

Week 2: Internal Control, Incomplete records, and Bank Reconciliations

Learning Objectives:

- Undertake the reconstruction and reconciliation procedures for incomplete records
- Identify the need for internal control and define the nature of internal control, with a specific focus on internal control over cash
- Perform a bank reconciliation and understand the usefulness and procedures of a bank reconciliation procedure

Incomplete Records

Why is there a failure of internal control?

- Inappropriate recording
- Loss of records due to carelessness
- Fraud
- Lack of knowledge

Steps for Account Reconstruction

1. Opening Balance
2. Closing Balance
3. What makes it go up
4. What makes it go down

Accounts Reconstructions [templates]

A/C Receivable	
Balance	Bank
Credit sales	Cash
Cash Refund	Bad debts
Interest charged	Sales Return
Dishonoured cheque	Set-off
	Discounts allowed/expense

A/C Payable	
Bank	Balance
Purchase Return	Inventory (credit purchase)
Set-off	
Discount received/revenue	

Inventory	
Balance	COGS
A/c payable	A/c payable (purchase return)
COGS (sales return)	Stock loss
Stock gain	

Sale of a NCA

Non-Current Asset	
Opening Balance	Disposal of Machinery (I.e. cost of
Cash at Bank	NCA sold)
	Closing Balance

Accumulated Depreciation – NCA (negative asset)	
Disposal of NCA (i.e. Acc Dep'n of	Opening Balance
NCA sold)	Depreciation Expense
Closing Balance	

Disposal of NCA (sale of NCA)	
NCA	Accumulated depreciation – NCA
	(I.e. accumulated depreciation of
	NCA sold)
	Proceeds of sale
Gain on sale	Loss on sale

Disposal account calculates gain/loss on sale by receiving:

1. Cost of NCA sold
2. Acc Dep of NCA sold (i.e. carrying amount)
3. Proceeds of Sale i.e. Cash

Journals:

DR Depreciation Expense

CR Accumulated Depreciation

(Record depreciation on vehicle to point of sale)

DR Sale of NCA xxx (cost price of the NCA)

CR NCA

(Transfer NCA sold)

DR Acc. Dep xxx (acc. dep amount)

CR Sale of NCA

(Transfer of acc. Dep on NCA sold)

DR Cash xxx (how much it was sold for)

CR Sale of NCA

(Proceeds on sale of NCA)

DR Sale of NCA xxx (

CR Gain on sale of NCA

(Recording of gain on sale of NCA)