

1 Jenny runs a small trading business.

Jenny received her bank statement which showed a credit balance of \$1367 on 29 February 2024. On the same date her bank column in her cash book showed an overdrawn balance of \$1933.

When comparing her bank statement and cash book she found that the following items appeared on her bank statement and not in her cash book:

February		\$
26	M Stores, a credit customer, had paid by bank transfer	1 900
26	Interest received	358
27	A cheque previously received from C Stores had been dishonoured	1 121
28	Bank charges	125
28	A direct debit for electricity had been taken	290

The following items appeared in her cash book but not on her bank statement

February		\$
23	A cheque paid to B Properties	1 025
27	A payment by credit transfer to pay for rent and insurance	2 300
28	A cheque received from a credit customer Y Traders was paid into the bank	792

Upon investigation, she discovered the following error:

A cheque made payable to D Sports \$45 had been recorded in the bank column of her cash book. The cheque had been written from her personal account to pay for her gym membership.

REQUIRED:

(a) Update the bank column of Jenny’s cash book.

Balance the account and bring down the balance on 1 March 2024.

Jenny
Cash book – bank columns

Date	Details	\$	Date	Details	\$
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[7]

Question	Answer						Marks
1(a)	Jenny Cash Book – bank columns						7
	Date 2024 Mar 1	Details M Stores (1) Interest received (1) Drawings/Correction of error (1) Balance c/d	\$ 1 900 358 45 <u>1 166</u> <u>3 469</u>	Date 2024 Mar 1 2024 Mar 1	Details Balance b/d (1) C Stores (dis. chq) (1) Bank charges } Electricity } (1)	\$ 1 933 1 121 125 290 <u>3 469</u>	
					Balance b/d (1)OF	1 166	

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1(b)	<p style="text-align: center;">Jenny Bank reconciliation statement at 29 February 2024</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 20%;"></td> </tr> <tr> <td>Balance on bank statement</td> <td></td> <td></td> <td style="text-align: right;">1 367</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Amounts not yet credited</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Cheque – Y Traders</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">792</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">2 159</td> <td></td> </tr> <tr> <td>Amounts not presented</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Cheque – B Properties</td> <td style="text-align: right;">1 025</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Credit transfer – Rent and insurance</td> <td style="text-align: right; border-top: 1px solid black;">2 300</td> <td style="text-align: right;">(1)</td> <td style="text-align: right; border-top: 1px solid black;">3 325</td> <td></td> </tr> <tr> <td>Balance in cash book</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">(1 166)</td> <td style="text-align: right;">(1)OF</td> </tr> </table> <p>Alternative presentation</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 20%;"></td> </tr> <tr> <td>Balance in cash book</td> <td></td> <td></td> <td style="text-align: right;">(1 166)</td> <td style="text-align: right;">(1)OF</td> </tr> <tr> <td>Amounts not presented</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Cheque – B Properties</td> <td style="text-align: right;">1 025</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Credit transfer – Rent and insurance</td> <td style="text-align: right; border-top: 1px solid black;">2 300</td> <td style="text-align: right;">(1)</td> <td style="text-align: right; border-top: 1px solid black;">3 325</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">2 159</td> <td></td> </tr> <tr> <td>Amounts not yet credited</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Cheque – Y Traders</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">(792)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Balance on bank statement</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">1 367</td> <td style="text-align: right;">(1)</td> </tr> </table>		\$		\$		Balance on bank statement			1 367	(1)	Amounts not yet credited					Cheque – Y Traders			792	(1)				2 159		Amounts not presented					Cheque – B Properties	1 025	(1)			Credit transfer – Rent and insurance	2 300	(1)	3 325		Balance in cash book			(1 166)	(1)OF		\$		\$		Balance in cash book			(1 166)	(1)OF	Amounts not presented					Cheque – B Properties	1 025	(1)			Credit transfer – Rent and insurance	2 300	(1)	3 325					2 159		Amounts not yet credited					Cheque – Y Traders			(792)	(1)	Balance on bank statement			1 367	(1)	5
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1(c)	<p>An accurate bank balance is available Errors on bank statement can be identified Errors in the bank account can be identified Assists with discovering fraud and embezzlement Cheques not presented can be identified Amounts not credited by the bank can be identified Any stale (out of date) cheques can be identified</p> <p>Any 2 advantages (1) each</p>	2																																																																																										
1(d)	It is an asset to the bank/it is money owed to the bank	1																																																																																										

Question	Answer	Marks
1(e)	<p>Advantages Improves bank balance/ improve liquidity Money available to run the business/pay trade payables/business expenses Reduces interest/bank charges from bank Improves relationship with bank Any other valid points Max 3</p> <p>Disadvantages Lack of funds for own personal use May not have sufficient personal funds available May have to obtain a personal loan Will lose interest on investments if they have to be withdrawn More personal funds at risk Accept other valid points Max 3</p> <p>Recommendation (1)</p>	5