**SPOT ON TRADERS ILLUSTRATIVE EXAMPLE**

QUESTION 1:

1.1. Prepare the bank account for November 2008.make any entries that would affect the cash journals directly in the bank account [17]

1.2. Prepare the bank reconciliation statement on 30 November 2008 [08]

1. The following appeared in the bank reconciliation statement on 31 October 2008.

|  |  |  |
| --- | --- | --- |
| Favourable balance according to bank statement |  |  6 250 |
| Outstanding deposits |  |  3 750 |
| Outstanding cheques |  | (9 050) |
| No. 715 |  550 |  |
| No. 835 |  7 250 |  |
| No. 840 |  1 250 |  |
| Balance as per bank account |  | ? |

1. Cheque 715 was issued in favour of Yenzani children’s home as a donation on 14 May 2008 (stale cheque- cancel in the CRJ)
2. The bank statement received from Sentra bank on 30 November had a favourable balance (This tells us that the balance as in BRS from statement will be credited)
3. After the cash journals for November 2008 and bank reconciliation statement for October 2008 had been compared with the bank statement received from Sentra bank on 30 November 2008, the following items remained unchecked:
4. Service fees,R87, government levy, R7, credit card transaction fees, R56, interest(cr), R25. (87+7+56 as bank charges in CPJ----- materiality) (interest- CRJ)
5. Cheque 835 appeared on the as did the outstanding deposit of R3 750. (scratch)
6. A cheque drawn by Sport On suppliers for R400 appeared on the bank statement of Spot On traders (record 400 in the BRS as an error by the bank---- cr side)
7. A cheque received for R363 in full settlement of an account of R375 was dishonoured by Sentra bank due to insufficient funds (cancel the cheque in the CPJ)
8. An amount of R5 956, 50 was deposited directly into the bank account of the business by Finbank Ltd. This was for the repayment of the fixed deposit plus interest at 9% for the last six months [do not include the cents for interest on fixed deposit]

Fixed deposit + interest= 5956,50

 X + (X × 9/100 × 6/12)

X = $\frac{5956.50}{1+9/100×6/12}$ -------- X= 5700 -- interest= 5956.50 -5700 = 256

1. A debit order in favour of BSure insurers for R510 (record insurance on the CPJ)
2. A dishonoured cheque for R800 appeared on the bank statement. This cheque was received from B.Bright, a tenant. The cheque was post-dated to 15 December 2008. (cancel cheque in the CPJ)
3. A deposit for R4 250 made on 30 November 2008 appears in the cash journals only. (record outstanding deposit in the BRS)
4. The following cheques issued had not yet been presented for payment by 30 November 2008.
* No. 927- R2 200 [dated 3 December 2008]
* No. 933- R1 925 (record the outstanding cheques on the BRS)
1. The following errors were discovered:
2. Goods sold for cash on 26 November 2008 were recorded in the cash journals as R2 125. The correct amount of R2 117 appeared on the bank statement (2125-2117= 8---- reduce bank by R8)
3. A cheque issued to C. Lewis, a creditor, was recorded in the correct cash journal as R650. The amount reflected on the bank statement is R605. The amount on the bank statement is correct. (R650-R605= R45----- increase bank in the CRJ)

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** |  | **Details** |  | **R** | **Date** |  | **Details** |  | **R** |
| Nov | 01 | Balance b/d |  | 950 | Nov | 30 | Total payments |  | 53 000 |
|  | 30 | Total receipts |  | 49 000 |  | 30 | Bank charges |  | 150 |
|  | 30 | Donations |  | 550 |  | 30 | Debtors control |  | 363 |
|  | 30 | Interest income |  | 25 |  | 30 | Insurance |  | 510 |
|  | 30 | Fixed deposit  |  | 5 700 |  | 30 | Rent  |  | 800 |
|  | 30 | Interest on fixed deposit  |  |  256 |  | 30 | Sales |  | 8 |
|  | 30 | Creditors control |  |  45 |  |  | Balance c/d |  | 1 695 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **56 526** |  |  |  |  |  **56 526** |
| Dec | 01 | Balance b/d |  | **1 695** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **Dr** | **Cr** |
| Favourable balance as per bank statement |  | 2 420 |
| Cr outstanding deposits |   |  4 250 |
| Dr outstanding cheques  |  | (5 375) |
| No. 840 |  1 250 |  |
| No. 927 |  2 200 |  |
| No. 933 |  1 925 |   |
| Error by the bank |  |  400 |
| Balance as per bank account | 1 695 |  |
|  | **7 070** | **7 070** |

The reconciliation explained:

R2420- this is the figure that will balance the bank reconciliation statement (1250+ 2200+ 1925+ 1695= 7070), because on the credit side we have known figures (4250 + 400), we will add these and subtract them from 7070 (total on the debit and credit have to be the same) to get the balance as per bank statement of 2420.