

ACCOUNTING

CREDITORS' RECONCILIATIONS STATEMENT GRADE 11

CREDITORS' RECONCILIATIONS

CAPS GRADE 11

TERM 1 WEEKS 1 – 3:

Grade 10	Preparation of debtors' and creditors' lists to reconcile with the debtors' and creditors' control accounts (including errors and omissions)
Grade 11	<ul style="list-style-type: none">▪ Bank reconciliation▪ Reconciliation of statements received from creditors with accounts in Creditors' Ledger to prepare Creditors' reconciliation statements
Grade 12	Analysis and interpretation of bank, debtors' and creditors' reconciliations <ul style="list-style-type: none">▪ Reconcile creditors' statements with personal accounts▪ Reconcile debtors' lists and creditors lists with control accounts▪ Analyse and interpret debtors' age analysis▪ Analyse and interpret bank statements and bank reconciliation statements

Remember!!

From the previous lessons (Debtors control Reconciliation and Bank Reconciliation) we defined the following reconciliations as follows:

1. **Account reconciliation** is a process of comparing two sets of related records (usually balances) from different sources (accounts, systems, etc.), identifying and analyzing differences, and making corrections (if needed).
2. **Reconciliation of Control Accounts** is the process of comparing **the balance on a control account** and **the total of the debtors or creditors ledger** (subsidiary ledger). When there is a difference, the causes must be found and the necessary corrections made.
3. **Bank reconciliation** is the process of comparing and matching entries from the accounting records against those shown on a **bank statement**. The result is that any transactions in the accounting records not found on the bank statement are said to be outstanding.

To clear confusion around reconciliations, study the table below and compare it with the curriculum per grade (CAPS). Refer to the grid above.

Reconciliation statements are commonly constructed in the following situations

No	Type of Reconciliation	Records being compared		Affected Grade
1.	Debtors Control Reconciliation	Debtors Control account (nominal ledger)	Listing of balances from debtors ledger (personal ledger)	Grade 10 and repeated in 12
2.	Bank reconciliation	Bank account	Bank statement (external record)	Grade 11 and Analysis in 12
3.	Creditors' account Reconciliation Statement	Individual account in creditors ledger (personal ledger)	Monthly Statement prepared by supplier (external record)	Grade 11 and 12
4.	Creditors Control Reconciliation	Creditors Control account (nominal ledger)	Listing of balances from creditors ledger (personal ledger)	Grade 10 and 12
5.	Debtors Ageing Analysis	A listing of debtors' accounts (i.e. the amounts owing to a business), usually produced monthly, which analyses the age of the debts by splitting them into such categories as those up to 30 days , 60 days, and more than 90 days old. As a basic part of the credit control system, the analysis should be regularly examined so that any appropriate follow up action may be taken.		Grade 12

- The above two reconciliations (**debtors' control and creditors' control**) deal entirely with the firm's own records, while the **Bank and Creditors' account** deal with records maintained outside the firm.
- The final output of the reconciliation is the **Reconciliation Statement** which will throw out those differences / discrepancies between the firm's own records and external records.

Do you still remember why do we reconcile?

Reconciliations serve as a means of identifying and fixing accounting errors. We carry out a reconciliation to verify the completeness and accuracy of a particular part of the accounting records by comparing it with another record, as noted in the table above. This can also be used as a tool in the **internal control system**.

Internal Control of Creditors

Decisions regarding the selling of goods on credit

- Can the supplier provide goods on a regular basis
- Does the supplier give a trade allowance
- The payment period

- Does the supplier offer cash discounts

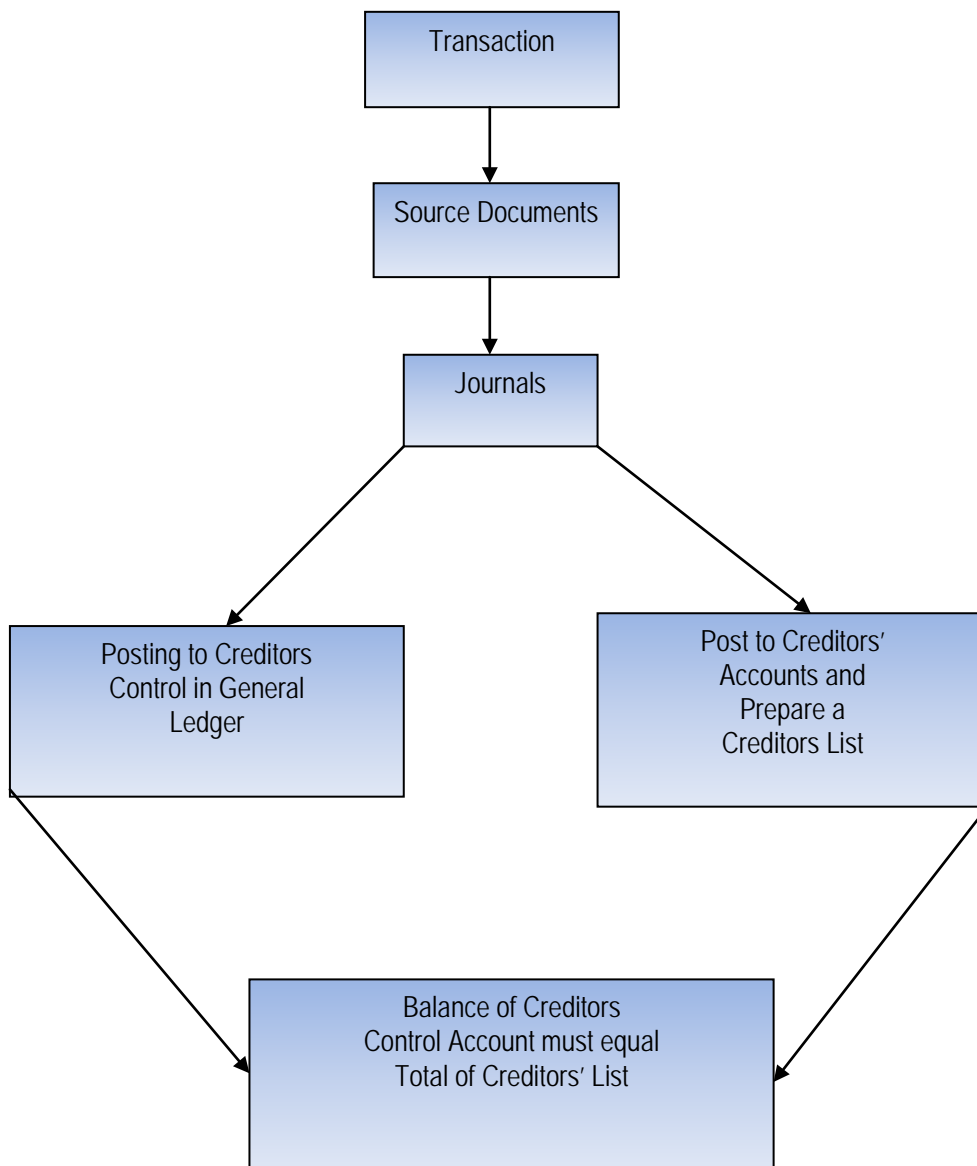
All Items received - correct documentation

- Check that goods on invoice correspond with deliveries
- Check whether any goods are damaged or wrong goods were delivered
- Send goods back to supplier with a debit note
- When frequent problems occur consider alternative supplier

Let us revise what we did in Grade 10

Remember!! Reconciling the lists of balances from the creditors ledger with with the control accounts

After preparing the the creditors control account, list of creditors will be extracted from the purchases / creditors ledger. **Reconcile the balances from the lists of creditors with the creditors control accounts** in order to uncover and locate errors in the books.



Example Activity

The following information in respect of March 2012 was obtained from the records of selby Traders:

1. Balance of creditors control on 31 March 2012, R16 571
2. Balance of list of individual creditors as per creditor's ledger, R16 702
3. Total balances from journals:

	R
Cash Payments Journal:	
Creditors column	14 326
Settlement discount received column	1 673
Purchases journal	17 350
Purchase returns journal	3 750
General journal:	
Certain accounts with debit balances transferred to debtors ledger from creditors ledger	46

In the process of reconciling the balances on the creditors control account with the list of individual balances per creditors' ledger, the following errors were discovered:

1. An invoice for R1 787 (Inv. No. 85), which had been entered correctly in the purchase journal, was entered against the account of Molly Ltd as R1 878.
2. Credit note No.70 for R60 was entered correctly in the purchase returns journal, but incorrectly posted as a credit to the account of Danny Ltd.
3. A cheque for R900 paid to T Miller was entered on the debit side of T Mill's account.
4. The total of the list of creditors' balances was overcast by R500.
5. The total of the purchases journal was undercast by R100.

Required:

1. Prepare the creditors control account as at 31 March 2012, properly balanced.
2. Reconcile the total of the list of creditors balances with the balance of the creditors control account.

Solution:

Dr	Creditors control		Cr
Bank	14 326	Balance b/d	16 571
Purchase returns	3 750	Purchase (17 350 + 100)	17 450
Balance c/d	15 991	Debtors control	46
	34 067		34 067
		Balance b/d	15 991

Creditors' Control reconciliation

	Debit	Credit
Total of the list of creditors balances	R	R 16 702
Correct invoice of No.85 (Molly Ltd) (1 878 – 1 787)	91	
Correct credit note No.70 (Danny Ltd) (R60 x 2)	120	
Correct overcasting	500	
Credit balance as per creditors control account		15 991

Note:

The above reconciliation is the **Creditors' Control Reconciliation NOT Creditors' Reconciliation Statement.**

Test Your Knowledge - (Grade 10 revision)

Activity 1

The following information was extracted from the financial records of Gracy Traders. This business uses a mark-up of 33⅓%.

REQUIRED:

- 1.1 Explain briefly why we prepare a Creditors' Control account.
- 1.2 Using the information provided prepare a Creditors' control account in the General Ledger of Gracy Traders for October 2012. Supply folio references.

INFORMATION:

- B. Summary of transactions for October 2012:

Total of the Creditors control column in the CPJ	
Payments	95 320
Discount received	4 600
Total of the Debtors' control column in the CPJ	6 800
Total of the Debtors' control column in the CRJ	
Receipts	58 790
Discount allowed	2 350
Total of the Sales column in the Debtors' Journal	127 600
Total of the Sales column in the CRJ	124 456
Total of columns in the Creditors' Journal:	
Creditors' control	72 560
Trading stock	58 700
Consumable stores	3 450
Equipment	6 800
Stationery	3 610
Total of columns in the Creditors' Allowances Journal:	
Creditors' control	8 600
Trading stock	8 150
Consumable stores	450

C The following entries have not yet been recorded:

1. Sammy Wholesalers charged Gracy Traders interest on an overdue account of R12 500. Interest was charged at 15% p.a. for 4 months.
2. A credit balance of R2 600 for Kelly Traders in the Debtors' Ledger must be transferred to his account in the Creditors' Ledger

Activity 1 answer sheet

1.1 Explain briefly why we prepare a Creditors' Control account.

GENERAL LEDGER OF GRACY TRADERS																			
Dr					Creditors' Control					Cr									

Activity 2

On 28 February 2006 a schedule of creditors extracted from Saab's purchase ledger totalled R14 042 but the balance on the Creditors control account was R14 200.

The following errors were found later:

- a. The purchase return day book had been under cast by R240.
- b. Purchase of goods on credit R1320 had not been entered anywhere in the accounts.

- c. Ahmed's credit balance of R150 had been omitted when the purchase ledger balance had been listed.
- d. Ahmed had allowed cash discount R80 to Saab. This had been entered on the wrong side of Ahmed's account but entered correctly in the cash book.
- e. The purchase returns day book showed that a credit note for R180 had been received from Elisa but it had been entered in Elisa's account as R108.

REQUIRED:

- 1. Start with original total; make the necessary adjustment to the schedule of creditors.
- 2. Start with the original balance; prepare a revised Creditors Control Account.

Activity 2 answer sheet

1.

LIST OF CREDITORS

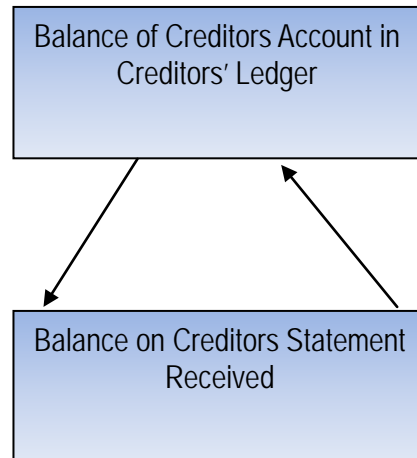
2.

GENERAL LEDGER OF GRACY TRADERS

Dr					Creditors' Control					Cr				

What is meant by Creditors' Reconciliation?

Creditors' reconciliation is the process by which **Creditor/s account** (creditor's transactions in the system) is compared and reconciled against a **monthly statement** received from the creditor. Once the two records are reconciled, the account becomes payable.



Steps to be followed when reconciling the *Creditors ledger account* and the *Creditors monthly Statement*

On monthly basis a statement showing the transactions that have taken place during the month is received from a creditor. This statement shows all the transaction that took place during the month.

This statement must be compared to the creditors ledger account to verify that the details of all invoices and other transactions on it are correct before payment is made. The following are steps followed to verify the accuracy of the monthly statement:

1. Compare the monthly statement against the creditors ledger account in the Creditors Ledger.
2. The debit column of the statement is compared to the credit side of the ledger account and the credit column on the statement is compared with the debit side of the ledger account.
3. If there are any errors or omissions in the books of the business receiving the statement, they must be corrected. verify the entry before recording
4. If the creditor made any errors (arithmetical, omissions), the business receiving the statement must notify the creditor so that the necessary corrections can be made by the creditor.
5. They can arrive at the correct balance by preparing a Creditors Reconciliation Statement.

If the *Creditors account* does not agree with the *Creditors Statement*, check the following points:

1. Invoices omitted/entered incorrectly.
2. Credit/Debit notes omitted/ entered incorrectly
3. Amounts paid/ discounts entered incorrectly, e.g. instead of R54 you have R45
4. Mathematical errors.
5. Transactions not recorded or total omission of transactions.
6. The creditor may have prepared the statement not aware of direct payments into the bank.
7. The creditor may have prepared the statement on a different date from the date on which the business receiving the statement.
8. Interest charged by creditor not taken into account.

If the above differences are experienced, it means that the two need to be reconciled, i.e. the balance as per creditors account in our creditor's ledger account and the monthly statement that we receiving from our creditor. This is done by opening the **Creditors Reconciliation Statement**.

Note:

If your account reconciliation reveals that an account balance is not correct, then you should adjust the account balance to match your supporting detail. By doing so, you can always justify your account balances. Also, always retain your reconciliation detail for each account, not only as proof, but as a starting point for account reconciliations in later periods.

Example Activities

Activity 1

Clothes Rusty received the statement from Retail Connection a creditor. There are discrepancies and the balance on their statement does not agree with the balance of their account in the Creditors Ledger.

You are required to:

Reconcile the statement with the ledger account of Clothes Rusty and prepare Creditors' Reconciliation Statement on 31 May 2012

RETAIL CONNECTION					
12 Sykes Steet Nylstroom 0414					
Tel: 014 343-4000 Fax: 014 343- 4001					
STATEMENT OF ACCOUNT					
CLOTHES RUSTY PO BOX 58 NABOOMSPRUIT 0412					
Date		Details / Doc no	Debit	Credit	Balance
May	1	Balance b/d			10 100
2012	3	Invoice: 1220	1900		12 000
	7	Invoice: 1221	3000		15 000
	11	Invoice 1230	3 500		18 500
	15	Receipt 172		18 100	400
		Discount (R8 000 x 5%)		400	-
	19	Invoice 1233	6 200		6 200
	22	Credit note 109		810	5 390
	25	Receipt 192		4 000	1 390
	27	Invoice 1239	7 000		8 390
	28	Invoice 1240	5 400		13 790
	29	Invoice 1309	5 280		19 070
90 days		60 days	30 days		Current
			R8 000		R24 280
Terms – 5% discount if paid within 30 days					

**CREDITORS LEDGER OF CLOTHES RUSTY
RETAIL CONNECTION**

Date		Details / Doc no	Fol.	Debit	Credit	Balance
May	1	Balance b/d	b/d			10 100
2012	3	Invoice: 1220	CJ		1900	12 000
	7	Invoice: 1221	CJ		3000	15 000
	11	Invoice 1230	CJ		3 500	18 500
	15	Cheque No. 1190	CPJ	18 100		400
		Discount (R8000x5%)	CPJ	400		-
	19	Invoice 1233	CJ		6 200	6 200
	22	Debit Note 109	CAJ	810		5 390
	25	Cheque No. 1192	CPJ	4 000		1 390
	27	Invoice 1239	CJ		7 000	8 390
	28	Invoice 1240	CJ		4 500	12 890
	29	Invoice 1311	CJ		3000	15 890
	30	Cheque No. 1194	CPJ	7 000		8 890

Activity 1: Answer sheet

CREDITORS' RECONCILIATION STATEMENT ON 31 MAY 2012	
RETAIL CONNECTION	R
Balance	

Activity 1: Solution

CREDITORS' RECONCILIATION STATEMENT ON 31 MAY 2012	
RETAIL CONNECTION	R
Balance per Creditors' Statement on 31 May 2012 Debit	19 070
Add Invoice not reflected on statement: Invoice No. 1311	3 000
Less: Invoice on statement but not in Creditors Ledger: Invoice No. 1309	5 280.00
Payment not reflected on statement: Dated 29 May 2012	7 000.00
Amount overpaid on statement Invoice 1240 (R5 400 – 4 500 = 900)	900.00
Balance per Creditors Ledger Account on 31 July 2012	8 890.00

Activity 2

Molly's Market received the statement from Bulk Food Suppliers a creditor. The balance on their statement does not agree with the balance of their account in the Creditors Ledger.

You are required to:

Reconcile the statement with the ledger account of Molly's Market and prepare:

- Creditors' Reconciliation Statement on 31 July 2012
- Creditors Ledger Account on 31 July 2012

BULK FOOD SUPPLIES

422 Denver road
Johannesburg 2071

Tel: 011 343-4000
Fax: 011 343-4001

STATEMENT OF ACCOUNT

MOLLY'S MARKET
PO BOX 558
JOHANNESBURG 2099

Date		Detail / Doc. No.	Debit R	Credit R	Balance R
July	1	Balance b/d			20 000
2012	4	Credit Note 113		500	19 500
	10	Invoice: 1229	400		19 900
	17	1230	3 636		23 536
	19	1231	100		23 636
	18	Receipt No. 771		21 500	2 136
	20	Discount (2 000 x 5%)		100	2 036
	27	Invoice: 1239	1 000		3 036
90 days		60 days	30 days		Current
			R2 000		R3 136
Terms - 5% discount if paid within 30 days					

CREDITORS LEDGER OF MOLLY'S MARKET BULK FOOD SUPPLIERS

Date		Detail / Doc. No.	Fol.	Debit R	Credit R	Balance R
July	1	Balance	b/d			20 000
2012	4	Debit Note 439	CAJ	500		19 500
	10	Invoice: 1229	CJ		400	19 900
	17	1230	CJ		3 636	23 536
	19	1231	CJ		100	23 636
	18	Cheque No. 771	CPJ	21 500		2 136
	20	Discount (2 000 x 5%)	CPJ	100		2 036
	28	Invoice No 1330	CJ		2 000	4 036
	29	Cheque No. 799	CPJ	2 500		1 536
		Debit note: No 441	CAJ	800		736

Activity 2: Answer sheets

(a)

CREDITORS' RECONCILIATION STATEMENT ON 31 JULY 2012	
BULK FOOD SUPPLIES	R
Balance	

(b)

CREDITORS' LEDGER ACCOUNT ON 31 JULY 2012	
BULK FOOD SUPPLIES	R
Balance	

Activity 2: Solution

(a)

CREDITORS' RECONCILIATION STATEMENT ON 31 JULY 2012	
BULK FOOD SUPPLIES	R
Balance per Creditors' Statement on 31 July 2012 Debit	3 036
Add Invoice not reflected on statement: Invoice No. 1330	2 000
Less: Invoice on statement but not in Creditors Ledger: Invoice No. 1239	1 000
Payment not reflected on statement: Dated 29 July 2012	2 500
Returns not reflected on statement: Debit note No. 441	800
Balance per Creditors Ledger Account on 31 July 2012	736

(b)

CREDITORS' LEDGER ACCOUNT ON 31 JULY 2012	
BULK FOOD SUPPLIES	R
Balance per Creditors' Leger Account 31 July 2012 Debit	736
Add: Invoice on statement but not in Creditors Ledger: Invoice No. 1239	1 000
Payment not reflected on statement: Dated 29 July 2012	2 500
Returns not reflected on statement: Debit note No. 441	800
Less: Invoice not reflected on statement: Invoice No. 1330	2 000
Balance per Creditors Statement on 31 July 2012	3 036

Test Your Knowledge

Activity 1

Bingo Traders received a statement from a creditor, Pacific Wholesalers at the end of March 2012. The balance on the statement does not agree with the account in the Creditors' Ledger of Bingo Traders.

REQUIRED:

Use the given information to prepare a Creditors' Reconciliation Statement on 31 March 2012 to calculate the correct amount owing by Bingo Traders to Pacific Wholesalers.

INFORMATION:

PACIFIC WHOLESALERS				
STATEMENT OF ACCOUNT				
Bingo Traders PO Box 24 BELLVILLE 9000		Statement date: 28 March 2012		
		Debit	Credit	Balance
01-March	Brought forward			15 300
02-March	Invoice no. 389	8 500		23 800
09-March	Receipt no. 120		5 000	18 800
15-March	Invoice no. 411	7 885		26 685
20-March	Credit note no. 56		1 000	25 685
24-March	Invoice no. 445	4 580		30 265

**CREDITORS' LEDGER OF BINGO TRADERS
PACIFIC WHOLESALERS**

Date	Details	Fol	Debit	Credit	Balance
01-March	Balance	b/d			15 300
02-March	Invoice no. 389			5 800	21 100
06-March	Cheque no. 1 250		5 000		16 100
06-March	Discount		500		15 600
15-March	Invoice no. 411			7 885	23 485
20-March	Dedit note no. 21		1 500		21 985
24-March	Invoice no. 445			4 580	26 565
30-March	Cheque no. 1 900		8 000		18 565
30-March	Discount		800		17 765

Additional information:

1. Bingo Traders made the error in processing invoice no. 389
2. Pacific Wholesalers should have granted 10% discount on 6 March
3. There was a disagreement on the goods returned on 20 March 2012. Bingo Traders cannot prove that Pacific Wholesalers have made the mistake.

Activity 1: Answer sheet

CREDITORS' RECONCILIATION STATEMENT

Balance	

CREDITORS' LEDGER ACCOUNT

Balance	

Activity 2

REQUIRED

Zizi Traders has received the statement from Peter's Suppliers, a creditor. The balance on their statement does not agree with the balance of their account in the Creditors Ledger. Reconcile the statement with the ledger account of Peter's Suppliers.

INFORMATION:

PETER'S SUPPLIERS 100 Dey Road Rosettenville 0112					
STATEMENT OF ACCOUNT					
ZIZI TRADERS PO BOX 5550 JOHANNESBURG					
Date	Details / Doc no		Debit	Credit	Balance
Feb	25	Account rendered			28 140
	26	Invoice 061	4 560		32 700
	28	Invoice 098	11 100		43 800
Mar	2	Invoice 110	22 200		66 000
	8	Invoice 208	6 300		72 300
	18	Receipt R880		41 610	30 690
	25	Invoice 309	2 250		32 940
90 days		60 days	30 days	Current	
			2 190	27 960	
Terms – 5% discount if paid within 14 days					

**CREDITORS LEDGER OF ZIZI TRADERS
PETER'S SUPPLIERS**

Date		Details	Fol	Debit	Credit	Balance
Mar	1	Balance				43 800
	4	Invoice 110	CJ		20 220	64 020
	10	Cheque	CPJ	41 610		22 410
		Discount (43 800 x 5%)	CPJ	2 190		20 220
	11	Invoice 208	CJ		5 670	25 890
	27	Invoice 401	CJ		9 000	34 890

ADDITIONAL INFORMATION:

- 1 The cheque sent by Zizi Traders on 10 March to settle the account was not received by Peter's Suppliers within 14 days and therefore they did not allow the discount.
- 2 Refer to Invoice 110. The amount was correctly recorded in Zizi's books.
- 3 Refer to Invoice 208. Peter's Suppliers did not deduct 10% trade discount as per agreement. Zizi Traders erroneously recorded an amount of R5 670 after they have deducted the 10% discount in the Creditors' Journal and posted it accordingly.

Activity 2: Answer Sheet

RECONCILIATION STATEMENT: PETER'S SUPPLIERS

	Debit	Credit	Balance

CREDITORS' LEDGER ACCOUNT: PETER'S SUPPLIERS

	Debit	Credit	Balance

Activity 3

REQUIRED

Pets Traders has received the statement from Cobra Wholesalers, a creditor. The balance on their statement does not agree with the balance of their account in the Creditors Ledger.

Reconcile the statement with the ledger account of Cobra Wholesalers.

INFORMATION

COBRAS WHOLESALERS

**52 Snake Road
Thabazimbe
0112**

STATEMENT OF ACCOUNT

PETS TRADERS
PO BOX 2320
JOHANNESBURG

Date		Details / Doc no	Debit	Credit	Balance
Sep	25	Account rendered			9 800
	27	Invoice 403	2 320		12 120
	30	Invoice 489	1 950		14 070
Oct	2	Invoice 532	5 320		19 390
	7	Invoice 592	6 600		25 990
	10	Receipt R891		8 000	17 990
	15	Invoice 620	240		18 230
	20	Receipt R932		240	17 990
	25	Interest	45		18 035
90 days		60 days	30 days	Current	
			1 800	16 235	
Terms – Strictly 30 days 5% discount if paid within 7 days 2½% interest on overdue accounts					

CREDITORS LEDGER OF PETS TRADERS COBRA WHOLESALERS

Date		Details	fol	Debit	Credit	Balance
Oct	1	Balance				14 070
	6	Cheque 421	CPJ	8 000		6 070
	7	Invoice 532	CJ		5 230	11 300
	10	Debit note DN18	CAJ	200		11 100
	14	Invoice 592	CJ		6 600	17 700
	28	Invoice 684	CJ		2 700	20 400

Additional information:

1. Refer to Invoice 532. The amount on the statement received from Cobra Wholesalers is correct.
2. Refer to Invoice 620. The owner bought goods for personal use. He paid with a personal cheque.

Activity 3: Answer Sheet

CREDITORS' RECONCILIATION STATEMENT

Balance	

CREDITOR'S LEDGER ACCOUNT

Balance	

Activity 4

REQUIRED:

Ameen Traders has received the statement from Elsie's Wholesalers, a creditor. The balance on their statement does not agree with the balance of their account in the Creditors Ledger.

Reconcile the statement with the ledger account of Elsie's Wholesalers

INFORMATION:

ELSIE'S WHOLESALERS

**100 Dey Road
ELSIE'S RIVER
0112**

STATEMENT OF ACCOUNT

AMEEN TRADERS
PO BOX 5550
JOHANNESBURG

Date		Details / Doc no	Debit	Credit	Balance
May	1	Account rendered			21 480
	5	Receipt 702		12 000	9 480
		Discount		600	8 880
	7	Invoice 945	3 700		12 580
	11	Invoice 1014	8 200		20 780
	17	Credit note 419		810	19 970
	19	Invoice 1323	7 800		27 770
	22	Invoice 1495	4 700		32 470
	25	Invoice 1509	5 280		37 750
Terms - 60 days					
- 5% discount if paid within 30 days					
Credit limit: R25 000					

CREDITORS' LEDGER OF AMEEN TRADERS ELSIE'S WHOLESALERS

Date		Details	fol	Debit	Credit	Balance
May	1	Balance				9 480
	7	Invoice 945			3 700	13 180
	11	Invoice 1014			8 200	21 380
	15	Debit note 334		900		20 480
	22	Invoice 1323			7 800	28 280
	23	Debit note 424		780		27 500
	27	Invoice 1509			5 280	32 780
		Debit note 518		1 280		31 500
	30	Cheque 2197		8 436		23 064
		Discount		444		22 620

Additional information

1. Debit Note 334 issued on 15 May was subject to trade discount of 10%. Ameen Traders neglected to deduct the trade discount. Received Credit Note 419 from Elsie's Wholesalers.
2. Debit Note 424 was for goods returned to Elsie's Wholesalers.
3. Invoice 1495 was erroneously charged to Ameen Traders. These goods were not ordered or received by Ameen Traders.
4. Goods to the value of R1 280 were not supplied as per Invoice 1509. Issued Debit Note 518.

Activity 4: Answer Sheet

CREDITORS' RECONCILIATION STATEMENT: ELSIE'S WHOLESALERS

	Debit	Credit	Balance

CREDITORS' LEDGER ACCOUNT: AMEEN TRADERS

	Debit	Credit	Balance

Can You Administer Creditors Accounts using different Source Documents?

Remember, an efficient creditors' accounts process will include collation of all documents when they are received. This involves matching of purchase orders, invoices and statements to ensure that payments are made on time and are not doubled up. Each supplier invoice must be checked for accuracy before it is entered into the accounting system. Verification should also be made that invoiced amounts are correct, accounts charged are correct, object coding is correct, and payment has not already been made. This can also be used as a tool in the internal control system

Example Activity

Activity 1

Conny and Sons approached you when their inexperienced creditors' clerk left due to poor health. When the creditors clerk left at the end of the month with the understanding that all the work was up to date only to find that all the source documents of one supplier, Timmy Wholesalers, were not recorded in the subsidiary journals. The journals were completed by Conny and Sons however they have requested that you have to complete the Creditors Ledger and to complete the reconciliation with the Statement received from Timmy Wholesalers

REQUIRED:

- 1.1 Make use of the given source documents to record the entries in the account of Timmy Wholesalers in the Creditors Ledger of Conny and Sons. (.....)
- 1.2 Reconcile the Statement received from Timmy Wholesalers with the Conny and Sons creditors' ledger and complete the necessary entries in the creditors' ledger. (.....)
- 1.3 Prepare the Creditors Reconciliation Statement on 28 February 2013. (.....)
- 1.4 How will you correct the discount that Conny and Sons claimed for early payment and that Timmy Wholesalers did not agreed upon?
 - (a) Which journal will you use to cancel the claimed discount? (02)
 - (b) Indicate the double entry to cancel the claimed discount (04)
- 1.5 Scenario: Kima Stores bought goods on credit from Stars Wholesalers for R2 000. Kima Stores paid the full amount of R2000 without claiming the 10 % discount for early payment of R200. Star Wholesalers decided to refund the discount allowed of R200. **How will you correct the refund as Discount received in the Creditors Ledger?**

TRANSACTIONS BETWEEN TIMMY WHOLESALERS AND CONNY AND SONS.

Note:

The amount owing to Timmy Wholesalers was the only entry in the Creditors Ledger of Conny and Sons on 1 February 2013.

A. Make use of the following information and source documents to complete the creditors' ledger account of Timmy Wholesaler:

1. Received the invoice 125 from the supplier (creditor) for goods purchased on credit. (Invoice 125 renumbered to 13 by Conny and Sons)

(TAX NO: 456123)		TIMMY WHOLESALERS		NO 125
		45 Alrode Street JOHANNESBURG 2000		
		INVOICE		no 13
TO: Conny and Sons Roper Street Brooklyn Pretoria 0821		DATE: 3 February 2013		
Quantity	Description	Unit price	Amount	
60	Rain Coats	R40	R 2 400	
E. & O.E.			TOTAL	
Term: 60 days 10% discount paid within 14 days			R 2 400	
<u>Conny Tashabala</u> Client's signature				

2. Conny and Sons issued a debit note to Timmy Wholesalers for the 20% trade discount that was omitted from Invoice no 125.

DEBIT NOTE			
TO: Timmy Wholesalers 45 Allrode Street Johannesburg 2000		No.30 4 February 2013	
Debited by: CONNY AND SONS			
Quantity	Description	Price	Amount
-	20 % trade discount omitted from invoice no 125, dated 3 February (R 2400 x20%)	-	480
E. & O.E.			
<u>Conny Tashabala</u> Signature			

Timmy Wholesalers accepted the debit note and sent a credit note to acknowledge the claim and made the

appropriate adjustment in their books.

- Conny and Sons issued a cheque no 999 to qualify for the 10% discount for early payment within 14 days. The following information is recorded on the cheque counterfoil:

Cheque counterfoil

Date: 8 February 2013
 No. 999
 To: Timmy Wholesalers .
 For: Payment of account
 This cheque: R3 528
 Discount: R392.
 (2000 + 1920 = 3920 x 10%)

- Received the invoice 131 from the supplier(creditor) for goods purchased on credit.

(TAX NO: 456123)	TIMMY WHOLESALERS 45 Alrode Street JOHANNESBURG 2000	NO 131	
INVOICE		no 17	
TO: Conny and Sons Roper Street Brooklyn Pretoria 0821		DATE: 9 February 2013	
Quantity	Description	Unit price	Amount
90	Rain Coats	R40	R 3 600
Less 20% Trade discount			(R 720)
TOTAL			R2 880
E. & O.E. Term: 60 days 10% discount paid within 14 days <u>ConnyTashabala</u> Client's signature			

Trade discount will not be recorded in Conny and Sons books, only the decreased amount

- Included in the rain coats delivered, 5 raincoats were damaged. Conny and Sons sent the damaged stock and debit note no 35 to Timmy Wholesalers on 13 February 2013.

DEBIT NOTE			
TO: Timmy Wholesalers 45 Allrode Street Johannesburg 2000		No.35 13 February 2013	
Debited by: CONNY AND SONS			
Quantity	Description	Price	Amount
5	Raincoats damaged	R40	200
	- 20% Trade discount		(R40)
	TOTAL		R160
E. & O.E. <i>ConnyTashabala</i> Signature			

Timmy Wholesalers accepted the debit note that accompanied the damaged raincoats and sent a credit note to acknowledge the return and made the appropriate adjustment in their books.

6. Received the invoice 160 from the Timmy Wholesalers for goods purchased on credit.

(TAX NO: 456123)		TIMMY WHOLESALERS		NO 160	
		45 Alrode Street JOHANNESBURG 2000		no33	
TO: Conny and Sons Roper Street Brooklyn Pretoria 0821		INVOICE		DATE: 20 February 2013	
Quantity	Description	Unit price	Amount		
70	Rain Coats	R40	R 2 800		
	Less 20% Trade discount		(R 560)		
	TOTAL		R 2 240		
E. & O.E. Term: 60 days. 10% discount paid within 14 days <i>ConnyTashabala</i> Client's signature					

7. Conny and Sons issued a cheque no 1088 to qualify for the 10% discount for early payment within 14 days. The following information appeared on the cheque counterfoil:

Cheque counterfoil

Date:	24 February 2013
No.1088	
To:	Timmy Wholesalers
For:	Payment of account
This cheque:	R4464
Discount:	R496.
2882-160= 2720 +2240=4960 x10%=496	

8. Received the invoice 203 from the Timmy Wholesalers for goods purchased on credit.

(TAX NO: 456123)		TIMMY WHOLESALERS		NO 203	
		45 Alrode Street JOHANNESBURG 2000			
		INVOICE		no44	
TO: Conny and Sons Roper Street Brooklyn Pretoria 0821		DATE: 24 February 2013			
Quantity	Description	Unit price	Amount		
65	Rain Coats	R55	R 3 578		
			Less 20% Trade discount		(R 715)
			TOTAL		R 2 863
E. & O.E. Term: 60 days. 10% discount paid within 14 days <u>Conny Tshabala</u> Client's signature					

9. Received the invoice 240 from the Timmy Wholesalers for goods purchased on credit.

(TAX NO: 456123)	TIMMY WHOLESALERS		NO 240
	45 Alrode Street JOHANNESBURG 2000		
	INVOICE		no49
TO: Conny and Sons Roper Street Brooklyn Pretoria 0821 2013			DATE: 28 February
Quantity	Description	Unit price	Amount
80	Rain Coats	R40	R 3 200
		Less 20% Trade discount	(R 640)
		TOTAL	R 2 560
E. & O.E. Term: 60 days. 10% discount paid within 14 days <u>ConnyTshabalala</u> Client's signature			

- B. Make use of the previous month's reconciliation to ensure that all outstanding entries on the statement of January do appear in the current statement received from Timmy Wholesalers.

SONNY AND SONS RECONCILIATION STATEMENT OF THE ACCOUNT OF TIMMY WHOLESALERS AS AT 31 January 2013		
	Debit +	Credit -
Debit balance as per statement	2 440	
Late payments after 25 January 2013		3 000
Outstanding invoice 102 issued after 25 January 2013	2 560	
Credit balance as per creditors ledger		2 000
	5 000	5 000

- C. Study the Statement of account received from Timmy Wholesalers carefully and completes the necessary entries in the creditors' ledger of Sonny and Sons and completes the Creditors Reconciliation Statement on 28 February 201

(TAX NO: 456123)

TIMMY WHOLESALERS

NO 111

45 Alrode Street
JOHANNESBURG 2000

STATEMENT OF ACCOUNT

TO: Conny and Sons
Roper Street
Brooklyn
Pretoria 0821

DATE: 25 February 2013

Agreement : 60 days
10% discount on settlement of account within 14 days of purchased

Date	Description		Debit	Credit	Balance
26 -01-2013	Balance brought forward				2 440
27-01-2013	Invoice 102		2 560		5 000
28-01-2013	Receipt no 533			3 000	2 000
3-02-2013	Invoice 125		2 400		4 400
4-02-2013	Credit note C66			480	3 920
8-02-2013	Receipt 575			3528	392
8-02-2013	Receipt 575 - Discount			392	-
9-02-2013	Invoice 130		1 400		1 400
9-02-2013	Invoice 131		2 880		4 280
13-02-2013	Credit note C72			160	4 120
20-02-2013	Invoice 160		2 420		6 540
24-02-2013	Receipt 593			4 464	2 076
	Receipt 593			224	1 852
24-02-2013	Invoice 203		2 863		4 715
25-02-2013	Credit note C 91			780	3 935

Reminder: Conny and Sons is a debtor in the books of the Timmy Wholesalers

ADDITIONAL INFORMATION:

1. Conny and sons did not order the goods reflected on Invoice 130. After discussions with the supplier it was realized that the invoice no 130 was for goods purchased by another client, Bonny and Sons.
2. Timmy Wholesalers issued Credit Note 91 for the overcharging on Invoice 203. The quoted price was R40 per unit and charged incorrectly as R55 per unit. Conny and Sons issued a debit note 41 on 28 February for the overcharge.
3. Timmy Wholesalers did not allow the discount of R496 because invoice 131 was not paid within 14 days.

Activity Answer sheet

1.1 REQUIRED:

- 1.1 Make use of the given source documents to record the entries in the account of Timmy Wholesalers in the Creditors Ledger of Conny and Sons. (.....)
- 1.2 Reconcile the Statement received from Timmy Wholesalers with the Conny and Sons creditors' ledger and complete the necessary entries in the creditors' ledger. (.....)

CREDITORS LEDGER OF CONNY AND SONS TIMMY WHOLESALERS

C 101

Date		Code	Document	Fol	Debit	Credit	Balance
2013	1		Account rendered				2 000
Feb							

1.3 Prepare the Creditors Reconciliation Statement on 28 February 2013. (.....)

SONNY AND SONS RECONCILIATION STATEMENT OF THE ACCOUNT OF TIMMY WHOLESALERS AS AT 28 FEBRUARY 2013		
	Debit +	Credit -

1.4 How will you correct the discount that Conny and Sons claimed for early payment and that Timmy Wholesalers did not agree upon?	
(a)	Which journal will you use to cancel the claimed discount? (02)
(b)	Indicate the double entry to cancel the claimed discount (04)
	1. Account debited:
	2. Account credited:

1.5 Scenario: Kima Stores bought goods on credit from Stars Wholesalers for R2 000. Kima Stores paid the full amount of R2000 without claiming the 10 % discount for early payment of R200. Star Wholesalers decided to refund the discount allowed of R200. How will you correct the refund as Discount received in the Creditors Ledger?

REQUIRED:

Show the correction of the refund in the account of Star Wholesalers in the Creditors Ledger, in the Creditors Control account and in the Discount received account in the General Ledger.

Refer to the following records below:

STAR WHOLESALERS

NO

113

23 Heather Street

PRETORIA 2000

STATEMENT OF ACCOUNT

TO: Kima Stores

DATE: 25

January 2013

Agreement : 60 days**5% discount on settlement of account within 30 days of purchased**

Date	Description	Debit	Credit	Balance
01-01-2013	Balance brought forward			0
15-01-2013	Invoice 60	2 000		2 000
20-01-2013	Receipt no 58		2 000	0
20-01-2013	Cheque no 101 (refunded the discount allowed)	200		200

CREDITORS LEDGER OF KIMA STORES**STAR WHOLESALERS**

C 10

Date	Document	Fol	Debit	Credit	Balance
2013 Jan	1 Account rendered				0
	15 Invoice 05 (renumbered)	CJ		2 000	2 000
	20 Cheque 22	CPJ	2 000		0
	20 Receipt 30 (refund for discount received)	CRJ		200	200

GENERAL LEDGER OF KIMA STORES

DR		CREDITORS CONTROL ACCOUNT					CR		
2013 Jan	20	Bank and Discount	CPJ	2 000	2013 Jan	15	Sundry Purchases	CJ	2 000
						20	Bank (refund)	CRJ	200

DR		DISCOUNT RECEIVED ACCOUNT					CR	

Solution:

1.1 REQUIRED:

- 1.1 Make use of the given source documents to record the entries in the account of Timmy Wholesalers in the Creditors Ledger of Conny and Sons.
- 1.2 Reconcile the Statement received from Timmy Wholesalers with the Conny and Sons creditors' ledger and complete the necessary entries in the creditors' ledger.

**CREDITORS LEDGER OF CONNY AND SONS
TIMMY WHOLESALERS**

C 101

Date		Code	Document	Fol	Debit	Credit	Balance
2013	1		Account rendered				2 000
Feb							
	3		Invoice 13	CJ		2 400	4 400
	4		Debit note 30	CAJ	480		3 920
	8		Cheque 999	CPJ	3 528		392
			Cheque 999 (Discount received)	CPJ	392		-
	9		Invoice 17	CJ		2 880	2 880
	13		Debit note 35	CAJ	160		2 720
	20		Invoice 33	CJ		2 240	4 960
	24		Cheque 1088	CPJ	4 464		496
			Cheque 1088-(Discount received)	CPJ	496		-
	24		Invoice 44	CJ		2 863	2 863
	28		Invoice 49	CJ		2 560	5 423
			Journal voucher/narration cancel discount on payment after 14 days	GJ		272	5 695
			Debit note 41	CAJ	780		4 915

- 1.3 Prepare the Creditors Reconciliation Statement on 28 February 2013

SONNY AND SONS		
RECONCILIATION STATEMENT		
OF THE ACCOUNT OF TIMMY WHOLESALERS AS AT 28 FEBRUARY 2013		
	Debit +	Credit -
Debit balance as per statement	3 935	
Late payments after 25 February 2013		
Invoice wrongly debited		1 400
Amount on Invoice 160 was recorded incorrectly – overcastted (2 420 -2 240)		180
Outstanding invoice 49 issued after 25 February 2013	2 560	
Credit balance as per creditors ledger		4 915
	6 495	6 495

1.4 How will you correct the discount that Conny and Sons claimed for early payment and that Timmy Wholesal did not agreed upon?	
(a)	(a) Which journal will you use to cancel the claimed discount? (02) General Journal
(b)	(b) Indicate the double entry to cancel the claimed discount (04) 1. Account debited: Discount Received 2.Account credited: Creditors control ✓✓

- 1.5 **Scenario:** Kima Stores bought goods on credit from Stars Wholesalers for R2 000. Kima Stores paid the full amount of R2000 without claiming the 10 % discount for early payment of R200. Star Wholesalers decided to refund the discount allowed of R200. **How will you correct the refund as Discount received in the Creditors Ledger?**

REQUIRED:

Show the correction of the refund in the Creditors Ledger.

**CREDITORS LEDGER OF KIMA STORES
STAR WHOLESALERS**

C 10

Date		Document	Fol	Debit	Credit	Balance
2013 Jan	1	Account rendered				0
	15	Invoice 05 (renumbered)	CJ		2 000	2 000
	20	Cheque 22	CPJ	2 000		0
	20	Receipt 30 (refund for discount received)	CRJ		200	200
		General Journal voucher- transfer the amount to Discount Received)	GJ	200		0

GENERAL LEDGER OF KIMA STORES

DR		CREDITORS CONTROL ACCOUNT						CR	
2013 Jan	20	Bank and Discount	CPJ	2 000	2013 Jan	15	Sundry Purchases	CJ	2 000
		Journal debits (transfer of refund to Discount received)	GJ	200		20	Bank (refund)	CRJ	200

DR		DISCOUNT RECEIVED ACCOUNT						CR	
					2013 Jan	31	Creditors Control/ Star wholesalers	GJ	200

Test Your Knowledge

Activity 1

Our Purchase Order (requisition number) number 25144 was sent to Moore's Toy Emporium on 1 January 2012 ordering the following goods:

- 5 containers of wooden blocks @ R25 each;
- 1 wooden rocking horse @ R300;
- 15 Magnetic sets @ R8 each; and
- 4 outdoor play mats @ R24 each (all prices quoted are VAT exclusive).

The credit agreement that we signed with Moore's Toy Emporium last year allowed for a Trade discount of 5% on all orders over R500.

Moore's Toy Emporium Pty Ltd			
			No. 369
INVOICE			
Sale to :			
Inner Eastern Group Training Inc.			
PO Box 28			
Box Hill North, 3128		10 January 2012	
Purchase Order no 2514		Terms 30 days	
Quantity	Description	Unit price	Amount
1	Wooden rocking horse	300.00	300.00
5	Wooden block containers	25.00	150.00
10	Magnetic sets	10.00	100.00
4	Outdoor play mats	24.00	96.00
			646.00
	Trade Discount		0.00
	VAT @ 14%		90.44
	Balance Due		736.44
Note 5 Magnetic sets have been placed on backorder.			

The invoice **No. 369** was re-sent with the correct amount owing – we received this on 26 January. The **balance we owed at the start of January was R205.00**, and the other invoices that we received from Moore's during the month were: 8 Jan **invoice 345** R600.00 and 20 Jan **invoice 378** R1 205.55. Our banking records show we made a payment to Moore's via direct debit on 27 Jan for R853.95

Moore's Toy Emporium Pty Ltd

STATEMENT

Inner Eastern Group Training Inc.
PO Box 28
Box Hill North, 3128

31 January 2012

Date		Details / Doc no	Debit	Credit	Balance
Jan	8	Invoice 345	600.00		600.00
	10	Invoice 369	736.44		1 336.44
	16	Invoice 373	230.00		1 566.44
	27	Invoice 378	1255.55		2 821.99
		Balance owing			2 821.99

Bank account details for Direct Debit payment:
FNB 036528 Account number 15263 5874
Please forward remittance to accounts@moorestoy.com

Required:

1. Read the transaction above and identify the discrepancies on the information given and invoice No. 369.
2. Show the workings to correct the balance as per invoice No. 369. Remember, invoice No. 369 needs to be re-sent with the correct amount owing.
3. After the invoice No. 369 was corrected and resent, prepares the Creditors Account of **Inner Eastern Group Training Inc.**
4. Reconcile the monthly statement of account received from Moore's Toy Emporium at the end of January with the creditors account.

Activity 1: Answer sheet

1. Identify the discrepancies on invoice No. 369.

2. Show the workings to correct the balance as per invoice No. 369.

**CREDITORS LEDGER OF CONNY AND SONS
INNER EASTERN GROUP TRAINING INC.**

Date		Code	Document	Fol	Debit	Credit	Balance
2012 Jan.	1		Amount owed				R205.00

CREDITORS' RECONCILIATION STATEMENT ON 31 JANUARY 2012

Balance	

Activity 2

Elsie Seloma placed orders at **Sock's Clothing Boutique** and she produces a purchase orders for each requisition. Elsie received the monthly statement from Sock's Clothing Boutique to reconcile with the creditors account . Study the given purchases orders / requisition form and invoices and prepare the following:

1. Identify the discrepancies from the invoices compared with the purchases orders (requisition forms).
2. Show the workings to correct the both invoices.
3. From the corrected invoices and the cheque payment listing (source documents), prepare the Creditors Account of Elsie Seloma.
4. Compare the creditors' ledger account with the monthly statement and prepare the Creditors Reconciliation Statement.

Sock's Clothing Boutique			
		PURCHASES ORDER	No. 0569 20 January 2012
Ordered by: Elsie Seloma Inner Eastern Shopping Centre PO Box 28 Winchester Hills , 2091		Delivered to: Elsie Seloma Inner Eastern Shopping Centre 26 Paulsen Street Winchester Hills , 2091	
Quantity	Description	Unit price	Amount
10	Summer dresses	300.00	3 000.00
5	Shirts	25.00	125.00
20	Pants	100.00	2 000.0
			5 125.00
	Less Trade Discount 10%		512.50
			4 612.50
	VAT @ 14%		645.75
	Balance Due		5 258.25
Terms: 30 days – 10% discount			

Sock's Clothing Boutique		No. 2596	
INVOICE			
Elsie Seloma Inner Eastern Shopping Centre.. PO Box 28 Winchester Hills , 2091		20 January 2012	
Purchase Order No 0569			
Quantity	Description	Unit price	Amount
10	Summer dresses	300.00	300.00
5	Shirts	25.00	150.00
20	Pants	100.00	2 000.00
			2 450.00
	Less Trade Discount 10%		245.00
			2 205.00
	VAT @ 14%		308.70
	Balance Due		2 513.70
Terms: 30 days – 10% discount			

Sock's Clothing Boutique		No. 0579	
PURCHASES ORDER			
Ordered by: Elsie Seloma Inner Eastern Shopping Centre. PO Box 28 Winchester Hills , 2091		Delivered to: Elsie Seloma Inner Eastern Shopping Centre. 26 Paulsen Street Winchester Hills , 2091	
		30 January 2012	
Quantity	Description	Unit price	Amount
10	Skirts	200.00	2 000.00
10	T Shirts	50.00	500.00
20	Hats	50.00	1 000.00
			3 500.00
	Less Trade Discount 10%		350.00
			3 150.00
	VAT @ 14%		441.00
	Balance Due		3 591.00
Terms: 30 days – 10% discount			

Sock's Clothing Boutique

No. 2599

INVOICE

Elsie Seloma
 Inner Eastern Shopping Centre..
 PO Box 28
 Winchester Hills , 2091

04 February 2012

Purchase Order NO: 0579

Quantity	Description	Unit price	Amount
1 0	Skirts	200.00	2 000.00
10	T Shirts	50.00	450.00
20	Hats	50.00	900.00
			3 350.00
	Less Trade Discount 10%		335.00
			3 015.00
	VAT @ 14%		422.10
	Balance Due		3 437.10

Terms: 30 days – 10% discount

CHEQUE PAYMENT LISTING

Date	Cheque No.	Amount
23/01/2012	Chq No: 113	R7 500.00
26/01/2012	Chq No: 119	R500
02/02/2012	Chq No: 122	R5 000
10/02/2012	Chq No: 125	R1 000
20/02/2012	Chq No: 129	R1 000
	Total	R15000

Sock's Clothing Boutique

222 Denver road
Johannesburg 2091

No. 259

STATEMENT OF ACCOUNT

Elsie Seloma
Inner Eastern Shopping Centre..
PO Box 28
Winchester Hills , 2091

20 February 2012

Date		Detail / Doc. No.	Debit R	Credit R	Balance R
Jan.	20	Balance b/d			8 000.00
2012	23	Receipt 113		7 500	500.00
	26	Receipt 119		500	0
	27	Invoice: 2596	2 513.70		2 513.70
	30	Invoice: 2599	3 437.10		5 950.80
Feb.	2	Receipt 122		5 000.00	950.80
		Discount (5 000 x 10%)		500.00	450.80
	5	Invoice: 2607	5 000.00		5 450.80
	7	Credit note no. 561		600	4 850.80
	10	Receipt 125		1 000.00	3 850.80
		Discount (1 000 x 10%)		100.00	3 750.80
	20	Receipt No. 129		1 000.00	2 750.80
		Discount (1 000 x 10%)		100.00	2 650.80
Terms – 10% discount if paid within 30 days					

Activity 2 : Answer sheet

1. Identify the discrepancies on the invoice No. 2596 and No. 2599

2. Show the workings to correct the balance as per invoice No. 2596 and No. 2599

3. Creditors Account

**CREDITORS LEDGER OF CONNY AND SONS
ELSIE SELOMA**

Date		Code	Document	Fol	Debit	Credit	Balance
2012	20		Balance	b/d			8 000.00
Jan.							

CREDITORS' RECONCILIATION STATEMENT ON 31 JANUARY 2012

Balance	