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| **Topic Overview** | |
| **Topic** | BAFS Elective Part - Accounting Strand – Financial Accounting  A03: 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 #11-13  Student 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  # 14-24  Student 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 #42-46  Student 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 #47-50  Student 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 #51-56  Student 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 #70-74  Student 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 |