**Foreword**

This resource material provides teachers with examples of graded assignments for reference and is by no means exhaustive. Teachers are advised to adapt the materials according to the diverse learning needs of students if deemed necessary.

Graded Assignment: Bank Reconciliation Statement

Elementary Level - Question Paper

|  |  |
| --- | --- |
| (A) | List the function of a bank reconciliation statement. (1 mark) |
| (B) | The following cash at bank account was extracted from the books of Lisa Company for the month ended 30 April 2020: |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | Cash at bank | | | | | | | | | | | | | |  | | |
| 2020 | | |  | | $ | | 2020 | | **Cheque No.** | | | | | | | | | | $ | |
| Apr | 1 | Balance b/d | | 87,500 | | | Apr | | 11 | Bob Ltd | | | 105367 | | | | | 3,800 | | | | |
|  | 2 | Sales | | 35,000 | | |  | | 13 | Electricity expenses | | | 105368 | | | | | 1,560 | | | | |
|  | 8 | Andy Ltd | | 42,000 | | |  | | 30 | Cash in hand | |  | | | | 6,800 | | | | | | |
|  | 22 | Peter Co | | 10,500 | | |  | | 30 | Balance c/d | |  | | | 288,840 | | | | | | |
|  | 26 | Betty Ltd | | 46,000 | | |  |  | | |  | | |  | | | | |
|  | 27 | Esther Co | | | | 80,000 |  |  | | |  | | |  | | | | |

Lisa Company received the following bank statement for the month of April 2020.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | | | | Description | | | Withdrawal | | | | | Deposit | | | | Balance | | | |
| 2020 | | | |  | | | $ | | | | | $ | | | | $ | | | |
| Apr | | 1 | | Balance b/d | | |  | | | |  |  | |  | | 100,000 | |  | |
|  | | 2 | | Direct debit – Telephone bill | | | 850 | | | |  |  | |  | | 99,150 | |  | |
|  | | 4 | | Cheque deposit | | |  | | | |  | 35,000 | |  | | 134,150 | |  | |
|  | | 10 | | Helen Ltd | | |  | | | |  | 50,000 | |  | | 184,150 | |  | |
|  | | 15 | | Cheque - 105368 | | | 1,560 | | | |  |  | |  | | 182,590 | |  | |
|  | | 18 | | Dividend | | |  | | | |  | 8,400 | |  | | 190,990 | |  | |
|  | | 23 | | Bank charges | | | 200 | | | |  |  | |  | | 190,790 | |  | |
|  | | 24 | | Cheque deposit | | |  | | | |  | 10,050 | |  | | 200,840 | |  | |
|  | | 27 | | Cheque deposit  (Cheque no: 325647) | | | |  | | |  | 46,000 | |  | | 246,840 | |  | |
|  | | 28 | | Refer to drawer | | | 46,000 | | | |  |  | |  | | 200,840 | |  | |
|  | | 29 | | Cheque deposit | | |  | | | |  | 2,800 | |  | | 203,640 | |  | |
|  | | 30 | | Cheque - 105350 | | | 3,500 | | | |  |  | |  | | 200,140 | |  | |
|  | | 30 | | Cash deposit | | |  | | | |  | 6,800 | |  | | 206,940 | |  | |
|  | |  | |  |  | | |  |  | | |  | |  | |  | |

Additional information:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (i) | On 31 March 2020, two cheques issued in 2019 and 2020 had not yet been presented.   |  |  |  | | --- | --- | --- | | Cheque No. | Date | Amount | | 105211 | 15 September 2019 | $9,000 | | 105350 | 18 January 2020 | $3,500 | |
|  | It is the practice of the bank not to honour cheques outstanding for more than six months. |
| (ii) | It was discovered that a cheque 456789 received from Andy Ltd on 8 April 2020 was dated 3 May 2020. |
| (iii) | On 10 April 2020, a customer, Helen Ltd, made a credit transfer to the company’s bank account. |
| (iv) | On 22 April 2020, a cheque for $10,050 received from Peter Co was wrongly recorded in the books as $10,500. |
| (v) | A credit transfer of $2,800 dated 29 April 2020 was recorded on the bank statement. The bank later informed that the transfer should have been made to another customer. |
| (vi) | On 30 April 2020, cash of $6,800 was withdrawn from the bank account. |
| **REQUIRED**: | |
| (a) | Update the cash at bank account of Lisa Company. (9 marks) |
| (b) | Prepare a bank reconciliation statement as at 30 April 2020, commencing with the updated cash at bank balance. (5 marks) |
|  | (Total: 15 marks) |

Graded Assignment: Bank Reconciliation Statement

Elementary Level – Student Worksheet

|  |  |
| --- | --- |
|  | List the function of a bank reconciliation statement. |
|  | |
| *Complete the following sentence.* | |
| The function is: | |
|  | Explain the \_\_\_\_\_\_\_\_\_\_\_\_ between the balance of the cash at bank account in the company’s books and the balance of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ prepared by the bank. |
|  | |
| (B) |  |

Working 1: Cross check the items in the cash at bank account with those in the bank statement. **Circle** **the discrepancies** between the cash at bank account and the bank statement.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | Cash at bank | | | | | | | | | | | | | |  | | |
| 2020 | | |  | | $ | | 2020 | | **Cheque No.** | | | | | | | | | | $ | |
| Apr | 1 | Balance b/d | | 87,500 | | | Apr | | 11 | Bob Ltd | | | 105367 | | | | | 3,800 | | | | |
|  | 2 | Sales | | 35,000 | | |  | | 13 | Electricity expenses | | | 105368 | | | | | 1,560 | | | | |
|  | 8 | Andy Ltd | | 42,000 | | |  | | 30 | Cash in hand | |  | | | | 6,800 | | | | | | |
|  | 22 | Peter Co | | 10,500 | | |  | | 30 | Balance c/d | |  | | | 288,840 | | | | | | |
|  | 26 | Betty Ltd | | 46,000 | | |  |  | | |  | | |  | | | | |
|  | 27 | Esther Co | | | | 80,000 |  |  | | |  | | |  | | | | |

Bank statement for the month of April 2020

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | | Description | | Withdrawal | | Deposit | | Balance | |
| 2020 | |  | | $ | | $ | | $ | |
| Apr | 1 | Balance b/d | |  |  |  |  | 100,000 |  |
|  | 2 | Direct debit– Telephone bill | | 850 |  |  |  | 99,150 |  |
|  | 4 | Cheque deposit | |  |  | 35,000 |  | 134,150 |  |
|  | 10 | Helen Ltd | |  |  | 50,000 |  | 184,150 |  |
|  | 15 | Cheque 105368 | | 1,560 |  |  |  | 182,590 |  |
|  | 18 | Dividend | |  |  | 8,400 |  | 190,990 |  |
|  | 23 | Bank charges | | 200 |  |  |  | 190,790 |  |
|  | 24 | Cheque deposit | |  |  | 10,050 |  | 200,840 |  |
|  | 27 | Cheque deposit  (Cheque no: 325647) | |  |  | 46,000 |  | 246,840 |  |
|  | 28 | Refer to drawer | | 46,000 |  |  |  | 200,840 |  |
|  | 29 | Cheque deposit | |  |  | 2,800 |  | 203,640 |  |
|  | 30 | Cheque 105350 | | 3,500 |  |  |  | 200,140 |  |
|  | 30 | Cash deposit | |  |  | 6,800 |  | 206,940 |  |
| Working 2: Classification of discrepancies between cash at bank account and bank statement | | | | | | | | | | | |
| *Fill in the blanks with the following options.*   |  |  |  |  | | --- | --- | --- | --- | | *Stale cheque* | *Credit transfer* | *Bank charges* | *Dishonoured cheque* | | *Uncredited deposit* | *Unpresented cheque* | *Post-dated cheque* | *Direct debit* | | *Errors in accounting records* | | *Bank errors* |  | | | | | | | | | | | | |
|  | | | | | | | | | | | |
| (a) |  | | | A cheque issued to a payee not yet been presented to the bank | | | | | | | |
| (b) |  | | | A cheque dated with a future date | | | | | | | |
| (c) |  | | | A cheque which has already been deposited but returned by the bank | | | | | | | |
| (d) |  | | | A cheque dated more than 6 months ago. It would not be accepted by the bank | | | | | | | |
| (e) |  | | | An amount deposited directly into the company’s bank account without notifying the company | | | | | | | |
| (f) |  | | | An autopay agreement authorising the payee to obtain the payment with varying amounts directly from the company’s bank account | | | | | | | |
| (g) |  | | | An amount which has been deposited by the company but not yet credited by the bank | | | | | | | |
| (h) |  | | | Fees charged by the bank for the bank services | | | | | | | |
| (i) |  | | | Errors made by the company (e.g. omissions) | | | | | | | |
| (j) |  | | | Errors made by the bank (e.g. cash withdrawal treated as cash deposit) | | | | | | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Working 3: Identification of discrepancies with necessary treatments | | | | |
| **Date** | **Identification of discrepancy** | | **Types of discrepancy**  **(with reference to Working 2)** | **Treatment for the discrepancies**  **(1) update the cash at bank account for the transactions not yet recorded and errors in the accounting records**  **(2) Report the unpresented cheque, uncredited deposit and bank error in the bank reconciliation statement (commencing with the updated cash at bank balance)** | |
| **Record in cash at bank account** | **Record in**  **bank statement** |
| Apr 1 item (i) | - $9,000 (e.g.) | No record | Stale cheque | Update cash at bank account:  Debit / Credit the account by $9,000 (e.g.) | |
| - $3,500 (e.g.) | - $3,500 (e.g.) | N/A | N/A | |
| Apr 2 |  |  |  | Update cash at bank account:  Debit / Credit the account by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |
| Apr 8  item (ii) |  |  |  | Update cash at bank account:  Debit / Credit the account by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |
| Apr 10  item (iii) |  |  |  | Update cash at bank account:  Debit / Credit the account by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |
| Apr 11 |  |  |  | Bank reconciliation statement item: Add / Less $\_\_\_\_\_\_\_\_ | |
| Apr 18 |  |  |  | Update cash at bank account:  Debit / Credit the account by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |
| Apr 22  (item iv) | + $10,500 (e.g.) | +$10,050(e.g.) |  | Update cash at bank account:  Debit / Credit the account by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |
| Apr 23 |  |  |  | Update cash at bank account:  Debit / Credit the account by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |
| Apr 27 |  |  |  | Bank reconciliation statement item: Add / Less $\_\_\_\_\_\_\_\_ | |
| Apr 28 |  |  |  | Update cash at bank account:  Debit / Credit the account by $\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |
| Apr 29  (item v) |  |  |  | Bank reconciliation statement item: Add / Less $\_\_\_\_\_\_\_\_ | |
| Apr 30  (item vi) | - $6,800 (e.g.) | + $6,800 (e.g.) |  | Bank reconciliation statement item: Add / Less $\_\_\_\_\_\_\_\_ | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| (a) |  | | | | | |
|  | Cash at bank | | | |  |
| 2020 | | $ | 2020 |  | $ |
| Apr 30 | Balance b/d |  | Apr 30 |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  | Balance c/d |  |
|  |  |  |  | |  |
|  |  |  |  |  |  |

Copy the balance c/d from the updated cash at bank account to start the bank reconciliation statement.

Start from the closing balance (unadjusted balance) in the question as the beginning balance to update the cash at bank account on 30 April.

(b)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Lisa Company | | | | |
| Bank Reconciliation statement as at 30 April 2020 | | | | |
|  | | $ | | $ |
| Updated balance as per cash at bank account | |  | |  |
| Add: | Unpresented cheque: \_\_\_\_\_\_\_\_\_\_ |  | |  |
|  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: credit transfer wrongly made by bank |  | |  |
|  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: withdrawal wrongly recorded as deposit by bank ($\_\_\_\_\_\_\_\_ × 2) | |  |  |
|  |  |  | |  |
|  | |  | |  |
| Less: | Uncredited deposits |  | |  |
| Balance as per bank statement | |  | |  |
|  | | | |  |

The balance should match with the ending balance of the bank statement as at 30 April 2020 given in the question.

Graded Assignment: Bank Reconciliation Statement

Elementary Level – Suggested Solution and Explanatory Notes

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (A) | | The function is: | | | | | | | | | | | | | | | | | | |
|  | | Explain the difference between the balance of the cash at bank account in the company’s books and the balance of the bank statement prepared by the bank. | | | | | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | | | | | | | |
| (B) | | Working 1: Cross check the items in the cash at bank account with those in the bank statement. Circle the discrepancies between the cash at bank account and the bank statement. | | | | | | | | | | | | | | | | | | |
|  | | | | | Cash at bank | | | | | | | | | | | | | |  | | |
| 2020 | | | | |  | | $ | | 2020 | | **Cheque No.** | | | | | | | | | | $ | | |
| Apr | 1 | | Balance b/d | | | 87,500 | | | Apr | | 11 | Bob Ltd | | | 105367 | | | | | 3,800 | | | | | |
|  | 2 | | Sales | | | 35,000 | | |  | | 13 | Electricity expenses | | | 105368 | | | | | 1,560 | | | | | |
|  | 8 | | Andy Ltd | | | 42,000 | | |  | | 30 | Cash in hand | |  | | | | 6,800 | | | | | | | |
|  | 22 | | Peter Co | | | 10,500 | | |  | | 30 | Balance c/d | |  | | | 288,840 | | | | | | | |
|  | 26 | | Betty Ltd | | | 46,000 | | |  |  | | |  | | |  | | | | |
|  | 27 | | Esther Co | | | | | 80,000 |  |  | | |  | | |  | | | | |

Bank statement for the month of April 2020

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | | Description | Withdrawal | | | Deposit | | Balance | |
| 2020 | |  | $ | | | $ | | $ | |
| Apr | 1 | Balance b/d |  | |  |  |  | 100,000 |  |
|  | 2 | Direct debit –Telephone bill | | 850 |  |  |  | 99,150 |  |
|  | 4 | Cheque deposit |  | |  | 35,000 |  | 134,150 |  |
|  | 10 | Helen Ltd |  | |  | 50,000 |  | 184,150 |  |
|  | 15 | Cheque 105368 | 1,560 | |  |  |  | 182,590 |  |
|  | 18 | Dividend |  | |  | 8,400 |  | 190,990 |  |
|  | 23 | Bank charges | 200 | |  |  |  | 190,790 |  |
|  | 24 | Cheque deposit |  | |  | 10,050 |  | 200,840 |  |
|  | 27 | Cheque deposit  (Cheque no:325647) |  | |  | 46,000 |  | 246,840 |  |
|  | 28 | Refer to drawer | 46,000 | |  |  |  | 200,840 |  |
|  | 29 | Cheque deposit |  | |  | 2,800 |  | 203,640 |  |
|  | 30 | Cheque 105350 | 3,500 | |  |  |  | 200,140 |
|  | 30 | Cash deposit |  | |  | 6,800 |  | 206,940 |

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| --- |
| Working 2: Classification of discrepancies between cash at bank account and bank statement |

|  |  |  |
| --- | --- | --- |
| (a) | **Unpresented cheque** | A cheque issued to a payee not yet been presented to the bank |
| (b) | **Post-dated cheque** | A cheque dated with a future date |
| (c) | **Dishonoured cheque** | A cheque which has already been deposited but returned by the bank |
| (d) | **Stale cheque** | A cheque dated more than 6 months ago. It would not be accepted by the bank |
| (e) | **Credit transfer** | An amount deposited directly into the company’s bank account without notifying the company |
| (f) | **Direct debit** | An autopay agreement authorising the payee to obtain the payment with varying amounts directly from the company’s bank account |
| (g) | **Uncredited deposit** | An amount which has been deposited by the company but not yet credited by the bank |
| (h) | **Bank charges** | Fees charged by the bank for the bank services |
| (i) | **Errors in accounting records** | Errors made by the company (e.g. omissions) |
| (j) | **Bank errors** | Errors made by the bank (e.g. cash withdrawal treated as cash deposit) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Working 3: Identification of discrepancies with necessary treatments | | | | |
| **Date** | **Identification of discrepancy** | | **Types of discrepancy**  **(with reference to Working 2)** | **Treatment for the discrepancies**  **(1) update the cash at bank account for the transactions not yet recorded and errors in the accounting records**  **(2) Report the unpresented cheque, uncredited deposit and bank error in the bank reconciliation statement (commencing with the updated cash at bank balance)** | |
| **Record in cash at bank account** | **Record in**  **bank statement** |
| Apr 1 item (i) | - $9,000 (e.g.) | No record (e.g) | Stale cheque  (Reverse the double entries of bank payment) | Update cash at bank account:  Debit / Credit the account by $9,000 (e.g.) | |
| - $3,500 (e.g.) | - $3,500 (e.g.) | N/A | N/A | |
| Apr 2 | No record | -$850 | Direct debit | Update cash at bank account:  Debit / Credit the account by $850 | |
| Apr 8  item (ii) | + $42,000 | No record | Post-dated cheque  (Reverse the double entries of bank deposit) | Update cash at bank account:  Debit / Credit the account by $42,000 | |
| Apr 10  item (iii) | No record | +$50,000 | Credit transfer | Update cash at bank account:  Debit / Credit the account by $50,000 | |
| Apr 11 | -$3,800 | No record | Unpresented cheque | Bank reconciliation statement item: Add / Less $3,800 | |
| Apr 18 | No record | +$8,400 | Credit transfer | Update cash at bank account:  Debit / Credit the account by $8,400 | |
| Apr 22  (item iv) | + $10,500 (e.g.) | +$10,050(e.g.) | Errors in accounting records | Update cash at bank account:  Debit / Credit the account by $450 ($10,500 - $10,050) | |
| Apr 23 | No record | -$200 | Bank charges | Update cash at bank account:  Debit / Credit the account by $200 | |
| Apr 27 | +$80,000 | No record | Uncredited deposit | Bank reconciliation statement item: Add / Less $80,000 | |
| Apr 28 | No record | -$46,000 | Dishonoured cheque | Update cash at bank account:  Debit / Credit the account by $46,000 | |
| Apr 29  (item v) | No record | +$2,800 | Bank errors | Bank reconciliation statement item: Add / Less $2,800 | |
| Apr 30  (item vi) | - $6,800 (e.g.) | + $6,800 (e.g.) | Bank errors | Bank reconciliation statement item: Add / Less $13,600 ($6,800 × 2) | |

Start from the closing balance (unadjusted balance) in the question as the beginning balance to update the cash at bank account on 30 April.

Attention: Telephone bill is not an appropriate account name

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) | |  | | | | | | | | | |
|  | | Cash at bank | | | | | |  | | |
| 2020 | | | | $ | | 2020 |  | $ | | |
| Apr 30 Balance b/d | | | | 288,840 | | Apr 30 | Telephone expenses | | 850 | |
|  | | | Trade payables | 9,000 | |  | Andy Ltd | 42,000 | | |
|  | | | Helen Ltd | 50,000 | |  | Peter Co | 450 | | |
|  | | | Dividend income | 8,400 | |  | Bank charges | 200 | | |
|  | | |  |  | |  | Betty Ltd | 46,000 | | |
|  | |  | |  | |  | Balance c/d | 266,740 | | |
|  | |  | | | 356,240 |  | | | | 356,240 |

(b)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Lisa Company | | | | | | | |
| Bank Reconciliation statement as at 30 April 2020 | | | | | | | |
|  | | $ | | | | $ | |
| Updated balance as per cash at bank account | |  | | | | 266,740 | |
| Add: | Unpresented cheque: 105367 | 3,800 | | | |  | |
|  | Bank error: credit transfer wrongly made by bank | | 2,800 | | |  | |
|  | Bank error: withdrawal wrongly recorded as deposit by bank  ($6,800 × 2) | | | | 13,600 | 20,200 | |
|  | | | |  | | 286,940 | |
| Less: | Uncredited deposit: Esther Co |  | | | | 80,000 |
| Balance as per bank statement | |  | | | | 206,940 |
|  | | | | | |  |

The balance should match with the ending balance of the bank statement as at 30 April 2020 given in the question.

**Points to note:**

Definition:

1. Standing order – An autopay instruction made to the bank for paying a fixed amount of money to an individual or another company periodically

2. Direct debit – An autopay agreement authorising the payee to obtain the payment directly from the company’s bank account. The amounts payable may vary from time to time (e.g. electricity bill)

Summary:

Definitions and accounting treatments for the following types of cheques:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Type** | **Definition** | **Recorded in Cash at bank account?** | **Recorded in Bank statement?** | **Treatment** |
| Post-dated  cheque | A cheque dated with a future date | **✓** | **X** | Cash at bank  (Credit) |
| Dishonoured cheque | A cheque which has already been deposited but returned by the bank | **X** | **✓** | Cash at bank  (Credit) |
| Stale cheque | A cheque dated more than 6 months ago. It would not be accepted by the bank | **✓** | **X** | Cash at bank  (Debit) |
| Unpresented cheque | A cheque payment made to a payee not yet presented to the bank for the bank transfer | **✓** | **X** | Bank reconciliation statement item  (Add) |
| Uncredited cheque (deposit) | An amount which has been deposited by the company but not yet credited by the bank | **✓** | **X** | Bank reconciliation statement item  (Less) |

Note:

1. ‘X’ item not recorded; ‘✓’item recorded
2. For bank reconciliation statement items, assume the statement commences with the updated cash at bank balance
3. Reasons for dishonoured cheque
4. The bank account of the drawer does not have sufficient cash.
5. The amount in words differs from the amount in figures.
6. The drawer’s signature on the cheque is wrong.

|  |
| --- |
| Common mistakes: |
| 1. Unable to identify the accounts involved when updating the cash at bank account. |
| 1. Fail to distinguish the bank error from the error in the accounting records. |
| 1. Mistakenly start the bank reconciliation statement from the unadjusted cash at bank balance. 2. Use wrong account names (e.g. Telephone bill). |

Graded Assignment: Bank Reconciliation Statement

Standard Level - Question Paper

|  |  |
| --- | --- |
| (A) | List the function of a bank reconciliation statement. (1 mark) |
| (B) | The following cash at bank account was extracted from the books of Lisa Company for the month ended 30 April 2020: |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | Cash at bank | | | | | | | | | | | | | |  | | |
| 2020 | | |  | | $ | | 2020 | | **Cheque No.** | | | | | | | | | | $ | |
| Apr | 1 | Balance b/d | | 87,500 | | | Apr | | 11 | Bob Ltd | | | 105367 | | | | | 3,800 | | | | |
|  | 2 | Sales | | 35,000 | | |  | | 13 | Electricity expenses | | | 105368 | | | | | 1,560 | | | | |
|  | 8 | Andy Ltd | | 42,000 | | |  | | 30 | Cash in hand | |  | | | | 6,800 | | | | | | |
|  | 22 | Peter Co | | 10,500 | | |  | | 30 | Balance c/d | |  | | | 288,840 | | | | | | |
|  | 26 | Betty Ltd | | 46,000 | | |  |  | | |  | | |  | | | | |
|  | 27 | Esther Co | | | | 80,000 |  |  | | |  | | |  | | | | |

Lisa Company received the following bank statement for the month of April 2020.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | | | | Description | | | Withdrawal | | | | | Deposit | | | | Balance | | | |
| 2020 | | | |  | | | $ | | | | | $ | | | | $ | | | |
| Apr | | 1 | | Balance b/d | | |  | | | |  |  | |  | | 100,000 | |  | |
|  | | 2 | | Direct debit – Telephone bill | | | 850 | | | |  |  | |  | | 99,150 | |  | |
|  | | 4 | | Cheque deposit | | |  | | | |  | 35,000 | |  | | 134,150 | |  | |
|  | | 10 | | Helen Ltd | | |  | | | |  | 50,000 | |  | | 184,150 | |  | |
|  | | 15 | | Cheque - 105368 | | | 1,560 | | | |  |  | |  | | 182,590 | |  | |
|  | | 18 | | Dividend | | |  | | | |  | 8,400 | |  | | 190,990 | |  | |
|  | | 23 | | Bank charges | | | 200 | | | |  |  | |  | | 190,790 | |  | |
|  | | 24 | | Cheque deposit | | |  | | | |  | 10,050 | |  | | 200,840 | |  | |
|  | | 27 | | Cheque deposit  (Cheque no: 325647) | | | |  | | |  | 46,000 | |  | | 246,840 | |  | |
|  | | 28 | | Refer to drawer | | | 46,000 | | | |  |  | |  | | 200,840 | |  | |
|  | | 29 | | Cheque deposit | | |  | | | |  | 2,800 | |  | | 203,640 | |  | |
|  | | 30 | | Cheque - 105350 | | | 3,500 | | | |  |  | |  | | 200,140 | |  | |
|  | | 30 | | Cash deposit | | |  | | | |  | 6,800 | |  | | 206,940 | |  | |
|  | |  | |  |  | | |  |  | | |  | |  | |  | |

Additional information:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (i) | On 31 March 2020, two cheques issued in 2019 and 2020 had not yet been presented.   |  |  |  | | --- | --- | --- | | Cheque No. | Date | Amount | | 105211 | 15 September 2019 | $9,000 | | 105350 | 18 January 2020 | $3,500 | |
|  | It is the practice of the bank not to honour cheques outstanding for more than six months. |
| (ii) | It was discovered that a cheque 456789 received from Andy Ltd on 8 April 2020 was dated 3 May 2020. |
| (iii) | On 10 April 2020, a customer, Helen Ltd, made a credit transfer to the company’s bank account. |
| (iv) | On 22 April 2020, a cheque for $10,050 received from Peter Co was wrongly recorded in the books as $10,500. |
| (v) | A credit transfer of $2,800 dated 29 April 2020 was recorded on the bank statement. The bank later informed that the transfer should have been made to another customer. |
| (vi) | On 30 April 2020, cash of $6,800 was withdrawn from the bank account. |
| **REQUIRED**: | |
| (a) | Update the cash at bank account of Lisa Company. (9 marks) |
| (b) | Prepare a bank reconciliation statement as at 30 April 2020, commencing with the updated cash at bank balance. (5 marks) |
|  | (Total: 15 marks) |

Graded Assignment: Bank Reconciliation Statement

Standard Level – Student Worksheet

|  |  |
| --- | --- |
| 1. List the function of a bank reconciliation statement. | |
|  | |
|  |  |
|  |  |

|  |  |  |
| --- | --- | --- |
| (B) | Hints: | |
|  | Steps to update the cash at bank account and prepare a bank reconciliation statement: | |
|  | Step 1: | Cross check the items in the cash at bank account with the items in the bank statement.  **Discrepancies between cash at bank account and bank statement can be classified into these 4 types** |
|  |  |  |
|  | Step 2: | Identify -   1. transactions not yet recorded in the cash at bank account (e.g. credit transfer, direct debit) => update the cash at bank account; and 2. errors made by the company => adjust the cash at bank account. |
|  |  |  |
|  | Step 3: | Identify –   1. transactions not yet recorded in the bank statement (e.g., unpresented cheque and uncredited deposit) => record in bank reconciliation statement; and 2. errors made by the bank => record in bank reconciliation statement. |

Working 1: List out the types of discrepancies between the cash at bank account and the bank statement.

|  |  |
| --- | --- |
| Discrepancy | Descriptions |
| **(a)** | A cheque issued to a payee not yet been presented to the bank |
| **(b)** | A cheque dated with a future date |
| **(c)** | A cheque which has already been deposited but returned by the bank |
| **(d)** | A cheque dated more than 6 months ago. It would not be accepted by the bank |
| **(e)** | An amount deposited directly into the company’s bank account without notifying the company |
| **(f)** | An autopay agreement authorising the payee to obtain the payment with varying amount directly from the company’s bank account |
| **(g)** | An amount which has been deposited by the company but not yet credited by the bank |
| **(h)** | Fees charged by the bank for the bank services |
| **(i) Errors in accounting records (e.g)** | Errors made by the company (e.g. omissions) |
| **(j)** | Errors made by the bank (e.g. cash withdrawal treated as cash deposit) |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Put the items with a ✓in the table of working 3  **Working 2: Identification of discrepancies with necessary treatments** | | | | | | |
| **Date** | **Identification of discrepancy** | | **Types of discrepancy**  **(with reference to Working 1)** | **Double entries required to update the cash at bank account** | **Bank reconciliation statement item (✓/ ×)** |
| **Record in**  **cash at bank account** | **Record in**  **bank statement** |
| Apr 1 item (i)  **(e.g)** | - $9,000 | No record | Stale cheque | Dr Cash at bank  Cr Trade payables | × |
| - $3,500 | - $3,500 | N/A | No entries | × |
| Apr 2 |  |  |  |  |  |
| Apr 8  item (ii) |  |  |  |  |  |
| Apr 10  item (iii) |  |  |  |  |  |
| Apr 11 |  |  |  |  |  |
| Apr 18 |  |  |  |  |  |
| Apr 22  (item iv) |  |  |  |  |  |
| Apr 23 |  |  |  |  |  |
| Apr 27 |  |  |  |  |  |
| Apr 28 |  |  |  |  |  |
| Apr 29  (item v) |  |  |  |  |  |
| Apr 30  (item vi) |  |  |  |  |  |

|  |  |
| --- | --- |
| (a) |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash at bank | | | | | |
| 2020 | | $ | 2020 |  | $ |
| Apr 30 | |  | Apr 30 |  |  |
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(b) **Working 3: Using the following table to facilitate the preparation of the bank reconciliation statement (commencing with the updated cash at bank balance)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank reconciliation statement item** | **Record in**  **cash at bank account** | **Record in**  **bank statement** | **Which balance is larger?** | **Reporting the difference in bank reconciliation statement** |
| Example:  Apr 11  Unpresented cheque | - $3,800 | no record | Cash at bank account < Bank statement | ADD |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  | | |
|  | | |
|  | $ | $ |
| Updated balance as per \_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |
| Add: |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
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|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| Less: |  |  |
| Balance as per \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |
|  |  |  |

Graded Assignment: Bank Reconciliation Statement

Standard Level – Suggested Solution and Explanatory Notes

|  |  |  |  |
| --- | --- | --- | --- |
| (A) | The function is: | | |
|  | Explain the difference between the balance of the cash at bank account in the company’s books and the balance of the bank statement prepared by the bank. | | | |
|  |  | | |
| (B) |  | |

Working 1: List out the reasons for the discrepancies between the cash at bank and the bank statement.

|  |  |
| --- | --- |
| Discrepancy | Descriptions |
| **(a) Unpresented cheque** | A cheque issued to a payee not yet been presented to the bank |
| **(b) Post-dated cheque** | A cheque dated with a future date |
| **(c) Dishonoured cheque** | A cheque which has already been deposited but returned by the bank |
| **(d) Stale cheque** | A cheque dated more than 6 months ago which would not be accepted by the bank |
| **(e) Credit transfer** | An amount deposited directly into the company’s bank account without notifying the company |
| **(f) Direct debit** | An autopay agreement authorising the payee to obtain the payment with varying amount directly from the company’s bank account |
| **(g) Uncredited deposit** | An amount which has been deposited by the company but not yet credited by the bank |
| **(h) Bank charges** | Fees charged by the bank for the bank services |
| **(i) Errors in accounting records** | Errors made by the company (e.g. omissions) |
| **(j) Bank errors** | Errors made by the bank (e.g. cash withdrawal treated as cash deposit) |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Put the items with a ✓in the table of working 3  **Working 2: Identification of discrepancies with necessary treatments** | | | | | | |
| **Date** | **Identification of discrepancy**  **(Indicate how they were recorded in the two columns below)** | | **Types of discrepancy**  **(with reference to Working 1)** | **Double entries required to update the cash at bank account** | **Bank reconciliation item (✓/ ×)** |
| **Record in**  **cash at bank account** | **Record in**  **bank statement** |
| Apr 1 item (i)  **(e.g)** | - $9,000 | No record | Stale cheque  (Reverse the double entry of bank payment) | Dr Cash at bank  Cr Trade payables | × |
| - $3,500 | - $3,500 | N/A | No entries | × |
| Apr 2 | No record | -$850 | Direct debit | Dr Telephone expenses  Cr Cash at bank | × |
| Apr 8  item (ii) | + $42,000 | No record | Post-dated cheque (Reverse the double entry of bank deposit) | Dr Andy Ltd  Cr Cash at bank | × |
| Apr 10  item (iii) | No record | +$50,000 | Credit transfer | Dr Cash at bank  Cr Helen Ltd | × |
| Apr 11 | -$3,800 | No record | Unpresented cheque | No entries | ✓ |
| Apr 18 | No record | +$8,400 | Credit transfer | Dr Cash at bank  Cr Dividend income | × |
| Apr 22  (item iv) | + $10,500 (e.g.) | +$10,050(e.g.) | Errors in accounting records (Credit the cash at bank account by the overstated amount of $450) | Dr Peter Co  Cr Cash at bank | × |
| Apr 23 | No record | -$200 | Bank charges | Dr Bank charges  Cr Cash at bank | × |
| Apr 27 | +$80,000 | No record | Uncredited deposit | No entries | ✓ |
| Apr 28 | No record | -$46,000 | Dishonoured cheque ( Reverse the entry for the deposit made in the cash at bank account) | Dr Betty Ltd  Cr Cash at bank | × |
| Apr 29  (item v) | No record | +$2,800 | Bank errors | No entries | ✓ |
| Apr 30  (item vi) | - $6,800 | + $6,800 | Bank errors | No entries | ✓ |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) | |  | | | | | | | | | |
|  | | Cash at bank | | | | | |  | | |
| 2020 | | | | $ | | 2020 |  | $ | | |
| Apr 30 Balance b/d | | | | 288,840 | | Apr 30 | Telephone expenses | | 850 | |
|  | | | Trade payables | 9,000 | |  | Andy Ltd | 42,000 | | |
|  | | | Helen Ltd | 50,000 | |  | Peter Co | 450 | | |
|  | | | Dividend income | 8,400 | |  | Bank charges | 200 | | |
|  | | |  |  | |  | Betty Ltd | 46,000 | | |
|  | |  | |  | |  | Balance c/d | 266,740 | | |
|  | |  | | | 356,240 |  | | | | 356,240 |

(b) **Working 3: Using the following table to facilitate the preparation of the bank reconciliation statement (commencing with the updated cash at bank balance)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank reconciliation item** | **Record in**  **cash at bank account** | **Record in**  **bank statement** | **Which balance is larger?** | **Reporting the difference in bank reconciliation statement** |
| Example:  Apr 11  Unpresented cheque | - $3,800 | no record | Cash at bank account <  Bank Statement | ADD |
| Apr 27  Uncredited deposit | + $80,000 | no record | Cash at bank > Bank statement | LESS |
| Apr 29  Bank error | no record | + $2,800 | Cash at bank < Bank statement | ADD |
| Apr 30  Bank error | -$6,800 | +$6,800 | Cash at bank < Bank statement | ADD  (As the payment was mistakenly recorded as deposits in the bank statement, the difference was doubled. Hence, $13,600 should be added to the bank reconciliation statement) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Lisa Company | | | | |
| Bank Reconciliation statement as at 30 April 2020 | | | | |
|  | | $ | $ | |
| Updated balance as per cash at bank account | |  | 266,740\* | |
| Add: | Unpresented cheque: 105367 | 3,800 |  | |
|  | Bank error: credit transfer wrongly made by bank | 2,800 |  | |
|  | Bank error: withdrawal wrongly recorded as deposit by bank | 13,600 | 20,200 | |
|  | |  | 286,940 | |
| Less: | Uncredited deposit |  | 80,000 |
| Balance as per bank statement | |  | 206,940 |
|  | | |  |

|  |  |  |
| --- | --- | --- |
| Note: | \* | Only the updated balance of cash at bank account would be presented under the current assets item in the statement of financial position. If bank statement balance is presented in the statement of financial position, both sides of the accounting equation would not agree. |

**Points to note:**

Definition:

1. Standing order – An autopay instruction made to the bank for paying a fixed amount of money to an individual or another company periodically

2. Direct debit – An autopay agreement authorising the payee to obtain payment of varying amounts directly from the company’s bank account (e.g. electricity bill)

|  |
| --- |
| Common mistakes: |
| 1. Unable to identify the accounts involved when updating the cash at bank account. |
| 1. Fail to distinguish the bank error from the error in the accounting records. |
| 1. Mistakenly start the bank reconciliation statement from the unadjusted cash at bank balance. 2. Use wrong account names (e.g. Telephone bill). |

Graded Assignment: Bank Reconciliation Statement

Advanced Level - Question Paper

|  |  |
| --- | --- |
| (A) | List the function of a bank reconciliation statement. (1 mark) |
| (B) | The following cash at bank account was extracted from the books of Lisa Company for the month ended 30 April 2020: |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | Cash at bank | | | | | | | | | | | | |  | | | |
| 2020 | | |  | | $ | | 2020 | | **Cheque No.** | | | | | | | | | | $ | | |
| Apr | 1 | Balance b/d | | ? | | | Apr | | 11 | Bob Ltd | | | 105367 | | | | | 3,800 | | | | |
|  | 2 | Sales | | 35,000 | | |  | | 13 | Electricity expenses | | | 105368 | | | | | 1,560 | | | | |
|  | 8 | Andy Ltd | | 42,000 | | |  | | 30 | Cash in hand | |  | | | 6,800 | | | | | | | |
|  | 22 | Peter Co | | 10,500 | | |  | | 30 | Balance c/d | |  | | | | | ? | | | |
|  | 26 | Betty Ltd | | 46,000 | | |  |  | | |  | | |  | | | | |
|  | 27 | Esther Co | | | | 80,000 |  |  | | |  | | |  | | | | |

Lisa Company received the following bank statement for the month of April 2020.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | | | | Description | | | Withdrawal | | | | | Deposit | | | | Balance | | | |
| 2020 | | | |  | | | $ | | | | | $ | | | | $ | | | |
| Apr | | 1 | | Balance b/d | | |  | | | |  |  | |  | | 100,000 | |  | |
|  | | 2 | | Direct debit – Telephone bill | | | 850 | | | |  |  | |  | | 99,150 | |  | |
|  | | 4 | | Cheque deposit | | |  | | | |  | 35,000 | |  | | 134,150 | |  | |
|  | | 10 | | Helen Ltd | | |  | | | |  | 50,000 | |  | | 184,150 | |  | |
|  | | 15 | | Cheque - 105368 | | | 1,560 | | | |  |  | |  | | 182,590 | |  | |
|  | | 18 | | Dividend | | |  | | | |  | 8,400 | |  | | 190,990 | |  | |
|  | | 23 | | Bank charges | | | 200 | | | |  |  | |  | | 190,790 | |  | |
|  | | 24 | | Cheque deposit | | |  | | | |  | 10,050 | |  | | 200,840 | |  | |
|  | | 27 | | Cheque deposit  (Cheque no: 325647) | | | |  | | |  | 46,000 | |  | | 246,840 | |  | |
|  | | 28 | | Refer to drawer | | | 46,000 | | | |  |  | |  | | 200,840 | |  | |
|  | | 29 | | Cheque deposit | | |  | | | |  | 2,800 | |  | | 203,640 | |  | |
|  | | 30 | | Cheque - 105350 | | | 3,500 | | | |  |  | |  | | 200,140 | |  | |
|  | | 30 | | Cash deposit | | |  | | | |  | 6,800 | |  | | 206,940 | |  | |
|  | |  | |  |  | | |  |  | | |  | |  | |  | |

Additional information:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (i) | On 31 March 2020, two cheques issued in 2019 and 2020 had not yet been presented.   |  |  |  | | --- | --- | --- | | Cheque No. | Date | Amount | | 105211 | 15 September 2019 | $9,000 | | 105350 | 18 January 2020 | $3,500 | |
|  | It is the practice of the bank not to honour cheques outstanding for more than six months. |
| (ii) | It was discovered that a cheque 456789 received from Andy Ltd on 8 April 2020 was dated 3 May 2020. |
| (iii) | On 10 April 2020, a customer, Helen Ltd, made a credit transfer to the company’s bank account. |
| (iv) | On 22 April 2020, a cheque for $10,050 received from Peter Co was wrongly recorded in the books as $10,500. |
| (v) | A credit transfer of $2,800 dated 29 April 2020 was recorded on the bank statement. The bank later informed that the transfer should have been made to another customer. |
| (vi) | On 30 April 2020, cash of $6,800 was withdrawn from the bank account. |
| **REQUIRED**: | |
| (a) | Update the cash at bank account of Lisa Company. (9 marks) |
| (b) | Prepare a bank reconciliation statement as at 30 April 2020, commencing with the bank statement balance. (5 marks) |
|  | (Total: 15 marks) |

Challenging questions

|  |
| --- |
| Briefly explain the accounting treatments for the following cheques:   1. 105211 2. 456789 3. 325647 (6 marks) |

Graded Assignment: Bank Reconciliation Statement

Advanced Level – Student Worksheet

|  |  |
| --- | --- |
| (A) | List the function of a bank reconciliation statement. |
|  |  |
|  |  |
|  |  |
|  |  |

(B)

(a)

|  |  |
| --- | --- |
| (b) |  |

Challenging questions

|  |  |
| --- | --- |
| (i) |  |
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| (ii) |  |
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| (iii) |  |
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Graded Assignment: Bank Reconciliation Statement

Advanced Level – Suggested Solution and Explanatory Notes

|  |  |  |
| --- | --- | --- |
| (A) | The function is: | |
|  | Explain the difference between the balance of the cash at bank account in the company’s books and the balance of the bank statement prepared by the bank. | |
|  |  |

(B)

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (a) |  | | | | | | | | | |
|  | Cash at bank | | | | | |  | | |
| 2020 | | | $ | | 2020 |  | $ | | |
| Apr 30 Balance b/d | | | 288,840 | | Apr 30 | Telephone expenses | | 850 | |
|  | | Helen Ltd | 50,000 | |  | Andy Ltd | 42,000 | | |
|  | | Dividend income | 8,400 | |  | Bank charges | 200 | | |
|  | | Trade payables | 9,000 | |  | Peter Co | 450 | | |
|  |  | |  | |  | Betty Ltd | 46,000 | | |
|  |  | |  | |  | Balance c/d | 266,740 | | |
|  |  | | |  |  |  |  | | |
|  |  | | | 356,240 |  | | | | 356,240 |
|  | Calculate the unadjusted balance | |  | |  |  |  | | |
|  |  | |  | |  |  |  | | |

Ending balance from the bank statement

(b)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Lisa Company | | | | | |
| Bank reconciliation statement as at 30 April 2020 | | | | | |
|  | | $ | | $ | |
| Balance as per bank statement | |  | | 206,940 | |
| Add: | Uncredited deposit: Esther Co |  | | 80,000 | |
|  | |  | | 286,940 | |
| Less: | Unpresented cheque: 105367 | 3,800 | |  |
|  | Bank error: credit transfer wrongly made by bank (v) | | 2,800 |  |
|  | Bank error: withdrawal wrongly recorded as deposit by bank (vi) ($6,800 × 2) | 13,600 | | 20,200 |
| Updated balance as per cash at bank account | |  | | 266,740 |
|  | | | |  |

Explanatory note: Schema of reporting the differences in a bank reconciliation statement commencing with bank statement balance

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Bank statement** | **Cash at bank account** | **Reporting the difference in bank reconciliation statement** |
| Uncredited deposit | no record | 🡹 $80,000 | ADD |
| Bank statement balance < Cash at bank balance | |
| Unpresented cheque | no record | 🡻 $3,800 | LESS |
| Bank statement balance > Cash at bank balance | |
| Bank error (v) | 🡹 $2,800 | no record | LESS |
| Bank statement balance > Cash at bank balance | |
| Bank error (vi) | 🡹 $6,800 | 🡻 $6,800 | LESS  (Difference = $6,800 x 2) |
| Bank statement balance > Cash at bank balance | |

Challenging questions

|  |  |
| --- | --- |
| Cheque No: |  |
| 105211 | It is a stale cheque dated more than 6 months. It would not be accepted by the bank. The company should correct by debiting cash at bank account and crediting trade payables account. |
| 456789 | It is a post-dated cheque. It is a cheque dated with a future date and would be rejected by the bank. The company should correct by debiting Andy Ltd account and crediting cash at bank account. |
| 325647 | It is a dishonoured cheque. It is a cheque which has already been deposited but returned by the bank. The company should correct by debiting Betty Ltd account and crediting cash at bank account. |

**Points to note:**

Definition:

1. Standing order – An autopay instruction made to the bank for paying a fixed amount of money to an individual or another company periodically
2. Direct debit – An autopay agreement authorising the payee to obtain payment of varying amounts directly from the company’s bank account (e.g. electricity bill)
3. Credit transfer – An amount deposited directly into the company’s bank account without notifying the company
4. Unpresented cheque – A cheque issued to a payee but not yet been presented to the bank
5. Uncredited deposit – An amount which has been deposited by the company but not yet credited by the bank

Summary:

|  |  |
| --- | --- |
| Steps to update the cash at bank account and prepare a bank reconciliation statement: | |
| Step 1: | Cross check the items in the cash at bank account with the items in the bank statement. |
| Step 2: | Identify –   1. transactions not yet recorded in the cash at bank account => update the cash at bank account; and 2. errors made by the company => adjust the cash at bank account. |
| Step 3: | Identify –   1. transactions not yet recorded in the bank statement (e.g., unpresented cheque and uncredited deposit) => record in bank reconciliation statement; and 2. errors made by the bank => record in bank reconciliation statement. |

Illustration

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | Cash at bank | | | | | | | | | | | | |  | | | |
| 2020 | | | Errors in the company’s books | | $ | | 2020 | | **Cheque No.** | | | | | | | | | | $ | | |
| Apr | 1 | Balance b/d | | ? | | | Apr | | 11 | Bob Ltd | | | 105367 | | | | | 3,800 | | | | |
|  | 2 | Sales | | 35,000 | | |  | | 13 | Electricity expenses | | | 105368 | | | | | 1,560 | | | | |
|  | 8 | Andy Ltd | | 42,000 | | |  | | 30 | Cash in hand | |  | | | 6,800 | | | | | | | |
|  | 22 | Peter Co | | 10,500 | | |  | | 30 | Balance c/d | |  | | | | | ? | | | |
|  | 26 | Betty Ltd | | 46,000 | | |  | Transactions not yet recorded in the bank statement | | |  | | |  | | | | |
|  | 27 | Esther Co | | | | 80,000 |  |  | | |  | | |  | | | | |

Bank error

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| bank statement for the month of April 2020 | | | | | | | | |
| Date | | Description  Transactions not yet recorded in the cash at bank account | Withdrawal | | Deposit | | Balance | |
| 2020 | |  | $ | | $ | | $ | |
| Apr | 1 | Balance b/d |  |  |  |  | 100,000 |  |
|  | 2 | Direct debit – Telephone bill | 850 |  |  |  | 99,150 |  |
|  | 4 | Cheque deposit |  |  | 35,000 |  | 134,150 |  |
|  | 10 | Helen Ltd |  |  | 50,000 |  | 184,150 |  |
|  | 15 | Cheque 105368 | 1,560 |  |  |  | 182,590 |  |
|  | 18 | Dividend |  |  | 8,400 |  | 190,990 |  |
|  | 23 | Bank charges | 200 |  |  |  | 190,790 |  |
|  | 24 | Cheque deposit |  |  | 10,050 |  | 200,840 |  |
|  | 27 | Cheque deposit  (Cheque no: 325647) |  |  | 46,000 |  | 246,840 |  |
|  | 28 | Refer to drawer | 46,000 |  |  |  | 200,840 |  |
|  | 29 | Cheque deposit |  |  | 2,800 |  | 203,640 |  |
|  | 30 | Cheque 105350 | 3,500 |  |  |  | 200,140 |  |
|  | 30 | Cash deposit |  |  | 6,800 |  | 206,940 |  |

Some questions may require candidates to prepare the bank reconciliation statement without updating the cash at bank account.

Under this approach, you have to list out all items in the statement to reconcile the difference between cash at bank account balance and bank statement balance as follows:

|  |  |  |
| --- | --- | --- |
| Lisa Company | | |
| Bank Reconciliation statement as at 30 April 2020 | | |
|  | $ | $ |
| Balance as per bank statement |  | 206,940 |
| Add: Post-dated cheque: Andy Ltd  Wrong figure recorded in the books | 42,000  450 |  |
| Uncredited deposits: Esther Co | 80,000 |  |
| Direct debit – Telephone expenses | 850 |  |
| Bank charges | 200 |  |
| Dishonoured cheque: 325647 | 46,000 | 169,500 |
|  |  | 376,440 |
| Less: Unpresented cheque: 105367  Credit transfer: Helen Ltd | 3,800  50,000 |  |
| Dividend income | 8,400 |  |
| Bank error: credit transfer wrongly made by bank | 2,800 |  |
| Bank error: withdrawal wrongly recorded as deposit by bank | 13,600 |  |
| Stale cheque: 105211 | 9,000 | 87,600 |
| Balance as per unadjusted cash at bank account |  | 288,840 |

|  |
| --- |
| Common mistakes: |
| 1. Unable to identify the accounts involved when updating the cash at bank account. |
| 1. Fail to distinguish the bank error from the error in the accounting records. |
| 1. Mistakenly start the bank reconciliation statement from the unadjusted cash at bank balance. 2. Use wrong account names (e.g. Telephone bill). |

Graded Assignment: Bank Reconciliation Statement

Marking Scheme

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | Mark | | | | | | | | |
| (A) | | | The function is: | | | | | | | | |
|  | | | Explain the difference between the balance of the cash at bank account in the company’s books and the balance of the bank statement prepared by the bank. | | | | | | | | |
|  | | | (1 mark) | | | | | | | | |
| (B) |  | | | | | | | | | | |
| (a) |  | | | | | | | | | | |
|  | |  | Cash at bank | | | | |  |  | |
|  | | 2020 | | $ | 2020 |  | | $ |  | |
| *(0.5)* | | Apr 30 Balance b/d | | 288,840 | Apr 30 | Telephone expenses | | 850 | *(1)* | | |
| *(1)* | | Helen Ltd | | 50,000 |  | Andy Ltd | | 42,000 | *(1)* | | |
| *(1)* | | Dividend income | | 8,400 |  | Bank charges | | 200 | *(1)* | | |
| *(1)* | | Trade payables | | 9,000 |  | Pater Co | | 450 | *(1)* | | |
|  | |  | |  |  | Betty Ltd | | 46,000 | *(1)* | | |
|  | |  | |  |  | Balance c/d | 266,740 | | *(0.5)* | | |
|  | |  | |  |  |  | |  |  | |
|  | |  | | 356,240 |  | | 356,240 | |  | |
|  | |  | |  |  |  | | *(9)* | | |

(b)

For Elementary Level and Standard Level:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Lisa Company | | | | |  |
| Bank Reconciliation statement as at 30 April 2020 | | | | |  |
|  | | $ | | $ |  |
| Updated balance as per cash at bank account | |  | | 266,740 | *(0.5)* |
| Add: | Unpresented cheque: 105367 | 3,800 | |  | *(1)* |
|  | Bank error: credit transfer wrongly made by bank (v) | | 2,800 |  | *(1)* |
|  | Bank error: withdrawal wrongly recorded as deposit by bank (vi) ($6,800 × 2) | 13,600 | | 20,200 | *(1)* |
|  | |  | | 286,940 |  |
| Less: | Uncredited deposit: Esther Co |  | | 80,000 | *(1)* |
| Balance as per bank statement | |  | | 206,940 | *(0.5)* |
|  | | | | *(5)* | |

For Advanced Level:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Lisa Company | | | | | |  |
| Bank Reconciliation statement as at 30 April 2020 | | | | | |  |
|  | | | $ | | $ |  |
| Balance as per bank statement | | |  | | 206,940 | *(0.5)* |
| Add: | Uncredited deposit: Esther Co | |  | | 80,000 | *(1)* |
|  | | |  | | 286,940 |  |
| Less: | Unpresented cheque: 105367 | | 3,800 | |  | *(1)* |
|  | Bank error: credit transfer wrongly made by bank (v) | | | 2,800 |  | *(1)* |
|  | Bank error: withdrawal wrongly recorded as deposit by bank (vi) ($6,800 × 2) | | 13,600 | | 20,200 | *(1)* |
| Updated balance as per cash at bank account | | |  | | 266,740 | *(0.5)* |
|  | | | | | *(5)* | |
|  | | | | | (Total: 15 marks) | |
| Challenging questions in Advanced Level | | | | | | | |
| Cheque No: | | |  | | | | |
| 105211 | | | It is a stale cheque dated more than 6 months. It would not be accepted by the bank. *(1)* The company should correct by debiting cash at bank account and crediting trade payables account. *(1)* | | | | |
| 456789 | | | It is a post-dated cheque. It is a cheque dated with a future date and would be rejected by the bank. *(1)* The company should correct by debiting Andy Ltd account and crediting cash at bank account. *(1)* | | | | |
| 325647 | | | It is a dishonoured cheque. It is a cheque which has already been deposited but returned by the bank. *(1)* The company should correct by debiting Betty Ltd account and crediting cash at bank account. *(1)* | | | | |
|  | | | (Total: 6 marks) | | | | |