created. Subsequent comparison of the cash book with the bank statements revealed the following:

- (i) A receipt from a customer relating to a credit sale amounting to \$90 000 was received and immediately banked on 31 December 2009 but no entry had been made in respect of that in the books. The receipt appeared on the bank statement of January 2010.
- (ii) A cheque for \$48 000 issued for payment of insurance for a one-year period ended 30 November 2010 was returned by the bank on 31 December 2009 because of an invalid signature. No entry had been made for the returned cheque in the books.
- (iii) A cheque for \$6000 dated 5 January 2010 was received from a customer on 31 December 2009. The accountant recorded it as a receipt in the cash book on 31 December 2009.
- (iv) The bank mistakenly debited Sky Ltd's bank account on 28 December 2009 for a cheque for \$9000 drawn by Ski Ltd, another customer of the bank. On 3 January 2010, the bank reversed the entry in Sky Ltd's account.
- (v) A cheque for \$20 000 received from a customer was dishonoured and returned by the bank on 27 December 2009. No entry had been made for the dishonoured cheque in the books.

REQUIRED:

- (a) Update the cash at bank account of Sky Ltd and prepare the bank reconciliation statement as at 31 December 2009. (6 marks)
- (b) In respect of item (ii), prepare the necessary journal entries to record the transaction and explain briefly the accounting treatment that should be adopted. (4 marks)

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2. AL-2012-P(1)-Q4(a) [Modified]

The following deposits and withdrawals are shown on the bank statement for Macy's business for the month ended 31 March 2012:

Date	Details	Deposits	Withdrawals
2012		\$	\$
Mar 1	Deposit	5 400	
3	Cheque no. 391		19 000
5	Credit Transfer: Henry Ltd	7 650	
6	Deposit	7 400	
10	Deposit	30 000	
13	Cheque no. 301		1 520
17	Deposit	13 000	
18	Cheque no. 394		14 400
21	Cheque no. 392		8 300
23	Direct debit: Gas		650
27	Bank interest	250	
28	Deposit	9 600	
29	Returned cheque		9 600
30	Cheque no. 395		28 000
31	Standing order: Wages		1 340

The following information is found in Macy's books:

- (i) The cash at bank account for the month ended 31 March 2012 is shown below:

Date	Details	\$	Date	Details	Cheque no.	\$
Mar 1	Balance b/d	2 100	Mar 1	Rent and rates	391	19 000
5	Trade Receivable	7 400	3	Trade payable	392	8 300
9	Capital	30 000	9	Sundry expenses	393	2 300
16	Trade Receivable	13 000	15	Trade payable	394	14 400
28	Trade Receivable	6 900	24	Direct debit: Gas		650
30	Trade Receivable	3 200	30	Salaries	395	28 000
31	Trade Receivable	8 800				
31	Balance c/d	1 250				
		<u>72 650</u>				<u>72 650</u>

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- (ii) The accountant ascertained that the deposit of \$5400 shown in the bank statement of March 2012 was related to a cheque deposit made at the end of February 2012, and that the credit transfer of \$7650 was a refund from supplier for defective goods.

- (iii) On 1 March 2012, the following cheques remain unpaid:

<u>Cheque no.</u>	<u>Date drawn</u>	<u>Amount</u>
		\$
252	29 August 2011	8 200
301	4 November 2011	1 520
363	13 February 2012	6 100

The bank will not honour cheques outstanding for more than six months.

- (iv) A cheque for \$9600 received from a customer in March 2012 was deposited into the bank but entered in the books mistakenly as \$6900. The cheque was returned by the bank on 29 March 2012 because the signature was incorrect.
- (v) On 30 March 2012, the accountant recorded the receipt of a cheque dated 2 April 2012 from a customer amounting to \$3200.

REQUIRED:

- (a) Prepare the following for Macy's business:

- (1) the cash at bank account showing the updated balance as at 31 March 2012; and
 (2) the bank reconciliation statement as at 31 March 2012 commencing with the updated balance as per cash at bank account. (7 marks)

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3. AL-2013-P(1)-Q5 (modified)

After the preparation of the financial statements for the year ended 31 December 2012, the accountant of Kin Ltd found that the totals of the post-closing trial balance did not agree:

	<u>Debit</u>	<u>Credit</u>
	\$	\$
Motor van, at cost	329 000	
Motor van, accumulated depreciation, 31 December 2012		253 600
Inventory, 31 December 2012	285 000	
Trade receivables	552 000	
Cash at bank		84 000
Trade payables		333 000
Ordinary shares of \$5 each		400 000
General reserves		100 000
Retained profits, 31 December 2012		91 500
Suspense (<i>balancing figure</i>)		71 900
	<u>1 250 000</u>	<u>1 250 000</u>

The cash at bank account showed a balance of \$13 300 as at 31 December 2012. However, the bookkeeper mistakenly listed the balance extracted from the bank statement of December 2012 in the above trial balance. A suspense account was opened to record the difference in the totals of the trial balance.

After checking through the bank statement against the bank account in the cash book, it was found that the following items had led to a discrepancy between the two balances as at 31 December 2012:

- (i) A dividend income of \$5400 had been paid directly into the bank.
- (ii) Cheques issued to the suppliers but not yet presented amounted to \$23 000.
- (iii) A cheque received from a customer for \$19 000 was wrongly recorded as a payment to one of the suppliers.
- (iv) On 28 December 2012, a cheque for \$7300 was issued to a supplier and recorded in the books. The cheque was dated 8 January 2013.
- (v) A bank charge of \$3000 was shown on the bank statement dated 31 December 2012. The bank confirmed that the bank charge was wrongly debited to Kin Ltd's bank account and would be corrected on 2 January 2013.

REQUIRED:

- (a) Update the cash at bank account of Kin Ltd and prepare the bank reconciliation statement as at 31 December 2012. (5 marks)

Further investigation revealed the following:

- (vi) The inventory as at 31 December 2012 included goods costing \$45 000 sent to a customer in mid-December on a “sale-or-return” basis. On 28 December 2012, the customer agreed to purchase half of these goods and return the remainder to Kin Ltd. The company maintains a uniform mark up of 20% on all goods sold. No entries had been made for the customer’s acceptance.
- (vii) Some goods in the warehouse costing \$30 000 were damaged and could only be sold after incurring a repairing cost of \$5000. The estimated selling price would also be decreased by 10% of the original list price. No entries had been made for the above.
- (viii) (*Modified*) Kin Ltd entered into a two-year tenancy agreement to rent office premises. The rental period commenced on 1 July 2012. On that date, Kin Ltd paid a rental deposit of \$10 000, which is refundable at the end of the lease period. According to the rental contract, the monthly lease payment is \$24 000 commencing on 1 August 2012 and the lease payment for July 2012 was waived. The total payments in 2012 had been recorded as rental expenses.
- (ix) The company has only one motor vehicle and it was purchased on 1 January 2009. It was estimated to have a useful life of 5 years and a residual value of \$12 000. It is the company’s policy to depreciate the motor van on a straight line basis. On 1 January 2012, in view of a change in the usage pattern of the motor van, the company estimated that the remaining useful life of the motor van is four years with zero scrap value. However, the bookkeeper overlooked this change when he computed the depreciation expenses of motor van for 2012.
- (x) In December 2012, the board of directors resolved to increase the general reserves to \$150,000. No entries had been made for this.
- (xi) Returns outwards account for the year 2012 had been undercast by 1200.

REQUIRED:

- (b) Prepare the journal entries necessary for correcting the errors and omissions in (vi) to (xi) above. (Narrations are not required.) (10 marks)
- (c) Draw up the statement of financial position as at 31 December for Kin Ltd. (5 marks)

Answer:

1. AL2010.P1.Q2(a)(b)

(a)

			Cash at bank		
			\$	\$	
0.5	Balance b/d (balancing figure)		4 200 000	(iii) Trade receivables: <i>post-dated cheque</i>	6 000 0.5
0.5 (i)	Trade receivables		90 000	(v) Trade receivables: <i>dishonoured cheque</i>	20 000 0.5
0.5 (ii)	Prepaid and accrued insurance		48 000	Balance c/d	4 312 000 0.5
					4 338 000

Bank reconciliation statement as at 31 December 2009

	\$	\$	
Adjusted balance as per cash book (balancing figure)	4 312 000	0.5	
Less: (i) Bank lodgment not yet recorded	(90 000)	1	
(iv) Cheque wrongly debited by bank	(9 000)	1	
Balance as per bank statement (given)	4 213 000	0.5	
			(6)

(b)

Journal

2009	Dr \$	Cr \$
December 31 Cash at bank	48 000	0.5
Prepaid insurance expenses	44 000	0.5
Accrued insurance expenses	4 000	1

Invalid cheque returned by the bank for payment of insurance.

- Accruals / Matching concept 2
 - Insurance expenses of \$44 000 for the 11 months of 2010 should be recorded in the prepaid insurance account. The insurance expense of \$4 000 for December 2009 was remained unpaid at the end of the year and should be treated as accrual expenses.
 - For the issued cheque returned, as it was canceled due to invalid signature, the cash book should be debited with the whole amount to record its cancellation.
- (1 mark each, max 2 marks) (4)

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2. AL2012.P1.Q4(a)

(a)(1)

Cash at bank

2012		\$	2012		\$
0.5	Mar 31	Trade Payable: credit transfer (ii)	7 650	Mar 31	Balance b/d 1 250 0.5
0.5		Bank interest income	250		Trade receivable: dishonoured cheque (iv) 6 900 0.5
0.5		Trade Payable: stale cheque (iii)	8 200		Trade receivable: post-dated cheque (v) 3 200 0.5
					Wages: standing order 1 340 0.5
					Balance c/d 3 410 1
					16 100
					(4.5)

(2)

Bank reconciliation statement as at 31 March 2012

	\$	\$
Updated balance as per cash at bank account		3 410
Add: <u>Unpresented cheques</u> (iii)		
No. 393	2 300	0.5
No. 363	6 100	8 400 0.5
	11 810	
Less: Bank lodgement not yet recorded (i)	8 800	0.5
Balance as per bank statement	3 010	1

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3.AL-2013-P(1)-Q5 (modified)

(a)

Cash at bank

	\$		\$
0.5	Balance b/d 13 300		Balance c/d 64 000 0.5
0.5	Retained profits: Dividend income 5 400		
0.5	Trade payables 19 000		
0.5	Trade receivables 19 000		
0.5	Trade payables 7 300		
	64 000		64 000

Bank reconciliation statement as at 31 December 2012

	\$	\$
Adjusted balance as per cash book	64 000	0.5
Add: Unpresented cheques	23 000	0.5
	87 000	
Less: Bank charge mistakenly debited to the bank account	(3 000)	0.5
Balance as per bank statement	84 000	0.5
		(5)

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 (b)

Journal			
	<u>Debit</u>	<u>Credit</u>	
	\$	\$	
(vi) Trade receivables	27 000	0.5	
Retained profits	27 000	0.5	
Retained profits	22 500	0.5	
Inventories	22 500	0.5	
(vii) Retained profits	2 600	0.5	
Inventories (\$30 000 - \$27 400)	2 600	1	
(viii) Rental deposit	10 000	0.5	
Retained profits	8 000	0.5	
Accrued expenses [(\$24 000 x 23/24) x 6 - \$120 000]	18 000	1	
(ix) Accumulated depreciation – motor van	28 700	1	
Retained profits (\$63 400 - \$34 700)	28 700	1	
(x) Retained profits	50 000	0.5	
General reserves	50 000	0.5	
(xi) Suspense account	1 200	0.5	
Retained profits	1 200	0.5	
Suspense*	70 700	0.5	
	(10)		

*Note, not part of the marking scheme:

Being the correction for incorrect listing of cash at bank balance (\$84,000 - \$13,300 = \$70,700).

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 (c)

Kin Ltd		
Statement of financial position as at 31 December 2012		
	\$	\$
Non-current assets		
Motor van [$\$329\ 000 - (\$253\ 600 - \$28\ 700)$]	104 100	0.5
Current assets		
Inventories (\$285 000 - \$22 500 - \$2 600)	259 900	0.5
Trade receivables (\$552 000 + \$27 000 - \$19 000)	560 000	0.5
Rental deposit	10 000	0.5
Cash at bank	64 000	893 900
	<u>998 000</u>	
Financed by		
Ordinary shares of \$5 each	400 000	0.5
General reserves (x)	150 000	0.5
Retained profits (\$91 500 + \$5400 + \$27 000 - \$22 500 - \$2600 - \$8000 + \$28 700 + \$1200 - \$50 000)	70 700	0.5
	<u>620 700</u>	
Current liabilities		
Trade payables (\$333 000 + \$19 000 + \$7300)	359 300	0.5
Accrued expenses	18 000	377 300
	<u>998 000</u>	
		(5)

Total: 20 marks

1991 Q.5

On 30 September 1990, the credit balance of \$11,020 in the bank column of Kammy's cash book did not agree with that shown in the bank statement on the same date. The following items accounted for the difference:

- (i) On 30 September 1990, overdraft interest of \$1,720 charged by the bank had not been entered in the cash book.
- (ii) Cheques received on 30 September 1990 amounting to \$13,460 were entered in the cash book on that date but were not credited by the bank until the following day.
- (iii) A customer's cheque for \$5,620 was returned by the bank due to insufficient funds. This had not been recorded in the cash book.
- (iv) On 10 September 1990, a payment by cheque of \$6,600 was recorded on the debit side of the cash book as \$6,060.
- (v) Kammy had invested \$300,000 on 8% debentures of another company. Interest for the half year was paid directly into the bank account on 28 September 1990 but no entry was made in the cash book.
- (vi) On 15 September 1990, a payment of \$4,200 for rates by standing order had not been recorded in the cash book.
- (vii) Cheques drawn but not yet presented this month amounted to \$3,200.

Required:

Prepare a bank reconciliation statement at 30 September 1990, beginning with the cash book balance. (10 marks)

1996 Q.3

The cash book of Raymond Limited showed a favourable bank balance of \$3,856 at 30 April 1996. An examination of the bank column in the cash book and the bank statement disclosed the following:

- (i) A customer who received a cash discount of $2\frac{1}{2}\%$ on his account of \$400, paid the company a cheque on 20 April. The cashier entered the gross amount in the cash book.
- (ii) An amount of \$1,500 entered on the debit side of the cash book had not been banked until 1 May.
- (iii) Cheques issued amounting to \$948 had not been presented to the bank for payment.
- (iv) A cheque from Alex Limited for the amount of \$1,480 had been returned by the bank on 29 April marked 'insufficient funds - refer to drawer'. The returned cheque was not received by Raymond Limited until 1 May.
- (v) A standing order for a charitable subscription of \$450 had been paid by the bank on 29 April but no entry had been made in the cash book.
- (vi) The manager had given the cashier a personal cheque for \$800 to pay into his personal account at the bank on 25 April. The cashier had paid it into the company's account by mistake, although no entries had been made in the company's books.
- (vii) Interest of \$160 had been charged by the bank, but not yet entered in the cash book.

Required:

- (a) Show the necessary adjustments in the cash book. (5 marks)
- (b) Prepare a bank reconciliation statement as at 30 April 1996. (5 marks)

1999 Q.2

On 28 February 1999, the bank statement for Jade Limited showed a credit balance of \$12,848 and the cash book showed a debit balance of the same amount on the same date. At 31 March 1999, the cash book showed totals of cash receipts and cash payments of \$147,980 and \$152,408 respectively.

The entries in the cash book were checked against the bank statement for the month of March and the following were found:

- (i) Cheques issued amounting to \$15,098 had not been presented to the bank for payment.
- (ii) Lodgments totalling \$4,972 for March were not recorded by the bank until 2 April.
- (iii) A cheque of \$10,050 banked on 6 March 1999 was recorded as \$10,500 in the cash book.
- (iv) These items were shown on the bank statement but not in the cash book:
 - (1) Bank charges of \$87;
 - (2) A direct deposit of \$8,919 lodged by Charles Limited;
 - (3) Dividend on investment of \$275;
 - (4) Dishonoured cheques from Better Limited in the amount of \$964; and
 - (5) An autopay item of \$2,462 for a gas bill.
- (v) \$643 paid into the bank had been entered twice in the cash book.

Required:

- (a) Show the necessary adjustments to be made in the cash book on 31 March 1999. (7 marks)
- (b) Prepare a bank reconciliation statement as at 31 March 1999, commencing with the adjusted cash book balance. (3 marks)

2001 Q.2

The cash book of Ronald Limited showed a favourable bank balance of \$98,777 at 30 April 2001. An examination of the bank column in the cash book and the bank statement disclosed the following:

- (i) Dividends amounting to \$752 had been credited by the bank but not entered in the cash book.
 - (ii) The bank had credited the company's account with \$3,725 being the proceeds of a bills receivable. This amount was recorded as a payment in the cash book.
 - (iii) Bankings amounting to \$8,127 has been entered in the cash book but not credited by the bank until 1 May 2001.
 - (iv) A dishonoured cheque for \$920 was identified in the bank statement.
 - (v) Being allowed a cash discount of \$15, a customer settled his account with a cheque of \$300. However, an amount of \$315 was entered in the bank column of the cash book.
 - (vi) Cheques issued amounting to \$2,647 had not been presented to the bank for payment.
 - (vii) The company had instructed the bank to transfer \$5,000 from the fixed deposit account to the current account. The bank had made the transfer in reverse.
 - (viii) The company had recorded a payment by standing order of a sum of \$1,025 for the management fee of the office premises. The bank had debited the account of another customer.
- Required:**
- (a) Show the necessary adjustment in the cash book. (5 marks)
 - (b) Prepare a bank reconciliation statement as at 30 April 2001, commencing with the adjusted cash book balance. (5 marks)

2002 Q.2

- (A) A sole trader notices that there is an overdraft balance in his business bank account. He wants to include his personal bank balance on the balance sheet of his business. What is your advice and why would you give such advice? (2 marks)

- (B) On the date of the financial year end, 31 March 2002, the bank statement of Don Limited showed a credit balance of \$108,916 and the cash book showed a debit balance of \$104,337. An examination of the bank column in the cash book and the bank statement disclosed the following:

- (i) The following cheques had not yet been presented to the bank for payment:

Cheque Number	\$
102331	4,000
102345	7,400

On 31 March 2002, the company instructed the bank to stop payment of the cheque numbered 102331, which was issued to a supplier. A service charge of \$60 had been debited by the bank for this service on the same date. These had not been recorded in the books.

- (ii) A lodgement of \$9,437 on 30 March 2002 was not recorded by the bank until 1 April 2002.
- (iii) A cheque for \$1,470, after deduction of a cash discount of 2%, was issued to a supplier on 20 March 2002. The cashier recorded the gross amount in the cash book.
- (iv) Other items shown on the bank statement, but not in the cash book, included:
- (1) A dishonoured cheque of \$5,200 from a customer;
 - (2) Interest of \$85 charged by the bank;
 - (3) An autopay item of \$3,015 for an electricity bill; and
 - (4) A direct deposit of \$10,946 lodged by a customer.

Required:

- (a) Show the necessary adjustments to be made in the cash book on 31 March 2002. (8 marks)

- (b) Prepare a bank reconciliation statement as at 31 March 2002, commencing with the adjusted cash book balance. (3 marks)
- (c) State the amount of the bank balance that should be shown on the balance sheet of Don Limited at 31 March 2002. (1 mark)

2003 Q.3

- (A) What is a bank overdraft? How should it be classified on the balance sheet? (2 marks)

- (B) Jenny Cheung is a sole proprietor who keeps records of her cash and bank transactions in a two-column cash book. The opening balances in the cash book at 1 April 2003 were: cash \$6,400 and bank \$34,196. Jenny made the following transactions in the month of April 2003:

- April 4 A cheque for \$28,000 was received from a customer in full settlement of a debt for \$29,000.
- 9 Jenny settled her outstanding account of \$12,000 by cheque and received a cash discount of 5% from the supplier.
- 10 Paid wages by cheque \$21,000.
- 12 Paid various suppliers by cheques \$31,534.
- 15 Cash sales \$44,940.
- 19 Paid salaries in cash \$29,800.
- 26 Paid cash into bank \$10,000.
- 27 Cash sales amounted to \$14,200. Jenny banked the remaining amount after deducting \$12,000 for private use.
- 29 Banked a cash receipt of \$2,180 from a debtor in settlement of his account of \$2,200.

A bank statement which showed a credit balance of \$22,236 at 30 April 2003 was received by Jenny. An examination of the bank column in the cash book and the bank statement disclosed the following:

- (i) Issued cheques amounting to \$9,264 had not been presented to the bank for payment.
- (ii) The lodgement on 29 April 2003 as mentioned above had not yet been recorded by the bank.
- (iii) A direct deposit of \$4,400 had been lodged by a customer.
- (iv) An autopay was made by the bank for an electricity bill of \$1,890.

You are required to prepare:

- (a) the two-column cash book of Jenny Cheung for the month of April 2003, including the necessary entries to update the bank balance as at 30 April 2003; and (9 marks)
- (b) a bank reconciliation statement as at 30 April 2003. (3 marks)

1994 Q.4

The bank account of Prosperous Knitters for the month January 1994 was as follows:

<u>Date</u>	<u>Particulars</u>	<u>Cheque</u>			<u>Balance</u>
		<u>No.</u>	<u>Dr</u> \$	<u>Cr</u> \$	
Jan 1	Balance			927	(Cr.)
5	C B Ltd.	02892	2,510	1,583	
7	Mr. Chang	02892	1,428	155	
8	Sunshine Ltd.	02893	85	70	
10	Cash deposit		1,324	1,394	
13	Mr. L Mok		438	1,832	
13	Daniel & Partners		726	2,558	
14	Wong & Sons	02894	1,690	868	

<u>Date</u>	<u>Particulars</u>	<u>Cheque</u>	<u>No.</u>	<u>Dr</u> \$	<u>Cr</u> \$	<u>Balance</u>
16	Mr. Ho		02895	922	54	(Cr.)
20	Cash deposit			1,550		1,496
22	Dishonoured cheque: Daniel & Partners				726	770
27	Evertrading Company		02896		825	55 (Cr.)
31	Cash deposit			990		935

On 2 February 1994, the bank statement for January was received but the balance shown did not agree with that in the books. A comparison of the bank account and the bank statement revealed the following:

- (i) Cheques numbered 02894 and 02896 had not been presented to the bank for payment.
- (ii) Credit items shown on the bank statement were:

		\$
6.1.94	Cheque	2,150
10.1.94	Cash	1,324
14.1.94	Cheque	438
14.1.94	Cheque	726
21.1.94	Cash	1,550
25.1.94	Credit transfer	720

It was discovered that the cheque banked on 5 January 1994 should have been \$2,150.

- (iii) A electricity bill for \$416 for the month of January was shown on the bank statement as an autopay item and had not been recorded in the books.
- (iv) Interest of \$56 was charged by the bank for the overdrafts incurred.

Required:

Prepare for Prosperous Knitters a bank reconciliation statement as at 31 January 1994. (10 marks)

2007 Q.4

Rex Lai is a sole proprietor who keeps records of his cash and bank transactions in a two-column cash book. The balances in the cash book at 1 March 2007 were: cash \$16,400 and bank overdraft \$4,590. In addition, a petty cash imprest amount of \$5,000 was also kept on that date. Rex made the following transactions in the month of March 2007:

- March 3 Cheques for \$100,480 were received from customers in full settlement of debts totalling \$102,000.
- 4 Settled a supplier's outstanding balance of \$2,000 by cheque. A discount of 2% was received for payment made within the discount period.
- 8 A cheque of \$3,000 issued to a supplier in September 2006 was written back as a stale cheque.
- 10 Cash sales amounted to \$15,600.
- 16 Banked the remaining amount from cash sales on 10 March after deducting \$9,600 for Rex's private use.
- 21 Paid rent by cheque \$23,000.
- 26 Purchased furniture at a cost of \$5,000. A deposit of 20% was paid by cheque. The remaining balance is to be paid on delivery of the furniture in April 2007.
- 30 Banked cheque of \$1,650 from a debtor.
- 31 The petty cash had a balance of \$1,100. Cash was drawn to restore the petty cash imprest amount.

You are required to:

- (a) Prepare the two-column cash book for the month of March 2007.

Rex received a bank statement which showed a credit balance of \$86,920 at 31 March 2007. An examination of the bank column in the cash book and the bank statement disclosed the following:

- (iv) The cheque written back on 8 March 2007 was honoured by the bank on 9 March 2007.
- (v) The lodgement on 30 March 2007 had not yet been recorded by the bank.
- (vi) Cheques drawn totalling \$9,050 had not yet been presented to the bank.
- (iv) An autopay was made by the bank for rates of \$860.
- (v) A direct deposit of \$2,800 had been lodged by a customer in respect of a debt which had been written off in 2006.

You are required to:

Prepare a bank reconciliation statement as at 31 March 2007 commencing with the balance as per cash book in (a) above and ending with the balance as per bank statement. (6 marks)

Bank Reconciliation

1993 Q.10

Bank Reconciliation + Ratios

Mr. Lee commenced his business with \$50,000,000, of which \$40,000,000 was used in buying an office. He was engaged in retail trading and all sales were made on a credit basis.

After a year's trading, he was surprised to have a bank overdraft of \$8,255,000 as indicated by the bank statement at 30 April 1993 whereas the cash book showed a credit balance of \$7,865,300.

Upon investigation, he found that:

- (i) Six cheques (which amounted to \$750,000 in total) were deposited on 30 April 1993 but were not yet credited by the bank.
- (ii) An electricity bill settled by the bank's autopay system in April 1993 amounted to \$6,290. It is the practice of the company to record this expense upon receipt of the bank statement of the month.
- (iii) The March balance of \$65,870 in the cash book was carried forward as \$56,780.
- (iv) A debtor settled his account of \$87,500 by credit transfer.
- (v) Interest of \$58,000 was charged by the bank on the overdraft. No record of this had yet been made.
- (vi) A cheque for \$89,000 received from a debtor was returned by the bank marked "UNPAID". This amount was deducted from the balance in the bank statement but had not been entered in the books.
- (vii) Two cheques drawn by Mr. Lee were not yet presented to the bank for payment. They were (#80967) \$420,000 and (#80973) \$75,000.
- (viii) A debt of \$78,000 previously written off as bad was now recovered and a cheque dated 2 May 1993 was received from the customer concerned. This had been recorded in the cash book but the cheque still remained in the cash till.

Mr. Lee tried to draw up a balance sheet to reveal the financial situation of the business but he was hesitant on most of the figures:

	\$000	\$000		\$000	\$000
Fixed assets			Capital		50,000
Premises, net	?		Net profit		?
Delivery van, net	?	?	Drawings		?
					?
Current assets					
Stock	?		Current liabilities		
Debtors	?		Creditors		?
Cash	?		Bank O/D		?
		?			?
		?			?

The following data have been complied for your information:

Sales for the year	\$60,000,000
Gross profit margin	40%
Net profit to sales	11%
Return on total assets employed	12.5%
Depreciation of fixed assets	25%
Stock turnover (stock level constant throughout the year)	6 times
Credit period allowed to debtors	2 months
Current ratio	1.4 : 1
Working capital	\$5,000,000

Required:

- (a) Update the bank balance in the books of Mr. Lee as at 30 April 1993. (7 marks)
- (b) Prepare a bank reconciliation statement as at 30 April 1993. (3 marks)
- (c) Draw up the balance sheet for Mr. Lee as at 30 April 1993, filling in all the missing figures. (10 marks)

Bank Reconciliation

2009 – Q6a

The following is a summary of the receipts and payments of Fei Fei Dance Club for the year ended 31 December 2008:

	\$	\$
Bank balance b/d	67 460	Bar creditors
Sale of audio equipment	4 260	Bar operating expenses
Subscriptions	217 800	Utilities expenses
Interest on loan	3 200	Rent and rates
Proceeds from annual dance party	15 000	Wages and salaries
Bar debtors	46 490	Loan to Lily Dance Club (repayable in August 2009)
		Purchases of audio equipment
		Expenses of annual dance party
		Donations - charity
		Rank balance c/d
	<u>354 210</u>	<u>354 210</u>

Additional information:

(i) A bank statement for December 2008 was received by the club. An examination of the club's bank account and the bank statement disclosed the following:

- (1) Direct deposits of \$6000 for subscriptions had been lodged by members.
- (2) An autopay was made by the bank for utilities expenses of \$420.
- (3) Cheques issued amounting to \$2930 had not been presented to the bank for payment.
Among these cheques was one for \$223 drawn nine months ago for the payment of bar purchases. The club decided to cancel the cheque on 31 December 2008.
- (4) Lodgement of \$4260 from the sale of audio equipment had not yet been recorded by the bank.

(ii) Some of the club's balances as at 31 December were as follows:

	2007	2008
	\$	\$
Bar stock	3 260	?
Subscriptions in arrears	17 820	14 580
Subscriptions in advance	34 950	27 320
Audio equipment, at cost	300 000	?
Accumulated depreciation - audio equipment	209 000	?
Bar debtors	4 780	4 920
Bar creditors	3 660	2 544
Wages and salaries prepaid	7 000	5 000
Bar operating expenses owing	2 200	2 830
Deposit paid for annual dance party	1 800	-
Accumulated fund	152 310	?

(iii) Net profit ratio of the bar was 10%.

(iv) One-tenth of the wages and salaries was to be allocated to the bar.

(v) Audio equipment sold on 1 January 2008 had a cost of \$50 000 and a net book value of \$9000. Additional audio equipment was purchased on 1 May 2008. It is the club's policy to depreciate audio equipment at 40% per annum using the reducing-balance method on a pro rata basis.

REQUIRED:

- (a) Prepare a bank reconciliation statement as at 31 December 2008 commencing with the bank balance of \$37 020 and ending with the balance as per bank statement. (3 marks)
- (b) Prepare the bar trading account for the year ended 31 December 2008. (6 marks)
- (c) Prepare the income and expenditure account for the year ended 31 December 2008. (11 marks)
- (d) Prepare the balance sheet as at 31 December 2008. (9 marks)

Bank Reconciliation

2010 – Q3b

Jane Ho is a sole proprietor who keeps records of her cash and bank transactions in a three-column cash book. The balances in the cash book at 1 March 2010 were: cash \$38 900 and bank overdraft \$6240. Jane made the following transactions during the month of March 2010:

- March 2 Sales with a list price of \$8000 were made to a customer at a discount of 10% on 25 February 2010. The customer settled his account balance by cheque after deducting a 3% cash discount.
- 5 From the proceeds of cash sales, paid \$1000 for cash purchases of trading goods and banked the remaining \$4600.
- 11 Settled a supplier's outstanding account of \$3000 by cheque after deducting a 5% cash discount.
- 16 A customer paid cash \$19 600 to settle her debt. A 2% cash discount was allowed for early settlement.
- 22 Paid suppliers in cash \$16 500.
- 29 Banked cheques of \$27 800 from customers through an Automatic Teller Machine (ATM).
- 30 Paid salaries in cash \$14 000.
- 31 Banked a cheque of S3007 from a customer infill] settlement of his account of \$3100.

Jane Ho received a bank statement which showed a credit balance of \$27 194 as at 31 March 2010. An examination of the bank column in the cash book and the bank statement disclosed the following discrepancies:

- (i) Bank lodgement on 31 March 2010 had not yet been recorded by the bank.
- (ii) A bank service charge of \$300 had been debited by the bank on 26 March 2010. However, an amount of \$ 100 had been overcharged and was refunded by the bank on 31 March 2010.
- (iii) Cheques drawn totalling \$19 200 had not been presented to the bank.
- (iv) An autopay payment of \$18 000 was made by the bank for rent.
- (v) A post-dated cheque of \$4100 received from a customer was banked on 29 March 2010, but it was returned by the bank.

REQUIRED:

- (a) Prepare a three-column cash book for the month of March 2010, incorporating the necessary updates to be made on 31 March 2010. (12 marks)
- (b) Prepare a bank reconciliation statement as at 31 March 2010 commencing with the bank statement balance and ending with the updated cash book balance in (a) above. (2 marks)



2006 Q.5 Bank Reconciliation/Journal/Suspense
The trial balance of Limited as at 31 March 2006 failed to agree and the difference was entered in a suspense account. The draft net profit for the year amounted to \$80,260.

Additional information:

- (i) The last month's bank statement balance at 28 February 2006 showed a credit balance of \$19,900, which was the same as that in the cash on that date. This balance had been wrongly included as the bank balance in the trial balance as at 31 March 2006.

Deposits and cheque payments, totalling \$315,000 and \$300,700 respectively, had been recorded in the cash book during March 2006.

(ii) The following items were shown on the March bank statement but not in the cash book:

 - (1) Bank charges of \$80;
 - (2) Bank deposit interest of \$650;
 - (3) A dishonoured cheque of \$10,250 from Stay Ray Limited; and
 - (4) A direct deposit of \$2,400 lodged by Kettler Limited.

(iii) Cheques, issued in March, amounting to \$16,500 had not been presented to the bank for payment.

(iv) Lodgements, totalling \$6,630 for March, were not recorded by the bank until 2 April.

You are required to:

- (a) Show the necessary adjustments to be made in the cash book on 31 March 2006. (6 marks)

(b) Prepare a bank reconciliation statement as at 31 March 2006. (3 marks)

Subsequent checking of the records revealed the following:

- (v) The salaries account had been undercast by \$500.
 - (vi) A credit purchase of \$2,000 had been completely omitted.
 - (vii) Returns from Jane Limited, amounting to \$780, had been recorded in the accounts as \$870.
 - (viii) An electricity bill of \$1240 for March 2006 had been paid twice. Both payments had been posted to the ledger. The excess amount paid was to be used to settle future bills.
 - (ix) A trade discount of 10% was granted to a customer, Mr. Wu, on a bulk purchase of \$10 000. The sale had been properly recorded in the books. A cash discount of 5% was also allowed to him on his settlement of account in March. However, only the amount received was debited in the cash book and no other entries were made.
 - (x) \$200,000 6% debentures were issued at par on 1 March 2006 to settle a bank loan. Interest on debenture was to be paid every 6 months. No entries relating to these had been made.

You are required to:

- (c) Prepare the necessary journal entries to correct items (v) to (x) above.
(Narrations are not required) (15 marks)

(d) Prepare a statement to correct the draft net profit for the year ended 31 March 2006. (5 marks)

BAFS – Bank Reconciliation (Sample Paper – 2021)

1. PP.P2A.Q1

The bank account of VM Ltd as at 31 December 2011 had a debit balance of \$4000, which was different from the ending balance shown on the bank statement for the month of December 2011. Subsequent comparison of the cash book with the bank statement revealed the following:

- (i) Bank charges of \$496 shown on the bank statement had not been recorded in the cash book.
- (ii) Cash of \$7933 deposited by a customer on 20 December 2011 had been credited by the bank but no record had been made in the cash book.
- (iii) The following cheques issued to suppliers were not shown on the bank statement:

<u>Cheque number</u>	<u>Date of issue</u>	<u>Amount</u>
30801	17 December 2011	\$2453
30834	30 December 2011	\$3758
- (iv) A cheque with an amount of \$5100 deposited into the bank on 31 December 2011 was shown on the bank statement for the month of January 2012.

REQUIRED:

- (a) Update the bank account in the books of VM Ltd. (3 marks)
 - (b) Prepare for VM Ltd a bank reconciliation statement as at 31 December 2011, commencing with the updated bank account balance in (a). (2 marks)
 - (c) List two uses of a bank reconciliation statement for a company. (2 marks)
- (Total: 7 marks)

BAFS – Bank Reconciliation (Sample Paper – 2021)

2. 2012.P2A.Q5

The following information was extracted from the cash book of Doris Ltd for the month ended 31 December 2011:

Cash at bank					
2011	Dec	4 Cindy Ltd	\$ 125 000	2011	Cheque No. \$
				1	Balance b/d 10 500
		5 Connie Fashion Co	25 300	12 Electricity 532018 2 820	
		20 Chloe Ltd	72 530	13 Yuki Co 532019 24 500	
		28 Carmen Co	7 235	22 Zoey & Co 532020 31 600	
		31 Cherry Ltd	8 005	22 Salaries 532021 109 420	
		31 Balance c/d	9 530	31 Clara Co 532022 68 760	
					<u>247 600</u>
					<u>247 600</u>

Doris Ltd received the following bank statement for the month of December 2011:

Bank statement as at 31 December 2011					
Date	Description	Withdrawal \$	Deposit \$	Balance \$	
2011	Dec 1 Balance b/d			(10 000)	
	4 Cheque deposit		125 000	115 000	
	5 Cheque deposit		23 500	138 500	
	8 Cheque 532010	300		138 200	
	12 Cheque 532018	2 820		135 380	
	13 Cheque 532019	24 500		110 880	
	20 Cheque deposit		72 530	183 410	
	22 Cheque 532021	109 420		73 990	
	23 Refer to drawer	72 530		1 460	
	30 Credit transfer		46 250	47 710	
	31 Direct debit – management fees	5 025		42 685	
	31 Bank charges	25		42 660	
	31 Cheque 982277	105 660		(63 000)	

Additional information:

- (i) A cheque for \$23 500 received from Connie Fashion Co was wrongly recorded in the cash book as \$25 300. Also, it was discovered that the cheque received from Carmen Co on 28 December 2011 was dated 2 January 2012.
- (ii) The credit transfer on 30 December 2011 shown on the bank statement was made by a customer of Doris Ltd.
- (iii) Doris Ltd had been informed by its bank that Cheque 982277 was an incorrect debit entry and the correction would be made by the bank on 5 January 2012.
- (iv) The reason for the difference in opening balance of the cash at bank account and the bank statement was due to two cheques, 532009 and 532010, issued in November 2011 remained unpresented on 30 November 2011.

REQUIRED:

- (a) Update the cash at bank account of Doris Ltd. (7 marks)
 (b) Prepare a bank reconciliation statement as at 31 December 2011, commencing with the updated cash at bank balance. (5 marks)
 (c) List two possible reasons why the cheque deposit made on 20 December 2011 was returned by the bank on 23 December 2011. (2 marks)

(Total: 14 marks)

3. 2013.P2A.Q1(b)

- (i) The bank reconciliation statement as at 28 February 2013 was as follows:

	\$
Balance of cash at bank as at 28 February 2013	62 300
Unpresented cheque – 201542	7 800
Balance as per bank statement as at 28 February 2013	<u>70 100</u>

- (ii) The cheque 201542, dated 3 September 2012, remained unpresented at 31 March 2013. It is the practice of the bank not to honour cheques outstanding for more than six months.
 (iii) Total receipts from customer and total payments to suppliers by cheque in the month of March 2013 were \$287 000 and \$82 750 respectively. All receipts were banked in March 2013. However, a cheque of \$32 110 from a customer was then found dishonoured on 28 March 2013.
 (iv) During the month of March 2013, a credit transfer of \$125 000 from a customer and dividend income of \$2840 were credited by the bank.
 (v) A management fee of \$8800 accrued for February 2013 was paid by cheque on 4 March 2013.
 (vi) A standing order for rent of \$165 500 for the month of March 2013 was executed by the bank on 8 March 2013.

REQUIRED:

- (b) Write up the cash at bank account for the month of March 2013. (6 marks)

4. 2014.P2A.Q9(a)(b)

Nice Company is a retail shop selling computer hardware. The balance of the company's cash at bank account as at 31 December 2013 amounted to \$56 000 and did not agree with the bank statement balance on that date. The following information relating to the financial year

- (i) A payment by cheque to a supplier for \$2700 had been wrongly recorded as a receipt in the cash at bank account and posted to the related personal account in the purchases ledger accordingly.
- (ii) Dividend income amounting to \$1250 had been credited by the bank but had not been recorded in the company's cash at bank account.
- (iii) A credit transfer of \$3500, from a source unknown to the company and dated 15 December 2013, was recorded in the bank statement. Subsequent investigation revealed that the transfer should have been made to another customer of the bank with a similar name.
- (iv) A debit of \$3260 was recorded in the bank statement for a dishonoured cheque.
- (v) The cash at bank account included a post-dated cheque for \$6750 received from a customer. The cheque was still kept in the cashier's desk on 31 December 2013.
- (vi) As at 31 December 2013, unpresented cheques amounting to \$5500 and a deposit of \$53 100 had not been recorded by the bank.

REQUIRED :

- (a) Update the cash at bank account as at 31 December 2013. (5 marks)
 (b) Write up a bank reconciliation statement as at 31 December 2013, (4 marks) commencing with the updated balance of the cash at bank account.

BAFS – Bank Reconciliation (Sample Paper – 2021)
 5. 2015.P2A.Q1

The following information was extracted from the cash book of Jaden Company for the month ended 31 December 2014:

Cash at bank					
		2014		Cheque No.	\$
2014					
Dec 1	Balance b/d	\$ 21 000	Dec 8	Kenneth Ltd	707891 5 200
5	Candy Ltd	24 000	10	Electricity	707892 1 900
12	Man Ltd	19 300	15	Tony	707893 12 200
20	Cherry	9 310	21	Yip's Ltd	120485 4 000
31	Nam Ltd	8 620	31	Balance c/d	<u>58 930</u>
		<u>82 230</u>			<u>82 230</u>

Date	Description	Withdrawal \$	Deposit \$	Balance \$
2014				
Dec	1 Balance b/d			21 000
	5 Cheque deposit		24 000	45 000
	12 Cheque deposit		19 300	64 300
	14 Direct debit – water	3 100		61 200
	16 Refer to drawer	19 300		41 900
	17 Cheque 707892	1 900		40 000
	18 Sunny Ltd		12 300	52 300
	20 Cheque deposit		9 310	61 610
	21 Cheque deposit		4 000	65 610
	22 Cheque 707891	5 200		60 410
	31 Bank charges	30		60 380

Additional information:

- (i) On 18 December 2014, a customer, Sunny Ltd, made a credit transfer to the company's bank account without notifying the company.
- (ii) On 21 December 2014, Cheque 120485 was received from a customer, Yip's Ltd, but it was recorded as a payment in the cash at bank account.

REQUIRED:

- (a) Update the cash at bank account of Jaden Company. (5 marks)
- (b) Prepare a bank reconciliation statement as at 31 December 2014, commencing with the updated cash at bank balance. (3 marks)
 (Total: 8 marks)

BAFS – Bank Reconciliation (Sample Paper – 2021)
 6. 2017.P2A.Q4

The cash at bank account of PP Limited showed a debit balance of \$105 468 as at 31 December 2016, which did not agree with the balance shown in the bank statement on that date.

Subsequent checking of the cash at bank account with the bank statement found that:

- (i) The following cheques had been issued and recorded in the books but had not yet been presented to the bank:

Cheque number	Payee	Issue date	\$
408226	K&K Limited	22 June 2016	15 236
450998	Coco Company	4 August 2016	35 060
482118	Sunny Limited	30 October 2016	7 850

It is the practice of the bank not to honour cheques outstanding for more than six months.

- (ii) A direct debit for electricity of \$900 had not yet been recorded in the books.
- (iii) PP Limited was notified that an adjustment of \$8755 would be made by the bank in January 2017 for a debit entry made in error on 26 December 2016.
- (iv) Bank charges of \$794, shown in the bank statement, had not been recorded in the books.
- (v) On 27 December 2016, dividend income of \$3160 was credited by the bank but no entry had been made in the books.
- (vi) On 29 December 2016, a cheque received from a customer for \$11 630 was returned by the bank due to insufficient funds. No entries had been made in the books for the returned cheque.
- (vii) A cheque for payment of rent and rates of \$21 350 was wrongly recorded at \$21 530 in the books.
- (viii) Cheques deposited on 31 December 2016 amounted to \$81 425 were recorded in the books but had not been credited by the bank.
- (ix) During 2016, a term deposit of \$60 000 was made and recorded in the term deposit account. The bank credited an amount of \$61 200, the principal and interest, to the account of PP Limited when the term deposit matured on 2 January 2017, but PP Limited recorded the receipt on 31 December 2016.

REQUIRED:

- (a) Update the cash at bank account of PP Limited. (6 marks)
 - (b) Prepare a bank reconciliation statement as at 31 December 2016, commencing with the updated balance of the cash at bank account. (4 marks)
- (Total: 10 marks)

BAFS – Bank Reconciliation (Sample Paper – 2021)
7. 2018.P2A.Q2

The cash at bank account of Sonic Company showed a debit balance of \$50 000 as at 31 December 2017 and it did not agree with the balance in the bank statement on that date. The following information relating to the financial year ended 31 December was available:

- (i) Cheque #245896 for \$33 500 from a customer was dishonoured and returned by the bank. The bookkeeper recorded the amount as \$3 500 when the cheque was returned.
- (ii) The cash at bank account included a cheque #732958 for \$6 300, dated 3 January 2018, which was a settlement to a supplier.
- (iii) Cheque #723881 for \$10 390, which was issued to a supplier on 18 July 2017, was recorded in the books, but had not been shown on the bank statement for 2017.
- (iv) It was found that a cheque #465793 dated 28 April 2017 for \$4 430, which was received from a customer, was still kept in the drawer of the bookkeeper on 31 December 2017. It had been recorded in the cash at bank account upon receipt in May 2017. It is the bank's practice not to honour cheques outstanding for more than six months.
- (v) Cheque #723912 for \$9 310 had been issued to a supplier on 22 November 2017. The cheque was lost in transit but no entries had been made in respect of its cancellation.
- (vi) Cheque #325698 for \$4 100 was deposited in the bank and recorded in the books on 29 December 2017, but it had not been credited by the bank on 31 December 2017.

REQUIRED:

- (a) For Sonic Company,
 - (i) update the cash at bank account (4 marks)
 - (ii) write up a bank reconciliation statement as at 31 December 2017. (2 marks)
 - (b) What is a post-dated cheque? Indicate the cheque number of the post-dated cheque from the above information. (2 marks)
- (Total: 8 marks)

BAFS – Bank Reconciliation (Sample Paper – 2021)

8. 2019.P2A.Q2

Joey Company's bank statement showed a credit balance of \$300 000 as at 31 December 2018, which did not agree with the balance shown in the cash at bank account on that date. The following were subsequently discovered:

- (i) Interest income of \$2 400 had been credited by the bank but no entries had been made in the books.
- (ii) The cash at bank account included a debit entry of a posted-dated cheque from a credit customer for \$3 900.
- (iii) A cheque for \$6 300, received from a customer, was shown in the debit column of the bank statement and marked as a 'Returned Cheque'.
- (iv) An incorrect credit transfer of \$5 200 had been made by the bank on 30 December 2018. Joey Company was informed by the bank that an adjustment would be made in January 2019.
- (v) A cheque payment of \$48 000 to a supplier had been recorded as a refund from the supplier in the books.
- (vi) On 31 December 2018, unpresented cheques totalled \$61 700 while the deposits made but not yet credited by the bank amounted to \$23 100.

REQUIRED:

- (a) Update the cash at bank account and prepare a bank reconciliation statement as at 31 December 2018. (6 marks)
 - (b) Give two reasons why a cheque already deposited would be returned by the bank. (2 marks)
- (Total: 8 marks)

Anson Company's bank statement showed a credit balance of \$259 465 as at 31 December 2019, which did not agree with the balance shown in the bank account on that date. The following were subsequently discovered:

- (1) The following cheques had been recorded in the books but had not yet been presented to the bank:

Cheque number	Payee	Date of cheque	\$
418226	Benny Limited	12 June 2019	23 615
471218	P&P Limited	3 November 2019	71 620
473006	Nice Company	4 January 2020	9 600

It is the practice of the bank not to honour cheques outstanding for more than six months.

- (2) The company had deposited cheques totalling \$47 900 into the bank and recorded them in the books on 31 December 2019, but they were not recorded by the bank until 2 January 2020.
- (3) A cheque for \$63 300 received from a customer, whose account had been outstanding for three months, was dishonoured and returned by the bank. The bookkeeper recorded the dishonoured cheque as \$6 330.
- (4) Interest charges of \$1 795, shown in the bank statement, had not been recorded in the books.

REQUIRED:

- (a) Prepare a statement, commencing with the bank statement balance, to calculate the bank account balance as at 31 December 2019 before updating the above items. (6 marks)

The cash at bank account of Teddy Limited for December 2020 is as follows:

		Cash at bank		
2020	\$	2020	Cheque No.	\$
Dec 1	Balance b/d	2 208	321012	12 400
Dec 25	Pearl Company	29 200	321013	25 213
Dec 25	Amazing Company	856	321014	11 000
Dec 28	Fanny Company [note (i)]	7 210		
Dec 31	Kitty Limited	3 510		
Dec 31	Balance c/d	5 629		
		48 613		48 613

The bank statement for December 2020 is as follows:

Date	Description	Withdrawal	Deposit	Balance
2020		\$	\$	\$
Dec				
1	Balance b/d			2 208
10	Credit transfer: Sunny Limited		43 520	45 728
15	Direct debit - electricity expenses	2 830		42 898
20	Cheque - 321013	25 213		17 685
25	Cheque deposits		30 056	47 741
28	Dividend		2 472	50 213
30	Bank charges	125		50 088
30	Cheque - 321014	11 000		39 088

Note:

- (i) On 28 December 2020, a cheque dated 3 January 2021 from a customer, Fanny Company, had been received. The cheque was paid for the service to be provided by Teddy Limited in January 2021.

REQUIRED:

- (a) Update the cash at bank account of Teddy Limited. (4 marks)
 (b) Prepare a bank reconciliation statement as at 31 December 2020. (2 marks)
 (c) Briefly explain, with the most relevant accounting principle or concept, whether the receipt in note (i) should be recorded as revenue in the year 2020 by Teddy Limited. (2 marks)

(Total: 8 marks)

2022

4. On 31 March 2022, the bank column of Kenny Company's cash book showed a credit balance of \$3 710. A bank statement for the month ended 31 March 2022 was received, but the balance shown was different from the balance in the cash book.

The following information is available on 31 March 2022:

- (i) The following cheques received from customers were recorded in the cash at bank account:

<u>Date of deposit</u>	<u>Date credited by the bank</u>	\$
30 March 2022	31 March 2022	1 480
31 March 2022	1 April 2022	3 500
1 April 2022	2 April 2022	730

- (ii) The following cheques issued to suppliers were recorded in the cash at bank account, but they have not been presented yet:

<u>Cheque number</u>	<u>Date of cheque</u>	<u>Payee</u>	\$
161246	28 September 2021	Nice Ltd	900
161677	22 February 2022	Amber Ltd	1 350
161989	2 April 2022	Ethan Ltd	830

It is the bank's practice not to honour cheques that have been outstanding for more than six months.

- (iii) The company records the autopay for the monthly management fee of \$8 650 in the books on the 4th day of each month. However, the autopay for March 2022 was not executed due to insufficient funds in the bank account.
- (iv) The company notified the bank about the cancellation of a standing order of internet fee for \$480 starting from March 2022. However, the bank overlooked the cancellation instruction.
- (v) Due to renovation, Kenny Company sold the desks used in the office for \$2 400. The cheque received had been deposited into the bank. On 30 March 2022, the cheque was returned by the bank because of an invalid signature, but this has not been recorded in the books yet.
- (vi) The company made a six-month term deposit for \$200 000 and recorded it in the term deposit account. The interest rate was 3.8% per annum. Upon the maturity of the term deposit on 31 March 2022, the bank transferred the principal and interest to the current account. The company renewed \$80 000 to another term deposit instantly. No entries were made in the books on 31 March 2022.

REQUIRED:

- (a) Update the cash at bank account of Kenny Company. (6 marks)
- (b) Prepare a bank reconciliation statement as at 31 March 2022, commencing with the updated balance of the cash at bank account. (3 marks)
- (c) Give one reason for preparing a bank reconciliation statement. (1 mark)
- (d) State two differences between 'standing orders' and 'direct debits'. (2 marks)

(Total: 12 marks)

BAFS – Bank Reconciliation Answers

BAFS – Bank Reconciliation Answers

1. 1991.Q5

Kamny Bank reconciliation statement as at 30 September 1990		
	\$	\$
Balance as per cash book (overdraft)	11 020	1
Add: Overdraft interest	1 720	1
Uncredited cheques	13 460	1
Dishonoured cheque	5 620	1
Error	12 660	1
Standing order for rates	4 200	1
	37 660	
Less: Debenture interest	12 000	1
Unpresented cheques	3 200	1
	15 200	
Balance as per bank statement	33 480 (OD)	1

2. 1996.Q3

Cash book (bank column only)		
1/ Balance b/d	3 856	
		\$
		Discounts allowed (400x2½%) (½) (½)
		10 1
		Alex Ltd - dishonoured cheque
		1 480 1
		Charitable subscription -
		standing order 450 1
		Bank interest 160 1
		Balance c/d 1 756 1
		3 856 (5)

Bank Reconciliation Statement as at 30 April 1996		
	\$	
Balance as per cash book	1 756	1
Add: (iii) Unpresented cheques	948	1
(vi) Cheque credited in error	800	1
	3 504	
Less: (ii) Lodgements not yet recorded by bank	1 500	1
Balance as per bank statement	2 004	1 (5)

BAFS – Bank Reconciliation Answers

3. 1999.Q2

Cash Book (bank column only)		
1/ Balance b/d (\$12848+147980-152408)	8 420	\$ Deposits overstated (iii) 450 1
	8 919	Bank charges (iv-1) 87 ½
	275	Dividend (iv-3) 275 Dishonoured cheques: Better Limited (iv-4) 964 ½
		Gas (iv-5) 2 462 1
		Adjustment of duplicate entries (v) 643 1
		Balance c/d 13 008 ½
		17 614 17 614 (7)

Bank Reconciliation Statement as at 31 March 1999		
Adjusted balance as per cash book	13 008	½
Add: Unpresented cheques (i)	15 098	1
	28 106	
Less: Lodgements not yet recorded by bank (ii)	4 972	1
Balance as per bank statement	23 134	½
	(3)	

4. 2001.Q2

Cash book (bank column only)		
1/ Balance b/d	98 777	\$ Debtors - dishonoured cheque (iv) 920 1
	752	Discounts allowed (v) 15 1
	7 450	Bills receivable (ii) (\$3725×2) 106 044 ½
		106 979 106 979 (5)

Bank reconciliation statement as at 30 April 2001

	\$	\$
Adjusted balance as per cash book	106 044	½
Add: Unpresented cheques (vi)	2 647	1
Management fee by standing order (viii)	1 025	1
	3 672	
Less: Lodgements not yet recorded by bank (iii)	8 127	1
Fixed deposit transfer (vii) (\$5000×2)	10 000	1
	18 127	
Balance as per bank statement	91 589	½
	(5)	

BAFS – Bank Reconciliation Answers

5. 2002.Q2

- (A) According to the business entity concept, an owner's personal assets should not be shown as assets of his business.

(2)

(B) (a) Cash book (bank column only)		\$	\$
1/ Balance b/d	104 337	Bank charges (i)	60
1 Creditor: stop payment (i)	4 000	Debtor: dishonoured cheque (iv)	5 200
1 Discounts received (iii)	30	Bank interest (iv)	85
1 Debtor: direct deposit (iv)	10 946	Electricity: autopay (iv)	3 015
		Balance c/d	110 953
	119 313		119 313

(8)

(b) Bank reconciliation statement as at 31 March 2002

	\$
Adjusted balance as per cash book	110 953
Add: Unpresented cheque 102345 (i)	7 400
	118 353
Less: Lodgements not yet recorded by bank (ii)	9 437
Balance as per bank statement	108 916

(3)

(c) \$110 953

(1)

6. 2003.Q3

- (A) A bank overdraft is the amount owing to the bank (the amount withdrawn in excess of the amount deposited). It should be classified as a liability, usually current, on the balance sheet / statement of financial position.

2

(B) (a) Cash book

	Cash		Bank		
	2003	\$	2003	\$	
1/ Apr 1 Balance b/d	6 400	34 196	Apr 9 Creditors (12 000 x 95%)	11 400	1/
1/ 4 Debtors		28 000	10 Wages	21 000	1/
1/ 15 Sales	44 940		12 Creditors	31 534	1/
1/ 26 Cash		10 000	19 Salaries	29 800	1/
1/ 27 Sales	14 200		26 Bank	10 000	1/
1/ 27 Cash		2 200	27 Drawings	12 000	1/
1/ 29 Debtors		2 180	27 Bank	2 200	1/
1/ 30 Debtors - direct deposit (iii)	4 400		30 Electricity (iv)	1 890	1/
			30 Balance c/d	11 540	1/
	65 540			15 152	1
				65 540	
				80 976	(9)

BAFS – Bank Reconciliation Answers

7. 1994.Q4

Prosperous knitters
Bank Reconciliation Statement
for the year ended as at 31 January 1994

	\$	\$	\$
Balance as per cash book			935
Add: Unpresented cheques (i)			
#02894		1,690	
#02896		825	2,515
Credit transfer (ii)		720	3,235
			4,170
Less: Cheque from CB Ltd. overstated (ii) (2510–2150)		360	
Standing order: Electricity (iii)			416
Overdraft bank interest (iv)			56
Uncredited deposit / Bank lodgement		990	(1,822)
Balance as per bank statement			2,348

8. 2007.Q4

(a)

	Cash book						
	2007	Cash	Bank	2007	Cash	Bank	
1/ Mar 1 Balance b/d	16 400	–	–	Mar 1 Balance b/d	–	4 590	1/
1/ 3 Debtors	–	100 480	4 Creditors (\$2000 x 98%)	–	1 960	1/	
1/ 8 Creditors	–	3 000	16 Drawings	9 600	–	1/	
1/ 10 Sales	15 600	–	16 Bank	6 000	–	1/	
1/ 16 Cash	–	6 000	21 Rent	–	23 000	1/	
1/ 30 Debtors	–	1 650	26 Furniture-deposit (\$3000 x 20%)	–	–	1 000	1/
			31 Petty cash	3 900	–	1	
			31 Balance c/d	12 500	80 580	1	
	32 000	111 130		32 000	111 130		(8)

BAFS – Bank Reconciliation Answers

(b)	Bank reconciliation statement as at 31 March 2007		
Balance as per cash book in (a)	\$ 80 580	1/2	
Add: Unpresented cheques (iii)	9 050	1	
Direct deposit by customer (v)	2 800	1	
	<u>92 430</u>		
Less: Cheque honoured by bank (i)	3 000	1	
Lodgement not yet recorded by bank (ii)	1 650	1	
Autopay for rates (iv)	860	1	
Balance as per bank statement	<u>86 920</u>	1/2	
	(6)		
Total:	<u>14 marks</u>		

9. 1993.Q10

(a)

Cash Book (Bank)		
1993	\$	1993
Apr 30 Balance understated	9,090	Apr 30 Bal b/d 7,865,300
(65,870 – 56,780)		Electricity: Autopay 6,290
Debtors: Credit transfer	87,500	Bank interest 58,000
Bal c/d	<u>8,000,000</u>	Debtors: Dishonoured cheque 89,000
		Debtors: Post-dated cheque 78,000
	<u>8,096,590</u>	<u>8,096,590</u>

(b) Mr Lee
Bank Reconciliation Statement
as at 30 April 1993

	\$	\$
Overdraft balance as per bank statement		(8,255,000)
Add: Bank lodgement (uncredited cheque)		750,000
		(7,505,000)
Less: Unpresented cheque #80967	420,000	
#80973	75,000	495,000
Overdraft balance as per cash book		<u>(8,000,000)</u>

BAFS – Bank Reconciliation Answers

(c)	Mr. Lee				
	Balance Sheet as at 30 April 1993				
Fixed Assets	\$000	\$000	Capital	\$000	\$000
Premises	40,000		Balance as at 1 May 1992	50,000	
Less: Provision for depreciation	<u>10,000</u>	30,000	Net profit (60,000×11%)	<u>6,600</u>	
(40,000×25%)				56,600	
Delivery van (5,300+75%)	7,066		Less: Drawings	<u>16,300</u>	
Less: Provision for depreciation	<u>1,766</u>	<u>5,300</u>		40,300	
		35,300	Current Liabilities		
			Creditors (W1)	4,500	
			Bank overdraft	<u>8,000</u>	12,500
Current Assets					
Stock ($\frac{60,000 \times 60\%}{x} = 6$)	6,000				
Debtors ($\frac{x}{60,000} \times 12 = 2$)	10,000				
Cash (W1)	<u>1,500</u>	<u>17,500</u>			
Total assets employed		<u>52,800</u>	Total liabilities employed		<u>52,800</u>
($\frac{52,800}{x} \times 100\% = 12.5\%$)					

Remarks: Let x be the above unknowns for the workings in bracket.W1: Let x be cash balance and y be creditors balance,

$$(6000 + 10000 + x) - (y + 8000) = 5000$$

$$x - y = -3000 \quad \dots(1)$$

$$\frac{6000 + 10000 + x}{8000 + y} = 1.4$$

$$x - 1.4y = -4800 \quad \dots(2)$$

From (1), $x = y - 3000 \dots(3)$

Sub (3) into (2),

$$y - 3000 - 1.4y = -4800$$

$$y = 4500$$

$$\therefore x = 4500 - 3000 = 1500$$

10. 2009.Q6(a)

Bank reconciliation statement as at 31 December 2008		
Balance as per books	\$	\$
		37 020
Add: Direct deposits by members	6 000	1/2
Unpresented cheques (\$2 930 – \$223)	2 707	1/2
Cancelled cheque	223	1/2
		8 930
		45 950
Less: Autopay for utilities	420	1/2
Lodgement not yet recorded by bank	4 260	1/2
Balance as per bank statement		41 270
		(3)

11. 2010.Q3(b)

Cash Book									
2010			Discount	Cash	Bank	2010			
Mar	\$	\$	\$	\$	\$	Mar	Discount	Cash	Bank
½ 1	Balance b/d			38 900		1	Balance b/d		6 240 ½
1½ 2	Debtors	216			6 984	5	Purchases	1 000	½
½ 5	Sales		5 600			5	Bank	4 600	½
½ 5	Cash			4 600		11	Creditors	150	2 850 1
1 16	Debtors	400	19 600			22	Creditors	16 500	½
½ 29	Debtors			27 800	30	Salaries	14 000	½	
1 31	Debtors	93		3 007	31	Bank service charge (ii)		200	1
					31	Rent (iv)	18 000	½	
					31	Debtors (v)	4 100	1	
					31	Balance c/d	28 000	11 001	½
							150	64 100	42 391
									(12)

(b) Bank reconciliation statement as at 31 March 2010

		\$
Balance as per bank statement		27 194 ½
Add: Lodgement not yet recorded by bank (i)		3 007 ½
		30 201
Less: Unpresented cheques (iii)		19 200 ½
Balance as per updated cash book		11 001 ½
		(2)

12. 2006.Q5(a)(b)

Cash book (bank column only)			
	\$		\$
1½ Balance b/d (\$19 900 + \$315 000 – \$300 700)	34 200	Bank charges	80
		Star Ray Limited – dishonoured cheque	10 250 1
1 Bank deposit interest	650		1
1 Kettler Limited	2 400	Balance c/d	26 920 ½
	<u>37 250</u>		<u>37 250</u>
			(6)

(b) Bank reconciliation statement as at 31 March 2006

		\$
Adjusted balance as per cash book		26 920
Add: Unpresented cheque		16 500 1
		43 420
Less: Lodgements not yet recorded by bank		6 630 1
Balance as per bank statement		36 790 ½
		(3)

Answers to DSE past papers:

1. PP.P2A.Q1

		Bank		
		2011	Dec 31	
1		Balance b/d	4 000	2011
		Trade receivables (ii)	7 933	Bank charges (i) 496 1
				Balance c/d 11 437 1
			11 933	
				(3)
(b)		VM Ltd		
		Bank reconciliation statement as at 31 December 2011		
		\$		
Balance as per adjusted bank account		\$ 11 437		
Add: Unpresented cheques (iii)				
30801		2 453		
30834		3 758		
		6 211 ½		
17 648				
Less: Uncredited deposit (iv)		5 100 ½		
		12 548 ½		
		(2)		

(c) Uses:

- Locating accounting errors either by the bank or by the firm
 - Explaining differences at a given date between the balance of the bank account as shown in the firm's cash book and the balance of bank statement as prepared by the bank
 - Preventing fraud by employees
- (1 mark for each relevant use, max. 2 marks)

2

2. 2012.P2A.Q5

Cash at bank				
		2011	2011	
1		Dec 31	Balance b/d 46 250	\$ 9 530 ½
			Chloe Ltd: Returned cheque	72 530 1
			Connie Fashion Co (\$25 300 – \$23 500) (i)	1 800 1
			Carmen Co – Post-dated cheque (i)	7 235 1
			Management fees	5 025 1
			Bank charges	25 1
				96 145 (7)

BAFS – Bank Reconciliation Answers

(b) Bank reconciliation statement as at 31 December 2011			
	\$	\$	
Balance as per adjusted cash book		(49 895)	½
Add: Unpresented cheques			
- 532009 (\$10 500 - \$10 000 - \$300) (iv)	200	1½	
- 532020	31 600	½	
- 532022	<u>68 760</u>	½	100 560
		50 665	
Less: Uncredited deposit – Cherry Ltd	8 005	1	
Bank error – incorrect debit (iii)	<u>105 660</u>	1	113 665
Balance as per bank statement		<u>(63 000)</u>	
		(5)	

- (c) Reasons:
- Insufficient cash in drawer's account
 - Post-dated cheque
 - Wrong drawee's name/drawers signature
- (1 mark for each relevant reason)

(max) 2

3. 2013.P2A.Q1(b)

(b) Cash at bank			
	2013 March	\$	2013 March
½ Balance b/d (i)	62 300	Trade payables (iii)	82 750
1 Trade payable (ii)	7 800	Trade receivables (iii)	32 110
½ Trade receivables (iii)	287 000	Accrued management fee (v)	8 800
½ Trade receivables (iv)	125 000	Rental fee (vi)	165 500
½ Dividend income (iv)	2 840	Balance c/d	195 780
	<u>484 940</u>	<u>484 940</u>	½
			(6)

4. 2014.P2A.Q9(a)(b)

(a) Cash at bank			
	2013	\$	2013
½ Dec 31 Balance b/d	56 000	Dec 31	\$
1 Dividend income (ii)	1 250		
	<u>57 250</u>	Trade payables (i)	5 400
		Trade receivables (iv)	3 260
		Trade receivables (v)	6 750
		Balance c/d	41 840
			½
			<u>57 250</u>
			(5)

BAFS – Bank Reconciliation Answers

(b) Nice Company Bank reconciliation statement as at 31 December 2013			
	\$	\$	
Updated cash at bank balance		41 840	½
Add: Credit transfer wrongly made by bank (iii)	3 500	1	
Unpresented cheques (vi)	<u>5 500</u>	9 000	1
		50 840	
Less: Uncredited deposit (vi)		53 100	1
Overdraft as per bank statement		<u>2 260</u>	½
		(4)	

BAFS – Bank Reconciliation Answers

5. 2015.P2A.Q1

(a)

		Cash at bank		
	2014	\$	2014	\$
½	Dec 31 Balance b/d	58 930	Dec 31 Water: direct debit	3 100
1	Sunny Ltd: credit transfer	12 300	Man Ltd: dishonoured cheque	19 300
1	Yip's Ltd	8 000	Bank charges	30
			Balance c/d	56 800
				<u>79 230</u>
				(5)

(b)

Bank reconciliation statement as at 31 December 2014

		\$		
Updated balance as per cash at bank		56 800		
Add: Unpresented cheque: 707893		<u>12 200</u>		
Less: Uncredited deposit - Nam Ltd		69 000		
Balance as per bank statement		<u>8 620</u>		
		<u>60 380</u>		
		(3)		

6. 2017.P2A.Q4

		Cash at bank		
	\$		\$	
0.5	Balance b/d	105 468	Electricity	(ii) 900 0.5
1	K & K Limited	(i) 15 236	Bank charges	(iv) 794 0.5
0.5	Dividend income	(v) 3 160	Trade receivables	(vi) 11 630 1
1	Rent and rates	(vii) 180	Term deposit	(ix) 60 000 0.5
			Interest income	(ix) 1 200 0.5
			Balance c/d	<u>49 520</u>
				<u>124 044</u>

Bank reconciliation statement as at 31 December 2016

		\$	\$	
Adjusted balance as per cash at bank account		49 520	0.5	
Add: Unpresented cheques		(i)		
-450998		35 060	0.5	
-482118		<u>7 850</u>	<u>42 910</u>	0.5
			92 430	
Less: Incorrect debit made by bank		(iii) 8 755	1	
Uncredited deposits		(viii) 81 425	1	
Balance as per bank statement		<u>2 250</u>	0.5	
			(4)	
			10 marks	

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BAFS – Bank Reconciliation Answers

7. 2018.P2A.Q2

(a)(i)

		Cash at bank		
	\$		\$	
0.5	Balance b/d	50 000	Trade receivables	(i) 30 000 0.5
0.5	Trade payables	(ii) 6 300	Trade receivables	(iv) 4 430 1
1	Trade payables	(v) 9 310	Balance c/d	<u>31 180</u> 0.5
				<u>65 610</u>
				(4)

(ii)

		Bank reconciliation statement as at 31 December 2017		
	\$		\$	
Adjusted balance as per cash book		31 180	0.5	
Add: Unpresented cheque – 723881 (iii)		10 390	0.5	
		<u>41 570</u>		
Less: Uncredited cheque (vi)		4 100	0.5	
Balance as per bank statement		<u>37 470</u>	0.5	
			(2)	

- (b) - a cheque dated with a future date
- cheque #723958

1

1

(2)

8 marks

Marking notes – Q2:

- Other acceptable answers for part (b)

<input checked="" type="checkbox"/> The cheque with a date which is after the issue date	<input checked="" type="checkbox"/> 指票面日期是在簽發日期之後的支票
<input checked="" type="checkbox"/> The date written on the cheque is not yet due	<input checked="" type="checkbox"/> 指尚未到兌現日期的支票

8. 2019.P2A.Q2

(a)(i)

		Cash at bank		
	\$		\$	
0.5	Balance b/d (Balancing figure)	360 000	Trade receivables	(ii) 3 900 0.5
0.5	Interest income	(i) 2 400	Trade receivables	(iii) 6 300 0.5
			Trade payables	(v) 96 000 0.5
			Balance c/d	<u>256 200</u> 0.5
				<u>362 400</u>
				(3)

12

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BAFS – Bank Reconciliation Answers

(ii)

Bank reconciliation statement as at 31 December 2018			
	\$	\$	
Balance as per bank statement		300 000	0.5
Add: Uncredited deposits (vi)		23 100	0.5
		323 100	
Less: Incorrect credit transfer	5 200	1	
Less: Unpresented cheques (vi)	61 700	66 900	0.5
Adjusted balance as per cash at bank account		256 200	0.5
			(3)

(b) Reasons:

- Insufficient balance in drawer's account 1
- Wrong drawee's name/drawer's signature 1

(1 mark for each relevant reason, maximum 2 marks)

8 marks

Marking notes – Q2(a)(i):

- X: Same items on both sides
- X: Same items on both cash at bank and bank reconciliation statement

● Wordings in T-account for part 2(a)(i)

Acceptable	Not acceptable
✓ Interest revenue	✗ Interest received
✓ Bank interest revenue	✗ Interest
✓ Trade payables	✗ Payables
✓ Accounts payable	✗ Other payables
✓ Trade creditors	✗ Other creditors
✓ Creditors	
✓ Trade receivables	✗ Receivables
✓ Accounts receivable	✗ Other receivables
✓ Trade debtors	✗ Other debtors
✓ Debtors	
✓ Balance c/d	

● Wordings in bank reconciliation statement for part 2(a)(ii)

Acceptable	Not acceptable
✓ Adjusted balance as per cash at bank account / cash book → must have the meaning of 'adjusted' / 'updated'	✗ Balance before adjustments ✗ Balance as per cash at bank
✓ Incorrect credit transfer (iv)	
✓ Bank error	
✓ Credit transfer wrongly made	
✓ Credit transfer	
✓ Uncredited deposits (vi)	
✓ Uncredited items	

BAFS – Bank Reconciliation Answers

Acceptable	Not acceptable
✓ Uncredited cheques	
✓ Bank lodgment not yet recorded	
✓ Deposit in transit	
✓ Balance c/d	

● Other acceptable answers for part (b)

✓ The cheque is a stale cheque / more than 6 months	✓ 支票上的日期過半年還未兌現
✓ The amount in word differs from the amount in figures	
✓ There is no date on the cheque	
✓ The date of the cheque is incorrect	
✓ 發出支票的人在銀行簽署與支票上的簽署不符	

9. 2020.P2A.Q9(A)(a)

(A)(a) Statement to calculate the bank account balance before updating as at 31 December 2019		
	\$	\$
Bank statement balance		259 465 0.5
Add: (2) Uncredited deposits	47 900	0.5
(3) Bookkeeper's error on recording dishonoured cheque	56 970	1
(4) Interest expense	1 795	0.5
	106 665	
	366 130	
Less: (1) Stale cheque (#418226)	23 615	1
(1) Unpresented cheque (#471218)	71 620	0.5
(1) Post-dated cheque (#473006)	9 600	1
Bank account balance	261 295	1
		(6)

- X: 不接受先更新 Bank account，然後以 updated bank account balance 準備 bank reconciliation statement.