

Chapter 8

Solution 8.1

In this question:

- 4 items on the bank statement not yet recorded in the cash book
- 3 outstanding cash book items for the reconciliation

| DR | Cash Book | CR |
|-----------------|------------------|--------------------|
| | € | € |
| Bal b/d | 22,284 | Standing order 850 |
| Credit transfer | 1,200 | Bank charges 20 |
| | | DD telecom 465 |
| | | Bal c/d 22,149 |
| | <u>23,484</u> | <u>23,484</u> |
| Bal b/d | 22,149 | |

Bank reconciliation

| | | |
|--------------------------------|--------------|----------------------|
| Bank statement closing balance | € | € |
| Add outstanding lodgments | | 16,139 |
| | | 8,100 |
| Less un-presented cheques | | |
| Cheque 5563 | 650 | |
| Cheque 5565 | <u>1,440</u> | (2,090) |
| Balance per cash book | | <u>22,149</u> |

Solution 8.2

There are a number of reasons why Paddy's bank statement balance is different to his cash book balance. Firstly, timing differences in relation to lodgments, when a lodgment is made to a bank it will take a number of days to 'clear' through the banking system. Also, cheques paid out by Paddy may not have been presented to the bank by the payee or may not have cleared through the banking system. The bank statement will have items, such as bank charges, on it that Paddy will not have entered in the cash book. Finally, there could be errors in either system.

In this question:

- 4 items on the bank statement not yet recorded in the cash book
- 1 error in the cash book to correct
- 3 outstanding cash book items for the reconciliation

| DR | Cash Book | | CR |
|-----------------|------------------|-------------------|--------------|
| | € | | € |
| Bal b/d | 4,663 | DD – ESB | 382 |
| Credit transfer | 640 | Standing order | 900 |
| | | Bank charges | 45 |
| | | Error cheque 2387 | 90 |
| | | Bal c/d | <u>3,886</u> |
| | <u>5,303</u> | | <u>5,303</u> |
| Bal b/d | 3,886 | | |

| <u>Bank reconciliation</u> | € | € |
|-----------------------------------|------------|---------------------|
| Bank statement closing balance | | 4,736 |
| Add outstanding lodgments | | 700 |
| Less un-presented cheques | | |
| Cheque 2385 | 1,250 | |
| Cheque 2391 | <u>300</u> | (1,550) |
| Balance per cash book | | <u><u>3,886</u></u> |

Solution 8.3

In this question:

- Opening balances don't agree but can be reconciled €180 (opening statement balance) + €650 (1st lodgment) – €480 (CQ 79964) = €350 (opening cash book balance). €650 and €480 can be ignored as they related to last months reconciliation.
- 6 items on the bank statement not yet recorded in the cash book
- 2 errors in the cash book to correct
- 5 outstanding cash book items for the reconciliation

| DR | Cash Book | | CR |
|----------------|--------------|----------------------|-------|
| | € | | € |
| Bal b/d | 2,289 | DD – ESB | 870 |
| CT – Smith Ltd | 650 | DD – Bord Gais | 380 |
| Dividend | 925 | Standing order – 354 | 250 |
| | | Bank charges | 22 |
| | | Lodgment error | 60 |
| | | Error – CQ 79970 | 9 |
| | | Bal c/d | 2,264 |
| | 3,855 | | 3,855 |
| Bal b/d | 2,264 | | |

| <u>Bank reconciliation</u> | € | € |
|--------------------------------|-------|--------------|
| Bank statement closing balance | | 1,581 |
| Add outstanding lodgments | | |
| 30 th Oct | 1,320 | |
| 30 th Oct | 2,510 | 3,830 |
| Less un-presented cheques | | |
| Cheque 79968 | 1,250 | |
| Cheque 79972 | 577 | |
| Cheque 79973 | 1,320 | (3,147) |
| Balance per cash book | | 2,264 |

Solution 8.4

In this question:

- Opening balances don't agree but can be reconciled €383 (opening statement balance) + €864 (2nd Nov lodgment) – €632 (CQ 80264) – €146 (CQ 80263) = €469 (opening cash book balance). €864, €632 and €146 can be ignored as they related to last months reconciliation.
- 5 items on the bank statement not yet recorded in the cash book
- 2 errors in the cash book to correct
- 5 outstanding cash book items for the reconciliation
- The closing balance on the cash book was on the debit side this should be brought down on the credit side when getting the cash book ready for the corrections.

| DR | Cash Book | | CR |
|--------------|------------------|----------------------|--------------|
| | € | | € |
| CT – ABC Ltd | 950 | Bal b/d | 340 |
| | | DD – Bord Gais | 398 |
| | | DD – Ryan Rental | 725 |
| | | Standing order – 006 | 465 |
| | | Bank charges | 43 |
| | | Lodgment error | 60 |
| Bal c/d | 1,090 | Error CQ 80270 | 9 |
| | <u>2,040</u> | | <u>2,040</u> |
| | | Bal b/d | 1,090 |

Note, the closing balance in the corrected cash book represents an overdraft because it is brought down on the credit side.

| <u>Bank reconciliation</u> | € | € |
|-----------------------------------|-------|----------------|
| Bank statement closing balance | | 328 |
| Add outstanding lodgments | | |
| 30 th Nov | 859 | |
| 30 th Nov | 95 | 954 |
| Less un-presented cheques | | |
| Cheque 80268 | 1,246 | |
| Cheque 80272 | 266 | |
| Cheque 80273 | 860 | (2,372) |
| Balance per cash book | | (1,090) |

Solution 8.5

In this question:

- Opening balances don't agree but can be reconciled €320 (opening statement balance) + €730 (1st Feb lodgment) – €625 (CQ 96582) – €175 (CQ 96583) = €250 (opening cash book balance). €730, €625 and €165 can be ignored as they related to last months reconciliation.
- 4 items on the bank statement not yet recorded in the cash book
- No errors in the cash book to correct
- 5 outstanding cash book items for the reconciliation

| DR | Cash Book | | CR |
|-----------------|------------------|----------------|--------------|
| | € | | € |
| Credit transfer | 175 | Bal b/d | 2,705 |
| | | Standing order | 500 |
| | | DD – Telecom | 130 |
| Bal c/d | 3,225 | Bank charges | 65 |
| | 3,400 | | 3,400 |
| | | Bal b/d | 3,225 |

Note, the closing balance in the corrected cash book represents an overdraft because it is brought down on the credit side.

| <u>Bank reconciliation</u> | € | € |
|-----------------------------------|---------|----------------|
| Bank statement closing balance | | (2,840) |
| Add outstanding lodgments | | 1,500 |
| Less un-presented cheques | | |
| Cheque 96585 | 450 | |
| Cheque 96591 | 320 | |
| Cheque 96593 | 480 | |
| Cheque 96594 | 635 | (1,885) |
| | (3,225) | |
| Balance per cash book | | (3,225) |