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| **Topic Overview** |
| **Topic** | BAFS Elective Part - Accounting Strand – Financial AccountingA03: Bank Reconciliation Statement and Correction of Errors |
| **Level** | S5 / S6 |
| **Duration** | 3 lessons (40 minutes per lesson)  |

**Learning Objectives:**

1. To explain the functions of a bank reconciliation statement;
2. To identify reasons for discrepancies between cash book and bank statement balances and prepare a bank reconciliation statement;
3. To identify the type of accounting errors which do (or do not) cause disagreement with the trial balance and their effects on accounting records;
4. To prepare correcting entries, where appropriate, a suspense account.

**Overview of Contents:**

Lesson 1 Bank Reconciliation Statement

Lesson 2 Errors which do not Cause Disagreements in the Trial Balance

Lesson 3 Errors which Cause Disagreements in the Trial Balance and the Suspense Account

**Resources:**

* + Topic Overview, Teaching Plan and Answers to Student Worksheet
	+ PowerPoint Presentation
	+ Student Worksheet

**Suggested Activities:**

* Group Discussion
* Case Study

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| **Lesson 1** |
| **Theme** | Bank Reconciliation Statement |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

Upon completion of this lesson, students will be able to:

1. explain the functions of a bank reconciliation statement;
2. understand the timing differences between the Cash Book and Bank Statement;
3. identify discrepancies between cash book and bank statement balances;
4. update the Cash at Bank account in the Cash Book and create the Bank Reconciliation Statement; and
5. understand that the Bank Reconciliation Statement can be an internal control tool for identification of accounting errors and fraud.

**Prior Knowledge:**

* Recording transactions in the Cash at Bank account.

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time****Allocation** |
| **Part I: Introduction** |
| * Teacher explains the functions of bank reconciliation statement and reasons for discrepancies between the cash book and bank statement.
	+ Students comprehend timing differences.
	+ Teacher summarises items recorded in the bank statement but not recorded in the cash book for preparing the adjusted bank balance
 | PPT#1 - 10 | 5 minutes |
| **Part II: Contents** |
| * **Activity 1: Matching**
	+ Identify the discrepancies in either the cash book or bank statement and their impact on the bank statement balance / cash book balance.
 | PPT #11-13Student Worksheet p.1-2 | 10 minutes |

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| * **Activity 2: Problem solving**
	+ Students compare the cash at bank account in the cash book with the bank statement.
	+ Students update the cash book after comparing it to the bank statement.
	+ Students adjust the discrepancies in the cash at bank account of the cash book.
	+ Students present their findings.
	+ Teacher wraps up the presentation.
 | PPT# 14-24Student Worksheet p.3-7 | 20 minutes |
| **Part III: Conclusion** |
| * Teacher concludes the lesson by highlighting the key points learned:
	+ Entries that were made in cash book only.
	+ Entries that were made in bank statement only.
	+ Functions of bank reconciliation statements
	+ Preparation of bank reconciliation statement can be used as a tool of internal control for identification of accounting errors and fraud.
 | PPT# 25-27 | 5 minutes |

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| **Lesson 2** |
| **Theme** | Errors which do not Cause Disagreement in the Trial Balance |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

Upon completion of this lesson, students will be able to:

1. identify the six types of errors that do not affect the trial balance;

2. understand how these errors could be identified;

3. correct these errors through journal entries; and

4. understand the effects of errors on profit calculation and prepare a corrected income statement.

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time****Allocation** |
| **Part I: Introduction** |
| * Teacher explains the six types of errors not affecting the trial balance. Students should:
	+ Understand why these errors do not affect the trial balance agreement.
	+ Understand the nature of various types of errors, differentiate them and correct them through journal entries.
	+ Understand the effects of errors on profit calculations and prepare a corrected income statement.
 | PPT #28-41 | 10 minutes |
| **Part II: Content** |
| * **Activity 3: Identify the errors**
	+ Activity 3A “Identify the errors” - Students identify the types of errors and complete the list.
	+ Activity 3B “Why? Why? Why? - Students explain why these errors do not affect the trial balance.
	+ Teacher checks answers with the class.
 | PPT #42-46Student Worksheet p.8 - 9 | 10 minutes |
| * **Activity 4: Help your boss**
	+ Students are asked to help their boss, the accounting manager of Dragon Company, to correct the errors in the books by journal entry.
	+ Teacher checks answers with the class.
 | PPT #47-50Student Worksheet p.10 | 5 minutes |
| * **Activity 5: Profit Bingo**
	+ Students are asked to identify if the corrected entries affect the income statement. Complete the working table given.
	+ Teacher asks students to prepare an adjusted income statement.
	+ Students are expected to understand:
		- The nature of the error;
		- The reason why the error occurred;
		- Whether the error affects the income statement and the trial balance agreement;
		- How the error affects the net profit;
		- The procedure to correct the error.
	+ Teacher checks answers with the class.
 | PPT #51-56Student Worksheet p.11 - 13 | 10 minutes |
| **Part III: Conclusion** |
| * Teacher concludes the session and highlights the key points learned:
	+ Six types of errors not affecting trial balance agreement.
	+ Reasons why errors are discovered.
	+ Methods to correct the error.
	+ Techniques to arrive at the correct net profit.
 | PPT #57 | 5 minutes |

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| **Lesson 3** |
| **Theme** | Errors which Cause Disagreement in the Trial Balance and Suspense accounts |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

Upon completion of this lesson, students will be able to:

1. understand the reasons for inequalities in the trial balance;
2. use a “Suspense Account” to temporarily maintain the trial balance;
3. identify and locate errors from source documents and accounting records; and
4. correct the errors.

**Prior Knowledge:**

* Bank Reconciliation Statement;
* Updated Cash at Bank account for discrepancies; and
* Correction of errors through journal entries

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time****Allocation** |
| **Part I: Introduction** |
| * Teacher reviews the dual aspects of transactions to maintain balance in the trial balance.
	+ Errors exist if the trial balance does not agree.
	+ A trial balance in agreement will not guarantee it is error free.
 | PPT #58-60 | 4 minutes |
| **Part II: Contents** |
| * Teacher illustrates the use of Suspense Account to rectify the imbalanced trial balance.
	+ Errors are corrected by double entries after identifying them.
	+ Suspense Account will be closed after correcting all errors.
	+ Adjust the net profit after correction, if necessary.
 | PPT #61-69 | 5 minutes |
| * **Activity 6: Problem solving**
	+ Class is divided into groups of 4 to 6. Each group has to distinguish the given errors that affect/do not affect the trial balance.
	+ Teacher briefs students about question assumptions -- explains steps to solve the problem.
	+ Students prepare a bank reconciliation statement.
	+ The case is used to improve students’ problem solving ability. They have to co-operate and co-ordinate with members assigned on:
		- Preparing the bank reconciliation statement and inputing information for double entry in the ledger;
		- Providing information to update the cash at bank account;
		- Identifying the errors
	+ Teacher can accelerate learning by showing the list of errors and referring to the summary in the Teacher Notes.
		- Updating ledger accounts.
		- Preparing a corrected trial balance.
	+ Students present their answers and findings.
 | PPT #70-74Student Worksheet p.14 - 25 | 26 minutes |
| **Part III: Conclusion** |
| * Teacher concludes the lesson and highlights the key points learned:
	+ Errors may be obvious and cause an imbalance in trial balance.
	+ Errors may still exist even if the trial balance is in agreement.
 | PPT #75-76 | 5 minutes |