CREDITORS RECONCILIATION

ILLUSTRATIVE EXAMPLE:

The following transactions pertain to the transactions from the records of Ferero Mia, a registered vat vendor. VAT is calculated at 15%

Required:

1. Prepare the creditors control account and balance the account on 31 May 2020
2. Reconcile the balances in the creditors control account with the corrected totals of the creditors list on 31 May 2020.

Below are totals in the following subsidiary books on 31 May 2020 before taking into account the additional information

1. Cash purchases of inventory –R50 000
2. Credit purchases of inventory- R84 000
3. EFT to creditors in payment of accounts- R80 000
4. Inventory returned to suppliers- R2 700
5. Discount received for early payments of accounts- R4 500
6. Equipment purchased on credit- R3 600
7. Interest charged by creditors on overdue accounts- R100

Creditors control balance on 30 April 2020- R35 000

|  |  |  |
| --- | --- | --- |
| Creditor | Debit | credit |
| Mia Field ltd |  | 13 732 |
| Pica Nto suppliers |  |  8 368 |
| Egor Capital |  | 17 000 |
| Futuristic Branding LLC |  |  5 300  |
| Watoto Ltd | 700 |  |
|  | 700 | 44 400 |

Additional information:

1. The balance in the account of Watoto Ltd must be transferred to their account in the debtors ledger
2. An invoice for inventory purchased from Futuristic Branding LLC was entered in the purchases journal as R4 330 instead of R3 430
3. An EFT for R5 300 to Egor Capital was correctly recorded in the cash payments journal but posted to their account as R3 500 in the creditors ledger
4. An EFT to Mia Field Ltd for R6 400 was recorded in the cash payments journal but not posted to their account in the creditors ledger
5. A credit note received from Pica Nto
6. Suppliers for inventory returned, R2 100, was not recorded in the purchases return journal.

Solution:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date** |  | **Details** |  | **R** | **Date** |  | **Details** |  | **R** |
| 2020/5 | 30 | Bank | Cpj | 80 000 | 2020/5 | 1 | balance | b/d | 35 000  |
|  | 30 | Purchases returns(2700+2100) |  | 4 800 |  | 30 | Purchases( 84000-(4330-3430) |  | 83 100 |
|  | 30 | Discount received | Cpj | 4 500 |  | 30 | Equipment | Gj | 3 600  |
|  | 30 | Balance  | c/d | 33 200  |  | 30 | Interest expense | Gj | 100 |
|  | 30 |  |  |   |  | 30 | Debtors control | Gj | 700 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | **122 500** |  |  |  |  |  **122 500** |
| Dec | 01 |  |  |  | 2020/6 | 01 | Balance  | b/d | **33 200** |
|  |  |  |  |  |  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| Creditor | Debit | credit |
| Mia Field ltd (13732-6400) |  |  7 332 |
| Pica Nto suppliers (8368-2100) |  |  6 268 |
| Egor Capital (17000-(5300-3500) |  | 15 200 |
| Futuristic Branding LLC (5300-(4330-3430) |  |  4 400 |
| Watoto Ltd (700-700) |  |  |
|  |  | **33 200** |