1 On 31 March 2025, Zac's bank statement showed an overdrawn balance of $1665, but the bank column of his cash book showed a debit balance of $825 on the same date.

Upon investigation, he discovered that the following items appeared on his bank statement, but **not** in his cash book.

March		$
20	Payment received by bank transfer from Zoe, a credit customer	310
23	Electricity charges paid by direct debit	936
25	Bank charges	58
29	A standing order for insurance had been deducted in error	1121
30	Interest received	45

The following items appeared in his cash book, but **not** on his bank statement.

March		$
27	A cheque payable to AC Motors had **not** been presented	480
30	Cash and cheques deposited into the bank	1210

REQUIRED

(a) Update the bank columns of Zac's cash book.

Balance the account and bring down the balance at 1 April 2025.

Zac
Cash Book – bank columns

Date	Details	$	Date	Details	$

[7]

(b) Prepare a bank reconciliation statement at 31 March 2025.

Zac
Bank reconciliation at 31 March 2025

	$	$
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....

[5]

Currently, Zac completes a bank reconciliation statement twice every year but is now considering completing one every three months.

REQUIRED

(c) Advise Zac whether he should be completing a bank reconciliation statement every three months. Justify your answer by considering advantages and disadvantages of doing so.

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.... [5]

(d) State what is meant by the term 'dishonoured cheque'.

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.... [1]

On 5 April, Zac was notified that a cheque paid into his business bank account during March had been dishonoured. The cheque for $128 was from Ali, a credit customer.

REQUIRED

(e) Complete the following table to show the journal entry required to record the dishonoured cheque in Zac's accounts. A narrative is **not** required.

Zac
Journal

Details	Debit $	Credit $

[2]

[Total: 20]

Question	Answer	Marks
1(a)		7

Zac
Cash book – bank columns

Date	Details	$		Date	Details	$	
March 31	Balance b/d	825	(1)	March 23	Electricity	936	(1)
20	Zoe	310	(1)	25	Bank charges	58	(1)
30	Interest	45	(1)	31	Balance c/d	186	
		1180				1180	
April 1	Balance b/d	186	(1)OF				

+(1) for dates

Question	Answer	Marks

1(b)	**Zac**
	Bank reconciliation statement at 31 March 2025
	
	                                                         \$ \$
	Balance shown on bank statement (1 665) **(1)**
	<u>Add:</u> Amounts not yet credited – cash and cheques 1 210 **(1)**
	           Bank error 1 121 **(1)** 2 331
	                                                               666
	<u>Less:</u> Amounts not yet presented – AC Motors (480) **(1)**
	Balance shown on updated cash book 186 **(1)OF**
	
	Alternative presentation
	Balance shown on updated cash book 186 **(1)OF**
	<u>Add:</u> Amounts not yet presented – AC Motors 480 **(1)**
	                                                               666
	<u>Less:</u> Amounts not yet credited – cash & cheques 1 210 **(1)**
	           Bank error 1 121 **(1)** (2 331)
	Balance shown on bank statement (1 665) **(1)OF**
		5

1(c)	**Advantages** (**Max 3**) Identifies stale cheques sooner **(1)** Errors in the cash book identified sooner **(1)** Errors on the bank statement identified earlier **(1)** Amounts not credited/presented can be identified earlier **(1)** Accurate bank account balance available more regularly **(1)** Deters / may reduce fraud **(1)** **Disadvantages (Max 3)** Time consuming / increased workload **(1)** More costly **(1)** More transactions to record/completed more frequently **(1)** The cash book needs to be updated more often **(1)** **Accept other valid responses.** **Recommendation (1)**	5

Question	Answer	Marks
1(d)	A cheque is returned unpaid by the bank / which the bank refuses to pay **(1)**	**1**
1(e)	<table><tr><td colspan="3" align="center">Zac Journal</td></tr><tr><td>Details</td><td>Debit $</td><td>Credit $</td></tr><tr><td>Ali</td><td>128 **(1)**</td><td></td></tr><tr><td> Bank</td><td></td><td>128**(1)**</td></tr></table>	**2**