

# MyStudyBro - Revision Exercise Tool

This Revision Handout includes the Questions and Answers of a total of 4 exercises!

## Chapters:

### **Bank Reconciliation - Paper 1 (Pearson Edexcel)**

Page 1	(4AC0) 2018 Winter
Page 3	(4AC0) 2018 Winter - Answer
Page 5	(4AC0) 2016 Winter
Page 7	(4AC0) 2016 Winter - Answer
Page 9	(4AC0) 2014 Winter
Page 12	(4AC0) 2014 Winter - Answer
Page 14	(4AC0) 2012 Winter
Page 16	(4AC0) 2012 Winter - Answer

- 13** At the close of business on 30 September 2017 the business bank account of Finn Bar showed a balance of £2 314.73 (Dr).

On the same date he received a bank statement that showed a balance of £2 795.73 (Cr).

On investigation he identified the following reasons for the difference.

- Bank charges for the month of September 2017 of £84 had been debited directly by the bank but had not yet been recorded in the cash book.
  - An error had occurred when balancing the cash book: the bookkeeper had overcast the total of the debit entries by £160.
  - The bank statement included a direct debit for insurance of £750, which had not been recorded in the cash book.
  - Cash takings of £1 485.55 banked on 30 September 2017 had not yet appeared on the bank statement.
  - Two cheques sent to suppliers during the month of September 2017 had not yet been presented for payment:
    - Cheque No: 196                      B Hope                      £261.55
    - Cheque No: 199                      F Faith                      £399.00
  - A customer, S King, had paid his account of £2 300 by credit transfer directly into Finn Bar's bank account. This had not yet been recorded in the cash book.
- (a) Prepare the updated bank account for the month of September 2017 and bring down the corrected balance on 1 October 2017.

(5)

### Bank Account

Date	Details	£	Date	Details	£



(b) Prepare a bank reconciliation statement at 30 September 2017.

(5)

**Finn Bar**  
**Bank Reconciliation Statement**  
**At 30 September 2017**

(c) Evaluate Finn Bar's decision to purchase accounting software to help him run his business.

(5)

**(Total for Question 13 = 15 marks)**



Question Number	Answer	Mark					
13 (a)	<b>Award marks for correct date, details and amounts in combination.</b>	(5)					
	<b>Bank Account</b>						
	<b>Date</b>		<b>Details</b>	<b>£</b>	<b>Date</b>	<b>Details</b>	<b>£</b>
	Sep 30		Balance b/d	2314 .73	Sep 30	Bank charges	84 <b>(1)</b>
			CT King	2 300 <b>(1)</b>		Error	160 <b>(1)</b>
						DD Insurance	750 <b>(1)</b>
						Balance c/d	3 620.73
				<u>4 614.73</u>			<u>4 614.73</u>
	Oct 1		Balance b/d	3 620.73 <b>(1 of)</b>			
Question Number	Answer	Mark					
13 (b)	<b>Award marks as shown</b>	(5)					
	<b>Finn Bar</b>						
	<b>Bank Reconciliation Statement</b>						
	<b>at 30 September 2019</b>						
	Balance as per cash book					3620.73 <b>(1of)</b>	
	Unpresented cheques						
	○ Cheque No: 196      B Hope					261.55 <b>(1)</b>	
	○ Cheque No: 199      F Faith					<u>399.00</u> <b>(1)</b>	
						4281.28	
	Outstanding lodgement					1485.55 <b>(1)</b>	
Balance as per bank statement					<u>2 795.73</u> <b>(1)</b>		
<b>OR</b>							
Balance as per bank statement					2795.73 <b>(1)</b>		
Unpresented cheques							
○ Cheque No: 196      B Hope					261.55 <b>(1)</b>		
○ Cheque No: 199      F Faith					<u>399.00</u> <b>(1)</b>		
					2135.18		
Outstanding lodgement					1485.55 <b>(1)</b>		

	Balance as per cash book <u>3620.73(1of)</u>	
Question Number	Answer	Mark
13 (c)	<p><b>Award up to 2 marks for evaluative statements in favour of the introduction and up to 2 marks for statements against the introduction.</b></p> <p><b>Award 1 mark for a suitable conclusion.</b></p> <p><b>Sample answer</b></p> <p>By introducing accounting software to help him run his business Finn Bar will find that he will save time <b>(1)</b> as the software will process the double entry without the need to make two entries <b>(1)</b>. However there will be a cost <b>(1)</b> involved in this decision which may include the cost of training staff to use the software together with the cost of purchasing the software itself <b>(1)</b></p> <p>Time saved may eventually cover the costs of purchasing the software and training staff. <b>(1)</b></p>	(5)

**(Total for Question 13 = 15 marks)**

- 15 (a) Complete the table below by placing a cross ☒ to indicate whether the item would be entered on the debit side or credit side of a cash book.

(8)

	Debit Side	Credit Side
Bank charges	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Credit transfer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Direct debit	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dishonoured cheque	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dividend received	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Interest earned	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Interest on overdraft	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Standing order	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

On 1 December 2015 the cash book of Copperfield, a sole trader, showed a debit balance of £1 780. On the same date a bank statement was received which showed a credit balance of £2 075.

Further investigation revealed that on that date there were uncleared lodgements of £380 and two unpresented cheques: number 12578, £425, and number 12780, £250.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(b) Prepare a bank reconciliation statement as at 1 December 2015.

(7)

**Copperfield**

**Bank Reconciliation Statement as at 1 December 2015**

**(Total for Question 15 = 15 marks)**

**TOTAL FOR SECTION B = 90 MARKS**

**TOTAL FOR PAPER = 100 MARKS**



Question Number	Answer	Mark																																				
14 (b)	<div><div>Subscriptions Account</div><table><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narra tion</th><th>£</th></tr><tr><td>Aug 1</td><td>Bal b/d</td><td>75(1)</td><td>Aug 1</td><td>Bal b/d</td><td>240 (1)</td></tr><tr><td>Jul 31</td><td>Income &amp; expenditure (1)</td><td>3 810 (1of)</td><td>Jul 31</td><td>Bank</td><td>3 560 (1)</td></tr><tr><td></td><td></td><td></td><td>Jul 31</td><td>Bal c/d</td><td>85</td></tr><tr><td></td><td></td><td><u>3 885</u></td><td></td><td></td><td><u>3 885</u></td></tr><tr><td>Aug 1</td><td>Bal b/d</td><td>85 (1)</td><td></td><td></td><td></td></tr></table></div>	Date	Narration	£	Date	Narra tion	£	Aug 1	Bal b/d	75(1)	Aug 1	Bal b/d	240 (1)	Jul 31	Income & expenditure (1)	3 810 (1of)	Jul 31	Bank	3 560 (1)				Jul 31	Bal c/d	85			<u>3 885</u>			<u>3 885</u>	Aug 1	Bal b/d	85 (1)				(6)
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15 (a)	<table> <tr> <th></th><th>Debit Side</th><th>Credit Side</th></tr> <tr> <td>Bank charges</td><td></td><td>✓</td></tr> <tr> <td>Credit transfer</td><td>✓</td><td></td></tr> <tr> <td>Direct debit</td><td></td><td>✓</td></tr> <tr> <td>Dishonoured cheque</td><td></td><td>✓</td></tr> <tr> <td>Dividend received</td><td>✓</td><td></td></tr> <tr> <td>Interest earned</td><td>✓</td><td></td></tr> <tr> <td>Interest on overdraft</td><td></td><td>✓</td></tr> <tr> <td>Standing order</td><td></td><td>✓</td></tr> </table>		Debit Side	Credit Side	Bank charges		✓	Credit transfer	✓		Direct debit		✓	Dishonoured cheque		✓	Dividend received	✓		Interest earned	✓		Interest on overdraft		✓	Standing order		✓	<p>1 mark per tick</p> <p>(8)</p>
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- 14** Golden Gate Stores provides wholesale services to several businesses in its locality. At the end of each month a bank reconciliation statement is prepared.

(a) Explain **two** reasons why it is necessary to do this.

(4)

1 .....

.....

.....

2 .....

.....

.....

.....

- (b) Identify **two** items which may appear in a bank statement but will not appear in the cash book until after the bank statement has been received.

(2)

1 .....

.....

2 .....

.....



The cash book of Golden Gate Stores for the month of October 2013 showed the following entries.

**Cash Book**  
(Bank Columns Only)

Date	Narrative	Amount (£)	Date	Narrative	Amount (£)
Oct 1	Balance b/f	650	Oct 2	Burt & Co	145
Oct 3	Cash Banked	3 200	Oct 5	General Electric	688
Oct 20	Cash Banked	2 111	Oct 18	Tang and Wong	365
Oct 31	Cash Banked	3 267	Oct 25	World Telecom	591
			Oct 29	Stanley Ltd	875
			Oct 31	Balance c/d	6 564
		<u>9 228</u>			<u>9 228</u>
Nov 1	Balance b/d	6 564			

On 3 November 2013 Golden Gate Stores received the following bank statement for the month of October 2013.

**Golden Gate Stores**  
**Bank Statement**

Date	Narrative	Debit	Credit	Balance
		£	£	£
October 1	Balance b/f			860 Cr
October 2	Cheque 2345	210		650 Cr
October 3	Bank Giro Credit		3 200	3 850 Cr
October 10	Cheque 2346	145		3 705 Cr
October 15	Cheque 2347	688		3 017 Cr
October 22	Bank Giro Credit		2 111	5 128 Cr
October 29	Cheque 2348	365		4 763 Cr



(c) Prepare a bank reconciliation statement as at 31 October 2013.

(7)

**Golden Gate Stores**  
**Bank Reconciliation Statement**  
**as at 31 October 2013**


On 31 October 2013 Golden Gate Stores prepared a balance sheet.

(d) (i) What amount should be shown for cash at bank?

(1)

(ii) Where in the balance sheet would this be shown?

(1)

**(Total for Question 14 = 15 marks)**



Question Number	Answer	Mark
14 (a)	<p>Award up to two marks for each relevant explanation.</p> <p><b>Sample answers</b></p> <p>To identify any differences between the bank balance shown in the cash book <b>(1)</b> and the balance on the bank statement <b>(1)</b></p> <p>To aid the identification of errors in either the cash book <b>(1)</b> or made by the bank <b>(1)</b></p> <p>To assist in the prevention of fraud <b>(1)</b> by confirming that the items on the bank statement match those in the cash book <b>(1)</b></p>	<b>(4)</b>

Question Number	Answer	Mark
14 (b)	<p>Award (1) mark per item (max 2) for each item correctly identified</p> <p><b>Examples of acceptable responses:</b></p> <p>Bank Charges Standing orders Direct debits Credit transfers Dishonoured cheques</p>	<b>(2)</b>

Question Number	Answer	Mark																								
14 (c)	<p style="text-align: center;"><b>Golden Gate Stores</b> <b>Bank Reconciliation Statement</b> <b>As At 31 October 2013</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">£</th><th style="text-align: right;">£</th></tr> </thead> <tbody> <tr> <td>Balance as per cash book <b>(1)</b></td><td></td><td style="text-align: right;">6 564 <b>(1 cf)</b></td></tr> <tr> <td>Unpresented cheques: World Telecom</td><td style="text-align: right;">591 <b>(1 cf)</b></td><td></td></tr> <tr> <td style="text-align: right;">Stanley Ltd</td><td style="text-align: right;">875 <b>(1 cf)</b></td><td></td></tr> <tr> <td></td><td></td><td style="text-align: right;">1 466</td></tr> <tr> <td></td><td></td><td style="text-align: right;">8 030</td></tr> <tr> <td>Outstanding lodgement</td><td></td><td style="text-align: right;">3 267 <b>(1 cf)</b></td></tr> <tr> <td>Balance as per bank statement <b>(1)</b></td><td></td><td style="text-align: right;">4 763 <b>(1 cf)</b></td></tr> </tbody> </table>		£	£	Balance as per cash book <b>(1)</b>		6 564 <b>(1 cf)</b>	Unpresented cheques: World Telecom	591 <b>(1 cf)</b>		Stanley Ltd	875 <b>(1 cf)</b>				1 466			8 030	Outstanding lodgement		3 267 <b>(1 cf)</b>	Balance as per bank statement <b>(1)</b>		4 763 <b>(1 cf)</b>	<b>(7)</b>
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	Alternative Version		
	<b>Golden Gate Stores</b> <b>Bank Reconciliation Statement</b> <b>As At 31 October 2013</b>		
		£	£
	Balance as per bank statement <b>(1)</b>		4 763 <b>(1 cf)</b>
	Unpresented cheques: World Telecom	591 <b>(1 cf)</b>	
	Stanley Ltd	875 <b>(1 cf)</b>	
			1 466
			3 297
	Outstanding lodgement		3 267 <b>(1 cf)</b>
	Balance as per cash book <b>(1)</b>		6 564 <b>(1 cf)</b>

Question Number	Answer	Mark
14 (d)	(i) £6 564 <b>(1 cf)</b>  (ii) Current assets <b>(1)</b>	<b>(2)</b>

Question Number	Answer	Mark																																																																								
15 (a)	<table><tr><th colspan="6">Sundry Expenses Account</th></tr><tr><th>Date</th><th>Narrative</th><th>Amount (£)</th><th>Date</th><th>Narrative</th><th>Amount (£)</th></tr><tr><td>Dec 31</td><td>Bank</td><td>5 440 (1cf)</td><td>Jan 1</td><td>Balance b/f</td><td>850 (1 cf)</td></tr><tr><td>Dec 31</td><td>Balance c/d</td><td>1 100</td><td>Dec 31</td><td>Profit and loss (1)</td><td>5 690 (1 of)</td></tr><tr><td></td><td></td><td><u>6 540</u></td><td></td><td></td><td><u>6 540</u></td></tr><tr><td></td><td></td><td></td><td>Jan 1</td><td>Balance b/d</td><td>11 00 (1 cf)</td></tr><tr><th colspan="6">Rent Receivable Account</th></tr><tr><th>Date</th><th>Narrative</th><th>Amount (£)</th><th>Date</th><th>Narrative</th><th>Amount (£)</th></tr><tr><td>Dec 31</td><td>Profit and loss (1)</td><td>12 000 (1 of)</td><td>Jan 1</td><td>Balance b/f</td><td>2 000 (1 cf)</td></tr><tr><td>Dec 31</td><td>Balance c/d</td><td>1 000</td><td>Dec 31</td><td>Bank</td><td>11 000 (1 cf)</td></tr><tr><td></td><td></td><td><u>13 000</u></td><td></td><td></td><td><u>13 000</u></td></tr><tr><td></td><td></td><td></td><td>Jan 1</td><td>Balance b/d</td><td>1 000 (1 cf)</td></tr></table>	Sundry Expenses Account						Date	Narrative	Amount (£)	Date	Narrative	Amount (£)	Dec 31	Bank	5 440 (1cf)	Jan 1	Balance b/f	850 (1 cf)	Dec 31	Balance c/d	1 100	Dec 31	Profit and loss (1)	5 690 (1 of)			<u>6 540</u>			<u>6 540</u>				Jan 1	Balance b/d	11 00 (1 cf)	Rent Receivable Account						Date	Narrative	Amount (£)	Date	Narrative	Amount (£)	Dec 31	Profit and loss (1)	12 000 (1 of)	Jan 1	Balance b/f	2 000 (1 cf)	Dec 31	Balance c/d	1 000	Dec 31	Bank	11 000 (1 cf)			<u>13 000</u>			<u>13 000</u>				Jan 1	Balance b/d	1 000 (1 cf)	(10)
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Mark is awarded for figure and appropriate narrative.

Profit And loss figure must be clearly identified for mark to be awarded.

**14** On 31 August 2011 Mr Wong received his bank statement, which stated that he owed his bank £650 on that date. He checked this against his cash book which showed a balance on his bank account of £1 003 Dr. On comparing the bank statement with his cash book, he identified several differences.

His bank statement showed a direct debit on 10 August for £125 in favour of the local council and a credit transfer from a customer for £200 on 21 August, neither of which had been entered in the cash book.

He also discovered that his bank had not taken account of monies which he had paid in the previous day totalling some £1 926 and that a cheque for £198 had not yet been presented to the bank for payment. Both these items had been entered in his cash book.

(a) State three other items that could be recorded in the bank statement before they are entered in the cash book.

(3)

(i) .....

(ii) .....

(iii) .....

(b) Starting with the balance in the cash book on 31 August 2011 update the cash book with the outstanding items. Balance the cash book at that date and bring the balance down on 1 September 2011.

(4)

### Cash Book (Bank Columns)

Date	Narration	Bank (£)	Date	Narration	Bank (£)



(c) Draw up the bank reconciliation statement at 31 August 2011.

(4)

**Mr Wong**  
**Bank Reconciliation Statement**  
**As at 31 August 2011**

(d) Explain **two** advantages to Mr Wong of drawing up a bank reconciliation statement.

(4)

Advantage 1

Advantage 2

(Total for Question 14 = 15 marks)



Question Number	Answer							Mark
13(c)	Sunil Khan Account							(5)
	Date	Narration	£	Date	Narration		£	
	Nov 20	Balance b/f	3 500	Nov30	Bad Debts (1)	(1)	3 500	
	Bad Debts Account							
	Date	Narration		£	Date	Narration		
Nov 30	Sunil Khan	(1)	3 500	Nov 30	Profit and Loss(1)	(1)	3 500	

Question Number	Answer	Mark
13(d)	Award 1 mark for identifying 'Prudence' as the concept and a further 2 marks for stating that as the amount was irrecoverable the correct approach is to write it off in this years profit and loss account (1) and to reduce debtors in order not to overstate the value of the assets (1).	(3)

Question Number	Answer	Mark
14(a)	Award one mark for each correct answer up to three marks. Items could include bank charges, dishonoured cheques, standing order.	(3)

Question Number	Answer						Mark
14(b)	Cash Book (Bank Columns)						(4)
	Date	Narration	Bank ( £ )	Date	Narration	Bank (£)	
	Aug 31	Balance b/f	1 003 (1)	Aug 10	DD Council	125 (1)	
	Aug 21	CT - customer	200 (1)	Aug 31	Balance c/d	1 078	
			<u>1 203</u>			<u>1 203</u>	
	Sep 1	Balance b/d	1 078 (1 of)				

Question Number	Answer	Mark																					
14(c)	<p style="text-align: center;"><b>Mr Wong</b>  <b>Bank Reconciliation Statement</b>  <b>As at 31 August 2011</b></p> <table border="1"> <thead> <tr> <th></th><th>£</th><th></th></tr> </thead> <tbody> <tr> <td>Balance as per cash book</td><td>1078</td><td>(1)</td></tr> <tr> <td>Outstanding lodgements</td><td>(1926)</td><td>(1)</td></tr> <tr> <td></td><td>(848)</td><td></td></tr> <tr> <td>Unpresented cheque</td><td>198</td><td>(1)</td></tr> <tr> <td>Balance as per bank statement</td><td>(650)</td><td>(1)</td></tr> <tr> <td>(Award mark for figure and correct label only)</td><td></td><td></td></tr> </tbody> </table>		£		Balance as per cash book	1078	(1)	Outstanding lodgements	(1926)	(1)		(848)		Unpresented cheque	198	(1)	Balance as per bank statement	(650)	(1)	(Award mark for figure and correct label only)			(4)
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14 (d)	<p style="text-align: center;">Award up to two marks for each advantage.</p> <p><b>Sample answers:</b></p> <ul style="list-style-type: none"> <li>(i) Enables errors in the cash book to be identified (1) and corrected(1)</li> <li>(ii) Enables errors in the bank statement to be identified (1) and notified to the bank for correction(1)</li> <li>(iii) Acts as a deterrent to fraud (1) as the bank statement is prepared by the bank (1)</li> <li>(iv) Enables missing entries in the cash book to be identified (1) and accounted for(1)</li> </ul>	(4)																					

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15	<p>Award two marks for each correct response only</p> <table><tr><td></td><td>Increase</td><td>Decrease</td><td>No effect</td></tr><tr><td>1</td><td></td><td>£680</td><td></td></tr><tr><td>2</td><td>£250 (2)</td><td></td><td></td></tr><tr><td>3</td><td></td><td>£500 (2)</td><td></td></tr><tr><td>4</td><td></td><td></td><td>No effect (2)</td></tr><tr><td>5</td><td>£1700 (2)</td><td></td><td></td></tr><tr><td>6</td><td></td><td></td><td>No effect (2)</td></tr></table>		Increase	Decrease	No effect	1		£680		2	£250 (2)			3		£500 (2)		4			No effect (2)	5	£1700 (2)			6			No effect (2)	(10)
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