

- 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.

[5]

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

..... [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)	Zac Cash book – bank columns								7
	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		
			<u>1180</u>				<u>1180</u>		
	April 1	Balance b/d	186	(1)OF					
	+(1) for dates								

Question	Answer	Marks																																																												
1(b)	Zac Bank reconciliation statement at 31 March 2025 <table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Balance shown on bank statement</td><td></td><td>(1 665)</td><td>(1)</td></tr><tr><td>Add: Amounts not yet credited – cash and cheques</td><td>1 210</td><td>(1)</td><td></td></tr><tr><td>Bank error</td><td>1 121</td><td>(1)</td><td></td></tr><tr><td></td><td></td><td>2 331</td><td></td></tr><tr><td></td><td></td><td>666</td><td></td></tr><tr><td>Less: Amounts not yet presented – AC Motors</td><td></td><td>(480)</td><td>(1)</td></tr><tr><td>Balance shown on updated cash book</td><td></td><td>186</td><td>(1)OF</td></tr></table> Alternative presentation <table><tr><td>Balance shown on updated cash book</td><td></td><td>186</td><td>(1)OF</td></tr><tr><td>Add: Amounts not yet presented – AC Motors</td><td></td><td>480</td><td>(1)</td></tr><tr><td></td><td></td><td>666</td><td></td></tr><tr><td>Less: Amounts not yet credited – cash & cheques</td><td>1 210</td><td>(1)</td><td></td></tr><tr><td>Bank error</td><td>1 121</td><td>(1)</td><td></td></tr><tr><td></td><td></td><td>(2 331)</td><td></td></tr><tr><td>Balance shown on bank statement</td><td></td><td>(1 665)</td><td>(1)OF</td></tr></table>		\$	\$		Balance shown on bank statement		(1 665)	(1)	Add: Amounts not yet credited – cash and cheques	1 210	(1)		Bank error	1 121	(1)				2 331				666		Less: Amounts not yet presented – AC Motors		(480)	(1)	Balance shown on updated cash book		186	(1)OF	Balance shown on updated cash book		186	(1)OF	Add: Amounts not yet presented – AC Motors		480	(1)			666		Less: 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
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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 border="1"> <tr> <th colspan="3">Zac Journal</th></tr> <tr> <th>Details</th><th>Debit \$</th><th>Credit \$</th></tr> <tr> <td>Ali</td><td>128 (1)</td><td></td></tr> <tr> <td>Bank</td><td></td><td>128(1)</td></tr> </table>	Zac Journal			Details	Debit \$	Credit \$	Ali	128 (1)		Bank		128 (1)	2
Zac Journal														
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Ali	128 (1)													
Bank		128 (1)												

Question	Answer	Marks
2(a)(i)	Suspense (1)	1
2(a)(ii)	Allows draft financial statements to be prepared / provides a holding account until errors are discovered (1)	1