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Tutorial:

1. Creditors Reconciliation

The purpose of a creditor's reconciliation would be to eliminate any errors and omissions between the account of our creditor in the Creditors Ledger and the statement received from our creditor.

In our books a creditor is a liability, however, to our Creditor we are a debtor, and therefore a statement that we receive from a creditor will be the opposite of our books:

Our Creditors Ledger = Statement received from creditor

Creditors Ledger of Grade 11 Traders

XYZ Suppliers

Day	Details	Debit -	Credit +	Balance
		Discount received	Credit Purchases	
		Payments	Interest on overdue account	

Statement received from our Creditor XYZ Suppliers

Grade 11 Traders

Day	Details	Debit +	Credit -	Balance
		Credit Sales	Discount allowed	
		Interest on overdue account	Payments	

Steps in the reconciliation process:

Step 1

Compare the Creditor's Account in the Creditors Ledger to the Statement received by the creditor. Cross off all the corresponding amounts.

Creditors Ledger of Grade 11 Traders Xyz Suppliers

Date	Day	Details	Fol	Debit	Credit	Balance
May 2014	1	Balance	b/d			~~1800~~
	10	Invoice 924	CJ		500	2300
	15	Cheque 157	CPJ	1800		500
	20	Debit Note	CAJ	~~100~~		400
	25	Invoice 944	CJ		~~850~~	1250

Statement

To:	From: Xyz Suppliers
Grade 11 Traders	PO Box 999 999
Tel: (555) 555 5555	Johannesburg
1 Oxford Road	2000
Johannesburg	

Date	Details	Debit	Credit	Balance
01-May	Balance			~~1800~~
01-May	Interest on overdue account	30		1830
05-May	Invoice 924	5000		6830
05-May	Credit Note 15		~~100~~	6730
20-May	Invoice 944	~~850~~		7580
30-May	Invoice 952	225		7805

Step 2

Look at the additional information to see what explanations are offered for the amounts that have not been crossed off. Use this information to record any errors or omissions in your Creditors Ledger.

Additional information:

1. Invoice 924 is correct on the Statement received from Xyz Suppliers
2. Invoice 952 still needs to be recorded in the books of Grade 11 Traders

Creditors Ledger of Gr 11 Traders

XYZ Suppliers

Date	Day	Details	Fol	Debit	Credit	Balance
31/5/2014	1	Balance	b/d			1250
	31	Inv 924 understated	GJ		4500	5750
	31	Journal voucher	GJ		30	5780
	31	Invoice 952	CJ		225	6005

Step 3

Set up the Creditors reconciliation statement by:

- Recording the adjusted total from the Creditors Ledger
- Recording the balance according to the Creditors Statement at the end of the month.
- Recording any entries that appear in the Creditors Ledger, but not on the Creditor's statement.

Grade 11 Traders

XYZ Suppliers

Creditors Reconciliation statement as at 31 May 2014

Details	Debit	Credit
Balance according to creditor's statement	7805	
Balance according to creditors ledger		6005
Payment not reflecting on creditor's Statement		1800
	7805	7805