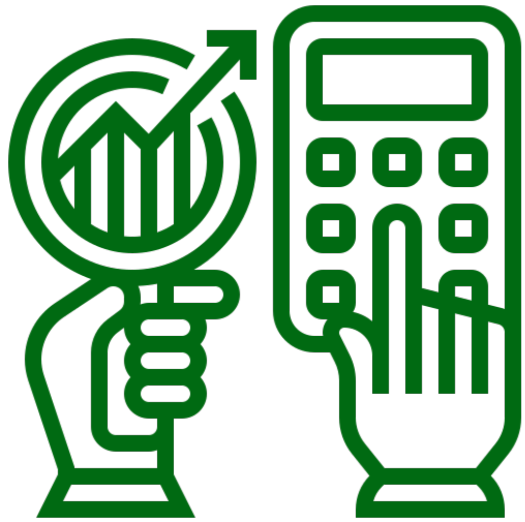

ACCOUNTING

GRADE 12

RECONCILIATION

Theory

Compiled by:
MRS BRIMECOMBE

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RECONCILIATION

CREDITORS RECONCILIATION

DIFFERENT TYPES OF CREDITORS RECONCILIATION

CREDITORS' CONTROL = LIST	CREDITORS' LEDGER = STATEMENT
➢ **Creditors Control Account:** Summary of all the creditors from the subsidiary journals.	➢ **Creditors' reconciliation** is an internal control measure that shows the differences between **a Creditor's balance in the creditors' ledger** and the **monthly statement** received from a creditor (an external source).
➢ The account balance allows one to verify the accuracy of Creditors lists total.	➢ Ensures that the creditors' accounts are properly maintained and controlled.
REASONS FOR DIFFERENCES	
➢ Errors made on source documents	➢ The statement date differs from closing date in the Creditors Ledger
➢ Casting errors in the journal	➢ Transactions (purchases; returns/allowances; payments; discounts) could have been omitted or entered incorrectly in the Creditors Ledger account and/or the statement of account.
➢ Posting incorrect amounts to the ledgers	➢ Discount deducted on the Creditors ledger account but not accepted by the creditor
➢ Posting to the incorrect side in the ledgers	➢ Posting and/or recording errors in either the creditor's ledger and/ or the statement.
➢ Incorrect balancing of accounts in the ledgers	➢ Addition or subtraction errors in either the creditor's ledger and/or the statement

CREDITORS' CONTROL = CREDITORS' LIST

....done in grade 10

Documents received from or given to CREDITORS e.g. invoices, bank statement, debit notes.

POST totals

To the CREDITOR'S CONTROL accounts

CREDITOR'S CONTROL balance

- From the journals the totals is posted to the Creditors control account - summary of all the transactions .
- From the journals transactions posted to the individual's account.
- If process done correctly, should balance

Should be equal

POST Individual amounts

To the CREDITOR'S LEDGER accounts

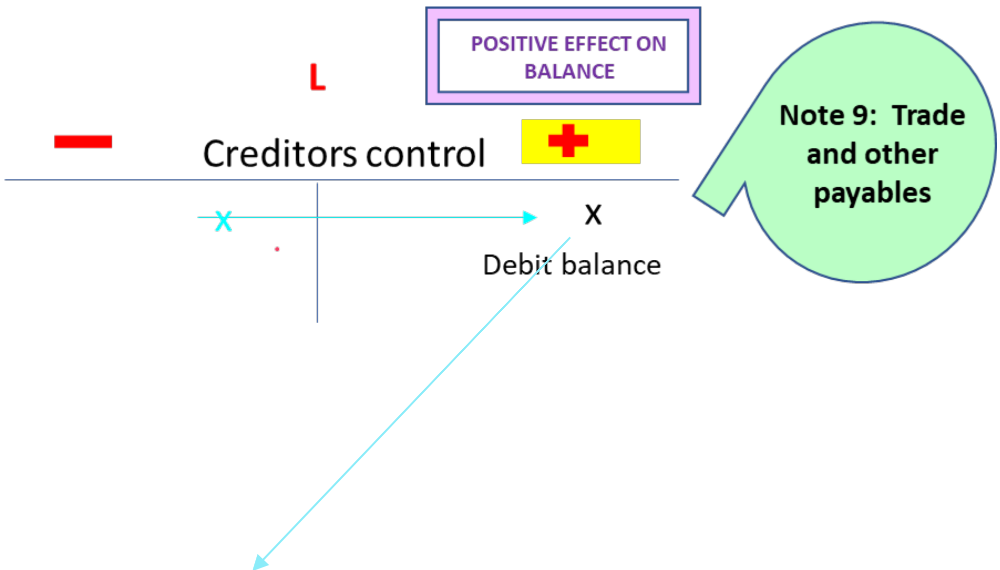
CREDITOR'S LIST total

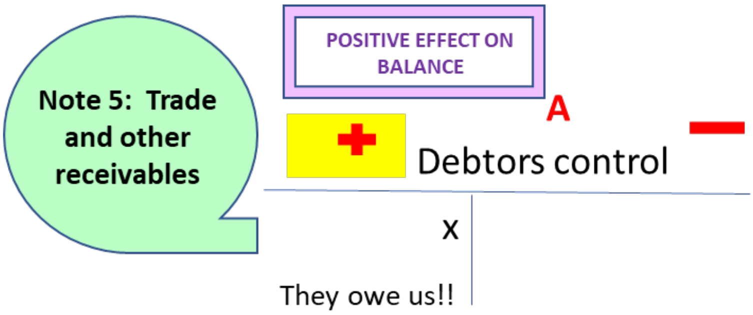
REASONS FOR DIFFERENCES IN THE CONTROL ACCOUNT AND

TYPE OF ERRORS /OMMISSIONS	CORRECTION OF ERRORS
➨ Errors on source documents	➨ Correct Control A/c and List
➨ Source document not recorded	➨ Correct Control A/c and List
➨ Recording errors in Subsidiary Journals	➨ Correct Control A/c and List
➨ Incorrect additions of TOTAL in journal (overcast) or (undercast)	➨ Only in the Control Account
➨ Incorrect posting from journal to the control account.	➨ Only the Control Account.
➨ Incorrect posting from the Journals to the list/ or the account of the debtor	➨ Only the List / or the account of debtor
➨ Entry or total recorded on the wrong side	➨ Double the entry on the correct side

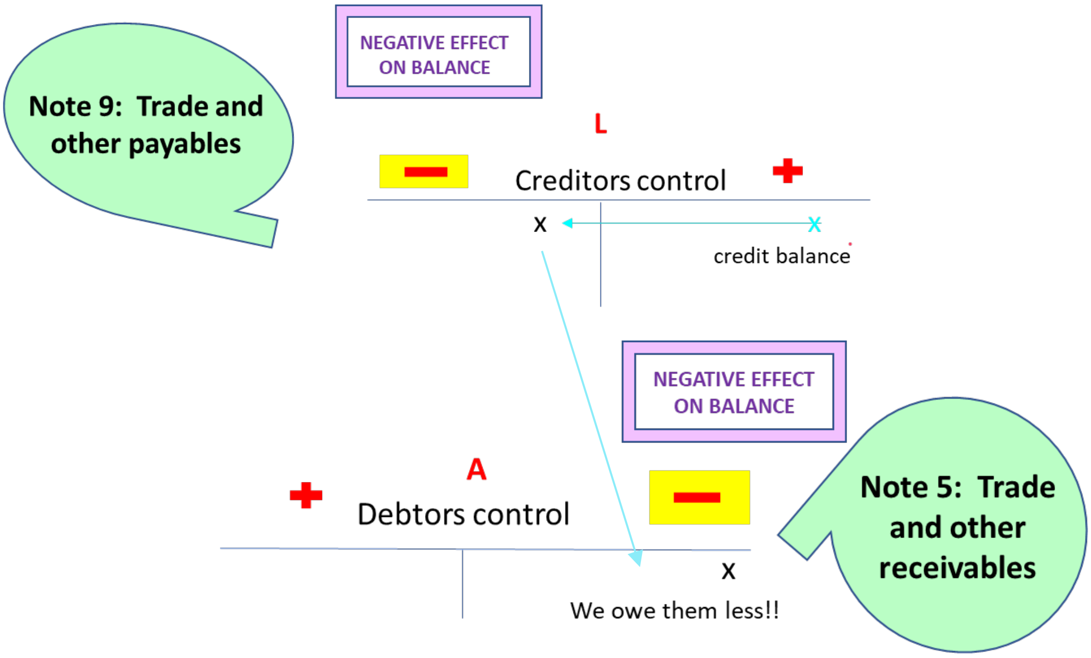
INTEGRATION WITH THE BALANCE SHEET NOTES

❖ Transfer the **debit balance** of a creditor in the Creditors Ledger to his account in the Debtors' Ledger





❖ Transfer the **credit balance** of a creditor in the Creditors Ledger to his account in the Debtors' Ledger



CREDITORS LEDGER COMPARED TO STATEMENT RECEIVED FROM THE SUPPLIER

CREDITOR'S LEDGER

THEMBEKA SUPPLIERS (CL6)						
				DEBIT	CREDIT	BALANCE
2021 April	1	Balance	b/d			Xxx
	12	Invoice 220			xx	Xxx
		EFT		xx		Xxx
	18	Debit Note 702		xx		Xxx
		Invoice 289			xx	Xxx
		Invoice 333			xx	Xxx
	24	Debit Note 877			xx	Xxx
	25	Journal voucher 585		xx		Xxx
	31	EFT and discount		xx		Xxx

STATEMENT RECEIVED

Ekasi Traders
225 Crocodile Road 25 April 2021

			DEBIT	CREDIT	BALANCE
2021 April	1	Balance			Xxx
	12	Invoice 220	xx		Xxx
		Receipt 742		xx	Xxx
	18	Credit Note 791		xx	Xxx
		Invoice 333	xx		Xxx
	22	Invoice 395	xx		Xxx
	24	Credit Note 888		xx	Xxx

Compare the month end balances

LIABILITY
− CREDITOR CONTROL +

Journal debits (voucher)	GJ	x	Balance	b/d	x
Bank & discount received (Bank statement/ eft)	CPJ	x	Total purchase (invoice)	CJ	x
Total allowances (debit note)	CAJ	x	Journal credits (voucher)	GJ	x
Balance	c/d	x			

Should be equal

ASSET
+ DEBTORS CONTROL −

Balance	b/d	x	Journal credits (voucher)	GJ	x
Sales (duplicate invoice)	DJ	x	Bank & discount allowed (duplicate receipt)	CRJ	x
Journal debits (voucher)	GJ	x	Debtors allowances (credit note)	DAJ	x
			Balance	c/d	x

STEPS IN RECONCILIATION:

STEP 1

Compare the **credit (+)** column of the Creditors Ledger with the **debit (+)** columns of the statement

Creditors Ledger	**Statement of Account**
Invoices	Invoices

STEP 2

Compare the **debit (-)** column of the Creditors Ledger with the **credit (-)** columns of the statement

Creditors Ledger		**Statement of Account**
Debit notes	→	Credit notes
EFT's	→	Receipts
Discount received	→	Discount allowed

STEP 3

Tick the amount that **appear in both** the Creditors Ledger and the statement ✓

Circle the amount that **appear in only the** Creditors Ledger or the statement

STEP 4

Errors and/or omissions in the Creditors Ledger must be corrected by the business – **CREDITORS LEDGER ACCOUNT**

STEP 5

Errors and/or omissions on the statement – **CREDITORS RECONCILIATION STATEMENT**

TYPES OF ERROS

Error of Omission – a transaction is not recorded at all

Error of commission – an item is entered to the correct side of the wrong account (there is a debit and a credit entry, the records balance).

Error of principle – an item is posted to the correct side of the wrong type of account, For example cash paid for repairs (expense) is debited to an asset account.

Error of original entry – an incorrect figure is entered in the records and then posted to the correct account

Reversal of entries – the amount is correct, the accounts used are correct, but the account that should have been debited is credited and vice versa

PROCEDURE FOR CORRECTING ERRORS IN OUR CREDITORS

OUR PERSPECTIVE
-CREDITORS CONTROL
CREDITORS LEDGER

THEIR PERSPECTIVE
– DEBTORS CONTROL
CREDITORS RECONCILIATION STATEMENT

INCORRECT INDIVIDUAL'S ACCOUNT DEBITED/CREDITED

EXAMPLE 1: Account incorrectly credited.

NEGATIVE EFFECT ON BALANCE

L
− Creditors control +

x | x

Enter on debit side to cancel.

POSITIVE EFFECT ON BALANCE

A
+ Debtors control −

x | x

Enter on debit side to cancel

EXAMPLE 2: Account incorrectly debited.

L
− Creditors control +

x | x

Enter on credit side to cancel

NEGATIVE EFFECT ON BALANCE

A
+ Debtors control −

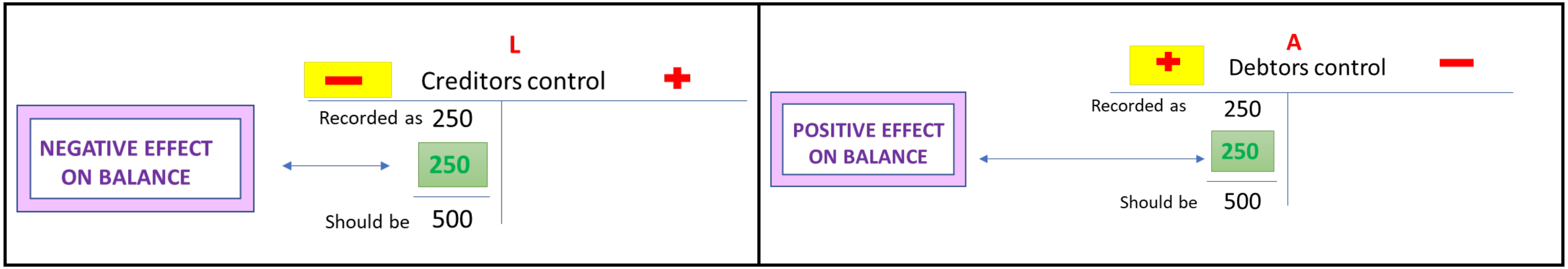
x | x

Enter on credit side to cancel

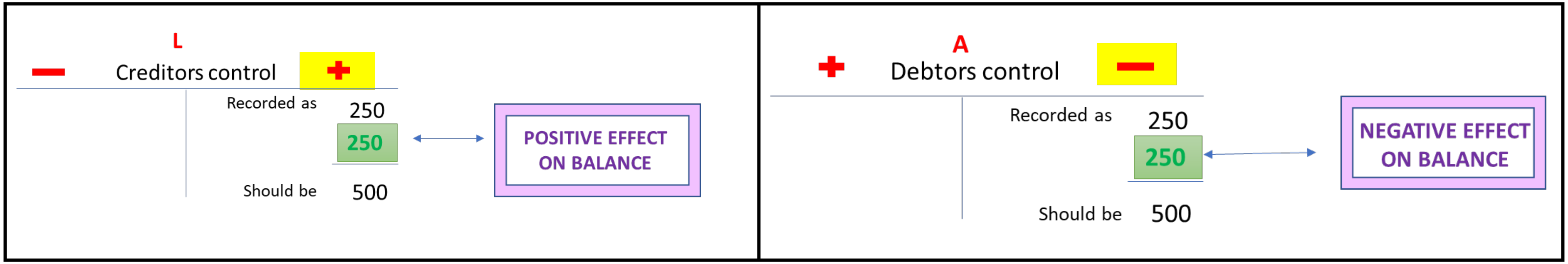
NEGATIVE EFFECT ON BALANCE

AMOUNTS UNDERSTATED

EXAMPLE 1: Debit side.



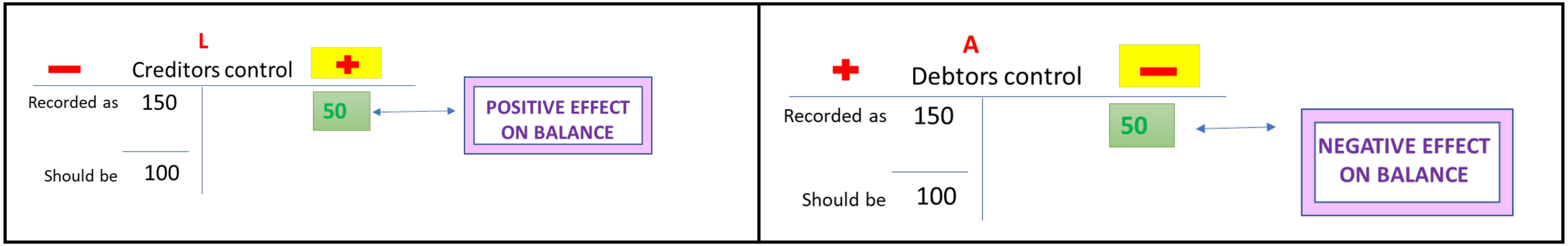
EXAMPLE 2: Credit side.



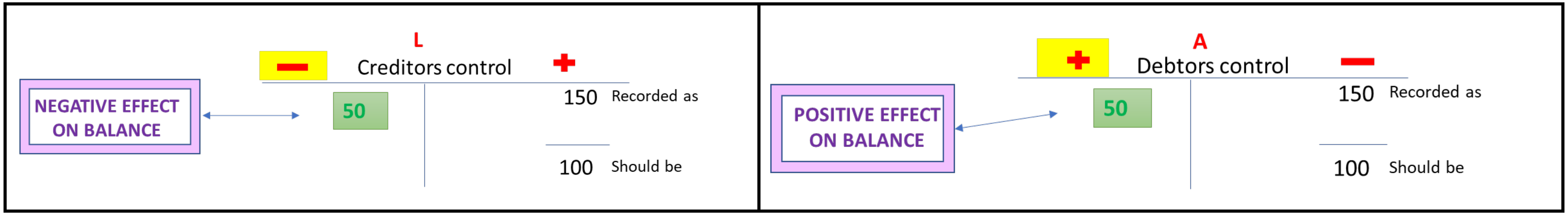
CALCULATE THE DIFFERENCE

AMOUNTS OVERSTATED

EXAMPLE 1: Debit side.



EXAMPLE 2: Credit side.



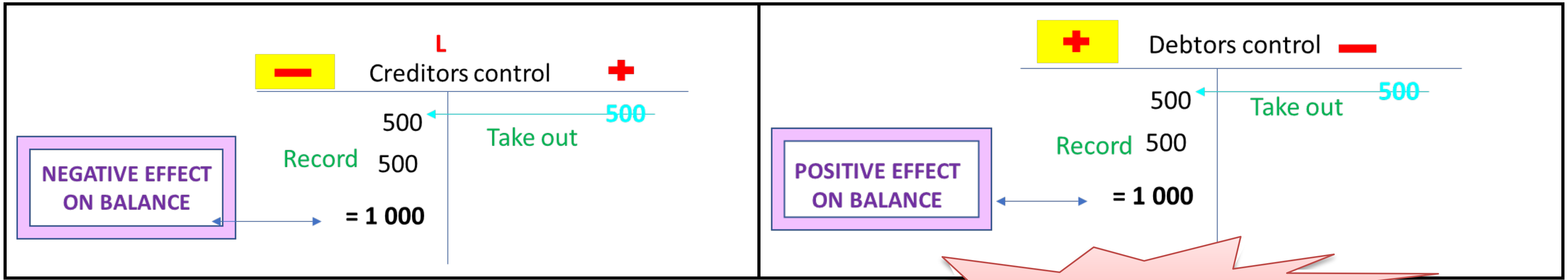
CALCULATE THE DIFFERENCE

ACCOUNT INCORRECTLY DEBITED/ CREDITED

EXAMPLE 1:

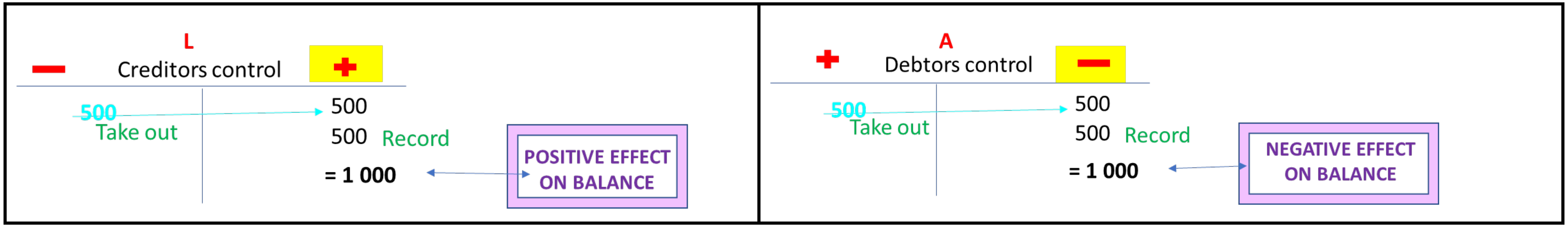
Returns entered as purchases in the creditors ledger (on credit side of Ledger)

Sales entered as returns in the debtors ledger (on credit side of Ledger



EXAMPLE 2:

Invoices entered as returns in the creditors ledger (on debit side of Ledger)



TRANSACTIONS THAT TOOK PLACE AFTER THE ISSUE DATE REFLECTED IN THE CREDITORS STATEMENT.

Statement received

A. Creditors' Ledger Account in the books of Ekasi Traders

THEMBEKA SUPPLIERS (CL6)						
				DEBIT	CREDIT	BALANCE
2021 April	1	Balance	b/d			R81 000
	12	Invoice 220			97 200	178 200
		EFT		40 500		137 700
	18	Debit Note 702		10 300		127 400
		Invoice 289			49 100	176 500
		Invoice 333			30 000	206 500
	24	Debit Note 877			9 700	216 200
	25	Journal voucher 585		6 400		209 800
	31	EFT and discount		92 600		117 200

B. Statement of account from Thembeka Suppliers

Ekasi Traders
225 Crocodile Road

25 April 2021

			DEBIT	CREDIT	BALANCE
2021 April	1	Balance			R81 000
	12	Invoice 220	97 200		178 200
		Receipt 742		40 500	137 700
	18	Credit Note 791		13 100	124 600
		Invoice 333	30 000		154 600
	22	Invoice 395	12 500		167 100
	24	Credit Note 888		9 700	157 400

A

\+ Debtors control −

	Voucher 585	6 400
	Receipt (EFT)	92 600

NEGATIVE EFFECT ON BALANCE

FORMAT OF THE CREDITORS RECONCILIATION

CREDITORS' LEDGER OF KAROO TRADERS
DM SUPPLIERS (CL7)

Balance per Ledger Account	**47 064**
Invoice 346 corrected	(1 512)
Correction of discount on EFT 207	1 000
Invoice 135 corrected	(6 929)
Interest	29
	39 652

OUR BOOKS – LIABILITY
CREDITORS CONTROL

THEIR PERSPECTIVE – ASSET
DEBTORS CONTROL

OUR BOOKS – LIABILITY
CREDITORS CONTROL

ONE COLUMN METHOD

CREDITORS' RECONCILIATION STATEMENT ON ....

Balance as per Creditor's Statement	**40 271**
Credit note incorrectly recorded	(1 632)
Discount not yet recorded	(2 532)
Trade discount omitted	(981)
Invoice issued after statement date	4 526
Balance as per Creditors Ledger	39 652

TWO COLUMN METHOD

CREDITORS' RECONCILIATION STATEMENT ON ....

	DEBIT	CREDIT
Balance as per Creditor's Statement	**40 271**	
Credit note incorrectly recorded		1 632
Discount not yet recorded		2 532
Trade discount omitted		981
Invoice issued after statement date	4 526	
Balance as per Creditors Ledger		39 652
	44 797	44 797

INTERNAL CONTROL RELATING TO CREDITORS.

- Adequate segregation (separation) of duties with regards to creditors' transactions. (E.g. the same person should not order and receive goods.)
- The clerk receiving the items from creditors must check the delivery note against the order form to ensure that all items ordered were delivered.
- All documents (invoices; debit notes etc.) relating to credit transactions must be correctly processed in the proper journals.
- Paying creditors on time to take advantage of settlement discounts and to avoid interest being charged.
- Transactions involving purchase of goods from creditors should be authorised
- Check accuracy of invoices from creditors
- Invoices to be processed (stamped) before payment

DEBTORS RECONCILIATION

&

AGE ANALYSIS

DEBTORS' RECONCILIATION

- Debtors Control Account – summary of all the debtors from all the journals.
- The **entries** to the control account must correspond to the entries made to individual debtor's accounts in the debtor's ledger.
- A list of all the debtors' balances is compiled, and the **total amount owed by the debtors** must then be **equal to the balance of the Debtors Control account**.

REASONS FOR DIFFERENCES

TYPE OF ERRORS /OMMISSIONS	CORRECTION OF ERRORS
➨ **Errors on source documents**	➨ Correct Control A/c and List
➨ **Source document not recorded**	➨ Correct Control A/c and List
➨ **Recording errors in Subsidiary Journals**	➨ Correct Control A/c and List
➨ **Incorrect additions of TOTAL in journal (overcast) or (under cast)**	➨ Only in the Control Account
➨ **Incorrect posting from journal to the control account.**	➨ Only the Control Account.
➨ **Incorrect posting from the Journals to the list/ or the account of the debtor**	➨ Only the List / or the account of debtor
➨ **Entry or total recorded on the wrong side**	➨ Double the entry on the correct side

....done in grade 10

DEBTORS' CONTROL = DEBTORS' LIST

Documents received from or given to DEBTORS e.g. invoices, bank statement, credit notes.

POST totals

To the DEBTOR'S CONTROL accounts

DEBTOR'S CONTROL balance

- From the journals the totals is posted to the Debtors control account - summary of all the transactions .
- From the journals transactions posted to the individual's account.
- If process done correctly, should balance

POST Individual amounts

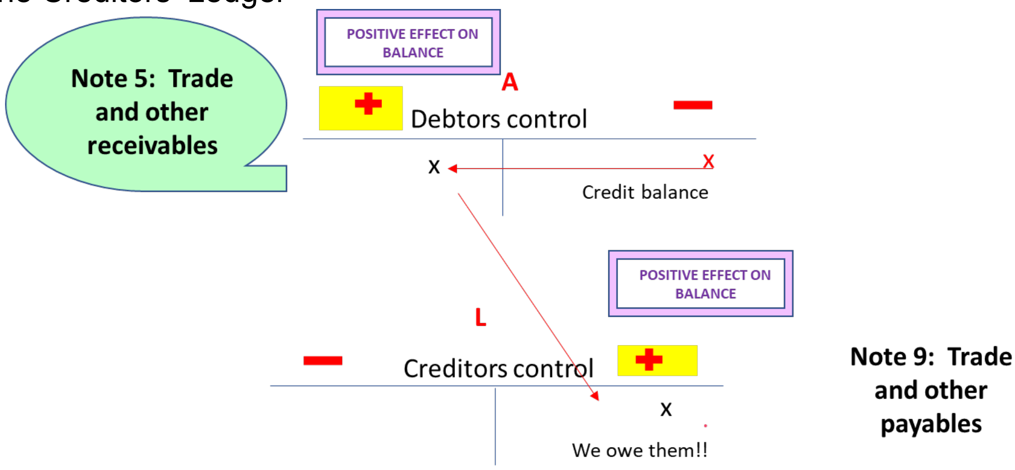
To the DEBTOR'S LEDGER accounts

DEBTOR'S LIST total

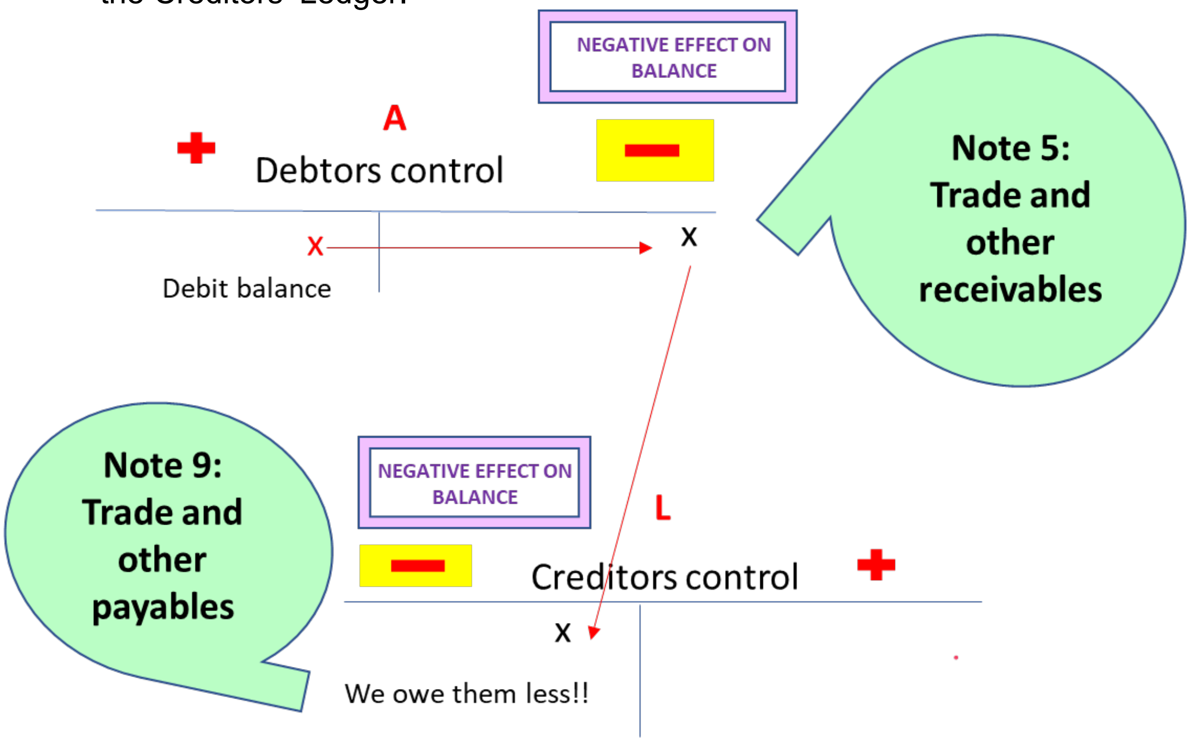
Should be equal

INTEGRATION WITH THE BALANCE SHEET NOTES

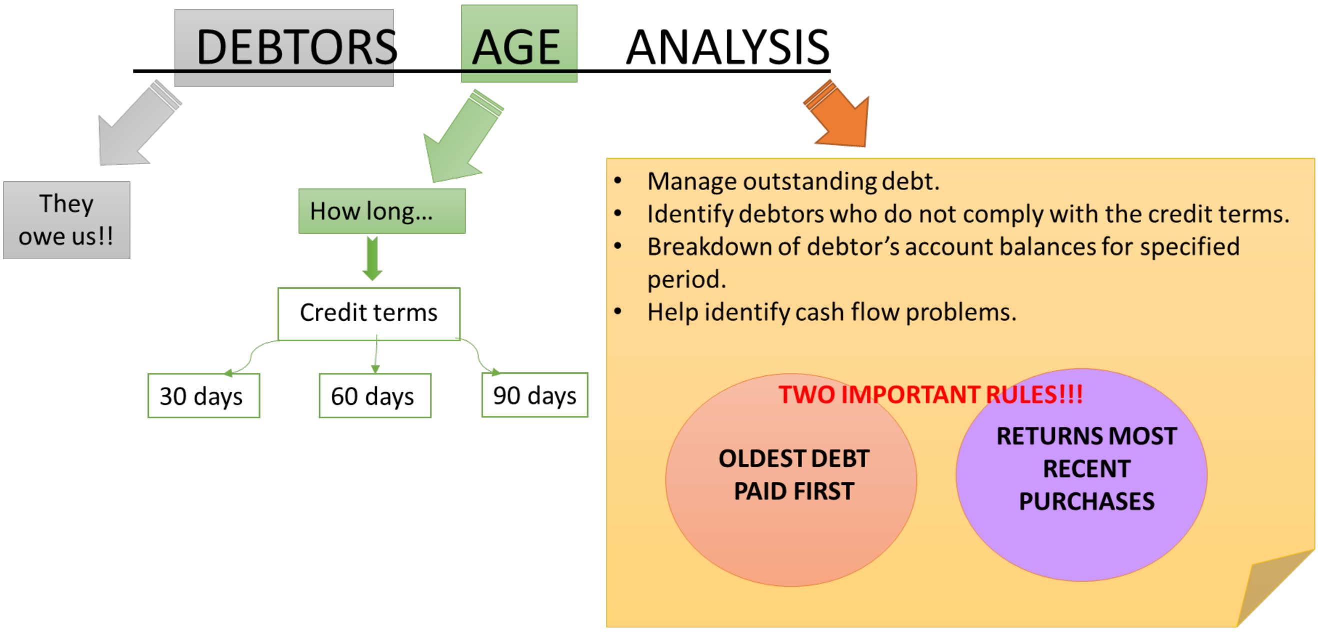
- Transfer the **credit balance** of a debtor in the Debtors Ledger to their account in the Creditors' Ledger



- Transfer the **debit balance** of a debtor in the Debtors Ledger to their account in the Creditors' Ledger.



DEBTORS AGE ANALYSIS



DEBTORS CLERK

The Debtors clerk /Debtors credit controller is responsible for:

- Monitor debtors' credit rating before extending any credit to the debtor.
- Monitor debtors' accounts to avoid exceeding of credit limit.
- Ensuring that payments are received as per agreement.
- Approve the credit sales before any order is delivered to a customer.

EXAMPLE: 30 DAYS CREDIT TERMS

Within our credit term

Transactions

1 - 30 January → CURRENT MONTH

1 – 28 February → 30 DAYS (1 MONTH LATER)

Outside our credit terms

1 – 31 March → 60 DAYS (2 MONTH LATER)

1 – 30 April → 90 DAYS (3 MONTH LATER)

Note: The statement will be sent to the debtor before the end of the month in January – all transactions during that month is due in February.

INTERNAL CONTROL OVER DEBTORS

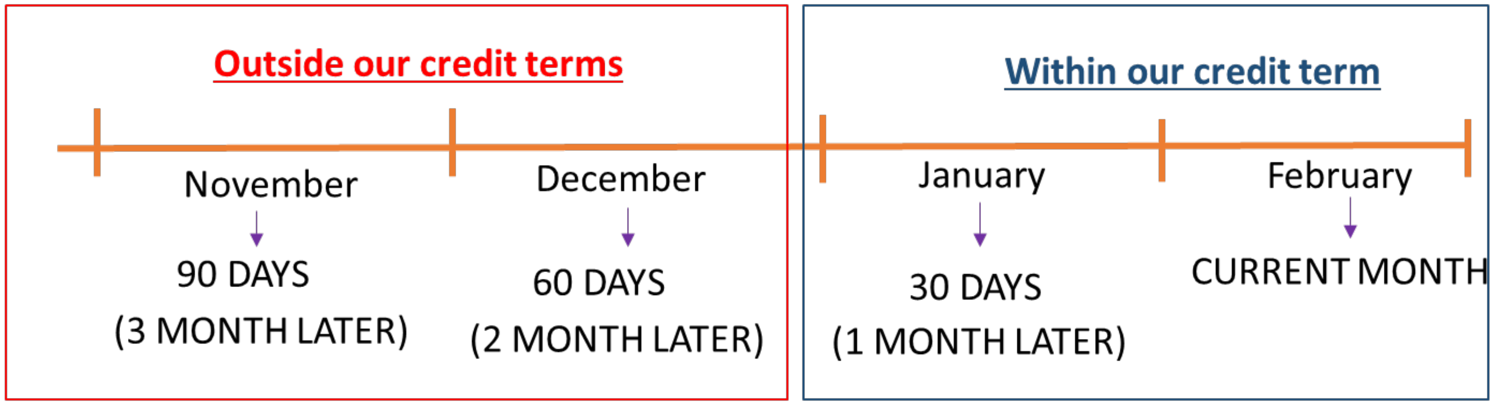
- Charge interest on outstanding debts.
- Do not sell to debtors if account in arrears.
- Debtors must settle their debt first.
- Do not let debtors exceed their **credit limit**
- Send out statements on time – use sms/email

Credit limit – maximum credit given to debtor

PRACTICAL EXAMPLE 1

Debtors' Age Analysis on 28 February 2021:

		Feb 2021	Jan 2021	Dec 2020	Nov 2020	Oct 2020
Debtor	Credit Limit	Current	30 days	60 days	90 days	> 90 days
A. Wijn	5 000					5 000
G. Hugo	5 500	4 200	1 550			
B. Luus	3 000	2 150			80	
N. Tshabalala	6 000	1 850	1 425	1 350	1 175	
W. Morgan	3 500	1 550	800	620		
L. Ntshinga	5 000	3 250				
		13 000	3 775	1 970	1 255	5 000



PRACTICAL EXAMPLE 2:

Debtors age analysis for **1 September 20.8**

TWO IMPORTANT RULES!!!

OLDEST DEBT PAID FIRST

RETURNS MOST RECENT PURCHASES

JK FURNISHERS **DEBTORS STATEMENT**

Ben Jones
10 Pine Street
Newlands 8800

Statement date: 25 July 20.8

Date	Details	Debit	Credit	Balance
26-Jun	Brought forward			R6 540
04-Jul	Receipt 1775		1 800	4 740
04-Jul	Discount		90	4 650
12-Jul	Invoice 5144	8 300		12 950
13-Jul	Receipt 1801		2 000	10 950
15-Jul	Discount		100	10 850

JK FURNISHERS **DEBTORS STATEMENT**

Ben Jones
10 Pine Street
Newlands 8800

Statement date: 25 August 20.8

Date	Details	Debit	Credit	Balance
26-Jul	Brought forward			R10 850
01-Aug	Invoice 6776	1 150		12 000
05-Aug	Receipt 2112		900	11 100
05-Aug	Discount		45	11 055
20-Aug	Invoice 7004	3 400		14 455

	60 days	30 days	Current	TOTAL
	June	July	August	
JULY	6 540	8 300		
	(1 890)			
	(2 100)			
	2 550	**8 300**		**10 850**
AUG	(945)		1 150	
			3 400	
	1 605	**8 300**	**4 550**	**14 555**

RECONCILIATION

BANK RECONCILIATION

THE IMPORTANCE OF RECONCILIATION MONTHLY

1. Accounting entries must be accurately recorded	**Cash received is deposited and payments made electronically must be checked against the bank statement to ensure:** • All deposits are correctly reflected on the bank statement. • All EFT payments made were authorized. • All outstanding payments and deposits are monitored. • All errors or unauthorized transactions are detected timeously so that the necessary corrections or investigations are done immediately.
2. Enables a business to keep track of:	**It enables a business or individual to keep track of**: • Bank charges/ service fees. • Electronic transfers made by a business/person. • Interest on overdrafts (debit balance). • Interest earned on current account (credit balance).
3. Without a system of regular reconciliation a business can be faced with the following:	**Without a system of regular reconciliation, a business can be faced with the following:** • Fraudulent transactions taking place (inside & outside the business) • Cash deficits that would affect liquidity in the business. • Increased risk of owing more money to creditors. • Decrease in profitability

BANK STATEMENT

Payments made – compare with CPJ

Money received – compare with CRJ

Stop order – instruction to the bank that money should be deducted from your account

Debit order – instruction to a 3rd party that money should be deducted from your account

Bank charges

Extract from the Bank Statement from Bubbly Bank				
Date	Description	Debit	Credit	Balance
01 Mar	Opening Balance			12 000
10 Mar	Deposit: C Mbele		3 500	15 500
15 Mar	**Stop order:** San Insurers	3 400		12 100
17 Mar	Deposit: F Martin		8 800	20 900
19 Mar	EFT (Mint Stores)	4 000		16 900
20 Mar	EFT (RNA)	3 350		13 550
21 Mar	Deposit (tenant: Derek)		4 500	18 050
25 Mar	**Debit order:** Telkom	2 200		15 850
26 Mar	EFT (Easy Wholesalers)	3 600		12 250
29 Mar	Cash deposit fee	185		12 065
31 Mar	Service fee	266		11 799
31 Mar	Internet banking fee	230		11 569
31 Mar	Interest received		440	12 009

Enter in the General Ledger – opening balance

Record in Bank Reconciliation Statement

Interest on credit balance = Income – CRJ
Interest on debit balance = Expense - CPJ

▪**Interest on overdraft** is not included under bank charges but is shown separately as Interest on overdraft (Concept of Materiality).

METHOD OF PAYMENTS

Cheques discontinued:

Outstanding cheques

Stale cheques – if older than 6 months

Post-dated cheques – dated for the future

Lost / re-issued cheques

Stop payments

Dishonoured cheques

Cheque fraud

Replaced by:

INTERNET BANKING

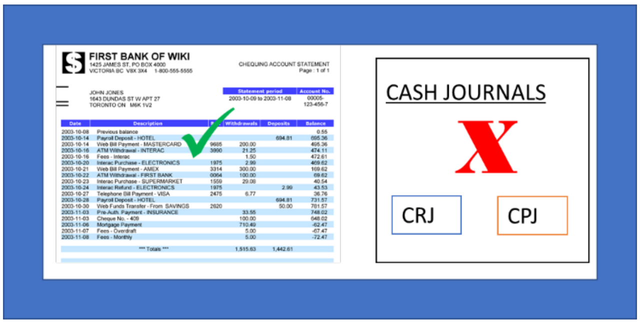
Advantages	**Disadvantages**
Do not need to stand in queues to pay accounts	Technology and Service Interruptions
Maintain your internet banking limits	Vulnerability to cybercriminals (phishing, hacking)
Do not have to walk around with cash	Unauthorized used of pin
Payments can be made immediately and send proof of payment to a beneficiary	EFT payments can not be **reversed**. If money is paid into the wrong account, the bank can't be held liable for incorrect payments.
Businesses can access their bank statement or transactions summary at any time, to update and verify transactions	

Banks can reverse a payment made in error only with the consent of the person who received it. ..

The recipient's bank will contact the account holder to ask permission.

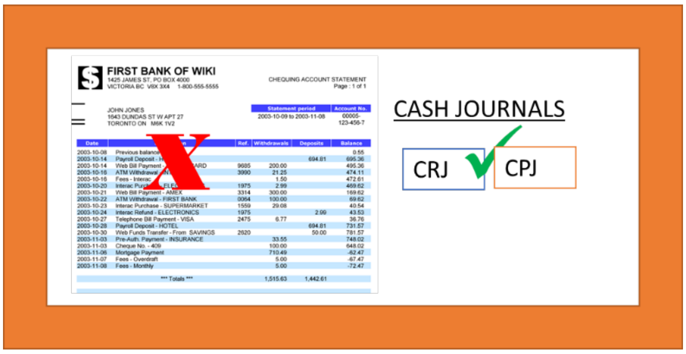
REASONS FOR DIFFERENCES BETWEEN THE BANK ACCOUNT AND BANK STATEMENT:

1. Items that appear in **the bank statement** but not in the Cash Journals:



- Bank charges (service fees, cash handling fees, deposits);
- Interest on overdraft;
- Interest on current account;
- Direct deposits made;
- Stop order / debit orders and;
- Errors in the Cash Journal.

2. Items that appear in **the Cash Journals** but not on the Bank Statement:



CASH RECEIPTS JOURNAL
Deposits made after the Bank Statement was drawn up.

CASH PAYMENT JOURNAL
Electronic payment made after the Bank Statement was drawn up.
The bank account does NOT exist anymore.

PROCEDURE

Circle items that does not appear ✓ Tick items that does appear

COMPARE THE BANK STATEMENT WITH.....

STEP 1: Last month's reconciliation statement

Extract from the Bank Reconciliation statement on 29 February 2020:

Outstanding deposits: 18 February 2020	R 15 900
28 February 2020	23 000
Outstanding EFT:	
No. 123	5 700
Favourable balance as per Bank account	11 400

FIRST BANK OF WIKI
1425 JAMES ST, PO BOX 4000
VICTORIA BC V8X 3X4 1-800-555-5555

CHEQUING ACCOUNT STATEMENT
Page : 1 of 1

JOHN JONES
1643 DUNDAS ST W APT 27
TORONTO ON M6K 1V2

Statement period	Account No.
2003-10-09 to 2003-11-08	00005-123-456-7

Date	Description	Ref.	Withdrawals	Deposits	Balance
2003-10-08	Previous balance				0.55
2003-10-14	Payroll Deposit - HOTEL			694.81	695.36
2003-10-14	Web Bill Payment - MASTERCARD	9685	200.00		495.36
2003-10-16	ATM Withdrawal - INTERAC	3990	21.25		474.11
2003-10-16	Fees - Interac		1.50		472.61
2003-10-20	Interac Purchase - ELECTRONICS	1975	2.99		469.62
2003-10-21	Web Bill Payment - AMEX	3314	300.00		169.62
2003-10-22	ATM Withdrawal - FIRST BANK	0064	100.00		69.62
2003-10-23	Interac Purchase - SUPERMARKET	1559	29.08		40.54
2003-10-24	Interac Refund - ELECTRONICS	1975		2.99	43.53
2003-10-27	Telephone Bill Payment - VISA	2475	6.77		36.76
2003-10-28	Payroll Deposit - HOTEL			694.81	731.57
2003-10-30	Web Funds Transfer - From SAVINGS	2620		50.00	781.57
2003-11-03	Pre-Auth. Payment - INSURANCE		33.55		748.02
2003-11-03	Cheque No. - 409		100.00		648.02
2003-11-06	Mortgage Payment		710.49		-62.47
2003-11-07	Fees - Overdraft		5.00		-67.47
2003-11-08	Fees - Monthly		5.00		-72.47
	*** Totals ***		1,515.63	1,442.61	

PREVIOUS BANK RECON	BANK STATEMENT	PROCEDURE
✓	✓	Do nothing
✓	x	Follow instructions

STEP 2: CASH JOURNALS

CASH RECEIPT JOURNAL – MONTSO STORES – MARCH 2020

Doc	Day	Details	Analysis of analyses	Bank	Sales	Cost of sales	Amount	Details
Rec 1	1	Montso	58 960	58 960			58 960	Capital
Crr 1	7	Cash	18 000	18 000	18 000	12 000		
Crr 2	14	Cash	15 000	15 000	15 000	10 000		
Crr 3	21	Cash	6 000	6 000	6 000	4 000		
Crr 4	28	Cash	21 000	21 000	21 000	14 000		
				118 960	60 000	40 000	58 960	

DEPOSITS MADE

CASH PAYMENT JOURNAL – MONTSO STORES – MARCH 2020

Doc	Day	Details	Bank	Trading stock	Stationery	Consumable stores	Amount	Details
EFT1	1	AA Stores	10 000	6 000	4 000			
EFT2	2	BB Traders	2 500			2 500		
EFT3	8	CC Stores	5 000	2 700	2 300			
EFT4	17	DD Suppliers	7 000				7 000	Repairs
EFT5	21	EE Stores	3 500	3 500				
EFT6	30	QQ Stores	12 400	12 400				
			40 400	24 600	6 300	2 500	7 000	

ELECTRONIC AND DIRECT PAYMENTS MADE

FIRST BANK OF WIKI
1425 JAMES ST, PO BOX 4000
VICTORIA BC V8X 3X4 1-800-555-5555

CHEQUING ACCOUNT STATEMENT
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JOHN JONES
1643 DUNDAS ST W APT 27
TORONTO ON M6K 1V2

Statement period	Account No.
2003-10-09 to 2003-11-08	00005-123-456-7

Date	Description	Ref.	Withdrawals	Deposits	Balance
2003-10-08	Previous balance				0.55
2003-10-14	Payroll Deposit - HOTEL			694.81	695.36
2003-10-14	Web Bill Payment - MASTERCARD	9685	200.00		495.36
2003-10-16	ATM Withdrawal - INTERAC	3990	21.25		474.11
2003-10-16	Fees - Interac		1.50		472.61
2003-10-20	Interac Purchase - ELECTRONICS	1975	2.99		469.62
2003-10-21	Web Bill Payment - AMEX	3314	300.00		169.62
2003-10-22	ATM Withdrawal - FIRST BANK	0064	100.00		69.62
2003-10-23	Interac Purchase - SUPERMARKET	1559	29.08		40.54
2003-10-24	Interac Refund - ELECTRONICS	1975		2.99	43.53
2003-10-27	Telephone Bill Payment - VISA	2475	6.77		36.76
2003-10-28	Payroll Deposit - HOTEL			694.81	731.57
2003-10-30	Web Funds Transfer - From SAVINGS	2620		50.00	781.57
2003-11-03	Pre-Auth. Payment - INSURANCE		33.55		748.02
2003-11-03	Cheque No. - 409		100.00		648.02
2003-11-06	Mortgage Payment		710.49		-62.47
2003-11-07	Fees - Overdraft		5.00		-67.47
2003-11-08	Fees - Monthly		5.00		-72.47
	*** Totals ***		1,515.63	1,442.61	

JOURNALS	BANK STATEMENT	PROCEDURE
✓	✓	Do nothing
✓	X	Bank Reconciliation Statement
X	✓	Update CRJ/ CPJ – update your bank account

Note: If the bank made a mistake – correction made in the Bank Reconciliation Statement, notify the bank

FORMAT: BANK RECONCILIATION STATEMENT

Enter the month-end balance of the current bank statement– a debit balance appears on debit side. The same applies with a credit balance. No bank statement provided –balancing figure

TWO COLUMN METHOD …….

BANK RECONCILIATION STATEMENT ON 31 MARCH 2021		
	DEBIT	CREDIT
Balance as per bank statement	OVERDRAFT	FAVOURABLE
Cr Outstanding deposit		X
Dr outstanding EFT		
No. 04	X	
No. 05	X	
Debit account incorrectly credited	x	
Credit account incorrectly debited		x
Balance as per bank account	FAVOURABLE	OVERDRAFT
	XX	XX

AS IT APPEARS ON THE BANK STATEMENT

The bank made a mistake

Should balance

New bank balance calculated in the General Ledger. It will appear the same as in your books. Could be balancing figure if you did not calculate the correct balance in the General Ledger

OR

ONE COLUMN METHOD

BANK RECONCILIATION STATEMENT ON 31 MARCH 2021	
Balance as per bank statement	(OVERDRAFT) Or FAVOURABLE
Outstanding deposit	X
Outstanding EFT	
No. 04	(X)
No. 05	(X)
Debit account incorrectly credited	(x)
Credit account incorrectly debited	X
Balance as per bank account	**(OVERDRAFT) Or FAVOURABLE**

AS IT APPEARS ON THE BANK STATEMENT

The bank made a mistake

BE AWARE: FRAUD

OUTSTANDING DEPOSITS

ROLLING OF CASH
- Money deposited but only much later.
- Need to investigate

MONEY STOLEN/ LOST
- Need to investigate
- Need to cancel in CRJ

EFT PAYMENTS

CORRUPT EMPLOYEES ENTERING THEIR PERSONAL BANK ACCOUNT

PAYMENTS MADE INTO THE WRONG ACCOUNT

UNAUTHORIZED PAYMENTS

HACKING
Illegally break into someone's computer - Malware

PHISHING
Stealing accounts and passwords by using fake emails, fake websites

INTERNAL CONTROL

WHEN CASH IS RECEIVED ……………..

- Ensure deposits are done on a regular basis.
- Rotate duties and times of banking to avoid creating a pattern.
- Provide security when going to the bank, at least two people should go.
- Divide duties, the person who receives cash cannot be the person who banks or prepares financial records.
- Use collection companies to collect cash on a daily/regular basis.
- Check documentation, receipts against deposit slips.
- Senior personnel should check via internet banking/ deposit slips that deposits reflects daily.
- Request SMS notifications from bank for all transactions
- Encourage debtors to make direct transfers (EFT)
- Use of electronic notifications of cash/bank deposits

WHEN PAYMENTS ARE MADE …………………..

- Install an anti-virus programme on computer, device browser identification, end-to-end encryption, strong app security, malware detection.
- Digital transaction signing
- Educate employees to be aware of fake websites or emails.
- All payments need to be authorized by a senior staff member.
- Have someone check that correct banking details are entered.

